



## **Inclusive leadership and Entrepreneurial Team Performance: Evidence from China**

Zhang Xianen and Jiraporn Khantong  
Business Administration, Pathumhani Univetsity, Thailand  
Email: [65134436500039@ptu.ac.th](mailto:65134436500039@ptu.ac.th)

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### **Abstract**

This study examined the influence mechanism of inclusive leadership on entrepreneurial team performance. Through questionnaires, this study found that leadership has a positive effect on business team performance, leadership has a positive effect on team climate and team engagement, team performance is positively influenced by an inclusive team atmosphere and team engagement, team inclusive atmosphere and team engagement play a mediating role, and leader group representative plays a positive moderating role. This paper opens up a new idea to study the influencing mechanism of inclusive leadership by taking leader group representative as a moderating variable, enterprises should pay more attention to the cultivation of leader group representative and creating an inclusive team atmosphere is very important. Based on the combination of theory and empirical methods, this research firstly uses theoretical research and interview research to perform the theoretical abstraction of the mechanism of inclusive leadership on entrepreneurial team performance and clarifies the key elements and variables; secondly, specific cases are studied based on grounded theory, obtaining the theoretical framework of this paper; then combined with social learning theory and social exchange theory, this paper constructs a theoretical model of the impact of inclusive leadership on entrepreneurial team performance and proposes research hypotheses; finally, data are collected through questionnaires, and the proposed theoretical model is tested using team-level data and analysis, revealing the mechanism of the impact of inclusive leadership on entrepreneurial team performance. Finally, this paper draws the following conclusions.

**Keywords:** Inclusive leadership, Entrepreneurial Team, Team Performance, Employee Engagement

### **Introduction**

Innovation is a key driver of enterprise development, especially as China enters a new phase of "innovation-driven" development after decades of rapid growth. Innovation focuses on entrepreneurship. Compared to conventional enterprises, entrepreneurial enterprises face more risks and challenges. Based on China's specific cultural background, this research adopts local methods to study inclusive leadership and clarify its connotation. The paper analyzes China's economic and cultural background in order to analyze the operating mechanism of inclusive leadership. The purpose of this study is to examine how inclusive leadership can be maximized, especially in entrepreneurial teams, by taking into account multiple variables and integrating different theoretical perspectives, so as to promote the localization of inclusive leadership in the Chinese context and enrich the theoretical results of inclusive leadership.

### **Hypothesis**



H1: Inclusive leadership positively impacts the performance of entrepreneurial teams.

H2: Inclusive leadership positively impacts the engagement of entrepreneurial teams.

H3: Inclusive leadership positively impacts the inclusive atmosphere of entrepreneurial teams.

H4: The engagement of entrepreneurial teams plays a mediating role in the positive impact of inclusive leadership on team performance.

H5: The inclusive atmosphere of entrepreneurial teams plays a mediating role in the positive impact of inclusive leadership on team performance.

H6: The leader group representative plays a positive moderating role in the positive impact of inclusive leadership on the engagement of entrepreneurial teams.

H7: The leader group representative plays a positive moderating role in the positive impact of inclusive leadership on the inclusive atmosphere of entrepreneurial teams.

## Literature review

Impact of inclusive leadership on the performance of entrepreneurial teams

According to the social exchange theory, people follow the win-win principle of mutual benefits in the exchange. It will be possible for subordinates to recognize and feel a sense of responsibility for the team after their economic and emotional needs are met. Subordinates, particularly those working under inclusive management, will continue to reflect on their commitment to the organization and hope to repay it with better work performance. Therefore, the transformation of leadership style can help leaders win the higher quality of work results from subordinates. When adopting an inclusive management approach, leaders can accept employees' opinions and suggestions, and recognize their work results, so that employees will have the courage to express their true feelings to the organization, thus enhancing their sense of belonging and responsibility. Also, it will stimulate employees to exploit their potential and achieve the work objective. Moreover, when leaders give employees more support and tolerance, employees will gain confidence and motivation and put more energy and effort into their work in the future, thus rapidly improving their work performance. Finally, leaders who adopt an inclusive management approach can encourage and adopt employees' suggestions and understand and help correct their mistakes, all of which can improve the performance of employees. Therefore, this research proposes the following hypothesis:

H1: Inclusive leadership positively impacts the performance of entrepreneurial teams.

