

The Role of Nationality-Centric Transformational Leadership in the Relationship Between Business Capabilities to Sustainable Competitive Advantage and Global Marketing Performance for Franchised-Smes Entering Global Markets

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Abstract

This report addresses Indonesian franchised-SMEs' biggest hurdles in entering global markets, including weak managerial skills and worldwide network connectivity. Only 17 of the 400 foreign franchise stores targeted by the government have been opened, demonstrating a large disparity between potential and achievement. Innovation, management capacity, and brand distinction have been poorly studied without a coherent theoretical framework. This study highlights the understudied relevance of national values as strategic resources in global competitiveness. The research proposes Nationality-Centric-Transformational Leadership (NCTL), which combines Transformational Leadership-Theory with Resource-Based-View in competition, to fill this gap. This idea emphasises Indonesian national values as unique resources for lasting competitive advantage. The quantitative study examines internationalised Indonesian 550 franchised-SMEs' tactics using questionnaires. The non-significant direct effects of Innovation, Learning, and Collaboration Capabilities on Global-Marketing Performance emphasise the importance of cultural adaptability and market-specific techniques. NCTL drives Global Marketing Performance and Sustainable Competitive Advantage by integrating organisational vision with cultural identity. This study positions national values as distinctive, non-substitutable resources, contributing to the Resource-Advantage-Theory-of-Competition (RATC) and Transformational Leadership-Theory. NCTL's culturally grounded leadership approach fills the theoretical gap in religious nations' implementation areas, boosting global competitiveness while preserving cultural authenticity.

Keywords: *Capabilities, Resource-Advantage, Transformational-Leadership, Nationality-Centric-Transformational Leadership, Global-Marketing-Performance.*

Introduction

The Challenges for Indonesian Franchised SMEs in Global Markets faced some significant barriers to entering global markets. First, limited managerial capabilities hinder their ability to manage international operations and adapt to diverse markets (Hidayat & Fitriani, 2022). Second, restricted access to international capabilities and networks hampers their ability to establish partnerships essential for global market penetration and brand awareness (Rahmawati, 2021). The disparity between potential and reality is stark. Despite the government targeting 400 international franchise outlets, only 17 have been achieved. This highlights critical internal and external factors limiting expansion (Jayanto & Siti, 2019). While prior studies have explored these challenges, few have examined transformational leadership based on national values as a key driver of competitiveness. This research fills the gap by emphasizing the integration of Indonesian national values such as the five principles: belief in God, unity in diversity, sovereignty and national pride, justice and equality, and sustainability and responsibility consider as a foundation for global branding and networking strategies (Hidayat & Fitriani, 2022). Most prior studies predominantly focus on technical aspects such as global marketing strategies, operational efficiency, and product innovation (Kim & Park, 2020). This emphasis reveals a significant research gap, as insufficient attention has been paid to the dimensions of local and national values that could strengthen global competitiveness. Values such as integrity, solidarity, and national collaboration are critical differentiators in building sustainable competitive advantages. However, such approaches remain underutilized in theoretical frameworks and practical

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applications, particularly within the context of franchised SMEs seeking to compete in global markets (Santoso et al, 2021).

Research on the development of nationality-centric transformational leadership has produced mixed findings. Studies by (Sugiarto et al, 2022) and (Li et al, 2023) suggest that transformational leadership approaches that integrate national values enhance business capabilities, making them more adaptable to global markets. Conversely, (Jell-Ojobor et al, 2022) report inconsistent outcomes, particularly regarding the implementation of national values in franchised SMEs. These inconsistencies often stem from cultural differences and the lack of strategic integration of local values into global business models, leading to ongoing debates about their effectiveness in supporting competitiveness and marketing performance.

This research gap underscores the insufficient exploration of integrating national values with transformational leadership to support global performance. For instance, principles such as *Pancasila*, which embody Indonesia's national ethos, are rarely utilized as strategic foundations to enhance global competitiveness for SMEs. The potential role of government policies in facilitating expansion is highlighted but is seldom examined in terms of how national transformational leadership can serve as a key driver. Therefore, further research is necessary to bridge this gap by integrating national values with business capabilities to create sustainable competitive advantages and optimize marketing performance in global markets (Effiyanti et al, 2021).

The existing body of research on Franchised SMEs highlights significant variability in the outcomes related to managerial capabilities, innovation, and brand differentiation, with inconsistent or conflicting results. Many of these studies have approached these variables in isolation, lacking a comprehensive theoretical basis. As a result, critical interdependencies remain underexplored. This research proposes an integrated framework, combining transformational leadership and Resource-Advantage of Competition Theories (*RACT*), to resolve these inconsistencies and provide a more cohesive understanding of how national values and leadership strategies contribute to global competitiveness. Therefore, this study introduces a novel leadership model—Nationality-Centric Transformational Leadership (*NCTL*) to strengthen Franchised SMEs' competitiveness in global markets. By integrating transformational leadership theory (Longshore & Bass, 1987) with the *RACT* (Barney & Hesterly, 1991) and its evolution, Resource-Based-on-Competition, the study emphasizes unique internal capabilities such as national values, innovation, and brand differentiation to achieve sustainable competitive advantage.

The study employs a qualitative case study approach, focusing on Indonesian Franchised SMEs with international operations. Data collection involves in-depth interviews with SME leaders, document analysis, and field observations to explore the role of transformational leadership and national values in their business strategies. This research develops the *NCTL* model by merging transformational leadership and last evaluated of RBV which is focused on competition capability theories to enhance Franchised SMEs' global competitiveness. It offers a fresh perspective in SME management by positioning national values as critical drivers of competitive advantage, a topic largely overlooked in existing literature (Barney & Hesterly, 1991; Longshore & Bass, 1987).

Literature Review

The following section will briefly discuss the underlying theories, the role of government based on national values, and the National-Centric Transformational Leadership (*NCTL*) model as the foundation for further discussion. Subsequently, the synthesis process of the *NCTL* concept as the research's novelty will be elaborated upon, including the interconnections between concepts. Additionally, this section concludes with the formulation of hypotheses to guide the study's analysis and findings.

The Resource Advantage of Competition Theory, Transformational Leadership, and Sustainable Competitive Advantage

The Resource Advantages of Competition Theory emphasizes the importance of unique, valuable, and inimitable internal resources as the foundation for sustainable competitive advantage (Barney & Hesterly, 1991; Teece, 2018). In the context of franchise SMEs, dynamic capabilities such as innovation, market

adaptability, entrepreneurial skills, and knowledge are crucial for achieving superior performance in global markets (Zahra & George, 2002). Similarly, Transformational Leadership (TL) highlights the leader's role in driving innovation, empowerment, and collaboration through four core components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Longshore & Bass, 1987). For franchise SMEs, TL based on national values enhances global competitiveness by integrating cultural and local identity into business strategies (Famakin et al., 2018; Hutagaol et al., 2021).

Sustainable Competitive Advantage can be achieved through strategies that are unique and difficult for competitors to replicate. The integration of organizational capabilities, such as dynamic capabilities and innovation, with national values provides a robust foundation for building this advantage (Kising'u, 2016). In the context of franchise SMEs, adopting these strategies helps them thrive in competitive global markets. Global Marketing Capabilities and Performance encompass organizational capabilities, including innovation, operational efficiency, and adaptability to global market dynamics. This concept plays a pivotal role in enhancing global marketing performance (Teece, 2018). By leveraging these capabilities, franchise SMEs can expand their international market share and strengthen their global competitiveness.

