

Entrepreneurial Leadership and Business Performance of MSMEs: The Mediating Role of Government Support

Gretchen Dawaton Bangguiyac^{1*} , Marc Oliver Castañeda¹ 

¹Saint Louis University, A. Bonifacio Street 2600 Baguio City, Philippines

*Corresponding Email: 2096036@slu.edu.ph

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ABSTRACT

Micro, small, and medium enterprises (MSMEs) play a vital role in promoting economic growth, especially in rural areas with limited access to employment and livelihood opportunities. This study examined the relationship between entrepreneurial leadership and the business performance of MSMEs in Kalinga, Philippines, with government support as a mediating variable. Using an explanatory correlational design, data were collected from 336 MSME owners through a validated questionnaire. Structural Equation Modeling (SEM) was employed to analyze the relationships among the variables. Findings reveal that among entrepreneurial leadership dimensions, absorbing uncertainty ($\beta = 0.254$, $p = 0.004$) and creative collective self-efficacy ($\beta = 0.220$, $p = 0.001$) significantly and positively impact MSME business performance, while defining gravity shows a significant negative effect ($\beta = -0.102$, $p = 0.015$). Other entrepreneurial leadership dimensions show no significant effect. Government support positively influences performance ($\beta = 0.063$, $p = 0.0058$) but only partially mediates the effect of creative collective self-efficacy ($\beta = 0.017$, $p = 0.019$), contributing 7% mediation. These findings underscore the need for aligning government support to enhancing entrepreneurial leadership strengths to improve the business performance of MSMEs.

Keywords: Business Performance; Entrepreneurial Leadership; Government Support; MSMEs; Structural Equation Modeling

INTRODUCTION

Entrepreneurial leadership has emerged as a significant concept in contemporary entrepreneurship research, stemming from the intersection of entrepreneurship and leadership theory. Although still developing as a comprehensive theoretical framework, entrepreneurial leadership is recognized for its relevance in navigating the complexities of modern business environments (Gezahegn et al., 2022). Scholars emphasize the need for further empirical investigations to explore the applicability and implications of entrepreneurial leadership across diverse organizational contexts, particularly within micro, small, and medium enterprises (MSMEs), which are the backbone of many developing economies (Gezahegn et al., 2022; Kebede et al., 2024).

In the 21st century's volatile and dynamic business landscape, traditional leadership traits or entrepreneurial competencies alone are insufficient for achieving sustained business growth. Rather, a hybrid of entrepreneurial skills and leadership capabilities is essential (Pauceanu et al., 2021). This study adopts the multi-dimensional construct developed by Bagheri and Harrison (2020), which includes framing the challenge, absorbing uncertainty, underwriting, defining gravity, opportunity identification and exploitation, orientation towards learning, and creative collective self-efficacy.

While entrepreneurial leadership was initially studied in the context of large firms, recent literature affirms its relevance to MSMEs, particularly as these enterprises navigate limited resources and increasingly competitive environments (Widyastuti et al., 2023). MSMEs must continuously adapt their leadership approaches to align with evolving external demands, and entrepreneurial leadership provides a lens through which such adaptability can be assessed.

In parallel, the concept of business performance is defined as the extent to which firms achieve their objectives across financial and non-financial metrics (Ayu et al., 2024) is widely applied in global entrepreneurship literature, typically encompassing both financial indicators, such as profitability, sales growth, and return on investment, and non-financial metrics like customer satisfaction, innovation outcomes, and employee engagement (Ayu et al., 2024; Nguyen et al., 2021). In advanced economies, business performance is often measured through systematic and data-driven frameworks. In contrast, in developing countries, especially among MSMEs, business performance is commonly assessed through subjective perceptions due to the lack of formalized financial record systems (Johan et al., 2020). Business performance has been linked to entrepreneurial leadership in emerging economies (Nguyen et al., 2021).

However, most existing studies have focused on internal mediating variables such as team creativity or dynamic capabilities (Nguyen et al., 2021) and have not extensively explored the role of external factors like government support as potential mediators in the entrepreneurial leadership–business performance relationship.

Government support, encompassing financial and non-financial assistance, regulatory reform, capacity-building initiatives, and access to markets, has been identified as a critical enabler of MSME growth and sustainability (Titalessy et al., 2024; Yiming & Manansala, 2024; Yolandi et al., 2024).

In the Philippine context, particularly in rural areas, government support plays a critical role in addressing structural inequalities, enhancing the competitiveness of MSMEs, and ensuring their long-term survival and growth. Recognizing the constraints faced by rural entrepreneurs, such as limited access to capital, skills gaps, and inadequate market

linkages, the government has implemented various forms of support through both financial and non-financial interventions (Adobas et al., 2024).

