

Dual Mediation of Behavioral Commitment and Transformational Leadership In Enhancing SME Performance

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Abstract

This study investigates how entrepreneurial orientation and network capability influence small and medium-sized enterprise (SME) performance through the dual mediating roles of behavioral commitment and transformational leadership. While prior studies have extensively examined the direct effects of strategic orientation and networking on performance, empirical evidence explaining the internal mechanisms through which these strategic resources are transformed into performance outcomes remains limited, particularly in community-based and women-led SME contexts. Drawing on strategic entrepreneurship and leadership theories, this study proposes and tests a dual mediation model using data collected from 222 SMEs operating within the Bhayangkari organizational environment in Indonesia. Data were analyzed using Structural Equation Modeling (SEM) with AMOS to assess both the measurement and structural models. The results demonstrate that entrepreneurial orientation and network capability significantly enhance behavioral commitment and transformational leadership. In turn, both mediators exert strong positive effects on SME performance, exceeding the magnitude of the direct effects of entrepreneurial orientation and network capability. Mediation analysis confirms that behavioral commitment and transformational leadership jointly function as critical transmission mechanisms linking strategic orientation and relational capability to performance outcomes. The findings contribute to the SME and entrepreneurship literature by integrating strategic orientation, behavioral commitment, and leadership perspectives into a unified explanatory framework. Practically, the study highlights the importance of leadership development and behavioral capacity-building initiatives in maximizing the performance impact of entrepreneurial strategies and networking efforts, particularly within semi-formal, community-based SME ecosystems. Overall, this research offers a nuanced understanding of how SME performance is constructed through the interaction of strategy, behavior, and leadership in emerging economy contexts.

Keywords : Entrepreneurial Orientation; Network Capability; Behavioral Commitment; Transformational Leadership

1. Introduction

Small and Medium Enterprises (SMEs) constitute a vital pillar of economic development, particularly in emerging economies where they contribute substantially to employment generation, income distribution, and regional economic resilience. Prior studies consistently highlight that SMEs play a strategic role in fostering inclusive growth and strengthening socio-economic stability, especially within community-based and women-led entrepreneurial ecosystems (OECD, 2020; Kraus et al., 2022).

Despite their economic significance, SMEs frequently encounter persistent performance challenges arising from limited strategic capabilities, weak managerial structures, and constrained access to external resources. In response to these challenges, entrepreneurship literature has increasingly emphasized the importance of entrepreneurial orientation (EO) and network capability (NC) as key strategic drivers of SME performance (Lumpkin & Dess, 1996; Wales et al., 2021). EO reflects a firm's strategic posture characterized by innovativeness, proactiveness, and risk-taking, while NC refers to the firm's ability to initiate, develop, and leverage inter-organizational relationships to access critical resources and market opportunities (Walter et al., 2006; Li et al., 2023).

However, empirical findings regarding the direct relationship between EO, NC, and SME performance remain mixed and inconclusive. While some studies report significant positive effects (Kraus et al., 2019; Hernández-Perlines & Xu, 2018), others suggest that these strategic orientations do not automatically translate into superior performance outcomes without appropriate internal mechanisms (Rauch et al., 2019; Cho & Lee, 2020). This inconsistency indicates the presence of mediating variables that shape how strategic orientations are transformed into tangible organizational outcomes.

Recent research has shifted attention toward behavioral and leadership-based mechanisms as critical explanatory factors in SME performance models. Behavioral commitment, defined as the extent to which individuals demonstrate persistence, responsibility, and proactive engagement in organizational activities, has been identified as a crucial driver of organizational effectiveness, particularly in small and resource-constrained firms (Meyer et al., 2020; Sharma & Kirkman, 2022). In SMEs, where formal control systems are limited, behavioral commitment often substitutes for structural governance, enabling strategic initiatives to be executed effectively.

Simultaneously, transformational leadership has emerged as a pivotal factor in enhancing SME adaptability and performance. Transformational leaders inspire shared vision, foster intrinsic motivation, and encourage innovation, thereby strengthening the alignment between organizational goals and individual behaviors (Avolio et al., 2009; Banks et al., 2016). Empirical evidence suggests that transformational leadership plays a significant role in translating strategic resources—such as networks and entrepreneurial initiatives—into sustained competitive advantage (Le & Lei, 2019; Mubarak & Noor, 2023).

