The contributions of social entrepreneurship and transformational leadership to performance

Insights from rural tourism in Iran

Ahmad Naderi
Faculty of Social Sciences, University of Tehran, Tehran, Iran

Leila Nasrolahi Vosta
Faculty of Law and Social Sciences, University of Tabriz, Tabriz, Iran

Abolghasem Ebrahimi
Faculty of Economics, Management and Social Sciences, Shiraz University, Shiraz, Iran, and

Mohammad Reza Jalilvand
Faculty of Management, University of Tehran, Tehran, Iran

Abstract
Purpose – The exploration of performance determinants in social enterprises has gained increasing relevance among researchers and practitioners, particularly in rural tourism. The purpose of this paper is to analyze the contributions of transformational leadership and social entrepreneurship to the performance of social enterprises in the context of rural tourism. Further, the mediating roles of social capital, creativity and social value were investigated.

Design/methodology/approach – Data were gathered through a survey of 168 employees of social enterprises operating in the rural tourism setting. Eight surveyors were sent out to conduct the survey. Data were analyzed by structural equation modeling (SEM) using AMOS 18.0.

Findings – The results of the SEM suggested that transformational leadership is positively associated with social value, social capital and performance of social enterprise. In addition, social entrepreneurship had a significant influence on social value, social capital and performance of social enterprise. Creativity and social value predicts the performance of social enterprise. Further, social capital was found to have a positive relationship with creativity. Finally, the mediating roles of social capital, creativity and social value were also confirmed. The findings thus highlight the power of the social value creation and social capital in the social enterprises operating in the rural destinations.

Social implications – The findings assert that social entrepreneurship and transformational leadership are key sources of social value creation, social capital and creativity in rural tourism context indicating the need for additional efforts on this kind of entrepreneurial activity. The findings can motivate policymakers to promote social entrepreneurship in rural tourism destinations as a means of stimulating bottom-up social capital and social value creation.

Originality/value – This study is among the first to examine the hypothesized relationships focusing on tourism social enterprises.

Keywords Transformational leadership, Creativity, Social entrepreneurship, Rural tourism, Social capital

Paper type Research paper

1. Introduction
The performance of a social enterprise is highly dependent on the behaviors and activities of social entrepreneurs. Social enterprises can be defined as “the businesses that attempt to solve social problems in a sustainable way.” They are different from non-profit organizations or charities because they provide products and/or services that can increase the life quality for disadvantaged or low-income people, while also obtaining financial
earnings for the enterprise to sustain and grow its activities (Etchart and Comolli, 2013). Social entrepreneurs have recently attracted increasing attention because of their positive effects for communities in developing countries (Velvin et al., 2016). Social entrepreneurship is a distinctive approach to social and economic problems, which cuts across disciplines and industries that rooted in particular processes and values common to each social entrepreneur irrespective of his/her focus area (Rankhumise, 2016). From tourism and hospitality perspective, it is clear that social entrepreneurs are an important and relevant group that should be counted. They particularly play a critical role in process of product and destination development (Nasrolahi Vosta and Jalilvand, 2014). Therefore, it needs to discover more about them, and this study contributes to the existing limited research in this area. In the tourism and hospitality literature, a lack of attention to the behaviors of social entrepreneurs such as transformational leadership and social entrepreneurship in particular is deficiency that needs to be addressed. The significance of social entrepreneurship in tourism and hospitality industry has been recently increased, because of the role of social entrepreneurship in supporting sustainable development in tourism and hospitality and the capability of social tourism entrepreneurship to cause to drive the creation social value (Heidari et al., 2018), solve social problems like equal opportunities and unemployment (McGehee et al., 2014), as well as social change (Sharifi et al., 2019). According to Northouse, leadership refers to a transformational process that inspires followers to work more than immediate self-interests. Hence, the followers can be motivated by the desire to influence change, having a positive effect on their communities. In the tourism and hospitality setting, the leaders in rural tourism destinations may be considered as social entrepreneurs. However, there is limited research on social entrepreneurs in the context of rural tourism (Boluk, 2011). As has been emphasized on the capacity establishment for rural tourism development, a unique and comprehensive framework is needed to evaluate the overall impact of social entrepreneurship and transformational leadership might have on the performance of social enterprises in rural tourism destinations. This study argues that the proposed framework also provides a novel mechanism to improve the performance of social enterprises, resulting in the development of rural tourism destinations. Hence, this descriptive study from rural Iran examines on the relationships among rural social entrepreneurship, transformational leadership and enterprise performance as the first two constructs interact with social and entrepreneurial aspects. The paper has been structured as follows. The next section lays out the hypotheses and conceptual model. The third section describes the research methods, detailing instrument, the process of data gathering and analysis. In the next section, the results are discussed before expanding on the conclusions and implications.

2. Theory

2.1 Transformational leadership

Transformational leadership takes place when leaders and followers raise one another to higher levels of motivations and values. Transforming leadership leads to a relationship of mutual elevation and stimulation that converts followers into leaders and can convert leaders into moral agents, resulting in a transforming influence on both followers and leaders (Hopton et al., 2013). Bass (1985) has defined a transformational leader as one who motivates followers to do more than they originally expected to do. Transformational leaders change and broaden the interests of their followers, and make awareness and acceptance of the mission and of purposes the enterprise. They arouse their followers to look beyond their self-interest for the good of the enterprise. Transformational leadership is composed of four factors including idealized influence or charisma, inspirational motivation, individualized consideration and intellectual stimulation. Transformational leaders ask for the higher moral values of followers. The influence process of transformational leadership is
through internalization; followers tend to accept (internalize) the appealing vision provided by the leader. The vision becomes appealing to the follower when it is in line with the ideals and values of the follower (Dvir and Shamir, 2003).