In the province of Kalinga, MSMEs face challenges related to market access, infrastructure, financial literacy, and scaling according to the Department of Trade and Industry (DTI). The Philippine government has implemented support mechanisms aimed at empowering MSMEs through financial aid, skills training, regulatory reforms, and marketing support (Adobas et al., 2024). Programs such as the Shared Service Facilities (SSF), Negosyo Center, and Pondo sa Pagbabago at Pag-asenso (P3) are designed to stimulate inclusive growth and increase MSME competitiveness. Kalinga, recent developments show positive outcomes, with the province recording a 9.3% economic growth rate in 2023, attributed in part to improved local enterprise support and capacity-building efforts. MSMEs serve as vital engines of economic development in communities where formal employment opportunities are limited, and entrepreneurship is often the primary means of livelihood (Tadeo et al., 2023).

In recent years, entrepreneurial leadership has gained attention as a critical determinant of MSME success, particularly in navigating challenges related to innovation, opportunity recognition, and resource mobilization (Bagheri & Harrison, 2020; Ercantan et al., 2024). However, the application and effectiveness of entrepreneurial leadership in rural areas remain underexplored (Abiyasa & Utama, 2023).

Furthermore, government support has emerged as a crucial external factor that can either enhance or mediate the impact of entrepreneurial leadership on business performance. Through policies, training programs, financial assistance, and technology support, government interventions play a significant role in overcoming structural barriers faced by rural MSMEs (Gamo & Gollagari, 2020). Despite this, there is limited empirical evidence examining the mediating Effect of government support in the entrepreneurial leadership and business performance relationship.

Moreover, there is a lack of empirical studies employing the entrepreneurial leadership multi-dimensional construct alongside profitability-based performance indicators, particularly in the Philippines. By focusing on Kalinga's MSMEs, this study responds to that gap, investigating whether government support, both financial and non-financial, significantly mediates the relationship between entrepreneurial leadership constructs and MSME performance. Through this approach, the study advances the contextual understanding of entrepreneurial leadership, offers insights into policy-making and support mechanisms, and enriches the empirical discourse on rural MSME growth and resilience.

This study, therefore, aims to bridge existing gaps by exploring the relationship between government support and business performance of MSMEs, the relationship between entrepreneurial leadership and business performance, and the mediating role of government support in this relationship. Anchored in a positivist research paradigm, the study delivers both theoretical and practical contributions to the fields of entrepreneurship and leadership, especially within rural economies. While prior research recognizes the importance of entrepreneurial leadership and government support in improving business outcomes, the interaction between these factors remains insufficiently examined in rural settings, where informal business operations and limited institutional resources shape enterprise development.

LITERATURE REVIEW

Entrepreneurial Leadership in the Context of MSMEs

Entrepreneurial leadership has become a vital concept in understanding how organizations, particularly MSMEs, navigate increasingly dynamic and uncertain environments. Entrepreneurial leadership merges the innovative, opportunity-seeking nature of entrepreneurship with the influence-driven and goal-oriented behaviors of leadership (Bagheri & Harrison, 2020). Scholars have conceptualized entrepreneurial leadership as a multi-dimensional construct encompassing various behaviors and competencies, including framing challenges, absorbing uncertainty, underwriting, defining gravity, identifying and exploiting opportunities, learning orientation, and collective creative self-efficacy (Bagheri & Harrison, 2020; Gupta et al., 2004). In the context of MSMEs, these behaviors are essential. Leaders must take initiative, guide small teams, manage limited resources, and adapt to changes in market and regulatory environments (Rehman et al., 2025).

Research shows that entrepreneurial leaders who demonstrate high levels of vision, innovation, and self-efficacy positively influence team creativity, innovation adoption, and overall firm agility (Megawaty et al., 2022; Sari & Ahmad, 2022). However, while several studies have established the importance of entrepreneurial leadership in large firms or urban settings (Ercantan et al., 2024; Simanjuntak & Pasaribu, 2023), the literature remains scarce on how entrepreneurial leadership operates within rural MSMEs (García-Vidal et al., 2019).

Business Performance in MSMEs

Business performance is typically defined as the ability of an enterprise to achieve its goals across financial and non-financial metrics such as profitability, innovation, market share, and customer satisfaction (Trong & Nguyen, 2021). Among MSMEs, particularly those in developing regions, profitability is often the most practical and accessible indicator of success due to data availability and simplicity of measurement (Huong et al., 2023).

In rural areas, however, measuring business performance can be challenging. Many MSMEs do not maintain formal records or disclose financial statements (Johan et al., 2020). As a result, subjective performance measures are widely used in research, such as self-reported profitability, return on assets, and sales performance (Isichei et al., 2020). Although subjective, these measures remain reliable proxies in comparative studies, particularly when access to actual financial data is limited.

In the Philippine context, researchers often rely on subjective profitability measures in MSME studies due to the challenges in accessing accurate financial records. Cammayo and Perez (2021) noted the difficulty in collecting reliable financial data from MSMEs in Isabela, primarily due to the reluctance of business owners to disclose financial details and the prevalence of informal or inconsistent financial recording practices. Similarly, Capiña (2021) emphasized that many MSMEs in Marinduque lack standardized financial reporting systems, making subjective assessments a more feasible and context-appropriate approach to evaluating business performance. These findings support the use of perception-based profitability indicators to measure the business performance of MSMEs where objective data may not be readily available.

