



## How Entrepreneurial Competence and Leadership Style Affect Business Performance

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**Abstract:** This research is based on the importance of entrepreneurial skills and leadership style in influencing business performance, especially for women entrepreneurs. In the age of globalization and increasingly intense competition, women entrepreneurs must possess sufficient skills and apply efficient leadership styles in order to achieve the best business outcomes. The purpose of this study is to determine the extent to which entrepreneurial skills and leadership styles impact the business performance of women entrepreneurs. This study involved women entrepreneurs in Bekasi district with 100 respondents randomly selected as the research sample. Information was collected using a questionnaire and analyzed using the Smart PLS (Partial Least Squares) technique to test the research model and hypotheses. The analysis found that entrepreneurial ability and leadership style have a major impact on firm performance. The entrepreneurial capability has been shown to make a significant contribution to improving operational efficiency and the ability to innovate, while a flexible and inspiring leadership style is able to improve team motivation and performance. It was found that it is important for women entrepreneurs to develop appropriate competencies and leadership styles to support their business success.

**Keywords:** Business Performance; Entrepreneurial Competencies, Leadership Style; Women Entrepreneurs

### INTRODUCTION

Based on data obtained from the Ministry of Cooperatives and MSMEs, by 2023 there will be around 65.5 million businesses, an increase of 1.7% when compared to the previous year (Kemenkopukm, 2024). Of this number, 64 percent are owned and led by women, which amounts to 40.9 million MSMEs. According to the Global Entrepreneurship Index, Indonesia ranks 5th in ASEAN and 75th in the world. Indonesia's ranking is still below some ASEAN countries, the closest being Singapore with 8.7% entrepreneurs, Thailand and Malaysia ranked above Indonesia. However, the Ministry of Cooperatives and Small and Medium Enterprises (KemenKopUKM) is pushing the start-up growth target in 2024 to 3.95% or 4%. The presence of women entrepreneurs in MSMEs is an inevitable fact in the economy of the majority of Indonesia's population. The role of women in the MSME sector is generally related to trade and processing industries such as restaurants, small shops (retail), food production, and craft making. These businesses can often be run at home, thus still paying attention to women's roles as housewives. Women entrepreneurs are an underutilized resource with great potential to drive economic growth and prosperity in many countries (Rizvi & Ahmad, 2024). According to research by (Bayisenge et al., 2020), women's participation in the economy can increase employment opportunities even though they are involved in small-scale businesses. Indicators used to measure competency (Asyifa et al., 2019) are knowledge, skills, and abilities.

In addition to entrepreneurial competence, the running of an MSME business cannot be separated from a leader in succeeding in a goal. Competent leadership is the ability to inspire all members of the organization to act in accordance with the vision,

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mission, and goals of the organization. In addition, they can also influence others to act positively. We believe that entrepreneurs with strong leadership capabilities can be the main guide for their companies toward achieving successful goals (Galadanchi & Sani Stores, 2023). Indicators used for leadership (Asyifa et al., 2019) are; (1) nature; (2) habits; (3) temperament; (4) character; (5) personality.

Business is increasingly competitive, so business people must continue to adapt their strategies to the development of the business environment in order to stay ahead of competitors and stay in the market. MSME entrepreneurs must be able to develop effective business plans to improve their business performance. Indicators used to measure the business performance of micro and small enterprises (Asyifa et al., 2019) are: (1) production growth; (2) development of business units; (3) increase in income, and (4) profit.

Previous research conducted (Sugandi & Suhaeni, 2019) stated that there is a positive and significant relationship between entrepreneurial competence and business performance. There is a positive and significant relationship between entrepreneurial competence and business performance. (Lekniyanto et al., 2021) stated that women's leadership has an influence in MSMEs on the performance of their employees. This study targets women entrepreneurs because there are still few studies that emphasize the role of women in managing small and medium enterprises and further research is needed on the role of women entrepreneurs in improving the performance of small and medium enterprises through their leadership skills and styles

