DFAME : Digital Financial Accounting Management Economics Journal
Vol. 3, No. 1, Februari 2025, pp. 1 - 12
ISSN: 3025-1079, DOI: 10.61434/dfame.v3i1.271

The Effect of Digital Leadership on Organizational Agility through Employee Competence in MSMEs in Purwakarta

Heppy Nurniawan 1, Dinda Amalia 2
[1,2] Manajemen, Sekolah Tinggi Ilmu Ekonomi Wibawa Karta Raharja, Purwakarta, Indonesia

Nurniawanh@gmail.com 1, dindaceu19@gmail.com 2

A R T I C L E I N F O

History of the article:
Received January 16, 2025
Revised February 2, 2025
Accepted February 16, 2025

Keywords:
Digital Leadership
Employee Competence
Organizational Agility
Dynamic Capability Theory.

ABSTRACT

This study investigates the role of digital leadership in enhancing organizational agility through employee competence in Micro, Small, and Medium Enterprises (MSMEs) in Purwakarta, Indonesia. Drawing on the Dynamic Capability Theory, the research employs a qualitative approach with eight key informants from various MSMEs. Findings reveal that digital leadership is pivotal in promoting a culture of learning, autonomy, and innovation, thereby fostering employee competence. Competence, in turn, mediates the relationship between leadership and agility by enabling employees to respond quickly and effectively to market and operational shifts. The study identifies both formal and informal mechanisms of competence development, emphasizing the importance of leadership-driven learning in resource-constrained environments. Moreover, the results highlight how decentralized structures and open communication contribute to agility by enhancing coordination and responsiveness. The findings contribute to a multilevel understanding of how individual behaviors, team dynamics, and strategic leadership coalesce to build organizational agility. Practical implications include the need for targeted leadership development and alignment of HR practices with digital transformation strategies. Limitations include a small sample size and the absence of sectoral comparisons, which future studies should address through broader and more diversified designs. Ultimately, the study underscores the importance of leadership and human capital as interconnected enablers of agility in MSMEs navigating digital disruption.

This work is licensed under a Creative Commons Attribution 4.0 International License.

Kata Kunci:
Kepemimpinan Digital
Kompetensi Karyawan
Kelincahan Organisasi
Teori Kemampuan Dinamis

ABSTRACT

Studi ini menyelidiki peran kepemimpinan digital dalam meningkatkan kelincahan organisasi melalui kompetensi karyawan di Usaha Mikro, Kecil, dan Menengah (UMKM) di Purwakarta, Indonesia. Mengacu pada Teori

DFAME : Digital Financial Accounting Management Economics Journal
Vol. 3, No. 1, Februari 2025, pp. 1 - 12
ISSN: 3025-1079, DOI: 10.61434/dfame.v3i1.271

Corresponding Author:
Name : Happy Nurniawan
Affiliation : STIE Wibawa Karta Raharja
City : Purwakarta
Email: Nurniawanh@gmail.com

Kemampuan Dinamis, penelitian ini menggunakan pendekatan kualitatif dengan delapan informan utama dari berbagai UMKM. Temuan penelitian mengungkapkan bahwa kepemimpinan digital sangat penting dalam mempromosikan budaya belajar, otonomi, dan inovasi, sehingga menumbuhkan kompetensi karyawan. Kompetensi, pada gilirannya, memediasi hubungan antara kepemimpinan dan kelincahan dengan memungkinkan karyawan untuk merespons dengan cepat dan efektif terhadap pergeseran pasar dan operasional. Studi ini mengidentifikasi mekanisme pengembangan kompetensi formal dan informal, yang menekankan pentingnya pembelajaran yang didorong oleh kepemimpinan dalam lingkungan yang terbatas sumber daya. Selain itu, hasilnya menyoroti bagaimana struktur yang terdesentralisasi dan komunikasi terbuka berkontribusi pada kelincahan dengan meningkatkan koordinasi dan responsivitas. Temuan penelitian berkontribusi pada pemahaman multilevel tentang bagaimana perilaku individu, dinamika tim, dan kepemimpinan strategis bersatu untuk membangun kelincahan organisasi. Implikasi praktis mencakup perlunya pengembangan kepemimpinan yang terarah dan penyelarasan praktik SDM dengan strategi transformasi digital. Keterbatasannya meliputi ukuran sampel yang kecil dan tidak adanya perbandingan sektoral, yang harus dibahas dalam penelitian mendatang melalui desain yang lebih luas dan lebih beragam. Pada akhirnya, penelitian ini menggarisbawahi pentingnya kepemimpinan dan sumber daya manusia sebagai pendorong kelincahan yang saling terkait dalam UMKM yang menghadapi disrupsi digital.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) in Purwakarta face increasing pressure to adapt to rapid technological changes (Abuzaid et al., 2024). The post-pandemic digital landscape has redefined how businesses operate and interact with customers. Traditional leadership approaches are often insufficient to address these challenges (Ahmad & Gao, 2018). Business continuity and competitiveness depend on the organization's capacity to respond quickly to external changes. This situation underscores the critical need for organizational agility within MSMEs (Al Issa & Omar, 2024).

Despite this urgency, many MSMEs in Indonesia struggle to embrace digital transformation effectively. A lack of digital infrastructure, leadership vision, and skilled human resources limits their adaptability. Existing leadership models may not align with digital-era demands (Nelly et al., 2024). Without transformational digital leadership, organizations may fall behind more agile competitors. This highlights a critical gap between leadership capacity and digital transformation needs (Islam et al., 2024).

