



“The effect of entrepreneurial leadership and employer branding on performance through engagement: Moderating effect of organizational trust”

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THE EFFECT OF ENTREPRENEURIAL LEADERSHIP AND EMPLOYER BRANDING ON PERFORMANCE THROUGH ENGAGEMENT: MODERATING EFFECT OF ORGANIZATIONAL TRUST

Abstract

Understanding factors that drive employee performance in SMEs is crucial, as human resources are central to success. This study was conducted among batik-producing SMEs in East Java Province, Indonesia, a cultural heritage sector of labor-intensive, skills-based businesses that rely on employees to maintain production quality, sales service, and sustainability. Although entrepreneurial leadership and employer branding are recognized as drivers of employee outcomes, prior studies have examined them separately in large organizations, limiting understanding of their combined effects in SMEs. This study aims to examine the effects of entrepreneurial leadership and employer branding on employee performance, with employee engagement as a mediator and organizational trust as a moderator. Data were collected from 357 employees of batik-producing SMEs in East Java Province, Indonesia, between October and December 2025. Respondents were selected through purposive sampling, targeting production, sales, and administrative staff, as these groups contextually represent core operations. Data were analyzed using PLS-SEM. The results show that entrepreneurial leadership ($\beta = 0.222, p < 0.001$) and employer branding ($\beta = 0.476, p < 0.001$) positively influence employee performance. Both variables exhibit significant indirect effects through employee engagement ($\beta = 0.074, p < 0.01$; $\beta = 0.045, p < 0.01$). Organizational trust strengthens the entrepreneurial leadership–employee engagement relationship ($\beta = 0.135, p < 0.01$) but weakens the employer branding–employee engagement relationship ($\beta = -0.165, p < 0.01$). These findings clarify how entrepreneurial leadership and employer branding shape employee performance in batik SMEs under uncertain environments.

Keywords

entrepreneurial leadership, employer branding, employee engagement, organizational trust, employee performance, SMEs, PLS-SEM

JEL Classification

L26, M12, M54, C83

INTRODUCTION

Small and medium enterprises (SMEs) are a key pillar of the Indonesian economy, contributing significantly to job creation, innovation, and national development (Sanny et al., 2021). The COVID-19 pandemic has exposed the vulnerability of SMEs to prolonged disruptions, including decreased revenue, weakened demand, and disruptions to internal performance systems, such as leadership and human resource management (Akintola et al., 2023; Isensee et al., 2023; Susanty et al., 2023). SME recovery in the post-pandemic environment is taking place amidst market uncertainty and shifting consumer preferences. These conditions make strengthening internal capabilities a strategic necessity to maintain organizational resilience and sustainable performance (Isensee et al., 2023; Lang et al., 2023). Available empirical evidence is insufficient to clarify which internal mechanisms are most

effective in maintaining employee performance in the uncertain SME context. This gap is interesting because employee performance is one of the main foundations of SME sustainability, especially when the organization has limited resources and an unestablished formal structure. Therefore, a model is needed to explain how leadership capabilities, the organization's image as a workplace, employee engagement, and organizational trust interact to drive employee performance.

Entrepreneurial leadership is a relevant internal capability for SMEs because the dynamic business environment demands leaders who are adaptive, innovative, and opportunity-oriented. This concept refers to the process of influencing employees to achieve organizational goals through recognizing and exploiting opportunities (Renko et al., 2015). By emphasizing adaptability, innovation, and opportunity recognition, entrepreneurial leadership can shape a work culture that encourages employees to respond creatively to challenges. The effectiveness of this leadership is determined not only by the leader's behavior but also by how employees interpret leadership signals into productive behavior (Lang et al., 2023). Employee engagement is a behavioral mechanism that can explain this process. As a psychological state characterized by passion, dedication, and absorption in work (Jufrizen et al., 2025), employee engagement fosters creativity, discretionary effort, and sustained performance. The mediating role of employee engagement between entrepreneurial leadership and performance remains underexplored, particularly in SMEs facing post-crisis uncertainty. This gap is further accentuated by the fact that previous studies have primarily examined conventional leadership styles, such as transformational leadership, servant leadership, and empowerment leadership, in large, stable organizations (Ghlichlee & Larijani, 2024; Pazetto et al., 2024; Zheng & Ahmed, 2024). While these findings are informative, the context of large organizations does not always adequately represent the complexity of SMEs in Indonesia, which are more informal, labor-intensive, and dependent on interpersonal relationships.

