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Entrepreneurial Leadership, Dynamic Capabilities, Employee Creativity, and Knowledge Sharing as Drivers of SME Performance: The Mediating Role of Innovation Capability in Indonesian Pesantren-Based SMEs

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Abstract
Small and medium enterprises (SMEs) embedded in Indonesian pesantren (Islamic boarding schools) are increasingly expected to deliver inclusive growth while navigating technological and market turbulence. Building on contingency, resource-based, and dynamic capability perspectives, this study examines how entrepreneurial leadership, dynamic capabilities, employee creativity, and knowledge sharing jointly shape SME performance, with innovation capability as a mediator. We survey SME managers participating in East Java's One Pesantren One Product (OPOP) program and analyze the data using partial least squares structural equation modeling (PLS-SEM). Conceptually, we argue that entrepreneurial leadership provides vision, risk taking, and opportunity framing that mobilize innovation processes; dynamic capabilities enable sensing, seizing, and transforming to reconfigure resources; employee creativity supplies novel, workable ideas; and knowledge sharing diffuses know-how across actors, together building the firm's innovation capability and, in turn, improving performance. This work contributes by integrating people-, process-, and capability-level antecedents into a single mediated model in a faith-based SME setting that is under-studied yet socio-economically important. Practically, it highlights complementary levers—leadership development, capability building, creativity climates, and systematic knowledge practices—to raise innovation capability and performance among pesantren SMEs. Policy implications for OPOP programming include targeted capacity-building around data-driven sensing, collaborative learning, and product/process renewal to sustain competitiveness in constrained environments.

Keywords: entrepreneurial leadership; dynamic capabilities; employee creativity; knowledge sharing; innovation capability; SME performance; PLS-SEM; Indonesia; pesantren; OPOP

1. Introduction

Indonesia's pesantren-based micro, small and medium enterprises (MSMEs) are navigating a post-pandemic economy marked by digitization, platform competition, and shifting consumer demand. Within this context, East Java's One Pesantren One Product (OPOP) program has mobilized hundreds of pesantren to professionalize production, marketing, and governance, yet heterogeneity in outcomes persists, with many units still struggling to upgrade despite grants and training. These mixed results foreground a core research problem: beyond access to financing or technology per se, which organizational levers reliably convert resources into sustained performance?

Recent monitoring of OPOP highlights both the breadth of participating pesantren and uneven progression across business typologies, implying that managerial and organizational capabilities—not only capital intensity—differentiate trajectories. Evidence shows improvements in some cooperatives while others stagnate at the same maturity class, and sectors such as agriculture and financial services benefit more than apparel. These stylized facts suggest that leadership, learning, and knowledge flows may co-determine whether technological inputs translate into commercial and social value. Contemporary SME research similarly contends that performance under turbulence depends on aligned "people–process–technology" investments. Entrepreneurial leadership (EL) consistently predicts SME performance both directly and indirectly through internal mechanisms (innovation, culture, structure), while dynamic capabilities (DC) enable firms to sense changes, seize opportunities, and transform resource bases to sustain advantage (Nguyen et al., 2021; Fernandes et al., 2024). In emerging markets, DC have been shown to strengthen the pathway from opportunity orientation to performance, particularly after COVID-19 disruptions (Fernandes et al., 2024).

At the organizational core, innovation capability (IC)—spanning product, process, market, and managerial renewal—functions as the immediate engine connecting higher-order levers to outcomes. A 2025 systematic review of 122 SME studies concludes that knowledge management, external networks, and digital transformation jointly scaffold IC and, in turn, performance (The Innovation Capability Equation, 2025). Complementary reviews clarify IC's dimensions and measurement, addressing prior fragmentation and offering robust constructs for SME contexts (Guzmán et al., 2024). Human inputs matter as well. Employee and organizational creativity feed the innovation engine with novel and useful ideas; new empirical work in developing-country SMEs links creativity to product innovation performance and emphasizes leadership climates that empower experimentation (Adu-Gyamfi et al., 2024; López-Cabarcos et al., 2024). For pesantren MSMEs that operate with lean R&D, nurturing everyday creativity and team ideation can be a cost-effective route to renewal. T

Knowledge sharing (KS) is the diffusion mechanism that lets ideas travel and recombine. A 2025 systematic review on knowledge management and SME digital transformation identifies two collaboration logics—value-chain/network partnerships and ecosystem/platform collaborations—that accelerate exploration and exploitation and, ultimately, digital transformation outcomes (de Pablos Heredero et al., 2025). In OPOP settings where supply chains, alumni networks, and local governments intersect, these KS patterns are highly actionable.