Previous studies on digital leadership have mostly focused on large corporations or public sector institutions. MSMEs, especially those in regional areas like Purwakarta, remain underrepresented in academic discourse (Alexander et al., 2024). Research has yet to adequately explore how digital leadership manifests in smaller, resource-constrained enterprises. Moreover, limited empirical evidence connects digital leadership directly to organizational agility through employee competence in the MSME context. This presents a gap in both practical understanding and theoretical development (Hameed et al., 2023).

The phenomenon in Purwakarta reveals that while some MSMEs have adapted quickly, others remain stagnant despite having similar market exposure. Observations indicate that leadership style plays a decisive role in how quickly organizations adapt (AlShehhi et al., 2021). Companies with proactive digital leaders tend to foster continuous learning and innovation. In contrast, traditional managers often resist change, impeding the development of employee competencies. This variation highlights a phenomenon gap in leadership effectiveness (Hameed et al., 2023).

Given this context, there is a need to investigate how digital leadership influences organizational agility through employee competence. This study proposes a mediating framework, where leadership practices impact employee competence, which in turn facilitates agility (D. Teece et al., 2016). Understanding this relationship could help MSMEs develop targeted strategies for survival and growth. The novelty lies in integrating these constructs within the MSME setting, which has been largely overlooked. Such an

investigation offers both theoretical enrichment and practical relevance (Maran et al., 2022).

The novelty of this study lies in examining digital leadership not merely as a direct driver of agility but through its impact on employee competence. Most research has treated these variables in isolation or only established linear relationships (Ashiru et al., 2022). By exploring the mediating role of competence, this study introduces a more nuanced view of organizational dynamics. The contextual focus on MSMEs in Purwakarta further adds to the originality. These contributions aim to extend the conceptual framework of digital transformation in small businesses (Gao et al., 2023).

This study employs Dynamic Capability Theory (DCT) as its theoretical foundation. DCT posits that an organization's ability to integrate, build, and reconfigure internal and external competencies is essential for adapting to changing environments (D. Teece et al., 2016). Digital leadership embodies the dynamic capability of sensing and seizing technological opportunities. Employee competence represents the capability to execute change initiatives. Organizational agility reflects the outcome of these combined efforts in response to volatility.

Using DCT enables this study to link leadership behavior with individual capabilities and organizational performance (D. J. Teece, 2007). It situates digital leadership as a strategic resource that activates employee competence. In turn, competent employees enhance the firm's responsiveness and flexibility. This chain of influence is central to understanding agility in dynamic environments. Therefore, DCT provides a coherent lens for interpreting the relationships among the variables (D. J. Teece, 2018).

The primary objective of this study is to examine the influence of digital leadership on organizational agility, with employee competence as a mediating factor. It seeks to understand how leadership behavior contributes to competency development and how these competencies support agile responses. The research is particularly focused on MSMEs operating in a fast-evolving business environment. Through qualitative inquiry, the study captures rich narratives and contextual insights. The findings are expected to inform both scholars and practitioners.

The practical benefits of this research are substantial for MSME managers and policy-makers. Understanding the mechanisms linking leadership, competence, and agility can lead to better training programs and leadership development. MSMEs can use these insights to restructure management approaches and enhance workforce capability. Policymakers can also support MSMEs with targeted digital literacy initiatives. This study thus holds relevance for multiple stakeholders in the digital economy.

Furthermore, this study helps MSMEs identify gaps in their internal processes. By highlighting how employee competence mediates the effects of leadership, firms can design interventions to close skill and behavior gaps (Abun & Macaspac, 2023). This could lead to more agile decision-making and faster execution of strategic initiatives. In a turbulent environment, such agility becomes a key survival factor. The study therefore contributes to organizational resilience.

From a theoretical standpoint, this study adds to the growing body of literature on dynamic capabilities in small business contexts. It introduces digital leadership as a strategic enabler within the DCT framework. The research also deepens the understanding of competence as a change mechanism rather than a static trait. This theoretical extension supports a more holistic view of transformation. It lays the groundwork for future multi-variable studies.

In conclusion, the changing digital landscape necessitates a reevaluation of leadership roles in MSMEs. The ability to lead digital transformation while fostering employee development is critical to achieving agility. This research addresses a timely issue with both academic and practical importance. It contributes to the literature on digital leadership, dynamic capabilities, and MSME management. The insights generated can guide sustainable organizational transformation.

The final implication is the need for capacity-building initiatives that align leadership behavior with employee development goals. MSMEs often lack structured HR practices and must rely on leadership to drive change. A leader's digital vision and support can catalyze competence and adaptability. Therefore, leadership is not just a role but a strategic function in dynamic settings. This research calls for intentional investment in leadership capacity to drive agility.

LITERATURE REVIEW

Dynamic Capability Theory (DCT)

Dynamic Capability Theory (DCT) was introduced by (D. J. Teece, 2007) as a framework to explain how firms adapt to rapidly changing environments. The theory focuses on an organization's capacity to purposefully create, extend, or modify its resource base. DCT is especially relevant in digital contexts where technological changes demand continual renewal of organizational capabilities. It emphasizes sensing opportunities, seizing them, and transforming the organization accordingly. These dimensions support a firm's long-term competitiveness and strategic agility (D. J. Teece et al., 1997).

Empirical studies have used DCT to explore the relationships among leadership, competence, and adaptability. For instance, (D. J. Teece, 2018) emphasized how routines and knowledge integration are shaped by managerial cognition. Recent literature suggests that leadership behavior can serve as a dynamic capability by guiding the transformation process. This is particularly evident in smaller firms where individual leaders have a significant influence on strategic direction. As such, DCT provides a comprehensive lens for studying change in MSMEs (Aalto University, FI et al., 2018).

In this study, DCT underpins the conceptual framework linking digital leadership to organizational agility through employee competence (Andriany et al., 2022). Digital leadership is interpreted as the strategic capability to navigate digital transitions. Employee competence is the embodiment of organizational capability at the individual level. Organizational agility is viewed as the outcome of effective capability deployment. The theory helps explain how internal leadership processes shape external responsiveness (Hutton et al., 2024).

