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DIGITAL TRANSFORMATION IN THE SMALL TO MEDIUM INDUSTRIES (IKM) AUTOMOTIVE COMPONENTS IN INDONESIA

By
Faisal Rahman[1*], Bambang Purwoko[2], Zulkifli[3]
[1,2,3]Doctor of Economics, Pancasila University, Indonesia
Email: [1]faizsal.rahman@gmail.com

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ABSTRACT

Digital transformation is a new strategy in maintaining business continuity and supporting the stability of SMI players when the conditions of the business environment experience rapid changes, especially in the midst of the Corona Virus Disease 2019 (Covid-19) pandemic.. The research developed a model of the moderating effect of adaptive leadership on the relationship of strategic flexibility to digital transformation by integrating strategic intelligence, workforce transformation, and dynamic capabilities. The study used quantitative methods through questionnaires and Focus Group Discussion (FGD) confirmation and analyzed with Structural Equation Modeling (SEM) assisted by SmartPLS. The research sample is 147 respondents from the Small and Medium Industrial (SMI) players/owners of automotive components in Indonesia. The results show the model development for the influence of strategic intelligence on strategic flexibility that is positive and significant, the effect of workforce transformation on strategic flexibility that is positive and significant, the influence of dynamic capabilities on strategic flexibility that is positive and significant, the influence of strategic intelligence on digital transformation that is positive and significant, the influence of workforce transformation on digital transformation that is positive and significant, the effect of dynamic capabilities on digital transformation that is positive and significant, the influence of strategic flexibility on digital transformation that is positive and significant, and adaptive leadership moderating the relationship between strategic flexibility on digital transformation of automotive component SMIs in Indonesia

Corresponding Author:
Faisal Rahman
Doctor of Economics, Pancasila University, Indonesia
Email: faizsal.rahman@gmail.com

1. INTRODUCTION

Digital transformation is the application of digital technology in all aspects of people's lives, including business. With collected data and the right digital strategy, businesses can create products and services tailored to consumer tastes, reduce excessive spending costs, and increase revenue streams. The urgency to help Small and Medium Industries (IKM) automotive components transform and adapt to the rapidly changing digital economy is very important, because the key to successful digital transformation is investing in people's digital literacy skills (Dinisari, 2021). It is deemed necessary for automotive component SMEs to adopt digitalization to maintain productivity and maintain their income amidst Covid-19. Digital sales penetration could be their main strategy because this strategy can expand market reach (Jelita, 2021).

The large contributions and contributions from automotive component IKMs are a sign that digital economic transformation through automotive component IKMs is an important thing to pay attention to as a driver of the

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economy (Rosida, 2021). According to (National Information and Communication Technology Council, 2020) stated that so far many automotive component SMEs are not yet familiar with digital technology. (Irianto, 2021) explains that for automotive component SMEs, digital transformation is a necessity. Digital transformation is effective for automotive component SMEs in increasing sales value while achieving greater profits.

Because so far digital literacy and the quality of human resources for automotive component IKM players have been very minimal, resulting in less than optimal results in producing their respective superior products. In fact, the majority of automotive component SMEs want to practice digital business in developing their business, stated by Susanti (In Arianto, 2020). Before the Covid-19 pandemic, automotive component SMIs recorded high sales. However, after the pandemic occurred, sales decreased from pre-pandemic conditions. SMEs supporting automotive components and spare parts are still producing, although most are experiencing a decline in demand from vendors, Brand Holder Agents (APM), and customers, who have a very high level of dependence (Wibawaningsih, 2020).

The advantage of automotive component SMEs is flexibility. Automotive component SMEs can change direction at any time. This means that the automotive components business sector or IKM business can change from one type to another. Automotive component SMEs can adapt to market share quickly. Can change business sectors at any time. Changing business sectors can also be one way for automotive component SMEs to find out their ideal market share. So, after changing business sectors several times, you will find out which business is the most promising to run continuously (Handiman, 2020). Leaders play an important role in digital transformation as a transformation of company organizations (Supangkat In Syatiri, 2021). Efficiency, productivity, service quality are certainly the objectives of the organization. This process cannot be assigned solely to the information technology management unit, but is a joint effort that must be led and coordinated by the highest level of organizational leadership.

