

Exploring succession in small business growth in Bandung: Mediating role of strategic change

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Abstract

Purpose – This study aims to understand the influence of organizational agility and organizational resilience towards SMEs business performance and analyze the mediating role of strategic change and the moderating role of environmental uncertainty.

Design/methodology/approach – This study uses quantitative approach with survey method. The population of the study is SMEs business actors in Bandung, West Java. The samples are chosen for about 250 respondents using purposive sampling, while the data is processed using structural equation modelling with Partial Least Square.

Findings – The results indicate positive influence of organizational agility on organizational resilience, as well as organizational resilience on SMEs business growth. Additionally, strategic change is found to mediate the relationship of organizational resilience towards SMEs business growth. Environmental uncertainty can strengthen the influence of organizational resilience on strategic change.

Research limitations/implications – The results of this research provide evidence that the underlying mechanisms for increasing organizational resilience and SME business growth can be seen from the perspective of organizational agility and choosing the right strategy.

Practical implications – This study underscores the importance of building organizational agility and resilience to face dynamic environmental situation characterized by rapid change. When SMEs are adaptive and more responsive in carrying out their business, this can lead to positive outcomes for their growth.

Originality/value – The present study provides the underlying mechanisms that shows how organizational agility and resilience can lead to SMEs business growth which operate in the uncertain environment.

Keywords: Organizational agility, organizational resilience, strategic change, environmental uncertainty, SME's business growth.

Introduction

Organizations, especially those in the small and medium enterprise (SMEs) industrial sector, have several characteristics that make them very vulnerable to environmental uncertainty (Mulyana et al., 2023). In the difficult conditions of the modern economy which are changing dynamically, business organizations in the SMEs sector are required to reformulate their strategies (Liang & Li, 2024; Zablocka-Kluczka & Salamacha, 2023). Judging from its characteristics, SMEs are very complicated, sensitive (Didonet & Diaz-Villavicencio, 2020), and vulnerable because of its limitations, making it difficult to achieve excellence (Masroor & Asim, 2019; Zastempowski & Cyfert, 2023) because the management is often centered on one person. Another significant

challenge faced by SMEs in Indonesia is that they are experiencing difficulties for growth, especially moving from small to medium size of enterprises (Gading, 2023; Ibrahim, 2023). This occurs due to their initial strategy, which is establishing business to fulfill their needs instead of becoming a successful entrepreneur. Additionally, it also occurs due to difficulties of access to markets, raw materials, and access to technology (Dewi, 2023; Ibrahim, 2023).

In this matter, Yağmur & Myrvang (2023) suggested that to compete in a volatile business environment, organizational agility becomes critical. Hamel & Välikangas (2003) stated that organizational agility and resilience have been proven to be a competitive advantage for organizations. The concept of organizational agility, in general, has been widely discussed in the manufacturing business sector, yet only a few have been discussed in the SME's and service business sectors (Arsawan et al., 2022; Mulyana et al., 2023; Yağmur & Myrvang, 2023). In fact, organizational agility capabilities can be applied to all sectors regardless of the size of the business to respond to changes in the business environment.

Organizational agility is an idea rooted in two concepts, namely adaptation and flexibility (Sherehiy et al., 2007). The concept demonstrates the ability to recognize environmental transitions and address them quickly, while also reshaping resource sets, business processes and strategies. Currently, organizational agility and organizational resilience are starting to be emphasized in the literature to overcome turbulence problems in the environment (Ouzaka et al., 2022; Yağmur & Myrvang, 2023), especially in SMEs sector. Another concept that relates to agility is resilience, which is the dynamic capability which can play a role in facilitating strategy adjustment (Khurana et al., 2022). Although the presence of SMEs makes a significant contribution to a country's economy, they need to be evaluated and researched in terms of their performance to remain sustainable in facing environmental changes. Ouzaka et al. (2022) presented the analysis and conceptualization of organizational agility as the forerunner of organizational resilience in the context of small and medium businesses.

Previous research has revealed that organizational resilience has a positive impact on business growth (Fatoki, 2018; Hasayotin, 2023; Pertheban et al., 2023). However, several other studies have doubts about the impact of organizational resilience on growth on the grounds that it can still have negative potential, especially when the organization only relies on one type of business for its survival without actively looking for new growth areas (Liang & Li, 2024), not having readiness, limited knowledge, and minimal skills (Zastempowski & Cyfert, 2023). In addition, previous research confirms that business owners and managers are particularly vulnerable and tend to avoid strategic choices (Guo et al., 2023).

Therefore, this study aims to explore whether organizational agility and organizational resilience can influence business growth through strategic choices within the framework of dynamic capability theory. This study also considers the role of environmental uncertainty as a moderator of organizational resistance to strategic choices. In an environment full of uncertainty, organizations that are resilient will be better able to take steps to respond positively. It is important to introduce environmental uncertainty as a key situational variable to gain insight into the impact of organizational resilience on organizational strategic change. Finally, this study also provides a broad understanding of the influence of organizational agility on business growth by looking at the role of resilience, strategic change, and environmental uncertainty as moderators.

