

Digital Leadership in Developing Digital Culture and Employees' Digital Capabilities for Sustainable Organizational Performance

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Abstract

Digital transformation encourages organizations, including non-bank financial institutions, to strengthen technology-based leadership while cultivating a digital culture and digital capabilities to achieve sustainable organizational performance. This study aims to analyze the influence of digital leadership on sustainable organizational performance and examine the mediating role of digital culture and employee digital capabilities. A quantitative approach was used with the Structural Equation Modeling Partial Least Squares (SEM-PLS) method on data collected from 166 BMT employees in the Purwokerto and Purbalingga areas. The results show that digital leadership has a positive effect on digital culture, employee digital capabilities, and organizational performance. Furthermore, digital culture is shown to mediate the relationship between digital leadership and sustainable organizational performance; This finding is categorized as partial mediation because the direct influence of digital leadership remains significant. Conversely, employee digital capabilities are unable to mediate the relationship between digital leadership and organizational performance. These findings indicate that digital culture plays a significant role in supporting sustainable organizational performance, while individual capabilities have not shown a significant mediating role. This research provides theoretical contributions to the development of digital leadership literature as well as practical recommendations for non-bank financial institutions to prioritize strengthening digital culture in order to promote organizational sustainability.

Keywords: Digital Leadership, Digital Culture, Employees' Digital Capabilities, Sustainable Organizational Performance

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INTRODUCTION

Digital transformation has become a determining factor for the competitiveness and sustainability of organizations across various sectors, including non-bank financial institutions. These technological changes require organizations to optimize internal resources to be able to adapt and maintain competitive advantage (Nasrun et al. 2025; Qiao et al. 2024). However, more than 70% of digital transformation initiatives fail not because of technology, but because of weak cultural readiness and human resource capabilities (Alam et al, 2025). To analyze this phenomenon in depth, this study uses the Resource-Based View (RBV) as the main theoretical foundation, which emphasizes that an organization's competitive advantage stems from managing unique and inimitable internal resources. The RBV is superior to alternatives such as dynamic capabilities, which focus

more on rapid adaptation to external changes, or institutional theory, which emphasizes external pressures such as regulation, because the RBV specifically explains how strategic intangible resources, such as digital leadership, can build organizational capabilities, such as culture and employee digital capabilities, to achieve sustainable performance as the ultimate outcome.

In Indonesia, digitalization is growing rapidly in the financial sector, including non-bank financial institutions, with the adoption of digital services such as mobile banking and digital accounting systems. The main challenge faced is the limited capacity of human resources to operate digital systems optimally. Many studies confirm that digital skills development, training, and organizational culture adaptation are crucial to support the success of digital transformation (Bouwman et al., 2024). Non-bank financial institutions such as BMT still face this challenge, especially in institutions that have just been established or operate in the regions, so that the implementation of digitalization is not yet optimal (The et al., 2023; Widiastuti et al., 2022). Theoretically, BMTs are important in the context of RBV because their limited resources such as capital and technology make efficient internal resource management key to sustainability, while the high reliance on leadership and organizational culture often influenced by Islamic values and microfinance strengthens the relevance of RBV in building adaptive digital capabilities.

Digital leadership plays a strategic role in directing technological transformation, building a collaborative digital culture, and enhancing employees' digital capabilities by instilling values, norms, and work behaviors that are adaptive to technology (Bouwman et al. 2024; Cao et al. 2025; Ismail et al. 2025; Laukka et al. 2022). Through continuous digital empowerment, training, and learning, digital leadership encourages the strengthening of employees' digital capabilities, which in turn contributes to improved organizational performance through increased efficiency, collaboration, innovation, and service quality (Bouwman et al. 2024; Cao et al. 2025; Huang 2025; Ismail et al. 2025; Qiao et al. 2024; Shin et al. 2023, Mollah et al. 2023).

However, empirical findings regarding the influence of digital leadership on organizational performance show inconsistent results. Several studies have found that digital leadership has a positive effect on organizational performance by improving learning and innovation capabilities (Arabiun et al., 2024; Mollah et al., 2023; Rahman et al., 2025; Tulungen et al., 2022). while other studies have shown that the effect is not always significant, especially in the context of remote work or organizations with weak employee digital capabilities (Behera et al., 2025; Jufri & Hadiwibowo, 2025; Rafique et al., 2025) This inconsistency indicates that the effectiveness of digital leadership is highly dependent on the internal conditions of the organization, particularly the strength of its digital culture and the level of employee digital capabilities.

Previous research, as well as most other studies, have focused on large companies or the manufacturing sector, while studies on non-bank financial institutions, especially in Indonesia, are still limited (Bouwman et al., 2024; Huang, 2025; Shin et al., 2023) Not many studies have empirically tested the mechanism of the role of digital culture and employee digital capabilities as mediators between digital leadership and sustainable organizational performance in non-bank financial institutions (Bouwman et al., 2024; Laukka et al., 2022) This study offers novelty by integrating RBV as the only theoretical basis in the context of digitalization of non-bank financial institutions.

This study aims to address theoretical, empirical, and contextual gaps by analyzing the influence of digital leadership on sustainable organizational performance through the mediation of digital culture and employee digital capabilities, using RBV as the sole theoretical basis. Theoretically, this study strengthens the application of the RBV in the context of digitalization of non-bank financial institutions by explaining the relationship between strategic resources and organizational capabilities. Empirically, this study tests a mediation mechanism that has not been widely explored, addressing the inconsistencies of

previous findings. Contextually, this study provides new insights for BMT in Indonesia, which is often overlooked in mainstream studies. Its practical contributions include developing more effective digital leadership strategies, organizational culture, and employee competencies to support organizational sustainability.

