

Leadership, Social Trust, and Organizational Performance: A Structural Equation Modeling Approach



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Abstract

The paper focuses on exploring the connections between leadership, social trust, and organizational performance through a Structural Equation Modeling (SEM) method and sustainable results in the context of emerging Asian economies. Based on primary data of 250 employees and mid-level managers in the various organizational environments; the study uses Partial Least Squares SEM (PLS-SEM) to assess both the direct and indirect relationships between the major constructs. The results show that leadership positively significantly impacts social trust which further has a significant impact on the performance of the organization. Also, leadership shows a direct yet a weaker impact on performance outcomes. Mediation study establishes that social trust is partially mediating the relationship between leadership and organizational performance, thus its important position as a relationship process. The research is relevant to the literature in that it combines the views of sustainable entrepreneurship, ethical leadership, relational governance in terms of the significance of trust in the realization of the effectiveness of an organization in the long term. Trust-based leadership practices are especially relevant in the emerging Asian economies in which institutional frameworks are mostly in a state of development. The results can be of great use to managers and policymakers because they reveal the potential of trust-building leadership styles to contribute to organizational resilience and sustainable performance.

Keywords: Sustainable entrepreneurship, Social trust, Leadership, Organizational performance, Emerging Asian economies

1. Introduction

The uncertain, competitive and fast-changing environment organizations operate in is likely to be the biggest factor in determining success in the long-term, with the intangible resources probably being the most crucial factor. When applied in the context of the emerging Asian economies, especially in the entrepreneurial and the small and medium-sized small businesses (SMEs), these uncertainties are further compounded by institutional gaps, resource limitations and dynamic market environments. One of them is the leadership and social trust as their influence on the attitude of the employees and the impact on the organization has grown in popularity (Wickramasinghe, 2021). Leadership is not a case of obeying, dictating and telling people what to do, it is a shared vision, a relationship, building a climate in which people would feel appreciated and inspired to contribute (Helmold, 2023). This kind of leadership is particularly acute in the entrepreneurial context where the long-term survival and flexibility are the keys to survival and development. Social trust as a relational phenomenon comes into play in such

situations and brings people together so that they can make a concerted action.

The social trust of organizations exemplifies the degree of trust of the employees in their leaders, their counterparts in terms of their fairness, integrity and reliability (Berens, 2024). Trust assists in opening the employees to communicate with each other and share knowledge and collaborate with each other (Lužar & Gorenc Zoran, 2020). Such trust also promotes responsible decision making, ethical acts as well as collaborative innovation in sustainability-oriented business ventures which are essential in meeting long-term socio-economic and environmental objectives. Conversely, the lack of trust will most probably result in the disintegration of relationships, deterioration of collaboration and performance (Lyu and Ferrin, 2018). These dynamics of trust critically depend on the leadership. More likely, transparent, ethical and inclusive leaders will have a more positive interpersonal trust that can be translated into enhanced organizational effectiveness (Alzaabi and Khaimah, 2023). This is quite close to the concepts of corporate social responsibility (CSR) and ethical

leadership which are increasingly accentuated in the literature on sustainable entrepreneurship.

The traditional concept of organizational performance which majorly relies on financial and non-financial as the traditional gauge is becoming viewed due to structural systems in addition to human relations. Whereas efficiency of management/control was being addressed in the past, in the present-day practices had given emphasis on the relational capital (Husain, 2017). In more recent terms, organizational performance is being re-defined in terms of sustainable performance, which now includes social responsibility, and employee welfare as well as long term value creation in addition to economic efficiency. Social trust as a catalyst enhances the participation of the employees, lessens the conflict and results in the feeling of shared responsibility (Macwan & Vaghela, 2024). It is therefore agreeable that most of the organizations that have high trust levels are thus most likely to be better placed to sustainably capture their performance. Such a view is especially applicable in the context of Asian entrepreneurial ecosystems, where an informational system of relational governance and trust-based interrelations tend to replace formal institutional arrangements.

