



ANALYSIS OF THE IMPACT OF MANAGERIAL ABILITY FACTORS TO DEVELOP MSMEs THROUGH ADAPTATION ABILITY IN PANDEMIC TIME

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ABSTRACT

The development of a company depends on the experience and learning of existing managers, because they are holding the capabilities of the organization. Managerial ability depends on more than just cognition; it also requires an understanding of human emotions, and the non-cognitive processes that develop and enable strategic adaptive behavior (adaptive abilities) in volatile environments.

This research was conducted on 177 MSMEs in South Kalimantan from various business fields. The results showed that (1) managerial abilities including leadership styles, decision making, human resource development, and planning affect the business development of MSMEs. (2). Managerial abilities include leadership styles, decision making, human resource development, and planning that affect the adaptability of MSMEs (3.) Adaptability includes scanning, change

management and resilience affecting MSME business development (4) Managerial abilities affect MSME business development through ability adaptation will be better than the direct effect of managerial ability on business development.

The implication of this research requires that MSMEs do not only have managerial abilities but also must be able to adapt to the environment so that their businesses develop

Keywords: Managerial Ability, Adaptation, Business Development

INTRODUCTION

During the Covid pandemic, many companies experienced financial problems due to decreased public demand. Some local businesses including observing where the market is going and they are trying to adjust market needs. Business people try to change their business towards the needs of the community during a pandemic, such as producing masks, hand sanitizers, gloves, and so on. In addition, there are also those who change traditional marketing with online sales. They are the ones who try to maintain their business, which of course must be supported by managers who are always ready to change and be creative.

Organizational capabilities are now considered an essential ingredient for competitiveness. Therefore, building organizational capabilities is a key success factor for stimulating organizational innovation in MSMEs. However, very few previous studies have explained comprehensively about organizational capabilities and how MSMEs grow and develop to stimulate innovation (Rivard et.al 2006 and Whittaker 2016). Indeed, innovation capability is considered to be the most valuable and inevitable source of growth, competitiveness and long-term sustainability. Researchers and practitioners have shown that innovation depends not only on research and development (R&D), but also on the enabling environment within a company (Tidd and Bessant, 2013). Smooth and continuous innovation is the only way to maintain competitive performance, which is one of the most important factors giving it a unique competitive advantage.

The driving force of small and medium enterprises (MSMEs) comes from a variety of factors, including due to globalization competition, the growing number of MSMEs, the search for new

market niches, the presence of fast technology, and customer demand for new high-quality products and services at low prices (Bullinger, et.al 2017). Facing increasing competitive pressures, MSMEs are constantly forced to rethink, reshape and synchronize existing competitive resources and capabilities. Studies on innovation, especially in MSMEs, have attempted to explain and explore ways of creating an environment that always breeds innovation, and highlight the main determining factors that lead to innovation in MSMEs. However, how innovation occurs, the ability of firms to stimulate innovation, and the relationship between the two still remain areas that are rarely studied. Although various studies have failed to comprehensively integrate all related factors. An integrated and comprehensive framework is needed to transform the developing MSMEs.

Most of the literature highlighting the vital role of capability development for sustainable competitive advantage regarding dynamic and organizational capabilities consists of descriptive studies (Grimaldi 2013, Inan Bititci 2015, Evaristo Zaheer 2014) The majority of empirical studies are case studies [Sternad et al. 2013, Protogerou et.al 2012). Empirical studies that highlight a more quantitative approach are still needed to give more academic rigor to this concept, especially in developing countries.

Integrative capabilities as highlighted by Jian Yu [2012] are systematic capabilities to collect, configure, and reconstruct all resources that can provide a competitive advantage, and can be divided into four capabilities: (1) scanning capabilities; (2) ability to collect; (3) organizational capabilities; and (4) innovation ability. Therefore, integrative capabilities are a prerequisite for continuous organizational innovation, which enables firms to identify and absorb knowledge from internal and external sources to compete in a changing marketplace [Ali et al. 2016].

Integrative ability is a vital determinant of a company's growth because it integrates different tangible and intangible resources. Adaptive capabilities can guide the way companies interact with external entities such as market scans [Evaristo and Zaheer 2014, Palomino et al. 2012], customers, competitors, and technology scanning [Evaristo and Zaheer 2014, 2 Paliokait and Pacesa 2015, Eshima and Anderso 2017], and also help manage and reshape internal entities such as change management and resilience [Bhamra et al. 2011, Gunasekaran et al. 2011]. In addition, resource reconstruction is focused through adaptive capabilities, which in turn enable processes to respond to change. Under the perspective, dynamic managerial abilities play an important role,

such as management or modifying existing organizational capabilities in an environment where information and time-bound are available according to the company's capabilities and on the changing nature of the environment (Soojung and Soo, 2014).

