

Leadership Styles and Organizational Performance in Social Enterprises: Insights from a Tunisian Case Study

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ABSTRACT

Social companies, established to address local issues, are crucial for local development due to their performance. By aligning leadership styles with the unique needs of social enterprises, organizations can foster an environment that promotes innovation and effectiveness, ultimately driving their success in addressing community challenges. This targeted approach helps ensure that the leadership is well-equipped to navigate the specific dynamics of social impact work. Effective leadership can inspire teams, foster collaboration, and drive innovation, ultimately leading to greater impact within the community. By adopting adaptive and inclusive leadership approaches, these enterprises can better navigate challenges and optimize their contributions to societal well-being. Despite significant interest in social enterprises in recent decades, no definitive conclusion has been reached concerning the suitable leadership style for these organizations. Further research is needed to explore the nuances of leadership in this sector, as different contexts may require varying approaches. Understanding these dynamics can empower leaders to tailor their strategies, ensuring they meet the unique needs of their communities while maximizing their social impact. This study analyzed the influence of the three predominant leadership styles in commercial organizations on satisfaction and performance in social enterprises. The findings suggest that while each leadership style has its merits, a hybrid approach may yield the best results. By combining elements of transformational, transactional, and servant leadership, social enterprises can enhance both employee engagement and community impact, paving the way for more sustainable practices. The sample population for the study was made up of Tunisian social enterprises. Information was collected by correspondence from social enterprise owners, including founders and managers. These results help to confirm that the focus on leadership styles in commercial enterprises can also work effectively in social enterprises and that leadership effectiveness can vary according to desired outcomes.

Keywords: leadership style, organizational performance, social enterprise, social entrepreneur

1. INTRODUCTION:

The interest in social enterprises, that is to say, businesses created to achieve social objectives, continues to grow as the community demands that companies actively implement social responsibility and ethics. Social enterprises (SE) are regarded as the main social entities that develop and implement social innovations (De Wit, A., et al., 2017). From an organizational perspective, a social enterprise can stand out in the market and achieve long-term sustainability if it excels in leadership compared to its rivals (Weerawardena, J. and Mort, G.S., 2012). Unlike for-profit companies that focus solely on economic profits, social enterprises must constantly maintain a balance and tension between economic profits and social objectives. For this reason, the organizational identity of social enterprises is complex and presents more challenges (Smith, W.K.; Besharov, M.L. 2019).

Smith et al. (2012) emphasized that the social and commercial aspects of a social enterprise are not isolated from one another. They relied on research on paradoxes to develop a theory on the challenges and skills

associated with effectively managing the tensions arising from the juxtaposition of social mission and business outcomes. Pache and Santos (2013) presented cases of internally integrated social enterprises, even though the two values (social and commercial) were logically distinct from one another. There is a growing need for research on how to successfully manage social enterprises. In general, the leadership of a business is a critical factor in determining how well it performs. The goal of social enterprise is driven by both social and economic factors, but its performance is measured in the same way as that of regular enterprise. In order to increase economic and social performance, Waddock and Post (1991) contended that even a social enterprise that solves social problems must be concerned with leadership.

According to them, social enterprises have the following leadership qualities. This offers the opportunity to increase public awareness and get the required resources closer to their next objective. By encouraging members' dedication, Cornelisson et al. (2021) highlighted social issues and increased awareness of the group's objective. According to Pasricha et al. (2018), not much study has been done on identifying

the leadership required for these businesses with an interest in social enterprises to succeed. Leadership allows social enterprises to position themselves in an increasingly competitive market, whether through internal organizational innovations or tactics to navigate the external environment (Miao, C et al, 2017). Even the achievement of financial goals in a social enterprise is linked to the development of social value or is considered as such (Glaveli, N.; Geormas, K., 2017). Although research and practice in social entrepreneurship have significantly developed over the past two decades (Hota, P.K. et al., 2019), the literature reveals a significant disparity in leadership strategies and outcomes in social enterprises (Nardini, G. et al., 2022). This disparity is marked by a lack of understanding of the organizational elements that can support the development of social enterprises. The social enterprise, regardless of its level of national development, shares a consistent foundational objective on a global scale, which is to seek to solve significant social problems through social action. The social enterprise, regardless of its level of national development, shares a consistent foundational objective on a global scale, namely social. (Raimi, L. et al, 2022) . However, as social concerns vary from one region to another, social enterprises may pursue different objectives that reflect the characteristics of the area (Smith, W.K et al, 2012). Social enterprises are powerful tools in the fight against poverty. Ansari et al. 2012) emphasized that social enterprises are powerful tools in the fight against poverty. (Ghauri, P.N et al, 2014).

