

DEVELOPMENT OF SUCCESSFUL BUSINESS PERFORMANCE OF WOMEN ENTREPRENEURS IN INDONESIA

ABSTRACT

Aims: Woman entrepreneurs are women who think about business ventures, start them, organize, and combine production factors, operate businesses, and take risks and handle the economic uncertainty involved in running them. This study aimed to determine the effect of Entrepreneurial Leadership and Social Capital on the Innovation Capability and Business performance of women entrepreneurs, as well as the role of Innovation capability as a moderating variable.

Methodology: The population in the study was women MSME owners. The sample was 189 respondents using certain criteria. The questionnaire was a research instrument using an online application to obtain respondent data. Data analysis using SEM PLS.

Results: The results found that entrepreneurial leadership, social capital, and innovation capability affect women entrepreneurs' business performance, and transformational leadership and social capital affect innovation capability. This study also found that Innovation capability can mediate transformational leadership on business performance and mediation between social capital and women's business performance.

Management implications: Innovation plays a vital role in running MSME businesses; Innovation can create competitive advantages.

Keywords: entrepreneurial leadership; social capital; business performance; women entrepreneur; innovation capability

1. INTRODUCTION

The role of women is vital both in the household and the national economy. Indonesia's informal small business sector has proven to be resilient and tends to thrive in the face of economic crises. Women mostly choose the informal sector because of the time flexibility they can take. Female entrepreneurship has been debated for decades as a predictor of entrepreneurship (Dean, Larsen, Ford, & Akram, 2019; W.-S. Lee & Kim, 2019; Neumeyer, Santos, Caetano, & Kalbfleisch, 2019). The emergence of women's micro, small, and medium enterprises (MSMEs) in the informal sector has contributed a lot to the development of a country, especially in developing countries (Mintah & Darkwah, 2018). The national economy in Indonesia shows that SME activities are consistent and able to grow. Seeing this phenomenon, it is necessary to consider the steps to be taken so that the business performance of SMEs managed by women can survive and develop. Performance improvement can involve marketing to retain consumers, increase sales volume, and market expansion (Murphy, Huggins, & Thompson, 2015). Improved business performance can be influenced by social capital because developing networks and strengthening relationships will create trust and norms in equalizing the vision and mission of the business (Afriyie, Du, & Ibn Musah, 2019; Kim & Shim, 2018). Social capital is essential for companies to incorporate new resources, skills, and tools for learning (Adler & Kwon, 2002). Social capital owned by SMEs is a feature of social network life, norms, and beliefs that enable SME

organization members to act together to achieve common goals more effectively (Ozigi, 2018). According to Chang et al., (2011) 'social capital is "an important resource for individuals and can greatly influence their ability to act and the quality of life they feel."

The performance of SMEs is not only influenced by social capital factors but also highly dependent on entrepreneurial characteristics and competencies, such as leadership skills, managerial and networking skills, technological capabilities, and entrepreneurial education level (Lateh, Hussain, & Abdullah, 2018). Leadership as entrepreneurial behavior is crucial because it has the potential to recognize values and various aspects related to organizational sustainability, such as encouraging innovation and adapting to environmental changes (Renko, El tarabishy, Carsrud, & Brännback, 2015). According to Fontana & Musa (2017), entrepreneurial leadership is "the process of sharing a goal about the future possibilities an organization can exploit to maintain competitiveness." The performance of SMEs is not only influenced by social capital factors but also highly dependent on entrepreneurial characteristics and competencies, such as leadership skills, managerial and networking skills, technological capabilities, and entrepreneurial education level (Lateh et al., 2018). Leadership as entrepreneurial behavior is essential because it has the potential to recognize values and various aspects related to organizational sustainability, such as encouraging innovation and adapting to environmental changes (Renko et al., 2015). According to Fontana & Musa (2017), entrepreneurial leadership is "the process of sharing a goal about the future possibilities an organization can exploit to maintain competitiveness." Entrepreneurial leadership focuses more decisively than transformational leadership on developing employees' behaviors to generate creative ideas and practices and directing them to innovative activities (Xie, Zou, & Qi, 2018), which has an established positive effect on organizational innovation (Chen, Wang, Lin, & Chang, 2018). In addition to gathering resources, entrepreneurial leaders have developed innovation strategies, processes, and skills to capitalize on innovative opportunities and structure organizations to ensure they are ready to implement them (J. L. Huang, Ryan, Zabel, & Palmer, 2014). Thus, entrepreneurial leadership exhibits more critical behaviors than other leadership styles in driving organizational innovation in a changing environment (Fontana & Musa, 2017; R. Lee, Lee, & Garrett, 2019).