Leadership and trust have long been known to have significance, though the mechanism of action of leadership to stimulate performance has been a focus of study in the past. It is increasingly becoming evident that leadership has no impact on organizational performance, and any impact is through direct influence. Rather, its effects are mostly carried out via mediating variables like social trust which act as intermediaries between leadership behaviours and organizational results (Martono et al., 2020). Against the background of sustainable entrepreneurship, it is important to know such mediating mechanisms to understand the role of leadership in promoting long-term organizational resilience and innovation. This view will necessitate a combined analysis framework, which will outline both direct and indirect relationship between key constructs.

With an aim of closing this gap, the current paper will reflect on Structural Equation Modeling (SEM) model to determine the correlation between leadership and social trust and organizational performance. In particular, the study locates these relationships to the context of sustainability of organizational performance in emerging economies in Asia. SEM offers an appropriate methodology framework, which can evaluate measurement simultaneously, and structural frameworks endeavours to comprehend the intricate interrelationships holistically. The research will test the data collected on the empirical data on organizational respondents by using the proposed conceptual model and hypothesis relationships

using SmartPLS which will be used to implement the Partial Least Squares SEM.

This research is important because it tries to equate leadership and trust to the same level of analytical state and how the relational process can be applied in improving performance in the organization. The study expands the knowledge on the role played by relational dynamics towards sustainable growth in organizations by incorporating the insights of sustainable entrepreneurship, ethical leadership, and social trust. It provides theoretical as well as practical information that highlights the importance of trust as a mediating process that leadership affects its impacts on it. The implications of the findings to practitioners will be applicable in that the results will show the way trust building leadership practices can be applied to make organizations effective. The research further informs policymakers and businesspeople in Asia about the need to uphold trust-based leadership to promote sustainable and inclusive business practices. The research work is part of the growing body of leadership and organizational behavior literature as it provides empirical data on the issue of leadership and organizational behavior by placing it in the context of a systematic and analytical approach to the issue. Moreover, it adds to the area of focus of the Journal of Asia Entrepreneurship and Sustainability by connecting leadership and trust and sustainability-based outcomes in organizations to an Asian setting.

2. Literature Review

A lot of research has been conducted on the literature on management and organizational behavior on leadership and organizational outcomes. The leadership is presumed as the process by which people could affect the other issues in such a way that they could reach the common goals, but the modern scholarship is devoted to the relationship and the characteristics of behaviour (Laili et al., 2023). Within the framework of sustainable entrepreneurship, leadership is nowadays considered as a strategic competence helping companies, especially SMEs, to overcome uncertainty and attain long-term sustainable development. Transformational and ethical styles of leadership have been associated with greater motivation, commitment and collaboration of employees (Blom, 2024). Leaders who are also ethical, just and transparent are likely to create a work environment where employees would feel psychologically secure and valued (Marisya et al., 2023). These leadership strategies are strongly intertwined with corporate social responsibility (CSR) and sustainability-based business practices that are the core of success in entrepreneurship in the emerging Asian economies. These settings are good platforms where social trust can be built and utilized as a bonding force

that can cohesively hold organizations together (Lampogo et al., 2026).

Social trust is now considered as one of the most crucial elements in the workplace relationships study (Islam et al., 2023). It manifests itself as the belief that other organizational members will act in a reliable, fair and predictable manner. And trust can subsequently decrease the amount of uncertainty in social life and made coordination among individuals and teams easier (Rahmat, 2024). Trust is also an important tool that facilitates cooperation, sharing of ideas and value creation in an entrepreneurial and innovation-based setting, especially in Asia. When the employees trust their leaders, they would be willing to embrace the decisions including the uncertain ones. Meanwhile, interpersonal trust enhances the teamwork and decreases the necessity to use a vast amount of monitoring or control systems (Westover, 2024). This is especially a desirable trait in the knowledge-based organizations, where teamwork and exchange of information is directly linked to effectiveness (Guinot, 2021). In addition, trust-based relationships tend to replace formal governance systems in situations that are typified by institutional voids like most emerging economies in Asia thus increasing organizational resilience and sustainability.