Despite the numerous studies conducted on social enterprises over the past few decades, there is no systemic concept or accumulated knowledge on social enterprises (Saebi, T et al., 2019). Stevens et al. (2015) estimate that the nature of social enterprises, which simultaneously seek social and economic value, suggests that the definition of these values may vary. Consequently, they assert that the success factors of social enterprises may change depending on how their values are perceived.

The unbalanced competition has forced social enterprises to compete with similar strategies of for-profit companies. The social enterprise must have a solid mechanism to develop a sustainable competitive advantage, to cope with cost dominance and the force of innovation. Although this has not yet been stated (Reiser, D. B. and Dean, S. A. (2015)), most researchers have assumed that sustainable competitive advantage is the ultimate outcome of a company's capabilities. Sustainable competitiveness is the ultimate result of the ability to operate dynamically. (Dosi et al., 2008). The accumulation of short-term capabilities could lead to a sustainable competitive advantage in the long term.

Outstanding leaders who have made a difference in society founded many of the prosperous social enterprises. They have influenced society and given it inspiration while it faces several obstacles. Because social companies are distinct from commercial enterprises, several scholars (Estrin, S. et al., 2013) have noted that social enterprises have a specific leadership style, which they refer to as "social entrepreneurship." They reasoned

that whereas social companies and commercial enterprises both take risks voluntarily in order to pursue new value creation, social enterprises have the distinct quality of actively looking for solutions to social problems. Thus, social enterprises are seen to benefit from a leadership style that emphasizes an entrepreneurial mentality (i.e., social entrepreneurship) in accomplishing social objectives. An impressive number of social enterprises that have made a positive impact on society were founded by exceptional CEOs. They have effected change and served as an inspiration to a culture facing several obstacles.

The leadership aspects of social companies need to be investigated for a number of reasons. First of all, those who established prosperous social companies were trailblazers and innovators. They frequently developed novel methods of conducting business. Second, there are several ways in which leadership in social enterprises differs greatly from that in traditional business. Leaders of social companies walk a tightrope, balancing the organization's social objectives with its commercial objectives. Many of them have built new organizational forms or modified pre-existing organizational models while guiding the businesses to success from the ground up. Thirdly, there has been strict regulation around social companies' operations. Fourthly, compared to mainstream businesses—often their rivals—these enterprises have less access to financial and human resources. Therefore, it is intriguing to research the role of leaders in these kinds of businesses.

As the importance and necessity of social enterprises should be increasingly emphasized, efforts to find a suitable leadership style for social enterprises should be continued. Following this trend, some studies have been conducted to discern what leadership is appropriate for social enterprises. In this study, we aim to overcome the gaps in previous research by simultaneously considering different leadership styles and balancing performance from the organization's perspective. More specifically, This study aims to identify the leadership styles suitable for social enterprises among the three main leadership styles presented in previous studies: transformational leadership, servant leadership, and entrepreneurial spirit; focusing on the question of whether the organization would achieve the desired outcomes regardless of social enterprises and whether there are different leadership styles suited for general enterprises and social enterprises.

2. LITERATURE REVIEW

Leadership and Social Enterprise

A selection of literature that addresses social enterprises and leadership concerns is emphasized as part of the literature assessment. It should be mentioned that leadership qualities apply not only to commercial organizations but also to government agencies, social businesses, and not-for-profit organizations. Kotter (2001) distinguished between management and leadership. According to him, management and leadership are two distinct but complementary skills that are both necessary for surviving in a changing corporate environment. According to Heifetz and Laurie (1997),

effective leadership is bringing the organization's members together to tackle adaptive difficulties. According to their analysis, describing the problems the organization faces, managing outside problems, clarifying roles, resolving conflicts, and upholding norms were among the duties of leaders. Innovative businesses that combine social effect and business operations are known as social enterprises. They challenge the established belief that profit and purpose must be kept apart by attempting to address urgent societal concerns while preserving financial sustainability.

With this dual focus, social companies may effectively and creatively address issues of poverty, education, healthcare, and environmental sustainability. Effective leadership is essential for social companies to succeed. Leaders in social enterprises are vital in defining the goals and strategies of their companies and making sure that social objectives are in line with good commercial practices. In order to develop an innovative and accountable culture, they must traverse complicated landscapes that balance the needs of multiple stakeholders, including beneficiaries, investors, and staff.