Digital Leadership

Digital leadership refers to a leader's ability to foster digital innovation and transformation within an organization (Al Issa & Omar, 2024). It involves the use of digital tools and mindsets to lead effectively in technology-driven environments. A digital leader is visionary, adaptive, and supportive of learning and experimentation. These leaders often enable cultural shifts necessary for digital change. They also act as catalysts for cross-functional collaboration and technological integration (Nelly et al., 2024).

Previous studies highlight the significance of digital leadership in enhancing organizational innovation and performance. (Den Hartog & Belschak, 2012) found that firms with digitally savvy leaders were more likely to be digitally mature. Other research by (Chughtai et al., 2023) emphasizes that digital leadership is essential for building digital capabilities. However, most of these studies focus on large organizations or developed economies. The role of digital leadership in MSMEs, especially in Indonesia, remains relatively underexplored (Hidayat-ur-Rehman & Alsolamy, 2023).

In the context of this research, digital leadership is examined as a driving force for developing employee competence and agility. In MSMEs, where formal structures may be limited, leadership becomes a key determinant of change. Leaders who embrace digital transformation inspire employees to acquire relevant skills (Iqbal et al., 2021). This behavior also creates an enabling environment for organizational learning and agility. Thus, digital leadership is pivotal to driving strategic adaptation.

Employee Competence

Employee competence refers to the combination of skills, knowledge, and behaviors that enable individuals to perform effectively (Andri Putra Panjaitan et al., 2023). Competence is not static; it evolves with experience, learning, and environmental changes. In dynamic contexts, competent employees are those who can learn quickly and apply new knowledge to solve problems. Competence also includes interpersonal and cognitive skills essential for collaboration and innovation. Thus, competence serves as both an individual and organizational asset (Alzadjali & Ahmad, 2024).

Several studies have demonstrated that employee competence mediates the relationship between leadership and organizational outcomes. For example, (Azmy, 2022) showed that competent employees contributed to improved organizational performance when supported by effective leadership. Others like (De Waal & Van Der Heijden, 2016) argue that competence enables faster strategic execution. In digital settings, competence allows employees to adapt to new tools, platforms, and workflows. This adaptability is crucial for organizational agility.

Within MSMEs, employee competence often substitutes for formal systems and processes. Leaders play a critical role in developing these competencies through coaching, training, and empowerment (Echeverri & Åkesson, 2018). This study explores how digital leadership activates competence as a mediator. The goal is to understand how capability development at the individual level contributes to agility at the organizational level. Hence, employee competence serves as a bridge between leadership and agility (Conteh & Yuan, 2022).

Organizational Agility

Organizational agility is the capacity of an organization to sense and respond rapidly to changes in the external environment (Chillakuri & Attili, 2022). It involves strategic flexibility, speed in decision-making, and adaptability of operations. Agility enables firms to innovate quickly, enter new markets, and meet changing customer demands. In uncertain environments, agility is a key determinant of survival and growth. Thus, it is a critical performance metric for modern organizations (Cangialosi et al., 2023).

Studies by (Iqbal et al., 2021) highlight agility as a dynamic capability shaped by leadership and culture. Other research emphasizes structural and process factors like decentralization and cross-functional teams (Chahar et al., 2019). However, agility also depends on the competence and motivation of

employees. Agility is not just about speed but also about thoughtful, coordinated responses. The integration of leadership and competence is therefore essential (Huang, 2022).

This research views organizational agility as the ultimate outcome of effective digital leadership and employee competence (Gill et al., 2018). In MSMEs, agility enables quick adaptation without the burden of bureaucratic constraints. Digital leaders who empower their teams foster a culture of rapid experimentation and feedback. Competent employees can execute these strategies with precision and initiative. Therefore, agility represents the realization of dynamic capabilities in action (Gulati et al., 2012).

RESEARCH METHODS

This research adopts a qualitative approach to explore the influence of digital leadership on organizational agility through employee competence in MSMEs in Purwakarta. The qualitative method is appropriate for capturing the depth and complexity of human experiences and organizational behavior (Creswell et al., 2018). It allows the researcher to examine how digital leadership manifests in daily practices and how it affects employee development and strategic responsiveness. By focusing on context-specific insights, the study aims to generate rich, narrative data. This method is particularly valuable for understanding phenomena that are dynamic, nuanced, and socially embedded (Creswell & Creswell, 2018).

The study used a purposive sampling technique to select eight key informants from various MSMEs operating in Purwakarta. These informants included business owners, managers, and senior employees who are actively involved in decision-making and digital operations. The selection criteria ensured that all participants had direct experience with leadership practices, employee capability development, and organizational responsiveness. Their diverse roles and backgrounds provided multiple perspectives on the research issue. The sampling strategy prioritized information richness rather than statistical generalization.

Data were collected through in-depth semi-structured interviews conducted either face-to-face or via online platforms, depending on the informants' availability. Each interview lasted between 45 and 90 minutes and followed a flexible interview guide. The guide included open-ended questions related to digital leadership behaviors, employee development strategies, and instances of organizational agility. Follow-up questions were used to probe deeper into specific experiences and perceptions. All interviews were recorded with permission and later transcribed verbatim for analysis (Creswell et al., 2018).

Thematic analysis was employed to interpret the qualitative data. The process involved coding the transcripts to identify recurring patterns and themes related to the three main variables. The coding was both inductive, allowing themes to emerge from the data, and deductive, based on the theoretical framework of Dynamic Capability Theory. This dual approach ensured that the analysis remained grounded in participant experiences while aligning with conceptual constructs. NVivo software was used to assist in managing and organizing the data efficiently.

