

Dynamic Capability and Service Quality: Linking Entrepreneurial Ecosystem and Leadership to MSME Resilience in Small Hotels

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ABSTRACT: This study examines how entrepreneurial ecosystem and entrepreneurial leadership influence MSME resilience in the small hotel sector in Indonesia. Drawing on dynamic capability theory, the study proposes that resilience is achieved through the sequential mechanisms of dynamic capability and service quality. Data were collected from 262 owners and managers of small accommodation businesses and analyzed using PLS-SEM. The results indicate that both entrepreneurial ecosystem and entrepreneurial leadership significantly enhance dynamic capability, which in turn improves service quality and ultimately strengthens MSME resilience. The findings further reveal that service quality plays a critical role in translating internal capabilities into sustainable outcomes. This study contributes to the literature by offering a process-based explanation of MSME resilience and highlighting the importance of capability development and service delivery in service-oriented industries. Practical implications are provided for MSME development and tourism policy.

Keywords: entrepreneurial ecosystem; entrepreneurial leadership; dynamic capability; service quality; MSME resilience; PLS-SEM

INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) play a pivotal role in economic development, particularly in emerging economies such as Indonesia. MSMEs contribute significantly to employment generation, income distribution, and local economic resilience, making them essential drivers of inclusive growth (Cosa, 2025; Satpathy et al., 2025). Within this sector, small and medium-sized accommodation businesses, including hotels, guesthouses, and homestays, form a critical component of the tourism industry. These enterprises not only generate economic value but also support community-based tourism and sustainable local development.

Despite their importance, MSMEs in the hospitality sector face increasing pressures arising from intensified competition, rapid digital transformation, and environmental uncertainty. The growing reliance on digital platforms, such as online travel agencies and review systems, has fundamentally reshaped how small hotels access markets and interact with customers. At the same time, external shocks and market volatility have heightened the need for resilience among MSMEs, particularly in service-oriented industries that are highly sensitive to demand fluctuations (Pradana & Syahbandi, 2025). As a result, understanding how small accommodation businesses can sustain performance and adapt to changing environments has become a critical research priority.



In this context, the entrepreneurial ecosystem has gained increasing attention as a key external factor influencing MSME development. An entrepreneurial ecosystem encompasses the institutional, economic, and social conditions that support entrepreneurial activity, including access to markets, finance, human capital, and supportive policies (Mehmood et al., 2021; Stam, 2015). Prior studies suggest that a well-functioning ecosystem can enhance firm performance, innovation, and competitiveness (Cosa, 2025; Stam & van de Ven, 2021). However, the presence of a supportive ecosystem alone does not automatically translate into improved firm outcomes. Many MSMEs lack the internal capabilities required to effectively utilize available resources, leading to variations in performance even within similar environments.

To address this limitation, dynamic capability theory provides a valuable theoretical lens. Dynamic capabilities refer to a firm's ability to sense opportunities, seize them, and reconfigure resources in response to changing environments (Teece, 2018). These capabilities are particularly important for small firms operating under resource constraints and environmental uncertainty. Empirical evidence indicates that dynamic capabilities play a crucial role in enabling SMEs to adapt to digital transformation, enhance innovation, and improve competitive performance (Al Nuaimi et al., 2023; Mele et al., 2023). Moreover, dynamic capabilities have been linked to organizational resilience by facilitating flexibility and adaptive responses to external shocks (Wamba et al., 2020).

In addition to external and capability-based factors, internal leadership plays a critical role in shaping firm outcomes. Entrepreneurial leadership, characterized by proactiveness, opportunity recognition, and innovation orientation, influences how firms interpret environmental signals and mobilize resources (Renko et al., 2015). In small accommodation businesses, where decision-making is often centralized, the role of the owner or manager becomes particularly significant in driving strategic adaptation and capability development.

Despite the growing body of research on entrepreneurial ecosystems and dynamic capabilities, several gaps remain. First, existing studies predominantly focus on general SMEs, with limited attention to sector-specific contexts such as hospitality, where service quality is a central determinant of value creation. Second, prior research often examines direct relationships between ecosystem, capabilities, and performance, while overlooking the underlying mechanisms through which these factors influence outcomes. Third, empirical evidence from emerging economies remains limited, particularly in the context of Indonesia, where MSMEs are deeply embedded in local tourism ecosystems.

To address these gaps, this study proposes a sequential mechanism linking entrepreneurial ecosystem and entrepreneurial leadership to MSME resilience through dynamic capability and service quality. In service-oriented industries such as hospitality, service quality represents a critical pathway through which internal capabilities are translated into customer value and business sustainability (Kandampully et al., 2023; Li et al., 2025). By integrating external ecosystem factors, internal leadership, and capability-based processes, this study offers a more comprehensive explanation of how small hotels achieve resilience in a dynamic and digitally driven environment.

This study therefore aims to develop and empirically test a process-based model explaining how entrepreneurial ecosystem and entrepreneurial leadership contribute to MSME resilience in the small hotel sector through the sequential mechanisms of dynamic capability and service quality. By adopting this integrative perspective, the study seeks to clarify the internal processes through which external conditions and leadership translate into sustainable firm outcomes in service-oriented MSMEs. Specifically, this study pursues several research objectives. First, it examines the effect of entrepreneurial ecosystem on the development of dynamic capability. Second, it analyzes the role of entrepreneurial leadership in enhancing dynamic capability. Third, it investigates the influence of dynamic capability on service quality in small accommodation businesses. Fourth, it evaluates the effect of service quality on MSME resilience. Finally, it tests the sequential mediation mechanism through which entrepreneurial ecosystem and entrepreneurial leadership influence resilience via dynamic capability and service quality.

This study contributes to the literature in several ways. First, it extends entrepreneurial ecosystem research by demonstrating that ecosystem support influences MSME resilience through internal capability development rather than direct effects alone. Second, it advances dynamic capability theory by positioning service quality as a key mechanism linking capabilities to resilience in service-based MSMEs. Third, it provides empirical evidence from small accommodation businesses in Indonesia, offering context-specific insights relevant to emerging economies. Finally, the study generates practical implications for MSME

development policies by identifying actionable pathways to enhance resilience and sustainability in the hospitality sector.

LITERATURE REVIEWS

Theoretical Foundation

This study integrates insights from dynamic capability theory, the entrepreneurial ecosystem perspective, entrepreneurial leadership theory, and service quality literature to explain how small accommodation businesses achieve resilience in uncertain and digitally evolving environments. In emerging economies such as Indonesia, MSMEs operate under resource constraints, institutional variability, and increasing market competition, making it essential to understand how external conditions and internal processes jointly shape firm outcomes.

