

Towards a Framework for Understanding the Impact of Government Policy, Family Support, Entrepreneurial Leadership, and Management Innovation on the Success of SMEs in China's Rural Communities

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ABSTRACT

This paper proposes a conceptual framework to understand the impact of government policy, family support, entrepreneurial leadership, and management innovation on the success of small and medium-sized enterprises (SMEs) in rural China. Through a comprehensive literature review, this study identifies key factors influencing rural SME success and explores the interrelationships among them. The proposed framework highlights the crucial role of government support in fostering a favorable environment for SME growth, the significance of entrepreneurial leadership in driving innovation and navigating challenges, the positive influence of family support on both management innovation and overall success and the importance of management innovation in enhancing organizational performance and competitiveness. This framework offers valuable insights for policymakers, SME owners, and researchers to develop effective strategies for promoting sustainable economic development in rural China.

Keywords: Government Policy, Family Support, Entrepreneurial Leadership, Management Innovation

1. INTRODUCTION

1.1 Research background

Small and Medium-sized Enterprises (SMEs) represent the most dynamic segment within the market economy, playing a crucial role in generating profits, creating employment opportunities, enhancing people's livelihoods, fostering technological innovation, and maintaining social stability (Lingli, 2020). SMEs encompass diverse organizations engaged in economic activities, regardless of their legal structure, but they must adhere to specific size limitations. This category includes individual merchants, family-run businesses involved in crafts or other ventures, and partnerships or associations regularly conducting economic activities (Ma et al., 2021).

SMEs and self-employed individuals are the primary engines of employment generation and economic vitality. According to an August 2019 report by the International Labor Organization (ILO), small and micro enterprises and self-employed individuals account for 70% of employment opportunities across 99 countries. The significant contributions of small, micro, and medium-sized enterprises help alleviate social employment pressures, improve living standards, and promote harmonious social development. Additionally, the "2020 China's Small and Medium-sized Enterprise Market Status Survey and Development Trend Forecast Analysis Report" by the China Industry Research Network indicates that, by the end of 2019, Chinese small, micro, and medium-sized enterprises made up 99.7% of the total enterprise count, with small and micro enterprises accounting for 97.3%. Chinese SMEs contribute over 50% of tax revenue, over 60% of GDP, over 70% of technological innovation, over 80% of urban labor employment, and over 90% of enterprise numbers (Zhou, 2019). Thus, they are the primary driving force behind national economic and social development (Huiqin, 2020).

Chinese SMEs leverage the country's resource advantages, harnessing their comparative edge in competitive markets, demonstrating strong profitability, and generating substantial societal wealth. Data from industrial enterprises show that

SMEs outperform larger enterprises in gross production value and the proportion of value added in production, highlighting their relatively efficient operational capabilities that inject vitality into the market (Ma et al., 2021).

Small and Medium-sized Enterprises (SMEs) form the cornerstone of China's national economy. Over 97% of Chinese companies are classified as SMEs, contributing approximately 60% to the country's GDP and generating 80% of employment opportunities (Huang et al., 2021). In rural areas, small businesses are crucial for driving social and economic development, acting as pivotal agents for progress (U.S. Small Business Administration [SBA], 2019). Closing numerous small rural businesses can lead to increased unemployment rates, deter investors, and disrupt regional social and economic stability. A region's wealth results from economic growth and development (Ang, 2018), with small business owners in rural communities employing 48% of the private sector workforce (U.S. SBA, 2019). However, it is noteworthy that one in two small businesses shut down before reaching its fifth year of operation (Restrepo-Morales et al., 2019). The U.S. SBA (2019) predicts a continued decline in the success rate of small businesses over time. Therefore, the fate of rural communities, in terms of economic and social stability, can be significantly influenced by the prevention or occurrence of closures among small startup businesses.

SMEs differ from larger firms in various aspects, including organizational structure, responses to the environment, managerial styles, and competitive strategies. SMEs have the advantages of flexibility and ease of internal communication but face disadvantages, such as limited resources and challenges in securing financing (Gaganis et al., 2019).

Chinese SMEs have experienced rapid growth since the country's reform and opening-up policies, establishing themselves as an essential, dynamic, and rapidly expanding force within the national economy. These small and medium-sized private enterprises compete and grow amidst fierce market competition, leveraging their flexible and diverse business approaches. However, due to variations in historical, cultural, political, and economic systems across different regions, SMEs encounter various challenges (Tanveer et al 2020). Chinese SMEs have faced issues such as inadequate management mechanisms, difficulties in accessing credit and financing, weak internal control, limited risk resilience, and a shortage of high-quality talent, all of which have hindered their development and growth (Wang & Cao, 2018). Studies indicate that most SMEs face low growth and high mortality rates (Jiao et al., 2020). This situation is not unique to Chinese SMEs but affects their counterparts worldwide. Statistical analysis reveals that the average lifespan of American SMEs is less than 7 years, European and Japanese companies have an average lifespan of 12.5 years, and Chinese enterprises have an average lifespan of 6-7 years, with small and medium-sized private enterprises having an even shorter average lifespan of only 2.9 years (Caishuang, 2021). Therefore, the outlook for developing and growing small and medium-sized private enterprises is not optimistic, and they face significant survival pressures.

