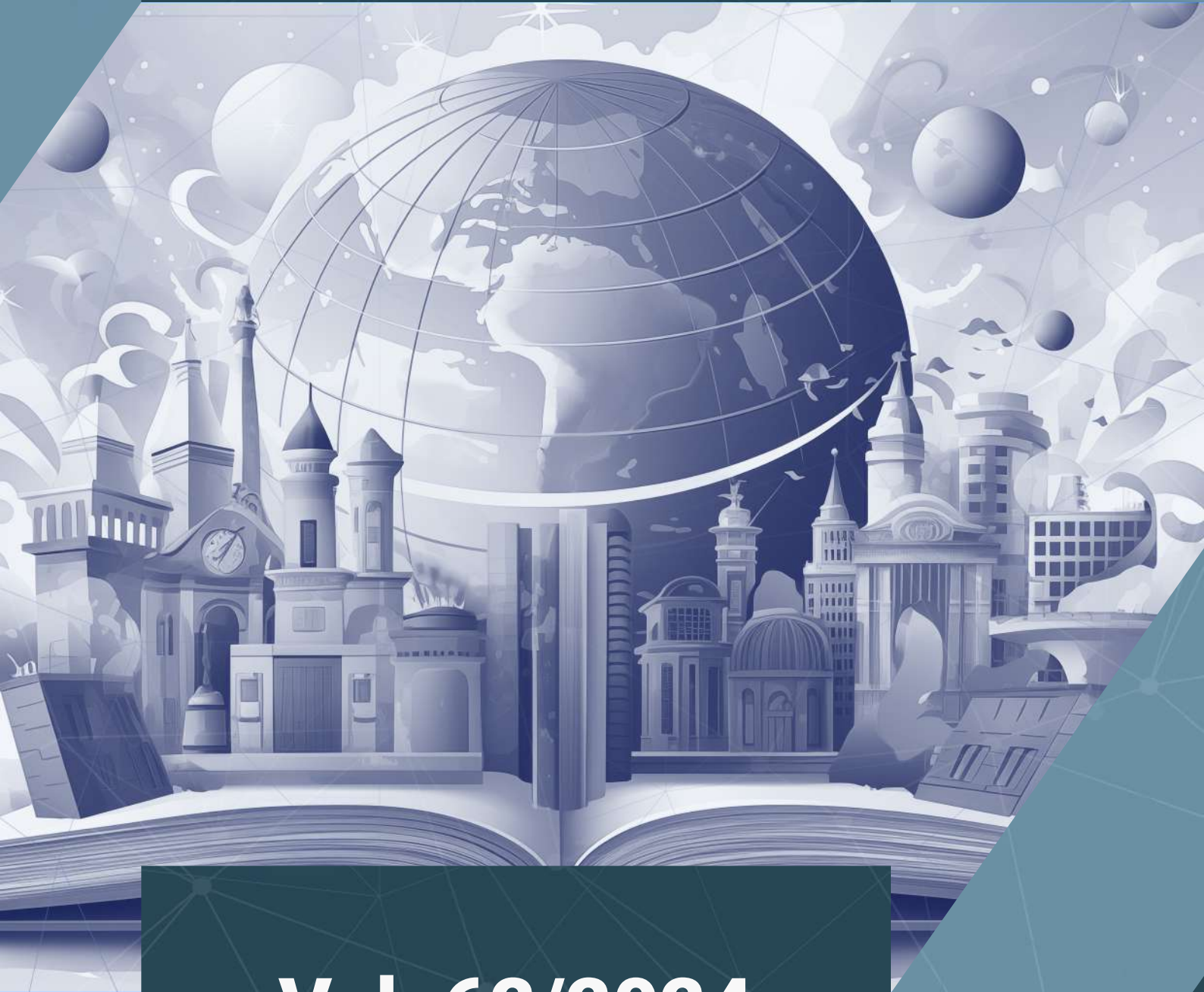




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The Impact of Dynamic Capabilities on Value Creation with Competitive Strategy as a Mediating Variable in Small and Medium Enterprises

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Abstract. Small and Medium Enterprises (SMEs) need adaptation to survive. In addition, SMEs also have to be competitive in order to face increasingly fierce competition. SMEs can survive if they can provide added value. Therefore, this study aims to analyze the impact of dynamic capabilities as the ability to be adaptive to value creation with competitive strategy as a mediating variable in Jakarta culinary SMEs. The research was conducted by distributing questionnaires online using purposive sampling to 138 respondents who are owners of Jakarta culinary SMEs. This study uses a quantitative approach, and data is obtained and processed using SEM PLS with SmartPLS 3.0. The results of this study showed that all dimensions of dynamic capabilities, sensing capability, learning capability, integrating capability, and coordinating capabilities have a positive and significant impact on value creation, either directly or mediated competitive strategy.

