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# The Role of Leaders’ Motivation, Entrepreneurial Leadership, and Organisational Agility in Social Enterprise Sustainability

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# Abstract

**Research Aims:** Expand the insights for social enterprises (SEs) to sustain their economic and social performance, considering the impact of leader’s motivation, entrepreneurial leadership, organisational agility, and competitive advantage.

**Design/Methodology/Approach:** The dataset was obtained from a survey of 102 SE strategic leaders in Indonesia, which was processed using PLS and SEM to test the hypothesis.

**Research Findings:** Motivation has a positive effect on entrepreneurial leadership but not on organisational agility. Entrepreneurial leadership has tridirectionally relationships with organisational agility, competitive advantage, and social firm performance. Organisational agility has bidirectional relationships with competitive advantage and economic firm performance, whereas competitive advantage only positively affects social firm performance.

**Theoretical Contribution/Originality:** Illuminated a way for SEs to improve economic and social performance by making several variables as a unit. So that SEs know where to put their focus and the impact of the decisions and steps they take. This study also paved the way for researchers to determine future research topics that must be explored.

**Managerial Implication in the South East Asian Context:** As insights for SE leaders in making decisions and finding solutions to the challenges or problems they face while contributing to the development of organisational performance in terms of economic and social.

**Research Limitations & Implications:** This study is a descriptive, cross-sectional study that only analyses Indonesian SEs. Therefore, this study's results only represent SE conditions at the specific time of this research.

**Keywords**: motivation, entrepreneurial leadership, organisational agility, firm performance

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# INTRODUCTION

Social enterprise (SE) is believed as one of the best alternative solutions for many social/environmental problems faced by Indonesia, ranging from unemployment, poverty, health problems, the availability of clean water, to environmental damage. In a broad sense, SE uses commercial activities to achieve a social objective (Sasaki & Koizumi, 2016). SE activities seek social and/or environmental impact by trading goods and/or services. SE is not tied to a broad spectrum, not just for-profit or non-profit.

SEs are important for Indonesia for these reasons: 1) SEs support the national objectives of educating the nation and improving public welfare long before the country’s independence, as stated in the Preamble to the 1945 Constitution – it shown significant and consistent contributions to the nation; 2) SEs could potentially contribute significantly to the Indonesian economy at 2 (two) percent to gross domestic product (GDP) or around US$ 19.4 billion (Council, 2018); 3) SEs fill the gaps left by government programs that support the work of government and development partners.

There is still a lack of adequate research on SE (Nascimento & Salazar, 2020). Therefore, the potential for studies in the field of SE, which is part of the social science discipline, is still vast. Moreover, SE should be viewed from an economic and social point of view in order to distinguish SE from other related phenomena (Saebi et al., 2019). In this case, an information gap exists in understanding how SE works. In order to close this gap, we need a model representing how SE works. Some research reveals that motivational drivers, strategic leadership, and organisational agility play an essential role in achieving the performance of companies through strong competitive advantage (Gupta et al., 2020). However, these variables' role has not yet been investigated in terms of SE.

This study aims to expand the insights for SEs to sustain their economic and social performance, considering the impact of a leader's motivation, entrepreneurial leadership, organisational agility, and competitive advantage. The main question of this study is: Do motivation and entrepreneurial leadership enhance organisational agility, competitive advantage and social enterprise (both economic and social) performance?

**LITERATURE REVIEW**

## Motivation

Motivation is a drive and a process that makes people do something towards their wants and/or needs. Every entrepreneur has his/her unique motivation for starting a business (Bernard et al., 2005). Organisations require “energetic forces” that initiate behaviour-related work and determine its form, direction, intensity, and duration (Latham & Pinder, 2005). Behaviour and how a manager or leader acts in an organisation are based on his/her motivation or ambition and can determine the organisation's effectiveness (Stone, 2010).

## Entrepreneurial Leadership

Ireland et al*.* (2003) view entrepreneurial leaders as someone capable of using his/her power to influence others and manage resources strategically to combine effective opportunity-seeking and advantage-seeking behaviours. These behaviours eventually lead to better organisational performance and more creative outcomes (Cai et al., 2019). Entrepreneurial leadership emphasises teamwork and collaboration in finding and exploiting entrepreneurial opportunities to achieve common goals (Renko et al., 2015).

