



## From Transformational Leadership to Social Entrepreneurship: Strengthening Innovation and Sustainability in Faith-Based Organizations

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### Abstract :

This study aims to analyze the influence of transformational leadership, social entrepreneurship, and social capital on *pesantren* performance in East Java through creativity and social value creation. This study employed an explanatory quantitative approach with a causal-predictive design. Data were collected from *pesantren* leaders and business unit managers and analyzed using SEM-PLS with SmartPLS 4.1. The results show that all constructs met the validity and reliability criteria. Transformational leadership, social entrepreneurship, and social capital positively affect creativity, while transformational leadership and social entrepreneurship influence social value creation. The research model explains 61.2% of the variance in *pesantren* performance. The discussion confirms that creativity serves as the main mechanism that transforms leadership capacity, entrepreneurial orientation, and relational resources into improved institutional performance. In conclusion, *pesantren* performance is more effectively strengthened through creativity-based organizational innovation than through social value creation, which has not yet been fully measured. The implication is that *pesantren* need to strengthen governance, social performance indicators, and entrepreneurial management systems. These findings extend the literature on leadership and social entrepreneurship in faith-based organizations and provide empirical relevance for *pesantren* institutional development.

## INTRODUCTION

Islamic boarding schools (*pesantren*) represent one of the oldest and most influential Islamic educational institutions in Indonesia, traditionally performing three main functions: education, religious outreach (*da'wah*), and community empowerment. Beyond their religious role, *pesantren* have increasingly contributed to local socio-economic development by strengthening moral values, social cohesion, and community-based economic initiatives. The strategic role of *pesantren* has been formally recognized through Law No. 18 of 2019, which positions *pesantren* not only as independent educational institutions but also as drivers of community economic empowerment. According to data from the Indonesian Ministry of Religious Affairs, more than 42,000 *pesantren* currently operate across the country, with the largest concentration on the

island of Java. This extensive network indicates that *pesantren* possess significant potential to function as faith-based socio-economic institutions capable of contributing to inclusive and sustainable community development.

Despite this potential, *pesantren* increasingly face challenges related to financial sustainability and the need to adapt to rapid socio-economic change. To address this issue, the government has introduced several initiatives, including the *Pesantren Independence Program (Program Kemandirian Pesantren)*, which encourages the establishment of *pesantren*-owned enterprises and business units to support institutional sustainability. These initiatives aim to reduce dependence on external funding while strengthening economic resilience within *pesantren* communities. Reports from the Ministry of Religious Affairs indicate that more than 2,000 *pesantren* have developed social entrepreneurship-based business units involving students, alumni, and surrounding communities. This transformation reflects a broader shift in the role of *pesantren* from purely educational institutions toward hybrid socio-economic organizations that integrate educational, social, and economic missions.

The transformation of *pesantren* into socio-economic institutions requires leadership approaches capable of fostering innovation and organizational change. Transformational leadership has been widely recognized as an effective leadership style for inspiring collective vision, motivating followers, and promoting innovation within organizations (Agazu & Abubakar, 2025). In the *pesantren* context, the *kyai* plays a central role not only as a spiritual authority but also as a strategic leader who shapes institutional direction and mobilizes community resources. In parallel, social entrepreneurship provides an important framework for integrating economic activities with social missions. Social entrepreneurship emphasizes the creation of sustainable solutions to social problems through innovative and value-oriented economic initiatives (Iodice et al., 2025). Within *pesantren*, such initiatives may take the form of cooperatives, micro-enterprises, and community-based economic innovations that contribute to student welfare and local economic empowerment.

Although previous studies have examined the influence of transformational leadership on organizational performance (Agazu & Abubakar, 2025), and the role of social entrepreneurship in institutional sustainability (Iodice et al., 2025), limited research has investigated how these factors interact within faith-based organizations such as *pesantren*. In particular, the mechanisms through which leadership and entrepreneurial orientation contribute to organizational performance remain insufficiently explored. Existing literature highlights the importance of creativity and social value creation as key drivers of innovation and social impact in organizations (Ataman & Safitri, 2024; Gilli et al., 2024; Rehman & Galib, 2021). Moreover, social value creation is widely regarded as a critical indicator of success for social organizations because it reflects the ability to generate positive societal impact through innovation and collaboration (Zahra et al., 2023). However, empirical studies examining these mediating mechanisms within the context of *pesantren* remain scarce. Addressing this gap, the present study develops an integrative framework to analyze the influence of transformational leadership, social entrepreneurship, and social capital on *pesantren* performance, with creativity and social value creation acting as key mediating variables (Bratton et al., 2021).

Faith-based organizations are increasingly recognized as important actors in addressing socio-economic challenges while maintaining strong ethical and spiritual values. Among these institutions, Islamic boarding schools (*pesantren*) in Indonesia play

a strategic role not only in religious education but also in community empowerment and local economic development. In recent years, many *pesantren* have transformed into socio-economic institutions by establishing business units, partnerships with micro and small enterprises, and social entrepreneurship initiatives aimed at improving community welfare. However, despite their growing socio-economic contribution, empirical research explaining how leadership, entrepreneurial orientation, and social networks jointly shape the performance of such value-based institutions remains limited. From a strategic management perspective, the effectiveness of these institutions depends largely on how human resources are managed and mobilized to create innovation and social value (Bratton et al., 2021; Galpin, 2023; Paauwe, 2024).

