

Leadership, Entrepreneurial Characteristics, and MSME Performance: The Mediating Role of Interpersonal Communication

Nandang^{1*}, Asep Jamaludin², Wanta³, Rengga Madya Pranata⁴

Management Study Program, Faculty of Economics and Business, Universitas Buana Perjuangan Karawang, Indonesia^{1,2,3,4}

nandang@ubpkarawang.ac.id¹

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ABSTRACT

This study aims to examine the effects of leadership and entrepreneurial characteristics on business performance, with interpersonal communication serving as a mediating variable among Micro, Small, and Medium Enterprises (MSMEs) in Telukjambe Timur District, Karawang Regency. The study population comprised 147 MSME actors, from which a sample of 105 respondents was selected. A descriptive quantitative approach was employed, and Structural Equation Modeling (SEM) was used to analyze the relationships among the variables in the proposed research model. The findings reveal that leadership and entrepreneurial characteristics have positive and significant effects on interpersonal communication. Furthermore, both leadership and entrepreneurial characteristics positively influence business performance. Interpersonal communication also demonstrates a positive effect on business performance and plays a significant mediating role in the relationship between leadership, entrepreneurial characteristics, and business performance. These results highlight the importance of effective leadership, strong entrepreneurial traits, and interpersonal communication in enhancing MSME performance.

Keywords: Leadership; Entrepreneurial Characteristics; Interpersonal Communication; Business Performance

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in supporting economic growth, job creation, and business sustainability in emerging economies. Empirical studies consistently show that MSMEs significantly contribute to employment absorption and regional economic development, particularly in developing countries (Gupta et al., 2022; Beta & Gezahegn, 2025). Despite their strategic importance, many MSMEs continue to experience performance instability due to internal managerial weaknesses and limited organizational capabilities (Awotunde, 2025; Reniati et al., 2024). These conditions indicate that MSME performance is not solely determined by external economic factors, but is strongly influenced by leadership quality, entrepreneurial characteristics, and interpersonal processes within the organization.

At the regional level, MSMEs in Telukjambe Timur District, Karawang Regency, demonstrate considerable growth potential, operating across various sectors such as culinary businesses, trading, services, and home industries. Similar to MSMEs in other developing regions, these enterprises contribute to local economic resilience and employment creation. However, empirical evidence suggests that MSMEs in comparable contexts often face persistent challenges related to limited innovation, weak managerial systems, and ineffective organizational practices,

which ultimately constrain their performance and long-term sustainability (Ogundele et al., 2019; Mukoffi & As'adi, 2021).

One of the dominant internal challenges affecting MSME performance is ineffective leadership. Prior studies indicate that leadership styles and capabilities significantly influence business success, decision-making quality, and organizational outcomes (Awotunde, 2025; Tadesse & Chandran, 2024). Leaders with limited strategic vision and managerial competence often struggle to guide their enterprises toward sustainable growth, particularly in highly competitive and resource-constrained environments (Beta & Gezahegn, 2025). Empirical findings also confirm that leadership directly affects business performance and indirectly shapes organizational climate and employee behavior (Gupta et al., 2022; Turgut et al., 2025).

In addition to leadership, entrepreneurial characteristics are widely recognized as key determinants of MSME performance. Entrepreneurial traits such as innovativeness, risk-taking, proactiveness, and opportunity recognition have been shown to enhance firm competitiveness and adaptability (Zhao et al., 2019; Gunawan, 2024). Studies conducted in both formal and informal business sectors reveal that entrepreneurs with strong entrepreneurial abilities are more capable of improving productivity, expanding market reach, and sustaining business performance (Ayeini, 2025; Mukoffi & As'adi, 2021). Nevertheless, empirical evidence suggests that many MSME actors still exhibit low levels of entrepreneurial orientation, which limits their ability to respond effectively to market dynamics (Ogundele et al., 2019).