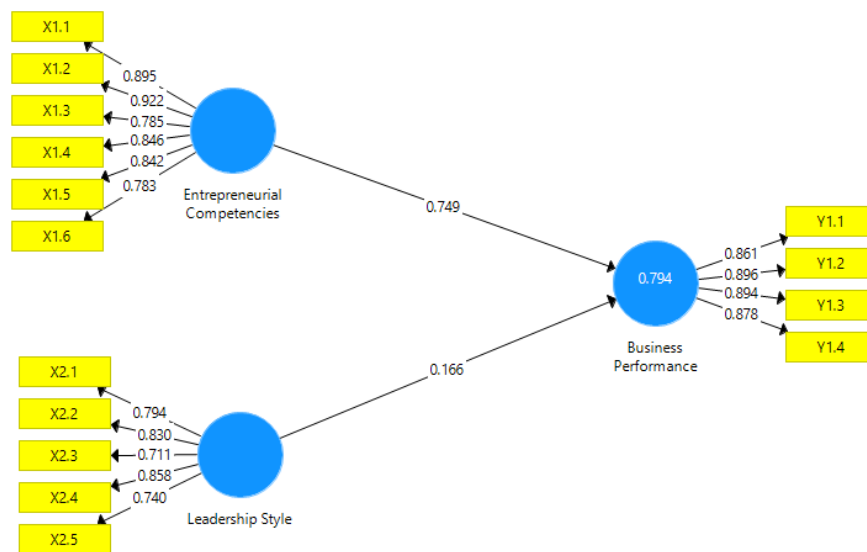
## METHODS

This study uses a quantitative approach to examine the impact of entrepreneurial competencies and leadership style on business performance among women entrepreneurs. The research sample consists of women entrepreneurs who are actively running their businesses in various industrial sectors in Bekasi Regency. The research sample involved 100 respondents who were drawn using a purposive sampling method to ensure that they have appropriate experience and knowledge. Data was obtained through a survey specifically designed to assess entrepreneurial competencies, leadership styles, and business performance. Data processing was conducted using Smart PLS (Partial Least Squares), a structural analysis technique that allows researchers to simultaneously test for correlations between variables. This approach was chosen for its ability to address research models with hidden variables and medium to small sample sizes. The results of the evaluation are expected to show how much entrepreneurial skills and leadership style affect the improvement of company performance and provide practical ideas for designing training programs and leadership strategies specifically for women entrepreneurs.

## RESULTS AND DISCUSSION

### Analysis of the Research Model

Analysis of the research model is conducted to evaluate the accuracy of the tested variables and the overall concept of the research. The evaluation of the results will determine whether the research model is feasible to proceed to the next phase of the research. In this study, all the variables involved have been analyzed using Smart PLS software version 3.0 The results show that the level of correctness has reached the required standard, exceeding 0.7. Therefore, the study can proceed to the next level.



**Figure 1. Research Model on Smart PLS**

Source: data processed 2023

**Measurement Model Results (Outer Model)**

Outer loadings refer to a group of variables that have specific outcomes. To declare that a marker variable has an internal value to ensure sufficient consistency, the composite reliability value must exceed 0.708 (Marliana, 2019). In this study, the data was analyzed using Smart-PLS to validate the variable indices. Evaluation of indicator validity showed that all variables met the validity standards by having values that exceeded 0.7. Therefore, each measurement in this study is considered valid if its value is higher than 0.7.

**Table. 1 Outer Loading Test Results**

	<b>Entrepreneurial Competencies</b>	<b>Leadership Style</b>	<b>Business Performance</b>
X1.1	0.895		
X1.2	0.922		
X1.3	0.785		
X1.4	0.846		
X1.5	0.842		
X1.6	0.783		
X2.1		0.794	
X2.2		0.830	
X2.3		0.711	
X2.4		0.858	
X2.5		0.740	
Y1.1			0.861
Y1.2			0.896
Y1.3			0.894
Y1.4			0.878

Source: Data processed (2023)



### Average Variance Extracted (AVE)

Convergent validity can be measured using the Average Variance Extracted (AVE) value where the AVE must qualify for a value of more than 0.5. If the AVE value exceeds 0.5, then the overall construct adequately explains more than half (50%) of the variability of each indicator. If the AVE value is less than 0.5, it indicates that most of the variance is not explained by the construct. That is, there is more error than the variance explained by the construct (Marliana, 2019). The results of data processing show that the AVE values of all variables meet the criteria for significant validity because they all have a value greater than 0.5. In this way, all notes are considered valid because they meet the standard AVE value greater than 0.5.