The COVID-19 pandemic has profoundly impacted China's economy and posed severe challenges to the survival of domestic SMEs. According to the "Research Report on the Countermeasures and Suggestions on the Impact of COVID-19 Pandemic on SMEs" by the China Association on February 15th, 2020, nearly 67.69% of SMEs experienced a reduced operating income. Additionally, 21.61% of SMEs faced difficulties repaying debts, increasing pressure on operating funds. Alarming, 86.22% of SMEs had less than three months' worth of funds to sustain their operations, and 33.73% lacked sufficient funds to survive for even one month. Only 9.89% of SMEs reported surviving for more than six months. The precarious financial situation of SMEs directly impacted China's economic growth, with the GDP growth rate in the first quarter experiencing a year-on-year decline of 6.8%, reaching a 20-year low. Simultaneously, the job market stagnated, and the unemployment rate rose from 5.3% in January to 6.0% in April (Xiaodong & Pingxiu, 2020). Therefore, the COVID-19 outbreak has continued to influence Chinese SMEs, with persisting negative impacts. The economic pressures caused by the pandemic will not disappear immediately as the crisis abates. Long-term recovery, as well as the challenges of survival and development, remain significant tasks for SMEs.

In China's rural communities, SMEs encounter unique challenges and must navigate these by integrating resources and fostering innovation. Business owners must prioritize internal development and address internal issues regardless of external environmental changes. By leveraging the controllability and stability of their enterprises, they can effectively respond to external fluctuations and uncertainties, ensuring the survival of their businesses amidst turbulent conditions (Khan et al. 2022).

1.2 Problem Statement

Small businesses, including those in rural China, face a high risk of failure, particularly in their early years (Zahra, 2021 ; SBA, 2019). While government policy, entrepreneurial leadership, family support, and management innovation are recognized as crucial factors influencing SME success, these factors' specific interplay and impact in the unique context of China's rural communities remain underexplored.

This study addresses this gap by investigating how rural SMEs can leverage external resources (government policy and family support) and internal capabilities (entrepreneurial leadership and management innovation) to thrive in this challenging environment. Understanding the complex relationships between these factors is essential for developing effective strategies to support the growth and sustainability of rural SMEs in China.

1.3 Research Questions

1. How do government policy, entrepreneurial leadership, family support, and management innovation individually and collectively contribute to the success of SMEs in China's rural communities?
2. What are the specific mechanisms and pathways through which these factors influence SME success? How do they interact and reinforce one another?
3. Can a comprehensive framework be developed that integrates these four factors to explain and predict the success of SMEs in rural China?

1.4 Research Objectives

This study aims to:

1. Explore the distinct and combined effects of government policy, entrepreneurial leadership, family support, and management innovation on the success of SMEs in China's rural communities through a comprehensive literature review.
2. Identify and analyze the mechanisms and relationships these factors influence SME success, drawing upon existing theoretical and empirical evidence.
3. Develop a conceptual framework that integrates these four factors to provide a holistic understanding of SME success in rural China and offer a foundation for future empirical research.

By achieving these objectives, this study will provide valuable insights for policymakers, entrepreneurs, and stakeholders seeking to foster a supportive ecosystem for rural SME development in China. It will contribute to the growing body of knowledge on SME success in emerging economies and offer a framework for tailored interventions to enhance the economic vitality of rural communities.

1.5 Significance of research

1.5.1 Academic benefits

From an academic perspective, this study offers significant contributions by enhancing scholars' understanding of Chinese small and medium-sized enterprises (SMEs) and augmenting the existing body of research in this domain. This research addresses gaps in the current knowledge base by introducing fresh insights and analyses tailored to Chinese SMEs. Researchers will gain a more comprehensive grasp of the unique challenges, opportunities, and dynamics that shape the landscape of Chinese SMEs. The study's findings will serve as a valuable resource for future investigations, enabling scholars to build upon and expand the existing research. Ultimately, this will advance the field of Chinese SME studies and provide a foundation for informed policy-making and practices in the future (Li & M.S, 2023).

1.5.2 Policy benefits

For policymakers, the study's findings will act as a catalyst, prompting the development of improved policies supporting SMEs' growth in rural communities. Given the crucial role of SMEs in driving economic growth and reducing unemployment, policymakers will be encouraged to address the specific needs and challenges rural areas face. These policies will facilitate targeted initiatives that promote rural SME development, enhance economic growth, and create job opportunities. By crafting more effective policies tailored to the unique circumstances of rural communities, the government can create an environment that fosters entrepreneurship, stimulates economic progress, and contributes to reducing unemployment rates.