Interpersonal communication represents another critical yet often overlooked factor influencing MSME performance. Effective interpersonal communication enhances coordination, trust, knowledge sharing, and collaboration within organizations, thereby improving overall performance outcomes (Lee & Xia, 2021; Iqbal & Ahmad, 2023). In the context of MSMEs, strong interpersonal communication between business owners, employees, and stakeholders facilitates smoother operational processes and more effective decision-making (Hassan & Iqbal, 2023; Labiba et al., 2025). Conversely, poor communication practices frequently result in misunderstandings, internal conflicts, and reduced organizational effectiveness.

Although prior studies have extensively examined the direct effects of leadership and entrepreneurial characteristics on business performance (Awotunde, 2025; Gunawan, 2024; Beta & Gezahegn, 2025), limited empirical attention has been given to the **mechanism** through which these factors influence MSME performance. Specifically, the mediating role of interpersonal communication remains underexplored, particularly in the context of MSMEs in developing regions. Several studies suggest that leadership and entrepreneurial orientation can enhance performance indirectly by fostering effective communication, creativity, and positive employee behavior (Turgut et al., 2025; Hassan & Iqbal, 2023), yet empirical models integrating these variables simultaneously are still scarce.

Therefore, this study addresses this research gap by examining interpersonal communication as a mediating variable in the relationship between leadership, entrepreneurial characteristics, and MSME performance. The novelty of this research lies in its integrative model that combines leadership, entrepreneurial characteristics, and interpersonal communication within a single structural framework, applied to MSMEs at the local level. Accordingly, the objective of this study is to analyze the effects of leadership and entrepreneurial characteristics on MSME performance, with interpersonal communication serving as a mediating variable. The findings are expected to contribute theoretically to the development of leadership and entrepreneurship literature and practically to improving managerial and communication capacities among MSME actors in order to enhance business performance and sustainability.

2. Literature Review

Leadership

Leadership is widely recognized as a critical factor influencing organizational effectiveness and business performance, particularly in small and medium-sized enterprises (SMEs). Leadership refers to the ability of an individual to influence, direct, and motivate others

to achieve organizational goals through strategic vision, decision-making, and interpersonal interaction. Empirical evidence indicates that effective leadership plays a vital role in shaping organizational climate, employee behavior, and performance outcomes (Gupta et al., 2022; Awotunde, 2025).

In the context of entrepreneurship and MSMEs, leadership is not limited to authority but involves adaptability, innovation orientation, and the capacity to manage limited resources efficiently. Studies show that entrepreneurial leadership significantly enhances organizational performance, especially in resource-constrained environments, by fostering employee engagement, creativity, and commitment (Beta & Gezahegn, 2025; Turgut et al., 2025). Leaders who demonstrate clear vision, ethical behavior, and strategic flexibility are more capable of guiding enterprises toward sustainable growth (Tadesse & Chandran, 2024).

Furthermore, leadership effectiveness is closely linked to communication quality within organizations. Leaders who adopt participative and supportive leadership styles tend to encourage openness, trust, and collaboration, which positively influence interpersonal communication and organizational effectiveness (Lee & Xia, 2021). Thus, leadership serves as a foundational mechanism through which managerial practices and communication processes shape MSME performance.

Entrepreneurial Characteristics

Entrepreneurial characteristics refer to a set of personal traits, attitudes, and competencies that enable entrepreneurs to identify opportunities, manage risks, innovate, and sustain business growth. Core entrepreneurial characteristics commonly discussed in the literature include innovativeness, proactiveness, risk-taking, self-confidence, and resilience (Zhao et al., 2019; Gupta et al., 2022).

Empirical studies consistently demonstrate that entrepreneurial characteristics have a direct and significant influence on business performance. Entrepreneurs with strong entrepreneurial orientation tend to be more adaptive to market changes, capable of innovation, and effective in exploiting business opportunities (Gunawan, 2024; Ayeni, 2025). Research conducted in MSME contexts further confirms that entrepreneurial abilities contribute positively to productivity, competitiveness, and long-term performance sustainability (Mukoffi & As'adi, 2021; Ogundele et al., 2019).