One of the obstacles that makes it difficult for automotive component SMEs to develop is unadaptive management and leadership style (Junianto, 2019). Wendra (2021) revealed that the phenomenon of automotive component SMEs is related to the problem of dynamic capabilities, namely that automotive component SMEs still tend to take a long time to handle differences of opinion, and the employee reward and control system is not yet satisfactory. Automotive component IKM business actors in Indonesia are starting to prepare for the transformation of their workforce. However, those running the system are human resources who are different in character, cultural diversity and background from human resources from the parent company's country of origin. Digital transformation in automotive component SMEs in Indonesia must be balanced with the transformation of a qualified HR workforce. Most of them must be prepared to become reliable digital talents so that the industry can grow well.

Workforce transformation is the thing that is most often forgotten but is the most important thing in determining the success of digital transformation. The first and most important thing related to the transformation of the automotive component IKM workforce in Indonesia is that digital transformation requires vision from leaders and is followed by a mindset shift from the people in the company. Strategic intelligence has a positive influence on a company's ability to face the internationalization process. With this strategic intelligence, it will certainly make it easier for business actors to obtain information on the latest developments in foreign markets, legal provisions in each country and so on.

The availability of data and information is important in the decision-making process as material for analyzing the development of automotive component SMEs or organizations. The need for complete, correct and appropriate data and information is also a necessity for the continued development of automotive component SMEs in the future. Strategic intelligence can also help an automotive component SME or organization to gain clear knowledge about the factors that influence organizational performance so that it can help the organization in making decisions and at the same time increase its competitive advantage. Strategic intelligence can also help an organization analyze changes in trends that occur so that it will help the organization determine the strategies needed to anticipate changes in these trends (Priyatna, 2019). For automotive component SMEs, problems arise especially in information related to products, distributors and suppliers. Strategic intelligence can be used to overcome these limitations as a tool that companies can use with their own resources. However, this is different from companies that only use salespeople as salespeople without strategic intelligence, of course they will be far behind their competitors (Johan, 2019).

2. LITERATURE REVIEW

Strategic Intelligence

Strategic intelligence is a systematic search for information through existing resources, which is explained by McDowell et al (In Johan et al, 2019). However, studies have noted that intelligence activities have attracted much attention for managers to apply in understanding their competitors (Sheen, 2017). Levine et al (2017) stated that strategic intelligence activities are a means of seeking information through intelligence obtained from what is known, integrated with new information and finally its meaning is interpreted.

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Workforce Transformation

Workforce transformation is a fundamental change in circumstances and requires changes in culture, behavior, and mindset (Shaughnessy, 2018). In other words, workforce transformation requires a shift in human consciousness that truly changes lives and livelihoods (Pan et al, 2019). Fachrunnisa (2020) explains that workforce transformation is the creation and change from one form to another that is completely new in function or structure which includes fundamental changes in circumstances and culture, behavior and thought patterns that require a shift in workforce awareness that truly changes life and livelihood.

Dynamic Capabilities

Dynamic capabilities relate to an organization's ability to adapt adequately and timely to a changing environment by reconfiguring internal or external processes and resources, with existing competencies (Eisenhardt et al, 2000; Gaur et al, 2014). Dynamic capabilities are agents of evaluation and change that enable companies to assess what changes are needed to their resource base and capabilities to remain competitive, especially in the face of a changing market environment (Wilden et al, 2013).

Adaptive Leadership

According to Highsmith (2002), adaptive leadership is a leader who is intelligent and agile in creating mental management models for staff in carrying out organizational processes and is able to respond to the complexity and difficulties of the organization in carrying out its functions. Bambale (2011) argues that adaptive leadership is leadership that involves leaders creating a vision of the future and inspiring others to accept change and become participants in the journey forward.

Strategic Flexibility

Strategic flexibility refers to a company's ability to respond to uncertainty by adjusting its goals with the support of superior knowledge and capabilities. This flexibility consists of people, processes, products and integrated systems according to Warner (In Fachrunnisa, 2020).