Literature Riview

Teori Resource-Based View (RBV)

This research is based on the Resource-Based View (RBV) proposed by Barney (1991) in his book *Firm Resources and Sustained Competitive Advantage*. This theory explains that competitive advantage and sustainable organizational performance depend on the organization's ability to manage internal resources that are valuable, rare, difficult to imitate, and non-substitutable. In the context of digital transformation, digital culture and employee digital capabilities become a bridge connecting digital leadership with improved organizational performance (Hashish et al. 2025; Bouwmans et al. 2024; Laukka et al. 2022). Barney, (1991) emphasized that organizations that are able to integrate these resources will achieve sustainable advantages, especially in the era of energy digitalization. The RBV provides a strong conceptual basis for explaining the relationships between the variables in this study, focusing on how internal resources such as digital leadership, digital culture, and employee digital capabilities synergistically drive organizational innovation and sustainability.

Digital Leadership and Sustainable Organizational Performance

Based on the Resource-Based View (RBV) theory Barney (1991), digital leadership is viewed as a valuable strategic internal resource due to its ability to mobilize organizational resources to create sustainable value. It is rare because not all organizations have leaders with adequate digital competencies. It is difficult to imitate due to its unique experience and specific leadership style. It is organized through an organizational structure that supports technology implementation. Digital leadership is now seen as a strategic asset because of the leader's ability to mobilize resources and leverage technology to create sustainable value (Barney, 1991). Digital leaders are able to guide organizations in responding to market changes, adopting new technologies, and making data-driven decisions to enhance competitive advantage. Various studies show that digital leadership has a direct contribution to improving organizational performance and sustainability (Nasrun et al., 2025; Shin et al., 2023). This confirms that a leader's ability to utilize technology and direct digital strategy not only influences current performance but also supports long-term organizational sustainability, including in non-bank financial institutions facing pressure from digital innovation (Aljuhmani et al., 2024).
H₁: Digital leadership has a positive effect on sustainable organizational performance.

Digital Leadership and Digital Culture

Within the RBV framework, leadership is a valuable and difficult-to-imitate internal resource based on vision, managerial style, and the leader's ability to adapt to technological dynamics (Barney, 1991). Digital leaders encourage the creation of values of collaboration, innovation, openness, and continuous learning that are the foundation of digital culture (Aljuhmani et al. 2024; Asif et al. 2024). Empirical findings indicate that digital leadership consistently enhances digital culture through the establishment of open communication patterns, the courage to experiment, and the encouragement to utilize technology in every work process (Shin et al., 2023). Leaders also act as change agents who build a collaborative work atmosphere and support employee digital literacy to strengthen organizational adaptation to technological developments (Jasim et al., 2024; Malik et al., 2025).

H₂: Digital leadership has a positive impact on digital culture

Digital Leadership and Employee Digital Capabilities

The RBV (Research and Development) positions employee competency as a critical capability that can create added value for an organization (Barney, 1991). In a digital context, proactive leaders not only direct strategy but also empower employees through training, mentoring, and providing a work environment that encourages technological mastery (Muniroh et al. 2022). Empirical research shows that digital leadership plays a direct role in improving technological literacy, digital readiness, and employee capabilities in operating digital systems (Nasrun et al., 2025; Shin et al., 2023). In financial institutions, employee digital capabilities are crucial to supporting Banking 4.0 and the need for digital-based services (Mazurchenko et al. 2022). When digital leaders are actively involved in strengthening a “digital first” mentality, employees’ digital capabilities increase and become a strategic resource that is difficult for competitors to imitate (Jasim et al., 2024).

H₃: Digital leadership has a positive effect on employees' digital capabilities.

Digital Culture and Sustainable Organizational Performance

Digital culture reflects the values, norms, and practices that encourage technology utilization, collaboration, continuous learning, and openness to innovation. As an intangible asset that meets the RBV characteristics of valuable, rare, difficult to imitate, and irreplaceable, digital culture enables organizations to respond quickly to market changes, overcome barriers to technology integration, and improve service quality (Barney, 1991; Linde et al., 2021). Empirical evidence shows that a strong digital culture can strengthen operational efficiency, collaborative environments, and innovation processes, thereby contributing to improved organizational performance in economic, service, and sustainability dimensions (Fang, 2023; Shin et al., 2023). In non-bank financial institutions, digital culture helps organizations adapt to digital regulatory policies and increasing customer expectations, thereby supporting operational and financial sustainability (Asif et al., 2024).

H₄: Digital culture has a positive effect on sustainable organizational performance.

The Role of Digital Cultural Mediation

Digital leadership not only directly impacts performance but also shapes the organizational context through digital culture. Based on RBV, digital leadership creates cultural resources in the form of digital values, collaboration, and continuous learning which become the mechanism by which digital strategy is translated into performance (Barney, 1991). A strong digital culture facilitates technology adoption, knowledge sharing, and innovation, thereby strengthening the impact of digital leadership on organizational performance (Jasim et al., 2024; Malik et al., 2025). Empirical findings suggest that digital culture acts as an important mediator that strengthens the relationship between digital leadership and organizational performance (Hashish et al. 2025; Laukka et al. 2022).

