



Identification of Dynamic Capability and Personal Competency to Develop Innovative Performance

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Abstract

The New Public Management Paradigm required the management of public sector organizations to transform by prioritizing the principles of competition, performance, and responsiveness in every bureaucratic behavior so that it could stimulate an increase in organizational performance results to become more effective and efficient. Seeing the demands for public administration reform, of course, the desires and demands of the community for the creation of public sector organizations that had high governance performance was increasing where this indicated the low performance of public sector management as an effort to achieve increased flexibility of public sector organizations in facing global challenges. This study aimed to identify dynamic management capability and personal competency to develop innovative performance. This study used a qualitative approach with a literature study method, a literature study consisting of detailed investigations, data collection of certain period of time, phenomena, and contexts to analyze the context and processes related to the theoretical issues being studied intrinsically from the literature used. This study concluded that there were cognitive dynamic capability and personal competence that must be possessed by public organizations to increase innovative performance in effective governance, namely thinking again, thinking ahead, and thinking across. These three factors encouraged transformational changes in governance that led to the formation of dynamic capabilities of Government/public sector organizations facing global challenges.

Keywords: *Dynamic Management Capability; Personal Competency; Innovative Performance*

INTRODUCTION

Public sector organizations in many countries are constantly experiencing changes through their public administration reforms. These changes have developed rapidly in various forms of paradigm. However, the most significant influence occurred since the emergence and development of the New Public Management paradigm in the 1980s, which introduced new management and economic theory perspectives that are commonly applied to business organizations into public sector organizations (Calciolari, Prenestini & Lega, 2018). New Public Management brings public administration reform as part of the fundamental changes that must be made by developing countries to be able to face competitive global challenges so that they can turn into developed countries in the future.

The New Public Management Paradigm requires the management of public sector organizations to transform by prioritizing the principles of competition, performance, and responsiveness in every bureaucratic behavior so that it can stimulate an increase in organizational performance results to become more effective and efficient. Furthermore, the concept of good governance has also been encouraged so that it can continue to be developed in every country in the world, especially developing countries, where this can support administrative reform efforts that prioritize the implementation of public sector management based on the principles of good governance.

This condition occurs in all countries, especially developing countries like Indonesia. As an illustration, the assessment of the 2018 Government Agencies Performance Accountability Report (LAKIP) by the Ministry of Administrative and Bureaucratic Reform shows the performance

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conditions of government agencies in Indonesia, where 44.55% are still below a score of 60 or in the CC, C, and D categories (menpan. go.id, 2019). In addition, the World Governance Indicator (WGI) released by the World Bank (2019) also showed that the ranking of governance in Indonesia is still far from the best achievement that each country can have, where the 6 (six) WGI indicators assessed in 2018 only have percentile rankings ranged from 27.62 to.d. 59.13 from the highest score.

Public sector organizations have been encouraged to share and expand their innovations and best practices in order to create public value. Public organizations are also often expected to be able to collaborate with one another in providing the same public services instead of competing in the process of providing them (Widianto, *et. al.*, 2021). Public sector organizations also function as a set of organizational resources and routines to fulfill policy initiatives and provide services. Seeing the demands for public administration reform, of course, the wishes and demands of the community for the creation of public sector organizations with high governance performance are increasing, indicating the low performance of public sector management in Indonesia.

The public sector in Indonesia has been transformed by adopting a good public sector management model, especially in managing their organizational capacity as an effort to achieve increased flexibility of public sector organizations in facing global challenges and as the availability and functioning of able people and agile processes that form dynamic capabilities so that they can formulate an adaptive policy that leads to better organizational governance performance (Ferreira's study, Cardim & Coelho, 2021). This study aims to identify dynamic management capability and personal competency to develop innovative performance.

LITERATURE REVIEW

Dynamic Management Capability

Dynamic management capability is the capacity of an organization to intentionally create, expand, or modify its resource base. Dynamic management capabilities can be adapted to the settings in which they function, including various industries, technologies, functional areas, and organizations (Teece, 2020). Dynamic capabilities are also connected with a competitive advantage in changing environments (Bogers, *et. al.*, 2019). Kaur & Mehta (2017) argued that dynamic capabilities are organizational capabilities that make it possible to change ordinary capabilities from time to time.

