

The Impact of Entrepreneurial Leadership on MSME Performance with Innovation Process and Innovation Performance as Intervening Variable in MSME Assisted by the Lamongan Regency Cooperative Office

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Abstract

The purpose of this study was to test and analyze the effect of EL on MSME performance with the innovation process and innovation performance as intervening variables. This research is causality research with a quantitative approach study involving 52 MSME owners who were assisted by the Lamongan Regency Cooperative Office. The sampling technique used two-stage cluster sampling with a total of 42 respondents. The statistical analysis used in this research is SEM PLS with the help of SmartPLS 4.0 software. The result of the analysis obtained from this study indicates that EL has a positive and significant effect on MSME performance. EL has a negative and non-significant effect on the innovation process. EL has a positive and significant effect on innovation performance. The innovation process has a positive and non-significant effect on MSME performance. Innovation performance has a positive and significant effect on MSME performance. The innovation process in this study has not been able to mediate the effect of EL and MSME performance. Innovation performance in this study has been able to mediate the effect of EL and MSME performance. The research implies that Lamongan Regency Cooperative Service should focus on improving the innovation process aspect to better support the performance of MSMEs.

Keywords: Entrepreneurial Leadership, MSME Performance, Innovation Process, Innovation Performance

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1. Introduction

According to the official report of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, the country has experienced continuous economic growth since August 5, 2022 (ekon.go.id, 2022). This growth is attributed to increased globalization, which

has intensified competition among businesses (Septiani & Dana 2019). To stay competitive, companies need to focus on improving their performance by developing high-performing human resources (Wardhani & Agustina (2012); Pawirosumarto et al (2017)). The performance of human resources is crucial for achieving superior satisfaction compared to competitors and reflecting the company's productivity level (Kottler (2005); Akbar (2018)). Effective human resource management plays a vital role in achieving company objectives and enhancing organizational performance (Djuwita (2011); Anggriani & Kistyanto (2021)). Leadership, particularly entrepreneurial leadership, characterized by strategic thinking and adaptability, plays a crucial role in improving organizational performance and achieving goals (Kuratko, 2007).

However, MSME owners in the food sector in Lamongan Regency have not fully implemented indicators of entrepreneurial leadership. Interviews with Mr. Eko Syafii Zamroni, representing MSME Lamongan Regency Cooperative Office, revealed that MSME owners in the food sector have only partially embraced indicators of entrepreneurial leadership. Innovation has been implemented, while indicators of independence, proactiveness, aggressiveness, and risk-taking ability have not been fully embraced in Lamongan Regency that while some aspects of innovation are present, other indicators such as independence, proactiveness, aggressiveness, and risk-taking ability are not fully embraced. To validate these findings, Mr. Didik, the owner of Arjuna Bakery, was interviewed. Arjuna Bakery, established in 2009, has achieved success in selling over 120,000 bakery boxes annually, with a daily production capacity of approximately 500 boxes. Mr. Didik implemented two indicators of entrepreneurial leadership in his business, namely proactiveness and risk-taking ability, but the aspects of innovativeness, aggressiveness, and independence were not fully optimized. This highlights the need to intensify innovation efforts and implement entrepreneurial leadership indicators to enhance the business performance of MSME owners in Lamongan Regency.

1.1. The Effect of Entrepreneurial Leadership on MSME Performance

Entrepreneurs possess key characteristics that enable them to effectively manage and navigate uncertainties within the business environment (Rahim et al, 2015). These characteristics facilitate company progress and align with Kuratko (2007) view that leaders should be able to establish and implement the company's vision, think strategically, and adapt to drive positive changes. The implementation of entrepreneurial leadership style supports the utilization of these characteristics (Gupta et al, 2004). Entrepreneurial leadership style influences individuals to identify and leverage existing opportunities, leading to goal attainment and organizational competitiveness (Anggriani & Kistyanto (2021); Musa (2017)). Selden & Sowa (2004) further note that entrepreneurial leadership positively impacts organizational performance through the leader's ability to recognize opportunities for goal achievement. Empirical evidence confirms the relationship between entrepreneurial leadership and organizational performance. Previous studies have consistently shown that entrepreneurial leadership plays a significant role in organizational success (Covin & Slevin (1991); Mgeni & Nayak (2015); Rahim et al (2015)). Kautsar et al (2020) additionally highlight the positive correlation between entrepreneurial leadership and