SMEs in Indonesia can help create a competitive advantage, so strategy is needed so that companies can compete in a dynamic environment. One way to make this happen is through innovation. Implementing innovative activities to change or update the inventory of tangible and intangible assets or competencies obtained through learning is a significant element of innovation capability (Calantone, Cavusgil, & Zhao, 2002). According to Saunila et al., (2014), Innovation capability is "the ability to apply creativity to solve problems and opportunities to improve performance." Research studies related to innovation capability on performance have been conducted by Bowen et al., (2010) and Saunila et al., (2014); these research studies indicate that the potential for innovation capability positively impacts business results, especially on the company's financial performance.

Study results by Jafri et al., (2014) and Q. Huang et al., (2017) show that social capital significantly influences innovation capability. Other research studies that promote the relationship between entrepreneurial leadership and innovation capability include a research study conducted by Fontana & Musa (2017), where they measured how the impact of entrepreneurial leadership is formed from several aspects of measurement, namely strategy, communication, motivation and personal/organizational on the company's business innovation. Several studies have shared the view that the success of informal small businesses, including in the marketing sphere, is influenced by social capital and innovation (Kebede, 2018; Torres, Marshall, & Sydnor, 2019).

Social capital is a fundamental resource for women to become entrepreneurs, making their marketing patterns easier (Nguyen, Do, Vu, Dang, & Nguyen, 2019). Social capital cannot increase sales and produce good marketing performance (Farida, 2017; Subramony, Segers, Chadwick, & Shyamsunder, 2018). The research described above has gaps in the influence of social capital on marketing performance, and the adoption of innovations only sometimes has positive results in improving marketing performance.

Research studies on entrepreneurial leadership show results where entrepreneurial leadership is measured through several indicators of vision, innovation ability, risk-taking, and proactive attitude that positively affect business performance (Mgeni, 2015). However, in another study by Jagdale & Bhola (2014) and Zainol et al., (2018), the findings show that entrepreneurial leadership only partially impacts organizational performance. Based on business problems in SMEs in Indonesia and several empirical studies related to existing problems, this study aims to explain innovation capability's role in mediating entrepreneurial leadership and social capital on SME business performance.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Entrepreneurial Leadership and Business Performance

Business performance is a company's effort to identify and meet consumer needs and tastes (Leal Rodríguez & Albort-Morant, 2016). Business performance is a company's effort to identify and meet consumer needs and tastes. It can be viewed as a concept used to measure the extent to which market performance can be achieved by a product that has been produced (Smith, 2017). Furthermore, entrepreneurial leadership focuses on ideas and concepts usually related to problems, which tend to be associated with individual behaviors such as problem-solving, decision-making, strategic initiatives, vision, and risk-taking. Fontana & Musa, (2017) state that entrepreneurial leadership is the process of sharing a goal about the possibility of an organization in the future that can be exploited to maintain its competitiveness. In addition, in the context of influencing others towards a goal through effective communication, recognize every opportunity. Mokhber et al., (2016) suggest that entrepreneurial leadership is a meeting between leadership and entrepreneurship. The characteristics of a leader's followers in demonstrating entrepreneurial behavior are one of the success factors of entrepreneurial leadership. Good entrepreneurial leadership can also improve company performance. The results of research conducted by Mgeni (2015), Jagdale & Bhola (2014) show a strong positive relationship between entrepreneurial leadership and SME business performance, in the sense that the better entrepreneurial leadership possessed by SMEs can further encourage the improvement of SME performance.

