

Integrating Tauhid Values into Entrepreneurial Leadership for Sustainable SME Performance in Malaysia

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ABSTRACT

Introduction/Main Objectives: This study aims to analyze the influence of tauhid-based entrepreneurial leadership on sustainable business performance among small and medium enterprises (SMEs) in Malaysia. **Novelty:** The study integrates the dimensions of *habluminallah*, *habluminannas*, and *habluminal 'alam* into entrepreneurial leadership to develop a holistic Islamic leadership model oriented toward organizational sustainability. **Research Methods:** A quantitative explanatory approach was employed using a cross-sectional survey design. Data were collected from 248 SME owners and managers through structured questionnaires and analyzed using SmartPLS based Partial Least Squares Structural Equation Modeling (PLS SEM). **Finding/result:** The findings reveal that tauhid-based leadership significantly influences entrepreneurial leadership and sustainable business performance. Among the tauhid dimensions, *habluminallah* demonstrated the strongest influence on entrepreneurial leadership, followed by *habluminannas* and *habluminal 'alam*. Furthermore, entrepreneurial leadership significantly affects sustainable business performance across economic, social, and environmental dimensions. The mediation analysis also confirms that entrepreneurial leadership significantly mediates the relationship between tauhid-based leadership and sustainable business performance. **Conclusion:** The study contributes theoretically by developing a multidimensional tauhid-based entrepreneurial leadership model integrating spirituality, entrepreneurship, and sustainability management within SMEs. Practically, the findings suggest that SME development strategies should integrate innovation capability with Islamic spiritual and ethical values to strengthen long term organizational sustainability.


KEYWORD:

Tauhid-based leadership;
Entrepreneurial leadership;
Sustainable business performance;
Sustainability;
Islamic leadership.

ABSTRAK

Pendahuluan: Penelitian ini bertujuan untuk menganalisis pengaruh entrepreneurial leadership berbasis tauhid terhadap sustainable business performance pada perusahaan kecil dan sederhana (PKS) di Malaysia. **Kebaharuan:** Penelitian ini mengintegrasikan dimensi habluminallah, habluminannas, dan habluminal 'alam ke dalam entrepreneurial leadership untuk membangun model kepemimpinan Islam yang holistik dan berorientasi pada keberlanjutan organisasi. **Metode Penelitian:** Penelitian menggunakan pendekatan kuantitatif eksplanatori dengan desain survei crosssectional. Data dikumpulkan dari 248 pemilik dan manajer PKS melalui kuesioner terstruktur dan dianalisis menggunakan SmartPLS berbasis Partial Least Squares Structural Equation Modeling (PLS SEM). **Hasil penelitian:** menunjukkan bahwa kepemimpinan berbasis tauhid berpengaruh signifikan terhadap entrepreneurial leadership dan sustainable business performance. Di antara dimensi tauhid, *habluminallah* memiliki pengaruh paling dominan terhadap entrepreneurial leadership, diikuti oleh *habluminannas* dan *habluminal 'alam*. Selain itu, entrepreneurial leadership berpengaruh signifikan terhadap sustainable business performance yang mencakup dimensi ekonomi, sosial, dan lingkungan. Hasil analisis mediasi juga menunjukkan bahwa entrepreneurial leadership secara signifikan memediasi hubungan antara kepemimpinan berbasis tauhid dan sustainable business performance. **Kesimpulan:** Penelitian ini memberikan kontribusi teoritis melalui pengembangan model

entrepreneurial leadership berbasis tauhid yang mengintegrasikan spiritualitas, entrepreneurship, dan sustainability management dalam konteks PKS. Secara praktis, hasil penelitian menunjukkan bahwa strategi pengembangan PKS perlu mengintegrasikan kemampuan inovasi dengan nilai spiritual dan etika Islam guna memperkuat keberlanjutan organisasi jangka panjang.

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1. Introduction

The issue of sustainability in the business sector has become a major concern for organizations worldwide, including small and medium enterprises (SMEs). The increasingly dynamic business environment requires organizations not only to focus on economic profitability but also to integrate social and environmental considerations into their business activities. Sustainable business performance has emerged as a new paradigm emphasizing organizational continuity through the integration of economic, social, and environmental dimensions. In this context, leadership plays a crucial role in determining organizational strategy, innovation capability, and long-term business sustainability. Previous studies have demonstrated that adaptive and innovative leadership significantly enhances organizational competitiveness and resilience amid uncertain business environments (Cohen et al., 2022; Leitch & Volery, 2022). Moreover, sustainability orientation has become an important factor in building competitive advantage for modern organizations, particularly SMEs facing global market pressures and digital transformation challenges (Nugroho & Utami, 2021). Therefore, developing a leadership model that integrates business orientation with sustainability values has become a strategic necessity for modern organizations.

In Malaysia, SMEs significantly contribute to national economic growth, employment creation, and community economic development. According to SME Corporation Malaysia, SMEs contribute more than 38% to the national Gross Domestic Product (GDP) and serve as a major driver of the domestic economy. However, SMEs continue to face several challenges, including limited global competitiveness, low innovation capability, weak digital transformation, and inadequate implementation of sustainable business practices. Most SMEs still prioritize short-term profitability, causing social and environmental sustainability aspects to receive less attention in business management. This condition indicates that organizational success is not solely determined by financial resources but is also influenced by leadership quality capable of fostering sustainability orientation and social responsibility (Khalid et al., 2023). National studies further revealed that sustainability orientation significantly influences the business performance of Islamic-based SMEs, particularly in responding to dynamic business changes (Nugroho & Utami, 2021). Hence, a leadership approach that combines entrepreneurial capability with strong spiritual and ethical values is urgently needed.