Keywords. Dynamic Capability, Competitive Strategy, Value Creation, Small and Medium Enterprises

1. Introduction

Value creation is the principal capital for every company to achieve success (Purusottama et al., 2022); this can be understood by remembering that value creation is one of the dimensions of performance in a company (Dirani et al., 2020). Small and Medium Enterprises (SMEs) find it easier to create value because they are more flexible in innovation than companies (Prasada et al., 2021). The United Nations (UN) said that SMEs reach 90% of all business forms globally by contributing 60-70% of the fieldwork (www.beritasatu.com, 2022). So, SME becomes an essential factor in the growth economy of a country, especially a developing country (Ouma-Mugabe et al., 2021). Based on existing data, the company contributes 40% of the gross Domestic Product (GDP) in developing countries (Nimfa et al., 2021).

In Indonesia, the number of SMEs continues to grow and experience an increase (databooks. metadata.co.id, 2021). Although dominated by micro-scale, small-scale contributions are also considered to be sufficient. Small-scale businesses are integral, have a potential and essential role in national development and economy (Alwi & Esti Handayani, 2018), and contribute to investment and total non-oil and gas exports (Kemenkop dan

UKM.go.id). Small businesses have various benefits, such as the experience of becoming an entrepreneur and making management a good business (LPPI and Bank Indonesia, 2015). Thus, small-scale businesses are more stable than micro-scale businesses and more flexible than medium- and large-scale ones.

With this significant contribution, SMEs should be ready for a change that may be experienced. However, almost all business scales in Indonesia are currently experiencing a decline. A survey by the Indonesia Services Development Business Association (ABDSI) in 2020 showed that 55.2% experienced a decline in sales, and 36.7% did not make sales. For that reason, SMEs try to survive. Some effort is shown in the Paper.id survey. The majority of respondents, 24%, are looking for new markets and pivoting. In addition, 13% are selling new products to do expansion business (ABDSI, 2020).

To produce value creation, culinary SMEs do it with four aspects of new business models in the digital world (Zott & Amit, 2017). First, novelty, such as providing products, services, channel distribution, and innovative new marketing. Second, lock in, meaning maintaining long-lasting relationships with customers and partners. Third, complementarity, for example, offers package products, services, and channel distribution. Fourth, efficiency and lower costs to deliver higher benefits (Zott & Amit, 2007). Therefore, value creation becomes an important issue, especially the ability to manage source Power (Sarami et al., 2020).

Other things needed are dynamic capabilities that are competent managerial to organize source power to be fast and flexible in responding to opportunities that arise in the environment (Morrow et al., 2007). Dynamic capabilities are considered a requirement substantial from every value creation in business (Helfat & Peteraf, 2003), so they must be considered a primary source in the creation mark (Augier & Teece, 2009; Schilke et al., 2018). This ability affects the speed of organizational processes and adjustment used to stay in the middle change fast environment, namely dynamic capabilities (Dyduch et al., 2021).

This ability is essential for SMEs because it has limitations in some parts, such as significant source Power (Brouthers et al., 2015). However, a dynamic and unbound business model bureaucracy can create a reaction to utilizing new opportunities and acceptance risk (Keskin et al., 2010). Therefore, dynamic capabilities enable small businesses to make better decisions (Hatun et al., 2010). On a small scale, dynamic capabilities facilitate the creation of new skills and learning (Maijanen et al., 2015) to survive in times of crisis (Battisti & Deakins, 2017).

Pavlou and Sawy's (2011) concept of dynamic capabilities is detailed in sensing, learning, integrating, and coordinating capabilities (Pavlou & Sawy, 2011). These four dimensions are significant and relevant for business, especially for small businesses facing uncertainty and a competitive environment (Radulovich et al., 2018) and the digital world (Qvarfordt & Aadan, 2021). These four dimensions are considered to make SMEs more efficient and responsive so they can overcome their shortcomings.

