

# Unveiling the Dynamics of Entrepreneurial Leadership and Radical Innovation Performance of China Internet SMEs: Resource-based View

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## Abstract

This paper explores the interconnection between entrepreneurial leadership and the radical innovation performance of SMEs in China's web development industry. Applying RBV theory and a quantitative research design with Smart PLS analysis results in an inquiry of entrepreneurial leadership's impact on innovative outcomes. A quantitative research design was chosen, using SmartPLS 4.0, with the sample population being Chinese internet industry employees working for SMEs. The sample was made up of 268 employees working in Internet related SMEs in China. The study has demonstrated a notable and positive link between entrepreneurial leadership and radical innovation performance, thus highlighting the crucial role of this function in promoting innovation among the highly competitive Chinese Internet possessions. This study highlights the most important moderating role of entrepreneurial orientation which is its being a mental bridge between entrepreneurial leadership and radical innovation outcomes. The research further gives an insight into the rising relationship between entrepreneurial leadership and entrepreneurial orientation as a result of the moderating effect of power distance within Chinese internet SMEs. Thus, this research provides important information for Chinese Internet small and medium-sized enterprises that intend to increase their radical innovation capacity. It is a blueprint for organizational development and leadership which are the key factors needed to foster the sustainable growth of the internet industry in this dynamic environment.

**Keywords:** Entrepreneurial Leadership, Radical Innovation Performance, Resources- based View (RBV), Chinese SMEs, Entrepreneurial Orientation.

## 1 Introduction

Small and medium-sized enterprises (SMEs) hold a significant position within China's economy, making substantial contributions to national economic development. Over time, they have proliferated, now constituting approximately half of the country's enterprises (Cui et al., 2022). In recognition of their importance, the Chinese government introduced the Law of the People's Republic of China on Promotion of Small and Medium-sized Enterprises in 2002, classifying enterprises into different categories based

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on criteria such as employee numbers, operating income, and total assets (Li et al., 2022). This legislation has led to the rapid growth of SMEs, particularly against the backdrop of the mass entrepreneurship and innovation social movement. These enterprises play a pivotal role in stimulating economic vitality and nurturing emerging industries. In 2020, China witnessed a significant presence of more than 140 million SMEs and self-employed individuals. These entities collectively hold substantial influence by contributing more than 60% of the entire gross domestic product (GDP), accounting for approximately 50% of total tax revenues, and playing a pivotal role in generating approximately 79% of employment opportunities as well as about 68% of export activities (OECD, 2022). The SME realm experienced a noteworthy increase in outstanding business loans, amounting to CNY 36,900 billion in 2019, signifying a growth of 10.17% compared to the previous year (OECD, 2022).

In the era of the knowledge economy, sustained growth and competitiveness hinge on the generation of fresh ideas and innovative solutions (Kabir, 2019). Therefore, innovation plays a pivotal role in driving economic growth, competitiveness, and sustainability for companies operating in the dynamic landscape of the Chinese economy (Luo et al., 2023; Morrison, 2019). Internet SMEs in China saw the most innovation, while the spotlight shines brightest on radical innovation (Li, 2022). Radical innovation is not merely about innovation; it is about the transformative and game-changing leaps that propel these SMEs into global prominence (Ma & Li, 2022; Shkolnykova & Kudic, 2022). Noteworthy instances such as ByteDance, Meituan, and DiDi, which are among China's most valuable internet companies, highlight the potential for SMEs to ascend to global prominence (Vecchi & Brennan, 2022). These industry titans did not ascend to their exalted positions solely through incremental improvements; rather, they hinged their success on a culture of radical innovation. ByteDance, for instance, revolutionized content consumption with its algorithms, personalizing content delivery to an unprecedented degree (Ma & Hu, 2021). Meituan transformed the way people dine and shop by offering a comprehensive, one-stop platform for services and products, relentlessly innovating to meet changing consumer demands (Hosen, 2020). DiDi disrupted the entire transportation sector with its ride-hailing services, redefining mobility and the sharing economy (Chen & Qiu, 2019). These companies commenced their journey as SMEs and eventually ascended to become industry leaders. These internet SMEs have emerged as significant contributors to the Chinese economy, exemplifying their potential to create ground-breaking products and services through their radical innovation (Williams et al., 2020; Seoane, 2022). However, many other internet SMEs in China still encounter challenges in fostering innovation, thereby hindering their ability to stay competitive and adapt to changing market dynamics (Reid, 2019). Therefore, it is crucial to address these issues and explore successful examples that demonstrate remarkable radical innovation performance to find the mechanism to create innovation.

The leadership style, without a doubt, is an influential personal factor that determines innovation in enterprises. The leaders of the organization have the capacity to add new ideas, set specific goals, and inspire their subordinates to be involved in initiating innovation improvement (Budiningsih & TD, 2022; Pauceanu et al., 2021). In this manner, leadership style encompasses a significant role in the process of business development, especially when it comes to promoting innovativeness and overall improved performance (Alblooshi et al., 2021). While internet SMEs such as ByteDance, Meituan, and DiDi are notable examples of such good leadership and entrepreneurial orientation, the contribution of these factors is evidently huge in fostering innovation and organizational growth (Wang et al., 2022). The manner in which they can spot market gaps, experiment with a lot of new ideas, and adopt the most recent technologies has helped them to stay relevant in the competition and make new innovations that nobody has made before. Hence, grasping the contribution of entrepreneurial leadership in stimulating innovation is imperative, taking into account the unique business environment and cultural aspects of

China where SMEs are becoming a very significant part of economic growth and technological evolution (Li et al., 2022).