Moreover, entrepreneurial characteristics are not solely innate traits but can be developed through experience, learning, and interaction. Entrepreneurs with strong entrepreneurial competencies are more effective in communicating ideas, managing teams, and building relationships with stakeholders, which further supports organizational performance (Baron & Tang, 2020; Zhao et al., 2019).

Interpersonal Communication

Interpersonal communication refers to the process of exchanging information, ideas, and emotions between individuals through direct interaction, enabling feedback, mutual understanding, and relationship development. Within organizations, interpersonal communication plays a crucial role in facilitating coordination, trust, knowledge sharing, and collaborative decision-making (Lee & Xia, 2021).

In MSMEs, where organizational structures are relatively informal and interactions are more personal, interpersonal communication becomes a key determinant of operational effectiveness. Studies reveal that effective interpersonal communication enhances employee engagement, reduces conflict, and improves team performance (Iqbal & Ahmad, 2023; Labiba et al., 2025). Conversely, ineffective communication often leads to misunderstandings, reduced cooperation, and poor organizational outcomes.

Recent empirical findings also emphasize the mediating role of interpersonal communication in linking leadership and entrepreneurial behavior to performance outcomes. Leaders who communicate clearly and empathetically are more successful in motivating employees and aligning individual efforts with organizational goals (Hassan & Iqbal, 2023).

Therefore, interpersonal communication functions not only as a managerial tool but also as a strategic mechanism that strengthens organizational performance.

Business Performance

Business performance refers to the extent to which an organization achieves its objectives effectively and efficiently, encompassing financial and non-financial indicators such as productivity, profitability, market growth, and sustainability. In MSMEs, business performance is often assessed through indicators related to sales growth, operational efficiency, customer satisfaction, and competitive advantage (Gunawan, 2024; Beta & Gezahegn, 2025).

Prior studies confirm that MSME performance is strongly influenced by internal organizational factors rather than external market conditions alone. Leadership quality and entrepreneurial characteristics have been shown to significantly determine business success, particularly in dynamic and competitive environments (Awotunde, 2025; Tadesse & Chandran, 2024). Moreover, effective communication practices enhance coordination and strategic alignment, leading to improved performance outcomes (Lee & Xia, 2021).

Thus, business performance in MSMEs can be understood as the cumulative result of leadership effectiveness, entrepreneurial orientation, and the quality of interpersonal interactions within the organization.

Conceptual Framework and Hypothesis Development

Leadership and Interpersonal Communication

Leadership plays a central role in fostering effective interpersonal communication within organizations. Empirical evidence suggests that leaders who demonstrate openness, supportiveness, and participative behavior enhance trust and communication quality among organizational members (Lee & Xia, 2021; Hassan & Iqbal, 2023). Effective leadership practices create a communication climate that encourages information sharing and collaboration, leading to stronger interpersonal communication.

Entrepreneurial Characteristics and Interpersonal Communication

Entrepreneurs with strong entrepreneurial characteristics tend to possess higher communication competence, as innovation, opportunity recognition, and proactive behavior require the ability to convey ideas and build relationships effectively. Studies indicate that entrepreneurial orientation positively influences interpersonal interaction and collaborative processes within organizations (Baron & Tang, 2020; Iqbal & Ahmad, 2023).

Leadership and Business Performance

Leadership has a direct influence on business performance by shaping strategic direction, organizational culture, and employee motivation. Empirical studies in MSME contexts confirm that effective leadership enhances productivity and performance outcomes (Awotunde, 2025; Beta & Gezahegn, 2025).

Entrepreneurial Characteristics and Business Performance

Entrepreneurial characteristics significantly contribute to business performance by enabling innovation, adaptability, and competitive advantage. Entrepreneurs who demonstrate strong entrepreneurial orientation achieve higher levels of business performance and sustainability (Gunawan, 2024; Ayeni, 2025).