H₅: Digital culture mediates the effect of digital leadership on sustainable organizational performance

Employee Digital Capabilities and Sustainable Organizational Performance

Employee digital capabilities include digital literacy, system operational skills, technology-based problem solving, and the ability to adapt to new digital tools. From the RBV perspective, this capability becomes a valuable human resource because it increases process efficiency, operational innovation, and service quality, thus impacting organizational performance (Heredia et al. 2022; Sadik et al. 2023). Empirical studies show that organizations with strong employee digital capabilities are better able to optimize technology, adapt to market changes, and create value-added services, including in the financial sector (Heredia et al., 2022; Mazurchenko et al., 2022)

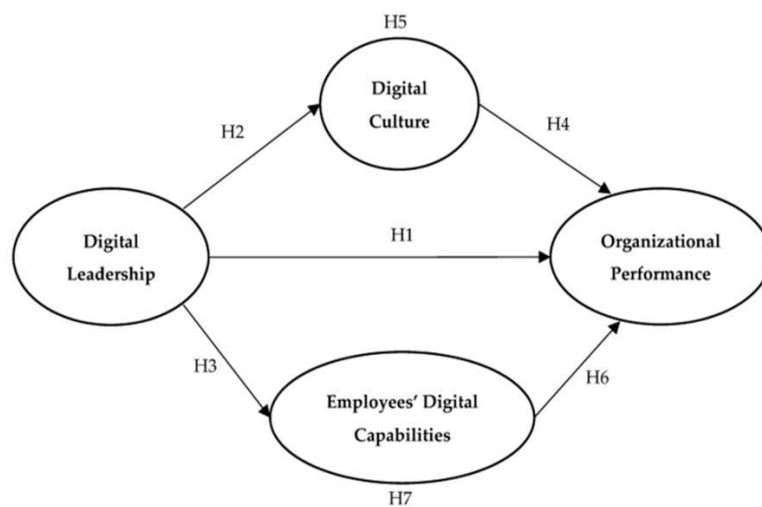
H₆: Employee digital capabilities have a positive effect on sustainable organizational performance.

The Mediating Role of Employee Digital Capabilities

In addition to digital culture, employee digital capabilities are also a crucial channel connecting digital leadership to organizational performance. Digital leaders enhance employees' technical capabilities through training, mentoring, and technology implementation support, enabling technology to be used effectively in daily tasks (Jasim et al., 2024; Malik et al., 2025). When employees feel empowered and able to utilize digital tools, organizational efficiency, innovation, and responsiveness increase, thereby achieving sustainable performance (Mazurchenko et al., 2022; Sadik Tatli et al., 2023). Thus, employee digital capabilities mediate the effect of digital leadership on sustainable organizational performance.

H7: Employee digital capabilities mediate the effect of digital leadership on sustainable organizational performance.

Figure 1. Conceptual Framework



METHOD

This study is a quantitative study with a replication study design, which adopts the conceptual model from Shin et al. (2023) regarding Sustainability and Organizational Performance in South Korea: The Effect of Digital Leadership on Digital Culture and Employees' Digital Capabilities. This study aims to re examine the relationship between variables in a different context, namely in a non-bank financial institution, by establishing digital culture and employee digital capabilities as mediating variables as formulated in the conceptual model of the reference research (Shin et al., 2023) in explaining the relationship between digital leadership and sustainable organizational performance. Overall, this study tests seven hypotheses that have been formulated based on the conceptual model of previous research, with the main focus on examining the effect of digital leadership on organizational performance mediated by digital culture and employee digital capabilities.

The study population included 166 permanent employees from the non-bank financial institution sector, consisting of 57 employees from BMT Buana Nawa Kartika, 20 employees from BMT Syariah Wanita Islami, 18 employees from KSPPS BMT DM MUH PWT, 44 employees from BMT Amanah Indonesia, and 27 employees from BMT BEST. The sample was determined through purposive sampling with criterion sampling type, namely a sample selection method based on certain criteria determined by the researcher in accordance with the research objectives (Hair et al., 2021). The criteria used are employees who have a minimum work period of one year, as supported by previous research (Purg et al, 2017). Determination of the number of samples was carried out using

the Slovin formula with an error rate of 5%, resulting in a minimum requirement of 117 respondents.

Data collection was conducted online via Google Forms using a five-point Likert questionnaire. The research instrument was compiled based on indicators from (Shin et al., 2023) and adapted to the context of this research. The digital leadership variable was measured using a six-item scale developed based on key indicators of digital leadership: 5 items for digital culture, 5 items for employee digital capability, and 5 items for sustainable organizational performance. Data were analyzed using Partial Least Squares (PLS)-based Structural Equation Modeling (SEM) with the assistance of SmartPLS software, in line with the methods used in the reference study to ensure the suitability of the structural model testing and the relationships between variables.

RESULT AND DISCUSSION

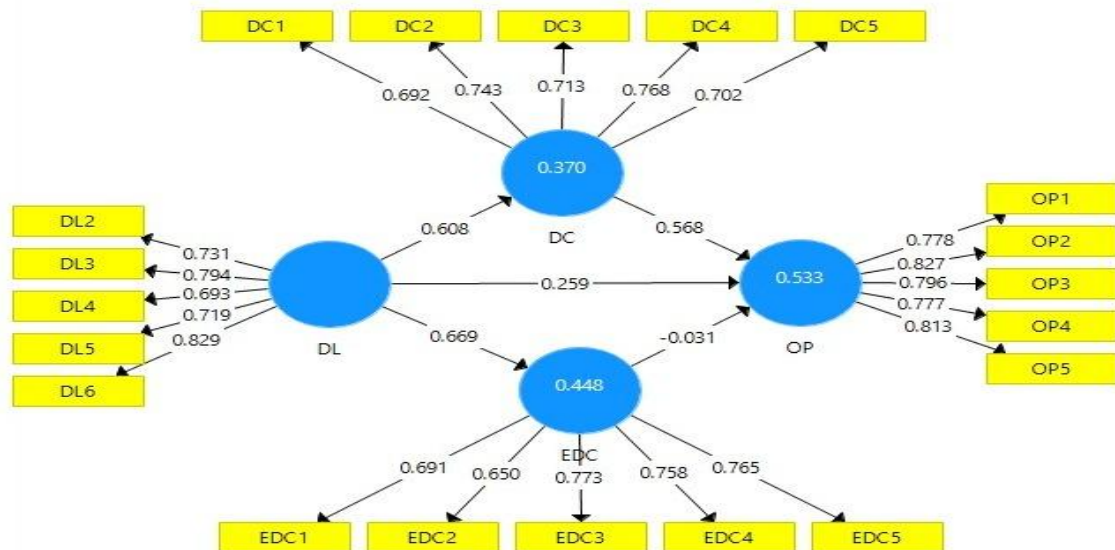
In this study, the Partial Least Squares (PLS) method was used as an analytical approach to test the hypotheses. All distributed questionnaires were successfully recovered in full, so that the data can be used for analysis:

Table 1. Respondent Demographics

Identity	Information	Frequency	Percent
Company Origin	BMT Buana Nawa Kartika	57	34.3
	BMT Syariah Wanita Indonesia	20	12.0
	KSPPS BMT DM MUH PWT	18	10.8
	BMT Amanah Indonesia	44	26.5
	BMT BEST	27	16.3
Gender	Male	97	58.4
	Female	69	41.6
Age	18- 25 Years Old	7	4.2
	> 25 - 30 Years Old	48	28.9
	> 30 - 35 Years Old	32	19.3
	> 35 - 40 Years Old	35	21.1
	> 40 - 50 Years Old	31	18.7
	> 50 Years Old	13	7.8
Length of work	> 1 - 3 Years	23	13.9
	> 3 - 6 Years	48	28.9
	> 6 - 9 Years	30	18.1
	> 10 Years	65	39.2

Analysis of respondent characteristics shows that most participants came from BMT Buana Nawa Kartika (34.3%), which is the highest proportion because this institution has a larger number of workers or a higher level of respondent participation compared to other facilities. In terms of gender, respondents were predominantly male (58.4%), in accordance with the general characteristics of the non-bank financial institution sector in Indonesia which often involves more male workers in operational and managerial positions. Based on age, the largest group was in the 25-30 years range (28.9%), indicating that many respondents were in the early to mid-career phase with a good level of

engagement and adaptability in the non-bank financial institution work environment. In terms of work period, the largest proportion was in the category of >10 years (39.2%). Most respondents had a long work period and a high level of loyalty to their institution, which reflects a deep understanding of the system, organizational culture, and operational practices of the non-bank financial institution where they work.



Outer loading results for each studied variable. Data were analyzed in two rounds, and indicator DL1 was eliminated because its outer loading value was below 0.5. Meanwhile, if the outer loading value was above 0.5, the indicator was considered appropriate (Hair et al. 2021).

Table 2. Outer Loading
Statment Items

		Outer Loading
DC1	We discuss failures openly with all team members.	0,692
DC2	Decisions are based on the opinion of the entire team, not just one person.	0,743
DC3	We work in cross-functional teams (combining people from IT, marketing, finance, etc.).	0,713
DC4	In our company, we avoid strict hierarchies in project work.	0,768
DC5	Every team member contributes ideas and suggestions for digital products and services.	0,702
DL2	A digital leader raises awareness of technologies that can be used to improve organizational processes.	0,731
DL3	A digital leader defines the ethical behavior required for informatics practices in collaboration with all stakeholders.	0,794
DL4	A digital leader plays an informative role in reducing barriers to innovation brought about by information technology.	0,693
DL5	A digital leader shares his or her own experiences about technological possibilities, helping colleagues learn about the organizational structure.	0,719
DL6	To increase engagement in the company's vision, a digital leader	0,829

	guides the organization's employees on available technology tools.	
EDC1	We offer a variety of training (courses, literature, coaching) to enhance the digital skills of our team members	0,691
EDC2	Digital skills are an important selection criterion when recruiting new team members.	0,650
EDC3	Our team members use all the digital services and products we offer.	0,773
EDC4	Our team has the skills needed to further digitize our company.	0,758
EDC5	We actively discuss our digital projects within our company, including failures and best practices.	0,765
OP1	Compared to our main competitors, our company is more successful.	0,778
OP2	Compared to our main competitors, our company has a larger market share.	0,827
OP3	Compared to our main competitors, our company is growing faster.	0,796
OP4	Compared to our main competitors, our company is more profitable.	0,777
OP5	Compared to our main competitors, our company is more innovative. We discuss failures openly with all team members.	0,813

Based on the results of the outer loading value in the first round, it shows that there is 1 value below 0.5. Therefore, in the second round, low outer loading values were rejected to improve the consistency of the variable construct. With these results, the variables Digital Leadership, Digital Culture, Employees' Digital Capabilities, and Sustainable Organizational Performance have outer loading values above 0.5.