According to Saebi and Foss (2019), social companies are distinct in that they place equal value on social benefits and profitability. However, the significance of leadership in enhancing performance is comparable to that of commercial enterprises. Studies that establish specific leadership styles for social businesses and studies that confirm appropriate leadership styles within the primary leadership styles already in use can be used to broadly categorize research on leadership in social enterprises. Previous research focused on entrepreneurship because it highlights the need of a challenging attitude to accomplishing social goals, and hence supported the presence of a distinct leadership style unique to social companies. According to Thompson and Doherty (2006). "Social enterprises are organizations seeking business solutions to social problems," Another example of effective leadership is provided by Suresh and Rao (2013), who discuss an urban microfinance company that offers insights for the mainstream banking industry. According to one study, social enterprises fall into one of three categories: first, they are community-owned businesses that serve as an institutional reaction to the state's inability to address the needs of the poor; second, they are a tactic used to integrate the impoverished into the market system (Sriram 2011). According to Saebi and Foss (2019), social companies are distinct in that they place equal value on social benefits and profitability. However, the significance of leadership in enhancing performance is comparable to that of commercial enterprises. Studies that establish specific leadership styles for social businesses and studies that confirm appropriate leadership styles within the primary leadership styles already in use can be used to broadly categorize research on leadership in social enterprises. Previous research, which focused on entrepreneurship and highlighted the significance of a challenging attitude to accomplishing social goals, supported the idea that there is a distinct leadership style that is particular to social companies.

According to Estrin et al. (2013), a social entrepreneur seeks to realize value beyond profit, whereas an entrepreneur only seeks to maximize profits. It's also acknowledged by Raimi et al. (2022) that social entrepreneurship can help develop long-term social impact objectives. Nonetheless, those assertions remain debatable because of the essential feature of social companies, which is that the principles they uphold differ based on the area or community. While acknowledging the significance of social entrepreneurship, Saebi et al. (2019) also pointed out that there isn't a comprehensive conceptual framework for social entrepreneurship. Furthermore, research on social entrepreneurship asserts that it is among the most effective approaches for social enterprises. Nonetheless, others may argue that these claims are impractical.

Depending on how success is measured, a leader's efficacy can vary. It is more reasonable to believe that, like commercial organizations, social enterprises can benefit from a variety of leadership styles. This study looks at social enterprises from a number of angles and aims to determine which successful commercial enterprise leadership style is best for enhancing these results. As we have already mentioned, social enterprises are complex organizations that simultaneously pursue economic and social objectives, and their management requires various leadership skills (Gibbons, J et al., 2017). Hazy and Uhl-Bien (2015) compared and analyzed 20 studies on leadership in complex organizations, including social enterprises, and presented five competencies for leaders of complex organizations (2017). They are as follows: First of all, it is about implementing the construction of a community to recruit, select, motivate, and unify individuals. Secondly, it is about structuring activities, resources, and people for effective decision-making and action. The third involves administering plans and programs to acquire, maintain, and defend resources. Fourthly, it is about gathering and synthesizing information for an understanding of the situation across the entire ecosystem. Fifthly, it is about generating options for the future through experimentation and entrepreneurial risk-taking.

Transformational Leadership and Organizational Performance

The social enterprise is an organization whose main mission is to achieve social objectives. The performance of an organization is an indicator of its ability to achieve its objectives. (Roth et Jackson, 1995). A good performance can also be determined by the efficiency of the organization (Lekatompey, 2012) and by both financial and non-financial performance. (Sari et al., 2006). Village enterprises are considered effective when they are able to fulfill their functions, namely financial management and human resource management. Previous research has highlighted various factors that play a role in improving organizational performance. Among them are social entrepreneurship and transformational leadership (Sari et al., 2019). Entrepreneurial attitudes and good leadership are considered the main foundation for achieving organizational success (Arham et al. 2013).

Organizational Performance can be considered the most fundamental factor in that all businesses, including social enterprises, experience both creation and dissolution. However, in the context of this research, performance is inappropriate insofar as we are seeking suitable leadership for social enterprises that are currently surviving. It is therefore problematic that the PE is possible during this period, regardless of the effectiveness of the management.