Interpersonal Communication and Business Performance

Effective interpersonal communication improves coordination, trust, and problem-solving, which directly enhance business performance. Empirical findings show that strong communication practices positively affect MSME productivity and performance outcomes (Labiba et al., 2025; Hassan & Iqbal, 2023).

Interpersonal Communication as a Mediating Variable

Interpersonal communication functions as a mediating mechanism through which leadership and entrepreneurial characteristics influence business performance. Leadership and entrepreneurial orientation enhance communication quality, which in turn strengthens collaboration and performance outcomes (Baron & Tang, 2020; Turgut et al., 2025). Therefore, interpersonal communication bridges the relationship between leadership, entrepreneurial characteristics, and MSME performance.

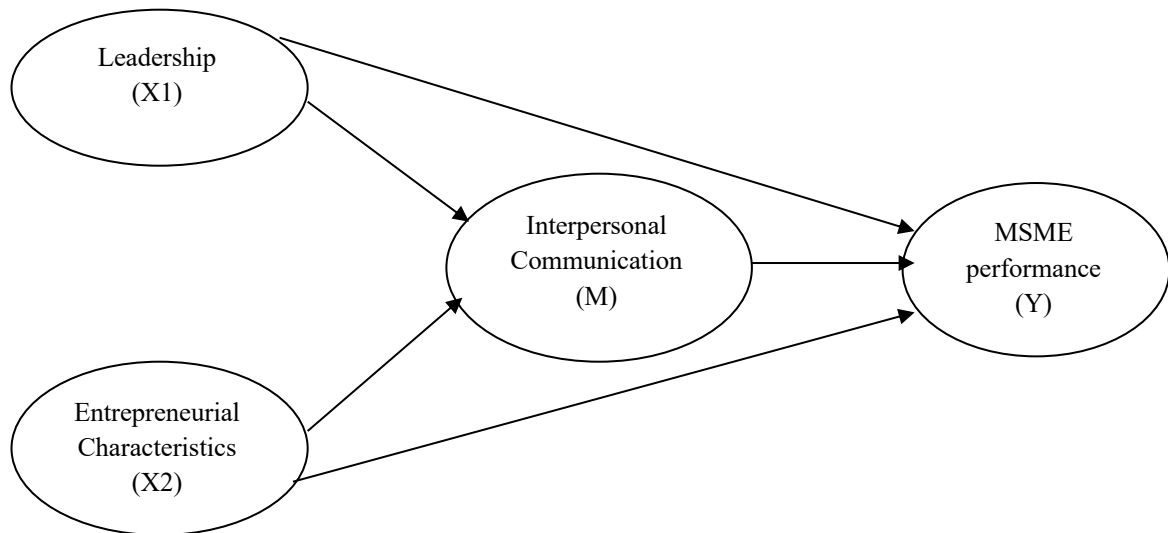


Figure 1. Research Model

3. Research Methods

The methodology of this study employs a descriptive quantitative approach aimed at analyzing the effects of leadership and entrepreneurial characteristics on MSME performance, mediated by interpersonal communication among business actors in Telukjambe Timur District, Karawang Regency. The research objects include MSMEs in the food, beverage, and creative industry sectors that have been operating for at least one year and employ a minimum of three employees. The respondents consist of business owners or managers who are directly involved in decision-making processes.

The sampling technique used was purposive sampling, with a total sample of 105 respondents determined using the Slovin formula from a population of 143 MSMEs. Data were collected through a closed-ended questionnaire using a five-point Likert scale to measure leadership (X1), entrepreneurial characteristics (X2), interpersonal communication (M), and business performance (Y).

Instrument validity and reliability were assessed using convergent validity, discriminant validity, and composite reliability analyses. Data analysis was conducted using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) with SmartPLS version 3 software to test both direct and indirect relationships among variables, evaluate model fit through R-square values, and test hypotheses based on t-statistic values greater than 1.96 or p-values less than 0.05.