Table 3. Construct Reliability and Validity

	Composite Reliability	Average Variance Extracted (AVE)
Digital Culture	0,846	0,525
Digital Leadership	0,868	0,570
Employees' Digital Capabilities	0,850	0,531
Organizational Performance	0,898	0,638

The construct reliability and validity values of the variables digital culture, employees' digital capabilities, digital leadership, and organizational performance are more than 0.7. The Average Variance Extracted (AVE) value shows that the overall construct value is more than 0.5, thus indicating that all variables in this study are said to have reliability

Table 4. Discriminant Validity

	Digital Culture	Digital Leadership	Employees'Digital Capabilities	Organisasi Performace
Digital Culture	0,724			
Digital Leadership	0,608	0,755		

Employees'Digital Capabilities	0,702	0,669	0,729	
Organisasi Performace	0,703	0,583	0,541	0,798

The results of discriminant validity testing were carried out using the Fornell-Larcker criteria, which measures the extent to which a construct is truly different and distinguishable from other constructs in the research model (Hair et al. 2021). A construct is said to have good discriminant validity if the square root of the Average Variance Extracted (AVE) value of the construct is higher than the correlation value of the construct with all other constructs in the model. The analysis results show that all constructs in this study meet the discriminant validity criteria. This can be seen from the square root value of the AVE for each variable, which is consistently greater than the correlation value between variables. This finding confirms that each construct in this study, namely Digital Leadership, Digital Culture, Employees' Digital Capabilities, and Sustainable Organizational Performance, has adequate conceptual uniqueness and does not experience measurement overlap with other constructs.

Table 5. HTMT Ratio

	Digital Culture	Digital Leadership	Employees'Digital Capabilities	Organisasi Performace
Digital Culture				
Digital Leadership_	0,755			
Employees'Digital Capabilities	0,909	0,827		
Organisasi Performace	0,846	0,689	0,655	

The HTMT results show that most ratio values are below the 0.90 threshold, so that in general, discriminant validity can be declared fulfilled. The value between Digital Culture and Employees' Digital Capabilities of 0.909 is slightly above the 0.90 threshold, thus indicating a high potential conceptual closeness between the two constructs. However, because the difference is very small, many studies still consider it tolerable, especially if supported by other validities such as AVE Fornell Larcker and cross loading.

Table 6. Model Fit

	Saturated Model	Estimated Model
SRMR	0,081	0,103
d_ULS	1,363	2,241
d_G	0,491	0,570
Chi-Square	506,779	552,292
NFI	0,734	0,710

The model fit test results show an SRMR of 0.081 for the Saturated Model and 0.103 for the Estimated Model. Although the Estimated Model value exceeds the general threshold of 0.08, this model is still marginally acceptable, considering the sample size and

model complexity. The overall model fit is reasonable, although there are limitations in predictive accuracy.

Tabel 7. R Square Value

	R Square	R Square Adjusted
Digital Culture	0,370	0,367
Employees' Digital Capabilities	0,448	0,445
Organizational Performance	0,533	0,526

The R-square value of 0.370 indicates that digital leadership can explain 37.0% of the variation in digital culture. After adjusting for the number of variables and respondents, the Adjusted R Square value of 0.367 indicates that this model has moderate explanatory power (Hair et al. 2021). Thus, 63.0% of the variation in digital culture is influenced by other factors not discussed in this study.

The R Square value of 0.448 indicates that digital leadership can explain 44.8% of the variation in employee digital capabilities. After adjusting for the number of variables and respondents, the Adjusted R Square value of 0.445 also indicates a moderate level of explanation, indicating that the model is quite good at explaining employee digital capabilities. As much as 55.2% of the variation in employees' digital capabilities is influenced by factors other than the research model.(D

TThe R Square value of 0.533 indicates that digital leadership, digital culture, and employees' digital capabilities together can explain 53.3% of the variation in organizational performance. The Adjusted R Square value of 0.526 confirms that the model's ability to explain organizational performance is in the moderate category. Thus, 46.7% of the variation in organizational performance is influenced by other factors not included in the model. This value also indicates that more than half of the variation in organizational performance can be explained by the research model, thus providing empirical support for the relevance of the independent variables used.

Tabel 7. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Result
H1: There is a positive relationship between digital leadership and organizational performance for sustainability.	0,259	0,252	0,083	3,116	0,002	Accepted
H2: There is a positive relationship between digital leadership and digital culture.	0,608	0,618	0,059	10,235	0	Accepted

H3: There is a positive relationship between digital leadership and employee digital capabilities.	0,669	0,678	0,078	8,542	0	Accepted
H4: There is a positive relationship between digital culture and organizational performance.	0,568	0,574	0,078	7,281	0	Accepted
H5: Digital culture positively mediates the relationship between digital leadership and organizational performance.	0.345	0.355	0.061	5.660	0.000	Accepted
H6 : There is a positive relationship between employee digital capabilities and organizational performance..	-0,031	-0,029	0,089	0,347	0,729	Rejected
H7: Employee digital capabilities positively mediate the relationship between digital leadership and organizational performance.	-0.021	-0.019	0.062	0.335	0.738	Rejected

Based on the analysis results, the hypothesis acceptance test was conducted by looking at the significance value, where a p value <0.05 indicates the hypothesis can be accepted and declared significant. In the first hypothesis, digital leadership is proven to have a positive and significant effect on organizational performance for sustainability, with a coefficient value of 0.259 and a p value of 0.002 (<0.05). In the second hypothesis, digital leadership has a positive coefficient of 0.608, with a p value of 0.000 (<0.05), so its influence on digital culture is declared significant. Furthermore, the third hypothesis shows that digital leadership has a positive coefficient of 0.669 with a p value of 0.000 which is below the significance limit of 0.05, so this variable has a significant effect on employee digital capabilities. As for the fourth hypothesis, digital culture is proven to have a positive and significant effect on organizational performance with a coefficient value of 0.568 and a p value of 0.000 (<0.05). These results indicate that the stronger the digital culture developed, the higher the organizational performance achieved. In the fifth

hypothesis, digital culture positively mediates the relationship between digital leadership and organizational performance, with a coefficient value of 0.345 and a p-value of 0.000 (<0.05), so this hypothesis is accepted. The sixth hypothesis shows that employee digital capability has a negative coefficient of -0.031 with a p-value of 0.729 (>0.05), so its influence on organizational performance is declared insignificant. Finally, the seventh hypothesis states that employee digital capability does not mediate the relationship between digital leadership and organizational performance positively, with a coefficient value of -0.021 and a p-value of 0.738 (>0.05), so this hypothesis is rejected. These results indicate that employee digital capability does not play a significant role in strengthening the relationship between digital leadership and organizational performance.

