

LEADERSHIP 5.0 AND STRATEGIC AGILITY: TOURISM MSME STRATEGY FOR SUSTAINABLE COMPETITIVENESS

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Abstract

How to cite this paper: Suhermin, Zahro, M., Mahargiono, P. B., & Rahayu, R. (2025). Leadership 5.0 and strategic agility: Tourism MSME strategy for sustainable competitiveness. *Corporate Governance and Sustainability Review*, 9(4), 45–54.
<https://doi.org/10.22495/cgsvr9i4p4>

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ISSN Online: 2519-898X

ISSN Print: 2519-8971

Received: 05.03.2025

Revised: 01.07.2025; 17.07.2025; 06.10.2025

Accepted: 10.11.2025

JEL Classification: D22, L26, L83, M10, M12, M21, O32

DOI: 10.22495/cgsvr9i4p4

The performance and sustainability of tourism-sector micro, small, and medium-sized enterprises (MSMEs) are key academic concerns due to their significant impact on the national economy and society (Efthimiou, 2025; Esquivias et al., 2022; Silvestre Graça, 2022; Krasniqi & Tahiri, 2025; Nguyen Thi et al., 2024). This study examines the influence of Leadership 5.0 on sustainable competitiveness in tourism-sector MSMEs, with dynamic capability and strategic agility as mediating variables. Using a quantitative approach and survey method, data were collected through questionnaires distributed to MSME owners and managers in Surabaya, with purposive sampling and analysis via partial least squares-structural equation modeling (PLS-SEM). The results show that Leadership 5.0 has a positive and significant impact on dynamic capability, strategic agility, and competitive sustainability. Dynamic capability enhances the ability of MSMEs to manage change and adapt to a dynamic business environment, while strategic agility enables them to respond to market opportunities faster than competitors. Both variables act as mediators in the relationship between Leadership 5.0 and sustainable competitiveness, reinforcing the leadership's role in long-term competitive advantage. The findings of this study support David Teece's view that sustainable competitive advantage depends on an organisation's ability to adapt, integrate, and reshape internal competencies in line with external changes (Teece, 2018).

Keywords: Human Resource Management Strategy, Dynamic Capabilities, Strategic Agility, Competitive Sustainability, Competitive Strategies, Tourism Industry

Authors' individual contribution: Conceptualization — S., M.Z., P.B.M., and R.R.; Methodology — S. and R.R.; Software — S.; Validation — S., M.Z., P.B.M., and R.R.; Formal Analysis — S. and R.R.; Investigation — S., M.Z., P.B.M., and R.R.; Resources — S., M.Z., P.B.M., and R.R.; Data Curation — S., M.Z., P.B.M., and R.R.; Writing — Original Draft — S.; Writing — Review & Editing — S.; Visualization — S., M.Z., P.B.M., and R.R.; Supervision — S., M.Z., P.B.M., and R.R.; Project Administration — S., M.Z., P.B.M., and R.R.; Funding Acquisition — S., M.Z., P.B.M., and R.R.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

The tourism sector is one of the important pillars and has a big contribution to the economy. The creative industry sector in general contributes to Indonesia's economic growth. Discussion of the performance and sustainability of micro, small, and medium-sized enterprises (MSMEs) in the tourism sector is an important issue for academic research, because this sector has a big impact on the country's economy and society (Efthimiou, 2025; Esquivias et al., 2022; Silvestre Graça, 2022; Krasniqi & Tahiri, 2025; Nguyen Thi et al., 2024). Indonesian economic experts predict that the creative economy sector will experience growth, and the culinary sector will become a creative economy subsector that has the potential to experience rapid growth in 2023–2024 (Organisation for Economic Co-operation and Development [OECD], 2023). The contribution of MSMEs to economic growth in highly developed or industrialized countries is as important as in developing countries (Asumah et al., 2024).

But in the global context, the MSME sector also faces complex and dynamic changes. The biggest challenge faced by MSMEs is the ability to survive and succeed in competition and maintain the sustainability of their business (Latifah et al., 2021). Business sustainability refers to a company's ability to survive and succeed in a dynamic, competitive, and challenging business environment. Therefore, MSMEs must be able to adapt to an increasingly dynamic environment and take appropriate steps to maintain the sustainability of their business. One important element in maintaining the sustainability of a business is company performance. As stated by previous researchers, MSME performance is important for business sustainability and has an impact on the economy of society in general (Ramirez & Lim, 2021).

First, optimal MSME performance increases business competitiveness (Farida & Sutopo, 2023). With high productivity, continuous innovation, and effective management, MSMEs can survive in market competition and expand their market share. The sustainability of MSME businesses is highly dependent on how they are able to adapt to market and technological changes (Farida & Setiawan, 2022). Digitalization, for example, has helped many MSMEs improve operational efficiency and expand their customer reach, both locally and internationally (Triyonowati et al., 2023). In addition, MSMEs are also one of the main pillars in job creation. In various countries, including Indonesia, this sector absorbs a large number of workers and provides opportunities for people to improve their welfare. Thus, good performance from MSMEs means more job opportunities are created, which in turn can reduce unemployment rates and increase people's purchasing power.

