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Improving Health Clinic Performance through the Role of Entrepreneurial Leadership and Dynamic Capabilities

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Abstract: This study aims to analyze the effect of entrepreneurial leadership on organizational performance by considering the mediating role of dynamic capability in the context of the digital era. This study employs a quantitative approach utilizing structural equation modeling (SEM) based on Partial Least Squares (PLS). A survey was used to gather data from 385 respondents from top management or owners of Small and Medium Enterprises (SMEs) Healthcare Clinics in Indonesia. Data was processed using SmartPLS software version 3.0. The results showed that entrepreneurial leadership has a positive and significant influence on dynamic capability (path coefficient = 0.777; t-statistic = 26.792; p = 0.000), entrepreneurial leadership has a positive and important impact on organizational performance (path coefficient = 0.306; t-statistic = 5.232; p = 0.000), dynamic capability has a positive and significant influence on organizational performance (path coefficient = 0.510; t-statistic = 8.994; p = 0.000),. In addition, dynamic capability acts as a mediator that strengthens the influence of entrepreneurial leadership on organizational performance, highlighting the importance of adaptation and innovation to face the challenges of the digital era. This study provides insights for clinical SME leaders to develop entrepreneurial leadership skills that can drive the organization's dynamic capabilities and improve performance amid the dynamics of the digital era. This study contributes to the literature on entrepreneurial leadership and dynamic capabilities by highlighting their relationship to organizational performance in the context of SME Clinics in digital transformation.

Keywords: Organizational Performance, Entrepreneurial Leadership, Dynamic Capability

INTRODUCTION

Clinical innovation is crucial in improving organizational performance and competitiveness in the market (Migdadi, 2022). Innovations in operational processes such as digitizing services, automating patient management, or using more advanced medical devices can reduce operational costs, improve efficiency, and provide faster and more accurate services. The innovation process often drives employee training and development so that they are more skilled and prepared for new challenges. This also improves the quality of services provided to patients.

Dynamic capabilities allow companies to quickly adjust to changing market conditions (Ciampi et al., 2021), consumer trends, and technological advances, which is important for companies to remain relevant and competitive in a changing market (Rashidirad & Salimian, 2020). Dynamic capabilities are critical to clinics' competitiveness as they enable clinics to adapt quickly to changes in the dynamic healthcare environment, including technological developments, new regulations, and changing patient needs.

One of the factors that can build dynamic capabilities is entrepreneurial leadership (Nguyen et al., 2021). In application, entrepreneurial leadership can encourage innovation, proactivity, and risk-taking to identify new opportunities and respond quickly to environmental changes. With entrepreneurial leadership, clinics or organizations can create an environment that supports flexibility and adaptability, essential for developing dynamic capabilities. Entrepreneurial leaders drive continuous improvement in services and processes and help clinics utilize resources more effectively to maintain competitiveness amid rapid change.

This study investigates the direct and indirect effects of entrepreneurial leadership on the organizational performance of SME clinics in Indonesia and how dynamic capacities in the digital age mediate these effects.

METHOD

Organizational Performance

Financial and non-financial factors are typically included in business performance (Seo & Lee, 2019). Furthermore, according to (Paudel, 2019), a company's financial performance, non-financial performance, and other elements are among its dimensions.

1. Financial performance

According to (Sawaean & Ali, 2019), financial performance is related to the organization's ability to generate profits and revenues—indicators such as ROI, asset growth, cash flow stability, and growth. At the same time, operational performance includes the structure of all business units to facilitate cooperation between units to achieve business goals. Financial performance provides a return on assets, liquidity, and net income (Paudel, 2019). Financial performance is a measurement used to assess how well an organization uses its financial resources to achieve economic goals; this is usually measured through indicators such as profit, revenue, cash flow, financial ratios (for example, profitability, liquidity, and solvency ratios), and return on investment. Financial performance provides an overview of a company's efficiency and effectiveness in generating profits and managing its capital.

2. Operational Performance

Operational performance refers to the efficiency and effectiveness of the company in carrying out its business processes. Operational performance links the organization's internal operations to productivity, product quality, and customer satisfaction. Operational performance refers to the company's ability to run its business processes efficiently and effectively. It includes all activities that contribute to the production of goods or services produced by the company. Furthermore, (Paudel, 2019) explains operational performance in other factors such as customer satisfaction, new product development capabilities, and differentiation of goods and services.