2. LITERATURE REVIEW

2.1 Theoretical Foundations

The conceptual framework proposed in this study is grounded in several established theories that provide a comprehensive understanding of the factors influencing SME success in rural China.

2.1.1 Resource-Based View (RBV) Theory

The success of small and medium-sized enterprises (SMEs) in China's rural communities is influenced by many factors. While no universally accepted theory explains their success, several frameworks shed light on why SMEs thrive in these areas.

The Resource-Based View (RBV), as proposed by Barney (1991), emerges as a significant theory in explaining the success of SMEs. RBV emphasizes that a firm's competitive advantage and overall success stem from its unique and valuable resources and capabilities. In the context of China's rural SMEs, they can leverage their inherent traits of flexibility, agility, and adaptability to quickly respond to changing market conditions, granting them a competitive edge over their larger counterparts. Swiftly adjusting strategies and operations are valuable in navigating the dynamic and unpredictable rural markets.

Government policies play a crucial role in shaping the trajectory of SMEs in China's rural communities. By implementing supportive policies, the government can grant SMEs access to critical resources, including financial assistance, infrastructure development, and various business support services. Such resources are often limited in rural areas, and by enhancing their availability, the government empowers SMEs to overcome resource constraints, fostering their growth and eventual success (Terziovski, 2010).

Family support plays a significant role in the formation and growth of businesses in China, with entrepreneurs relying on family members to establish and develop their ventures. Many entrepreneurs employ full-time family members, highlighting family integration in business operations. Additionally, entrepreneurs often tap into family finances as the primary source of startup capital. This reliance on family resources underscores the intertwined nature of family and business in the entrepreneurial landscape of China (Pistrucci et al., 2001).

Incorporating entrepreneurial leadership into the framework proves to be pivotal for SMEs in rural China. Effective entrepreneurial leaders drive innovation, nurture a culture of creativity, and motivate employees to excel (Addy et al., 2024). This visionary leadership helps SMEs identify and capitalize on untapped opportunities in the rural landscape, unlocking their growth potential and market competitiveness (Jieru & Khan, 2024).

Furthermore, management innovation emerges as a strategic capability that significantly influences the success of SMEs in China's rural communities. As elucidated by Zhang, Khan, Lee, and Salik (2019), this perspective emphasizes the importance of developing unique resources and capabilities that are challenging for competitors to imitate or replicate. By encouraging a culture of innovation, SMEs can continuously improve their processes, products, and services, staying ahead of the curve and solidifying their foothold in the market.

To achieve sustainable success for SMEs in rural China, it is essential to intertwine government policies, family support, entrepreneurial leadership, and management innovation within a comprehensive framework. By aligning these critical factors, rural SMEs can effectively leverage their resources and capabilities, overcome challenges, and thrive in their unique business environment. This framework offers valuable insights into understanding and fostering the growth and success of SMEs in China's rural communities.

2.1.2 Market Failure Theory and Government Support

Within the context of China's rural SMEs, market failure theory provides a compelling justification for government intervention. Despite the inherent potential for economic advancement in these regions, market imperfections can hinder the efficient allocation of resources. For instance, information asymmetry may restrict rural SMEs' access to critical market data, impeding informed decision-making. Moreover, rural regions often lack sufficient infrastructure and financial resources, limiting the availability of capital for SMEs in those areas. Furthermore, externalities, such as environmental impacts, may not be fully considered by market forces, affecting the overall well-being of rural communities (Waheed, A. et al. 2023).

Government policies are essential for bolstering SMEs in rural China to counteract these market failures. By addressing information disparities, providing financial aid, and establishing regulatory frameworks to manage externalities, the government can create an equitable environment for SMEs. Additionally, targeted policies can improve market access and empower SMEs to surmount the obstacles posed by market failures, fostering their growth and prosperity in rural communities (Barringer & Ireland, 2019).

Cultivating entrepreneurship is equally vital for SMEs in rural areas. By nurturing an entrepreneurial spirit, the government can incentivize individuals to embrace risk and launch businesses, stimulating economic growth in these communities. Supportive measures may include training and mentorship programs, financial incentives, and streamlined administrative processes for establishing and operating a business (Audretsch et al., 2006).

Fostering a culture of open innovation through supportive policies allows the government to create platforms and networks that facilitate knowledge exchange and collaboration between rural SMEs and external partners. This approach can help rural businesses overcome resource limitations, access new technologies, and tap into broader markets, ensuring sustained success and growth (Ayerbe et al., 2020).

