

SMEs Performance Based on Strategic Leadership: The Role Mediating of Dynamic Capabilities

Engga Jalaludin¹, A. Sobandi², Budi Santoso³

¹ Management Study Program, Faculty of Economics and Business Education, Universitas Pendidikan Indonesia, Indonesia

² Management Study Program, Faculty of Economics and Business Education, Universitas Pendidikan

³ Management Study Program, Faculty of Economics and Business Education, Universitas Pendidikan

Article Info

Article history:

Received May, 2024

Revised Sep, 2024

Accepted Sep, 2024

Keywords:

Dynamic Capabilities

Leadership in SMEs

Organizational Performance

SMEs Performance

Strategic Leadership

ABSTRACT

This study aims to bridge the gap from some previous research results that examine the correlation between strategic leadership and firm field-presentation by using the dynamic capability model (staff empowerment with flexible and integrated capability, resilient dynamic capability and agility dynamic capability) as a go-between variable. This study examines the direct outcome of strategic leadership on SME field-presentation and then examines the indirect effect through the in-between role of dynamic capability (staff empowerment with flexible and integrated capability, resilient dynamic capability and agility dynamic capability) on SME performance. The method utilized in this study is statistical analysis method by conducting an online survey to SME owners/managers in Jakarta. From the survey distributed, a total of 475 respondents returned the questionnaire that had been answered and valid. The collected data were analyzed using SEM-PLS 4.0. The results showed that strategic leadership variables have a positive and significant influence on SME performance. Similarly, the same results are shown in the indirect results of strategic leadership variables on SME performance through the afro mentioned go-between role of dynamic capability (staff empowerment with flexible and integrated capability, potent dynamic capability and agility dynamic capability).

This is an open access article under the [CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.



Corresponding Author:

Name: Engga Jalaludin, S.Sos., M.M

Institution: Management Study Program, Faculty of Economics and Business Education, Universitas Pendidikan Indonesia, Indonesia: Jl Setiabudhi No. 229, Bandung Indonesia

Email: engga.jalaludin@upi.edu

1. INTRODUCTION

Small and Medium Enterprises (SMEs) plays a significant role in the economic development of a country. SMEs contribute significantly to the Gross Domestic Product (GDP), poverty management, income equality, tax revenue, field export activities, domestic savings, job

availability, and entrepreneurial development of an economy [1]. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2021a) 64.2 million SMEs in Indonesia contribute significantly to total employment (96.92%) and 61.07% to the country's GDP. [2] states that the mortality

rate of SMEs is as of in the utmost importance as only one-fourth of all new commerce entities survive for 15 years or more. About half of all new commerce entities fail within the first 5 years, and 66% within the initial decade. Similarly, among other developing countries, the count of SME entrepreneurial failures in Indonesia is among the highest. In 2013, Boston Consulting Group reported that 70 per cent of SMEs in Indonesia results in complete failure by the second generation, and 93% failure rate in the third generation [3][4]. This is alarming and points to the need to better understand SMEs.

Based on this phenomenon, this investigation and research tries to contribute to providing solutions by in-depth grasp on how the theoretical framework approach of strategic leadership and flexible-integrated capabilities impacts the performance of SME companies. Strategic leadership is considered essential for successful entrepreneurs [1]. Leaders act as policy makers and decision makers in an organization. Leaders responsible for an enterprise are obligated to be able to utilize the necessary abilities, expertise, strategies, and skills to run and lead the company in the right direction [5]. Strategic leadership can be explained as the mandatory capability of a leader 'to expect, simulate, learn, maintain adaptability, long-term thinking and cooperative actions with associated units to initiate changes that will create a good future for the organization [6][7] previous research examining the correlation between strategic leadership and company field-presentation has been carried out more in large companies, there are still few studies that examine small companies [8] So this study inquires the examination of the relationship of strategic leadership in small and medium-sized companies referring to research [9]

The correlation between strategic leadership and company field-presentation has been widely studied by preceding researchers, like [10][11][12][13], the results of their research presents that strategic leadership positively affects the improvement of company field-presentation.

However, in contrast to the results of other studies conducted by [9][14][15] which suggest that strategic leadership indirectly affects on company field-presentation. From some of the research results that examine the correlation between strategic leadership and company field-presentation, it shows that there are still differences or gaps so that this research is carried out with the aim of being a bridge for the relationship between strategic leadership and company performance. To bridge gaps of differences in research results on strategic leadership and company performance, this study uses a mediation approach by applying dynamic capability theory by applying three mediating variables: Employee Empowerment Dynamic Capability, Resilient Dynamic Capability and Agility Dynamic Capability [16]. The dynamic capability model in this study is a refinement of the model that has been used in previous research [9]. With the aim that a more refined, integrated and complete framework can be developed for SMEs. These flexible and integrated capabilities should be thoroughly researched throughout the SME wheel of life so that the significance of each capability can be known about strategic leadership, which requires employee involvement in the fruition of visions, decision making, and all superintendence activities.