The development of a company depends on the experience and learning of existing managers, because they are holding the capabilities of the organization. Managerial ability depends on more than just cognition; it also requires an understanding of human emotions, and the non-cognitive processes that develop and enable strategic adaptive behavior (adaptive ability) in volatile environments [Hodgkinson and Healey 2011, Nada and Ali 2014].

The main concern of this research is to explore the relationship between organizational capabilities i.e. specific managerial abilities and adaptability and the related key elements that are important for stimulating organizational innovation in SMEs.

REVIEW OF THEORITIES

Managerial Abilities

Managerial ability is conceptualized as a consideration of four dimensions: decision making, management style, human resource development, and success planning (Nada and Ali, 2014: 501–511). Decision making is a decision-making process that is in line with the company's vision and strategy. Effective and collaborative decision making is an integral element of managerial skills [Ogarca, 2015; 443–452]. Kunc and Morecroft [2010; 1164–1182] highlights the managerial decision-making process under the resource-based paradigm, and the relationship of decision making to resource development and organizational innovation.

Management style is a driver of organizational change, because it helps achieve the values, mission and vision of the organization. Management style is about strengthening and influencing employees to achieve business goals, and in parallel, embellishing their individual development in the face of positive influences on professional behavior and increasing motivation and creativity. Therefore, a positive management style gains consensus and teamwork, rather than enforcing command and control. A positive leadership style motivates employees to look beyond their own interests and think outside the box with respect to their regular duties [Sethibe and Steyn 2015; 325–337, Kacem and Harbi 2014; 283–311]. Transformational and transactional

leadership styles are appropriate for MSMEs in their own context. The relationship between a leader and their followers is very important and important in MSMEs, because there are fewer hierarchical layers [Golla and Johnson, 2013; 337–343].

Adaptability

Adaptability is strongly linked to an organization's strategic plan to respond to changing business needs by identifying and maintaining key capabilities, resources, and other organizational processes. Paliokaite [2012] argues that adaptability offers competitive advantages, especially in environments that change continuously. The concept of adaptability considers three dimensions: horizon scanning, change management, and resilience.

The varied resource base is an important antecedent for adaptive capacity. Dynamic checking and scanning of market conditions are integral parts of adaptability [Lockett, et al. 2011; 48], which consists of investigating the sources of strong and weak ties. Scanning is a continuous process of gathering information about customers, suppliers, competitors, society and technology, and using this information to make informed decisions.

Change management to manage organizational and / or technological change. Therefore, any changes in the previous firm's resource base and new resource combinations are correlated with changes in adaptability. Resilience is the company's ability to endure disturbances of all kinds]. This can be seen as adaptability, responsiveness, and ability to change business and strategy powerfully when circumstances change before change becomes clear (Gunasekaran, 2011; 5489–5509).