In parallel, employer branding can shape employee behavior because the image of the organization as a workplace influences employee perceptions, engagement, and readiness to contribute. Employer branding is defined as the effort to position an organization as an attractive employer through functional, economic, and psychological benefits (Al-Romeedy et al., 2025). Previous studies have linked employer branding to commitment, retention, job satisfaction, and behavior consistent with the organization's brand (Tanwar & Prasad, 2016; Srinivas et al., 2025). The role of employer branding in driving engagement and performance remains unclear in SMEs with limited formal HR systems. Organizational trust adds complexity to the relationship because SME employees often face limited participation in decision-making and unclear work directions, so trust can determine the extent to which leadership and branding initiatives are perceived as credible organizational signals (Isensee et al., 2023; Brown et al., 2015; Nienaber et al., 2022).

1. LITERATURE REVIEW AND HYPOTHESES

In running a competitive and ever-changing business, entrepreneurs need to foster discovery and creativity to gain a competitive advantage and achieve organizational sustainability (Hoang et al., 2025). In SMEs, entrepreneurs willing to embrace new ideas encourage experimentation while creating space for creativity, which can produce unique and efficient products, services, or processes, creating additional value that competitors cannot easily imitate. Entrepreneurial leadership is particularly relevant for SMEs operating in dynamic and resource-constrained environments. Defined as "influencing and

directing the performance of group members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities" (Renko et al., 2015), it emphasizes flexibility, innovative behavior, and opportunity recognition. Employees who are actively involved in the innovation process tend to demonstrate higher initiative, better productivity, and a willingness to learn and adapt (Almeida & Moreira, 2022).

Several studies have shown conflicting results. In some situations, entrepreneurial leadership has a positive influence on employee performance, such as when leaders communicate the business's goals clearly to employees, enabling employees to align

their performance with those goals (Hoang et al., 2025). Conversely, several studies have found a negative influence. When leaders focus too much on innovation without providing adequate direction, employee performance can decline due to confusion or uncertainty (Haryanto et al., 2022). Employee performance can be affected by entrepreneurial leadership, both directly and indirectly through moderating variables such as employee engagement (Basit, 2017).

Employee engagement refers to the extent to which employees are emotionally and intellectually committed to their work and the organization (Saks, 2019). Engaged employees tend to demonstrate high levels of enthusiasm, dedication, and focus, which directly contribute to improved individual and team performance. In addition, employee engagement can increase job satisfaction, reduce turnover intentions, and create a more supportive work climate (Ju et al., 2021; Jufrizen et al., 2025).

Leaders can improve employee performance by encouraging their involvement in various ways. First, by giving employees autonomy and trust in decision-making, so that they feel valued and responsible for their work (Malibari & Bajaba, 2022). Second, by providing development and training opportunities to improve employee skills and competencies (Saks, 2019). Third, creating open and transparent communication allows employees to convey ideas and input (Hooi & Chan, 2023). These steps can increase employees' sense of belonging and commitment to the organization, ultimately improving their performance (Tanwar & Prasad, 2016). Therefore, entrepreneurial leadership affects employee engagement, which in turn can increase employee performance (Hooi & Chan, 2023). The presence of effective entrepreneurial leadership can lead to higher employee performance and support the development of employer branding. In turn, employer branding is essential for attracting and maintaining skilled employees.

The idea of employer branding emerged in 1990 when Simon Barrow and Tim Ambler discussed it in the *Journal of Brand Management*. According to Ambler and Barrow (1996), employer branding is the set of functional, financial, and psychological benefits offered by a job and associated with the company that provides it to its employees. The most important function of employer branding is to create a clear

framework for company management to simplify and focus on certain priorities, to accelerate productivity, and to develop recruitment, retention, and employee commitment (Kuchеров et al., 2022). Research shows that strong employer branding not only helps companies attract top talent but also significantly impacts employee performance. Employees tend to be more motivated, productive, and loyal to the company when a company is known as a great place to work (Kashyap & Verma, 2018).

The relationship between superiors and employees must be based on fair exchange. If an organization aims for employees to demonstrate values such as work efficiency, it must also provide something of value to them, both in material (such as salary, benefits, and facilities) and spiritual form (such as awards, recognition, and a positive work environment). In this context, employer branding is one of the best strategies to achieve this balance. By building the company's image as an ideal workplace, employer branding can improve employee satisfaction and performance (Tanwar & Prasad, 2016).