Literature Review and Hypotheses Development

Dynamic Capability Theory

Dynamic Capability Theory serves as the theoretical foundation for understanding how organization can achieve business growth in rapidly changing environments. Originally developed by D. J. Teece et al. (1997), this theory posits that an organization's ability to integrate, build, and reconfigure internal and external resources is essential for maintaining competitive advantage in dynamic markets. In the context of this study, dynamic capability enables organizations, or SMEs, to respond effectively to environmental uncertainties through organizational agility and resilience (D. Teece et al., 2016; D. J. Teece et al., 1997).

Organizational agility is a key dynamic capability that allows SMEs to quickly adapt to changes, innovate, and seize new opportunities (Lotfi & Saghiri, 2018). This agility is crucial for SMEs to remain competitive in an environment characterized by rapid technological advancements and shifting consumer preferences. By being agile, SMEs can efficiently realign their strategies and operations to meet evolving market demands, thus driving business growth (Mao et al., 2015; Panda & Rath, 2018). Organizational resilience, on the other hand, enables SMEs to withstand and recover from adverse situations, such as economic downturns or supply chain disruptions (Karman, 2020). Resilience ensures that businesses can maintain operational continuity and recover more quickly from setbacks (Ouzaka et al., 2022). According to this theory, resilience is a critical component that supports long-term sustainability and growth by enabling organizations to learn from challenges and emerge stronger.

Strategic change acts as a mediator in this process, linking resilience to tangible business growth. Through strategic change, SMEs can align their resources and capabilities with emerging opportunities, effectively transforming potential threats into growth avenues. This mediating role highlights the importance of a proactive approach to strategic planning and execution in uncertain environments. By cultivating these dynamic capabilities, this study posits that SMEs in Bandung can enhance their adaptability and resilience, leading to business growth and success.

Organizational Agility and Organizational Resilience

Given that the business environment is increasingly experiencing various changes, the concept of agility has currently attracted significant attention (Bi et al., 2013; Panda & Rath, 2018). The concept of agility is defined as an organization's ability to adapt and carry out business operations well in a rapidly changing environment (Mao et al., 2015; Panda & Rath, 2018; D. Teece et al., 2016). The term agility is almost synonymous with flexibility, which is closely related to a company's ability to manage uncertainty (Shafer et al., 2001). According to Lotfi & Saghiri (2018), agility can be divided into two streams, namely the organization's focus on the practice of building process agility and the focus on practices to achieve performance.

However, both streams lead to the same concept, namely the capacity to continuously adjust and adapt strategic direction to create value for the organization. Yağmur & Myrvang (2023) stated that organizational agility can be considered a competitive advantage and competency if the organization has strategic thinking and the ability to exploit opportunities. In this case, the study from Ouzaka et al. (2022) found that organizational agility is the forerunner to increasing organizational resilience, especially in the context of small and medium businesses. Thus, it is predicted that there is a correlation between organizational agility and organizational resilience. The first hypothesis is proposed as follows:

H₁: Organizational agility has a positive effect on organizational resilience.

Organizational Resilience and SME's Growth

As stated by Ouzaka et al. (2022), apart from agility, there are many factors that can improve an organization's business performance, especially to achieve growth. Syamsari et al. (2022) stated that the resilience of SMEs is the key to improve performance amidst a disruptive environment. Organizational resilience is defined as the dynamic capacity to adapt to disruptions that threaten business continuity, which involves resource mobility processes (Zablocka-Kluczka & Salamacha, 2023). Karman (2020) stated that organizational resilience is often combined with organizational survival in difficult times. However, Zablocka-Kluczka & Salamacha (2023) believed that organizational resilience is not only related to critical times, but also in daily operations. Besides that, (Liang & Li, 2024; Witmer & Mellinger, 2016) suggested that the connotation of organizational resilience includes the paradoxical relationship between opportunities and threats. At this point, organizational resilience refers to the organization's ability to withstand and exploit threats that come from the external environment. When difficulties occur and are felt by the organization, companies need to utilize the resources they have to be able to defend themselves from threats and take advantage of potential opportunities to grow (Liang & Li, 2024). In this case, organizational resilience emphasizes that organizations must not only use existing resources to adapt optimally,

but also explore creative and forward-looking solutions to adapt (Sahebjamnia et al., 2018; Sajko et al., 2021). Thus, it is predicted that there is a correlation between organizational resilience and SME's growth.

H₂: Organizational resilience has a positive effect on SMEs business growth.

