

**UNIVERSITI TEKNOLOGI MARA**

**STRATEGIC AGILITY AND SUSTAINABLE  
COMPETITIVE ADVANTAGE OF PRIVATE  
UNIVERSITIES IN INDONESIA:  
DYNAMIC CAPABILITY THEORY**

**LUTFI TRISANDI RIZKI**

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## ABSTRACT

Private universities play a crucial role in fulfilling Indonesia's higher education needs. However, in recent years, the sector has faced severe challenges. According to the Ministry of Education, between 2019 and 2022, more than 300 private universities in Indonesia were permanently closed or had their licenses revoked, primarily because they were unable to adapt to changing market demands and continual shifts in education policy. In addition, over 1,600 private universities reported fewer than 500 active students, with nearly 500 institutions having less than 100, illustrating deep sustainability and enrollment issues. This crisis underscores the urgent need for strategic agility and adaptability among private universities. Despite the importance of these capabilities, existing studies on Strategic Agility in higher education—particularly within Indonesian private universities—remain scarce. Most prior research focuses on corporate contexts, leaving a gap in understanding how entrepreneurial leadership, digital transformation, and strategic collaboration capabilities jointly drive sustainable competitive advantage (SCA) in this sector.

Dynamic capability is a concept in management theory referring to an organization's ability to continuously adapt and innovate in response to changing conditions. Dynamic capabilities—such as sensing, perceiving, and reconfiguring—are fundamental to addressing rapid change. Entrepreneurial Leadership Capability enables leaders to stimulate innovation, take measured risks, and drive change initiatives. Digital Transformation Capability involves integrating digital technology into various operational aspects, enabling agility in responding to technological and market shifts. Strategic Collaboration Capability reflects the ability to collaborate effectively with internal and external stakeholders, fostering agility through shared resources and expertise. Collectively, these capabilities can enhance strategic agility and positively influence SCA.

This study surveyed 212 private universities in Indonesia and employed Structural Equation Modeling (SEM) using SmartPLS 3. Five of ten hypotheses were validated, showing varying significance levels among the three capabilities in influencing SCA. The study contributes theoretically by extending Dynamic Capability Theory to the higher education context with an integrated model of three critical capabilities. Methodologically, it applies a robust SEM-PLS approach with a comprehensive national sample. Practically, it offers actionable guidance for higher education leaders to strengthen strategic agility and sustain competitive advantage in a rapidly changing environment.

**Keywords:** Digital transformation capabilities, Entrepreneurial leadership capabilities, Indonesia, Private universities, Strategic agility, Strategic collaboration capabilities, Sustainable competitive advantage.

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# CHAPTER 1

## INTRODUCTION

Educational institutions are currently faced with significant challenges in dealing with rapid developments in the educational environment. Adaptation to change is a necessity in order to remain relevant and effective in meeting the demands of the times. In an effort to overcome this complexity, many educational institutions, including private universities, are exploring innovative strategies such as Strategic Agility (SA) and Dynamic Capabilities (Shamsi Gooshki et al., 2021). Although these concepts promise improvements in adaptability, there is a gap that needs to be addressed between theory and their practical implementation. This research aims to explore the potential of these concepts in supporting the formation of Sustainable Competitive Advantage (SCA) for these educational institutions. Thus, readers will be invited to dive deeper into the relevance and application of these innovative strategies in increasing the competitiveness of educational institutions, especially private universities (Awwad et al., 2022).

These institutions grapple with the imperative of adapting to a swiftly evolving educational environment, prompting an exploration of strategies such as Strategic Agility (SA) and Dynamic Capabilities. Embedded within this context is the statement of the problem, which underscores the gap between theoretical concepts and their practical implementation, particularly concerning SA and dynamic capabilities. This chapter highlights the pivotal need to investigate how these concepts can be harnessed by private universities to foster Sustainable Competitive Advantage (SCA) (Baškarada & Koronios, 2018; Karimi-Alagheband & Rivard, 2019).

It aims to the competitive dynamics, regulatory complexities, and financial intricacies that shape their operations and strategies. Moreover, the concept of motivation to learn is discussed, underscoring its psychological underpinnings. The chapter emphasizes intrinsic and extrinsic motivation as driving forces for academic engagement, with intrinsic motivation emerging as a powerful driver for lifelong learning (Zahoor et al., 2022). Articulating the study objectives with precision, the chapter outlines the key goals of the research. The objectives underscore the investigation's focus on the relationship between dynamic capability components, SA