2.2 Social entrepreneurship
Social entrepreneurship viewed as a complex phenomenon that has been studied from a variety of perspectives such as sociology, economics and strategic management (Mody et al., 2016; Spitzceck et al., 2013). It can be conceptualized as an expression of entrepreneurial behavior to accomplish social mission and to benefit the society or community (Mort et al., 2003). Social entrepreneurs can be found in three fields: social enterprises which are set up with a largely social purpose; profit-seeking businesses that have some commitment in helping the community; and the voluntary sectors or non-governmental organizations (Jalilvand et al., 2019). It includes social and institutional embeddedness in regard to market-oriented entrepreneurially behavior. Entrepreneurship occurs through an enterprise’s commitment to market orientation and bringing together unique resources to take advantage of marketplace opportunities, social entrepreneurship underlines the role of social and institutional determinants in shaping and continuing the entrepreneurial process.

2.3 Social capital
Social capital refers to the structure of contact networks of individuals; the pattern of interconnections among the various people with whom each individual would be tied. It exists in the relationships among and between individuals as well as develops the more that the position one captures in the social network constitutes a valuable resource (van Oorschot and Finsveen, 2010). From the social capital perspective, what is critical to success is not individual attributes but the central network position at which one is embedded in an enterprise. In fact, an agent’s position in a network of social relations specifies the amount of agent’s social capital, which generates the differences in career consequences (Sheikh et al., 2009). Further, it has been argued that social capital can facilitate the development of collective intellectual capital by affecting the circumstances necessary for combination and exchange to occur (Hoffman et al., 2005).

2.4 Social value
Social value refers to the reductions of costs or creation of benefits for a given society through efforts to meet social needs and to solve social problems in a way that go beyond the private profits of market activity (Phills et al., 2008). Hence, social value aims to expand beyond mere benefit and market orientations as encountered in any pure understanding of business. When social value creation is purposeful and explicitly anchored in a firm’s business model, the literature commonly speaks of social enterprises (Zahra et al., 2009). It has been argued that social entrepreneurship creates social value instead of (or in addition to) economic value. Dacin et al. (2010) asserted that the maximization of social value creation illustrates the definitional distinctions of traditional and social entrepreneurship. There are two major forms of social value creation: direct and indirect. Direct forms comprise material and pecuniary contributions such as sponsorships, cash donations, or providing free goods and/or services. Additionally, certain activities of social enterprises may directly cause to social value, for example through volunteering activities in local enterprises, job creation, community contribution and social service provision. Indirect ways are through business cooperation and by promoting the rural destination image (Andersson and Larsson, 2016).
In the context of social enterprises, creativity refers to the role of interactions between various (internal and external) stakeholders and the combination of ideas, information and knowledge (Bai et al., 2016). Creativity is a dynamic and interactive process. Two dimensions grounding creativity can be highlighted: mental and social. The mental dimension is associated with the individual’s capacity to compound and integrate information and/or knowledge from different settings to generate new information and knowledge or something new. In this view, creativity generates the ideas that are both useful and novel (Westlund et al., 2014). The social dimension indicates the social interactions among all the agents participated in the creativity process. It allows agents to be exposed to new information and knowledge that can be combined with the existing information and knowledge of agents in the social enterprise. The result of producing and utilizing such creative ideas in social enterprises is to create meaningful values for stakeholders (Isaksen and Ekvall, 2010).

There is no unitary definition of organizational performance for social enterprises (Bhattaraia et al., 2019). The special nature of social enterprises, having social welfare and commercial purposes and various stakeholders, means that they have heterogeneous and complex support needs (Battilana, 2014). Liu et al. (2014) provided an operational definition of social enterprise performance, namely, the overall organizational accomplishment in the context of both social performance and financial performance. The performance is commonly argued based on the resource-based perspective, containing the social entrepreneurship field (Dees, 2012).

Transformational leaders affect followers by elevating and broadening followers’ objectives and providing them with confidence to function more than the expectations included in the explicit or implicit exchange agreement (Jalilvand et al., 2018). Carmeli et al. (2013) considered transformational leaders as role models whom followers trust, respect and try to emulate. As a result of their concern, care and fair treatment of followers, transformational leaders establish good relationships with their followers. Such close relationships are reinforced by mutual trust, openness and communication richness. They encourage friendship, team cohesion and cooperation, resulting in stronger ties between team members. Additionally, they change the individualistic of subordinates into team orientation with the mission and objectives of the team (Zohar and Tenne-Gazit, 2008). Hence, followers make high quality relationships with their colleagues, generating high level of social capital in the enterprise. Social capital has been defined as the social complexes that are reciprocally connected within specific social structures marked by trust, norms, and networks. As a result, transformational leadership increases the frequency and quality of communication between enterprise employees and fosters trustful relationships between colleagues (Nasrolahi Vosta and Jalilvand, 2014). It is suggested that transformational leadership is a key aspect of the rural tourism context that affects subordinates’ ability to benefit from working with each other. Previous literature in the tourism context has supported the link between transformational leadership and social capital (Hsing and Liu, 2017; Chen et al., 2016). For example, Chen et al. (2016) found that transformational leadership can incentivize the generation of external and internal social capital to sharpen boundary-spanning abilities of subordinates. Hence, it is proposed that:

H1. Transformational leadership positively affects social capital.
asserted that the aim of social value creation is to improve society by helping those in need or liquidating obstacles to social inclusion in order to relieve unpleasant side effects. Peredo and McLean (2006) believed that social entrepreneurship contributes to social value creation. Economic value creation is an essential aim of an enterprise while creating social value is a primary. Such enterprises are appreciated for their social contribution and responsibility as a complement or an alternative to the products and services provided by public or other tourism firms. It can therefore be said that transformational leadership creates social value in rural tourism destinations. Thus, it is hypothesized:

**H2.** Transformational leadership positively affects social value.

Various researchers have explored how transformational leadership affects particular aspects of employee and organizational behavior to shape outcomes. For example, Choudhary et al. (2013) demonstrated the effect of transformational leadership on organizational learning, indicating that this approach could be used to boost the ability of the enterprise to innovate and change. It can stimulate growth and development showing successful organizational performance. De Jong and Bruch (2013) also found that transformational leadership has a direct influence on organizational climate. They reported that transformational leadership strengthens the climate and creates a motivating and energizing environment for employees. It facilitates the achievement of organizational goals and hence increased performance. Motivated employees working in a supportive climate provide more effective customer service, bolstering organizational performance and leading to financial gains for shareholders. Transformational leadership can motivate subordinates to display behaviors that are beneficial to the enterprise and its stakeholders. In fact, they encourage subordinates to engage in extra-role performance, because transformational leaders can provide a resourceful work environment that contributes to subordinates’ intrinsic motivation as the crucial mechanism (Bottomley et al., 2016). Hence, transformational leadership can be effective in obtaining higher organizational performance by encouraging subordinates to pursue their common objective (Wang et al., 2011). Transformational leadership-organizational performance nexus has received diverse and extensive literature in the last decade. For example, in their study of 164 pharmaceutical firms, Morales et al. (2008) indicated that transformational leadership will be more positively associated with organizational performance in technological organizations with high-organizational learning than in technological organizations with low-organizational learning. Lin et al. (2016) conducted a study on firms in Vietnam and revealed that top management team trust climate is a key mediator which can convert CEO transformational leadership into better performance outcomes. Using data collection of 288 Chinese firms, Chena et al (2019) found that CEO transformational leadership may lead to better firm performance at moderate levels of exploratory innovation through optimal use of a firm’s scarce resources and may actually hurt firm performance at higher levels of exploratory innovation because of suboptimal resource utilization. Then, it is investigated the extent to which transformational leadership contributes to the performance of a social enterprise in a rural tourism destination. Hence, it is hypothesized as follows:

**H3.** Transformational leadership positively affects the performance of social enterprise.

Social entrepreneurship lies in epistemology that stimulates thoughts to recognize problems associated with market failures with financial and transformative innovations aimed at removing such social problems (Boluk and Mottiar, 2014). According to Boluk (2011), the concept of social entrepreneurship has attracted a minimal attention within the tourism and hospitality industry and it would be an emerging theme of inquiry. Prior research suggested that social entrepreneurs play important roles in social capital formation in the form of mutual trust, networks and cooperation (Hasan, 2005; Lang and Fink, 2019). For example, a
key insight from Lang and Fink’s (2019) analysis refers to the dialectic of horizontal and vertical networking strategies of rural social entrepreneurs and their business model. Hasan (2005) implied on the role of social entrepreneurs in the creation of social capital in Asian countries such as Bangladesh and Malaysia. He believed that social entrepreneurs, as public officials or actors beyond government, are catalysts to social capital formation. In fact, social entrepreneurs try to tie all aspects of social capital together. However, the role of social entrepreneurs in social capital creation has not been analyzed in the context of rural tourism. Hence, it is hypothesized that:

**H4.** Social entrepreneurship positively affects social capital.

Previous literature has addressed social enterprise and entrepreneurship as well as shared value creation (Urban et al., 2017). Abramovay et al. (2013) emphasized on a pattern of change in enterprises seeking to create economic value while simultaneously generating environmental and social value via hybrid business models. Sigala (2016) developed a conceptual framework indicating three capabilities that social entrepreneurs should develop to generate social value and transformation: market practices, network structure and market pictures. In probing the two constructs of social enterprise and entrepreneurship, Chell (2007) asserted that a more holistic and interpretive approach is needed to understand entrepreneurship and it really creates both social and economic values. Mair and Marti (2006) argued that generating profit is secondary to the social value creation, through exploring and exploiting opportunities which satisfy social needs in a sustainable way. Yet, current studies in tourism and hospitality setting failed to account for the role of social entrepreneurship in the process of social value creation in the rural tourism context. In line with previous efforts, it is hypothesized that:

**H5.** Social entrepreneurship positively affects social value.

Social enterprises are more likely to achieve good organizational performance if they contain individuals with leadership skills and strong entrepreneurial capabilities (BarNir, 2012). These qualities are important factors for ensuring the performance outcomes of enterprises. The contribution of transformational leadership to the improvement of organizational performance has received great attention from researchers (Stevens et al., 2014; Kraus et al., 2017; Alarifi et al., 2019; Barnard, 2019). Stevens, for example, stated that enterprises within the social sector use performance measurement as a tool for making sense of social entrepreneurship as an organizational identity. In a Delphi study with 18 researchers with expertise of social entrepreneurship, Kraus et al. (2017) argued that social entrepreneurship, as a modification of entrepreneurial orientation, affects the performance of social enterprises. Then, it is suggested that social entrepreneurship behaviors can improve the performance potential of a social enterprise in a given rural tourism destination:

**H6.** Social entrepreneurship positively affects the performance of social enterprise.

Theory of social capital implied on the ways in which networks of relationships form a valuable resource for the accomplishment of social affairs (Nasrolahi Vosta and Jalilvand, 2014). Previous theoretical and empirical studies have indicated that key factors such as social capital affect organizational creativity (Lee et al., 2010; Chen et al., 2008; Alguezaui and Filieri, 2010; Sözbilir, 2018). Chen et al. (2008) studied 54 R&D project teams in high-technology firms of Taiwan and revealed that social interaction and network ties have positive impacts on creativity of R&D project teams, but mutual trust and shared goals did not. Sözbilir (2018), in his study of 131 managers working in the Turkish Employment Agency, found that social capital has an effect on organizational creativity and organizational efficiency. However, the link between social capital and creativity of social enterprises in rural tourism destinations has not been sufficiently explored. Social capital includes social interaction, trusting relations,
network ties and value systems which facilitate creativity within a social enterprise in rural tourism context (Jalilvand et al., 2018). Social interaction of enterprise members can patronize communication and cooperative behavior, which in turn, it facilitates the development of new products and services in rural tourism destinations. The communication and cooperation can enable members of social enterprise to think more deeply, to identify their different needs, to detect creative solutions associated with their tasks and to stimulate information processing. Hence, the following hypothesis was developed:

**H7.** Social capital positively affects creativity.

If social entrepreneurs understand how creative climate affects decisions, they can develop and affect performance within enterprises. There are a large number of empirical studies (e.g. Ramalingam et al., 2015; Sozbilir, 2018) that have tested the link between organizational creativity and organizational performance; however, the link between creativity and organizational performance scarcely has been examined in the rural tourism setting. In a survey of managers and employees who work in the 3- and 4-star hotels of Isfahan, Jalilvand (2017) showed that customer orientation and innovativeness orientation have a significant influence on hotel performance. In fact, much of the empirical research on organizational creativity has been limited to specialized areas such as marketing, information technology and R&D development. Ramalingam et al. (2015) found a positive relationship between creativity (strategy, support mechanism, structure and behavior) and firm performance. Results of Sozbilir (2018) also provided support for the impact of organizational creativity on the organizational efficiency. Barrett et al. (2005) argued that sound use of creativity can improve planning, implementation, and control by non-profit organization executives. In sum, it is believed that creative activities in a social enterprise through the facilitating creative climate can lead to meaningful performance for a social enterprise in a rural tourism destination. Accordingly, it is hypothesized that:

**H8.** Creativity positively affects the performance of social enterprise.

Social value creation has been considered extensively as part of a wider discussion about social entrepreneurship research (Jalilvand et al., 2019). It is characterized as a behavior that is not confined within the boundaries of a social enterprise (Rohatynskyj, 2011). Previous research relates creativity to organizational performance (Sinkovics et al., 2014; Sinkovics et al., 2015; Caldwell et al., 2017). In Sinkovics et al.’s (2014) opinion, social value creation is an organic part of the firm’s business model as the model addresses the core values of development via employing the rural educated but unemployed. Caldwell et al. (2017) illustrated that the process of social value creation, identifying goal alignment and mutual knowledge, is necessary to establish relational coordination. Sinkovics et al. (2015) believed that social value creation is connected to corporate social performance. However, literature on the linkage of social value and performance of social enterprise offers limited insights into the mechanics of how social value can enhance the performance in the context of tourism and hospitality. Hence, it is proposed that social value will contribute to the performance of a social enterprise in rural tourism destinations:

**H9.** Social value positively affects the performance of social enterprise.

According to above discussions, social capital can be considered as an important mediator that affects creativity and it is not an inborn nature but can be changed through transformational leadership and social entrepreneurship. Transformational leadership inspires subordinates’ innovative thinking and creativity skills through social capital. Hence, it is necessary to enhance the measures that can improve the effect of social capital in association with social entrepreneurship and transformational leadership among tourism enterprises operating in rural destinations.
Therefore, the following hypotheses are proposed:

- **H10.** Social capital is a mediator between transformational leadership and creativity.
- **H11.** Social capital is a mediator between social entrepreneurship and creativity.

What is innovative in this research is to diagnose the need for considering both a direct path (transformational leadership $\rightarrow$ performance, social entrepreneurship $\rightarrow$ performance) and a mediation path (transformational leadership $\rightarrow$ social value $\rightarrow$ performance, social entrepreneurship $\rightarrow$ social value $\rightarrow$ performance). When subordinates work in rural tourism service jobs that do not ask them to come up with new ideas and creative services, transformational leaders may provide the subordinates with a creative climate in the workplace to go beyond their abilities for providing better services for stakeholders which, in turn, it creates higher social value and performance. Social entrepreneurship also creates social value which, in turn, enhances the performance of social enterprise. Hence, the contribution of transformational leadership and social entrepreneurship to the creation of social value and the improvement in the performance of social enterprise in rural tourism destination can be hypothesized as followings:

- **H12.** Social value is a mediator between transformational leadership and performance.
- **H13.** Social value is a mediator between social entrepreneurship and performance (Figure 1).