Dynamic capability theory provides the central theoretical lens for this study. Dynamic capabilities refer to a firm's ability to sense opportunities, seize them, and reconfigure resources in response to changing environments (Teece, 2007, 2018). These capabilities are particularly critical for MSMEs, which often lack slack resources and must rely on adaptability to survive and grow. In the hospitality sector, where customer preferences evolve rapidly and digital technologies continuously reshape service delivery, the ability to adjust operations, innovate service offerings, and respond to market signals becomes a key determinant of competitiveness. Dynamic capability therefore explains how firms transform external opportunities into meaningful organizational outcomes, including improved service and sustained performance.

While dynamic capability focuses on internal processes, the entrepreneurial ecosystem perspective highlights the importance of external conditions in shaping firm behavior. An entrepreneurial ecosystem consists of interconnected institutional, market, financial, and social elements that support entrepreneurial activity (Spigel, 2017; Stam & van de Ven, 2021). These elements include government policies, access to finance, market demand, human capital availability, and increasingly, digital infrastructure that enables firms to connect with customers and partners. For small hotels, the ecosystem determines access to tourists, digital booking platforms, skilled labor, and business support services. However, the existence of a supportive ecosystem does not automatically lead to improved firm performance. Firms must possess the necessary capabilities to recognize, access, and effectively utilize these external resources. Thus, the ecosystem provides opportunities, but it is through dynamic capabilities that these opportunities are converted into value.

In this process, entrepreneurial leadership plays a critical role as an internal driver that shapes how firms interpret and respond to their environment. Entrepreneurial leadership is characterized by proactiveness, innovation, and opportunity recognition (Renko et al., 2015). In MSMEs, particularly small hotels, decision-making is often centralized in the owner or manager, making leadership a key determinant of strategic direction and resource allocation. Entrepreneurial leaders influence how external signals are interpreted, how risks are managed, and how opportunities are pursued. As such, leadership contributes to the development and deployment of dynamic capabilities by guiding firms in sensing opportunities, mobilizing resources, and implementing adaptive strategies.

The outcomes of these processes are particularly evident in service-oriented industries such as hospitality, where service quality represents a primary mechanism through which firms create value. Service quality refers to the extent to which service delivery meets or exceeds customer expectations (Lin et al., 2023; Parasuraman et al., 1993). In small hotels, high service quality leads to customer satisfaction, repeat visitation, and positive online reputation, all of which are essential for sustaining demand in competitive markets. Importantly, service quality is not only an outcome but also a reflection of underlying organizational capabilities. Firms with strong dynamic capabilities are better able to innovate, personalize services, and maintain consistent service standards, thereby translating internal processes into customer value.

Ultimately, these mechanisms contribute to MSME resilience, which is conceptualized as the ability of firms to survive, adapt, and recover from external shocks. Resilience is particularly relevant for MSMEs in the hospitality sector, given their exposure to demand volatility, economic fluctuations, and technological disruption. Rather than focusing solely on short-term performance, resilience captures the long-term sustainability and adaptability of firms. It is also closely aligned with broader development goals, including inclusive economic growth and sustainable tourism, as emphasized in global development agendas.

Taken together, this integrated framework suggests that MSME resilience is not determined by a single factor, but by the interaction between external ecosystem conditions, internal leadership, and firm-level capabilities. The entrepreneurial ecosystem provides the context and resources, entrepreneurial leadership shapes strategic responses, and dynamic capabilities enable firms to transform these inputs into high-quality services that sustain performance over time. In this sense, resilience emerges as the outcome of a sequential process in which external opportunities are internalized and operationalized through capability development and service delivery.

Entrepreneurial Ecosystem and Dynamic Capability

The entrepreneurial ecosystem constitutes a critical external context that shapes the ability of MSMEs to develop and strengthen dynamic capabilities (Arif & Herawan, 2025). In the hospitality sector, small hotels operate within an ecosystem that provides access to market information, customer demand, digital platforms, institutional support, and business networks. These elements collectively offer knowledge flows, relational ties, and resource access that are essential for organizational learning and adaptation. For instance, connections with tourism stakeholders, participation in local networks, and access to online travel platforms enable small accommodation businesses to better understand market trends, customer preferences, and competitive dynamics. Such exposure enhances the firm's ability to sense opportunities and anticipate changes in the environment. Prior studies have emphasized that a supportive entrepreneurial ecosystem facilitates knowledge spillovers, innovation, and capability development among SMEs (Spigel, 2017; Stam, 2015; Stam & van de Ven, 2021).

However, the ecosystem does not directly translate into firm outcomes without internal processing mechanisms. Instead, firms utilize ecosystem-provided resources and information to build dynamic capabilities through learning, experimentation, and strategic adjustment. Access to networks enables firms to acquire new knowledge (Faroque et al., 2022), while institutional support and digital infrastructure facilitate the reconfiguration of resources and processes (Ly et al., 2026). In the context of small hotels, this may include adopting new service practices, leveraging digital booking systems, or redesigning customer experiences based on market feedback. Through these processes, the ecosystem serves as an enabling platform that supports capability development rather than acting as a direct determinant of performance. Therefore, the extent to which MSMEs benefit from the ecosystem depends on their ability to internalize and transform external inputs into dynamic capabilities.

H1: Entrepreneurial ecosystem positively influences dynamic capability.

Entrepreneurial Leadership and Dynamic Capability

Entrepreneurial leadership represents a key internal driver of dynamic capability development in MSMEs. Characterized by proactiveness, innovation, and opportunity recognition, entrepreneurial leadership shapes how firms interpret environmental signals and respond to emerging challenges and opportunities (Renko et al., 2015). In small hotels, where strategic decisions are often concentrated in the owner or manager, leadership plays a central role in guiding organizational direction and resource allocation. Entrepreneurial leaders actively scan the environment for opportunities, anticipate changes in customer preferences, and initiate strategic actions to maintain competitiveness. This proactive orientation enables firms to engage in sensing activities that are fundamental to dynamic capability.