Leadership is critical towards influencing the degree of social trust in an organization. Leaders are role models and as such their behaviours dictate what is acceptable as norms and behaviour (Paliszkiwicz et al., 2023). Major contributors to the growth of trust usually touch on some of the ethical behavior and its open communication and shared decision making (Van Rietschoten & Van Bommel, 2024). The leaders will be viewed by the employees as credible and reliable due to the matching of their behaviours with the proclaimed values by the employees (Alzaabi and Khaimah, 2023). Such an ethical and inclusive leadership practice is critical in terms of building stakeholder trust and enhancing responsible and inclusive business practices in terms of sustainability. These pictures help in building of good trust relationship in the long run that builds on cohesion and stability of an organization. Through this theoretical learning, the following hypothesis is the one:

H1: Social trust is greatly positively influenced by leadership.

Organizational performance is a multi-dimensional concept, which involves the financial performance and non-financial aspect of the organization which includes employee satisfaction, innovation and operational efficiency (Sarwar & Khattak, 2024). Conventional approaches used to identify performance as being largely structural and strategic (McGahan, 2018). A change of perspective with the emphasis on human and relational factors has shown that intangible resources, such as trust,

are crucial in the realization of sustainable performance (Alam, 2017). Modern literature on sustainable entrepreneurship focuses on the idea that organizational performance needs to be measured in terms of triple bottom line, which includes economic, social, and environmental results. Social trust enhances teamwork and reduces cases of disagreements and encourages discretionary work within the employees. People with the spirit of trust are likely to perform more than what the job demands hence improved organizational performance (Lambert et al., 2021). Therefore, trust does not only help in the short-term efficiency but also leads to long-term sustainability and innovation potential in organizations.

Several empirical researchers have discovered that social trust has a relation to organizational performance. Trust can be used to foster a culture where employees are comfortable exchanging ideas, being self-driven and taking part in group problem solving (Berens, 2024). It also helps in saving transaction costs that would be incurred in monitoring and control so that organizations can operate more efficiently. In high-trust workplace, the inhibited communication is reduced, thereby making decisions and innovating simpler (Bai et al., 2023). The dynamics are especially applicable to the entrepreneurial firms where innovation, flexibility, and shared problem-solving are the primary factors that contribute to sustainable growth. All these dynamics result in an enhanced performance of an organization. Based on these observations, the hypothesis below is put forward:

H2: Social trust predominantly impacts positively on performance in an organization.

Leadership has also been observed to be directly related to the performance of a company in past studies. Leaders who are good can influence the performance by being clear on the goals, by having resources that are congruent, and motivating employees to achieve the desired outcomes (John and Chattopadhyay, 2020). Some leadership behaviours that have been identified to increase employee productivity and organizational effectiveness are vision articulation, empowerment and support (Liberty et al., 2023). Though relational mechanisms like trust do play a prominent role, there are direct effects of leadership on performance in strategic direction and control of operations (Nandasinghe, 2020). Such leadership is also crucial in the context of sustainable entrepreneurship to align the organizational strategies with the sustainability and long-term value creation. This leads to formulation of the hypothesis below:

H3: Leadership positively influences the performance of the organization.

The more recent studies have put relatively more stress on the mediating variables to declare the

association between leadership and performance. This effect occurs by studying how intervening constructs, such as engagement, commitment and trust, mediate the effect of leadership on outcomes instead of viewing leadership as a driver of outcomes (Nugroho & Narsa, 2023). Social trust in this sense is a valuable mechanism which changes the leadership practices to performance outputs (Lee & Mohd Rasdi, 2025). In sustainability-driven organizations, this mediating mechanism is even more important since through trust, leadership vision can be converted to sustainable and socially responsible results. Trusting leaders provide the context within which teamwork in performance, lowered resistance and enhanced involvement of workers occur, which are all linked to enhanced performance.

The social trust mediational aspect offers a more comprehensive explanation on how social trust in organizations works. It implies that power and making decisions are not always related to effective leadership but also the possibility to develop and maintain valuable relationships (Wickramasinghe, 2021). As an intermediate between leadership and performance, trust positively boosts the beneficial role of leadership and assists in reducing any inconveniences caused by hierarchical orders (Alzaabi and Khaimah, 2023). The viewpoint can be especially significant in the Asian entrepreneurial ecosystem where relational governance and trust-based leadership are needed to support the sustainable and inclusive business development. Based on this opinion, we can make the following hypothesis:

H4: Social trust is the mediator of the leadership and the organizational performance.

