

## **The Role of Strategic Flexibility in Increasing Innovation (Case Study of Employee Promotion Strategies in Furniture Manufacturing Company)**

**Diah Nur Kusumawardhani<sup>1</sup> and Deden A. Wahab Sya'roni<sup>2</sup>**

<sup>1,2</sup>Magister Management Departement, Universitas Komputer Indonesia, Indonesia

**Abstract.** Innovation is needed for every business organization, especially in the furniture manufacturing company, where business competition is getting faster and tighter, because it is believed to be a driver of business performance. This study aims to determine the antecedents of innovation in furniture manufacturing companies in Cimahi City. This research was conducted on 30 respondents who are currently undergoing the A Few Good Men program. The results of the study were obtained from the respondents' monthly evaluation data and analyzed quantitatively. Data analysis was performed using simple random sampling and descriptive quantitative method was also used to collect the data needed for this research. The results of hypothesis testing indicate that the flexibility of the promotion strategy applied has an effect on increasing innovation in the company. So, the conclusion obtained is that the more flexible the strategy applied to the Furniture Manufacturing company, the higher the company's innovation invent.

### **1. Introduction**

In recent years, the business environment has become more complex due to demands, intense competition, globalization, crises, technological developments, and the Covid-19 pandemic. Businesses must have different strategies and policies to deal with the uncertainty and changing environment. In context, strategic flexibility can allow businesses to adapt to these conditions. Therefore, strategic flexibility has begun to be studied as an important research area. Strategic flexibility refers to the company's ability to respond and adapt to environmental changes. Development of strategic organizational flexibility that exercises strategic leadership, builds dynamic core competencies, focuses and develops human resources, effectively uses new manufacturing and information technologies, implements new organizational structures and, has an innovative culture [1]. Primarily, organizations should opt for a flat and horizontal structure that enhances innovation and speed of strategic action.

What happened in one of the furniture manufacturing areas, where the leadership gap was quite far and the organizational structure at the middle management level had not been met, resulted in a leadership gap. Faced with an uncertain pandemic situation and very fast changes, companies must also quickly implement an acceleration strategy in filling leadership gaps. Previously, the promotion procedure was carried out once a year and was deemed ineffective due to the absence of an assessment mechanism in promotions and employees who were proposed for promotion only based on years of service. This has the impact of not achieving employee performance after promotion, lack of innovation and also the absence of a demotion mechanism so that leadership is not effective at higher level positions. On the other hand, the manufacturing business during the pandemic needs to make efficiencies that can result in cost reduction and more effective processes so that the company continues to be able to run its business in this situation. The company needs employees who can continue to carry out

continuous improvement through innovations, both in products, operations, process time, and procedures.

The company's effort to compensate for this gap is by conducting the A Few Good Man Program as a trial program before the actual promotion. This program is carried out for employees who perform well in each Department where they are selected, their positions are promoted to the next level and run a probationary period of leadership at the new level for a maximum of 12 months. Employees who undergo this program set work targets at a higher level and make innovations and evaluations are carried out every month. The program as a strategic alternative to promotional programs is more flexible and on target based on the realization of performance. Strategic flexibility refers to the company's ability to respond and adapt to environmental changes. To develop strategic flexibility, organizations must exercise strategic leadership, build dynamic core competencies, focus and develop human resources, effectively use new manufacturing and information technologies, implement new organizational structures, and have an innovative culture (Hitt et al., 1998).

Strategic flexibility provides many advantages for businesses. Flexible companies quickly move from one strategy to another. Thus, they can realize various strategic actions in the competitive arena. In addition, strategic flexibility allows businesses to be more proactive. Proactive companies can analyze their environment and determine external opportunities and threats better than other companies. Thus, they can take advantage of opportunities while protecting themselves from environmental threats. Furthermore, empirical evidence shows that strategic flexibility affects business performance positively [2]. In addition, strategic flexibility can improve a company's innovation performance in a dynamic environment. Strategic flexibility can affect innovation performance by providing more flexible processes and structures. Innovation is the most important source of competitive advantage. Because, innovation can produce new products that better satisfy customer needs, can improve the quality of existing products, or can reduce the cost of making products that customers want (Hill and Jones, 2004). Therefore, organizations looking to be more innovative in their processes, products or services should consider strategic flexibility as an alternative.