3. Non-financial performance

Non-financial performance refers to those aspects of an organization's performance that cannot be directly measured by financial figures but are important for long-term success. Non-financial performance includes customer satisfaction, product or service quality, innovation, employee satisfaction, brand reputation, and social and environmental responsibility. Non-financial performance reflects an organization's ability to create value for customers, employees, and other stakeholders and contribute to business sustainability. Non-financial performance includes growth-related factors such as sales, headcount, and market share growth (Paudel, 2019).

Dynamic Capability

Dynamic capability in strategic management refers to the organization's ability to integrate, build, and change its resources and capabilities in response to rapid and uncertain changes in the business environment. Dynamic capability is derived into four dimensions: sensing capability, learning capability, integrating capability, and coordinating capability (Rashidirad & Salimian, 2020). Dynamic capability is an organization's ability to integrate, develop, and reorganize its internal and external resources to deal with the rapidly changing business environment.

Entrepreneurial Leadership and Dynamic Capability

Entrepreneurial leadership is a leadership style that combines entrepreneurial attitudes with traditional leadership skills and focuses on innovation, risk-taking, and adaptation. Entrepreneurial leadership has a strong relationship with dynamic capabilities. Therefore, entrepreneurial leadership is anticipated to impact dynamic capabilities by fostering an innovative vision, establishing an adaptive culture, and enabling risk-taking and resource allocation. Effective entrepreneurial leaders help organizations to develop and leverage the dynamic capabilities needed to adapt quickly to environmental changes, increase flexibility, and achieve sustainable competitive advantage.

Entrepreneurial leadership has a significant positive impact on dynamic capability (Nguyen et al., 2021).

H1: Entrepreneurial leadership has a positive effect on dynamic capability

Entrepreneurial Leadership and Organizational Performance

Entrepreneurial leadership emphasizes the importance of innovation in creating competitive advantage. Research (Paudel, 2019) revealed that entrepreneurial leadership significantly impacts organizational performance. Entrepreneurial leadership results in product and process innovation, ultimately improving organizational performance (Ba Le & Lei, 2019; Migdadi, 2022). Leaders with entrepreneurial spirit tend to take measured risks to capitalize on existing business opportunities. Entrepreneurial leadership can support dynamic capabilities and competitive advantages that ultimately strengthen organizational performance (Nguyen et al., 2021); this finding is reinforced in follow-up research (Nguyen et al., 2024) that dynamic capabilities can perfectly mediate the effect of entrepreneurial leadership on organizational performance. The ability of leaders to create and execute innovative visions plays a crucial part in raising the organization's general performance.

H2: Entrepreneurial leadership has a positive effect on organizational performance

Dynamic Capability and Organizational Performance

Dynamic capability refers to an organization's ability to integrate, build, and configure internal and external resources to respond to environmental changes and achieve competitive advantage. Dynamic capability plays a significant role in improving business performance (Nguyen et al., 2021). Dynamic capability enables organizations to continuously develop and introduce innovations in their products or services. Organizations with dynamic capabilities can quickly adopt new technologies and integrate them into their operations, improving consumer and financial performance (Wilden et al., 2019). Dynamic capabilities directly affect firm performance (Nguyen et al., 2024; Permana & Ellitan, 2020). Thus, organizations that develop and utilize dynamic capabilities well can achieve superior performance, maintain a competitive advantage, and succeed in facing challenges and changes in the market.

H3: Dynamic capabilities have a positive effect on organizational performance

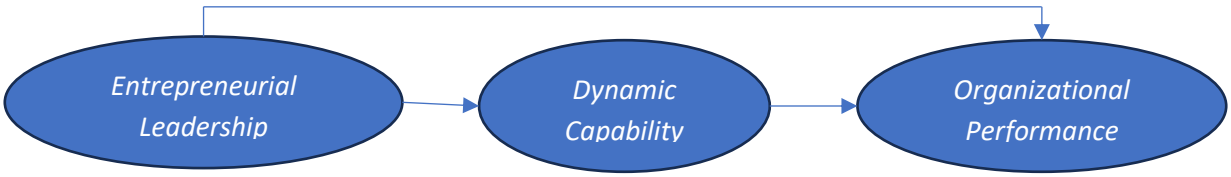

Figure 1: Research Method

METHOD

The study approach is a survey with an explanatory type of research. Respondents of this study were top management or owners of small and medium enterprises (SMEs) and health service clinics in Indonesia. The sample size was established using a purposive sampling technique so that 385 respondents were obtained. This study uses a questionnaire method conducted online to top management or clinic owners to collect data. All question items in this study were measured using a Likert scale of 7 (seven), where 1 = strongly disagree to 7 = strongly agree. Variable definitions and operations can be shown in Table 1. In data processing, the SmartPLS version 3.0 program was used.