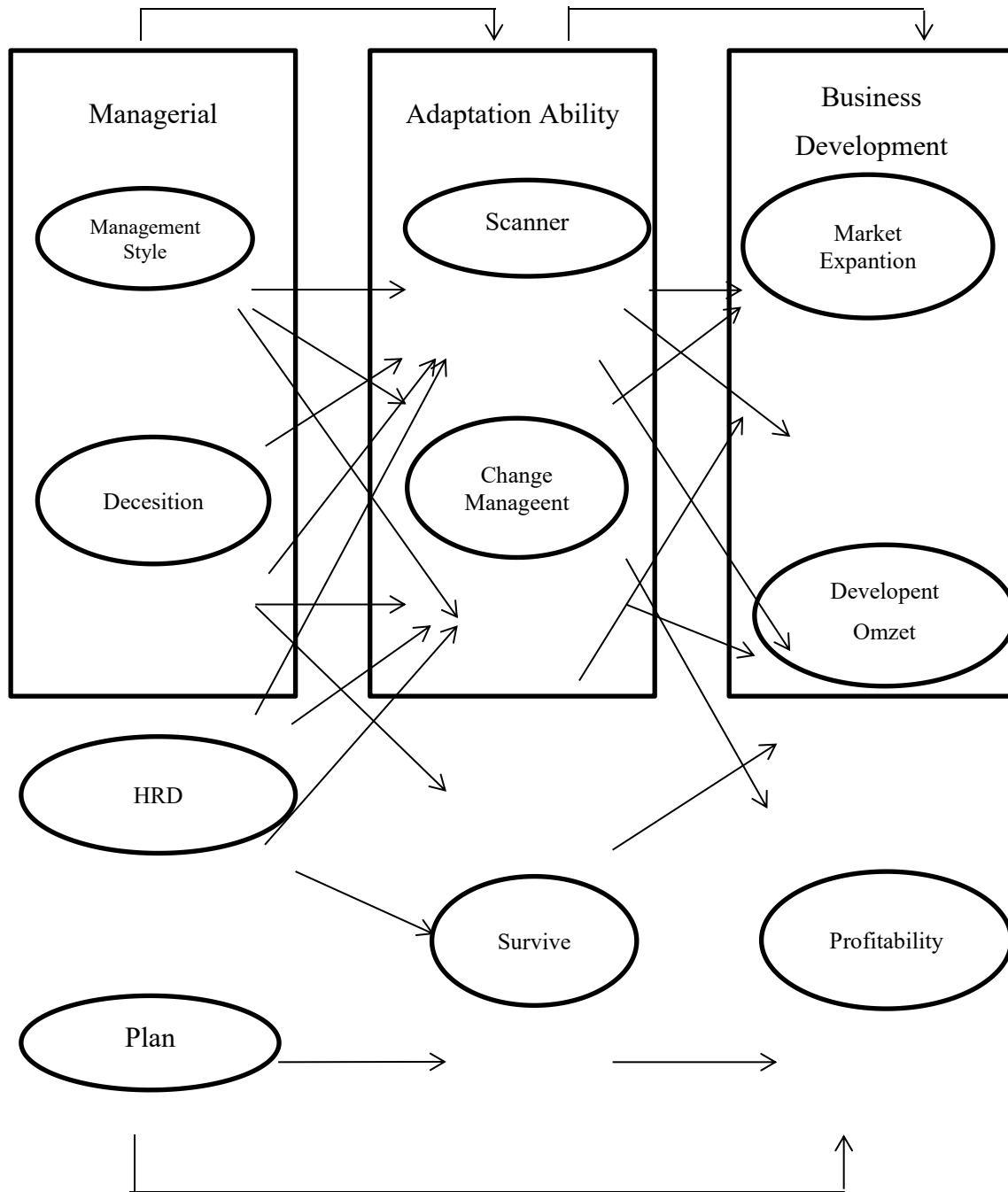
Business development

Business development includes tasks and processes for developing and implementing growth opportunities within and between organizations. [Houterman et al. 2014] Business development is the creation of long-term value for the organization from customers, markets, and relationships. (Pollack, 2014) Business development can be defined as any activity whether small or large organizations, non-profit or non-profit companies serve the purpose of 'developing' the business in some way. In addition, business development activities can be carried out internally or externally by a business development consultant.

Business development is an indicator of the level of success in achieving company goals. Business development begins with good company performance showing the success and efficiency of company behavior. Many studies use different indicators to measure business development. To measure business development, it is usually done using business development indicators using two dimensions, namely the first dimension is financial performance or performance based on marketing such as level of use, profitability and market share, while the second dimension is subjective performance.

Review of Previous Studies

Ali et.al (2017) explores empirically and proposes a rigorous model for the positive impact of managerial ability (in terms of decision making, management style, human resource development, and succession planning) and adaptive ability (in terms of horizon scanning, management change, and resilience) to organizational innovation in the context of small and medium enterprises (SMEs). The results show a strong and significant relationship between



2.4. Perumusan Hipotesa

Managerial ability encourages management to accumulate and analyze information from internal and external sources to mine technological evolution and changing customer needs and requirements. It involves observing and examining both internal and external technological advances and business techniques. Here, the abilities managers have developed through training and skills development helps management anticipate change, as well as which parts of the company will be affected by approaching change. Change is accompanied by crises that require timely and well contextualized decisions. Pal [2014] argues that the primary responsibility of leadership is to envision change, engage and cope with change, and act as strongly as possible.