The Role of Government Based on National Values and the Nationality-Centric Transformational Leadership (NCTL) Model

The government plays a pivotal role as the primary facilitator in enhancing the competitiveness of franchise SMEs through policies that promote innovation, reduce export barriers, and provide incentives grounded in national values such as economic independence and social sustainability (Bañez-Coronel et al., 2018; Hidayat & Fitriani, 2022). By implementing these strategies, the government can help SMEs overcome challenges such as limited access to capital and restrictive regulations.

Indonesia has established five basic principles as foundational guidelines for its citizens, including businesses, which are tasked with upholding and elevating the nation's reputation in global competition. These principles—belief in God, unity in diversity, sovereignty and national pride, justice and equality, and sustainability and responsibility—are expected to inspire and strengthen the drive to succeed in global markets. The development of the NCTL model, introduced in this research, offers a novel approach to empowering franchise SMEs in entering global markets. This model synthesizes the Resource Advantages of Competition Theory, Transformational Leadership (TL), and government roles rooted in national values. The NCTL approach integrates organizational capabilities with national values to enhance global competitiveness through innovation, efficiency, and a strong cultural identity.

Synthesis of the Resource-Advantage of Competition Theory, Transformational Values, and the Concept of Government Roles Based on National Values in Global Market Performance

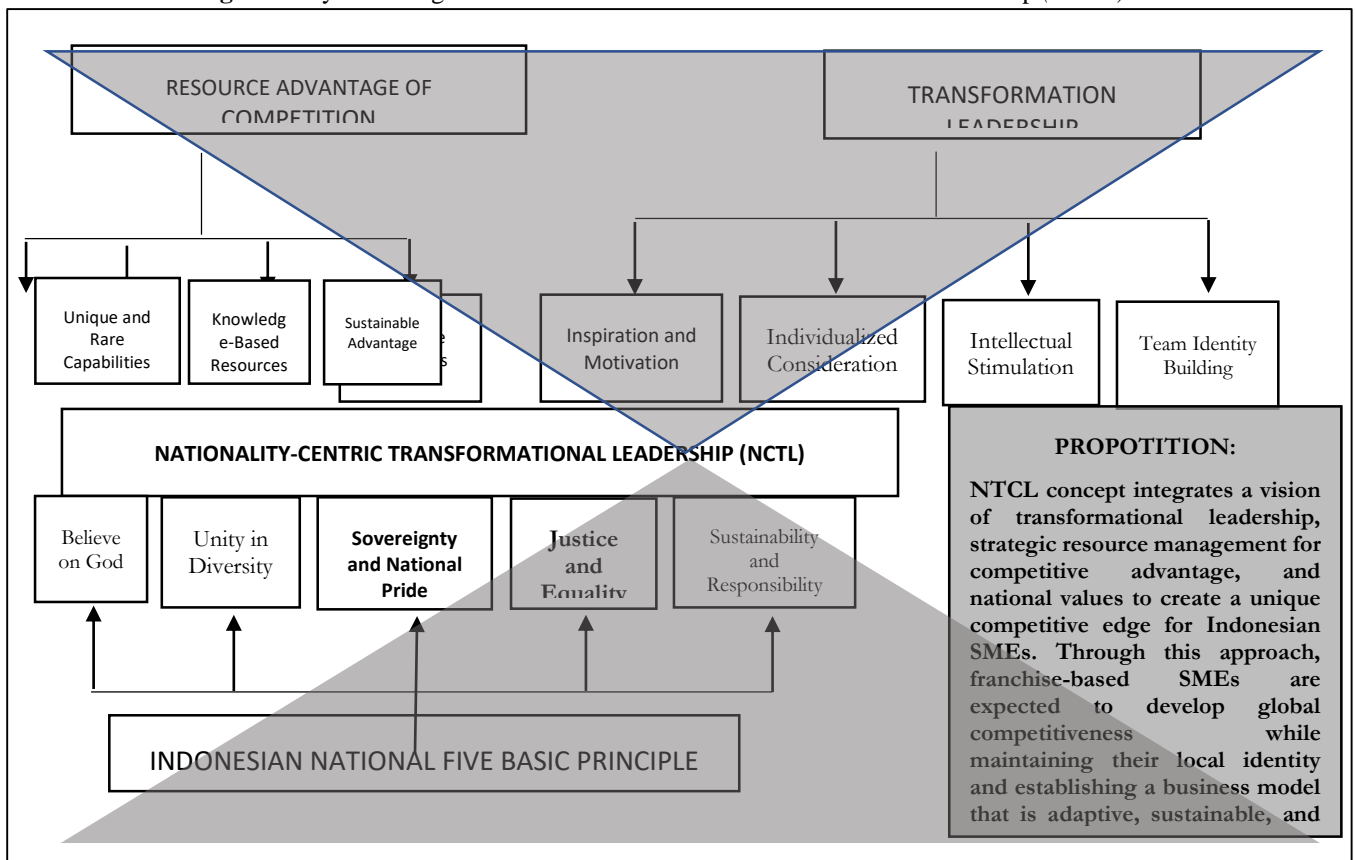
Resource Advantages of Competition Theory emphasizes the importance of valuable, rare, inimitable, and non-substitutable resources as competitive advantages. For franchised SMEs, RBC focuses on leveraging internal resources, such as managerial competencies, technology, and collaborative networks, to enhance performance. SMEs with optimized technology and efficient management systems can achieve higher competitiveness, while fostering transparency and trust (Sari, 2023). Key elements of RBC include valuable resources, organizational capabilities, and dynamic capabilities. Transformational Leadership Values (TLV) involve the application of moral, ethical, and religious principles in organizational management. Leaders embracing transformative values inspire positive organizational changes through idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Riggio, 2006). TLV fosters inclusivity and motivates organizations to achieve higher performance. The

Role of Government Based on National Values focuses on the strategic involvement of governments as facilitators in strengthening franchised SMEs. By aligning policies with national cultural norms, governments can enhance SMEs' sustainability through supportive regulations, infrastructure, and strategies. Governments play a crucial role in fostering innovation, encouraging technology adoption, and connecting SMEs to global markets. By driving an effective ecosystem based on national values, governments contribute significantly to achieving national visions. Innovation Capability, Learning

Capability, and Collaboration Capability are essential for franchised SMEs to thrive. Innovation capability enables efficient solutions, such as technology integration, while learning capability enhances organizations' ability to improve operations. Collaboration capability strengthens horizontal and vertical relationships among SMEs, institutions, and governments, creating synergies essential for success.

In summary, integrating RBC, TLV, and the Government Role offers a comprehensive framework for franchised SMEs. By optimizing internal resources, fostering innovation, and leveraging transformational values and supportive government policies, franchised SMEs can operate more efficiently and competitively in global markets. Synthesizing process as described depicted in Figure 1.