Human Resource Management (HRM) provides the overarching theoretical lens for understanding how organizations develop and utilize human capital to achieve strategic objectives. Modern HRM emphasizes that people are not merely operational resources but strategic assets capable of generating innovation and organizational competitiveness when effectively managed (Bratton et al., 2021). Complementing this perspective, the Resource-Based View (RBV) suggests that sustainable organizational performance depends on the development of valuable, rare, inimitable, and non-substitutable (VRIN) resources, particularly intangible assets such as leadership capability, social networks, and organizational culture (Galpin, 2023; Paauwe, 2024). Within faith-based organizations, these internal resources become even more critical because institutional sustainability relies heavily on the integration of spiritual values, social legitimacy, and economic capability. Nevertheless, RBV has been criticized for its relatively static orientation and limited attention to the dynamic processes through which organizations create social innovation and adapt to changing environments (Abel et al., 2025).

In this context, transformational leadership and social entrepreneurship emerge as key mechanisms through which internal resources can be mobilized to generate innovation and social impact. Transformational leadership emphasizes the ability of leaders to inspire followers through vision, moral example, intellectual stimulation, and individualized consideration, thereby fostering creativity and collective commitment within the organization (Bass, 1985). Within *pesantren*, the role of the kiai as a moral and spiritual leader strengthens this leadership model because influence is derived not only from formal authority but also from spiritual legitimacy and ethical example. At the same time, social entrepreneurship provides a strategic framework for integrating economic activities with social missions, enabling organizations to create sustainable social value while maintaining viable business models (Akbar et al., 2025; Hasan & Yurista, 2025; Sartika et al., 2025). Through this approach, *pesantren* can transform educational and religious institutions into socially innovative organizations that address community needs while sustaining institutional growth (Gali et al., 2020; Khan et al., 2022).

This article is grounded in the issue of unclear mechanisms explaining how *pesantren*, as Islamic educational institutions increasingly transforming into socio-economic institutions, can improve their performance sustainably. Previous studies have discussed transformational leadership, social entrepreneurship, social capital, creativity, and social value creation; however, limited research has examined these variables integratively within the *pesantren* context. Therefore, this article aims to analyze the contribution of transformational leadership, social entrepreneurship, and social capital to *pesantren* performance through creativity and social value creation, while emphasizing

the empirical novelty of this study in the context of *pesantren* in East Java. In this framework, social capital and organizational creativity are positioned as critical mediating mechanisms that translate leadership capacity and entrepreneurial orientation into measurable institutional performance. Social capital, manifested through trust, shared values, and network ties, facilitates collaboration, knowledge exchange, and resource mobilization. These relational resources create a supportive environment for creativity, which enables *pesantren* to generate innovative social initiatives and produce broader social value. Accordingly, the integration of transformational leadership, social entrepreneurship, social capital, and creativity is expected to strengthen the capacity of *pesantren* to create sustainable social value and improve institutional performance.

## RESEARCH METHOD

This study uses an explanatory quantitative approach with a causal-predictive design to analyze how transformational leadership encourages social entrepreneurship in faith-based organizations, especially Islamic boarding schools. This design was chosen because the research not only examines the direct influence of transformational leadership on social entrepreneurship, but also describes the mechanisms and conditions that strengthen those relationships. Transformational leadership is understood as a leadership style that is able to inspire, motivate, encourage intellectual stimulation, and pay attention to the needs of individuals in the organization (Pearson et al., 2015). Meanwhile, social entrepreneurship is understood as an entrepreneurial activity that is oriented towards the creation of social value through innovation, opportunity utilization, and sustainability of social impact (Henry et al., 2023; Medias et al., 2021; Zhou et al., 2022). Transformational leadership is positioned as the main independent variable, social entrepreneurship as the main dependent variable, social capital as the mediation variable, while organizational creativity and social value creation are positioned as the moderation variable. The performance of Islamic boarding schools can be placed as a follow-up outcome to see the extent to which social entrepreneurship practices contribute to strengthening the institutional capacity of Islamic boarding schools.

Data collection is designed through a multi-source and time-lagged survey design to make the measurement process methodologically robust. Data was not collected from just one respondent and one measurement time, but from several internal sources of *pesantren* gradually. A strategy of separation of sources and measurement times is important to reduce the potential for common method bias, which is a bias that can arise when all variables are measured using the same source, method, and time. In the first stage, data on transformational leadership and social capital is collected from the leaders or main managers of Islamic boarding schools. In the next stage, data on organizational creativity, social value creation, and social entrepreneurship is collected from business unit managers, teachers, staff, or *pesantren* social program teams. In questionnaires, this study also uses organizational evidence checklists to verify the existence of social entrepreneurship practices, such as *pesantren* business units, community empowerment programs, socio-economic partnerships, student skills training, and productive activities that produce social value. Thus, the research data is not only based on respondents' perceptions, but is also strengthened by institutional evidence.