Employee engagement acts as a mediator in the relationship between employer branding and employee performance (Huseynova et al., 2022). Employee engagement mediates the relationship between employer branding and employee performance by serving as an emotional and psychological bridge that connects employees' positive perceptions of the company with productive work behavior (Biswas & Suar, 2016). Entrepreneurial leadership, supported by strong employer branding, requires organizational trust to ensure consistent employee relationships and to drive better performance.

Organizational trust is an individual's positive belief in the intentions and behavior of other members of the organization, based on their roles, relationships, experiences, and interdependencies (Mayer et al., 1995; Johnsen, 2026). Trust within the organization fosters a supportive environment in which employees are encouraged to share ideas, engage in proactive behaviors, and collaborate freely. High levels of trust contribute to greater employee commitment, loyalty, and improved organizational performance.

In the context of entrepreneurial leadership, organizational trust is crucial. Leaders who prioritize innovation and risk-taking need full support

from their teams (Gerdel et al., 2026). The trust built between leaders and employees enables more open, transparent communication, so employees feel more involved and motivated to contribute to achieving common goals. This aligns with findings that organizational trust has a positive relationship with individual commitment and performance within the organization (Aman et al., 2023).

Within employer branding, organizational trust is essential. Employer branding aims to form and strengthen the company's positive image as an attractive place to work, both in the eyes of employees and employers (Mayer et al., 1995). When employees have high trust in the organization, they are more likely to engage in these branding efforts with enthusiasm and commitment (Aman et al., 2023). Trust strengthens employee loyalty and engagement, so that they willingly promote the company's positive image, both inside and outside the workplace.

By building trust, organizations create a culture where employees feel valued and supported; they tend to perceive that the promises made through employer branding are not mere rhetoric but a reality experienced in the daily work environment (Jena et al., 2018). This high engagement contributes to improved individual and team performance, as employees work more enthusiastically and productively. Therefore, investing in building and maintaining organizational trust is a key strategy for achieving long-term success by improving employee engagement and performance (Aman et al., 2023).

Overall, prior research indicates that entrepreneurial leadership and employer branding influence employee performance directly and indirectly through employee engagement. Organizational trust is also considered a contextual factor that may strengthen the effect of entrepreneurial leadership on employee performance, particularly in SMEs.

Therefore, this study aims to examine the effects of entrepreneurial leadership and employer branding on employee performance, with employee engagement as a mediator and organizational trust as a moderator in the relationship between entrepreneurial leadership and employee performance.

The study, therefore, advances several hypotheses for empirical testing:

- H1: *Entrepreneurial leadership positively influences employee performance.*
- H2: *Employer branding positively influences employee engagement.*
- H3: *Entrepreneurial leadership influences employee performance indirectly through employee engagement.*
- H4: *Employer branding influences employee performance through employee engagement.*
- H5: *Organizational trust enhances the positive influence of entrepreneurial leadership on employee engagement, such that stronger effects occur under conditions of high trust.*
- H6: *Organizational trust enhances the influence of employer branding on employee engagement, leading to stronger relationships under conditions of high trust.*
- H7: *Higher organizational trust strengthens the indirect effect of entrepreneurial leadership on employee performance through employee engagement.*
- H8: *Higher organizational trust strengthens the indirect effect of employer branding on employee performance through employee engagement.*

2. METHOD

Using a quantitative research design, this study applied partial least squares structural equation modeling (PLS-SEM) to evaluate the relationships among entrepreneurial leadership, employer branding, employee engagement, organizational trust, and employee performance, as PLS-SEM is well-suited to testing complex predictive models (Black & Babin, 2019). The study investigates employees of batik-producing SMEs in East Java Province, Indonesia. The unit of analysis is the individual employee; therefore, the data capture employees' perceptions of entrepreneurial leader-

ship, employer branding, employee engagement, organizational trust, and employee performance rather than formal organizational assessments. Batik SMEs were chosen for their cultural importance and labor-intensive nature, in which employee performance plays a central role in maintaining production quality, sales service, and business sustainability. East Java was selected as one of Indonesia's major batik-producing provinces, with participating SMEs located in Jember, Banyuwangi, and Bondowoso Regencies.