In short, after considering the three elements of adaptive ability, consider that managerial style, decision making, human resource development, and managerial ability planning are closely related. The following hypothesis is formulated:

Hypothesis 1 (H1). Managerial ability affects business development adaptive ability. Especially:

MSME organizations are particularly vulnerable during times of crisis [Vargo and Seville, 2011], and their relative strength is measured in terms of adaptability, resilience and innovation. Intense competition and technological development make it difficult to pinpoint specific external resources that facilitate innovation for current or emerging markets. Therefore, companies need scanning capabilities to find valuable resources to gain the competitive advantage and knowledge required for creativity. Therefore, to achieve and stimulate organizational innovation, companies need constant observation and monitoring of business markets and technological advances.

Hamel and Valikangas [2003] argued that to be proactive requires resilience, which must be changed or changes that cannot be avoided. External systems and sources can provide a company with access to new information and technological advances (Palomino et.al 2014). Scanning the environment can increase the number of ideas; therefore, the more a company scans the external environment, the more access it will gain to new knowledge, which can stimulate organizational innovation Horizon scanning is positively related to product innovation in MSMEs [Paliokait'e 2014].

Gracht [2010] stated that scanning horizons better contribute to organizational innovation, providing two conditions. First, the information gathered can inspire and create new ideas; second, it can help evaluate attractive products and processes. Many other studies have also

explored the relationship between resilience and innovation. Gunasekaran [2011] argues that resilience is positively related to competitive advantage and innovation. Based on the research results above, the hypothesis is formulated that adaptive ability is positively related to business development.

Hypothesis 2 (H2). Managerial ability affects the adaptation of MSMEs

The developed MSMEs certainly have a long-term orientation, which means that they focus on the future. This implies that all business actions must change according to market developments and the environment. Delaying change means bringing a business into conditions that may be difficult to maintain and survive (Vernon, 2014), as well as an organizational context to show a continuous process that tends to balance actively with a dynamic environment (Magolda and Kegan, 1985).

Based on the research results above, the hypothesis is formulated that

Hypothesis 3 (H3). The ability to adapt influences business development

The developed MSMEs certainly have a long-term orientation, which means that they focus on the future. This implies that all business actions must change according to market developments and the environment. Delaying change means bringing a business into conditions that may be difficult to maintain and survive (Vernon, 2014), as well as an organizational context to show a continuous process that tends to actively balance with a dynamic environment. Based on the research results above, the hypothesis is formulated that

Hypothesis 4 (H4). Managerial ability affects business development through the adaptability of MSMEs

METHODOLOGY

The design of this research is in the form of explanatory descriptive research which is causality through hypothesis testing to analyze the effect of managerial skills both directly on business development and through adaptability. The variables that represent each dimension; Managerial ability is measured on three factors, namely leadership style, decision-making ability, human resource development, and planning ability. Meanwhile, business development is measured by

three factors, namely market expansion, turnover growth and profitability growth. Meanwhile, adaptability is measured on three factors, namely scanning for opportunities and threats to the environment, managing changes (change management), and resilience (resilience). This integrated master model is the main target that will be produced in this study. The population in this study were all MSMEs in South Kalimantan as many as 306,013 (Disprop. UMKM and Cooperatives, 2018) The sample is a subset of the population, consisting of several members of the population. who has been doing business for at least 3 years. The number of samples used to meet the sample processing criteria is between 100 and 200.

RESULTS

This study uses ten question items from 3 variables. The research answers were tabulated and then tested for validity to determine the validity of the questionnaire items on the variables to be measured. Following below are the results of testing the validity of the questionnaire items based on research variables

Tabel 1. Validity Result

No	Indikator	Koefisien korelasi	Probabili- tas	Hasil
1	X1.1	0,668	0,000	Valid
2	X1.2	0,765	0,000	Valid
3	X1.3	0,704	0,000	Valid
4	X1.4	0,649	0,000	Valid
5	Y1.1	0,829	0,000	Valid
6	Y1.2	0,779	0,000	Valid
7	Y1.3	0,649	0,000	Valid
8	Y2.1	0,737	0,000	Valid
9	Y2.2	0,832	0,000	Valid
10	Y2.3	0,911	0,000	Valid

Sumber : SPSS, 2020

Based on table 1, it is known that question Y2.3 or the increase in profit compared to last year has the highest correlation coefficient, namely 0.911, while the lowest is in question X1.4 or always making plans for MSME businesses and Y1.3 or not giving up quickly has a correlation coefficient the lowest 0.649, respectively. Thus, because all correlation coefficients are above 0.6, the significance of all 0.000 indicates that the questionnaire is quite valid or has met the validity test requirements.

