

Transformational Leadership and Sustainable Entrepreneurial Growth in Asian SMEs: The Role of Intrinsic Motivation and Trust



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Abstract

Sustainable entrepreneurship in emerging Asian economies requires leadership approaches that promote innovation, employee engagement, and long-term organizational resilience. This study investigates the relationship between leadership style, intrinsic motivation, and interpersonal trust within small and medium enterprises (SMEs). Grounded in Self-Determination Theory and sustainable entrepreneurship perspectives, the research examines how leadership-driven psychological and relational mechanisms contribute to sustainable enterprise growth. A quantitative cross-sectional survey was conducted among employees working in Asian SMEs ($N = 23$). Data were collected using a 5-point Likert scale measuring leadership influence on intrinsic motivation and team trust. Descriptive statistics, confidence intervals, bootstrap resampling (1,000 samples), and correlation analyses (Pearson, Kendall, and Spearman) were applied to ensure analytical robustness. The findings reveal positive perceptions of leadership impact on intrinsic motivation ($M = 3.65$) and interpersonal trust ($M = 3.91$). A statistically significant moderate-to-strong positive relationship was identified between intrinsic motivation and trust ($r = .562$, $p = .005$). Bootstrap results confirmed the stability of these estimates. The results suggest that leadership behaviors fostering autonomy, engagement, and psychological safety strengthen relational trust and innovation capability, thereby supporting sustainable SME performance. This study contributes empirically to sustainable entrepreneurship literature by demonstrating that intrinsic motivation and trust function as reinforcing mechanisms linking leadership to long-term competitive advantage in Asian SMEs.

Keywords: Sustainable entrepreneurship; Transformational leadership; Asian SMEs; Intrinsic motivation; Interpersonal trust.

1. INTRODUCTION

The styles of leadership in emerging Asian economies that enable unstable entrepreneurs to innovate, be resilient, and build trust with stakeholders are essential to sustainable entrepreneurship (Bai et al., 2022). The leaders of the SMEs and startups have to strike the right balance between the economic performance and social responsibility and long-term sustainability. The high rate of small and medium enterprises (SMEs) development in India, ASEAN countries and China has made entrepreneurial leadership a decisive factor in the eventual survival of the enterprise in the long run. Leadership in highly competitive and institutionally dynamic environments does not only have an impact in employee behaviour, but also on innovation capability, ESG orientation, and sustainable competitive advantage.

The process of leadership is dynamic, and it defines the success of organisations as it directs people towards the collective objectives and influences their behavioural consequences (Hoch et al., 2018). The studies have shown that different leadership styles such as autocratic, democratic, transformational, and participative leadership have a unique influence on employee motivation, job satisfaction, and overall productivity (Banks et al., 2016). These enable the realisation that there is no best style even though situational factors,

complexity of the task, and organisational culture determine effectiveness in most cases (Puni et al., 2018).

The transformational leadership is always cited as one of the main sources of innovation and reliability because it motivates the followers to surpass expectations by inspiring them via vision and empowerment (Buil et al., 2019). On the same note, democratic and participative models increase morale and teamwork through participation of staff in decision making which is useful in long term growth and development of employees. In its turn, although autocratic styles can deliver fast outcomes in case of emergencies, they often cause job dissatisfaction and turnover, as well as creativity inhibition (Harms et al., 2017). Transactional leadership can continue to be applied in more formal or bureaucratic industries such as finance or logistics where there are established systems of rewards that maintain efficiency in routine tasks but rarely achieve the same level of emotion that can be tapped with deep innovation (Antonakis and Day, 2018).

The strategic leadership practises can be used to create a productive working environment through reinforcing communication within the company and aligning individual efforts with organisational goals. Organisations are urged to invest in leadership development interventions that focus on emotional intelligence, communication, and team

empowerment with the aim of tapping full potential of work force. The creation of inclusive cultures based on democratic empowerment will enable employees to feel a sense of ownership and responsibility, which will also lower stress levels and promote retention to higher levels (Eva et al., 2019). In conclusion, high performance and long-term success can only be sustained by constantly changing leadership styles to suit the dynamic nature of the workforce.

The main idea of the study is that leadership is the dynamism of influencing, guiding, and inspiring people and teams in order to reach the common organisational objectives. Instead of a mere authority role, leadership is a major driving force of organisational behaviour that involves the attitudes, actions, and interactions of people in a place of work (Banks et al., 2016). The research takes the form of the studies that conceptualise different leadership styles, including transformational, transactional, democratic, autocratic and participative, as independent variables, directly influencing dependent variables including employee motivation, job satisfaction, and performance (Buil et al., 2019). One of the major themes throughout the literature is the idea that being a leader is not a stable state and that situational and cultural contexts of an organisation, as well as individual capacity to change their style to match the strategic goals, play a crucial role in determining the proficiency of a leader (Hoch et al., 2018). Finally, these papers suggest that strategic leadership is a means of developing an efficient working environment and guaranteeing long-term organisational success and sustainability.

