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DIGITAL LEADERSHIP AND OWNERS' ENTREPRENEURIAL ORIENTATION ON THE PERFORMANCE OF FASHION Smes: THE MEDIATING ROLE OF SOCIAL COMMERCE STRATEGIES

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Abstract. This study is motivated by the strategic role of fashion SMEs as a pillar of the national economy, which is currently facing the challenges of digitalisation, where their success is highly dependent on managerial capacity and technological adaptation, such as *social commerce*. The primary objective of this study is to analyse the influence of *digital leadership* and *entrepreneurial orientation* of owners on the performance of fashion SMEs, with *social commerce* strategy as the mediating variable. The research method employed is an explanatory quantitative approach using *a cross-sectional design*, where data was collected from fashion SME owners in Kebumen Regency via a questionnaire and analysed using *Structural Equation Modelling* (SEM-PLS). The targeted outputs of this study include a final report, research instruments, raw data, and a scientific article ready for publication in a journal or conference proceedings. This research falls within Technology Readiness Level (TRL) 2 to 3, which encompasses the formulation of technological concepts and proof of concept through field data analysis to validate the model of relationships between variables. The research findings indicate that *digital leadership* and *entrepreneurial orientation* have a positive and significant influence on *social commerce* strategies, which in turn are shown to significantly enhance the performance of SMEs. Furthermore, *social commerce* strategies successfully play a strong mediating role, demonstrating that the digital vision and risk-taking courage of business owners will have a maximum impact on business performance when implemented through appropriate, interactive, and customer-oriented social media strategies.

Keywords: digital leadership, entrepreneurial orientation, performance, social commerce

I. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) play a strategic role in Indonesia's national economy. Their significant contribution to Gross Domestic Product (GDP) and their capacity to absorb labour make MSMEs the backbone of the national economy. Data from the Central Statistics Agency (BPS) indicates that MSMEs account for over 60% of GDP and employ approximately 97% of the workforce in Indonesia (BPS, 2024). However, amidst the development of the digital era, MSMEs face various challenges, particularly regarding technological adaptation and the enhancement of managerial capacity.

Digitalisation has become a strategic priority in SME development, particularly through the use of digital platforms such as e-commerce and social commerce. However, the digital transformation process is not proceeding optimally due to low digital literacy, infrastructure limitations, and a lack of managerial skills among business owners (Meilariza et al., 2024). This situation indicates that the success of SME digitalisation is determined not only by the availability of technology, but also by the readiness of human resources to manage such changes.

In the fashion SME sector, these challenges become increasingly complex due to product characteristics that are highly dependent on visuals, trends, and brand image. In this context, *social commerce* strategies offer a potential solution as they can integrate social interaction with digital transactional activities. *Social commerce* enables business owners to build closer relationships with consumers through features such as reviews, recommendations, and online communities (Hajli, 2015). Previous research indicates that the use of social media can enhance SME performance through increased customer engagement and competitive advantage (Marolt et al., 2022; Lina & Suwarni, 2022). However, the effectiveness of this strategy varies among businesses, depending on the quality of implementation and the managerial capacity possessed.

Digital leadership refers to a leader's ability to guide an organisation in adapting to digital change through the use of technology, the development of a digital culture, and data-driven decision-making (Zeike et al., 2019; Imran et al., 2025). Leaders with a clear digital vision will be able to optimise the use of digital platforms as a means of improving business performance.

Entrepreneurial orientation (EO) is also a key factor influencing the success of SMEs in navigating market dynamics. EO reflects an innovative, proactive attitude and the courage to take the risks necessary to create new opportunities amidst fierce competition (Miller, 1983; Covin & Slevin, 1989). Meta-analyses indicate that entrepreneurial orientation has a positive relationship with firm performance, particularly in dynamic business environments (Soares & Perin, 2019). Based

Volume 10, Number 01, Page 551-554
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on these research questions, this study aims to test whether digital leadership influences social commerce strategy, whether entrepreneurial orientation influences social commerce strategy, whether digital leadership influences SME performance, whether entrepreneurial orientation influences SME performance, whether the s of social commerce strategy influence SME performance, whether social commerce strategy mediates the relationship between digital leadership and SME performance, and whether social commerce strategy mediates the relationship between entrepreneurial orientation and SME performance.

