

**The 2<sup>nd</sup> International Conference on Business and Banking Innovations (ICOBBI)**  
**“Nurturing Business and Banking Sustainability”**  
**Surabaya, 14<sup>th</sup> - 15<sup>th</sup> August 2020**

**Proceeding Book of**  
**The 2<sup>nd</sup> International Conference on Business and Banking Innovations**  
**(ICOBBI) 2020**  
**“Nurturing Business and Banking Sustainability”**  
**Surabaya, 14 - 15<sup>th</sup> August 2020**

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### Proceeding Book of The 2<sup>nd</sup> International Conference on Business and Banking Innovations (ICOBBI) 2020 "Nurturing Business and Banking Sustainability"

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### FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2<sup>nd</sup> International Conference on Business and Banking Innovations (ICOBBI) with the topic "*Nurturing Business and Banking Sustainability*". This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2<sup>nd</sup> International Conference on Business and Banking Innovations was held on 14<sup>th</sup> – 15<sup>th</sup> August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program  
STIE Perbanas Surabaya

**Prof. Dr. Tatik Suryani, M.M.**

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## The approach of Agility Social Innovation: A Dynamic Capability Strategy

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### ABSTRACT

This study aims to examine a new conceptual model that can fill the research gap and the limitations of previous studies between new learning organizations and innovative performance based on the concept of agility social innovation. The sample method uses a purposive sampling technique based on population characteristics in 35 Districts Health Offices in Central Java. Meanwhile, the number of samples refers to the opinion of Hair et al (1996), with the sample in this study as many as 150 respondents. Data analysis in this study uses The Structural Equation Modeling (SEM) of the AMOS 24.0 software package, where this model is a statistical technique that allows testing of a series of relatively complex relationships. Hopefully, through the development of Strategic Management Theory, specifically Sociological Theory and Dynamic Capability Theory, which is agility social innovation based on new learning organizations can realize innovative performance and organizational performance.

### 1. INTRODUCTION

Dynamic Capability Theory, in recent years has received increasing attention by management scholars (Barreto 2009), where dynamic capability is referred to the capacity of an organization to create, expand or modify its resource base (Helfat, Mitchell et al. 2007). In organizations, dynamic capabilities are maintained through the process of sensing, responding, and reconfiguring and managing assets, which occur in teams and individuals, while sensing refers to sensing opportunities before they occur and identifying competition threats. (Teece, Peteraf et al. 2016). In the digital era, the form of sensing and how to respond, is changing because technology is becoming a new opportunity in transforming data into information (George, Haas et al. 2014), then reconfiguring and managing assets is all about combining, configuring, and enhancing company assets at various organizational levels (Helfat and Peteraf 2015). Innovation agility is important to reduce complexity and uncertainty, things such this are important to encourage the emergence of initiatives that encourage organizations agility (Kasali, R. 2018), although efforts to reduce uncertainty are also made, which encourages companies to compete and create new innovations.

Based on Nicholls, Simon et al. (2015), social innovation refers to how interpersonal activities must be organized, or social interactions, to meet common goals in generating and implementing new ideas. On the other hand, Westley and Antadze (2010) approaching that: the complicated process of introducing new products, programs or processes that deeply change basic routines, the flow of resources and authority, or the trust of the social system in which innovation occurs, is called social innovation. Such successful social innovations have endurance and widespread impact. Social innovation consisting of concepts and understanding, is needed to overcome social needs and challenges, resources, abilities and constraints, governance, networks, actors and process dynamics (Howaldt, Oeij et al. 2016), which in its implementation requires agility.

Strategic capability is inalienable from organizational agility, according to which Teece, Peteraf et al. (2016) define organizational agility as dynamic capabilities in sensing (the ability to identify, develop assessments of technological opportunities and threats related to customer needs) and capture (mobilize resources to meet needs, capture values and opportunities) as well as transformation (continuing updates or changes). Overby, Bharadwaj et al. (2006) argues that organizational agility is the capability of organizations to sensing and responding, that is to sense changes in the environment, opportunities for market competition, and developing conditions.

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Performance and achievement of public sector organizations, according to Azmi and Suradi (2019) are very dependent on the level of innovation, where the measurement of organizational performance refers to the measurement of organizational fulfillment. Then, based on Huhtala, Sihvonen et al. (2015) there is evidence of construction efficiency improvements that occur, improvements to achieve high performance, the public sector organizations must be more innovative.

