

SUSTAINABLE TRANSFORMATIONAL LEADERSHIP, ORGANIZATIONAL AMBIDEXTERITY, AND DIGITAL CAPABILITY: DRIVERS OF LOCAL ECONOMIC IMPACT IN CULINARY MSMEs

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Abstract

Sustainable leadership has increasingly been recognized as a key driver of organizational sustainability; however, its role in shaping local economic resilience remains underexplored, particularly among Micro, Small, and Medium Enterprises (MSMEs) operating in turbulent environments. MSMEs play a critical role in supporting community-based economic systems in emerging economies, contributing to employment generation, local value creation, and inclusive growth, in line with Sustainable Development Goals (SDG 8 and SDG 11).

This study examines how Sustainable Transformational Leadership (STL) influences local economic impact in culinary MSMEs by investigating the roles of organizational ambidexterity, workforce resilience, and digital capability. Drawing on the Resource-Based View and Dynamic Capability Theory, this study proposes that sustainability-oriented leadership enhances internal capabilities that enable MSMEs to generate economic value within local communities.

Data were collected from 214 MSME managers in Jakarta and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results indicate that STL significantly enhances organizational ambidexterity and directly improves local economic impact, while workforce resilience positively contributes to ambidextrous capabilities. Although organizational ambidexterity does not directly influence local economic impact, it mediates the relationship between STL and economic outcomes. Furthermore, digital capability strengthens the effect of organizational ambidexterity on local economic impact.

This study contributes to the literature on sustainable management and local development by demonstrating how leadership-driven capabilities translate into community-level economic resilience in MSMEs, offering insights aligned with sustainable business practices and inclusive economic growth.

Keywords: Sustainable Transformational Leadership, Organizational Ambidexterity, Workforce Resilience, Local Economic Impact, Digital Capabilit, MSMEs, PLS-SEM

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a critical role in supporting local economic development, particularly in emerging economies where small-scale entrepreneurship constitutes the backbone of community livelihoods. In Indonesia, MSMEs account for more than 99 percent of business entities and contribute significantly to employment creation and income generation (Beck & Kunt, 2006; Tambunan, 2019). Beyond their economic function, MSMEs—particularly culinary and street-food businesses—serve as key actors in community-based economic

systems, sustaining local consumption, supporting informal supply chains, and contributing to neighborhood-level economic resilience.

The role of MSMEs in fostering inclusive and sustainable economic development is closely aligned with global priorities, particularly Sustainable Development Goal 8 (Decent Work and Economic Growth) and Sustainable Development Goal 11 (Sustainable Cities and Communities). These goals emphasize the importance of resilient local economies, responsible business practices, and inclusive growth. However, MSMEs in emerging economies often operate under conditions of uncertainty, including limited access to capital, technological constraints, and fluctuating market demand, which may constrain their ability to generate sustained local economic impact.

From a theoretical perspective, this study draws on the Resource-Based View (RBV) and Dynamic Capability Theory, which suggest that sustained performance depends on the development of valuable, rare, and adaptive organizational capabilities (Barney, 1991; Teece et al., 1997). Within this framework, leadership represents a critical intangible resource that shapes organizational adaptability and resilience. Sustainable Transformational Leadership (STL), which integrates sustainability-oriented values into leadership practices, emphasizes long-term orientation, stakeholder responsibility, and adaptive capacity (Avery & Bergsteiner, 2011). Such leadership is particularly relevant in MSMEs operating in dynamic and resource-constrained environments.

A key capability reflecting organizational adaptability is organizational ambidexterity, defined as the ability to balance exploitation and exploration activities (March, 1991; Tushman & O'Reilly, 2013). This capability enables firms to maintain operational efficiency while simultaneously pursuing innovation and responding to environmental changes (O'Reilly & Tushman, 2013). In addition, workforce resilience—defined as the ability of employees to adapt, recover, and sustain performance under uncertainty—plays a crucial role in maintaining organizational continuity in turbulent conditions (Vogus & Sutcliffe, 2007; Lengnick-Hall et al., 2011).