Figure 1: Synthesizing Process National-Centric Transformational Leadership (NCTL)



The Interconnection and Mutual Support among Research Concepts

The Role Innovation Capability, Learning Capability, and Collaboration Capability in Increasing SME Franchise Performance

Innovation capability is crucial for enhancing the performance of SME franchises, especially in global competition. It involves the ability to develop new products, improve operational processes, and create solutions that meet evolving market demands (Teece, 2018). Innovation enables SME franchises to offer competitive products and services, enhancing their attractiveness in markets (Rezazadeh et al, 2023). According to (al, 2023) innovation improves operational efficiency through technology adoption, while (Yusri et al., 2019) highlight how product innovation helps franchises meet global customer preferences. (Xiao et al, 2023) note that innovation also helps franchises adapt to regulatory changes and market shifts. In addition, innovation fosters customer engagement and strengthens relationships with strategic partners, leading to growth opportunities (Ahmad, 2010).

Learning capability refers to an organization's ability to acquire, absorb, and apply new knowledge effectively (Teece, 2018). It helps SMEs adapt to global market dynamics through internal and external learning (Dossou-Yovo & Keen, 2021) dan (Xiao et al, 2023) emphasize that strong learning capability enables franchises to identify market trends and customer preferences, boosting business growth. Moreover, learning capability enhances operational efficiency by integrating best practices from the global franchise network (Wu & Guo, 2024). Continuous learning supports innovation and improves decision-making, contributing to agile responses to market challenges (al, 2023). Additionally, human resource development through training increases employee productivity, ultimately improving franchise performance (Joseph, 2024).

Collaboration capability, which refers to the ability to form and manage strategic partnerships, is essential for SME franchise performance, particularly in a complex global market. It enables the sharing of resources, market expansion, and value creation through effective collaboration (Teece, 2018; Atatsi et al., 2019). According to (Xiao et al, 2023), franchises with strong collaboration capabilities improve operational efficiency through synergies in knowledge and technology sharing. Effective partnerships with local players enable franchises to better understand and adapt to market needs (Wu & Guo, 2024). (Ahmad & Abu Bakar, 2023) argue that collaboration fosters co-innovation, granting franchises access to external resources such as technology and knowledge, which enhance competitiveness. Furthermore, collaboration builds long-term relationships with customers and partners, ensuring sustainability (al, 2023).

The Relation Innovation Capability, Learning Capability, and Collaboration Capability to SME Franchise Performance through Nationality-Centric Transformational Leadership (NCTL)

The Nationality-Centric Transformational Leadership (NCTL) theory emphasizes culturally sensitive transformational leadership to optimize innovation capability and improve business performance (Bass & Riggio, 2006); (Sun et al., 2022). NCTL encourages leaders to inspire and facilitate innovation, ensuring that it aligns with cultural values and market needs (al, 2023). (Sun et al., 2022) highlights that NCTL-based leadership fosters cross-cultural collaboration and technology adoption, thereby integrating innovation into long-term strategies. According to Ahmad & Abu Bakar (2023), NCTL strengthens human resource management, increasing employee commitment to innovation, which in turn boosts competitive advantage (Tahir et al, 2023). NCTL also plays a critical role in maximizing learning capability by integrating cultural values into leadership strategies (Sun et al., 2022) Learning capability allows SME franchises to adapt to global market dynamics, and when managed through NCTL principles, it enhances cross-cultural collaboration and collective learning (Xiao et al, 2023). (al, 2023) note that NCTL-based leadership encourages the application of knowledge to seize global opportunities. Furthermore, NCTL supports human resource development, fostering an environment that drives creativity, innovation, and employee loyalty (Ahmad & Abu Bakar, 2023).

NCTL also strengthens collaboration capability by fostering strategic partnerships based on cultural values (Bass & Riggio, 2006) (Sun et al., 2022). In global markets, effective collaboration enables franchises to share resources, innovate jointly, and access new markets (Rezazadeh et al, 2023). NCTL-based leadership promotes cross-cultural communication, trust, and teamwork, enhancing collaboration quality and competitiveness (Xiao et al, 2023). Moreover, NCTL facilitates long-term relationships with business partners and customers, creating a sustainable foundation for growth (Joseph, 2024). In summary, innovation, learning, and collaboration capabilities are essential for the performance of SME franchises, particularly in the global marketplace. The application of Nationality-Centric Transformational Leadership (NCTL) amplifies these capabilities by aligning them with cultural values, fostering an environment of innovation, learning, and collaboration. By leveraging these capabilities, SME franchises can enhance their competitive advantage, adapt to market changes, and achieve sustainable growth in global markets.

Hypothesis Development

The Influence of Innovation Capability on Global Marketing Performance

Innovation capability refers to an organization's ability to create and implement new ideas that enhance value for customers. For franchised SMEs, this capability plays a crucial role in navigating intense competition. Innovation capability enables SMEs to adapt to market demands, create product differentiation, and enhance competitiveness (Teece, 2018). Innovation in products, technologies, or business models can significantly drive SMEs' international market performance. Moreover, adopting innovative technologies improves operational efficiency for franchised SMEs (Rezazadeh et al, 2023). Moreover, adopting innovative technologies improves operational efficiency for franchised SMEs. (Indriastuti & Kartika, 2022) highlights that digitalizing business processes reduces operational costs, boosts productivity, and expands market share. Sustained innovation allows SMEs to respond effectively to changing business environments and maintain competitiveness over time (Teece, 2018). Consequently, innovation capability substantially contributes to the performance and competitive advantage of franchised SMEs.

H1: Innovation capability has a significant influence on Global Marketing Performance.

The Influence of Learning Capability on Global Marketing Performance

Learning capability refers to an organization's ability to effectively acquire, share, and utilize knowledge to improve processes and outcomes. This capability is vital for franchised SMEs to adapt to market changes and create innovative solutions. Organizations with strong learning capabilities are better equipped to face business challenges and achieve competitive advantage (Barney & Hesterly, 1991). In a global context, a learning culture enables franchises to integrate knowledge from international customers and partners, ensuring the creation of relevant and competitive products (Sun et al., 2022). Effective knowledge management enhances employee competence and supports innovation, leading to stronger strategic decision-making (Ahmad & Abu Bakar, 2023). further Learning from global partners provides insights into best practices that improve franchise performance (Rezazadeh et al, 2023). With robust learning capabilities, franchised SMEs remain adaptable, proactively respond to market demands, and sustain competitive advantage.

H2: Learning capability has a significant influence on Global Marketing Performance.

The Influence of Collaboration Capability on Global Marketing Performance

Collaboration capability is an organization's ability to establish mutually beneficial strategic relationships with business partners, customers, and other stakeholders. For franchised SMEs, this capability facilitates market expansion, operational efficiency, and accelerated innovation. Effective collaboration enables organizations to leverage external resources, mitigate risks, and enhance global market competitiveness (Teece, 2018). Collaboration strengthens relationships with investors, suppliers, and business partners, fostering trust and creating new business opportunities (Hidayat & Fitriani, 2022) For instance, partnerships with global entities provide access to advanced technologies, distribution networks, and insights into international market trends. Kartika (2023) observes that SMEs with strong collaborative networks are better positioned to adapt to regulatory changes and global market demands. (Zhu et al, 2022) further highlight that strategic alliances improve operational efficiency, accelerate innovation, and enhance flexibility in responding to market dynamics. Through strong collaboration capabilities, franchised SMEs can achieve market expansion, improved competitiveness, and sustained superior performance. The formulate 3rd hypothesis is:

H3: Collaboration capability has a significant influence on Global Marketing Performance.