A total of 43 SMEs participated in the study, out of 65 SMEs contacted. Data were collected from employees through purposive sampling, targeting production, sales, and administrative staff with at least one year of work experience to ensure familiarity with organizational practices, leadership, and internal branding activities.

Questionnaires were distributed directly to respondents from October to December 2025. Of 500 questionnaires distributed proportionally across the three regencies, 357 valid responses were retained, yielding a 71.4% response rate. The final sample consisted of 143 respondents from Jember, 129 from Banyuwangi, and 85 from Bondowoso. This sample size exceeds the minimum recommendation of 200 for complex research models (Black & Babin, 2019), indicating adequate suitability for analyzing the relationships among the study variables. Table 1 shows the demographic characteristics of the respondents.

Table 1. Respondent demographic characteristics

Category	Frequency	Percentage
Gender		
Male	221	62%
Female	136	38%
Total	357	100%
Age		
18–38	196	55%
39–48	118	33%
49–60	43	12%
Total	357	100%
Work Experience		
0–5 years	182	51%
6–10 years	57	16%
11–15 years	79	22%
16–20 years	32	9%
More than 20 years	7	2%
Total	357	100%

All responses were measured using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The questionnaire was evaluated for both reliability and validity. Entrepreneurial leadership was measured using five items adapted from Renko et al. (2015). Employer branding was assessed using six items adapted from Nanjundeswaraswamy et al. (2022). Employee engagement was measured using three items adapted from Schaufeli et al. (2002). Employee performance was operationalized using four items adapted from Koopmans et al. (2011). Organizational trust was measured using four items adapted from Vokić et al. (2020). Comprehensive details regarding the operationalization and measurement items are outlined in Appendix A (Table A1).

Data analysis was conducted using structural equation modeling with partial least squares following the two-stage approach recommended by Black and Babin (2019). In the first stage, the measurement model was evaluated to assess construct validity and reliability. In the second stage, the structural model was examined to test the proposed hypotheses. The analysis was performed using SmartPLS software.

3. RESULTS

Although procedural remedies were applied, further statistical tests were conducted to detect any remaining common method bias (CMB). Harman's single-factor test showed that the first factor explained 31% of the total variance, which is below the critical threshold of 50% (Podsakoff et al., 2003). Furthermore, all variance inflation factor (VIF) scores were within acceptable levels, ranging from 1.116 to 3.857 and not exceeding the 4.000 criterion (Garson, 2016). Overall, common method bias (CMB) appears limited, indicating that the applied control methods were effective.

The outer loadings of the retained items were between 0.618 and 0.871, while the average variance extracted (AVE) for each construct was between 0.574 and 0.693, confirming satisfactory convergent validity (Black & Babin, 2019). The results indicate reliable constructs, with composite reliability scores ranging from 0.829 to 0.900, exceeding the 0.700 criterion (Black & Babin, 2019). Likewise, Cronbach's alpha coefficients fell between 0.684