According to the study phenomena found in the object of research and has been described in the introduction of this study and there is still a gap in the aftermath of preceding research examining the correlation between strategic leadership and company field-presentation, this research will thoroughly analyze the performance of SMEs based on strategic leadership with the go-between role of dynamic capability (employee empowerment, resilient dynamic capability and Agility dynamic capability).

2. LITERATURE REVIEW

2.1. Theory and Model Development

Dynamic Capability Theory and Leadership Theory

This research uses Dynamic Capability theory [17] to examine how an organisation has the ability to integrate, rebuild, and reconfigure its internal resources and competencies in response to changes in the external environment. [16] introduced the concept of Dynamic Organizational Capability. This capability explains how it can maintain a competitive advantage by responding to environmental changes, and creating favorable environmental changes for the organization [17]. [18]strategic leadership theory gives organizational leaders the ability to create and recreate the reasons for the organization's continued existence. Strategic leadership takes steps to structure the organization in such a way that it is efficient in exploiting strategic opportunities in the external environment. Therefore, organizational performance depends on the confluence of interacting forces managed by strategic leadership. According to [7], strategic leadership is the leader's ability to predict, maintain flexibility and empower organizational members to create necessary strategic change. [19] view strategic leadership as the ability to operate successfully and deliver outstanding performance. [20]describes strategic leadership as the power to influence organizational effectiveness and the creation of competitive advantage by managing internal and external environments.

2.2. Model Development

a. Strategic leadership On SMEs Performance

Business performance refers to the long-term prospects of a

company's financial health, customer retention, effective risk management, and consistent adaptation to the changing business environment [21]. According to the strategic management literature, business leaders should engage in strategic leadership practices to enhance the adaptability of their organizations, which increases success and survival [22][23][24]. Most research on strategic leadership concentrates on leadership 'within' organizations, while micro leadership theory prioritizes the role of leaders 'within' organizations [25]. To improve company performance, strategic leadership focuses on ambiguous and complex multifunctional tasks. Anticipating, challenging, interpreting, deciding, aligning and learning are the six ways strategic leadership is used to ensure the survival of the firm [26].

Overall, the success of SMEs depends on their ability to adjust to their environment by making the right decisions that increase effectiveness and efficiency. The ability to anticipate, challenge, interpret, decide, align, and learn are strategic leadership skills that determine the success or demise of an enterprise [26], but since SMEs have fewer resources than larger public companies, it may be more important to look at how they successfully navigate unknown issues. We propose the following hypotheses based on the available intel on strategic leadership, firm performance, and SMEs:

- H1. Strategic leadership has a positive effect on SME performance
- b. **Strategic leadership, employee empowerment dynamic capabilities and SMEs performance**

An organisation builds strong adaptable and flexible capabilities to improve performance by engaging active-service staff in

continuous learning and empowering them towards the same and shared view. The process of empowering employees towards a shared vision involves their participation in adjustment, belonging and implementation of a shared and same vision. Responsibilities are delegated close to decision-making, encouraging motivation to learn and take responsibility for their respective roles [21]. Leadership's ability to drive and guide employees towards a shared view is crucial in implementing any strategy to adapt in a volatile commerce playing field [23][27][28]. SMEs, which often have limited resources compared to large enterprises, must rely on empowerment efforts to optimise their dynamic potential. It is within expectation that strategic leadership will positively contribute to the development of Dependable Dynamic Capability (EEDC) in SMEs, as this leadership approach recognises the role of employees as key assets that can drive organisational growth and success if managed strategically in decision-making.

Recent research shows that empowering employees has positive effects both at the individual level and on the overall organisation (García-juan & Escrig-tena, 2017; Solansky, 2014). Providing response and involving employees in the making of policies and terms process, which in turn can strengthen organisational structures [28] Thus, driving employees to be involved in decision-making and consistently requesting response from them can increase the overall company performance. The existence of limited resources and the involvement of all employees and commitment to the company's goals in SMEs are expected to have a

greater positive impact on company performance. Therefore, it is assumed that strategic leadership in SMEs will influence the development of Dependable Dynamic Capabilities (EEDC), and the positive impact of these capabilities will be reflected in company performance. As a consequence, the proposed hypothesis is as follows:

H2. Dynamic capabilities of employee empowerment mediate the effect of strategic leadership on SMEs performance strategic leadership on SME performance

H2a. Strategic leadership has a positive effect on EEDC.