Reliability testing was conducted to determine the consistency of respondents' understanding of the questionnaire items proposed by the researcher. This study uses three variables with ten questionnaire items. Following below are the results of the research variable reliability testing. In Table 2, it appears that the Cronbach Alpha reliability value exceeds the cut off value of 0.6. The results of this test can be concluded that the questionnaire measuring the research variables is declared reliable.

Tabel 2 Reliability Result

No	Variabel penelitian	Kuesioner sum	Nilai <i>Cronbach Alpha</i>	Result
1	<i>Manajerial Skill</i>	4	,656	Reliabel
2	Adaptation	3	,736	Reliabel
3	Bussiness Development	3	,766	Reliabel

No	Variabel penelitian	Jumlah kuesioner	Nilai <i>Cronbach Alpha</i>	Hasil
1	<i>Manajerial Skill</i>	4	,656	Reliabel
2	Adaptasi	3	,736	Reliabel
3	Perkembangan Bisnis	3	,766	Reliabel

Resources: Output SPSS, 2020

In accordance with the literature review and research objectives, an overall structural model was developed. Based on Figure 4.1 it can be seen that all the recommended values are in accordance

with the model. For more details, the model criteria in this study can be seen in the following table 3.

Table 3 Pengujian Goodness Of Fit

<i>Goodness Of Fit</i>	<i>Cut-off</i>	<i>Model</i>	
<i>Index</i>	<i>Value</i>	<i>Result</i>	
Chi-Square (df=15)	$\leq 30,58$	99,888	Marginal
Probability Chi-Square	$\geq 0,05$	0,312	Good
CMIN/DF	$\leq 2,00$	1,105	Good
RMSEA	$\leq 0,08$	0,035	Good
GFI	$\geq 0,90$	0,929	Good
AGFI	$\geq 0,90$	0,770	Marginal
TLI	$\geq 0,95$	0,988	Good
CFI	$\geq 0,95$	0,961	Good

Resources : Output SEM, 2020

Based on the evaluation results of the Goodness of Fit Indices criteria in Table 3 it shows that there are only two evaluation models that do not meet, so the model can be accepted. After the model is declared fit, the next step is to analyze the parameters of each indicator towards its latent variable (factor loadings in AMOS. The model analyzed the effect of managerial ability on business development through adaptation using 10 indicators is presented in Figure 1.