All the literature reviewed has put emphasis on the interrelationship of the concepts of leadership, social trust and organizational performance. The constructs are individually studied but the interplay between the constructs to one framework provides a more in-depth perspective of the dynamics of an organization. This paper builds up on the current literature by indigenizing sustainable entrepreneurship, CSR and Asian institutional contexts by offering an idea of trust as a key mechanism in realizing sustainable organizational outcomes. This background has resulted in the current research paper, which empirically illustrates these interrelations, with Structural Equation Modeling framework, a detailed description of the direct and indirect effects in the research model.

3. Methodology

3.1 Research Design and Context

The quantitative research design that was used in this study to discover the relationships between leadership, social trust and organizational performance. Primary data was conducted using

the cross-sectional survey method which used the answers of the respondent in various organizational contexts. The design can be used to test hypothesized relationships, and both direct and indirect effects measured in a Structural Equation Modeling (SEM) framework. The study is framed within the backdrop of the emerging Asian economies where organisations especially SMEs and entrepreneurial ventures must act in the environment of institutional uncertainty and resource limitations and therefore relational factors of trust and leadership have a critical role to play in their sustainable performance.

3.2 Sampling and Data Collection

A total of 250 respondents that comprised of employees and mid-level managers in different sectors were used to collect data. The purposive sampling approach was utilized to make sure the sampled respondents were experienced to assess the leadership practices, trust relations and performance in the organization. The sample of the respondents includes representatives of different industries, therefore, improving the generalizability of the results to sustainability and entrepreneurial-driven organizations. Questionnaire was done online and face-to-face to enhance the diversity of responses. The respondents were not coerced to take part, their confidentiality guaranteed was to minimize the bias to the responses.

3.3 Measurement of Constructs

To guarantee reliability and construct validity, the study used well-established and validated measurement scales that were based on previous literature: Leadership was assessed with the help of items that were modified and adapted versions of the Multifactor Leadership Questionnaire (MLQ) created by Bernard M. Bass and Bruce J. Avolio. The scale measures the dimensions that comprise the primary dimensions of transformational leadership that are idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. These aspects of leadership are especially applicable in sustainability and entrepreneurial environments where vision, morality, and flexibility play a paramount role.

Social trust items of the scale were adapted and scales of organizational trust designed by Dirk De Cremer and Karen S. Cook formed the material on which the scales measuring Social Trust were built. These indicators observe how employees feel towards the relations that they have with leaders and how their colleagues feel towards them in terms of fairness, reliability, and integrity. Social trust in the context of sustainable entrepreneurship is a relational capital that helps to collaborate and make responsible decisions.

The measurement of Organizational Performance was done through subjective performance scales that have been based on previous research such as those of Delaney and Huselid. Productivity, efficiency, quality of service and overall effectiveness of the organization are some of the indicators in the scale. The understanding of organizational performance to this study is in terms of sustainability, where long-term growth, the welfare of the workers and ethical performance are included. Each item was rated on a five-point Likert scale and go back to 1 (strongly disagree) and to 5 (strongly agree).

3.4 Data Analysis Technique (PLS-SEM)

The data collected were also analysed with the assistance of SmartPLS software to identify the data with the help of Partial Least Squares Structural Equation Modeling (PLS-SEM). The method that should be utilized in predictive modeling and theory formulation is the one that is applied in situations when the correlation between the variables is rather complex, and sample sizes are not excessively large. PLS-SEM is especially appropriate to conduct studies on entrepreneurship and sustainability, when complex models and exploratory relationships are often studied.

3.5 Ethical Considerations and Research Rigor

The research process was conducted following the ethical standards. It was clarified to the respondents the motive of the study and they provided consent prior to participating in it. The level of anonymity and confidentiality of the responses was high. These ethical aspects become of relevance when considering trust-related relationships and organizational practices that are sustainability-oriented. The study follows a rigid set of study of the proposed relationships, and the results should be reliable and valid in the context of organizational studies. All in all, the methodological approach provides strength in studying the role of leadership and social trust in ensuring sustainable organizational performance in an Asian entrepreneurial setting.