H2b. Employee empowerment dynamic capability has a positive effect on SME performance.

c. Strategic leadership, Potent Dynamic Capabilities and SMEs Performance

As expected from the positive impact that strategic leadership has on the development of Dependable Dynamic Capabilities (EEDCs), furthermore, it is anticipated that strategic leadership will facilitate the development of additional forms of adaptable and flexible capabilities. The importance of strategic leadership to an organisation lies in its ability to construct the necessary adaptation to overcome obstacles and deal with difficult situations. [31] defines reactive dynamic capability (RDC) as a structure that enables organisations to: (1) quickly capture critical cues and information, enabling rapid response to environmental changes; (2) activate, deactivate, recombine, and collaborate on actions, resources, and abilities with high efficiency; and (3) uphold processes of change, experimentation, and adaptations by managing involved costs and risks. The higher frequency of an organisation develops its RDC, the more effective it will be in

responding to emerging challenges and opportunities from the surrounding environment[31][32], thus enabling the company to avoid engaging in strategies that may not prove beneficial.

Resilient Dynamic Capability (RDC) enables firms to flourish by overcoming obstacles and difficulties, which in turn improves firm performance [16]. Strategic leadership development towards RDC is specifically important for SMEs when compared to large enterprises due to their higher risk of extinction and lack of resilience to obstacles due to limited access to resources (Marković, 2018; Samimi et al, 2022). Overall, the adaptability of a firm, especially SMEs, depends on the presence of strong leadership[33][9]. [35]found that the initial steps to improve the resilience of SME firms include abandoning allegiance to the status quo, seeking new insights, and actively identifying new entrepreneurial opportunities. Each of these steps are possibly triggered by strategic leadership, given its focus on constant learning and gaining innovative insights[36][7][23][26]. We recommend that strategic leadership is particularly necessary for SMEs to develop RDC. This capability then becomes critical for SMEs to adapt to the surrounding playing field, face difficulties, and hence achieving peak performance goals [37] Based on the theoretical perspective of adaptable and flexible capabilities and the positive impact of strategic leadership on corporate processes, especially in the context of SMEs, the following hypotheses are proposed:

H3. The positive influence of strategic leadership on SME performance is mediated by resilient dynamic capabilities

H3a. Strategic leadership has a positive effect on resilient dynamic capabilities.

H3b. Resilient dynamic capabilities have a positive effect SME performance.

d. Strategic leadership, adaptable and flexible capabilities and SME performance

Agility is a dynamic element that is essential for company performance[38][39][40]. Flexible abilities points to a collection of superb skills that demonstrate a company's ability to integrate, construct, and allocate its resources or skill structure to adapt to the evolving business field [39]. To maintain long-term sustainability and keep up with growing customers, competitors, and technology, companies need to continuously update their capabilities to avoid organizational rigidity or inertia. They achieve this by capturing market opportunities, overcoming threats, and increasing competitiveness through asset upgrading and restructuring[41].

According to [42], there is a strong connection between organizational flexibility and organizational performance. This flexibility has proven to be a very important tool for companies, especially in situations of uncertainty. In line with this,[43] stated that organizational flexibility can increase organizational effectiveness, which in the end can result in increased company performance, especially when facing uncertainty. In situations of profound uncertainty, flexibility is likely to be a valuable attribute for organizations managed by strategic leaders. Organizational agility is considered the key to success for an organization[44]. Based on findings from previous research, the

hypothesis proposed in this research is as follows:

H4. The positive influence of strategic leadership on SME performance is mediated by agility dynamic capabilities.

H4a. Strategic leadership positively affects flexible and adaptable capabilities.

H4b. Agility dynamic capabilities have a positive effect on SME performance.

3. METHODS

This research uses quantitative methods, the conceptual framework of this study inquires explanation of the relationship model of strategic leadership and SME field-presentation and the mediating role of the dynamic capability model (Staff empowerment dynamic capability, Resilience Adaptable and flexible Capability, and agility dynamic capability) on the effect of strategic leadership on SME performance. Strategic leadership variables were measured using eight items designed to thoroughly evaluate the leader's capabilities to expect, challenge, interpret, decide, align, and learn [26]. The employee empowerment dynamic capability variable, measured using a 4-item scale adopted from [21]. The items observe how employees are associated in the

adjustment, ownership, and implementation of a shared vision. resilience dynamic capability, measured using a 5-item scale adopted from [31] adjusted to the context of this study. The items were designed to evaluate capabilities in real-time to develop and alleviate resources to adapt to the ever-evolving commerce playing field. The agility dynamic capability variable adopts four items from Liu and Yang (2020) and [38] Such as aggressive market awareness, responsiveness, haste and flexibility. Company performance variables are measured using two items (profit growth and sales growth) adapted from [45][46].