### 4. Methods

#### 4.1 Data collection and respondents

According to Cultural Heritage, Handicrafts and Tourism Organization of Iran, there are 465 rural tourism destinations in Iran. Five villages of interest, Abyaneh (Isfahan province), Kandovan (East Azerbaijan province), Hewraman (Kurdisatan province), Masuleh (Gilan province) and Mazichal (Mazandaran province) were selected to collect data. The rationale for selecting these target villages was based on their importance in rural tourism of Iran and the number of visitors. Data were collected by surveying employees of social enterprises implementing social entrepreneurship in the regions. Non-probability sampling by convenience was used. A research team with eight surveyors was formed and the fieldwork was carried out in the selected villages in early 2019. The definitions of commonly used survey research terms were included in first section of questionnaire. Surveyors were also provided the respondents with more detailed

![Figure 1. Research model](image-url)
discussions about the terms. Questionnaires, written in Persian, were distributed to 220 employees of the enterprises. Various rules-of-thumb have been advanced, containing: a minimum sample size of 100 or 200 (Boomsma, 1985); five or ten observations per estimated parameter (Bentler and Chou, 1987); ten cases per variable (Nunnally, 1967); and about 200 cases (Kline, 2011). However, a total of 168 respondents returned usable questionnaires; yielding a response rate of 76.4 percent.

4.2 Measures
Measures were adapted to suit the purposes of this research. Purified measures were seven-point Likert scales ranging from “strongly agree” and “strongly disagree.” Social capital (four items) and creativity (four items) were measured by the scales developed by Sözbilir (2018) and purified by this research. Transformational leadership was operationalised using the scale adapted from Morales et al. (2008) and includes four items. A four-item scale developed by Kraus et al. (2017) was employed to measure social entrepreneurship. Social value creation was quantified using scales derived from Jalilvand et al. (2017). Following Alarifi et al. (2019), the performance of social enterprise was measured by employing four items. Measures are shown in Table I.

4.3 Data analysis
In the first step, the measurement model was examined to assess validity and reliability. A confirmatory factor analysis (CFA) was conducted to examine the validity. Validity encompasses discriminant validity and convergent validity. Table I illustrates the standardized factor loadings, composite reliability (CR), average variance extracted (AVE), and Cronbach’s α values. All factor loadings are higher than 0.7 and significant at 0.001. All CRs exceed 0.7 and all AVEs exceed 0.5, indicating a good convergent validity the scale. All α values are larger than 0.7, showing acceptable reliability of instrument. To examine the discriminant validity, the square root of AVE was compared with factor correlation coefficients. For each factor listed in Table II, the square root of AVE for each factor is higher than its correlation coefficients with other factors, indicating acceptable discriminant validity. In the next step, the structural model was examined to test hypotheses and model fit. Structural equation modeling (SEM) was employed to estimate the structural model using AMOS 18 software.

5. Results
5.1 Sample description
The respondents’ characteristics are summarized as Table III. The largest portion of the sample fell into the age category of 30–39 (41.1 percent), followed by 29 or below (26.7 percent), 40–49 (22.1 percent) and 50 or over (10.1 percent). A total of 28.6 percent had earned a university degree and only 9.5 percent were in “read and write” level alone. The great majority of the respondents were married (75 percent). Finally, among them, 47 percent had 5–10 years’ experience of working with the current enterprise.

5.2 Path modeling
Table IV indicates the actual and values recommended of fit indices. The analysis reveals that all fit indices have a higher actual value than the recommended value, indicating a good fitness.

5.3 Findings about main effects
Table V indicates the standardized path coefficients and their significance. One observes that the linkage between transformational leadership and social capital has $\beta = 0.65$, $t$-value = 7.78 with $p < 0.05$. The linkage is positive and significant ($H1$). As predicted, $H2$
was largely supported by the data, in that transformational leadership was positively and significantly related to social value ($\beta = 0.48$, $t = 6.59$, $p < 0.05$). Transformational leadership was also positively related to the performance of social enterprise ($\beta = 0.36$, $t = 3.62$, $p < 0.05$), supporting $H3$. The results showed that the path coefficient from social entrepreneurship to social capital is significant under the 0.05 level ($\beta = 0.63$, $t = 7.08$).
supporting $H4$. Similarly, social entrepreneurship had significant and positive relationships with both social value ($\beta = 0.73$, $t = 7.14$, $p < 0.05$) and the performance of social enterprise ($\beta = 0.43$, $t = 3.98$, $p < 0.05$), supporting $H5$ and $H6$. As predicted by $H7$, there was found positive relationship between social capital and creativity ($\beta = 0.68$, $t = 7.49$, $p < 0.05$), so $H7$ is supported. Both creativity ($\beta = 0.62$, $t = 5.94$, $p < 0.05$) and social value ($\beta = 0.59$, $t = 3.45$, $p < 0.05$) were positively related to the performance of social enterprise, supporting $H8$ and $H9$.

5.4 Findings about mediating effects
In addition to direct effect, indirect effect testing or the mediating effects is required for hypothesis testing. The result of indirect effect test with Sobel test has been described in Table II.

