The Individual Competencies and Organizational Ambidextrous: Indonesian SMEs Perspective

Eka Sudarmaji*

University Of Pancasila, Indonesia

Supriadi Thalib

University Of Pancasila, Indonesia

Nana Nawasiah

University Of Pancasila, Indonesia

Nuruddin Subhan

University Of Pancasila, Indonesia

**Corrospoding author's Email: esudarmaji@univpancasila.ac.id*

Research Highlights

Due to the rapidly developing environment, Indonesian SMEs are forced to asses dynamic capabilities of “regenerating capabilities” and “renewing capabilities” as well as "science-push", and "demand-pull” of the absorptive capacity (Murovec & Prodan, 2009; Nasip, 2017; Sudarmaji & Nasip, 2017). By keeping these both dynamic and absorptive capabilities, the innovation opportunity will be alive and better practice under the volatility situation. There is always a good connection between the absorptive capacity of the external knowledge, dynamic capability, innovation and sustainability competitive advantages (Eisenhardt & Martin, 2000). The purpose of the study is to find the elements that help Indonesian SMEs to identify critical skills to deploy their dynamic capability and investigate the individual and the organization competencies. Hypothetical models represent the relationship between those dependent and independent variables can be drawn as follows:

H1: The ‘Individual Competencies’ has an influence on ‘Organizational Competencies’.

H2: Both ‘Individual Competences’ and ‘Organization al Competencies’ have an influence on ‘Organizational Ambidextrous’ SME organization.

H3: The SMEs' 'Organizational Ambidextrous' organization has an influence on 'Innovation Capabilities'.

Graphical Abstract (optional)

Research Objectives

The authors hope the results of this study to improve the dynamic capabilities skills among SMEs, the ability to innovate, see the market potential as a key growth and some characteristics as key predictors for selecting access to the International market. This study contributes to the latest knowledge in the field of internationalization of Indonesian SMEs with a two-dimensional change of key individual and organizational competencies, whereby both dimensions are considered important as drivers for the internationalization of Indonesian SMEs.

Methodology

This study will assess the practices, especially on “ambidexterity” of Indonesian SMEs. This study will analyze the present the ambidextrous capabilities; exploratory capability (e.g. R&D) and exploitative capability, using ambidexterity modeling strategy, Derbyshire (2014) and the operationalization of ambidexterity taken from Archibugi et al. (2013). Archibugi et al. (2013) investigated the objectives of innovation of organization. We employ sales growth and productivity as the dependent variable representing the business performance. The SME expanded to the export market and pursue the niche market is considered to be representative of typical SMEs. At the same time, the SME that has launched either in new product and/or new service for new customer target are being considered as well. Meanwhile, the ambidexterity variable used Archibugi et al. (2013) with nine objectives represent ‘exploitation’ and five objectives represent exploration. At the independent variable, this study used both variables of individual competence and organizational competencies model taken Hafkesbrink (2014), employs SME’ responses to a question in individual competence and organizational competencies within their SME operation.

The responded questionnaire of 78 SMEs sample of the review is taken from the several occasion, the 1st survey and questionnaire were taken from Indonesian SMEs which attend the exhibition in Kunming, Yunnan-PRC, and Nanning, Guangxi-PRC and the 2nd where collected from Indonesian SMEs who attend business competition training and workshop in Bandung, Indonesia and the last, the questionnaire distributed through internet using ‘google form’ to accommodate the Indonesia SMEs from several places in different provinces in Indonesia.

Results

In total, 78 responses were collected. The PLS path was used to analyze the hypothesized model. Our original measurement consists of 48 items used to measure four constructs, then we test the relationship between the constructs and their respective measurement items. The loading factor analysis to eliminate the loading factors to less than 0.6 is used, hence we were able to eliminate 20 items in this model. In this study, we did 5000 samples using bootstrap facility with 95% confidence interval.

A series of validity and reliability checking were performed for both the structural modeling (Inner model) and the measurement modeling (Outer Model). The first test performed was convergent validity, the outer value of loading is equal and above 0.70 or more than minimum toleration score of 0.5. In addition, the construct reliability test was also done by measuring two criteria: Cronbach's Alpha and Composite Reliability. These values reflect the reliability of all indicators used in this study. We thought that for this research purpose, reliabilities of alpha 0.70 sufficed. The discriminant validity was performed in order to check the degree to which the remaining items that have loading factors that have more than 0.6 can differentiate between constructs or measure different constructs.

The testing structure model consisted of the evaluation of the size, sign, and significance of the standardized path coefficients. The summary result of model indices, the coefficient of determination (R^2) consists of 65.20% of the variance in 'Ambidex Organization', 55.30% for 'Innovation Capabilities' and 40.70% of the variance in 'Organization Competences' are accounted for by the model. Sanchez, et al. (2015) considered the coefficient of determination (R^2) values of $>.60$ as high, between 0.30 and 0.60 as moderate and below 0.30 as low.

Findings

In our hypothesized model, we suggested that the 'Individual Competencies' has an influence on 'Organizational Competencies' (H1). It was hypothesized that 'Individual Competencies' is positively related to the 'Organizational Competencies' (H1). Hafkesbrink and Schroll (2010), Hafkesbrink et al (2013), stated there's the relationship between individual and organizational competencies since every organizational setting relies on a combination of different individual competencies. The combination of 'Individual Competencies' and 'Organizational Competencies' have an influence on 'Ambidextrous Organization' SME organization (H2) was our second hypothetical analysis. It found that both of 'Individual Competencies' and 'Organizational Competencies' were significantly positively related to the 'Ambidextrous Organization' (H2) and the hypotheses were also supported by our statistical data.

This result was in line with the empirical research, Hafkesbrink & Schroll (2010); Hafkesbrink et al (2013). Since there is a strong relationship between individual and organizational competencies and single individual competencies was applicable to the ability to co-operate for the organizational collaboration and the absorption capacity in knowledge-based dynamic capability. Our last findings in our hypothesized model, that whether the SMEs' 'Organizational Ambidextrous' organization has an influence on Innovation Capabilities (H3). The similar research as Rodriguez and Hechanova (2014) found Ambidextrous both exploratively and exploitatively become a good predictor of 'Innovation Capabilities', it is in line with research results found by Hafkesbrink and Schroll (2010); Hafkesbrink et al (2013) and Hafkesbrink et al (2014).

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info@readersinsight.net

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