The Link Between Entrepreneurial Leadership and Business Performance

Entrepreneurial leadership plays a significant role in shaping business performance, as evidenced by a growing body of literature. Numerous scholarly investigations have examined the correlation between entrepreneurial leadership and business performance

in several industries, revealing various elements of mediating or moderating this relationship.

[Herlina et al. \(2021\)](#) asserted that entrepreneurial leadership enhances firm performance by fostering a culture of creativity, innovation, and strategic foresight, defining characteristics of agile and forward-thinking enterprises. In a related study, [Nguyen et al. \(2021\)](#) analyzed SMEs in the IT sector. They found that entrepreneurial leadership directly influences performance while also interacting with internal variables such as dynamic capabilities, organizational creativity, entrepreneurial orientation, and competitive advantage. These findings indicate that the influence of entrepreneurial leadership is both structural and behavioral, reinforcing its significance as a driver of business performance.

Adding further insight to this relationship, [Abiyasa and Utama \(2023\)](#) investigated MSMEs in Pasar Lama and demonstrated that entrepreneurial leadership positively impacts innovation management, a key mediator of firm performance. Although learning orientation was hypothesized as a moderating variable, it was found to have no significant effect. Meanwhile, [Simanjuntak & Pasaribu \(2023\)](#) and [Taleb et al. \(2023\)](#) emphasized the mediating role of corporate innovation and opportunity recognition, respectively, suggesting that the effectiveness of entrepreneurial leadership is amplified when firms foster innovation and adapt proactively to emerging opportunities.

While these studies provide robust support for the positive influence of entrepreneurial leadership on business outcomes, [Pauceanu et al. \(2021\)](#) identified critical gaps in the literature, especially regarding the entrepreneurial leadership connection to sustainable development. Their review revealed the fragmented nature of entrepreneurial leadership research and called for a more cohesive and comprehensive theoretical understanding. This recommendation aligns with the calls for further investigation by other scholars, such as [Ahmed and Harrison \(2022\)](#), who argue that the evolving complexity of entrepreneurship demands a reexamination of leadership constructs across varying business environments.

Taken together, these findings affirm that entrepreneurial leadership is a vital, multi-dimensional construct with significant implications for MSME performance. However, the intricate interplay between entrepreneurial leadership and business outcomes warrants further empirical exploration, especially within underrepresented contexts like MSMEs in Kalinga, Philippines. This study contributes to that gap by evaluating how the different dimensions of entrepreneurial leadership affect the profitability of MSMEs, offering new insights into the contextual relevance and practical impact of entrepreneurial leadership, particularly in resource-constrained business environments.

Thus, the first hypothesis is proposed.

H1: There is a significant relationship between the different constructs of entrepreneurial leadership and the business performance of MSMEs.

Government Support and Business Performance

Government support encompasses the financial and non-financial interventions extended by government agencies to aid MSMEs in sustaining and enhancing their operations. As emphasized by [Adobas et al. \(2024\)](#), such support, through the formulation of targeted policies and programs, fosters a favorable business climate conducive to the development and success of MSMEs. However, the nature of these interventions often varies depending on factors such as industrial development and business environment ([Gamo & Gollagari, 2020](#)).

Government support is widely recognized as an enabling factor for MSME development, especially in resource-constrained and rural environments. It includes financial interventions such as grants, loans, and tax incentives, as well as non-financial support like training programs, shared facilities, and market access assistance (Adobas et al., 2024).

The Philippine government has actively pursued initiatives to enhance the business environment in the country as part of its national development agenda. Over the years, several laws have been enacted to promote a more supportive business ecosystem. Republic Act (RA) 6977, also known as the Magna Carta for Small Enterprises and later amended by RA 8289, calls for improved access to finance, comprehensive business support, and stronger public-private partnerships to accelerate MSME development. RA 9178, also known as the Barangay Micro Business Enterprises (BMBEs) Act of 2002, specifically caters to micro-enterprises operating at the community level, offering incentives such as tax exemptions and simplified regulations.

To implement these mandates, the DTI launched the SME Roving Academy in 2013, a continuous learning platform that aims to build MSME competitiveness through customized training modules aligned with seven learning stages. These stages span from startup capability development to export market expansion.

Furthermore, Republic Act No. 10644, or the Go Negosyo Act, signed into law on July 15, 2014, and enforced starting January 13, 2015, aims to accelerate inclusive growth and poverty reduction through MSME development. Under this law, Negosyo Centers have been established across various provinces and municipalities in the country. These centers streamline business registration processes and provide MSMEs with vital support services such as training, technology transfer, marketing assistance, and access to financing from the MSME Development Fund and BMBE Fund.