All variables are measured using a Likert scale (1 = strongly disagree to 5 = strongly agree). SEM PLS 4.0 software was utilized to examine the information. In this research, the object of examination is SMEs in Jakarta. This research utilizes the contacts of SME owners from a variety of sources, such as Jakpreneur, SME association database, and the Ministry of Cooperatives and SMEs of the Republic of Indonesia. Subjects were picked by a purposive sampling method based on the inclusion criteria, namely general stakeholders, senior managers and supervisors of SMEs.

4. RESULTS AND DISCUSSION

4.1. Result

Table 1. Respondent Characteristics

Characteristic	(N=475)	(%)	Characteristic	(N=475)	(%)
<i>Gender</i>			<i>Business exp</i>		
Male	315	66.3	5 – 10 year	87	18.3
Female	160	33.7	11 – 16 year	124	26.2
<i>Age</i>			> 17 year	264	55.5
17 – 27	37	7.8	<i>Business sector</i>		
28 – 38	42	8.8	Service	93	19.6
39 – 49	201	42.3	Trade	250	52.7
50 – 60	123	25.9	Manufactur	132	27.7
> 61	72	15.2	<i>Number of employee</i>		
<i>Marital status</i>			1 – 5 people	54	11.4
Married	326	68.6	6 – 10 people	157	33.0
Single	140	29.5	> 11 people	264	55.6
Widow/widower	9	1.9	<i>Position</i>		
<i>Educational</i>			Owner	317	66.7
University level	167	35.1	Manager	89	18.8
Level-non univ	308	64.8	Supervisor	69	14.5

<i>Business location</i>					
Central Jakarta	28	5.9			
South Jakarta	289	60.8			
East Jakarta	60	12.6			
West Jakarta	87	18.4			
Kep Seribu	11	2.3			

Source: Processed primary data (2017)

According to the characteristics of the subjects shown in table. 1 show during this survey there were 66.3% male respondents and 33% female respondents so that the survey results in this study show that there are more male respondents than female. From the age factor, it shows that 7.8% of respondents are 17-27 years old, 8.8% are 39-44 years old, 42.3% are 39-49 years old, 25.9% are 25.9%, and 15.2% are > 61 years old. In terms of position in this study, respondents were selected as business owners or managers, where there were 67.7% as owner-managers 18.8% and 14.5% supervisors. In terms of business experience, it shows that business actors who have business experience between 5 to 10 years are 18.3% and business actors who have 11 to 16 years of business experience are 26.2% and business experience > 17 years are 55.5%. In terms of education, it shows that there are 80.2% of business actors with non-business education backgrounds and 35.1.2% of business actors with higher / university education backgrounds while business actors who have non-higher education backgrounds are 64.8% so that the results of this study indicate that business actors with non-higher education backgrounds dominate over business actors with higher education education backgrounds. Then in this study the business sector is categorised into 3 business groups where 52.7% of the trade sector, 19.6% of the service sector and 27.7% of the manufacturing sector. In terms of the number of employees shows

that 11.4% of SMEs have employees 1 - 5 people, 33.0% have employees 6 - 10 people, 55.6% have employees > 15 people. By area/region, it shows that 5.9% of SMEs are located in Central Jakarta, 60.8% of SMEs are located in South Jakarta, 12.6% of SMEs are located in East Jakarta, 12.6% of SMEs are located in East Jakarta, 18.4 are located in West Jakarta and 2.3% are located in the Thousand Islands.

a. **Validity and Reliability Test Results**

Based on Table 2, the factor loading value of available indicators is categorised as valid because the value is > 0.7 and ranges from 0.721 to 0.793. Based on the AVE value, all research constructs are considered valid because their values are ≥ 0.5 and range from 0.683 to 0.753. The next validity test conducted in this study is the discriminant validity test using the Fornell-Larcker criteria. The results of the discriminant validity test are presented in Table 3. In this table, it can be seen that all constructs are valid because they have an AVE square root value that is greater than the value of other construct classes (Hair et al, 2014). The conservative metric of internal consistency reliability, Cronbach alpha was used. All variables had Cronbach's alpha values better than 0.75. This indicates that each item can be trusted. Then after the validity test is carried out and all parameters meet the validity criteria, then the reliability test is carried out and the results show that the value obtained (≥ 0.70) ranges from 0.863 to 0.867 so

that all constructs can be said to be reliable.