In conclusion, the proposed framework encompassing government policy, entrepreneurial leadership, and management innovation is underpinned by the concepts of market failure theory, innovation, entrepreneurship, and open innovation. By addressing market failures, promoting innovation and entrepreneurship, and encouraging open collaboration, the government can play a pivotal role in enabling the success of SMEs in China's rural communities.

2.1.3 Institutional Theory and Social Capital Theory

Institutional theory emphasizes the role of formal and informal institutions in shaping organizational behavior and outcomes (North, 1990). In the context of rural SMEs, formal institutions like government policies and regulations and informal institutions like social norms and cultural values, including the strong influence of family support in China, can significantly influence SME practices and performance. This family support often translates into social capital, the value of trust, reciprocity, and shared norms within social networks, which can be leveraged for business development and success (Putnam,

2000; Williams et al., 2020).

This integrated perspective highlights the importance of understanding the institutional context and the social capital embedded within family networks to design effective interventions to support rural SME development.

2.2 Variables

2.2.1 The Success of SMEs

Small and medium-sized enterprises (SMEs) are widely recognized for contributing to employment and economic growth. However, despite extensive research, a universally accepted definition of SMEs and business success remains elusive (Lampadarios et al., 2017). This ambiguity stems from the multifaceted nature of success, which can vary depending on context, perspective, and stakeholders involved.

For SMEs, success is often characterized by achieving or surpassing their established objectives. While financial, economic, and environmental indicators are commonly used to assess success, developing specific variables and reliable measurement methods presents significant challenges (Khuong & Van, 2022).

Although financial performance, such as profit growth and business size, is often equated with success, this narrow view overlooks other crucial aspects. In the 21st century, SMEs' success increasingly encompasses non-financial dimensions like social impact, innovation, and sustainability (Maletić et al., 2021). This broader perspective aligns with the growing emphasis on human well-being and responsible business practices (Matlon, 2019).

Various approaches exist to evaluate SMEs success, including financial indicators (e.g., profit), non-financial indicators (e.g., entrepreneur satisfaction), or a combination of both (Effiom & Edet, 2018). Moreover, SMEs success should also be assessed in terms of their contributions to the economy and society, such as job creation, economic growth, community support, environmental impact, and social development (ElAlfy et al., 2020).

Research has explored factors influencing SMEs' success, revealing that strategic planning and management significantly correlate with success, while entrepreneurs' personality traits and effective marketing show no significant relationship (Lim & Teoh, 2021).

The concept of success is closely intertwined with performance, yet the distinction between the two remains challenging. Success is often subjective and can be defined based on specific performance elements, such as achieving key goals (Simpson et al., 2012).

As our understanding of business success evolves, it is increasingly clear that financial performance alone does not provide a comprehensive assessment of SMEs' achievements. Emphasizing non-financial aspects like social impact, sustainability, and innovation offers a more holistic and relevant view of success in the 21st century.

2.2.2 Government Policy for Support SMEs

Government policy is pivotal for shaping societal life and achieving collective objectives (Mankiw, 2020). These policies have fostered their development in the context of Chinese small and medium-sized enterprises (SMEs). The Chinese government has sought to empower SMEs through financial assistance, technological innovation promotion, market access improvement, tax burden reduction, and international market expansion facilitation (Jia et al., 2020).

The impact of these policies on Chinese SMEs is evident in their enhanced access to finance, increased innovation, streamlined administrative procedures, and facilitated market entry. Additionally, these policies have encouraged entrepreneurship and strengthened international trade (Bisht & Singh, 2020).

However, challenges persist for SMEs in China, including difficulties securing financing, regulatory compliance, technology gaps, and heightened global competition (Veronica et al., 2020). Furthermore, evolving global trends and emerging issues such as digital transformation, climate change, social justice, and public health crises pose ongoing challenges to government policies (Calderón, 2021; Hoffer, 2023; Yadav et al., 2020).

A deeper understanding of the complex dynamics and challenges SMEs face under government intervention is crucial. Continued research in this area will shed light on the effectiveness of government policies and their impact on the sustainable growth of SMEs in China (Abdoul-Azize & El Gamil, 2021).

2.2.3 Family Support

Family support, a critical concept in domains like entrepreneurship and psychology, is differentiated into emotional, instrumental, and financial forms (Mari et al., 2016; Welsh et al., 2016). Emotional support, characterized by empathy and care, alleviates stress and enhances morale (Mari et al., 2016). Instrumental support provides tangible assistance, such as operational help or experienced advice (Welsh et al., 2016). Financial support offers monetary resources essential for ventures like business startups (Mari et al., 2016).

The Family Support Scale (FSS) by Dunst et al. (1984) quantifies the extent of support, encompassing emotional and

instrumental dimensions. Financial support is gauged by monetary assistance, while psychological capital indicates the support's impact on individuals' psychological states (Xu et al., 2020).