Beyond training and regulatory facilitation, the government also supports business expansion and production through technology-based interventions such as the Small Enterprise Technology Upgrading Program (SETUP) of the Department of Science and Technology (DOST) and the SSF of the DTI. SETUP offers equipment and technical guidance that allows MSMEs to increase sales, improve quality, optimize business processes, and comply with national and international standards. It provides seed funding, upgraded equipment, consulting, packaging design, information systems, and assistance with product standardization, including equipment calibration and testing. Meanwhile, the SSF program provides shared equipment, knowledge, and infrastructure in collaboration with local cooperators, enabling MSMEs in the area to access advanced production capabilities. This public-private partnership is designed to boost productivity, product quality, marketability, and employment opportunities.

Recent studies have demonstrated the significant role of government support in ensuring MSME survival and growth through various incentives such as tax relief, financial assistance, and credit programs (Capiña, 2021). Government training initiatives further enhance entrepreneurial leadership competencies.

Some studies started to explore the role of government support as a mediating factor in business outcomes. For instance, Zhang and Ayele (2022) highlighted that government support can enhance the impact of entrepreneurial efforts by facilitating innovation adoption, improving access to capital, and creating an enabling environment. However, very few studies have examined how government support mediates the relationship between entrepreneurial leadership and business performance.

In view of these insights, this study investigates the relationship between government support and business performance and the mediating role of government support in the relationship between entrepreneurial leadership and business performance among MSMEs. The study particularly focuses on MSMEs in Kalinga, where access to essential resources remains limited. Government support is analyzed across four key dimensions: access to finance, human capital development, access to technology and innovation, and market access.

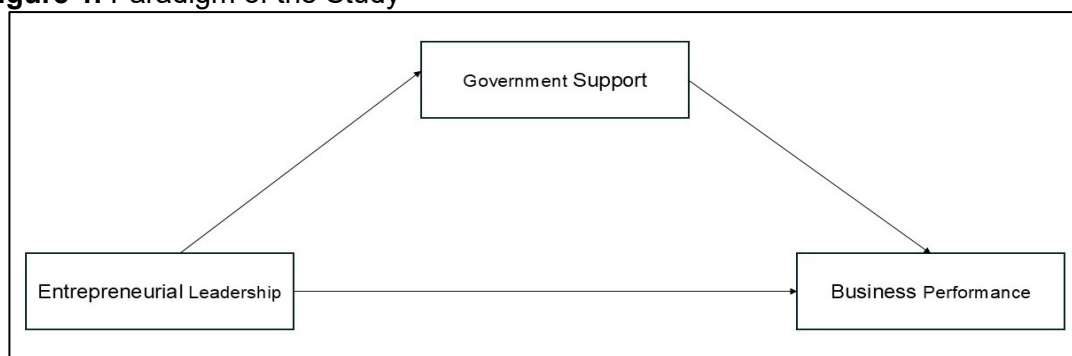
Thus, the second and third hypotheses are proposed.

- H2: There is a significant relationship between financial and non-financial government support and the business performance of MSMEs.
- H3: Government support significantly mediates the relationship between the different constructs of entrepreneurial leadership and the business performance of MSMEs.

Conceptual Framework

With the research questions above, the paradigm of the study is presented in [Figure 1](#).

Figure 1. Paradigm of the Study



This study is anchored on the Resource-Based View (RBV) of the firm, first articulated by [Barney \(1991\)](#), which posits that a firm's sustainable competitive advantage stems from its ability to acquire, develop, and effectively utilize resources that are valuable, rare, inimitable, and non-substitutable (VRIN). According to the RBV, internal resources such as leadership capabilities, innovation capacity, knowledge, and employee competencies play a central role in determining organizational performance and long-term success ([Barney, 1991](#)).

In the context of MSMEs, entrepreneurial leadership is considered a strategic intangible resource that can significantly influence business performance. Entrepreneurial leaders mobilize resources, recognize and exploit opportunities, foster innovation, and build adaptive teams, traits that are particularly crucial in uncertain and resource-constrained environments ([Bagheri & Harrison, 2020](#)). These leadership capabilities are vital for MSMEs, where limited formal structures often shape enterprises.

While RBV emphasizes internal strengths, it also acknowledges the importance of strategic external partnerships and institutional support in enhancing a firm's resource base ([Barney, 1991](#)). In this study, government support is conceptualized as a mediating factor that strengthens or facilitates the Effect of entrepreneurial leadership on business performance. Government programs such as access to finance, technical training, market development, and innovation support serve as crucial interventions that bridge the resource gaps commonly experienced by MSMEs ([Gamo & Gollagari, 2020](#); [Sari & Ahmad, 2022](#)).

To empirically validate the theoretical assumptions drawn from RBV, this study adopts a positivist research paradigm, which views reality as objective and measurable through empirical data and statistical analysis. This paradigm is particularly suitable for studies that aim to test hypotheses and establish causal relationships among clearly defined variables.