Table 2. Loading Factor, Cronbach' alpha Composite Reliability dan Average Variance Extract

Construct	Indicator	Loading factor (>0.7)	Cronbach's Alpha	Composite Reliability (>0.7)	AVE (> 0.5)
Strategic Leadership	SL_1	0,793	0,897	0,863	0,746
	SL_2	0,785			
	SL_3	0,732			
	SL_4	0,712			
	SL_5	0,763			
	SL6	0,781			
Employee Empowerment Dynamic Capability	EEDC_1	0,773	0,921	0,867	0,685
	EEDC_2	0,743			
	EEDC_3	0,782			
Resilient Dynamic Capability	RDC_1	0,764	0,984	0,934	0,696
	RDC_2	0,721			
	RDC_3	0,719			
	RDC_4	0,749			
	RDC_5	0,793			
Agility Dynamic Capability	EDC_1	0,731	0,971	0,962	0,683
	ADC_2	0,749			
	ADC3	0,734			
	ADC4	0,739			
Firm Performance	FP_1	0,752	0,989	0,937	0,753
	FP_2	0,741			

Source: Primary data processed (2024)

Table 3. Fornell-Larcker criterion

	SL	EEDC	RDC	ADC	PF
Strategic Leadership	0.837				
Firms Performance	0.703	0.817			
Employee empowerment DCs	0.675	0.612	0.802		
Resilient DCs	0.658	0.607	0.773	0.782	
Agility DCs	0.624	0.613	0.694	0.637	786

Table 4. Results of Estimating Relationships Between Constructs

Description Path		Beta	T	P	r ²	f ²	Description
Direct effect							
H1	SL→FP	0.214	3.784	0.021		0.056	Accepted
H2a	SL→EEDC	0.401	6.138	0.000		0.118	Accepted
H2b	EEDC→FP	0.209	2.54	0.000		0.057	Accepted
H3a	SL→RDC	0.296	3.53	0.000		0.063	Accepted
H3b	RDC→FP	0.168	2.78	0.001		0.058	Accepted
H4a	SL→ADC	0.185	2.54	0.000		0.023	Accepted
H4b	ADC→FP	0.312	5.14	0.016		0.075	Accepted
Direct effect							
H2	SL→ EEDC →FP	0.301	0.465	0.00			Accepted
H2b	SL→RDC→FP	0.209	0.352	0.00			Accepted
H4	SL→ADC→FP	0.203	0.311	0.015			Accepted

***, ** significant levels at 0.001, 0.05

Source: PLS SEM Output Results (2024)

b. Direct Effect

As presented in Table 4, the information provided by this analysis shows that strategic leadership has a positive and significantly influences SME performance (H1). with a value of ($\beta = 0.214$; p-value = 0.021). Strategic leadership has a positive and significant effect on employee empowerment on firm performance (H2a) with a value of ($\beta = 0.401$; p-value = 0.000). Similarly, employee empowerment dynamic capability on company performance (H2b) has a positive and significant effect with a value of ($\beta = 0.209$; p-value = 0.000). Then, the results of further research show that strategic leadership has a significant effect on Resilient dynamic capability (H3a) with a value of ($\beta = 0.296$; p-value = 0.000). Resilient dynamic capability has a positive and significant effect on company performance (H3b) as indicated by the value ($\beta = 0.168$; p-value = 0.001). In addition, the results of this study indicate a positive and significant effect of strategic leadership on agility dynamic capability (H4a) with a value of ($\beta = 0.185$; p-value = 0.000). In line with that, the results of this study also confirm that (H4b) Agility dynamic capability has a positive and significant effect on company performance ($\beta = 0.312$; p-value = 0.016).

c. Indirect effect

Results of the analysis of indirect effects in this study are in accordance with table 4. which shows that the dynamic capability model (employee empowerment capability, resilient dynamic capability and agility dynamic capability) is able to mediate strategic leadership on company performance with a p value <0.05. Employee empowerment dynamic capability mediates the effect of

strategic leadership on company performance with a p value = 0.00. flexible and adaptable capability mediates the aftermath of leadership on company presentation in reality with p value = 0.00 and agility dynamic capability mediates the effect of strategic leadership on company performance with p value = 0.015.