4. Results

4.1 Measurement Model Assessment

The measuring model was evaluated to assess the validity and reliability of the constructs used in the investigation. The indicator reliability was evaluated based on outer loading with all measurement items reporting high loadings on the constructs they measured with a range of 0.8425 to 0.9504. These values are greater than the suggested value of 0.70 which proves that all the indicators are good measures of their corresponding latent variables. Table 1 shows the outer loading of all the measurement items.

Table 1. Indicator Loadings for Measurement Model

Indicator	Leadership	Trust	Org. Performance
LEAD1	0.8775		
LEAD2	0.8814		
LEAD3	0.8721		
LEAD4	0.8990		
LEAD5	0.8981		
LEAD6	0.9504		
TRUST1		0.9173	
TRUST2		0.8503	
TRUST3		0.8811	
TRUST4		0.8456	
TRUST5		0.8425	
TRUST6		0.8607	
PERF1			0.8816
PERF2			0.8540
PERF3			0.8903
PERF4			0.9183
PERF5			0.8629
PERF6			0.8375

These findings show that all indicators have a strong convergence with their respective constructs, which makes the measurement model adequate.

Cronbach alpha (α), Joreskog rho (ρ_c), and Dijkstra-Henseler rho (ρ_A) were used to further determine internal consistency reliability. All the constructs had values greater than 0.94 which means that there are perfect reliability and internal consistency amongst the items.

The Average Variance Extracted (AVE) was used to test convergent validity. All the constructs had a higher value of AVE than the recommended value of 0.50, with Leadership (0.8043), Social Trust (0.7511), and Organizational

Performance (0.7648) having high values. The results of reliability and convergent validity are summarized in Table 2.

Table 2. Construct Reliability and Convergent Validity

Construct	Dijkstra-Henseler's rho (ρ_A)	Jöreskog's rho (ρ_c)	Cronbach's alpha (α)	Average variance extracted (AVE)
Leadership	0.9616	0.9610	0.9609	0.8043
Trust	0.9482	0.9476	0.9476	0.7511
Org. Performance	0.9518	0.9512	0.9512	0.7648

Heterotrait-Monotrait Ratio (HTMT) and Fornell-Larcker were used to test discriminant validity. The values of the HTMT were between 0.7480 and 0.8442, which were less than the acceptable value of 0.85, thus validating sufficient discriminant validity. Also, Fornell-Larcker criterion indicated that the square root of AVE of each construct was greater than inter-construct correlations. Table 3 shows the HTMT ratios, Table 4 shows the results of the Fornell-Larcker criterion.

Table 3. Discriminant Validity (HTMT Ratio)

Construct	Leadership	Trust	Org. Performance
Leadership			
Trust	0.7992		
Org. Performance	0.7480	0.8442	

Table 4. Discriminant Validity (Fornell-Larcker Criterion)

Construct	Leadership	Trust	Org. Performance
Leadership	0.8043		
Trust	0.6390	0.7511	
Org. Performance	0.5610	0.7132	0.7648

Collectively, these findings confirm that the measurement model satisfies the requirements of reliability and validity, thereby providing a robust foundation for structural model analysis.

4.2 Model Fit Assessment

Standardized Root Mean Square Residual (SRMR), d_ULS and d_G indices were used to assess the model fit. The value of SRMR was determined to be 0.0201, which is significantly less than the recommended value (0.08), which implies that the model fits the observed data very well.

Moreover, the discrepancy measure (d_ULS = 0.0688; d_G = 0.1630) were acceptable compared to their corresponding HI95 and HI99 values indicating that the model is a good representation of the empirical data. Such results indicate that the structural model proposed is well-specified and can be further used in hypothesis testing.

4.3 Structural Model Assessment

The standardized path coefficients, coefficient of determination (R^2) and effect size (f^2) were used to evaluate the structural model. It has shown a lot of explanatory power with the $R^2 = 0.639$ of Social Trust and the $R^2 = 0.728$ of Organizational Performance. These values denote that the model clarifies a considerable amount of variation in the endogenous constructs. Figure 1 shows the structural model and path coefficients are standardized.