Furthermore, the sustainability of MSMEs is also greatly influenced by support from various stakeholders, including the government, financial institutions, and the community itself (Sahela et al., 2021). Policies that support access to financing, training, and adequate infrastructure are important factors in improving MSME performance. Programs that encourage innovation and digitalization also need to be continuously developed so that MSMEs are increasingly able to face global challenges. Thus, good MSME performance not only contributes to the sustainability of its own business but also becomes the main driver of economic growth in

the community. Therefore, efforts to strengthen MSMEs must continue to be carried out so that this sector can become a solid foundation for a more stable and sustainable national economy.

The ever-changing business environment and rapid technological advances require MSMEs to increase their resource capacity in order to obtain optimal returns on investment (Hernández-Linares et al., 2021). In this context, dynamic capability becomes crucial for MSMEs, as it enables them to remain agile and continuously reconfigure tangible and intangible resources (Mansouri et al., 2022). The concept of dynamic capabilities refers to a company's ability to integrate, build, and configure internal and external resources to deal with rapid changes in the business environment. The application of this concept to MSMEs is seen as an integrated approach that optimizes organizational capabilities in realizing competitiveness.

Several studies show that dynamic capabilities have an impact on organizational performance (Dejardin et al., 2023), and contribute to open innovation performance, which ultimately increases the company's competitiveness (Pundziene et al., 2022). However, the findings of Sharfaei et al. (2023) indicate that dynamic capability does not have a significant influence on the performance of international MSMEs. According to Reed (2021), firm performance can increase with strategic agility under high turbulence conditions, but decline under low turbulence conditions. Ebrahim Seyadi and Elali (2021) emphasize that to achieve optimal performance, companies must identify and measure all factors that contribute to their operational flexibility. Ahsan et al. (2021) also emphasize the importance of strategic agility in a dynamic and complex business environment, where environmental dynamism acts as a moderator in the relationship between strategic agility and firm performance. Other studies also show that dynamic capability has an effect on MSME performance (Vrontis et al., 2023), growth of MSMEs (Gajere et al., 2023), as well as sustainable competitive advantage (Al Shawabkeh, 2024).

This study emphasizes the importance of internal and external resource utilization strategies in increasing the competitiveness and sustainability of MSMEs in the tourism sector. The level 5 leadership model is used to identify the most effective archetypes in advancing business. The concept of a level 5 leader refers to the paradoxical blend of deep personal humility and strong professional will, which is considered a key factor in creating extraordinary leadership (Salveti & Bertagni, 2020). The novelty of this study lies in the implementation of the strategic concepts, Leadership 5.0, dynamic capability, and strategic agility, which are generally applied to large businesses, into the context of MSMEs in the more traditional tourism sector. To date, research on Leadership 5.0, especially in the context of MSMEs, is still limited. Thus, the findings of this study contribute to the development of strategic management science, with the aim of designing a sustainable competitive strategy model for MSMEs. This model is expected to increase the competitiveness of MSMEs and strengthen their contribution to economic growth.

The structure of the research is as follows. Section 2 presents the theoretical basis, literature review, and hypotheses development. Section 3 describes the research methods used to facilitate the processing of this research data. Section 4 reports the results of data testing. Finally, Section 5

discusses the implications of the findings of this research that are important for stakeholders and opportunities for further research in the future.

2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

This section outlines the theoretical foundation that underpins the study and provides a basis for hypotheses development. This study is grounded in the dynamic capabilities theory developed by Teece (2018), which emphasizes the importance of an organization's ability to systematically integrate, build, and reconfigure internal and external resources in response to rapidly changing and complex business environments. In the context of tourism-sector MSMEs, this theory is highly relevant, as the industry is greatly influenced by market dynamics, technological changes, and global competitive pressures. Dynamic capabilities are not merely about survival, but about achieving sustainable competitive advantage through continuous innovation, agility, and adaptability. Leadership plays a crucial role in shaping these capabilities, particularly through the Leadership 5.0 approach, which focuses on mastering context, aligning competencies, developing character, and creating meaningful connections to drive positive transformation. Moreover, strategic agility serves as a practical manifestation of dynamic capabilities, enabling MSMEs to respond swiftly, innovate effectively, and remain flexible in navigating market challenges. Therefore, the dynamic capabilities theory serves as the primary theoretical foundation of this research, as it explains the internal mechanisms required for MSMEs to attain sustainable competitiveness in a dynamic and uncertain tourism sector.