Data analysis was carried out using the Structural Equation Modeling–Partial Least Squares approach using SmartPLS 4.0. SEM-PLS was chosen because it is able to test complex models, involving latent variables, mediating relationships, moderation

relationships, and is oriented towards prediction and theory development (Hair et al., 2021). The analysis was carried out through the evaluation of the measurement model and the evaluation of the structural model. The evaluation of the measurement model includes convergent validity tests through outer loading and Average Variance Extracted, reliability tests through Cronbach's Alpha, Composite Reliability, and rho\_A, and discriminant validity tests through Heterotrait-Monotrait Ratio. The use of HTMT is important because this method is considered more sensitive in detecting discriminant validity issues than the Fornell-Larcker approach and cross-loading (Rönkkö & Cho, 2022). The evaluation of the structural model included a multicollinearity test through VIF, a test of the path coefficient,  $R^2$ ,  $f^2$ ,  $Q^2$  values, and a significance test using bootstrapping of 5,000 subsamples with the criteria  $t \geq 1.96$  and  $p < 0.05$ .

Follow-up analysis is directed to test the direct influence, mediation mechanism, and moderation conditions in an integrated manner. Social capital was tested as a mediator to explain how transformational leadership can build trust, networks, shared norms, and collaboration which then drives social entrepreneurship, as social capital in organizations plays an important role in facilitating resource exchange, coordination, and collective value creation (Duckett, 2021). Meanwhile, organizational creativity and social value creation were tested as moderators to see if the influence of transformational leadership on social entrepreneurship becomes stronger when organizations have a high level of creativity and social value creation orientation.

## RESULTS AND DISCUSSION

### Results

#### Results of SEM-PLS Outer Model Analysis on Pesantren Performance

The results of data analysis in this study used the Structural Equation Modeling approach based on Partial Least Square (SEM-PLS) to test the relationship between Transformational Leadership (X1), Social Entrepreneurship (X2), and Social Capital (X3) on *Pesantren* Performance (Y) with the mediation variables Creativity (Z1) and Social Value Creation (Z2). The structural model shows that each construct is measured by several indicators with relatively high outer loading values, thus reflecting that these indicators are able to represent the latent variables being measured.

In addition, the model also displays the path coefficient between variables and the R-square value on the endogenous variable, namely Creativity of 0.295, Social Value Creation of 0.330, and Performance of Islamic Boarding Schools of 0.612. These values show that independent and mediated variables in the model are able to explain the variation in *pesantren* performance quite strongly. Thus, this model provides an overview of how transformational leadership, social entrepreneurship, and social capital contribute to increasing creativity, creating social value, and ultimately having an impact on improving *pesantren* performance.