DISCUSSION

The novelty of this study lies in its simultaneous examination of digital culture and employees' digital capabilities as two distinct mediating mechanisms through which digital leadership may influence organizational performance in non-bank financial institutions, particularly BMTs in Indonesia. While previous research has predominantly examined digital leadership in large corporations, manufacturing organizations, or conventional organizational settings, relatively limited empirical attention has been directed toward resource-constrained non-bank financial institutions and the mechanisms through which digital leadership is translated into organizational outcomes. The present study extends the Resource-Based View (RBV) by distinguishing between a collective organizational mechanism, represented by digital culture, and an individual human-capital mechanism, represented by employees' digital capabilities. More importantly, the results reveal an asymmetrical mediation pattern: digital culture significantly transmits the influence of digital leadership to organizational performance, whereas employees' digital capabilities do not. This finding suggests that possessing digitally capable employees is not necessarily sufficient to generate organizational value unless individual capabilities are embedded within organizational norms, routines, collaboration, and technology-oriented practices. Thus, the originality of the study does not merely lie in confirming the importance of digital leadership, but in demonstrating that the organizational conversion of digital resources may be more dependent on collective digital culture than on individual digital capability alone. This contextualization is particularly relevant to BMTs, where limited technological and organizational resources make the effective orchestration of internal resources especially important. The study therefore responds to the contextual and empirical gaps identified in previous literature and extends the application of RBV to digital transformation in Indonesian non-bank financial institutions.

The empirical findings provide several important insights. First, digital leadership has a positive and significant effect on organizational performance ($\beta = 0.259$, $p = 0.002$), indicating that leaders who provide technological direction, encourage digital adoption, and integrate technology into organizational processes can contribute directly to improved organizational outcomes. Second, digital leadership has strong positive effects on both digital culture ($\beta = 0.608$, $p < 0.001$) and employees' digital capabilities ($\beta = 0.669$, $p < 0.001$), demonstrating that leadership functions not only as a direct performance driver but also as an important internal resource for developing organizational and human capabilities. Third, digital culture significantly improves organizational performance ($\beta = 0.568$, $p < 0.001$), while its indirect effect in the relationship between digital leadership and organizational performance is also significant ($\beta = 0.345$, $p < 0.001$), indicating a meaningful mediating mechanism. In contrast, employees' digital capabilities have no significant effect on organizational performance ($\beta = -0.031$, $p = 0.729$), and their mediating effect is also insignificant ($\beta = -0.021$, $p = 0.738$). These findings are particularly significant because the model explains 53.3% of the variance in organizational performance, while digital leadership explains 37.0% of digital culture and 44.8% of

employees' digital capabilities. Collectively, the results suggest that digital transformation in BMTs should not be understood simply as a process of developing individual technological skills. Rather, the findings indicate that leadership becomes more consequential for organizational performance when its digital orientation is institutionalized through a supportive organizational culture. This distinction provides an important basis for understanding why improvements in individual digital capability may not automatically translate into measurable organizational performance.

The findings are broadly consistent with several previous studies while also extending their conclusions in the BMT context. First, the positive relationship between digital leadership and organizational performance is consistent with Shin et al. (2023), who demonstrated that digital leadership contributes to sustainable organizational performance through digital culture and employees' digital capabilities; however, the present study provides a different empirical configuration because employee digital capabilities do not significantly translate into organizational performance. Second, the positive direct effect of digital leadership is consistent with Nasrun et al. (2025), who emphasize digital leadership as an important driver of innovation, sustainability, and organizational performance. Third, the significant relationship between digital leadership and organizational performance is also compatible with Mollah et al. (2023), whose study examined digital leadership in relation to IT capabilities and organizational learning in explaining sustainable organizational performance. Fourth, the finding that digital leadership significantly strengthens digital culture and that digital culture subsequently contributes to performance is consistent with Priyamedha et al. (2025), who specifically examined the mediating role of digital organizational culture in the relationship between digital leadership and organizational performance. Fifth, the positive relationship between digital leadership and employee digital capabilities is consistent with Muniroh et al. (2022), who linked digital leadership, digital culture, organizational learning, innovation, and employee performance, while also supporting Mazurchenko et al. (2022) regarding the strategic importance of digital skills in the Banking 4.0 environment. Finally, the insignificant role of employee digital capabilities in the present study contrasts with Heredia et al. (2022), who found that digital capabilities can influence firm performance through technological capabilities, and with Tulungen et al. (2022), who examined digital skill as a mediator between digital leadership and organizational performance. Therefore, the present findings simultaneously confirm the established importance of digital leadership and digital culture while challenging the assumption that individual digital capabilities necessarily produce organizational-level performance outcomes.

The Influence of Digital Leadership on Organizational Performance

The results of the hypothesis testing indicate that Digital Leadership has a positive and significant impact on Organizational Performance. From the RBV perspective, digital leadership acts as a strategic VRIN resource that mobilizes other internal assets to improve operational efficiency, innovation, and responsiveness in BMTs. Leaders who drive digital adoption, such as through data-driven decision-making and technology integration, directly contribute to improved service quality, financial stability, and adaptation to market changes. This aligns with previous research (Nasrun et al., 2025; Shin et al., 2023) and extends the RBV by demonstrating how digital leadership, as a rare and unmatched resource, creates sustainable competitive advantage in microfinance contexts where resources are limited (Barney, 1991; Qiao et al., 2024). In contrast to contexts with abundant digital infrastructure, in BMT, this leadership compensates for external limitations, affirming its irreplaceable role in driving performance without over-reliance on transformational leadership theory (Mollah et al., 2023; Rahman et al., 2025).