Despite increasing scholarly attention to sustainable leadership and organizational capabilities, several important gaps remain. First, existing studies predominantly focus on internal organizational outcomes such as firm performance, innovation, or employee attitudes, with limited attention to broader local economic outcomes and community-level impact. Second, empirical research integrating Sustainable Transformational Leadership, organizational ambidexterity, and workforce resilience within informal MSME contexts remains scarce. Third, while digital transformation is increasingly recognized as a key enabler of organizational effectiveness, the role of digital capability in strengthening leadership-driven capabilities and translating them into local economic outcomes has not been sufficiently explored.

Addressing these gaps, this study develops an integrated framework to examine how Sustainable Transformational Leadership influences local economic impact through organizational ambidexterity and workforce resilience, while considering the moderating role of digital capability. Specifically, this study positions local economic impact as a key dimension of the economic pillar of sustainability, reflecting MSMEs' contribution to employment generation, income stability, and community-level economic circulation.

This study contributes to the literature in three ways. First, it extends sustainable leadership research by linking leadership practices to local economic outcomes, moving beyond traditional firm-level performance measures. Second, it integrates organizational ambidexterity and workforce resilience as complementary capability mechanisms that explain how leadership translates into broader economic value. Third, it highlights the role of digital capability as a boundary condition that strengthens the effectiveness of leadership-driven capabilities in generating local economic impact.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Sustainable Transformational Leadership and Organizational Ambidexterity

Sustainable Transformational Leadership (STL) extends transformational leadership by integrating sustainability-oriented values such as long-term orientation, stakeholder responsibility, and adaptive capacity (Avery & Bergsteiner, 2011). Within the Resource-Based View, leadership is conceptualized as an intangible resource that shapes organizational capabilities, while Dynamic Capability Theory emphasizes the role of leadership in enabling continuous adaptation in turbulent environments (Barney, 1991; Teece et al., 1997).

One key adaptive capability is organizational ambidexterity, defined as the ability to balance exploitation and exploration activities (March, 1991; Tushman & O'Reilly, 2013). Prior studies indicate that transformational leadership facilitates ambidexterity by promoting learning, knowledge sharing, and innovation-oriented behaviors (Rosing et al., 2011). However, most of this evidence is derived from formal organizational contexts.

In informal MSMEs, particularly culinary enterprises operating in resource-constrained environments, leadership plays a more direct role in shaping adaptive behavior due to limited formal structures. Sustainability-oriented leaders are more likely to encourage both efficiency (exploitation) and experimentation (exploration), enabling MSMEs to respond to market uncertainty while sustaining local economic activities.

Therefore, STL is expected to enhance organizational ambidexterity as a key capability that supports adaptability and resilience in MSMEs.

H1: Sustainable Transformational Leadership positively affects Organizational Ambidexterity.

Resilient Workforce and Organizational Ambidexterity

Workforce resilience refers to employees' ability to adapt, recover, and sustain performance under conditions of uncertainty (Vogus & Sutcliffe, 2007). Within the Dynamic Capability perspective, resilient employees constitute a critical micro-foundation that enables organizations to respond to environmental changes through flexible and adaptive behaviors (Teece et al., 1997).

Organizational ambidexterity requires the simultaneous pursuit of exploitation and exploration activities (March, 1991; Tushman & O'Reilly, 2013). Prior research suggests that employees with high levels of resilience are more likely to engage in learning, experimentation, and problem-solving behaviors that support both operational efficiency and innovation (Lengnick-Hall et al., 2011). However, most evidence is derived from formal organizational contexts.

In informal MSMEs, where organizational structures are limited and employees often perform multiple roles, workforce resilience becomes a key driver of adaptive capability. Resilient employees enable MSMEs to maintain operational stability while responding to market fluctuations, thereby supporting both internal adaptability and continuity of local economic activities.

