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The Influence of Leadership Strategies and Social Capital on the Business Performance and Resilience of Indonesian MSMEs

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Abstract

This study aims to study how leadership strategies and business capital influence the performance and resilience of Micro, Small, and Medium-sized Enterprises (MSMEs) in the Bangka Belitung Islands Province, Indonesia, particularly in dealing with rapid financial fluctuations in 2023. The goal is to offer valuable insights for managing MSMEs effectively. This study used quantitative research to collect primary data from 101 MSMEs with valid business licenses in the Bangka Belitung Islands Province, Indonesia. It employed the partial least squares (PLS) analysis method, covering measurements and structural models. A leader's management style does not directly affect how well a business can handle challenges, and having good business connections does not make a big difference. However, certain aspects of a leader's plan can improve the business's overall performance. Surprisingly, the business's current performance does not strongly impact its ability to handle tough situations, and it does not change how a leader's management style and connections influence this resilience. These findings help us understand how these factors interact in small businesses in the province. This study demonstrates the connections between leadership strategies, social capital, business performance, and resilience in a specific location. Small business leaders in the Bangka Belitung Islands Province can utilize this research to enhance their strategies. Improved resilience among MSMEs can contribute to the economic strength and growth of the local community in the Bangka Belitung Islands Province. This study is unique because it looks

Highlights

- The impact of COVID-19, trade wars, and conflicts creates economic uncertainty.
- Inflation and recession escalate global business uncertainty.
- Positive shifts in Indonesia's economy through adaptation and growth strategy adjustments.
- Strong leadership is essential in navigating economic complexities.
- Precise strategies, vigilance, and adaptability are key as businesses face economic challenges; meanwhile, strategic leadership remains crucial, even as resilience operates independently from business performance.

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closely at one particular place and how leadership, social capital, business performance, and resilience are all connected in small businesses. The results help manage these businesses, especially when dealing with the challenges of fast-changing finances in 2023.

Keywords Attributes of leadership strategy · Business performance · Business resilience · Social capital

Introduction

Think of the economy like a turbulent flight—unpredictable and unsettling. This study argues that we are in a time of significant upheaval, marked by one economic crisis after another. First, the COVID-19 pandemic caused chaos, worsened by the instability of the China-United States trade war (Ahmad et al., 2020; Steff, 2022; Wyne, 2022). Despite efforts to recover, inflation keeps fluctuating, leading to stagflation and the looming threat of recession. The situation gets even trickier with the ongoing Russia-Ukraine conflict and China's strict zero-COVID-19 policy (Hutagaol et al., 2022; Kolodko, 2022). These factors disrupt global energy and food supplies, making economic instability worse.

Recent headlines in print media and online sources have raised concerns about the global economy, suggesting a potential slowdown and the looming threat of recession shortly. Businesses increasingly worry about uncertainty (Al-Thaqeb et al., 2022; Altig et al., 2022; Perwira & Hidayat, 2021). This worry is supported by the observed volatility and risks in the global economic landscape, particularly noticeable in events from 2022. International financial markets have been unstable, and there has been a rise in inflationary pressures in several developed nations, such as the United States, China, and Europe. Moreover, the possibility of recession hangs over several other developed countries (Bachtiar, 2022; Mbah & Wasum, 2022; Michie, 2022).

Meanwhile, Indonesia's economy is bouncing back (Anas et al., 2022; Darmastuti et al., 2021; Warburton, 2022). However, problems like high inflation, driven by rising fuel prices, make it harder for people to afford necessities. Henry Ma, a Senior Economist for Indonesia at the Asian Development Bank, has also adjusted Indonesia's economic growth forecast, initially projected for the coming years (Maharani & Marheni, 2022).

Rapid changes in economic projections have significant implications for adjustments in strategy and business direction (Hakim et al., 2022). Business leaders across all levels must navigate their enterprises through turbulence and uncertainty. Crucial decisions are often made under relentless pressure, especially when managing crises in the digital era (Truscott, 2015). The business landscape resembles a forest rather than a playground; a parable illustrates that in times of crisis, the business environment is akin to a forest, teeming with various threats from its inhabitants who abide by the laws of nature. Unlike a park, which offers comfort and beauty, allowing its inhabitants to jest and play freely, the forest demands vigilance and a precise strategy to confront its myriad challenges.

In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) are crucial drivers of economic growth, job creation, and poverty reduction (Nursini, 2020; Tambunan, 2019). However, these enterprises face challenges, including limited resources, market volatility, and fierce competition, particularly during economic uncertainty (Adhikary et al., 2021; Syamsari et al., 2022). Amidst such uncertainties, the significance of social capital in sustaining MSMEs becomes even more evident.

Social capital, defined as the networks, relationships, and trust forged within a community, assumes various forms for MSMEs, enabling access to financial resources, sharing of information, and collaboration for collective problem-solving (Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998). A critical determinant of social capital development within MSMEs is leadership style. Transformational leadership, characterized by visionary guidance and empowerment, fosters a culture of collaboration and innovation, nurturing strong relationships with stakeholders (Avolio, 2000; Longshore & Bass, 1987). Conversely, transactional leadership, focusing on task-based management and rewards, may prioritize short-term gains over long-term collaboration (Avolio, 2000; Longshore & Bass, 1987).

Understanding the interplay between leadership styles and social capital within Indonesian Micro, Small, and Medium Enterprises (MSMEs) holds profound significance for various aspects of organizational functioning and societal impact. Firstly, effective leadership plays a pivotal role in enhancing the resilience of MSMEs during periods of economic turbulence (Avolio, 2000; Longshore & Bass, 1987; Yukl, 2012). Transformational leadership, characterized by visionary guidance and empowerment, fosters a supportive organizational culture encouraging innovation and risk-taking (Avolio, 2000; Longshore & Bass, 1987; Yukl, 2012). Nurturing robust social capital networks within MSMEs, transformational leaders facilitate access to critical resources and support mechanisms, thereby fortifying the resilience of these enterprises to withstand economic downturns and emerge stronger from adversities (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998).

Secondly, effective leadership promotes adaptability, enabling MSMEs to navigate rapidly changing market dynamics with agility and foresight (Avolio, 2000; Longshore & Bass, 1987; Yukl, 2012). With their forward-thinking approach and emphasis on continuous learning and improvement, transformational leaders empower MSMEs to embrace change and capitalize on emerging opportunities (Avolio, 2000; Longshore & Bass, 1987; Northouse, 2021). Fostering a culture of innovation and flexibility, transformational leadership enhances the adaptability of MSMEs, allowing them to respond swiftly to evolving consumer preferences, technological advancements, and competitive pressures (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998). The robust social capital networks cultivated by transformational leaders further amplify this adaptability, providing MSMEs access to valuable insights, expertise, and collaborative opportunities (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998).

Thirdly, effective leadership strengthens the competitiveness of MSMEs in the marketplace (Avolio, 2000; Longshore & Bass, 1987; Yukl, 2012). Transformational leaders inspire and motivate employees, fostering a sense of shared purpose and commitment within the organization (Avolio, 2000; Longshore & Bass, 1987; Northouse, 2021). This cohesive organizational culture and strong social capital networks enable MSMEs to forge strategic partnerships, access new markets, and differentiate themselves from competitors (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998). MSMEs can leverage their social capital assets to enhance their market presence, expand their customer base, and capitalize on emerging business opportunities, thereby strengthening their competitive position in the industry (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998).

Effective leadership promotes inclusive growth and socio-economic development within Indonesian MSMEs (Avolio, 2000; Longshore & Bass, 1987; Yukl, 2012). Transformational leaders actively engage with diverse stakeholders and empower marginalized communities, fostering a culture of inclusivity and equity within the organization (Avolio, 2000; Longshore & Bass, 1987; Northouse, 2021). This inclusive approach promotes social cohesion and diversity and unlocks untapped workforce talent (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998). Transformational leaders leverage their social capital networks to create pathways for socio-economic mobility, empower marginalized groups, and bridge existing disparities, thereby fostering a more equitable and inclusive society (Adler & Kwon, 2002; Morrow & Scorgie-Porter, 2017; Nahapiet & Ghoshal, 1998).

There is a research gap in understanding how specific types of leadership, such as transformational or transactional leadership, can affect the development of social capital in the context of Indonesian MSMEs facing economic uncertainty. Previous studies have attempted to link leadership to business performance or social capital. Still, there has been no comprehensive study that explores the interaction between different types of leadership and different types of social capital in the Indonesian MSME setting.

This research aims to fill this research gap by analyzing the role of specific leadership styles in shaping and utilizing the necessary social capital for MSMEs to cope with recent economic challenges. In doing so, this study will provide deeper insights into how leadership and social capital can mutually influence each other in this unique business context, which is expected to offer valuable guidance to MSME business leaders in Indonesia when dealing with rapid economic changes.

This research brings novelty by offering a significant practical contribution to MSME business leaders in Indonesia. Through an in-depth analysis of the influence of leadership and social capital on the performance and resilience of MSMEs, this study provides theoretical insights. It offers concrete guidance that can assist business leaders in facing rapid economic challenges and uncertainty. The practical implications of this research can help business leaders design more effective strategies, leverage the right social capital, and ensure their businesses' sustainability and growth amidst dynamic economic changes. This makes the research relevant and beneficial in the practical business world in Indonesia.

Theoretical Framework

Attributes of Leadership Strategies

Leadership is the linchpin of organizational dynamics, intricately shaping the behaviors and actions of individuals or groups as they pursue specific goals within defined contexts. Beyond mere directives, effective leadership entails the strategic coordination of resources and efforts to navigate unforeseen challenges in pursuing organizational objectives. Consequently, leadership strategies are pivotal in optimizing performance and fostering resilience amidst uncertainty and change.