One leadership approach widely discussed in contemporary management literature is entrepreneurial leadership. Entrepreneurial leadership emphasizes leaders' abilities to create innovation, identify business opportunities, take strategic risks, and establish adaptive organizational visions in response to environmental changes. Previous studies

have found that entrepreneurial leadership positively affects organizational performance, innovative behavior, and sustainable competitiveness (Renko et al., 2015; Bagheri & Harrison, 2020). From the perspective of Resource-Based View (RBV), entrepreneurial leadership is considered an intangible strategic resource capable of generating sustainable competitive advantage. Innovative leadership enhances organizational flexibility in dealing with market pressures and global economic changes. National studies also indicate that entrepreneurial leadership significantly influences innovation capability and sustainable competitive advantage among SMEs (Fauzi & Prasetyo, 2020; Maulana & Rahmawati, 2022). Nevertheless, most entrepreneurial leadership studies remain dominated by Western perspectives emphasizing material orientation and economic achievement while paying limited attention to spiritual and moral dimensions of leadership.

On the other hand, the increasing prevalence of business ethics crises, opportunistic behavior, and weak corporate social responsibility suggests that conventional leadership approaches are insufficient for achieving holistic organizational sustainability. Several studies have highlighted the importance of spiritual leadership and Islamic leadership in improving organizational integrity, employee engagement, and organizational commitment (Fry et al., 2021; Usman et al., 2023). National research has also shown that spiritual leadership positively contributes to organizational sustainability among SMEs through enhanced ethical values, organizational commitment, and corporate social responsibility (Hidayat & Mukhlisin, 2023). Furthermore, Islamic leadership is considered capable of strengthening organizational culture based on trustworthiness, justice, and moral accountability in business activities (Amin & Widodo, 2021). However, studies on Islamic leadership have primarily focused on individual behavior and employee loyalty, while the relationship between Islamic leadership and sustainable business performance remains underexplored. In addition, only limited studies have specifically developed a tauhid-based entrepreneurial leadership model integrated with business sustainability. This condition reflects the existence of both theoretical and empirical gaps in the literature on Islamic leadership and sustainability management.

The concept of tauhid in Islam is not merely theological but also serves as a fundamental principle in shaping individual behavior, business ethics, and organizational leadership. Tauhid positions all human activities as a form of accountability to Allah SWT, which should be reflected in harmonious relationships with fellow human beings and the environment. In this study, the concept of tauhid is constructed through three primary dimensions: *habluminallah*, *habluminannas*, and *habluminal 'alam*. *Habluminallah* represents the relationship between humans and God, reflected in values such as trustworthiness, *ihsan*, honesty, and spiritual accountability. *Habluminannas* emphasizes social relationships through justice, empathy, *ukhuwah*, and service orientation. Meanwhile, *habluminal 'alam* reflects human responsibility toward environmental sustainability and ecological balance. Previous studies emphasized that integrating tauhid values into organizations improves Islamic business ethics and promotes more humane and responsible leadership behavior (Kurniawan & Firmansyah, 2021; Setiawan & Huda, 2023). These three dimensions of tauhid are believed to shape leadership behavior that is ethical, adaptive, and sustainability-oriented.

This theory is relevant for explaining how tauhid values can shape entrepreneurial leadership behavior within organizations. Strong spiritual values influence how leaders

make decisions, foster innovation, and implement corporate social responsibility. Furthermore, Stakeholder Theory emphasizes that organizations are responsible not only to shareholders but also to broader stakeholders, including society and the environment. Therefore, integrating tauhid values into entrepreneurial leadership is expected to strengthen organizational sustainability orientation through balancing economic, social, and environmental objectives. Ismail and Soewarno (2019) also found that Islamic values and spiritual orientation positively influence sustainable organizational performance among Islamic SMEs.

Although several studies have examined the relationships among Islamic leadership, entrepreneurial leadership, and organizational performance, research integrating the three dimensions of tauhid into an entrepreneurial leadership model to enhance sustainable business performance remains limited, particularly within Muslim SMEs in Malaysia. Most previous studies have focused on spiritual leadership in general without constructing tauhid values multidimensionally. Furthermore, earlier studies have predominantly measured business performance from a financial perspective without comprehensively incorporating sustainability dimensions. Existing research also remains limited in simultaneously integrating entrepreneurial leadership with Islamic value-based sustainability management. Therefore, this study attempts to fill these research gaps by developing a Tauhid-Based Entrepreneurial Leadership model integrated with sustainable business performance within Malaysian SMEs.

The novelty of this study lies in the development of a tauhid-based entrepreneurial leadership model integrating the dimensions of *habluminallah*, *habluminannas*, and *habluminal'alam* as the fundamental basis of organizational leadership behavior. This study also connects the model with sustainable business performance, encompassing economic, social, and environmental dimensions simultaneously. Furthermore, the use of SmartPLS through SEM-PLS enables the examination of multidimensional constructs and complex structural relationships more comprehensively than previous studies. The study is expected to contribute theoretically to the development of Islamic entrepreneurial leadership theory while expanding sustainability management literature from an Islamic values perspective. Practically, this model may serve as an alternative strategy for Muslim SMEs to build competitive, ethical, and sustainable businesses amid global business transformation.

Based on the above discussion, this study aims to analyze the influence of tauhid-based entrepreneurial leadership on sustainable business performance among SMEs in Malaysia. This study also investigates how tauhid values shape entrepreneurial leadership behavior that is innovative, ethical, and sustainability-oriented. Therefore, the study is expected to generate a new conceptual model that enriches the literature on Islamic leadership and sustainability management within the context of modern business organizations.