Each individual is unique and has his/her own needs according to their character and mindset, which drive them to strive harder for personal accomplishments (Mcclelland & David, 1976). Kark & Dijk (2007) proposed that motivation to lead will impact a leader's behaviour. Using a database of 1,154 effect sizes from 100 primary studies and more than 20,000 diverse participants, Badura et al*.* (2020) found that motivation to lead affects leadership style and outcome. Lehner & Germak (2014) specifically researched 127 members of the worldwide social impact hub network and argued that public service motivation or the desire to serve the public has a strong relationship with social entrepreneurial identification. Therefore, the proposed hypothesis is

H1: Motivation positively impacts entrepreneurial leadership.

## Organisational Agility

Organisational agility is the capacity to do various things that need to be done to make the organisation more effective and efficient (Alberts & Hayes, 2003) in response to change (Tallon & Pinsonneault, 2011). By having this capability, a company will become more innovative in carrying out its activities to become more flexible and adaptive and to successfully achieve the goals of the organisation, employees, and shareholders (Shahrabi, 2012).

Motivation is one of the defining factors of organisational success in developing strategies and achieving targets. Farahani & Salimi (2015), who did a study on AzarAb Industries Company with 156 respondents, mentioned that employees’ motivation has a significant relationship with organisational agility. In that research, employees’ motivation is the means to achieve the company’s objective. There is a positive relationship between motivation and innovation activity in an organisation, ultimately improving organisational performance (Voynarenko et al*.,* 2020). Therefore, the proposed hypothesis is

H2: Motivation positively impacts organisational agility.

From a study with 200 Swedish principal respondents, Hansson & Andersen (2007) concluded that leadership style influences a group’s readiness to initiate and implement change. Veiseh et al. (2014) conducted a study using the population of Ilam Gas Refinery and confirmed that leadership style, transformational leadership, with organisational creativity as the mediating variable, has a significant relationship with organisational agility.

Research by Utoyo et al. (2020) used samples from two Indonesian largest state-owned enterprises from two different industries, TELKOM and BRI, and found that entrepreneurial leadership is the proper ammunition to provoke a company's innovation strategy to be agile and ready to compete in an unpredictable environment. In SMEs, entrepreneurial leadership also significantly impacts employees' innovative work behaviour and opportunity recognition (Bagheri, 2017). Therefore, here is the proposed hypothesis:

H3: Entrepreneurial leadership positively impacts organisational agility.

## Competitive Advantage

A company can have a competitive advantage if it can create higher value than competitors (Barney, 2001). Furthermore, the most important thing is maintaining this competitive advantage, commonly referred to as a sustainable competitive advantage. Companies must be able to create and maintain their competitive advantage amid an unstable and ever-changing environment; if they fail to do so, they will be left behind. In the view of Egypt Air, competitive advantage can be achieved by an agile organisation. When facing a crisis, for example, in a pandemic, organisational agility can help an organisation to remain stable and balanced in maintaining its position in the market (Alromeedy, 2019). In Chinese companies' IT capabilities, the leader's agile mindset plays a vital role in the company's agility, directly impacting its competitive position (Lee et al*.*, 2007). Therefore, here is the proposed hypothesis:

H4: Organisational agility positively impacts competitive advantage*.*

Murniningsih et al. (2020) studied and took samples from SMEs in the Magelang region, Indonesia. It was known that entrepreneurial leadership strongly influences an organisation's competitive advantage. The findings of Yusnita & Wahyudin (2017) and Sulistyowati (2018), which use SMEs in different regions of Indonesia as the unit of analysis, have shown that the greater entrepreneurial leadership, the greater the competitive advantage will be. Therefore, here is the proposed hypothesis:

H5: Entrepreneurial leadership positively impacts competitive advantage.

## Social Enterprise Performance

Unlike established companies focusing on financial performance (Folmer et al.*,* 2018), SEs prioritise creating innovation and social impact (Ridley-Duff & Southcombe, 2011). The organisation must achieve a sustainable competitive advantage in the face of technological advancement, market competition, and environmental change. A case study conducted by Potjanajaruwit (2018) regarding start-up companies in Thailand stated that a company's technological advancement could generate a competitive advantage compared to competitors in the same industry with lower technological capabilities able to reduce company costs and improve financial performance. A firm with a competitive advantage will perform better than one without a competitive advantage (Cater & Pucko, 2005). Therefore, here is the proposed hypothesis:

H6A: Competitive advantage positively impacts firm performance (economic). H6B: Competitive advantage positively impacts firm performance (social).