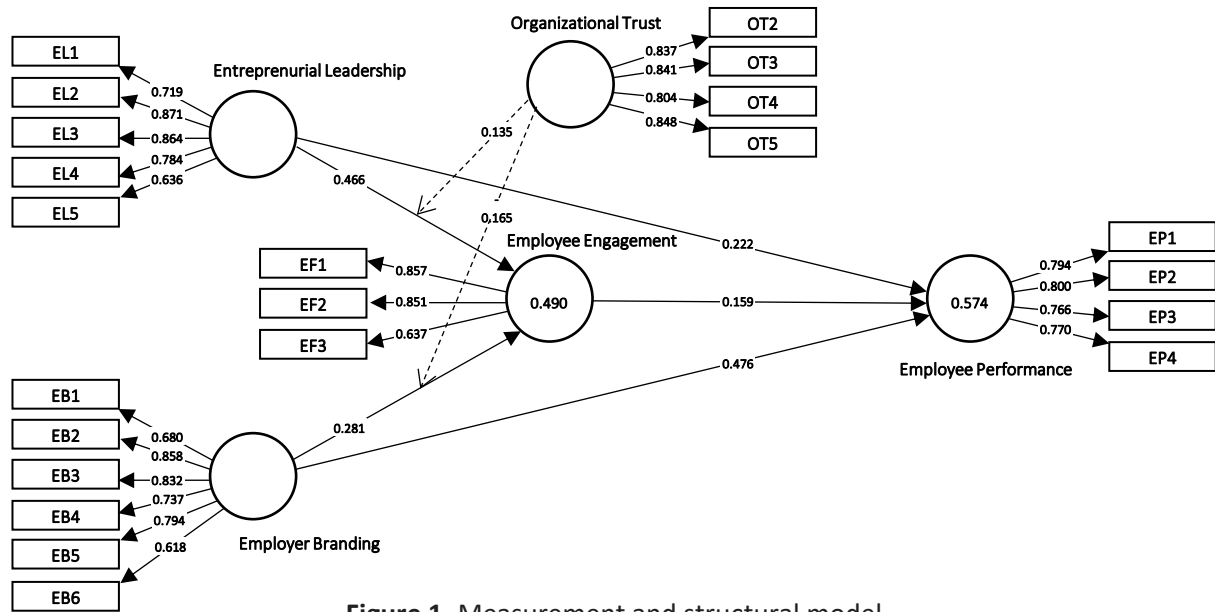


Figure 1. Measurement and structural model

Table 2. Assessment of the measurement model

Constructs/ items	Outer loadings	Average variance extracted (AVE)	Cronbach's α	ρ_A	Composite reliability
Entrepreneurial leadership (EL)					
EL1	0.719	0.608	0.836	0.837	0.885
EL2	0.871				
EL3	0.864				
EL4	0.784				
EL5	0.636				
Employer branding (EB)					
EB1	0.680	0.574	0.848	0.856	0.889
EB2	0.858				
EB3	0.832				
EB4	0.737				
EB5	0.794				
EB6	0.618				
Employee engagement (EE)					
EE1	0.857	0.622	0.684	0.702	0.829
EE2	0.851				
EE3	0.637				
Employee performance (EP)					
EP1	0.794	0.613	0.790	0.791	0.863
EP2	0.800				
EP3	0.766				
EP4	0.770				
Organizational trust (OT)					
OT2	0.837	0.693	0.854	0.869	0.900
OT3	0.841				
OT4	0.804				
OT5	0.848				

and 0.854, confirming adequate internal consistency (Black & Babin, 2019). Table 2 and Figure 1 provide a comprehensive summary of the convergent validity and reliability test results.

To establish discriminant validity, two approaches were employed: the Fornell–Larcker criterion and the heterotrait-monotrait (HTMT) ratio. Using the Fornell–Larcker approach, each construct

Table 3. Discriminant validity findings

Constructs	EL	EB	EE	EP	OT
Entrepreneurial leadership (EL)	0.780	0.760	0.817	0.768	0.284
Employer branding (EB)	0.649	0.758	0.781	0.870	0.387
Employee engagement (EE)	0.653	0.591	0.788	0.800	0.306
Employee performance (EP)	0.635	0.714	0.585	0.783	0.343
Organizational trust (OT)	0.249	0.340	0.240	0.286	0.832

Note: The main diagonal (highlighted in bold) shows the square root of each construct's AVE, correlation coefficients between latent constructs are reported below the diagonal, and HTMT ratios are listed above the diagonal.

demonstrated adequate discriminant validity because the square root of its AVE value, displayed in bold along the diagonal, was greater than the correlations with other constructs. This result confirms satisfactory discriminant validity (Fornell & Larcker, 1981). Second, the HTMT ratio was examined, producing values between 0.284 and 0.870, which were less than 0.900 (Henseler et al., 2015). These findings additionally demonstrate robust discriminant validity. Table 3 presents the findings based on the evaluation of discriminant validity.

The study examined the coefficient of determination (R^2), the cross-validated redundancy metric (Q^2), alongside the model's predictive capability using the PLSpredict approach (Hair et al., 2019). The analysis revealed R^2 values of 0.490 and 0.574 for employee engagement and employee performance, respectively, indicating moderate explanatory power for the model. Collectively, the evaluation criteria – R^2 , Q^2 , and PLSpredict – support the conclusion that the structural model is moderately robust. Table 4 illustrates a detailed assessment of the robustness of the structural model.