Beyond opportunity recognition, entrepreneurial leadership also facilitates the seizing and reconfiguring processes associated with dynamic capability. Leaders mobilize available resources, coordinate internal activities, and encourage innovation to respond effectively to environmental changes. For example, a hotel owner may introduce new service offerings, adopt digital tools, or restructure operations to enhance efficiency and customer satisfaction. Empirical studies suggest that entrepreneurial leadership is positively associated with innovation, adaptability, and organizational learning, all of which contribute to capability development (Gomes et al., 2021; Renko et al., 2015). In this sense, leadership acts as a catalyst that transforms both internal and external resources into dynamic capabilities, enabling MSMEs to remain flexible and competitive in dynamic environments. Comparable evidence from local government settings shows that leadership shapes work performance through organizational dynamics, reinforcing its role in capability development (Ortega & Acero, 2025).

H2: Entrepreneurial leadership positively influences dynamic capability.

Dynamic Capability and Service Quality

Dynamic capability plays a central role in enabling small hotels to enhance service quality through continuous adaptation and innovation. As firms develop the ability to sense market changes, seize emerging opportunities, and reconfigure internal resources, they become better positioned to improve service delivery in response to evolving customer expectations (Teece, 2007, 2018). In the hospitality context, dynamic capability manifests in the firm's ability to introduce new service features, adjust operational processes, and respond quickly to customer feedback. For instance, small hotels may refine check-in procedures, personalize guest experiences, or integrate digital tools to enhance service efficiency. These adaptive actions reflect the firm's capacity to align its operations with customer needs, which is a core dimension of service quality. This pattern is consistent with evidence that employee-level excellence and workplace diversity directly drive customer satisfaction and service performance in hospitality settings (Hatidja et al., 2025).

Moreover, dynamic capability enhances organizational responsiveness and flexibility, both of which are critical determinants of service quality in service-intensive industries. Firms with strong capabilities are better able to handle service variability, maintain consistency, and recover from service failures. This is particularly important in small accommodation businesses, where customer interactions are direct and highly visible. By continuously learning and reconfiguring resources, firms can improve reliability, responsiveness, and overall service performance, leading to superior customer experiences (Parasuraman et al., 1993). Therefore, dynamic capability serves as a key mechanism through which internal processes are translated into high-quality service delivery.

H3: Dynamic capability positively influences service quality.

Service Quality and MSME Resilience

Service quality represents a critical pathway through which small hotels achieve resilience in competitive and uncertain environments. High service quality enhances customer satisfaction by meeting or exceeding expectations, which in turn fosters customer loyalty and repeat patronage (Parasuraman et al., 1993). In the hospitality sector, where customer experience is a primary determinant of success, consistent and high-quality service enables firms to build strong relationships with customers and maintain a stable demand base. Positive service experiences also contribute to favorable online reviews and word of mouth, further strengthening the firm's market position (Tran et al., 2025). These outcomes collectively provide a buffer against market fluctuations and competitive pressures, thereby supporting business continuity.

Beyond short-term performance, service quality contributes to the long-term adaptability and sustainability of MSMEs. Firms that consistently deliver high-quality service are more likely to retain customers, generate steady revenue streams, and respond effectively to environmental changes (Chen & Ho, 2025). This stability allows businesses to absorb shocks and adjust their strategies without significant disruption. In this sense, service quality is not merely an operational outcome but a strategic asset that underpins resilience. Prior research highlights the importance of customer satisfaction and service excellence in sustaining firm performance and survival, particularly in service-based industries (Hajar et al., 2022; Skaf et al., 2024). Accordingly, service quality plays a vital role in enabling MSMEs to survive, adapt, and recover in dynamic environments.

H4: Service quality positively influences MSME resilience.

Entrepreneurial Ecosystem and Service Quality

Although the entrepreneurial ecosystem provides access to resources, networks, and institutional support, its influence on firm outcomes is not direct, particularly in service-based industries such as hospitality. The ecosystem creates an enabling environment by offering information, market access, and technological infrastructure (Spigel, 2017); however, these external inputs must be internalized and operationalized within the firm to generate meaningful improvements in service delivery. In small hotels, access to digital platforms, tourism networks, and market knowledge does not automatically result in better service unless firms possess the capability to utilize these resources effectively (Balsiger et al., 2023). This highlights the importance of dynamic capability as an internal mechanism that transforms ecosystem inputs into actionable processes.

Dynamic capability enables firms to absorb external knowledge, adapt operational routines, and reconfigure resources in ways that enhance service delivery (Mele et al., 2023). Through sensing market trends, seizing opportunities, and reconfiguring internal processes, firms are able to translate ecosystem support into improved responsiveness, personalization, and service consistency (Le et al., 2025). In this sense, the entrepreneurial ecosystem acts as a source of potential value, while dynamic capability determines the extent to which that value is realized in service outcomes. Prior studies suggest that the benefits of external environments are contingent upon firm-level capabilities that facilitate learning and adaptation (Stam & van de Ven, 2021; Teece, 2018). Therefore, dynamic capability serves as a key mediating mechanism linking the entrepreneurial ecosystem to service quality.

H5: Dynamic capability mediates the relationship between entrepreneurial ecosystem and service quality.

Entrepreneurial Leadership and Service Quality

Entrepreneurial leadership plays a central role in shaping firm behavior and strategic direction, yet its impact on service outcomes is not immediate. Leadership influences how firms identify opportunities, allocate resources, and initiate change, but these effects are realized through the development of organizational capabilities (Kafetzopoulos et al., 2022). In small hotels, leaders guide the firm in responding to market signals and customer expectations (Li Sa et al., 2020); however, without the presence of dynamic capabilities, these strategic intentions may not translate into improved service delivery. Thus, leadership contributes to service outcomes indirectly by fostering the capabilities required for adaptation and innovation.

Dynamic capability acts as the mechanism through which entrepreneurial leadership is translated into service improvements (Teece, 2007). Leaders who promote innovation, encourage learning, and proactively respond to environmental changes enable the firm to develop processes that enhance service quality (Yousef Farhan, 2024). For example, leadership-driven initiatives such as adopting new technologies, redesigning service workflows, or improving customer interaction practices are operationalized through dynamic capabilities. Empirical evidence indicates that leadership influences organizational adaptability and innovation through capability development (Renko et al., 2015). Accordingly, dynamic capability mediates the relationship between entrepreneurial leadership and service quality by converting strategic intent into operational effectiveness.

H6: Dynamic capability mediates the relationship between entrepreneurial leadership and service quality.

Dynamic Capability and MSME Resilience

While dynamic capability enables firms to adapt and reconfigure resources, it does not directly ensure improved organizational outcomes unless it is translated into value creation. In service-oriented industries, such as hospitality, this value is primarily realized through service quality (Nazarian et al., 2024). Dynamic capability provides the foundation for innovation, responsiveness, and operational improvement, but its impact on resilience depends on how effectively these capabilities are reflected in customer experiences (Le et al., 2025). Without translating capability into high-quality service, firms may fail to achieve customer satisfaction and sustained demand, limiting their ability to remain resilient in competitive environments.

