



The Role of Strategic Leadership and Dynamic Capabilities in the New Reality of Today's Business World

Levina Kartika^(✉)

University of Surabaya, Surabaya, Indonesia

Abstract. In today's business world, especially after the volatility due to the global Covid-19 pandemic, the business world is shifting more to technology-based. Customers are also changing their preferences and behaviors. This study aims to discuss how strategic leadership helps the organization to face a new reality and its challenges and how the organization's dynamic capabilities also facilitate the needed changes. Interviews with leaders and managers from companies in Surabaya, Indonesia, were conducted to see if strategic leadership and dynamic capabilities help shift towards the new reality of today's business world. The results show that strategic leadership and dynamic capabilities help organizations face new challenges, and leaders are the utmost important part of it. The capabilities within the organization are also needed to execute the leaders' vision and mission.

Keywords: Strategic leadership · dynamic capabilities · decisions · respond · tackle

1 Introduction

1.1 New Reality of Today's Business World

Today's business world is changing from what it was just a decade ago. The era of technology, added by the recent global Covid-19 pandemic, has changed the reality of all human's life aspects. Many businesses are shifting to technology-based, such as real estate and financial services [1]. The simplest idea of having a transactional business, in-store, face-to-face services, is no longer suitable for some circumstances. An excellent example of this new reality is the birth of "cloud kitchen." Cloud kitchen is defined by its room of commercial culinary business, where sellers gather together in one strategic business location, cook their dishes, and serve the customers under one roof. A unique proposition of cloud kitchen is that they prepare their food from online orders and deliver it via an online transportation platform. Simply put, customers can make choices of their preferences in cloud kitchens, and they can save up on delivery costs (Fig. 1).

Since the new reality is now shifting from traditional to technology-based, the need for a leader to be able to drive these changes is crucial. The emphasis on a leader has been an important topic for researchers, and it has been a top priority due to its importance and role in driving the organization. The organization relies heavily on how the leaders

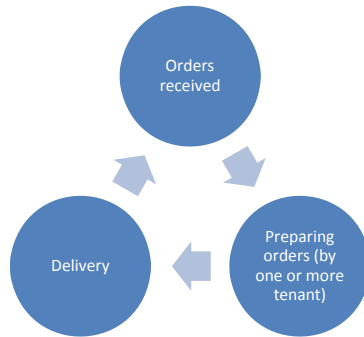


Fig. 1. A Model of Cloud Kitchen

drive the organization, its vision and mission, and how they communicate it to their stakeholders. By doing this, leaders are believed to be the root of every organizational change. The leader's ability to influence and inspire others is important here. The term strategic leadership used in this research is intended to see if the leader can communicate within or outside the organization and tackle the challenges in today's new reality business world.

These days, the notion of dynamic capabilities has been in talks among researchers these days, especially after the global Covid-19 pandemic and technological shift. Dynamic capabilities encapsulate the organization's resource-based view, where the organization's capabilities will create an advantage for the organization itself. Fundamentally, these resources are unique and valuable. Therefore, these capabilities will bring an enormous advantage to handling and tackling changes in today's volatile business world.

This study aims to discuss further how strategic leadership and dynamic capabilities help the organization face the new reality in today's business world, especially after the Covid-19 pandemic. Interviews with leaders among companies located in Surabaya, Indonesia, were conducted, and the results are discussed below.

2 Literature Review

2.1 Strategic Leadership

Strategic leadership is desperately needed in today's volatile business environment, especially in communicating the vision and mission to bring the organization to success [2]. Every organization has the goal to be successful and grow continuously. Organizations must have a leader they can count on to achieve those goals. In general, leaders in top executive management have a big vision and mission; they have the big picture of how they want to bring their organization. Therefore, strategic leadership is usually seen at these top levels. They have the enormous responsibility to know their organization's well-being and communicate well with the people outside the organization. Strategic leaders can transform any opportunity, whether they are a threat or weakness, into an

advantage and capabilities [3]. Strategic leaders are also dubbed multi-functional leaders, as they can communicate with stakeholders and shareholders. A study by Sichone [4] concluded that strategic leadership is the root cause of a successful organization, as it can achieve the vision and mission of the organization. Strategic leadership focuses on creating an environment that is future-based, and they can understand what is going on within and outside the organization [5]. The volatility of the business environment makes it crucial to have a strategic leader within the organization to help navigate the organization and tackle the challenges.

2.2 Dynamic Capabilities

Dynamic capabilities are needed to maximize the resources within the organization [6]. The word dynamic means that the organization can follow the changes; they are willing to make changes and adapt to the current or upcoming situation. An organization with dynamic capabilities surely will help prepare itself for any challenges, creating an advantage for itself. When the organization has dynamic capabilities, it can avoid any mistakes that could happen and transform them into an opportunity. An organization with dynamic capabilities can create, integrate, and reconfigure its competencies [7]. D'Aveni et al. [8] highlighted the importance of having dynamic organizational capabilities to survive in a hyper-competitive environment. Dynamic capabilities are also believed to be the key to sustaining organizational innovation and creativity, especially in a highly dynamic and volatile environment. According to Schoemaker et al. [9], there are three pillars of dynamic capabilities:

1. Sensing change: the ability to detect changes in the surrounding environment.
2. Seizing the opportunity: the ability to seize the opportunity at the right timing and pace.
3. Transforming the firm: the ability to reconfigure and transform the firm, to be flexible to suit best in the volatile environment.