Drawing from the literature on business sustainability, dynamic capabilities, strategic agility, and Leadership 5.0, the framework integrates these constructs within the context of tourism-sector MSMEs. Given the diversity of tourism activities and their unique challenges and opportunities, the framework is organized into five categories: 1) cultural tourism, 2) eco-tourism, 3) adventure tourism, 4) rural tourism, and 5) urban tourism. Each tourism type is discussed in relation to its socioeconomic and geographic relevance, and its interaction with leadership, strategy, and sustainability concepts. This categorization allows for a more contextualized understanding of how MSMEs across various tourism sectors can build competitive advantage through adaptive capabilities and agile strategies.

2.1. Cultural tourism

Cultural tourism relies heavily on preserving heritage and integrating traditional values into the modern tourism economy. In this context, business sustainability becomes essential for ensuring that tourism development respects local cultures while also providing economic benefits. Sustainable development, defined as meeting present needs without compromising future generations (Saavedra García, 2022), must be at the core of operations. From a business perspective, sustainability should guide organizational goals in ways that benefit the enterprise, society, and the preservation of cultural assets (Reyes, 2022). However, balancing economic profit, community identity, and cultural

integrity presents challenges that require thoughtful leadership and long-term planning. Leadership 5.0, through principles such as mastering context and building character, equips organizations to navigate cultural sensitivities while fostering innovation and community trust (Jaya & Nakuloadi, 2025).

2.2. Eco-tourism

Eco-tourism emphasizes environmental preservation and minimal ecological impact. As such, implementing strategic agility and dynamic capabilities is vital for businesses to align with ecological standards while adapting to changing environmental regulations and visitor expectations. Dynamic capabilities enable firms to integrate and reconfigure internal resources in response to environmental shifts (Ebrahim Seyadi & Elali, 2021), including resource scarcity and biodiversity threats. Strategic agility ensures quick adaptation to eco-tourism trends and sustainable practices, such as renewable energy use and waste management (Al Shawabkeh, 2024). Leaders in eco-tourism must inspire teams to adopt sustainable innovations, balancing profit with environmental stewardship.

2.3. Adventure tourism

Adventure tourism operates in unpredictable and often risky environments. In this sector, strategic agility is essential for managing sudden changes in safety protocols, traveler preferences, and natural conditions. It includes the ability to anticipate unexpected events and respond efficiently (Reed, 2021). Companies in this field must be highly responsive to technological changes and evolving safety standards. Strategic agility helps businesses turn uncertainty into opportunities, such as offering personalized, tech-enabled experiences. Leadership plays a central role by motivating teams to innovate and stay resilient in high-pressure situations, leveraging the principles of Leadership 5.0 to align competencies and foster adaptive thinking (Jaya & Nakuloadi, 2025).

2.4. Rural tourism

Rural tourism typically depends on local communities and agricultural economies, making business sustainability and community empowerment key themes. Companies must ensure that tourism activities contribute to local livelihoods without overexploiting natural or human resources. The implementation of dynamic capabilities in rural areas involves developing systems that integrate traditional knowledge with modern business tools, allowing rural MSMEs to remain competitive. Strategic agility also allows rural tourism businesses to pivot quickly in response to changes in consumer demand or agricultural cycles. Leadership 5.0 supports rural innovation by encouraging inclusive practices and nurturing local talent through contextual awareness and relationship-building.

2.5. Urban tourism

Urban tourism, often driven by high-tech infrastructure and dense competition, requires businesses to be fast, flexible, and customer-oriented. Strategic agility here becomes a decisive factor for success, as urban tourism is heavily influenced by changing regulations, digital disruption, and global travel trends. The ability to sense market needs and

reconfigure strategies rapidly is essential (Bayu et al., 2022). Leadership 5.0's emphasis on aligning competencies and creating connections is especially relevant in urban settings, where collaboration across sectors, such as transport, hospitality, and city planning, is crucial. Effective urban leaders drive innovation and economic growth while maintaining focus on sustainable and inclusive development.

2.6. Leadership 5.0, dynamic capability, strategic agility, and competitive sustainability

Micro, small, and medium-sized enterprises in Indonesia face major challenges to remain competitive and sustainable (Latifah et al., 2021). One of the biggest obstacles for MSMEs is the difficulty of getting access to financing. Many MSMEs do not have enough collateral to obtain credit from banks or financial institutions (Asyik et al., 2022). Although the government has encouraged the people's business credit program and other financing schemes, many MSMEs still have difficulty accessing capital due to limited financial literacy and poorly organized administration. MSMEs also face pressure from cheaper imports and large corporations with stronger capital and marketing strategies. With e-commerce and free trade, foreign products are increasingly able to enter the domestic market, forcing MSMEs to adapt to more innovative marketing strategies to stay competitive (Haryati et al., 2021). Changing regulations often make it difficult for MSMEs to run their businesses. For example, changes in taxation, licensing, and employment policies can increase the administrative burden for MSMEs that do not yet have the capacity to manage legal aspects properly. Thus, the challenges faced by MSMEs in Indonesia are multidimensional, covering financial, technological, regulatory, and market competition aspects. To overcome this, a role is needed involving the government, financial institutions, academics, and the private sector in creating a more inclusive business ecosystem. Thus, with the right strategy, MSMEs can be better prepared to face the digitalization era and increase their competitiveness in the global market.