Empirical studies divide the objectives of social enterprises into two categories: economic and social. Gillet et al. (2013) found that transformational leadership is positive for motivating members of social enterprises by presenting them with visions. Bellostas et al. (2016) considered economic yield and social impact as successful performances in social enterprises. According to Podsakoff et al. (1990), transformational leadership is defined as the following behaviors: defining and communicating a vision; offering a suitable model; fostering group acceptance, objectives, and high performance standards; and offering staff members individual support and intellectual stimulation. Ten years later, Carless et al. (2000) expand on the idea put forth by Podsakoff et al. (1990) by defining transformative leadership in terms of seven traits.

The seven behaviors are as follows: (1) shares a vision; (2) fosters staff development; (3) offers assistance; (4) gives staff empowerment; (5) is inventive; (6) sets an example for others to follow; and (7) emanates charm. Organizations that adopt a transformational leadership style benefit from the emergence of creative ideas because such leaders' behavior fosters innovation and inspirational motivation by stimulating employees' minds and encouraging them to think creatively (Sosik et al., 1998).

Kim (2020) considered economic and social performances as markers of the success of social enterprises in a study on the success of social enterprises. Several researchers have investigated the applicability of prominent leadership styles in commercial organizations to social enterprises. First, there's the claim that social enterprises can benefit from transformational leadership. The goal of transformational leadership is to make followers become self-driven individuals who value goals, work toward them voluntarily, and are inspired by the charisma, intellectual stimulation, and support of the leader, empowering them to accomplish goals on their own (Bass, B.M.; Avolio, B.J. 2000). Transformational leadership, which emphasizes change in members to achieve goals, was thought to be significant in social companies by Gillet et al. (2013). Additionally Bastari et al. (2020) suggested that transformative leadership enhances social enterprises' success. This study supposed that transformational leadership was appropriate for social enterprises in terms of change and goal-achieving assistance, based on their argument.

H1. Transformational leadership in social enterprises has a significant relationship with organizational performance.

H1.1. Transformational leadership in social enterprises has a significant relationship with economic performance.

H1.2. Transformational leadership in social enterprises will have a significant relationship with social performance.

Social Entrepreneurship and Organizational Performance

While social entrepreneurship also offers innovations in value creation, its major goal is to achieve a specific purpose within the framework and results of the social component. It also has to provide and preserve social benefits (Mair and Noboa, 2006). While its method is defined as the creation, assessment, and pursuit of possibilities to achieve social change, social entrepreneurship is capable of identifying opportunities to produce social value (Roberts & Woods, 2005). One of the most frequently taken into consideration forms of leadership in social enterprises is entrepreneurship (Kruse, P. et al., 2021).

According to Wu et al. (2020), social enterprises are distinct from other businesses in that they prioritize social purposes and share traits with commercial enterprises that aim for profitability. Consequently, leaders of these enterprises must possess a strong sense of challenge and accountability for achieving results. Pinheiro et al. (2021) contended that social companies are under pressure to enhance their performance, which makes entrepreneurship crucial. According to Weerawardena and Sullivan-mort (2001), social entrepreneurship is a component of sustainable competitive advantage, which is developed and executed in government and/or non-profit organizations (Sullivan Mort et al., 2003).

The Proactiveness, risk management, and social innovation are essential elements of social entrepreneurship. According to Davis et al. (2010), firms that prioritize innovative, risk-taking, and proactive activities are better positioned to compete with others. In general, consumers are drawn to novel goods, services, and technological advancements that have the potential to stimulate business expansion. Social entrepreneurs think that in order to thrive in the market, they must take the initiative. The likelihood of achieving organizational performance increases with the size of the relationship network because entrepreneurs can more easily forge bonds with suppliers, distributors, and customers, somewhat neutralizing their negotiating power and giving them access to crucial information. Chen et al. (2007) discovered that earnings and the expansion of new businesses are impacted by innovation and proactivity. Furthermore, it has been demonstrated that social entrepreneurship improves performance (Dwivedi and Weerawardena, 2018).

According to empirical research, entrepreneurship improves social and economic performance of social companies (Chang and Jeong, 2021). Based on the abovementioned literature, entrepreneurship was considered because challenge is important for balancing economic and social purposes.

H2. Entrepreneurship has a significant relationship with organizational performance.

H2.1 Entrepreneurship in social enterprises has a significant relationship with economic performance.

H2.2. Entrepreneurship in social enterprises will have a significant relationship with social performance.