Cheng, Yang & Sheu (2016) revealed that dynamic capabilities can be identified, and the basic processes and activities are similar across organizations but not across industries. Dynamic management capability is an organizational skill in learning where the more often it is practiced, the easier and lower the cost of completing the process (Baía & Ferreira, 2019).

Personal Competency

Personal competencies such as the ability to deal with emotions, the ability to control and direct emotions (traits), the ability to motivate oneself, the ability to work hard, never give up, self-confidence and the ability to develop oneself, the ability to take the initiative, the ability to be creative or innovate (Edwards-Schachter, *et. al.*, 2015). Personal competency determines the ways a person behaves or thinks, adapts to various situations, and lasts for a long time (Rehman & Saeed, 2015).

Nurahaju & Widanti (2020) said that personal competence possessed by individuals includes the ability to deal with emotions, control themselves, motivate themselves, work hard, never give up, be confident and be able to develop themselves, be able to take initiative and innovate. Salman, Ganie & Saleem (2020) divide competence into personal competency, social competency, and professional competency.

Innovative Performance

Han & Li (2015) stated that innovative performance is the process of how organizations are able to innovate product and process innovation in accelerating the development of new products, accelerating the use of the latest technology in the process, and accelerating the expansion of new products introduced to the market. Innovative performance is the key to competitive advantage in a highly volatile environment because the ability to innovate has direct consequences for the ability to compete at individual, organizational, regional, and national levels (Ghasemzadeh, *et. al.*, 2019).

RESEARCH METHOD

This study used a qualitative approach with a literature study method. Literature study aims to investigate complex activities or processes that cannot be easily separated from the social context in which they occur, which are taken from several literatures as study references (Miles, Huberman & Saldana, 2014). According to Creswell (2017), a literature study consists of detailed investigations, data collection certain period of time, phenomena and contexts to provide an analysis of the context and processes related to the theoretical issues being studied intrinsically from the literature used.

This literature study method has analyzed 16 journals from 2017 until 2023 about those topics which distinguish what has been undertaken and what needs to be undertaken, identify variables that are relevant to the topic, identify relationships between theory/concepts and practice, distinguish exemplary research, avoid unintentional and unnecessary replication, identify the main research methodologies and designs that have been utilized, identify contradictions and inconsistencies, and identify strengths and weaknesses of the various research approaches that have been utilized.

FINDINGS AND DISCUSSION

Based on several kinds of literature, this dynamic capability was widely applied in business organizations as organizational strategic management in dealing with environmental changes (Khaksar, *et. al.*, 2020). According to Teece (2018), dynamic capability is an organizational ability to integrate, build, and rearrange its internal and external competencies in order to deal with rapid environmental changes. Bogers, *et. al.* (2019) stated that to deal with these global changes and challenges, public organizations could apply the concept of dynamic governance, where various policies, institutions, and structures that were built could adapted to changes that occurred very quickly. It means that public sector organization was expected to develop adaptive policies and could quickly react to changes in the organizational environment.

While Beuter Jr., *et. al.* (2019) argued that dynamic capability was a learning and stable pattern of a collection of activities carried out systematically by an organization to produce and change its routine operational activities to achieve better results. Furthermore, Albort-Morant, *et. al.* (2018) mentioned three important components in the dynamic capabilities of public sector organizations, namely thinking ahead, thinking again, and thinking across, where these three components are influenced by the context of the people's ability and agility process.

The concept of dynamic capabilities, according to Widiyanto, *et. al.* (2021), could support the achievement of better public sector organizations through the development of public policies that were adaptive to the rapid changes in the organizational environment. Other researchers were also of the view that the public sector faces more environmental changes than the business sector. For example, certain policy changes make an organization's business processes must adapt immediately (Kaur & Mehta, 2017; Wilden & Gudergan, 2017; Kareem & Alameer, 2019; Kitenga, Kilika & Muchemi, 2020). Robertson, Caruana & Ferreira (2023) showed that there were constructions of knowledge creation, knowledge diffusion, and knowledge affected that had a

significant impact on innovation performance in different market economies.