The leadership of successful entrepreneurial teams becomes crucial due to minimal research in this field especially when referring to China. Less research has been done on assessing the impact of leadership of entrepreneurial on the outcomes of innovation in Chinese organizations. Despite the fact that earlier studies have shown the positive influence of entrepreneurial leadership on innovation in other economies (Ali et al., 2023; Yu et al., 2022; Cakir & Adiguzel, 2022; Purwati et al., 2021), the specific conditions of China and the importance of entrepreneurial orientation as a moderator have been underrepresented. By looking into the role of entrepreneurial orientation as a moderator of the effect of entrepreneurial management on innovation success in Chinese internet SMEs, we will provide a more in-depth picture of the underlying mechanisms that enable radical innovation in these companies. In addition, the topic of how power distance, a cultural dimension, may relate to the relationship between entrepreneurial leadership and entrepreneurial orientation is underdeveloped in the research on innovation. It is necessary to look at power distance as a moderator which helps us to understand how culture plays a role in internet SMEs innovation output in Chinese culture. Besides, its features also may differ from other generally known contexts.

The role of entrepreneurial leadership in promoting radical internet innovation and the entrepreneurial orientation of SMEs in China are interestingly raising many questions on the consequences for other industries in the country. The reason is that a number of organizations in the country are still facing innovativeness related problems and if we could only know the reason behind it, we could easily tap the full potential of the organizations to compete with global companies. The conclusion of this study will shine light on the factors that lead to innovation performance in the Chinese internet SMEs and also offer the necessary guidance for organizations that seek to improve their innovative capabilities and compete in the swiftly changing business climate of China. The study's insights can guide decision-makers in resource allocation, talent management, and leader development. They will create a more innovative organization and thus a stronger innovation system in China.

## **2 Literature Review**

### **Resource-based View**

The RBV has proved to be the most influential through strategic management theory, enabling companies to analyze their sources of distinctive competence and competitive power. Resource-based view, on the other hand, puts stress on the idea that the company's distinctive resources and capabilities contribute to the company's competitiveness in the market, which in turn brings more profits to the firm (Barney, 1991). In this case, the resources are either tangible or intangible assets that the firm possesses and capabilities are the capacity to effectively utilize and combine these resources (Eisenhardt & Martin, 2000). According to RBV, each company's resources must present those features: rareness, valuable, tough to imitate and could not be substituted with another by creating a VRIN framework (Laksmana et al., 2020). This stands for the fact that the role of internal factors plays a critical role in the achievement of the performance of the firm and the innovative results.

In entrepreneurial leadership and innovation performance, the RBV approach helps one comprehend how these unique organizational strategic values are derived from individual attributes. A more entrepreneurial approach, which is described by risk-taking, visionary thinking, and proactive behavior, can contribute to the openness of a company to find and use innovative possibilities within a changing

market environment. There is a nexus between entrepreneurial leadership and innovation results that becomes apparent from the results that point to the creation of a culture of ingenuity and trial and error (Rehman et al., 2021). Moreover, entrepreneurial leadership can also become an essential component which will direct resources to the innovational projects and will act as a catalyst for innovative activities (Hoang et al., 2024).

Utilizing the VRIN framework as a lens, this paper focuses on the impact of entrepreneurial leadership on radically innovative outcomes. Additionally, the RBV seizes a platform that is analytical which corresponds with the underlying role of entrepreneurial orientation between entrepreneurial leadership and radical innovation performance (Pauceanu et al., 2021). The concept of entrepreneurial orientation centred on proactiveness, risk-taking, and innovation (Lumpkin & Dess, 1996) is of paramount importance from an RBV perspective that highlights the exploiting of the external opportunities, utilizing the internal capabilities (Wu et al., 2023). It therefore shows how entrepreneurial leadership (original resource) as a factor can influence the entrepreneurial spirit (entrepreneurial orientation) of a company, which then, determines how much it can innovate.