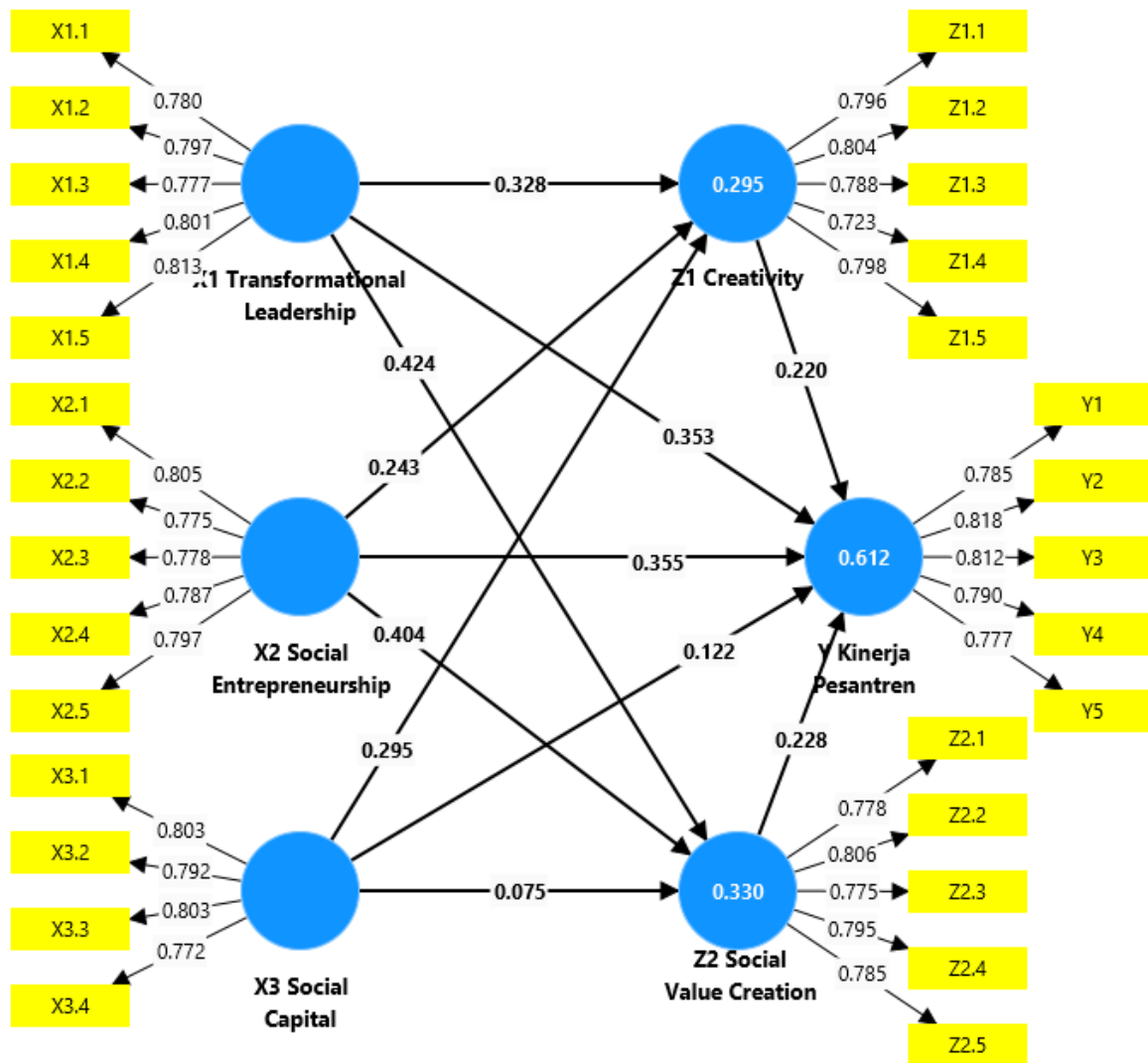


Figure 1. Results of The Calculation of The Outer Analysis Model of The Research Path  
 Source: research data processed using SmartPLS Software 4.1 in 2026

Figure 1 presents the SEM-PLS results examining the effects of Transformational Leadership (X1), Social Entrepreneurship (X2), and Social Capital (X3) on Islamic Boarding School Performance (Y), mediated by Creativity (Z1) and Social Value Creation (Z2). The outer model demonstrates strong construct validity, with all indicators showing outer loading values above 0.70. Transformational Leadership indicators range from 0.777–0.813, Social Entrepreneurship from 0.775–0.805, Social Capital from 0.772–0.803, Creativity from 0.723–0.804, Social Value Creation from 0.775–0.806, and Islamic Boarding School Performance from 0.777–0.818, indicating that all indicators reliably represent their latent constructs.

The structural model reveals that Transformational Leadership positively influences Creativity (0.328), Social Value Creation (0.424), and Islamic Boarding School Performance (0.353). Social Entrepreneurship also positively affects Creativity (0.243), Social Value Creation (0.404), and Islamic Boarding School Performance (0.355). Meanwhile, Social Capital contributes positively to Creativity (0.295), Social Value Creation (0.075), and Islamic Boarding School Performance (0.122). In addition, Creativity (0.220) and Social Value Creation (0.228) both positively influence Islamic Boarding School Performance. The R-square values indicate that the model explains 29.5% of Creativity,

33.0% of Social Value Creation, and 61.2% of Islamic Boarding School Performance, demonstrating that institutional performance is substantially shaped by leadership, entrepreneurial orientation, social relationships, creativity, and social value creation.

### Validity Indicators (Outer loadings) dan Convergent Validity (AVE)

The validity indicator can be measured using the outer loading score, if the outer loading value is more than 0.70 (>0.70) then the indicator can be used. The Average Variance Extracted (AVE) value that meets the minimum criteria is greater than 0.50 (>0.50). If in the test there is an outer loading value below 0.70, the indicator can still be used provided that the minimum loading value is greater than 0.40 (Loading >0.40) and AVE value is more than 0.50 (AVE >0.5) so that the variable can be said to be valid. If it is less than 0.40 then it must be eliminated.

**Table 1. Indikator validitas (Outer loadings) dan Convergent Validity (AVE)**

Variable	Construct Variables	Loading (>0.70)	AVE(>0,5)
X1 Transformational Leadership	X1.1	0.780	0.630
	X1.2	0.797	
	X1.3	0.777	
	X1.4	0.801	
	X1.5	0.813	
X2 Social Entrepreneurship	X2.1	0.805	0.622
	X2.2	0.775	
	X2.3	0.778	
	X2.4	0.787	
	X2.5	0.797	
X3 Social Capital	X3.1	0.803	0.628
	X3.2	0.792	
	X3.3	0.803	
	X3.4	0.772	
Z1 Creativity	Z1.1	0.796	0.612
	Z1.2	0.804	
	Z1.3	0.788	
	Z1.4	0.723	
	Z1.5	0.798	
Z2 Social Value Creation	Z2.1	0.778	0.620
	Z2.2	0.806	
	Z2.3	0.775	
	Z2.4	0.795	
	Z2.5	0.785	
Y Performance of Islamic Boarding Schools	Y1	0.785	0.635
	Y2	0.818	
	Y3	0.812	
	Y4	0.790	
	Y5	0.777	

Source : Research data processed using SmartPLS 4.1 software in 2026

All construct loading values are above 0.70, indicating that each indicator is able to represent its latent construct well. In addition, the Average Variance Extracted (AVE) values are above 0.50, showing that the constructs have adequate convergent validity.