RESEARCH METHOD

This study employed an explanatory correlational design to examine the relationship between entrepreneurial leadership and the business performance of MSMEs, with government support as a mediating variable. It specifically enabled the identification of whether and how entrepreneurial leadership influences business performance and whether government support serves as a mediating factor in this relationship. This design is well-suited to studies that seek to uncover causal pathways or interdependencies among multiple variables without manipulating the research environment. The integration of this design enhanced the study's ability to draw meaningful conclusions and help contribute to the empirical understanding of MSME development.

The respondents included MSME owners operating in Kalinga Province, Philippines. A total of 336 respondents were computed as a sample size using Yamane's formula (1967) from a population of 2,078 registered businesses provided by DTI. Using stratified random sampling, specific subgroups or strata were selected for the sample of each municipality. To be eligible for inclusion in the study, businesses were required to meet the following criteria: (1) the owner must have personally managed the business operations for a minimum of three years; (2) the business must fall under the micro, small, or medium enterprise (MSME) classification based on capital, as defined by Republic Act No. 9501 of 2008—micro enterprises with assets up to PHP 3,000,000; small enterprises with assets between PHP 3,000,001 and PHP 15,000,000; and medium enterprises with assets between PHP 15,000,001 and PHP 100,000,000; (3) the enterprise must employ at least one worker; and (4) it must have received government support in any form during its operational years.

Data collected using a structured questionnaire consisting of three parts: entrepreneurial leadership multi-dimensional constructs, government support, and business performance. The entrepreneurial leadership instrument was adapted from [Bagheri and Harrison \(2020\)](#) and included seven validated dimensions: framing challenges, absorbing uncertainty, underwriting, defining gravity, opportunity identification and exploitation, learning orientation, and creative collective self-efficacy. Measures of government support and business performance focused on profitability were adapted from national MSME development frameworks and recent literature ([Manipol, 2023](#); [Quimba & Rosellon, 2019](#)).

The instrument was validated by five experts and tested for reliability with 30 MSMEs in Baguio and Abra. Aiken's V coefficient indicated strong content validity ($V \geq 0.75$), while Cronbach's alpha scores exceeded 0.70, confirming internal consistency. Data collection was conducted face-to-face with ethical clearance from the Saint Louis University Research Ethics Committee. Respondents' anonymity, confidentiality, and voluntary participation were strictly observed.

Data were analyzed using Structural Equation Modeling (SEM) to test hypothesized relationships and the mediating role of government support. This methodological approach ensured both rigor and contextual relevance in understanding the drivers of MSME performance.

RESULTS

This section presents the results of the SEM analysis conducted to investigate the effects of entrepreneurial leadership and government support on the business performance of MSMEs. Specifically, it aims to evaluate how entrepreneurial leadership influences MSMEs' business performance while also examining the role of government support as a potential mediating variable in this relationship. Exploring these dynamics can shed light on how leadership practices and government interventions can enhance the performance outcomes of MSMEs. The findings should clarify the interconnectedness between leadership style, external support systems, and MSMEs' business performance in a competitive business landscape.

Table 1. Relationship Between the Entrepreneurial Leadership of Respondents and MSMEs' Business Performance

Path	Direct Effect (β)	P-value	Remarks
Framing Challenges \rightarrow BP	0.008	0.891	Not Significant
Absorbing Uncertainty \rightarrow BP	0.254	0.004	Significant
Underwriting \rightarrow BP	-0.032	0.712	Not Significant
Defining Gravity \rightarrow BP	-0.102	0.015	Significant
Opportunity Identification and Exploitation \rightarrow BP	0.053	0.346	Not Significant
Orientation Toward Learning \rightarrow BP	-0.037	0.583	Not Significant
Creative Collective Self-Efficacy \rightarrow BP	0.220	0.001	Significant

Note: *Significant at the 0.05 level, BP (Business Performance)

As shown in Table 1, absorbing uncertainty demonstrates a positive and statistically significant direct effect on business performance ($\beta = 0.254$, $p = 0.004$). This means that as absorbing uncertainty increases, business performance also tends to increase. This finding suggests that MSME leaders who excel in managing risk, anticipating future developments, and stabilizing operations in uncertain conditions are more likely to achieve superior business outcomes.

Similarly, creative collective self-efficacy showed a significant positive relationship with business performance, with a path coefficient of ($\beta = 0.220$, $p = 0.001$), which means that as the collective self-efficacy increases, business performance also tends to increase. This result indicates that the confidence in the team's capacity for creative problem-solving and innovation contributes meaningfully to enhanced business results.

In contrast, defining gravity exhibited a significant but negative relationship with business performance, with a path coefficient of ($\beta = -0.102$, $p = 0.015$). This means that as defining gravity increases, business performance decreases. This implies that excessive emphasis on structuring processes, setting strict boundaries, or enforcing rigid controls may impede business agility and, consequently, hinder performance in the dynamic environments in which MSMEs operate.

The results partially support H1, that there is a significant relationship between the different constructs of entrepreneurial leadership and the business performance of MSMEs. Specifically, the constructs absorbing uncertainty, defining gravity, and creative collective self-efficacy were found to have significant effects. This indicates that not all leadership dimensions contribute equally to performance, highlighting the need to strengthen those with significant impact.