II. RESEARCH METHODS

This study employs a quantitative approach. The research subjects are fashion SMEs in Kebumen. Sample: 150–200 respondents. Sampling technique: purposive sampling. Data analysis: PLS-SEM. Outer model: validity & reliability. Inner model: R-square, F-square, path coefficient.

III. RESULTS AND DISCUSSION

Data were collected from owners of fashion SMEs in the Kebumen Regency using *purposive sampling*. Analysis using *Structural Equation Modelling-Partial Least Squares* (SEM-PLS) was conducted to test the measurement model and structural model.

Table 1. *Factor Loadings*

Variable	Indicator	*Factor Loadings*	Description
Digital Leadership	DL1	0.852	Valid
	DL2	0.784	Valid
	DL3	0.833	Valid
	DL4	0.875	Valid
Entrepreneurial Orientation	EO1	0.877	Valid
	EO2	0.846	Valid
	EO3	0.854	Valid
Social Commerce	SC1	0.858	Valid
	SC2	0.835	Valid
	SC3	0.834	Valid
	SC4	0.849	Valid
MSME Performance	K1	0.854	Valid
	K2	0.842	Valid
	K3	0.807	Valid
	K4	0.851	Valid

Based on the results of the convergent validity test, all research indicators have *factor loadings* above 0.70, indicating that the instrument is valid in measuring its latent variables.

Table 2. *Composite Reliability*

Variable	*Composite Reliability*	Description
Social Commerce	0.908	Reliable
Digital Leadership	0.903	Reliable
Entrepreneurial Orientation	0.894	Reliable
MSME Performance	0.905	Reliable

Based on Table 2, it can be explained that all constructs in this study have a *composite reliability* value of ≥ 0.7; therefore, it can be said that all constructs are reliable. This implies that each construct in the research model demonstrates internal consistency in the instrument reliability test.

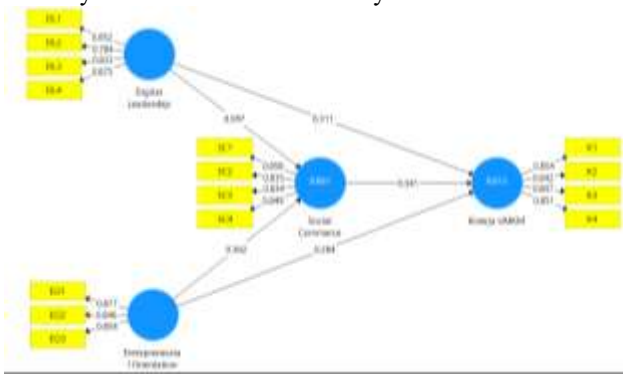

Figure 1. Structural Equation Model (SEM-PLS) Path Diagram

The results of the hypothesis testing are presented in the following table.

Table 3. Direct and Indirect Effects

Variable	*Original Sample*	*t-statistic*	*p-values*
DL→ SC	0.597	8.415	0.000
EO→ SC	0.362	5.185	0.000
DL→ K	0.311	2.539	0.011
EO→ K	0.284	2.330	0.020
SC→ K	0.341	3.956	0.000
DL→ SC→ K	0.204	3.205	0.001
EO→ SC→ K	0.123	3.723	0.000

The results of the *bootstrapping* procedure indicate that all hypotheses (H1–H7) are empirically supported, namely that *digital leadership* has a positive and significant effect on *social commerce, entrepreneurial orientation* has a positive and significant influence on *social commerce, digital leadership* has a positive and significant influence on performance, *entrepreneurial orientation* has a positive and significant influence on performance, *social commerce* has a positive and significant influence on performance, *social commerce* mediates the relationship between *digital leadership* and performance, and *social commerce* mediates the relationship between *entrepreneurial orientation* and performance.