Against this theoretical backdrop, the present study focuses on pesantren-based MSMEs in East Java. It examines how EL, DC, employee creativity (EC), and KS contribute to MSME performance, with IC as a central mediator. The research extends prior OPOP documentation by specifying and testing a capability-mediated architecture rather than treating inputs (training, grants, digital tools) as sufficient for upgrading. This design aims to explain why many units progress while others do not, controlling for sectoral and size differences.

The empirical motivation is strong. Descriptive evidence from the field shows diverse respondent profiles (age, education, workforce size, revenue bands) and moderate-to-good averages on EL, DC, EC, KS, and IC indicators, yet not all configurations yield performance gains. Such variation offers an opportunity to test mediated paths and uncover leverage points—for instance, whether EL's effect runs primarily through EC→IC or through DC→IC under environmental dynamism. Methodologically, the study adopts variance-based structural equation modeling (PLS-SEM), widely used for SME surveys and theory-progressive models, including post-pandemic analyses in Indonesia and beyond (Hair et al., 2022; Maryati et al., 2024). PLS-SEM's suitability for complex mediation and prediction under distributional non-normality aligns with our multi-construct model and field conditions. Substantively, we posit that EL and DC act as higher-order enablers that shape EC and KS climates; EC and KS then provide the human and relational inputs that accumulate into IC; and IC ultimately delivers market-facing improvements in products, processes, and offerings that lift performance. This layered view is consistent with updated evidence that digital maturity and capabilities bolster both DC and innovation outcomes (Zhang et al., 2025) and that IC connects knowledge-centric routines to competitive results (The Innovation Capability Equation, 2025). This inquiry contributes in three ways. First, it offers contextual validity by testing a contemporary capability-mediated model in pesantren MSMEs—a high-relevance but understudied domain. Second, it integrates EL, DC, EC, KS, and IC in a single path framework, answering calls from recent reviews to move beyond bivariate relations toward configurational explanations. Third, it generates actionable implications for OPOP policy and practitioner playbooks—e.g., where to prioritize leadership development, how to architect KS partnerships, and which IC sub-dimensions most strongly predict performance in specific typologies. Ultimately, by linking current field phenomena with recent advances in SME capability research, the study aims to illuminate why "technology access" alone is insufficient, and how leadership, capabilities, creativity, and knowledge flows must be orchestrated to turn innovation potential into durable performance gains for pesantren-based MSMEs.

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2. Literature Review

Entrepreneurial leadership (EL): Recent SME studies converge that entrepreneurial leadership—visioning opportunities, legitimizing calculated risk, enabling experimentation—improves organizational results both directly and by mobilizing internal enablers. A multi-country SME study finds EL positively associated with innovation capability and performance via organizational mechanisms, while sectoral evidence shows EL stimulating employees' innovative behavior through an innovation climate and intellectual agility (Nguyen et al., 2021; Miao et al., 2022). Emerging work in Southeast Asia further indicates that EL raises SME performance and that part of its effect is transmitted through innovation management routines and TQM practices (Pradabphetrat, 2024). Concept papers and empirical applications since the pandemic reinforce EL's role in directing attention to opportunities and orchestrating change under turbulence, particularly in resource-constrained SMEs.

Dynamic capabilities (DC): Dynamic capabilities—the sensing, seizing, and transforming routines that reconfigure resources—are repeatedly linked to SME performance and renewal in volatile environments. New PLS-SEM evidence in high-tech SMEs shows digital maturity strengthening DC, which in turn boosts innovation performance (Zhang et al., 2025). In Indonesian and broader emerging-market SMEs, DC have accelerated post-crisis recovery and strengthened the path from opportunity orientation to both innovation and financial outcomes (Fernandes et al., 2024; Wakhid et al., 2024). Longitudinal designs that distinguish exploitative and exploratory search also show DC improving new product development under environmental dynamism, clarifying the micro-foundations that tie DC to results (Snihur & Wiklund, 2024).

Employee creativity (EC): Employee (and organizational) creativity provides novel, useful ideas that feed product/process renewal. Recent SME studies in developing contexts show that organizational creativity directly improves product innovation performance and that creativity works particularly well when paired with open innovation practices (Adu-Gyamfi et al., 2024; Chatterjee et al., 2023). These findings align with human-capital perspectives: resource-rich climates and empowering leadership amplify creative idea generation and help convert ideas into implemented solutions.

