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The Influence of Entrepreneurial Leadership, Human Capital, and Organizational Commitment on Business Performance - the Mediating Role of Entrepreneurial Orientation: A Study At Pt Panca Putra Gilang Mandiri

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ABSTRACT

This study aims to analyze the influence of Entrepreneurial Leadership, Human Capital, and Organizational Commitment on Business Performance, with Entrepreneurial Orientation as a mediator at PT Panca Putra Gilang Mandiri (PT PPGM), where the observed phenomenon is performance inconsistencies, supposedly caused by unclear leadership vision and slow innovation. The research's theoretical framework was developed to define all five variables. Literature reviews offer some explanations on the associations among variables. Based on empirical explanations, ten research hypotheses were formulated to test direct and mediating relationships. This study used a quantitative method with a causal approach. A census sample of all 43 employees at PT PPGM was used. Primary data was collected via questionnaires and analyzed using PLS-SEM with SmartPLS 4 software. The measurement model has proved valid and reliable. Hypothesis testing ($p < 0.05$) supported H1 (EL→BP), H2 (EL→EO), and H4 (HC→EO). However, H7 (EO→BP) and all mediation hypotheses (H8-H10) were rejected. The model explained 60.2% of the variance in Business Performance. Based on the IPMA analysis, the most critical yet underperforming areas include innovativeness and proactiveness items, which aligns with the lowest mean scores found in vision communication and innovation. Therefore, it is strongly recommended that PT PPGM prioritize fixing its innovation barriers to create a formal, fast-track system for new ideas. Moreover, future researchers are recommended to integrate another mediator on EO-BP associations.

INTRODUCTION

In today's rapidly evolving and highly competitive business landscape, organizational success is increasingly contingent upon a myriad of internal and external factors. Businesses, irrespective of their size or industry, are constantly striving to achieve and sustain superior performance amidst market volatility, technological disruptions, and shifting consumer demands. This relentless pursuit of enhanced Business Performance requires a comprehensive understanding of the key factors that enable an organization to grow and maintain a competitive advantage.

According to Purwati et al. (2021), Businesses are characterized by their agile responsiveness when it comes to navigating external changes and environmental demands. According to Nguyen et al. (2021) and Firman et al. (2021), the concept of Entrepreneurial Orientation, characterized by a firm's propensity to innovate, be proactive, and take risks, is increasingly understood as an important strategic posture that mediates the relationship between internal capabilities and external performance outcomes.

Despite the importance of achieving and maintaining high levels of Business Performance many organizations, including those in the fabrication and manufacturing sectors often face challenges in this regard. According to Phuong et al. (2023), the aim of a business is its performance, which gauges how well strategic goals are met using criteria like revenue growth, market share, and profitability.

Equally important is the role of Human Capital. According to Tj et al. (2025), the knowledge and competencies embedded within employees constitute human capital. These assets play a pivotal role in facilitating organizational success and boosting economic productivity. This includes education, training, and spirituality (Firman et al., 2021). Technical knowledge and expertise are the markers of effective human capital, but ensuring professional effectiveness also demands sustained practical competency (Tj et al., 2025). Human Capital have been shown to be a priority criterion in improving entrepreneurial orientation (Firman et al., 2021). According to Firman et al. (2021), training, as a component of human capital, is the most important sub-criterion in enhancing entrepreneurial orientation. This is further supported by Moustaghfir et al. (2020), who argue that strategic Human Resource Management (HRM) practices are pivotal in fostering entrepreneurial learning and creating a context that encourages the dimensions of entrepreneurial orientation. Similarly, according to Hernández-Linares et al. (2023), knowledge-based dynamic capabilities, which stem from human capital, are positively associated with a firm's entrepreneurial orientation because they help the organization to recognize and pursue new opportunities.

Furthermore, Organizational commitment was define as the psychological bond linking an employee to their firm, evidenced by a shared belief in organizational values, a dedication to hard work, and a strong intent to remain employed (Phuong et al., 2023). In rapidly evolving work environments, understanding this concept is crucial, as committed employees actively contribute to cost savings and resource preservation (Malokani et al., 2024). Ultimately, high commitment drives productivity and extra-role behaviors, serving as a critical foundation for enhanced business performance (Phuong et al., 2023).

Finally, the complex relationship between internal factors and business performance is mediated by Entrepreneurial Orientation. According to Firman et al. (2021), this variable represents a strategic posture involving the specific practices and decisions required for new entries. This is a multidimensional construct, typically consisting of innovativeness, proactiveness, and risk-taking (Nguyen et al., 2021). EO plays a mediating role by fostering an environment where new ideas are generated, risks are strategically managed, and market opportunities are aggressively pursued. According to Hernández-Linares et al. (2023), EO partially mediates the positive relationship between knowledge-based dynamic capabilities and firm performance. This indicates that EO helps translate a firm's knowledge and capabilities (stemming from its Human Capital) into tangible performance outcomes. Likewise, the literature suggests that EO acts as a mechanism through which leadership influences performance, with studies like Ataei et al. (2024) confirming that Entrepreneurial Leadership significantly fosters a firm's Entrepreneurial Orientation.