4. Results and Discussions

Data analysis using the Partial Least Squares (PLS) approach was conducted to examine the relationships among Leadership (X1), Entrepreneurial Characteristics (X2), Interpersonal Communication (M), and MSME Performance (Y). The analysis process was carried out through two main stages, namely the evaluation of the measurement model (outer model) and the evaluation of the structural model (inner model).

Research Results

Evaluation of the Measurement Model (Outer Model)

The evaluation of the measurement model aims to assess the validity and reliability of the indicators forming the latent variables. This evaluation includes convergent validity, discriminant validity, and construct reliability.

1. Convergent Validity Test

The convergent validity test is conducted to ensure that each indicator is able to appropriately represent the construct being measured. Convergent validity is assessed based on the loading factor values, where an indicator is considered valid if it has a value above 0.70. Table 1 below presents the results of the convergent validity test based on the loading factor values for each statement item:

Table 1. Loading Factor Values

Variable	Statement Item	Loading Factor Value
Leadership (X1)	X1.1	0,770
	X1.2	0,713
	X1.3	0,707
	X1.4	0,753
	X1.5	0,700
	X1.6	0,713
	X1.7	0,701
Entrepreneurial Characteristics (X2)	X2.1	0,778
	X2.2	0,813
	X2.3	0,796
	X2.4	0,774
	X2.5	0,719
Interpersonal Communication (M)	M.1	0,753
	M.2	0,805
	M.3	0,826
	M.4	0,847
	M.5	0,747
MSME performance (Y)	Y.1	0,870
	Y.2	0,881
	Y.3	0,804
	Y.4	0,897

Source: Processed data, 2025

Based on the table above, all loading factor values are greater than 0.70. This indicates that all indicators for each variable are considered to have adequate convergent validity, as they meet the minimum threshold recommended by Hair et al. (2021). Therefore, all indicators are deemed appropriate for use in subsequent model testing.

In addition, convergent validity can also be assessed using the Average Variance Extracted (AVE) values. An AVE value greater than 0.50 indicates that the construct is able to explain more than half of the variance of its indicators.

Table 2. Average Variance Extracted (AVE) Values

	Average Variance Extracted (AVE)
Leadership (X1)	0,523
Entrepreneurial Characteristics (X2)	0,604
Interpersonal Communication (M)	0,619
MSME performance (Y)	0,746

Source: Processed data, 2025

Based on the results in Table 2, it can be seen that all variables have AVE values above 0.50, indicating that all constructs have met the criteria for convergent validity.

2. Reliability Test

The reliability test is conducted to measure the level of internal consistency of the indicators in measuring their respective constructs. Reliability is assessed based on Cronbach's Alpha and Composite Reliability (CR). A construct is considered reliable if the values of Cronbach's Alpha and Composite Reliability are greater than 0.70.

Table 3. Reliability Test Results

	Cronbach's Alpha	Composite Reliability
Leadership (X1)	0,848	0,885
Entrepreneurial Characteristics (X2)	0,836	0,884
Interpersonal Communication (M)	0,846	0,890
MSME performance (Y)	0,886	0,921

Source: Processed data, 2025

Based on Table 3, all Cronbach's Alpha and Composite Reliability values for each variable are above 0.70. Therefore, it can be concluded that all constructs in this research model demonstrate good reliability and are consistent in measuring the intended concepts.

3. Structural Model Evaluation (Inner Model)

The structural model evaluation stage is used to examine the strength of the relationships among latent variables in the research model. The analysis is conducted through the assessment of R-Square (R^2), F-Square (F^2), and path coefficient testing.

a. Coefficient of Determination Test (R-Square)

The R-Square value is used to assess the extent to which the independent variables are able to explain the dependent variable.