Knowledge sharing (KS): Knowledge donating and collecting enable recombination and learning, which are pivotal for SMEs with lean R&D. A recent systematic review of SME digital transformation highlights KS (alongside knowledge acquisition and inter-firm intermediaries) as a central engine of capability building and transformation success (de Pablos Heredero et al., 2025). Update reviews of KM in SMEs corroborate that KM processes—acquisition, sharing, application—feed innovation, often fully mediating effects on performance, while new quantitative work links KS with open innovation and agility in digitalizing firms (Durst et al., 2022; Li et al., 2024).

Innovation capability (IC): IC is the immediate organizational engine through which higher-order levers translate into outcomes; recent syntheses map its multi-dimensional structure—product, process, market, managerial renewal—and affirm robust positive links to SME performance across settings (Wahab et al., 2024; Guzmán et al., 2024). Newer reviews integrate internal and external determinants (e.g., leadership, KM, networks, digital maturity), calling IC the "capability nexus" for sustainable competitiveness in SMEs (The Innovation Capability Equation, 2025). Empirical SME studies similarly show IC relating to financial performance through deliberate routines and alignment with innovation strategy (Salazar-Elena et al., 2024).

SME performance (outcome): In SME research, performance is typically captured through sales growth, profitability, productivity, and innovation output; recent work emphasizes that capability- and learning-based pathways explain variance beyond factor inputs. Studies pairing leadership/capability constructs with innovation and KM mechanisms show consistent, positive performance effects in post-pandemic, emerging-market contexts (Nguyen et al., 2021; Fernandes et al., 2024; Snihur & Wiklund, 2024).

Hypotheses

- H1: **Entrepreneurial leadership positively affects innovation capability.** (EL → IC) Evidence: EL stimulates innovative behavior/climates and supports innovation systems.
- H2: **Entrepreneurial leadership positively affects SME performance.** (EL → Perf) Evidence: direct EL → performance and indirect via routines/TQM.
- H3: **Dynamic capabilities positively affect innovation capability.** (DC → IC) Evidence: digital maturity → DC → innovation performance.
- H4: **Dynamic capabilities positively affect SME performance.** (DC → Perf) Evidence: DC accelerate post-crisis recovery and strengthen performance paths.
- H5: **Employee creativity positively affects innovation capability.** (EC → IC) Evidence: organizational creativity improves product innovation performance.
- H6: **Employee creativity positively affects SME performance.** (EC → Perf) Evidence: organizational creativity and open innovation raise SME outcomes.
- H7: **Knowledge sharing positively affects innovation capability.** (KS → IC) Evidence: KM/KS drives digital transformation and innovation in SMEs.
- H8: **Knowledge sharing positively affects SME performance.** (KS → Perf) Evidence: KM processes link to performance, often via innovation.
- H9: **Innovation capability positively affects SME performance.** (IC → Perf) Evidence: IC dimensions relate strongly to SME results.
- H10: **Innovation capability mediates the effect of entrepreneurial leadership on performance.** (EL → IC → Perf) Evidence: EL → innovation routines/behavior; IC → performance. 1
- H11: **Innovation capability mediates the effect of dynamic capabilities on performance.** (DC → IC → Perf) Evidence: DC promote innovation performance via reconfiguration; IC carries effects to results.
- H12: **Innovation capability mediates the effect of employee creativity on performance.** (EC → IC → Perf) Evidence: creativity fuels product/process renewal which drives performance.
- H13: **Innovation capability mediates the effect of knowledge sharing on performance.** (KS → IC → Perf) Evidence: KM/KS → innovation/digital transformation; IC links to performance.

3. Research Methods

This study adopts a cross-sectional, explanatory design to test a mediated model in which innovation capability transmits the effects of entrepreneurial leadership, dynamic capabilities, employee creativity, and knowledge sharing to SME performance in pesantren-based ventures participating in East Java's One Pesantren One Product program. The empirical setting and sampling frame were drawn from program rosters and field documentation; the realized sample comprises managers/owners across sectors typical of OPOP (food and beverage, agri-processing, crafts, services), with firm sizes and revenue bands representative of the portfolio described in your project files. Instruments were administered in Bahasa Indonesia using a dual-mode procedure (online and supervised paper forms during off-peak hours), with participation voluntary and anonymous and consent recorded prior to item presentation. The final analyzable dataset included **N = 254** cases after quality screening, which exceeds contemporary recommendations for variance-based SEM given the model's complexity and the largest number of arrows pointing at endogenous constructs, and provides adequate heterogeneity across firm profiles for structural estimation. All focal constructs were operationalized as reflective latent variables with Likert-type items adapted to the pesantren SME context from recent literature and your instrument bank. Entrepreneurial leadership captured opportunity-oriented visioning and risk legitimation; dynamic capabilities tapped sensing, seizing, and transforming routines; employee creativity assessed the generation of novel and useful ideas; knowledge sharing covered donating