### **Impact of inclusive leadership on the engagement of entrepreneurial teams**

Having an inclusive leader can encourage employees to grow, so that they have a positive view of their work and the company. After leaders provide employees with resources, they will have a sense of return, according to the social exchange theory. With higher recognition for the organization, employees will invest more efforts and are more willing to actively and efficiently achieve the performance objective to repay the organization; when employees have higher recognition for the organization, they will have a higher awareness of attentiveness and emotional activity and more hard-working behavior. Also, they will be more devoted at work and positively affect employee engagement (Zhang, E.T. et al., 2015; Wang, N. et al., 2016). A large number of empirical studies have pointed out that an inclusive leadership style can positively impact employees' work attitudes (Trautman, 2000). This research proposes the following hypothesis based on the above analysis:



**In view of this, this paper proposes below hypotheses:**

H2: Inclusive leadership positively impacts the engagement of entrepreneurial teams.

**Impact of inclusive leadership on the inclusive atmosphere of entrepreneurial teams**

Employees in entrepreneurial teams need to keep trying even when more uncertainties arise. Leaders who are inclusive and open-minded tend to accept the mistakes of subordinates and treat them with respect. Therefore, when employees make mistakes in innovation and exploration, their mistakes will be tolerated. Also, inclusive leaders will encourage employees to actively communicate with other team members and seek new solutions. A more inclusive leadership style provides more guidance and support for employees' perceptions of error management and gradually creates an inclusive environment. Based on the above reasons, this research proposes the following hypothesis:

H3: Inclusive leadership positively impacts the inclusive atmosphere of entrepreneurial teams.

**The mediating role of engagement and inclusive atmosphere**

The team culture can guide and influence the behavior of individual employees. If obtaining the support from the feedback environment, then the impression management motivation and effort cost of individuals will be reduced, this is conducive to improving the frequency and effect of team performance. The experimental results of Ashford, S. J., & Northcraft, G. B. (1992). showed that when employees perceived that their colleagues could actively respond to their feedback-seeking, they would further increase the frequency. Similarly, the positive attitude of superiors could also improve the frequency of feedback-seeking of subordinates. The feedback environment characterizes the encouragement from the work environment to the feedback-seeking of individual employees, including the measurement content from seven aspects, the credibility of feedback source, the humanization of a feedback system, feedback quality, accessibility of feedback source, favorable feedback content, unfavorable feedback content, and whether to promote feedback-seeking in two dimensions, namely perceived superior feedback environment and colleague feedback environment. A supportive feedback environment can promote the feedback-seeking behavior of employees toward leaders and colleagues, thereby helping them to clarify work tasks and improve their own tasks and contextual performance (Rea, L. and Parker, A. (2014) If employees can get the organization's support when seeking feedback, they will greatly reduce their perceived impression cost, and then they can boldly implement the feedback-seeking behavior.

Considering that engagement and inclusive atmosphere of entrepreneurial teams both have significant impact on team performance, and based on the above analysis, this research proposes the following hypotheses:

H4: The engagement of entrepreneurial teams plays a mediating role in the positive impact of inclusive leadership on team performance.

H5: The inclusive atmosphere of entrepreneurial teams plays a mediating role in the positive impact of inclusive leadership on team performance.

**The moderating role of leader group representative**

This research believes that the leader group representative will strengthen the positive impact of inclusive leadership on entrepreneurial teams' inclusive atmosphere and engagement. When team members perceive that the leader represents the organization's core value, the trust relationship with the leader will correspondingly transform into trust and support for the organization. This transformation is fundamental because the common attributes of the leader



and the organization will be more likely to activate in the team and spread to all team members (Ikechukwu, K. 2018). Therefore, when leaders have higher group representative, it is easier to activate and extend the trust of team members in the organization. Also, the style and behavior of leaders will have a more significant impact on team members, and the effect of leaders on the entire team will be strengthened accordingly. In summary, this research proposes the following hypotheses:

H6: The leader group representative plays a positive moderating role in the positive impact of inclusive leadership on the engagement of entrepreneurial teams.