One approach that can increase the competitiveness of MSMEs is through the implementation of Leadership 5.0, dynamic capability, strategic agility, and competitive sustainability. Leadership 5.0 refers to technology-based leadership, empathy, and sustainability values, which integrate artificial intelligence and digital transformation to drive business innovation (Schiuma et al., 2021). MSME leaders who implement this leadership not only focus on profitability but also pay attention to social and environmental sustainability.

Furthermore, dynamic capability is the organization's ability to identify, build, and configure internal resources to respond to market changes quickly and effectively (Lee et al., 2024). In the context of MSMEs, this capability is key in facing changing consumer trends and increasingly tight competition. In addition, strategic agility plays an important role in increasing the resilience and flexibility of MSMEs to disruption. Strategic agility allows MSMEs to develop adaptive strategies, innovate products, and accelerate decision-making processes in a dynamic business environment (Ebrahim Seyadi & Elali, 2021).

The integration of these three concepts contributes to competitive sustainability, namely

the ability of MSMEs to survive in the long term by maintaining a balance between innovation, operational efficiency, and business sustainability (Fu et al., 2022). MSMEs that implement technology-based leadership, have dynamic capabilities, and strategic agility are better able to face market challenges and create added value for stakeholders.

Thus, the success of MSMEs in Indonesia in achieving sustainable competitive advantage is highly dependent on how leaders implement visionary leadership, build dynamic capabilities, and increase strategic agility. This is the main key in facing the increasingly complex and uncertain digital economy era. Background information, justification for previous research, and the literature review that have been mentioned are the basis for researchers in formulating the following hypotheses:

H1: Leadership 5.0 influences dynamic capability.

H2: Leadership 5.0 influences strategic agility.

H3: Leadership 5.0 influences competitive sustainability.

H4: Dynamic capability influences competitive sustainability.

H5: Strategic agility influences competitive sustainability.

H6: Leadership 5.0 influences competitive sustainability through dynamic capability.

H7: Leadership 5.0 influences competitive sustainability through strategic agility.

3. RESEARCH METHODOLOGY

The research method suitable for conducting this research is the quantitative method. Questionnaires were used to obtain information from respondents regarding the variables under study. Therefore, the data collection process is categorised as primary data. A total of 296 MSME players in the tourism sector in Surabaya became the population of this study. Purposive sampling was used in the sampling procedure. Sampling using non-probability sampling techniques. Furthermore, the sample was taken using convenience sampling. convenience sampling is a sampling process that aims to facilitate researchers in taking samples (Jaya, 2024). This sampling uses Slovin's formula.

$$n = \frac{N}{1 + Ne^2} \quad (1)$$

So, for a population of 296 with a 5% margin of error, the required sample size is around 170 people.

These respondents come from MSME entrepreneurs in the tourism sector in Surabaya City, East Java. The reason for using respondents from the tourism sector MSME entrepreneurs in Surabaya City, East Java, is that Surabaya City is a metropolitan city with a strong MSME ecosystem in Indonesia. Surabaya City also has unique market characteristics, with a mix of domestic and foreign tourists, high purchasing power, and broad customer segmentation. This encourages tourism sector MSMEs to continue to innovate in products and services in order to compete. Unlike tourist areas such as Bali or Yogyakarta, which have strong cultural and natural attractions, tourism MSMEs in Surabaya are more dependent on historical, culinary, and shopping tourism, so they must be more creative in branding and marketing strategies.

The challenges faced by MSMEs in Surabaya are also more complex compared to other regions. Competition with big businesses, modern retail, and

the need to adapt to digitalization require MSMEs in this city to be more innovative in their strategies. However, good infrastructure, including high transportation accessibility, extensive digital connectivity, and supportive government regulations, provides a distinct advantage for MSME entrepreneurs in Surabaya. With these factors, research on MSMEs in the tourism sector in Surabaya can provide valuable insights into how small businesses can thrive in a dynamic and competitive metropolitan environment.

The data used in this study are primary, which comes from respondents' answers to the questionnaire. The answer choices in each questionnaire statement use a scale of 1 to 5. The analysis method uses statistical test tools to apply the partial least squares (PLS) method (Hair et al., 2019). PLS is used to analyze research data through three stages of verification analysis, such as evaluating the outer model, assessing the structural (inner) model, and testing the research hypotheses.