Table 2. Relationship Between Government Support and MSMEs' Business Performance

Path	Direct Effect (β)	P-value	Remarks
Govern \rightarrow Business Performance (BP)	0.063	0.0058	Significant

Note: *Significant at the 0.05 level, BP (Business Performance)

As shown in Table 2, the analysis revealed that government support has a positive and statistically significant direct relationship with MSMEs' business performance ($\beta = 0.063$, $p = 0.0058$). This path coefficient indicates that even modest increases in the level or effectiveness of government-provided support, whether financial or non-financial, can meaningfully enhance the profitability and overall performance of MSMEs. The results support H2 that government support significantly influences the business performance of MSMEs.

Figure 2. The Structural Model of Entrepreneurial Leadership and Business Performance and the Mediating Role of Government Support

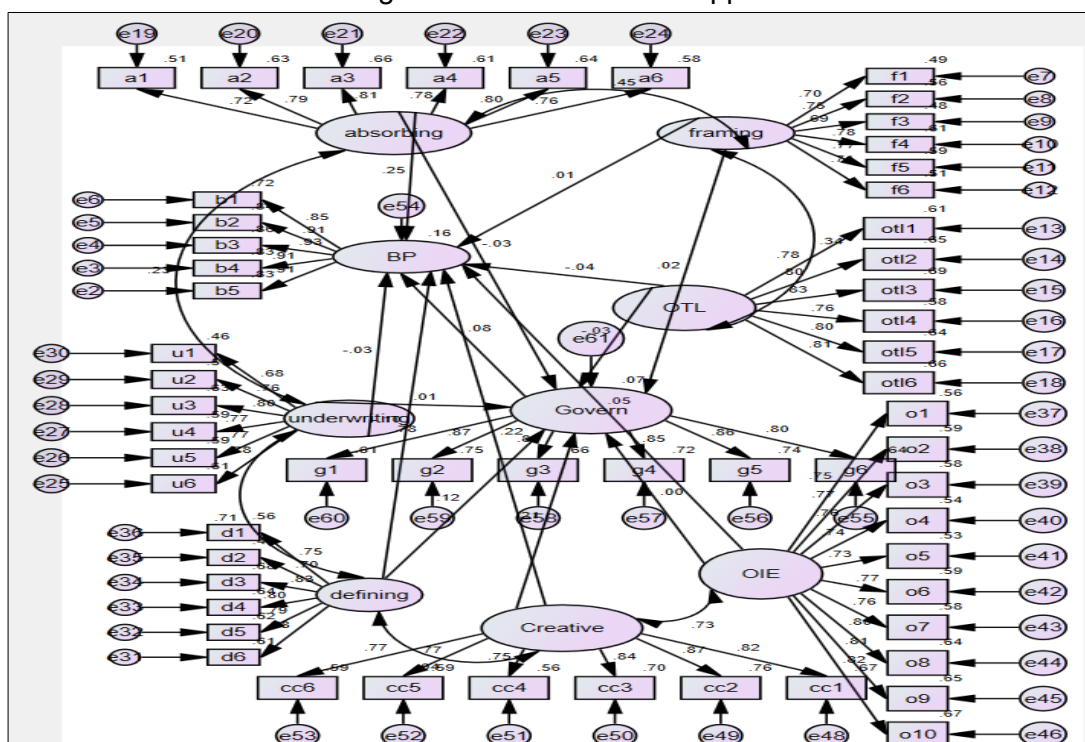


Figure 2 shows the structural model of how government support mediates the relationship between entrepreneurial leadership and business performance. Government support has a partial mediating effect on the entrepreneurial leadership and business performance relationship, in which, among the seven entrepreneurial leadership dimensions, only collective creative self-efficacy has a notable indirect effect, as shown in Table 3. Thus, H3, that government support significantly mediates the relationship between the different constructs of entrepreneurial leadership and the business performance of MSMEs, is partially supported.

Table 3. Mediating Effect of Government Support on the Relationship Between Entrepreneurial Leadership and MSMEs' Business Performance

Path	Direct		Indirect			% of Mediation
	Coefficient	P-value	Coefficient	P-value	Total Effect	

Framing Challenges → BP	0.008	0.891	0.002	0.768	0.010	20%
Absorbing Uncertainty → BP	0.254	0.004	-0.002	0.675	0.251	-1%
Underwriting → BP	-0.032	0.712	0.001	0.908	-0.031	-3%
Defining Gravity → BP	-0.102	0.015	0.009	0.22	-0.093	-10%
Opportunity Identification and Exploitation → BP	0.053	0.346	0.000	0.99	0.053	0%
Orientation Toward Learning → BP	-0.037	0.583	-0.003	0.608	-0.040	8%
Creative Collective Self-Efficacy → BP	0.220	0.001	0.017	0.019	0.237	7%

Note: *Significant at the 0.05 level, BP (Business Performance)

The mediation analysis in Table 3 shows that creative collective self-efficacy demonstrated the only notable indirect Effect ($\beta = 0.017$, $p = 0.019$), accounting for 7% mediation. While the indirect path was significant, the direct effect also remained significant ($\beta = 0.220$, $p = 0.001$), indicating partial mediation. This suggests that government support complemented, but did not replace, the direct impact of team creativity on performance.