Table 4. R-Square Values

	R Square	R Square Adjusted
MSME performance (Y)	0,778	0,772
Interpersonal Communication (M)	0,747	0,742

Source: Processed data, 2025

The R-Square value of 0.778 for MSME Performance (Y) indicates that 77.8% of the variance in MSME performance can be explained by Leadership (X1), Entrepreneurial Characteristics (X2), and Interpersonal Communication (M). Meanwhile, the R-Square value of 0.747 for Interpersonal Communication (M) indicates that 74.7% of its variance is explained by

Leadership (X1) and Entrepreneurial Characteristics (X2). According to the criteria proposed by Chin (2010), these values are categorized as strong.

b. F-Square Test

The F-Square test is used to measure the magnitude of the relative effect of exogenous variables on endogenous variables. An f^2 value of 0.02 indicates a small effect, 0.15 indicates a medium effect, and 0.35 indicates a large effect.

Table 5. F-Square Values

	Entrepreneurial Characteristics (X2)	Leadership (X1)	MSME Performance (Y)	Interpersonal Communication (M)
Entrepreneurial Characteristics (X2)			0,061	2,657
Leadership (X1)			0,125	0,509
MSME Performance (Y)				
Interpersonal Communication (M)			0,459	

Source: Processed data, 2025

From the table above, it can be seen that Entrepreneurial Characteristics (X2) have a large effect on Interpersonal Communication (M) with an f^2 value of 2.657, while the effect on MSME Performance (Y) is 0.061, which is categorized as small. Leadership (X1) has a medium effect on Interpersonal Communication (M) ($f^2 = 0.509$) and on MSME Performance (Y) ($f^2 = 0.125$). Meanwhile, Interpersonal Communication (M) has a large effect on MSME Performance (Y) with an f^2 value of 0.459.

4. Hypothesis Testing

Hypothesis testing is conducted to examine the significance of the relationships among variables by observing the T-Statistics and P-Values. A hypothesis is accepted if the T-Statistics value is ≥ 1.96 and the P-Values value is ≤ 0.05 .

a. Partial Test

Table 6. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Leadership (X1)-> MSME Performance (Y)	0,206	0,199	0,056	3,662	0,000
Leadership (X1)-> Interpersonal Communication (M)	0,361	0,364	0,052	6,930	0,000
Entrepreneurial Characteristics (X2)-> MSME Performance (Y)	0,223	0,213	0,077	2,885	0,004
Entrepreneurial Characteristics (X2)-> Interpersonal Communication (M)	0,824	0,815	0,041	20,231	0,000
Interpersonal Communication (M)-> MSME Performance (Y)	0,634	0,640	0,080	7,904	0,000

Source: Processed data, 2025

Based on the results in the table above, all relationships among variables show T-Statistics values greater than 1.96 and P-Values less than 0.05, indicating that all direct hypotheses are accepted. Accordingly:

- 1) Entrepreneurial characteristics and leadership have a positive and significant effect on interpersonal communication.
- 2) Entrepreneurial characteristics, leadership, and interpersonal communication have a positive and significant effect on MSME performance.

b. Mediation Test (Indirect Effect)

The mediation test is conducted to determine whether interpersonal communication (M) mediates the relationship between leadership (X1) and entrepreneurial characteristics (X2) on MSME performance (Y).

Table 7. Mediation Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Entrepreneurial Characteristics (X2) -> Interpersonal Communication (M)-> MSME Performance (Y)	0,523	0,521	0,070	7,518	0,000
Leadership (X1) -> Interpersonal Communication (M) -> MSME Performance (Y)	0,229	0,233	0,046	4,958	0,000

Source: Processed data, 2025

Based on the results of the mediation test above, it can be seen that interpersonal communication (M) significantly mediates the relationship between entrepreneurial characteristics (X2) and MSME performance (Y) ($T = 7.518$; $P = 0.000$), as well as the relationship between leadership (X1) and MSME performance (Y) ($T = 4.958$; $P = 0.000$). This indicates that the better the interpersonal communication established within the organization, the stronger the influence of leadership and entrepreneurial characteristics on improving MSME performance.