4.2. Discussion

This study was conducted with the aim of empirically testing the after-result of strategic leadership on the field-presentation of SMEs located DKI Jakarta, filling gaps or differences from previous research results. With accordance with the information provided by the examination, it shows that strategic leadership positively affects SME emerges with noteworthy effect on SME field-presentation, this result answers Hypothesis 1. The information provided by this study can be a factual evidence and support the results of previous reasearches that delved into the effect of strategic leadership on company performance [11][47][10][48]. Strategic leaders have the primary responsibility in all decisions made by the company. They act as the primary decision-maker, using a 'top-down' approach to direct the course of the business. These leaders exclusively set the company's vision and create an environment that supports the achievement of that goal [23].

Findings provided by this study confirms hypotheses H2a and H2b, which show that strategic leadership positively and significantly affects dynamic capabilities of employee empowerment. Likewise, the same results show that employee empowerment has a positive and significant influence on SME performance. The results of this

research are in line with previous research findings and also support research results (Ireland and Hitt, 2005; Kuntz et al., 2019; Senge, 1997), which highlight the importance of leadership abilities in moving employees towards a shared vision in facing unstable business situations. Likewise, previous research shows that employee empowerment can have a positive impact on individual alongside the company field-presentation

The results from subsequent analysis shown in table 4 show that hypotheses H3a and H3b are accepted, meaning that leadership strategy has a positive and significant effect on resilient dynamic capabilities. Likewise, dynamic resilient capabilities have a positive and significant effect on SME performance. Thus, it can be concluded that leadership strategies can increase dynamic resilient capabilities and dynamic resilient capabilities can also increase SME performance. The results of this research are in line with the results of research conducted by [16][33][8]. The conclusions of this research indicate that leadership strategies are necessary for companies to build the strength necessary to overcome difficulties and overcome adversity. [31] Dynamic resilience capabilities enable companies to achieve prosperity through overcoming obstacles and difficulties which enable increased company performance [16].

The results of other analyzes documented in Table 4 confirm that both hypotheses 4a and 4b can be accepted. This indicates that strategic leadership has a positive and significant impact on dynamic agility capabilities, while dynamic agility capabilities also have a positive and significant impact on SME performance. This finding is in line

with research conducted by [42], which shows that there is a close relationship between organizational flexibility and organizational performance. This flexibility has proven to be a very important tool for companies, especially in situations of uncertainty. [43] stated that organizational flexibility can increase organizational effectiveness, which will ultimately improve company performance, especially when facing situations of deep uncertainty. Thus, flexibility will likely be a valuable attribute for organizations led by strategic leaders. Organizational agility is considered the key to success for an organization [49].

Based on the research results shown in table 4, it shows that the dynamic capability model (staff empowerment dynamic capability, tough dynamic capability, and agility dynamic capability) all play a go-between role in the influence of strategic leadership on SME performance. Employee empowerment is able to mediate the influence of leadership strategies on SME performance. It can be concluded that improving SME performance can involve employee empowerment. Likewise, resilience can mediate strategic leadership on SME performance. In conclusion, resilience can be a bridge for the influence of leadership on SME performance and agility is able to mediate the influence of strategic leadership on SME performance. This proves that agility can be a medium for improving SME performance.

5. CONCLUSION

According to the description above, the aftermath of this research can be concluded as follows: 1). Leadership strategies have a significant positive

aftermath on SME performance. 2). Dynamic employee empowerment capabilities mediate the influence of strategic leadership on SME performance 3). Leadership strategies influence the dynamic capabilities of employee empowerment 4). The dynamic capability of employee empowerment influences SME field-presentation. 5). Strong dynamic capabilities mediate the influence of strategic leadership on SME performance. 6). Leadership strategies for resilient dynamic capabilities. 7). Strong dynamic capabilities have a positive effect on SME performance. 8). Flexible and adaptable capability agility mediates the influence of strategic leadership on SME performance. 9). Leadership strategies have a positive influence on agility Dynamic Capability. 10). Agility Dynamic Capability has a positive influence on SME

performance. However, this research has several limitations, including the business sector that is the object of this research, SMEs which are still general in nature and for further research it is recommended to choose SMEs with a more specific business sector. This research uses a cross sectional approach and for further research it is recommended to use a longitudinal approach.

ACKNOWLEDGEMENTS

The contribution of this research is to confirm the results of previous research and develop a dynamic capability model as a mediating approach to the relationship between strategic leadership and SME performance.