The Influence of Innovation Capability on Nationality-Centric Transformational Leadership (NCTL)

Innovation capability refers to an organization's ability to develop competitive and sustainable products and services. Within franchised SMEs, this capability requires leadership that can direct and optimize its potential. Nationality-Centric Transformational Leadership (*NCTL*), which integrates transformational leadership principles with national cultural values, plays a crucial role in ensuring innovation remains globally relevant while aligning with local cultural norms (Sun et al., 2022). *NCTL* fosters a market-oriented environment that supports creativity and innovation. Leaders practicing *NCTL* steer innovation to align with local cultural norms while maintaining global competitiveness (Teece, 2018). Leaders practicing *NCTL* steer innovation to align with local cultural norms while maintaining global competitiveness. In franchised SMEs, such leadership enables the development of products that stand out globally due to their unique cultural value. *NCTL* enhances the synergy between innovation and resource management, builds team trust, and accelerates innovation processes (Hidayat & Fitriani, 2022). Additionally, culture-based leadership fosters continuous learning, allowing franchises to adapt effectively to global trends (Sun et al., 2022). By combining innovation capability with *NCTL*, franchised-SMEs can enhance their competitiveness through relevant, efficient, and culturally grounded innovations.

H4: Innovation capability significantly influences Nationality-Centric Transformational Leadership (*NCTL*).

The Influence of Learning Capability on Nationality-Centric Transformational Leadership (NCTL)

Learning capability refers to an organization's ability to acquire, share, and utilize knowledge to adapt and improve performance. In franchised SMEs, continuous learning helps address the dynamic global market. However, the effective implementation of learning relies on Nationality-Centric Transformational Leadership (*NCTL*), which integrates transformational leadership with national cultural values. This approach creates an environment conducive to locally and globally relevant learning (Teece, 2018). *NCTL* fosters collective learning and knowledge sharing within organizations, enabling SMEs to respond swiftly to market changes and needs. (Hidayat & Fitriani, 2022) note that culture-based leadership forms high-commitment teams that accelerate the adoption of new technologies and identification of market trends. Furthermore, (Sun et al., 2022) indicate that culture-driven leadership enhances learning effectiveness, supporting adaptive and innovative business strategies. Supported by *NCTL*, learning capability enables franchised SMEs to develop more relevant, efficient products and services, aligning with customer needs and strengthening their competitiveness in dynamic global markets.

H5: Learning capability significantly influences Nationality-Centric Transformational Leadership (*NCTL*).

The Influence of Collaboration Capability on Nationality-Centric Transformational Leadership (NCTL)

Collaboration capability represents franchised SMEs' ability to build strategic relationships that drive business growth through partnerships with stakeholders, customers, and other parties. Nationality-Centric Transformational Leadership (*NCTL*) plays a pivotal role in ensuring effective collaboration while honoring national cultural values. Leaders practicing *NCTL* facilitate trust-based, aligned, and mutually beneficial relationships, thereby enhancing franchise competitiveness in global markets (Hidayat & Fitriani, 2022). Cross-cultural collaborations guided by *NCTL* enable knowledge sharing, comprehension of global market regulations, and acceleration of innovation (Sun et al., 2022). Additionally, *NCTL* fosters team engagement through a harmonious work environment, improving operational efficiency and access to strategic resources (Kartika, 2023). Through culturally anchored collaboration, franchised SMEs can adapt more effectively to global market shifts, create productive synergies, and establish enduring, mutually beneficial relationships.

H6: Collaboration capability significantly influences Nationality-Centric Transformational Leadership (*NCTL*).

The Influence of Nationality-Centric Transformational Leadership (NCTL) on Global Marketing Performance

Nationality-Centric Transformational Leadership (NCTL) integrates national cultural values into transformational leadership, empowering teams to achieve organizational goals. In franchised SMEs, NCTL enhances global marketing performance by leveraging national identity as a unique differentiator in international markets (Wijaya & Susanti, 2022). NCTL drives product and service innovations grounded in local values while remaining aligned with global trends, creating a competitive advantage that is difficult to replicate (Wang & Li, 2021). It strengthens emotional connections with global consumers through culturally based brand narratives, fostering loyalty. Moreover, NCTL facilitates organizational adaptation to global market dynamics while maintaining national values as a distinctive element (Teece, 2018). By combining innovation, adaptability, and cultural differentiation, NCTL supports economic diplomacy, strengthens national brand identity, and ensures sustainable global marketing performance.

H7: Nationality-Centric Transformational Leadership (NCTL) significantly influences Global Marketing Performance.

The Influence of Nationality-Centric Transformational Leadership (NCTL) on Sustainable Competitive Advantage (SCA)

NCTL serves as a key driver of Sustainable Competitive Advantage (SCA), particularly for globally operating franchised SMEs. By integrating national values into leadership, NCTL fosters sustainable advantages through culturally rooted innovations and differentiation that are difficult to imitate (Barney & Hesterly, 1991). NCTL promotes authentic innovations that resonate locally and attract global markets, enhancing brand perception as a unique representation of national heritage. This strengthens customer loyalty and competitive differentiation (Wang & Lin, 2023). Additionally, NCTL optimizes internal resources, such as culturally driven innovation capabilities and operational efficiency, bolstering long-term competitiveness (Teece, 2018). NCTL also drives strategic collaborations with global partners, providing access to technology, market knowledge, and distribution networks. These collaborations, combined with national values, enable adaptive and sustainable competitive advantages.

H8: Nationality-Centric Transformational Leadership (NCTL) significantly influences Sustainable Competitive Advantage (SCA).

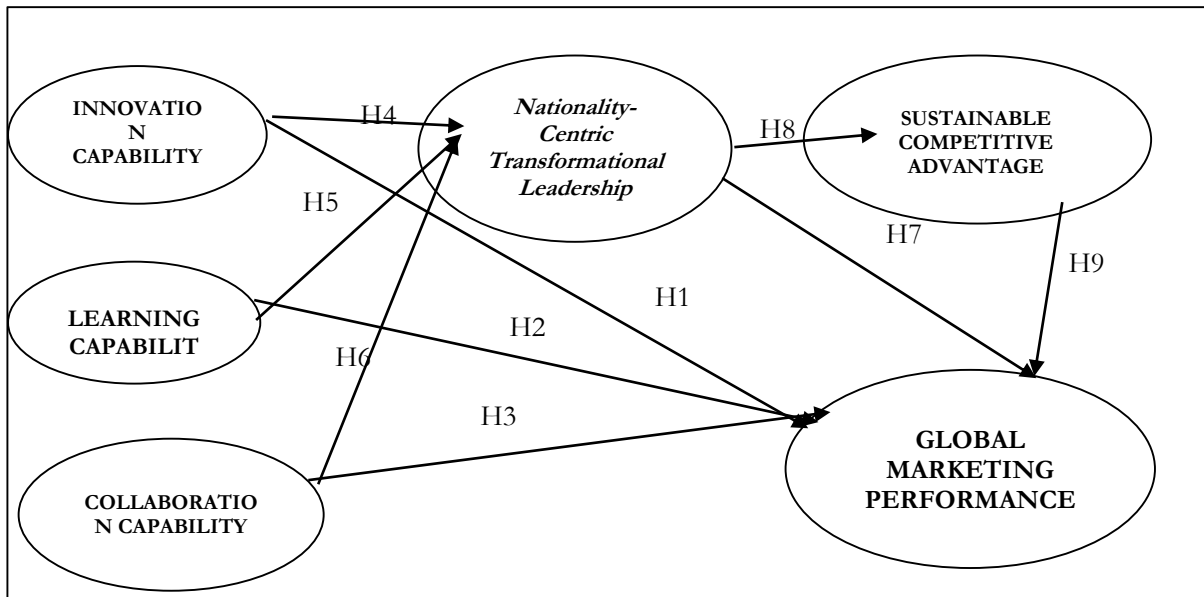
The Influence of Sustainable Competitive Advantage (SCA) on Global Marketing Performance