Discussion

The Effect of Leadership on Interpersonal Communication

The results of this study indicate that leadership has a positive and significant effect on interpersonal communication among MSMEs. This finding suggests that the quality of leadership practices implemented by business owners plays a crucial role in shaping effective interpersonal interactions within the organizational environment. Leaders who demonstrate clarity in direction, openness, and supportive behavior tend to foster better communication among employees and stakeholders.

This result is consistent with empirical evidence showing that leadership effectiveness is closely associated with communication quality in small business contexts. Lee and Xia (2021) found that leadership behavior significantly influences communication effectiveness and organizational outcomes in SMEs. Similarly, Hassan and Iqbal (2023) emphasized that leaders who communicate clearly and empathetically are better able to build trust and encourage open interaction, which strengthens interpersonal communication within microenterprises.

Moreover, entrepreneurial leadership studies highlight that leadership in MSMEs requires adaptability and interpersonal sensitivity due to informal organizational structures and close working relationships (Gupta et al., 2022; Beta & Gezahegn, 2025). Therefore, democratic and communicative leadership styles are particularly effective in MSMEs, as they promote participation, mutual understanding, and collaborative communication climates.

The Effect of Entrepreneurial Characteristics on Interpersonal Communication

The findings reveal that entrepreneurial characteristics have a strong and significant effect on interpersonal communication. This indicates that MSME actors who exhibit high levels of innovativeness, proactiveness, and risk-taking tend to demonstrate better interpersonal communication skills.

This result aligns with the argument that entrepreneurial competencies extend beyond strategic orientation and directly influence interpersonal interactions. Baron and Tang (2020) demonstrated that entrepreneurs' social and communication skills play a critical role in translating innovative ideas into effective organizational actions. Similarly, Iqbal and Ahmad (2023) found that interpersonal communication competence enhances coordination and performance in entrepreneurial teams.

Entrepreneurs with strong entrepreneurial characteristics are more likely to articulate ideas clearly, engage stakeholders effectively, and maintain productive relationships within and outside the organization (Zhao et al., 2019; Duangjan, 2025). Consequently, entrepreneurial characteristics not only shape business strategies but also determine the quality of interpersonal communication in MSMEs.

The Effect of Leadership on Business Performance

The analysis shows that leadership has a positive and significant effect on MSME performance. This finding indicates that effective leadership practices directly contribute to improved business outcomes, including productivity, efficiency, and sustainability.

This result is supported by previous empirical studies demonstrating that leadership effectiveness is a key determinant of organizational performance in SMEs. Awotunde (2025) found that leadership styles significantly influence entrepreneurial success, while Tadesse and Chandran (2024) confirmed that adaptive leadership improves SME performance, particularly in emerging markets. In addition, Beta and Gezahegn (2025) emphasized that strong leadership is essential for MSMEs operating in resource-constrained environments.

Although some studies suggest that leadership effects may vary depending on context, this research confirms that in the MSME setting of Telukjambe Timur District, leadership plays a vital role in establishing strategic direction, motivating employees, and improving operational efficiency. Leaders who demonstrate vision, flexibility, and strong interpersonal engagement contribute significantly to business performance improvement.

The Effect of Entrepreneurial Characteristics on Business Performance

The results indicate that entrepreneurial characteristics have a positive and significant effect on MSME performance. This finding highlights that personal entrepreneurial attributes are critical drivers of business success.

Consistent with prior studies, entrepreneurs who possess strong entrepreneurial orientation are better able to innovate, respond to market changes, and sustain competitive advantage (Zhao et al., 2019; Gunawan, 2024). Ayeni (2025) also reported that entrepreneurial abilities positively influence business performance in informal sectors, reinforcing the importance of entrepreneurial mindset in small enterprises.