These results confirm that the measurement model meets the required validity criteria and is appropriate for further analysis and hypothesis testing.

### Construct Reliability (Cronbach's Alpha dan Composite Reliability)

Construct reliability test measured by composite reliability and Cronbach's alpha. A variable construct is declared reliable if it has a composite reliability value above 0.70 and Cronbach's alpha above 0.70 (Hair et al., 2022).

**Table 2. Construk Reliability (Cronbach's Alpha dan Composite Reliability)**

Variable	Cronbach's alpha	Composite reliability (rho_c)	Remarks
X1 Transformational Leadership	0.853	0.895	reliabel
X2 Social Entrepreneurship	0.848	0.892	reliabel
X3 Social Capital	0.803	0.871	reliabel
Z1 Creativity	0.842	0.887	reliabel
Z2 Social Value Creation	0.847	0.891	reliabel
Y Performance of Islamic Boarding Schools	0.856	0.897	reliabel

Source : Research data processed using SmartPLS 4.1 software in 2026

All variables have Cronbach's Alpha and Composite Reliability values above 0.70, indicating strong reliability and internal consistency among the measurement items. These results confirm that all constructs meet the required reliability criteria, demonstrating that the variables are stable and consistent for use in further analysis and subsequent hypothesis testing.

### Discriminant Validity Heterotrait Monotrait (HTMT)

HTMT is the ratio of correlation between properties to correlation in properties. HTMT is the mean of all indicator correlations across constructs that measure different constructs (i.e., heterotrait-heteromethod correlations) relative to the (geometric) mean of mean correlations of indicators measuring the same construct. Technically, the HTMT approach is an approximation of the actual correlation between two constructs, if they are perfectly measured (i.e., if they are perfectly reliable). This true correlation is also referred to as disattenuated correlation. The disattenuated correlation between two constructions close to 1 indicates a lack of discriminant validity. The submission criteria is that each construct variable can form its own latent variable if it has a value of less than 0.90 with a tolerance limit of 1.0.

**Table 3. Single-Trait Heterotrait (HTMT)**

Latent Variable Path Coefficient	Heterotrait-Monotrait Ratio (HTMT)	Remarks
Social Entrepreneurship (X2) <-> Transformational Leadership (X1)	0.159	Fit
Social Capital (X3) <-> Transformational Leadership (X1)	0.219	Fit
Social Capital (X3) <-> Social Entrepreneurship (X2)	0.197	Fit
Performance of Islamic Boarding Schools (Y) <-> Transformational Leadership (X1)	0.581	Fit
Performance of Islamic Boarding Schools (Y) <-> Social Entrepreneurship (X2)	0.548	Fit
Performance of Islamic Boarding Schools (Y) <-> Social Capital (X3)	0.461	Fit
Creativity (Z1) <-> Transformational Leadership (X1)	0.414	Fit
Creativity (Z1) <-> Social Entrepreneurship (X2)	0.289	Fit
Creativity (Z1) <-> Social Capital (X3)	0.479	Fit

Creativity (Z1) <-> Performance of Islamic Boarding Schools (Y)	0.552	Fit
Social Value Creation (Z2) <-> Transformational Leadership (X1)	0.455	Fit
Social Value Creation (Z2) <-> Social Entrepreneurship (X2)	0.432	Fit
Social Value Creation (Z2) <-> Social Capital (X3)	0.263	Fit
Social Value Creation (Z2) <-> Performance of Islamic Boarding Schools (Y)	0.597	Fit
Social Value Creation (Z2) <-> Creativity (Z1)	0.121	Fit

Source : Research data processed using SmartPLS 4.1 software in 2026

The following information in Table 3 can be known that HTMT Calculation Results Value of all variables has a value smaller than 0.90 Based on this value, it can be decided that each construct variable can form its own latent variable and meet the criteria of Heterotrait Monotrait.

### Inner Model

#### *Goodness of Fit Index (GoF Index)*

The next structural model evaluation is to measure the Goodness of Fit (GoF) index which is one of the indices for PLS path modeling. The measurement of the index at this stage results in the validity of a variable of exogenous and endogenous variables. The Goodness of Fit (GoF) Index in the book (Ghozali & Latan, 2015) has three categories of assessments, namely 1) 0.1 for low GoF values, 2) 0.25 for medium GoF values, and 3) 0.36 for high GoF values. Below is the formula of the Goodness of Fit (GoF) index, namely:

$$GoF = \sqrt{AVE \times R \text{ Square}}$$

**Table 4. Calculation of Gof test scores**

Track AVE	Average R squared	Gof	Remarks
0.625	0.412	0.507	Height

Source : Research data processed using SmartPLS 4.1 software in 2026

Based on the results of the GoF test calculation shown in the Table 4, the research model has a GoF value of 0.507 or 50.7%, which is classified as high. This indicates that the model demonstrates a strong overall fit and is capable of explaining the relationships among the studied variables effectively. Therefore, the proposed research model is considered appropriate and feasible for use in this study.