Servant Leadership and Organizational Performance

It is essential to prioritize actions and endeavors for the good of others over personal objectives in order to accomplish social values. Consequently, it is equally important to consider the claim made in certain research that CEOs of social enterprises should exercise servant leadership. Through empirical research, Ohana et al. (2010) asserted that people who want to work for social enterprises are driven less by money than people who want to work for commercial enterprises. Stated differently, their claim is that workers in social companies are more likely to put social values ahead of personal benefit, demonstrating a higher level of commitment to others. According to Petrovskaya and Mirakyan (2018), a social enterprise can succeed if all of its members have a strong feeling of duty or a calling to realize social value. They also made the case that a leader's commitment to the members' success is essential for enhancing performance. Additionally, Mohamad and Majid (2014) emphasized that social enterprise executives set up the necessary frameworks so that employees may succeed in their jobs. According to Newman et al. (2018), employees in social companies think that servant leadership improves organizational effectiveness.

H3. Servant leadership in social enterprises has a significant relationship with organizational performance.

H.3-1. Servant leadership in social enterprises has a significant relationship with economic performance.

H. 3-2 Servant leadership in social enterprises has a significant relationship with social performance.

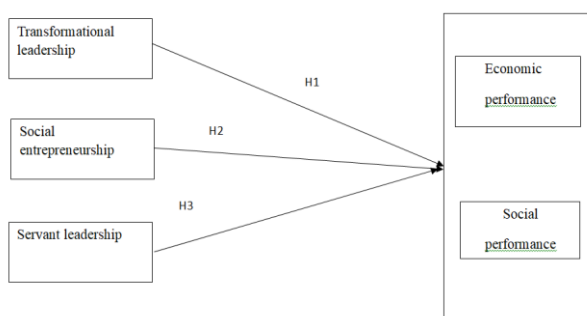


Figure 1 shows the conceptual model based on those mentioned assumptions.

3. RESEARCH METHODOLOGY

Sample and Data Collection

The study's sample population consists of Tunisia's social enterprises. The information was gathered through correspondence with social enterprise owners, including founders and executives. The Tunisian social enterprises have been the main focus of the study's research and analysis for a number of compelling reasons. The

background is fascinating for a variety of reasons. First off, Tunisia has been going through a democratic transition process since January 2011, which has made the people more aware of social and economic difficulties. The illumination that accompanied Jasmin's movement also contributed to a greater understanding of everyone's responsibility, not only public employees'. Whatever the case, the expansion of civic society serves as evidence. According to their definition of social enterprises, the following organizations were chosen: The following criteria have been used to choose social enterprises:

(1) By focusing on low-income individuals as consumers and producers, companies can tap into new markets for supply and sales, while simultaneously giving low-income individuals more options for products and access to markets and revenue.

(2) Assist smallholders with long-term business ties, equipment and machinery access, training, and finance. This leads into increased output and revenue for the farmer.

Respondents were contacted by phone and email during the second phase, when they were asked to assist with completing the surveys. The response rate did not increase to the necessary level following the second phase. The researchers personally visited the respondents and invited them to take part in the data collecting during the third and final phase of the study.

The final, formal questionnaire was created following several revisions and the confirmation of the measurement components for every variable in the questionnaire. The use of surveys made it possible to illustrate theoretical ideas with data. Responses on a likert scale range from 1 for "strongly disagree" to 5 for "strongly agree." The study's methodical technique to gathering data took place from June 2024 to January 2025. During this period, 200 valid surveys were delivered; 120 of these received responses, or a 60% response rate.

Measurement of Constructs

Two sections make up the format of the questionnaire. To enhance comprehension of the research setting and contextual aspects, the first section concentrates on the demographic profile of the respondents and their firm. Serving as a servant leader, social entrepreneurship, transformational leadership, and organizational performance are the three research constructs that are measured in the second section.

Leadership

This study considered 3 leadership styles as independent variables. Transformational leadership was measured with eight items based on the concepts and definitions of Bass and Avolio [2000]. The second independent variable, servant leadership, was measured with five items based on the concepts of Ehrhart [2004] and the definitions of Newman et al. [2018]. Entrepreneurship has been measured with five elements according to the concepts and definitions of Helm and Andersson [2010].

The 18 items was measured with a five-point Likert scale ranging from 1 =: Strongly Disagree, 2 = Disagree, 3 = Somewhat Disagree, 4 = Agree, and 5 = Strongly Agree.

Organizational Performance

Organizational performance was measured through two dimensions that are social performance and economic performance. Economic performance was examined using a 3-item scale that was modified from Mair (2014) and was identified in connection to financial sustainability. On the other hand, the extent to which social companies eventually aim to actualize values and make a social contribution was described as social performance. A 6-item measure that was modified from Bhattarai et al. (2019) was employed to evaluate social performance. From "strongly disagree" to "strongly agree," the responder is asked to score his degree of agreement with each item on a scale of 1 to 5.