Organisational agility can be the answer for companies that want to survive and grow in a dynamic environment. A study from Cegarra-Navarro et al. (2016) involving datasets from 112 large Spanish companies verified firm performance's strong dependence on pre-existing organisational agility. Wageeh (2016), in the paper entitled “Organizational Agility: The Key to Organizational Success”, also argues that companies that practise organisational agility will perform better. It emphasises sensing, decision-making, and acting agility, which positively correlate with firm performance. It also mentions that employees who believe their organisation is agile have better working performance. Therefore, here is the proposed hypothesis:

H7A: Organisational agility positively impacts firm performance (economic). H7B: Organisational agility positively impacts firm performance (social).

A qualitative study by Palalic (2017) found that entrepreneurial leadership improves SMEs performance. Huang, Ding and Chen (2014) concluded that entrepreneurial leadership positively relates to new venture performance in China. Leadership style is one of the reasons for a company's success, and entrepreneurial leadership has a positive relationship with SMEs success in Tanzania (Mgeni, 2015). Rahim et al. (2015) argued that SME owners should adopt an entrepreneurial leadership style because it will make the organisations adaptable in an unstable environment, create a competitive advantage, and improve organisational performance. Entrepreneurial leaders possibly generate better income, firm performance, innovation performance, and resource management (Ranjan, 2018). Therefore, here is the proposed hypothesis:

H8A: Entrepreneurial leadership positively impacts firm performance (economic). H8B: Entrepreneurial leadership positively impacts firm performance (social).

**RESEARCH METHOD**

## Sample and data collection

The research utilised survey research and grounded theory. The approach used was a deductive approach. This research was quantitative research, in which the data were collected from questionnaires. This study used a judgement sampling approach, meaning that the subjects were the experts in the field of discussion of this research in order to provide appropriate and meaningful outcomes. In this case, the respondents were experienced leaders or managers of SEs. The samples of this study were taken from SEs in different cities in Indonesia. The questionnaire was distributed online through Google Forms. The first version of the questionnaire was distributed online. After getting responses from 32 respondents, then pilot

testing was carried out using the SPSS application to check the outliers of each question, to see the face validity of the questionnaire and to analyse whether the questions were clearly understood or not.

After the analysis, an online forum group discussion was carried out via Google Meet by inviting four respondents and three non-respondents to obtain a better insight regarding the revisions needed regarding the questionnaire questions. Afterwards, adjustments and revisions were made to the questionnaire, and the final version was distributed online. The final questionnaire had 111 respondents. However, nine respondents were not eligible to fill the questionnaire. Therefore, 102 respondents were eligible for this research. Data were gathered at once, making this study's time horizon one shot and cross-sectional. After the correspondents filled in the questionnaire, the data were processed mostly using PLS and SEM to test the hypothesis.

## Measures

PLS-SEM application was used to analyse and process the data because it can utilise small sample sizes (Latan & Ghozali, 2015) and is suitable for complex structural models (Hair et al., 2011). Data preparation is the first step of the data processing procedure, consisting of coding and data entry, editing data, and data transformation (Sekaran & Bougie, 2016). Data screening was carried out using the PLS-SEM application to identify more reliable data. Then, data accuracy was indicated by the statement responses in the 1 to 5 Likert Scale range. The next step was identifying the outliers from the respondents. In this case, the data were screened to identify whether or not the respondents met the criteria, which should be the founder, commissioner, director, and management-level people of SEs in Indonesia.

After the data were screened, we did a validity and reliability test. In this research, the validity tests involved were the convergence validity test, average variance extracted (AVE*)* test, and discriminant validity test. After the validity test, the next was reliability measurement. The objective of the reliability test was to make sure that the observed variables were in the “true” value and were “error-free” (Hair et al., 2014). This study utilised composite reliability and Cronbach’s alpha tests to measure the reliability of each variable because they are commonly used in research with data generated from questionnaires (Griethuijsen et al., 2015; Hair et al., 2014). SEM can show the relationship between variables, estimate errors, and define a model to explain the entire set of relationships (Hair et al., 2007). In this research, the structural measurement model involved some tests, namely R2 value test, effect size (F2) test, predictive relevance value (Q2) test and measurement of structural path coefficients.