Table 1: Operational Variable

Variable	Dimension	Indicators
Entrepreneurial Leadership (X)	*Strategic dimension*	1. We can explore changes in the clinic environment with a stable information system.
		2. We have economic intuition in making business decisions
		3. We can determine the direction of the clinic's progress
		4. We can achieve the goals of the clinic
		5. We can see the opportunities and threats ahead by innovating
		6. We are open to new ideas and make decisions if they bring business opportunities
		7. We are open to new ideas and make decisions if they bring business opportunities
	Communicative dimension	8. We can influence clinic employees through effective persuasion
		9. We can control our emotions in managing conflict
		10. We can promote a positive climate/atmosphere in the clinic environment
		11. We can encourage clinic employees to participate in activities and decision-making actively
		12. We understand other people's emotions in social interactions to make the clinic more innovative.
	Motivational dimension	13. We have the motivation to succeed in business
		14. We understand the needs of the clinic
		15. We can transfer positive emotions to the employees in the clinic
		16. We have the entrepreneurial spirit to follow at this clinic
		17. We have the confidence to convince others to see business opportunities
	Personal or organizational dimension	18. We encourage creativity in developing clinical innovations
		19. We are committed to supporting entrepreneurial activities in the clinic
		20. We can manage resources effectively to maintain the adaptive capability of the clinic
		21. We are disciplined in creating the right business model to maintain the clinic's position by continuously trying to capture opportunities
Dynamic capability (Z2)	*Sensing Capability*	22. Our clinic frequently observes the environment to identify new business opportunities.
		23. Our clinic periodically reviews the possible impact of changes in the business environment on customers.
		24. Our clinic frequently reviews service development to ensure it meets customer expectations.
		25. Our clinic spends much time implementing new service ideas and improving existing services.
	Learning Capability	26. Our clinic uses efficient procedures to find, evaluate, and compile fresh data and insights.
		27. Our clinic has adequate routines for assimilating new information and knowledge.
		28. Our clinic is effective in transforming existing information into new knowledge.
		29. Our clinic is effective in leveraging knowledge into new services.
		30. Our clinic is effective in developing new knowledge that has the potential to influence service development.
	Integrating Capability	31. Our clinic is open to providing individualized feedback to the group.
		32. Our clinic understands their respective duties and responsibilities globally.
		33. Our clinic fully knows who in the group has specific skills and knowledge relevant to the work.
		34. Our clinic carefully adjusts itself to meet customer expectations.
		35. Our clinic's employees manage to link their activities successfully.
	Coordinating Capability	36. Our clinic ensures that the results of our work are aligned with the contributions of those with whom the clinic collaborates.
		37. Our clinic ensures proper allocation of resources (e.g., information, time, reports) within our clinic.
		38. Clinic employees are assigned tasks that are appropriate to the knowledge and skills relevant to the task.
		39. Our clinic ensures a match between employee expertise and work processes.
		40. Overall, employees at our clinic are well-coordinated.

Variable	Dimension	Indicators
Organizational performance (Y)	*Financial performance*	41. Our clinic has shown improvement in Return on Assets over the past few years 42. Our clinic has strong financial liquidity and can fulfill its financial obligations 43. Our clinic's net profit has increased consistently
	Non-financial performance	44. The number of customers at our clinic has grown significantly in recent years 45. Our clinic has managed to increase customer confidence in the industry 46. The number of employees at our clinic has increased in line with business growth 47. Customers at our clinic are generally satisfied with the services provided 48. Our clinic's services are different from competitors 49. Our clinic is actively developing new services and processes to improve performance

RESULT

Respondent Characteristics

The majority of responders are between the ages of 31 and 50, are in leadership roles or are business owners, and have a comparatively high level of education—the majority hold a bachelor's degree or above. Respondents aged between 31 and 40 dominate, with 121 people (31.43%). Followed by respondents aged 41 to 50, totaling 115 people (29.87%). Respondents aged more than 50 years old totaled 93 people (24.16%). The youngest respondents, aged between 20 and 30, constituted the smallest group, 56 people (14.55%). Most respondents held the position of Head/Leader/Director, totaling 268 people (69.61%), indicating that most were in managerial or leadership positions. Meanwhile, 117 people (30.39%) were business owners, reflecting direct involvement in business or clinic ownership. Most respondents had an undergraduate educational background, totaling 228 people (59.22%). Respondents with S2 education amounted to 128 people (33.25%). There were 27 respondents with D3/D4 or equivalent education (7.01%). Only two respondents (0.52%) have the highest education, namely S3.