### **Innovative Leadership Dynamics in Chinese Online SMEs**

The entrepreneurial way of leading represents a primary competitive advantage in the Chinese internet market. The role that the leaders play in the market with the growing digitization is to be evaluative as they come up with courageous innovations (Addy et al., 2024). The types of leaders we are currently facing are the pioneers of the rapidly changing, complicated world of technology and information that nourishes growth and adaptability skills. Unlike the regular entrepreneurial leadership that involves the leader guiding the company through the market uncertainties, leadership of the internet SMEs' entrepreneurial context in China involves the leader using opportunities based on global digital trends. According to research, the effectiveness of such leadership strategies is generally strengthened by the adoption of advanced technologies and innovative business models (Bharadwaj et al., 2013). For example, some tech leaders at Tencent and Alibaba have leveraged modern technologies to redefine the old business rules thus, becoming pioneers and standards in the industry. They promote a culture of never-ending innovation. The case of ByteDance, the company behind globally acclaimed TikTok, aside from that demonstrates the scope of how innovative leadership can use the latest algorithmic breakthroughs thus to reach diverse world markets and to develop products which match diverse cultural landscapes. These leaders' skills to seamlessly implement technological innovations and market-oriented strategies manifests the significance of entrepreneurial leadership in strengthening the basis of competitive advantage and ensuring the prosperity of businesses in the digital areas of China. Eventually, it is vital to observe and develop such dynamic leadership qualities in Chinese online SMEs to maintain their swift growth and strategic positioning among global digital revolutions.

### **Entrepreneurial Leadership and Radical Innovation**

The entrepreneurial style of leadership is defined as a leadership style that draws attention to the importance of the proactive and innovative behaviour of leaders, including their risk taking (Renko et al., 2015). The transition from conventional leadership to entrepreneurial leadership involves taking advantage of whatever arises and pursuing bold ventures. In most cases, entrepreneurial leadership is exactly what the rapidly changing business environment needs in contrast to the transformational or transactional management styles. It teaches us not to stand still and to enjoy the process of exploration (Gupta et al., 2004). On the contrary, transformative leadership uses innovation as a means; particularly for the purpose of the motivation and the encouragement of followers to achieve high levels of

performance (Bass & Riggio, 2006). Whereas transformational leadership fosters a visionary and engaged workforce, entrepreneurial leadership extends beyond inspiration, actively driving innovative processes and risk-taking behaviour (Yu et al., 2022). Transactional leadership, on the other hand, is oriented towards maintaining stability and efficiency through clear role expectations and performance rewards (Bass & Avolio, 1993). Transactional leadership ensures adherence to established procedures whereas entrepreneurial leadership encourages deviations from the norm in the pursuit of novel solutions and breakthroughs (Ahuja & Morris Lampert, 2001)

Radical innovation represents a focal point in the realm of innovation management, attracting substantial scholarly attention and corporate interest. It embodies a transformative form of innovation that transcends incremental adjustments, giving rise to ground-breaking ideas, technologies, or products capable of redefining industries and market landscapes (Wu et al., 2019; Xu et al., 2023). The characteristics of radical innovation are multifaceted and marked by technological breakthroughs, market disruptions, high uncertainty, and resource-intensive development (Grashof et al., 2019). In this respect, radical innovation that is the result of modern creative activity and technology development stands as a key element of long-term organizational growth and competitive advantage (Kamal et al., 2023). Along with the diversity of parameters characterizing the radical innovation leadership style is the most important aspect. Notwithstanding, entrepreneurial leadership which is made up of a leader's entrepreneurial traits in addition to the behaviors within established organizations matters a lot with respect to an organization's capacity to be innovative (Yang & Bentein, 2023; Hoang et al., 2023; Ortiz et al., 2021). On the other hand, entrepreneurial leaders, can endow the organization with the ability to display a visionary outlook, which is characterised by overcoming calculated risks and finding unexploited opportunities. These specific features are in line with the requirements of radical innovation which are usually against uncertainty and risks themselves (Ato Sarsah et al., 2020; Kiani et al., 2020).

It is evident that as China pivots from commodity-driven manufacturing to an innovation and knowledge-based economy, it calls for leaders who can catalyze and nurture innovation (Li et al., 2019). Radical innovation performance of Chinese companies due to entrepreneurial leadership is increasingly becoming of great importance. This can be said as RBV considers it as one of the key resources for getting an edge. Thus, we propose that:

H1. Entrepreneurial leadership (EL) positively influences the radical innovation (RI) performance of SME internet firms in China.

### **Entrepreneurial Orientation**

Entrepreneurial orientation (EO) is the major ingredient of strategic management and entrepreneurialism. It is a kind of organization's strategic position and operational behaviour that highlights innovation, risk-taking as well as proactivity (Lumpkin & Dess, 1996). EO has received a lot of attention because it is perceived to be responsible for promoting organizational innovation and excellence. It was discovered that the firms with the higher EO exhibited more innovation and financial performance (Lee et al., 2019). Firstly, this idea was expanded by additional studies that pointed out the criticality of EO to gain a competitive edge, underlining the proactive and innovative behaviors which it encourages (Naidu et al., 2021; Iqbal et al., 2021; Iqbal et al., 2022).

Chelliah et al., (2023) have centred on leaders' behaviors and attitudes as the crucial factors that affect the entrepreneurship orientation of firms. Entrepreneurs who manifest foresight, the capability to withstand uncertainties and the drive for innovation are more likely to garnish similar attitudes and behaviors among their staff. EO involves the skills of leaders to develop, support, and promote a culture

that facilitates learning, creativity, risk management, and proactivity (Chelliah et al., 2023). Entrepreneurial leaders are exemplary leaders who initiate an encouraging environment that promotes innovative thinking, experimentation and driving new openings. Djalil et al., (2023) focused their research on family businesses in the Chinese context and delved into how entrepreneurial leadership affects EO. They brought to attention the management styles that foster the idea of taking risks and experimenting.