business performance. However, Fatoni et al (2021) present contrasting findings, suggesting no influence of entrepreneurial leadership on organizational performance.

Based on the description above, the first hypothesis proposed is as follows:

H1: Entrepreneurial leadership has a positive effect on MSME performance

1.2. The Effect of Entrepreneurial Leadership on Innovation Process

Entrepreneurial leadership plays a crucial role in driving innovation capacity and achieving organizational goals (Yusnita & Wahyudin (2017); Cholifah (2022)). By fostering the development of innovative ideas, companies can differentiate their products, attract consumers, and gain a competitive advantage (Wening (2012); Rahayu et al (2018)). Process innovation, in addition to product innovation, creates opportunities for new product creation (Markman et al, 2004). Implementing entrepreneurial leadership in the innovation process enables organizations to thrive in uncertain environments, generate various innovations, and gain a competitive edge (Gupta et al, 2004). Empirical evidence supports the positive impact of entrepreneurial leadership on the innovation process (Musa (2017); Indawati et al (2018)), and (Sugianto & Sutanto (2013); Fatoni et al (2021)) suggest no significant influence of entrepreneurial leadership on innovation process.

Based on the description above, the second hypothesis proposed is as follows:

H2: Entrepreneurial leadership has a positive effect on innovation process

1.3. The Effect of Entrepreneurial Leadership on Innovation Performance

Entrepreneurial leadership is instrumental in combining innovation performance with the utilization of opportunities, profitability, and survival in dynamic environments (Ireland et al, 2003). By effectively managing business resources and exploiting advantageous opportunities, entrepreneurial leaders stimulate creativity among subordinates, leading to new business innovations and a competitive edge (Bagheri (2017); Cai et al (2019); Teece et al (1997)). Empirical evidence supports the positive relationship between entrepreneurial leadership and innovation performance (Ireland et al (2003); Utoyo et al (2019); Yu et al (2020); Rehman et al (2021)).

Based on the description above, the third hypothesis proposed is as follows:

H3: Entrepreneurial leadership has a positive effect on innovation performance

1.4. The Effect of Innovation Process on MSME Performance

Innovation plays a crucial role in influencing organizational performance and shaping a company's future market presence organisasi (Anggriani & Kistyanto (2021); Hasna (2020); Lawson & Samson (2001)). Through the innovation process, organizations can generate novel ideas and significant changes that benefit stakeholders, including consumers, thereby enhancing value and performance (O'Sullivan & Dooley, 2009). Modern technology is often employed strategically in the innovation process to create new technologies (Baldwin, 1999). Empirical evidence supports the positive influence of the innovation process on organizational performance, as indicated by studies such as Vitaloka (2020), Hasna (2020), and Ulfa et al (2021), while Saraswati & Widiartanto (2016) and Susdiani (2020) found no significant relationship between the innovation process and organizational performance.

Based on the description above, the fourth hypothesis proposed is as follows:

H4: Innovation process has a positive effect on MSME performance

1.5. The Effect of Innovation Performance on MSME Performance

The implementation of innovation performance is vital for developing business strategies, enhancing competitiveness, and improving overall company performance (Gerald et al, 2015). Complex innovation strategies provide companies with a competitive advantage by utilizing and developing knowledge and skills to add value to their products (Karlsson & Tavassoli (2015); Widjaja & Widi (2020)). Effective utilization of innovation performance is particularly beneficial for micro, small, and medium enterprises (MSME) (Sofyan, 2017). Empirical evidence supports the positive impact of innovation performance on MSME performance (Sofyan (2017); Tutar et al (2015)). Furthermore, Zehir et al (2015) found that innovation performance positively affects a company's financial performance.