Therefore, workforce resilience is expected to enhance organizational ambidexterity in MSMEs.

H2: Resilient Workforce positively affects Organizational Ambidexterity.

Sustainable Transformational Leadership, Workforce Resilience, and Local Economic Impact

Micro, Small, and Medium Enterprises (MSMEs) play a central role in supporting local economic systems by generating employment, sustaining community livelihoods, and facilitating local economic circulation (Beck & Kunt, 2006; Tambunan, 2019). Within the sustainability perspective, local economic impact represents an important dimension of the economic pillar of sustainability, particularly in informal and community-based markets.

From the Resource-Based View, leadership is a strategic intangible resource that enables organizations to create value beyond firm-level outcomes (Barney, 1991). Sustainable Transformational Leadership (STL), characterized by long-term orientation and stakeholder

responsibility, is expected to strengthen business continuity, foster innovation, and enhance community-level economic contributions (Avery & Bergsteiner, 2011).

Similarly, workforce resilience represents a critical human capability that supports operational continuity under uncertainty (Vogus & Sutcliffe, 2007). In resource-constrained MSMEs, resilient employees enable firms to maintain productivity, adapt to market fluctuations, and sustain economic activities within local communities (Lengnick-Hall et al., 2011).

In informal MSME contexts, where business sustainability is closely tied to community-level economic dynamics, both leadership and workforce capabilities are expected to directly influence local economic outcomes through improved stability, adaptability, and value creation.

H3: Sustainable Transformational Leadership positively affects Local Economic Impact.

H4: Resilient Workforce positively affects Local Economic Impact.

Organizational Ambidexterity and Local Economic Impact

Organizational ambidexterity refers to the ability to balance exploitation and exploration activities, enabling firms to maintain efficiency while pursuing innovation (March, 1991; O'Reilly & Tushman, 2013). From a Dynamic Capability perspective, ambidexterity reflects the capacity of organizations to adapt to changing environments through resource reconfiguration (Teece et al., 1997).

Prior research suggests that ambidextrous capabilities are associated with improved performance, innovation, and growth, particularly in formal and resource-rich organizational contexts (Raisch & Birkinshaw, 2008). However, the extent to which ambidexterity translates into broader economic outcomes may depend on organizational scale and resource availability.

In MSMEs, particularly those operating in informal and resource-constrained environments, ambidexterity may primarily support operational adaptability and business continuity rather than immediate economic expansion. Nevertheless, the ability to balance efficiency and innovation is still expected to contribute to local economic activities by sustaining business operations and supporting community-level value creation.

Therefore, organizational ambidexterity is expected to positively influence local economic impact.

H5: Organizational Ambidexterity positively affects Local Economic Impact.

Mediating Role of Organizational Ambidexterity

Within the Resource-Based View and Dynamic Capability perspectives, organizational outcomes are shaped not only by resources but by the processes through which these resources are transformed into capabilities (Barney, 1991; Teece et al., 1997). Organizational ambidexterity, as the ability to balance exploration and exploitation, represents a potential mechanism linking internal resources to broader outcomes.

Transformational leadership has been shown to foster learning, knowledge sharing, and innovation-oriented behaviors that support the development of ambidextrous capabilities (Rosing et al., 2011). Similarly, workforce resilience enables adaptive responses and continuous adjustment under uncertainty, which may contribute to the effective functioning of ambidextrous processes (Lengnick-Hall et al., 2011).

However, the extent to which such capabilities translate into broader economic outcomes may depend on contextual conditions. In MSMEs operating in informal and resource-constrained environments, the transformation of leadership and workforce capabilities into measurable local economic impact may not always occur through structured capability mechanisms, but can also take place through more direct and immediate operational responses.

Nevertheless, organizational ambidexterity remains theoretically relevant as a potential mediating mechanism through which leadership and workforce resilience influence local economic outcomes.

H6: Organizational Ambidexterity mediates the relationship between Sustainable Transformational Leadership and Local Economic Impact.