Sustainable Competitive Advantage (SCA) is critical to improving global marketing performance by offering enduring strategic advantages. SCA reflects the ability to maintain superiority through unique resources, core competencies, and hard-to-replicate strategies (Barney, 1991). In franchised SMEs, SCA manifests through product innovation, brand differentiation, operational efficiency, and the use of local cultural values to enhance global appeal. These elements enable the delivery of superior value to international consumers, fostering customer loyalty and expanding global market share (Porter, 1980). SCA supports adaptability to global market changes, driving innovation and enhancing responsiveness to environmental shifts (Teece, 2018). It also strengthens global brand reputation through consistent and trustworthy positioning, a key factor in attracting and retaining international customers (Zhu et al, 2022) As such, SCA underpins long-term success in global marketing.

H9: Sustainable Competitive Advantage (SCA) significantly influences Global Marketing Performance.

Based on the relationships between the variables described above, formulated into the following empirical model as Figure 2.

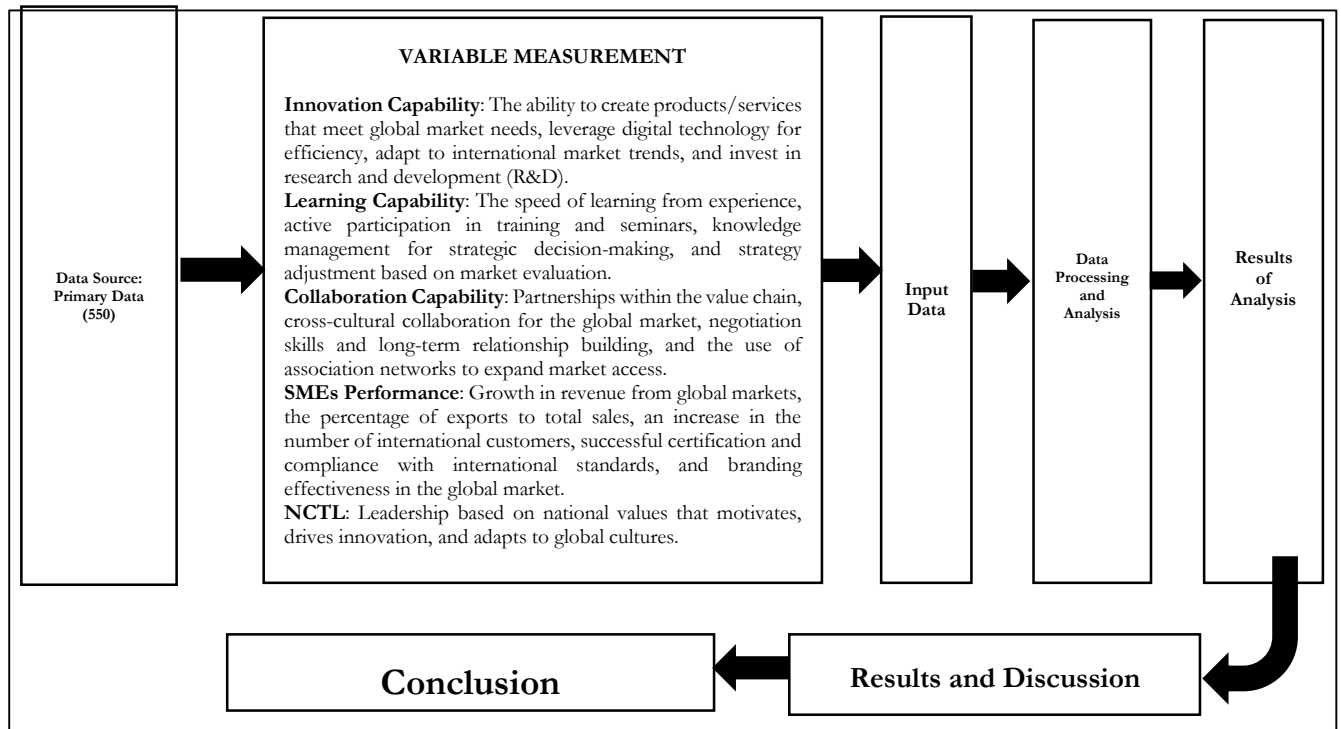
Figure 2. Empirical Model



Research Method

This study aims to explore the impact of Innovation Capability, Learning Capability, and Collaboration Capability on the performance of franchised-SMEs seeking to enter global markets, with Nationality-Centric Transformational Leadership (NCTL) as an intervening variable. The focus is on understanding how these capabilities enhance performance through leadership that strengthens innovation, learning, and collaboration in a global context. A quantitative approach was employed, collecting data from 550 respondents, including SME actors, association managers, and government officials. The data was analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS), selected for its ability to handle complex models (Hair et al., 2017). The findings are expected to provide insights into boosting franchised-SMEs' competitiveness through improved capabilities and emphasize the crucial role of NCTL and government support in global market performance (Chakraborty et al., 2022). The flow of research methodology can be seen in Figure 3.

Figure 3: Methodology Process



This explanatory study uses purposive, area, and stratified sampling methods and employs Smart-PLS version 4.0 for Structural Equation Modeling (*SEM*). PLS is a robust causal analysis method, accommodating non-normal multivariate distributions, categorical, ordinal, and interval-to-ratio data, with no sample distribution requirements (Hair et al., 2017). The sample consists of 550 respondents across 12 regions in Indonesia, representing various provinces and cities based on SME distribution proportions (Table 1).

Table 1. Respondents Mapping

| Region | Number of Respondents |
|--------------------|-----------------------|
| Jakarta | 110 |
| West Java | 99 |
| Central Java | 83 |
| Yogyakarta | 44 |
| East Java | 83 |
| Aceh | 17 |
| West Sumatra | 22 |
| South Sumatra | 22 |
| South Kalimantan | 17 |
| West Kalimantan | 17 |
| South Sulawesi | 28 |
| West Nusa Tenggara | 11 |
| Total | 550 |

Variables Measurement

This study identifies three key capabilities as independent variables: Innovation Capability, Learning Capability, and Collaboration Capability, which are crucial for enhancing the competitiveness of franchised-SMEs in the global market. Innovation Capability involves creating and implementing innovations in

products, processes, or business strategies, including digital technology adoption and R&D investment. Learning Capability reflects the ability to absorb, understand, and apply new knowledge for strategic decisions. Collaboration Capability emphasizes strategic partnerships, cross-cultural collaboration, and network utilization. The dependent variable, Global Marketing Performance, is measured by global revenue growth, international customer acquisition, and export contribution. The intervening variable, Nationality-Centric Transformational Leadership (*NCTL*), focuses on leadership that integrates local values into global strategies, fostering innovation and cross-cultural adaptation (Hair et al., 2017).

