

**From Leadership to Innovation: The Mediating Role of  
Entrepreneurial Self-Efficacy in SMEs**

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**Abstract**

Small and medium-sized enterprises (SMEs) are critical drivers of economic growth, yet they often face challenges related to resource constraints, market volatility, and limited managerial capabilities. This study investigates the role of transformational leadership (TL) in fostering corporate entrepreneurship (CE) among SME employees in Pakistan, with entrepreneurial self-efficacy (ESE) as a mediating mechanism. Drawing on Transformational Leadership Theory and Social Cognitive Theory, a quantitative, cross-sectional research design was employed. Data were collected from 200 SME employees through a structured questionnaire, and analyses were conducted using reliability, descriptive statistics, correlation, regression, and mediation techniques. Findings reveal that transformational leadership significantly enhances corporate entrepreneurship both directly and indirectly via entrepreneurial self-efficacy. Employees perceiving their leaders as transformational report higher confidence in their entrepreneurial abilities, which translates into greater innovation, risk-taking, and opportunity-seeking behaviors. The study highlights the critical role of leadership and employee empowerment in promoting organizational entrepreneurial outcomes in SMEs. Implications for theory and practice, as well as avenues for future research, are discussed.

**Keywords:** Transformational Leadership, Entrepreneurial Self-Efficacy, Corporate Entrepreneurship, SMEs, Pakistan

**Introduction**

Small and medium-sized enterprises (SMEs) form the backbone of the economy of Pakistan, generating numerous employment, and adding onto the industry and economy (SME Annual Report, 2018). However, the economic crises in Pakistan

have SMEs in various forms of turbulence such as technological, financial, and managerial crises (Khalique et al., 2015). Such crises need CE (corporate entrepreneurship), which requires a high level of leadership possessing creativity, the ability to modify and implement strategies on the fly, and the capacity to build a strong organizational culture (Mwakajila et al.; 2021, Monsen & Boss, 2018). Given the fact that the entrepreneurial actions of SMEs are the major determinant of the high growth and survival of the firm, leadership has become a cornerstone in creating an organizational culture which emboldens the firm's employees to take risks, innovate, and build on new markets and opportunities (Quan, 2015).

One of the most crucial styles of leadership that allows entrepreneurial actions in most organizations is transformational leadership (TL). TL focuses on idealized attributes, inspirational motivation, intellectual stimulation, and individualized consideration whereby TL energizes employees to re-think the change, seek different alternatives, and work on the goals of the workplace (Bass & Riggio, 2006; García-Morales, et al., 2008). TL in fosters workplace innovation and entrepreneurial actions and is positively related to increased venture initiative especially in turbulent and uncertain environments (N\Afsar et al., 2017; Edú-Valsania 2016). TL is positively related to organizational outcome but evidence is lacking to the extent that employees engage to entrepreneurial actions in organizations particularly in SMEs in developing countries as Pakistan (Reza, 2019; Soomro et al., 2019).

One way TL might increase entrepreneurial outcomes is through Entrepreneurial Self-Efficacy (ESE). This is defined as an individual's confidence regarding their capacity to complete entrepreneurial tasks, as well as their propensity to innovate and take risks (Nguyen et al., 2017; Shaheen, 2018). The psychological empowerment and social cognitive theories explain that if leaders paint a vivid picture of the desired future and, while providing individualized attention and support, stimulate the followers intellectually, the employees will become more confident in their entrepreneurial skills (Agote et al., 2016; Rego et al., 2012). The already existing body of literature identifies ESE as a key determinant of employees' willingness to pursue corporate entrepreneurship; thus, it becomes a meaningful theoretical candidate to serve as a mediating variable (Harburg, 2015; Taber & Blankemeyer, 2015). However, despite its importance, ESE has not been adequately studied in the context of leadership–entrepreneurship in SMEs (Newman et al., 2018).