# RESULTS AND DISCUSSIONS

## Results

***Measurement model validation***

To consider the collection of data as valid, the loading factor should be greater than 0.6 (Latan & Ghozali, 2015), the AVE value should exceed 0.5, and the discriminant validity value (Heterotrait-Monotrait Ratio) must be less than 0.85 (Henseler et al*.,* 2016). The first test conducted was the convergence validity test. The results showed five sub-dimensions considered invalid, namely SM1, ELS7, ELS8, ELM1, and OA5. Therefore, these sub- dimensions were eliminated before further advanced observations were conducted. After these sub-dimensions were eliminated, the AVE test was conducted. This test showed that all the latent variables involved in this study were valid because the values exceeded 0.5. Furthermore, a discriminant validity test revealed that all the data were valid because the values were less than 0.85.

## Measurement model reliability

The value of the reliability test should be more than 0.7 to be considered reliable (Hair et al., 2014). Based on the observation, all the valid data measured before were reliable, as shown in Table 1.

Table 1. The Summary of Model Reliability Test

|  |  |  |  |
| --- | --- | --- | --- |
| Constructs | Composite Reliability | Cronbach’s Alpha Test | Description |
| Motivation (SM) | 0.858 | 0.802 | Reliable |
| Entrepreneurial Leadership (EL) | 0.958 | 0.954 | Reliable |
| Organisational Agility (OA) | 0.869 | 0.808 | Reliable |
| Competitive Advantage (CA) | 0.875 | 0.835 | Reliable |
| Firm Performance (Economic) (FPE) | 0.946 | 0.931 | Reliable |
| Firm Performance (Social) (FPS) | 0.918 | 0.868 | Reliable |

## Test of the structural model

Table 2. The Results of Coefficient of Determination (R2) and Predictive Relevance Value (Q2) Tests

|  |  |
| --- | --- |
| Constructs Coefficient of Determination (R2) | Predictive Relevance Value (Q2) |
| Entrepreneurial 0.362 | 0.170 |
| Organisational 0.337 | 0.172 |
| Competitive 0.551 | 0.248 |
| Firm Performance 0.410 | 0.275 |
| Firm Performance 0.360 |  |

Leadership (EL) Agility (OA) Advantage (CA) (Economic) (FPE)

(Social) (FPS)

To assess the causal relationship among the variables measured, we conducted the coefficient of determination (R2), Predictive Relevance Value (Q2), and hypothesis tests. The results of R2 of 0.67, 0.33, and 0.19 indicate that the model is “good”, “moderate”, and “weak” (Ghozali, 2014). The results of Q2 of 0.002, 0.15, and 0.35 indicate that the model is “weak”, “moderate”, and “strong”. The results of R2 and Q2 can be seen in Table 2. In modelling-based research, hypothesis testing is crucial to develop theory (Shmueli et al., 2016). In PLS-SEM, hypothesis testing relies on bootstrapping (Streukens & Leroi-Werelds, 2016) because PLS-SEM does not assume a normal distribution (Hair et al., 2014). We tested the research hypothesis using the t- statistic coefficient. Where the result of the bootstrapping command produces t-statistics, indicators that have a t-statistic > 1.96 are said to be significant (Latan & Ghozali, 2015). An indicator can also be influential if it has a p-value <0.05 (Haryono, 2017). The direct effect hypothesis testing can be found in Table 3.