Result and Discussion

Result

Based on Table 2, the descriptive analysis shows high average scores for Innovation Capability (IC) and Nationality-centric Transformational Leadership (*NCTL*), moderate scores for Learning Capability (LC) and Collaboration Capability (CC), and low scores for Sustainable Competitive Advantage and Global Marketing Performance (Hair et al., 2017).

Table 2. Descriptive Analysis

| Variables | Mean | SD | Category Score |
|---|-------|------|----------------|
| Innovation Capability | 7.10 | 0.07 | High |
| Learning Capability | 6.611 | 0.51 | Medium |
| Collaboration Capability | 4.84 | 0.76 | Medium |
| Nationality-centric Transformational Leadership | 7.81 | 0.29 | High |
| Sustainable Competitive Advantage | 3.21 | 0.19 | Low |
| Global Marketing Performance | 3.37 | 0.69 | Low |

If score ≥ 7 consider is High, If score ≥ 4 consider is Medium, and if score ≥ 1 consider is Low

Source: Data Analysis

Table 3 presents the evaluation of the measurement model, essential for assessing internal consistency, convergent validity, and discriminant validity. PLS model testing showed validity and reliability, with outer loadings exceeding 0.70, indicating all indicators are valid. Composite reliability scores above 0.70 reflect high reliability, and AVE values over 0.50 confirm convergent validity (Hair et al., 2017).

Table 3. Measurement Model and Evaluation

| Variables | Indicators | Convergent Validity | | Internal Consistency Reliability | | VIF |
|-----------|------------|---------------------|-------|----------------------------------|----------------|-------|
| | | Outer Loadings | AVE | Composite Reliability | Cronbach Alpha | |
| IC | IC1 | 0.850 | 0.712 | 0.843 | 0.838 | 1.131 |
| | IC2 | 0.900 | | | | 1.114 |
| | IC3 | 0.856 | | | | 1.124 |
| | IC4 | 0.808 | | | | 1.683 |
| | IC5 | 0.802 | | | | 2.162 |
| LC | LC1 | 0.626 | 0.533 | 0.723 | 0.781 | 1.102 |
| | LC2 | 0.569 | | | | 2.024 |
| | LC3 | 0.774 | | | | 1.133 |
| | LC4 | 0.720 | | | | 1.125 |
| | LC5 | 0.847 | | | | 1.151 |
| | LC6 | 0.804 | | | | 1.133 |

| | | | | | | |
|------|-------|-------|-------|-------|-------|-------|
| CC | CC1 | 0.661 | 0.580 | 0.751 | 0.691 | 1.143 |
| | CC2 | 0.963 | | | | 1.111 |
| | CC3 | 0.632 | | | | 1.649 |
| | CC4 | 0.747 | | | | 1.558 |
| NCTL | NCTL1 | 0.812 | 0.535 | 0.720 | 0.801 | 1.465 |
| | NCTL2 | 0.832 | | | | 1.617 |
| | NCTL3 | 0.907 | | | | 2.039 |
| | NCTL4 | 0.520 | | | | 1.923 |
| | NCTL5 | 0.623 | | | | 1.954 |
| | NCTL6 | 0.725 | | | | 1.474 |
| | NCTL7 | 0.623 | | | | 1.315 |
| SCA | SCA1 | 0.927 | 0.731 | 0.852 | 0.775 | 1.106 |
| | SCA2 | 0.775 | | | | 1.316 |
| | SCA3 | 0.912 | | | | 1.981 |
| | SCA4 | 0.885 | | | | 1.881 |
| | SCA5 | 0.761 | | | | 1.405 |
| GMP | GMP1 | 0.769 | 0.525 | 0.809 | 0.719 | 1.594 |
| | GMP2 | 0.591 | | | | 1.662 |
| | GMP3 | 0.610 | | | | 1.716 |
| | GMP4 | 0.591 | | | | 2.017 |
| | GMP5 | 0.618 | | | | 1.748 |

Source: SmartPLS output

This study uses the Fornell-Larcker matrix and HTMT to test discriminant validity, as recommended. Table 4 shows that the square root of AVE values (on the diagonal) is higher than other values, and HTMT values exceed 1, confirming discriminant validity. PLS model results indicate all indicators are valid and reliable (Rasoolimanesh, 2022; Hilkenmeier et al., 2020).

Table 4. *Fornell-Larcker Criterion and HTMT*

| Variables | CC | LC | CC | NCTL | CA | GMP |
|-----------|-------|-------|-------|-------|-------|-------|
| IC | 0.694 | | | | | |
| LC | 0.587 | 0.719 | | | | |
| CC | 0.501 | 0.427 | 0.763 | | | |
| NCTL | 0.528 | 0.707 | 0.731 | 0.732 | | |
| SCA | 0.591 | 0.637 | 0.601 | 0.650 | 0.682 | |
| GMP | 0.576 | 0.611 | 0.642 | 0.681 | 0.678 | 0.692 |

Note: Bold diagonal (AVE root) to bottom values is Fornell-Larcker Criterion; Up of bold diagonal values is HTMT

Source: SmartPLS Output

The coefficient of determination is used to assess the model's ability to explain variations in the dependent variable, with values ranging from zero to one. The R-Square values indicate model fit, with 0.67-1.00 signifying a strong model, 0.33-0.66 moderate strength, and below 0.33 a weak model. Table 5 shows low SCA, moderate NCTL, and high GMP.

Table 5. R-Square Result

| | R Square | R Square Adjusted | Q2 |
|-------------|----------|-------------------|-------|
| NCTL | 0.638 | 0.634 | 0.415 |
| SCA | 0.321 | 0.313 | 0.939 |
| GMP | 0.712 | 0.709 | 0.913 |

Source: Output of Smart PLS 4

Table 6 shows that H1, H2, and H3 are rejected, indicating no relationship between Innovation Capability, Learning Capability, and Collaboration Capability with Global Marketing Performance. However, H4, H5, H6, H7, H8, and H9 are accepted.

Table 6. Hypothesis Test Direct Effect (DE)

| Hypothesis/Path | Path Coefficient (β) Direct Effect | t-stat | p-Values | Hypothesis/ Results |
|----------------------------|---|--------|----------|---------------------|
| H1: IC \rightarrow GMP | 0.531 | 1.574 | 0.116 | Rejected |
| H2: LC \rightarrow GMP | 0.656 | 1.275 | 0.203 | Rejected |
| H3: CC \rightarrow GMP | 0.690 | 1.215 | 0.225 | Rejected |
| H4: IC \rightarrow NCTL | 0.588 | 1.982 | 0.048 | Accepted |
| H5: LC \rightarrow NCTL | 0.644 | 2.891 | 0.004 | Accepted |
| H6: CC \rightarrow NCTL | 0.671 | 2.759 | 0.006 | Accepted |
| H7: NCTL \rightarrow GMP | 0.625 | 2.353 | 0.019 | Accepted |
| H8: NCTL \rightarrow SCA | 0.493 | 2.048 | 0.041 | Accepted |
| H9: SCA \rightarrow GMP | 0.590 | 2.069 | 0.039 | Accepted |

Source: Output of Smart PLS 4.0

Table 7 shows that the NCTL variable mediates the relationship between Innovation Capability, Learning Capability, and Collaboration Capability, while the SCA variable mediates the relationship between NCTL and GMP.