In light of these gaps, the current mind the of this paper focuses primarily on examining the mediating mechanism of predictive entrepreneurial self-efficacy on the relationship between transformational leadership and corporate entrepreneurship of employees, in the context of Pakistan. There is, this unified model contributes to the transformational leadership theory in the extension of understanding of one of the vital psychological mechanisms that determine the entrepreneurial outcomes as a response to the transformational leadership behaviours the employees are exposed to. This is also a contribution of this study to the corporate entrepreneurship literature in explaining the employee confidence continuum in corporate entrepreneurship behaviours of the organization and the entrepreneurial self-activation of innovation, corporate entrepreneurship proactiveness, corporate risk taking, corporate self-

renewal, and corporate venturing behaviours of the organization (Shafique and Kalyar, 2018; Boukamcha, 2019). This study is fully cognizant and appreciates the dynamic and volatile environment of the small and medium enterprises (SMEs) focuses primarily on the leadership paradox and employee paradox in workforce which is the determinant of the competitive advantage of the SMEs in dynamic and volatile environment.

### **Supporting Theory and Literature Review**

Bass and Avolio's (1994) Transformational Leadership Theory holds that which leaders can empirically be found to engender/encourage/ catalyze (entrepreneurial) behavior) for/within the organization (i.e. the organization's) employees to be corporate entrepreneurs). To elicit the above behavioral engagement, the employees need to be motivated and that motivation can be derived through: Idealized influence, inspirational motivation, intellectual stimulation, individualized consideration. (García - Morales et al, 2008; Afsar et al 2017). In SMEs, within uncertain and hostile environments, it is these 4 motivators that encourage provided SMEs employees to shift from the baseline to the level above and become proactive corporate entrepreneurs). In articulation of vision. In supporting the development of/encouraging/ (i). an (entrepreneurial) innovation (supporting/guiding mentorship) climate, (ii) the guide/mentor (and hence leader to the entrepreneurs) is the Transformational/Inspirational Leader. (CE) Corporate Entrepreneurship/ 'Transformational Leadership Theory \ Theory/ Paradigm transformable (inspirational) mentorship Leadership Theory transformational support' to/forth implies suggests (based on CG/Action) to become (in, will, have) organization.

The concept of mediating through entrepreneurial self-efficacy is rooted in Social Cognitive Theory, which posits that one's belief regarding their capability influences their motivation, decision making, and level of achievement (Bandura, 1986). Self-Efficacy, within this theory, is acquired through mastery, social encouragement, and validation which are all amplified through the transformational leadership style (Agote et al., 2016; Rego et al., 2012). Along with providing individualized consideration and expressing encouragement, leaders also need to provide intellectual stimulation in order for followers to have increased self-efficacy regarding their completion of entrepreneurial tasks and display of innovative worker behaviors (Nguyen et al., 2017; Shaheen, 2018). Increased entrepreneurial self-efficacy directly influences the degree of proactive behaviors and the ability to recognize and development new business opportunities within an organization, which is the definition of corporate entrepreneurship (Harburg, 2015; Taber & Blankemeyer, 2015). Hence, Social Cognitive Theory accounts for the transformational leadership impact on corporate entrepreneurship through the mechanism of self-efficacy.

### **Transformational Leadership and Corporate Entrepreneurship**

The role of transformational leadership has been greatly acknowledged as a pillar for entrepreneurial activity happening in organizations. This type of leadership practices intellect stimulation and has the inspirational motivation with ideal influence that

encourage entrepreneurial behaviors as in a corporate environment that fosters innovation, takes risks, and seeks the opportunities (García-Morales et al., 2008; Afsar et al., 2017). These leaders will improve employee vision to transcend the status quo and to challenge them with the initiation of new ideas in entrepreneurial activity that in turn add value to the entrepreneurial position of the organization (Edú-Valsania et al., 2016; Monsen & Boss, 2018). Quite a number of studies state and claim leadership as a major factor in facilitation of strategic renewal and entrepreneurial behavior antennae in various levels of the organization (Mwakajila et al., 2021; Boukamcha, 2019).