Table 3. Direct Effect Hypothesis Testing

|  |  |  |  |
| --- | --- | --- | --- |
|  | Original | Sample | Standard T Statistics P |
|  | Sample  (O) | Mean  (M) | Deviation (|O/STDEV|) Values Result  (STDEV) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| SM -> EL | 0.601 | 0.616 | 0.063 | 9.510 | 0.000 | Supported |
| SM -> OA | -0.014 | -0.015 | 0.096 | 0.145 | 0.884 | Not Supported |
| EL -> OA | 0.589 | 0.603 | 0.090 | 6.541 | 0.000 | Supported |
| OA -> CA | 0.457 | 0.469 | 0.103 | 4.425 | 0.000 | Supported |
| EL -> CA | 0.377 | 0.373 | 0.113 | 3.326 | 0.001 | Supported |
| CA -> FPE | 0.029 | 0.051 | 0.143 | 0.202 | 0.840 | Not Supported |
| CA -> FPS | 0.297 | 0.304 | 0.122 | 2.432 | 0.015 | Supported |
| OA -> FPE | 0.520 | 0.493 | 0.148 | 3.507 | 0.000 | Supported |

Table 3. Direct Effect Hypothesis Testing (Continued)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Original | Sample | Standard T Statistics P |
|  | Sample  (O) | Mean  (M) | Deviation (|O/STDEV|) Values Result  (STDEV) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| OA -> FPS | -0.008 | -0.004 | 0.116 | 0.066 | 0.947 | Not Supported |
| EL -> FPE | 0.150 | 0.165 | 0.123 | 1.220 | 0.223 | Not Supported |
| EL -> FPS | 0.370 | 0.368 | 0.119 | 3.098 | 0.002 | Supported |

## Discussions

Figure 2 shows the relationship of the variables, based on the hypothesis.

Figure 2. The Relationship of the Variables, based on the Hypotheses

***The Impact of Motivation (SM) Towards Entrepreneurial Leadership (EL) [H1: Supported]*** SM has a positive and significant influence on EL. Some research reveals that motivation can support SEs performance by affecting entrepreneurial leadership, namely impacting the leader’s behaviour and leadership style, capturing opportunities, influencing other actors in the organisation, creating opportunity and advantage-seeking behaviours, developing clear goals, improving idea development, providing employee empowerment, and improving resource orchestration (Barbuto, 2005; Cogliser & Brigham, 2004; Yukl, 2012).

## The Impact of Motivation (SM) Towards Organisational Agility (OA) [H2: Not Supported]

SM does not have a significant effect on OA. Independently, SM cannot directly have a positive impact on OA. SM must go through EL in order to make an organisation agile. Private organisations have different motives (Besley & Ghatak, 2017). For-profit organisations are mostly motivated to create financial wealth; therefore, the managers are rewarded with bonuses based on profitability, and this motivation may lead to a social cost (Besley & Ghatak, 2017). A non-profit organisation is mostly motivated to create an impact. In contrast, non-profit managers' wages are commonly flat, and SE combines both motivations of for-profit and non- profit organisations with more emphasis on a social mission (Besley & Ghatak, 2017).

Therefore, there might be different results between the impact of motivation towards organisational agility in those three types of organisations.

This research has shown that in the context of SE, motivation cannot independently impact organisational agility. Therefore, there might be several reasons for this, such as the alignment of employees’ and SE’s motivation. It is challenging for SE to find the right persons who share the company’s motivation and values, and it even becomes one of the main challenges faced by SEs all over the world (Austin et al., 2006; Butler et al., 2017; Dacin et al., 2010; Rostiani et al., 2015). Mission-sympathetic citizen managers with public service motivation are needed to maintain balance within SE on pursuing profit and social impact (Besley & Ghatak, 2017). Another reason is that this study suggests that motivation requires other variables, like entrepreneurial leadership, to influence organisational agility positively.

## The Impact of Entrepreneurial Leadership (EL) Towards Organisational Agility (OA) [H3: Supported]

EL has a positive and significant influence on OA. Entrepreneurial leadership enhances organisational agility because the characteristics of entrepreneurial leadership, such as innovativeness, proactiveness, competitive aggressiveness, and risk-taking positively impact agility (Dabić et al., 2021; Ibrahim & Rashid, 2019). Entrepreneurial leaders are more likely to produce individual and creative team outcomes (Cai et al., 2019). Entrepreneurial leadership has a significant role in organisation innovation configuration, guiding SE to a favourable position in a disruptive environment by formulating an innovation strategy (Utoyo et al.*,* 2020). This finding is also consistent with Newman et al. (2018) study, which mentioned that in SE, entrepreneurial leaders would lead followers to have more innovative and creative behaviours.