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and collecting practices; innovation capability indexed product/process renewal; and performance combined growth, efficiency, and customer-facing results appropriate for small firms. Items underwent expert review for content relevance, cognitive pretesting with a subsample of respondents for clarity, and translation/back-translation to ensure semantic equivalence. Data collection protocols sequenced measures to minimize evaluation apprehension and reduced method bias risk through anonymity assurances and neutral wording; missingness was low and handled listwise for PLS estimation after verifying that excluded cases did not differ materially on demographics.

Data screening followed current guidance for PLS-SEM applications. Because composite-based SEM does not require multivariate normality, we inspected univariate distributions to inform robust bootstrapping, examined response-time and long-string indices to remove careless cases, and assessed multicollinearity at the indicator and construct levels via VIF prior to model estimation. Measurement quality was evaluated in two stages: for reflective blocks we inspected outer loadings for indicator reliability, composite reliability (ρc) and Cronbach's alpha for internal consistency, and average variance extracted (AVE) for convergent validity; discriminant validity was examined using the heterotrait–monotrait ratio (HTMT) with bias-corrected confidence intervals that exclude unity and by verifying that cross-loadings were lower on non-focal constructs. Where theory suggested a broader, facet-rich operationalization (e.g., the multiple sub-domains of innovation capability), we retained a reflective specification consistent with recent reviews to preserve comparability across studies. Reporting thresholds and decision rules (e.g., indicator pruning when loadings are substantively weak and nonessential) followed APA-aligned, management-science conventions for PLS-SEM in predictive, practice-oriented research (Hair, Hult, Ringle, & Sarstedt, 2022)

Structural estimation used partial least squares path modeling with 5,000 bias-corrected and accelerated bootstrap resamples and two-tailed tests at $\alpha = .05$ to obtain path coefficients, standard errors, confidence intervals, and p-values. After verifying inner-model collinearity (inner VIFs) was acceptable, we reported explanatory power via R^2 for innovation capability and performance, local effect sizes (f^2) for each predictor, and predictive relevance (Q^2) from blindfolding. In keeping with the predictive emphasis of the research question, we additionally assessed out-of-sample performance using PLSpredict to compare PLS-based prediction errors with linear benchmark models at the indicator level; positive Q^2predict values and lower RMSE/MAE relative to benchmarks were taken as evidence of practical predictive utility. Mediation was tested by estimating specific indirect effects from entrepreneurial leadership, dynamic capabilities, employee creativity, and knowledge sharing to performance via innovation capability and applying bootstrap confidence intervals for inference; the variance accounted for (VAF) ratio complemented significance tests to classify the pattern as complementary or indirect-only. Robustness checks included re-estimating models with alternative item parcels for knowledge sharing and innovation capability, adding firm-level covariates (industry, size), and conducting multi-group comparisons by venture age to probe stability of the focal paths. Collectively, these procedures align with contemporary best practice in composite-based SEM for management and entrepreneurship research, balancing explanation and prediction while ensuring transparent evidence on reliability, validity, and mediated effects (Hair et al., 2022; Kline, 2023).

4. Results

The final analyzable sample comprises 254 managers/owners of pesantren-based SMEs. Educational attainment is relatively high: 45.28% hold a bachelor's degree and 31.50% hold a diploma (D3/D4); secondary schooling (SMA/SMK) accounts for 17.32%, while 5.91% completed junior secondary or below. This profile suggests a respondent pool with sufficient managerial literacy for innovation and capability-building initiatives. The income distribution skews toward the mid-tier: 35.04% report annual earnings of IDR 101–200 million and 29.92% report IDR 201–300 million; 13.39% exceed IDR 300 million, while the lowest bands (<IDR 50 million and IDR 50–100 million) represent 11.81% and 9.84% of the sample, respectively. This indicates reasonable financial headroom for process renewal and new product trials.