The papers above study the impact of the leadership styles on the performance of the employees, motivation, and organisational behaviour of the employees. The main idea spreading through all these studies is that leadership, rather than being a level of authority, is a tactical instrument that greatly predetermines productivity, job satisfaction, and overall success of an organisation (Banks et al., 2016; Buil et al., 2019).

The collaborative study examines the strategic significance of leadership styles on employee performance and organisational motivation as well as organisational behaviour in different sectors, such as engineering companies and non-governmental organisations (Puni et al., 2018). The main idea is that leadership should be a dynamic process and a crucial factor defining productivity of an organisation, their job satisfaction, and long-term sustainability. These researches point out that being an efficient leader is about directing people, motivating them to work towards the common

purpose, and creating an organisational culture, psychological climate (Eva et al., 2019).

Transformational leadership and democratic (participative) are continuously reported as the most effective in promoting a positive work environment and a high level of engagement of the employees (Buil et al., 2019). Transformational leaders are able to inspire the employees to do things that are out of the ordinary, because they lay emphasis on innovation, trust, and intrinsic motivation. Likewise, democratic leadership fosters participation in decision making and free communication, which contributes a lot to morale, teamwork and company satisfaction.

However, conversely, negative behavioural outcomes are common with autocratic or authoritarian leadership approaches, which are centralised and involve directives (Harms et al., 2017). Although this strategy may be effective in making decisions that are necessary during emergent situations, it is linked to decreased creativity, a decrease in motivation, and increased turnover of employees in the long term (Banks et al., 2016). A transactional leadership style follows a reward-and-punishment principle that ensures efficiency in routine work and organisation yet is generally inefficient in terms of emotional motivation needed to commit and innovate on the long-term basis (Antonakis and Day, 2018). Such contemporary practises as servant and ethical leadership focus on the welfare of employees and moral perception that have been identified to enhance interpersonal trust and decrease turnover (Eva et al., 2019).

1.1 Core Leadership Styles and Their Impacts

The sources divide a number of the main leadership styles and assess the unique impacts of those styles in workers. Certainly, the style of transformational Leadership is aimed at inspiring and motivating workers to do more than what is expected of them because they are motivated to work towards a common vision. It is always associated with an increased amount of innovation, trust, and intrinsic motivation.

Democratic (Participative) Leadership: This is an inclusive style that leaves the employees empowered through the inclusiveness of the decisions that they make towards the organisation. It is very appropriate in increasing morale, teamwork and long-term engagement.

Autocratic (Authoritarian) Leadership: This is a leadership that is characterised by centralization of power where the leader decides on his own. Although it may give fast outcomes during

emergency situations, it tends to result into lower job satisfaction, decreased creativity and increased employee turnover in the long run. A comparative

overview of leadership styles and their behavioral impacts is presented in Table 1, highlighting the distinct performance implications of each approach.

Table 1. Summary of Leadership Styles, Core Characteristics, and Organizational Impacts

Leadership Style	Core Characteristics	Impact on Performance and Behavior
Transformational	Focuses on vision, inspiration, intellectual stimulation, and individual growth.	Strongly correlates with high innovation, trust, and employee engagement.
Democratic	Involves participative decision-making and shared responsibilities.	Boosts morale, job satisfaction, and long-term collaborative productivity.
Participative	Uses leaders as facilitators; encourages team members to identify goals and systems.	Empowers employees, fosters creativity, and helps identify future leaders.
Transactional	Relies on a system of rewards and punishments for performance monitoring.	Effective for routine efficiency in structured environments but lacks emotional engagement.
Autocratic	Centralized authority where the leader gives orders and expects immediate obedience.	Useful for short-term results or emergencies but often reduces creativity and increases turnover.
Laissez-Faire	Passive leadership characterized by a lack of direction, feedback, or involvement.	Negatively correlates with performance; often causes confusion, ambiguity, and stress.
Servant/Ethical	Prioritizes the welfare of followers and emphasizes moral judgment and trust.	Builds strong interpersonal trust, reduces turnover, and improves team cohesion.

As the research is indistinct that effective leadership is dependent on industry and the situation, would you like to concentrate on the individual findings to the engineering sector or maybe the findings of non-governmental organisations?

2. REVIEW OF LITERATURE

The development of leadership theories starts with the works of Lewin, K., Lippitt, R., and White, R. K., in 1939 who found that democratic leadership is the most effective leadership type that can maintain stable productivity and resilience, and autocratic leadership produces short-term results at the expense of emotional health, and laissez-faire leadership leaves one without a sense of direction (Lewin et al., 1939). As the discipline entered the 1980s, Mansbridge found the common issues in participatory organisations and this included high emotional intensity and excessive time to make decisions (Mansbridge, 1983). House characterised charismatic leadership on the basis of personal traits such as dominance and strong conviction that develops the self-confidence that is needed to bring radical change (House, 1976). Greenleaf also coined the servant leadership idea that required leaders to focus on the needs and development of the followers to enable them to be more self-reliant (Greenleaf, 2013). Heller and Van Til believed that leadership and followership are two concepts that are directly connected to each other (Heller and Van Til, 1982).