## The Impact of Organisational Agility (OA) Towards Competitive Advantage (CA) [H4: Supported]

OA has a positive and significant influence on CA. Organisational agility provides an opportunity for companies to gain relevant knowledge so that they can use that knowledge to improve their products and services for the better in order to compete with existing and emerging competitors (Cegarra-Navarro et al., 2016; Ismail & Alam, 2019). Therefore, it can increase SE's competitive advantage since to sell its products and services, SE is not only competing against another SE but also all of the other organisations.

## The Impact of Entrepreneurial Leadership (EL) Towards Competitive Advantage (CA) [H5: Supported]

EL has a positive and significant influence on CA. This finding aligns with research claiming that entrepreneurial leadership affects micro-enterprise competitive advantage (Sulistyowati, 2018; Yusnita & Wahyudin, 2017). Furthermore, Zainol et al. (2018) state that SMEs which have clear visions and activities tend to perform better by investigating the external environment, launching new products/services, and improving existing ones.

## The Impact of Competitive Advantage (CA) Towards Firm Performance (Economic) (FPE) [H6A: Not Supported]

CA has a positive but not significant effect on FPE. This finding contradicts the commonly accepted knowledge in a commercial organisation, in which competitive advantage is one of the critical sources of better economic performance (Newbert, 2008; Potjanajaruwit, 2018). However, SE's main objective is not only about maximising profit but also maximising social impact (Austin et al., 2006). Commercial companies, in general, will try to maximise profits by providing the highest selling price possible.

In contrast, SE tries to provide a relatively lower price to the beneficiaries, especially those in need who cannot afford expensive products/services. They trade off profits with impacts (Bhattarai et al.*,* 2019). SEs commonly reinvest their profits into impact-making (Moizer & Tracey, 2010). To gain funding and grants, SEs compete against other SEs, non-profit organisations, and commercial organisations to gain market share (Weerawardena & Mort, 2006).

## The Impact of Competitive Advantage (CA) Towards Firm Performance (Social) (FPS) [H6B: Supported]

CA has a positive and significant influence on FPS. The uniqueness of SE compared to other organisations is its bottom lines, which are profit and social impact (Austin et al., 2006; Heap, 1998). While non-profit organisation gains a competitive advantage over for-profit organisation by the altruism to provide output at a lower price (Lakdawalla & Philipson, 2006), the concept of SE itself yields a unique competitive advantage when morality is turned into an ethical economic asset (Wagner-Tsukamoto, 2005; Yang et al., 2010). Through its belief, SE's competitive advantage will help them better perform in addressing social/environmental issues it tries to solve (Yang et al., 2010).

## The Impact of Organisational Agility (OA) Towards Firm Performance (Economic) (FPE) [H7A: Supported]

OA has a positive and significant influence on FPE. Organisational agility impacts organisation development in swiftly transforming environments (Wageeh, 2016). Arguably, organisational agility accommodates the integration and assembly of resources (Cegarra-Navarro et al*.,* 2016). With superior products/services, SE can compete in the market and increase economic performance, especially when it brings more value through its mission (Wagner-Tsukamoto, 2005). When SE has a good economic performance and high-quality human resources, investors will be more convinced to invest.

## The Impact of Organisational Agility (OA) Towards Firm Performance (Social) (FPS) [H7B: Not Supported]

OA does not have a significant effect on FPS. In order to develop organisational agility to bring positive impact towards firm performance, other capabilities like human resource management, knowledge management, and adaptation of information technology (IT) are needed (Melián- Alzola et al., 2020; Richardson et al., 2014). The difficulties in acquiring skillful employees with the right motivation might be why SEs have a shortage of managerial and technical skills, which might affect the relationship between OA and FPS. Richardson et al. (2014) mentioned how clear the role of IT adoption and IT investment decisions are in helping a SE in the health industry agile and grow the social aspect of its performance.

## The Impact of Entrepreneurial Leadership (EL) Towards Firm Performance (Economic) (FPE) [H8A: Not Supported]

EL has a positive but not significant effect on FPE. Several studies have mentioned that entrepreneurial leadership has a positive impact towards firm performance (Huang et al., 2014; Mgeni, 2015; Palalic, 2017; Rahim et al., 2015; Ranjan, 2018). However, this study has shown different results. A study by Phangestu et al. (2020) with a unit analysis of mostly Indonesian start-ups also found that entrepreneurial leadership does not directly impact firm performance but requires a mediator, which is business model innovation. The majority of respondents in this research are from Indonesian micro and small SEs, and they might share the same characteristics with start-ups in terms of capital and other resources. Unlike non-profit organisations, SEs do not solely rely on donations or grants; they must have an effective business model to sustainably create impact (Umar et al., 2020).