Based on the description above, the fifth hypothesis proposed is as follows:

H5: Innovation performance has a positive effect on MSME performance

1.6. The Effect of Entrepreneurial Leadership on MSME Performance Through Innovation Process

Innovation involves generating new ideas and identifying opportunities, which is crucial for companies to compete in the market (Robbins & Coulter (2010); Babkin et al (2015)). Effective marketing plays a vital role in implementing innovation, encompassing promotion and delivering products or services (Robinson, 2011). Innovation also acts as a mediator between entrepreneurial leadership and the performance of micro, small, and medium enterprises (MSME), enabling organizations to achieve their goals (Jalali et al (2014); Selden & Sowa (2004)). While previous research by Darmanstra (2023) supports the significant impact of entrepreneurial leadership on MSME performance through innovation, contrasting findings from Fatoni et al (2021) and Anggriani & Kistyanto (2021) suggest that entrepreneurial leadership's direct effect on performance is not significant when mediated by innovation.

Based on the description above, the sixth hypothesis proposed is as follows:

H6: Innovation process mediates the effect of entrepreneurial leadership on MSME performance

1.7. The Effect Entrepreneurial Leadership on MSME Performance Through Innovation Performance

The implementation of innovation performance supports the achievement of organizational goals and targets (Gerald et al, 2015). It involves formulating complex innovation strategies to gain a competitive advantage (Karlsson & Tavassoli, 2015). These strategies are implemented through entrepreneurial leadership, which emphasizes the utilization of opportunities and pursuit of profits (Bagheri, 2017). Consequently, the implementation of innovation performance influences entrepreneurial leadership and the performance of micro, small, and medium enterprises (MSME) Hanif et al (2022).

Based on the description above, the seventh hypothesis proposed is as follows:

H7: Innovation performance mediates the effect of entrepreneurial leadership on MSME performance.

2. Research Method

2.1. Research Objects

The object of this research is the owner of MSMEs assisted by the Lamongan Regency Cooperative Service. The population used was the owner of MSMEs assisted by the

Lamongan Regency Cooperative Office of 52 MSME owners and the size of the sample collected was 42 respondents. The sampling technique in this study used two stage cluster sampling.

2.2. Data Sources and Types

This study uses primary data obtained from the primary source. The primary source comes from the owners of MSMEs assisted by the Lamongan Regency Cooperative Office. This study used a questionnaire distributed to MSME owners assisted by the Lamongan Regency Cooperative Office.