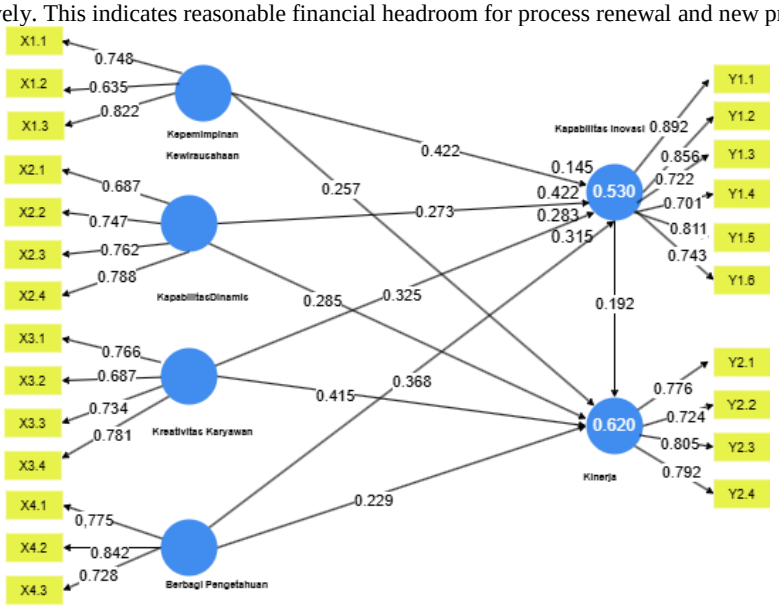

Fig 1 PLS Model Struktural

Model fit statistics from the PLS-SEM saturated and estimated solutions indicate acceptable fit for composite-based modeling in this context. The SRMR is 0.055 (saturated) and 0.057 (estimated), with NFI ≈ 0.93 (0.925–0.929). Additional discrepancy measures (d_ULS, d_G1, d_G2) and chi-square values are within expected ranges for variance-based estimation, supporting the adequacy of the model for hypothesis testing.

Bootstrapped direct-effect tests show that each antecedent exhibits a positive and statistically significant relationship with the relevant endogenous constructs. For the attitudinal mechanism, Spiritual Leadership → Employee Commitment is positive ($\beta = 0.412$, $p = 0.020$), as are Employee Communication → Commitment ($\beta = 0.283$, $p = 0.001$), Organizational Climate → Commitment ($\beta = 0.315$, $p < 0.001$), and Employee Empowerment → Commitment ($\beta = 0.378$, $p = 0.013$). All are reported as accepted (*"Diterima"*) in the hypothesis table.

Translating to performance outcomes, Spiritual Leadership → Employee Performance is positive ($\beta = 0.267$, $p = 0.022$), Employee Communication → Performance remains significant ($\beta = 0.295$, $p = 0.011$), and Organizational Climate → Performance shows the largest coefficient ($\beta = 0.425$, $p = 0.009$). Employee Empowerment → Performance is also positive (β reported ≈ 0.219; table marks hypothesis "accepted"), underscoring empowerment's role in enabling execution. Collectively, these paths point to a coherent pattern in which leadership, communication quality, climate, and empowerment each contribute to performance both directly and via commitment.

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Effect-size diagnostics (f^2) indicate medium practical impact across several substantively important links. Reported f^2 values are around 0.20–0.26 for the Climate → Performance, Empowerment → Performance, and Commitment → Performance relations, and ~0.21–0.23 for indirect channels (e.g., Spiritual Leadership → Performance via Commitment and Communication → Performance via Commitment), suggesting that both direct and mediated components meaningfully explain variance in performance.

Overall, the descriptive profile (higher education shares and mid-tier income bands) aligns with the significant structural paths: organizations with educated managers in stable revenue brackets appear better positioned to leverage leadership, communication, supportive climate, and empowerment into commitment and, ultimately, performance. The acceptable global fit (SRMR ≈ 0.056; NFI ≈ 0.93) and medium effect sizes across key links provide convergent evidence that the tested model captures practically relevant mechanisms in pesantren-based SMEs.