Table 7. Direct Effect, Indirect Effect, Total Effect

| Hypothesis/Path | Path Coefficient | | | | Effect |
|---------------------------|------------------|----|----|------------|--------|
| | DE | IE | TE | VAF: IE/TE | |
| Mediation / Direct Effect | | | | | |
| IC \rightarrow NCTL | 0.588 | | | | |
| LC \rightarrow NCTL | 0.644 | | | | |
| CC \rightarrow NCTL | 0.671 | | | | |
| IC \rightarrow GMP | 0.531 | | | | |
| LC \rightarrow GMP | 0.656 | | | | |
| CC \rightarrow GMP | 0.690 | | | | |
| NCTL \rightarrow GMP | 0.625 | | | | |
| NCTL \rightarrow SCA | 0.493 | | | | |

| Hypothesis/Path | Path Coefficient | | | | Effect |
|-----------------|------------------|-------|-------|------------|-------------------|
| | DE | IE | TE | VAF: IE/TE | |
| SCA →GMP | 0.590 | | | | |
| Indirect Effect | | | | | |
| IC → NCTL → GMP | 0.531 | 0.312 | 0.843 | 0.370 | Partial Mediation |
| LC → NCTL → GMP | 0.656 | 0.342 | 0.998 | 0.343 | Partial Mediation |
| CC → NCTL → GMP | 0.690 | 0.356 | 1.046 | 0.341 | Partial Mediation |
| NCTL →SCA→GMP | 0.625 | 0.453 | 1.078 | 0.420 | Partial Mediation |

Variance Accounted For (VAF) is calculated as an Indirect Effect (IE) divided by the total effect (TE), If VAF: < 0.2 = No Mediation; If VAF > 0.2 sd <0.8 = Partial Mediation; If VAF > 0.8 = Full Mediation (Kumar et al., 2023).

Discussion

The Influence of Innovation Capability on Global Marketing Performance

Research findings indicate that Innovation Capability does not significantly impact Global Marketing Performance. While innovation capability refers to an organization's ability to generate new ideas, develop innovative products, or adopt relevant technologies to enhance competitiveness, global marketing performance pertains to success in international markets, measured by market share, revenue, and sustainability across regions. This finding contrasts with conventional assumptions that innovation directly drives global marketing performance, highlighting the need to consider other variables. Factors such as market understanding, local adaptation strategies, and global distribution networks often outweigh innovation in determining international success. Moreover, while innovation is critical for product development, it may lack relevance in diverse markets with varied consumer preferences, cultures, and regulations. Previous studies support this complexity. Innovation alone is insufficient without strong marketing capabilities (Hult et al, 2004). (Zhou et al, 2007) assert that alignment between innovation and global marketing strategy is essential, and (Knight & Cavusgil, 2007) highlight the need for localized innovation to impact performance. This study supports Contingency Fit Theory, emphasizing the importance of aligning innovation strategies with market characteristics. Organizations in global markets should adopt holistic approaches, integrating innovation with market sensing and cultural intelligence, rather than relying solely on innovation to boost global marketing performance.

The Influence of Learning Capability on Global Marketing Performance

Research indicates that Learning Capability does not significantly influence Global Marketing Performance. While learning capability involves acquiring, assimilating, and utilizing knowledge to create value, global marketing performance pertains to achieving success in international markets, such as market share, profitability, and efficiency. The lack of significant impact arises because learning capability primarily drives internal development, such as process improvement and knowledge-based innovation, but has limited direct influence on practical global marketing strategies. Success in global markets often depends on cultural adaptability, robust distribution networks, and an understanding of local consumer behavior. External factors like regulations and competition further dilute its direct effect. Supporting studies, such as (Zhou et al, 2007), show learning capability affects global performance indirectly through innovation or adaptation strategies. The study by (Hult et al, 2004) and (Knight & Cavusgil, 2007) underscore the importance of local adaptation and operational execution. Aligning with Dynamic Capabilities Theory, this study highlights the need to integrate learning capability with market sensing and cultural intelligence for meaningful global success.

The Influence of Collaboration Capability on Global Marketing Performance

Research reveals that Collaboration Capability does not significantly impact Global Marketing Performance. Collaboration capability refers to an organization's ability to establish and manage effective partnerships to achieve shared goals, while global marketing performance measures international market success through market share, profitability, and brand influence. The limited impact of collaboration may stem from the greater importance of factors like product adaptation, understanding consumer behavior, and global distribution capabilities in determining global marketing success. While partnerships with local or international stakeholders enhance networks and distribution, they do not guarantee direct performance improvement. External factors, such as local regulations, economic conditions, and global competition, often play a more decisive role. Previous studies align with these findings. Study by (Hult et al, 2004) found that collaboration provides long-term benefits but has minimal direct effects on global marketing performance. The need for alignment between global strategies and local needs was emphasized (Knight & Cavusgil, 2007). Challenges in integrating diverse interests in global collaborations were highlighted (Knight & Cavusgil, 2004) This study supports the Resource-Advantage of Competition theory, emphasizing the critical role of internal resources like market sensing, product adaptation, and cultural intelligence in achieving optimal global marketing performance over reliance on external collaborations.

The Influence of Innovation Capability on Nationality-Centric Transformational Leadership

Research highlights a significant relationship between Innovation Capability and Nationality-Centric Transformational Leadership. Innovation capability empowers organizations to generate new ideas, adopt technologies, and create culturally relevant solutions. Nationality-centric transformational leadership emphasizes individual and organizational transformation through national values, integrating dimensions such as motivation, intellectual stimulation, idealized influence, and individualized consideration. Innovation capability enhances leadership by enabling visionary strategies aligned with national values. Innovative leaders craft practical, value-driven approaches to inspire and guide their organizations. For instance, leveraging innovative communication methods allows leaders to effectively convey national values, fostering engagement and motivation among team members. Prior studies validate this connection. (Jansen et al, 2006) identified innovation capability as critical to transformational leadership responsive to external demands. Value-based innovation strengthens motivational and idealized influence dimensions (Mumford et al, 2008). Leaders utilizing innovation aligned with national culture create globally competitive organizations (Pagda, 2021). Aligned with Empowerment-Based Leadership Theory, innovation serves as a cornerstone for transformational leadership rooted in national pride, enabling organizations to tackle local and global challenges effectively while achieving sustainable success.

The Influence of Learning Capability on Nationality-Centric Transformational Leadership

Research confirms that Learning Capability significantly influences Nationality-Centric Transformational Leadership. Learning capability enables individuals and organizations to acquire, assimilate, transform, and utilize knowledge effectively, fostering innovation and improved performance. Nationality-centric transformational leadership integrates national values—culture, history, and aspirations—into motivational, intellectual stimulation, idealized influence, and individual consideration dimensions to drive transformation. Leaders with strong learning capabilities can better understand and address challenges rooted in national contexts. They continuously update their knowledge, align strategies with societal needs, and embed national values into decision-making. This enhances intellectual stimulation by encouraging innovation based on insights and national principles. Previous research highlights the critical role of learning capabilities in strengthening value-based leadership (Wu & Guo, 2024). Meanwhile, intellectual stimulation is also recognized as a significant contributor to shaping leadership strategies rooted in national values (Pagda, 2021). Aligned with the Dynamic Capabilities Theory, this study emphasizes the role of learning capabilities in navigating dynamic environments, fostering harmony between local values and global challenges, and sustaining transformative leadership grounded in national pride.