However, every investment from dynamic capabilities is only helpful if the company recognizes a competitive strategy (Rashidirad et al., 2013). This means dynamic capabilities are not the only aspects that create added value. Understanding competitive strategy as an aspect connector between dynamic capabilities allows companies to compete in a competitive environment. Competitive strategy positively affects firm performance (Correia et al., 2021). Competitive strategy as a mediator of dynamic capabilities and firm performance has been demonstrated in some literature (Makkonen et al., 2014; Wu, 2010).

A competitive strategy produces value-created companies for buyers to pay more fees (Mulyati et al., 2020). The Superiority company increasingly tallies the benefits (Pitoy et al.,

2016). With a competitive strategy, SMEs can determine value creation of what has been owned and can be obtained (Violinda, 2018). Nevertheless, the average income generated in the same year was very significant. The difference is that no order ranked in the top 10 with an income of 3.83 billion per year (katadata.co.id, 2022). It can be seen that some organizations or, in this case, SMEs can create more value to be more competitive than others (Dyduch et al., 2021). Even though Jakarta's culinary industry owners have tried to apply dynamic capabilities with competitive strategy, value creation is still a problem.

2. Literature Review

The secret for businesses to release from disturbance consequence restrictions in economic and social times of crisis is by developing dynamic capabilities (Fainshmidt & Frazier, 2017). This concept becomes more significant in the scope of SMEs. Opportunities and threats exist because the business unit only sometimes has the resources and power required to identify the market (Ambrosini & Bowman, 2009; Hoskisson et al., 2011). In general, dynamic capabilities are in scope. SMEs can see strategic innovation from existing responses in facing rapidly changing environments by adapting resources already in power in the scope of SMEs. The approach used (Soeparto, 2021) is from Pavlou and Sawy (2011) through four processes: sensing, learning, integrating, and coordinating (Pavlou & Sawy, 2011).

Porter (1998) defines competitive strategy as a set of policies and plans to create a unique and valuable position for a company. Competitive strategy Porter's generic is considered the right concept to use in case acceptance and the ability to adapt and apply to learn competitive strategies. Today, business concepts can be adapted to the acceptability, adaptation, and implementation of rapid technology. In Porter's competitive generic strategy, there are three aspects: cost leadership, differentiation, and focus. This research only uses aspects of cost leadership and differentiation, which are the same as in the reference journal, to maintain consistency within the scope of SMEs (Linton & Kask, 2017; Pett & Wolff, 2017).

Cost leadership is an efficiency-focused approach to production related to the development of capabilities management in the organization. Meanwhile, differentiation is the creation of a thing in a product or offering services owned by a company to the things considered unique in the industry, and it produces creation positions for companies that can overcome competitive strength (Porter, 1998). This study does not use focus because it does not target niche groups. Aspects of cost leadership and differentiation in this study are combined into one dimension consisting of five indicators, the same as the reference journal's primary use to develop a research hypothesis that can be tested for further examination (Rashidirad & Salimian, 2020).

Value is one of the company performance dimensions (Dirani et al., 2020). Value is determined by the business model that is owned to explain how an organization is bound to the holder's external interest and is involved in the exchange economy with him to create value for all partners (Zott & Amit, 2007). The owner's decision, considering value creation, affects business strategy and is significant to financial performance. In SMEs, value creation refers to identifying needs, designing, producing, and transferring solutions to customers with exchange (La Rocca & Snehota, 2014).

Value creation can be seen based on the NLCE business model (Novelty, Lock-in, Complementarities, Efficiency) (Zott & Amit, 2007). These aspects are developed in e-business, digitalization, and business technology. Novelty explains how e-business can create value through innovation to current market trends (such as web-based sales). Lock-in generates value when switching to another vendor, so this aspect aims to motivate customers to stay with

business partners (Eikebrokk & Olsen, 2007). Furthermore, complementarities refer to the potential value obtained from a combination of products and services made possible by actors working together (Eikebrokk & Olsen, 2007). Finally, efficiency, defined as the cost per transaction, can be appropriately issued (Eikebrokk & Olsen, 2007).