Cross-disciplinary research examines family support's role in mental health, social dynamics, and entrepreneurial success. Psychological studies highlight its influence on well-being (Xu et al., 2020), sociological research delves into family dynamics and social capital (Williams et al., 2020), and business-focused research explores its contribution to business initiation and maintenance, particularly in entrepreneurial contexts (Mari et al., 2016; Welsh et al., 2016).

2.2.4 Entrepreneurial Leadership

Entrepreneurial leadership has emerged as a prominent leadership theory in the 21st century, synthesizing insights from existing leadership and entrepreneurship literature (Mehmood et al., 2021). This concept has gained traction in academic research and practical application (Ahmed & Harrison, 2022).

Three primary perspectives on entrepreneurial leadership have been identified in peer-reviewed publications: the psychological or trait-based viewpoint, the behavioral perspective, and the skills-based approach (Jisheng & Saeed, 2020). Despite extensive research, these concepts remain somewhat ambiguous (Bagheri & Harrison, 2020).

Entrepreneurial leadership is distinguished by its emphasis on innovation, risk-taking, and opportunity identification, distinguishing it from traditional leadership styles. Entrepreneurial leaders excel at creating new avenues for growth and driving innovation within their organizations (Karim et al., 2019).

These leaders are adept at recognizing and exploiting entrepreneurial opportunities, developing visionary goals, and mobilizing resources to realize their vision and create value for stakeholders and society (Tsetim et al., 2020). They are simultaneously motivated to pursue social, environmental, and economic opportunities, undeterred by resource constraints or uncertainty.

Entrepreneurial leaders also play a crucial role in cultivating entrepreneurial behaviors within their organizations. They foster an entrepreneurial spirit by embracing innovation, proactivity, risk-taking, authority, and self-confidence (Li et al., 2020). Entrepreneurial leaders reshape perceptions of individual competencies by empowering employees to challenge conventional methods and encouraging their involvement in idea generation and implementation (Li et al., 2020).

Beyond fostering a culture of innovation, entrepreneurial leaders encourage processes that enhance organizational performance. This includes discovering and exploiting opportunities, creative problem-solving, and efficiently utilizing resources (Sawaeen & Ali, 2020).

In summary, entrepreneurial leadership is a distinct approach to leading organizations in the 21st century. Entrepreneurial leaders guide organizations to thrive in change and uncertainty by prioritizing innovation, risk-taking, and opportunity identification. They create value for their organizations and society by cultivating entrepreneurial behaviors and nurturing a culture of innovation.

2.2.5 Management Innovation

Despite the acknowledged importance of management innovation (MI) in driving organizational success, the existing literature on innovation demonstrates a clear bias towards technological innovation (TI). This imbalance, highlighted by Peris-Ortiz and Hervás-Oliver (2013), reveals a disproportionate focus on technological advancements, while MI, encompassing novel organizational structures, systems, and practices, remains relatively underexplored. A more balanced exploration of TI and MI is essential to understand innovation and its multifaceted impact on organizations comprehensively.

Defining MI is challenging due to the lack of a universal definition. However, it is generally understood as introducing new ideas, methods, or practices that significantly alter how a company is managed and operated. MI transcends mere incremental improvements, aiming to transform the organization's form and working methods fundamentally.

Various scholars have proposed different definitions, emphasizing various aspects of MI:

Hamel (2006): MI is distinct from traditional management due to its substantial impact on organizational working methods.

Mol & Birkinshaw (2009) state that MI involves introducing novel management practices to the firm, specifically intended to enhance performance.

Volberda (2013): MI encompasses change activities that improve an enterprise's fundamental concepts, systems, processes, and structures.

In essence, MI is a transformative process that revolutionizes company management. It involves introducing new ideas, methods, or practices that can reshape various facets of the organization, aiming to improve performance, increase efficiency, reduce costs, and create new opportunities. Recognizing and exploring the significance of MI alongside TI is crucial for fully harnessing the potential of innovation to drive organizational growth and development.

3. CONCEPTUAL FRAMEWORK AND PROPOSITIONS

The conceptual framework illustrated in Figure 1 aims to elucidate the intricate relationships between government policy, family support, entrepreneurial leadership, management innovation, and the success of SMEs in China's rural communities. It posits that these factors interact dynamically and mutually reinforce each other, ultimately contributing to the overall success of rural SMEs.