4. ANALYSIS AND RESULTS

Descriptive Statistics

The final sample consists of 75% men and 25% women, with an average age range between 25 and 45 years. The 120 respondents lead companies of various sizes, with the majority (80%) being SMEs with between 10 and 150 employees; the remaining (20%) are microenterprises with no more than 10 employees. We note that a number of studies demonstrate that the size of companies has a positive impact on their performance (Qadi, 2020; A. Hana and B. Ridha, 2023), which leads us to control for its potential effects on the variables to be explained. This decision is reinforced by the existence of significant correlations between size and economic performance ($r = 0.140$; $p = 0.036$) and between the latter and social performance ($r = 0.401$; $p = 0.000$). The size of the company is assessed by the logarithm of the number of employees.

Common Method Bias

The same respondents were given the measurement scales for the independent and dependent variables at the same time, which could cause the same variance to artificially inflate the results. We adhered to Podsakoff et al. (2003)'s statistical and non-statistical advice in order to address this bias. We have so divided the variables in the questionnaire in order to lessen social desirability bias, and we have reassured the respondents regarding the confidentiality of their responses by stating that they are only used for academic purposes. Using statistical analysis, we performed Harman's single factor test (Podsakoff et al., 2003) by treating each of the two major model variables' items as a separate factor.

Reliability and Validity

The exploratory analysis and the confirmatory analysis are the two processes that comprise the data analysis process in SPSS 23. The purpose of the exploratory investigation is to validate our theoretical constructs' dimensionality and refine our measuring tools. Therefore, we are able to guarantee the psychometric properties of our assessment instruments through the use of principal

component analysis (PCA), reliability, and construct validity testing. Cronbach's alpha ($CA > 0.6$) and composite reliability ($CR > 0.7$) will be used to verify internal consistency reliability and the Fornell and Larker (1981) criteria will be used to verify convergent validity and discriminant validity. When the average variance explained (AVE) by the items is greater than 0.5, convergent validity is proven. Assuring that the square root of the AVE of each item in each of the two discrimination-subject constructs is higher than their correlation is vital for discriminant validity. We put our three theories to the test in the confirmatory analysis. Following the refinement of our measuring scales (factorial contribution > 0.7 , correlation < 0.7 , KMO > 0.5 , representational quality > 0.5 , total variance restored $> 60\%$).

Transformational leadership retained 8 elements (as indicated in Table 1) (Cronbach's Alpha = 0.723; CR = 0.680), Entrepreneurship retained all its elements (Cronbach's Alpha = 0.821; CR = 0.877), and Servant leadership retained 5 elements (Cronbach's Alpha = 0.801; CR = 0.893).

There are two items that represent economic performance (Cronbach's Alpha = 0.840; CR = 0.690). We were able to retain three items related to the social performance (Cronbach's Alpha = 0.760; CR = 0.781). Table 1 displays factors with Cronbach's values more than 0.6 and coefficients larger than 0.7 for the Composite Reliability (CR). As a result, we can make a determination regarding the consistency of our measuring scales' internal structure. Every variable has good convergence validity, as evidenced by the data from both samples, where each variable's factor loading is greater than 0.5.

To test for discriminant validity, each variable's square root of the average value of variance extracted (AVE) must be greater than the correlation coefficient with the other variables (Fornell et al., 1981). The square root values of the AVE for each variable are shown diagonally in Table 2, with the correlation coefficients between the variables being represented by the other data points. Table 2 demonstrates that each variable's square root of the AVE is bigger than the correlation coefficient value between that variable and the other variables, suggesting that the measure has good discriminant validity.

Construct	Items	Cronbach's alpha	AVE	CR
Transformational	8	0.723	0.650	0.680
Servant	5	0.801	0.720	0.893
Entrepreneurship		0.821	0.780	0.877
Economic Performance	2	0.840	0.560	0.690
Social performance	3	0.760	0.680	0.781

AVE: Average variance explained > 0.5 ; CR : Composite reliability > 0.7

Table 2. Discriminant Validity Analysis

	Transformational	Servant	Entrepreneurship	Economic Performance	Social performance
Transformational	0.84				
Servant	,270**	0.76			
Entrepreneurship	,460**	,391*	0.82		
Economic Performance	,320*	,211*	,632**	0.73	
Social performance	,220*	,481*	,180**	,290*	0.86