Although prior studies have examined behavioral commitment and transformational leadership independently, research integrating both constructs as dual mediators remains limited, particularly within SME contexts embedded in semi-formal or community-based organizations. This gap is especially evident in women-led SMEs operating under

institutionalized social structures, where leadership dynamics and collective commitment may exert a stronger influence on performance than formal organizational systems (Henry et al., 2020; Hechavarría et al., 2023).

To address this gap, the present study proposes a dual mediation model, positioning behavioral commitment and transformational leadership as complementary mechanisms linking entrepreneurial orientation and network capability to SME performance. The empirical context of this study focuses on SMEs affiliated with the Bhayangkari organization in Indonesia, a semi-formal organization of police officers' spouses that combines social, institutional, and entrepreneurial characteristics. This context offers a unique opportunity to extend entrepreneurship and leadership theories by examining how strategic orientation, leadership behavior, and individual commitment interact within a structured yet community-driven organizational setting.

By adopting this integrative approach, this study aims to contribute to the SME and entrepreneurship literature in three ways. First, it advances theoretical understanding by incorporating behavioral and leadership perspectives into strategic orientation–performance relationships. Second, it provides empirical evidence from a novel organizational context that remains underexplored in international literature. Third, it offers practical insights for policymakers and development agencies seeking to design effective SME empowerment programs grounded in leadership development and behavioral capacity-building.

2. Literature Review

Theoretical Foundations

The study of organisational performance, particularly within small and medium-sized enterprises (SMEs), extensively draws upon two theoretical perspectives: Social Exchange Theory (SET) and Resource-Based View (RBV). Social Exchange Theory (SET) posits that social behaviour is the result of an exchange process aiming to maximise benefits and minimise costs (Blau, 1964). In organisations, employees reciprocate favourable leadership and supportive environments with higher commitment and discretionary effort (Cropanzano & Mitchell, 2005). This reciprocal behaviour underpins the mediation role of behavioural commitment: employees who perceive support from transformational leaders tend to exhibit greater commitment, which in turn enhances performance outcomes in SMEs.

Resource-Based View (RBV) suggests that firm performance is contingent upon valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). In SME contexts, intangible assets such as Entrepreneurial Orientation (EO), Network Capability (NC), and effective leadership behaviours constitute critical internal resources. The interplay between these internal capabilities and leadership styles impacts performance through psychological and behavioural mechanisms. Collectively, these theories justify why Transformational Leadership (TL) and Behavioural Commitment (BC) operate as mediators between organisational capabilities (EO, NC) and SME Performance (SP).

Entrepreneurial Orientation (EO)

Entrepreneurial Orientation refers to a firm's strategic posture that captures innovativeness, risk-taking, and proactiveness (Lumpkin & Dess, 1996). Firms exhibiting higher EO are more

likely to explore new market opportunities, invest in innovation, and proactively shape competitive environments. In SMEs, entrepreneurial orientation has been empirically linked with business performance. For example, Su et al. (2023) found that EO positively influenced firm performance through its effects on strategic decision-making and adaptive behaviour in dynamic markets. Additionally, EO fosters a proactive organisational climate that encourages employees to commit to organisational goals and pursue performance outcomes. EO not only affects performance directly but also triggers behavioural responses among employees. When SMEs demonstrate entrepreneurial commitment at the strategic level, employees tend to internalise organisational objectives, leading to increased Behavioural Commitment (BC) and enhanced responsiveness to transformational leadership.

Network Capability (NC)

Network Capability is defined as the firm's ability to establish, maintain, and utilise external relationships with customers, suppliers, partners, and other stakeholders to acquire resources and knowledge (Wang & Ahmed, 2007). In an SME context, strong network capabilities allow firms to enhance access to information, reduce uncertainty, and integrate value-chain activities. Studies indicate that SMEs with robust networks tend to be more adaptive and resilient, with positive spillovers into performance (Zhang et al., 2024). Network capability fosters collective learning and creates environments where transformational leadership behaviours are more readily accepted by employees. Network capability not only strengthens external linkages but also contributes to internal cohesion. Employees in well-networked firms are more likely to observe strategic engagement with partners, perceive organisational credibility, and consequently exhibit higher behavioural commitment.