H7: Organizational Ambidexterity mediates the relationship between Resilient Workforce and Local Economic Impact.

Moderating Role of Digital Capability

Digital capability refers to the extent to which organizations utilize digital technologies to support operational processes, coordination, and decision-making (Marler & Fisher, 2013). In MSMEs, digital capability often manifests through the practical use of digital tools—such as mobile communication, digital payment systems, and simple coordination platforms—that enhance business efficiency and responsiveness.

From a capability perspective, digital capability functions as an enabling mechanism that strengthens the effectiveness of existing organizational capabilities rather than directly generating economic outcomes. By improving information flow, coordination, and responsiveness, digital tools enhance the organization's ability to leverage its resources under dynamic conditions.

In the context of MSMEs, digital capability is particularly relevant in strengthening the effectiveness of organizational ambidexterity. Firms that are able to balance exploration and exploitation are more likely to translate these capabilities into economic outcomes when supported by digital tools that facilitate coordination and adaptability. However, the moderating role of digital capability may be less pronounced in relation to workforce resilience, as resilience primarily reflects behavioral and experiential adaptability that may not rely heavily on digital support.

Therefore, digital capability is expected to strengthen the relationship between organizational ambidexterity and local economic impact, while its moderating effect on the relationship between workforce resilience and local economic impact may vary depending on contextual conditions.

H8: Digital HR Maturity positively moderates the relationship between Organizational Ambidexterity and Local Economic Impact.

H9: Digital HR Maturity positively moderates the relationship between Resilient Workforce and Local Economic Impact.

Grounded in the Resource-Based View (RBV) and Dynamic Capability Theory, this study proposes that Sustainable Transformational Leadership and Workforce Resilience function as strategic resources that enhance Organizational Ambidexterity as a key dynamic capability. Organizational ambidexterity enables MSMEs to balance efficiency and innovation, supporting their adaptability in resource-constrained and dynamic environments.

In the context of informal MSMEs, such adaptive capability is expected to contribute to Local Economic Impact as part of the economic pillar of sustainability, particularly through sustaining business continuity, supporting local value creation, and maintaining community-level economic activity. Furthermore, Digital Capability is proposed as an enabling condition that strengthens the extent to which organizational capabilities are translated into local economic outcomes.

The conceptual framework of this study is presented in Figure 1.