With the existing theoretical basis, it can be the following research model and hypothesis were formed:

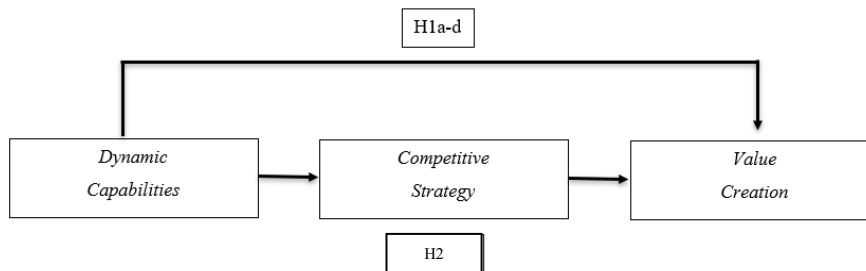


Figure 1. Research Model

Source: Processed by the author (2023)

- H1a: Sensing capability positively impacts the ability of SMEs in value creation
- H1b: Learning capability positively impacts the ability of SMEs in value creation
- H1c: Integrating capability positively impacts the ability of SMEs in value creation
- H1d: Coordinating capability positively impacts the ability of SMEs in value creation

H2a: Sensing capability in value creation positively impacts competitive strategy in SMEs as a mediator

H2b: Learning capability in value creation positively impacts competitive strategy in SMEs as a mediator

H2c: Integrating capability in value creation positively impacts competitive strategy in SMEs as a mediator.

H2d: Coordinating capability in value creation positively impacts competitive strategy in SMEs as a mediator.

3. Methodology

This research uses a quantitative approach to explain the relationship between cause and effect from three variables studied: dynamic capabilities against value creation through competitive strategy in Jakarta culinary SMEs. This study's primary data was obtained through a survey, which involved filling out a self-administered questionnaire (SAQ) using a five-point Likert scale. This study also interviewed several respondents as primary data to complement and strengthen the survey analysis results.

The population from this research is Culinary SMEs in Jakarta aged three years and above. The purposive sampling technique reaches a particular and challenging population (Neuman, 2014). The target sample criteria are (1) owner or top management of several Jakarta culinary SMEs because they have good knowledge of the company and the environment (Engelen et al., 2014) so that the self-report by the owner is valid acceptable and reliable (Covin & Slevin, 1989). (2) Small businesses studied were aged three years and above. According to Byukusenge & Munene (2017), three years is the minimum time for the owner/ manager to know how sustainability a business works.

Data processing on the main questionnaire was carried out using a mean test as a descriptive statistical test and the Partial Least Square—Structural Equation Modeling (PLS-SEM) test.

4. Result and Discussion

Respondents in this study are owners who are men (50.7%) aged 31-37 years (58%) with undergraduate education (41.3%). They are 3-6 years in business (60.9%). Most respondents (63.8%) experienced a decline in income from their business during the Covid-19 pandemic and improved income after that (87.7%). Respondents also considered that ability learning and coordinating capabilities are the main things they must do to survive during the COVID-19 pandemic.

Table 1. Mean Value

Variables	Dimensions	Mean	Category
Dynamic Capabilities	Sensing Capability	4.047	High
	Learning Capability	4.074	High
	Integrating Capability	4.017	High
	Coordinating Capability	4.145	High
Competitive Strategy	Competitive Strategy	3.983	High
Value Creation	Value Creation	3.912	High

Source: Processed by the author (2023)

As seen in Table 1, all dimensions have a high mean value category. In the dynamic capability variable, the highest value is provided by coordinating capability, which is the ability to implement strategies. Jakarta has the most MSMEs, having stores online (40.5%) based on the survey Circling 2021 (www.cnnindonesia.com, 2021). This shows Jakarta small businesses implement digital strategy in their services well because MSMEs must pay attention to some aspects before going online, one of which is the allocation team for execution (aptika.kominfo.go.id, 2020) in line with Darmawati & Putri (2019) who explained this dimension with two points, appointing the right person to the right task and identifying synergy between tasks, activities, and resources.