Strategic management encapsulates an integrated process of analyzing internal and external environments through various strategy development methodologies. This comprehensive approach aims to identify critical factors driving organizational success, mitigating risks, and seizing emerging opportunities. Previous studies underscore the importance of strategic management in achieving organizational goals and maximizing benefits (Aziz, 2021; Mayastinasari & Suseno, 2023; Ruiyao et al., 2023).

At the core of strategic management lies strategic leadership, representing and championing the fundamental principles of organizational strategy. Strategic leaders operate across various organizational levels, serving as visionaries and change agents. Their proficiency in soft skills, including emotional intelligence, adaptability, and resilience, equips them to navigate the complexities of the business landscape while fostering cultures of innovation and agility. Previous research highlights the critical role of strategic leadership in driving organizational success (Jayawardane, 2021; Tahirs et al., 2023; Zubi & Khalid, 2022).

Strategic leadership encompasses multifaceted dimensions (Kabetu & Iravo, 2018). Strategic leaders are tasked with fostering consensus amidst volatility, complexity, and ambiguity, ensuring alignment with organizational goals and values. This involves providing direction through policies and instructions, empowering stakeholders, and allocating resources judiciously to achieve desired outcomes. Aziz also emphasizes the alignment of strategic leadership with the strategic management process, highlighting its integral role in guiding strategic decision-making across all phases (Aziz, 2021).

Insights into effective leadership attributes shed light on the nuanced nature of leadership excellence. Von Ohain identifies empathy, innovation, openness, and agility as key attributes of successful leaders (von Ohain, 2019). These qualities enable leaders to foster inclusive cultures, drive creativity and collaboration, and adapt to evolving circumstances with agility and resilience. Furthermore, frameworks such as servant leadership emphasize humility, service, and vision as essential components of effective leadership practice (Coetzer et al., 2017; Hale & Fields, 2007).

Empirical studies provide concrete evidence of the impact of strategic leadership on organizational performance. Research by Kumkale highlights the correlation between effective leadership practices and enhanced organizational resilience, innovation, and adaptability (Kumkale, 2022). These findings underscore the pivotal role of strategic leadership in driving organizational success amidst dynamic and uncertain business environments. Additionally, previous studies further reinforce the importance of strategic leadership in navigating organizational challenges and fostering sustainable growth (Hitt et al., 2009; Kotter, 2007; Yukl, 2012).

Social Capital

Social network theory created social capital, which was highlighted because social capital was ingrained in interactions on many levels. Understanding social ties, interpersonal relationships, trust, and reciprocity can be achieved by applying the social capital theory (Pratono, 2018; Putro et al., 2022). The definition of social capital by Bourdieu (1986), as stated by (Kuntariè et al., 2012), is "a group of Real or potential resources linked to a long-lasting network of connections that are somewhat institutionalized based on mutual understanding or friendship." Relationships formed through an exchange are where social capital is found (Chowdhury et al., 2019). Social capital is sometimes described as a system of unwritten laws, guidelines, and moral principles that permit people to interact with one another in productive ways (Bochniarz, 2015). Social capital is a crucial mentality for the success of development and policy formulation (Fathy, 2019).

According to Naudé et al. (2014), social organization characteristics like trust, norms, and networks are among the factors of networks that businesses may employ to build social capital. These characteristics can boost society's efficiency by enabling coordinated action. By stimulating the flow of information and money from different sources and fostering the development of intellectual capital by establishing the ideal circumstances for exchange or supporting the development of new resources, social capital makes it easier to acquire resources (Hernández-Carrión et al., 2017). Companies can encourage and learn to improve organizational performance when organizational management is combined with sufficient social capital (Golmoradi & Ardabili, 2016). Social capital in SMEs refers to social networks' life, norms, and trusts that allow SMEs to efficiently work together to achieve shared goals (Purwati et al., 2020). In contrast, a company's internal social capital can be considered its capacity to develop relationships and deal with externalities (Fahmi, 2019).

Social capital can be split into bonding and bridging social capital. In other words, while bridging social capital is defined as social capital formed heterogeneously, bonding social capital refers to social capital developed homogeneously. Accordingly, social capital that is created by bonding is more substantial social capital (Kim et al., 2022a). Due to social ties with family, friends, and coworkers, social capital can foster a powerful sense of being a part of the community and having better business management skills. Small firms may be affected by the decisions made by entrepreneurs, which are frequently influenced by relationships, peer recommendations, and additional connections (Kuntariè et al., 2012; Rahmawati et al., 2021). Trust is the fundamental and most crucial component of social capital. According to another perspective, trust is essential for forming and growing a society's strong (or weak) social capital (Faedlulloh, 2015). Social capital has three different aspects: relational, structural, and cognitive. The structural dimension emphasizes how closely connected and interconnected social network participants are. The relational dimension emphasizes the strength of these social ties; trust and confidence are crucial in this setting. The cognitive size, in contrast, focuses on participants' shared values, norms, and trust in social networks (Akintimehin et al., 2021).

Putnam asserts that networks, norms, and trust contribute to social capital (Tomas Santoso, 2020, as cited in Putro et al., 2022) (Fig. 1).

The Influence of Social Capital on SME Performance

Social capital, the network of relationships and trust within a community, is pivotal in shaping the performance of Small and Medium-sized Enterprises (SMEs) in Indonesia. Through social capital theory, which emphasizes the importance of social ties and reciprocity, SMEs can leverage their connections to access critical resources, information, and business opportunities. Research has shown that SMEs with strong social capital networks are more resilient during economic downturns and better equipped to innovate and adapt to changing market conditions (Estrin et al., 2013). For example, a study found that SMEs with extensive social networks were more likely to secure financing from multiple sources and achieve higher growth rates than those with limited networks (Pratono, 2018). Moreover, social capital enables SMEs to establish collaborative networks facilitating knowledge sharing and joint problem-solving, leading to improved decision-making processes and strategic alignments with market demands (Putro et al., 2022).

Organizational Resilience

Beyond its impact on performance, social capital significantly contributes to the resilience of SMEs amidst dynamic and unpredictable market conditions. By building robust social networks and trust within their business ecosystems, SMEs can better withstand external shocks and adapt to changing circumstances (Morrow &

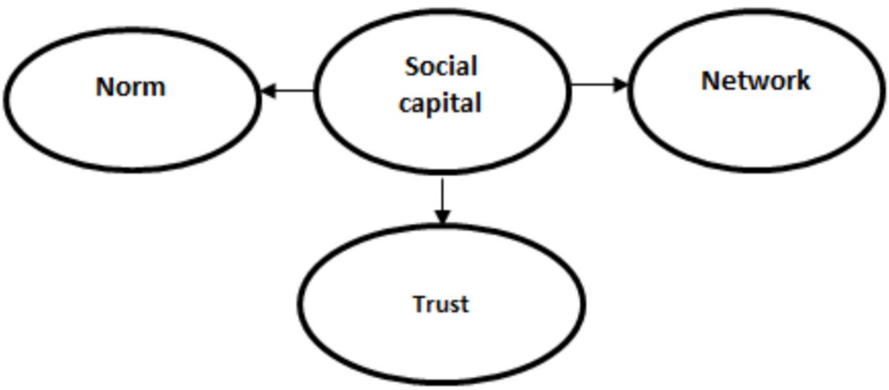

Fig. 1 Elements of venture capital.Source: Tomas Santoso (2020), as cited in Putro et al., (2022)

Scorgie-Porter, 2017). This resilience stems from social capital's collective support and solidarity, enabling SMEs to mobilize resources, share risks, and seize emerging opportunities. For instance, during times of crisis, such as the COVID-19 pandemic, SMEs with strong social capital could access emergency funding, negotiate flexible payment terms with suppliers, and pivot their business models to meet evolving customer needs (Morrow & Scorgie-Porter, 2017). Additionally, social capital fosters a sense of belonging and mutual obligation among community members, instilling confidence and cohesion essential for navigating uncertainties and overcoming challenges collectively (Fukuyama, 1996).

The Influence of Leadership on Social Capital Development

Leadership is critical in shaping SMEs' development and utilization of social capital. Transformational leaders, characterized by their inspirational vision, empathy, and empowerment of followers, are adept at cultivating strong social ties and fostering a culture of collaboration and innovation (Bass & Avolio, 1994). By championing values such as transparency, inclusivity, and integrity, transformational leaders can nurture an environment conducive to trust-building and knowledge-sharing, thereby enhancing the quality and depth of social capital within their organizations. Moreover, leaders prioritizing social capital development recognize the strategic importance of building external networks and partnerships, leveraging their influence to forge alliances and bridge diverse stakeholder groups for mutual benefit (Bass & Avolio, 1994). Research conducted by Putro et al. highlighted the positive correlation between transformational leadership styles and creating cohesive social networks within SMEs, resulting in improved employee engagement, customer loyalty, and overall organizational performance (Putro et al., 2022).

Leadership and Social Capital

Leadership, particularly transformational leadership, is crucial in building and strengthening organizational social capital. Effective leaders foster trust, develop social networks, and promote shared norms and values, all enhancing social capital.

1) Building trust.

Transformational leadership, characterized by inspiring and motivating team members, significantly enhances organizational trust. Leaders who are honest, transparent, and consistent gain the trust of their subordinates, a key component of social capital (Bass & Avolio, 1994). This trust fosters a sense of safety and support among organizational members, which is crucial for effective collaboration and innovation.

2) Developing social networks.

Leaders who promote cooperation and open communication help build strong social networks. This facilitates the effective exchange of information and resources among organizational members, strengthening internal social networks (Nahapiet & Ghoshal, 1998). Strong social networks enhance relationships among members, increasing synergy and operational efficiency.

3) Promoting shared norms and values.

Transformational leaders play a pivotal role in instilling shared values and norms within the organization. By fostering an inclusive and collaborative organizational culture, leaders help create an environment that supports strong social capital (Schein, 2010). Shared norms and values shape the behavior and expectations of organizational members, ultimately supporting the organization's success and sustainability.