The Influence of Digital Leadership on Digital Culture Capabilities

Research finds that Digital Leadership has a positive and significant impact on Digital Culture positioning it as a VRIN resource that builds intangible organizational

assets. In the RBV, digital culture emerges as an unparalleled and irreplaceable intangible resource, characterized by path dependence where historical practices in BMTs, influenced by Islamic values and microfinance norms, shape its evolution and interconnectedness with other resources such as leadership and capabilities (Barney, 1991; Linde et al., 2021). Leaders instill values such as openness to innovation, collaborative use of technology, and reduced hierarchy, transforming culture into a strategic asset that is difficult to replicate. These findings support Shin et al., (2023) and Gao et al., (2021) but uniquely frame culture as an RBV-based bridge, emphasizing its role in instilling digital norms that enhance organizational resilience (Aljuhmani et al., 2024; Asif et al., 2024). In BMT, this interconnectedness ensures that digital culture is not merely descriptive, but rather a path-dependent outcome of leadership, strengthening long term adaptation (Jasim et al., 2024; Malik et al., 2025).

The Influence of Digital Leadership on Employees' Digital Capabilities

Research has found that Digital Leadership positively impacts Employee Digital Capability. acts as a VRIN resource that builds human capital through training and empowerment. As a valuable and rare asset, this leadership addresses the skills gap in BMT by fostering competencies such as digital literacy and tool mastery, which are unmatched due to specific contextual learning. This supports Shin et al., (2023) and Muniroh et al., (2022), who describe how leadership, as an irreplaceable enabler, translates into stronger individual capabilities (Barney, 1991; Mazurchenko et al., 2022). In the microfinance environment, this resource mobilization is crucial, as it overcomes infrastructure limitations, positioning digital capabilities as the foundation for broader organizational strength (Heredia et al., 2022; Sadik Tatli et al., 2023).

The Influence of Digital Culture on Organizational Performance

The results of the study show that Digital Culture has been proven to have a positive and significant influence on Organizational Performance. Digital Culture acts as a partial mediator. As an RBV intangible asset, this culture exhibits path dependence and interconnectedness, cascading VRIN leadership qualities into improved performance. This mediation highlights the unparalleled role of culture in sustaining excellence, supporting Hashish et al., (2025) and Priyamedha et al., (2025). In BMT, this strategic linkage ensures that the impact of leadership is amplified through cultural norms, fostering resilience despite contextual challenges. The results of this study strengthen the empirical evidence that digital culture is not only a supporter, but also a direct driver of performance improvement in the non-bank financial institution sector.

The Role of Digital Cultural Mediation

Digital Culture Digital Culture is proven to mediate the relationship between Digital Leadership and Organizational Performance. This means that, although the role of leaders is important in driving digitalization, improving organizational performance does not only come from leadership itself, but also through building a digital-based work culture. When leaders are able to internalize digital values within the organization, their impact on performance is stronger. This finding is consistent with previous studies that suggest that digital culture is a mediating mechanism in the influence of digital leadership on performance, by explaining how culture acts as a bridge between leadership and organizational outcomes (Priyamedha et al., 2025; Shin et al., 2023). In the context of non-bank financial institutions, this mediation shows that effective digital leadership must be accompanied by the formation of a supportive culture, so that digital transformation can be translated into improved performance. This is different where culture may play less of a role, but here, integration with digital strengthens that mediation. Overall, these results reinforce that digital culture is not only an outcome of leadership but also a key mediator, as supported by (Priyamedha et al., 2025; Shin et al., 2023).

Why Employees' Digital Skills Fail to Translate into Performance

This study shows that employee digital capabilities have no significant effect on organizational performance and do not mediate the relationship between digital leadership and performance. In the RBV, although these capabilities are valuable, their failure to translate into performance is due to contextual factors that make them less rare, unmatched, or irreplaceable in BMTs. Path dependence on collective cultural norms and interconnectedness with infrastructure limitations overwhelms individual skills, leading to inefficiency (Barney, 1991; Linde et al., 2021). This contrasts with Shin et al., (2023) but aligns with Mushtaq et al., (2025) and Waryoba et al. (2025), who noted that in resource-constrained microfinance, capability alone does not drive outcomes without a supporting ecosystem. Negative coefficients indicate potential mismatches, such as an overemphasis on individual skills amid regulatory or infrastructure constraints, emphasizing that capabilities must be integrated with VRIN resources such as culture to have an impact (Behera et al., 2025; Rafique et al., 2025). Thus, in BMT, performance depends on holistic resource orchestration rather than isolated competencies (Jufri & Hadiwibowo, 2025; Tulungen et al., 2022).