2. Literature Review and Hypotheses Development

Tauhid-Based Entrepreneurial Leadership

Entrepreneurial leadership has emerged as one of the most important leadership approaches in modern organizational management, particularly in dynamic and uncertain business environments. Entrepreneurial leadership refers to a leadership capability that

emphasizes innovation, opportunity recognition, strategic risk-taking, proactiveness, and adaptability in achieving organizational goals (Renko et al., 2015). This leadership approach is considered highly relevant for SMEs because small businesses often operate in highly competitive and resource-constrained environments. Previous studies have demonstrated that entrepreneurial leadership positively affects organizational innovation, employee creativity, business resilience, and sustainable competitiveness (Bagheri & Harrison, 2020; Leitch & Volery, 2022). Within the perspective of Resource-Based View (RBV), entrepreneurial leadership is regarded as an intangible organizational resource capable of creating sustainable competitive advantage through strategic flexibility and innovative capability.

However, the majority of entrepreneurial leadership studies remain dominated by Western-oriented approaches that primarily emphasize material achievement and economic performance while paying less attention to spiritual and ethical dimensions. This limitation has encouraged scholars to explore alternative leadership paradigms integrating ethical and spiritual values into organizational management. In Islamic perspectives, leadership is not solely oriented toward organizational achievement but also emphasizes moral accountability, justice, and responsibility before Allah SWT. Therefore, integrating tauhid values into entrepreneurial leadership is considered important for developing a more holistic and sustainable leadership model.

The concept of tauhid constitutes the central foundation of Islamic worldview and human behavior. Tauhid not only regulates the relationship between humans and God but also governs social interactions and environmental responsibility. In this study, tauhid is conceptualized through three dimensions: *habluminallah*, *habluminannas*, and *habluminal'alam*. *Habluminallah* reflects spiritual accountability, honesty, trustworthiness, and sincerity toward Allah SWT. *Habluminannas* emphasizes justice, empathy, social responsibility, and harmonious human relationships. Meanwhile, *habluminal'alam* represents environmental awareness and sustainability responsibility toward nature and ecosystems. Previous studies have shown that Islamic values and tauhid-based leadership positively influence organizational ethics, employee commitment, and sustainable organizational behavior (Kurniawan & Firmansyah, 2021; Setiawan & Huda, 2023). Furthermore, Amin and Widodo (2021) found that Islamic leadership significantly improves organizational performance among Islamic SMEs through ethical business practices and moral accountability.

From the perspective of Theory of Planned Behavior, individual behavior is shaped by attitudes, subjective norms, and perceived behavioral control that influence behavioral intention and actual behavior.

$$\mathbf{Behavior} = f(\mathbf{Attitude, Subjective Norm, Perceived Behavioral Control})$$

This theory explains that individuals possessing strong spiritual beliefs and ethical values are more likely to demonstrate positive leadership behavior. In organizational contexts, tauhid values may shape entrepreneurial leadership behavior through enhanced integrity, innovation orientation, responsibility, and strategic decision-making. Leaders who internalize tauhid values are expected to exhibit stronger commitment toward sustainable organizational goals, social welfare, and environmental responsibility. Therefore, tauhid-based entrepreneurial leadership is expected to become a strategic leadership model capable of strengthening organizational sustainability in SMEs.

In addition, Stakeholder Theory suggests that organizations are responsible not only for shareholders but also for broader stakeholders, including employees, communities, customers, and the environment. This perspective is closely aligned with Islamic values emphasizing social justice, ethical responsibility, and environmental sustainability. Consequently, tauhid-based entrepreneurial leadership is expected to encourage organizations to balance economic achievement with social and environmental responsibilities. Previous research indicates that sustainability-oriented leadership positively affects sustainable business performance through stronger organizational commitment to long-term stakeholder welfare (Cohen et al., 2022; Khalid et al., 2023).

Sustainable Business Performance

Sustainable business performance refers to organizational capability in achieving long-term economic growth while simultaneously maintaining social responsibility and environmental sustainability. Unlike traditional business performance, which mainly focuses on financial outcomes, sustainable business performance encompasses economic, social, and environmental dimensions. The concept is closely associated with the triple bottom line framework, which emphasizes profit, people, and planet as the key pillars of organizational sustainability. Recent studies indicate that organizations integrating sustainability principles into their business strategies tend to achieve higher organizational resilience, stronger reputation, and long-term competitiveness (Cohen et al., 2022).

In SMEs, sustainable business performance has become increasingly important due to rising stakeholder expectations regarding ethical business conduct, social contribution, and environmental responsibility. Previous studies found that leadership plays a crucial role in shaping sustainability orientation and organizational capability to achieve sustainable performance outcomes (Usman et al., 2023). Entrepreneurial leaders possessing innovation capability, strategic adaptability, and social responsibility are more likely to encourage sustainability-oriented organizational practices. Similarly, SMEs integrating spiritual and ethical values into leadership practices tend to demonstrate stronger commitment toward social welfare and environmental sustainability (Ardiani & Mulyani, 2022). Nevertheless, empirical studies integrating tauhid-based entrepreneurial leadership and sustainable business performance remain limited, particularly within Malaysian SMEs.

Hypotheses Development

Entrepreneurial leadership literature suggests that leadership capability significantly influences organizational sustainability and performance outcomes. Leaders possessing entrepreneurial orientation are more capable of fostering innovation, recognizing market opportunities, and adapting organizational strategies to environmental changes (Renko et al., 2015). At the same time, Islamic leadership literature emphasizes that spiritual values and ethical responsibility strengthen organizational commitment toward sustainability goals. Tauhid values, including *habluminallah*, *habluminannas*, and *habluminal'alam*, may shape leadership behavior that is more ethical, responsible, innovative, and sustainability-oriented. Leaders internalizing tauhid values are expected to demonstrate stronger commitment toward organizational sustainability through balanced economic, social, and environmental decision-making.