Table 1. Operational definitions of variables

No.	Variables	Definition	Indicator
1	<i>Competitive sustainability</i>	A company's capabilities that are difficult to imitate or surpass, and provide a superior long-term position compared to competitors.	1. Capacity to compete. 2. Capacity to connect. 3. Capacity to change (Danso et al., 2019).
2	<i>Dynamic capability</i>	The ability of an organization to intentionally adapt the organization's resource base.	1. Adaptive. 2. Absorptive. 3. Innovation (Ebrahim Seyadi & Elali, 2021).
3	<i>Strategic agility</i>	The ability to continuously modify and adjust the company's strategic direction to create and capture new value.	1. Agility drivers. 2. Agility attributes. 3. Agility enablers (Doz, 2020).
4	<i>Leadership 5.0</i>	Leadership that provides a new paradigm that will help create a sustainable future.	1. Context mastery. 2. Competency alignment. 3. Character development. 4. Connection creation (Salvetti & Bertagni, 2020).

4. RESULTS AND DISCUSSIONS

4.1. Results

This study took data by referring to all tourism sector areas in Surabaya City consisting of 1) religious tourism in the Sunan Ampel tourism area, 2) cultural heritage tourism around Jalan Tunjungan, 3) beach tourism in the Kenjeran Beach area, 4) culinary tourism, 5) shopping tourism and

6) historical tourism in the Submarine Monument tourist area. To provide a clearer picture of the background of the respondents in this study, a description of the characteristics of the respondents was carried out, such as age, gender, business sector, and tourist attractions. This description aims to understand the respondent profile in more depth and to assess the relationship between the characteristics of the respondents and the research variables analyzed.

Table 2. Respondent characteristics

Characteristics	Category	Frequency	Percent (%)
Age	18-25 years old	4	2.3
	26-35 years old	53	31.2
	36-45 years old	77	45.3
	46-55 years old	32	18.9
	> 55 years old	4	2.3
	Total	170	100.0
Gender	Man	93	54.7
	Woman	77	45.3
	Total	170	100.0
Business fields	Handicrafts (accessories, special snacks, t-shirts, bags, etc.)	72	42.4
	Food and beverages (stalls, depots, restaurants, etc.)	98	57.6
	Total	170	100.0
Tourist attraction	Shopping tour: Tunjungan Plaza	33	19.4
	Culinary tour: Pasar Rame	25	14.7
	Beach tourism: Kenjeran Beach	54	31.8
	Religious tourism: Sunan Ampel	21	12.4
	Historical tour: Submarine Monument	37	21.7
	Total	170	100.0

Table 2 shows the demographic characteristics of the respondents. In terms of age, the majority of respondents were between 36 and 45 years old, accounting for 45.3% of the total respondents. The 26 to 35 age group followed with a percentage of 31.2%, while the 46 to 55 age group reached 18.8%. Respondents aged between 18 and 25 years and over 55 years each only accounted for 2.3%. In terms of gender, there were more men than women, with percentages of 54.7% and 45.3%, respectively. When looking at the business sector, respondents involved in food and beverages (such as stalls and restaurants) dominated with a percentage of 57.6%, while those engaged in handicrafts

(including accessories and typical snacks) reached 42.4%. In addition, respondents were also asked about the tourist attractions they visited. Beach tourism at Kenjeran Beach was the main choice with a percentage of 31.8%, followed by shopping tourism at Tunjungan Plaza, which reached 19.4%. Historical tourism at the Submarine Monument followed with 21.8%, while culinary tourism at Pasar Rame and religious tourism at Sunan Ampel each got a percentage of 14.7% and 12.4%, respectively. This data provides a clear picture of the demographic profile of respondents and their preferences in business and tourist attractions.

Table 3. Goodness of fit

Indicator ← variables	Loading	AVE	CR	R ²	Q ²
DC1 ← Dynamic capability	0.893	0.770	0.851	0.319	0.238
DC2 ← Dynamic capability	0.875				
DC3 ← Dynamic capability	0.864				
L1 ← Leadership 5.0	0.848	0.609	0.872		
L2 ← Leadership 5.0	0.866				
L3 ← Leadership 5.0	0.872				
L4 ← Leadership 5.0	0.453				
SA1 ← Strategic agility	0.813	0.701	0.787	0.352	0.235
SA2 ← Strategic agility	0.863				
SA3 ← Strategic agility	0.834				
SC1 ← Competitive sustainability	0.803	0.659	0.741	0.640	0.410
SC2 ← Competitive sustainability	0.844				
SC3 ← Competitive sustainability	0.788				

Note: CR: composite reliability; AVE: average variance extracted.

Source: Data processing by the Authors (2024).