Bass outlined four key elements of transformational leadership namely idealised influence, inspirational motivation, intellectual stimulation as well as

individualised consideration that stimulates outstanding performance (Bass, 1985). In his explanation of transforming leadership, Wilkins explained it as political mentorship (Wilkins, 1986). Warren conjectured that democratic experiences make individuals become public-spirited citizens (Warren, 1992), whereas Spears supported the idea that servant leadership is based on humility and ethical responsibility (Spears, 1995). Gastil explained that democratic leadership is different with formal authority and primarily aimed at decentralising responsibility (Gastil, 1994). Servant leadership in higher education was reported as having five dimensions of servant leadership identified by Buchen (Buchen, 1998), as well as observed by Farling, Stone, and Winston as having an enormous overlap in terms of vision and trust (Farling et al., 1999).

Aarons described the styles of leadership as the one that embraced the use of evidence-based practises (Aarons, 2006), whereas Bass and Riggio presented the model of augmentation of transformational leadership (Bass and Riggio, 2006). Hale and Fields discovered that cultural differences affect the views on servant leadership (Hale and Fields, 2007). Givens pointed out how transformational leadership can bring about organisational trust (Givens, 2008). Liden et al. have created a multidimensional scale of servant leadership (Liden et al., 2008). Tremblay et al. proposed Work Extrinsic and Intrinsic Motivation Scale (WEIMS) (Tremblay et al., 2009). Bhatti et al. proved that job satisfaction is enhanced by democratic leadership (Bhatti et al., 2012).

Recently, Breevaart et al. concluded that transformational leadership stimulated the employee engagement on a day-to-day basis (Breevaart et al., 2014). Liden et al. came to the conclusion that the culture of serving lowers turnover intentions (Liden et al., 2014). Canavesi and Minelli have studied servant leadership in its entirety (Canavesi & Minelli, 2022). With the future in mind, Subedi and Gyawali find that transformational leadership increases employee loyalty (Subedi and Gyawali, 2025).

The entrepreneurial leadership strategies needed to ensure sustainable entrepreneurship encourage a long-term strategic focus alongside innovation (Schaltegger et al., 2016; Wu et al., 2022). It is well known that transformational leadership is a source of innovation since it increases intellectual stimulation, intrinsic motivation, and sharing of knowledge (Liu and Li, 2018; Andersson et al., 2020). Leadership is an important intangible resource in SMEs with limited resources that determine adaptability and sustainable growth (Saha et al., 2023). The empirical data show that transformational and participative leadership styles reinforce the power of innovation, engagement between employees, and long-term performance (Malibari and Bajaba, 2022).

Environmental and social responsibility are increasingly being put in the leadership sphere as sustainability becomes the key to the entrepreneurial strategy (Schaltegger et al., 2016). Green leadership integrates the ecological principles into the organisational culture and allows eco-innovation and sustainable practises (El-Kassar & Singh, 2019; Singh et al., 2020). Sustainable entrepreneurship is also improved through ethical leadership that influences integrity, transparency, and stakeholder trust, which strengthens the performance of the ESG and competitiveness (Bedi et al., 2016; Zhu et al., 2025).

Participative and servant leadership in social enterprises and mission-driven ventures can help with empowerment and shared purpose, resilience and commitment (Charles-Leija et al., 2023). In the Asian SMEs, cultural collectivism and institutional uncertainty determine the effectiveness of leadership and necessitate the balance between authority and participative engagement (Wu et al., 2022; Saha et al., 2023). Interpersonal trust leaders foster a sense of psychological safety and allow innovation and prolonged performance in the face of competition (Frazier et al., 2017; Andersson et al., 2020).

SMEs owned by the family also have other leadership-related challenges associated with succession and relational loyalty, and professionalisation and collaborative leadership is necessary to promote renewal and sustainability

(Barroso Martínez & Galvana, 2022; Malibari and Bajaba, 2022). Altogether, intrinsic motivation and trust are the strategic processes of connecting the leadership style with sustainable entrepreneurial results. Leadership promotes a positive feedback loop of innovativeness and sustained competitive advantage by increasing knowledge sharing, minimising turnover, and commitment (Schaltegger et al., 2016; Zhu et al., 2025).

3. METHODOLOGY

3.1 Research Design

The research design adopted in this study was the quantitative and cross-sectional research design, which aimed at investigating the relationship between the transformation leadership, intrinsic motivation, and interpersonal trust in the entrepreneurial business settings. This study was conducted to explore the impacts of the leadership behaviours on psychological and relationship processes that lead to sustainable organisational performance in Asian small and medium enterprises (SMEs).