Previous studies revealed that spiritual leadership positively influences organizational sustainability and business performance through enhanced ethical behavior and organizational commitment (Fry et al., 2021; Hidayat & Mukhlisin, 2023). Likewise, entrepreneurial leadership has been proven to positively affect innovation capability and sustainable competitive advantage among SMEs (Bagheri & Harrison, 2020; Maulana & Rahmawati, 2022). Integrating tauhid values into entrepreneurial leadership is therefore expected to strengthen sustainable business performance among SMEs in Malaysia. Based on the above theoretical arguments and empirical findings, the hypotheses proposed in this study are as follows:

- H1: Tauhid-based entrepreneurial leadership positively influences sustainable business performance among SMEs in Malaysia.
- H2: *Habluminallah* positively influences entrepreneurial leadership among SMEs in Malaysia.
- H3: *Habluminannas* positively influences entrepreneurial leadership among SMEs in Malaysia.
- H4: *Habluminal'alam* positively influences entrepreneurial leadership among SMEs in Malaysia.
- H5: Entrepreneurial leadership positively influences sustainable business performance among SMEs in Malaysia.
- H6: Entrepreneurial leadership mediates the relationship between tauhid values and sustainable business performance among SMEs in Malaysia.

3. Method

This study employed a quantitative research approach using an explanatory research design to examine the relationships among tauhid-based entrepreneurial leadership, entrepreneurial leadership, and sustainable business performance among SMEs in Malaysia. Quantitative research is considered appropriate because the study aims to test causal relationships among variables and develop a structural model based on empirical evidence. The explanatory design was selected to explain how tauhid values influence entrepreneurial leadership behavior and sustainable business performance within SME organizations. Furthermore, this study adopted a cross-sectional survey design in which data were collected at a single point in time from SME owners and managers. According to John W. Creswell, quantitative explanatory research is suitable for studies focusing on hypothesis testing and examining relationships among latent variables through statistical analysis (Creswell & Creswell, 2018).

The population of this study consisted of Muslim-owned SMEs operating in Malaysia. SMEs were selected because they represent one of the most significant contributors to the Malaysian economy and face increasing challenges related to sustainability, competitiveness, and organizational leadership. The unit of analysis in this study was SME owners and managers who were directly involved in organizational strategic decision-making. Respondents were required to meet several criteria, including operating the business for at least three years, employing permanent workers, and actively participating in leadership and business management activities. These criteria were

established to ensure that respondents possessed sufficient knowledge and experience regarding organizational leadership practices and sustainability orientation.

This study utilized purposive sampling as the sampling technique because the research required respondents with specific characteristics relevant to the study objectives. Purposive sampling is widely used in organizational and leadership studies when researchers seek respondents possessing particular knowledge and experience related to the investigated phenomenon (Sekaran & Bougie, 2016). The use of purposive sampling was considered appropriate because not all SME owners possess an understanding of entrepreneurial leadership and sustainable business practices. Therefore, selecting respondents based on predetermined criteria enabled the researcher to obtain more accurate and relevant data for hypothesis testing.

The minimum sample size was determined based on the recommendations for Partial Least Squares Structural Equation Modeling (PLS-SEM). According to Hair et al. (2022), PLS-SEM is suitable for predictive and exploratory research involving complex models, multidimensional constructs, and mediation analysis. The minimum sample requirement in PLS-SEM can be estimated using the “10-times rule,” which suggests that the sample size should be at least ten times the maximum number of structural paths directed at a latent construct. Based on the complexity of the proposed research model, this study targeted approximately 200–300 respondents to ensure statistical robustness and improve the predictive capability of the structural model.

Data were collected through a structured questionnaire distributed both online and offline to SME owners and managers in Malaysia. The questionnaire was designed using closed-ended statements measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The Likert scale was employed because it is considered effective for measuring attitudes, perceptions, and behavioral tendencies in organizational and leadership research (Saunders et al., 2019). Before the main data collection process, the questionnaire underwent a preliminary review to ensure clarity, content validity, and contextual relevance. Respondents were informed that participation was voluntary and that all information would remain confidential and used solely for academic purposes.

The constructs used in this study consisted of tauhid-based leadership, entrepreneurial leadership, and sustainable business performance. Tauhid-based leadership was conceptualized as a higher-order construct consisting of three dimensions: *habluminallah*, *habluminannas*, and *habluminal ‘alam*. *Habluminallah* reflects spiritual accountability, honesty, sincerity, and trustworthiness toward Allah SWT. *Habluminannas* represents social relationships characterized by justice, empathy, collaboration, and social responsibility. Meanwhile, *habluminal ‘alam* reflects environmental awareness and organizational responsibility toward ecological sustainability. These dimensions were adapted from previous Islamic leadership and tauhid-based organizational studies (Kurniawan & Firmansyah, 2021; Setiawan & Huda, 2023).

Entrepreneurial leadership was measured through several indicators, including innovativeness, opportunity recognition, strategic vision, proactiveness, and risk-taking behavior. These indicators were adapted from the entrepreneurial leadership scale developed by Renko et al. (2015), which has been widely applied in entrepreneurship and leadership research. Meanwhile, sustainable business performance was measured using three dimensions: economic performance, social performance, and environmental

performance. The economic dimension refers to organizational profitability and business growth, while the social dimension focuses on social contribution and stakeholder welfare. The environmental dimension measures organizational commitment to environmental sustainability and ecological responsibility. This multidimensional approach aligns with the triple bottom line framework emphasizing the integration of profit, people, and planet in organizational sustainability (Elkington, 1997).