<table>
<thead>
<tr>
<th>Latent variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership (1)</td>
<td>0.92</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social entrepreneurship (2)</td>
<td>0.43</td>
<td>0.85</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social capital (3)</td>
<td>0.56</td>
<td>0.52</td>
<td>0.93</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social value creation (4)</td>
<td>0.62</td>
<td>0.49</td>
<td>0.66</td>
<td>0.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creativity (5)</td>
<td>0.48</td>
<td>0.36</td>
<td>0.60</td>
<td>0.42</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>Performance of social enterprise (6)</td>
<td>0.53</td>
<td>0.55</td>
<td>0.51</td>
<td>0.38</td>
<td>0.67</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Notes: $n = 2168$. The square root of AVEs are showed in italics at diagonal. *Correlation is significant at the 0.01 level

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 or below</td>
<td>45</td>
<td>26.7</td>
</tr>
<tr>
<td>30–39</td>
<td>69</td>
<td>41.1</td>
</tr>
<tr>
<td>40–49</td>
<td>37</td>
<td>22.1</td>
</tr>
<tr>
<td>50 or over</td>
<td>17</td>
<td>10.1</td>
</tr>
<tr>
<td>Educational level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Read and write</td>
<td>16</td>
<td>9.5</td>
</tr>
<tr>
<td>Less than intermediate</td>
<td>27</td>
<td>16.1</td>
</tr>
<tr>
<td>Intermediate</td>
<td>38</td>
<td>22.6</td>
</tr>
<tr>
<td>Higher than intermediate</td>
<td>39</td>
<td>23.2</td>
</tr>
<tr>
<td>University</td>
<td>48</td>
<td>28.6</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>42</td>
<td>25</td>
</tr>
<tr>
<td>Married</td>
<td>126</td>
<td>75</td>
</tr>
<tr>
<td>Number of years worked at the current enterprise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>54</td>
<td>32.2</td>
</tr>
<tr>
<td>5–10 years</td>
<td>79</td>
<td>47</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>35</td>
<td>20.8</td>
</tr>
</tbody>
</table>

Table III. Sample characteristics

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>RMSEA</th>
<th>CFI</th>
<th>GFI</th>
<th>AGFI</th>
<th>NFI</th>
<th>NNFI</th>
<th>$\chi^2/df$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual value</td>
<td>0.058</td>
<td>0.956</td>
<td>0.913</td>
<td>0.806</td>
<td>0.927</td>
<td>0.911</td>
<td>2.367</td>
</tr>
<tr>
<td>Recommended value</td>
<td>&lt; 0.08</td>
<td>&gt; 0.90</td>
<td>&gt; 0.90</td>
<td>&gt; 0.80</td>
<td>&gt; 0.90</td>
<td>&gt; 0.90</td>
<td>&lt; 3</td>
</tr>
</tbody>
</table>

Table IV. The actual and recommended values of fit indices
in Table VI. In the Sobel Test, a mediating effect is statistically significant if the $z$-value is larger than 1.96 or smaller than $-1.96$. Based on the path analysis, on testing the indirect effect of transformational leadership on creativity through social capital, $z$-value obtained is $4.09 > 1.96$ with $p < 0.05$. Hence, $H10$ is supported. In testing the indirect effect of social entrepreneurship on creativity through social capital, $z$-value was 3.54, with $p < 0.05$. Hence, $H7$ is supported so the social capital is a mediating variable of the effect of social entrepreneurship on creativity. Similarly, the mediating effect of social value is also validated in its relationships with independent variables of transformational leadership ($z = 3.85 > 1.96$, $p < 0.05$) and social entrepreneurship ($z = 3.47 > 1.96$, $p < 0.05$) and the dependent variable of performance. Therefore, $H13$ and $H13$ are supported by the data.

5.5 Findings about demographics
An analysis of variance (ANOVA) was employed to analyze how respondents’ perceptions about transformational leadership, social entrepreneurship, social capital, social value creation and creativity (the dependent variables) are affected by age (four levels), marital status (two levels), number of years worked at the current enterprise (three levels) and educational level (five levels), collectively the independent variables (Table VII). The test for ANOVA found that marital status had not significant influences on transformational leadership ($F = 1.185$), social entrepreneurship ($F = 2.627$), social capital ($F = 1.137$), social value creation ($F = 0.299$) and creativity ($F = 1.891$) (all $p$-values $> 0.05$). In fact, married and single respondents rated the research variables similarly. It seems that age has a strong and significant impact on transformational leadership ($F = 10.489$), social entrepreneurship ($F = 7.168$), social capital ($F = 12.643$), social value creation ($F = 7.518$) and creativity ($F = 8.427$). Younger respondents were rated the research variables at the higher levels compared to older ones. For example, younger respondents considered themselves more creative than older ones. Further, number of years worked at the current enterprise has affected transformational leadership ($F = 9.033$), social entrepreneurship ($F = 8.996$), social capital ($F = 11.905$), social value creation ($F = 6.411$) and creativity ($F = 8.410$). It was found that experienced employees have deeper insights and perceptions about the variables. Finally, educational level appears to be a
significant factor affecting transformational leadership ($F = 13.404$), social entrepreneurship ($F = 11.968$), social capital ($F = 5.712$), social value creation ($F = 10.420$), and creativity ($F = 12.010$). A respondent with higher educational level had higher and more realistic perceptions about the variables. For example, educated respondents considered themselves as creative employees compared to low-educated one and believed that they play a significant role regarding organizational creativity.