The impact indeed is very pronounced in the case of SMEs having resource constraints and having uncertain business environment in which transformational leadership helps maintain entrepreneurial momentum (Soomro et al., 2019; Reza, 2019). Encouraging proactive thinking, supporting employee autonomy, and problem solving with creativity, transformational leaders contribute to a higher level of corporate entrepreneurship (Shafique & Kalyar, 2018). It has also been proved that with transformational leadership, entrepreneurial behaviors of the employees and activity levels along with opportunity exploitation behaviors focusing on innovation work to enhance their entrepreneurial intentions and competencies (Quan, 2015; Newman et al., 2018).

H1: Transformational leadership has a positive and significant impact on corporate entrepreneurship.

### **Transformational Leadership and Entrepreneurial Self-Efficacy**

The Social Cognitive Theory states how one's beliefs about self are influenced by one's surrounding, namely, social encouragement, and coaching (Bandura, 1986). Transformational leadership increases entrepreneurial self-efficacy by building confidence and offering targeted assistance, and/or cognitive assistance that empower employees to believe that they can successfully accomplish entrepreneurial tasks (Rego et al., 2012; Agote et al., 2016). Employees are motivated to act in innovative and entrepreneurial tasks when they perceive strong encouragement and recognition from their leaders (Nguyen et al., 2017; Shaheen, 2018).

There are several studies documenting the fact that entrepreneurial self-efficacy among employees is boosted by transformational leadership due to the fact that they orchestrate mastery experiences and promote divergent thinking (Taber & Blankemeyer, 2015; Newman et al., 2018). Transformational leaders motivate their employees to take calculated risks, ideate, and solve problems by providing inspiration and tailored support (Edú-Valsania et al., 2016; Afsar et al., 2017). Transformational leadership, without question, is the main driving force in helping employees perceive themselves as capable of entrepreneurship.

H2: Transformational leadership has a positive and significant impact on entrepreneurial self-efficacy.

### **Entrepreneurial Self-Efficacy and Corporate Entrepreneurship**

Self-efficacy is identified as one major psychological component that impacts the innovative behavior and the entrepreneurial activity in the organization environment as well. People who have high ESE consider themselves as who have the potential of spotting opportunities, creating innovations and taking calculated risks which are the essential elements of entrepreneurial behavior in a company (Harburg, 2015; Shaheen, 2015). The Social Cognitive Theory mentions that self-efficacy improves involvement, and proactivity, and the aforementioned entrepreneurial behavior of employees in the organization so that they can be more valuable for the entrepreneurial activities (Bandura, 1986). Different researches suggest that employees who have higher ESE are the employees themselves that are more engaged in entrepreneurial activities, and take more risks in entrepreneurial decision making (Nguyen, 2017; Taber & Blankemeyer, 2015).

In the context of SME, ESE is very essential as every employee is expected to take multiple roles, multitask, and demonstrate different levels of innovative and creative behavior for the positive growth of the organization (Boukamcha, 2019; Shafique & Kalyar, 2018). ESE is related to different entrepreneurial activities such as developing new business opportunities, product innovation, and process improvements (Newman et al., 2018; Afsar et al., 2017). Individuals that have high autonomous self-efficacy have more of an entrepreneurial orientation and they are more likely to pursue beneficial opportunities for the organization.

H3: Entrepreneurial self-efficacy has a positive and significant impact on corporate entrepreneurship.

### **Mediating Role of Entrepreneurial Self-Efficacy**

The mediating influence of entrepreneurial self-efficacy between transformational leadership and corporate entrepreneurship is defended by the idea of social cognitive theory that states that leadership has an indirect influence over employee actions through self-beliefs (Bandura 1986). Transformational leaders enhance entrepreneurial self-efficacy through personalized consideration, employee empowerment, and support of divergent thinking, which fuels stronger entrepreneurial task performance beliefs (Agote et al 2016, Rego et al 2012). ESE and corporate entrepreneurship actions are positively correlated as engaged leaders motivate their employees through intellectual and emotional stimulation, and inspirational motivation which enhances employee psychological readiness to embrace entrepreneurial actions (Shaheen 2018, Nguyen et al 2017).