Behavioural Commitment (BC)

Behavioural Commitment, often aligned with *organisational commitment*, reflects the psychological attachment, loyalty, and willingness of employees to exert discretionary effort towards organisational goals (Meyer & Allen, 1991). Unlike mere attitudinal commitment, behavioural commitment emphasises observable behaviours, such as persistence, cooperation, and extra-role efforts that positively influence performance. In the SME literature, behavioural commitment has been recognised as a mediating mechanism linking leadership and performance outcomes. Ferdiana and Kasmir (2025) demonstrated that behavioural commitment served as a partial mediator between transformational leadership and employee performance, with committed employees showing higher responsiveness to organisational goals and challenges. The mediation role of BC is theoretically supported by SET; supportive leadership and enriching work environments encourage employees to reciprocate with stronger commitment and behavioural engagement, ultimately driving performance.

Transformational Leadership (TL)

Transformational Leadership is a leadership style characterised by the ability to inspire, intellectually stimulate, and provide personalised support to followers (Bass, 1985). Through idealised influence, inspirational motivation, intellectual stimulation, and individualised consideration, transformational leaders elevate follower motivation and performance beyond expectations. Transformational leadership has been found to contribute positively to organisational performance via internal psychosocial mechanisms. For instance, Almaududi

Ausat et al. (2022) identified that transformational leadership significantly correlates with improved employee performance in SMEs, mainly through enhanced commitment and motivation. The essence of transformational leadership in SMEs is its capacity to create a shared vision, foster innovation, and build trust factors that contribute to stronger behavioural commitment and performance outcomes.

SME Performance (SP)

SME Performance refers to the multidimensional outcomes of small and medium enterprise operations, including financial indicators (e.g., profitability, growth), non-financial outcomes (e.g., customer satisfaction, market share), and organisational sustainability (Clayton et al., 2023). Performance measurement in SMEs requires a balanced view of both economic results and capability development. High performance in SMEs has been linked with strong leadership, cohesive internal capabilities, and external relational assets (Zhang et al., 2024).

Conceptual Integration

The literature suggests that Entrepreneurial Orientation (EO) and Network Capability (NC) act as organisational antecedents that shape both transformational leadership effectiveness and employee behavioural responses. Transformational leadership, in turn, fosters a climate that encourages employees to develop stronger behavioural commitment (BC). Both BC and TL serve as mediators that enhance SME performance through combined psychological and strategic pathways. The conceptual model is supported by both Social Exchange Theory (explaining the reciprocity between leadership support and employee behaviour) and Resource-Based View (highlighting internal firm capabilities as strategic assets). Thus, the proposed dual mediation model is consistent with contemporary performance literature in SME research.

3. Research Method

This study employed a quantitative explanatory research design aimed at examining the causal relationships among entrepreneurial orientation, network capability, behavioral commitment, transformational leadership, and SME performance, with particular emphasis on testing the dual mediating effects of behavioral commitment and transformational leadership. A cross-sectional survey approach was adopted, as it is widely recognized as appropriate for testing complex structural relationships among latent variables in entrepreneurship and organizational behavior research using Structural Equation Modeling (Hair et al., 2021; Kline, 2023).

The population of this study comprised 500 Small and Medium Enterprises (SMEs) operating within the Bhayangkari organizational environment across several regions in Indonesia. These SMEs are embedded in a semi-formal, community-based organizational structure and are predominantly managed by women entrepreneurs. To determine the sample size, the Slovin formula was applied with a 5% margin of error, resulting in a minimum required sample of 222 respondents. Respondents were selected using a purposive sampling technique, targeting SME owners or managers who were actively involved in strategic decision-making and possessed adequate knowledge of leadership practices, networking activities, and business performance within their enterprises.

Data were collected using a structured questionnaire developed from well-established measurement scales to ensure content validity and comparability with prior international

studies. All items were measured using a five-point Likert scale ranging from strongly disagree to strongly agree. Entrepreneurial orientation was operationalized using six indicators capturing innovativeness, proactiveness, and risk-taking, drawing on the foundational work of Covin and Slevin (1989) and subsequent refinements in contemporary entrepreneurship research (Lumpkin & Dess, 1996; Wales et al., 2021). Network capability was measured using eight indicators reflecting the firm's ability to initiate, coordinate, maintain, and leverage external relationships, adapted from Walter et al. (2006) and supported by recent network-based SME studies (Li et al., 2023).