Mediating Role of Strategic Change

The role of strategy in organizations is closely related to decision-making processes, which can help organizations adapt to the environment (Eisenhardt, 1989; Eisenhardt & Martin, 2000). The main principles in strategic management, as stated by (Goodstein et al., 1994; Smith & Grimm, 1987), focus on how an organization can maintain its performance within the environment in which the business operates. Increasingly rapid environmental changes have forced organizations to change strategic direction quickly and rely on their core competencies (Liang & Li, 2024; Yi et al., 2015). With changes in the environment, organizations that do not adapt their strategies are likely to see their performance decline. Therefore, resilience can contribute to organizational growth by driving strategic change (W. Wang et al., 2023).

Strategic change involves the organization's ability to adapt and reorient its strategic plans to align with external conditions. This process includes identifying new opportunities, reassessing current strategies, and implementing necessary modifications to maintain competitiveness and promote growth. An organization's ability to analyze external situations can help in choosing the best strategic plan (Wheelen et al., 2015). In challenging situations, organizations with resilience are more positive in investing their resources, allowing them to promptly identify opportunities and proactively implement changes to their strategy. This is because organizational resilience requires the ability to analyze external situations, which can help in choosing the right strategic plan to encourage growth (Liang & Li, 2024).

The theory of business growth by (Moore, 1960; Penrose, 1995) states that business growth highly depends on organizational capabilities. If decision-making activities in the organization are adjusted, the organization's business growth can be encouraged. Thus, the hypothesis is proposed as follows:

H₃: Strategic change mediates the relationship between organizational resilience and SMEs business growth.

Moderating Role of Environmental Uncertainty

The perceived environmental uncertainty has demanded that organizations proactively adopt strategic changes as a response to overcome change (Liang & Li, 2024). Environmental dynamics characterized by rapidly changing consumer preferences, unpredictable technological advances over time, and intense competition have led to changes in the internal conditions of organizations (Wang & Fang, 2012). Increased uncertainty can force organizations to increase resilience and actively engage in responsive behaviour as an anticipatory effort (Chen et al., 2021). In the strategic management literature, Mintzberg (1990) stated the role of the environment as the main source of uncertainty. When environmental uncertainty is high, market changes will occur quickly and resource limitations will become more apparent. Therefore, organizations must make strategic changes to face possible changes in the external environment. According to (Liang & Li, 2023, 2024), a strong organization will be able to analyze and anticipate market changes in a timely manner, so that this can become the basis for implementing strategic changes. Conversely, when environmental uncertainty is low, the company's resources and profits become more stable. Therefore, we conclude that environmental uncertainty can moderate the relationship between organizational resilience and strategic change.

H₄: Environmental uncertainty moderates the relationship between organizational resilience and strategic change.

Based on earlier literature, the conceptual framework is presented as follows:

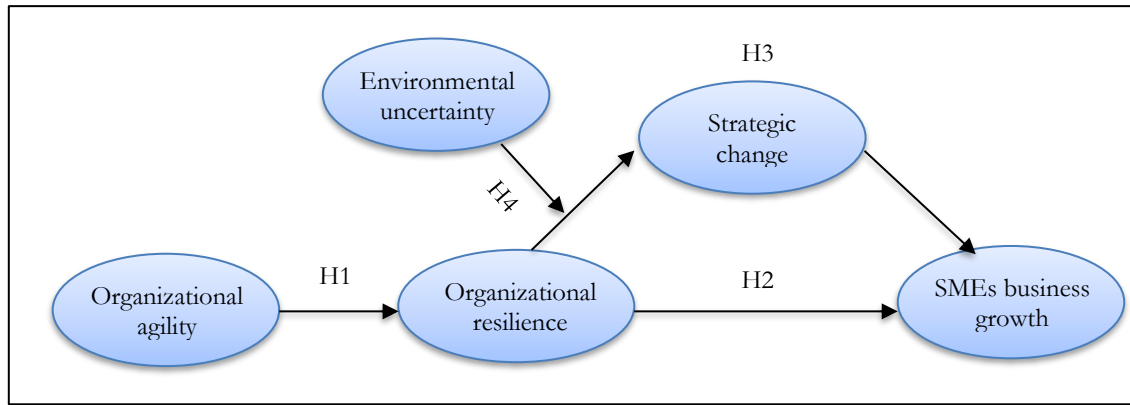


Figure 1. Conceptual Framework

Research Methods

This research employs a quantitative approach to answer the research questions through a causal explanatory research design. A purposive sampling procedure was used to determine the sample, focusing on specific criteria relevant to the study. The population for this research comprises SMEs in the city of Bandung, West Java, Indonesia. To ensure the inclusion of businesses that have demonstrated resilience, particularly during the COVID-19 pandemic, the sample was selected based on a minimum duration of business operation of three years. From this population, 250 SMEs were selected using purposive sampling to ensure that the sample reflects the diversity and specific characteristics of the targeted SME sectors. The data collected was processed using the structural equation model with the Partial Least Squares (PLS) approach. Information regarding respondents is presented in Table 1.