DISCUSSION

Significant Entrepreneurial Leadership Dimensions Supporting Business Performance

Among the seven dimensions of entrepreneurial leadership, absorbing uncertainty and creative collective self-efficacy demonstrated significant positive effects on business performance, partially supporting H1 that there is a significant relationship between the different constructs of entrepreneurial leadership and the business performance of MSMEs.

In highly volatile and limited-resource business environments, like those experienced frequently by MSMEs, the ability to absorb uncertainty is critical for leaders. This dimension represents the ability of the entrepreneurs to embrace risk and handle ambiguity as they choose among alternative courses of action and maintain operational stability (Bagheri & Harrison, 2020). Leaders who capably manage risk and uncertainty in the organization promote organizational resilience. This allows MSMEs to continue to operate and remain productive and respond to market changes. Equally important is creative collective self-efficacy, which refers to a leader's ability to build and inspire a shared belief among team members in their collective capacity to generate innovative solutions (Bagheri & Harrison, 2020). Leaders not only become the creators, but they will create a culture of collaboration through creative experimentation that is important for developing competitive products, services, and processes (Norena-Chavez & Torres, 2024). The collaborative culture will be effective in the MSME environment as resources are minimal, and obtaining the best out of the team in terms of creativity can not only be more efficient but also grow the organization's ability to innovate (Abiyasa & Utama, 2023; Ercantan et al., 2024).

Together, these dimensions reinforce the idea that entrepreneurial leadership is not only about creating a vision and strategy but also about managing uncertainty and empowering teams. Enhancing these leadership competencies among local entrepreneurs may thus lead to high-performing and more resilient MSMEs, highlighting

the need for the government to customize training programs to nurture risk management and creative collaboration within small enterprises. Also, the observation reinforces the idea that while all entrepreneurial leadership dimensions contribute to long-term organizational capacity, their immediate impact on performance may vary depending on external pressures and internal readiness.

However, defining gravity showed negative direct effects on business performance. The negative influence of defining gravity also illustrates RBV's caution against overemphasizing routines that can become rigid rather than advantages (Barney, 1991). Within the RBV framework, not all internal routines are necessarily productive resources. In today's dynamic business environment, it is suggested that the need for SMEs to adapt strategic flexibility to be able to innovate and improve business performance.

The dimensions of framing challenges ($\beta = 0.008$, $p = 0.891$), underwriting ($\beta = -0.032$, $p = 0.712$), opportunity identification and exploitation ($\beta = 0.053$, $p = 0.346$), and orientation toward learning ($\beta = -0.037$, $p = 0.583$) did not exhibit statistically significant direct effects on business performance. These minimal path coefficients and p-values mean that, in this study, these leadership qualities, framing challenges, underwriting, opportunity identification and exploitation, and orientation toward learning were not directly linked to better or worse business performance among MSMEs. While these dimensions remain theoretically important components of entrepreneurial leadership (Bagheri & Harrison, 2020), their lack of direct significance in this study suggests that their influence on MSME performance may be indirect or mediated by contextual factors such as market conditions or organizational culture. For instance, while opportunity identification is vital (Taleb et al., 2023), its impact may depend on whether the external environment provides the necessary support structures, such as funding and market access, for such opportunities to be pursued. Similarly, underwriting, which involves motivating and inspiring employees, may only translate to improved business results if supported by an enabling organizational culture (Gezahegn et al., 2022). The absence of significant direct effects could also reflect the realities of MSMEs operating in resource-constrained and volatile environments like those in Kalinga.

Government Support and Its Direct Influence on MSME Business Performance

The positive relationship between government support and the business performance of MSMEs supports H2, that there is a significant relationship between financial and non-financial government support and the business performance of MSMEs. This result underscores the critical enabling role of government in fostering a supportive environment for small enterprises. It suggests that government interventions help MSMEs bridge resource gaps, reduce market entry barriers, and build resilience in the face of market and operational uncertainties. These findings are consistent with the conclusions of Sari and Ahmad (2022), who emphasized that government support contributes to entrepreneurial agility and competitiveness by providing essential resources and capabilities. The result also supports the RBV, which highlights that external institutional support can complement internal resources to create a sustainable competitive advantage (Barney, 1991).

Partial Mediation of Government Support in the Entrepreneurial Leadership–Business Performance Link

As to the mediating role of government support in the entrepreneurial leadership–business performance relationship, only creative collective self-efficacy indicates partial mediation. Thus, H3, which states that government support significantly mediates the relationship between the different constructs of entrepreneurial leadership and the business performance of MSMEs, is partially supported. This result suggests that

government assistance helped reinforce the positive influence of leaders' confidence in their teams' creativity on business performance.