2.3. Operational Definition and Variable Measurement

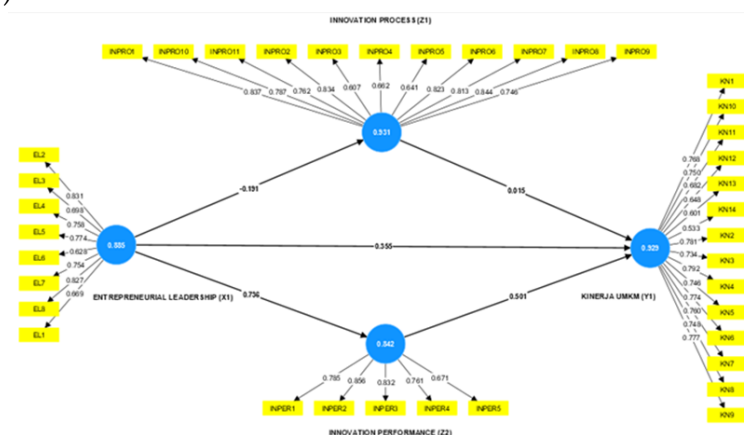
An operational definition describes a variable that allows it to be measured by researchers in the same way or develop better methods. The purpose of the operational definition is to understand the level of relationship between one factor variable and another and to increase understanding of this research. This study consists of 1 independent variable, namely Entrepreneurial Leadership (X1) is a leadership style that is applied to anticipate changes in a dynamic business environment by implementing entrepreneurial principles, focusing on goals, responding to challenges and threats for the sake of business continuity and existence in the market. The entrepreneurial leadership indicators used in this study refer to the indicators described by Madiono (2021) including innovation power, risk-taking power, proactive power, aggressive power, and independence; 1 dependent variable, namely MSME Performance (Y1), is the result achieved from the implementation of overall human resource responsibilities within the company at a certain time. MSME performance indicators refer to indicators described by Ezekiel et al (2012) including company reputation, company productivity, satisfaction level, profit, sales, fast order delivery, sufficient working capital, effectiveness in product operations, product quality, target achievement, number of customers, ease of supervision, product cost reduction, product diversification; 2 intervening variables namely Innovation Process (Y1) is the ability of the organization to apply innovation to the production process through the implementation of technology, in order to create the latest product ideas to increase competitiveness in the market and meet consumer needs. Innovation process indicators refer to indicators described by Hansen & Birkinshaw (2007) including idea generation, idea conversion, and idea diffusion; Innovation Performance (Y2) is the success of innovation used in business to increase competitive advantage in a dynamic market. Innovation performance indicators refer to indicators described by Musa (2017) including internal innovation performance, technical performance, commercial performance, economic performance, and social performance.

3. Results and Discussion

3.1. Results

The total sample size was 42 respondents, 6 men (14.3%) and 36 women (85.7%). There are 42 MSME owners engaged in the food sector (100%). MSME owners who have an age range of <30 years are 13 people (31.0%), MSME owners who have an age range between 30-40 years are 16 people (38.1%), MSME owners who have an age range between 41-50 years are 13 people (31.0%), and MSME owners who have an age range >51 years are 0 people (0.0%). Meanwhile, MSME owners who have been running a business for less than 5 years (\leq

5 years) are 30 people (71.4%). Meanwhile, respondents who have been running a business for more than 5 years to 15 years (> 5 - 15 years) are 8 people (19.0%). Respondents who run a business for more than 15 years to 20 years (> 15 - 20 years) are 3 people (7.1%). Then respondents who run a business for more than 20 years (> 20 years) are 1 person (2.4%). Then MSME owners who have a turnover per year of less than IDR 300,000,000 are 35 people (83.3%), then respondents who have a turnover per year of IDR 300,000,000 - IDR 2,500,000,000 are 6 people (14.3%), and respondents who have a turnover per year of IDR 2,500,000,000 - IDR 50,000,000,000 are 1 person (2.4%). Furthermore, MSME owners who apply technology in the production process totaled 8 people with a percentage of (19%), while respondents who did not apply technology in the production process totaled 34 with a percentage of (81%).



Figures 1. Test Measurement Model

Based on Figures 1, that each indicator has an outer loadings value that exceeds 0.50 which is considered sufficient (Ghozali, 2014). So it can be proven that the indicators of the variables can be declared valid. This means that this research variable has good convergent validity.

Table 1. Reliability Test

Variable	Composite Reliability	Cronbach's Alpha
Entrepreneurial Leadership	0,892	0,885
Innovation Process	0,944	0,931
Innovation Performance	0,860	0,842
MSME Performance	0,935	0,929

Based on Table 1, composite reliability > 0.70. So the data has good reliability or meets composite reliability. The Cronbach's alpha value of all model constructs is > 0.60, which means that overall it has strong reliability and meets the Cronbach's alpha requirements, so the data is reliable for research.