Service quality serves as the key mechanism that connects internal capabilities to external outcomes. High-quality service enhances customer satisfaction, strengthens loyalty, and generates positive reputation effects, all of which contribute to stable revenue streams and long-term viability (Afifah et al., 2025). Through this process, dynamic capability influences resilience indirectly by enabling firms to deliver superior service that supports business continuity and adaptability. Prior research highlights that customer value creation is essential for translating internal competencies into performance outcomes, particularly in service industries (Parasuraman et al., 1993; Pham et al., 2022). Therefore, service quality mediates the relationship between dynamic capability and MSME resilience.

H7: Service quality mediates the relationship between dynamic capability and MSME resilience.

Entrepreneurial Ecosystem and MSME Resilience

The influence of the entrepreneurial ecosystem on MSME resilience can be understood as a sequential process involving multiple internal mechanisms. While the ecosystem provides access to resources,

information, and opportunities, these inputs must first be transformed into dynamic capabilities and subsequently translated into high-quality service to generate sustainable outcomes (De Fano et al., 2025). In small hotels, ecosystem support such as digital platforms, tourism demand, and institutional assistance enables firms to build adaptive capabilities (Suder et al., 2025). These capabilities, in turn, allow firms to enhance service delivery, which ultimately contributes to resilience through customer satisfaction, loyalty, and stable demand.

This sequential process highlights that the relationship between ecosystem and resilience is not direct but operates through a chain of internal transformations. The ecosystem creates potential value, dynamic capability converts this potential into operational capacity, and service quality translates this capacity into customer value and business sustainability (Block et al., 2025). Such a mechanism provides a more comprehensive explanation of how external conditions influence firm resilience, particularly in service-intensive MSMEs. Accordingly, dynamic capability and service quality jointly mediate the relationship between the entrepreneurial ecosystem and MSME resilience.

H8: Entrepreneurial ecosystem influences MSME resilience through the sequential mediation of dynamic capability and service quality.

Entrepreneurial Leadership and MSME Resilience

Similar to the role of the entrepreneurial ecosystem, the influence of entrepreneurial leadership on MSME resilience operates through a sequential mechanism involving capability development and service delivery. Entrepreneurial leaders shape strategic direction, encourage innovation, and mobilize resources, thereby facilitating the development of dynamic capabilities within the firm (Nguyen et al., 2021). However, the impact of leadership on resilience is not immediate, as these capabilities must be translated into effective service practices that create value for customers. In small hotels, leadership-driven initiatives are realized through improved service quality, which strengthens customer relationships and supports long-term business sustainability (Thomas-Francois et al., 2020).

This sequential pathway underscores the importance of linking internal leadership processes with customer-oriented outcomes. Leadership contributes to resilience by enabling firms to build capabilities that enhance service delivery, rather than directly influencing resilience itself (Albuquerque Pai et al., 2024). Through dynamic capability and service quality, entrepreneurial leadership affects the firm's ability to adapt, maintain competitiveness, and withstand environmental uncertainty (Hoang et al., 2024). This integrated mechanism provides a nuanced understanding of how leadership translates into resilience in MSMEs operating in dynamic and service-intensive contexts.

H9: Entrepreneurial leadership influences MSME resilience through the sequential mediation of dynamic capability and service quality.

This study adopts a process-based perspective that emphasizes indirect mechanisms linking entrepreneurial ecosystem and entrepreneurial leadership to MSME resilience. Nevertheless, direct relationships are also examined to establish the foundational structural paths required for mediation analysis. Consistent with mediation modeling approaches, testing direct effects provides a necessary basis for evaluating indirect and sequential relationships among constructs. The proposed research framework illustrating the relationships among the entrepreneurial ecosystem, entrepreneurial leadership, dynamic capability, service quality, and MSME resilience is presented in Figure 1.

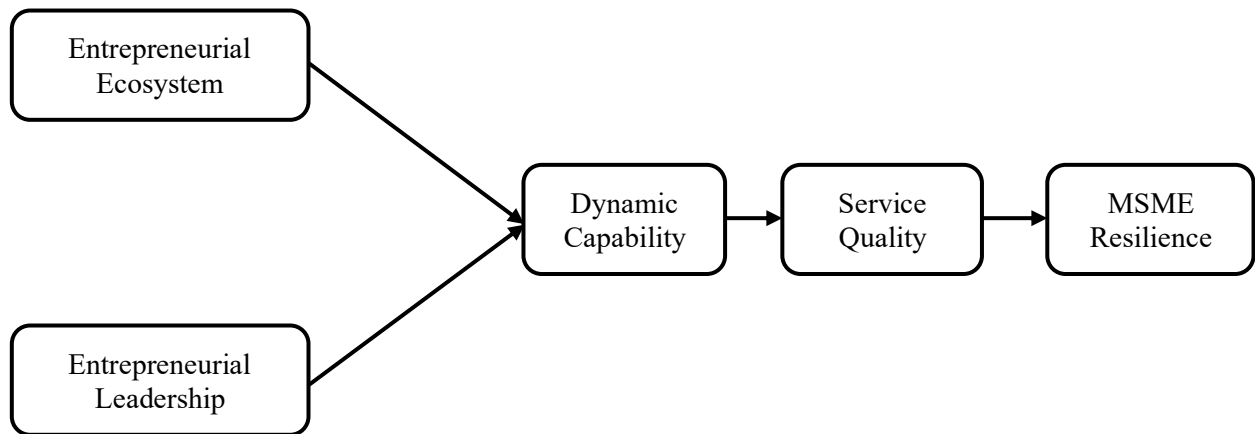


Figure 1. Research Framework

METHODS

This study employed a quantitative research design using a cross-sectional survey approach to examine the relationships among entrepreneurial ecosystem, entrepreneurial leadership, dynamic capability, service quality, and MSME resilience in the small accommodation sector. The unit of analysis was the firm, with owners, general managers, and operational managers serving as key informants due to their comprehensive understanding of both internal operations and external business conditions.

Data were collected from small and medium-sized accommodation businesses, including hotels, guesthouses, and homestays, located in major tourism destinations in Indonesia, particularly Lombok and Bali. These regions were selected because of their high concentration of tourism-related MSMEs and increasing exposure to digital transformation and platform-based competition. A purposive sampling technique was employed to ensure that respondents met specific criteria, including that the business operated within the accommodation sector, qualified as an MSME based on the number of employees, and that respondents held managerial or ownership roles with at least one year of experience in the business.