A plausible explanation for why only creative collective self-efficacy among the seven entrepreneurial leadership dimensions exhibited a mediating effect through government support, particularly in the context of Kalinga, lies in the focus of government interventions in the province. Government interventions for MSMEs in the province have focused on strengthening the innovation capabilities of local entrepreneurs. The programs available through agencies such as the DTI and DOST have been focusing on creativity and problem-solving by providing entrepreneurs with the skills and tools needed to be innovative and find creative solutions to operational problems. Additionally, the MSME interventions involve a collaborative approach as entrepreneurs, their employees, and government personnel are directly involved in co-creating and investing in the program or project, ultimately leading to increased creative collective efficacy of the teams in developing their business. This synergy enhances the collective efficacy of the team, enabling them to translate support into improved business performance outcomes better.

These findings align with studies emphasizing that while external support measures can enhance entrepreneurial outcomes, their impact is most effective when designed to complement internal leadership capabilities, particularly those fostering innovation and collective problem-solving (Zhang & Ayele, 2022). The results further imply that government support alone may not sufficiently mediate or amplify the effects of entrepreneurial leadership without stronger alignment to the specific competencies that drive MSME success, especially in dynamic or resource-constrained environments.

CONCLUSION

This study explored how entrepreneurial leadership influences the business performance of MSMEs in Kalinga, Philippines, while also investigating the mediating role of government support. Based on the results, regarding the relationship between entrepreneurial leadership and business performance, not all dimensions of entrepreneurial leadership have a positive relationship with business performance. Among the seven entrepreneurial leadership dimensions, only absorbing uncertainty and creative collective self-efficacy have significant positive relationships with business performance, highlighting the importance of risk management and team creativity in driving better business performance of MSMEs. Conversely, defining gravity has a significant but negative effect on business performance, suggesting that overly rigid structures may hinder the agility and responsiveness of MSMEs, which also affects their financial performance. Meanwhile, framing challenges, underwriting, opportunity identification and exploitation, and orientation toward learning show no significant relationship with business performance, implying that their influence may be indirect or contextually mediated by factors such as government support, organizational culture, and external market conditions. These results highlight the complex and context-dependent role of entrepreneurial leadership in determining MSME success.

As to the relationship between government support and business performance, government support has a significant and positive relationship with the business performance of MSMEs in Kalinga. This result confirms that government interventions, whether in the form of financial assistance, training, or market facilitation, contribute to improving the financial performance of MSMEs. The findings also highlight the importance of continued and strengthened government engagement in providing targeted support, particularly for MSMEs. Such support is essential for helping these

enterprises address market challenges, bridge resource gaps, and achieve sustainable growth.

Regarding the mediating role of government support in the entrepreneurial leadership and business performance relationship, government support has a limited mediating effect. Only creative collective self-efficacy showed significant partial mediation with government support. These findings suggest that government support provided to entrepreneurs can complement and strengthen the effect of entrepreneurial leadership, particularly on the dimension of collective creative self-efficacy on their business performance.

Government agencies must sustain and extend support programs to MSMEs. Targeted interventions (such as capacity-building workshops on absorbing uncertainty, developing creative collective self-efficacy, and seminars focusing on improving entrepreneurial leaders' ability to direct employees towards the attainment of their organizational goals and make firm decisions) will complement internal MSME capabilities and promote sustainable growth in dynamic business environments. Regular monitoring and evaluation of these programs, assessing effectiveness, accessibility, and outcomes, are essential to ensure their continued relevance and impact.

LIMITATION

The study was conducted solely within the province of Kalinga, Philippines. Only owners were surveyed, and data collection was limited to a single period in 2023. Other potential influencing variables and broader performance indicators were beyond the scope of this research. While this provides meaningful insights into entrepreneurial leadership-business performance relationships, the findings may not be generalized to MSMEs in urban settings or other regions with different socio-economic or entrepreneurial ecosystems.

Future studies may explore the entrepreneurial leadership-business performance relationship using longitudinal data to capture changes over time. Researchers are encouraged to expand the geographic scope beyond Kalinga and consider additional mediating or moderating variables, such as innovation capability or digital adoption. Mixed methods approaches and disaggregated assessments of government support could also provide deeper insights into how external interventions interact with entrepreneurial leadership to influence MSME performance.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare no potential conflicts of interest.

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ABOUT THE AUTHOR(S)

1st Author

Gretchen Dawaton Bangguiyac is an entrepreneurship educator at Kalinga State University and is a candidate for Doctor of Philosophy in Management at Saint Louis University, Baguio City.

Email: 2096036@slu.edu.ph

ORCID ID: <https://orcid.org/0000-0002-1726-9829>

2nd Author

Dr. Marc Oliver Castañeda is a dedicated professor and academic reviewer specializing in accounting at Saint Louis University, Baguio City.

Email: mobcastaneda@slu.edu.ph

ORCID ID: <https://orcid.org/0009-0000-0746-7795>