Table 2. Results of Data Analysis

Variable	Original Sample	T - Statistics	Information
EL > MSME PERF	0,355	2,431	Positive and significant
EL > INPRO	-0,191	0,734	Negative and non-significant
EL > INPER	0,736	9,026	Positive and significant
INPRO > MSME PERF	0,501	0,099	Positive and non-significant
INPER > MSME PERF	0,015	3,631	Positive and significant
EL > INPRO > MSME PERF	-0,003	0,060	Negative and non-significant
EL > INPER > MSME PERF	0,369	3,453	Positive and significant

Based on Table 2, the result of data analysis in this study can be written as follows:

EL > MSME PERF: The significant t-statistic value on the effect of entrepreneurial leadership on MSME performance is $2.431 \geq 1.96$. This shows that the entrepreneurial leadership variable has an important influence on the performance of MSMEs. Meanwhile, the estimated coefficient value is 0.355 with a positive sign, which means that with entrepreneurial leadership, MSME performance will also increase. This is due to the positive meaning that describes the parallel relationship between the two.

EL > INPRO: The t-statistics value is $0.734 \leq 1.96$. Thus, it can be concluded that there is no significant influence between the entrepreneurial leadership and innovation process variables. Meanwhile, the estimated coefficient value is -0.191. Although the coefficient has a negative sign, changes in the presence or absence of entrepreneurial leadership will not affect the innovation process.

EL > INPER: The t-statistics value is $9.026 \geq 1.96$. This indicates that there is a significant influence on the entrepreneurial leadership variable on innovation performance. While the coefficient estimate score is 0.736. Because the value is positive, the higher the entrepreneurial leadership, the higher the innovation performance.

INPRO > MSME PERF: The t-statistics value on the effect of innovation process on MSME performance is $0.099 \leq 1.96$. This shows that there is no significant influence between the innovation process on the performance of MSMEs. Meanwhile, the coefficient estimate value of 0.051 which has a positive sign, but has no effect, shows that the two variables are not in line, which means that the higher or lower the innovation process will not affect the performance of MSMEs.

INPER > MSME PERF: The t-statistics value on the effect of innovation performance on MSME performance is $3.631 \geq 1.96$. This shows that there is a significant influence between the innovation performance variable on the performance of MSMEs. Meanwhile, the coefficient estimate value is 0.015. The coefficient has a positive sign, which means that the higher the innovation performance, the higher the performance of MSMEs.

EL > INPRO > MSME PERF: It is known that the indirect effect between entrepreneurial leadership on MSME performance mediated by the innovation process has a coefficient of -0.003 with the resulting statistical value of 0.060 where this value is smaller than the value of the t-table value of 1.96. It can be concluded that there is no significant effect and the innovation process is not able to become an intervening variable for the influence between entrepreneurial leadership on the performance of MSMEs assisted by the Cooperative Office in Lamongan Regency.

EL > INPER > MSME PERF: It is known that the indirect effect between entrepreneurial leadership on MSME performance is mediated by innovation performance which has a coefficient of 0.369 with the resulting statistical value of 3.453 where this value is greater than the t-table value of 1.96. It can be concluded that there is a significant influence and innovation performance is able to become an intervening variable for the influence between entrepreneurial leadership on the performance of MSMEs assisted by the Cooperative Service in Lamongan Regency.

3.2. Discussion

The Effect of Entrepreneurial Leadership on MSME Performance

The test results through smartPLS 4.0 show that entrepreneurial leadership has a significant effect on MSME performance. Based on the comparison between the t-statistic value which is greater than the t-count, namely $2.431 \geq 1.96$, it can be concluded that H1 can be accepted. The results of this study strengthen research conducted by Covin & Slevin (1991), stating that entrepreneurial leadership has relevance to the success and success of the company. Then Mgeni & Nayak (2015), Rahim et al (2015), and Kautsar et al (2019) reported that there

is a significant positive influence between entrepreneurial leadership and organizational performance. It is connected with this research that entrepreneurial leadership has a significant influence on the performance of MSMEs. This can occur because MSME owners are maximized in applying innovation power, such as being able to solve problems, being able to see profitable opportunities, and being able to make updates and inspirational ideas for business continuity. This result is also supported by a statement from Darling et al (2007) that entrepreneurial leadership is a process of connecting innovation and the ability to take opportunities to improve organizational performance. So it can be concluded that entrepreneurial leadership has a significant effect on the performance of MSMEs.