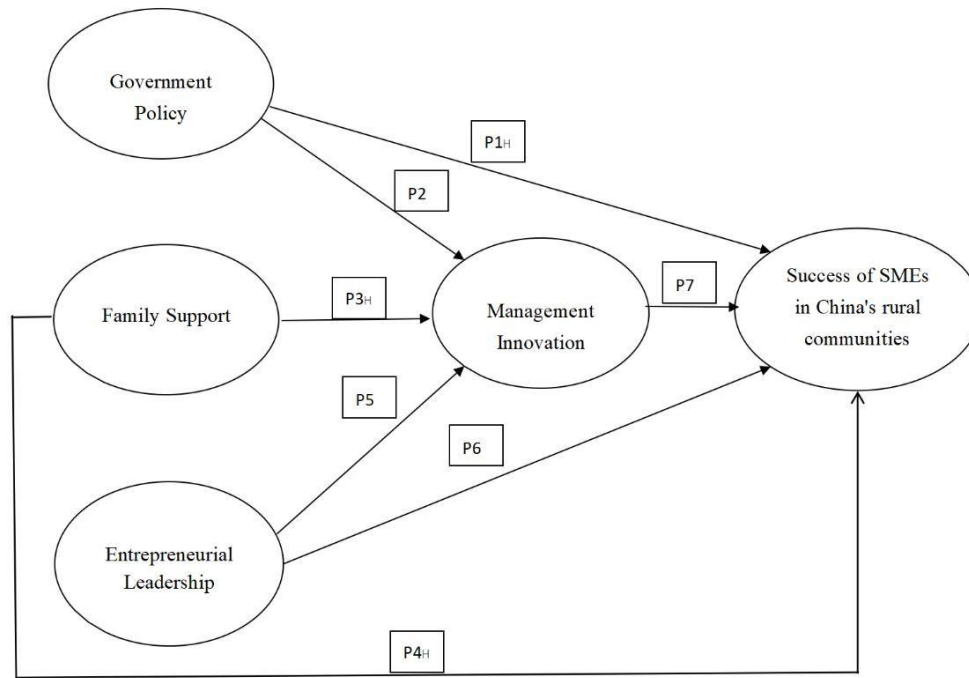


Figure 1. Conceptual Framework

P1: Government Policy Significantly and Positively Impacts the Success of SMEs in China's Rural Communities.

Government support plays a pivotal role in shaping the success of small and medium-sized enterprises (SMEs). Research indicates that government funding initiatives positively influence SMEs' access to finance, enhancing their viability and expansion prospects (Nurunnabi, 2020). Furthermore, effective regulatory frameworks have improved financial inclusion for SMEs (Fouejieu et al., 2020), while financial assistance programs implemented during the COVID-19 pandemic proved crucial for SME survival (Adam & Alarifi, 2021).

Government support extends beyond financial aid. Export promotion programs and diplomatic backing facilitate SME marketing efforts and internationalization, improving international performance (Catanzaro & Teyssier, 2021). Additionally, skills training initiatives offered by government organizations equip SMEs with essential knowledge and competencies, ultimately contributing to better overall performance (Nkwabi & Mboya, 2019).

A comprehensive approach that integrates financial support, regulatory streamlining, and entrepreneurial skill development is essential for fostering SME growth (Surya et al., 2021). However, it is crucial to acknowledge that the impact of government policies on SMEs can vary depending on contextual factors, industry characteristics, and specific organizational circumstances (Pulka et al., 2021). Therefore, policymakers should tailor support policies to address these nuances effectively.

Future research should investigate the interactions between government policies and their combined effects on SME success. This comprehensive understanding will provide policymakers with invaluable insights to design and implement more effective support mechanisms for SMEs (Adam & Alarifi, 2021).

P2: Government Policy Significantly and Positively Impacts Management Innovation.

Existing research on the impact of government policies on firm innovation has predominantly focused on technological innovation, with limited attention to non-technological or managerial innovation. While studies on management innovation have gradually increased, the exploration of the impact of government policies on this crucial aspect remains relatively scarce.

Government funding has been found to positively contribute to overall innovation performance, with its effectiveness influenced by factors such as management level, innovation quality, industry, and the size and continuity of subsidies (Xu et al., 2023). Sung (2019) identified a bidirectional causal relationship between firms' innovation and research and development (R&D) subsidies, indicating reciprocal influences.

Government regulations also play a significant role in promoting innovation, particularly in the technological realm. Protection of intellectual property rights (IPR) and corporate social responsibility (CSR) oversight have been found to enhance enterprise innovation performance (Zheng et al., 2021). Additionally, China's carbon emission trading system has positively impacted both the quantity and quality of innovation (Hu et al., 2020).

Government support programs further contribute to enterprise innovation. Technology development assistance is linked to patent acquisition among SMEs (Doh & Kim, 2014). However, the effectiveness of such support is contingent on various factors, including market orientation, management methods, and legal frameworks for innovation (Novikov, 2018).

While the existing literature emphasizes the importance of government funding, regulations, and support programs in fostering firm innovation, it also acknowledges the contextual influences on their effectiveness. Notably, more research is needed on the impact of government policies on non-technological and managerial innovation to understand their role in promoting overall innovation in enterprises.