Based on Table 3, only one indicator of leadership (L.4) has a value below 0.7, but for indicators with loadings between 0.40 and 0.70, we should analyze the impact of the decision to delete the indicator on the AVE and CR. Previous research stated that indicators with loadings between 0.40

and 0.70 need to be deleted only if doing so can increase the AVE and CR above their threshold (Hair et al., 2019). It can be concluded that because the AVE values (> 0.5) and CR (> 0.7) are still above their thresholds, all indicators in this study are declared to meet convergent validity.

Table 4. Fornell-Larcker criterion

	Competitive sustainability	Dynamic capability	Leadership 5.0	Strategic agility
Competitive sustainability	0.812			
Dynamic capability	0.758	0.877		
Leadership 5.0	0.611	0.565	0.780	
Strategic agility	0.678	0.715	0.593	0.837

Source: Data processing by the Authors (2024).

Based on the Fornell-Larcker criterion in Table 4, the square root of the smallest AVE is 0.780, while the value of the largest correlation is 0.758, so that all variables are declared to meet discriminant validity. All composite reliability values are > 0.7, so the variables in this study are declared reliable.

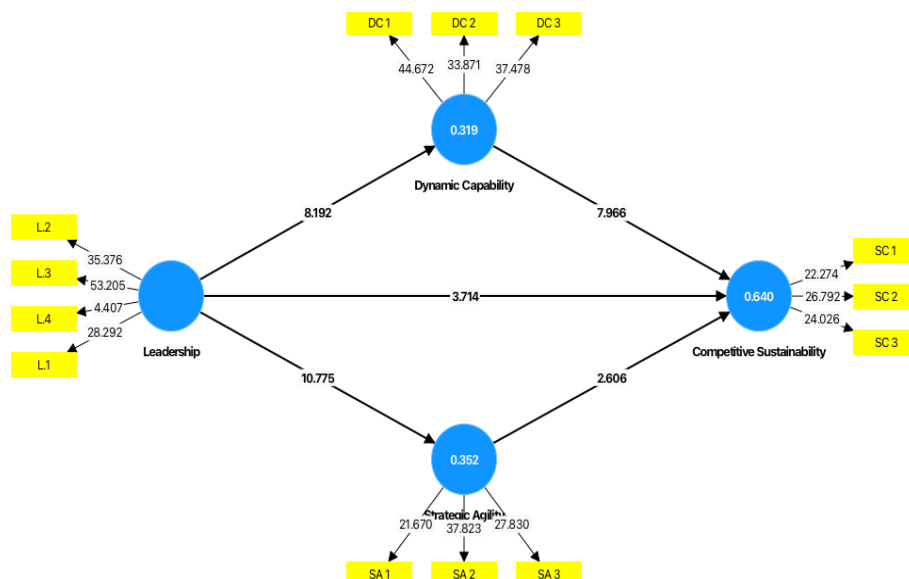
Table 5. R-square

Variables	R ²	Q ²
Competitive sustainability	0.640	0.410
Dynamic capability	0.319	0.238
Strategic agility	0.352	0.235

Source: Data processing by the Authors (2024).

Based on Table 5, the R² value of the dynamic capability variable is 0.319, so it is concluded that the percentage of dynamic capability that can be

explained by leadership is 31.9%, while the remaining 68.1% is influenced by variables not studied in this study. The R² value of the strategic agility variable is 0.352, so it is concluded that the percentage of strategic agility that can be explained by leadership is 35.2% while the remaining 64.8% is influenced by variables not studied in this study. The R² value of the competitive sustainability variable is 0.640, so it is concluded that the percentage of competitive sustainability that can be explained by dynamic capability and strategic agility is 64% while the remaining 36% is influenced by variables not studied in this study. The Q² value on all dependent variables that are greater than 0 indicates that the model has predictive relevance, meaning that the model can predict data well.

Figure 1. Path diagram

Source: Author's elaboration using SmartPLS.3.0.

Table 5. Hypotheses test results

<i>Path coefficient</i>	<i>Original sample</i>	<i>t-statistics</i>	<i>p-values</i>
<i>Dynamic capability → Competitive sustainability</i>	0.496	7.966	0.000
<i>Leadership 5.0 → Competitive sustainability</i>	0.214	3.714	0.000
<i>Leadership 5.0 → Dynamic capability</i>	0.565	8.192	0.000
<i>Leadership 5.0 → Strategic agility</i>	0.593	10.775	0.000
<i>Strategic agility → Competitive sustainability</i>	0.197	2.606	0.005
<i>Leadership 5.0 → Dynamic capability → Competitive sustainability</i>	0.280	5.738	0.000
<i>Leadership 5.0 → Strategic agility → Competitive sustainability</i>	0.117	2.408	0.008

Source: Data processing by the Authors (2024).