Meanwhile, the values lowest in dimension dynamic capabilities are in integrating capability. Although, in the previous point, most respondents said that integrating capabilities into capabilities is the main thing that needs effort in dealing with the COVID-19 pandemic, implementation of this capability still needs to be improved compared to other dimensions. This is in line with research by Darmawati and Putri (2019), which explains this dimension with two points: bringing personal knowledge to contribute towards the group and representation of knowledge personal and group knowledge. Indonesian Entrepreneurs Association (APINDO) said that in 2017, more than 61% of MSME human resources only went to junior high school ([validnews. id](http://validnews.id), 2019). Low-level human resources education does not contribute to the

knowledge of individuals assigned to a group because the owner or manager still needs to hold control fully.

The human resources of the SMEs are still focused on the production process only and do not have a particular division, so the distribution knowledge is still centered on the owner. Thus, individual knowledge is not contributed to the group. It has also seen new learning only given during the pandemic because there is a need to add products and digital adjustments. Thus, employees need to contribute to knowledgeable individuals consistently.

However, the value competitive strategy and the resulting value creation are the lowest among other dimensions. This aligns with the reality that Jakarta's SME competition is still low. Regarding competitive strategy, the 2011 National Development Planning Agency (BAPPENAS) Survey said there are three indicators in power competition where Jakarta has a value gap between a low market share of only 11.56%, while productivity and growth mark its output highest in Java. Until now, Sri Mulyani, as the Minister of Finance of the Republic of Indonesia, said that MSMEs still have minimal knowledge of legality, low financing access, lack of standardization products, as well as marketing issues make the power competitiveness of Indonesian MSMEs still low (cnbcindonesia.com, 2022). Meanwhile, regarding value creation, according to iDEA data, out of 64.2 million MSMEs, only 9.9 million MSMEs have gone online in the period from May 2020 to February 2022, where this number has significantly experienced improvement to the previous year (kominfo.go.id, nd). This shows that SMEs in Indonesia only actively use e-business during the Covid-19 pandemic. Thus, small efforts do not become a point and only follow market needs.

Statistical analysis was also carried out with SEM-PLS. The analysis begins by testing the feasibility of the research model through the inner model and outer model. The results of the outer model test show that mark convergent validity consisting of loading factor > 0.7 and Average Variance Extracted (AVE) > 0.5 all meet the criteria. Then, for discriminant validity, it also meets criteria where the value is cross-loading larger constructs from other constructs. Lastly, for the internal consistency of the mark, Cronbach's Alpha > 0.6 and Composite Reliability > 0.7 also all meet the criteria (Hair et al., 2019). Meanwhile, the inner model is indicated by the Coefficient of Determination (R^2) with the obtained mark R-Square on the Value Creation variable of 0.802 (category strong). This means the Dynamic Capabilities and Competitive Strategy variables affect 80.2% of Value Creation. Meanwhile, the value R-Square on the Competitive Strategy variable is 0.591 (medium category). This means that the Dynamic Capabilities variable affects 59.1% of Competitive Strategies. This means that the impact given is more substantial with mediation (Ghozali, 2016). The Goodness of Fit Index (GoF) test also shows the number 0.717 in category big to signify that the overall structural model is worth using (Vinzi et al., 2004). After testing its feasibility, the analysis is continued by testing the hypothesis using path analysis, either directly or through mediation.

Table 2. Hypothesis Testing Direct Impact

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (> 1.96)	P Values (< 0.05)	Interpretation and Explanation
Sensing capability - > Value Creation	0.211	0.212	0.073	2,894	0.004	Positive and significant. H1a is accepted.

Learning capability -> Value Creation	0.182	0.176	0.061	2,977	0.003	Positive and significant. H1b is accepted.
Integrating capability -> Value Creation	0.140	0.139	0.068	2,040	0.042	Positive and significant. H1c is accepted.
Coordinating capability -> Value Creation	0.165	0.167	0.069	2.377	0.018	Positive and significant. H1d is accepted.