Data Analysis of Research Results

Researchers analyzed the data for this study using partial least squares (PLS) and structural equation modeling (SEM). They processed the data using version 3.0 of the SmartPLS software.

Outer Model Test Results

Data for this study was gathered using a complete sample of 385 respondents. The data collected was then used to test the research instrument, which consisted of 49 question items. The instrument is designed to measure the three variables that are the focus of this study. Each variable is represented by several question items designed to delve deeply into the data and guarantee that the information gathered is legitimate and pertinent for further investigation. Instrument testing is carried out to ensure the reliability and validity of these question items so that they can provide accurate and reliable results.

Convergent Validity

The convergent validity test in PLS with reflective indicators is assessed based on the loading factor; it is declared valid when the factor loading value is> 0.7.

Table 2. Convergent Validity Test Results

Dynamic Capability		*Entrepreneurial Leadership*		*Organizational Performance*	
DC10	0,714	EL11	0,742	KO1	0,763
DC11	0,841	EL12	0,852	KO2	0,795
DC12	0,785	EL13	0,847	KO3	0,759
DC13	0,832	EL14	0,819	KO4	0,809
DC14	0,799	EL15	0,840	KO5	0,843
DC15	0,790	EL16	0,744	KO6	0,767
DC16	0,851	EL17	0,843	KO7	0,763
DC17	0,801	EL18	0,811	KO8	0,761
DC18	0,766	EL19	0,791	KO9	0,847
DC19	0,785	EL2	0,775		
DC3	0,760	EL20	0,706		
DC4	0,779	EL21	0,863		
DC5	0,768	EL22	0,756		
DC6	0,791	EL23	0,852		
DC7	0,836	EL24	0,768		
DC8	0,787	EL3	0,711		
DC9	0,779	EL4	0,795		
		EL5	0,786		
		EL6	0,814		
		EL7	0,712		

This study emphasizes that valid indicators are still proven to have a loading factor value> 0.7, so these valid indicators have been validly used in further analysis and meet the provisions of convergent validity.

Discriminant Validity Test

Discriminant validity is the idea that measuring different constructs should not have a high correlation value.

Table 3. Discriminant Validity Test Results

	Dynamic Capability	*Entrepreneurial Leadership*
Entrepreneurial Leadership	0,802	
Organizational Performance	0,773	0,724

The Heterotrait-Monotrait Ratio (HTMT) test shows the discriminant validity test. This test requires a measurement value of less than 0.85, although a value above 0.85 to a maximum of 0.90 is still considered sufficient (Hair et al., 2014).

The Composite Reliability Test, Average Variance Extracted (AVE), and Cronbach Alpha

Reliability testing is employed to determine the consistency or reliability of research indicators. When testing through Cronbach's Alpha and The Composite Reliability, a value is declared reliable when it is> 0.70.

Table 4. Reliability Test Results

	Cronbach's Alpha	*Composite Reliability*	AVE
Dynamic Capability	0,963	0,966	0,629
Entrepreneurial Leadership	0,969	0,971	0,628
Organizational Performance	0,925	0,937	0,625

The reliability test results show that Cronbach's alpha and composite reliability values are greater than 0.70, so they are declared reliable. The AVE value assesses convergent validity, where an AVE greater than 0.5 is considered good. In other words, the underlying construct accounts for over half of the indicator variance.

Inner Model Test Results

Structural model evaluation focuses on the relationship between constructs and the model's ability to predict outcomes. The coefficient of determination (R^2) indicates how much variance of The model's exogenous constructs can be used to explain the endogenous constructs.

Table 5. Structural Model Test Results

	R Square	R Square Adjusted	R Square
Dynamic Capability	0,603	0,602	0,372
Organizational Performance	0,596	0,594	0,356

The structural model's endogenous latent variable R-square values of 0.67, 0.33, and 0.19 show that it is "good," "moderate," and "weak" (Yahaya et al., 2019). The variance of the dynamic capability variable can be explained by 60.3% of the variance of the entrepreneurial leadership variable, according to the R Square value of 0.603. In contrast, the R Square value of 0.596 indicates that the variance in the entrepreneurial leadership and dynamic competence variables can explain 59.6% of the variance in the organizational performance clinic variable.