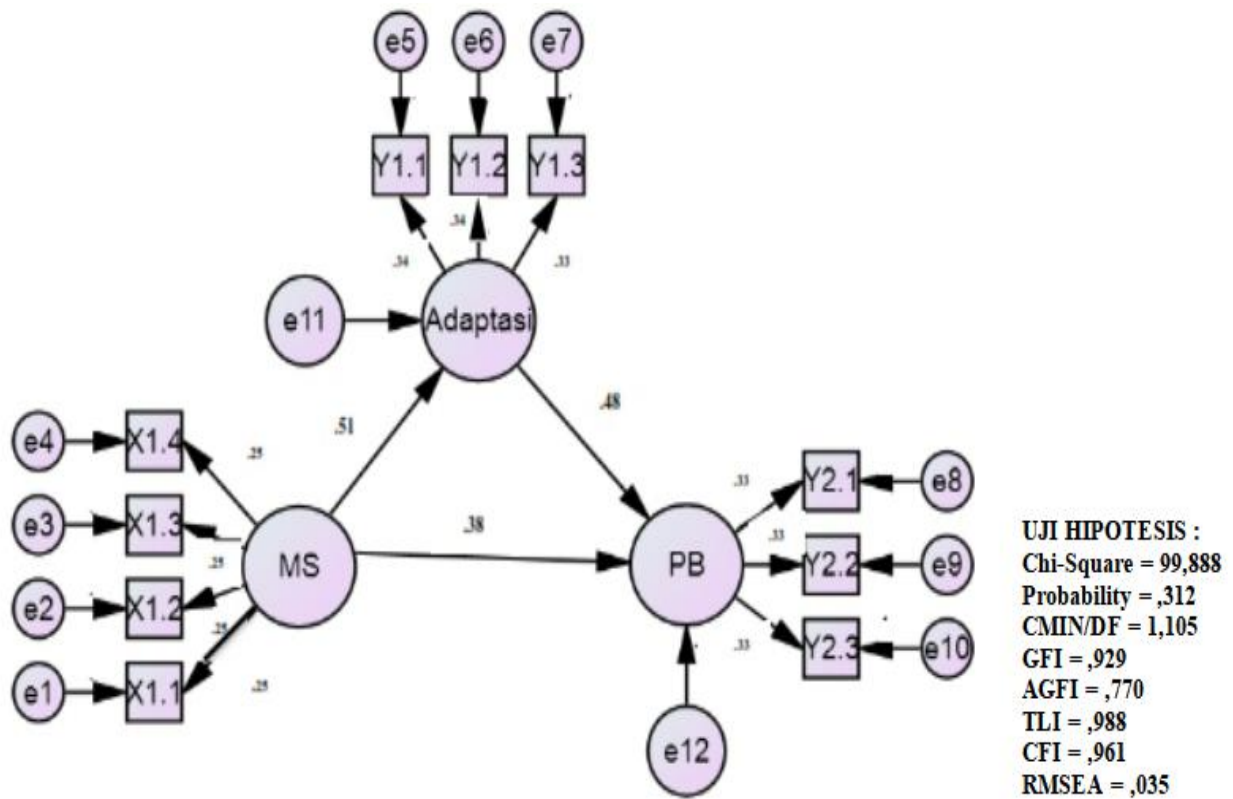


Figure 1 Analysis Result SEM
 Resources : Output SEM, 2020

First Hypothesis Testing

The first hypothesis states that managerial ability affects the business development of MSMEs. Based on the results of the analysis on testing the first hypothesis is presented in Table 4

Tabel 4 T test (CR) The Effect of Managerial Ability on Business Development

Variabel		<i>Standardized Regression Weight</i>	Estimate	S.E	C.R	P
Business Development	← <i>Managerial Ability</i>	0,376	0340	,086	0,116	,000

Resources : Output SEM, 2020

Table 4 shows that managerial ability has a critical ratio (CR) value smaller than 2, namely 0.116, the standardized coefficient value of 0.376 is greater than 0.2 indicating a strong relationship. The probability value is less than 0.05 ($0.000 < 0.05$), so that management ability has a significant effect on business development, which means that to develop a business, managerial skills are required, thus the first hypothesis is statistically proven or accepted.

1. Second Hypothesis Testing

The second hypothesis states that managerial ability affects the adaptation of MSMEs. Based on the results of the analysis on testing the second hypothesis is presented in Table 5

Tabel 5 T test (CR) Effect of Managerial Ability on Adaptation

Variabel		<i>Standardized Regression Weight</i>	Estimate	S.E	C.R	P
Adaptation	← <i>Manajerial Ability</i>	0,510	0,353	,092	,089	,000

Resources : Output SEM, 2020

Table 5 shows that managerial ability has a critical ratio (CR) value smaller than 2, that is, 089, the standardized coefficient value of 0.510 is greater than 0.2 indicating a strong relationship. The probability value is smaller than 0.05 ($0.000 < 0.05$), so that managerial ability has a significant effect on adaptation, which means that if managerial ability is improved, the ability to adapt is better, thus the second hypothesis is statistically proven or accepted.

Third Hypothesis Testing

The third hypothesis states that adaptation has an effect on MSME business development. Based on the results of the analysis on testing the third hypothesis, it is presented in Table 6

Table 6 Uji t (CR) The Effect of Adaptation to Bussiness Development

Variabel		<i>Standardized Regression Weight</i>	Estimate	S.E	C.R	P
Bussiness Development	← <i>Adaptation</i>	0,480	0,477	,116	4,037	,000

Resources : Output SEM, 2020

Table 6 shows that the adaptation variable has a critical ratio (CR) value greater than 2, namely 4.037, the standardized coefficient value of 0.480, greater than 0.2 indicating a strong relationship. The probability value is smaller than 0.05 ($0.000 < 0.05$), so that adaptation has a significant effect on business development, which means that if the adaptability is increased it will result in increased business development, thus the third hypothesis is statistically proven or accepted.

Fourth Hypothesis Testing

The fourth hypothesis states that managerial ability affects MSME business development through adaptation as mediation. Based on the results of the analysis on testing the sixth hypothesis, it is presented in Table 7

Tabel 7 T test (CR) The Effect of Managerial Ability on MSME Business Development through Adaptation as Mediation.