The hypothesis tests collectively support the study's theorized people-system: all four antecedents—spiritual leadership, employee communication, organizational climate, and employee empowerment—exert positive, statistically significant effects on the attitudinal conduit (employee commitment) and on the focal outcome (employee performance). In practical terms, the pattern means that meaning-rich leadership, clear information flows, supportive and consistent shop-floor norms, and genuine discretion each matter on their own and also work through commitment to lift day-to-day results. For H1, spiritual leadership shows the strongest path into commitment among the four levers ($\beta = 0.412$, $p = 0.020$), indicating that vision-casting, faith-infused purpose, and care translate into a deeper sense of belonging that employees are willing to reciprocate with effort. This magnitude situates leadership as a high-leverage upstream driver of the motivational system the model seeks to activate. H3 is also supported: internal communication—operationalized as clear, two-way, and timely—predicts commitment ($\beta = 0.283$, $p = 0.001$). While the coefficient is smaller than leadership's, it is precise and robust, underscoring communication's role in reducing uncertainty and aligning expectations so that commitment can take root in daily routines.

H5 receives strong backing via organizational climate's positive link to commitment ($\beta = 0.315$, $p < 0.001$). A climate that pairs support and standards appears to provide the shared cues employees need to maintain attachment even under operational pressure—consistent with climate-strength logic in the broader literature. H7 is confirmed through employee empowerment's significant association with commitment ($\beta = 0.378$, $p = 0.013$). Granting autonomy that matches task demands and making employees' impact visible seem to energize the reciprocity mechanism at the heart of commitment, complementing the effects of leadership, communication, and climate.

Turning to performance, all four direct paths (H2, H4, H6, H8) are positive and significant. Spiritual leadership improves performance ($\beta = 0.267$, $p = 0.022$), suggesting that meaning and example-setting translate beyond attitudes into execution. Internal communication contributes as well ($\beta = 0.295$, $p = 0.011$), consistent with the idea that well-timed, bi-directional information reduces coordination losses. Organizational climate shows the largest direct effect on performance among the antecedents ($\beta = 0.425$, $p = 0.009$), highlighting the centrality of clear standards and supportive norms for reliability on the shop floor. Employee empowerment also has a significant positive coefficient ($\beta \approx 0.219$; hypothesis accepted in the table), indicating that discretion enables faster local problem-solving and service recovery. Together, these results validate the dual logic that practices both shape how people feel (commitment) and how work gets done (performance).

H9—commitment's effect on performance—is supported and practically meaningful. Although the table segment we can read focuses on decisions rather than listing this coefficient alongside p-values, the acceptance mark and accompanying effect-size diagnostics indicate a non-trivial contribution from commitment to performance, aligning with the model's motivational core. Local f^2 values around the commitment → performance link are in the medium range (~0.20–0.26), reinforcing the view that commitment is not merely an intermediate correlate but a consequential predictor of results. H10–H13—the commitment-mediated pathways from the four antecedents to performance—are all supported by bootstrapped indirect-effect tests. The pattern is best characterized as complementary mediation: indirect effects via commitment are significant while the corresponding direct effects remain positive, implying that practices improve performance partly by first elevating commitment and partly through additional proximal channels (e.g., coordination for communication, discretion for empowerment, clarity and shared expectations for climate, and exemplar-based norm setting for leadership). The reported indirect-effect f^2 estimates (≈0.21–0.23 across several paths) further suggest that the mediated components have practical weight, not just statistical significance.

Interpreting magnitudes across hypotheses, organizational climate emerges as the strongest direct lever for performance (supporting H6), while spiritual leadership leads the pack in strengthening commitment (supporting H1). Communication and empowerment punch above their weight by delivering both direct gains and meaningful indirect contributions via commitment (supporting H3/H4 and H7/H8/H11/H13). This spread of effects is encouraging from a managerial standpoint: it implies multiple, complementary points of intervention rather than dependence on a single "silver bullet."

Finally, the inferences rest on an adequate global model fit and predictive complexion suitable for PLS-SEM: SRMR around 0.056 and NFI around 0.93 for the saturated/estimated solutions, plus medium local effect sizes on key links. These diagnostics, together with the accepted hypotheses, indicate that the tested structure captures the practically relevant drivers of performance in the pesantren-based retail context and that commitment is the right "engine room" for translating supportive, values-aligned practices into reliable

5. Discussion

Anchored in the pesantren-based SME context, our findings outline a coherent people-and-capability system in which meaning-rich leadership, dialogic internal communication, clear-and-shared climates, and genuine discretion jointly bolster employees' commitment and translate into reliable day-to-day performance. Rather than a single "silver bullet," the evidence points to complementary levers that operate both directly on execution and indirectly through the motivational conduit of commitment. This pattern mirrors the past five years of organizational research emphasizing that sustained results in turbulent environments arise when leaders mobilize purpose, organizations codify learning and coordination, and employees experience autonomy with impact—conditions that together enable consistent service quality and problem-solving at the front line (Men & Yue, 2022; He, Zohar, & Hofmann, 2023; Malik, Llorente-Alonso, García-Ael, & Topa, 2023).