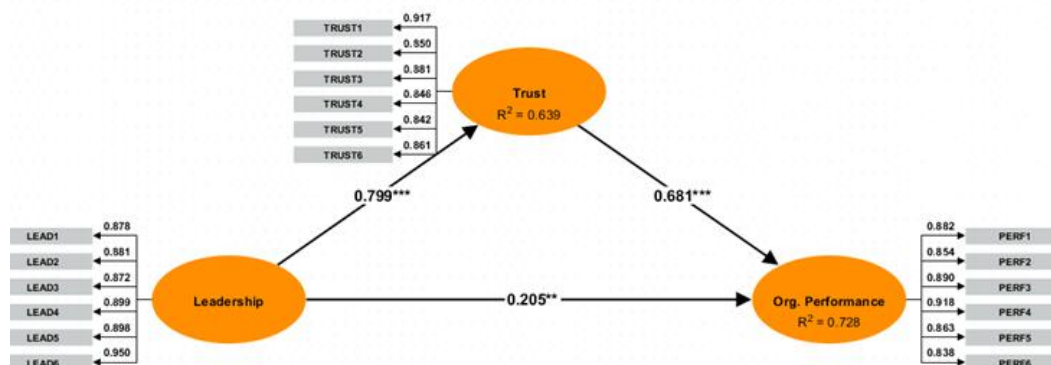


Figure 1. Structural Model with Path Coefficients

Bootstrapping procedures were used to evaluate the significance of the path coefficients. Results show that Leadership positively impacts Social Trust ($\beta = 0.7994$, $t = 31.7547$, $p < 0.001$) which confirms H1. H2 is also supported by the fact that Social Trust positively influences the Organizational Performance ($\beta = 0.6809$, $t = 9.8951$, $p < 0.001$). Moreover, Leadership also has positive direct influence on Organizational Performance ($\beta = 0.2047$, $t = 2.8358$, $p < 0.01$), which confirms H3. Table 5 shows the detailed results of direct effects and effect sizes.

Table 5. Direct Effects and Effect Sizes

	Original coefficient	Standard bootstrap results					Effect Size
		Mean value	Standard error	t-value	p-value (2-sided)	p-value (1-sided)	Cohen's f^2
Leadership -> Trust	0.7994	0.7991	0.0252	31.7547	0.0000	0.0000	1.7700
Leadership -> Org. Performance	0.2047	0.2039	0.0722	2.8358	0.0046	0.0023	0.0557
Trust -> Org. Performance	0.6809	0.6813	0.0688	9.8951	0.0000	0.0000	0.6162

Effect size analysis shows that Leadership has a significant impact on Social Trust ($f^2 = 1.7700$) and its impact on Organizational Performance is smaller, yet significant ($f^2 = 0.0557$). The effect sizes (f^2) of the structural relationships are displayed in Figure 2, which shows that the most significant effect is exerted by leadership on social trust and that the effect of trust on organizational performance is strong.

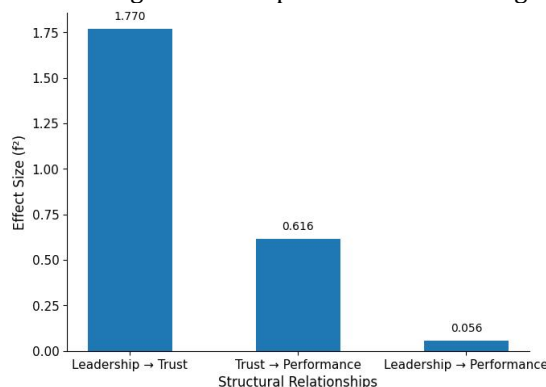


Figure 2. Effect Size (f^2) of Structural Relationships

Social Trust exhibits a strong effect on Organizational Performance ($f^2 = 0.6162$), highlighting its central role within the model.

4.4 Mediation Analysis

The mediating function of Social Trust was tested using bootstrapping techniques. Indirect interaction between Leadership and Organizational Performance via Social Trust was found to be significant ($\beta = 0.5443$, $t = 9.3835$, $p < 0.001$). The results of the indirect effects are given in Table 6.