Variabel	Pengaruh Langsung	Pengaruh Tidak langsung	Pengaruh Total
Managerial Ability → Adaptation → Business Development	0,376	$0,510 \times 0,480 =$ 0,2448	0.6208

Resources : Output SEM, 2020

Table 7 shows that the total effect of managerial ability on business development through adaptation is $0.6208 > 376$, thus the fourth hypothesis is accepted. Managerial ability has a direct

effect on business development, if it is mediated by adaptation, the effect will be two times the direct effect so that semi-mediation occurs.

Discussion and Implementation

Each indicator or question in the variable mostly has a relationship with the indicator or question on other variables according to the correlation and matrix between indicators / questions. Firmness in making decisions on scanning shows the behavior of MSME actors whether or not they observe their business environment entirely depends on their own decisions, in this case there is no coercion or accidental element, so that self-motivation in MSME actors to decide to monitor the environment business, or in other words, it is hoped that MSMEs should not remain silent or hesitant to carry out scanning or monitoring, because the environment is constantly changing which requires adjustments to business strategies. This is in accordance with the research of Vargo and Seville (2011).

The endurance of MSMEs regarding their patience in doing their business is also influenced by their own firm decisions to continue to stay in business. This is necessary because business in MSMEs also has ups and downs, depending on market dynamics and competition, where those who have the endurance of patience usually always survive from time to time. While those who don't have the endurance tend to get out of the business. However, human resource development plays an important role in making the mentality of MSME actors to continue to survive, not give up easily, and continue to have hopes of getting out of various problems. Another factor affecting resilience is planning, because survival is not a forced strategy, but also part of a strategy that needs to be planned in order to survive in order to see market reactions and environmental changes. So that the business strategy that has been decided is not carried out hastily, while the MSME actors are silent while evaluating business strategies and their benefits so far, and thinking about what to do next. This is in accordance with the results of research by Hamel and Valikangas [2003]

Change management from environmental scanning, change planning, anticipating resistance, implementing changes to making changes run continuously, is influenced by human resource development and planning. This is due to the ignorance of MSMEs in realizing and managing change, so it requires training interventions to change themselves and their businesses. Changes

that are suitable for MSMEs are not revolutionary or evolutionary changes, so that they are carried out in a planned, gradual manner, and need to adapt to one another until the appropriate or suitable change strategy can be followed by MSME actors. This is in accordance with the research of Magolda and Kegan (1985).

Market expansion is influenced by scanning and change management capabilities. This is because to increase the marketing area, it is necessary to monitor the marketing target area, whether it is feasible or not, whether the buyer is there or not, sufficient or not. Meanwhile, change management is needed in order to adapt MSME actors to new markets or additional markets. If MSME players do not really master change management, it will be difficult for MSME players to expand their market. This is in accordance with the research of Vernon (2014),

All aspects of adaptability affect the increase in turnover. The first is scanning, where this aspect contributes to increased turnover by providing first information on additional market opportunities, products that are preferred by the market and efficiency in production. So that with an increase in markets and products that are preferred by the market, it will increase income for UMKM players, while from the information on efficiency, how to produce UMKM can reduce unnecessary costs, in sync with other MSME players.

With change management, MSME financial management has also changed from a traditional way to a better way, so that financial management is more controlled, making MSME players more careful so as not to spend unnecessary money. Where, although a little, if done continuously, in the end it will indirectly reduce costs and increase revenue.

The effect of the resilience of MSME players on increasing turnover, firstly through patience not to waste money, making expenses carried out selectively so as to reduce waste, focus on business, not spending money if not making money. Second, it takes time to make money, such as for MSMEs, patiently waiting for buyers to come, patiently serving buyers, patient in producing.

Two things that influence the profit growth of adaptability are scanning and durability. As with the aspect of increasing turnover, the pemindain provides information on how competitors or other parties manage their business properly and correctly which can produce maximum results. Likewise with an increase in turnover, profit growth also requires careful investment, not wasting, and patiently waiting for the profit growth process.

Conclusion

Managerial abilities include leadership styles, decision making, human resource development, and planning to influence MSME business development. Managerial abilities including leadership styles, decision making, human resource development, and planning affect the adaptability of MSMEs. The adaptability includes scanning, change management and resilience to influence the business development of MSMEs.

Managerial ability affects the business development of MSMEs through adaptability better than the direct influence of managerial abilities on business development.

Research Limitations

This study took a random sample so that it could not represent all elements of MSMEs, it is hoped that future studies will take more samples and use industrial representation.

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