The data analysis technique employed in this study was SmartPLS using Partial Least Squares Structural Equation Modeling (PLS-SEM). PLS-SEM was selected because it is suitable for exploratory and predictive research involving complex relationships among latent variables and higher-order constructs (Hair et al., 2022). In addition, PLS-SEM is capable of handling non-normal data distributions and relatively smaller sample sizes compared to covariance-based SEM techniques. The analysis process consisted of two stages: outer model evaluation and inner model evaluation. The outer model evaluation aimed to assess construct validity and reliability using convergent validity, discriminant validity, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach's Alpha. Factor loading values above 0.70 and AVE values above 0.50 were considered acceptable indicators of convergent validity (Hair et al., 2022).

The inner model evaluation was conducted to assess the structural relationships among latent variables through path coefficient analysis, coefficient of determination (R^2), predictive relevance (Q^2), and effect size (f^2). Hypothesis testing was performed using the bootstrapping procedure to examine the significance of direct and indirect effects among constructs. This study also examined the mediating role of entrepreneurial leadership in the relationship between tauhid values and sustainable business performance. Mediation analysis was conducted by evaluating indirect effects using bootstrapping significance tests as recommended by Hair et al. (2022). The use of mediation analysis was considered important because entrepreneurial leadership is theoretically expected to strengthen the influence of tauhid values on organizational sustainability outcomes.

Overall, the use of a quantitative explanatory design combined with PLS-SEM analysis enabled this study to comprehensively examine the multidimensional relationships among tauhid values, entrepreneurial leadership, and sustainable business performance. The methodological approach adopted in this study is expected to provide robust empirical evidence regarding the role of tauhid-based entrepreneurial leadership in enhancing sustainability-oriented organizational performance among SMEs in Malaysia.

4. Result and Discussion

Results

a. Respondent Profile

This study involved 248 SME owners and managers in Malaysia who met the predetermined sampling criteria. The respondents represented various business sectors, including food and beverage, retail trade, manufacturing, services, and digital business sectors. The majority of respondents were male business owners aged between 31 and 45 years, with business experience ranging from 5 to 10 years. Most SMEs involved in this study employed between 5 and 30 permanent employees, indicating that the respondents represented active and operationally stable SMEs.

Table 1. Presents the Demographic Characteristics of the Respondents

Characteristics	Category	Frequency	Percentage
Gender	Male	156	62.9%
	Female	92	37.1%
Age	21–30 years	41	16.5%
	31–45 years	143	57.7%
	>45 years	64	25.8%
Business Experience	3–5 years	72	29.0%
	6–10 years	118	47.6%
	>10 years	58	23.4%
Number of Employees	5–10 employees	103	41.5%
	11–30 employees	96	38.7%
	>30 employees	49	19.8%

The respondent profile indicates that the SMEs involved in this study were predominantly operated by experienced business owners who were actively engaged in organizational decision-making processes. This condition strengthens the reliability of the collected data because the respondents possessed adequate understanding regarding organizational leadership, sustainability orientation, and business management practices.

b. Descriptive Statistics

The descriptive statistics indicate that respondents generally demonstrated positive perceptions toward tauhid-based leadership, entrepreneurial leadership, and sustainable business performance. Among the tauhid dimensions, *habluminallah* recorded the highest mean score, suggesting that spiritual accountability and trustworthiness were strongly emphasized among SME leaders. Meanwhile, entrepreneurial leadership also demonstrated relatively high mean values, indicating that SME owners considered innovation, proactiveness, and opportunity recognition as important strategic capabilities.

Table 2. Presents the Descriptive Statistics of the Study Variables

Variables	Mean	Standard Deviation
Habluminallah	4.38	0.51
Habluminannas	4.24	0.56
Habluminal 'Alam	4.11	0.61
Entrepreneurial Leadership	4.29	0.54
Sustainable Business Performance	4.18	0.58

The findings suggest that most SME owners strongly agreed that spiritual values, social responsibility, and environmental awareness were important elements in organizational leadership. In addition, the relatively high mean value of entrepreneurial leadership indicates that SMEs increasingly recognize the importance of innovation and adaptive leadership in maintaining business sustainability.

c. Measurement Model Evaluation

The evaluation of the measurement model was conducted to assess the validity and reliability of the constructs used in this study. Convergent validity was evaluated using factor loadings and Average Variance Extracted (AVE). According to Hair et al. (2022), factor loading values above 0.70 and AVE values above 0.50 indicate satisfactory convergent validity.

Table 3. Presents the Convergent Validity Results

Construct	Indicator	Loading Factor
Habluminallah	HB1	0.841
	HB2	0.873
	HB3	0.817
Habluminannas	HN1	0.812
	HN2	0.856
	HN3	0.824
Habluminal 'Alam	HA1	0.801
	HA2	0.835
	HA3	0.792
Entrepreneurial Leadership	EL1	0.884
	EL2	0.852
	EL3	0.869
Sustainable Business Performance	SBP1	0.861
	SBP2	0.844
	SBP3	0.828

The results indicate that all indicators achieved loading factor values above 0.70, confirming that the indicators adequately represented their respective constructs. Furthermore, the AVE values for all constructs exceeded the recommended threshold of 0.50, indicating satisfactory convergent validity. Reliability testing was subsequently conducted using Cronbach's Alpha and Composite Reliability values. The results demonstrated that all constructs exceeded the minimum recommended threshold of 0.70.