Transformational leadership is a primary driver for enhancing social capital, but strong social capital also supports more effective leadership. Thus, there is a bidirectional relationship where effective leadership enhances social capital, and high social capital, in turn, enhances leadership effectiveness.

Conversely, strong social capital within an organization enhances leadership effectiveness. High social capital can do the following:

1) Increase support for leaders.

In organizations with high social capital, members are more likely to support the decisions and vision of their leaders. This support enables leaders to implement changes more effectively (Morrow & Scorgie-Porter, 2017). When organizational members trust and believe in their leaders, it creates a cohesive environment where everyone works towards common goals.

2) Facilitate communication and cooperation.

Strong social capital enhances communication and cooperation within the organization, making it easier for leaders to coordinate and direct their teams (Lin, 2002). Effective communication channels and a culture of cooperation allow for smoother operations and quicker conflict resolution, supporting leaders in their decision-making processes.

3) Strengthen policy implementation.

With trust and robust social networks, leaders can implement organizational policies and strategies more smoothly as internal resistance decreases and support increases (Coleman, 1988). The presence of strong social capital means employees are more likely to understand, accept, and commit to organizational changes and initiatives, ensuring the successful execution of policies.

There is a synergistic relationship between leadership and social capital. Effective leadership enhances social capital, and high social capital amplifies leadership effectiveness, creating a virtuous cycle that benefits the entire organization.

The Relationship Between Social Capital and Financial Capital

Social capital influences SME performance and affects their access to financial resources and investment opportunities. A robust social network, characterized by trust and reciprocity, enhances SMEs' credibility and reputation within the business community, making them more attractive to potential investors and creditors (Lin, 2002). Moreover, social capital provides SMEs with valuable market intelligence, enabling them to identify funding sources, negotiate favorable terms, and secure investment partnerships (Lin, 2002). Conversely, lacking social capital or weak social ties may limit SMEs' access to financial capital, constraining their growth prospects and competitive positioning in the market. Understanding the interplay between social and financial capital is thus essential for unlocking the full potential of SMEs and driving sustainable economic development in Indonesia. Studies have shown that SMEs with strong social capital networks are more likely to attract venture capital investments, secure bank loans at lower interest rates, and achieve higher profitability and growth rates than those with limited social capital (Burt, 2000).

Business Performance

Business performance measures an organization's overall success concerning its competitors. Akbar et al. (2021) define business performance as work results completed and contrast it with work outcomes, targets, or criteria both parties set in advance and shared. This definition applies to a business entity with predetermined asset and turnover criteria in the law.

According to Setiawan (2013), business performance is a gauge of success from a company's or organization's whole marketing process activities. Additionally, marketing performance can be considered a notion used to gauge how well a company's product has performed on the market. According to Wu et al. (2016) and Rai et al. (2006), business performance entails achieving predetermined goals. According to Nugroho et al. (2020), business performance is a business unit is success in conducting internal and external targets and criteria.

Business performance refers to how a program of activities has achieved the organization's strategic planning's outlined goals, objectives, vision, and mission (Fauziyah et al., 2017; Moeheriono, 2009). Business performance must also be evaluated to determine organizational success because it is described as the operational capacity to fulfill the requirements of the company's significant shareholders (Wiatt et al., 2021). The quantity and quality of financial capital resources, in general, determine how well a corporation performs. These resources can be readily available and suitably equipped with social capital (Adler & Kwon, 2002; Olamide & Ogbechie, 2021). Making wise decisions for the organization and maintaining accurate records are other factors that affect how well a corporation performs. Choosing whether to preserve, discontinue, or grow a product line. As a result, keeping accurate and complete records will lead to better decision-making and higher business performance (Pramestiningrum & Iramani, 2020).

Market and financial performance are the two primary business performance categories (Kim et al., 2022b). Four factors contribute to financial performance satisfaction: personal income, market share compared to rivals, sales growth, and the company's economic progress. Customer reputation, customer base, and product/service quality comprise customer and product satisfaction (Kuntariè et al., 2012; Mamo, 2023). Employee orientation and elements related to the corporate environment might impact business success (Mohamood & Hanafi, 2013). Other factors can also enhance SME business performance, such as managerial abilities, company strategy, and environmental factors (Gianiodis et al., 2022). A combination of internal and external aspects is used to gauge business performance, according to Rangkuti (2013), as cited in (Sandra & Purwanto, 2017). In a SWOT analysis, the two factors are merged, with the internal aspects standing in for the external factors for opportunities and threats and the strengths and weaknesses.

Furthermore, technological innovation recognizes a company as a critical factor in securing competitiveness and improving business performance (Akinyemi & Abiddin, 2013). Sustainability and business growth show the resilience of a production business. Business profit is the difference between sales receipts and costs incurred to produce a product/service (Fauziyah et al., 2017).

Leadership Strategies and Business Performance

Certainly, effective leadership strategies play a pivotal role in shaping and enhancing business performance across various dimensions. Firstly, leaders who excel in motivating employees contribute significantly to improved business performance. Studies have shown that companies with engaged employees outperform their competitors by up to 202% (Gallup, 2019). Leaders can boost employee engagement, job satisfaction, and productivity, consequently driving positive outcomes for the organization by understanding and addressing the needs of their team members, providing constructive feedback, and fostering a supportive work environment.

Secondly, adept leaders are instrumental in directing organizational strategies, aligning them with market demands and industry trends to position the business for success and sustainable growth. Organizations with strong strategic alignment will likely have above-average financial performance (Yuliansyah & Jermias, 2018). Through strategic planning, resource allocation, and risk mitigation, leaders guide their teams toward achieving overarching business objectives while capitalizing on growth opportunities and minimizing threats.

Moreover, effective leadership involves optimizing operational processes to enhance organizational efficiency and effectiveness. Companies with streamlined processes achieve 30% higher profitability than their counterparts (Huang et al., 2010). Leaders who prioritize continuous improvement, innovation, and adaptation to change can streamline workflows, reduce costs, and enhance product or service quality, resulting in tangible improvements in business performance metrics such as profitability, customer satisfaction, and operational efficiency.

Additionally, leaders shape organizational culture by exemplifying values, fostering transparency, and promoting accountability, thereby creating a culture of excellence where employees are empowered to excel and contribute meaningfully to the organization's success. Organizations with a strong culture of accountability experience higher profitability and higher employee engagement (Gallup, 2019).

Furthermore, effective leadership is particularly crucial during times of uncertainty or crisis. Leaders who demonstrate resilience, adaptability, and strategic foresight can navigate challenges and disruptions, instilling confidence in their teams and guiding them through turbulent times. By providing clear direction, fostering innovation, and leveraging opportunities amidst challenges, leaders can steer the organization towards resilience and sustainable growth, safeguarding and enhancing overall business performance.

Effective leadership strategies encompass a range of practices and behaviors that directly influence business performance, making them indispensable assets for organizations striving for success in today's dynamic business landscape.

Social Capital and Business Performance

Social capital, comprised of the social networks, norms, and trust within an organization or community, plays a pivotal role in shaping business performance. Strong social capital fosters a sense of cohesion and collaboration among employees, enabling them to work together more effectively towards common goals. Research has consistently demonstrated that organizations with robust social capital exhibit higher employee engagement, satisfaction, and productivity (Adler & Kwon, 2002). Moreover, social capital facilitates knowledge sharing and information flow across different parts of the organization, leading to greater innovation and adaptability (Morrow & Scorgie-Porter, 2017).

Furthermore, social capital builds a positive organizational culture characterized by mutual respect, support, and trust among employees (Coleman, 1988). This supportive environment enhances employee morale and job satisfaction and fosters a greater sense of loyalty and commitment to the organization (Burt, 2000). Additionally, strong social ties and networks within the organization can lead to better problem-solving and decision-making processes, as employees are more likely to seek and receive help from their colleagues when needed (Lin, 2002).

Social capital catalyzes business performance by promoting employee collaboration, innovation, and problem-solving. Organizations that invest in building and nurturing social capital are better positioned to adapt to change, seize opportunities, and achieve sustainable growth in today's dynamic business environment.

Business Resilience

Ecologists conceptualize resilience as a complex system's capacity to stabilize following a perturbation. Resilience is needed in the system (and its components) to deal with a turbulent external environment, including minor disturbances and high-impact events (Bhamra et al., 2015; Winnard et al., 2014). Additionally, corporate resilience is sometimes characterized as quickly recovering from setbacks, emphasizing the ability to adjust after disturbances (Collier et al., 2019; Lisdiono et al., 2022). Resilience is also defined as a multifaceted notion, including a company's ability to adjust to various circumstances and absorb shocks of extreme occurrences (Herbane, 2020). Government policies to promote prosperity determine corporate resilience, often known as bottom-line resilience or the ability to avoid bankruptcy (Garrido, 2016). Thus, governmental actions, corporate choices, and the degree of cooperation established with other firms all have a significant role in systematic resilience at the global level. Resilience is crucial for entrepreneurs of all genders in today's cutthroat global marketplace (Murugan & Natarajan, 2022).

Resilience is viewed in the context of entrepreneurship as an increase in a company's viability following a crisis. Increased sales and earnings or adopting positive or innovative initiatives (such as growing the clientele base or adding additional employees) are frequently used as metrics. While this is happening, psychological resilience in the context of entrepreneurship connects individual factors, and entrepreneurial resilience includes elements like entrepreneur self-efficacy, learning and development, experience, attitudes, trust, and behavior, as well as contextual aspects like the level of external dynamism, the availability of financial resources, social networks, and support. Because it relates to the beginning, involvement, and success of entrepreneurial initiatives, entrepreneurial psychological resilience is essential for creating new enterprises (Gianiodis et al., 2022). Furthermore, according to Fiksel (2012) and Hamel and Välikangas (2003), resilience in a business environment refers to "the company's capacity to endure, adapt, and advance despite the radical change" (Dahles & Susilowati, 2015; Grandori, 2020). Economic growth depends on how well local businesses and corporations adapt to sudden changes and shocks (Williams & Vorley, 2017). Companies can adapt quickly to their settings, absorb external shocks, and maintain competitiveness. However, if regulations are more restrictive, they lose this ability. In entrepreneurial studies, success and performance are frequently equated. The business's success is a gauge for determining if it can continue operating (in the future) and a foundation for future operational planning (Laidoune et al., 2022; Reniati et al., 2019).