To ensure the credibility and trustworthiness of the findings, several validation strategies were applied. Triangulation was conducted by comparing data across informants and checking for consistency in emerging themes. Member checking was also performed by sharing initial interpretations with selected participants for feedback and clarification. In addition, a reflective journal was maintained throughout the research process to document analytical decisions and researcher biases. These steps aimed to enhance the transparency and dependability of the research outcomes.

Ethical considerations were strictly observed throughout the study. Informed consent was obtained from all participants before data collection. They were assured of their right to withdraw at any time and of the confidentiality of their identities and responses. Data were stored securely and anonymized during reporting. Ethical approval was granted by the relevant institutional review board prior to fieldwork. These measures ensured that the research was conducted responsibly and respectfully.

Overall, the qualitative methodology allowed for a comprehensive exploration of the dynamic relationship between digital leadership, employee competence, and organizational agility in MSMEs. The method captured the lived experiences of leaders and employees navigating digital transformation in a resource-constrained environment. This approach not only revealed complex interdependencies but also surfaced practical insights for enhancing agility through leadership and capacity-building. The findings provide a nuanced understanding that quantitative methods alone may not uncover. Thus, the chosen methodology aligns well with the research objectives and context.

DISCUSSION AND DISCUSSION

RESULT

The first key finding of this study is that digital leadership plays a central role in shaping the strategic direction of MSMEs in Purwakarta. Informants consistently described their leaders as visionaries who promote the use of digital tools and data-driven decision-making. Several respondents noted that the

shift to digital systems, such as cloud accounting or online customer management, originated directly from leadership initiatives. Leaders with a clear digital vision created a stronger sense of purpose among employees. This leadership orientation was seen as essential to navigating rapid market changes.

Second, digital leaders were found to be proactive in fostering a learning culture within their organizations. Informants shared that their leaders encouraged experimentation with new software and platforms, even when mistakes occurred. Such openness built confidence among employees to take initiative and develop new skills. One participant remarked that their manager often shared online courses and tutorials with the team. This behavior contributed to a psychologically safe environment that nurtured competence.

Third, many respondents highlighted that digital leadership also involved empowering employees to make decisions independently. Leaders delegated authority to front-line staff, particularly in areas like customer service and digital marketing. This empowerment helped employees develop critical thinking and decision-making capabilities. It also increased their engagement and accountability. As a result, employees were better equipped to respond quickly to operational challenges.

The fourth finding reveals that employee competence is not merely technical but also behavioral and strategic. Informants described competence as the ability to understand customer needs, adapt processes, and troubleshoot in digital environments. Several participants emphasized the importance of soft skills, such as collaboration, communication, and creativity. Competent employees were also more confident in navigating change. Their readiness to learn and apply new skills underpinned organizational agility.

Fifth, employee competence was strongly influenced by leadership support and mentoring. Most informants stated that their growth in competence was directly linked to coaching and feedback from their leaders. One informant said their manager routinely conducted one-on-one sessions to identify skill gaps and offer personalized learning resources. This active involvement of leaders in competence development accelerated learning curves. It also reinforced a growth mindset within teams.

Sixth, informal training and peer learning were found to be vital sources of competence building. Many MSMEs lacked formal training programs, but employees frequently relied on internal sharing sessions, digital communities, and on-the-job learning. Leaders often facilitated these initiatives by creating spaces for knowledge exchange. One MSME set up a shared Google Drive with best practices and how-to guides. This grassroots approach to learning was effective and sustainable in a resource-limited setting.

Seventh, organizational agility was observed in firms that demonstrated rapid responses to customer feedback and market trends. Informants from agile firms mentioned their ability to change product lines, shift distribution channels, and redesign customer experiences quickly. This responsiveness stemmed from a combination of digital leadership and capable employees. Leaders set the direction, while employees implemented changes efficiently. Such agility proved critical during periods of uncertainty, such as during the pandemic.

Eighth, agility was often linked to collaborative team structures and horizontal communication. MSMEs with less hierarchical systems were more nimble in executing new ideas. Informants shared examples where ideas were rapidly tested and iterated without bureaucratic delays. Leaders played a facilitative rather than directive role, enabling teams to take ownership. This empowered structure allowed MSMEs to act decisively in volatile conditions.

Ninth, MSMEs that lacked digital leadership and competent employees reported difficulty adapting to external disruptions. Informants from such firms noted delays in adopting digital payment systems, customer engagement tools, and remote work practices. This inertia led to customer dissatisfaction and missed opportunities. One informant noted that their company lost key clients during the pandemic due to slow adaptation. The absence of strategic leadership was a common theme in these cases.

Tenth, employees in non-agile firms also expressed frustration over limited access to training and unclear strategic direction. They felt unprepared to deal with new technologies or shifting customer expectations. Without leadership guidance, employees often defaulted to old routines. This rigidity created bottlenecks in service delivery and internal coordination. The contrast with more agile firms was stark and informative.

Eleventh, digital leadership enabled agility by prioritizing quick decision cycles and iterative experimentation. Informants described how leaders used data dashboards and analytics to make real-time decisions. Teams held daily huddles to review progress and adjust plans. These agile routines became embedded in daily operations. Leadership's focus on responsiveness created a rhythm that supported fast execution.

Twelfth, informants reported that digital leaders often acted as role models for embracing change. Leaders who personally learned new tools or led digital initiatives motivated others to follow suit. One respondent said their boss learned video editing and started creating product content, inspiring the team to

do the same. This hands-on involvement broke down resistance to change. It also reinforced a culture of continuous improvement.