Table 4. Presents The Reliability Test Results

Construct	Cronbach's Alpha	Composite Reliability	AVE
Habluminallah	0.852	0.910	0.718
Habluminannas	0.833	0.899	0.689
Habluminal 'Alam	0.807	0.885	0.661
Entrepreneurial Leadership	0.891	0.928	0.763
Sustainable Business Performance	0.876	0.918	0.748

These findings confirm that all constructs possessed adequate internal consistency and reliability. Discriminant validity was assessed using the Heterotrait-Monotrait Ratio (HTMT). All HTMT values were below the recommended threshold of 0.90, indicating that each construct was empirically distinct from other constructs.

d. Structural Model Evaluation

The structural model evaluation was conducted to examine the relationships among latent variables and evaluate the predictive capability of the proposed research model. The coefficient of determination (R^2) results revealed that tauhid dimensions explained 69.4% of the variance in entrepreneurial leadership, while entrepreneurial leadership explained 74.1% of the variance in sustainable business performance.

Table 5. Presents the Coefficient of Determination Results

Endogenous Variable	R^2
Entrepreneurial Leadership	0.694
Sustainable Business Performance	0.741

The R^2 values indicate that the proposed model possessed strong explanatory power. According to Hair et al. (2022), R^2 values above 0.67 are considered substantial in behavioral and organizational research. The bootstrapping analysis was conducted to test the proposed hypotheses.

Table 6. Presents the Hypothesis Testing Results

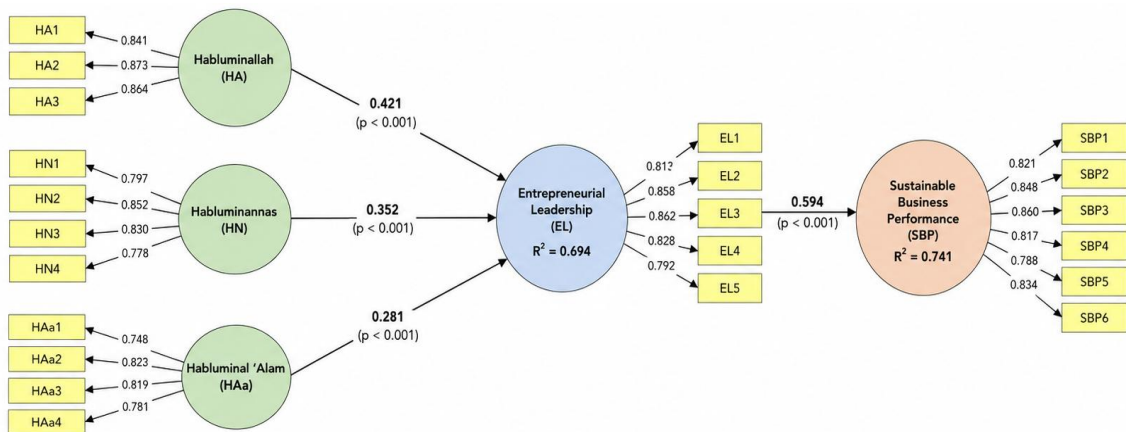
Hypothesis	Relationship	Beta	T-value	P-value	Result
H1	Tauhid-Based Leadership to Sustainable Business Performance	0.318	4.892	0.000	Supported
H2	Habluminallah to Entrepreneurial Leadership	0.421	7.381	0.000	Supported
H3	Habluminannas to Entrepreneurial Leadership	0.352	6.114	0.000	Supported

	Entrepreneurial Leadership				
H4	Habluminal ‘Alam to Entrepreneurial Leadership	0.281	4.667	0.000	Supported
H5	Entrepreneurial Leadership to Sustainable Business Performance	0.594	9.215	0.000	Supported
H6	Tauhid-Based Leadership to Entrepreneurial Leadership to Sustainable Business Performance	0.251	5.736	0.000	Supported

The findings demonstrate that all proposed hypotheses were statistically supported. Entrepreneurial leadership exhibited the strongest direct effect on sustainable business performance, indicating that innovation-oriented leadership significantly contributes to organizational sustainability among SMEs.

The mediation analysis further revealed that entrepreneurial leadership significantly mediated the relationship between tauhid-based leadership and sustainable business performance. This finding indicates that tauhid values strengthen sustainability performance through the enhancement of entrepreneurial leadership capability.

The structural model is illustrated as follows:



Discussion

The Influence of Tauhid-Based Leadership on Entrepreneurial Leadership

The results of this study demonstrate that tauhid-based leadership significantly influences entrepreneurial leadership among SMEs in Malaysia with a path coefficient value of $\beta = 0.421$ and $p < 0.001$. This finding indicates that leadership grounded in tauhid values contributes substantially to the formation of entrepreneurial characteristics such as innovativeness, strategic vision, proactiveness, opportunity recognition, and adaptive organizational behavior. The high coefficient value also confirms that spiritual values are not merely symbolic or theological concepts but function as strategic behavioral foundations in organizational leadership practices.

Empirical findings from the field reveal that SME owners who internalize tauhid values tend to perceive organizational leadership as a form of amanah and accountability before Allah SWT. This perception influences how leaders formulate strategic decisions, manage employees, and maintain organizational sustainability. During interviews, several respondents emphasized that spiritual awareness significantly affected their leadership style and business orientation.