Following confirmation of the structural model's robustness, the proposed hypotheses were tested

for statistical significance using a bootstrapping method with 5,000 resamples to generate a 95% bias-corrected confidence interval. The analysis results indicate that entrepreneurial leadership ($\beta = 0.222$, $\rho < 0.001$) and employer branding ($\beta = 0.476$, $\rho < 0.001$) have a positive, significant influence on employee performance, confirming $H1$ and $H2$. In addition, employee engagement was found to significantly mediate the effect of entrepreneurial leadership on employee performance ($\beta = 0.074$, $\rho < 0.01$), confirming $H3$. Similarly, the relationship between employer branding and employee performance is significantly influenced by employee engagement ($\beta = 0.045$, $\rho < 0.01$), supporting $H4$. The influence of entrepreneurial leadership on employee engagement is enhanced by organizational trust, particularly under high-trust conditions ($\beta = 0.135$, $\rho < 0.01$), confirming $H5$. In contrast, organizational trust negatively moderates the effect of employer branding on employee engagement ($\beta = -0.165$, $\rho < 0.01$), leading to the rejection of $H6$. Furthermore, organizational trust significantly influences the mediated relationship between entrepreneurial leadership and employee performance via employee engagement ($\beta = 0.021$, $\rho < 0.05$), providing support for $H7$. Conversely, organizational trust significantly impacts the me-

Table 4. Structural model assessment

Constructs/ items	R^2	Q^2	PLSpredict		
			$Q^2_{predict}$	PLS (MAE)	LM (MAE)
EE	0.490	0.472	–	–	–
EP	0.574	0.554	–	–	–
EE1	–	–	0.360	0.564	> 0.391
EE2	–	–	0.340	0.579	> 0.523
EE3	–	–	0.180	0.634	> 0.618
EP1	–	–	0.364	0.457	< 0.466
EP2	–	–	0.311	0.491	< 0.513
EP3	–	–	0.280	0.591	< 0.601
EP4	–	–	0.388	0.493	< 0.506

Note: EE = employee engagement; EP = employee performance; LM = linear regression model; MAE = mean absolute error. Values in bold indicate that the PLS-SEM model produces lower MAEs than the LM benchmark.