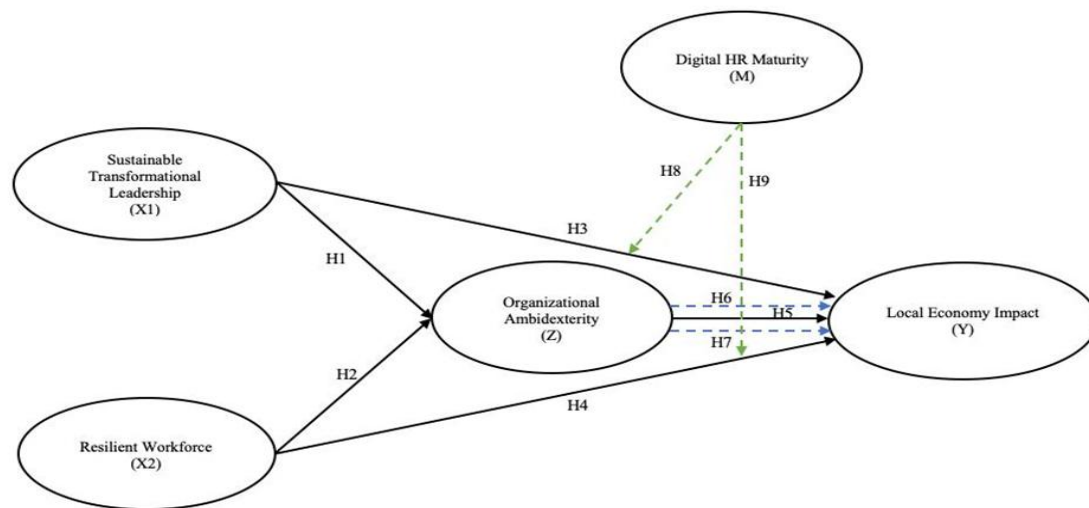


Figure 1. Conceptual Framework

RESEARCH METHODS

Research Design and Sample

This study employs a quantitative research design to examine the relationships among Sustainable Transformational Leadership, Workforce Resilience, Organizational Ambidexterity, Digital Capability, and Local Economic Impact within culinary Micro, Small, and Medium Enterprises (MSMEs). The study focuses on street food entrepreneurs operating in Jakarta, Indonesia, representing a key segment of the urban informal economy that contributes to local employment, community livelihoods, and economic circulation.

Data were collected through a structured questionnaire distributed to 214 MSME owners and managers. Respondents were selected using purposive sampling, targeting individuals actively involved in daily business operations to ensure the relevance of leadership and capability-related responses. Data collection was conducted over a three-month period from March to May 2026.

Measurement of Variables

All constructs were measured using established scales adapted from prior studies. Responses were recorded on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Sustainable Transformational Leadership was measured based on leadership behaviors emphasizing vision, sustainability orientation, and stakeholder responsibility (Bass & Avolio, 1994; Avery & Bergsteiner, 2011). Workforce Resilience was assessed through employees' adaptive capacity under uncertainty (Vogus & Sutcliffe, 2007). Organizational Ambidexterity was measured by capturing both exploration and exploitation activities (March, 1991; Tushman & O'Reilly, 2013). Digital Capability was measured based on the use of digital tools and technologies that support coordination, communication, and operational processes (Marler & Fisher, 2013). Local Economic Impact was assessed using subjective indicators reflecting business performance, employment contribution, and participation in local economic activities.

Data Analysis Technique

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), which is suitable for examining complex models involving mediation and moderation in exploratory

research contexts (Hair et al., 2019). The analysis was conducted using SmartPLS software following a two-stage approach.

The measurement model was evaluated through indicator loadings, internal consistency reliability (Cronbach's alpha and composite reliability), and convergent validity using Average Variance Extracted (AVE), as well as discriminant validity. The structural model was assessed using path coefficients, coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and the significance of hypothesized relationships through bootstrapping procedures (Hair et al., 2019; Hair et al., 2021).

RESULTS

Table 1 presents the demographic profile of the respondents. A total of 214 MSME actors in Jakarta participated in the survey. In terms of gender, 51.4% of respondents were male and 48.6% were female. Most respondents were in the 20–30 years age group (45.9%), followed by 30–40 years (31.1%), over 40 years (17.6%), and below 20 years. Regarding education, the majority had completed senior high school (71.6%), followed by bachelor's degree holders (13.5%), junior high school graduates (9.5%), and diploma holders (5.4%). In terms of business experience, most respondents had operated their businesses for 3–6 years (48.6%), followed by more than 6 years (21.6%) and less than one year (17.6%).

Table 1. Characteristics of Respondents (N = 214)

No	Gender	Age	Education Level	SMES
1	Male: 126 (51.4%)	<20 years: 1 (4.1%)	Junior High: 7 (9.5%)	<1 year: 13 (17.6%)
2	Female: 88 (48.6%)	20-30 years: 37 (45.9%)	Senior High: 53 (71.6%)	1-3 years: 7 (9.5%)
3		30-40 years: 13 (31.1%)	Diploma: 4 (5.4%)	3-6 years: 26 (48.6%)
4		>40 years: 23 (17.6%)	Bachelor (S1): 10 (13.5%)	>6 years: 26 (21.6%)

Table 2 presents the indicator loadings for each construct used in the measurement model. The loading values range from 0.722 to 0.906, exceeding the recommended threshold of 0.70 (Hair et al., 2022), indicating satisfactory indicator reliability.