#### *Collinearity Assessment*

The collinearity assessment in the structural model has the same concept as the formative measurement model, namely by considering the VIF value. The VIF value must be less than 5.0. This indicates that the model is free from the symptoms of multicollinearity in all predictors of all responses, so that the test can be admitted to the next stage.

**Table 5. collinearity assessment VIF**

Latent Variable Path Coefficient	LIVE	Multikneeritas
Transformational Leadership (X1)-> <i>Pesantren</i> Performance (Y)	1.866	No
Transformational Leadership (X1)-> Creativity (Z1)	1.061	No
Transformational Leadership (X1)-> Social Value Creation (Z2)	1.061	No
Social Entrepreneurship (X2)-> Performance of Islamic Boarding Schools (Y)	1.662	No
Social Entrepreneurship (X2)-> Creativity (Z1)	1.054	No

Social Entrepreneurship (X2)-> Social Value Creation (Z2)	1.054	No
Social Capital (X3)-> Performance of Islamic Boarding Schools (Y)	1.289	No
Social Capital (X3)-> Creativity (Z1)	1.077	No
Social Capital (X3)-> Social Value Creation (Z2)	1.077	No
Creativity (Z1)-> Performance of Islamic Boarding Schools (Y)	1.851	No
Social Value Creation (Z2)-> Performance of Islamic Boarding Schools (Y)	1.946	No

Source : Research data processed using SmartPLS 4.1 software in 2026

Based on the Table 5, all latent variables have VIF values below 5.0, indicating that there are no multicollinearity issues among the variables in the research model. These results confirm that each variable can independently explain the construct without causing significant overlap, making the model suitable for further analysis.

### ***Coefficient of Determination (R2)***

The determination coefficient is used to measure the accuracy of predictions (conjectures). In general, an R2 value of 0.75 is considered to have a large guessing accuracy, an R2 of 0.50 has a moderate guessing accuracy, and an R2 value of 0.25 has a low guessing accuracy (Hair et al., 2022). The results of the determination coefficient value can be seen in the following Table 6.

**Table 6. coefficient of determination (R2)**

Variable Let	R-square	R-square adjusted	Remarks
Performance of Islamic Boarding Schools (Y)	0.612	0.603	Large
Creativity (Z1)	0.295	0.285	Medium
Social Value Creation (Z2)	0.330	0.320	Medium

Source : Research data processed using SmartPLS 4.1 software in 2026

The R-square value for Islamic Boarding School Performance (Y) is 0.612, indicating that the model has a strong level of explanatory power. This means that Transformational Leadership (X1), Social Entrepreneurship (X2), Social Capital (X3), Creativity (Z1), and Social Value Creation (Z2) collectively explain 61.2% of the variation in Islamic boarding school performance. Meanwhile, the remaining 38.8% is influenced by other factors outside the research model.

Furthermore, the R-square value for Creativity (Z1) is 0.295, which indicates a moderate level of explanatory power. This result shows that Transformational Leadership (X1), Social Entrepreneurship (X2), and Social Capital (X3) explain 29.5% of the variation in Creativity, while the remaining 70.5% is affected by other variables not included in this study. Similarly, the R-square value for Social Value Creation (Z2) is 0.330, which also reflects a moderate explanatory level. This means that Transformational Leadership, Social Entrepreneurship, and Social Capital explain 33.0% of the variation in Social Value Creation, whereas the remaining 67.0% is influenced by factors outside the proposed research model.

### ***Predictive relevance (Q2)***

In addition to evaluating the magnitude of the R2 value as a criterion for prediction accuracy, the researcher can use the Q2 Stone-Geisser value. Niali Q2 was obtained using the blindfolding procedure. As a relative measure of predictive relevance, a value of 0.02 is considered to have a small predictive relevance, 0.15 has a moderate predictive relevance, and 0.35 has a large predictive relevance (Hair et al., 2022).

**Table 7 Predictive relevance (Q2)**

Variable Leave	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)	Remarks
Transformational Leadership (X1)	1085	1085	0	
Social Entrepreneurship (X2)	1085	1085	0	
Social Capital (X3)	868	868	0	
Performance of Islamic Boarding Schools (Y)	1085	677.566	0.376	Large
Creativity (Z1)	1085	898.202	0.172	Medium
Social Value Creation (Z2)	1085	875.177	0.193	Medium

Source : Research data processed using SmartPLS 4.1 software in 2026

The predictive relevance results indicate that the model explaining Pesantren Performance demonstrates strong predictive capability when influenced by Transformational Leadership, Social Entrepreneurship, Social Capital, Creativity, and Social Value Creation. This suggests that the variables included in the model are able to effectively explain and predict the performance of pesantren institutions. Furthermore, the predictive relevance of the Creativity model, influenced by Transformational Leadership, Social Entrepreneurship, and Social Capital, shows a moderate level of predictive capability, indicating that these factors contribute meaningfully to the development of creativity. Similarly, the Social Value Creation model also demonstrates moderate predictive relevance, suggesting that Transformational Leadership, Social Entrepreneurship, and Social Capital play important roles in encouraging the creation of social value within the organizational context.