Testing Hypotheses

A regression analysis was conducted to examine the effect of leadership styles in social enterprises, as presented in Table 3. Economic performance showed a significant relationship with transformational leadership ($\beta = 0.180^*$; $p < 0.01$), entrepreneurship ($\beta = 0.710^{**}$; $p < 0.001$), and servant leadership ($\beta = 0.527^{**}$; $p < 0.01$). These results confirm hypotheses (H1.1), (H2.1) and (H3.1). Also Social performance showed a significant relationship with transformational leadership ($\beta = 0.199^*$; $p < 0.001$), entrepreneurship ($\beta = 0.571^{**}$; $p < 0.001$), and servant leadership ($\beta = 0.507^{**}$; $p < 0.001$). These results confirm hypotheses (H1.2), (H2,2) and (H3.2).

	Economic performance		Social performance	
	R2	β	R2	β
	F	(PV)	F	(PV)
Transformational	0.062	0.180*	0.149	0.199*
	3.423*	-0.002	09.499**	0
Servant	0.389*	0.527**	0.190*	0.507**
	0	0	-0.019	0
Entrepreneurship	0.433	0.710**	0.276	0.571**
	31.547**	0	12.576**	0

Note: *** $p < 0.001$; ** $p < 0.01$;

5. DISCUSSION

Researchers are highlighting the significance of social enterprises and exploring methods to enhance their performance. Some researchers are interested in leadership style, which is important in for-profit companies, but they do not take into account the characteristics of social enterprises. Social enterprises are hybrid organizations that maintain both a social welfare logic and a commercial logic [Newman, A.; 2018; Vázquez-Maguirre, M. 2021]. However, social enterprises offer the promise of financially viable organizations that address the world's greatest problems [Bhattacharai, C.R. et al., 2018]. Consequently, it may seem reasonable to apply the leadership style used by for-profit companies to social enterprises. Some studies, such as the one by Smith et al. [2014], claim that the leadership used by commercial companies is also suitable for social enterprises. However, there is not enough research on what constitutes effective leadership in social enterprises, given their unique combination of social and commercial objectives [Newman, A. et al., 2018]. In Tunisia, the creation of social enterprises is largely motivated by the government, which aims to support socially disadvantaged individuals. Tunisian social enterprises tend to prioritize obtaining government support rather than voluntary efforts to succeed. Recently, the financial independence of social enterprises has been highlighted as an important criterion for success in Tunisia. As a result, social enterprises are increasingly focusing on leadership as a key to improving performance. This study focused on the relationship between four leadership styles and organizational effectiveness. The results of this study showed that one should be cautious about applying for-profit business leadership directly to social enterprises and expecting full effects. In other words, this study showed that the leadership style, which contributes to performance improvement in for-profit companies, can have different impacts on the performance of social enterprises. It has been confirmed that transformational leadership plays a significant role in attaining various result improvements in both social and business enterprises. Significant correlations between transformative leadership and the two variables (social and economic success) were found in this study. This result aligns with previous research findings about the significance of improving results (Gillet, N. et al., 2013; Naderi, A. 2019; Jeong, M., 2024).

In particular, Suriyankietkaew et al. (Suriyankietkaew, S., 2022) used the qualitative technique to identify four important components of sustainable leadership in social companies, three of which, excluding ethical abilities, were similar to the traits of transformational leadership. Future scholars will be able to better understand the significance of transformational leadership in enhancing results, irrespective of whether businesses want to make a profit or not, thanks to their arguments and this study. It was thus shown that transformational leadership is a significant leadership style that enhances performance whether a business is for-profit or takes into account both non-profit and for-profit objectives. "The assertion that servant leadership and entrepreneurship will contribute to improving performance in studies on for-profit businesses has also

been supported in this study on social enterprises." Newman et al. (2019) suggested that entrepreneurship would enhance organizational commitment in social enterprises by presenting numerous theoretical arguments, but the empirical analysis failed to verify this. However, in this study, entrepreneurship was confirmed to have a significant relationship with all performance variables, except for appeal, also confirming that it was an important leadership factor for improving the performance of social enterprises. This study also reveals that servant leadership can assist social enterprises in achieving their social objectives and that entrepreneurship can impact outcomes at the enterprise level. This suggests that different outcomes call for different types of leadership in social enterprises. This is in line with research that emphasizes the difficulty of novel approaches (Pinheiro, P., 2021).