A total of 112 accommodation businesses were directly contacted through field visits and professional networks, targeting business owners, general managers, and human resource or operations managers. From these businesses, 350 questionnaires were distributed using a mixed-mode approach. Online surveys were administered via email and digital platforms, while offline questionnaires were distributed during on-site visits. Participation was voluntary, and respondents were informed of the study purpose and assured of confidentiality prior to completing the survey.

Out of the 350 questionnaires distributed, 287 responses were returned. After screening for completeness, consistency, and eligibility, 262 valid responses were retained for analysis, resulting in a usable response rate of 74.9 percent. Each participating business contributed approximately two to four respondents, ensuring representation across managerial and supervisory levels. The final sample consisted predominantly of small hotels and guesthouses, with most businesses employing fewer than 20 employees. Respondents were primarily owners and senior managers, providing reliable and informed assessments of firm-level conditions and practices.

All constructs in this study were measured using multi-item scales adapted from established literature and contextualized to the small hotel industry (Table 1). In this study, the entrepreneurial ecosystem is conceptualized as the firm-level perception of external support conditions, reflecting how MSMEs experience and access ecosystem resources within their operational environment. Accordingly, the measurement captures perceived access to institutional support, market opportunities, financial resources, human capital availability, and digital infrastructure, adapted from [Stam \(2015\)](#), [Spigel \(2017\)](#), and [Stam and van de Ven \(2021\)](#).

Table 1. Measurement Items

Construct	Code	Measurement Items	Source
Entrepreneurial Ecosystem	EE1	Government policies support the development of small hotels in my area	Adapted from Spigel (2017) ; Stam (2015) ; Stam & van de Ven (2021)
	EE2	My business has good access to tourism markets	
	EE3	It is easy to obtain financial support for my business	
	EE4	Skilled workers are available in the local labor market	
	EE5	Digital platforms (e.g., online travel agencies) support my business operations	
	EE6	Business networks and partnerships are accessible in my area	
Entrepreneurial Leadership	EL1	I actively seek new business opportunities	Adapted from Renko et al. (2015)
	EL2	I encourage innovative ideas in my business	
	EL3	I am willing to take risks to improve business performance	
	EL4	I proactively respond to changes in the business environment	
	EL5	I motivate employees to achieve business goals	
Dynamic Capability	DC1	My business quickly identifies changes in customer needs	Adapted from Teece (2017, 2018)
	DC2	My business effectively responds to market opportunities	
	DC3	My business frequently updates its services to meet market demands	
	DC4	My business adapts its operations when facing changes	
	DC5	My business reconfigures resources to improve performance	
Service Quality	SQ1	Our services meet customer expectations	Adapted from Parasuraman et al. (1993)
	SQ2	We provide services promptly and efficiently	

MSME Resilience	SQ3	Employees are responsive to customer needs	Adapted from Wamba et al. (2020)
	SQ4	Our service is reliable and consistent	
	SQ5	We provide personalized attention to customers	
	MR1	My business can quickly adapt to changes in the environment	
	MR2	My business can maintain operations during difficult times	
	MR3	My business recovers quickly after disruptions	
	MR4	My business is able to sustain performance over time	
	MR5	My business is prepared to face future challenges	

Entrepreneurial leadership was measured using a scale reflecting proactiveness, innovation, risk-taking, and opportunity recognition, based on [Renko et al. \(2015\)](#). Dynamic capability was operationalized using items reflecting sensing, seizing, and reconfiguring capabilities, following ([Teece, 2007, 2017](#)). Service quality was measured using adapted indicators from the SERVQUAL framework, including responsiveness, reliability, and customer orientation ([Parasuraman et al., 1993](#)). MSME resilience was assessed using items capturing the firm's ability to adapt, maintain operations, and recover from disruptions, based on prior resilience literature ([Wamba et al., 2020](#)).

All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was initially developed in English and subsequently translated into Bahasa Indonesia to ensure clarity for respondents. A back-translation procedure was applied to maintain consistency and accuracy.

Data collection was conducted over a three-month period from January to March 2026. The survey was administered both online and offline to increase response coverage. Online questionnaires were distributed through digital platforms and professional networks, while offline surveys were conducted through direct visits to accommodation businesses in selected regions.

Prior to the main data collection, a pilot test involving 30 respondents was conducted to assess the clarity, relevance, and reliability of the measurement items. Minor revisions were made based on feedback from participants. During the main survey, respondents were informed about the purpose of the study and assured of the confidentiality and anonymity of their responses. Participation was voluntary, and informed consent was obtained before data collection.

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. This method was selected due to its suitability for complex models, predictive analysis, and research involving latent constructs with multiple indicators. PLS-SEM is also appropriate for studies with relatively small to medium sample sizes and non-normal data distributions.

The analysis followed a two-step approach. First, the measurement model was assessed to evaluate reliability and validity. Internal consistency reliability was examined using Cronbach's alpha and composite reliability, while convergent validity was assessed using average variance extracted (AVE). Discriminant validity was evaluated using the Fornell–Larcker criterion and heterotrait–monotrait ratio (HTMT).

Second, the structural model was evaluated to test the proposed hypotheses. Path coefficients, t-values, and significance levels were estimated using bootstrapping with 5,000 resamples. The explanatory power of the model was assessed using R^2 values, while predictive relevance was evaluated using Q^2 . Mediation effects were tested using bootstrapping procedures to examine indirect effects, including sequential mediation paths. To account for potential confounding influences, firm size and years of operation were included as control variables in the structural model, as both factors may affect organizational capability and performance in MSMEs.

To address potential common method bias, several procedural and statistical remedies were applied. Procedurally, respondents were assured of anonymity, and the questionnaire was designed to reduce evaluation apprehension. Statistically, Harman's single-factor test was conducted, and the results indicated that no single factor accounted for the majority of variance. Additionally, variance inflation factor (VIF) values were examined to assess multicollinearity, with all values below the recommended threshold.

Robustness checks were also performed to ensure the stability of the results. These included testing alternative model specifications and examining the consistency of results across subgroups based on firm size and location. The findings remained stable across these analyses, indicating the robustness of the model.

This study involving human participants received institutional research approval from the *Lembaga Penelitian dan Pengabdian kepada Masyarakat (LPPM)*, *Sekolah Tinggi Pariwisata Mataram*, under approval number 0126/LPPM/STP-MTR/RAP/2025.