This research focuses on PT Panca Putra Gilang Mandiri, a Medan, North Sumatra-based company engaged in the trading and importing of building materials, particularly specializing in UPVC (Unplasticized Polyvinyl Chloride) profiles for door and window frames.

The fact that PT Panca Putra Gilang Mandiri has been the subject of several academic studies, particularly regarding human capital management, performance, and organizational culture, further underlines its relevance as a mature organization with a substantial workforce, making it a valuable subject for business and management research within the local academic community.

PT Panca Putra Gilang Mandiri is a company engaged in the production of UPVC window and door fabrication. Based on a preliminary interview conducted for this research, the business performance has decreased.

OBJECTIVES

Based on the problem formulation above, the purpose of this research are as follows:

- To examine the influence of entrepreneurial leadership on business performance at PT Panca Putra Gilang Mandiri.
- To analyze the influence of entrepreneurial leadership on entrepreneurial orientation at PT Panca Putra Gilang Mandiri.
- To determine the influence of human capital on business performance at PT Panca Putra Gilang Mandiri.
- To assess the influence of human capital on entrepreneurial orientation at PT Panca Putra Gilang Mandiri.
- To identify the influence of organizational commitment on business performance at PT Panca Putra Gilang Mandiri.
- To evaluate the influence of organizational commitment on entrepreneurial orientation at PT Panca Putra Gilang Mandiri.
- To measure the influence of entrepreneurial orientation on business performance at PT Panca Putra Gilang Mandiri.
- To investigate the mediating role of entrepreneurial orientation in the influence between entrepreneurial leadership and business performance at PT Panca Putra Gilang Mandiri.
- To investigate the mediating role of entrepreneurial orientation in the influence between human capital and business performance at PT Panca Putra Gilang Mandiri.
- To investigate the mediating role of entrepreneurial orientation in the influence between organizational commitment and business performance at PT Panca Putra Gilang Mandiri.

DISCUSSION

The validation of the research model began with an assessment of the measurement model, which included the five constructs: Entrepreneurial Leadership, Human Capital, Organizational Commitment, Entrepreneurial Orientation, and Business Performance.

Indicator Loadings

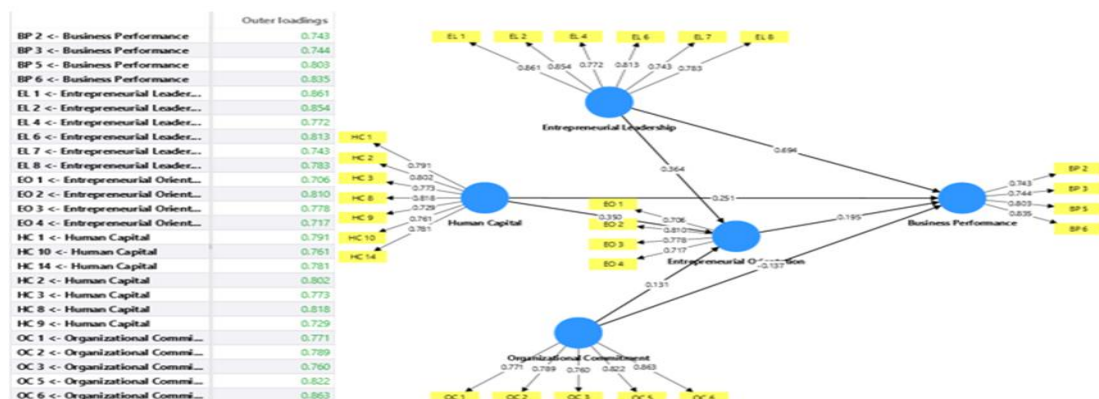


Figure 1. Outer Loadings
Source: SmartPLS 4 Output (2025)

As shown on the figure above, out of 40 questionnaire items initially designed in this study, 26 made through and satisfied the threshold of $\geq .708$ for outer loadings (Hair et al., 2019), in which there were only 8, 7, 5, 4, and 6 of items that could explain or represent EL, HC, OC, EO, and BP variables respectively as a reflective measurement model. This result shows that the constructs were able to explain the variance of remaining indicators, offering sufficient reliability of questionnaire items.

