

# International Journal

*by* Joseph M J Renwarin

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# International Journal

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# Does Dynamic Capability, Managerial Competency And Organization Capability Still Relevant On Business Sustainability; Study Of Indonesia Freight Forwarding Industry

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**Abstract:** Covid-19 Pandemic have created many changes in business environment, many freight forwarding companies in Indonesia have got negative impacts, it comes in many forms such as closing of business, revenue decline, business loss, in the contrary many business entities have also succeed to manage the opportunity in growing the business, ability to adjust their operation to survive which creates positive impact on their business. Business sustainability became an important goal for business organizations especially in the dynamic market condition, therefore it requires some strategic initiatives to achieve the goal. The purpose of this research is to find out the influence of organization capability, dynamic capability, and managerial competency on business sustainability. This quantitative research was carried out using an online questionnaire with total of 65 respondents and Partial Least Squares Structural Equation Modeling (PLS-SEM). Result from this research has shown organization capability, managerial competency, and dynamic capability have positive influence toward business sustainability, however managerial competency does not strengthen the influence factor of organization capability and dynamic capability toward business sustainability

**Keyword:** Dynamic Capability, Business Sustainability, Organization Capability, Freight Forwarding Industry, COVID-19 Pandemic.

## INTRODUCTION

The COVID-19 pandemic is an ongoing global outbreak of Coronavirus Disease which is caused by the SARS-CoV-2 virus. This outbreak was first reported on 31 December 2019 in Wuhan, Hubei Province, China, and identified a pandemic by the World Health Organization (WHO) on 11 March 2020. WHO declares that there have been more than 53 million COVID-19 cases reported in more than 219 countries and regions since 14 November 2020, causing more than 1,301,021 people dying and more than 34,394,214 people recovered. Most countries in the world responded to the Corona virus pandemic to focus on the safety of their citizens before rescuing the economy by declaring a lockdown either suddenly or gradually. Several policies accompanied the decision such as by "staying at home", "social distancing", which had a huge impact on almost all businesses and industries (Verma & Gustafsson, 2020). A survey conducted by the Indonesian Logistics and Forwarder Association in August-September 2020 with total of 1,256 respondents which is described in Figure 1.3 shows there are declines in revenue of under 25% in 15.80% of companies, in the range of 25-50% in 42.90% of companies, and over 50% in 41.30% of companies. The decline in revenue has a direct impact on the sustainability of the company's business. The researchers carried out pre-research on 35 respondents working in freight forwarding companies in managerial positions. 56% of the respondents viewed that the COVID-19 had an impact on the

decline in revenue of the companies they work for while 44% of them, on the other hand, thought the COVID-19 had an effect on the increasing of revenue. The researchers then formulate a gap in these perspectives that although the COVID-19 pandemic in general resulted in a decline of company revenue, it still has a positive impact on the increasing revenue of several companies.

The result of the pre-survey also shows that 56% of respondents who stated that the company experienced a decline, mentioned several factors that caused, among others: static corporate culture, managerial inability to respond to changes, not having strong relationships with customers, suppliers or weak networks, unable to find other business opportunities. On the other hand, 44 % respondents stated that the company experienced an increase in business, due to several factors, including : quick management respond to any changes, organizational culture that is open to change, agility to adjust business models and business transformation, strong networking.

From data in the field, the gap phenomenon, and the research gap, the researchers formulated research problems and questions, namely 1) How does organizational capability affect business continuity?, 2) How do dynamic capabilities affect business continuity?, 3) How does managerial competence affect business continuity? Therefore, this research aims to evaluate and analyze the effect of organizational capability on business sustainability, the effect of dynamic capabilities on business continuity, and managerial competence on sustainability.

## LITERATURE REVIEW

Sustainability refers to how companies manage three main goals and responsibilities, including: managing profit and loss, managing corporate social responsibility, managing responsibility for the environment (Wheelen, 2017). The three sustainability goals can be integrated into the company's activities and strategies, organizations that are oriented and incorporate sustainability issues into organizational strategies are more successful organizations than organizations that do not have a sustainability strategy. (Baumgartner & Rauter, 2016; Dyllick & Muff, 2015; Wheelen, 2017).