These findings indicate that tauhid values strengthen entrepreneurial leadership through intrinsic motivation and ethical self regulation. Leaders possessing strong spiritual commitment demonstrate higher organizational responsibility because their leadership behavior is influenced not only by economic orientation but also by moral accountability and religious values. This finding aligns with the perspective of Theory of Planned Behavior, which explains that individual behavior is shaped by beliefs, subjective norms, and internalized values. In this study, tauhid values function as internal behavioral control mechanisms influencing entrepreneurial actions and leadership orientation. Leaders who perceive business as part of ibadah are more likely to adopt ethical business practices, long term strategic orientation, and sustainability based decision making.

The findings are consistent with previous international studies emphasizing that spiritual leadership contributes positively to organizational ethics, employee engagement, and organizational sustainability (Fry et al., 2021; Usman et al., 2023). Similarly, national studies conducted by Kurniawan and Firmansyah (2021) revealed that tauhid based leadership significantly strengthens Islamic business ethics and organizational accountability. Amin and Widodo (2021) further found that Islamic leadership improves organizational performance among Islamic SMEs through ethical organizational culture and responsible leadership practices.

This study extends previous literature by integrating tauhid values into entrepreneurial leadership theory. Existing entrepreneurial leadership studies have predominantly focused on innovation capability, opportunity recognition, and strategic adaptability from secular and Western perspectives (Renko et al., 2015; Bagheri & Harrison, 2020). However, the present study demonstrates that entrepreneurial capability can also emerge from spiritual values and Islamic ethical principles. Consequently, entrepreneurial leadership should not merely be viewed as an economic capability but also as a spiritually grounded leadership orientation capable of strengthening organizational sustainability.

The Influence of *Habluminallah*, *Habluminannas*, and *Habluminal'alam* on Entrepreneurial Leadership

The results demonstrate that all three tauhid dimensions significantly influence entrepreneurial leadership. However, *habluminallah* exhibited the strongest influence with $\beta = 0.421$, followed by *habluminannas* with $\beta = 0.352$ and *habluminal'alam* with $\beta = 0.281$. These findings indicate that spiritual accountability toward Allah SWT represents the most dominant dimension influencing entrepreneurial leadership behavior among Muslim SME owners in Malaysia.

The dominance of *habluminallah* suggests that leaders possessing strong spiritual consciousness tend to demonstrate greater integrity, honesty, discipline, and commitment toward organizational goals. Spiritual accountability encourages leaders to avoid unethical

business behavior, prioritize organizational trust, and maintain long term business sustainability.

These findings indicate that *habluminallah* strengthens entrepreneurial leadership through ethical self control and moral discipline. This result supports previous findings by Setiawan and Huda (2023), who argued that tauhid values significantly contribute to organizational integrity and ethical leadership practices. Similarly, Fry et al. (2021) emphasized that spirituality strengthens organizational commitment and long term organizational orientation.

Meanwhile, *habluminannas* significantly influenced entrepreneurial leadership through social responsibility, empathy, collaboration, and organizational justice. SME owners who prioritized harmonious relationships with employees and communities demonstrated stronger innovation capability and organizational adaptability.

These findings support Stakeholder Theory, which emphasizes that organizational sustainability depends on the organization's ability to maintain balanced relationships with stakeholders. Leaders who prioritize employee welfare, customer trust, and social contribution are more likely to strengthen organizational legitimacy and sustainability. The influence of *habluminal 'alam*, although relatively weaker, remains statistically significant. This result indicates that environmental awareness has begun to emerge as an important organizational value among SMEs. Leaders who prioritize environmental responsibility tend to adopt sustainable operational practices and environmentally adaptive innovation strategies.

This finding aligns with sustainability literature suggesting that environmentally responsible organizations tend to achieve stronger competitive advantage and stakeholder trust (Cohen et al., 2022). National studies by Ardiani and Mulyani (2022) also found that sustainability orientation positively affects business resilience among Islamic SMEs. Collectively, these findings demonstrate that tauhid dimensions function as complementary components shaping entrepreneurial leadership. *Habluminallah* strengthens spiritual integrity, *habluminannas* reinforces social responsibility, and *habluminal 'alam* enhances sustainability awareness. The integration of these dimensions produces a more holistic entrepreneurial leadership model capable of balancing economic, social, spiritual, and environmental objectives simultaneously.

The Influence of Entrepreneurial Leadership on Sustainable Business Performance

The results reveal that entrepreneurial leadership significantly influences sustainable business performance with $\beta = 0.594$ and $p < 0.001$. This finding indicates that entrepreneurial leadership represents one of the most important determinants of organizational sustainability among SMEs in Malaysia. The high path coefficient indicates that entrepreneurial leaders possessing innovation capability, strategic flexibility, and proactive orientation are more capable of improving organizational sustainability across economic, social, and environmental dimensions. These findings strongly support the perspective of Resource-Based View, which considers leadership capability as a strategic intangible resource contributing to sustainable competitive advantage. Entrepreneurial leadership strengthens organizational sustainability because innovative leaders are more capable of utilizing organizational resources effectively and identifying emerging business opportunities.

This result is also consistent with previous international studies conducted by Leitch and Volery (2022) and Bagheri and Harrison (2020), which found that entrepreneurial leadership positively influences organizational innovation, adaptability, and sustainable competitiveness. National studies by Maulana and Rahmawati (2022) similarly revealed that entrepreneurial leadership significantly improves sustainable competitive advantage among SMEs. From the perspective of sustainability theory, entrepreneurial leadership contributes to sustainable business performance because proactive and innovative leaders tend to integrate long term sustainability objectives into organizational strategy. Organizations led by entrepreneurial leaders are more likely to implement environmentally responsible practices, strengthen employee welfare, and maintain positive stakeholder relationships.