Reliability & Convergent Validity

Table 1. Reliability & Convergent Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (A...
Business Performance	0.790	0.801	0.863	0.612
Entrepreneurial Leadership	0.891	0.897	0.917	0.649
Entrepreneurial Orientation	0.746	0.753	0.840	0.569
Human Capital	0.893	0.899	0.916	0.608
Organizational Commitment	0.862	0.885	0.900	0.643

Source: SmartPLS 4 Output (2025)

The internal consistency reliability was confirmed, as all composite reliability values (ρ_a and ρ_c) for the constructs fell within the 'satisfactory-to-good' range of .70 to .95. Convergent validity was also established, with each construct achieving an Average Variance Extracted (AVE) value of .50 or higher. This indicates that the constructs successfully explained more than 50% of the variance in their respective indicators.

Discriminant Validity

Table 2. Discriminant Validity (HTMT)

	Business Performance	Entrepreneurial Leadership	Entrepreneurial Orientation	Human Capital	Organizational Commitment
Business Performance					
Entrepreneurial Leadership	0.900				
Entrepreneurial Orientation	0.833	0.848			
Human Capital	0.729	0.753	0.838		
Organizational Commitment	0.612	0.803	0.759	0.744	

Source: SmartPLS 4 Output (2025)

Based on Hair et al. (2022), values must be below 0.90 to ensure that the constructs are empirically distinct. The results on this research met this threshold, with the exception of the relationship between Entrepreneurial Leadership and Business Performance which registered a value of 0.900. As this value is at the maximum acceptable limit and does not exceed it, it is considered borderline but acceptable, confirming discriminant validity. As the measurement model has resulted in satisfactory assessments, the structural model of this study would then be feasible for being assessed.

Collinearity

The initial step in assessing the structural model hypothesis is necessary to check for multicollinearity between variables using the inner VIF statistical measure. As suggested by Hair et al. (2022), VIF values are examined for predictor constructs in the structural model, with values below 5 (and ideally below 3) indicating no critical collinearity issues. The estimation results show that all inner VIF values are < 5 , indicating a low level of multicollinearity between variables. These results reinforce the robustness (unbiased nature) of the parameter estimation results in PLS-SEM.

Result of Hypothesis Testing

Direct effects

The test indicates that three hypotheses (H_1 , H_2 , H_4) are empirically supported, as their p-values fell below the 0.05 significance threshold. Conversely, the remaining direct-effect hypotheses (H_3 , H_5 ,

H₆, H₇) were not supported, with p-values exceeding 0.05. This conclusion is further confirmed by the 95% confidence intervals; as recommended by Hair et al. (2022), the hypotheses H₃, H₅, H₆, H₇ were not supported because their confidence interval range included zero.

Indirect effects

Based on the hypothesis test results for indirect effects, as summarized in the table, none of the three hypotheses (H₈, H₉, H₁₀) could be empirically supported in this study. The p-values for all three hypotheses went beyond 0.05, which was the threshold for the significance level, showing that they cannot be empirically supported on this research. Moreover, the results of the 95% confidence interval confirmed these findings, with H₈, H₉, and H₁₀ all having zero falling within the CI range, and thus are not empirically supported (Hair et al., 2022).

Coefficient of determination(R²)

Table 3. Determination Coefficient (R₂)

	R-square	R-square adjusted
Business Performance	0.640	0.602
Entrepreneurial Orientation	0.578	0.546

Source: SmartPLS 4 Output (2025)

The adjusted R-square value of the entrepreneurial orientation variable is 0.546, indicating that the variables of entrepreneurial leadership, human capital, and organizational commitment are able to explain 54.6% of the entrepreneurial orientation variable. Therefore, it can be concluded that the model is considered moderate. Meanwhile, the adjusted R-square value of the business performance variable is 0.602, indicating that the variables of entrepreneurial leadership, human capital, organizational commitment, and entrepreneurial orientation are able to explain 60.2% of the business performance variable. Therefore, it can be concluded that the model is also considered moderate.

Effect size (f²)

The assessment of effect size for each predictor on the endogenous constructs through f², has revealed that entrepreneurial leadership and human capital have a value of 0.129 and 0.131 indicates a weak close to moderate effect towards entrepreneurial orientation, and organizational commitment with the value 0.017 indicate that there is no effect because according to Hair et al. (2022), effect size that is value less than 0.02 indicate there is no measurable effect. Meanwhile the effect of entrepreneurial leadership with business performance has a value of 0.393, indicating that entrepreneurial leadership has a significant effect on business performance, but human capital, organizational commitment, and entrepreneurial orientation value indicates that a weak/small effect on business performance.

Predictive relevance (Q²)

To assess the structural model's predictive accuracy, the Predictive Relevance (Q²) metric is examined using blindfolding procedure. Values greater than zero indicate predictive accuracy, with thresholds of 0.25 and 0.50 considered medium and large relevance, respectively (Hair et al., 2022). The results for this model show Q² values of 0.490 for Business Performance and 0.464 for Entrepreneurial Orientation. Both values are well above the 0.25 threshold and approach the 0.50 level, demonstrating a strong medium-to-large predictive relevance for the model.