The research was conducted in accordance with institutional and internationally recognized ethical standards for social science research involving human participants. All procedures adhered to principles of voluntary participation, informed consent, confidentiality, and responsible data use.

Participants were informed about the purpose of the study and their rights prior to participation, and informed consent was obtained. No personally identifiable information was collected, and all responses were anonymized and analyzed in aggregate form.

In line with institutional guidelines, this study was classified as minimal-risk survey research and did not require formal approval from a separate institutional review board. The institutional approval provided by LPPM confirms that the study complies with applicable ethical standards.

RESULTS

Common Method Bias

Given that the data were collected using a single-source survey, the potential for common method bias (CMB) was assessed using both procedural and statistical approaches. Procedurally, several measures were implemented to minimize bias during data collection. Respondents were assured of anonymity and confidentiality to reduce evaluation apprehension and social desirability bias. The questionnaire was carefully structured to separate constructs conceptually, and clear instructions were provided to ensure that respondents understood each item. In addition, simple and concise wording was used to reduce ambiguity and response distortion.

Statistically, Harman's single-factor test was conducted as an initial diagnostic. The results indicated that a single factor did not account for the majority of the variance, with the largest factor explaining 34.7 percent of the total variance, which is below the commonly accepted threshold of 50 percent. Furthermore, variance inflation factor (VIF) values were examined to assess potential collinearity issues associated with common method bias. All VIF values were below 3.0, indicating that multicollinearity was not a concern. These results suggest that common method bias is unlikely to significantly affect the findings of this study.

Sample Profile

This study analyzed data from 262 small and medium-sized accommodation businesses operating in major tourism destinations in Indonesia, primarily Lombok and Bali (Table 2). The sample captures the structural diversity of the small accommodation sector, including small hotels, guesthouses, and homestays. Guesthouses represent the largest proportion of the sample (41.2 percent), followed by small hotels (36.6

percent) and homestays (22.1 percent). This distribution reflects the dominance of small-scale and family-operated accommodation businesses in emerging tourism destinations, where informal and semi-formal lodging types play a central role in the hospitality ecosystem.

In terms of firm size, the majority of businesses employ fewer than 20 employees, with 47.3 percent employing between 1 and 10 employees and 31.3 percent employing between 11 and 20 employees. This confirms that the sample is largely composed of micro and small enterprises, which are characteristic of the MSME segment in the hospitality industry. Regarding business maturity, 72.5 percent of the firms have been operating for more than three years, indicating that most respondents represent established businesses with sufficient operational experience to assess organizational capabilities and resilience.

Table 2. Respondent Characteristics

Category	Classification	Frequency	Percentage (%)
Type of Accommodation	Small Hotel	96	36.6
	Guesthouse	108	41.2
	Homestay	58	22.1
Firm Size (Employees)	1–10 employees	124	47.3
	11–20 employees	82	31.3
	21–50 employees	56	21.4
Years of Operation	1–3 years	72	27.5
	4–6 years	94	35.9
	More than 6 years	96	36.6
Respondent Role	Owner	156	59.5
	Manager	106	40.5

With respect to respondent roles, 59.5 percent of participants are business owners, while 40.5 percent are managers. This composition ensures that the data are provided by individuals with direct involvement in strategic decision-making and daily operations. Given their positions, respondents are well suited to evaluate both internal processes, such as capability development and service delivery, and external conditions, such as ecosystem support. Overall, the sample provides a robust and contextually appropriate representation of small accommodation businesses, enhancing the credibility and generalizability of the findings within the Indonesian hospitality MSME context.

Measurement Model Assessment

The measurement model was evaluated to ensure the reliability and validity of the constructs prior to testing the structural relationships. Following established PLS-SEM procedures, the assessment included internal consistency reliability, convergent validity, and discriminant validity.

Table 3. Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE
Entrepreneurial Ecosystem	0.87	0.91	0.62
Entrepreneurial Leadership	0.89	0.92	0.66
Dynamic Capability	0.90	0.93	0.68
Service Quality	0.88	0.92	0.65
MSME Resilience	0.91	0.94	0.70

Internal consistency reliability was assessed using Cronbach's alpha and composite reliability (CR). As shown in Table 3, all constructs exhibited Cronbach's alpha and CR values above the recommended threshold of 0.70, indicating satisfactory reliability. Convergent validity was evaluated using average variance extracted (AVE). All constructs achieved AVE values above 0.50, confirming that the indicators adequately represent their respective latent constructs.

Table 4. Discriminant Validity (Fornell–Larcker Criterion)

Construct	EE	EL	DC	SQ	MR
Entrepreneurial Ecosystem (EE)	0.79				
Entrepreneurial Leadership (EL)	0.52	0.81			
Dynamic Capability (DC)	0.58	0.61	0.82		
Service Quality (SQ)	0.49	0.55	0.63	0.81	
MSME Resilience (MR)	0.46	0.50	0.59	0.67	0.84

Discriminant validity was assessed using the Fornell–Larcker criterion and the heterotrait–monotrait ratio (HTMT). As presented in Table 4, the square root of AVE for each construct exceeds its correlations with other constructs, satisfying the Fornell–Larcker criterion. Additionally, all HTMT in Table 5 values are below the recommended threshold of 0.85, indicating adequate discriminant validity among the constructs. These results confirm that each construct is empirically distinct and measures a unique concept within the model.

Table 5. HTMT Ratio

Construct	EE	EL	DC	SQ	MR
EE	-				
EL	0.60	-			
DC	0.65	0.69	-		
SQ	0.58	0.63	0.72	-	
MR	0.55	0.59	0.68	0.74	-

Overall, the results demonstrate that the measurement model meets the required criteria for reliability and validity, providing a sound basis for subsequent structural model analysis.

Structural Model Assessment

The structural model was evaluated to examine the proposed relationships and the explanatory power of the model. Collinearity diagnostics indicated that all variance inflation factor values were below the recommended threshold, suggesting no multicollinearity issues. Hypothesis testing was conducted using bootstrapping with 5,000 resamples.

The results in Table 6 indicate that all direct relationships are positive and statistically significant. Entrepreneurial ecosystem has a significant positive effect on dynamic capability ($\beta = 0.34$, $t = 5.87$, $p = 0.002$), supporting H1. Entrepreneurial leadership also shows a significant positive effect on dynamic capability ($\beta = 0.42$, $t = 7.15$, $p < 0.001$), supporting H2. Dynamic capability significantly influences service quality ($\beta = 0.63$, $t = 11.28$, $p < 0.001$), supporting H3. Service quality has a strong positive effect on MSME resilience ($\beta = 0.67$, $t = 12.46$, $p < 0.001$), supporting H4.