Furthermore, Mukoffi and As'adi (2021) found that entrepreneurial characteristics enhance MSME performance through improved decision-making and market responsiveness. These findings suggest that business success is not determined solely by capital or technology, but also by the entrepreneur's mindset, skills, and behavioral orientation. Therefore, strengthening entrepreneurial characteristics remains a strategic priority for improving MSME competitiveness.

The Effect of Interpersonal Communication on Business Performance

The findings demonstrate that interpersonal communication has a positive and significant effect on MSME performance. This result indicates that effective communication plays a central role in improving coordination, reducing misunderstandings, and enhancing organizational productivity.

Empirical evidence supports this finding, as effective interpersonal communication has been shown to strengthen trust, collaboration, and performance outcomes in SMEs (Lee & Xia, 2021; Labiba et al., 2025). Hassan and Iqbal (2023) further emphasized that communication effectiveness directly contributes to improved performance by facilitating clearer role expectations and faster problem-solving.

In MSMEs, where interaction intensity is high and organizational structures are informal, interpersonal communication becomes a strategic resource. Therefore, effective communication should be viewed not merely as an operational tool, but as a core capability that directly enhances business performance.

The Mediating Role of Interpersonal Communication between Leadership and Entrepreneurial Characteristics on Business Performance

The results confirm that interpersonal communication serves as a significant mediating variable in the relationship between leadership, entrepreneurial characteristics, and MSME performance. This finding indicates that leadership and entrepreneurial characteristics contribute more effectively to business performance when supported by strong interpersonal communication.

This result is consistent with Ageli and Üstüner (2025), who found that leadership influences performance through intermediate mechanisms that enhance organizational processes. Hassan and Iqbal (2023) also demonstrated that interpersonal communication mediates the relationship between leadership and performance in microenterprises. Furthermore, Baron and Tang (2020) emphasized that entrepreneurial characteristics translate into performance gains only when entrepreneurs possess adequate communication and social skills.

Thus, interpersonal communication functions as a bridging mechanism that aligns leadership vision and entrepreneurial orientation with day-to-day operational practices. Effective communication enables shared understanding, goal alignment, and collaborative execution, ultimately leading to sustainable improvements in MSME performance.

5. Conclusion

This study concludes that leadership and entrepreneurial characteristics play a crucial role in enhancing MSME performance, both directly and indirectly through interpersonal communication. The findings confirm that leadership has a positive effect on interpersonal communication, indicating that open, supportive, and communicative leaders are able to foster harmonious working relationships and improve communication effectiveness within organizations. Entrepreneurial characteristics also positively influence interpersonal communication, as innovative, proactive, and risk-taking entrepreneurs tend to possess stronger communication skills that facilitate relationship building and business collaboration. Furthermore, leadership and entrepreneurial characteristics each have a positive and significant effect on business performance, demonstrating that visionary, adaptive leadership and a strong entrepreneurial mindset contribute to higher productivity, innovation, and competitiveness. Interpersonal communication itself has a direct positive effect on business performance by facilitating coordination, enhancing job satisfaction, and strengthening relationships with customers and business partners. Importantly, this study confirms that interpersonal communication mediates the relationship between leadership, entrepreneurial characteristics, and business performance, indicating that the influence of leadership and entrepreneurship on performance becomes more effective when supported by harmonious and effective communication.

Despite its contributions, this study has several limitations that open avenues for future research. Future studies may expand the scope of analysis by incorporating additional mediating or moderating variables, such as organizational culture, digital capability, innovation orientation, or employee engagement, to provide a more comprehensive understanding of MSME performance drivers. Moreover, future research could employ longitudinal designs to examine

causal relationships over time or comparative studies across regions and industries to enhance generalizability. The use of mixed methods or qualitative approaches may also enrich insights into how leadership, entrepreneurial characteristics, and interpersonal communication interact in different business contexts. These directions are expected to strengthen the theoretical development of MSME management and provide more robust practical implications for policymakers and business practitioners.

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