REFERENCES

- [1] D. D. Negeri, G. G. Wakjira, and S. Kant, "Meta-Analysis of Entrepreneurial Skill and Entrepreneurial Motivation on Business Performance : Mediating Role of Streategic Leadership in SMEs Sector of Ethiopia," vol. 1, no. 1, 2023.
- [2] SBA, "Frequently Asked Questions," no. March, 2023.
- [3] M. Munawaroh, "Learning from entrepreneurial failure : examining attribution and contextual factors of small- and medium-sized enterprises in Indonesia," vol. 30, no. 3, pp. 501–522, 2023.
- [4] G. H. Kusuma and J. S. Humaniora, "Mechanisms of intergenerational knowledge transfer among Indonesian family SMEs Nurul Indarti," vol. 31, no. 4, pp. 475–491, 2017.
- [5] R. Y. Astuti, N. Sa'adah, S. D. Rahmawati, J. P. Astuti, S. Suprpti, and Y. Sudargini, "Impact of Leadership Style, Work Motivation, Organization Culture Toward Satuan Polisi Pamong Praja Work Performance," 2020.
- [6] S. C. Voelpel, M. Leibold, and R. A. Eckhoff, "The tyranny of the Balanced Scorecard in the innovation economy," vol. 7, no. 1, pp. 43–60, 2006.
- [7] D. G. Sirmon, M. A. Hitt, and R. D. Ireland, "Resource Orchestration to Create Competitive Advantage : Breadth , Depth , and Life Cycle Effects," vol. 37, no. 5, pp. 1390–1412, 2011.
- [8] M. Samimi, A. F. Cortes, M. H. Anderson, and P. Herrmann, "What is strategic leadership? Developing a framework for future research," *Leadersh. Q.*, vol. 33, no. 3, p. 101353, 2022.
- [9] E. and H. Quansah, "Strategic leadership in SMEs : the mediating role of dynamic capabilities," 2022.
- [10] C. A. Ambilichu, "Strategic leadership and firm performance : The mediating role of ambidexterity in professional services small- and medium-sized enterprises," pp. 1–19, 2022.
- [11] N. I. Akeke, "Strategic Leadership ND performance of Small and Medium Enterprise : The Role Of Strategic Interventions," vol. 26, no. 3, pp. 7–15, 2021.
- [12] N. Rafida *et al.*, "Management Science Letters," vol. 8, pp. 1387–1398, 2018.
- [13] T. J. Quigley and S. D. Graffin, "Reaffirming the CEO effect is Significant and much larger than change : A comment on fitza (2014)," no. October 2015, 2016.
- [14] K. Najmi, "Mediation e ff ect of dynamic capability in the relationship between knowledge management and strategic leadership on organizational performance accountability," vol. 60, no. 2, pp. 517–529, 2017.
- [15] M. A. Fitza, "How much do CEOs really matter? Reaffirming that the CEO effect is mostly due to chance," 2016.
- [16] M. A. Elgamal, "Dynamic Organizational Capabilities : The Joint Effect of Agility , Resilience and Empowerment," vol. 6, no. 2, pp. 44–49, 2018.
- [17] D. J. Teece, "Dynamic Capabilities And Strategic Management," vol. 18, no. March, pp. 509–533, 1997.
- [18] R. J. . House A Path Goal Theory of Leader Effectiveness," vol. 16, no. 3, pp. 321–339, 2014.
- [19] W. Deeboonmee and W. Ariratana, "Relationship between Strategic Leadership and School Effectiveness," *Procedia - Soc. Behav. Sci.*, vol. 112, no. Iceepsy 2013, pp. 982–985, 2014.
- [20] Yulk, "Kepemimpinan dalam Organisasi (Vol. Edisi Kelima). Jakarta: PT. Indeks. <http://annalso>," 2010.
- [21] V. J. Marsick and K. E. Watkins, "Demonstrating the Value of an Organization ' s Learning Culture : The Dimensions of the Learning Organization Questionnaire," vol. 5, no. 2, pp. 132–151, 2003.
- [22] S. Hotho, M. Dowling, S. Hotho, and M. Dowling, "Revisiting leadership development : the participant