Source: Processed by the author (2023)

The hypothesis test can be summarized as follows:

H1a: Sensing capability positively impacts the ability of SMEs in value creation

The positive impact is seen in the value (O) of 0.211. The results of the study above show that Hypothesis 1a is accepted. This shows that with high sensing capability, then there is a trend that value creation will also increase. The significance of its impact can be seen from p-values of 0.004, which is significant because it has a value of less than 0.05. also, the t statistics value of 2.894 is significant because it is worth more than 1.96. This is in line with sensing capability, which has the nature of being dynamic and continuously developing. Explore, integrate, and analyze existing information in real-time for decision-makers—a decision so that they can make the right decision in time and effectively (Rashidirad, 2014). For example, in Jakarta, culinary SMEs can be seen from the questionnaire results at point adjustments made by reading the market and seeing a need for adjustment services by applicable regulations, such as online development. In addition, adjustments are widely used because the market needs practical products for home consumption. This means that sensing capability allows companies to know customer needs so that they produce value creation for customers because it is needed to accommodate.

H1b: Learning capability Positively impacts the ability of SMEs in value creation

The positive impact is seen in the value (O) of 0.182. The results of the study above show that Hypothesis 1b is accepted. This shows that with the high learning capability, there is also an increasing trend of value creation. The significance of its impact can be seen from p-values of 0.003, which is significant because it has a value of less than 0.05. also, the t statistics value of 2.977 is significant because it is worth more than 1.96. This is in line with the nature of the learning capability itself, which enables identification from opportunity new production and better, faster, and more efficient work processes (Lin & Wu, 2014). From here, learning capability directly affects value creation, especially for maintaining the loyalty of stakeholders' related interests, such as customers and suppliers. This is also seen in the context of culinary SMEs during the COVID-19 pandemic, a province with the most implementation of digitalization for SMEs through the use of the marketplace. This means the actor business must learn to operate online and adjust the human resources owned. Thus, value creation is created when the business process is more efficient.

H1c: Integrating capability positively impacts the ability of SMEs in value creation

The positive impact is seen in the value (O) of 0.140. The results of the study above show that Hypothesis 1c is accepted. This shows that with the high integrating capability, there is an increasing trend of value creation. The significance of its impact can be seen from p-values of 0.042, which can be significant because it has a value of less than 0.05. Also, the t statistics value of 2,040 is significant because it is worth more than 1.96. The value of knowledge and learning gained from the previous sensing and learning process was said to be realized if the capability is effectively integrated into business processes (Hernández-Linares et al., 2021). This means that integrating capability makes it possible to realize the sensing and learning processes carried out to produce value creation so that it can directly affect them. An example of its application in this study is complementarity, which can be created with little effort. Culinary SMEs can integrate their business processes online and offline.

H1d: Coordinating capability positively impacts the ability of SMEs in value creation

The positive impact is seen in the value (O) of 0.165. The results of the study above show that Hypothesis 1d is accepted. This shows that with high coordinating capability, there is an increased trend of value creation. The significance of its impact can be seen from p-values of 0.018, and it can be said that it is significant Because it has a value of less than 0.05. Also, the t statistics value of 2.377 is significant Because it is worth more than 1.96. Coordinating capability is said to enable efforts to obtain and allocate source power at lower cost in order to act flexibly in dealing with change so that it tends to produce a better return (Hernández-Linares et al., 2021). This means that coordination capability is needed to make the business more efficient and thus produce better results—higher value creation. An example of its application in this study is mark lock-in or locking, which, in other words, guarding loyalty stakeholder interest can achieved with minor effort, coordinate performance team serve consumers both online and offline.

Table 3. Hypothesis Testing Indirect Impact

Path	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (>1.96)	P Values (<0.05)	Interpretation and Explanation
Sensing Capability - > Competitive Strategy - > Value Creation	0.114	0.118	0.056	2,041	0.042	Positive and significant. H2a is accepted.
Learning Capability - > Competitive Strategy -> Value Creation	0.106	0.107	0.049	2.177	0.030	Positive and significant. H2b is accepted.
Integrating Capability - > Competitive Strategy -> Value Creation	0.097	0.093	0.042	2,310	0.021	Positive and significant. H2c is accepted.