Effect	Original coefficient	Standard bootstrap results				
		Mean value	Standard error	t-value	p-value (2-sided)	p-value (1-sided)
Leadership -> Org. Performance	0.5443	0.5445	0.0580	9.3835	0.0000	0.0000

Table 6. Indirect Effects (Mediation Analysis)

Meanwhile, the direct impact of Leadership on Organizational Performance was also considerable ($\beta = 0.2047$, $p < 0.01$), which proves that there were direct and indirect associations. The overall Leadership to Organizational Performance was very strong ($\beta = 0.7490$, $p < 0.001$).

These results affirm that Social Trust mediates the connection between Leadership and Organizational Performance to some extent, thus proving H4. This raises the notion that leadership impacts performance directly and indirectly, because of building trust-based relationships.

4.5 Summary of Hypothesis Testing

All hypothesized relationships in the study were supported based on the empirical findings:

- H1: Supported
- H2: Supported
- H3: Supported
- H4: Supported

Overall, the findings indicate that leadership contributes to social trust immensely, which consequently leads to the performance of the organization. The fact that there are both direct and mediated effects underscores the significance of trust as one of the relational mechanisms that leadership plays in ensuring that organizations achieve success.

5. Discussion

The suggested connections between leadership, societal trust, and organizational success in this study have strong empirical support. The results affirm the role of leadership as a most important managerial activity, as well as a relationship process that determines the interactions, behaviours and outcomes in organizations. This great impact of leadership on social trust implies that leadership behaviours that include transparency, fairness and inclusiveness should be vital in creating trust among the employees. This result aligns with recent studies that pointed to ethical leadership as a tool that promotes trust and increased employee engagement and performance (Islam et al., 2021).

The findings also show that social trust has a positive and strong effect on the performance of an organization. Trust, which is an intangible organizational resource that fosters cooperation, minimizes conflict and improves knowledge sharing is emphasized. Trust in the view of sustainable entrepreneurship, allows organizations to establish long-term collaborative relationships, which are critical to innovation, flexibility and sustainable value creation. This is consistent with the current literature that highlights the importance of relational capital and interactions based on trust in establishing long-term results of sustainable entrepreneurship (Muñoz and Cohen, 2021).

The next significant research conclusion of the study is the direct correlation between the leadership and organizational performance. Leadership also helps in performance, in giving strategic direction, aligning resources and motivating employees towards achieving organizational goals. Besides this, in sustainability-based organizations, leadership is also important in ensuring that the organization strategies incorporate ethical values and long-term sustainability goals. The latter is substantiated by the recent research that emphasizes the importance

of sustainable leadership in improving performance and organizational resilience (Iqbal et al., 2020).

One of this study's greatest contributions is the mediating function of social trust. The results indicate that the relationship between leadership and organizational performance is somewhat mediated by social trust. It suggests that by fostering connections based on trust, leadership influences performance both directly and indirectly. Such a mediating process is especially applicable in the entrepreneurial environment where executives use trust to promote cooperation, decrease uncertainty, and promote the active behaviour of employees. The role of trust as an important mechanism between the leadership and team cooperation and performance outcomes is also supported by recent empirical evidence (Lee and Mohd Rasdi, 2025).

A significant extrapolation of these results can be seen in the background of the emerging Asian economies where the institutional frameworks tend to be in the process of change and formal control mechanisms are possibly underdeveloped. Trust-based relationships in such settings serve as alternative to institutional support and ensure that organizations can operate successfully and sustainably. This point of view is justified by the studies that focus on the significance of contextual and institutional factors influencing entrepreneurial actions and organizational results in Asia (Bruton et al., 2021).

Moreover, the results provide evidence of the applicability of trust in advancing ethical and responsible business behaviors. Climate of trust helps in allowing employees to develop open communication, exchange of ideas and other ways of participation in decision making processes, thus cultivating a culture of innovation and inclusiveness. These are the environments that are highly associated with corporate social responsibility (CSR) and ethical governance, which are imperative in the business models of sustainability. It coincides with recent meta-analytic data that ethically oriented leadership has a positive impact on the organizational results by means of trust and moral involvement (Bedi et al., 2021).

The high impact of social trust on the performance of organizations also highlights the importance of social trust in increasing efficiency and minimizing transaction costs. With high trust levels, organizations will not need many control mechanisms and so operations will be more flexible and adaptive. This is especially relevant to SMEs and entrepreneurial projects where scarce resources lead to the need to resort to trust and informal coordination processes. To prove this point, recent studies indicate that trust enhances the effectiveness and performance of an organization in a dynamic business environment considerably (Bai et al., 2023).