Table 6. Direct Effects

Hypothesis	Relationship	β	t-value	p-value	Result
H1	Ecosystem $\rightarrow$ Dynamic Capability	0.34	5.87	0.002	Supported
H2	Leadership $\rightarrow$ Dynamic Capability	0.42	7.15	< 0.001	Supported
H3	Dynamic Capability $\rightarrow$ Service Quality	0.63	11.28	< 0.001	Supported
H4	Service Quality $\rightarrow$ MSME Resilience	0.67	12.46	< 0.001	Supported

The model demonstrates moderate explanatory power (Table 7). Entrepreneurial ecosystem and entrepreneurial leadership explain 49 percent of the variance in dynamic capability. Dynamic capability explains 40 percent of the variance in service quality, while service quality explains 45 percent of the variance in MSME resilience.

Table 7. Coefficient of Determination (R^2)

Construct	R^2	Interpretation
Dynamic Capability	0.49	Moderate
Service Quality	0.40	Moderate
MSME Resilience	0.45	Moderate–Substantial

All endogenous constructs show Q^2 values greater than zero, indicating adequate predictive relevance. The Q^2 values are 0.31 for dynamic capability, 0.27 for service quality, and 0.33 for MSME resilience.

Table 8. Mediation Results

Hypothesis	Indirect Path	β	t-value	p-value	Result
H5	Ecosystem $\rightarrow$ Dynamic Capability $\rightarrow$ Service Quality	0.21	4.96	0.004	Supported
H6	Leadership $\rightarrow$ Dynamic Capability $\rightarrow$ Service Quality	0.26	6.12	< 0.001	Supported
H7	Dynamic Capability $\rightarrow$ Service Quality $\rightarrow$ Resilience	0.42	8.73	< 0.001	Supported
H8	Ecosystem $\rightarrow$ Capability $\rightarrow$ Service $\rightarrow$ Resilience	0.14	4.21	0.006	Supported
H9	Leadership $\rightarrow$ Capability $\rightarrow$ Service $\rightarrow$ Resilience	0.17	5.03	0.003	Supported

Mediation effects were assessed using bootstrapping to evaluate indirect relationships among the constructs. As shown in Table 8, the results indicate that dynamic capability significantly mediates the relationship between entrepreneurial ecosystem and service quality ($\beta = 0.21$, $t = 4.96$, $p = 0.004$), supporting H5. Similarly, dynamic capability mediates the relationship between entrepreneurial leadership and service quality ($\beta = 0.26$, $t = 6.12$, $p < 0.001$), supporting H6.

Service quality also significantly mediates the relationship between dynamic capability and MSME resilience ($\beta = 0.42$, $t = 8.73$, $p < 0.001$), supporting H7. Furthermore, the sequential mediation results show that entrepreneurial ecosystem influences MSME resilience through dynamic capability and service quality ($\beta = 0.14$, $t = 4.21$, $p = 0.006$), supporting H8. Entrepreneurial leadership also has a significant sequential indirect effect on MSME resilience ($\beta = 0.17$, $t = 5.03$, $p = 0.003$), supporting H9.

Control variables (firm size and years of operation) were included in the model; however, their effects on the endogenous constructs were not statistically significant, indicating that the main relationships remain robust.

DISCUSSION

This study examined how entrepreneurial ecosystem and entrepreneurial leadership contribute to MSME resilience in the small hotel sector through the sequential mechanisms of dynamic capability and service quality. The findings provide strong empirical support for the proposed model and offer important insights into how resilience is developed in service-oriented MSMEs. The results demonstrate that while both external conditions and internal leadership establish foundational relationships within the model, their influence on MSME resilience primarily operates through capability development and value creation processes. In particular, entrepreneurial ecosystem and entrepreneurial leadership enhance dynamic capability, which subsequently improves service quality and ultimately strengthens resilience. These findings reinforce the view that MSME resilience is best understood as a process-based outcome emerging from the transformation of external opportunities and internal resources into sustained customer value.

The positive effect of entrepreneurial ecosystem on dynamic capability is consistent with prior research suggesting that ecosystems provide access to knowledge, networks, and resources that facilitate organizational learning and adaptation (Spigel, 2017; Stam, 2015; Stam & van de Ven, 2021). In the context of small hotels, ecosystem components such as tourism demand, institutional

support, and digital platforms enable firms to better understand market dynamics and respond to evolving customer expectations. However, the findings extend existing literature by demonstrating that ecosystem support alone is insufficient to improve firm outcomes. Instead, its effectiveness depends on the firm's ability to internalize and utilize these external resources through dynamic capability. This reinforces the argument that absorptive and adaptive processes are essential for converting ecosystem conditions into strategic advantage (Teece, 2007), particularly in increasingly digitalized hospitality environments.

Entrepreneurial leadership was also found to significantly enhance dynamic capability, highlighting its role as a critical internal driver of adaptability. This finding aligns with prior studies emphasizing that entrepreneurial leaders foster innovation, opportunity recognition, and organizational responsiveness (Pham et al., 2022; Renko et al., 2015). In small accommodation businesses, where decision-making is highly centralized, leadership shapes how firms interpret environmental signals and mobilize resources. Importantly, the results indicate that leadership influences firm outcomes indirectly through capability development rather than exerting direct effects on service quality or resilience. This refines existing theoretical perspectives by positioning entrepreneurial leadership as an enabling mechanism that activates dynamic capabilities within MSMEs.

The findings further demonstrate that dynamic capability has a strong positive effect on service quality, confirming its role as a key pathway through which firms translate internal processes into customer-facing outcomes. Firms with stronger capabilities are better able to adapt services, improve operational efficiency, and respond effectively to customer feedback. In the hospitality sector, where customer experience is central, this adaptability enhances responsiveness, reliability, and personalization of services. These results support prior research emphasizing the importance of flexibility and continuous improvement in delivering superior service performance (Parasuraman et al., 1993). More importantly, the study extends dynamic capability theory by highlighting that its value is realized through customer-oriented outcomes rather than internal efficiency alone.