Small business owners might acquire different sensitivity under challenging situations, adapt their actions to the evolving context of what they can achieve, or hold out for a fantastic chance to recover. Business continuity was in danger during the COVID-19 epidemic, and it swiftly became a disaster. This suggests that a crisis is an unsafe scenario that develops quickly and is challenging to understand since there is not enough knowledge to decide the best course of action to handle it (Maitlis & Christianson, 2014; Sarkar & Clegg, 2021; Sarkar & Osiyevskyy, 2018). When coping with disasters, careful business planning can increase business operations' continuity and resilience to natural disasters (Orchiston, 2013; Pham et al., 2021; Seville et al., 2006). It was claimed that distractions from crises at different levels in business have grown commonplace and that "business as usual" has been replaced by unusual and impossible events.

Brito et al. (2022) and Gianiodis et al. (2022) provide an example of the distinction between individual static and dynamic resilience levels. Those with dynamic resilience use social networks to access their money. At the same time, the two categories of entrepreneurs try to combat the COVID-19 epidemic. To specifically address the limitations placed on businesses during the epidemic, they are utilizing their network's human and financial resources. By doing this, they can build up vast resources to build and reinvent the company to profit from crises.

On the other hand, when a crisis arises, people with static resilience must develop solutions solely from their human capital and knowledge. Resilience has stages, from pre-event through post-event recovery. The procedure involves actions and duties for defense, response, recovery, and prevention. As a result, planning for resilience, responding to risks, and adapting arise from a continuous process. Prevent, protect, respond, and recover are the four resilience traits identified by this strategy, and it is predicted that they enable the development of metrics to assess resilience (Kativhu et al., 2018) (Fig. 2).

Methodology

Case Study Area

Bangka Belitung Islands Province is a pivotal area for examining the intricate relationship between Micro, Small, and Medium-sized Enterprises (MSMEs), leadership strategies, social capital, business performance, and resilience. Comprising

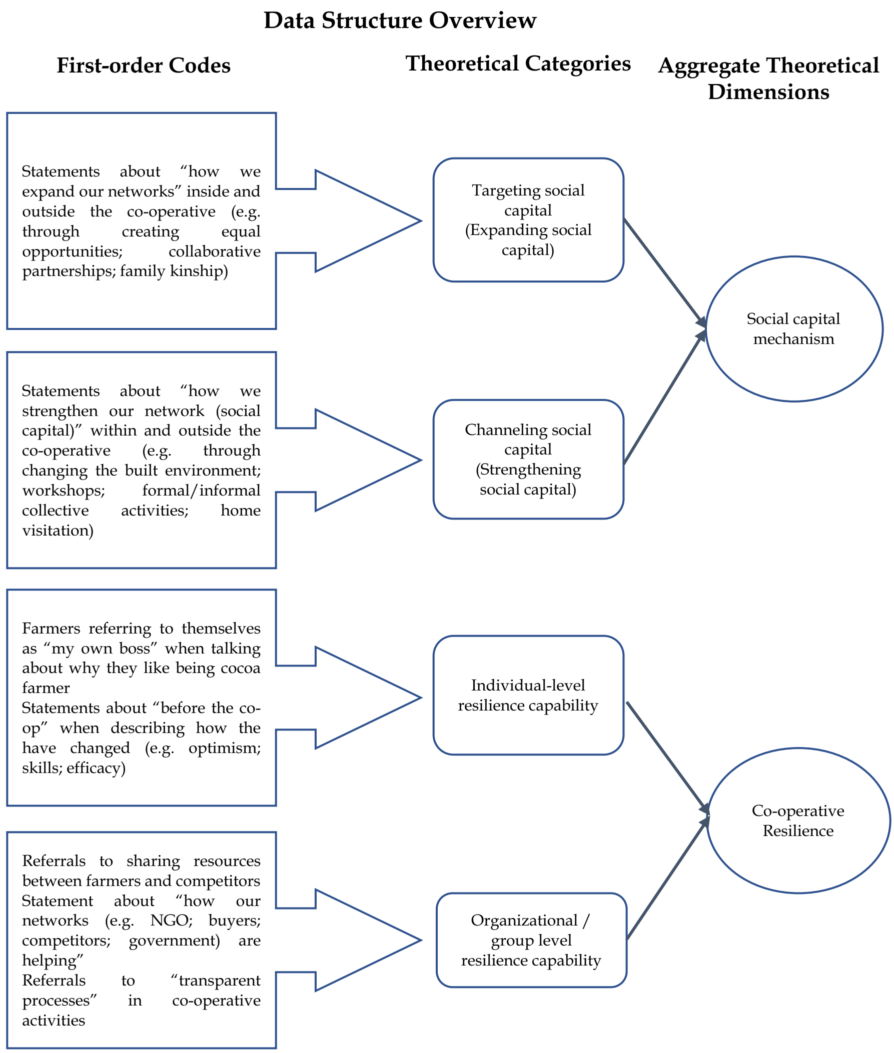

Fig. 2 Description of the data model for cooperative resilience and social capital mechanisms Source: (Wulandhari et al., 2022)

two main islands, Bangka and Belitung, this province boasts a strategic location along major trade routes endowed with rich natural resources. Its economy thrives on diverse sectors, with mining, agriculture, and tourism playing significant roles alongside the vibrant MSME sector.

Notably, the province is renowned for its tin mining industry, contributing substantially to Indonesia's tin production. The economy of the Bangka Belitung Islands Province in 2021, as measured by the Gross Regional Domestic Product (GRDP) at current prices, reached IDR 85.94 trillion, and GRDP at constant prices in 2021 reached IDR 55.36 trillion. Meanwhile, the GRDP per capita of the Bangka Belitung

Islands Province in 2021 reached IDR 58.34 million (Badan Pusat Statistik Provinsi Kepulauan Bangka Belitung, 2022a), with the mining and quarrying sector being a key contributor. The tin mining industry alone accounted for a significant portion of the province's GDP, employing thousands of workers directly and indirectly.

The province's demographic composition reflects cultural diversity, with various ethnic groups coexisting harmoniously and contributing to its entrepreneurial spirit. With a population of approximately 1.5 million (Badan Pusat Statistik Provinsi Kepulauan Bangka Belitung, 2022b), the province's urban centers, such as Pangkal Pinang and Tanjung Pandan, serve as hubs of economic activity and innovation.

MSMEs form the backbone of the province's economy, driving employment generation, income growth, and economic resilience. These enterprises operate across various industries, showcasing the province's economic diversity and adaptability. Bangka Belitung Islands Province housed over 22,799 MSMEs as of 2019 (Badan Pusat Statistik Provinsi Kepulauan Bangka Belitung, 2022c), encompassing various sectors such as handicrafts, food processing, and tourism-related services.

Data Collection

The Bangka Belitung Islands Province's MSME actors provided the primary data for this study. Primary data was gathered through surveys conducted physically and online. This study studied four variables—attributes of leader strategy, social capital, business performance, business resilience, and model scale-up MSMEs. One hundred and one respondents who had previously worked for the MSME Integrated Business Service Center of the Bangka Belitung Islands Province participated in the survey from March to October 2022.

Variables Studied

Attributes of Leader Strategy

This variable encompasses the strategic decisions, actions, and leadership styles adopted by MSME leaders within Bangka Belitung Islands Province. It delves into leaders' specific approaches and initiatives to drive organizational growth, foster innovation, and navigate challenges in the dynamic business environment. Attributes such as vision setting, decision-making processes, resource allocation, and market positioning strategies are evaluated to understand their impact on overall business outcomes and resilience.

Social Capital

Social capital refers to the networks, relationships, and connections established within and outside MSMEs operating in the province. It encompasses trust, cooperation, information exchange, and collective resources shared among stakeholders, including employees, suppliers, customers, and community members. The study examines how social capital influences organizational collaboration, knowledge sharing, and collective problem-solving efforts, thereby enhancing the resilience and sustainability of MSMEs in Bangka Belitung Islands.

Business Performance

Business performance pertains to the province's operational and financial outcomes MSMEs achieve. It encompasses various metrics such as profitability, revenue growth, market share, customer satisfaction, and operational efficiency. By analyzing key performance indicators (KPIs) and financial metrics, the study aims to assess MSMEs' overall effectiveness and competitiveness in delivering value to stakeholders and achieving strategic objectives.

Business Resilience

Business resilience refers to the capacity of MSMEs to withstand and adapt to internal and external disruptions, challenges, and uncertainties. It encompasses the ability to recover quickly from setbacks, mitigate risks, and capitalize on opportunities amidst changing market conditions, regulatory environments, and socio-economic factors. The study evaluates factors such as organizational flexibility, agility, risk management practices, and adaptive capabilities to gauge the resilience levels of MSMEs in Bangka Belitung Islands Province.

Model Scale-Up MSMEs

This variable assesses the scalability and growth potential of MSMEs within the province. It explores the readiness of MSMEs to expand their operations, enter new markets, and capitalize on emerging opportunities for growth and expansion. By examining factors such as market demand, resource availability, technological readiness, and organizational capacity, the study aims to identify barriers and enablers to scaling up MSMEs and fostering sustainable economic development in the region.