On the other hand, Zhou, Zhou et al. (2017) more specifically that existing literature has not deliberated the relationship between dynamic capabilities and various types of innovation, and how different types of innovation can affect organizational performance.

Table 1: Highlights of Research Gaps

No	Research	Study Results
1	Study controversy of Pedler and Burgoyne (2017) and Pokharel and Ok Choi (2015)	Pedler and Burgoyne (2017) found that, if companies are more performance-oriented, learning is not possible, given that this is defined as a short-term view. Although the study of Pokharel and Ok Choi (2015) shows a positive relationship between organizational learning and organizational performance..
2	Study controversy of Huhtala, Sihvonen et al. (2015) dan Zhou, Zhou et al. (2017)	Huhtala, Sihvonen et al. (2015) found evidence that to achieve high performance, public sector organizations must be more innovative. Whereas in the Zhou, Zhou et al. (2017) there is still limited literature that discusses the relationship between dynamic capabilities and different types of innovation, and how the dimensions of innovation can affect organizational performance.
3	Kim, Watkins et al. (2017)	Knowledge performance and financial performance show the same estimated size of correlation with learning organizations, the results do not support the direct influence of learning organizations on financial performance (organizational performance).
4	Kanani (2016)	Agility is a new method for responding to organizational change and development, but in reality there is a lack of organizational capacity in the rapid penetration of new product (service) changes and is needed to manage <u>organizational agility</u> .

Source:

Based on the 2018 Central Java Health Profile Book, Workforce Development Plan 2011-2025, the target ratio of health workers to the total population in 2019 includes the ratio of 45 doctors per 100,000 population, 13 dentists per 100,000 population, ratio of 180 nurses per 100,000 population, ratio of midwives 120 per 100,000 population, sanitation ratio (environmental health) 18 per 100,000 population and nutrition workforce ratio 14 per 100,000 population.

While the achievement of the ratio of general practitioners was 17.52 per 100,000 population, the ratio of dentists was 3.73, the ratio of nurses was 127.90, the ratio of midwives was 67.93, the sanitation ratio was 3.93 and the ratio of nutrition workers was 5.65. This means that the ratio of nine health workers in carrying out the function of public health services is truly needy. In different circumstances, in carrying out social services and functions the community demands excellent health center services and performance. This requires the ability, agility to improvise, and innovation to realize the performance of the functioning organization (health center), as one of the efforts to improve the quality of services and health status (Health Research and Development Board-Ministry of Health-World Bank, Health Facilities Research, 2019).

Based on the background of the problem in the form of research gaps and business phenomena that exist in the Central Java Provincial Health Office, the problem faced is that there are differences in the results of research on the new dimensions of organizational learning. On sustainable organizational performance, as well as the limitations of previous research. Therefore the role of social innovation agility that is organizational agility, has important and strategic importance in overcoming study gaps. Therefore the formula-



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tion of the problem of this research is "How does the model of developing new learning-based on agility social innovation realize innovative performance and organizational performance in Health Services in Central Java Province with a dynamic capability approach".

Research Aims to analyze new conceptual models that can fill the research gap and the limitations of previous studies between new learning organizations and innovative performance based on the concept of agility social innovation. Hopefully through the concept of agility social innovation can further encourage the realization of organizational performance.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

The social theory of Gabriel Tarde (1985) is a concept of social innovation based on sociological theory and practice (Howaldt, Oeij et al. 2016). Macro phenomena, for Tarde, such as social structure, systems and social change, are easy to describe, but difficult to explain, given the real complexity of being in micro-phenomena. In contrast to Durkheim, who explains the phenomenon from the top down, in terms of facts and social structure. Tarde's contribution to micro-foundation in terms of the sociology of innovation and developing the concept of social innovation as a mechanism for social change at the micro and meso level (Mayntz 2016). Discovery and imitation for Tarde are two key elements in the concept of innovation based on sociological aspects. Invention, through imitation, becomes an innovation, so discovery and imitation are key elements in the cumulative evolution of culture, into specific social facts for the community (Lohmann H 2003).

Dimensions of social innovation according to Andre and Abreu (2006) include the nature, stimulation, resources and dynamics, agency relationships, creative and innovative means; meanwhile Nicholls, Simon et al. (2015) states the dimensions of social innovation include individuals, organizations, networks / movements and systems; while Souza, Lessa et al. (2019) argues that the dimension of social innovation consists of transformation, novelty, actors, innovation and process.