H1: Entrepreneurial Leadership affects the business performance of women entrepreneurs.

2.2 Social capital and business performance of women entrepreneurs

The company's business performance highly depends on the internal and external social capital it has and develops (Ferdinand & Fitriani, 2015). Social capital arises from interactions between people in a community. The person who was first considered to study social capital was Pierre Bourdieu in 1986, suggesting that to understand the structure and functioning of the social world, it is necessary to discuss capital in all its forms; it is not enough to discuss capital as known in economic theory. The social capital theory was systematically introduced by Nahapiet & Ghoshal (1998), that social capital is a resource inherent in social relations. Meanwhile, according to Prusak & Cohen (2001), social capital is a bond over relationships through trust, mutual understanding and shared values that bind

group members to carry out joint activities effectively and efficiently. According to Walenta (2019), the main essence of social capital is togetherness and close relationships with fellow business partners, customers, and related stakeholders. It is further explained that strong social capital positively affects company performance; the better the social capital, the better the company's performance (Akintimehin et al., 2019). The results of a different study conducted by Subramony et al., 2018 show that social capital cannot increase sales and generate marketing performance.

H2: Social Capital affects business performance

2.3 Entrepreneurial Leadership and Innovation Capability

Entrepreneurial leaders take a leading role in stimulating and facilitating innovation and in identifying potential opportunities. Innovation can be considered an organizational capability because it brings together existing resource capabilities with new capabilities to create value (Saunila et al., 2014). Process innovation that is closely related to operational and distribution reforms in order to gain efficiency allows SMEs to obtain superior performance (Pusung et al., 2023). Therefore, developing innovation capabilities is critical as innovation plays a key role in organizational survival and growth (Francis and Bessant, 2005, (Saunila et al., 2014). According to Saunila et al., (2014) Capability' innovation capability is the potential to make this practice, with an orientation towards innovation. Innovation can be considered an organizational capability because it brings together existing resource capabilities with new capabilities to create value. In the current era of uncertainty, SMEs with entrepreneurial leaders can quickly execute corporate strategies through sustainable business innovation. Organizational innovation in question is entrepreneurship responsive to the latest technology, creating production methods that align with market demands and organizational creativity in the growth of productive and effective business organizations (Fontana & Musa, 2017). This follows the research of Shin & Zhou (2007) and Bagheri (2017), who found a positive influence between leadership and organizational innovation in the SME sector.

H3: Entrepreneurial Leadership affects Innovation Capability

2.4 Social Capital and Innovation Capability

Social capital is important for companies to incorporate new resources, skills, and tools for learning (Adler & Kwon, 2002). Meanwhile, according to Prusak & Cohen (2001), social capital is a bond over the relationship through trust, mutual understanding and shared values that bind group members to carry out joint activities effectively and efficiently. Social capital owned by SMEs is a feature of social network life, norms, and beliefs that allow SME organization members to act together to achieve common goals and create innovation more effectively. If others can learn an innovation, it shows that there is information between other individuals. Innovation has found a more important role in the evolution of social and economic structures than the modern economy, which some studies consider an innovation-based economy (Aujirpongpan&Hareebin, 2020; Zhu, Hao, Lu, Wu, & Ran, 2019). According to Saunila et al., (2014), capability' innovation capability is the potential to make this practice, with an orientation towards innovation. Innovation can be considered an organizational capability because it combines existing resource capabilities with new capabilities to create value. The positive effect of social capital on business innovation capabilities also shows that social ties and networks encourage innovation and improve the innovative capabilities of companies. The research results of Jafri et al., (2014) and Q. Huang et al., (2017) Show that social capital has an important positive influence on innovation capabilities.