H7: The leader group representative plays a positive moderating role in the positive impact of inclusive leadership on the inclusive atmosphere of entrepreneurial teams.

Our conceptual framework is shown as Figure 1.

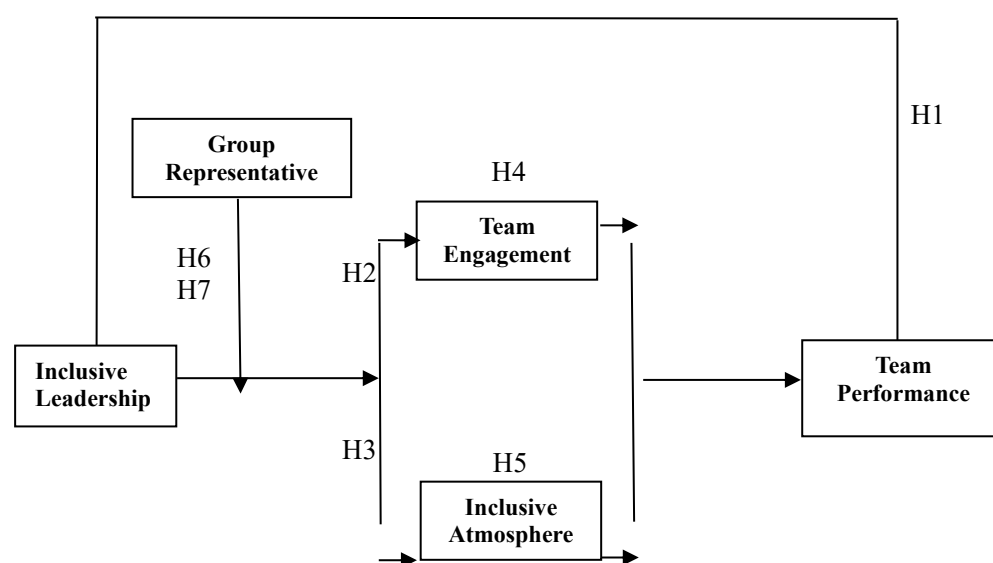


Figure 1: Conceptual Framework

## Research Methodology

In this survey, a total of 1000 questionnaires were distributed. After excluding invalid questionnaires, 732 valid questionnaires were obtained for empirical research and analysis. The effective response rate of the questionnaire was 73.2%. Sample distribution is shown in Table 1.

Table 1 Basic Statistics of Research Samples (N=732)

Variable	Type	Frequency	Percentage
Gender	Male	468	63.93%
	Female	264	36.07%
Educational level	High school or below	53	7.24%
	junior college	289	39.48%
	Undergraduate	321	43.85%
	Graduate	69	9.43%



Type of position	Ordinary staff	578	78.96%
	Junior manager	102	13.93%
	Middle-level manager	11	1.50%
	Senior manager	41	5.60%
Monthly income	Lower than 4000	32	4.37%
	4001-5000	73	9.97%
	5001-6000	31	4.23%
	6001-7000	78	10.66%
	7001- 8000	256	34.97%
	8001- 9000	108	14.75%
	9001- 10000	88	12.02%
	Higher than 10000	66	9.02%