Organizational agility is nearly similar to flexibility. George Stigler, economist of the Nobel Prize in the 1930s, defines a company's ability to manage demand uncertainty as flexibility. Doz (2008) defines strategic agility as the capacity to continuously adjust and adjust the strategic direction in the core business to create value for the company. Whereas Weber (2014) defines it as a flexible ability to deal with new changes, while Teece, Peteraf et al. (2016) defines agility as the ability to make organizational changes in a timely, effective, sustainable manner, as a sustainable organizational resource.

The company's ability to respond simultaneously to market disruptions in a timely manner between suppliers and key stakeholders, is called organizational agility. Organizations that are integrated with their supply chain partners tend to be adaptive, flexible, responsive, and nimble. Specifically, Liu, Jin et al. (2015) states that agility is articulated as an organization's ability to provide value to customers in collaboration with supply chain partners, so that it can develop responsively in the face of market disruptions (Mathew, Abdullah et al. 2014).

The agility of innovation is important to reduce complexity and uncertainty, such this are important to encourage the emergence of initiatives that encourage more agile organizations (Kasali, R. 2018), but efforts to reduce uncertainty are also carried out. In the period of digitalization, the role of information technology is inevitable vital in accelerating corporate innovation, which encourages companies to compete and create new innovations.

The business management literature considers strategic agility through dynamic capabilities, leadership, and culture that enable organizations to feel (sensing) and capture or respond (responding) to opportunities, manage uncertainty, and can make rapid changes. According to De Toni and Tonchia (2005), strategic agility or flexibility can be divided into four categories:

(1) speed and variation of competitive priorities, (2) various strategic choices, (3) speed of movement from one business to another, and (4) various new business possibilities.

The literature reports that organizational competitive advantage results are built by resources. One of these resources is innovative capability, which is to capture new ideas for organizational performance. Innovation plays as a key role in improving organizational performance, in terms of producing new, rare, valuable and inimitable corporate resources that are difficult to replicate, which leads to the enrichment of corporate strategic resources and competitive advantage as important aspects of organizational performance (Samad 2012).

The performance and achievement of public sector organizations according to Azmi and Suradi (2019)



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are very dependent on the level of innovation, which measures organizational performance referring to the measurement of organizational achievement. According to Huhtala, Sihvonen et al. (2015) found evidence that innovation is more effective when there is an increase in economic performance, so that to achieve high performance, public sector organizations must be more innovative.

Based on the dimensions and elaboration of Sociology Theory and Dynamic Capability Theory, propositions can be developed to build strategic innovations through social search, as follows:

**Proposition 1:** *Strategic innovation can be realized through the approach of the capabilities of agility social innovation. The capability of agility social innovation is the ability of organizational agility which essentially the idea of social sensing capabilities, which are able to respond dynamically, through the ability to respond to networks, which can trigger an increase in organizational performance.*

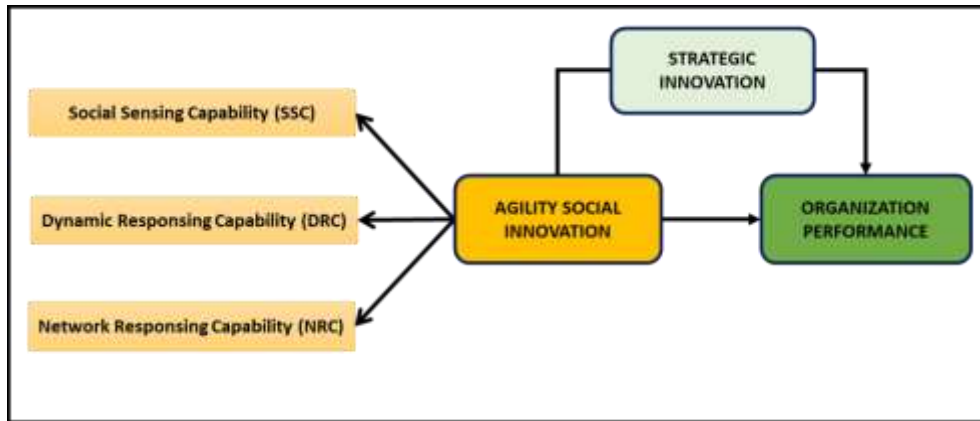


Figure 1. Proposition-1: Agility Social innovation

The New Learning Organization not only overcomes professional disability, but also improves quality (Antonacopoulou and Taylor 2019). New Learning Organizations are played in response to Volatility, Uncertainty, Complexity, and Ambiguity (Bennett and Lemoine 2014), conditions with the VUCA approach for high-speed organizations, innovation, and leadership learning that encourage institutional reflection.