PLSPredict

To assure the compatibility, or so-called generalizability, of research findings, PLSPredict was implemented in this study to assess the ‘closeness’ between the actual and predicted values on the model, often called as predictive power. As explained by Hair et al. (2022), this is assessed by comparing the ‘Root-Mean-Squared-Error (RMSE)’ or ‘Mean-Absolute-Error (MAE)’ of the PLS-SEM estimation with those of the ‘Linear Regression Model (LM)’ benchmark. Lower values indicate lower prediction errors, and thus higher predictive power (Hair et al., 2022). On this research, as shown in the results, all of the indicator values on the PLS-SEM model (both RMSE and MAE) are lower than those of the LM. This indicates a low prediction error and confirms the model has a high predictive power.

Importance-Performance Map Analysis (IPMA)

The Importance-Performance Map Analysis (IPMA) developed for this study consists of a map contrasting the relative importance (unstandardized total effects) and performance (rescaled latent variable scores) of the predecessor constructs. The resulting map is shown below.

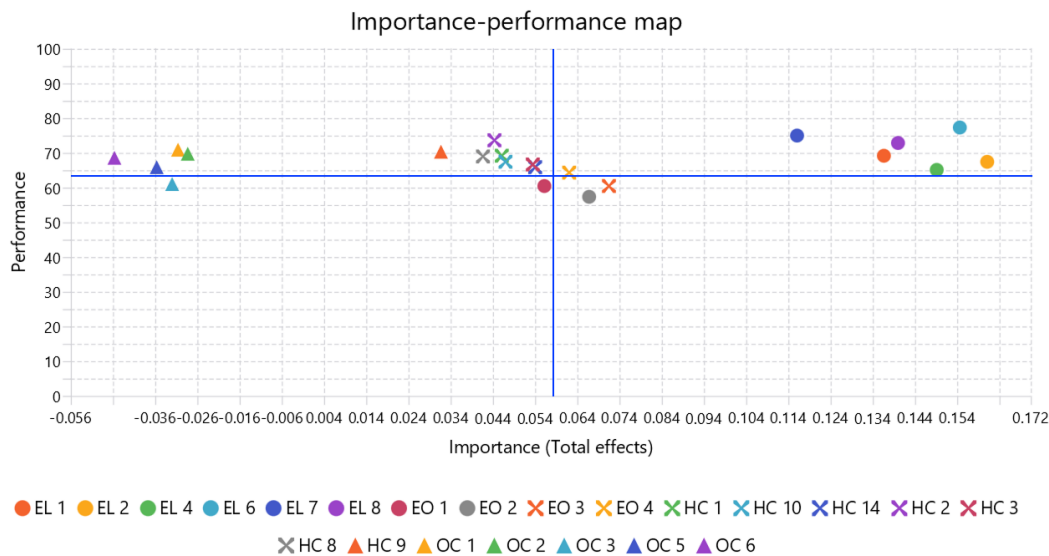


Figure 2. Importance-Performance Map Analysis (IPMA)

Source: SmartPLS 4 Output (2025)

Table 4. Summary of IPMA Results

Quadrant	Items
High Performance – High Importance	EL6, EL7, EL8, EL1, EL2, EL4, EO4
High Performance – Low Importance	HC2, HC9, OC1, OC2, OC6, OC5,
Low Performance – Low Importance	HC8, HC1, HC10, HC3, HC14
Low Performance – High Importance	OC3, EO1

Source: SmartPLS 4 Output (2025)

Based on the IPMA results, it could be explained that there are two areas require urgent improvements by the company, as these two indicators (OC3 and EO1) fall into “Low Performance – High Importance” category. There are seven indicators that must be retained for their important exceptional performance (High Performance – High Importance), while there are six that do not deserve excessive allocation of valuable resources (High Performance – Low Importance). Each indicator must be identified and addressed accordingly.

CONCLUSION

Based on the hypothesis testing results, it could be concluded that Entrepreneurial Leadership has a positive influence on Business Performance; while Entrepreneurial Leadership and Human capital also show positive influence on the Entrepreneurial Orientation.

However, insignificant results have been found on the associations from Human Capital, Organizational Commitment, and Entrepreneurial Orientation to the performance of the company. Similar insignificance is also found between Organizational Commitment and Entrepreneurial Orientation. The empirically insignificant influence of Entrepreneurial Orientation on explaining business performance has obviously contributed to its incompatibility as mediator on the research model, as also empirically depicted by the mediation analysis results.

Despite showing inconsistency with earlier theoretical justification, deeper studies are required to see whether there is actually another factor that sequentially mediate the orientation-performance relationship, especially on the context of this particular company.

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