H4: Social Capital affects Innovation Capability

2.5 Innovation Capability and Business Performance

Increased innovation capability will help individuals overcome problems at work so that the quality and quantity of work can improve. Innovation capability is a company capability that is very important in a turbulent business environment. Innovation ability can improve company performance (Hilman & Kaliappen, 2015). According to Maldonado-Guzmán et al., (2020), process innovation can improve business performance positively and significantly. Business organizations with high innovation capabilities can help companies respond quickly to existing business opportunities. They can use new products and market opportunities compared to non-innovative business organizations. If marketing innovation is carried out, business performance will also increase (Bowen et al., 2010). Setini et al., (2020) reveal that innovation capability is important for improving performance and increasing firm value. The following hypothesis can be formulated based on the results of existing empirical studies.

H5: Innovation Capability affects the business performance of women entrepreneurs.

2.6 The mediating role of innovation capability

Innovation capability must be considered and developed in companies, including SMEs. If SMEs can develop innovation capabilities, there will be many performance improvements, such as sales turnover, market share control, and increased business profits. Social capital will increase the company's innovation capacity so that it affects the improvement of the performance of small and medium enterprises, and the company's innovation capacity acts as a total mediation between the influence of social capital on company performance. Good entrepreneurial leadership can increase the company's innovation capability so that it ultimately has an impact on improving the business performance of SMEs, and the company's innovation capability acts as a full mediation between the influence of leadership on business performance. In addition (Lawson & Samson, 2001), Innovation enables businesses to take the lead in improving performance and securing the future of SMEs. Furthermore, research of Huhtala et al., (2014) also found results where innovation capabilities play a role in mediating the influence between market orientation and business performance. Bagheri's research (2017) found a positive influence between leadership and organizational innovation in the SME sector.

H6. Innovation capability mediates the relationship between entrepreneurial leadership and business performance.

H7. Innovation capability mediates the relationship between social capital and performance

3. METHOD

This research used quantitative methods by borrowing the principles of positivism. Namely testing data and theories through hypothesis testing and examining whether Entrepreneurial Leadership, Social Capital, and Innovation Capability support or inhibit women entrepreneurs' business performance in Surabaya, Indonesia.

The population of MSMEs run by women in the informal fashion and craft sector in Surabaya, Indonesia, and the sample amounted to 189 respondents. The sampling technique used purposive sampling. The structured data collection technique in this study used a pre-prepared online questionnaire with a Likert scale to measure the variables of entrepreneurial leadership, social capital, innovation capability, and business performance;

All respondents were given a questionnaire containing closed-ended statements. In particular, entrepreneurial leadership is measured by four indicators Tarabishy et al., (2005), and Social Capital is measured by 3 Indicators developed by H. H. Chang & Chuang (2011), Muniady et al., (2015); Kim & Shim (2018). namely trust, norms and networks. Innovation capability is measured by 3 (indicators developed by Kasim & Noh (2012): Innovativeness, Capacity to innovate, and Willingness to Change. Furthermore, Business Performance This variable is measured by five indicators developed by Voss & Voss, (2000), O'sullivan& Abela, (2007), and Laily et al., (2022): sales turnover, number of customers, profits, sales growth, competitive markets, and consumer attitudes.

Data analysis used variance-based structural equation modeling with a partial least squares approach. Partial least squares approach (SEM-PLS) (Hair, Hult, Ringle, & Sarstedt, 2017) with WarpsPLS 7.0 (Kock, 2020)

3. RESULTS AND DISCUSSION

3.1 Respondent Overview

The characteristics of respondents are based on the length of the respondent's business; the majority have a business that has been running for four years, 49% of respondents, followed by respondents whose business has been running for five years, 13%. Characteristics of respondents based on age, the majority of respondents or entrepreneurial women have aged 26-35 years with 50% of respondents, ages 36 - 45 years with 23%. Characteristics based on education, the majority of female entrepreneurial respondents are a Bachelor's degree, with a total of 50%, 24% high school education, 21% diploma education and 5% junior high school education. These results indicate that respondents can answer the questions in the questionnaire.