In order to test whether the reliability of each scale in this research is up to standard, the internal consistency coefficient is used as the reliability measurement index. The reliability analysis is performed using the SPSS 22.0. Statistical analysis software, and the results are shown in Table 4.3. Generally speaking, it is acceptable if the Cronbach's Alpha coefficient is greater than 0.7, and if the Cronbach's Alpha coefficient is greater than 0.8, it indicates that the reliability of the scale is good. The results show that the Cronbach's Alpha coefficient of Inclusive Leadership scale is 0.913; the Cronbach's Alpha coefficient of Team Engagement scale is 0.908; the Cronbach's Alpha coefficient of Inclusive Atmosphere scale is 0.881; the Cronbach's Alpha coefficient of Team Performance scale is 0.965; and that the Cronbach's Alpha coefficient of Group Representative scale is 0.956. The overall Cronbach's Alpha coefficient of all items in the scale is 0.958. Therefore, in general, the internal consistency coefficient of the scale in this research is basically above 0.8, indicating that the scale used in this research is of good reliability. The test results are shown in Table 2.

**Table 2** Internal Consistency Coefficient of The Scale (N=732)

	Cronbach's Alpha	Average variance (AVE)	Composite Reliability (CR)
Inclusive Leadership	0.913	0.823	0.985
Team Engagement	0.908	0.635	0.866
Inclusive Atmosphere	0.881	0.778	0.955
Team Performance	0.965	0.732	0.932
Group Representative	0.956	0.771	0.967

The results of the hierarchical regression analysis are shown in Table 3.

**Table 3** Results of Multiple Regression Analysis

	Model1	Model2	Model3	Model4	Model5	Model6	Model7	Model8	Model9
Gender	.128*		.105*	.108*		.112		-.017	
Educational level		-.043	-.014	-.012	.038	.047		-.080	
Job type		-.012	-.016	-.040		.040	.064	-.015	
Income		.064	.050	.005		.222		.030	.227**
Inclusive Leadership		.358***		.273**					
Team Engagement			.311***	.206***		.222***			



Inclusive Atmosphere			.289***	.333***				.362***	
R <sup>2</sup>	.054	154	414	425	.077	149	0.15	.118	.128
Adjusted-R2	.041	.140	.401	.411	.064	.135	.002	.103	.115
L.R'	0.41	140	401	411	.064	135	00.2	103	.115
F-value	4127***	10845***	31316***	29112***	5931***	10.410***	1.113	7.953***	10475***

**Notes:** (1) \* indicates significance on  $p < 0.05$ ; \*\* indicates significance on  $p < 0.01$ ; \*\*\* indicates significance on  $p < 0.001$  (two-tailed test).

- (2) The variable coefficients in the table are standardized estimates.
- (3) The number of research samples  $N=732$ .

In the empirical analysis, the average of the measurement indicators is usually used to measure the variable, and the hierarchical regression method is used to test the mediation effect. However, this regression analysis method ignores the measurement error and causes the inaccuracy of the result and possible deviation of the mediation effect (Zhang E.T. et al., 2018). The structural equation model (SEM) can effectively eliminate the measurement error and generate a more accurate result of the intermediary effect. In addition, SEM can also be used to analyze multiple intermediary variables simultaneously, which helps to understand the nature of the relationship between variables (Zhang, E.T. et al., 2018). There are many estimation methods for structural equation models. Among them, the SEM based on the bootstrap method has the highest statistical power and is also widely popular in the existing literature. Due to three intermediary variables in this research, there are three parallel intermediary paths. In order to further test the theoretical hypothesis model, this research adopted the Bootstrap method to do a further test based on the hierarchical regression intermediary effect test.

In this study, the non-parametric percentile Bootstrap method with deviation correction was used to construct a 95% confidence interval (hereinafter referred to as 95%CI) via Mplus7.0 software to test the mediation effect (Bootstrap = 4000) after repeated sampling 4000 times. If the 95%CI of the mediating effect contains 0, it means that the mediating effect is not significant. Otherwise, it means that the mediating effect is substantial. According to the mediation effect test results in Table 4.8, it can be seen that Team Engagement plays a significant mediating role between the Inclusive Leadership and Team Performance (95%CI[-0.076,-0.028]). Inclusive Atmosphere plays an important mediating role between the Inclusive Leadership and Team Performance (95%CI[-0.221,-0.031]). Therefore, Team Engagement and Inclusive Atmosphere simultaneously play a role in the relationship between the Inclusive Leadership and Team Performance, and the mediating effect is significant.