Meanwhile, learning remains an active process that reshapes both knowing and responding, dexterity is an ongoing adaptation to action. Sensuous Learning Organizations (reflected in values - attention, alertness, awareness, appreciation, anticipation, harmony, activation and dexterity), as an inseparable step to meet the conditions of VUCA, side by side and embrace crisis in learning to determine the direction of action (Antonacopoulou and Sheaffer 2014).

From different points of view about organizations, in response to VUCA, organizations are designed and built to be able to accept ambiguity, as in goal-oriented social systems, different parts can follow different decisions and also conflicting goals. However, in organizations, a good balance between order and chaos is needed, otherwise they become depressed or mental disorders that can cause delusions, thinking disorders, and behavior changes and lack of innovation or efficiency (Mack and Khare 2016).

Innovation and organizational learning, according to Nawaz and Koç (2018) are needed in an effort to increase capacity towards a sustainable organizational transition. Employee experience and skills influence the integration of new knowledge into organizational processes, which leads to innovation and increased organizational strength by providing the ability to overcome challenges as they arise (Asif, Svensson et al. 2011).

According to Alzuod, Isa et al. (2017), Niosi and McKelvey (2018), innovative performance is the integration of overall organizational performance in an effort to improve and update various innovative aspects, such as company names, processes, products, services, services, and structures. While Khalili, nejadhussein et al. (2013) stated that innovative performance for SMEs is needed to direct them to create services, new products and improve the quality of their goods and services and obtain a competitive organizational structure. Based on the explanation above, new learning organizational as proposition 2 is prepared, as follows:

**Proposition 2:** *The New Learning Organization will increase agility social innovation and innovative perfor-*

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mance, in which the increase of innovative performance is constructed through the ability of agility social innovation to achieve organizational performance.

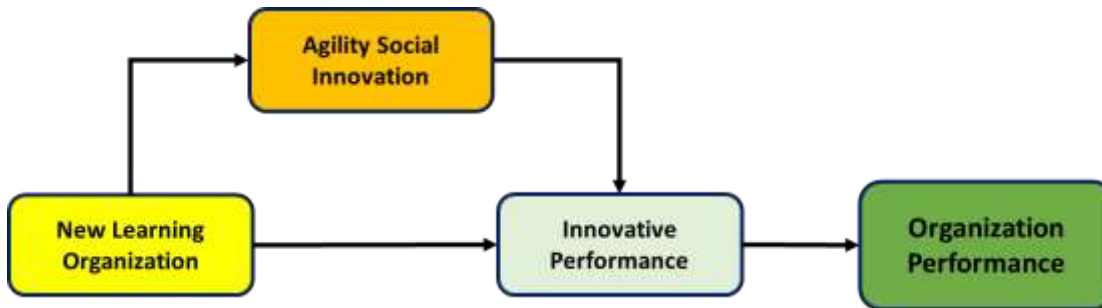


Figure 2. Proposition-2: New Learning Organization

### 3. RESEARCH METHOD

This type of research is explanatory research, meaning that this research emphasizes the relationship between concepts and concepts. The population in this study is the Central Java Provincial Health Office, District Health Office in Central Java, Provincial Hospitals, cross- sectoral, and Health Centers. While the sample collection method uses a purposive sampling

technique, meaning that it is based on population characteristics, namely the area or locus at the Health Centers and 35 district health offices. At the same time, the sample size refers to the opinion of Hair et al (1996), which says that the number of samples is an indicator multiplied by 5 to 10 or a minimum of 100 respondents. To obtain data generalization, the sample in this study was 150 respondents.

Data analysis in this study uses The Structural Equation Modeling (SEM) from the AMOS 24.0 software package, where this model is a statistical technique that allows testing a series of relatively complex relationships (Ferdinand, 2014). The advantage of SEM applications in management research is the ability to confirm the dimensions of concepts or factors and its ability to measure existing theoretical relationships.

### 4. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the substantive and meaningful dimensions, new concepts are generated, which are linked to other concepts to form propositions. This study contributes to knowledge through developing Strategic Management Theory, especially Sociological Theory and Agility Theory, namely Social Innovation Agility based on New Learning Organizations so as to realize innovative performance and sustainable organizational performance.

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