The research findings indicate that *digital leadership* has a positive and significant influence on *social commerce* strategy. This suggests that a leader's ability to understand, direct, and implement digital technology is a key factor in optimising the utilisation of *social commerce* platforms. Leaders with a strong digital vision are able to encourage the use of interactive features such as customer reviews, live streaming, and the integration of digital transactions into business activities. These findings align with the research by Zeike et al. (2019), which states that *digital leadership* encompasses the ability to build an organisational culture that is adaptive to digital technology. Furthermore, Imran et al. (2025) emphasise that

digital leadership plays a crucial role in driving the digital transformation of SMEs through enhanced technological capabilities and data-driven decision-making.

The research results indicate that *entrepreneurial orientation* (EO) has a positive and significant influence on *social commerce* strategies. This suggests that SME operators with high levels of innovation, proactivity, and risk-taking will be more adaptable in utilising social media as a marketing and sales tool.

These findings support Miller's (1983) theory, which states that innovativeness, proactivity, and risk-taking are key dimensions of entrepreneurial orientation. Furthermore, Covin and Slevin (1989) also explain that companies with a high level of entrepreneurial orientation tend to be more responsive to changes in the business environment and more aggressive in capitalising on market opportunities.

The research results indicate that *digital leadership* has a positive and significant impact on the performance of SMEs. This suggests that leaders capable of integrating digital technology into business processes will enhance operational efficiency, service quality, and business competitiveness. These findings align with the research by Imran et al. (2025), which demonstrates that digital leadership makes a significant contribution to improving SME performance through effective digital transformation. Furthermore, Venkatraman and Ramanujam (1986) emphasise that company performance is influenced by managerial ability to manage organisational strategies and resources optimally.

The research results indicate that *entrepreneurial orientation* has a positive and significant effect on SME performance. This suggests that business owners who are innovative, proactive, and willing to take risks are better equipped to face competition and create new business opportunities. This finding is consistent with the research by Soares and Perin (2019), which showed that *entrepreneurial orientation* has a positive relationship with company performance. Furthermore, Miller (1983) also stated that companies with a high entrepreneurial orientation tend to perform better in a dynamic business environment.

The research results indicate that *social commerce* strategies have a positive and significant impact on SME performance. This suggests that the optimal use of social media can enhance customer interaction, strengthen trust, and drive increased sales. These findings align with Hajli's (2015) research, which states that *social commerce constructs* such as *ratings and reviews*, *recommendations*, and *online communities* have a significant influence on consumer purchasing decisions. Furthermore, Marolt et al. (2022) found that the use of social media contributes to improved SME performance through competitive advantages and relational capabilities. Lina and Suwarni (2022) also emphasise that the adoption *of social commerce* can enhance SME performance through the integration of technological, organisational, and environmental aspects.

The research findings indicate that *social commerce* strategies mediate the relationship between *digital leadership* and SME performance. This suggests that the influence of digital leadership on performance occurs not only directly but also through the implementation of concrete digital strategies. This finding supports Hajli's (2015) theory, which emphasises that *social commerce* is a crucial mechanism for linking social interactions with digital economic activities. Consequently, leaders with a digital vision need to implement this within social media-based operational strategies to deliver tangible impacts on business performance.

The research results indicate that *social commerce* strategies also mediate the relationship between *entrepreneurial orientation* and SME performance. This suggests that innovative and proactive attitudes among business owners will yield maximum impact when implemented through appropriate digital marketing strategies. These findings are consistent with the research by Marolt et al. (2022), which states that *social commerce* capabilities act as a mediator in improving business performance. Furthermore, Lina and Suwarni (2022) also found that the adoption *of social commerce* can enhance SME performance through the utilisation of technology and effective digital marketing strategies.

IV. CONCLUSIONS

Overall, the results of this study indicate that managerial factors (*digital leadership* and *entrepreneurial orientation*) play a strategic role in improving the performance of SMEs, both directly and through *social commerce* strategies. This confirms that the success of SMEs' digital transformation depends not only on technology, but also on the ability of business owners to manage and implement digital strategies effectively.

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