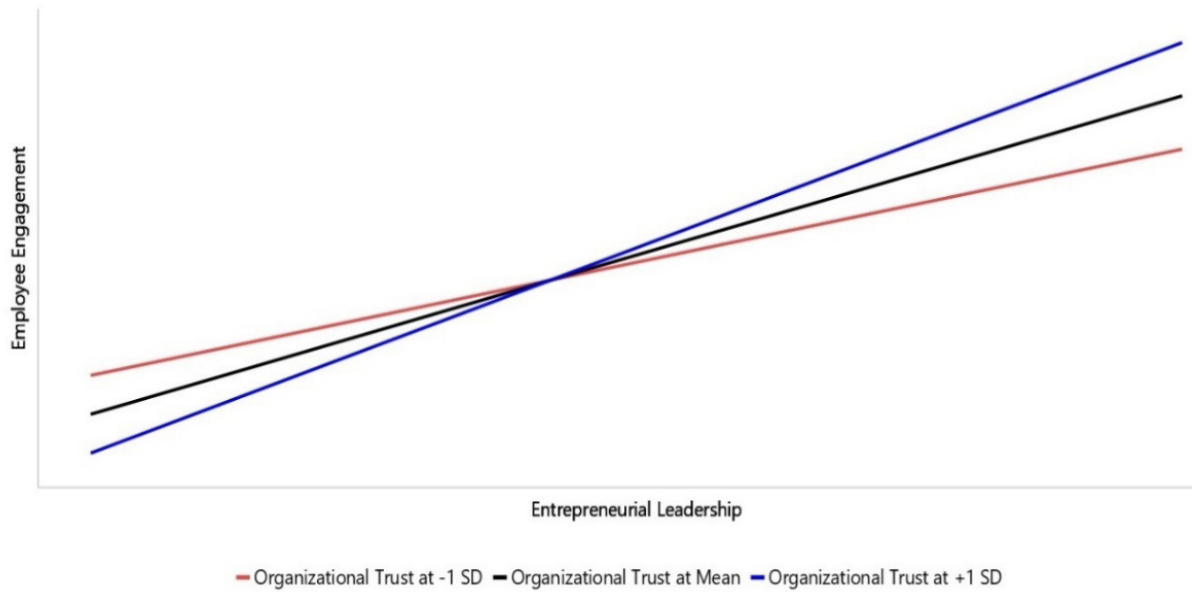


Figure 2. Moderating effect of organizational trust

Table 5. Hypothesis testing

IV	M	DV	Effect of IV on M [95% BC CI]	Effect of M on DV [95% BC CI]	Direct effect (IV → DV) [95% BC CI]	Indirect effect (IV → M → DV) [95% BC CI]	Results
EL	EE	EP	–	–	0.222*** [0.113, 0.343]	–	H1 is supported
EB	EE	EP	–	–	0.476*** [0.351, 0.580]	–	H2 is supported
EL	EE	EP	0.466*** [0.371, 0.551]	0.159** [0.058, 0.254]	0.222*** [0.113, 0.343]	0.074** [0.029, 0.123]	H3 is supported
EB	EE	EP	0.281*** [0.180, 0.381]	0.159** [0.058, 0.254]	0.476*** [0.351, 0.580]	0.045** [0.017, 0.083]	H4 is supported
EL*OT	EE	–	0.135** [0.039, 0.232]	–	–	–	H5 is supported
EB*OT	EE	–	-0.165** [-0.282, -0.056]	–	–	–	H6 is rejected
EL*OT	EE	EP	–	–	–	0.021* [0.005, 0.051]	H7 is supported
EB*OT	EE	EP	–	–	–	-0.026* [-0.061, -0.007]	H8 is rejected

Note: IV = independent variable; M = mediator; DV = dependent variable; 95% BC CI = bias-corrected confidence intervals at the 95% level; bootstrap samples = 2000; EL = entrepreneurial leadership; EB = employer branding; EE = employee engagement; EP = employee performance; OT = Organizational trust; ***: < 0.001, **: < 0.01 and *: < 0.05. Values in bold indicate the point estimates of statistically significant path coefficients.

diated relationship between employer branding and employee performance through employee engagement ($\beta = -0.026, \rho < 0.05$), but the negative moderation leads to H8 not being supported. Table 5 presents the full results of the hypothesis analyses, while Figures 2 depict the corresponding visual summaries.

4. DISCUSSION

In the initial stage, testing was carried out on the effect of entrepreneurial leadership and employer branding on employee performance. Results indicate that both entrepreneurial leadership and employer branding positively influence employee per-

formance, thereby supporting hypotheses 1 and 2. This finding is in line with other studies that have proven that with entrepreneurial leaders who have a strong vision, employees have a better understanding of the direction and goals of the company, so they can align their efforts and contributions to achieve the expected results (Papalexandris & Galanaki, 2009; Aparisi-Torrijo et al., 2022). Hypothesis 3, which posits that employee engagement mediates the relationship between entrepreneurial leadership and employee performance, is supported. Employee engagement is one of the simplest strategies, but it has a significant impact on employee retention. When employees feel appreciated for their contributions, their motivation and engagement in their work increase (Teece, 2018; Hallo & Nguyen, 2022). Hypothesis 4 suggests that employer branding influences employee performance through employee engagement. Employer branding has been shown to encourage employee engagement, which in turn contributes to improved performance. The results of this study are consistent with Srinivas et al. (2025), who found that a clear understanding of employer branding encourages employees to apply organizational values in their daily work, thereby improving performance.

Hypothesis 5 proposing organizational trust as a moderator of the effect of entrepreneurial leadership on employee engagement yielded the expected results. The study indicates that trusted leaders strengthen employee engagement at work by fostering honesty, experience, and leader support for subordinates. Leaders in small and medium-sized enterprises often delegate responsibilities to employees as a way to enhance their engagement with the organization's development. Aman et al. (2023) found that organizational trust emphasizing leaders' consistency and honesty strengthens the positive correlation with psychological well-being, thereby increasing employee engagement. The same thing applies to the moderation of organizational trust in mediating the relationship between entrepreneurial leadership and employee performance through employee engagement. Employees' engagement is reinforced by the trust leaders inspire, which promotes a stronger emotional attachment to their work and workplace relationships. Strong emotions toward work encourage individuals to perform at their best (Seger et al., 2023; Tobing et al., 2023). Furthermore, Gerdel

et al. (2026) found that organizational trust and meaningful involvement in leaders' prepared work can increase employees' positive feelings toward their work and the organization they work for. This impacts employee psychological well-being, including job satisfaction, motivation, and performance (Karhapää et al., 2022).