3.2 Sample and Context

The research was carried out on the employees in small and medium enterprises that were in the Indian entrepreneur ecosystem, which represent the emerging Asian business environments. The reason why the SMEs were chosen is due to the fact that they have a significant contribution to sustainable economic growth, innovation development and job creation in Asia. The firms involved comprised companies that were engaged in various industries, such as service, education, healthcare support, and small-scale manufacturing, and they represented a heterogeneous population with an entrepreneurship as the driving force.

The number brought the final sample of 23 respondents, selected among the SMEs operating over three years and having less than 250 employees, which is also in line with the classical SME classification criteria. These institutions were typified by limited resources, founder-based leadership systems as well as an active competitive landscape, which rendered them the right contexts to consider leadership-based mechanisms of sustainable growth.

3.3 Data Collection and Instrumentation

A structured survey questionnaire was used to collect data, which aimed at addressing perceptions of employees concerning the role of leadership and the dynamics in the team. The tool worked around two major constructs are what leadership can do to intrinsic motivation and interpersonal trust in team. Intrinsic motivation was developed as personal, internally driven involvement in work activities towards personal satisfaction, growth, and meaning

as opposed to extrinsic rewards. The interpersonal trust was stipulated as the perceived reliability, competence and goodwill of the leaders and members of the team.

Measures of responses were on a 5-point Likert scale, which ranged 1 (Strongly Disagree) to 5 (Strongly Agree). Likert scale was chosen because it is reliable in the measure of attitudinal and perceptual data in organisational behaviour study.

3.4 Data Analysis Procedures

The collected data were evaluated in terms of descriptive and inferential statistics. Descriptive statistics were also done with the mean scores and standard deviation variables to evaluate the central tendencies and variability of perception of employees. A bootstrapping approach using 1000 stratified resamples was to increase the robustness due to the small sample size ($N = 23$) to estimate the bias and standard errors and to obtain confidence intervals.

In order to test the correlation between intrinsic motivation and interpersonal trust, Pearson correlation coefficients, tau and rho were used to test the relationship. These analytical statistical methods were used to provide consistency and reliability of the observed relationships both in parametric and non-parametric measures.

3.5 Justification of Sample Size and Statistical Power

One of the most frequently used criticisms towards research with an $N=23$ is that it might not be applicable to larger populations. Nonetheless, when taken in the right context (that is, when interpolated properly), small samples have distinct and practical value as far as organisational research is concerned.

3.5.1 The "Binoculars" Analogy

It works with statistics, when one has 23 people, with a pair of binoculars. You may not be able to see everything that a high-power telescope (a model of 1,000) may see, but you can see the big things, such as planets and moons. The 0.56 correlation in this data is a planet-sized effect. Even that it is a strong

enough signal that, despite the limited number of people, it breaks out of the background noise very well. Managers are supposed to interpret such findings as valid pointers of the key drivers in their respective team, although the exact figures may change to a margin in a bigger department.

3.5.2 Power and Probability

The power of a test is the capacity of a test to detect a statistically significant effect that is actually present. A large sample is more powerful, but a small sample whose effect is very strong (such as the one in this case) can be adequate. The considerable p-values (.003 to .005) validate that the connexion between motivation and trust is so strong that it can be deemed with a small number of 23 data points.

4. RESULTS

4.1 Descriptive Statistics

The descriptive analysis implies a rather favourable view of the role of leadership in the surveyed SMEs. The average score of intrinsic motivation as shown in Table 2 was 3.65 implying that the employees were fairly satisfied that leadership behaviours positively affected their internal motivation and engagement. Interpersonal trust had a mean score of 3.91 indicating a fairly high level of trust climate amongst the team set up. These results indicate that leadership practises play a positive role in psychological motivation and relational stability, which are key elements of sustainable organisational performance.

4.2 Variability and Dispersion

Table 2 gave the measures of variability, and the standard deviation of intrinsic motivation was 1.112 with interpersonal trust having a marginally lower standard deviation of 1.041. These values reflect the moderate dispersion of the answers, with a slightly high consensus of trust perceptions than motivation. The relative insensitivity of the difference in the trust scores demonstrates the similarity of the relational perceptions among the respondents, which supports the relevance of the credibility of leadership in the entrepreneurial SME setting.

Table 2. Descriptive Statistics for Intrinsic Motivation and Interpersonal Trust

Variable	Standard Deviation (SD)	Interpretation of Consensus
Intrinsic Motivation	1.112	Moderate Variability
Interpersonal Trust	1.041	Moderate Consistency

4.3 Confidence Interval Analysis

The findings are also stable as shown by the confidence interval estimates presented in Table 3. The 95% confidence interval of interpersonal trust between 3.61 to 4.26 signifies that there is a high

probability of the true population mean to be within this interpersonal trust interval. Such statistical consistency makes the observed trust climate stronger and the reliability of leadership influence among respondents stronger.