### Insights from rural tourism in Iran

#### Table VII.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Transformational leadership</th>
<th>Social entrepreneurship</th>
<th>Social capital</th>
<th>Social value creation</th>
<th>Creativity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$F = 1.185$</td>
<td>$F = 2.627$</td>
<td>$F = 1.137$</td>
<td>$F = 0.299$</td>
<td>$F = 1.891$</td>
</tr>
<tr>
<td>Age</td>
<td>$3.611$</td>
<td>$4.324$</td>
<td>$4.481$</td>
<td>$4.751$</td>
<td>$4.453$</td>
</tr>
<tr>
<td>29 or below</td>
<td>$6.500$</td>
<td>$5.120$</td>
<td>$5.580$</td>
<td>$5.992$</td>
<td>$6.500$</td>
</tr>
<tr>
<td>50 or over</td>
<td>$3.922$</td>
<td>$3.248$</td>
<td>$3.846$</td>
<td>$3.046$</td>
<td>$3.922$</td>
</tr>
<tr>
<td>Number of years worked at the current enterprise</td>
<td>$F = 9.033^*$</td>
<td>$F = 8.996^*$</td>
<td>$F = 11.905^*$</td>
<td>$F = 6.411^*$</td>
<td>$F = 8.410^*$</td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>$4.424$</td>
<td>$4.086$</td>
<td>$3.575$</td>
<td>$3.724$</td>
<td>$3.424$</td>
</tr>
<tr>
<td>5–10 years</td>
<td>$5.093$</td>
<td>$4.309$</td>
<td>$4.066$</td>
<td>$4.035$</td>
<td>$5.093$</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>$6.940$</td>
<td>$5.955$</td>
<td>$4.746$</td>
<td>$4.829$</td>
<td>$5.940$</td>
</tr>
<tr>
<td>Educational level</td>
<td>$F = 13.404^*$</td>
<td>$F = 11.968^*$</td>
<td>$F = 5.712^*$</td>
<td>$F = 10.420^*$</td>
<td>$F = 12.010^*$</td>
</tr>
<tr>
<td>Read and write</td>
<td>$2.498$</td>
<td>$2.073$</td>
<td>$2.637$</td>
<td>$2.707$</td>
<td>$2.012$</td>
</tr>
<tr>
<td>Less than intermediate</td>
<td>$3.944$</td>
<td>$3.055$</td>
<td>$3.626$</td>
<td>$3.266$</td>
<td>$2.349$</td>
</tr>
<tr>
<td>Intermediate</td>
<td>$4.928$</td>
<td>$3.976$</td>
<td>$4.078$</td>
<td>$3.845$</td>
<td>$3.682$</td>
</tr>
<tr>
<td>University</td>
<td>$5.643$</td>
<td>$4.231$</td>
<td>$4.888$</td>
<td>$4.947$</td>
<td>$5.185$</td>
</tr>
</tbody>
</table>

**Note:** *p < 0.05

6. Conclusions

The aim of this study was to analyze the contributions of social entrepreneurship and transformational leadership to the performance of social enterprises through the mediating variables of social capital, social value and creativity in rural tourism destinations in Iran. The results showed that transformational leadership has a positive influence on social capital. This result provides support for previous empirical findings (Hsing and Liu, 2017; Chen et al., 2016). Another result from the current research showed that transformational leadership is positively related to social value. Similar to the prior finding, this result supports empirical findings (Austin et al., 2006; Peredo and McLean, 2006). With respect to creativity and innovation, anecdotal evidence suggests that social entrepreneurs are developing highly creative solutions to address social problems in rural tourism destinations of Iran. The result related to $H4$ indicates that transformational leadership has a positive connection with the performance of social enterprise. Although there was a large amount of empirical research regarding the link between transformational leadership and organizational performance, most of the research relates to non-tourism areas (Morales et al., 2008; Lin et al., 2016; Chena et al., 2019). It was found that social entrepreneurship is a key antecedent of social capital. This finding corresponds with that of Lang and Fink (2019), Boluk and Mottiar (2014), Boluk (2011) and Hasan (2005) and suggests that social entrepreneurship is an important predictor to consider when desiring to improve social capital in social enterprises in rural tourism destinations. This study found that social entrepreneurship influences social value creation in
the social enterprises in rural tourism destinations. This result supports the findings of the preceding studies such as Urban et al. (2017), Sigala (2016), Abramovay et al. (2013), Chell (2007) and Mair and Marti (2006) which found that social entrepreneurship predicts the creation of social value for stakeholders. In the path analysis, the social entrepreneurship has a significant positive effect on the performance of social enterprise. This was consistent with the results of the studies conducted by Stevens et al. (2014), Kraus et al. (2017), Alarifi et al. (2019) and Barnard (2019). Social capital had a direct effect on creativity. In fact, social capital, as a critical organizational phenomenon, affects some of organizational outcomes and dynamics such as organizational creativity. This finding was also similar to studies on the correlation between the social capital of employees and organizational creativity (Chen et al., 2008; Lee et al., 2010; Alguezaui and Filieri, 2010; Sözbilir, 2018). This implied that the work environment should allow for the occasional failure and support risk taking to foster creativity. The results show that creativity can improve the performance of social enterprise, which implies that the use of creative thinking capabilities and skills should be stimulated and encouraged in the enterprise. This finding is consistent with that of Barrett et al. (2005), Ramalingam et al. (2015), Jalilvand (2017) and Sözbilir (2018) who found that creativity is an important determinant of organizational performance. Our results also support the role of social value creation in enhancing the performance of social enterprise. This finding is consistent with that of Jalilvand et al. (2019), Caldwell et al. (2017), Sinkovics et al. (2015), Sinkovics et al. (2014) and Rohatynskyj (2011) who found that the creation of social value for stakeholders leads to higher level of organizational performance. In the SEM test, the establishment of social capital in social enterprises has a significant mediating effect on the relationship between transformational leadership and creativity as well as social entrepreneurship and creativity. Hence, social enterprises need to understand the dynamics of social capital and remove all the barriers that would be destructive to the social capital development. Additionally, social value was a significant mediator between independent variables of transformational leadership and social entrepreneurship and dependant variable of performance.