**Table 2. AVE Result**

Variable	AVE	Ket
Leadership Style	0.621	Valid
Business Performance	0.779	Valid
Entrepreneurial Competencies	0.717	Valid

Source: Data processed (2023)

### Reliability Test

In the PLS-SEM method, in addition to checking validity, it is also important to check the reliability of the data used. Reliability testing is useful for showing the accuracy, consistency, and accuracy of a measuring instrument in the measurement concept. Two methods can be used to assess construct reliability using reflective indices using composite reliability and Cronbach's alpha. As a general rule, a construct can be considered reliable if its composite reliability value exceeds 0.70. However, using Cronbach's Alpha to evaluate construct reliability tends to provide values that are too low, so using composite reliability would be better (Marliana, 2019).

**Table 3. Cronbach's Alpha and Composite Reliability Values**

Variable	Cronbach Alpha's	rho_A	Composite Reliability	Ket
Leadership Style	0.849	0.863	0.891	Reliable
Business Performance	0.905	0.906	0.934	Reliable
Entrepreneurial Competencies	0.920	0.925	0.938	Reliable

Source: Data processed (2023)

### Cross Loading

In this study, cross-loading is used to evaluate discriminant validity by looking at the cross-loading value. Analysis using Smart-PLS shows that each cross-loading value for each construct is higher than other constructs (Marliana, 2019). The results of the table analysis show that each index in this study meets the cross-loading requirements. In this context, each survey item or question must be able to effectively distinguish other constructs or factors to ensure that the instruments used in this study have a satisfactory level of discriminant validity value.



**Table 4. Cross Loading**

	<b>Leadership Style</b>	<b>Business Performance</b>	<b>Entrepreneurial Competencies</b>
X1.1	0.782	0.783	0.895
X1.2	0.895	0.838	0.922
X1.3	0.706	0.672	0.785
X1.4	0.660	0.754	0.846
X1.5	0.623	0.740	0.842
X1.6	0.647	0.706	0.783
X2.1	0.794	0.772	0.780
X2.2	0.830	0.578	0.624
X2.3	0.711	0.435	0.479
X2.4	0.858	0.569	0.595
X2.5	0.740	0.657	0.715
Y1.1	0.681	0.881	0.789
Y1.2	0.643	0.896	0.771
Y1.3	0.673	0.894	0.772
Y1.4	0.784	0.878	0.795

Source: Data processed (2023)

#### Structural Model Test Results

Direct effect refers to the direct relationship between two factors, such as the independent variable and the dependent variable, in the context of the study. In assessing possible linkages or theories, we apply the t-statistic where the test number must exceed 1.96 and the p-value must be below 0.05. (Marliana, 2019). Conversely, the relationship is considered significant if the t-statistic value exceeds 1.96 and the p-value is less than 0.05. The path coefficient is a method to assess how significant the relationship or correlation between the independent variable and the dependent variable is (Marliana, 2019). In the table below all hypotheses show significance.

**Table 5. Test Result *Path Coefficient***

<b>Variable</b>	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics</b>	<b>P Values</b>
Leadership Style -> Business Performance	0.166	0.171	0.077	2,153	0.032
Entrepreneurial Competencies -> Business Performance	0.749	0.747	0.072	10,424	0.000

Source: Data processed (2023)

#### R-Square Test Results

R-square is used in a study to evaluate how much the research model contributes and its ability to explain the relationship between the independent variable and the dependent variable. The business performance variable in this study shows a very high level of strength with a value of 0.790 which indicates that the magnitude of the influence of the leadership style variable and entrepreneurial competence on performance is 79%.