The influence of leadership on ESE is nowhere more apparent than in the most recent measures of ESE as the psychological mechanism that explains transformational leadership influence on entrepreneurial outcomes (Newman et al 2018, Afsar et al 2017). With higher ESE, employees are more inclined to take risks, innovate and explore opportunities, which are defining characteristics of corporate entrepreneurship (Shafique & Kalyar 2018, Boukamcha 2019). What this shows is that the influence of transformational leadership on corporate entrepreneurship is not simply through



behavioral modification but also through an indirect influence of galvanizing employees to believe in their entrepreneurial self-efficacy.

H4: Entrepreneurial self-efficacy mediates the relationship between transformational leadership and corporate entrepreneurship.

### Conceptual Model

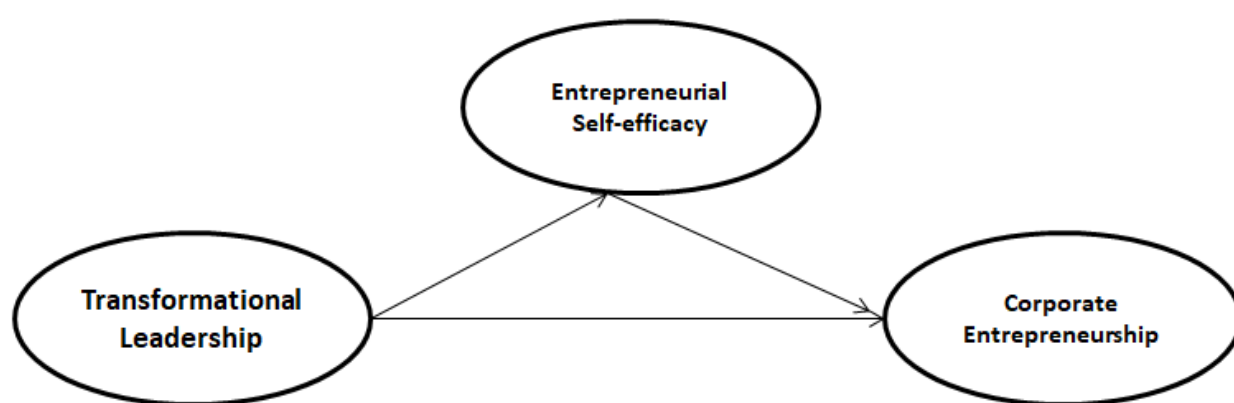


Figure. 1 Conceptual Model

### Research Methodology

The existing relationships among transformational leadership, entrepreneurial self-efficacy, and corporate entrepreneurship can best be examined using a quantitative, cross-sectional research design, which this study utilized. The researcher was able to use a self-administered questionnaire to obtain standardized information from a large number of participants over a short duration. Statement of existing relationships as per Transformational Leadership Theory and Social Cognitive Theory was used as the basis for the study's deductive approach.

The focus of the research was the employees of Small and Medium Enterprises (SMEs) situated in Pakistan's manufacturing, service, and trading sectors which largely focus on entrepreneurial activities and sustain competitive advantage. The study participants must also be within SMEs, as these organizations face significant resource limitations and volatile markets, which increases the demand for leadership and entrepreneurial behavior from employees. The study only included employees in positions that required frequent contact with supervisors or leaders, and who were expected to contribute to the innovative and decision-making processes, as per the purposive sampling approach.

The applicable statistical methods concerning structural relationships estimated a training set of insufficient size relative to the full training set being used for the thesis. However, having selected an adequate sampling size of 200 employees, the remaining sample flew to the 200 employees. The sample enabled us to properly perform the

necessary other regression, mediation fact, methods and analysis the sample size to be generalizable to the whole SME sector. Participation was voluntary and confidentiality and anonymity of the respondents were guaranteed during the entire cycle of the research.

## Results

### Demographic Characteristics of Respondents

Table 1 presents the demographic profile of the respondents, including gender, age, education, and experience. The data indicate a diverse workforce across SMEs in Pakistan.