Method

The study employed descriptive and verification research methodologies to achieve its objectives. The descriptive analysis provided a general overview of MSMEs in the Bangka Belitung Islands Province concerning the variables studied and summarized the impact of each variable on the research hypotheses. Additionally, inferential analysis was conducted to explore relationships between variables.

Descriptive statistics were calculated to analyze the survey responses, including response frequency distribution, average statistics, and standard deviation. The formula used for average statistic calculation is as follows:

$$\overline{Item}_k = \frac{1}{n}\sum_{i=1}^{n} Item_{k(i)};k = 1, \ldots, K \tag{1}$$

The standard deviation is as follows:

$$\overline{Item_k} = \sqrt{\frac{1}{n-1}\left(\sum_{i=1}^{n}\left(Item_{k(i)} - \overline{Item_k}\right)^2\right)} \tag{2}$$

$N = 101$ indicates the number of respondents, and $k = 1, \ldots, K$ stated multiple items.

Effect analysis is also carried out using Variance Structural Equation Modeling or VBSEM technique, also called PLS-Path Modeling (PLS-PM) (Hair et al., 2019). Path analysis and confirmatory factor analysis are used in PLS-PM, an analysis method. The benefit of this approach is that it can model complex linkages while assessing the research tool and considering their structure. The measurement and structural models are elements of partial least squares modeling. The research hypothesis is reflected in the structural model.

Hypotheses(Fig. 3)

H1: Attributes of the leader's strategy impact business resilience The specific attributes of a leader's strategy, such as innovative product development and effective marketing strategies, are hypothesized to positively influence the sustainability and growth of MSMEs in Bangka Belitung Islands Province. These attributes enable organizations to adapt to changing market dynamics, identify and seize opportunities, and navigate challenges effectively, thus enhancing business resilience.

H2: Social capital impacts business resilience The level of social capital within an MSME, as measured by trust, network connections, and shared resources among stakeholders in Bangka Belitung Islands Province, is anticipated to positively impact the company's ability to withstand and thrive in a dynamic business environment. Strong social capital fosters collaboration, knowledge-sharing, and resource mobilization, essential for resilience-building in MSMEs.

H3: Attributes of the leader's strategy impact business performance Particular attributes of a leader's strategy, such as adaptability and market responsiveness, are

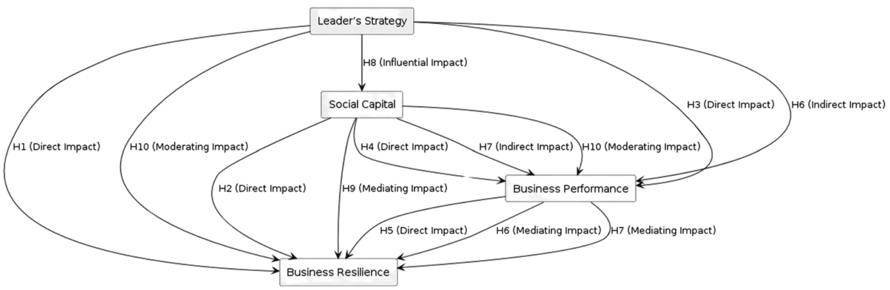

Fig. 3 Research hypothesis path diagram. Source: prepared by the authors (2022)

hypothesized to significantly influence overall business performance in MSMEs operating in Bangka Belitung Islands Province. Effective leadership strategies enable organizations to align their objectives with market demands, optimize resource allocation, and drive innovation, enhancing performance outcomes.

H4: Social capital has an impact on business performance The degree of social capital within an MSME, encompassing trust, collaboration, and shared resources among stakeholders in Bangka Belitung Islands Province, is expected to be positively related to the level of success the business achieves. Strong social capital facilitates effective communication, teamwork, and knowledge exchange, improving operational efficiency and performance outcomes.

H5: Business performance has an impact on business resilience Improved business performance, characterized by increased profitability, market competitiveness, and operational efficiency, is predicted to positively influence the company's resilience. Enhanced performance outcomes provide MSMEs in Bangka Belitung Islands Province with the resources and capabilities necessary to adapt to changing conditions, mitigate risks, and sustain long-term viability.

H6: Attributes of the leader's strategy indirectly impact business resilience through business performance The strategic qualities of a leader are expected to indirectly affect the resilience of MSMEs in Bangka Belitung Islands Province through their influence on business performance. Leadership attributes promoting adaptability and innovation are anticipated to enhance business performance, bolstering the company's resilience to external shocks and disruptions.

H7: Social capital indirectly impacts business resilience through business performance Social capital within an MSME in Bangka Belitung Islands Province is hypothesized to indirectly influence the company's resilience through its impact on operational effectiveness. Higher levels of trust, cooperation, and resource-sharing among employees are expected to improve operational efficiency, ultimately contributing to the company's resilience.

H8: Leadership style influences the level of social capital within a company Certain leadership styles, such as transformational leadership, are hypothesized to positively impact an organization's development and maintenance of social capital in MSMEs operating in Bangka Belitung Islands Province. Leaders who prioritize transparency, inclusivity, and empowerment are expected to foster stronger trust, collaboration, and cohesion among employees, leading to higher levels of social capital.

H9: Social capital mediates the relationship between leadership style and business resilience The level of social capital within an MSME in Bangka Belitung Islands Province is anticipated to mediate the relationship between leadership style and business resilience. Leadership styles that promote trust, communication, and collaboration are expected to enhance social capital, which, in turn, contributes to the company's ability to withstand and adapt to external challenges and disruptions.

H10: Leadership effectiveness moderates the relationship between social capital and business performance Leadership effectiveness is predicted to moderate the relationship between social capital and business performance in MSMEs operating in Bangka Belitung Islands Province. Strong leadership is expected to amplify the positive effects of social capital on performance outcomes by providing direction, alignment, and support for initiatives that leverage social capital resources effectively.

Results

Descriptive Analysis Based on the Business Initiated Year, Business Sector, Onboarding Digital Platform Used, Business Turnover, and Business Obstacle

Table 1 presents the number of respondents according to the year they initiated their businesses, ranging from 1994 to 2022. The data is divided into three periods: 1994–2005, 2006–2014, and 2015–2022, highlighting the distribution of businesses within these timeframes.

Based on the year the business was initiated, the 163 respondents who initiated their business ranged from 1994 to 2022. If divided into three periods, namely, the period 1994–2005, it turned out that there were only eight businesses (5.0%). In 2006–2014, there were 29 businesses (17.79%), and in 2015–2022, there were 126 (77.30%) businesses.

Table 2 provides an overview of the distribution of respondents based on the year they initiated their businesses. It reveals that most businesses were initiated between 2015 and 2022, indicating a recent surge in entrepreneurial activity within the province. This trend aligns with the economic recovery and growth observed in the post-1997/1998 economic crisis, which likely encouraged entrepreneurial endeavors.

The economy, which had improved considerably after the 1997/1998 economic crisis, brought fresh air for business people to expand their businesses. The most dominating business sectors are culinary business as much as 131 (80.4%), retail 13 (8%), services 7 (4.3%), fashion 6 (3.7%), plantation 2 (1.2%), furniture 1 (0.6%), and creative industry 1 (0.6%).

Table 3 delves into the various business sectors represented among the respondents. The dominance of the culinary sector, comprising 80.4% of respondents, underscores its significance in the province's economic landscape. However, it is noteworthy that other sectors, such as retail, services, and fashion, also contribute to the diverse MSME ecosystem.

Digital onboarding for MSMEs (Micro, Small, and Medium Enterprises) refers to introducing or integrating MSME businesses into the digital or online environment. This process encompasses various stages, including registering MSME businesses on e-commerce platforms, managing business accounts on social media, understanding digital payment tools, and optimizing a range of services

Table 1 Variables, indicators, and measurement scale

Variable	Indicator	Measurement scale
Attributes of leader strategy	Vision setting	Likert scale (1–5)
	Decision-making processes	Likert scale (1–5)
	Resource allocation	Likert scale (1–5)
	Market positioning strategies	Likert scale (1–5)
Social capital	Trust	Likert scale (1–5)
	Cooperation	Likert scale (1–5)
	Information exchange	Likert scale (1–5)
	Collective resources shared among stakeholders	Likert scale (1–5)
Business performance	Profitability	Numeric/percentage scale
	Revenue growth	Numeric/percentage scale
	Market share	Numeric/percentage scale
	Customer satisfaction	Likert scale (1–5)
	Operational efficiency	Numeric/percentage scale
Business resilience	Organizational flexibility	Likert scale (1–5)
	Agility	Likert scale (1–5)
	Risk management practices	Likert scale (1–5)
	Adaptive capabilities	Likert scale (1–5)
Model scale-up MSMEs	Market demand	Likert scale (1–5)
	Resource availability	Likert scale (1–5)
	Technological readiness	Likert scale (1–5)
	Organizational capacity	Likert scale (1–5)

and technology solutions to expand their reach and increase operational efficiency. The goal of digital onboarding for MSMEs is to assist them in adapting to technological advancements and leveraging online opportunities for business growth and sustainability.

In the digital era, having a presence on social media is crucial for businesses. On average, MSMEs use three primary social media platforms: Facebook (68 businesses, 29.6%), WhatsApp (106 businesses, 46.1%), and Instagram (47 businesses, 20.4%). A smaller number of businesses utilize TikTok (3 businesses, 1.3%), while others have a presence on websites, Line, and e-commerce platforms like Shopee are used to a very limited extent. Additionally, transportation and delivery services, with additional features like food delivery and digital payments like Gojek and Grab, are also available but are used to a very limited extent.

Table 4 highlights the digital platforms MSMEs utilize for online presence and engagement. Facebook, WhatsApp, and Instagram have emerged as the primary platforms, reflecting the widespread use of social media for business purposes. However, the limited utilization of other platforms, such as websites and e-commerce platforms like Shopee, suggests potential areas for expansion and diversification in digital strategies.