## Discussion

Transformational Leadership (X1) Affects Creativity (Z1) because it has an Original Sample (O) value of 0.328 and a P Value of 0.000 smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha was accepted and Ho was rejected. This result is in accordance with that done by, (Ahsan, 2023) which proves that social capital has a significant effect on innovation performance ( $\beta = 0.44$ ;  $p < 0.01$ ). Social Entrepreneurship (X2) has an effect on Creativity (Z1) because it has an Original Sample (O) value of 0.243 and a P Value of 0.001 that is smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha was accepted and Ho was rejected. The creativity of students is a key factor in the success of the pesantren agripreneur program (Fahmi & Aswirna, 2023; Mi'raj et al., 2023), which is reflected in the increase in productivity and sustainability of the program, although this study does not report the value of the coefficient quantitatively.

Social Capital (X3) affects Creativity (Z1) because it has an Original Sample (O) value of 0.295 and a P Value of 0.000 that is smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha is accepted and Ho is rejected, so it can be concluded that Social Capital has a significant effect on Creativity. In addition, a positive coefficient value indicates the direction of the relationship, meaning that the higher the level of Social Capital, the higher the level of Creativity. On the other hand, if Social Capital decreases, then Creativity also tends to decrease.

The concept of social capital in this study can be explained through the theory put forward, which states that social capital is an actual and potential resource obtained by individuals through their network of relationships. Social capital functions as an aspect of social structure that facilitates individual actions in achieving certain goals. Based on the views of these experts, it can be understood that the higher the level of social capital,

the greater the opportunity for individuals to obtain support, information, and collaboration that encourages increased creativity.

Transformational Leadership (X1) has an effect on Social Value Creation (Z2) because it has an Original Sample (O) value of 0.424 and a P Value of 0.000 that is smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha was accepted and Ho was rejected. This result is in accordance with that done by, (Iodice et al., 2025) which shows that social value creation able to explain more than 50% of the variation in organizational social performance ( $R^2 \approx 0.52$ ) in the creative culture sector, confirming its role as a key determinant of value-based organizational performance. Social Value Creation is a key mechanism that connects Social Entrepreneurship orientation with institutional performance achievements (Basri et al., 2024).

Social Entrepreneurship (X2) has an effect on Social Value Creation (Z2) because it has an Original Sample (O) value of 0.404 and a P Value of 0.000 smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha was accepted and Ho was rejected. This result is in accordance with that done by, (Agag et al., 2025) which through meta-analysis proves that transformational leadership has a significant effect on various organizational performance indicators, such as task performance, organizational citizenship behavior (OCB), and innovation, with a moderate to strong influence coefficient ( $\beta = 0.41-0.56$ ;  $p < 0.01$ ). Transformational leadership has a significant effect on the effectiveness of educational organizations, with Creativity as the mediating variable (León et al., 2025).

Social Capital (X3) has no effect on Social Value Creation (Z2) because it has an Original Sample (O) value of 0.075 and a P Value of 0.281 greater than 0.05. Based on this value, it can be seen that there is no significant influence. So Ha was rejected and Ho was accepted. Furthermore, (León et al., 2025) found a positive influence of TL on the performance of social economy organizations ( $\beta = 0.38$ ;  $p < 0.01$ ), which confirms TL's role in driving social value in social mission-based entities. Meta-analysis by (Agag et al., 2025) also showed a strong influence of TL on innovation and organizational citizenship behavior ( $\beta$  to 0.56), which is an important prerequisite for the creation of social value.

Transformational Leadership (X1) has an effect on the Performance of Islamic Boarding Schools (Y) because it has an Original Sample (O) value of 0.353 and a P Value of 0.000 that is less than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha was accepted and Ho was rejected. The creativity of lecturers and staff had a positive effect on organizational innovation intentions, which is an important prerequisite for improving overall organizational performance (Fauzan & Rahim, 2022).

These results confirm that social capital plays a key role in the process of sustainable social value formation. Social capital can be systemically converted into social performance through intervention design and measurable value creation mechanisms (Poudel et al., 2024; Xu et al., 2022). Social Capital (X3) has an effect on the Performance of Islamic Boarding Schools (Y) because it has an Original Sample (O) value of 0.122 and a P Value of 0.006 that is smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So Ha was accepted and Ho was rejected. This result is in accordance with that done by, (Ahsan, 2023) shows that social capital has a strong effect on innovation performance ( $\beta = 0.44$ ;  $p < 0.01$ ) through increased learning and knowledge

transfer, where innovation performance can be understood as a manifestation of the organization's creativity.

Creativity (Z1) affects the Performance of Islamic Boarding Schools (Y) because it has an Original Sample (O) value of 0.220 and a P Value of 0.001 that is less than 0.05. Based on these values, it can be seen that there is a significant influence. So  $H_a$  was accepted and  $H_0$  was rejected. Transformational leadership has a positive and significant relationship with creativity across various organizational contexts (Heenan et al., 2023; Meng, 2022). Transformational leadership is able to create a work environment that supports the development of new ideas, increases individual motivation, and encourages the emergence of creative behavior in carrying out tasks and work responsibilities.