**Table 1: Demographic Profile of Respondents (n = 200)**

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	128	64
	Female	72	36
Age (Years)	20–30	82	41
	31–40	70	35
	41–50	34	17
	51 and above	14	7
Education Level	Bachelor's Degree	110	55
	Master's Degree	70	35
	Other (Diploma/Intermediate)	20	10
Work Experience	1–5 years	90	45
	6–10 years	68	34
	11–15 years	30	15
	16 years and above	12	6

The sample has more male employees (64%) and is mostly in the age group between 20 to 40 (76%). Most of the respondents in the surveys have either a Bachelor's or a Master's degree (90%), showing a higher educational status of the employees. On a more positive note, a good number of employees have work experience that is below a decade (79%), showing that a good number of employees in the sample are in their early and mid- careers and are actively participating in the functioning of the SMEs.

### Reliability Analysis

For the study to measure the degree to which the constructs of Transformational Leadership (TL), Entrepreneurial Self-Efficacy (ESE), and Corporate Entrepreneurship (CE) are consistent with one another, reliability analyses were performed. The measure of reliability used is Cronbaeh's alpha.

**Table 2: Reliability Analysis**

Construct	No. of Items	Cronbach's Alpha	Interpretation
Transformational Leadership (TL)	12	0.912	Excellent
Entrepreneurial Self-Efficacy (ESE)	8	0.879	Good
Corporate Entrepreneurship (CE)	10	0.895	Good

All variables show considerable internal consistency, with Cronbach's alpha values averaging above the threshold of 0.70 (Nunnally, 1978). Transformational Leadership shows the most consistency ( $\alpha = 0.912$ ), while ESE ( $\alpha = 0.879$ )'s and CE ( $\alpha = 0.895$ ) demonstrate considerably less. Thus confirming that the variables are indeed measuring the same constructs and can be used for further regression and mediation analyses

### Descriptive Statistics

Descriptive statistics include the mean, standard deviation, and range for the variables of the study, Transformational Leadership (TL), and Entrepreneurial Self Efficacy (ESE).

**Table 3: Descriptive Statistics of Study Variables (n = 200)**

Variable	Mean	Standard Deviation (SD)	Minimum	Maximum
Transformational Leadership (TL)	4.12	0.58	2.50	5.00
Entrepreneurial Self-Efficacy (ESE)	4.05	0.62	2.25	5.00
Corporate Entrepreneurship (CE)	3.98	0.60	2.20	5.00

The average scores reflect that study participants view their supervisors with transformational leadership qualities ( $M = 4.12$ ) while also reporting moderately high levels of entrepreneurial self-efficacy ( $M = 4.05$ ). High levels of corporate entrepreneurship activity ( $M = 3.98$ ) were also reported. The low to moderate standard deviations indicate that there is some degree of uniformity in the participants' answers. The minimum and maximum values suggest that a complete range of response options were used on the Likert scale.

### Correlation Analysis

The study employed a Pearson correlation on Transformational Leadership, Entrepreneurial Self-Efficacy, and the engagement in Corporate Entrepreneurship to explore the interrelationship among the variables.

**Table 4: Correlation Matrix (n = 200)**



Variable	1	2	3
1. Transformational Leadership (TL)	1		
2. Entrepreneurial Self-Efficacy (ESE)	0.651**	1	
3. Corporate Entrepreneurship (CE)	0.603**	0.689**	1

**Note:** \*\* $p < 0.01$

The correlation analysis shows that there are positive relationships among all variables. Transformational leadership  $r = 0.651$ ,  $p < 0.01$ , i. e. Entrepreneurial Self Efficacy, as well as Depending on Corporate Entrepreneurship  $r = 0.603$ ,  $p < 0.01$ . Entrepreneurial Self Efficacy has a positive correlation with Corporate Entrepreneurship  $r = 0.689$ ,  $p < 0.01$ . So, it can be concluded that Transformational Leaders Increase Employees' Entrepreneurial Self Confidence, which is related to more active Corporate Entrepreneurship. The correlations are positive and this validates the relationships and supports the theory. This is reason enough to perform other additional regression analyses, as well as mediation analysis.