P3: Family Support Significantly and Positively Impacts Management Innovation.

Family support is a multifaceted construct that profoundly influences innovation within small and medium-sized enterprises (SMEs). Empirical studies consistently demonstrate a positive relationship between family support and employees' innovative behavior (Liu et al., 2019; Nurfaizal et al., 2018).

Specifically, family-work enrichment has been found to enhance psychological capital, fostering a climate conducive to innovation (Liu et al., 2019). Additionally, spousal instrumental support influences innovation behavior through family-work gain, with preferences for work-family segregation as a moderating factor (Wu & Pan, 2023).

Family support often operates by enhancing individual psychological resources and creating an environment encouraging creativity and innovation (Nurfaizal et al., 2018). However, it is important to acknowledge potential negative implications, such as fostering dependency that might hinder risk-taking and innovative endeavors (Wang & Schøtt, 2022).

P4: Family Support Significantly and Positively Impacts the Success of SMEs in China's Rural Communities.

Extensive research underscores the crucial role of family support in launching, sustaining, and enhancing business performance in SMEs. Family support significantly increases the likelihood of higher business earnings by providing essential resources and instilling confidence and stability in entrepreneurs (Mari et al., 2016).

The positive link between family support and business performance is well-established. Studies by Eddleston and Powell (2012), Imbaya (2012), Vадnjаl and Vадnjаl (2013), and Welsh et al. (2016) confirm that family support enhances business resilience, adaptability, and long-term success.

Recent literature further supports and expands these findings: Williams et al. (2020) highlight the significant influence of family dynamics on entrepreneurial success, particularly in culturally diverse contexts. Neneh and Welsh (2022) demonstrate the importance of family support in the digital age, aiding entrepreneurs in navigating technological changes. Xu et al. (2020) find that psychological well-being, bolstered by family support, is critical for effective stress management and decision-making, ultimately leading to better business performance. Herchet (2021) explores how emotional and instrumental family support fosters entrepreneurial resilience, translating to higher business continuity and success rates. Cardella et al. (2020) and Zhang and Zhou (2021) reveal that family support significantly empowers female entrepreneurs, helping them overcome gender-related barriers and biases.

In conclusion, family support is vital in both management innovation and overall business success for SMEs, particularly in China's rural communities.

P5: Entrepreneurial Leadership Significantly and Positively Impacts Management Innovation.

Existing academic research underscores the link between leadership and enterprise innovation, focusing on the impact of various leadership styles on innovative behavior. Transformational, servant and ethical leadership have been associated with exploratory, ambidextrous, service, and organizational innovation (Mihardjo et al., 2019; Hou et al., 2019; Berraies & Zine El Abidine, 2019; Su et al., 2020; Shafique et al., 2020; Hansen & Pihl-Thingvad, 2019).

Studies examining entrepreneurial leadership and enterprise innovation emphasize its crucial role in promoting innovation within SMEs. Entrepreneurial leadership has positively influenced employees' innovative behavior, individual/team creativity, and innovative work behavior (Akbari et al., 2021; Mehmood et al., 2021; Mehmood et al., 2022). However, this relationship is complex, with factors like knowledge sharing and innovation climate acting as mediators (Abualoush et al., 2022; Malibari & Bajaba, 2022; Hoang et al., 2022; Iqbal et al., 2022).

Research also demonstrates a positive relationship between leadership and management innovation, with transformational leadership significantly impacting management innovation in the consumer goods industry (Purwanto et al., 2021). Moreover, the climate for creativity has been identified as a mediator between leadership and management innovation (Hassi, 2019; Karatepe et al., 2020).

While the literature emphasizes the positive impact of leadership, including entrepreneurial leadership, on enterprise innovation, direct research on the relationship between entrepreneurial leadership and management innovation remains limited. Further investigation is needed to comprehensively understand how entrepreneurial leadership fosters management innovation in various organizational contexts.

P6: Entrepreneurial Leadership Significantly and Positively Impacts the Success of SMEs in China's Rural Communities.

Entrepreneurial leadership is pivotal in the success of small and medium-sized enterprises (SMEs) across diverse countries and industries. Numerous studies consistently demonstrate its positive influence on organizational performance and innovation.

For example: Nguyen et al. (2021) found that entrepreneurial leadership enhances the performance of IT SMEs, with team creativity, dynamic capabilities, and competitive advantage mediating the relationship. Sawaeen and Ali (2020) discovered that entrepreneurial leadership, coupled with a learning orientation, positively affects organizational performance based on a survey of 500 SME owners and CEOs in Kuwait. NAUSHAD (2021) inferred that entrepreneurial leadership positively influences SME performance in Saudi Arabia, emphasizing its crucial role. Paudel (2019) revealed a significant and positive impact of entrepreneurial leadership on organizational performance among SME owners in Nepal. Imran and Aldaas (2020) highlighted the positive impact of perceived organizational support (POS) and entrepreneurial leadership on SME performance in Oman. Quaye and Mensah (2019) found that gender-specific leadership dynamics significantly influence firm performance in Ghana. Simić et al. (2020) emphasized the importance of entrepreneurial leadership and human capital in SMEs' performance in Serbia, with human capital mediating the relationship.