Table 3. 95% Confidence Intervals for Intrinsic Motivation and Interpersonal Trust

Survey Variable	Mean Score	95% Confidence Interval (Lower)	95% Confidence Interval (Upper)
My leader's style increases my intrinsic motivation	3.65	3.17	4.13
There is a high level of interpersonal trust in my team	3.91	3.61	4.26

4.4 Bootstrap Robustness Testing

In view of the relatively small sample size ($N = 23$), 1000 stratified samples were used in bootstrap resampling in order to improve the reliability of the analysis. The bootstrap statistics in Table 4 show that the intrinsic motivation bias is .00 and the

interpersonal trust bias is .01, which implies that there is no significant estimation distortion. The error of trust was .17 which is acceptable. These results indicate the strength of the statistical estimates and that sampling limitations do not materially influence the results.

Table 4. Bootstrap Estimates for Intrinsic Motivation and Interpersonal Trust (1,000 Resamples)

Variable	Bootstrap Bias	Bootstrap Std. Error
Intrinsic Motivation	.00	.00
Interpersonal Trust	.01	.17

4.5 Comparative Healthcare Benchmark Analysis

In order to put the observed mean values into perspective, Figure 1 will pin the intrinsic motivation and trust scores of the study with the known standards in the healthcare industry. The motivation means (3.65) of the study are higher

than the average healthcare standard (2.81) and interpersonal trust (3.91) fits well with high performing clinical teams. This comparative illustration brings out the moderately good motivational climate in the sampled SMEs.

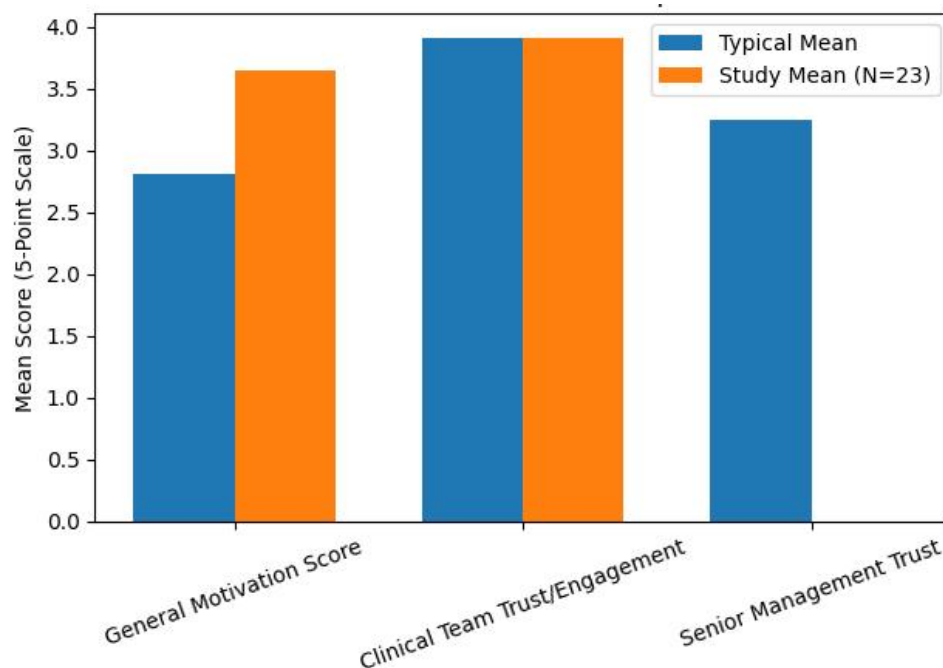


Figure 1. Comparison of Intrinsic Motivation and Trust Scores with Healthcare Industry Benchmarks (5-Point Scale)

This study has a motivation meaning of 3.65, which is much larger than the overall healthcare standards (which currently tend to be 2.80), indicating that the leadership style used at this sample is incredibly

efficient at avoiding the burnout epidemic that the sector is currently experiencing. With 2 in 3 nurses reporting burnout in an industry, a leader with the ability to sustain 3.65 level of motivation is a

strategic asset. The best-performing clinical units are also consistent with the high score in trust (3.91) when the unit has a part participative safety, enabling the staff to communicate on patient safety without the fear of being punished.

4.6 Correlation Analysis and Sustainable Interpretation

The outcomes of the correlation analysis presented in Table 5 suggest that the relationship between intrinsic motivation and the interpersonal trust is statistically significant and positive. The correlation coefficient between Pearson and P = .005 was $r = .562$. Also, the tau of Kendall and the rho of Spearman were .543 ($p = .003$) and .584 respectively,

which validated the consistency between the parametric and non-parametric measures. These findings indicate that the leadership-motivated motivation and team trust have moderate-to-strong positive connexions.

In the context of sustainable entrepreneurship, the findings indicate that sustainable leadership practises that promote intrinsic motivation also promote interpersonal trust, thus, leading to innovation potential, lower turnover intentions, and sustainable performance of SMEs over the long-term. Trust is an intangible resource that develops as a strategic asset that helps to build collaborative performance and achieve a sustainable competitive advantage in the context of entrepreneurial ventures.