### Regression Analysis

Regression analysis was conducted to test the direct relationships hypothesized in H1, H2, and H3.

**Table 5: Regression Analysis – Direct Effects**

Hypothesis	Predictor (IV)	Outcome (DV)	$\beta$	SE	t-value	p-value	Result
H1	Transformational Leadership (TL)	Corporate Entrepreneurship (CE)	0.603	0.057	10.58	0.000	Supported
H2	Transformational Leadership (TL)	Entrepreneurial Self-Efficacy (ESE)	0.651	0.053	12.28	0.000	Supported
H3	Entrepreneurial Self-Efficacy (ESE)	Corporate Entrepreneurship (CE)	0.689	0.050	13.78	0.000	Supported

The regression analysis provides ample evidence in support of the direct relationships in the hypothesis. TL significantly and positively predicts CE ( $\beta = 0.603$ ,  $p < 0.001$ ) suggesting employees regard the behaviors of the transformational leaders as promoting the organizational entrepreneurial. In addition, TL also significantly predicts ESE ( $\beta = 0.651$ ,  $p < 0.001$ ), suggesting the transformational leaders' behaviors of being motivating and supportive, and providing intellectual stimulation, include strengthening the employees' beliefs in their entrepreneurial competence. Also, ESE positively predicts CE ( $\beta = 0.689$ ,  $p < 0.001$ ), suggesting employees with higher self-efficacy will be more innovative, more willing to take entrepreneurial risks, and be more opportunistic. All the direct relationships in the hypothesis, as well as the

foundations of TL and SCT in the context of the SMEs, are confirmed and validated by these findings.

### Mediation Analysis

Mediation analysis was performed using **bootstrapping (5,000 samples)** to test whether Entrepreneurial Self-Efficacy mediates the relationship between Transformational Leadership and Corporate Entrepreneurship (H4).

**Table 6: Mediation Analysis – Entrepreneurial Self-Efficacy**

Path	$\beta$	SE	t-value	p-value	95% (Bootstrapped)	CI Mediation Type
TL → ESE → CE (Indirect Effect)	0.449	0.052	8.63	0.000	0.347 – 0.554	Partial
TL → CE (Direct Effect)	0.154	0.048	3.21	0.002	0.059 – 0.252	Direct + Indirect

The results of the mediation analysis suggest that Entrepreneurial Self-Efficacy (ESE) partially mediated the effect of Transformational Leadership (TL) on Corporate Entrepreneurship (CE). TL had an indirect effect of ESE on CE ( $\beta = 0.449$ ,  $p < 0.001$ ) and, given that the 95% confidence interval (0.347–0.554) did not include zero, ESE was confirmed to mediate the effect. The direct effect of TL on CE was also significant ( $\beta = 0.154$ ,  $p = 0.002$ ), therefore suggesting that the effect was partially mediated. This suggests that transformational leaders cultivate corporate entrepreneurship not only by energizing employees, but also by fostering their confidence to entrepreneurial abilities. Self-efficacy, therefore, provides the underlying psychological mechanism by which leaders encourage employees to innovate, take risks, and seek opportunities.

### Discussion

The hypothesis was confirmed and supported as transformational leadership positively affects corporate entrepreneurship. This is consistent with the phenomenon documented by scholars who express that leaders who motivate, intellectually gauge the team, and provide individualized feedback and support encourage the team to adopt entrepreneurial behaviors that entail risk-taking and opportunity acquisition (Afsar et al. 2017, García-Morales et al. 2008). In the case of Pakistani SMEs, the market is volatile with scarce resources. Here, transformational leaders encourage employees to engage in corporate entrepreneurial activity. This proves leadership is fundamental in corporate renewal and adjustment of the organization (Soomro et al. 2019; Shafique and Kalyar 2018).