This study examined the moderating effect with the hierarchical regression method. Specifically, the product term also called the interaction term  $X*W$ , is constructed by the independent variable  $X$  and the moderation variable  $W$ . Then, whether the interaction term has a significant effect on the dependent variable  $Y$  is evaluated. If the regression coefficient of the interaction term is significantly positive, it means that the moderating variable positively regulates the relationship between the independent and dependent variables. If the interaction term coefficient is significantly negative, the moderating effect is negatively modulating the relationship between the independent and dependent variables. Generally, in order to reduce the influence of multicollinearity between variables, the independent variables and moderation variables are centralized or standardized to regenerate the interaction terms. This study adopted a centralized approach. Results show that leader group representative play a positive





moderating role.

## Research Discussion

Firstly, a mechanic model is devised to explain the impact of inclusive leadership on entrepreneurial team performance based on deep analysis of the mediating mechanism. Based on previous literature, the research on the impact of inclusive leadership is generally limited to a particular outcome variable, such as the impact on engagement, the impact on employee voice, and the impact on the feedback-seeking of employees. In this study, the above variables are transformed into process variables to consider the impact mechanism of inclusive leadership on entrepreneurial team performance from a broader perspective, revealing the mediating mechanism and constructing the mechanism model, namely the mediating effect of team inclusive atmosphere, team engagement and team performance on the relationship between inclusive leadership and entrepreneurial team performance. Specifically, the objective of this paper is to demonstrate that inclusive leadership has a positive impact on entrepreneurial team performance through team inclusion atmosphere and engagement, as well as team feedback-seeking. Also, the conclusions in this paper have opened the black box of research on the influencing mechanism of inclusive leadership on entrepreneurial team performance, deepened the academic understanding of the impact of inclusive leadership on entrepreneurial team performance, and enriched the theoretical research on the influencing mechanism of inclusive leadership on entrepreneurial team performance.

Secondly, this paper develops a new perspective to explore the mechanism of inclusive leadership on entrepreneurial team performance, focusing on entrepreneurial teams. Unlike the previous studies that blur the development stage of enterprises, this study takes entrepreneurial enterprises as the focus of analysis and research. Based on the stage characteristics of entrepreneurial enterprises, this paper makes a comprehensive analysis considering the current economic environment and makes up for the lack of understanding of the influencing mechanism of inclusive leadership on entrepreneurial team performance at the current stage. Compared with mature enterprises, the development of entrepreneurial enterprises faces more opportunities and challenges, and they are more flexible in adapting to and adjusting themselves to cope with these challenges. The leaders and team members of entrepreneurial enterprises are younger, more energetic, and have more substantial personalized needs. Thus, an inclusive leadership style can better achieve enterprise management and development. The research conclusions of this paper reveal a corner of the in-depth research on the influencing mechanism of inclusive leadership on entrepreneurial team performance and lay a foundation for further related studies in the academic community in the future.

Thirdly, this paper opens up a new idea to study the influencing mechanism of inclusive leadership by taking leader group representative as a moderating variable. At present, there is a large amount of literature on the impact of inclusive leadership, and the selection of moderating variables generally proceeds from the perspective of employees.

## Limitations and Research Prospect

Firstly, further enriching research samples are needed. Different industries may have different team innovation performance, and this study draws samples from entrepreneurs in industries such as web development, new energy, logistics, self-media, and e-commerce. This research should include more entrepreneurial enterprises from different industries in follow-up studies to enhance the external validity of the findings and to examine the particular characteristics of entrepreneurial enterprises.

Secondly, expanding research on mediating and moderating effect is needed. As a



moderating variable, leader group representative is used as a mediator of team engagement and inclusive team atmosphere. However, in the follow-up studies, factors such as salary and welfare policy can be added as mediating or moderating variables in the research model. Also, quantitative indicators are suggested to add to the measurement scale of the questionnaire for further research and analysis.

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