More recent studies have provided unquestionable evidence that the relationship between EO and innovation exists. In another case, Lukito-Budi et al., (2023) established EO as a driver of innovation and concluded that it facilitates firms to respond to environmental changes (Lukito-Budi et al., 2023). Additionally, Liu, (2014) investigate the effect of the internationalization of EO, where the company's orientation towards innovation and risk-taking is revealed to be a significant factor in its international expansion. The researchers wanted to examine the influence of EO on enhancing innovation and performance as it relates to the business context of China. They stressed the flexibility of EO and how it could achieve even radical innovation irrespective of having the same or different board characteristics.

In short, entrepreneurial orientation strikes at the heart of innovation development and organizational success. Primarily, key and recent studies have pinned it down as an important factor that helps in developing proactive, innovative, and customer-oriented behaviours, which eventually result in competitive advantage and heightened performance. Thus, we propose that:

H2. Entrepreneurial leadership (EL) positively influences the entrepreneurial orientation (EO) of SME internet firms in China.

H3. Entrepreneurial orientation (EO) positively influences the radical innovation (RI) performance of SME internet firms in China.

### **Mediating Role of Entrepreneurial Orientation**

RBV gives valuable insight into the intervening role of EO as it relates to entrepreneurial leadership, and radical innovation outcomes. According to the resource-based view, a firm's specific heterogeneous resource bundle and capabilities including leadership styles and organizational capabilities are a source of sustainable competitive disadvantages and the firm's performance enhancement (Barney, 1991; Pauceanu et al, 2021). This RBV idea of EO talks about the main strategic resources that have the ability to result in the higher performance of innovation based on the whole entrepreneurial leadership. EO is a tool and indicates what a business does. It is a strategy for a firm in terms of resource allocation decisions in light of resource constraints and immobility (Chen et al., 2020). EO consequently provides the organization with a greater degree of freedom by allowing them to reinvest savings in innovation-focused activities, particularly R&D, as well as the implementation of a learning culture in the organization which is based on experimentation (Arunachalam et al., 2018). Consequently, entrepreneurial orientation is the generator by which the company somehow reveals the inborn talents of its leadership staff into new inventions. Such EO should be developed as a competence that is a part of entrepreneurship which requires the internal business strategy and the external environment to be incorporated and serves as the key to the firm's innovation exploitation (Akbar et al., 2020). It is suggested that entrepreneurial leadership is the driving force for the performance of radical innovations through an entrepreneurial attitude thus the company remains profitable in the Chinese business environment.

H4: Entrepreneurial orientation (EO) positively mediates the influence of entrepreneurial leadership (EL) on the radical innovation (RI) performance of SME internet firms in China.

### Moderating Effects of Power Distance

Power distance from the viewpoint of Hofstede is nothing but how society accepts and anticipates the inequity distribution of power and authority (Hofstede, 1980). In a very general sense power leadership impacts personal communications, making decisions, and the level of employees' self-discipline (Hofstede, 1980). An awareness of power distance may be useful in understanding the relationship between power distance and entrepreneurial leadership as well as entrepreneurial orientation.

Power distance is one of the strong determining factors that explain how leadership styles relate to organizational success (Ehrnrooth et al., 2022). Al-Mansoori & Koc, (2019) focused on the mediating role of power distance between transformational leadership and creativity in their research. The results showed that with a high-power-distance culture, transformational leadership yielded a stronger positive result. This idea illustrates among other things that it is power distance that affects the leadership behavior's innovative behaviors of an organization. In the Chinese organizational context, literature has repeatedly demonstrated how power distance informs leadership practices and it affects the behavior of the team members (Tang et al., 2020; Luo et al., 2020; Yang et al., 2017). Therefore, taking into consideration the highlighted importance of power distance awareness and acceptance in leadership practices for the purpose of enhancing entrepreneurial orientation is the aim of the present study.

In summary, one of the key intermediary factors that boosts entrepreneurial behaviour's to subsequent organizational performance is power distance as shown in some of the previous studies (Zaandam et al., 2021; Mali et al., 2020). Leadership style of Power Distance is one of the important factors which gives rise to the behaviour of these leaders which in turn gets either accepted or rejected by the people surrounding him in the context of the culture of the country which is the dominant factor in the development of innovative organization. The cases of high power distance cultures like China where a territorial structure is predominant entrepreneurs can utilize their hierarchical establishments and influence to distribute resources strategically and to shape the culture of entrepreneurship orientation. A similar approach will be more effective in a power-distance cultures situation where employees will highly respect and embrace the leadership decisions. Therefore, we propose that:

H5: Power distance (PD) positively moderates the influence of entrepreneurial leadership (EL) on the entrepreneurial orientation (EO) of SME internet firms in China.

Overall, this study proposes a research framework shown in Figure 1, based on the hypotheses introduced here. The following portions of this paper will deeply consider the proposed hypotheses.