Behavioral commitment was measured using eight indicators emphasizing persistence, responsibility, engagement, and consistent behavioral involvement in business activities. This construct was adapted from organizational commitment literature that emphasizes behavioral manifestations of commitment, particularly in small and resource-constrained organizational settings (Meyer et al., 2020; Sharma & Kirkman, 2022). Transformational leadership was also measured using eight indicators representing idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, adapted from the Multifactor Leadership Questionnaire (MLQ) developed by Avolio and Bass (2004) and validated in SME contexts by more recent leadership studies (Le & Lei, 2019; Mubarak & Noor, 2023).

SME performance was operationalized using eighteen indicators encompassing both financial and non-financial dimensions to capture the multidimensional nature of performance in small businesses. Financial performance indicators included sales growth, profitability, and market share, while non-financial indicators covered customer satisfaction, operational efficiency, innovation outcomes, and business sustainability. This approach aligns with established recommendations in SME performance measurement, which emphasize the integration of objective and subjective indicators to reflect both short-term outcomes and long-term viability (Venkatraman & Ramanujam, 1986; Kraus et al., 2022).

Data analysis was conducted using Structural Equation Modeling (SEM) with AMOS software, following a two-stage analytical procedure. First, Confirmatory Factor Analysis (CFA) was performed to assess the measurement model, including construct reliability, convergent validity, and discriminant validity. Reliability was evaluated using Cronbach's alpha and composite reliability, while convergent validity was assessed through Average Variance Extracted (AVE). Second, the structural model was tested to examine the hypothesized relationships among constructs, with model fit evaluated using multiple goodness-of-fit indices, including the chi-square to degrees of freedom ratio, Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Root Mean Square Error of Approximation (RMSEA), in accordance with established SEM guidelines (Hair et al., 2021; Kline, 2023).

To test the dual mediating effects of behavioral commitment and transformational leadership, indirect effects were examined using bootstrapping procedures to assess the significance of mediation paths. This approach allows for robust estimation of indirect effects and is widely recommended for mediation analysis in SEM-based research (Hayes, 2018). All analyses were conducted at a 95% confidence level. Ethical considerations were addressed by ensuring voluntary participation, guaranteeing respondent anonymity, and using the collected data exclusively for academic research purposes.

4. Result And Discussion

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The analysis began with an examination of the descriptive statistics to provide an overview of respondents' perceptions of the study variables. As presented in Table 1, the mean values of all constructs ranged from 3.87 to 4.01, indicating that respondents generally perceived entrepreneurial orientation, network capability, behavioral commitment, transformational leadership, and SME performance to be at relatively high levels. Transformational leadership recorded the highest mean score ($M = 4.01$), suggesting that leadership practices play a prominent role within SMEs operating in the Bhayangkari organizational environment. The relatively low standard deviations indicate a consistent perception among respondents, reflecting homogeneity in managerial and behavioral practices across the sampled SMEs.

Table 1. Descriptive Statistics

Variable	Mean	Std. Deviation
Entrepreneurial Orientation (EO)	3.87	0.54
Network Capability (NC)	3.92	0.51
Behavioral Commitment (BC)	3.95	0.49
Transformational Leadership (TL)	4.01	0.47
SME Performance (SP)	3.88	0.52

Source: Data Process (2025)

The measurement model was subsequently evaluated using Confirmatory Factor Analysis (CFA) to assess the reliability and validity of the constructs. As shown in Table 2, all constructs demonstrated strong internal consistency, with Cronbach's alpha values ranging from 0.89 to 0.94 and composite reliability values exceeding the recommended threshold of 0.70. Convergent validity was also established, as all Average Variance Extracted (AVE) values were above 0.50, indicating that the indicators adequately explained the variance of their respective latent constructs. These results confirm that the measurement model met the psychometric requirements for subsequent structural analysis.