All indicators of Sustainable Transformational Leadership (STL), Resilient Workforce (RW), Organizational Ambidexterity (OA), Digital HR Maturity (DHM), and Local Economic Impact (LEI) demonstrate adequate validity and were retained for further analysis.

Table 2. Outer Model Loadings

Construct	Indicator	Loading	Result
Sustainable Transformational Leadership (STL)	STL1-8	0.783-0.889	Valid
Resilient Workforce (RW)	RW1-6	0.775-0.875	Valid
Organizational Ambidexterity (OA)	OA1-6	0.735-0.906	Valid
Digital HR Maturity (DHM)	DHM1-5	0.774-0.827	Valid
Local Economy Impact (LEI)	LEI1-9	0.771-0.852	Valid

Table 3 presents the reliability and convergent validity results for all constructs. Cronbach's alpha values range from 0.722 to 0.923, exceeding the recommended threshold of 0.70, indicating satisfactory internal consistency reliability. Composite Reliability (CR) values range from 0.843 to 0.940, further confirming the reliability of the constructs.

In addition, the Average Variance Extracted (AVE) values range from 0.613 to 0.802, surpassing the minimum threshold of 0.50. These results indicate that all constructs demonstrate adequate convergent validity.

Overall, the measurement model meets the recommended reliability and validity criteria and is suitable for further structural model analysis.

Table 3. Construct Reliability and Convergent Validity

Construct	Cronbach's α	Composite Reliability (CR)	AVE
Sustainable Transformational Leadership (STL)	0.914	0.895	0.723
Resilient Workforce (RW)	0.823	0.877	0.692
Organizational Ambidexterity (OA)	0.792	0.873	0.741
Digital HR Maturity (DHM)	0.885	0.961	0.812
Local Economy Impact (LEI)	0.858	0.918	0.693

All thresholds met: α & CR > 0.70; AVE > 0.50.

Table 4 presents the discriminant validity assessment using the Fornell–Larcker criterion. The results show that the square root of the Average Variance Extracted (AVE) for each construct exceeds its correlations with other constructs in the model.

This indicates that all constructs—Sustainable Transformational Leadership, Resilient Workforce, Organizational Ambidexterity, Digital HR Maturity, and Local Economic Impact—are empirically distinct.

Therefore, the measurement model satisfies the discriminant validity requirement for PLS-SEM analysis.

Table 4. Discriminant Validity (Fornell-Larcker)

Construct	STL	RW	OA	DHM	LEI
STL	0.794	0.54	0.43	0.39	0.51
RW	0.56	0.859	0.48	0.45	0.53
OA	0.43	0.48	0.772	0.42	0.44
DHM	0.39	0.45	0.42	0.927	0.38
LEI	0.51	0.53	0.44	0.38	0.816

Structural Model Fit and Predictive Power

The structural model was evaluated using the coefficient of determination (R^2), predictive relevance (Q^2), and model fit indices. The R^2 value for Local Economic Impact (LEI) is 0.743, indicating substantial explanatory power. The adjusted R^2 value of 0.736 further confirms the robustness of the model.

The Stone–Geisser Q^2 value of 0.484 demonstrates strong predictive relevance. In terms of model fit, the SRMR value of 0.066 is below the recommended threshold of 0.08, while the NFI value of 0.762 exceeds the acceptable level of 0.70, indicating an acceptable overall model fit.

Table 5. Structural Model Fit and Predictive Power

Indicator	Value	Interpretation
R^2 (EP)	0.747	Strong (>0.75)
Adjusted R^2	0.751	Strong
Q^2	0.492	High (>0.35)
SRMR	0.069	Good (<0.08)
NFI	0.752	Acceptable (>0.70)

Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping procedure with 5,000 subsamples. The results show that Sustainable Transformational Leadership has a positive and significant effect on Organizational Ambidexterity ($\beta = 0.296$, $p = 0.004$), supporting H1. Similarly, Resilient Workforce significantly influences Organizational Ambidexterity ($\beta = 0.439$, $p = 0.017$), supporting H2.