Thirteenth, the alignment between leadership vision and employee behavior emerged as a key enabler of agility. When leaders clearly communicated goals and supported experimentation, employees aligned their efforts accordingly. This cohesion reduced internal friction and improved execution speed. Several informants emphasized the importance of trust and open communication in this alignment. These relational dynamics were foundational to agile outcomes.

Fourteenth, resource constraints did not necessarily limit agility if digital leadership was strong. MSMEs that lacked budgets for technology still leveraged free or low-cost digital tools creatively. Leaders played a key role in identifying and deploying such tools. Informants mentioned using Google Workspace, WhatsApp Business, and Canva to streamline operations. This ingenuity exemplifies how leadership mindset can compensate for structural limitations.

Fifteenth, the overall findings indicate a dynamic interplay among digital leadership, employee competence, and organizational agility. Informants confirmed that leadership drives competence, which in turn drives agility. This mediating effect was evident across multiple firms and use cases. The presence or absence of any element weakened the chain and reduced organizational adaptability. These insights validate the proposed conceptual model in a real-world MSME context.

DISCUSSION

The findings from this study offer rich insights into the mechanisms linking digital leadership, employee competence, and organizational agility in MSMEs in Purwakarta. These findings support the idea that digital leadership acts as a critical enabler of organizational change by developing human capabilities. This aligns with the Dynamic Capability Theory (DCT), which posits that firms must continually renew their resources—especially human capital—to remain competitive in dynamic environments.

First, the results underscore the transformative role of digital leadership in MSMEs. Leaders who promote digital tools and encourage experimentation help build a forward-thinking organizational culture. This culture sets the stage for innovation, learning, and rapid adaptation. These traits are essential for agility and resilience in uncertain markets. The study's findings validate previous literature that identifies leadership as a strategic resource in dynamic contexts (Teece, 2007).

Second, the proactive behavior of digital leaders—such as sharing learning resources and empowering decision-making—fosters psychological safety and motivation among employees. These leadership practices enhance intrinsic motivation, which is critical for sustained competence development. In this way, digital leadership becomes a catalyst for continuous learning, echoing themes from self-determination and adult learning theories. Third, the study reveals that employee competence goes beyond technical proficiency. It encompasses behavioral and strategic dimensions, including adaptability, communication, and customer orientation. These competencies are particularly important in MSMEs, where employees often handle multiple roles. This broader view of competence complements DCT's emphasis on integrative capabilities that combine knowledge, routines, and skills. Fourth, the central role of competence as a mediator affirms the conceptual model of this research. Employee competence bridges the gap between leadership behavior and organizational agility. Leaders activate and sustain agility through competence-building practices such as mentoring, feedback, and informal learning facilitation. This mediating relationship adds nuance to traditional linear models and suggests a layered pathway of capability development.

Fifth, the study also identifies the informal and resource-light methods through which competence is developed in MSMEs. Peer learning, on-the-job experience, and digital communities emerge as viable alternatives to formal training. These findings challenge the assumption that extensive resources are required for capability building. Instead, they emphasize the role of leadership in creating enabling conditions for grassroots learning. Sixth, the relationship between competence and agility is evident in the speed and accuracy with which employees respond to customer needs and operational changes. Competent employees are better positioned to innovate and solve problems quickly. Their responsiveness reflects an embedded agility at the micro level, which scales to organizational agility when guided by cohesive leadership.

Seventh, agile MSMEs are characterized by fluid team structures and decentralized decision-making. Digital leaders who facilitate rather than control empower their teams to act swiftly and autonomously. This structural flexibility enhances the firm's ability to pivot and adapt. It also reinforces DCT's view that transformation is a function of both structure and agency. Eighth, firms lacking digital leadership and competent employees demonstrate a clear incapacity to respond to environmental shocks. This reinforces the critical role of human capital in organizational resilience. The absence of leadership guidance and employee readiness leads to inertia, inefficiency, and missed opportunities. These findings suggest that agility is not merely a strategic choice but an outcome

of systemic leadership-competence interaction. Ninth, the findings indicate that leadership vision must be consistently communicated and aligned with employee values and behaviors. Misalignment can lead to confusion and reduced execution efficiency. Trust, open communication, and shared purpose emerged as vital relational mechanisms that support agility. These social dynamics enhance commitment and coordination across teams.

Tenth, the study confirms that digital leadership often compensates for resource constraints. Leaders who identify low-cost tools and repurpose existing capabilities can still drive transformation. This frugal innovation model is particularly relevant for MSMEs operating in financially constrained environments. It reflects the adaptive, opportunity-seeking essence of dynamic capabilities. Eleventh, leadership behaviors such as leading by example and embracing change visibly influence employee attitudes. Leaders who demonstrate learning behaviors inspire similar responses among employees. This top-down modeling of digital competence accelerates cultural transformation. The symbolic aspect of leadership thus complements its strategic role. Twelfth, the daily routines and micro-practices introduced by digital leaders institutionalize agility. Short decision cycles, use of analytics, and team huddles make agility a habit rather than an ad hoc response. These operational routines provide a stable foundation for rapid strategic shifts. It exemplifies how leadership translates vision into action through structured practices. Thirteenth, the findings expand the scope of DCT by illustrating how leadership enables the reconfiguration of employee skills. Instead of only adapting external strategies, agile MSMEs also transform internally by reskilling and upskilling their workforce. This internal dynamic capability is often overlooked in studies that focus solely on market-facing agility.