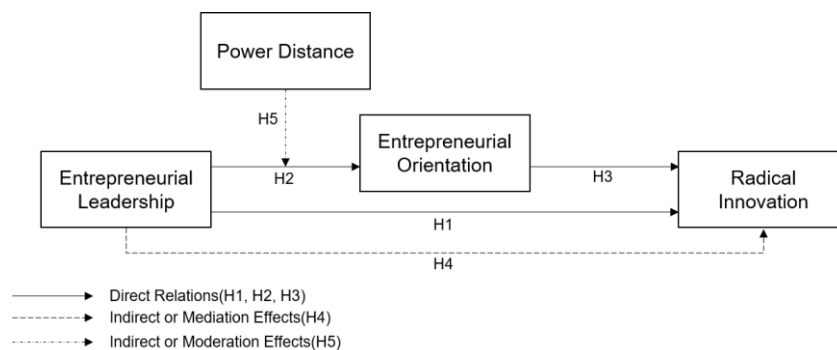


Figure 1: The Proposed Research Framework of this Study

### 3 Methodology

This study aimed to investigate three main research questions:

- “What are the direct effects of entrepreneurial leadership on entrepreneurial orientation and radical innovation performance and the direct effects of entrepreneurial orientation on the radical innovation performance of internet SMEs in China?”
- “How does entrepreneurial orientation mediate the relationship between entrepreneurial leadership and the radical innovation performance of internet SMEs in China?”
- “What is the level of moderating effects of power distance on the relationship between entrepreneurial leadership and entrepreneurial orientation in internet SMEs in China?”

Following the suggestions of (Anderson & Gerbing, 1988), a structured questionnaire was designed. Referring to the published and highly cited literature and adjusted based on the interviews with the employees we selected, we constructed the questionnaire as survey questions. As the questions were originally written in English, to ensure semantic equivalence, the survey was translated from English into Chinese using (Brislin, 1980) technique of reverse translation. The translation procedure can aid respondents' comprehension of the questionnaire (Brislin, 1980). The questionnaire was then pilot-tested for validity and dependability. We obtained a list of SME internet companies from the China Internet Association and used it to identify our target samples. Based on the method and suggestion from (Sheng et al., 2011; Li, 2011), we collected data using a key informant. Each company's HR department was contacted to get their consent for providing potential respondents' email addresses, after which online questionnaires were sent out by the Tencent Questionnaire platform, a popular and credible online survey platform in China. Ultimately, 268 usable questionnaires were collected.

#### Sample and Data Collection Procedure

The sample consists of employees from SMEs in the Chinese Internet industry, referring to the list of the China Internet Enterprise Strength Index published by the China Internet Association. The China Internet Association is an official institution and association of Internet companies held by the Chinese government. The sample comprises 268 individuals employed by SMEs working in the Chinese internet industry. This study's research hypotheses were tested through the accumulation of data from respondents. A method of random selection was adopted in this study.

This study utilized the method recommended (Hair et al., 2019) to ensure data accuracy and reliability. A total of 268 valid responses were retained for further analysis after eliminating data from participants who demonstrated response biases such as consistently selecting the same response option, completing the survey significantly faster than the average time, failing attention-check questions, or not meeting the minimum 6-month work tenure requirement. At time one, employees were asked to provide demographic information and rate their perceptions of their leaders' entrepreneurial leadership and radical innovation, power distance and entrepreneurial orientation, a technique adopted by previous scholars (Bagheri et al., 2022). The final sample consisted of 49% male and 51% female participants, with a mean age of 37. Additional demographic information is presented in Table 1.



Table 1: Demographic Information of Respondents

Demographic Variables	Frequency (N = 268)	Percentage (%)
Gender		
Male	132	49%
Female	136	51%
Age		
18–24 years	10	4%
25–34 years	20	7%
35–44 years	156	58%
45–54 years	77	29%
54+ years	5	2%
Education		
High School and below	7	3%
College Degree	135	50%
Graduate Degree	126	47%

## Measurement

This study adapted constructs from previous research with high Cronbach’s alpha, with some questionnaire items being modified to fit the specific circumstances of the study. The dimension of entrepreneurial leadership was measured using eight components from (Renko et al., 2015), with a Cronbach’s alpha of 0.89. Previous studies typically categorized EO as either three independent dimensions — namely, innovativeness, reactivity, or risk-taking strategies (Buli, 2017; Luu & Ngo, 2019) — or a single latent variable (Karami & Tang, 2019; Presutti & Odorici, 2019; Nguyen et al., 2021). This study utilized the four-item measurement (Nguyen et al., 2021), with a strong Cronbach’s alpha of 0.85. The power distance scale developed (Williams et al., 1988) was used to measure power distance; this scale has a Cronbach’s alpha of 0.74 and has often been utilized by scholars (Farh et al., 2007). To evaluate a company’s radical innovation performance, we adapted five items from (Sheng & Chien, 2016) that illustrate radical innovation, with a Cronbach’s alpha of 0.87.