Table 1. Respondents’ Characteristics

Respondent’s Characteristics		Percentage (%)
Types of SMEs	Food and Beverages	29.6
	Fashion	22.4
	Beauty & Skin Care	15.2
	Agribusiness	17.6
	Automotive	15.2
Gender (of owner/manager)	Male	52.0
	Female	48.0
Age	24 - 30 years old	33.2
	31 - 35 years old	24.8
	36 - 40 years old	42.0
Duration of business operation	3 to 5 years	22.4
	6 - 10 years	48.0
	11 - 15 years	29.6
Number of employees	5 – 10 employees	42.0
	11 – 20 employees	34.4
	More than 20 employees	23.6
Yearly sales profit	Rp 100.000.000 – Rp 500.000.000	39.2
	Rp 500.000.000 – Rp 1.000.000.000	30.0
	> Rp 1.000.000.000	30.8

Source: Data Processed (2024)

Table 1 informs that based on the type of business, the majority of respondents have businesses in the food and beverages sector, 29.6%. Then based on gender, the majority of business owners are men (52.0) percent compared to women (48.0) percent with an average age of 36 to 40 years (42) percent. Regarding tenor, the average respondent has established a business between 6 and 10 years. Then, based on the number of employees, the majority of respondents have 5 to 10

employees (42) percent. Finally, in terms of annual sales turnover, the majority of respondents had sales revenues of Rp 100.000.000 – Rp 500.000.000 per month (39.2).

Variable Measurement

A comprehensive assessment was carried out on the measurement model, which includes many criteria such as convergent validity, discriminant validity, average variance extracted (AVE), external loadings, and composite reliability (CR). Factor loadings, composite reliability (CR), and average variance extracted (AVE) were used to evaluate convergent validity. To establish discriminant validity, the indicator factor loading must exceed 0.6, the composite reliability (CR) value must exceed 0.7, and the average variance extracted (AVE) must exceed 0.5, as stated by (Hair et al., 2016). The validity of the research instrument was assessed using Smart PLS 3.0 which confirmed convergent validity (Table 2).

Organizational agility consists of four dimensions (competence, flexibility, responsiveness, and speed) measured by seventeen items adopted from (Yağmur & Myrvang, 2023). Then, organizational resilience is measured by nine items adopted from (Liang & Li, 2023) from three dimensions, namely the ability to withstand risk, the ability to adapt and adapt, and the ability to recover and exceed. Strategic change is measured by six items adopted from (Liang & Li, 2024) with three dimensions. Environmental uncertainty is measured by four items adopted from (Kim et al., 2016). Finally, SMEs business growth was measured by three items adopted from (Sarwoko & Frisdiantara, 2016). This construct is measured on a 5-point Likert scale from strongly disagree = 1 to strongly agree = 5.

Results and Discussion

Outer Model

Validity and reliability testing

The following table 2 below presents the results of the validity and reliability tests:

Table 2. Validity and Reliability

Variable	Item	Indicators' Outer Loadings	AVE ^a (Convergent Validity)	CR ^b (Composite Reliability)	ρ_Ac	Cronbach's α
Organizational agility	OA1	0.767	0.577	0.943	0.939	0.935
	OA2	0.798				
	OA3	0.705				
	OA4	0.729				
	OA5	0.763				
	OA6	0.744				
	OA7	0.806				
	OA8	0.784				
	OA9	0.754				
	OA10	0.769				
	OA11	0.750				
	OA12	0.788				
	OA13	0.767				
	OA14	0.768				
	OA15	0.749				
	OA16	0.723				
	OA17	0.709				
Organizational resilience	OR1	0.782	0.613	0.934	0.922	0.921
	OR2	0.806				
	OR3	0.824				
	OR4	0.832				
	OR5	0.844				
	OR6	0.859				

Variable	Item	Indicators' Outer Loadings	AVE ^a (Convergent Validity)	CR ^b (Composite Reliability)	ρ _{Ac}	Cronbach's α
Strategic change	OR7	0.745	0.595	0.898	0.872	0.864
	OR8	0.734				
	OR9	0.799				
	SC1	0.769				
	SC2	0.789				
	SC3	0.780				
	SC4	0.894				
Environmental uncertainty	SC5	0.772	0.554	0.832	0.743	0.731
	SC6	0.820				
	EU1	0.745				
	EU2	0.794				
SMEs business growth	EU3	0.780	0.668	0.889	0.841	0.834
	EU4	0.751				
	SBG1	0.852				
	SBG2	0.824				
	SBG3	0.849				
	SBG4	0.739				

Source: Data Processed (2024)

Based on table 2, it is known that all constructs have indicators with outer loading values above 0.7, which shows that all indicators have a good correlation with the construct being measured. The AVE (Average Variance Extracted) value for all constructs has a value greater than 0.5. This shows good convergent validity. An AVE value that exceeds 0.5 means that more than 50% of the variance of the indicator can be explained by the construct. All CR, Rho_A and Cronbach's Alpha values have values greater than 0.7, indicating excellent internal consistency of the construct or having a good level of reliability (Hair Jr. et al., 2017; Henseler et al., 2015).