## The Impact of Entrepreneurial Leadership (EL) Towards Firm Performance (Social) (FPS) [H8B: Supported]

EL has a positive and significant influence on FPS. Ruvio et al. (2010) mentioned that entrepreneurial leadership vision leads to better performance of the non-profit organisation and entrepreneurial leaders capable of translating their visions into various strategies that ultimately impact the outcome variables. Entrepreneurial leadership deals with ignored social issues, participates in social movements and contributes to change (Esmer & Dayi, 2017). Entrepreneurial leaders influence members through leadership characteristics for the organisation to achieve common goals (Esmer & Dayi, 2017). Hence, entrepreneurial leadership might help to turn the social entrepreneur’s motivation into the organisation’s motivation which will positively affect the social impact performance of the SE.

In line with our main research objective to investigate the impact of leader’s motivation towards firm performance (both social and economic), as shown in Table 3, statistical test results on structural model decomposition showed some findings as the following; a) there was only one path that positively impacts SE economic firm performance, which was from motivation to entrepreneurial leadership, to organisational agility than to firm performance (economic); and b) to improve social firm performance, there were three paths that SEs could choose: 1) from motivation through entrepreneurial leadership, competitive advantage, then social performance; 2) from motivation through entrepreneurial leadership then directly to social performance; and 3) from motivation through entrepreneurial leadership, organisational agility, competitive advantage, then social performance.

# MANAGERIAL IMPLICATIONS IN THE SOUTHEAST ASIAN CONTEXT

The results of this research provide managerial and practical contributions to SEs, namely as insights for SE leaders in making decisions and finding solutions to the challenges or problems they face. Furthermore, this research can contribute to the development of organisational performance in terms of economic and social aspects. For the government, this research can provide support and design regulations regarding SE. SE must keep up with the fast changes happening in the world to maintain its sustainability.

Through the results of this study, it is known that the variables that impact SE's social or economic performance are different. SE cannot only focus on one output because SE needs sustainability in terms of the economy to have a sustainable impact. If SE only focuses on social output, it can only provide social impact for a certain period and may not be able to complete the appointed social

mission. The prioritisation of financial output is important to address long-term social goals (Bradford et al., 2020). On the other hand, if SE only focuses on the economic aspect, there will be a conflict of interest in every action taken by SE and eventually ignore the social mission.

Motivation, indeed, is a crucial driver for SE. It is what shapes the steps taken by SE. However, motivation is not the only aspect needed in a tight competition. The following table describes the paths that can influence SE performance. Each path starts from motivation and through entrepreneurial leadership, which indicates the importance of SE’s entrepreneurial leadership. In a hard business environment, like during the pandemic, to survive, SE is required to find new ways or short-term innovations of doing business, for example, by empowering its community and adjusting products/services that they provide to the market, like producing cloth masks, home office products, and even face shields, according to the demand shift in the market.

Through the research model studied in this study, it is known that three paths influence firm performance (social) and one path influences firm performance (economic). Moreover, to improve economic performance, SE must also have organisational agility, and the type of leadership should be considered by SE to grow organisational agility. In order to make fresh ideas and innovations happen, SE should have the readiness and willingness to make changes quickly, led by an entrepreneurial leadership style. Most SMEs, including SEs, feel the lack of funds is the main problem of poor financial performance (British Council, 2018; Zainol et al., 2018). However, other factors are also responsible. Regarding recruitment, SE needs to arrange a recruitment strategy based on a mission, not just ability, giving space for innovation and encouraging entrepreneurial activities. Clear goals must be set, and the organisation should be agile to sustain competitive advantage and improve performance.