Table 2. Construct Reliability and Convergent Validity

Construct	Indicators	Cronbach's Alpha	Composite Reliability	AVE
Entrepreneurial Orientation (EO)	6	0.89	0.91	0.62
Network Capability (NC)	8	0.91	0.93	0.64
Behavioral Commitment (BC)	8	0.93	0.95	0.66
Transformational Leadership (TL)	8	0.94	0.95	0.67
SME Performance (SP)	18	0.92	0.94	0.60

Source: Data Process (2025)

Following the validation of the measurement model, the structural model was assessed using SEM-AMOS to test the hypothesized relationships. The model demonstrated a satisfactory level of goodness of fit, indicating that the proposed theoretical framework was consistent with the empirical data.

Table 3. Goodness of Fit Indices

Fit Index	Cut-off Value	Result	Evaluation
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Chi-square/df	≤ 3.00	2.18	Good Fit
CFI	≥ 0.90	0.941	Good Fit
TLI	≥ 0.90	0.933	Good Fit
RMSEA	≤ 0.08	0.062	Good Fit
GFI	≥ 0.90	0.918	Good Fit

Source: Data Process (2025)

The standardized path coefficients and hypothesis testing results are summarized in **Table 4**. The results reveal that entrepreneurial orientation has a significant positive effect on behavioral commitment ($\beta = 0.41$, CR = 6.12, $p < 0.001$), indicating that SMEs characterized by higher innovativeness, proactiveness, and risk-taking tend to exhibit stronger behavioral engagement and persistence among their members. Similarly, network capability significantly influences behavioral commitment ($\beta = 0.38$, CR = 5.87, $p < 0.001$), suggesting that access to and effective utilization of external networks enhance individual dedication and responsibility in business activities.

Table 4. Structural Path Coefficients

Path	Std. Estimate (β)	CR	p-value	Result
EO → BC	0.41	6.12	<0.001	Supported
NC → BC	0.38	5.87	<0.001	Supported
EO → TL	0.36	5.44	<0.001	Supported
NC → TL	0.44	6.55	<0.001	Supported
BC → SP	0.40	6.01	<0.001	Supported
TL → SP	0.42	6.33	<0.001	Supported
EO → SP	0.21	3.02	0.003	Supported
NC → SP	0.19	2.88	0.004	Supported

Source: Data Process (2025)

Entrepreneurial orientation and network capability were also found to have significant positive effects on transformational leadership. This finding implies that strategic orientation and relational resources contribute to the emergence of leadership behaviors characterized by inspiration, shared vision, and intellectual stimulation within SMEs. Furthermore, both behavioral commitment and transformational leadership exerted strong positive effects on SME performance, exceeding the magnitude of the direct effects of entrepreneurial orientation and network capability. This pattern indicates that internal behavioral and leadership mechanisms play a more dominant role in shaping performance outcomes than strategic orientation alone.

Dual Mediation Analysis

The mediation analysis provides compelling evidence for the dual mediating role of behavioral commitment and transformational leadership. As presented in **Table 5**, all indirect effects were statistically significant, indicating partial mediation.

Table 5. Indirect Effects and Mediation Results

Relationship	Indirect Effect	p-value	Mediation Type
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EO → BC → SP	0.164	<0.001	Partial Mediation
EO → TL → SP	0.151	<0.001	Partial Mediation
NC → BC → SP	0.152	<0.001	Partial Mediation
NC → TL → SP	0.185	<0.001	Partial Mediation

Source: Data Process (2025)

These findings suggest a sequential mechanism in which entrepreneurial orientation and network capability first strengthen behavioral commitment and transformational leadership, which subsequently enhance SME performance.

Discussion

H₁: Entrepreneurial Orientation → Behavioral Commitment

The findings indicate that entrepreneurial orientation has a significant positive effect on behavioral commitment. This result suggests that SMEs characterized by higher levels of innovativeness, proactiveness, and risk-taking tend to foster stronger persistence, responsibility, and engagement among their members. From a behavioral perspective, entrepreneurial orientation does not merely represent a strategic posture, but also serves as a psychological stimulus that encourages individuals to internalize organizational goals and translate them into consistent business behaviors. This finding is consistent with prior studies that argue entrepreneurial orientation strengthens individual commitment by creating a sense of ownership, challenge, and opportunity within organizations (Wales et al., 2021; Rauch et al., 2019). In SMEs, where formal incentive systems are limited, entrepreneurial orientation often becomes a key driver of behavioral alignment, motivating actors to commit their effort beyond contractual obligations (Meyer et al., 2020). Within the Bhayangkari context, entrepreneurial orientation appears to reinforce behavioral commitment by legitimizing proactive initiatives and risk-taking among women entrepreneurs operating within a semi-formal organizational structure.