3.2 Measurement model

Regarding internal consistency, all measurement model variables have a high internal feeling. AVE and CR have values of 0.5 and 0.70, consequently exceeding the recommended 0.70 (Hair et al., 2017). Each variable has a Cronbach's alpha value exceeding the recommended value of 0.70 (Ghozali& Latan, 2015). These results provide good convergent validity to ensure the communality of each indicator and scale (Hair et al., 2017).

Based on the table, the AVE value ≥ 0.6 is obtained. So that all variables used in the study have convergent validity parameters that are feasible to use. The analysis results in Table 4 above show that Cronbach's alpha and composite reliability values of each latent variable have a value of more than 0.5. This shows that each indicator is reliable and has accuracy, consistency, and accuracy in measuring latent variables.

3.3 Validity and Reliability

Furthermore, table 5 manifests each construct's composite reliability (CR) that falls within acceptable standards (Hair et al., 2017). Composite reliability reflects the internal consistency of items used instead of or similar to Cronbach's Alpha (Netemeyer, Bearden, & Sharma, 2003) which explains the sum of the true score and the variance of the total scale score (Brunner & SÜß, 2005). Furthermore, the average variance extract (AVE) value is also shown in Table 2. AVE indicates convergent validity where the value must exceed 0.50 (Hair et al., 2017). Convergent validity is the confidence level in how well a construct is measured

by its indicators (Carlson & Herdman, 2012). Based on the analysis, the AVE value for the main constructs focused on in this study is more than 0.50, which can be considered

Table 1. Validity and Reliability Construct

	Cronbach's Alpha	Rho_A	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Leadership	0.914	0.917	0.936	0.745
Innovation Capability	0.920	0.923	0.937	0.714
Social Capital	0.865	0.868	0.903	0.651
The Success of Women Entrepreneur	0.897	0.909	0.922	0.644

3.4 Evaluation of Structural Model

Table 2. Determination Coefficient (R²)

	R. Square	Adjusted R Square
Innovation Capability	0.548	0.543
The Success of Women Entrepreneur	0.736	0.732

Table 2 shows the coefficient of determination (R²). Referring to the criteria recommended by Sarstedt et al., (2017), all variables have moderate predictive ability because the R² value is smaller than 0.75 and more significant than 0.50. The R² value of 54.8% means that the diversity of innovation capability variable values can be explained by Entrepreneurial leadership and social capital by 54.8%. The rest can be explained by other variables not included in the model. The R² value of 73.6% means that the diversity of the variable's value the success of women entrepreneurs can be explained by entrepreneurial leadership, social capital, and innovation capability by 73.6%, while the rest can be explained by other variables not included in the model.