Predictive relevance (Q^2) assesses the model's ability to predict observed data using blindfolding techniques. A Q^2 value > 0 indicates the model has relevant predictions. As a rule of

thumb, Q2 values higher than 0 (small), 0.25 (medium), and 0.50 (large) illustrate the relevance of the PLS path model (Yahaya et al., 2019). The analysis results show the Q square values of 0.372 and 0.356, so it can be concluded that the model that connects entrepreneurial leadership variables to organizational performance through dynamic capability mediation already has relevant predictions to accept the model.

Hypothesis Test Results

According to Hair et al. (2014), a hypothesis produces a substantial effect based on the t statistical value at the 5% significance level, the t statistical value > 1.96, and the p-value <0.05. Here are the findings from the investigation of the direct variable influence hypothesis.

Table 5. Hypothesis Test Results

	Original Sample	T Statistics	P Values
Entrepreneurial Leadership -> Dynamic Capability	0,777	26,792	0,000
Entrepreneurial Leadership -> Organizational Performance	0,306	5,232	0,000
Dynamic Capability -> Organizational Performance	0,510	8,994	0,000

Based on the provisions of the t-statistic value, which must be greater than 1.966, and the p-value, which must be less than 0.05, it means that H1, H2, and H3 are accepted. The analysis results also obtained a path coefficient value (original sample) of 0.396, indicating the strength of the moderate relationship between these variables, with a t-statistic value of 8.529, which exceeds the threshold of 1.96, and a p-value of 0.000, which far below the significance level of 0.05. These results indicate that entrepreneurial leadership can improve the organization's dynamic capabilities, significantly improving organizational performance.

DISCUSSION

Entrepreneurial Leadership → Dynamic Capability

This relationship has a coefficient value of 0.777, a t-statistic of 26.792, and a p-value of 0.000. This value indicates that entrepreneurial leadership significantly affects dynamic capability. Entrepreneurial leadership has a significant positive impact on dynamic capability (Nguyen et al., 2021). This finding suggests that leadership with an entrepreneurial approach can directly improve an organization's ability to adapt and innovate amid changes in the business environment. Entrepreneurial leadership significantly increases dynamic capability in the SME business sector (Rokhanawati et al., 2024).

Entrepreneurial Leadership → Organizational Performance

This relationship has a coefficient value of 0.306, a t-statistic of 5.232, and a p-value of 0.000. This result indicates that entrepreneurial leadership also has a direct positive influence on organizational performance. Entrepreneurial leaders can motivate teams, create a clear vision, and make strategic decisions that impact organizational performance. Research (Paudel, 2019) revealed that entrepreneurial leadership significantly impacts organizational performance. Entrepreneurial leadership plays a significant role in improving dynamic capabilities, ultimately bringing changes to improve organizational performance in the SME business sector (Rokhanawati et al., 2024).

Dynamic Capability → Organizational Performance

This relationship has a coefficient value of 0.510, a t-statistic of 8.994, and a p-value of 0.000. This result shows that dynamic capability significantly affects organizational performance. Organizations with dynamic capabilities can quickly adopt new technologies and integrate them into their operations, improving consumer and financial organizational performance (Wilden et al., 2019).

Dynamic capabilities, including the organization's ability to respond to change, create innovation, and optimize resources, are essential in improving organizational performance. They significantly improve business organizational performance (Nguyen et al., 2021) and directly affect the company's performance (Nguyen et al., 2024; Permana & Ellitan, 2020).

The high coefficient value, especially on the path of entrepreneurial leadership to dynamic capability (0.777), indicates that entrepreneurial leadership is instrumental in building adaptive and innovative dynamic capabilities. This finding aligns with the theory that entrepreneurial leadership helps create an enabling environment for developing organizational capabilities and improving overall performance. In addition, the mediating role of dynamic capability confirms the importance of adaptability and innovation in facing challenges in the digital era.

CONCLUSION

This study found that entrepreneurial leadership positively and significantly affects organizational performance directly and through dynamic capability mediation. In addition, the dynamic capability variable is mediating, meaning that entrepreneurial leadership ability can increase the organization's dynamic capability, significantly improving organizational performance. These results confirm that entrepreneurial leadership and strong dynamic capability are required to achieve optimal organizational performance.

Future research can explore other variables mediating or moderating the relationship between entrepreneurial leadership and organizational performance, such as organizational culture, employee engagement, or innovation capability. This development is expected to provide deeper insights into the mechanisms that strengthen the relationship.

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