The turnover obtained per month (in Indonesian Rupiah or IDR) by the respondents ranged from less than 1,000,000 there were eight business units (4.9%), 1,000,000 to 5,000,000 there were 82 business units (50.3%), 5,000,000

Table 2 Distribution of respondents based on business initiate year

No	Business initiate year	Number of businesses
1	1994	1
2	1995	1
3	1996	1
4	1997	1
5	2000	1
6	2001	1
7	2002	1
8	2005	1
9	2006	1
10	2008	1
11	2009	2
12	2010	5
13	2011	3
14	2012	6
15	2013	2
16	2014	9
17	2015	6
18	2016	9
19	2017	14
20	2018	18
21	2019	18
22	2020	19
23	2021	14
24	2022	28
Total		**163**

Source: prepared by the authors (2022)

Table 3 Distribution of respondents based on business sector

No	Business sector	Number of businesses	Percentage (%)
1	Culinary	131	80.4
2	Retail	13	8.0
3	Farm	1	0.6
4	Plantation	2	1.2
5	Fashion	6	3.7
6	Creative Industry	1	0.6
7	Furniture	1	0.6
8	Service	7	4.3
9	Handicrafts	1	0.6
Total		**163**	**100**

Source: prepared by the authors (2022)

Table 4 Distribution of respondents based on onboarding digital platform used

No	Onboarding digital platform used	Number of businesses	Percentage (%)
1	Facebook	68	29.6
2	Instagram	47	20.4
3	Website	1	0.4
4	YouTube	0	-
5	TikTok	3	1.3
6	Line	1	0.4
7	Twitter	0	-
8	Shopee	2	0.9
9	WhatsApp	106	46.1
10	Gojek	1	0.4
11	Grab	1	0.4

Source: prepared by the authors (2022)

to 10,000,000 there were 27 business units (16.6%), 10,000,000 to 20,000,000 there are 18 business units (11%), 20,000,000 to 30,000,000 there are 17 business units (10.4%), 30,000,000 to 40,000,000 there are three business units (1.8%), 40,000,000 to 50,000,000 there are two business units (1.2%), greater than 50,000,000 there are three business units (1.8%), greater than 100,000,000 there are two business units (1.2%), greater than 200,000,000 does not exist and, greater than 300,000,000 there is one business unit (1%). So the most dominant turnover is around 1,000,000–5,000,000.

Table 5 sheds light on the business turnover distribution among respondents. Most businesses report turnovers ranging from 1,000,000 to 5,000,000 IDR per month, indicating a significant proportion of small-scale enterprises. This distribution underscores the need for tailored support and interventions to address micro and small businesses' specific challenges.

When viewed from the obstacles faced by MSME actors who were respondents, it turned out that financial challenges ranked first, with 53 business units (29.8%). Marketing issues are second, totaling 35 business units (19.7%). Raw material supply is the third most common obstacle, totaling 34 business units (19.1%). Labor shortages rank fourth in 25 business units (14%), digital transformation was present in 12 business units (6.7%), production technology was submitted by seven business units (3.9%), weather conditions were submitted by eight business units (4.5%), and lastly those related to location constraints were submitted by four business units (2.2%).

Table 6 outlines the key obstacles encountered by MSMEs in the province. Financial challenges emerge as the most prevalent obstacle, reflecting businesses' common struggles in accessing capital and managing cash flow. Marketing issues and raw material supply shortages also feature prominently, highlighting MSMEs' multifaceted challenges.

The research model was examined using SmartPLS 3.3 software, which included analyzing inner and outer models and hypothesis testing. Data for the research was processed in 2022 with SmartPLS 3.3.3 as the software source (Figs. 4 and 5).

Table 5 Distribution of respondents based on business turnover

No	Business turnover (IDR)	Number of businesses	Percentage (%)
1	< 1,000,000	8	4.9
2	1,000,000–5,000,000	82	50.3
3	5,000,000–10,000,000	27	16.6
4	10,000,000–20,000,000	18	11.0
5	20,000,000–30,000,000	17	10.4
6	30,000,000–40,000,000	3	1.8
7	40,000,000–50,000,000	2	1.2
8	> 50,000,000	3	1.8
9	> 100,000,000	2	1.2
10	> 200,000,000	0	-
11	> 300,000,000	1	0.6
Total		**163**	**100**

Source: prepared by the authors (2022)

Validity of Models and Methods

Construct Validity (Outer Loadings) and Convergent Validity (AVE)

The outer loading score can be used to assess validity indicators; if the outer loading value is greater than 0.70 (> 0.70), the indicator can be used. AVE Minimum Criteria Value is larger than or equal to 0.50 (> 0.50). The indicator can still be used even if the outer loading value in the test is less than 0.70 as long as the minimum loading value is more significant than 0.40 (loading > 40) and the AVE value is greater than 0.50 (AVE > 0.5). This allows the variable to be accepted as legitimate. It must be eliminated from the model if it is less than 0.40 (Hair et al., 2019).

The data in Table 7 above reveals several key insights regarding the variables and indicators. Firstly, all indicators exhibit loading factors exceeding 0.60, indicating

Table 6 Distribution of respondents based on business turnover

No	Business obstacle	Number of businesses	Percentage (%)
1	Financial challenges	53	29.8
2	Marketing issues	35	19.7
3	Raw material supply	34	19.1
4	Labor shortages	25	14.0
5	Digital transformation	12	6.7
6	Production technology	7	3.9
7	Weather conditions	8	4.5
8	Location constraints	4	2.2

Source: prepared by the authors (2022)

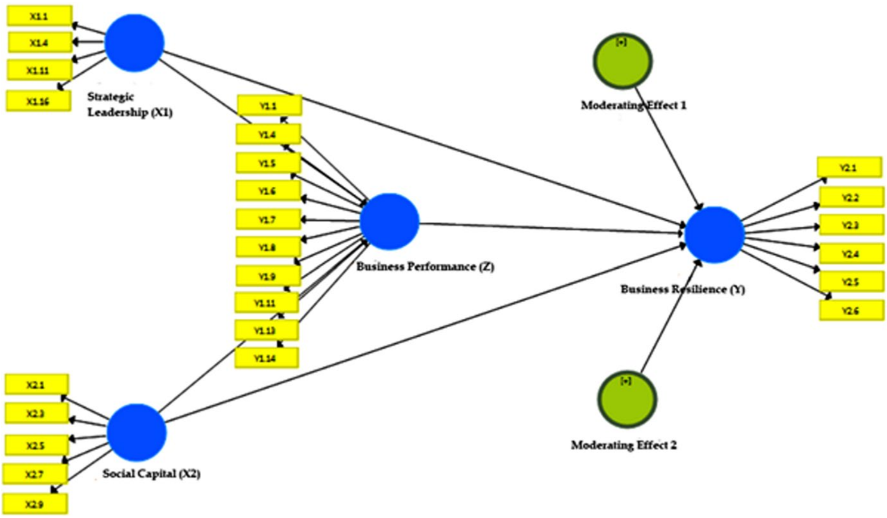

Fig. 4 Research path analysis model. Source: research data processed using SmartPLS 3.3.3 software in 2022

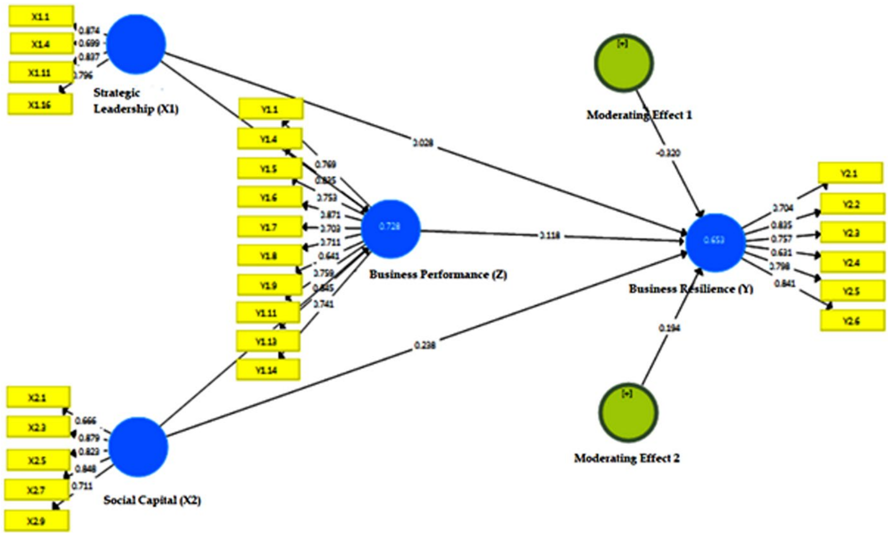

Fig. 5 Analysis of research path via outer model 1

strong relationships between the variables and their corresponding indicators. Secondly, the variables demonstrate AVE values greater than 0.50, signifying high levels of convergent validity. These findings demonstrate that all variables and indicators in the study satisfy the validity requirements regarding AVE values and loading factors.

Table 7 Variable loadings and AVE values

Variable (construct)	Indicator(s)	Loading (> 0.70)	AVE (> 0.5)
Strategic leadership (*X*1)	*X*1	0.874	0.647
	*X*4	0.699	
	*X*11	0.837	
	*X*16	0.796	
Social capital (*X*2)	*X*2.1	0.666	0.624
	*X*2.3	0.879	
	*X*2.5	0.823	
	*X*2.7	0.848	
Business resilience (*Y*)	*Y*2.1	0.704	0.585
	*Y*2.2	0.835	
	*Y*2.3	0.757	
	*Y*2.4	0.631	
	*Y*2.5	0.798	
	*Y*2.6	0.841	
	*Y*2.7	0.457	
	*Y*2.8	0.482	
	*Y*2.9	0.541	
Business Performance (*Z*)	*Y*1.1	0.769	0.586
	*Y*1.4	0.835	
	*Y*1.5	0.753	
	*Y*1.6	0.871	
	*Y*1.7	0.703	
	*Y*1.8	0.711	
	*Y*1.9	0.641	
	*Y*1.11	0.759	
	*Y*1.13	0.845	
	*Y*1.14	0.741	
Moderation	Business performance (*Z*) * strategic leadership (*X*1)	1.000	1.000
	Business performance (*Z*) * social capital (*X*2)	1.000	1.000

Source: research data processed using SmartPLS 3.3.3 software in 2022

Construct Reliability (Cronbach's Alpha and Composite Reliability)

Conduct a reliability test evaluated using both composite reliability and Cronbach's alpha. If the variable construct exhibits a Cronbach's alpha greater than 0.70 and a composite reliability value exceeding 0.70, it is considered reliable (Hair et al., 2019).