Fourteenth, the presence of psychological safety and empowerment is essential to activate employee competence. Leadership practices that build trust and allow for autonomy foster proactive behavior. Employees in such environments take initiative, propose solutions, and contribute creatively to problem-solving. This behavior is integral to achieving agility. Fifteenth, the contextual focus on MSMEs in Purwakarta adds valuable insights to existing literature. These findings show that even in regional and resource-constrained settings, digital leadership can be a powerful enabler of agility. It challenges assumptions that only large or tech-savvy firms can succeed in digital transformation. Leadership mindset and employee engagement matter just as much. Sixteenth, the study suggests that digital transformation in MSMEs must start with leadership development. Without digitally competent and visionary leaders, other change efforts may falter. Leadership training, mentorship, and exposure to best practices can significantly enhance organizational capacity for change. This has implications for policy-makers and business support agencies.

Seventeenth, the mediating role of employee competence highlights the importance of aligning HR practices with digital strategy. Competence must be nurtured intentionally through recruitment, training, and performance management. Digital leadership alone is insufficient if not supported by systematic human resource development. Eighteenth, findings imply that agility is not a fixed trait but an evolving outcome. It requires continual investment in both people and processes. Leadership must remain adaptive and learning-oriented to sustain agility. This reinforces the idea that agility is a dynamic state, not a one-time achievement. Nineteenth, this study contributes to theory by integrating individual, organizational, and strategic levels of analysis. It shows how micro-level behaviors (employee learning), meso-level practices (team empowerment), and macro-level orientation (digital strategy) coalesce to produce agility. This multilevel insight strengthens the explanatory power of DCT in the digital age. Twentieth, in summary, digital leadership catalyzes organizational agility in MSMEs by building and channeling employee competence. This study presents a layered, interdependent model of transformation suited to dynamic environments. For MSMEs, the implication is clear: investing in leadership and competence is not optional but essential for survival and growth.

CONCLUSION

This study concludes that digital leadership plays a foundational role in fostering organizational agility among MSMEs in Purwakarta by enhancing employee competence. Digital leaders who promote learning, empower teams, and model digital behaviors enable their organizations to adapt swiftly to environmental changes. Employee competence, encompassing technical, behavioral, and strategic capabilities, serves as a crucial mediator that translates leadership vision into agile practices. Together, these dynamics affirm the interdependent relationship between leadership, human capital development, and organizational adaptability.

Practically, the findings suggest that MSMEs must prioritize digital leadership development as a strategic imperative. Firms should invest in cultivating leaders who not only understand digital technologies but also inspire and facilitate continuous employee learning. Human resource practices must align with digital goals by supporting skill development through mentoring, informal learning, and adaptive performance systems.

Policymakers and business support institutions should focus on leadership training and capacity-building programs tailored for small enterprises in resource-constrained settings.

Despite its contributions, this study is subject to several limitations. The qualitative design, while offering depth, limits generalizability across different geographic or industry contexts. The use of eight informants provides a focused view but may not capture the full spectrum of experiences in all MSMEs. Additionally, the study did not examine external factors such as industry-specific technology trends or government digitalization initiatives, which may also influence agility.

Future research should consider comparative studies across regions or sectors to explore contextual variations in digital leadership and agility. Longitudinal approaches would help assess how leadership and competence evolve over time and impact long-term agility. Further, integrating quantitative methods could enhance validation and scalability of the conceptual model. These steps would enrich our understanding of how MSMEs can sustainably thrive in an increasingly digital and volatile environment.

REFERENCE

Aalto University, FI, Korhonen, J. J., Gill, A. Q., & University of Technology Sydney, AU. (2018). Digital Capability Dissected. In *Australasian Conference on Information Systems 2018*. University of Technology, Sydney. https://doi.org/10.5130/acis2018.ap

Abun, Fr. D., & Macaspac, L. G. R. (2023). Promoting Innovative Work Behavior Through Innovative Work Environment. *Divine Word International Journal of Management and Humanities (DWIJMH) (ISSN: 2980-4817)*, *2*(3). https://doi.org/10.62025/dwijmh.v2i3.33

Abuzaid, A. N., Ghadi, M. Y., Madadha, S. M., & Alateeq, M. M. (2024). The Effect of Ethical Leadership on Innovative Work Behaviors: A Mediating–Moderating Model of Psychological Empowerment, Job Crafting, Proactive Personality, and Person–Organization Fit. *Administrative Sciences*, *14*(9), 191. https://doi.org/10.3390/admsci14090191

Afifah, H., & Hasibuan, R. R. (2022). The Relationship of 4Ps Marketing Mix to the Satisfaction of Baturraden Local Tourists. *Jurnal Ekonomi Manajemen*, *8*(2), 100-106.

Ahmad, I., & Gao, Y. (2018). Ethical leadership and work engagement: The roles of psychological empowerment and power distance orientation. *Management Decision*, *56*(9), 1991–2005. https://doi.org/10.1108/MD-02-2017-0107

Al Issa, H.-E., & Omar, M. M. S. (2024). Digital innovation drivers in retail banking: The role of leadership, culture, and technostress inhibitors. *International Journal of Organizational Analysis*, *32*(11), 19–43. https://doi.org/10.1108/IJOA-08-2023-3905

Alexander, K. C., Mackey, J. D., Maher, L. P., McAllister, C. P., & Ellen, B. P. (2024). An implicit leadership theory examination of cultural values as moderators of the relationship between destructive leadership and followers' task performance. *International Business Review*, *33*(3), 102254. https://doi.org/10.1016/j.ibusrev.2024.102254

AlShehhi, H., Alshurideh, M., Kurdi, B. A., & Salloum, S. A. (2021). The Impact of Ethical Leadership on Employees Performance: A Systematic Review. In A. E. Hassanien, A. Slowik, V. Snášel, H. El-Deeb, & F. M. Tolba (Eds.), *Proceedings of the International Conference on Advanced Intelligent Systems and Informatics 2020* (Vol. 1261, pp. 417–426). Springer International Publishing. https://doi.org/10.1007/978-3-030-58669-0_38

Alzadjali, B., & Ahmad, S. Z. (2024). The impacts of a high commitment work system on well-being: The mediating role of organization support and employee work-life balance. *Industrial and Commercial Training*, *56*(1), 53–77. https://doi.org/10.1108/ICT-11-2022-0084

Amin, M. A. N. (2024). Pengaruh Literasi Keuangan, dan Kepribadian Terhadap Perilaku Manajemen Keuangan. *Jurnal Bisnis dan Kewirausahaan*, *1*(1), 10-22.