H₂: Network Capability → Behavioral Commitment

The results also demonstrate a significant positive relationship between network capability and behavioral commitment. This finding implies that SMEs with stronger abilities to establish, manage, and leverage external relationships tend to exhibit higher levels of behavioral engagement among their members. Access to networks provides not only tangible resources, such as information and market access, but also intangible benefits, including social support and legitimacy, which enhance individual motivation and responsibility. This result aligns with social capital theory, which posits that relational embeddedness strengthens commitment through trust and reciprocal norms (Nahapiet & Ghoshal, 1998; Li et al., 2023). Empirical evidence from SME research further confirms that network capability enhances behavioral commitment by reducing uncertainty and increasing perceived feasibility of business activities (Kraus et al., 2022; Hernández-Carrión et al., 2020). In the Bhayangkari environment, networks function as institutionalized social capital, reinforcing behavioral commitment through collective identity and mutual accountability.

H₃: Entrepreneurial Orientation → Transformational Leadership

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The significant effect of entrepreneurial orientation on transformational leadership suggests that strategic entrepreneurial posture contributes to the emergence of leadership behaviors characterized by inspiration, vision, and intellectual stimulation. Entrepreneurial-oriented SMEs tend to require leaders who are capable of articulating future-oriented visions and encouraging innovation, thereby naturally fostering transformational leadership styles. This finding corroborates prior research indicating that entrepreneurial contexts demand leadership behaviors that transcend transactional coordination and emphasize motivation and empowerment (Le & Lei, 2019; Renko et al., 2015). Entrepreneurial orientation creates dynamic environments that necessitate leaders to inspire adaptability and learning, which are core elements of transformational leadership (Avolio et al., 2009). In community-based SMEs such as Bhayangkari, entrepreneurial orientation appears to cultivate leadership practices that mobilize collective effort rather than relying on formal authority.

H₄: Network Capability → Transformational Leadership

The results reveal that network capability has a strong positive effect on transformational leadership, highlighting the role of relational resources in shaping leadership behavior. Leaders embedded in rich networks gain access to diverse perspectives, best practices, and role models, which enhance their ability to inspire and intellectually stimulate followers. This finding is consistent with studies suggesting that external networks function as learning platforms that enhance leadership effectiveness (Carmeli et al., 2011; Mubarak & Noor, 2023). Network-rich environments enable leaders to benchmark strategies, diffuse innovation, and strengthen visionary leadership capacities. In the Bhayangkari context, network capability appears to amplify transformational leadership by reinforcing legitimacy and trust, which are critical for influence in semi-formal organizations.

H₅: Behavioral Commitment → SME Performance

The significant positive effect of behavioral commitment on SME performance underscores the central role of action-oriented commitment in small business success. Behavioral commitment reflects sustained effort, persistence, and accountability, which are essential for executing strategies and overcoming resource constraints typical of SMEs. This finding supports behavioral commitment theory, which emphasizes that commitment manifested through action is a stronger predictor of performance than attitudinal attachment alone (Meyer et al., 2020; Sharma & Kirkman, 2022). Prior SME studies similarly confirm that committed behaviors—such as consistent market engagement and operational discipline—directly enhance both financial and non-financial performance outcomes (Kantur, 2016; Kraus et al., 2019). In Bhayangkari SMEs, behavioral commitment serves as a critical substitute for formal control mechanisms, reinforcing performance through self-regulation and collective responsibility.

H₆: Transformational Leadership → SME Performance

The findings indicate that transformational leadership exerts a strong positive influence on SME performance, reinforcing the argument that leadership is a critical performance lever in small and medium enterprises. Transformational leaders motivate followers to transcend personal interests for collective goals, thereby enhancing efficiency, innovation, and sustainability. This result is consistent with extensive leadership literature demonstrating the

positive impact of transformational leadership on organizational performance across contexts (Banks et al., 2016; Hoch et al., 2018). In SMEs, transformational leadership is particularly effective because it compensates for limited structural support by fostering intrinsic motivation and shared purpose (Le & Lei, 2019). Within Bhayangkari SMEs, leadership rooted in inspiration and moral influence appears especially powerful due to the organization's strong social and relational foundations.