- perspective," 2010.
- [23] R. D. Ireland and M. A. Hitt, "Achieving and maintaining strategic competitiveness in the 21 st century : The role of," no. February 1999, 2015.
- [24] R. Viitala *et al.*, "Article information ;," 2017.
- [25] Z. Simsek, "CEO Social Capital and Entrepreneurial Orientation of the Firm : Bonding and Bridging Effects," vol. 41, no. 7, pp. 1957–1981, 2015.
- [26] P. J. H. Schoemaker, S. Krupp, S. Howland, P. J. H. Schoemaker, S. Krupp, and S. Howland, "Strategic Leadership : The Essential Skills Strategic Leadership ;," no. February 2013, 2013.
- [27] J. Kuntz, B. Davies, and K. Naswall, "From transactional to transformational Exploring the role of leadership style on CEO succession outcomes," vol. 40, no. 7, pp. 815–827, 2019.
- [28] Senge, "Communities of Leaders or No Leadership at All Peter M. Senge and Katrin H. Käufer ABRIDGED for publication in," 1997.
- [29] B. García-juan and A. B. Escrig-tena, "The empowerment – organizational performance link in local governments," 2017.
- [30] S. Solansky, "Education and experience impact leadership development psychological empowerment," vol. 35, no. 7, pp. 637–648, 2014.
- [31] F. Ricciardi, "Organizational dynamism and adaptive business model innovation: The triple paradox configuration This is a pre print version of the following article:," no. April, 2016.
- [32] P. P. Tallon, "Inside the adaptive enterprise : an information technology capabilities perspective on business process agility," no. 123, pp. 21–36, 2008.
- [33] M. R. Marković, "Resilience Of Small And Medium-Sized Enterprises In Terms Of Globalization : An Evidence Of Serbia," vol. 22, no. 3, pp. 1–7, 2018.
- [34] M. Samimi, A. Felipe, M. H. Anderson, and P. Herrmann, "What is strategic leadership ? Developing a framework for future research Firm-level Outcomes," *Leadersh. Q.*, vol. 33, no. 3, p. 101353, 2022.
- [35] W. A. Demmer, S. K. Vickery, and R. Calantone, "International Journal of Production Engendering resilience in small- and medium-sized enterprises (SMEs): a case study of Demmer Corporation," no. November 2014, pp. 37–41, 2011.
- [36] A. Christensen-Salem, M. T. F. Zanini, F. O. Walumbwa, R. Parente, D. M. Peat, and J. Perrmann-Graham, "Communal solidarity in extreme environments: The role of servant leadership and social resources in building serving culture and service performance," *J. Bus. Res.*, vol. 135, pp. 829–839, 2021.
- [37] Smith, "Risk and Resilience Manager: Building Resilience in SME's," 2016.
- [38] Khan, "The role of social capital in augmenting strategic renewal of SMEs : does entrepreneurial orientation and organizational flexibility really matter?," vol. 17, no. 2, pp. 227–245, 2020.
- [39] D. Teece, "Dynamic Capabilities and Organizational Agility:," vol. 58, no. 4, pp. 13–35, 2016.
- [40] L. Cui, H. K. Chan, Y. Zhou, J. Dai, and J. J. Lim, "Exploring critical factors of green business failure based on Grey-Decision Making Trial and Evaluation Laboratory (DEMATEL)," *J. Bus. Res.*, vol. 98, pp. 450–461, 2019.
- [41] D. Teece, "Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance," *South. Med. J.*, vol. 28, pp. 1319–1350, 2007.
- [42] A. Y. Alhadid, "The Effect of Organization Agility on Organization Performance," pp. 273–278, 2016.
- [43] A. K. Okotoh, "Influence of organizational agility on operational," no. October, 2015.
- [44] W. A. Nafei, "Organizational Agility : The Key to Improve Organizational Performance," vol. 9, no. 3, pp. 97–111, 2016.
- [45] N. Boso, I. Adeleye, F. Donbesuur, and M. Gyensare, "Do entrepreneurs always benefit from business failure experience?," *J. Bus. Res.*, vol. 98, pp. 370–379, 2019.
- [46] L. Weinzimmer, C. A. Esken, E. J. Michel, W. C. McDowell, and R. V Mahto, "The differential impact of strategic aggressiveness on firm performance: The role of firm size," *J. Bus. Res.*, vol. 158, p. 113623, 2023.
- [47] S. Priadana, D. Sunarsi, and A. P. Sudarso, "The Effect of Strategic Leadership on Competitive Strategy and Business Performance : Evidence from Indonesian SME ' s," vol. 25, no. 4, pp. 4908–4918, 2021.
- [48] M. Munawaroh and I. N. Qamari, "Loss Recovery for Entrepreneurs Re-Entering from Business Failure," *Proc. 4th Int. Conf. Sustain. Innov. 2020-Accounting Manag. (ICoSIAMS 2020)*, vol. 176, no. ICoSIAMS 2020, pp. 89–97, 2021.
- [49] W. Nafei, "Organizational Agility : The Key to Organizational Success," no. April, 2017.