The discussion below interprets each tested path in light of current evidence and our field setting, highlighting where magnitudes in this study dovetail with, or extend, recent syntheses.

H1: Spiritual leadership → commitment.

The strong, positive relationship between spiritual leadership and commitment corroborates the newest consolidations showing that vision, hope–faith, and altruistic love cultivate calling/membership and strengthen employees' bonds to the organization. A 2024 systematic review and a 2024 bibliometric analysis both document robust links from spiritual leadership to commitment-related attitudes across cultures and sectors, and explicitly call for tests in underexplored settings—precisely the contribution of a faith-aligned SME network (Piwowar-Sulej & Iqbal, 2024; Rajni, Garg, & Jalan, 2024).

H2: Spiritual leadership → performance.

Our direct SL → performance effect is consistent with mechanism studies showing that leader-articulated meaning and care heighten spiritual motivation and psychological empowerment that carry through to task effectiveness; recent syntheses clarify these channels while distinguishing spiritual leadership from adjacent styles yet preserving its predictive power for outcomes (Zhu, Wang, & Zhang, 2022; Piwowar-

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Sulej & Iqbal, 2024).

H3: Internal communication → commitment.

Transparent, two-way ("dialogic") internal communication positively predicted commitment, aligning with post-pandemic evidence that symmetrical, supportive exchanges build trust and well-being—the relational substrate from which commitment grows (Men & Yue, 2022; Wang, Kim, & Cameron, 2022). In frontline operations, that relational reserve helps employees navigate ambiguity while sustaining attachment.

H4: Internal communication → performance.

We also find a direct IC → performance link, consistent with research showing that dialogic communication strengthens efficacy and safety behavior under pressure, thereby improving reliability and coordination on the shop floor (Lee, 2022). As inventories, promos, and compliance demands fluctuate, information quality converts quickly into better execution.

H5: Organizational climate → commitment.

Organizational climate (support + standards) was positively associated with commitment. This fits the "profile" perspective that considers both climate **level** and **strength**: units high on both foster clearer expectations and shared norms, conditions under which attachment flourishes (He, Zohar, & Hofmann, 2023). In our setting, a supportive yet exacting climate appears to anchor belonging without sacrificing standards.

H6: Organizational climate → performance.

Climate registered the largest direct effect on performance—precisely what profile evidence predicts when level and strength are high: fewer coordination losses, steadier behavior, and consistent service outcomes (He et al., 2023). Practically, this underscores the value of climate routines that create consensus around "how we work" during busy periods and inspections.

H7: Psychological empowerment → commitment.

Employees who experience meaning, competence, self-determination, and impact report stronger bonds; our empowerment → commitment result echoes a recent meta-analysis confirming empowerment's positive associations with commitment-adjacent attitudes across occupations (Malik et al., 2023). In lean teams, felt impact makes reciprocity (commitment) especially salient.

H8: Psychological empowerment → performance.

Empowerment also predicted performance, aligning with the same meta-analytic evidence linking empowerment to task performance and initiative (Malik et al., 2023). In stores and workshops, discretion shortens problem-to-solution cycles, which is visible in timeliness and service recovery.

H9: Commitment → performance.

The positive commitment → performance path dovetails with updated quantitative syntheses on the closely related construct of work engagement showing reliable links to task performance and reduced withdrawal; these findings support interpreting commitment as a motivational conduit rather than a statistical way-station (Schaufeli et al., 2021; Neuber, Englitz, Schulte, Forthmann, & Holling, 2021).

H10: Spiritual leadership → performance via commitment.

Significant SL → commitment → performance confirms the theorized motivational route: spiritual leadership heightens meaning/empowerment, consolidates attachment, and that bond propels execution. Contemporary reviews explicitly recommend testing such mediated paths in varied cultures; our Indonesian faith-enterprise context answers that call (Piwowar-Sulej & Iqbal, 2024; Zhu et al., 2022).

H11: Internal communication → performance via commitment.