Social Value Creation (Z2) affects the Performance of Islamic Boarding Schools (Y) because it has an Original Sample (O) value of 0.228 and a P Value of 0.000 smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So  $H_a$  was accepted and  $H_0$  was rejected. This result is in accordance with that done by, (Suprihanti et al. 2025) shows that the orientation of social entrepreneurship has a positive and significant effect on the performance of BUMDes as a social enterprise.

The implementation of social entrepreneurship programs in Islamic boarding schools has been shown to contribute to improving the welfare and economic conditions of surrounding communities, reflecting a meaningful enhancement in social and economic performance (Asrol, 2023; Zafar et al., 2022). Social entrepreneurship orientation also plays an important role in supporting organizational success, particularly through its ability to strengthen social performance as a key factor in achieving sustainable outcomes.

Transformational Leadership (X1) has an effect on the Performance of Islamic Boarding Schools (Y) because through Creativity (Z1) it has an Original Sample (O) value of 0.072 and a P Value of 0.021 smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So  $H_a$  was accepted and  $H_0$  was rejected. Transformational leadership can improve teachers' innovative performance by strengthening creativity as a key mediating factor (Helmi & Sari, 2021; Sürücü et al., 2022). Transformational leadership has also been shown to strengthen teachers' creativity and encourage more innovative work behaviors. With support, motivation, and inspiration from leaders, teachers become more capable of developing new ideas, implementing creative learning methods, and improving the quality of their performance in the educational process (Nuriyah, 2024; Ridlo & Yanti, 2024).

Social Entrepreneurship (X2) affects Performance of Islamic Boarding Schools (Y) because through Creativity (Z1) has an Original Sample (O) value of 0.054 and a P value of 0.033 that is less than 0.05. Based on these values, it can be seen that there is a significant influence. So  $H_{13}$  is accepted and  $H_0$  is rejected.

Social Capital (X3) affects Performance of Islamic Boarding Schools (Y) through Creativity (Z1) because it has an Original Sample (O) value of 0.065 and a P Value of 0.012 that is smaller than 0.05. Based on these values, it can be seen that there is a significant influence. So  $H_a$  was accepted and  $H_0$  was rejected. This result is in accordance with that done by, (Ahsan, 2023) shows that social capital has a significant effect on innovation performance ( $\beta = 0.44$ ;  $p < 0.01$ ) through the mechanisms of learning and knowledge transfer, which essentially reflect creative behavior in the organization. Creativity has a significant effect on social impact, thus strengthening the argument that creativity is an

important mediation mechanism that bridges the influence of social capital on *pesantren* performance (Mahdi & Nassar, 2021; Waston et al., 2024).

Transformational Leadership (X1) affects Performance of Islamic Boarding Schools (Y) because through Social Value Creation (Z2) has an Original Sample (O) value of 0.097 and a P value of 0.001 that is less than 0.05. Based on these values, it can be seen that there is a significant influence. So  $H_a$  was accepted and  $H_o$  was rejected. Transformational leadership encourage innovation and organizational citizenship behavior with a coefficient of up to  $\beta = 0.56$ , which is an important prerequisite for the formation of organizational social value (Agag et al., 2025). Meanwhile, Iodice et al. (2025) shows that social value creation able to explain about 52% variation in organizational social performance ( $R^2 \approx 0.52$ ).

Social Entrepreneurship (X2) affects Performance of Islamic Boarding Schools (Y) because through Social Value Creation (Z2) has an Original Sample (O) value of 0.092 and a P value of 0.004 that is less than 0.05. Based on this value, it can be seen that there is no significant influence. So  $H_a$  was accepted and  $H_o$  was rejected.

Social Capital has no effect on Social Performance of Islamic Boarding Schools (Y) because through Value Creation (Z2) has an Original Sample (O) value of 0.017 and a P value of 0.004 that is less than 0.35. Based on these values, it can be seen that there is a significant influence. So  $H_a$  was rejected and  $H_o$  was accepted. Social entrepreneurship is able to improve social value creation through strengthening Social Capital with a determination value of  $R^2 = 0.48$  in mosque youth organizations. The direct relationship between Social Capital and performance is also shown in various Islamic institutional contexts.

## CONCLUSION

This study confirms that transformational leadership, social entrepreneurship, and social capital play important roles in improving the performance of Islamic boarding schools (*pesantren*), particularly through organizational creativity as the main mediating mechanism. The findings show that leadership quality, entrepreneurial orientation, and relational resources can strengthen innovation, collaboration, and institutional sustainability, while social entrepreneurship and social capital provide stronger direct contributions to organizational performance. However, social value creation has not yet functioned optimally as a mediating factor because social outcomes are not fully integrated into formal governance and performance systems. The study is limited to *pesantren* in East Java and focuses on a specific set of organizational variables, which may restrict the generalizability of the findings to other educational or social institutions. Therefore, future research is recommended to involve broader institutional contexts, additional variables, and longitudinal approaches to better understand how social value creation and organizational innovation can be transformed into sustainable institutional performance.

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