Discriminant validity test

These tables 3 and 4 below presents the results of the discriminant validity test:

Table 3. Discriminant Validity Fornell-Larcker Criterion

	EU	OA	OR	SBG	SC
EU	0.744				
OA	0.551	0.703			
OR	0.576	0.520	0.783		
SBG	0.517	0.614	0.494	0.817	
SC	0.734	0.555	0.654	0.530	0.772

Source: Data Processed (2024)

The Fornell-Larcker criterion states that to fulfill discriminant validity, the square root of the Average Variance Extracted (AVE) of each construct must be greater than the correlation of that construct with other constructs. In table 3, the diagonal values (in bold) are the square root of the AVE for each construct, while the other values are the correlation between constructs. The highest correlation between EU and SC is 0.734, greater than the square root of AVE 0.744. The highest correlation between OA and SBG is 0.614, greater than the square root of AVE 0.703. The highest correlation between OR and SC is 0.654, greater than the square root of AVE 0.783. The highest correlation between SBG and SC is 0.530, greater than the square root of AVE 0.817. The highest correlation between SC and EU is 0.734, greater than the square root of AVE 0.772. From table 3 above, all constructs meet the Fornell-Larcker discriminant validity criteria, where the square root of the AVE for each construct is greater than the correlation of that construct with other constructs. This indicates that the constructs in this study have good discriminant validity, meaning that each construct is quite different from the other constructs in terms of what they measure.

Table 4. Heterotrait Monotrait (HTMT)

	EU	OA	OR	SBG	SC
EU					
OA	0.657				
OR	0.700	0.534			
SBG	0.671	0.534	0.551		
SC	0.703	0.604	0.704	0.616	

Source: Data Processed (2024)

Lower HTMT values indicate better discriminant validity. As a general rule, an HTMT value below 0.85 indicates that the construct has adequate discriminant validity. The HTMT value above shows the correlation between constructs based on the HTMT method. To assess discriminant validity, we need to ensure that all HTMT values are below 0.85. From the results above, all HTMT values are below the threshold of 0.85. This indicates that each construct in this model has adequate discriminant validity. In other words, the constructs are sufficiently different from each other in terms of what they measure, so that there are no significant discriminant validity problems.

Inner Model

Collinearity test

The results of the collinearity test can be seen in table 5 below:

Table 5. Inner VIF

	EU	OA	OR	SBG	SC
EU					1.509
OA			1.000		
OR				1.749	1.533
SBG					
SC				1.749	

Source: Data Processed (2024)

Based on the results of the inner VIF output, it can be seen that the variables EU (Environmental Uncertainty), OA (Organizational Agility), and SBG (SMEs Business Growth) have relatively low VIF values, respectively 1,509, 1,000, and there is no data for SBG indicating no significant multicollinearity problems in the model. The VIF value of the OR (Organizational resilience) variable is 1.749 for EU and SC (Strategic Change), and 1.533 for OA. All VIF values were below the general threshold of 5, indicating that there was no interfering multicollinearity between the variables in this model. This means that each independent variable in the model has a significant unique contribution to the dependent variable.

Coefficient of Determination (R-Square)

The results of the coefficient of determination (R-Square) can be seen in table 6 below:

Table 6. R Square

	R Square	R Square Adjusted
OR	0.270	0.267
SBG	0.319	0.313
SC	0.621	0.617

Source: Data Processed (2024)

Based on the R-Square output results, the dependent variable OR has an R-Square value of 0.270 and an Adjusted R-Square of 0.267. This indicates that approximately 27% of the variance

in the OR can be explained by the independent variables used in the model. For the SBG variable, the R-Square value is 0.319 and the Adjusted R-Square 0.313, which means that around 31.9% of the variance in SBG can be explained by the independent variables.

The SC variable shows a higher R-Square value, namely 0.621 and Adjusted R-Square 0.617, which indicates that around 62.1% of the variance in SC can be explained by the independent variables in the model. Overall, this R-Square value shows varying levels of predictive power for each dependent variable, with the model having fairly good predictive power for the SC variable, and moderate for the OR and SBG variables.