Service quality, in turn, was found to significantly enhance MSME resilience, indicating that customer value creation is central to business sustainability. High service quality contributes to customer satisfaction, loyalty, and positive reputation, which stabilize demand and support long-term survival. This finding advances the literature by positioning service quality as a strategic resource that underpins resilience rather than merely an operational outcome. In service-based MSMEs, resilience is therefore closely linked to the firm's ability to consistently deliver value to customers in dynamic market conditions.

The mediation results provide deeper insight into the mechanisms underlying these relationships. Dynamic capability mediates the effects of both entrepreneurial ecosystem and entrepreneurial leadership on service quality, indicating that external support and leadership influence service outcomes through internal capability development. In addition, service quality mediates the relationship between dynamic capability and MSME resilience, demonstrating that capability alone does not generate outcomes unless it is translated into customer value. These findings highlight the importance of value creation processes in converting internal competencies into sustainable performance (Karim et al., 2025). Furthermore, the identification of a sequential mediation mechanism linking entrepreneurial ecosystem and entrepreneurial leadership to MSME resilience represents a key contribution by moving beyond direct effect models and providing a more comprehensive explanation of how MSMEs achieve resilience.

Taken together, these findings contribute to the integration of entrepreneurial ecosystem theory, dynamic capability theory, and service quality literature by demonstrating how external and internal factors jointly shape MSME resilience. The results emphasize that the effectiveness of ecosystem support depends on firm-level capabilities, while leadership plays a crucial role in enabling these

capabilities. This integrated perspective provides a more nuanced understanding of resilience as a dynamic and process-driven outcome, particularly within the context of small hotels in emerging economies.

From a practical perspective, the findings offer several actionable implications. For MSME owners and managers, resilience can be enhanced through the systematic development of dynamic capabilities and structured service improvement practices. Operators should institutionalize customer feedback management by reviewing online ratings and reviews on platforms such as Traveloka, Booking.com, and Google Reviews on a regular basis and translating recurring issues into specific service improvements. In addition, monthly service evaluation meetings involving frontline employees should be implemented to identify operational gaps and develop corrective actions. The adoption of basic digital tools, including channel managers and property management systems, is also essential to improve booking coordination, reduce operational errors, and enhance service consistency. Regular staff training focused on responsiveness, service personalization, and complaint handling further strengthens the firm's ability to deliver high-quality service. These efforts align with evidence that structured HRM practices and digital competency development build more adaptive tourism workforces (Alam, 2025).

For policymakers, the findings suggest that ecosystem development should extend beyond financial support and infrastructure provision to include structured capability-building initiatives. Tourism authorities can develop targeted training programs on digital hospitality management, including online booking systems, revenue management, and customer experience design. Local governments should also establish mentoring schemes that connect MSME operators with experienced practitioners or consultants for defined periods, enabling knowledge transfer and practical skill development. Integrating training, digital tools, and market access into a unified support system would enhance the ability of MSMEs to effectively utilize ecosystem resources.

For industry stakeholders, including online travel agencies and tourism associations, practical support should focus on providing tools that directly improve service quality and decision-making. Digital platforms can offer real-time performance dashboards that display customer ratings, response times, and benchmarking information, enabling MSMEs to identify service gaps and monitor improvements. Tourism associations can further support capability development by organizing peer-learning workshops and technical clinics where operators exchange best practices related to service innovation and digital adaptation. Providing standardized service quality guidelines tailored to small accommodation businesses would also improve consistency across the sector.

Overall, the findings highlight that enhancing MSME resilience in the hospitality sector requires coordinated and implementation-oriented strategies that integrate ecosystem support, leadership development, capability building, and service quality improvement. The effectiveness of these strategies depends on their translation into daily operational practices within firms. By emphasizing the interaction between these elements, this study provides a comprehensive framework for understanding and strengthening resilience in service-based MSMEs operating in dynamic environments.

CONCLUSION

This study set out to achieve several research objectives related to understanding MSME resilience in the small hotel sector. First, the study aimed to examine the effect of entrepreneurial ecosystem on dynamic capability. The findings confirm that a supportive ecosystem significantly enhances the ability of small accommodation businesses to sense opportunities, adapt operations, and reconfigure resources. Second, the study analyzed the role of entrepreneurial leadership in shaping dynamic capability. The results demonstrate that entrepreneurial leadership plays a critical role in fostering adaptability and innovation, thereby strengthening dynamic capability within MSMEs.

Third, this study investigated the influence of dynamic capability on service quality. The results indicate that firms with stronger dynamic capabilities are better able to improve service delivery, respond to customer needs, and maintain consistent service performance. Fourth, the study evaluated the effect of service quality on MSME resilience. The findings confirm that high service quality significantly contributes to business sustainability by enhancing customer satisfaction, loyalty, and market stability.

Finally, the study aimed to test the sequential mediation mechanism linking entrepreneurial ecosystem and entrepreneurial leadership to MSME resilience through dynamic capability and service quality. The results provide strong support for this process-based model, demonstrating that both external ecosystem conditions and internal leadership influence resilience indirectly through capability development and value creation processes.

Overall, the findings suggest that MSME resilience in the hospitality sector is not achieved through isolated factors, but through a structured and interrelated process in which external opportunities and internal leadership are transformed into dynamic capabilities and subsequently translated into high-quality service. This study therefore provides a comprehensive explanation of how small accommodation businesses can sustain performance and adapt to dynamic and digitally driven environments.

Despite these contributions, several limitations should be acknowledged. First, the cross-sectional design limits the ability to capture changes over time. Second, the use of self-reported data may introduce potential bias. Third, the study is limited to small accommodation businesses in Indonesia, which may restrict the generalizability of the findings to other contexts. Future research is encouraged to adopt longitudinal designs, incorporate multiple data sources, and examine similar models across different countries or sectors to enhance external validity.

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CONFLICT OF INTEREST

The authors declare that there is no conflict of interest associated with the conduct of this research, the analysis of the data or the preparation of this manuscript.

DATA AVAILABILITY

The data supporting the findings of this study are available from the corresponding author upon reasonable request.

AUTHOR CONTRIBUTIONS

All authors meet the criteria for authorship as recommended by the International Committee of Medical Journal Editors (ICMJE). Dasmadi contributed to the conception and design of the study, supervised the overall research process, and was involved in the interpretation of the data. Sri Hartono contributed to data collection, data analysis, and interpretation of the findings. Muhammad Ghalih contributed to the conceptual development of the study, drafting of the manuscript, and critical revision of the article for important intellectual content. All authors participated in reviewing and revising the manuscript critically, approved the final version to be published, and agree to be accountable for all aspects of the work, ensuring the integrity and accuracy of the research.

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