3 Methodology

This research applied the qualitative method, using an interview as the instrument. The interview used here was semi-structured, combining structured and unstructured instruments. Interviewers asked a set of questions that had been prepared before. These questions regarding strategic leadership and dynamic capabilities replicate Schoemaker et al. [9]. Flexibility is important in a semi-structured interview, and it is hoped that we will gain other insights and fascinating facts during the interview. The sample of this study was 10 companies that have been established for more than 25 years. To choose the sample, the author used purposive sampling. Interviews were done with one member of the top management.

4 Results and Discussion

4.1 Results

The results of the interviews are summarized into keywords and important quotes, as seen in Table 1.

Table 1. Interview Summary

No.	Strategic Leadership	Dynamic Capabilities
1.	Making decisions, seeing long-term plans, and being responsible for both stakeholders and shareholders	Quick to respond market changes, teamwork
2.	Conceptual thinking, motivating employees	Adaptability, ability to read market conditions, ability to change quickly
3.	Decisions making, defining vision and mission, long term plans	Teamwork with dynamic environment, young and active
4.	Translating vision & mission into organizational culture, long term plans, future-oriented	Able to tackle any conditions or challenges, agile and quick
5.	Making strategic decisions, responsibility, future-oriented	See opportunities and transform them into an advantage
6.	Agile and focused, long-term plans	Able to sense market changes, change quickly
7.	Inspiring others, making decisions	Adaptive capacity, absorb capabilities and market opportunity/threat
8.	Able to read trends and make strategic decisions	Seize the opportunity available, and quick to respond
9.	Open-minded, making decisions, creating long-term plans	Surviving and adapting to any changes
10.	Consistency, future-oriented	Teamwork and adaptability

4.2 Discussion

The interview results are consistent with the proposed theories of strategic leadership and dynamic capabilities. One of the most important traits in strategic leadership is how they are responsible for any decision-making, and it will reflect on how the leaders run the organization. Strategic leaders are the key decision makers, as they hold to the vision, mission, and goal they want to achieve. Therefore, they are the key drivers of the organization. Another trait of strategic leadership is its ability of future-minded. It is known that strategic leaders have the big picture of how they want to be, and how they want to achieve in the future. Along with those future plans, leaders are elaborating it through communicating vision and mission with their stakeholders and shareholders. Strategic leadership plays a great role in driving the organization; according to one interview, a leader has a strategic role in making decisions, as if “navigating the ships into a blue or red ocean, shifting right or left to see any opportunities.” Inside the mind of strategic leaders, one of the traits is conceptual thinking. They would think in the big pictures, and they can transform their big picture into plans and reality. Another important trait in strategic leadership is how they can inspire others through their words and action. Followers or members of the organization will indeed look up to their leaders. Therefore, a strategic leader must be aspiring and motivating their employees.

The interview's result regarding dynamic capabilities is also consistent with the proposed theories. Dynamic capabilities consist of the ability to respond quickly to market changes and how the organization can adapt to those changes. One keyword that keeps repeating in the interview is to be quick and respond. Dynamic itself means that the conditions change consistently, going with the environment's flow. Therefore, the organization needs dynamic capability, including adaptability, to respond to the changes. Once they have grasped the concept of adaptability, the organization may seize the opportunity available in the market. Some of the interviews reveal that within their organization, especially after facing technology changes since 2018s, they have a "tackle team." This team is specially formed to sense any changes in the market and prepare plans and ideas to handle those challenges. Therefore, it would be swift for them to respond to these market changes.

Both strategic leadership and dynamic capabilities play a significant role in today's volatile business world. They complement each other and create an advantage for the organization to survive. The goal for every organization and leader is to earn profits for its stakeholders and shareholders.

5 Conclusion

Strategic leadership and dynamic capabilities are needed to face a new reality in today's business environment. The new reality is changing quickly and rapidly; organizations must respond. They have to adapt quickly and, of course, under exemplary leadership. Strategic leadership is a leadership type that can tackle the challenges in the new reality of today's business environment.

References

1. Forbes, 2022, <https://www.forbes.com/sites/forbestechcouncil/2022/09/29/16-tech-trends-poised-to-make-a-big-impact-on-product-based-businesses/?sh=5e6c701c4e5c>, last accessed 2023/02/19
2. Chanpoom, M. & Intrawong, W. (2019). The influence of strategic leadership and organizational climate on organizational commitment of savings cooperative employees, Thailand. The 2019 International Academic Research Conference in Vienna, pp. 307–314.
3. Hambrick, D. C. & Mason, P. A. (1984). Upper echelons: the organization as a reflection of its top managers. *Academy of Management Review*, 9 (2), pp. 193–206.
4. Sichone, B. (2004). The rare jewels of effective leadership. Mongu, Zambia.
5. Simsek, Z., Jansen, J. J., Minichilli, A., & Escriba-Esteve, A. (2015). Strategic leadership in entrepreneurial context: a nexus for innovation and impact missed? *Journal of Management Studies*, 52 (4), pp. 463–478.
6. Eisenhardt, K. & Martin, J. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, 21, pp. 1105–1121.
7. Teece, D. J. (2007). Explicating dynamic capabilities: the nature and micro-foundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28 (13), pp. 1319–1350.
8. D'Aveni, R.A., Dagnino, G. B., & Smith, K. G. (2010). The age of temporary advantage. *Strategic Management Journal*, 31 (3), pp. 1371–1385.
9. Schoemaker, P., Heaton, S., & Teece, D. (2018). Innovation, dynamic capabilities, and leadership. *California Management Review*, 61 (1), pp. 15–42.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