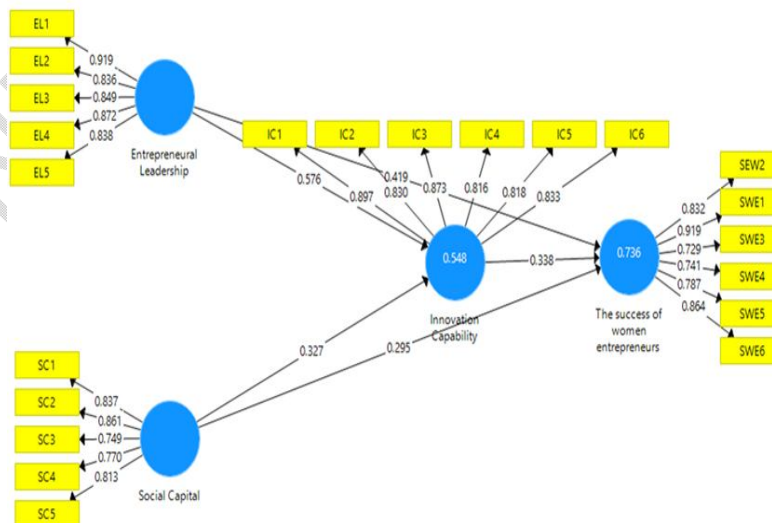


Figure 1. PLS SEM MODEL

Table 3. The results of PLS-SEM analyses

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistic	P Values
Entrepreneurial Leadership -> The success of women entrepreneurs	0.419	0.416	0.053	7.856	0.000
Social Capital -> The success of women entrepreneurs	0.295	0.295	0.050	5.903	0.000
Entrepreneurial Leadership -> Innovation Capability	0.576	0.576	0.048	11.977	0.000
Social Capital -> Innovation Capability	0.327	0.328	0.060	5.438	0.000
Innovation Capability -> The success of women entrepreneurs	0.338	0.339	0.059	5.759	0.000
Mediation effect					
Entrepreneurial Leadership -> Innovation Capability -> The success of women entrepreneurs	0.195	0.195	0.040	4.892	0.000
Social Capital -> Innovation Capability -> The success of women entrepreneurs	0.110	0.111	0.027	4.121	0.000

Based on Table. 3, the interpretation of each path coefficient is as follows: entrepreneurial leadership positively affects women entrepreneurs' business performance with a p-value of 0.000, so hypothesis 1 is accepted. Social capital positively affects women entrepreneurs' business performance with a p-value of 0.000, so hypothesis 2 is accepted. Entrepreneurial leadership positively affects the innovation capability of women entrepreneurs, and the p-value is 0.000, so hypothesis 3 is accepted. Social capital has a positive effect on the innovation capability of women entrepreneurs and a p-value of 0.000, so hypothesis 4 is accepted. Innovation capability has a positive effect on the business performance of entrepreneurial women, and the p-value is 0.000, so hypothesis 5 is accepted. A bootstrapping approach is used to analyze the mediating function of Innovation capability (Preacher & Hayes, 2004). It tests the 6th Hypothesis (sixth) indirect effect of entrepreneurial leadership on women entrepreneurs' business performance through innovation capability. The p-value of 0.00 can be concluded that Innovation capability can mediate the effect of transformational leadership on business performance, so the 6th hypothesis is accepted. It tested the seventh hypothesis of social capital leadership's indirect effect on entrepreneurial women's business performance through innovation capability. The p-value of 0.00 can be concluded that Innovation capability can mediate the effect of entrepreneurial leadership on business performance, so hypothesis 7 is accepted.

Discussion

The results of hypothesis testing show that entrepreneurial leadership affects the business performance of women entrepreneurs. These results indicate that women running their business businesses use entrepreneurial leadership that pays attention and is directly involved in business activities, including helping their employees increase SME sales. Entrepreneurial leadership has many similarities with transformational leadership, where leaders promote higher performance by appealing to the higher needs of followers.

However, the ability of entrepreneurial leaders to promote such performance is set in the context of the company needing to adapt to the possibilities of the emerging environment. Therefore, entrepreneurial leadership's fundamental challenge is creating followers' willingness to make creative entrepreneurial activities (Lajin, Zainol, & Anwar, 2015). This means that women entrepreneurs in leading reflect that they can encourage their work team to deepen and master skills that encourage SME businesses in Indonesia to grow and increase sales. Women entrepreneurs have confidence in running their businesses, producing extraordinary outputs, and surviving in the face of environmental changes that can improve performance. Entrepreneurial leadership helps employees to embrace the future by inspiring confidence in their business goals. In addition, entrepreneurial leadership allows leaders to increase creativity, innovation, and performance (Chahal, 2013). These results align with the study of Lajin et al., (2015) that entrepreneurial leadership affects performance. Research by Purwati et al., (2021) found that entrepreneurial leadership by young people in recent years has successfully encouraged and increased competition for economic development in the region. Entrepreneurial leadership among young people is rarely explored; policies and programs are often made for one size fits all. Business (today) is no longer synonymous with businesses run by mature people with all the capabilities and skills to support the business. The results of this study follow the results of research studies by Mgeni (2015), Matzler et al., (2008), and Jagdale & Bhola (2014), which show a strong positive relationship between entrepreneurial leadership and SME business performance in the sense that the better the entrepreneurial leadership possessed by SMEs, the more it will be able to encourage the improvement of SME performance.