# THEORETICAL IMPLICATIONS

This research provides significant theoretical contributions for the following reasons: 1) this research confirms the relationship between the variables studied in this research, namely motivation, entrepreneurial leadership, organisational agility, competitive advantage, and firm performance of SE. The study examines all the constructs as described in the research model. With the lack of similar research that has been done on SE, this research can fill the gaps that exist regarding SE research, the appointed social mission role of motivation which is widely mentioned as an inseparable part of SE and also becomes a clear distinction between SE and other types of organisation. In addition, the role of other variables on the firm performance of SE, taking into account the global pandemic situation, 3) one of the main differentiators of this research is the

chosen unit of analysis, that is, the SE. Results in this study show several hypotheses turned out to have different results compared to the similar hypotheses that use commercial firms as the unit of analysis, which contributes to drawing a clearer line between SE and for-profit organisations, 4) this research is responding the research agendas that have been described by previous researchers, which more researches are needed regarding SE in the face of unstable external conditions, especially SE from developing countries, that involve motivation, and distinguish between social and economic factors of firm performance.

The results of this study only represent conditions of SE at the specific time of this research, unlike longitudinal study. Moreover, this study only focused on SE in Indonesia as the unit of analysis and took samples from SE based in several Indonesian cities. Consequently, the results only represent SE in those specific areas. The results might differ when a larger sample is taken from SE in different areas in Indonesia or other countries. It might be interesting for future research to adopt the research model and study SEs from different developing and developed countries than compare and examine whether geographical aspects create different results. Because the existence of SE potentially be the solution to social/environmental problems, and while this study only focuses on the relationship between motivation, entrepreneurial leadership, organisational agility, competitive advantage, and firm performance, it might be helpful if future SE researchers do studies on several other constructs that might help SE to improve its social and economic performance, especially in a competitive and unstable environment. Also, future studies focus more on specific sectors of SE.

# CONCLUSION

With complex social/environmental problems, such as social inequality, poverty, health, access to clean water, and environmental pollution, SEs can be the answer and play an important role in addressing these problems. However, with two different focuses, namely economic and social, SEs have to face various challenges, from the early stage, the development stage, until the maturity stage of their business. The different focus that SEs have compared to for-profit and nonprofit organisations makes SEs unique, and dedicated research and strategy developments are required.

Motivation is a very important thing in an SE. It is the motivation that shapes the leadership style and becomes the main grip for SE to be in line with its mission. However, advancements and changes in the world cannot be avoided, SEs are required to be more innovative and agile in carrying out their business activities. Especially when external things cannot be controlled internally, for example, the COVID-19 pandemic. This has shaken up the marketplace where SE

used to create social impact. So, SE requires other capabilities. The main problem is to find out what aspects can actually help SE in creating a competitive advantage and improving its economic and social performance. Therefore, this study will focus on important variables and provide some shed of light to SEs on maintaining their sustainability and improving their social and economic performance.

This study has validated the importance of motivation in an SE. SE believes in committing to being a good corporate citizen, and it is also convinced that its effort towards social/environmental issues will lead to better employee motivation, which ultimately will likely improve financial performance. Intrinsic and extrinsic factors have a positive and significant impact on entrepreneurial leadership but do not have a significant impact on organisational agility. However, entrepreneurial leadership can significantly affect organisational agility. This means that to be agile, SE must first develop entrepreneurial leadership.

Entrepreneurial leaders are able to provide a sense of destiny in the organisation, influence members through persuasions, and deal with opportunities and threats. Therefore the organisation will be able to rapidly implement changes and make decisions. Entrepreneurial leadership and organisational agility can both have a direct positive impact on competitive advantage. This means that an SE which is entrepreneurially led and able to move agilely will have more opportunities to compete with other organisations, for instance, by swiftly dealing with external factors and responding to market demands. From the tested research model, there is only one way for SE to positively influence economic performance, namely through organisational agility. While social performance can be achieved through entrepreneurial leadership and competitive advantage.

Through this study, it is also known that no single variable can simultaneously affect economic and social performance. That is why SE cannot only focus on one thing but must be able to develop several things and strategies to be able to influence economic and social performance concurrently. An SE can be called sustainable if it can sustainably meet bottom lines, profit, and impact. This research has illuminated a way for SEs to improve economic and social performance by making several variables as a unit. So that SEs know where to put their focus and what the impact of the decisions and steps they take. In addition, this study also paved the way for researchers to determine the future research topics that needed to be explored.

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