Coordinating Capability - > Competitive Strategy - > Value Creation	0.093	0.090	0.039	2.397	0.017	Positive and significant. H2d is accepted.
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Source: Processed by the author (2023)

The hypothesis test can be summarized as follows:

H2a: Sensing capability in value creation positively impacts competitive strategy in SMEs as a mediator

Impact mediation positive is seen in the value (O) of 0.114. The results of the study above show that Hypothesis 2a is accepted. This indicates that value creation tends to increase when sensing capability is mediated by competitive strategy. Significance: Its impact can be seen from p-values of 0.042 and can be significant. Because it has a value of less than 0.05, and the t statistics value of 2,041 is significant and worth more than 1.96. However, if it looks at its significance compared to H1a, sensing capability is more significant in directly affecting value creation. This is because sensing capability is a core element of the dynamic capabilities process, capturing and managing information to become a basis for making decisions (Wang & Ahmed, 2007). This substantially directly affects value creation during times of crisis, such as the Covid-19 pandemic.

H2b: Learning capability in value creation positively impacts competitive strategy in SMEs as a mediator.

Impact mediation positive is seen in the value (O) of 0.106. The results of the study above show that Hypothesis 2b is accepted. This indicates that value creation tends to increase when learning capability is mediated by competitive strategy. The significance of its impact can be seen in p-values of 0.030. Because it has a value of less than 0.05, and the t statistics value of 2.177 is significant. Because worth more than 1.96. Similar to sensing capability, if it compares and marks its significance with hypothesis H1b, learning capability is more significant in directly influencing value creation. This is because learning capability also includes the main aspect thing in dynamic capability, namely knowledge so that it becomes the basis for making decisions decision (Wang & Ahmed, 2007). In the context Of this COVID-19 pandemic, learning capability is essential to know how to use new technology so that SMEs can acquire, assimilate, transform, and exploit knowledge consistently so businesses run more efficiently (Kamasak et al., 2016).

H2c: Integrating capability in value creation positively impacts competitive strategy in SMEs as a mediator

Impact mediation positive is seen in the value (O) of 0.097. This indicates that mark value creation tends to increase when integrating capability is mediated by competitive strategy. The results of the above study show that Hypothesis 2c is accepted. While significant, its impact can be seen from p-values of 0.021 and can be significant. Because it has a value of less than 0.05, and the t statistics value of 2.310 is significant. Because worth more than 1.96.

In contrast to sensing and learning capability, integrating capability is more significant when mediated by competitive strategy in influencing value creation. Integrating capability is integrating knowledge effectively to demonstrate source superiority competitively (Tsai, 2001). This means integrating capability through competitive strategy can show source superiority

competitively, creating value. This is possible as a result of the integration process. It is considered abstract, so its application must be shown in the competitive strategy to create value. Therefore, competitive value creation is created through collaboration between SMEs. The power is associated with the ability of its integration supported by appropriate infrastructure, organizational processes, and policies, as well as competitive and structural (Rashidirad & Salimian, 2020).

H2d: Coordinating capability in value creation positively impacts competitive strategy in SMEs as a mediator

Impact mediation positive is seen in the value (O) of 0.093. The results of the study above show that Hypothesis 2d is accepted. This indicates that value creation tends to increase when the coordinating capability is mediated by competitive strategy. The significance of its impact can be seen from p-values of 0.017 and significant. Because it has a value of less than 0.05, and the t statistics value of 2.397 is significant. Because worth more than 1.96. Like integrating capability, coordinating capability significantly affects value creation when mediated by competitive strategy. This is in line with the opinion of Rashidirad (2014), who said that underestimating effort, importance, ability, coordination, and failure aligns it with competitive strategy, especially value creation used to maintain and defend customers and partners will not create (Rashidirad, 2014). This means coordinating capability must be aligned with competitive strategy to create value, especially lock-in successfully. Just like learning capability, this is a possible consequence of coordinating capability, which is still abstract, so its application must be shown in the competitive strategy to be able to produce value creation.

5. Conclusion

Based on analysis of previous research accompanied by data processing results, then it can be withdrawn the following conclusions:

1. There is a positive impact and significance from dynamic capabilities against value creation in Jakarta culinary SMEs
2. There is a positive impact and significance from dynamic capabilities to value creation through competitive strategy on Jakarta culinary SMEs
3. There is a positive impact and significance from all dimensions in dynamic capabilities: sensing capability, learning capability, integrating capability, and coordinating capability to value creation in Jakarta culinary SMEs
4. Impact positive value is the fourth larger dimension when given through direct impact. However, its significance for integrating capability and coordinating capability is greater through mediation from competitive strategy. Meanwhile, sensing and learning capability dimensions have greater significance because of their direct impact on value creation.

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