Predictive Relevance (Q-Square)

The results of the predictive relevance (Q-Square) can be seen in table 7 below:

Table 7. Q Square

	SSO	SSE	Q ² (=1-SSE/SSO)
OR	2250.000	1904.772	0.153
SBG	1000.000	792.659	0.207
SC	1500.000	963.918	0.357

Source: Data Processed (2024)

Based on the Q-Square output results, the dependent variable OR has a Q² value of 0.153. This indicates that the model has moderate predictive power for the OR variable, with approximately 15.3% of the variance predicted by the model. The SBG variable has a Q² value of 0.207, which indicates better predictive power than OR, with approximately 20.7% of the variance that can be predicted. The SC variable has the highest Q² value, namely 0.357, indicating that the model has quite good predictive power for this variable, with around 35.7% of the variance that can be predicted. Overall, positive Q² values for all dependent variables indicate that the model has varying predictive relevance, with the best prediction for the SC variable.

Path Coefficient (Hypothesis Testing)

To test the hypothesis in the structural model, testing was carried out using a bootstrapping approach. Path significance was analyzed using path coefficients and p values calculated through bootstrapping procedures. In hypotheses involving mediation effects, only significant indirect effects are taken into account to establish the presence of mediation (Zhao et al., 2010).

Table 8. Hypothesis Testing

Hypothesis	Path	Beta	T-Value	Sig	Decision
H1	OA → OR	0.520	9.621	0.000	Supported
H2	OR → SBG	0.258	2.963	0.003	Supported
H3	OR → SC → SBG	0.129	3.343	0.001	Supported
H4	OR x EU → SC	0.551	13.037	0.000	Supported

Source: Data Processed (2024)

Table 8 shows the hypothesis testing in this study. The path between Organizational Agility (OA) and Organizational Resilience (OR) is significant with a path coefficient (beta) of 0.520. The T-Value value of 9.621 is far above the critical value of 1.96 for a significance level of 5%, and a p value of 0.000 indicates very strong significance. This shows that an increase in organizational agility positively and significantly influences organizational resilience, H1 is accepted. The path between organizational resilience (OR) and SMEs business growth (SBG) is significant with a path coefficient (beta) of 0.258. The T-Value value of 2.963 is above the critical value of 1.96 for a significance level of 5%, and the p value of 0.003 indicates strong significance. This shows that an increase in organizational resilience positively and significantly influences SMEs business growth, H2 is accepted.

The mediation path between organizational resilience (OR) and SMEs business growth (SBG) through strategic change (SC) is significant with a path coefficient (beta) of 0.129. The T-

Value value of 3.343 is above the critical value of 1.96 for a significance level of 5%, and the p value of 0.001 indicates very strong significance. This shows that the mediating effect of strategic change in the relationship between organizational resilience and SME business growth is significant, H3 is accepted. The interaction effect between Organizational Resilience (OR) and Environmental Uncertainty (EU) on Strategic Change (SC) is significant with a path coefficient (beta) of 0.551. The T-Value value of 13.037 is far above the critical value of 1.96 for a significance level of 5%, and a p value of 0.000 indicates very strong significance. This shows that Environmental Uncertainty moderates the relationship between Organizational Resilience and Strategic Change in a significant way, H4 is accepted.