This study aims to explain strategic flexibility, environmental dynamism, and innovation performance theoretically and to determine the relationship between strategic flexibility, innovation performance, and environmental dynamism. Recent research on strategic flexibility has focused on firm performance and product innovation as outputs [3]. There are limited studies dealing with how strategic flexibility effects on the innovative performance of firms [7]. Therefore, this study will be very useful to fill the gaps defined in the literature.

## **2. Method**

Based on the research objectives that have been determined, the research carried out uses a quantitative descriptive approach. said descriptive research, namely, research conducted to determine the value of independent variables, either one or more variables (independent) without making comparisons, or connecting with other variables [8]. Data collection techniques with several methods, namely interviews, performance data, and surveys. The population in this study were employees of a furniture manufacturing company in the Cimahi region. The sampling technique used in this research is probability sampling with simple random sampling technique.

The first step is to analyze the Promotion Program and A Few Good Man Program. The evaluations include observation and conducting interviews. The second step is to evaluate performance data, innovations, and surveys. The final step is an analysis of the A Few Good Man program which has been running for approximately 5 (five) months.

## **3. Results**

The research subjects were 30 (thirty) employees who took part in the A few Good Man program and produced a response rate of 100% or 30 completed questionnaires. With a sample of 30 respondents with a total of seven people at the staff level and 23 people at the non-staff level. The majority of respondents in this study had a working period of > 15 years as many as 17 respondents, nine

respondents had a service period of 5-15 years, while four respondents had a service period of < 5 years. The educational background of the respondents also varies. The education level of respondents is dominated by high school graduates as many as 14 respondents, followed by Bachelor graduates as many as 8 respondents, and Diploma graduates as many as six respondents and masters as many as two respondents.

The description of the answers obtained from the respondents is used to determine the responses given by the respondents to the strategy flexibility variable from the implementation of the A Few Good Man Program. The assessment of this respondent is based on the following criteria:

The lowest scoring score is: 1

The highest scoring score is: 5

$$\text{Interval} = \frac{5 - 1}{5} = 0.80$$

The assessment limits for each variable are obtained as shown in Table 1, 2, and 3

**Table 1.** Criteria Description

Scoring Score	Criteria	Description
1.00 – 1.80	Strongly Disagree	The A Few Good Man program is considered to have very little effect on increasing innovation
1.81 – 2.60	Disagree	The A Few Good Man program is considered to have no effect on increasing innovation
2.61 – 3.40	Neutral	The A Few Good Man program is considered to have an average effect on increasing innovation
3.41 – 4.20	Agree	The A Few Good Man program is considered to be quite influential in increasing innovation
4.21 – 5.00	Strongly Agree	The A Few Good Man Program is considered to be very influential in increasing innovation

**Table 2.** Strategic Flexibility Questionnaire Results

Code	Items	Mean	Criteria
SF1	A few Good Man program contributes to innovation and continuous improvement	3.83	Agree
SF2	Employees who take part in the A Few Good Man program contribute to innovation	3.67	Agree
SF3	Employees participating in the A Few Good Man program contribute to cost reduction	4.27	Strongly Agree
SF4	A few Good Man program is more effective in producing good performing leaders	3.83	Agree
SF5	The company seeks to develop leadership through the A Few Good Man program	3.67	Agree
SF6	The innovations generated by employees in the A Few Good Man program can be implemented	4.17	Agree

SF7	Employees who take part in the A Few Good Man program innovate new products	3.33	Neutral
SF8	Employees who participate in the A Few Good Man program innovate on process, time, and product improvement	4.17	Agree

**Tabel 3.** Innovation Data

	Exploratory Innovation	Exploitative Innovation
January – June 2021 (before program)	1. Scrap utilization into dies	1. Wastewater utilization process 2. Setting shift work hours
July – December 2021 (after program)	1. Making Lift table System 2. Utilization of dead wood stock into multilevel shelves 3. School chair product installation design	1. HRIS system 2. Plating slope change 3. Making the car deck slender

Based on the results of the descriptive analysis in table 2, it shows that respondents assess the flexibility strategy variable with an average value of 3.87 which is included in the criteria for strongly agree. This means that the A Few Good Man Program is quite influential in increasing innovation. The highest score was obtained for the item with the SF3 code of 4.27, namely "Employees who participate in A Few Good Man contribute to cost reduction". While the assessment with the lowest score was obtained on the item with the SF7 code of 3.33, namely "Employees who take part in the A Few Good Man program innovate new products". The results show that the majority of respondents agree with the flexibility strategy which is indicated by the company's efforts to always strive for continuous improvement through accelerated leadership programs so that the company remains afloat for a longer period of time.