Digital Transformation

Digital transformation is defined by Fitzgerald et al (2014) as the use of new digital technologies (social media, mobile, analytics, or embedded devices) to enable key business improvements such as improving customer experience, streamlining operations, or creating new business models. Digital transformation related to changes in digital technology can bring about changes in a company's business model, resulting in changes to products or organizational structures or in process automation (Hess et al, 2016).

3. RESEARCH METHODS

This research uses quantitative methods, with the population selected in this study namely automotive component SMEs in Indonesia, totaling 500 business units. The sampling technique uses the Slovin formula, with the number of respondents to be sampled being 222 respondents, taken from one business actor, namely the owner/leader/manager of each automotive component IKM, where they were chosen because they have a strategic position that allows them to to be able to make decisions in adopting digital information technology. The form of research will be collected using instruments and the information will be analyzed using statistical procedures, namely SEM-PLS and hypothesis testing. Next, a Focus Group Discussion (FGD) will be held to strengthen and complement the findings through a survey with relevant stakeholders.

4. RESULT AND DISCUSSION

Convergent Validity Test

The convergent validity test on reflective indicators is carried out by looking at the loading factor value for each construct indicator in the Outer Loading output, then to test the Averaged Variance Extracted (AVE) it can be seen in the Construct Reliability and Validity output. Based on the rule of thumb, convergent validity is assessed by looking at the loading factor value which must be greater than 0.7 but a value of 0.4-0.7 is still acceptable. The loading factor values for all indicators used in the research are shown in the following table.

Table 1. Results of Initial Stage Outer Loading Statistics

Variable	Indicator		*Loading Factor*	Information
Strategic Intelligence (X1)	KS11	Consumer predictions	0,737	Valid
	KS12	Competitor predictions	0,796	Valid
	KS13	Technology predictions	0,816	Valid
	KS21	Reputation	0,797	Valid
	KS22	Growth	0,835	Valid

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Variable	Indicator		*Loading Factor*	Information
	KS23	Sustainable	0,785	Valid
	KS31	Positive competition	0,835	Valid
	KS32	Incentive	0,825	Valid
	KS33	Effective communication	0,795	Valid
	KS41	Building relationships with customers	0,797	Valid
	KS42	Information exchange	0,796	Valid
	KS43	Use of technology	0,815	Valid
Workforce Transformation (X2)	TK11	Upgrade workforce skills	0,807	Valid
	TK12	Improved workforce quality	0,784	Valid
	TK13	Increased labor productivity	0,799	Valid
	TK21	Identify new social values in society	0,772	Valid
	TK22	Introduction of new social values in the workplace	0,819	Valid
	TK23	Implementation of new social values in the workplace	0,795	Valid
	TK31	Work flexibly	0,797	Valid
	TK32	Easily adapt to changes	0,740	Valid
	TK33	Be fluid	0,800	Valid
	TK41	Human resources are always quicker to respond to changes in digital technology	0,762	Valid
	TK42	Agile human resources achieve organizational goals	0,792	Valid
	TK43	Human resources are always more adaptive in responding to changes in digital technology	0,778	Valid
Dynamic Capabilities (X3)	KD11	Detect changes in the business environment periodically	0,732	Valid
	KD12	Track customer wants and needs	0,773	Valid
	KD13	Identify organizational changes	0,754	Valid
	KD21	New product discovery	0,751	Valid
	KD22	Product development	0,818	Valid
	KD23	Process improvement	0,769	Valid
	KD31	Social networking	0,805	Valid
	KD32	Support network	0,819	Valid
	KD33	Intercompany networking	0,803	Valid
	KD41	Managerial commitment	0,819	Valid
	KD42	Openness and experimentation	0,800	Valid
	KD43	Knowledge transfer and integration	0,814	Valid
Adaptive Leadership (X4)	KA11	Identify the need for change	0,737	Valid
	KA12	Response to change	0,806	Valid
	KA13	Readiness to make changes	0,753	Valid
	KA21	Problem solving	0,828	Valid
	KA22	Providing solutions and strategies	0,810	Valid
	KA23	Business process changes	0,811	Valid
	KA31	Member assistance	0,813	Valid
	KA32	Adjustment to change	0,805	Valid
	KA33	Changes in organizational structure	0,803	Valid
	KA41	Provision of resources	0,734	Valid
	KA42	Development of supporting systems	0,824	Valid
	KA43	Development of new skills and competencies	0,747	Valid
	FS11	Changes in production levels	0,804	Valid