The Influence of Collaboration Capability on Nationality-Centric Transformational Leadership

This study reveals that Collaboration Capability significantly influences Nationality-Centric

Transformational Leadership. Collaboration capability enables organizations or leaders to build and leverage partnerships effectively for shared goals, while nationality-centric transformational leadership drives organizational transformation grounded in national values such as culture, history, and identity. Effective collaboration is vital for integrating these values into strategic partnerships, reinforcing leadership vision and impact. Leaders with strong collaboration skills bridge differing interests, create synergies, and mobilize resources, aligning with Social Exchange Theory, which emphasizes value-driven mutual benefits. Collaboration strengthens the inspirational motivation and idealized influence dimensions of transformational leadership by incorporating diverse national perspectives into strategies. Supporting studies include (Madi et al, 2023), which highlights collaboration as enhancing transformational leadership through productive relationships, and (Avolio et al, 2004), which underscores cross-organizational collaboration for broader strategic impact. The study by Globe Leadership Research also emphasizes the context-relevant collaboration in addressing complex challenges in current era (Cuhandar & Rudnak, 2022), which is concordance with Empowerment-Based Leadership Theory, collaboration fosters national cohesion and operational efficiency, serving as a strategic foundation for successful nationality-centric transformational leadership.

The Influence of Nationality-Centric Transformational Leadership on Global Marketing Performance

Research reveals that Nationality-Centric Transformational Leadership significantly impacts Global Marketing Performance. This leadership style integrates national values into organizational vision, strategy, and culture, creating a unique competitive edge in global markets. By leveraging national identity, leaders inspire organizations to craft marketing strategies that resonate emotionally with global audiences while preserving local authenticity. The finding is in line with the Globe Studies on Leadership which highlighted the effectiveness of using cultural values in competitive global strategies (Gupta, 2024). Besides that, the study indicated that transformational leadership improves organization performance through clear vision communication and organizational motivation. In addition, another study also demonstrated that nationality-centric leadership differentiates organizations internationally by emphasizing strong national identity (Javidan & Dastmalchian, 2009) Aligned with Cultural Branding Theory, this leadership style balances adaptation and standardization, ensuring globally relevant yet locally unique offerings. It provides a robust foundation for achieving sustained success in global marketing.

The Influence of Nationality-Centric Transformational Leadership on Sustainable Competitive Advantage

Nationality-Centric Transformational Leadership significantly impacts Sustainable Competitive Advantage by integrating national values—culture, history, and identity—into organizational vision and strategy. This leadership fosters differentiation through culturally rooted uniqueness in products, services, and branding, creating competitive advantages that are difficult to replicate. By inspiring innovation and embedding national identity into decision-making, it strengthens customer loyalty and drives sustainable organizational success. (Barney & Hesterly, 1991) highlights that sustainable advantages derive from valuable, rare, inimitable, and organized resources attributes enhanced by this leadership style. Similarly, (Da'as et al, 2021) in the Globe Leadership research emphasized that national values embedded in leadership strategies drive competitive differentiation. Study by Javidan, M., & Dorfman, P. W found that leveraging local cultural strengths enhances global competitiveness (Javidan & Dastmalchian, 2009). Those, in concordance with Dynamic Capabilities Theory, this leadership approach balances innovation and identity, enabling adaptability while maintaining uniqueness. It ensures lasting competitive advantages by fostering innovation rooted in national values and a deep connection with stakeholders.

The Influence of Sustainable Competitive Advantage on Global Marketing Performance

Sustainable Competitive Advantage (SCA) significantly impacts Global Marketing Performance (GMP) by enabling organizations to maintain a unique, long-term position in global markets. SCA, derived from

unique resources, innovation, or differentiation strategies, helps organizations strengthen market share, brand reputation, and revenue growth internationally. It enhances GMP through product differentiation, operational efficiency, and customer loyalty. Differentiation, like innovative products, attracts international consumers, while operational efficiency improves price competitiveness and reliability. The findings are consistent with Dahmiri's research, which highlights that market orientation and competitive advantage significantly contribute to marketing performance (Dahmiri et al, 2024). Meanwhile, the process of creating Sustainable Competitive Advantage (SCA) can be achieved through customer relationship management, intelligent marketing, and product image, as outlined by (Ghasemi & Azmi, 2023). Additionally, (Chetioui et al, 2024) reveal that sustainable marketing strategies enhance business performance through the mediation of competitive advantage. Furthermore, (Sing & Rao, 2023) emphasize the pivotal role of unique and hard-to-imitate resources as key drivers for achieving sustainable competitive success (SCA). These insights collectively support the notion that SCA, facilitated by innovation, operational efficiency, and differentiation, has a significant impact on improving global marketing performance.

Contribution to Body of Knowledge

Nationality-Centric Transformational Leadership (NCTL) contributes significantly to the body of knowledge by enriching both the Resource-Advantage of Competition and Transformational Leadership (TL) theories through its integration of national and cultural identity into strategic leadership. As research novelty, NCTL extends RBC by positioning cultural and national values as rare, inimitable resources that drive sustainable competitive advantage, particularly in contexts where religious and cultural dimensions deeply influence organizational practices. NCTL enhances Transformational Leadership by embedding national values into its framework, offering a culturally rooted approach to organizational transformation. The new concept is impactful in the implementation of theories in religiously inclined nations, where aligning leadership with national values ensures global competitiveness while maintaining the nation's cultural authenticity.

Conclusion

The study reveals complex interrelationships between organizational capabilities, leadership approaches, and global marketing performance. While Innovation Capability, Learning Capability, and Collaboration Capability are crucial for fostering internal organizational development, their direct influence on Global Marketing Performance is found to be negligible. This underscores the critical role of contextual factors—such as cultural adaptation, robust global strategies, and market-specific insights—that mediate the effectiveness of these capabilities in international markets. In contrast, Nationality-Centric-Transformational-Leadership (NCTL) as powerful new concept, it emerges as a key driver of both Global Marketing Performance and Sustainable Competitive Advantage, highlighting the importance of embedding national values into strategic decision-making. This leadership style harmonizes the organizational vision with cultural identity, facilitating differentiation and ensuring long-term success in global markets.

The findings provide profound and invaluable insights into the theoretical discourse, significantly advancing key frameworks such as Dynamic Capabilities Theory, Resource-Advantage of Competition, and Transformational Leadership. The study asserts that organizational success in global markets is fundamentally driven by a symbiotic relationship between innovative leadership and strategic capabilities, meticulously tailored to meet the unique demands of each market while aligning with the national vision of the state. Moreover, it extends the application of these theories by examining their relevance in the context of religious states, illustrating how national identity and values can be strategically harnessed as powerful assets to bolster global competitiveness. These contributions refine our understanding of the intricate link between capabilities and performance, placing a strong emphasis on the critical importance of aligning cultural values and strategic objectives to achieve sustained success.

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