7. Implications for theory
Besides contributing to the literature on the relationship between transformational leadership, social entrepreneurship and the performance of social enterprises, this study also contributes to the transformational leadership-social entrepreneurship literature focusing on the mediating role of social capital, social value and creativity. The findings revealed that social capital, social value creation and creativity played key roles in the link between transformational leadership and social enterprise performance as they mediated this relationship. Transformational leadership increases social capital accumulation in the social enterprises and, through colleagues’ generation of creative ideas, enhances the performance (Westlund et al., 2014). Few studies have examined the possibility that transformational leadership can yield a predicted level of creativity or focus on the social enterprises in the rural tourism and hospitality sector. Hence, this research provides an enhanced understanding of creativity generation mechanism. Employees of social enterprises who have good relationships with their colleagues in terms of friendship and mutual trust serve to boost organizational creativity. The members of a social enterprise contribute their functional expertise by coordinating, cooperating, communicating, and sharing knowledge/information (Bhattacharya et al., 2019). Further, as the workplace can be considered as a social environment, employees’ perceptions of the work environment can affect the creative work actualized in the social enterprises. The results provided a realistic process of creativity and argued that social tourism and hospitality enterprises can create a creative environment that encourages employees to develop their (external and internal) social connections. In addition, the findings suggested that transformational leadership style of top managers in social enterprises is one important antecedent of social value creation that can affect enterprise performance. Few
researchers have tested transformational leadership effects on social value, particularly in the context of rural tourism. Hood (2003) showed that transformational leadership is positively related to social values with items such as freedom, equality, and world at peace. Further, the findings suggested that social entrepreneurship is an important antecedent of both social value creation and social capital. Only a few studies have addressed the effects of social entrepreneurship on social value creation (Sigala, 2016) and social capital (Lang and Fink, 2019). Regardless of size or scale, successful social entrepreneurs are civically engaged. Their social enterprises rely on building credibility and relationships, both within target communities and among wider networks. In order to successfully operate and gain the community trust, the social entrepreneurs try to strengthen social relationships and cohesion (van Oorschot and Finsveen, 2010). Finally, social entrepreneurship is a phenomenon not well bounded theoretically, but it is an important economic reality at a large scale given its potentials to reconcile private and social value creation.

8. Implications for practice
The findings of current study provide a number of managerial implications for rural tourism destinations. First, social enterprises in the rural tourism destinations should bring up the existence of transformational leaders. They need to employ managers who have the potentials to manifest transformational leadership and nurture staff with useful skills and qualities associated with this leadership style. Social enterprises should also emphasize on the development of managers’ transformational leadership capabilities. It can be accomplished by training programs and coaching interventions. Second, successful social entrepreneurship in rural destinations is highly dependent on the requirements of various stakeholders. In fact, each social enterprise in a rural destination has a unique set of stakeholders who have a direct or indirect interest in the work of the enterprise. Hence, the leaders need to manage these diverse groups, which sometimes have different and conflicting interests. The knowledge and networks for facilitating this process are essential. In this regards, these capabilities can be useful for social entrepreneurs to identify, create and exploit environmental opportunities for generating social value and transformation. In fact, social entrepreneurs can network for accessing resources and interact with other network elements and actors for exchanging resources and generating social value in new and alternative ways. Finally, social enterprises in the rural tourism destinations need to develop and nurture social relationships between employees. A supportive culture emphasizing on team working and collective work is essential for the creation and preservation of social capital. It can be obtained through job rotation, relationship-building training programs and group compensation.

9. Limitations and future directions
Current research suffers from several limitations. The analysis was based on data obtained from social entrepreneurs in only five rural destinations in Iran. Using a larger sample of social enterprises in the other rural tourism destinations can enhance the generalizability of findings. Future research can also synthesize multiple methods of data collection and analysis that consequently could develop the research model. Future research can also focus on the quality of interactions among social entrepreneurs and external stakeholders in a rural destination.

In addition, the fact that economic value creation and social value creation are inextricably intertwined for long term survival of a business was ignored in this study. Social value creation is a process of co-creation between society, stakeholders and enterprise leadership. Social enterprises can create social value by considering the economic, environmental and social aspects of their impact as well as how to increase well-being and
development. Hence, this can be an important and interesting area of future research for future works. It is also suggested that further and future research employ other qualitative approaches such as personal interview, focus group and observational techniques to study this research variables in the context of rural tourism. Finally, the non-probabilistic convenience sampling methods used in this study due to resource and time constraints may have lead to biases in selection of respondents. It is proposed that future research use random sampling methods to ensure the generalizability of findings.

References


Further reading


Corresponding author

Mohammad Reza Jalilvand can be contacted at: rezajalilvand@ut.ac.ir

For instructions on how to order reprints of this article, please visit our website: [www.emeraldgrouppublishing.com/licensing/reprints.htm](http://www.emeraldgrouppublishing.com/licensing/reprints.htm)

Or contact us for further details: permissions@emeraldinsight.com