Organizations have historically aimed to optimize processes and consequently approach sustainability from an efficiency perspective (2) line with research (Morioka & Naomi, 2019) which developed seven categories of organizational capabilities that affect sustainability related to (1) collaborative relationships for sustainability, (2) absorption of knowledge/learning about sustainability, (3) innovation/technology for sustainability, (4) alignment/motivation for sustainability, (5) external meeting/communication for sustainability, (6) flexibility or adaptation to sustainability issues, and (7) sustainable operations management. Based on this description, the hypothesis can be formulated are as below:

### **Hi: Organizational capabilities affect business continuity**

Companies have various and firm-specific resources, which are stable, valuable, rare, unique, and irreplaceable (Barney, 1997; Hernandez-Linares et al., 2021). A dynamic capability perspective enhances a resource-based view (RBV), meaning that a company is believed to be a group of resources built on the idea that the organization must adapt to a changing environment (Hernandez-Linares et al., 2021; Teece, 2018). Meanwhile, the value of dynamic capabilities for businesses is determined by the ability to change the resource base in creating, combining, recombining, and releasing resources. (Eisenhardt & Martin, 2000). Teece simplifies the dynamic capability framework as shown in figure 1.

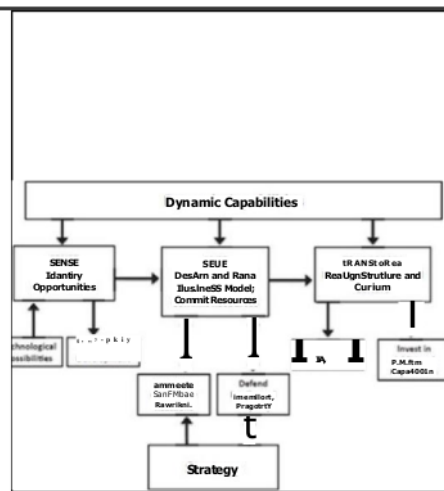


Figure 1: Teece, 2018

The researcher sees that the dynamic capability framework developed by Teece is very relevant to the evolving business situation. Ability to see opportunities, create business models and make adjustments to the structure and culture within the organization. Based on this description, the hypothesis can be formulated:

**H2: Dynamic capabilities affect business continuity**

Sustainability competencies are a set of knowledge, skills and attitude which result in successful task performance and problem-solving related to the sustainability problems, challenges and opportunities (MacDonald et al., 2020). The most important managerial competencies include strategic thinking, decision making, future oriented, information seeking, change management, interpersonal skills, entrepreneurship (Abubakar et al., 2019; Eisenhardt & Martin, 2000; Liu et al., 2018; MacDonald et al., 2020; Teece, 2018).

**H3: Managerial competence affects business continuity**

**RESEARCH METHODOLOGY**

This study uses a quantitative approach. The number of respondents in this study were 65 managerial levels as respondents. Several purposive sampling techniques used where the researcher provides several special criteria, namely the manager is known by the researcher, has a track record and experience of more than 5 years, comes from a Freight forwarding company that is still operating during the Covid-19 pandemic. Willing to participate in research. The data was processed using Structural Equation Modeling (SEM) Smart PLS Software. The framework of this research is as shown in the following figure:



## RESULT AND DISCUSSION

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Based on the results of data processing, the R Square value of 0.776 means that the variance of the organizational capability, dynamic capability, and managerial competence variables has been able to explain the business sustainability variable of 77.6% while the rest is explained by other variables outside the model. There is a positive influence of organization capability on business sustainability. P value  $0.00 < 0.05$  then H1 is accepted, meaning that organizational capability has a significant effect on business sustainability. These results are in line with the research (Yusoff, et al., 2019) which reveals that organizational learning ability has a significant positive relationship with business sustainability. Sustainability performance is influenced by market orientation and entrepreneurship which are dimensions of capability (Rosini & Hakim, 2020). There is a positive influence of dynamic capability on business sustainability. P value  $0.01 < 0.05$ , then H2 is accepted, meaning that dynamic capability has an important impact on business sustainability. It describes how businesses can precisely match business resources and needs by recognizing, defining, creating, and taking advantage of entrepreneurial opportunities which exist in an external environment of high complexity and volatility (Bari, et al., 2022). This study also strengthens previous research where research conducted by (Teece, 2018) dynamic capability plays an important role in business sustainability, especially in the organization's ability to: see opportunities (sensing), create business model (seize) and make adjustments to the structure and culture within the organization (transforming). There is a positive influence of managerial competency on business sustainability. P value  $0.028 < 0.05$ , then H3 is accepted, meaning that managerial competency has a significant impact on business sustainability. Managerial competencies include information seeking, conceptual flexibility, interpersonal seeking, managing interactions, development orientation, impact, self-confidence, presentation, and achievement orientation. Managerial competence is also integrated and achievement-oriented. Furthermore, it consists of various categories such as customer relationship knowledge, cost awareness, change management skills, strategy planning skills, technology application skills, empathy with people, conflict resolution, empowerment skills, creativity, coaching skills, safety focus, flexibility, listening skills, negotiation, ethics, risk taking, quality focus, team players, time management skills, customer focus, pressure management skills, attitude to meet targets, oral communication, written communication, planning, scheduling, and positive vision (Hassan, 2020), with these various competencies will help business continuity. This study strengthens the results of previous research conducted by (Abubakar et al., 2019; Hassan, 2020; Liu et al., 2018; MacDonald et al., 2020) namely managerial ability affects the organization's ability to achieve organizational performance, sustainable, organizational capabilities owned by the company must be managed properly, therefore managerial competence is needed. Meanwhile, the managerial competencies which should be possessed in carrying out good organizational performance to reach sustainable achievement are communication, leadership, development orientation, entrepreneurial ability, achievement orientation, motivation, teamwork, innovation, and decision-making ability.

### MANAGERIAL IMPLICATION

Companies that have good organizational skills, especially culture, network and continuous improvement will lead to a sustainable company business. Companies must have the ability to: see opportunities (sensing), create business models (seize) and make adjustments to the structure and culture within the organization or transforming so that the business can be sustainable. In order to maintain company business sustainability, employees in managerial positions must have communication competence, leadership skills, development orientation, entrepreneurial ability, technology orientation, strategic thinking skills, achievement orientation, motivation, teamwork, innovation, and decision-making ability. To achieve business sustainability, the company is able to develop organizational capability, especially in terms of corporate culture that is able to adapt to changes, improve communication skills, and improve company competitiveness, especially in the company's ability to continue to make efficiency and continuous improvement.

Strengthening dynamic capabilities include : the ability to see changes that will occur or are happening quickly (sensing), the ability to formulate the right strategy into the company's business plan (seize), the organization's ability to innovate based on a dynamic vision (transforming). In order companies can achieve business sustainability goals and so that all organizational capabilities and dynamic capabilities are owned by companies, companies can improve managerial competencies by focusing on developing strategic thinking, entrepreneurship, adoptable technology and business data analytics driven.

In conducting this research, there are limitations, namely respondents with managerial level answering the managerial competency variable questionnaire so that it tends to be subjective. Also regarding the data processing is integrated between multinational companies and national companies. So in an effort to perfect the research, it can be a consideration for future researchers who will conduct similar studies by increasing the number of respondents, especially at staff level positions. The results of this questionnaire are compared with the results of the questionnaire respondents with managerial positions that it will be easy to get accurate data. Then the research can be based on the line of business that the freight forwarder company has, and finally the next researcher can also distribute research questionnaires to users of the freight forwarder company's services.

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