H7: Entrepreneurial Orientation → SME Performance

Entrepreneurial orientation was found to have a direct but relatively weaker effect on SME performance compared to mediated paths. This finding suggests that while entrepreneurial orientation is important, its impact on performance is not automatic and requires supportive internal mechanisms to be fully realized. This result is consistent with recent meta-analytical studies indicating that the EO–performance relationship is highly context-dependent and often mediated by organizational processes (Rauch et al., 2019; Wales et al., 2021). In semi-formal and community-based SMEs, entrepreneurial initiatives may face implementation constraints unless accompanied by strong commitment and leadership. Thus, entrepreneurial orientation functions as a necessary but insufficient condition for performance improvement.

H8: Network Capability → SME Performance

Similarly, network capability demonstrated a modest but significant direct effect on SME performance. While access to networks provides valuable resources, the findings suggest that networks alone do not guarantee superior performance unless effectively mobilized through leadership and behavioral commitment. This aligns with prior research emphasizing that network benefits depend on firms' internal capacities to absorb and exploit relational resources (Zahra & George, 2002; Li et al., 2023). In Bhayangkari SMEs, network capability enhances performance primarily when leaders can transform relational opportunities into coordinated action and when members exhibit strong behavioral commitment.

Dual Mediation Interpretation

Collectively, the hypothesis-by-hypothesis analysis confirms the robustness of the dual mediation model, demonstrating that behavioral commitment and transformational leadership jointly function as critical transmission mechanisms linking entrepreneurial orientation and network capability to SME performance. This integrated explanation advances entrepreneurship theory by bridging strategic orientation, leadership, and behavioral perspectives, particularly within community-based and women-led SME contexts.

5. Conclusion

This study provides empirical evidence on how entrepreneurial orientation and network capability enhance SME performance through the dual mediating roles of behavioral commitment and transformational leadership. Drawing on data from SMEs operating within the Bhayangkari organizational environment in Indonesia, the findings demonstrate that strategic orientations and relational resources do not directly translate into superior performance outcomes unless they are internalized through behavioral engagement and effective leadership practices.

The results confirm that entrepreneurial orientation and network capability significantly strengthen both behavioral commitment and transformational leadership. These internal mechanisms, in turn, exert strong positive effects on SME performance, surpassing the magnitude of direct effects from entrepreneurial orientation and network capability. This indicates that SME performance is fundamentally shaped by a processual mechanism in which strategic intent and external networks first influence internal behavioral dynamics and leadership styles before yielding tangible organizational outcomes.

From a theoretical perspective, this study contributes to the entrepreneurship and SME literature by integrating strategic entrepreneurship and leadership theories into a unified dual mediation framework. By positioning behavioral commitment as an action-oriented construct and transformational leadership as a mobilizing force, this research extends existing models that predominantly emphasize direct strategic effects. The findings highlight that in small and semi-formal organizational contexts, such as Bhayangkari SMEs, performance advantages emerge through the alignment of strategy, behavior, and leadership rather than through strategic posture alone.

Practically, the study offers important implications for policymakers and SME development programs. Interventions aimed at improving SME performance should not focus solely on enhancing entrepreneurial skills or expanding business networks. Instead, equal emphasis should be placed on strengthening behavioral commitment through capacity-building initiatives and fostering transformational leadership through targeted leadership development programs. For women-led and community-based SMEs, leadership training that emphasizes vision, motivation, and collective engagement is particularly critical in translating strategic resources into sustainable performance.

Despite its contributions, this study is subject to certain limitations. The cross-sectional research design restricts causal inference, and the focus on SMEs within a specific organizational context may limit generalizability. Future research is encouraged to employ longitudinal designs, explore additional mediating or moderating variables such as organizational culture or digital capability, and test the proposed model across diverse institutional and cultural settings. In conclusion, this study underscores that sustainable SME performance is not merely a function of entrepreneurial orientation or network capability, but rather the outcome of how these strategic resources are transformed through committed behavior and transformational leadership. By illuminating this dual mediation mechanism, the study offers a more nuanced and actionable understanding of SME performance formation in emerging economies.

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