Based on the path diagram in Figure 1 and the hypotheses test results in Table 5, several conclusions can be drawn as follows:

H1: Leadership 5.0 has a significant effect on dynamic capability with a t-statistic of 8.192 (≥ 1.96) and p-values of 0.000 (< 0.05). The significant effect is proven positive with the original sample value of 0.565 (*H1* is accepted). These results state that Leadership 5.0 has a positive and significant effect on dynamic capability.

H2: Leadership 5.0 has a significant influence on strategic agility with a t-statistic of 10.775 (≥ 1.96) and p-value of 0.000 (< 0.05). The significant effect is proven positive with the original sample value of 0.593 (*H2* is accepted). These results state that Leadership 5.0 has a positive and significant effect on strategic agility.

H3: Leadership 5.0 has a significant influence on competitive sustainability with a t-statistic of 3.714 (≥ 1.96) and p-value of 0.000 (< 0.05). The significant effect is proven positive with the original sample value of 0.214 (*H3* is accepted). These results state that Leadership 5.0 has a positive and significant effect on competitive sustainability.

H4: Dynamic capability has a significant influence on competitive sustainability with a t-statistic of 7.966 (≥ 1.96) and p-value of 0.000 (< 0.05). The significant effect is proven positive with the original sample value of 0.496 (*H4* is accepted). These results state that dynamic capability has a positive and significant effect on competitive sustainability.

H5: Strategic agility has a significant influence on competitive sustainability with a t-statistic of 2.606 (≥ 1.96) and p-values of 0.000 (< 0.05). The significant effect is proven positive with the original sample value of 0.197 (*H5* is accepted). These results state that strategic agility has a positive and significant effect on competitive sustainability.

H6: The influence of Leadership 5.0 on competitive sustainability is proven to be mediated by dynamic capability with a t-statistic of 5.738 (≥ 1.96) and p-values of 0.000 (< 0.05) (*H6* is accepted). These results state that Leadership 5.0 has a positive and significant effect on competitive sustainability through dynamic capability.

H7: The influence of Leadership 5.0 on competitive sustainability is proven to be mediated by strategic agility with a t-statistic of 2.408 (≥ 1.96) and p-values of 0.000 (< 0.05) (*H7* is accepted). These results state that Leadership 5.0 has a positive and significant effect on competitive sustainability through strategic agility.

4.2. Discussions

The study's findings provide strong empirical and theoretical support for the dynamic capability theory, particularly within the context of tourism sector MSMEs in Surabaya. The research demonstrates that Leadership 5.0 significantly impacts dynamic capability, strategic agility, and

competitive sustainability. This leadership approach, which emphasizes contextual understanding, competency alignment, character development, and relational integration, enables organizations to be more adaptive, innovative, and flexible in dynamic business environments.

Beyond its direct influence, Leadership 5.0 contributes to competitive sustainability through both direct and indirect pathways. *H3* confirms a direct positive and significant impact of Leadership 5.0 on competitive sustainability, indicating that effective leadership itself is a key driver of long-term business viability. Furthermore, the study reveals crucial mediating roles. *H6* shows that Leadership 5.0 fosters competitive sustainability by first enhancing dynamic capability, which then drives sustainability. Similarly, *H7* demonstrates that Leadership 5.0 boosts competitive sustainability by first improving strategic agility, which subsequently contributes to sustained competitiveness. These findings collectively highlight that Leadership 5.0 not only directly impacts sustainability but also builds essential internal capabilities (dynamic capability) and responsiveness (strategic agility) that are vital for MSMEs to thrive in dynamic market conditions.

In cultural tourism, where preserving heritage and integrating traditional values are paramount, Leadership 5.0 is crucial. Its principles of 'mastering context' and 'character development' equip organizations to navigate cultural sensitivities while fostering innovation and community trust. The study's confirmation of Leadership 5.0's positive influence on dynamic capability and strategic agility (*H1* and *H2* accepted) indirectly supports how leaders in this sector can quickly adapt and respond to changes while upholding core cultural values. Similarly, for eco-tourism, where environmental preservation is key, the implementation of strategic agility and dynamic capabilities is vital for businesses to align with ecological standards and adapt to changing regulations and visitor expectations. The positive impact of Leadership 5.0 on dynamic capability and strategic agility directly supports the role of leadership in driving sustainable innovations and balancing profit with environmental stewardship.

For adventure tourism, which operates in unpredictable environments, strategic agility is essential for managing sudden changes in safety protocols, traveler preferences, and natural conditions. The findings that Leadership 5.0 significantly influences strategic agility (*H2* accepted) indicate that leaders can motivate teams to innovate and remain resilient in high-pressure situations. This aligns with the idea that strategic agility helps businesses turn uncertainty into opportunities, such as offering personalized, tech-enabled experiences, which contribute to competitive sustainability (*H5* accepted).