Sustainable Transformational Leadership also has a significant positive effect on Local Economic Impact ($\beta = 0.354$, $p = 0.006$), supporting H3. Resilient Workforce shows a marginally significant effect on Local Economic Impact ($\beta = 0.224$, $p = 0.054$), providing partial support for H4.

However, Organizational Ambidexterity does not significantly affect Local Economic Impact ($\beta = 0.554$, $p = 0.820$), indicating that H5 is not supported.

Regarding mediation, Organizational Ambidexterity significantly mediates the relationship between Sustainable Transformational Leadership and Local Economic Impact ($\beta = 0.194$, $p = 0.042$), supporting H6. In contrast, the mediating effect of Organizational Ambidexterity between Resilient Workforce and Local Economic Impact is not significant ($\beta = 0.092$, $p = 0.911$), indicating that H7 is not supported.

For moderation effects, Digital HR Maturity significantly moderates the relationship between Organizational Ambidexterity and Local Economic Impact ($\beta = 0.394$, $p = 0.042$), supporting H8. However, it does not moderate the relationship between Resilient Workforce and Local Economic Impact ($\beta = 0.022$, $p = 0.691$), indicating that H9 is not supported.

Table 6. Structural Model Results (Bootstrapping 5,000 Subsamples)

Hypothesis	Relationship	B	SD	T-value	p-value	Result
H1	STL $\rightarrow$ OA	0.296	0.084	2.736	0.004	Supported
H2	RW $\rightarrow$ OA	0.439	0.404	2.590	0.017	Supported
H3	STL $\rightarrow$ LEI	0.354	0.194	2.684	0.006	Supported
H4	RW $\rightarrow$ LEI	0.224	0.298	2.092	0.054	Supported
H5	AO $\rightarrow$ LEI	0.554	0.276	1.142	0.820	Not Supported
H6	AO - STL $\rightarrow$ LEI	0.194	0.092	1.996	0.042	Supported
H7	AO - RW $\rightarrow$ LEI	0.092	0.230	0.492	0.911	Not Supported
H8	DHM $\times$ STL $\rightarrow$ LEI	0.394	0.072	2.906	0.042	Supported
H9	DHM $\times$ RW $\rightarrow$ LEI	0.022	0.210	0.391	0.691	Not Supported

DISCUSSION

This study provides insights into how leadership, workforce capabilities, and digital capability shape local economic outcomes in culinary MSMEs operating in resource-constrained environments. Drawing on the Resource-Based View and Dynamic Capability Theory, the findings confirm that intangible resources—particularly leadership and workforce adaptability—play a critical role in supporting local economic resilience (Barney, 1991; Teece et al., 1997).

The positive effect of Sustainable Transformational Leadership on Organizational Ambidexterity supports prior research emphasizing the role of leadership in fostering learning and balancing exploration–exploitation activities (Rosing et al., 2011; O'Reilly & Tushman, 2013). Similarly, Workforce Resilience enhances Organizational Ambidexterity, indicating that employee adaptability serves as a micro-foundation of dynamic capabilities, particularly in MSMEs where employees perform multiple roles (Vogus & Sutcliffe, 2007; Lengnick-Hall et al., 2011).

The findings also show that Sustainable Transformational Leadership has a direct positive impact on Local Economic Impact, suggesting that sustainability-oriented leadership contributes not only to firm-level outcomes but also to community-level economic activities such as employment and local value creation. In contrast, the effect of Workforce Resilience on Local Economic Impact is weaker, indicating that its contribution is more closely associated with operational continuity than immediate economic expansion.

Organizational Ambidexterity does not have a significant direct effect on Local Economic Impact. This suggests that in informal MSMEs, ambidextrous practices are primarily oriented toward short-term adaptability and business continuity rather than immediate economic growth. Furthermore, the mediating role of Organizational Ambidexterity is not supported, indicating that leadership and workforce capabilities may influence economic outcomes more directly rather than through structured capability mechanisms in informal contexts.