The findings further support Stakeholder Theory because entrepreneurial leaders who prioritize stakeholder welfare are more capable of maintaining organizational legitimacy and social trust. Consequently, sustainable business performance is achieved not solely through financial performance but also through organizational capability in balancing economic growth, social responsibility, and environmental sustainability.

The Mediating Role of Entrepreneurial Leadership

One of the most important findings of this study is the significant mediating role of entrepreneurial leadership in the relationship between tauhid based leadership and sustainable business performance. The mediation analysis revealed an indirect effect coefficient of $\beta = 0.251$ with $p < 0.001$, indicating significant partial mediation.

The mediation finding suggests that tauhid values indirectly influence organizational sustainability through entrepreneurial leadership capability. In other words, spiritual values become strategically meaningful when translated into entrepreneurial leadership behavior such as innovation, strategic adaptability, and proactive organizational management.

These findings indicate that entrepreneurial leadership serves as the strategic mechanism connecting spiritual values and organizational sustainability outcomes. Tauhid values strengthen ethical orientation and organizational commitment, while entrepreneurial leadership operationalizes these values into innovation driven organizational behavior.

The mediation result represents the primary theoretical novelty of this study because previous Islamic leadership studies generally focused on ethical behavior and employee commitment without examining entrepreneurial mechanisms linking spirituality and sustainability. This study therefore contributes theoretically by integrating Islamic values, entrepreneurial leadership, and sustainability management into a unified conceptual framework.

The findings also demonstrate that entrepreneurial leadership bridges the gap between spirituality and organizational performance. While tauhid values shape moral commitment and ethical orientation, entrepreneurial leadership transforms these values into strategic organizational practices capable of improving sustainability outcomes. Consequently, sustainable business performance emerges not solely from spiritual awareness but from the strategic implementation of spiritually grounded entrepreneurial leadership.

Overall, this study demonstrates that tauhid based entrepreneurial leadership represents a holistic leadership model integrating spirituality, innovation capability, social

responsibility, and sustainability orientation. The model contributes to the development of Islamic leadership literature by offering a multidimensional framework capable of explaining how Islamic values influence organizational sustainability through entrepreneurial capability and strategic organizational behavior.

5. Conclusion

This study concludes that tauhid-based leadership significantly influences entrepreneurial leadership and sustainable business performance among SMEs in Malaysia. The findings demonstrate that the integration of Islamic spiritual values into organizational leadership contributes positively to the development of innovation capability, strategic adaptability, ethical organizational behavior, and long term sustainability orientation. The study confirms that tauhid values are not merely theological concepts but function as strategic behavioral foundations capable of strengthening entrepreneurial leadership practices within SMEs.

Among the dimensions of tauhid, *habluminallah* emerged as the most dominant factor influencing entrepreneurial leadership, followed by *habluminannas* and *habluminal'alam*. This finding indicates that spiritual accountability toward Allah SWT plays a central role in shaping leadership integrity, responsibility, honesty, and organizational commitment. Leaders who internalize spiritual values tend to demonstrate stronger entrepreneurial behavior because they perceive organizational leadership as a form of amanah and moral responsibility. Meanwhile, social responsibility and environmental awareness also contribute positively to entrepreneurial leadership by strengthening stakeholder relationships, organizational legitimacy, and sustainability orientation.

The study further reveals that entrepreneurial leadership significantly enhances sustainable business performance. SME leaders possessing innovation capability, proactive orientation, opportunity recognition, and strategic flexibility are more capable of improving organizational sustainability across economic, social, and environmental dimensions. This finding confirms that entrepreneurial leadership functions as an important strategic resource enabling SMEs to respond adaptively to market uncertainty, technological change, and competitive business environments.

One of the most important findings of this study is the mediating role of entrepreneurial leadership in the relationship between tauhid-based leadership and sustainable business performance. The mediation analysis demonstrates that tauhid values indirectly improve organizational sustainability through entrepreneurial leadership capability. This result indicates that spiritual values become strategically meaningful when translated into innovation driven organizational behavior, proactive decision making, and sustainability oriented business strategies. Consequently, entrepreneurial leadership serves as the strategic mechanism connecting Islamic spiritual values and organizational sustainability outcomes.

Theoretically, this study contributes to the development of Islamic leadership literature by proposing a multidimensional tauhid-based entrepreneurial leadership model integrating *habluminallah*, *habluminannas*, and *habluminal'alam*. The study extends previous entrepreneurial leadership and Islamic leadership research by integrating spirituality, entrepreneurship, and sustainability management into a unified conceptual

framework. The findings also enrich the perspectives of Theory of Planned Behavior, Resource-Based View, and Stakeholder Theory by demonstrating that spiritual values influence organizational sustainability through entrepreneurial leadership behavior.

Practically, this study suggests that SME development programs should not focus solely on technical and managerial competencies but also incorporate spiritual and ethical leadership development. SME owners and managers require leadership models that combine innovation capability with Islamic values such as amanah, justice, social responsibility, and environmental awareness. The implementation of tauhid-based entrepreneurial leadership may strengthen organizational resilience, improve employee commitment, enhance stakeholder trust, and support long term business sustainability among SMEs in Malaysia.

Despite its contributions, this study has several limitations. The study focused only on Muslim SMEs in Malaysia and employed a cross sectional research design, limiting the generalizability of the findings across different organizational contexts and cultural environments. Future studies are therefore encouraged to examine tauhid-based entrepreneurial leadership within broader industrial sectors and different countries using longitudinal or mixed method approaches. Future research may also integrate additional variables such as digital transformation, organizational culture, religiosity, and innovation capability to further strengthen the understanding of sustainability oriented Islamic leadership within modern business organizations.

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