Table 5. Correlation Analysis Between Intrinsic Motivation and Interpersonal Trust

Correlation Method	Coefficient Value	Significance (p)
Pearson (r)	.562**	.005
Kendall (τ)	.543**	.003
Spearman (ρ)	.584**	S

4.7 Comparative Sectoral Context

To further provide the current findings with context as it relates to mission-driven organisational setting, Figure 2 shows comparative information offered by the NGO leadership research on the effects of leadership styles on the motivation of employees. Empirical research carried out before demonstrates that the transformational leadership has a high positive impact on intrinsic motivation ($\beta = 1.275$), but transactional leadership has a negative correlation ($\beta = -0.403$). Positive motivational

influence is also reported to be democratic leadership. Even though such coefficients are not calculated based on the current data but on the external sectoral data, the tendency is the same as the results of the current research that show a strong positive correlation between leadership-based intrinsic motivation and interpersonal trust ($r = .562$, $p = .005$). Comparative visualisation supports the general finding that empowerment-based leadership styles are more closely linked to intrinsic motivation as opposed to transactional styles.

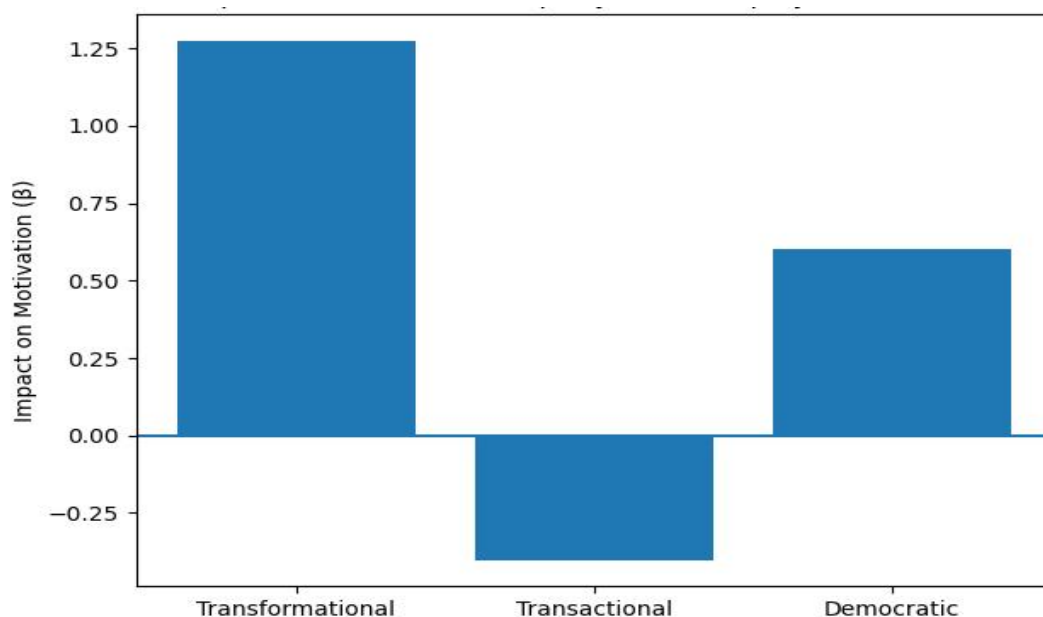


Figure 2. Impact of NGO Leadership Styles on Employee Motivation (β Coefficients from Prior Empirical Research)

In order to place these results in the context of mission-driven organisational cultures, Figure 2 provides comparative evidence on how leadership styles influence the motivation of employees based on research studies conducted in the NGO sector.

5. DISCUSSION

The results of this paper acknowledge that leadership style contributes greatly to intrinsic motivation and interpersonal trust in entrepreneurial SMEs settings. The positive correlation ($r = .562$, $p = .005$) is considered moderate to strong, which means that employee engagement-supporting leadership behaviours have close ties to higher relational trust between members of a team. Although the long-term sustainability of an SME in this study was not directly measured through sustainable performance, i.e., innovation output, financial growth, or ESG performance, the relationship between intrinsic motivation and interpersonal trust is indicative of potential long-term sustainability of an SME. As such, the interpretations that are based on sustainable competitive advantage must be considered as the theoretically based implications, but not the actual empirical conclusions. The linkage of this relationship confirms that leadership does not serve as administrative control only but a strategic psychological process of forming the organisational climate and performance.

Theoretically speaking, the findings are consistent with the current literature that suggests that the transformational and empowering styles of leadership positively impact the intrinsic motivation through the fulfilment of the needs of autonomy, competency, and relatedness in employees (Howard et al., 2017). Leaders who give strong vision, recognition, and participative decision-making environment build environments that enhance internal engagement of work and discretionary hard work (Lee et al., 2020). Their leadership behaviours are particularly vital in SMEs whereby formal control systems are minimal and employee dedication is vital in ensuring sustainability.