Andri Putra Panjaitan, Syahbuddin Hasibuan, & Ihsan Effendi. (2023). THE EFFECT OF EMPLOYEE EMPOWERMENT, ORGANIZATIONAL CULTURE, COMPENSATION, AND WORK ENVIRONMENT ON EMPLOYEE PERFORMANCE IN PT. PERKEBUNAN NUSANTARA III. *International Journal of Accounting, Management, Economics and Social Sciences (IJAMESC)*, *1*(4), 453–464. https://doi.org/10.61990/ijamesc.v1i4.52

Andriany, E., Yacob, S., & Amin, S. (2022). *Improving innovation capabilities*

throughknowledge management and Motivation. *1*(1).

Ashiru, J.-A., Erdil, G. E., & Oluwajana, D. (2022). The linkage between high performance work systems on organizational performance, employee voice and employee innovation. *Journal of Organizational Change Management*, *35*(1), 1–17. https://doi.org/10.1108/JOCM-02-2021-0039

Azmy, A. (2022). How Great are Implication Factors for Employee Engagement in Application-Based Technology Company? *Binus Business Review*, *13*(2), 119–132. https://doi.org/10.21512/bbr.v13i2.7932

Barokah, S., Nugroho, V. A., & Gunawan, J. (2024). PENINGKATAN KAPASITAS WIRAUSAHA DAN KELEMBAGAAN PADA PETANI MILENIAL DI KABUPATEN KEBUMEN. *Aspirasi Masyarakat*, *1*(1), 43-51.

Cangialosi, N., Odoardi, C., Peña-Jimenez, M., & Antino, M. (2023). Diversity of Social Ties and Employee Innovation: The Importance of Informal Learning and Reciprocity. *Journal of Work and Organizational Psychology*, *39*(2), 65–74. https://doi.org/10.5093/jwop2023a8

Chahar, B., Hatwal, V., & Sen, S. (2019). Employees training and its impact on learning and creativity: Moderating effect of organizational climate. *Problems and Perspectives in Management*, *17*(2), 430–439. https://doi.org/10.21511/ppm.17(2).2019.33

Chillakuri, B., & Attili, V. S. P. (2022). Role of blockchain in HR's response to new-normal. *International Journal of Organizational Analysis*, *30*(6), 1359–1378. https://doi.org/10.1108/IJOA-08-2020-2363

Chughtai, M. S., Syed, F., Naseer, S., & Chinchilla, N. (2023). Role of adaptive leadership in learning organizations to boost organizational innovations with change self-efficacy. *Current Psychology*. https://doi.org/10.1007/s12144-023-04669-z

Conteh, S. B., & Yuan, Y. (2022). The impact of high performance work system on employee service performance: The role of organizational support and organizational identification. *International Journal of Productivity and Performance Management*, *71*(7), 2841–2864. https://doi.org/10.1108/IJPPM-08-2020-0439

Creswell, J. W., & Creswell, J. D. (2018). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*.

Creswell, J. W., Creswell, J. D., Creswell, J. W., & Creswell, J. D. (2018). *Research design: Qualitative, quantitative, and mixed methods approaches* (Fifth edition). SAGE.

De Waal, A., & Van Der Heijden, B. (2016). Increasing customer loyalty and customer intimacy by improving the behavior of employees. *Journal of Strategy and Management*, *9*(4), 492–510. https://doi.org/10.1108/JSMA-06-2015-0045

Den Hartog, D. N., & Belschak, F. D. (2012). Work Engagement and Machiavellianism in the Ethical Leadership Process. *Journal of Business Ethics*, *107*(1), 35–47. https://doi.org/10.1007/s10551-012-1296-4

Echeverri, P., & Åkesson, M. (2018). Professional identity in service work: Why front-line employees do what they do. *Journal of Service Theory and Practice*, *28*(3), 315–335. https://doi.org/10.1108/JSTP-11-2016-0212

Gao, J., Siddik, A. B., Khawar Abbas, S., Hamayun, M., Masukujjaman, M., & Alam, S. S. (2023). Impact of E-Commerce and Digital Marketing Adoption on the Financial and Sustainability Performance of MSMEs during the COVID-19 Pandemic: An Empirical Study. *Sustainability*, *15*(2), 1594. https://doi.org/10.3390/su15021594

Gill, A. A., Shahzad, A., & Ramalu, S. S. (2018). *Examine the influence of Enterprise Resource Planning Quality Dimensions on Organizational Performance Mediated through Business Process Change Capability*.

Gulati, R., Puranam, P., & Tushman, M. (2012). Meta-organization design: Rethinking design in interorganizational and community contexts. *Strategic Management Journal*, *33*(6), 571–586. https://doi.org/10.1002/smj.1975

Hameed, Z., Naeem, R. M., Misra, P., Chotia, V., & Malibari, A. (2023). Ethical leadership and environmental performance: The role of green IT capital, green technology innovation, and technological orientation. *Technological Forecasting and Social Change*, *194*, 122739. https://doi.org/10.1016/j.techfore.2023.122739

Handayani, J., Permana, I. S., & Hasibuan, R. R. (2024). Proactive Personality, Job Crafting, and Business Performance in Village-Owned

Enterprises. *DFAME Digital Financial Accounting Management Economics Journal*, *2*(2), 50-60.