The results of testing hypothesis two show the effect of social capital on the business performance of women entrepreneurs. Social capital owned by women entrepreneurs in Indonesia is a feature of the life of social networks, norms, and beliefs that allow SME organizations to act together to achieve common goals. As one of the factors affecting SME business performance, social capital in business refers to social encounters with various technological, political, bureaucratic, and cultural elites referred to (Narayan et al., 2002; Ozigi, 2018; Saha & Banerjee, 2015). Social capital is essential for companies to incorporate new resources, skills, and tools for learning (Adler & Kwon, 2002). Research studies conducted by Oliveira (2013) and Vosta&Jalilvand (2014) examined the effect of social capital measured from 3 aspects: cognitive, relational, and structural, and its effect on business performance measured through financial and non-financial. This study found that entrepreneurial leadership affects the ability to innovate.

The results of this study indicate that Entrepreneurial Leadership has a positive effect on Innovation Capability. The development of technology, which currently plays a vital role in business competition, requires SMEs also to be able to utilize technology to take market opportunities and competition. For this reason, entrepreneurial leadership carried out by women in Indonesia, the majority of which are led by the younger generation who also have a bachelor's level education, is a positive thing that can support these SMEs to innovate. Young women and educated leaders today have more capabilities in terms of technology because they are a generation born in the millennial era. It positively impacts SMEs in Indonesia, which in this study, on average, already use technology in their activities. Some of the application technologies that entrepreneurial women can use include electronic devices, such as e-business, email, websites, e-commerce, and technology in R&D and production activities. SMEs with entrepreneurial-oriented women leaders can quickly execute corporate strategies in a sustainable business innovation manner. The organizational innovation in question is entrepreneurship that is responsive to the latest technology, creating production methods more aligned with market demands, and organizational creativity in the productive and effective growth of business organizations

(Fontana & Musa, 2017). It follows Bagheri's (2017) research study, which found a positive influence between leadership and organizational innovation in the SME sector.

The study also found that social capital significantly affects innovation capability. In this case, this relationship means that strong social SMEs can improve their innovation capability. The innovative development of the environment can be defined as the effect of social capital (Dakhli & De Clercq, 2004). It implies that businesses do not innovate in isolation but require contact with their environment. Social capital in the form of formal and informal networks is significant in supporting the innovation of a company; First, innovation relies heavily on knowledge distribution, especially at high levels of technology, where knowledge is exact. Networks consist of ties between people within and between businesses. These bonds enable, assist, and accelerate information exchange and minimize information search costs. Second, there is the synergistic impact of networks, which bring together complementary concepts, expertise, and finance. Networks connect different ideas and creative thinking. Moreover, networks not only facilitate innovation itself but also assist and accelerate the diffusion of innovation (Abrahamson & Rosenkopf, 1997). This finding is in line with research studies by Jafri et al., (2014), Harjanti & Noerchoidah (2017), Q. Huang et al., (2017), and Purwati et al., (2021), which show that social capital measured in terms of relational, cognitive, and structural has a significant positive effect on innovation ability.