In general, the results of the present research are added to the increasing amount of literature that helps to underline the significance of the relational dynamics in organizational success. Through the prism of relations and ethics, the concept of leadership can bring forth conditions in which trust, teamwork, and performance sustainability could thrive. This research expands on the conventional study of leadership and proves how trust-based leadership can be used as a strategic instrument to reach long-term and sustainable organizational performance by incorporating the insights of sustainable entrepreneurship, CSR and Asian institutional contexts.

6. Implications

The present research has profound theoretical, practical and policy implications. Theoretically, it adds to the literature on leadership and organizational behavior by developing the social trust as a mediating mechanism. It builds upon traditional leadership frameworks by showing that effectiveness is not restricted to structural and behavioural aspects but at the relational levels as well. This gives a more detailed insight on how the performance of organizations is created. Moreover, through the incorporation of views of sustainable entrepreneurship and relational governance, the research elaborates how a trust-based leadership can lead to long-term and sustainable organizational performance, especially in the context of entrepreneurship and SME.

Practically speaking, it is wise that the results highlight the significance of trust-building behaviours in leadership positions. The leadership development programs must extend beyond the technical and strategic skills to relational skills including ethical decision making, open communication and inclusiveness. Companies that invest in such leadership practices have better chances of attaining increased employee dedication and enhanced performance. This is particularly applicable to entrepreneurial activities and SMEs, whereby trust is an imperative element to promote innovation, partnership, and long-term development due to less formal structures.

The research has significant implications on organizational policy as well. Mechanisms to build trust like participative decision making, open channels of communication, and equitable evaluation systems can be incorporated in institutions to improve effectiveness. Such practices enhance interpersonal trust and lead to a well-knitted and a productive organizational environment. Sustainability wise, these initiatives also aid in the creation of responsible and inclusive organizational cultures in line with corporate social responsibility (CSR) and value creation in the long term.

On a larger scale, the results show trust as a strategic organizational resource as opposed to a by-product of good management. Companies that want to be sustainable in their performance should strive towards developing and sustaining trust-based relationships. This is especially applicable in the developing Asian countries whereby the changing institutional structures tend to require recourse to the relational systems to overcome uncertainty and resource scarcity. In this regard, formal support of the institutions can be replaced with trust-based leadership which will allow the organization to be stable and develop in the long-term.

Policy wise, the study recommends that policymakers and institutional organizations ought to encourage leadership development programs that focus on ethical behaviours, trust building and inclusiveness. These initiatives can enhance entrepreneurial ecosystems, promote the development of SMEs, and lead to a sustainable economic growth. Generally, the results support the idea that trust-based leadership is an influential factor to drive resilient, innovative, and socially responsible organizational performance.

7. Conclusion

This paper explored the relationship between leadership and social trust and organizational performance in the framework of Structural Equation Modeling, and specifically, the topic of sustainable outcomes in the emerging Asian contexts. The results validate that leadership has a dual role in affecting the organizational performance both directly and indirectly through creation of the social trust. Of these relationships, social trust was found to be an important tool which enhances collaboration, increases sharing of knowledge and propels organizational effectiveness. The findings emphasize the fact that leadership goes beyond the conventional managerial roles and should be interpreted as a process of relationships and ethical interactions that defines organizational culture and employee actions. Transparency, fairness and inclusiveness are trust-building practices that help the organizations to build cohesive and high performing environments. Such relational mechanisms are even more imperative in the context of entrepreneurial and SME, where formal systems might not be as established to guarantee flexibility and sustainability. Moreover, the paper points out that organizational performance cannot be only considered in economic aspects but as a multidimensional construct, comprising a long-term growth, staff welfare, and moral consequences. Trust-based leadership in emerging Asian economies can serve as a substitute to institutional support, which helps organizations to handle the uncertainty and lead to sustainable development. In general, this study

adds to the emerging discussion on sustainable entrepreneurship by showing that trust-based leadership is a primary motivator of resilient, innovative, and socially responsible organizational performance.

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