The study did not provide evidence supporting a positive moderating effect of organizational trust on the relationship between employer branding and employee engagement. If organizational trust is high but employer branding does not align with reality within the company (for example, if the company's promises are not fully fulfilled), employees may feel disappointed or see employer branding as merely a marketing strategy lacking substance (Huseynova et al., 2022). Consistent results were found regarding the moderating effect of organizational trust on the relationship between employer branding and employee performance, with employee engagement serving as a mediator. The findings indicate that when organizational trust functions as a moderator, it weakens the positive effects of employer branding on both employee engagement and performance. SMEs often have limited budgets to create a work environment that truly aligns with their employer branding (Näppä, 2023).

Findings from this study advance understanding in organizational behavior, particularly by showing how strategic approaches to leadership and corporate reputation foster higher employee performance. Unlike previous studies that primarily examine the effects of leadership or branding separately in stable organizational settings (Kim & Koo, 2017), this study focuses on the integration of two strategic approaches – entrepreneurial leadership and employer branding – to drive employee performance through the mediation of employee engagement. This study highlights the unique contribution of employee engagement as a psychological pathway connecting employees' perceptions of organizational values to their work outcomes, with organizational trust acting as a moderating factor. The antecedents examined show distinct patterns of influence: entrepreneurial leadership is the strongest predictor of engagement, while employer branding exerts a significant influence only when trust in the organization is high (Srinivas et al., 2025).

CONCLUSION

This paper aims to investigate how entrepreneurial leadership and employer branding affect employee performance in SMEs, considering employee engagement as a mediating factor and organizational trust as a moderating variable. The results highlight that entrepreneurial leaders who communicate a clear vision can enhance engagement and align employee efforts with organizational goals, while strong employer branding enhances performance when employees internalize brand values and feel emotionally connected to their work. The study found that organizational trust enhances the positive influence of entrepreneurial leadership on both employee engagement and performance, confirming its importance as a key moderating factor. However, organizational trust was not found to moderate the influence of employer branding on both engagement and performance, implying that gaps between branding promises and actual working conditions may undermine employees' expectations. Findings highlight the critical contributions of entrepreneurial leadership, aligned internal branding, and organizational trust in developing a supportive work environment that drives both employee engagement and employee performance in SMEs.

This study was conducted in a specific context, focusing on SMEs in the batik industry. Considering that organizational structures, leadership approaches, and employer branding practices may differ across industries and institutional settings, future research is encouraged to examine the proposed model in different sectors and regional contexts to enhance its robustness and broaden the applicability of the findings. Such extensions would help determine whether the observed relationships remain stable or vary across different organizational environments, thereby strengthening the coverage of the application of the research findings.

AUTHOR CONTRIBUTIONS

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APPENDIX A

Table A1. Questionnaire items

Variables	Scale	Statements
Entrepreneurial Leadership (EL)	EL1	I use innovation to attract customers
	EL2	I use creativity to find solutions to business challenges
	EL3	I use a vision of the future as a basis for determining the direction of business development
	EL4	I demonstrate a high level of enthusiasm that drives sustainable business development
	EL5	I take risks as part of my strategy to achieve business progress
Employer Branding (EB)	EB1	I prioritize ethical behavior as part of the company's image as a workplace
	EB2	I participate in training and development to build a company image that supports employee growth
	EB3	I engage in corporate social responsibility initiatives to enhance the company's reputation as an attractive employer
	EB4	I maintain a healthy work environment to create a comfortable and safe company image for employees
	EB5	I encourage work-life balance practices as a means of improving the company's image as an employer
	EB6	I am provided with fair compensation to reinforce the company's attractiveness as an employer
Employee Engagement (EE)	EE1	I consistently exhibit strong energy in performing my daily work
	EE2	I take pride in and am fully engaged with the work I perform
	EE3	I am often unable to disconnect from my duties owing to my deep involvement
Employee Performance (EP)	EP1	I am able to complete work with consistent results
	EP2	The results I achieve align with the company's established goals
	EP3	I take full responsibility for the results I achieve
	EP4	I regularly achieve established performance targets
	EP5	My work results show improvement over time
Organizational Trust (OT)	OT1	I perceive that my organization genuinely values the well-being and interests of its staff
	OT2	I perceive that my organization consistently implements its policies in line with its actions
	OT3	I am confident in my organization's management capabilities
	OT4	I perceive that my organization communicates information to personnel in an honest and transparent manner