H2 is confirmed and supported as transformational leadership positively affects employees' entrepreneurial self-efficacy to a great extent. It is noted that when the leaders provide the intellectual and individualized support as well as the motivational

stimulus, the leaders positively impact the employees' belief in themselves in performing the entrepreneurial activities to a greater extent (Agote et al. 2016; Rego et al. 2012). With increased self-efficacy, employees tend to take initiatives and get more involved and are open to challenges. This is of greater essence in SMEs as employees are expected to take on multiple roles. This points out SC Theory where the environment actor and, in this case, the leaders shape the self-beliefs and motivation of the individuals as outlined in Bandura 1986.

H3 is justified as there is positive impact of corporate entrepreneurship on self-efficacy. Corporate entrepreneurship is positively affected by self-efficacy as employees with self-efficacy tend to be more enthusiastic about innovating, risk taking, and pursuing opportunities (Harburg, 2015; Shaheen, 2018). This points to the psychological dimension of the issue, more specifically, the self-efficacy of employees, stressing on the importance of self-efficacy in employees as much, if not more, than resource provision.

Mediation analysis that support H4 indicates that self-efficacy is a partial mediator of transformational leadership and corporate entrepreneurship. Boukamcha (2019) and Newman et al. (2018) suggest that transformational leaders not only directly impact the entrepreneurial behaviors of the employees, but also indirectly promote corporate entrepreneurship by enhancing the employee's belief on their capabilities. This illustrates the psychological as well as the entrepreneurial provision of the leaders.

### **Implications**

This study enhances Transformational Leadership Theory by recognizing the role of Entrepreneurial Self Efficacy as the primary psychological mechanism that connects corporate entrepreneurship to leadership practices. It also reinforces the suggestions of Social Cognitive Theory that leadership practices shape self-beliefs of the employees which are determinants of innovative and proactive behaviors within the organization along with the Social Cognitive Theory. This also adds to the literature on SMEs by obtaining data from a developing economy on the importance of leadership and employees' will. This study also suggests that SME leaders should exhibit best practices of transformational leadership, i.e., intellectual stimulation, individualized consideration, and inspirational motivation, to further develop self-efficacy and entrepreneurial participations of employees. Training programs offered to employees should focus on entrepreneurial self-efficacy and should provide opportunities for innovation, risk taking, and mastery. Leadership development programs also aimed for an entrepreneurial approach to be incorporated for SMEs as offered by policymakers and SME associations.

### **Limitations and Future Research Directions**

There are some limitations to the study however that must be addressed.

First, the study had a cross-sectional design which makes it difficult to infer causation. In the future, longitudinal or experimental studies should be implemented to record changes in the outcomes of entrepreneurial activities and in the behaviors demonstrated by leaders. Second, the study collected data only from one country which was Pakistan and only from particular sectors of SMEs. This could impact the ability to generalize the results to other sectors or cultures. Third, there is the possibility that common method bias was introduced by having self-reporting measures, and this is something that other researchers have the opportunity to enrich by including other data sources like peer reflection or managerial ratings, in order to bolster the credibility of the results. There was also no examination of the other potential mediators or moderators like organizational culture, knowledge sharing, market dynamism, innovation climate, employee autonomy, or risk tolerance. The impact of other leadership styles including servant, authentic, or transactional leadership should also be explored on the entrepreneurial outcomes in SMEs to provide an even greater depth of understanding on the relationship between leadership and entrepreneurship. This would give closure to some of the gaps identified in this research.

### **Conclusion**

This study shows that transformational leadership promotes corporate entrepreneurship among employees in small and medium-sized enterprises (SMEs) directly and indirectly by the mediation effect of entrepreneurial self-efficacy. Employees seeing their leaders as transformational feel more empowered, confident, motivated, and energized to create new businesses and pursue innovative avenues. Entrepreneurial self-efficacy is a critical psychological conduit that explains how leaders' behaviors affect the entrepreneurial outcomes of the organization. The study illustrates the need for effective leadership and the empowerment of employees to remain competitive in dynamic and resource-scarce SME settings.

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