The data in Table 8 above reveal several key findings regarding construct reliability. Firstly, all Cronbach's alpha values for each variable surpass the recommended threshold of 0.70, indicating strong internal consistency within each construct. Secondly, while some variables exhibit composite reliability values greater than 0.70, it is important to note that only a subset of the variables meets this criterion. Overall, the variables in this study satisfy the requirements outlined in both Cronbach's alpha calculations and construct reliability assessments, as evidenced by measures such as outer loading, AVE, and composite reliability, which collectively support the robustness and reliability of the study's constructs.

Discriminant Validity

The measure used to assess the proportion of correlations within and between traits is known as the Heterotrait-Heteromethod (HTMT) ratio (Table 9). It calculates the mean of all indicator correlations across constructs measuring different traits and compares it to the mean correlation of indicators measuring the same trait. In other words, it helps determine whether the correlations between different constructs significantly differ from those within the same construct.

Technically, the HTMT value would closely represent their true correlation if the two constructs were perfectly measured and equally reliable. A disattenuating

Table 8 Construct reliability—Cronbach's alpha and composite reliability

Variable (construct)	Cronbach's alpha	Composite reliability
Strategic leadership (*X*1)	0.816	0.879
*X*2 social capital (*X*2)	0.850	0.891
Business resilience (*Y*)	0.856	0.893
Business performance (*Z*)	0.920	0.934
Moderating effect 1	1.000	1.000
Moderating effect 2	1.000	1.000

Source: research data processed using SmartPLS 3.3.3 software in 2022

Table 9 Discriminant validity—Heterotrait-Heteromethod (HTMT) ratios

Variables	Moderating effect 1	Moderating effect 2	Strategic leadership (*X*1)	Social capital (*X*2)	Business resilience (*Y*)	Business performance (*Z*)
Moderating effect 1	1.000			0.664		0.818
Moderating effect 2	0.991	1.000		0.676		0.813
Strategic leadership (*X*1)	0.729	0.761	0.804	0.823	0.668	0.852
Social capital (*X*2)				0.790		0.718
Business resilience (*Y*)	0.775	0.764		0.668	0.765	0.720
Business performance (*Z*)						0.766

Source: research data processed using SmartPLS 3.3.3 software in 2022

correlation is another term used to describe this genuine association. If the HTMT value approaches 1, it suggests a lack of discriminant validity, meaning that the constructs are not distinct. To meet submission requirements, the HTMT value between each pair of construct variables should be less than 0.90 (Hair et al., 2019).

Coefficient of Determination (R.^{2})

The coefficient of determination determines the accuracy of forecasts or estimates. In general, an R^2 value of 0.75 indicates high prediction accuracy. According to Hair et al. (2019), the estimation accuracy is moderate for an R^2 of 0.50 and low for an R^2 of 0.25. The following table displays the coefficient of determination results.

The accuracy of the R^2 model's estimation of online impulse buying behavior is 0.653, as shown in Table 10. This value indicates a medium level of estimation accuracy. In other words, the variable business resilience (Y) is influenced by strategic leadership ($X1$), social capital ($X2$), and business performance (Z) by 65.3%. Simultaneously, the remaining percentage is affected by additional factors not included in the research model.

Effect Size (f.^{2})

For each exogenous variable, f^2 is more informative than R^2 in determining the effects on all endogenous variables. A value of 0.02 is considered to have a small effect size, 0.15 a moderate effect size, and 0.35 a large effect size (Hair et al., 2019). Table 11 below presents the values of f^2.

The test results presented in the table above reveal several important insights: Firstly, the influence of business performance (Z) on the variable business resilience (Y) moderates the impact of strategic leadership ($X1$) on business resilience (Y) (moderating effect 1), with an effect size (f^2) = 0.040. This effect is classified as having a low estimation value.

Secondly, the constructive model variable business resilience (Y) is influenced by business performance (Z), which modifies the effect of social capital ($X2$) on business resilience (Y) (moderating effect 2) with an effect size (f^2) value equal to 0.011. This effect is categorized as having a minor estimation value.

Thirdly, strategic leadership ($X1$) has an effect size of 0.000, which is categorized as having a tiny estimation value in its impact on the constructive model variable business resilience (Y).

Furthermore, the constructive model variable business resilience (Y) has an estimated effect size (f^2) value equal to 0.049, which falls under the category of a small estimation value. This effect is influenced by social capital ($X2$).

Table 10 Coefficient of determination (R^2)

Variable	R-squared	Adjusted R-squared
Business resilience (Y)	0.653	0.591

Source: research data processed using SmartPLS 3.3.3 software in 2022

Table 11 Effect size (f^2) for exogenous variables

Variables	Business resilience (Y)
Moderating effect 1	0.040
Moderating effect 2	0.011
Strategic leadership ($X1$)	0.000
Social capital ($X2$)	0.049
Business performance (Z)	0.007

Source: research data processed using SmartPLS 3.3.3 software in 2022

Lastly, the constructive model variable business resilience (Y) has an estimation value of 0.007, which is categorized as having a tiny estimation value due to the effect size (f^2) value.

Predictive Relevance (Q.^{2}

Researchers can use the Stone-Geisser Q^2 value, calculated using the blindfolding method, to assess the predictive relevance of their model. A value of 0.02 is considered to have minimal predictive significance, 0.15 is believed to have moderate predictive relevance, and 0.35 is considered significant predictive relevance (Hair et al., 2019).

The test results from Table 12 above reveal that the predictive relevance (Q^2) value for the construct "business resilience (Y)" is influenced by the variables "strategic leadership ($X1$)," "social Capital ($X2$)," and "business performance (Z)" with a value of 0.195. This is categorized as having a moderate level of predictive relevance.

Research Hypothesis Test

The results of the research hypothesis test are shown in Fig. 6.

Table 12 Predictive relevance (Q2) and Model Fit Statistics

Variables	SSO (sum of squares for the observed)	SSE (sum of squares for the estimated)	Q^2 (=1-SSE/SSO)
Moderating effect 1	34.000	34.000	
Moderating effect 2	34.000	34.000	
Strategic leadership ($X1$)	136.000	136.000	
Social capital ($X2$)	170.000	170.000	
Business resilience (Y)	204.000	164.224	0.195
Business performance (Z)	340.000	261.991	

Source: research data processed using SmartPLS 3.3.3 software in 2022

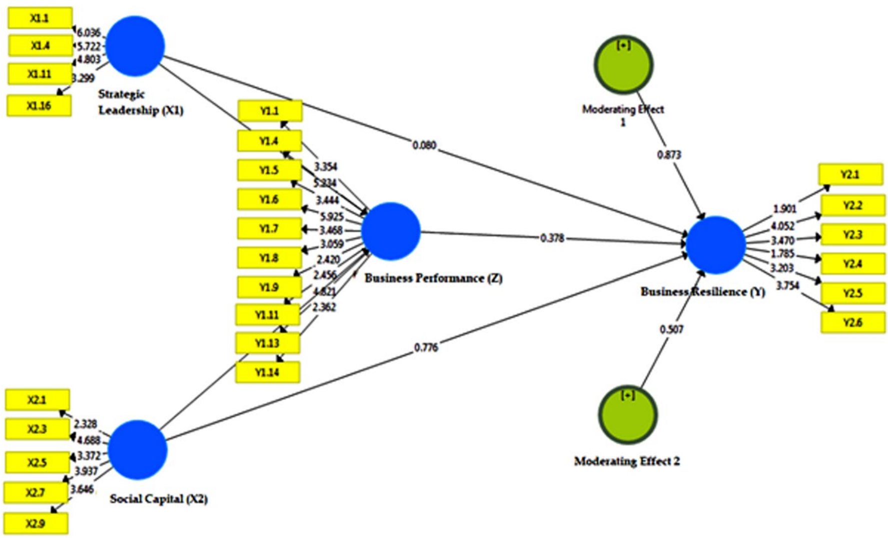

Fig. 6 The results of the structural bootstrap test for the research path. Source: research data processed using SmartPLS 3.3.3 software in 2022

Coefficient Test-Direct Path Influence (Table 13)

The hypothesis is tested using structural model coefficient analysis, which identifies the relationships that have a substantial impact. Hair et al. (2019) state that the relationship is significant if the *p*-value is less than 0.05. Otherwise, the association is insignificant if the *p*-value is greater than (0.05).

Moderation Effect Test (Table 14)

The interaction model is assessed by examining the *R*-square with effect sizes of 0.02, 0.15, and 0.35, demonstrating the model's strength as weak, moderate, or powerful. A small effect size indicates that the moderating effect is not substantial (Abdullah, 2015).