The Effect of Entrepreneurial Leadership on Innovation Process

The test results through smartPLS 4.0 show that entrepreneurial leadership has no significant effect on the innovation process. The absence of significance of this influence is evidenced by the t-statistics result of 0.734 which is smaller than the t-count of 1.96 ($0.734 \leq 1.96$), so hypothesis H2 cannot be accepted. The results of this study reinforce research conducted by Fatoni et al (2021), which reports that entrepreneurial leadership has no significant effect on innovation. It is connected in this study that entrepreneurial leadership has no influence on the innovation process. This can happen because MSME owners already have enough ability to create idea renewal through collaboration between divisions, have enough ability to select good ideas, in order to get funding to become a superior product, and are quite capable of distributing innovation results to the market. This statement is supported by Sugianto & Sutanto (2013), that if the entrepreneurial leadership of MSME owners is getting better, then the innovation may not necessarily increase, and vice versa. MSME owners already have sufficient ability to innovate for the sustainability of their business.

The Effect of Entrepreneurial Leadership on Innovation Performance

The test results through smartPLS 4.0 show that entrepreneurial leadership has a significant effect on innovation performance. The conclusion that H3 is accepted can be obtained by looking at the fact that the t-statistic value is higher than the t-count, namely $9.026 \geq 1.96$. This finding strengthens the studies of Utoyo et al (2019), Yu et al (2020), Rehman et al (2021), that there is a positive relationship between entrepreneurial leadership and innovation performance. It is connected in this study that entrepreneurial leadership has a significant influence on innovation performance. This can happen because MSME owners have sufficient ability to market products to the market. In marketing products, of course, MSME owners conduct research in looking for opportunities. Not only that, MSME owners also involve problem solving, if there are risks in marketing products and also renew ideas or ways to make it easier to distribute products in the market, either online or offline, so it is concluded that entrepreneurial leadership supports the innovation performance process. This statement is in accordance with Ireland et al (2003), that entrepreneurial leadership is able to combine entrepreneurial leadership with innovation performance capabilities or innovation performance, so as to take advantage of opportunities, gain profits, and survive in a dynamic environment.

The Effect of Innovation Process on MSME Performance

The test results through smartPLS 4.0 show that innovation performance has no significant effect on MSME performance. The result of the t-statistics value of 0.099 is less than the t-count of 1.96 ($0.099 \leq 1.96$) proving the absence of significance of this influence, so H4 is rejected. This finding strengthens the study of Saraswati & Widiartanto (2016) which reports that the innovation process has no significant effect on the performance of MSMEs. It is connected in this study that the innovation process does not have a significant influence on the performance of MSMEs. This can occur because MSME owners already have sufficient ability to market or distribute products in the market, so that the presence or absence of

innovation process will not affect the performance of MSMEs. This statement is in accordance with Susdiani (2020), showing that the performance of an organization is not influenced by innovation in the aspects of process, product, or administration. Not only that, the innovation process does not affect the performance of MSMEs, if the innovation process does not apply technology, for example in the production process. This statement is supported by Utami (2009) that the innovation process, a part of innovation that focuses on the application or development of new technology in the production process.