Regarding moderation, Digital Capability strengthens the relationship between Organizational Ambidexterity and Local Economic Impact, indicating that digital tools enhance the

effectiveness of organizational capabilities in generating economic outcomes. However, Digital Capability does not moderate the relationship between Workforce Resilience and Local Economic Impact, suggesting that resilience operates as a behavior-driven capability that is less dependent on technological support.

Overall, these findings highlight a distinct pattern of sustainability in MSMEs, where leadership and workforce capabilities directly support local economic activities under resource constraints. From an ICSEMA perspective, this study underscores the role of MSMEs as key actors in community-based economic systems, contributing to inclusive and sustainable development in line with Sustainable Development Goals (SDG 8 and SDG 11).

Theoretical Contributions

This study contributes to the literature on sustainable leadership, organizational capabilities, and MSME development in several ways.

First, it extends sustainable leadership research by demonstrating that Sustainable Transformational Leadership functions as a key enabler of organizational ambidexterity in informal and resource-constrained MSMEs, reinforcing the Resource-Based View that leadership acts as a critical intangible resource (Barney, 1991; Avery & Bergsteiner, 2011).

Second, this study advances the workforce resilience literature by positioning resilience as a micro-level capability that supports ambidextrous processes. Rather than being limited to an individual psychological trait, workforce resilience operates as a collective capability that enhances organizational adaptability, consistent with the Dynamic Capability perspective (Vogus & Sutcliffe, 2007; Teece et al., 1997).

Third, the findings refine ambidexterity theory by showing that organizational ambidexterity does not directly translate into economic outcomes in MSMEs, highlighting the importance of contextual conditions in informal and resource-constrained environments (O'Reilly & Tushman, 2013).

Finally, this study incorporates digital capability as a boundary condition that strengthens the effectiveness of organizational capabilities in generating local economic outcomes, contributing to the growing literature on digital-enabled capabilities in MSMEs (Marler & Fisher, 2013).

Managerial Implications

This study provides practical insights for MSME owners and policymakers. First, MSME leaders should adopt sustainability-oriented leadership practices to enhance adaptability and long-term business continuity. Second, developing workforce resilience is essential for maintaining operational stability in uncertain environments. Third, the adoption of digital capability—through practical digital tools for coordination, communication, and operations—can strengthen the effectiveness of organizational capabilities.

At a broader level, policymakers should design integrated programs that support leadership development, workforce capability building, and digital adoption. These efforts can enhance MSME sustainability and strengthen their contribution to local economic systems.

From an ICSEMA perspective, the findings highlight the role of MSMEs in supporting inclusive and resilient local economies, contributing to Sustainable Development Goals (SDG 8 and SDG 11).

CONCLUSION

This study examines the role of Sustainable Transformational Leadership, Workforce Resilience, Organizational Ambidexterity, and Digital Capability in shaping the local economic impact of culinary MSMEs. The findings indicate that sustainability-oriented leadership and workforce resilience are key drivers of organizational adaptability in resource-constrained environments. Sustainable Transformational Leadership has a direct effect on local economic outcomes, while workforce resilience contributes primarily through supporting operational continuity.

Organizational Ambidexterity does not directly influence local economic impact, and its mediating role is not supported, suggesting that in informal MSMEs, economic outcomes are driven more by direct and adaptive responses rather than structured capability mechanisms. In addition, Digital Capability strengthens the relationship between organizational ambidexterity and local economic impact, but does not moderate the effect of workforce resilience.

These findings highlight the importance of intangible resources and adaptive capabilities in supporting local economic resilience, reinforcing the role of MSMEs as key contributors to community-based economic systems in line with Sustainable Development Goals (SDG 8 and SDG 11).

This study has several limitations. The focus on culinary MSMEs in a single urban context may limit generalizability. Future research may explore different sectors, apply longitudinal designs, and incorporate additional variables such as digital innovation and ecosystem collaboration to further examine sustainability-driven MSME development.

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