According to Kirzner (1973), social entrepreneurship can improve organizational performance. To gain an entrepreneur advantage, social organizations can identify opportunities that require differential access to existing information. Social entrepreneurship also presents innovations in value creation, but the focus is on the achievement of a clear mission in the context and outcome of the social component and must generate and maintain social benefits (Mair and Noboa, 2006). Social entrepreneurship is part of sustainable competitive advantage (Weerawardena & Sullivan-Mort, 2001), which is implemented and developed in non-profit organizations and/or the government (Sullivan Mort et al., 2003). Social enterprises believe that they need to be proactive to survive and grow in the market. The wider the relationship network, the greater the likelihood to achieve organizational performance because entrepreneurs can more easily build relationships with customers, suppliers and distributors, neutralizing their negotiating power to a certain extent, thereby gaining access to important and valuable information.

This study also provides interesting results. These results are consistent with previous research (Mutahar et al., 2015) that transformational leadership is an important factor in organizational performance. Saebi et al. (2019) argued that the tension between economic and social missions is essential for the success of social enterprises, and that the key to achieving this goal is entrepreneurship. Our study confirmed the results of Chang and Jeong (2021), who also empirically demonstrated that entrepreneurship has a positive impact on the improvement of various performances in social enterprises. However, the results of our research do not match those of Jeong, M. (2024). In Their study, entrepreneurship did not show a significant relationship with organizational performance. The reason for this could first be found in the methodology of the study by Jeong, M. (2024). The researcher attempted to control the impact of leadership on outcomes, regardless of the type of leadership; therefore, she only sampled respondents who perceived transactional leadership. In the past, profit maximization the ultimate goal of all business activity. However, today's increasingly recognize the importance of taking into account the social and environmental impacts of their actions. This evolution has led to the consideration of leadership as a way for companies to differentiate

themselves competitive advantage (Norman, Zoncita, 2016).

In this context, a number of studies show that managerial and leadership styles have a impact on a company's strategic direction in general, as well as on the organizational performance (Hunter, Emily et al., , 2013). According to Petrovskaya and Mirakyan (2018), effective leadership in social companies is crucial for fostering employee success as opposed to controlling conduct. One could assume that these outcomes are a result of the special qualities of servant leadership, which puts people first.

6. CONCLUSION

A social mission is typically the driving force behind social enterprise. In the social non-profit sector, organizations use business methods with the goals of efficiency, innovation, and social value in order to create a competitive and long-lasting organizational structure (Hu, 2006). According to Dees et al. (2001) and Martin and Osberg (2007), this process has been characterized as a blend of social mission, innovation, and business, as well as a reaction to a social need that calls for an unconventional answer. Like business entrepreneurship, social enterprise advances from the transition stage to the transformation and stable stages through team building, organization and communication, system construction, and regular operation (Dees et al., 2001). The majority of definitions center on four essential elements: the traits of the social entrepreneurs themselves, their area of operation, the procedures or tools they employ, and the and the mission of the social entrepreneur (Dacin et al., 2011).

The purpose of this study is to investigate how, transformational leadership, social entrepreneurship and servant leadership can improve organizational performance. The results indicate that all the style de leadership social can improve organizational performance both directly. Furthermore, several theoretical and practical implications can be identified. The objective of this study was for the social enterprise to take into account both economic and social values. In other words, this study aimed to determine the effects of the main leadership styles (transformational leadership, servant leadership, and entrepreneurial spirit) that have been highlighted on the performance of social enterprises. More specifically, the performance of the social enterprise took into account perceived economic performance and social performance. Using data from 120 social enterprises in Tunisia, transformational leadership, servant leadership, and entrepreneurship have a positive relationship with social performance and Economic performance. These results represent a significant advancement in understanding the appropriate type of leadership for social enterprises. It has been confirmed that transformational leadership can be an effective leadership style for performance improvement, even if a company pursues social objectives.

Furthermore, it has been confirmed that entrepreneurial spirit, a leadership style that emphasizes a spirit of

challenge, can also contribute to improving the company's performance. A servant leadership can also contribute to improving the organizational (social and economic) performance of the company. Although this study contributes to guiding future research on appropriate leadership styles in social enterprises by examining the relationship between different leadership styles and outcomes, it has certain limitations. One of them is that it did not measure actual performance, but perceived performance. Although economic performance is measurable, it could not be utilized due to the difficulty in controlling other variables affecting financial performance.

In future research, it will be necessary to supplement with archival data on social enterprises. Future research should also pay attention to the leadership that is suitable for the characteristics of social enterprises. For example, it will be necessary to study whether the spiritual leadership that can inspire the calling is suitable for social enterprises.

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