## Data Analysis

This study applied Smart PLS 4.0 software to the data by means of the partial least squares structural equation modelling (PLS-SEM). The choice of a particular analytic method is based on the nature of the data/sample (in my case, moderation and mediation analysis). Moreover, this method has become very popular in investigations related to management, marketing, and other fields of work. Hair et al., (2011) proposed PLS-SEM to predict dependent variables’ reactions. Concurrently, Davari & Rezazadeh, (2013) proposal of this method is suitable for predicting a group of equations simultaneously for the proposed research model and developing the relationship between variables.

This study uses PLS-SEM which has been validated as a reporting approach to conduct a reliable analysis in the management studies context. SEM is a second-generation multifaceted data investigation method which works with theoretically developed causal relationships that are linear and additive in nature (Roscoe, 1969; Hair et al., 2019). It lets researchers unravel the connections between the constructs. SEM is acknowledged as the best approach for measuring direct and indirect paths from difficult-to-examine and not-visible latent constructs. SEM includes inner and outer model analyses that examine links between independent and dependent variables and links between latent constructs and their manifest indicators. Moreover, we can apply the Smart PLS technique for variance analysis (Hair et al., 2011). Hence, this approach was chosen for the current study.

## 4 Results

### Measurement Model

The current study analysed the measurement model approach to assess the reliability, composite reliability (CR), and average variance extracted (AVE) of the constructs. To measure reliability, we used Cronbach's alpha (CA) and composite reliability; the results for entrepreneurial leadership (0.912, 0.913), radical innovation (0.886, 0.890), entrepreneurial orientation (0.747, 0.751), and power distance (0.896, 0.905), respectively, are presented in Table 2. According to Hair et al. (2011), CA and CR values should be higher than 0.70, and this study found the values to be in an acceptable range. In addition, we examined convergent validity to obtain AVE values, and all values were greater than the 0.50 threshold (for entrepreneurial leadership, entrepreneurial orientation, radical innovation, and power distance, the AVE values were 0.620, 0.568, 0.690, and 0.708, respectively), as suggested (Henseler et al., 2016) (Table 2).

Table 2: Composite Reliability and Convergent Validity

Constructs	Item Code	Loading	Outer Weights	CA	CR	AVE
Radical Innovation (RI)				0.886	0.890	0.690
	RI1	0.743	0.228			
	RI2	0.878	0.254			
	RI3	0.893	0.257			
	RI4	0.834	0.227			
Entrepreneurial Leadership (EL)	RI5	0.797	0.237			
				0.912	0.913	0.620
	EL1	0.725	0.162			
	EL2	0.829	0.155			
	EL3	0.797	0.150			
	EL4	0.803	0.146			
	EL5	0.772	0.161			
	EL6	0.815	0.160			
Entrepreneurial Orientation (EO)	EL7	0.752	0.158			
	EL8	0.803	0.179			
				0.747	0.751	0.568
	EO1	0.742	0.293			
Power Distance (PD)	EO2	0.743	0.302			
	EO3	0.800	0.361			
	EO4	0.728	0.370			
				0.896	0.905	0.708
	PD1	0.856	0.253			
PD2	0.878	0.258				
PD3	0.878	0.240				
PD4	0.729	0.188				
PD5	0.856	0.244				

Note: Average Variance Extracted (AVE); Cronbach's Alpha (CA); Composite Reliability (CR).

Furthermore, we assessed the heterotrait-monotrait (HTMT) ratio to test the discriminant validity because the HTMT ratio has recently gained preference over Fornell and Larcker's traditional assessment (Henseler et al., 2016). The HTMT ratio results are lower than the 0.9 threshold (Table 3).

Table 3: Heterotrait-Monotrait Ratio Analysis

Constructs	EO	PD	RI
EO	0.751		
PD	0.811	0.753	
RI	0.832	0.782	0.816

Note: Entrepreneurial Orientation (EO); Power Distance (PD); Radical Innovation (RI).

To mitigate the potential concern of common method bias, the study adopted the correlation matrix procedure, following the approach that (Bagozzi et al., 1991) recommended. According to their prescribed methodology, common method bias is evident when a notably high correlation ( $r > 0.9$ ) exists among the primary constructs. In this study, we meticulously assessed the correlations among the latent variables presented in the correlation matrix and found that none of the correlations exceeded the 0.9 threshold between constructs (Table 4). This discovery provides further support for the assertion that common method bias was not a significant issue in this study.

Table 4: Latent Variables Correlation

Constructs	EL	EO	PD	RI
EL	1.000			
EO	0.630	1.000		
PD	0.739	0.625	1.000	
RI	0.751	0.643	0.728	1.000

Note: Entrepreneurial Leadership (EL); Entrepreneurial Orientation (EO); power Distance (PD); Radical Innovation (RI).

### Structural Equation Modeling

The findings derived from the PLS-SEM analysis demonstrate several noteworthy relationships (Table 5). First, it was revealed that entrepreneurial leadership significantly and positively influences entrepreneurial orientation (H1), with a beta coefficient of 0.366 ( $t = 4.453$ ,  $p < 0.05$ ). Second, a robust positive impact of entrepreneurial leadership on radical innovation in firms was established (H2), displaying a beta coefficient of 0.574 ( $t = 11.542$ ,  $p < 0.05$ ). The results also indicate that entrepreneurial orientation holds a significant and positive sway on radical innovation (H3), evident by a beta coefficient of 0.282 ( $t = 5.496$ ,  $p < 0.05$ ). Consequently, the direct relationships proposed in H1, H2, and H3 were confirmed as valid.