#### 4. Discussion

One of the furniture manufacturing companies located in Cimahi City has a Top of Mind furniture brand that has undoubted quality with the vision of "Innovation by Your Inspiration". A company that has been established for more than 40 years in the furniture industry, continues to innovate according to the expected vision so that innovation becomes very important for a sustainable business. However, innovations that have been carried out continuously are disrupted by a pandemic so that companies are required to quickly innovate that is different from before. The procedures that have been carried out by the Company need to be adapted to conditions that are not unusual from before, leadership programs in the form of promotions also need to adapt quickly. The company takes flexible strategic steps to deal with this condition so that the company can continue to progress well. The flexibility strategy is applied to maintain the wheels of company management, namely closing the leadership gap.

Leadership is also required to be able to produce innovations that affect the efficiencies in the company. Leaders promote their creative ideas in organizations, this behavior reflects the active role of transformational leaders [9]. Leaders have a vision that motivates employees to increase their willingness to do work that exceeds expectations, and challenges them to adopt innovative approaches to their work through the motivation provided by the leadership [10].

The company's efforts to carry out a flexible strategy of promotion by running the A Few Good Man Program are right. The company manages Human Resources flexibly to adapt to existing conditions, strategies for procedures to quickly move so that the company is able to survive in uncertain conditions and continue to compete. The company's rapid adaptation will encourage rapid adaptation of employees as well as being able to continue to innovate to produce various dynamic continuous improvements. The results of interviews and company data used in this study indicate that with the A Few Good Man program the innovation produced by the company increased from the previous year. Based on the data

in table 3.2, before the implementation of the A Few Good Man program, there were 2 exploitative innovations and 1 exploratory innovation in 1 semester. However, after the implementation of the program, the resulting innovations became 3 exploitative innovations and 3 exploratory innovations within 1 semester. However, in its implementation exploratory innovations related to new product innovations require a longer time to be implemented. This is what makes previous exploratory innovations very minimal, through the A Few Good Man leadership acceleration program, these innovations can increase 3 times from before. The results of the questionnaire are shown in table 2. shows that the total average of 3.87 respondents agree indicates that the A Few Good Man program has a significant influence on innovation.

This study proves that companies that have good management of their internal aspects such as aspects of Human Resources, production, marketing and finance will not only increase their innovation activities directly, but also increase their innovation activities through strategic flexibility. Furthermore, this research proves that when a company wants to increase the company's innovation activities, the company must ensure that the company has strategic flexibility which is reflected in several things, for example the regular review of the strategic plan, as well as the flexible allocation of resources within the company's lines. Strategic flexibility can increase company innovation in a dynamic business environment, one of which can be realized in supporting business processes and a flexible organizational structure. The higher the flexibility of the company in the formulation and implementation of its strategy, the higher the level of innovation activities carried out by the company, both activities in the form of exploratory innovation in the form of the company's efforts to develop new products, as well as exploitative innovations in order to improve the performance/efficiency of existing products. In terms of exploratory innovation, companies are not only required to have a strong internal management (internal environment), but also must be supported by strategic flexibility, for example in terms of adapting to technological developments. Furthermore, in terms of exploitative strategies, in addition to the strength of the internal environment, the flexibility of business processes and structures will also affect the company's innovation [11].

## **5. Conclusion**

This study explores how a furniture manufacturer is able to survive and continue to thrive in an uncertain pandemic situation by building increased innovation through the preparation of flexible strategies for promotions. The role of leadership through a position positively and significantly influences innovation. Strategy flexibility positively mediates employees within the company to continue to innovate. The company acts adaptively in accepting change, so that the Human Resources factor also plays a good role in being flexible in implementing strategies. Second, the current pandemic conditions require all business actors to be more flexible in responding to the competitive environment. Thus, the more flexible the company in formulating and implementing its strategy, the easier it will be for the company to carry out innovation activities. It is hoped that this research can help other companies and practitioners of Human Resources regarding policies that can be carried out as support for building innovation activities so that they can continue to compete, survive, and maintain their business in an uncertain situation. This research was conducted using a simple random sampling technique with a specific population character. Furthermore, this study does not look at the role of leadership characteristics in increasing innovation. Therefore, further research needs to integrate leadership variables, especially regarding the characteristics of transformational leadership in the model built.