Why is the capability of a leader to inspire individuals connected with the trust in a team so closely? Analysis of the second order implies a causal path that is multi-dimensional. To begin with, leaders that promote intrinsic motivation tend to do so by ensuring that their employees are given freedom of choice and quality work (1) which makes the employees feel empowered and therefore they feel appreciated and valued which is automatically translated into trust in the leader who helped them feel empowered (Kleynhans et al., 2022).

Second, intrinsically motivated employees are more active and effective. Within a team, when team members have worked well and can be trusted, it

promotes competence trust the belief that teammates can execute their tasks (Karikumpu et al., 2024). Thereby, the initial impulse to motivation by the leader triggers the virtuous cycle where performance attracts respect that can strengthen interpersonal trust (Karikumpu et al., 2024).

The high correlation between motivation and trust helps to lead to the evidence that the actions of leaders aimed at promoting empowerment and equity contribute to the improvement of interpersonal trust and the sense of psychological safety. Trust is a relational platform that can provide knowledge exchange and joint innovation, as well as risk-taking positively, which are the contributions to sustainable entrepreneurship under resource constrained conditions.

The effectiveness of leadership in the context of Asian SMEs is highly determined by the cultural conditions focused on the importance of relational harmony and shared responsibility. The studies show that participative and ethical leadership styles are specifically effective in the collectivist context since they strengthen the relations and promote the identity. This is based on the fact that the mean score of trust of this study (3.91) is very high and therefore the credibility of leadership can be used as a stabilising factor in the dynamic entrepreneurial markets.

Moreover, intrinsic motivation was also associated with reduced turnover intention and greater long-term commitment, which are essential factors in the sustainability of the SMEs (Cerasoli et al., 2016; Van den Broeck et al., 2021). In smaller firms, where human capital is a key competitive resource, motivated employees are retained to maintain tacit-based knowledge and minimise replacement costs. The cycle of reinforcement that can be identified in the study is that of leadership that increases motivation which further reinforces trust that reinforces sustainable competitive advantage by providing relational and psychological capital.

These inferences are supported by the use of bootstrap analysis even though the sample size is small. Modern methodological studies underpin bootstrapping as a sound approach to enhance the stability of estimates used in small-sample research studies on the organisation. The low bias values realised are signs that the correlation between intrinsic motivation and trust are not statistical anomalies but have structural significance.

To determine the reason behind the figures, we have to allude to Self-Determination Theory (SDT) which assumes that human beings are endowed with three basic psychological needs: Autonomy, Competence, and Relatedness (Soelistya et al., 2024).

• **Autonomy:** The desire to feel that one is in control of his actions. This style ($M = 3.65$) of the leader in

our analysis probably facilitates autonomy as it promotes individualised initiative (Soelistya et.al., 2024).

- **Skill:** The desire to feel good in his/her work. The close relationship with the trust (0.56) indicates that the leader also offers the feedback and resources that can make the employees feel competent and dependable (Karikumpu et al., 2024).

- **Relatedness:** There exists the necessity to feel connected with others. A high trust score (M=3.91) is directly connected to relatedness, and it describes that the team believes that it is a cohesive social unit (Soelistya et.al., 2024).

When these three needs are met by the leader, intrinsic motivation will thrive, and interpersonal trust will act as the social glue that will hold the team together.

In general, the current paper will be useful in the field of sustainable entrepreneurship with the scope of empirically proving that intrinsic motivation through leadership and interpersonal trust are mutually reinforcing forces that enable innovation, employee retention, and long-term development of SMEs. At least in the case of emerging Asia economies where SMEs are the core of economic growth, the quality of leadership becomes a showbust in attainment of sustainable organisational resilience.

6. IMPLICATIONS FOR SUSTAINABLE ENTREPRENEURSHIP IN ASIA

6.1 Implications for SME Founders

The results of the present research indicate that trust-based and intrinsically motivated leadership practises are fundamental in improving the resilience of startups and their survival over time. When SME founders work in the competitive and resource-restricted Asian markets, the development of interpersonal trust within the team may serve as the stabilising factor at the times when the level of uncertainty is high. With high-trust environments, there is less internal conflict, the communication is enhanced, and the capacity of collaboratively solving problems is strengthened. With the employees feeling that management is supportive and participative, chances are high that they will exhibit commitment, discretionary effort, and innovation-oriented behaviours.

The participative and transformational leadership styles also enhance an innovation capacity since they allow employees to generate ideas and act proactively. Autonomy and psychological safety Leadership, in an entrepreneurial environment, where agility and creativity are the keys to survival, augment opportunity recognition and adaptive learning. Inclusive decision-making processes, open communication, and employee contribution should

therefore be the priorities of SME founders to maintain the competitive advantages over the long term.

6.2 Implications for Policymakers

To policymakers of emerging Asian economies, the findings indicate that leadership development should be incorporated in the sustainability programmes of the SMEs. Although funding and regulatory changes are crucial, management skill is a ground-breaking factor of enterprise resilience and innovation performance. The entrepreneurship programmes enabled by the government should include leadership training modules where emphasis is given to transformational, ethical, and participative leadership skills.