Intriguingly, the examination of the indirect effects presents another dimension. Specifically, the indirect effects of entrepreneurial orientation on the connection between entrepreneurial leadership and radical innovation were identified as positive and significant, with a beta coefficient of 0.103 ( $t = 3.978$ ,  $p < 0.05$ ). Moreover, the significant positive direct effects of entrepreneurial leadership on both entrepreneurial orientation (beta = 0.366,  $t = 4.453$ ) and radical innovation (beta = 0.574,  $t = 11.542$ ), combined with the significant indirect effects of entrepreneurial orientation within the relationship between entrepreneurial leadership and radical innovation (beta = 0.103,  $t = 3.978$ ), signify a scenario of partial mediation. This phenomenon, often characterized by both substantial direct and indirect relationships, suggests that partial mediation is at play in this study, consequently leading to the acceptance of H4. Furthermore, the study delved into the moderating role of power distance in the association between entrepreneurial leadership and entrepreneurial orientation. The outcomes underscore a significant and positive moderating impact of power distance, with a beta coefficient of 0.106 ( $t = 2.131$ ,  $p < 0.05$ ). Figure 2 graphically demonstrates that the interaction between power

distance and entrepreneurial leadership (PD\*EL) reinforces entrepreneurial leadership's influence on entrepreneurial orientation. Organizations characterized by higher levels of power distance exhibit a heightened effect of entrepreneurial leadership on entrepreneurial orientation, reinforcing the correlation. Thus, H5 is also upheld.

Table 5: Results of Path Testing

Effects	Path	Beta	T statistics	p values	Decision
Direct Relations					
H1	EL→EO	0.366	4.453*	0.0001	Yes
H2	EL→RI	0.574	11.542*	0.0001	Yes
H3	EO→RI	0.282	5.496*	0.0001	Yes
Indirect or Mediation/Moderating					
H4	EL → EO→RI	0.103	3.978*	0.0001	Yes
H5	EL*PD→EO	0.106	2.131	0.033	Yes

Note: Entrepreneurial Leadership (EL); Entrepreneurial Orientation (EO); Power Distance (PD); Radical Innovation (RI).

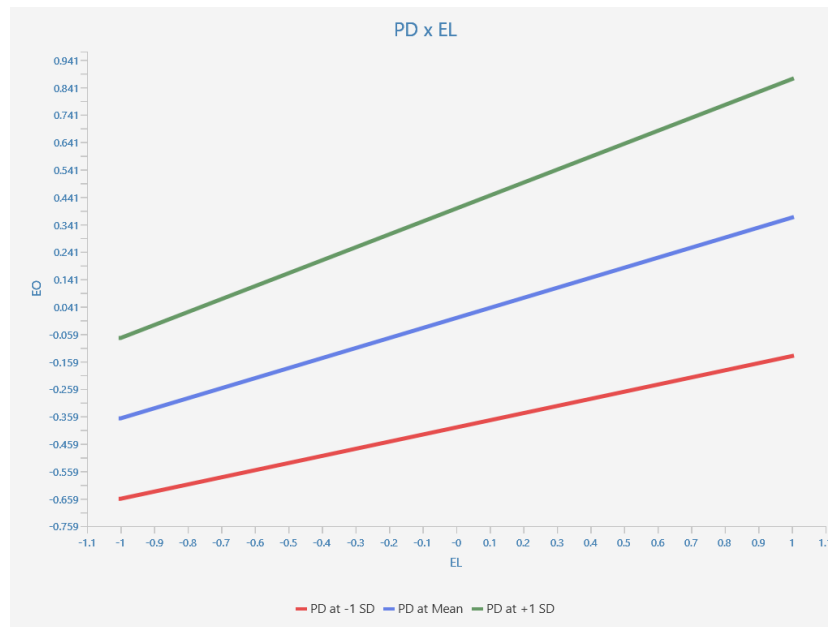


Figure 2: Interaction of PD between the Relationship of EL and EO

## 5 Discussion

The present study systematically explored the multifaceted relationships among entrepreneurial leadership, entrepreneurial orientation, power distance, and radical innovation performance within the context of SME internet firms in China. Through rigorous data analysis and hypothesis testing, the study yielded insightful findings that contribute to our understanding of how these constructs interact to shape the radical innovation landscape of Chinese organizations. The hypotheses highlight the validity of these relationships helping to feed into the relevant discipline as well as practice. Through recognition of these intersections between the factors, enterprises can significantly improve their radical innovation capacities and, most importantly, navigate the highly complex Chinese business environment with strategic agility.