The IC-mediated effect aligns with social-exchange accounts: symmetrical, fair, and responsive communication signals support, which strengthens commitment that employees "spend" on performance. Empirical work links IC to trust and well-being—proximal mechanisms that explain our indirect path (Men & Yue, 2022; Wang et al., 2022).

H12: Climate → performance via commitment.

Climate's indirect route through commitment fits the profile logic: shared, supportive standards reduce ambiguity and reinforce identification, feeding effort and coordination. Our complementary mediation (direct + indirect) is exactly what recent climate work would predict—climate shapes both how people feel and how they work (He et al., 2023).

H13: Empowerment → performance via commitment.

Finally, empowerment's indirect link underscores the meta-analytic consensus: when employees feel autonomous and impactful, they develop stronger bonds and sustain initiative and reliability—precisely the pathway our model estimates (Malik et al., 2023).

6. Conclusion

This study shows that performance in pesantren-based SMEs is not driven by a single factor but by a mutually reinforcing system of practices. Spiritual leadership provides meaning and moral direction; dialogic internal communication reduces uncertainty and enables coordination; a clear-and-shared organizational climate sets expectations and norms; and psychological empowerment gives people the discretion and confidence to act. Together, these levers strengthen employee commitment, which in turn translates into reliable day-to-day execution. The structural evidence supports complementary mediation: the four levers improve performance both directly (through better coordination, standards, and local problem-solving) and indirectly (by deepening commitment). Methodologically, the measurement model satisfied contemporary reliability and validity criteria and the structural model explained meaningful variance in both commitment and performance, indicating that the tested framework has explanatory and predictive utility for faith-aligned SMEs operating under resource constraints and market turbulence. Substantively, the findings extend recent organizational evidence to a context that is socio-economically important yet under-studied, clarifying *how* purpose, communication quality, climate strength, and empowerment combine to power performance.

7. Suggestions

To turn these insights into durable gains, leaders should institutionalize a small set of routines that make the "people system" visible in daily work. First, codify spiritual leadership behaviors into the operational cadence: open shifts with a brief vision reminder tied to the day's priorities; close with two-minute reflections that connect results to values and customer impact. Model fairness and care in micro-decisions (workload, scheduling, recognition), because commitment grows from what employees experience repeatedly—not from one-off speeches.

Second, design internal communication for action. Replace long announcements with short, two-way huddles at opening/closing; maintain a single source of truth (physical board or simple digital dashboard) for tasks, stock alerts, promos, and compliance checks; and establish fast feedback loops so frontline signals (quality issues, customer pain points) reach decision-makers within the same day. Recognize staff who surface problems early, and protect time for peer coaching when new processes or products arrive.

Third, build a high-level, high-consensus climate by pairing support with standards. Make service and compliance expectations concrete (checklists, visual cues), ensure supervisors respond predictably to both good performance and errors, and run short consistency audits so that "the way we work here" is shared across shifts. Climate strength comes from consistency—train line leaders to give the same message, hold the same bar, and follow through.

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Fourth, scale empowerment with skills and guardrails. Grant clear decision rights that match job demands (e.g., small price adjustments, service recovery gestures, stock substitutions) and back them with micro-training (10–15 minutes, on the job) and simple playbooks. Make impact visible—show teams how their choices reduce rework, raise satisfaction, or improve margins—so autonomy is reinforced by evidence.

Fifth, align people practices end-to-end. Hire for service motivation and integrity; onboard with a narrative that links mission, standards, and discretion; and reward behaviors that exemplify open communication, climate stewardship, and responsible autonomy. Use monthly pulse surveys to track commitment and its drivers; share results transparently and close the loop with visible actions.

For program designers (e.g., OPOP), pair financial or market access support with capability building: short courses on market sensing and simple analytics; cross-pesantren knowledge exchanges to spread "what works"; and leader development focused on communication discipline and climate consistency. Offer light-touch coaching sprints (4–6 weeks) where a mentor helps a unit install huddles, dashboards, and empowerment playbooks, then measures the effect on attendance, error rates, and customer satisfaction.

Finally, for researchers and evaluators, extend this model by adding moderators (e.g., environmental dynamism, digital maturity) and testing alternative mediators (e.g., work engagement, psychological safety). Where feasible, complement surveys with behavioral/operational metrics (shrink, rework, on-time completion) and longitudinal designs to assess durability. Together, these steps will deepen the evidence base and help pesantren-based SMEs convert purpose and people systems into resilient, high-quality performance.

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