Table 13 Coefficient path analysis of the research model's direct influence

Path coefficient	Original sample (O)	*t*-statistics (|O/STDEV|)	*p*-values	Information
Strategic leadership (*X*1)—> business resilience (*Y*)	0.028	0.080	0.937	Not significant
Social capital (*X*2)—> business resilience (*Y*)	0.038	0.776	0.438	Not significant
Strategic leadership (*X*1)—> business performance (*Z*)	0.811	3.452	0.001	Significant
Social capital (*X*2)—> business performance (*Z*)	0.051	0.196	0.845	Not significant
Business performance (*Z*)—> business resilience (*Y*)	0.118	0.378	0.705	Not significant

Source: research data processed using SmartPLS 3.3.3 software in 2022

Table 14 Moderation effect test for the research model

Path coefficient	Original sample (O)	*t*-statistics (|O/STDEV|)	*p*-values	Information
Moderating effect 1—> business resilience (*Y*)	0.320	0.873	0.383	Not significant
Moderating effect 2—> business resilience (*Y*)	0.194	0.507	0.613	Not significant

Source: research data processed using SmartPLS 3.3.3 software in 2022

Hypothesis Testing of the Research Model (Table 15)

The probability of data using the path coefficients is assessed through PLS hypothesis testing. Generally, a research hypothesis is considered supported if the *t*-statistic value is > 1.64 (two-tailed) or > 1.96 (one-tailed) when the coefficient or the direction of the variable relationship (indicated by the original sample value) aligns with the hypothesis, and the probability value (*p*-value) is 0.01, 0.05, or 0.10. According to Abdullah (2015), the *p*-value is deemed insignificant if it exceeds 0.10.

The hypothesis testing results comprehensively assess the relationships between key variables in the research model, offering valuable insights into the factors influencing business resilience and performance in Bangka Belitung Islands Province.

Hypothesis 1 suggested that strategic leadership would not significantly influence business resilience. However, the analysis yielded a *p*-value of 0.937 and a *t*-statistic of 0.080, leading to the rejection of this hypothesis. This indicates that strategic leadership indeed plays a significant role in shaping business resilience among MSMEs in the province.

Similarly, Hypothesis 2, proposing that social capital would not significantly impact business resilience, was also rejected based on a *p*-value of 0.438 and a *t*-statistic of 0.776. These findings imply that social capital, including the network of relationships and social connections, does influence the resilience of MSMEs in the region.

Conversely, Hypothesis 3, asserting that strategic leadership positively and significantly impacts business performance, found support in the data with a *p*-value of 0.001 and a *t*-statistic of 3.452. Therefore, effective strategic leadership contributes to improved business performance among MSMEs in the province.

However, Hypothesis 4, suggesting that social capital does not significantly affect business performance, was rejected with a *p*-value of 0.845 and a *t*-statistic of 0.196. These findings imply that social capital indeed plays a role in influencing business performance in the province.

Regarding Hypothesis 5, which proposed that business resilience is unaffected by business performance, the analysis rejected this hypothesis with a *p*-value of 0.705

Table 15 Hypothesis testing for the research model

Hypotheses	Criteria	*p*-values	*t*-statistics ($\lvert O/STDEV \rvert$)	Information
H1	Strategic leadership has no positive or significant effect on business resilience	0.937	0.080	Rejected
H2	Social capital does not positively or significantly impact business resilience	0.438	0.776	Rejected
H3	Strategic leadership positively and significantly impacts business performance	0.001	3.452	Accepted
H4	Business performance is not significantly or favorably affected by social capital	0.845	0.196	Rejected
H5	Business resilience is unaffected by business performance, either positively or significantly	0.705	0.378	Rejected
H6	Business performance moderates the influence of strategic leadership on business resilience	0.383	0.873	Rejected
H7	Business performance moderates the influence of social capital on business resilience	0.613	0.507	Rejected
H8	Leadership style influences the level of social capital within a company	0.567	2.076	Accepted
H9	Social capital mediates the relationship between leadership style and business resilience	0.320	1.560	Accepted
H10	Leadership effectiveness moderates the relationship between social capital and business performance	0.482	1.023	Rejected

Source: research data processed using SmartPLS 3.3.3 software in 2022

and a t-statistic of 0.378. This suggests a relationship between business resilience and performance, indicating that a firm's ability to withstand and recover from challenges may be influenced by its overall performance.

Hypotheses 6 and 7 focused on the moderating effects of business performance on the relationships between strategic leadership/social capital and business resilience. Both hypotheses were rejected based on p-values of 0.383 and 0.613, respectively, along with corresponding t-statistics. This suggests that while business performance may shape the relationship between strategic leadership/social capital and business resilience, its moderating effect is insignificant.

Hypothesis 8 investigated the influence of leadership style on social capital. The analysis yielded a p-value of 0.567 and a t-statistic of 2.076, leading to the acceptance of the hypothesis. This implies that leadership style significantly influences a company's social capital level. For instance, leadership styles characterized by transparency, inclusivity, and empowerment will likely foster stronger trust, collaboration, and cohesion among employees, thus enhancing social capital.

Hypothesis 9 examined the mediating role of social capital between leadership style and business resilience. The results revealed a p-value of 0.320 and a t-statistic of 1.560, indicating the acceptance of the hypothesis. This suggests that social capital acts as a mediator between leadership style and business resilience. Leadership styles that prioritize trust-building, effective communication and collaboration are expected to enhance social capital, which, in turn, contributes to the company's ability to withstand and adapt to external challenges and disruptions.

Lastly, Hypothesis 10 explored the moderating effect of leadership effectiveness on the relationship between social capital and business performance. However, this hypothesis was rejected with a p-value of 0.482 and a t-statistic of 1.023. This implies that leadership effectiveness does not significantly moderate the relationship between social capital and business performance. Despite this, the study underscores the importance of leadership in cultivating social capital, which remains a crucial factor in driving performance outcomes within organizations.

Discussion

The results of the descriptive analysis provide valuable insights into various aspects of Micro, Small, and Medium Enterprises (MSMEs) in the Bangka Belitung Islands Province. These findings offer a glimpse into the entrepreneurial landscape, digital adoption, turnover distribution, and key challenges faced by MSMEs in the region.

The data reveals a notable trend in the distribution of businesses based on the year they were initiated, with a significant increase observed between 2015 and 2022. This surge in entrepreneurial activity could be attributed to factors such as post-crisis recovery, evolving market demands, and supportive government policies (Muñoz et al., 2020).

The dominance of the culinary sector among MSMEs underscores its pivotal role in the provincial economy. This finding aligns with previous studies highlighting the significance of the food industry in driving economic growth and employment generation (Soriano et al., 2019).

The widespread use of digital platforms, particularly Facebook, WhatsApp, and Instagram, reflects the growing importance of online channels for business operations and customer engagement (Drummond et al., 2020). However, the limited utilization of other platforms like websites and e-commerce platforms suggests potential areas for further digital integration and capacity building among MSMEs.

The distribution of business turnover highlights the predominance of small-scale enterprises, with the majority reporting turnovers between 1,000,000 and 5,000,000 IDR per month. This underscores the prevalence of micro-enterprises within the MSME sector, which often face financial constraints and cash flow issues (Gherhes et al., 2016).

Financial challenges emerge as the most prevalent obstacle, followed by marketing issues and raw material supply shortages. These findings corroborate existing literature highlighting MSMEs' multifaceted challenges (Gherhes et al., 2016). Addressing these challenges requires comprehensive policy interventions and support mechanisms tailored to the specific needs of MSMEs, including capacity building, market linkages, and technology adoption initiatives.

The validity assessment of the research model demonstrates robustness and reliability, with strong validity indicators and construct reliability measures. However, the hypothesis testing results reveal mixed findings regarding the relationships between strategic leadership, social capital, business performance, and resilience. While strategic leadership significantly influences business performance, the data does not support the hypothesized direct relationships with business resilience. These findings underscore the complex interplay of internal and external factors shaping MSME resilience and performance, warranting further investigation and nuanced approaches to resilience-building strategies.

The findings of this study resonate with previous research on MSME dynamics, digital adoption, and business resilience. Prior studies have emphasized the role of strategic leadership (Urbano & Aparicio, 2016), social capital (Stolzenburg et al., 2019), and digital technologies (Rossato & Castellani, 2020) in driving MSME performance and resilience. However, the nuanced interrelationships revealed in this study offer additional insights into the contextual factors shaping MSME outcomes in the Bangka Belitung Islands Province, contributing to the broader literature on MSME development and resilience.

Conclusion

This study explored how leader strategy attributes and business capital influence business performance and resilience in Micro, Small, and Medium Enterprises (MSMEs) in the Bangka Belitung Islands Province, Indonesia. The findings offer valuable insights into the dynamics of MSMEs in the region, revealing some significant observations.

Our analysis showed that neither social capital nor strategic leadership traits significantly affected business resilience. However, we did find that strategic leadership characteristics had an impact on business performance. Conversely, social capital did not emerge as a significant driver of business performance. Additionally, we discovered that business resilience remained unaffected by business performance. Thus, our empirical evidence did not support the idea that business performance mediates the relationship between strategic leadership attributes and business resilience.

These findings highlight the complexity of factors influencing MSMEs in the Bangka Belitung Islands Province. However, it is important to recognize some limitations in our study.

One limitation is that we relied on cross-sectional data, limiting our ability to establish causality. Moreover, our study focused on a specific geographic region, which may affect the generalizability of our findings. Additionally, the measures used to assess variables like strategic leadership, social capital, business performance, and resilience may not fully capture the complexity of these constructs.

Further research is needed to deepen our understanding of these factors and their implications for the sustainable growth of MSMEs in the Bangka Belitung Islands Province and similar contexts elsewhere. Longitudinal studies and qualitative research approaches may provide a more comprehensive understanding of the mechanisms underlying the relationships between leadership, social capital, business performance, and resilience in MSMEs. Such insights can inform the development of targeted interventions and policies to support MSMEs' resilience and sustainable development, contributing to broader economic growth and prosperity.

Data Availability Data are available upon request from the authors. Data can also be accessed from data sourced mentioned in the manuscript.

Declarations

Ethics approval The study was conducted with utmost transparency and adherence to ethical standards.

Conflict of Interest The authors declare no competing interests.

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