## **Theoretical Implications**

This research primarily sheds light on the theoretical background implying the role of RBV in the link between entrepreneurial leadership, entrepreneurial orientation, power distance, and radical innovation performance within SME internet firms in China. Through the empirical determination of the positive linkage between entrepreneurial leadership and radical innovation performance, the paper gives support to the main theories of the RBV framework. The leadership characteristics of entrepreneurial leaders are regarded as inimitable skills possessed by the organizations and are utilized as competitive advantages. A corroboration of this link stresses the fact that diverse styles of leadership can lead to innovative and risk-taking approaches, ultimately determining the resource base of the company and its strong competitive position. Furthermore, the mediated entrepreneurial orientation shows the dynamics of capabilities of the RBV model. Dynamical capabilities such as entrepreneurial orientation, adapting to the circumstances, innovativeness, and risk-taking can be seen as the consequence of the connection between leadership's behaviours and an organization's existing resources. Thus, the result serves as a core contribution to the conceptualization of entrepreneurial leadership as a dynamic capability that aligns with RBV theories which emphasize resource accumulation and transformation.

Along with the power distance mediation model, this study has further contributed to the theoretical framework. Furthermore, the leadership behaviors also underline the impact of power distance on the organization's entrepreneurial orientation by highlighting how entrepreneurial leadership acts as a special strategic resource. The cultural milieu of a high power distance country, China for instance, is the driving contextual element for interaction with entrepreneurial leadership behavior and shaping the firm's radical capabilities and competitive advantage.

In sum, the approach provides a thorough understanding of relations between the entrepreneurial leadership, entrepreneurial orientation, power distance and innovation performance. Combining with RBV, the study not only adds to existing theories, but also serves as the theoretical foundation underlying the understanding of radical innovation dynamics in Chinese internet SMEs.

## **Managerial Implications**

The results of this study are critical for small and medium enterprises (SME) internet companies as they operate within the Chinese economic ecological environment. First, this study emphasizes how fostering and cultivating the entrepreneurial leadership attributes that are aimed at the organization's innovation goals is critical. Through visionary and risk-taking leadership, organizations can not only cultivate creativity but also remain flexible to changes.

Alongside this, the study emphasized the importance of developing a corporate culture, which is oriented towards entrepreneurialism. Organizing companies can accomplish this task by offering employees fresh approaches, creating an ambience that accepts failure as a natural part of the experimentation process and holding training programs for thinking creatively. The fact that the role of the entrepreneurial orientation is meditative tells the organizations what to emphasize so that an innovative orientation is the result. This precise resource allocation at a higher level will increase the organizations' innovation efficiency.

The third place, this study's findings on the power distance's moderating role necessitate that leaders shape their communication and decision-making styles to be more embracive to Chinese employees. Authorities and cultural-norms-conscious leaders are the ones who can ignite entrepreneurial behaviors into organizational strategy and alignment.

Consequently, the research conducted in this study offers a detailed analysis of the interdependence of entrepreneurial leadership, entrepreneurial orientation, power distance, and radical innovation performance for Internet SMEs in China. The tested hypotheses demonstrate the key role of the interrelation to reinforce investigation by academia as well as practitioners. Through the recognition of the complex interplay of these elements, businesses have the ability to improve their innovation competence as well as to efficiently deal with the turbulent environment of Chinese companies.

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

While the research presented herein has brought about some novel insights into the multi-faceted relationship between entrepreneurial leadership, entrepreneurial orientation, power distance, and innovation performance from the perspective of Chinese SME internet enterprises, some limitations should be noted. These constraints offer a wide range of opportunities for future researchers to examine thoroughly the complexities of these relationships at a deeper level and hence to develop a better understanding of the innovation dynamics within this specific milieu.

This study is mainly based on the fact of internet SMEs in China. A researcher should be wary of overgeneralizing the results of the research to other fields of business, different sizes of firms and/or specific geographical regions even if the cultural and business landscape of the study context is very useful. The next research could consider these relations to other contexts in order to test the universality of these models.

Moreover, the study is a quantitative research design that used cross-sectional data collection at a particular point that reflects a snapshot of relationships at a given time. To improve the validity of the findings, it could be advised to have a longitudinal study which monitors the relationships, taking into account possible changes in leadership, organizational culture, and innovation performance.

Hence, in spite of the fact, that power distance is considered a fundamental cultural dimension, some other factors may influence the relationships of the ones inquired. Future investigations can explore the impact that other cultural dimensions (like collectivism and uncertainty avoidance) exert on entrepreneurial leadership and entrepreneurial orientation and thus on innovation performance.

Lastly, for more profound findings, the research methods for future studies could be mixed-method, including quantitative data analysis and qualitative ones, for example, interviews or case studies. Such can be a method for gaining a deeper insight into the underlying mechanisms and the contextual factors that influence the links that are being studied.

Despite the fact that this study has its own limitations, it still builds a basis for other studies in this area. And furthermore, overcoming these constraints would not only acknowledge our results for their reliability and accuracy, but would also explore those intricate relationships that make innovation thrive within Chinese organizations. Going deeper into these dimensions, will help the researchers to keep up with the theory as well as practice for entrepreneurial leadership, entrepreneurial orientation, power distance, and innovation performance, in the oncoming times.

## **7 Conflict of Interest**

No any conflicts were stated by the authors.

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