## **Acknowledgments**

This research could be carried out with full support from the Advisor who is also the second author of this journal, Dr. Ir. Deden A. Wahab Sya'roni, M.M. Thanks are conveyed to the UNIKOM rector, Dr. Ir. Eddy Soeryanto to continue holding seminar activities (ICOBEST) every year. Many thanks are also conveyed to comrades in the Department of Masters in Management Batch 2021 who always support knowledgeably and emotionally so that this journal can be realized.

## References

- [1] Hitt, M.A. et al., (1998), Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21<sup>st</sup> century. *Academy of Management*, Vol. 12, No. 4, pp. 22-42.
- [2] Nadkarni, S. and Nakarayanan, V.K. (2007), Strategic schemas, strategic flexibility, and firm performance: The moderating role of industry clockspeed. *Strategic Management Journal*, Vol. 28, pp. 243-270.
- [3] Sanchez, R. (1997), Preparing for an uncertain future: Managing organization for strategic flexibility. *International Studies of Management & Organization*, Vol. 27, No. 2, pp. 71-94.
- [4] Worren, N. et al., (2002), Modularity, strategic flexibility, and firm performance: A study of the home appliance industry. *Strategic Management Journal*, Vol. 23, pp. 1123-1140.
- [5] Gomez-Gras, J.M. and Verdu-Jover, A.J. (2005), TQM, structural and strategic flexibility and performance: an empirical research study. *Total Quality Management*, Vol. 16, No. 7, pp. 841-860.
- [6] Zhou, K.Z. and Wu, F. (2010), Technological capability, strategic flexibility, and product innovation. *Strategic Management Journal*, Vol. 31, pp. 547-561.
- [7] Tamayo-Torres, I. et al., (2010), The moderating effect of innovative capacity on the relationship between real options and strategic flexibility. *Industrial Marketing Management*, Vol. 39, pp. 1120-1127.
- [8] Sugiyono. (2015). *Metode Penelitian Pendidikan (Pendekatan Kuantitatif, Kualitatif dan R&D)*. Bandung: Alfabeta.
- [9] Howell, J.M., & Higgins, C.A. (1990) Champions of technological innovation. *Administrative Science Quarterly*, 35, 317-341.
- [10] Mumford, M.D., Scott, G.M., Gaddis, B., & Strange, J.M. (2002) Leading creative people: Orchestrating expertise and relationships. *Leadership Quarterly*, 13, 705- 750.
- [11] Dibrell, C., Craig, J. B., & Neubaum, D. O. (2014). Linking the formal strategic planning process, planning flexibility, and innovativeness to firm performance. *Journal of Business Research*, 67(9), 2000-2007.
- [12] Hill, W.L.C. and Jones, G.R. (2008), *Strategic Management: An Integrated Approach*, Eighth Edition, Houghton Mifflin Company, Boston.
- [13] Hitt, M.A. (2007), *Strategic Management: Competitiveness and Globalization*, 7<sup>th</sup> Edition, Thompson, United States. Li, Y. et al., (2010), Can strategic flexibility help firms profit from product innovation?, *Technovation*, 30, pp. 300-309.
- [14] Nadkarni, S. and Herrmann, P. (2010), CEO personality, strategic flexibility, and firm performance: The case of the Indian business process outsourcing industry. *Academy of Management Journal*, Vol. 53, No. 5, pp. 1050-1073.
- [15] Roberts, N. and Stockport, G.J. (2009), Defining strategic flexibility. *Global Journal of Flexible Systems Management*, Vol. 10, No.1, pp. 27-32.
- [16] Sanchez, R. (1995), Strategic flexibility in product competition. *Strategic Management Journal*, Vol. 16, pp. 135-159.
- [17] Shimizu, K. and Hitt, M.A. (2004), Strategic flexibility: Organizational preparedness to reverse ineffective strategic decisions. *Academy of Management Executive*, Vol. 18, No. 4, pp. 44-59.
- [18] Skordoulis, R.T. (2004), Strategic flexibility and change: An aid to strategic thinking or another managerial abstraction?, *Strategic Change*, Vol. 13, pp. 253-258.
- [19] Ussahawanitchakit, P. and Sriboonlue, P. (2011), Transformational leadership, strategic flexibility, learning capability, continuous improvement, and firm performance: Evidence from Thailand. *International Journal of Business Strategy*, Vol. 11, No. 1, pp. 162-172.