The Effect of Innovation Performance on MSME Performance

The test results through smartPLS 4.0 show that innovation performance has a significant effect on MSME performance. This fact can be obtained through a comparison between the t-statistic value which is higher than the t-count, namely $3.631 \geq 1.96$, which indicates acceptance of H5. This finding strengthens the study of Sofyan (2017) and Tutar et al (2015) who reported that, innovation performance has significant positive results on organizational performance. Connected in this study, innovation performance has a significant influence on the performance of MSMEs. This can happen because MSME owners already have sufficient ability to distribute products in the market, either online or offline, so that it can have an impact on the delivery of orders to consumers easily, safely, and quickly and of course it will also affect the company's financial condition. This statement is in accordance with Zehir et al (2015), that innovation performance has a positive effect on company performance, one of which is in the financial aspect.

The Effect of Entrepreneurial Leadership on MSME Performance Through Innovation Process

The test results through smartPLS 4.0 show that the innovation process does not mediate the relationship between entrepreneurial leadership and MSME performance. The results of the t-statistics value of 0.060 less than the t-count of 1.96 ($0.060 \leq 1.96$) prove the absence of significance of this influence, so H6 is rejected. This finding strengthens Anggriani & Kistyanto (2021) study which reports that entrepreneurial leadership has an insignificant effect on performance which is intervened by the innovation process. Connected to this research, the innovation process does not mediate the relationship between entrepreneurial leadership and MSME performance. This factor occurs because of the role of the leadership style applied by the owners of MSMEs assisted by the Lamongan Regency Cooperative Office, known as entrepreneurial leadership. This leadership style has a direct influence on the organizational performance of MSMEs assisted by the Lamongan Regency Cooperative Office through increased innovation power. Innovation process is not a mediator variable between the two relationships. This statement is in accordance with Anggriani & Kistyanto (2021). This also shows that without an innovation process, MSME owners have implemented innovation power in entrepreneurial leadership, such as having enough ability to see opportunities, solve problems, and renew ideas or methods, which can have an impact on the ease, speed, and security of product distribution in the market, thus having an impact on organizational performance.

The Effect of Entrepreneurial Leadership on MSME Performance Through Innovation Performance

The test results through smartPLS 4.0 show that innovation performance can mediate the relationship between entrepreneurial leadership and MSME performance. This fact can be obtained through a comparison between the t-statistic which is higher than the t-count, namely $3.453 \geq 1.96$, which results in acceptance of H7. The results of this study strengthen research conducted by Hanif et al (2022), which reports that innovation performance is able to mediate the relationship between entrepreneurial leadership and MSME performance. It is connected in this study that innovation performance can mediate the relationship between entrepreneurial leadership and MSME performance. This can happen because the

achievement of MSME performance is formed due to the application of entrepreneurial leadership which is quite good and the increase in innovation performance is quite optimal. This is evidenced by the ability possessed by MSME owners, namely in the power of innovation in entrepreneurial leadership, such as being able to see profitable opportunities, being able to solve them, and being able to create new ideas for the sustainability of the product distribution process in the market, which has an impact on the ease, speed, and safety of consumers in reaching the products of MSME owners assisted by the Lamongan Regency Cooperative Office. Of course, it will have an impact on the internal performance of MSME performance. This is in accordance with the statement (Putra & Setiawan, 2019).

4. Conclusion

Based on research and discussion of the effect of entrepreneurial leadership on MSME performance with innovation process and innovation performance as intervening variables, it can be concluded that (1) entrepreneurial leadership has a significant positive effect on MSME performance; (2) entrepreneurial leadership has a negative and non-significant effect on innovation process; (3) entrepreneurial leadership has a significant positive effect on innovation performance; (4) innovation process has an positive and non-significant effect on MSME performance; (5) innovation performance has a significant positive effect on MSME performance; (6) innovation process is not able to mediate the effect of entrepreneurial leadership on MSME performance; (7) innovation performance is able to mediate the effect of entrepreneurial leadership on MSME performance through innovation performance. The findings suggest recommendations for the Lamongan District Cooperative Service to enhance entrepreneurial leadership, innovation performance, particularly in innovation process. MSME owners are advised to continuously expand their knowledge and business experience. Future researchers should increase the number of research subjects, explore different business fields, and include moderating variables for further investigation.

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