The similarities between this study and prior research can be explained by the common recognition that digital leadership functions as an enabling resource for technological transformation, employee development, organizational learning, and innovation. However, at least five important differences may explain the divergent findings concerning employee digital capabilities. First, contextual differences are important: previous studies such as Shin et al. (2023) examined organizations in South Korea, whereas the present study focuses on BMTs in Indonesia, where organizations may operate with different levels of technological infrastructure and resource availability. Second, sectoral differences may influence the results because BMTs are non-bank financial institutions with particular operational, regulatory, and customer-service characteristics, whereas much of the previous literature examines broader corporate, banking, healthcare, tourism, or other organizational settings. Third, differences in the level of analysis may be consequential: employee digital capability is an individual-level or human-capital resource, whereas organizational performance is an organizational-level outcome; therefore, individual competence may require organizational routines and systems before it can generate collective performance. This interpretation is consistent with the broader capability perspective discussed in previous studies of digital capabilities and organizational performance (Heredia et al., 2022; Tulungen et al., 2022). Fourth, differences in research models and mediating mechanisms may account for divergent findings. Shin et al. (2023), for example, examined digital culture and employees' digital capabilities within a broader pathway toward organizational performance, whereas the present study directly compares these two mechanisms and finds that digital culture is the more effective pathway. Fifth, differences in organizational readiness and resource orchestration may affect whether employee capabilities are converted into performance. The present findings suggest that digital skills may remain largely individual resources when they are not sufficiently embedded in collective practices, digital culture, technological infrastructure, and organizational processes. This interpretation is also compatible with studies emphasizing the importance of organizational learning, technological capabilities, and contextual resources in realizing the value of digital transformation (Mollah et al., 2023; Jasim et al., 2024; Rahman et al., 2025). Thus, the insignificant coefficient for employee digital capabilities should not necessarily be interpreted as evidence that digital skills are unimportant; rather, it may indicate that individual digital capabilities alone are insufficient to produce organizational-level performance when organizational conditions do not enable their effective utilization.

Theoretically, this study advances the RBV perspective by demonstrating that the value of digital resources depends not only on their possession but also on their

organizational embeddedness and orchestration. The findings challenge a relatively linear interpretation of RBV in which valuable human resources automatically generate superior organizational performance. Instead, the results indicate that digital leadership can successfully build both digital culture and employee digital capabilities, but only the former becomes a statistically significant pathway to organizational performance. This distinction is important because digital culture represents a collective organizational resource through which digital values, collaborative practices, openness to innovation, knowledge sharing, and technology-oriented routines become institutionalized. In contrast, employee digital capability remains primarily an individual resource unless the organization provides mechanisms through which that capability can be coordinated and transformed into collective organizational outcomes. The significant mediation coefficient of digital culture ($\beta = 0.345$, $p < 0.001$) provides empirical support for this organizational conversion mechanism. Consequently, the study contributes a more nuanced RBV explanation of digital transformation by proposing that digital leadership $\rightarrow$ digital culture $\rightarrow$ organizational performance is a more effective resource-conversion pathway than digital leadership $\rightarrow$ employee digital capabilities $\rightarrow$ organizational performance in the BMT context. This finding extends previous studies that have established positive relationships among digital leadership, culture, capabilities, and performance by identifying an important boundary condition: individual digital resources may not create organizational value unless they are embedded in collective organizational capabilities. In this respect, the study shifts the discussion from simply asking whether organizations possess digital resources to asking how those resources are orchestrated and converted into organizational value.

The findings have important practical, academic, and policy implications. Practically, BMT managers should not treat digital transformation primarily as an employee-training program. Although digital leadership significantly increases employee digital capabilities, the insignificant effect of those capabilities on organizational performance suggests that training must be accompanied by organizational mechanisms that allow employees to apply their skills collectively. Management should therefore strengthen digital leadership through technology-oriented role modeling, participatory decision-making, continuous digital learning, cross-functional collaboration, open discussion of digital projects and failures, and integration of digital tools into routine work processes. The findings particularly emphasize the importance of developing a supportive digital culture, because this was the only significant mediating mechanism linking digital leadership to organizational performance. These recommendations are consistent with the manuscript's conclusion that BMT management should strengthen digital leadership and collaborative digital culture rather than relying exclusively on individual digital training. Academically, future research should examine whether organizational readiness, technological infrastructure, organizational learning, digital strategy, innovation capability, or resource orchestration moderate or mediate the relationship between employee digital capabilities and organizational performance. Such variables could help explain why strong employee capabilities do not necessarily generate superior organizational outcomes. From a policy perspective, regulators and sectoral institutions should consider supporting digital transformation among BMTs through capacity-building programs, digital infrastructure, standardized digital competency development, cybersecurity support, and organizational digital-readiness initiatives rather than focusing exclusively on technology adoption. Future studies should also employ longitudinal or multi-source designs and, where possible, objective organizational-performance indicators to strengthen causal inference and reduce concerns associated with cross-sectional self-reported data. Finally, comparative studies across BMTs, conventional microfinance institutions, banks, and other non-bank financial institutions could establish whether the stronger role of digital culture observed in this study is specific to the Indonesian BMT context or represents a

broader principle of digital transformation in resource-constrained financial organizations.

CONCLUSION

The results of this study indicate that Digital Leadership has a positive and significant effect on Digital Culture, Employee Digital Capability, and Organizational Performance directly, and Digital Culture has a positive and significant effect on Organizational Performance. In addition, Digital Culture is proven to mediate the relationship between Digital Leadership and Organizational Performance. However, Employee Digital Capability does not have a significant effect on Organizational Performance and does not mediate the relationship between Digital Leadership and Organizational Performance. These findings indicate that in the context of non-bank financial institutions such as BMT in Purwokerto Purbalingga, improved organizational performance is more influenced by a strong digital work culture than by individual employee digital capabilities, even though digital leadership is the main foundation for building both. Therefore, the management of non-bank financial institutions is advised to strengthen digital leadership practices through technology-based training, providing role models in the adoption of digital innovation, and creating a collaborative work culture that supports the use of digital tools. Additionally, focusing on developing a digital culture through open discussions about digital projects, reducing hierarchies within projects, and integrating technology into work processes can improve organizational efficiency and responsiveness. Although employee digital capabilities have not been proven to directly affect performance, investment in digital training remains important to support the mediation of digital culture and ensure the sustainability of digital transformation in the competitive era.

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