The categorization of innovation ecosystems based on dynamic knowledge-based capabilities in force acts as a reference point on how to achieve competitive advantage in a given market environment. Ge (2022) provided an opinion that at the organizational level, innovation performance focused on several dimensions, including the effect of innovation on organizational performance, the effectiveness of R&D investment, the effectiveness of the new product development process, the effectiveness of change management so that future challenges could be overcome.

Hero, Lindfors & Taatila (2017) said that personal characteristics, such as flexibility, achievement orientation, motivation and involvement, self-esteem and self-management, future orientation, creative thinking skills, social skills, project management skills, and content knowledge and skills, could be used in collaborative innovation processes. Based on the dynamic governance concept, the dynamic capabilities put forward by Bendig, et. al. (2018) stated that dynamic capabilities include organizational attitudes, knowledge, skills and resources deployed to carried out assignments to achieve the desired results.

Furthermore, the process also determined how quality and performance were measured, how errors were detected and corrected, and how the organization has made improvements and changes. Beuter Jr., et. al. (2019) identified three categories of processes carried out by organizations: work, behavioral, and change. Work processes were processes that carried out all operational and administrative activities of the organization in order to convert inputs into outputs. Behavioral processes shape how patterns of behavior and how to act and interact with individuals and groups in doing a job.

Meanwhile, change processes describe how an organization can adapt, develop, and grow, which will ultimately change the scale, character, and identity of the organization. The formation of organizational dynamic capabilities would involve the three categories of organizational processes together, creating capacities that enable them to continue and transform with innovative performance in public sector organizations, namely anticipating the future, allocating financial resources, and applying systemic discipline (Bitencourt, et. al., 2020).

The concept of dynamic capability was the most essential aspect in the efforts of public sector organizations to gain competitive advantage by anticipating threats and taking advantage of opportunities to support the achievement of the expected goals. The dynamic capability must be built internally through experience accumulation and cannot be bought or obtained from outside the organization. By building and applying the concept of dynamic capabilities, public sector organizations could eventually create capabilities that could produce policies that are adaptive and responsive to rapidly changing environmental conditions.

Through this dynamic governance, policies and institutional structures of public sector organizations would remain relevant and effective in achieving their long-term goals (Robertson, Caruana & Ferreira, 2023). The components of able people and agile process were the main things that must be developed by public sector organizations to have organizational characteristics that could think ahead to face organizational challenges in the future (think ahead), think again to reconsider effectiveness and efficiency. In implementing current policies and programs to achieve organizational goals (thinking again) and cross-thinking to facilitate the organizational learning process, they should be exposed to various new ideas, insights, and best practices from outside the organization (thinking across).

CONCLUSIONS

This study concluded that there was cognitive dynamic capability and personal competence that must be possessed by public organizations in increasing innovative performance in effective

governance, namely thinking ahead, thinking again and thinking across. First, public sector organizations had to think ahead to understand how the future may affect the organization, make policies that could deal with potential challenges, and take advantage of the new opportunities available in the future.

Second, very fast environmental changes could make existing policies obsolete and no longer effective even though they have been chosen carefully and with full consideration, so public organizations need to think again about existing policies and programs to test whether these policies are effective and still relevant to the long-term needs of the organization. If it was no longer relevant, the policy must have been revised to effectively achieve the organization's main goals.

Third, in developing new knowledge, constant organizational learning and innovation are needed to face new challenges and take advantage of new opportunities. Therefore, public sector organizations needed to think across to find ideas and best practices that could be adapted and contextualized within their organizational environment. These three factors encourage transformational changes in governance that lead to the formation of dynamic capabilities of government/public sector organizations facing global challenges.

LIMITATION & FURTHER RESEARCH

The results of this research were expected to provide useful input and contributions to Government Institutions in making policies regarding human resource development to achieve the goals and success of Government Institutions in identifying dynamic management capability and personal competency in comprehensively increasing innovative performance, as well as obtaining reference materials and study reference for other researchers who wish to conduct similar research.

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