Besides that, ethical leadership and responsibility to stakeholders should be incorporated into the programme of entrepreneurship education in a structured way. ESG orientation may be improved by strengthening the leadership ethics at the early venture creation, lowering the risks of governance and increasing the socially responsible development of business. Leadership development is one of the strategic investments in sustainable economic development that policymakers should consider enhancing the position of SME ecosystems.

6.3 Implications for Social and Green Enterprises

In the case of social and green enterprises, leadership style takes even greater centre-stage because the economic viability is pursued alongside the social or environmental impact. ESG integration can be improved through servant leadership that focuses on the well-being of employees, empathy, and shared purpose, as it helps to align the organisational values with those of sustainability. Ethical responsibility and engagement with the community are key examples where leaders can inspire stakeholders and the mission-driven dedication through their actions, which are their own models of what is right.

Democratic and participative styles of leadership as well increase the involvement of the stakeholders through dialogue, transparency, and joint decision-making. Such inclusion practises contribute to bringing balance between the financial goals and environmental and social responsibility in the enterprises that are sustainability oriented. Leadership is a stimulator of long-term sustainable entrepreneurship in the Asian markets by building trust, purpose, and capability of innovation.

6.4 Strategic Recommendations for Organizational Leaders

The analysis findings give some practical and accurate guidance on leadership and organisational strategy.

6.4.1 Shift from Transactional to Relational Leadership

The strong connection between drive and trust demonstrates the fact that it is not just enough to count the tasks (transactional leadership). Emotional intelligence, visionary communication, and empathy are the areas that should be considered a top priority when it comes to leadership training in an organisation. It is these soft skills that make the hard results of the 0.56 correlation possible.

6.4.2 Capitalize on the "Trust Dividend"

Since the team has already reported high scores on trust ($\mu=3.91$), the leader has a rare chance to lead more challenging objectives and greater amounts of autonomy. Trust is like a buffer which enables teams to be stretched without collapsing because of the stress given to them in the course of a stretch assignment. This is more essential, especially in engineering and the NGOs where the mission or the technical problems may overwhelm.

6.4.3 Implement Systematic "Trust Audits"

Trust is a limited resource that may be lost within a short time in case it is not preserved. The leader must conduct regular surveys like the one that was examined in this paper to determine the signs of disengagement early in time. Through monitoring confidence intervals that could be done by using the bootstrap method, managers can recognise when a team's sentiment is really falling as opposed to a temporary dip in the sentiment because of project-cycle stress.

6.4.4 Foster a "Safe-to-Fail" Culture

The strong relationship between motivation and trust implies that employees get the greatest amount of motivation when they believe that the leader will have their back even in the event of failure. The establishment of a safe-to-fail environment is what is needed to develop the innovation that is necessary in the clinical and technical sectors.

7. CONCLUSION

This study examined the influence of leadership styles on intrinsic motivation and interpersonal trust within entrepreneurial SME environments. The findings demonstrate that leadership is not merely an operational function but a strategic driver of sustainable entrepreneurship. The statistically significant positive relationship between intrinsic motivation and interpersonal trust confirms that leadership behaviors fostering empowerment, participation, and psychological support contribute meaningfully to relational cohesion and organizational resilience. Intrinsic motivation emerged as a critical mechanism linking leadership

to innovation-oriented performance. When employees perceive leadership as supportive and autonomy-enhancing, they are more likely to engage in creative problem-solving, discretionary effort, and knowledge-sharing behaviors. In SME contexts—where structural resources are limited and human capital represents a core competitive asset—such internally driven engagement becomes essential for sustaining innovation and adaptability. Interpersonal trust was found to function as a relational foundation for long-term enterprise survival. High-trust environments promote collaboration, reduce uncertainty, and enhance team stability, particularly in dynamic and competitive markets. For emerging Asian economies, where SMEs operate within rapidly evolving institutional and market conditions, trust-building leadership practices serve as stabilizing mechanisms that strengthen organizational continuity and stakeholder confidence. The results suggest that sustainable growth in Asian SMEs requires context-sensitive leadership approaches that balance cultural expectations of relational harmony with participative and transformational practices. Leadership models that integrate autonomy support, ethical conduct, and collaborative engagement are more likely to generate both economic and social sustainability outcomes. Although the study is limited by a modest sample size, the application of bootstrap analysis enhances the robustness of the findings. Future research may expand the sample across multiple industries and regions to further validate the leadership-motivation-trust sustainability model. Overall, this research contributes to sustainable entrepreneurship literature by empirically demonstrating that leadership-driven intrinsic motivation and interpersonal trust operate as mutually reinforcing mechanisms that support innovation capability, employee retention, and long-term SME competitiveness. For policymakers, educators, and entrepreneurial leaders, investing in leadership development that strengthens psychological and relational capital may be a decisive factor in achieving resilient and sustainable enterprise growth in Asia.

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