The literature suggests that entrepreneurial leadership drives SME performance, fosters innovation, and enhances competitiveness, particularly in innovation-driven industries. This underscores the critical role of entrepreneurial leadership in promoting the success of SMEs, including those in China's rural communities.

P7: Management Innovation Significantly and Positively Impacts the Success of SMEs in China's Rural Communities.

Innovation is widely acknowledged as a crucial factor driving firm success. Research by Nemlioglu and Mallick (2020) indicates that innovation positively affects firms' valuation in emerging economies during the post-crisis era, irrespective of their debt levels.

Several studies examining management innovation (MI) suggest a positive association with firm success: Zhang et al. (2019) found that MI significantly contributes to firm sustainability and organizational performance, with sustainability as a partial mediator. This research involved 304 CEOs and top executives, providing robust evidence for the positive impact of MI. Ozturk and Ozen (2021) observed that MI has a stronger positive influence on product and process innovation in service firms and SMEs than in manufacturing and large firms. This suggests that MI may benefit SMEs in sectors like services. However, it is important to acknowledge that some studies have reported non-significant or negative relationships between MI and SME performance. This indicates that the impact of MI on SMEs may be contingent upon various factors, including contextual factors, industry characteristics, and specific organizational circumstances.

Further research is warranted better to understand the nuanced relationship between MI and SME performance. This includes investigating the moderating and mediating factors that influence the effectiveness of MI in different contexts. By exploring these complexities, we can develop more targeted and effective strategies to harness the power of MI to enhance the success of SMEs, particularly in China's rural communities.

4. DISCUSSION AND CONCLUSION

This study presents a conceptual framework that underscores the interconnectedness of government policy, family support, entrepreneurial leadership, and management innovation in shaping the success of rural SMEs in China. A comprehensive literature review has identified these four factors as critical determinants of SME success in this context.

Government policies, particularly those incentivizing rural entrepreneurship, streamlining regulations, and providing financial support, create an enabling environment for SME growth (Terziovski, 2010; Ayerbe et al., 2020). These policies directly impact SMEs' access to resources and their ability to overcome barriers to entry and expansion.

Often overlooked in traditional business research, family support significantly contributes to SME success in rural China. It provides essential financial, labor, and emotional resources for establishing and growing SMEs (Pistrui et al., 2001). The integration of family resources and networks can enhance resilience and sustainability in these enterprises.

Entrepreneurial leadership is a driving force behind SME success. Entrepreneurial leaders' adaptability, vision, and ability

to inspire and motivate are instrumental in navigating challenges and fostering a culture of innovation within their organizations (Pistrui et al., 2001; Zhang et al., 2019).

Management innovation, including adopting lean practices and digitalization, is crucial for optimizing operations and ensuring the long-term viability of rural SMEs (Barney, 1991). By embracing new management approaches and technologies, SMEs can improve efficiency, reduce costs, and enhance competitiveness.

This study's findings have significant implications for policymakers, entrepreneurs, academics, and development organizations. Policymakers should prioritize targeted policies that address rural SMEs' unique challenges and continuously adapt to their evolving needs (Ang, 2018). Entrepreneurs should develop their leadership skills, seek mentorship and guidance, and collaborate to overcome common obstacles (Restrepo-Morales et al., 2019). Academia can contribute by conducting rigorous research to validate and refine the proposed framework, deepening our understanding of the dynamics within rural SMEs (Huang et al., 2021). Development organizations can use these insights to design effective capacity-building interventions promoting sustainable rural economic growth (SBA, 2019).

However, it is important to acknowledge the limitations of this conceptual study. Further research is needed to empirically validate the proposed relationships between these variables and explore the specific mechanisms through which they influence SME success. Additionally, future studies should investigate the potential moderating and mediating effects of other factors, such as industry type, firm size, and regional characteristics, on the relationships proposed in this framework.

Despite these limitations, this study contributes to the existing body of knowledge by providing a holistic understanding of the factors influencing rural SMEs success in China (Wang & Cao, 2018; Jiao et al., 2020). It offers a roadmap for future research and practical interventions to foster sustainable economic development in rural communities. By embracing a multifaceted approach that recognizes the importance of external support and internal capabilities, stakeholders can unlock the full potential of rural entrepreneurs and contribute to China's broader economic and social development (Caishuang, 2021).

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