In rural tourism, heavily dependent on local communities and agricultural economies, business

sustainability and community empowerment are key themes. The application of dynamic capabilities involves integrating traditional knowledge with modern business tools, and strategic agility allows businesses to quickly pivot in response to changing consumer demand or agricultural cycles. The study's results, showing Leadership 5.0's influence on dynamic capabilities and strategic agility (*H1* and *H2* accepted), imply that leadership can foster rural innovation through inclusive practices and nurturing local talent, ultimately enhancing competitive sustainability (*H4* and *H5* accepted).

Lastly, urban tourism, characterized by high-tech infrastructure and intense competition, demands businesses to be fast, flexible, and customer-oriented, making strategic agility a decisive success factor. Leadership 5.0's emphasis on 'aligning competencies' and 'creating connections' is particularly relevant in urban settings, where cross-sector collaboration is crucial. The findings confirm that Leadership 5.0 positively impacts strategic agility (*H2* accepted), which in turn, contributes significantly to competitive sustainability (*H5* accepted), allowing urban leaders to drive innovation and economic growth while maintaining a focus on sustainable and inclusive development.

5. CONCLUSION

The findings of this study confirm that Leadership 5.0 has a significant impact on dynamic capability, strategic agility, and competitive sustainability. A leadership approach that emphasizes contextual understanding, competency alignment, character development, and relational integration enables organizations to be more adaptive, innovative, and flexible in responding to dynamic business environments. Leadership 5.0 not only directly affects long-term competitiveness but also plays a fundamental role in shaping dynamic capabilities — essential organizational competencies for navigating crises, stimulating innovation, and adapting to external pressures. Moreover, strategic agility emerges as a crucial mediating factor that strengthens the relationship between leadership and sustainable competitiveness. Organizations led effectively under this framework can respond quickly to market changes, seize opportunities ahead of competitors, and develop innovations that are relevant to customer needs. This highlights strategic agility as a key factor in sustaining long-term business performance.

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The practical implications of these findings can provide information to destination managers and tourism policy makers on which types of tourism are most effective in increasing visitor satisfaction and loyalty. Strategies can be developed to strengthen underperforming tourism types and replicate success factors observed in high-performing segments such as ecotourism. Furthermore, understanding the preferences of travellers across different types can support more targeted marketing and sustainable destination planning. For MSMEs in the tourism sector, the development of Leadership 5.0 is crucial, as it directly drives the dynamic capability and strategic agility essential to achieving competitive sustainability, especially for entities with limited resources. For destination managers and tourism policymakers, the findings may imply an urgency to prioritise training and support programmes that focus on developing adaptive leadership and enhancing MSMEs' ability to innovate and respond quickly to market changes and crises, although it should be noted that this text does not specifically address the comparison of tourism types or their impact on visitor satisfaction and loyalty.

Despite these valuable insights, several limitations must be acknowledged. First, the study sample was limited to specific sectors or regions, which may not fully represent a broader range of industries or global organizational contexts. Second, contextual variables such as government policy, macroeconomic conditions, and organizational culture were not explicitly controlled for, yet they may significantly influence the observed relationships. Future research is encouraged to further explore the mechanisms underlying the relationships between Leadership 5.0, strategic agility, and sustainability through longitudinal designs, allowing for observation of dynamic changes over time. Incorporating contextual factors such as organizational culture, digital maturity, or environmental volatility could provide a more comprehensive model. Comparative studies across industries or countries would also help assess the generalizability of the Leadership 5.0 model in global contexts. Overall, this study not only provides empirical evidence on the significance of Leadership 5.0 but also offers a meaningful starting point for advancing scholarly discourse and organizational practice in preparing for future business challenges through visionary and adaptive leadership.

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APPENDIX

Table A.1. Indicator variables

No.	Variable	Indicator	Questionnaire item	Likert scale (1-5)
1	Competitive sustainability	Capacity to compete	Our company has competitive capabilities that are difficult for competitors to imitate.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Capacity to connect	We build strong connections with our stakeholders.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Capacity to change	Our company quickly adapts and changes according to market needs.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
2	Dynamic capability	Adaptive	Our organization has a high ability to adapt to changes.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Absorptive	We effectively absorb new knowledge and resources.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Innovation	Our organization continuously innovates to improve performance.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
3	Strategic agility	Agility drivers	Our company has strong drivers supporting strategic agility.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Agility attributes	We possess agility attributes that enable quick response to change.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Agility enablers	Resources and systems are available to help us adapt strategically.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
4	Leadership 5.0	Context mastery	Our leaders have a strong mastery of the business context and environment.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Competency alignment	Leaders align with the competencies needed for organizational progress.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Character development	Leaders focus on developing strong character traits.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.
		Connection creation	Leaders create meaningful connections within and outside the organization.	1 – Strongly disagree. 2 – Disagree. 3 – Neutral. 4 – Agree. 5 – Strongly agree.