**Table 6. R-Square Result**

Variable	R Square	R Square Adjusted
Business Performance	794	0.790

Source: Data processed (2023)

#### Leadership Style and Business Performance

This research shows that leadership style has a profound impact on business performance in women entrepreneurs. Inclusive and collaborative leadership styles create a harmonious and helpful work atmosphere, which in turn increases employee satisfaction and retention. Women who run businesses and use adaptive leadership are better able to deal with market challenges and industry changes. This makes their businesses more flexible and able to withstand economic shocks. The findings of this study suggest that investing in leadership skill development is a key factor in achieving sustainable business success for women entrepreneurs. Other research conducted (Budi Cahyono & Nur, 2023) shows that there is a significant influence between leadership style on optimizing employee performance. This means that the increasing value of leadership will increase the optimization of employee performance. Other research conducted (Akpaprep et al., 2019) also shows that there is a strong relationship between leadership style and organizational performance. For employee performance to be better, the steps that need to be taken are to inspire employees through the use of appropriate leadership styles (Nalim et al., 2020). Effective leadership positively impacts employee motivation, engagement, and productivity, thus leading to improved organizational outcomes (Meiling et al., 2023).

#### Entrepreneurial Competence and Business Performance

This study suggests that entrepreneurial skills play a critical role in determining business performance for women entrepreneurs. Women entrepreneurs with entrepreneurial competencies are better at recognizing business opportunities, setting more accurate strategies, and overcoming obstacles more effectively. These skills also help in developing solid relationships and maximizing the use of resources, which will ultimately improve the efficiency and competitiveness of the firm. Therefore, enhancing entrepreneurial skills is important in improving women's business outcomes, giving them the opportunity for continued success and growth. The results of this study are in line with research conducted (Nuryanti & Hanifah, 2022) that entrepreneurial competence has a significant influence on business performance. Other research conducted (Hasbiah, 2023) also shows that entrepreneurial competence has a positive and significant effect on business success. Competence in entrepreneurship is very influential in driving business success and is the main key to achieving growth and sustainability. Entrepreneurs can increase their chances of growing and sustaining their business in a competitive market by recognizing specific areas that need improvement, and focusing on improving their skills. (Yuldinawati & Yellianty, 2024)

#### Leadership Style, Entrepreneurial Competence, and Business Performance

This study proves that leadership style and entrepreneurial ability have a significant influence on business performance among women entrepreneurs. An accommodating and cooperative leadership style enables women entrepreneurs to form a solid and peaceful working group, creating a supportive work environment for creativity and efficiency. At the same time, entrepreneurial skills, which include management skills, strategic decision-making, and preparedness for market changes, also have a significant impact on determining business success. Women entrepreneurs who can combine an



efficient leadership style with high entrepreneurial skills generally show better business outcomes, including increased profits, business growth, and competitiveness in the market. The findings of this study highlight the importance of enhancing the leadership abilities and entrepreneurial skills of women in business in order to achieve the best business outcomes and remain sustainable. The results show that women who lead businesses have significant skills in technical leadership, building strong social networks, and also have a deep understanding of managing organizations conceptually. These findings emphasize the importance of recognizing and enhancing women's leadership roles in a changing economy (Aisyah et al., 2023). Other studies have shown the link between leadership style, skills, and employee outcomes with an emphasis on the organizational environment. According to the results of the study, successful leadership styles and high skill levels significantly contribute to improving employee performance. This implies the importance of selecting and developing the right leadership and enhancing employee skills as a strategy to improve the overall performance of an organization (Sulantara et al., 2020).

### CONCLUSION

This study found that entrepreneurial skills and leadership style have a major influence on women's business productivity. Women who become entrepreneurs and maximize their entrepreneurial skills can face various business challenges more efficiently. On the other hand, a leadership style that encourages participation and innovation from its team members can improve performance and job satisfaction. By combining these two factors, women entrepreneurs can drive sustainable growth of their businesses and increase their competitiveness in the market. The importance of developing leadership skills and entrepreneurial capabilities is a key factor in building a solid foundation for long-term success for women entrepreneurs in an increasingly fierce and changing business environment.

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