Furthermore, Innovation Capability positively affects the business performance of women entrepreneurs. It shows that innovation capability is vital in influencing women entrepreneurs' business performance. SMEs managed by women entrepreneurs can improve their financial and non-financially performance by developing innovation capabilities to create new products and processes that are more innovative than competitors. Innovation is an essential determinant of SME business performance in facing the current era of competition (Calantone et al., 2002). The innovation capability of women entrepreneurs in Indonesia, which in this study is measured through learning ability, sources of innovation, technological efforts, and organizational culture that refers to continuous improvement, involvement of external parties, and support from other institutions, is classified as good and on average has been applied by SMEs in Indonesia. Women Entrepreneurs in Indonesia, in terms of increasing innovation capabilities, have implemented innovative ways in their business processes which include strategies in determining the quality of production raw materials, production processes that already use technological machines, connecting with external parties in terms of increasing new knowledge, and also forming an organizational culture by always making continuous improvements. Business organizations with high innovation capabilities can help companies respond quickly to existing business opportunities. They can use new products and market opportunities compared to non-innovative business organizations. Through innovation activities carried out by the company, even in challenging competition, the company will remain able to provide new ideas and flexibility in running/operating small and medium sector businesses. It is intended to minimize the impact of problems and risks faced by SMEs due to intense business competition. The results of this study are in line with the results of research studies by Calantone et al., (2002), Valencia et al., (2011), and Bowen et al., (2010), which reveal that capability innovation is an essential condition for improving performance and increasing firm value.

In addition, this study shows that social capital indirectly impacts business success mediated by innovation capability. It means that good social capital will increase the firm's innovation capacity to improve the performance of small and medium enterprises - and the firm's capacity for innovation acts as a total mediation between the effect of social capital on firm performance. Ultimately, the innovation capacity created by the social capital of women entrepreneurs in Surabaya affects increasing the efficiency of SMEs. Innovative businesses

have higher efficiency and results than businesses that do not innovate (Cainelli, Evangelista, & Savona, 2004). SME sector businesses that can utilize all the resources owned by the company will more easily find existing innovations for product innovation, process innovation, and administrative innovation (Rajapathirana & Hui, 2018). Social capital is generally dynamic to create innovation for women entrepreneurs and further impact improving the financial and non-financial performance of women entrepreneurs' businesses. Huhtala et al.'s research (2014) also found that innovation capabilities mediate the influence between market orientation and business performance. Furthermore, innovation capability can mediate entrepreneurial leadership on business performance. It means that good entrepreneurial leadership can improve the company's innovation capabilities so that, in the end, it impacts the business performance of women entrepreneurs, and the company's innovation capability acts as a complete mediation between the two effects of entrepreneurial leadership on business performance. The primary strategy that should be emphasized in the SME business is creating added value for competitive advantage through resource creation and organizational innovation capabilities. Women entrepreneurs in Indonesia as business leaders have a proactive, innovative, and risk-taking attitude based on the results obtained from the respondents' responses given. It can become an asset for the company in developing its innovation capabilities. Innovation capabilities that result in improved business performance are supported by solid mainstream consistency, performance capabilities, speed, and versatility (Lawson & Samson, 2001). Innovation can help position the company for business.

4. CONCLUSION

This study found that entrepreneurial leadership and social capital have significant direct effects on the business performance of SMEs in Indonesia. The study found that innovation capability can mediate the relationship between social capital, entrepreneurial leadership, and business performance. The role of innovation capability in the relationship between social capital, entrepreneurial leadership, and business performance shows that social capital is an essential capital for SMEs in Indonesia's culinary and hospitality sector, where this capital acts as a determinant of the firm's innovation capability. Women entrepreneurs' leadership plays a vital role through its ability to improve SMEs' financial and non-financial performance. Through proactivity, risk-taking, innovation, and ethics, entrepreneurial leadership can drive innovation in SME organizations.

However, the research results have yet to find a relationship between business performance and business continuity because competitive advantage aims for the company to continue to grow and maintain survival in competition. Therefore, further research can investigate and explain the relationship between strategies to improve the business performance of SME sector companies.

Limitations. The location of this study is only in a part of the western region of Indonesia, so it only partially describes women entrepreneurs in Indonesia. This study has a limited number of respondents; however, the results of this study can provide significance in determining the success model of women entrepreneurs in Indonesia. Furthermore, for future research, it can also be suggested to increase the number of respondents in all provinces in Indonesia and use mixed method research (quantitative and qualitative approaches) to get more accurate and precise results. In addition, the research findings can generally be applied to mobile communication.

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