Hasanah, Y. N., Anggraeni, O., Suwali, S., Kusnaman, D., Hasibuan, R. R., & Efendi, B. (2025). Entrepreneurial Marketing and Marketing Performance in Gen Z Entrepreneurs: Exploring the Mediating Pathways to Entrepreneurial Resilience. *Journal of Ecohumanism*, *4*(1), 3583-3602.

Hasibuan, R. R., Novandari, W., & Setyanto, R. P. (2024). The role of digital literacy on the social media performance of batik MSMEs with digital capability as an intervening variable. *International Journal of Business and Quality Research*, *2*(03), 39-54.

Hasibuan, R. R. (2024). Dampak Personal Branding Dan Influencer Marketing Terhadap Keputusan Pembelian Konsumen Generasi Z. *House of Management and Business (HOMBIS) Journal*, *3*(2), 57-62.

Hasibuan, R. R., & Najmudin, N. (2024). Content Marketing, Customer Engagement On Marketing Performance Mediated By Digital Marketing In Batik Msmes In Banyumas Regency. *International Journal of Economics, Business and Innovation Research*, *3*(03), 287-304.

Hasibuan, R. R. H., Suliyanto, S., & Novandari, W. (2025). PENGGUNAAN SOSIAL MEDIA PEMASARAN DAN KEMAMPUAN DIGITAL TERHADAP KINERJA PEMASARAN MELALUI PERSEPSI IKLAN SEBAGAI VARIABEL MEDIATING. In *Prosiding Seminar Nasional Ekonomi Bisnis* (Vol. 3, No. 01, pp. 317-341).

Hidayat-ur-Rehman, I., & Alsolamy, M. (2023). A SEM-ANN analysis to examine sustainable performance in SMEs: The moderating role of transformational leadership. *Journal of Open Innovation: Technology, Market, and Complexity*, *9*(4), 100166. https://doi.org/10.1016/j.joitmc.2023.100166

Huang, S. (2022). *A Study on the Influence of Organizational Innovation Climate on Employee's Innovation Performance: A Moderated Mediator Model*. 2022 3rd International Conference on Mental Health, Education and Human Development (MHEHD 2022), Dalian, China. https://doi.org/10.2991/assehr.k.220704.015

Hutton, S., Demir, R., & Eldridge, S. (2024). A microfoundational view of the interplay between open innovation and a firm's strategic agility. *Long Range Planning*, *57*(3), 102429. https://doi.org/10.1016/j.lrp.2024.102429

Iqbal, S., Moleiro Martins, J., Nuno Mata, M., Naz, S., Akhtar, S., & Abreu, A. (2021). Linking Entrepreneurial Orientation with Innovation Performance in SMEs; the Role of Organizational Commitment and Transformational Leadership Using Smart PLS-SEM. *Sustainability*, *13*(8), 4361. https://doi.org/10.3390/su13084361

Islam, T., Zahra, I., Rehman, S. U., & Jamil, S. (2024). How knowledge sharing encourages innovative work behavior through occupational self-efficacy? The moderating role of entrepreneurial leadership. *Global Knowledge, Memory and Communication*, *73*(1/2), 67–83. https://doi.org/10.1108/GKMC-02-2022-0041

Maran, T. K., Liegl, S., Davila, A., Moder, S., Kraus, S., & Mahto, R. V. (2022). Who fits into the digital workplace? Mapping digital self-efficacy and agility onto psychological traits. *Technological Forecasting and Social Change*, *175*, 121352. https://doi.org/10.1016/j.techfore.2021.121352

Masrokhah, S. (2024). The Influence of Branding, Packaging, and Green Product Value Addition on the Purchase Intention of Aerostreet Shoes in Collaboration with Le Minerale. *Jurnal Bisnis dan Kewirausahaan*, *1*(1), 67-72.

Nelly, N., Prabowo, H., Bandur, A., & Elidjen, E. (2024). The mediating role of competency in the effect of transformational leadership on lecturer performance. *International Journal of Educational Management*, *38*(2), 333–354. https://doi.org/10.1108/IJEM-06-2023-0275

Prasetya, V., Purnamasari, M. S., Oki, O. A., & Reza, R. R. H. (2024). Impact of green Marketing mediating brand love on purchasing decisions for batik MSME products in Central Java. *Jurnal Riset Ekonomi Manajemen (REKOMEN)*, *7*(1), 218-232.

Sandi, K., Hasibuan, R. R., & Ulya, W. (2023). Pengaruh Kualitas Produk dan Harga Terhadap Loyalitas Konsumen Riset Di Business Center Purbalingga 3. *DFAME Digital Financial Accounting Management Economics Journal*, *1*(1), 6-12.

Setiawan, S., Hasibuan, R. R., & Pratiwi, A. R. (2024). Pengaruh Disiplin Kerja, Motivasi Kerja, Dan

Pelatihan Kerja Terhadap Kinerja Karyawan Perusahaan Daerah Air Minum (PDAM) Kabupaten Purbalingga. *Kinerja*, *6*(02), 380-390.

Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, *28*(13), 1319–1350. https://doi.org/10.1002/smj.640

Teece, D. J. (2018). Business models and dynamic capabilities. *Long Range Planning*, *51*(1), 40–49. https://doi.org/10.1016/j.lrp.2017.06.007

Teece, D. J., Pisano, G., & Shuen, A. (1997). *Dynamic Capabilities and Strategic Management*.

Teece, D., Peteraf, M., & Leih, S. (2016). Dynamic Capabilities and Organizational Agility: Risk, Uncertainty, and Strategy in the Innovation Economy. *California Management Review*, *58*(4), 13–35. https://doi.org/10.1525/cmr.2016.58.4.13