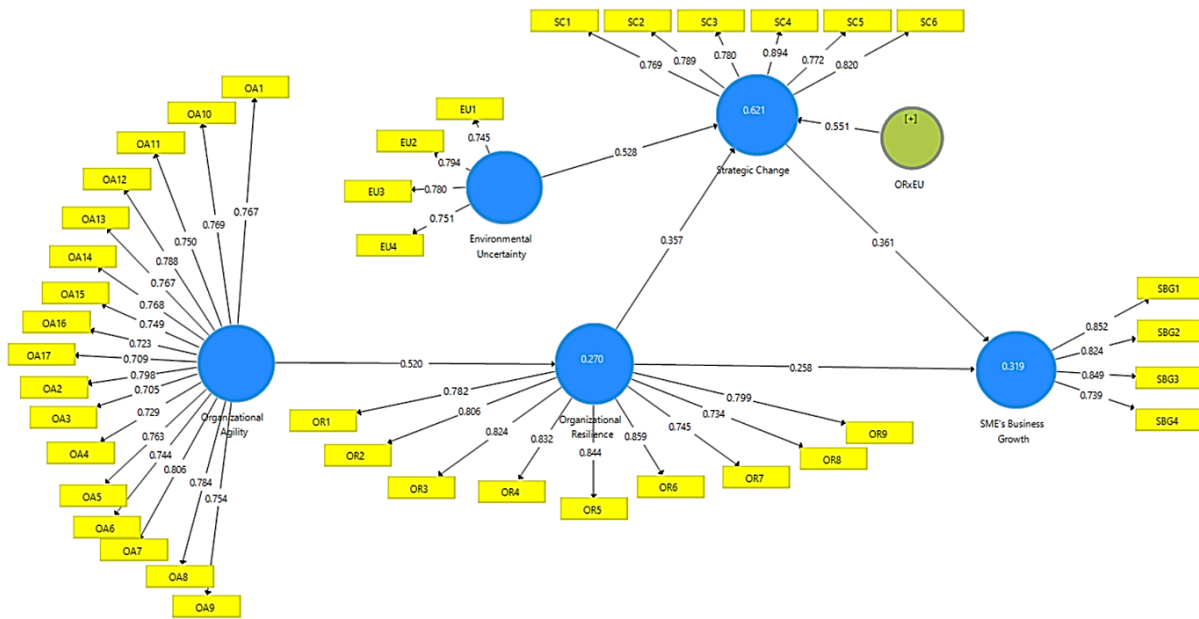


Figure 2. Path Coefficient

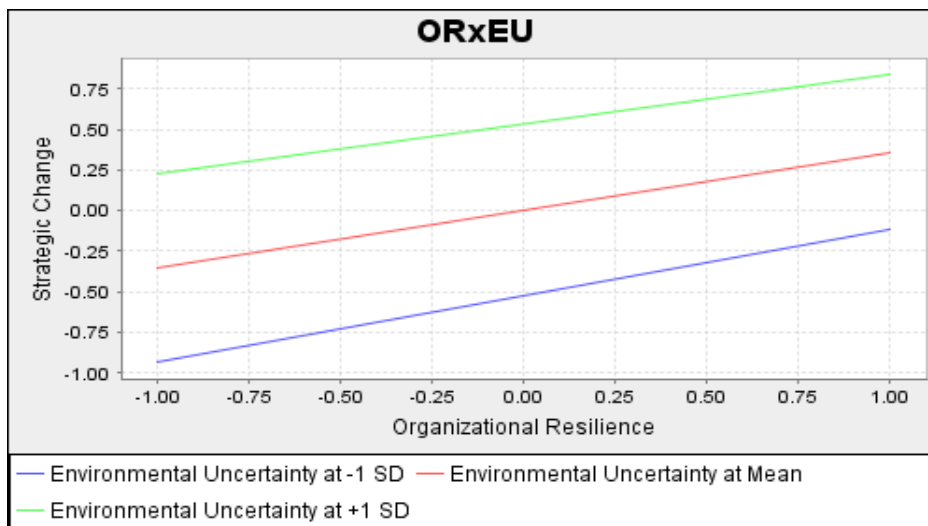


Figure 3. Interaction of OR, EU and SC

Figure 3 shows a graph of the interaction between Organizational Resilience and Environmental Uncertainty on Strategic Change. The values on the X-axis range from -1.0 to 1.0, representing the level of organizational resilience. The further to the right, the higher the organizational resilience. The values on the Y axis range from -1.0 to 0.75, representing the level of strategic change. Positive values indicate an increase in strategic change, while negative values indicate a decrease. In general, there is a positive relationship between Organizational Resilience and Strategic Change. This means that when Organizational Resilience increases, Strategic Change

also tends to increase. In a situation of high Environmental Uncertainty, high Organizational Resilience tends to make more strategic changes. In contrast, in situations of low environmental uncertainty, increasing organizational resilience does not have a major impact on strategic change, and may even be negative.

Discussion

The Relationship Between Organizational Agility and Organizational Resilience

The results indicate a significant relationship between Organizational Agility (OA) and Organizational Resilience (OR), with a path coefficient (β) of 0.520 and a T-value of 9.621, which is well above the critical threshold of 1.96 at a 5% significance level. The p-value of 0.000 further confirms the strong significance of this relationship, thereby supporting Hypothesis 1 (H1). This finding underscores that an increase in organizational agility positively and significantly influences organizational resilience.

Organizational agility, characterized by competencies such as flexibility, responsiveness, and speed, plays a crucial role in enhancing resilience within SMEs. This aligns with the principles of dynamic capability theory, which posits that agility serves as a dynamic capability enabling organizations to sense and respond effectively to environmental changes. The ability of SMEs to reconfigure their resources swiftly in response to external disruptions ensures continued performance and survival in volatile environments. This finding also supports previous research that suggests resilience is achieved when strategic and operational perspectives are effectively aligned (Lopez et al., 2024). In the context of SMEs in Bandung, West Java, organizational agility is vital for maintaining resilience in the face of uncertainties. The dynamic capabilities framework highlights that, through agility, SMEs can rapidly adapt to environmental changes, ensuring their resilience and, ultimately, their long-term sustainability.

The Relationship Between Organizational Resilience and SMEs Business Growth

The analysis reveals a significant relationship between Organizational Resilience (OR) and SMEs Business Growth (SBG), with a path coefficient (β) of 0.258 and a T-value of 2.963, which surpasses the critical value of 1.96 at a 5% significance level. The p-value of 0.003 further confirms the strong significance of this relationship, supporting Hypothesis 2 (H2). This indicates that an increase in organizational resilience positively and significantly influences the growth of SMEs.

Organizational resilience enables SMEs to anticipate disruptions and respond adaptively, which is crucial for business growth, especially in dynamic environments. The ability of SMEs to withstand and adapt to challenges aligns with the dynamic capability theory, which emphasizes that resilience is a critical capability for sustaining business performance amidst uncertainties. By fostering resilience, SMEs can navigate external shocks, turning potential threats into opportunities for growth. This finding is consistent with the perspective that resilience contributes to business growth through enhanced awareness of external changes, a deeper understanding of customer and market needs, and the identification of internal strengths (Teixeira & Werther, 2013). For SMEs in Bandung, organizational resilience serves as a vital mechanism that drives sustainable growth, even in the face of resource constraints and environmental volatility.

The Mediating Role of Strategic Change

The mediation analysis reveals that strategic change (SC) significantly mediates the relationship between organizational resilience (OR) and SMEs business growth (SBG), with a path coefficient (beta) of 0.129, a T-Value of 3.343, and a p-value of 0.001. These results confirm that strategic change plays a crucial role in translating organizational resilience into tangible business growth, thereby accepting H3.

Strategic change acts as a dynamic capability, allowing organizations to reorient their strategies in response to environmental feedback, which is essential for sustaining growth. This finding reinforces the idea that resilience alone is not enough; it must be complemented by the ability to implement strategic changes that align with shifting market conditions. In this context,

strategic change serves as a mechanism through which resilience is operationalized, enabling SMEs to adapt their core strategies and maintain competitiveness. This mediation effect underscores the importance of dynamic capabilities in the SME context, where strategic flexibility is key to turning resilience into long-term growth. By leveraging resilience through strategic change, SMEs can better navigate environmental uncertainties and capitalize on emerging opportunities, further aligning with the principles of dynamic capability theory (Karman, 2020; D. J. Teece et al., 1997).

The Moderating Role of Environmental Uncertainty

The interaction analysis demonstrates that environmental uncertainty (EU) significantly moderates the relationship between organizational resilience (OR) and strategic change (SC), with a path coefficient (beta) of 0.551, a T-Value of 13.037, and a p-value of 0.000. These findings confirm that the effect of organizational resilience on strategic change is amplified in environments characterized by high uncertainty, thereby accepting H4.

This interaction highlights that in volatile and unpredictable environments, the ability of an organization to implement strategic change is increasingly dependent on its resilience. When environmental uncertainty is high, the need for organizations to be resilient becomes even more critical, as they must rapidly adjust their strategies to cope with unexpected changes in the market, technology, or regulatory landscape. This supports the dynamic capability theory, which posits that organizations with strong dynamic capabilities, such as resilience, are better equipped to navigate complex and uncertain environments (D. J. Teece et al., 1997). Moreover, this result suggests that SMEs in highly uncertain environments should focus on enhancing their resilience to ensure they can effectively manage strategic changes. By doing so, they can maintain their adaptability and responsiveness, which are essential for sustaining growth and competitiveness in dynamic markets. The moderating role of environmental uncertainty emphasizes the importance of continuously monitoring and adapting to external changes, further reinforcing the strategic value of resilience within the dynamic capabilities framework (Lopez et al., 2024; D. Teece et al., 2016; D. J. Teece et al., 1997).

Theoretical Implication and Managerial Implication

This study has several implications, both theoretical and managerial. First, the aim of this research is to identify the mediating role of strategic change and the moderating effect of environmental uncertainty on SMEs' business growth. The results provide evidence that the underlying mechanisms for enhancing organizational resilience and SME business growth can be understood from the perspective of organizational agility and strategic alignment. Second, this study expands the scope of existing literature and complements previous studies by demonstrating that organizational resilience can be effectively applied in the SME sector. These findings strengthen the work of Lopez et al. (2024), which explains the conceptualization of SME resilience.

Third, business growth can be achieved when organizations align their ability to adapt with their capacity to build resilience. As stated by Hillmann & Guenther (2021), organizational resilience is largely strategic and operational. Additionally, this study offers several practical implications. It underscores the importance of building organizational agility and resilience to navigate dynamic environments characterized by rapid change. By enhancing adaptability, organizations can achieve growth through improved access to various resources.

Conclusion and Future Research Direction

This study provides positive results regarding the influence of organizational agility and organizational resilience on SME business growth. In particular, the positive impact of organizational agility on organizational resilience has implications for business growth, especially in the SME industrial sector and is strengthened by the mediating role of strategic choices. Although the present study contributes to small and medium entrepreneurs (SMEs) in the city of Bandung, further research can expand the coverage to different cities with different characteristics, economies and cultures. In addition, this research uses strategic choices as a mediator between

organizational resilience and business growth. Future research could use digital transformation or transformational leadership which could possibly be explored further.

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