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Variable	Indicator		*Loading Factor*	Information
Strategic Flexibility (Y)	FS12	Replacement of production capacity	0,821	Valid
	FS13	Other capacity use strategies	0,799	Valid
	FS21	Quickly modify resources	0,823	Valid
	FS22	Effectiveness of resource changes	0,764	Valid
	FS23	Versatile resource	0,758	Valid
	FS31	Sociable use of information	0,803	Valid
	FS32	Information is flexible to change	0,774	Valid
	FS33	Flexible information management	0,814	Valid
	FS41	Dynamic communication	0,788	Valid
	FS42	Management adapts to changing conditions and workers	0,820	Valid
	FS43	Management arrangements to coordinate work methods	0,754	Valid
Digital Transformation (Z)	TD11	Consumer satisfaction	0,771	Valid
	TD12	Customer loyalty	0,776	Valid
	TD13	New processes for connecting with customers	0,779	Valid
	TD21	Needs-oriented strategy	0,787	Valid
	TD22	Business model readiness level	0,786	Valid
	TD23	Strategic initiatives	0,800	Valid
	TD31	Organizational effectiveness	0,795	Valid
	TD32	Organizational reliability	0,814	Valid
	TD33	Organizational agility	0,806	Valid
	TD41	Streamlining operations	0,766	Valid
	TD42	Fast and smart operation	0,807	Valid
	TD43	Operational efficiency	0,785	Valid
	TD51	Level of mastery of digital technology	0,759	Valid
	TD52	Technology integration in all business areas	0,772	Valid
	TD53	New technology	0,745	Valid

Source: processed by the author, 2021

Based on the table above, it can be seen that the outer model value or correlation between constructs and variables meets convergent validity because all indicators have loading factor values above 0.700. Therefore, it can be concluded that the indicators used in this research have met convergent validity and can be used for further data processing.

Apart from that, the overall convergent validity used for each construct variable can also be seen from the AVE value. The AVE value is required to be > 0.5, which means that 50% or more of the indicator can be explained (Ghozali, 2014). The results of the AVE value test can be seen in the following table:

Table 2. Average Varience Extracted (AVE) Test

Variable	AVE
Strategic Intelligence (X1)	0,645
Workforce Transformation (X2)	0,620
Dynamic Capabilities (X3)	0,622
Adaptive Leadership (X4)	0,624
Strategic Flexibility (Y)	0,630
Digital Transformation (Z)	0,614

Source: processed by the author, 2021

Based on the results of testing the AVE value, it can be concluded that all variables have met the convergent validity requirements with an AVE value > 0.5.

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Reliability Test

The reliability test was carried out by looking at the Cronbach's alpha and composite reliability values. The Cronbach's alpha or composite reliability value must be greater than 0.7 and is said to have a good reliability value, but a value of 0.6-0.7 is still acceptable for explanatory research (Ghozali, 2014). The results of testing the reliability construct values are shown in the following table.

Table 3. Reliability Construct Value

Variabel	*Cronbach's Alpha*	*Composite Reliability*	Informstion
Strategic Intelligence (X1)	0,950	0,953	Reliabel
Workforce Transformation (X2)	0,944	0,951	Reliabel
Dynamic Capabilities (X3)	0,945	0,952	Reliabel
Adaptive Leadership (X4)	0,945	0,952	Reliabel
Strategic Flexibility (Y)	0,946	0,953	Reliabel
Digital Transformation (Z)	0,955	0,960	Reliabel

From the results of testing the reliability construct values above, it shows that the Cronbach's alpha or composite reliability value of all constructs has a value of > 0.7 so it can be concluded that all indicators in this study have met the reliability requirements, and the research variables are proven to have accuracy, consistency and precision of the instruments in measure the construct well.

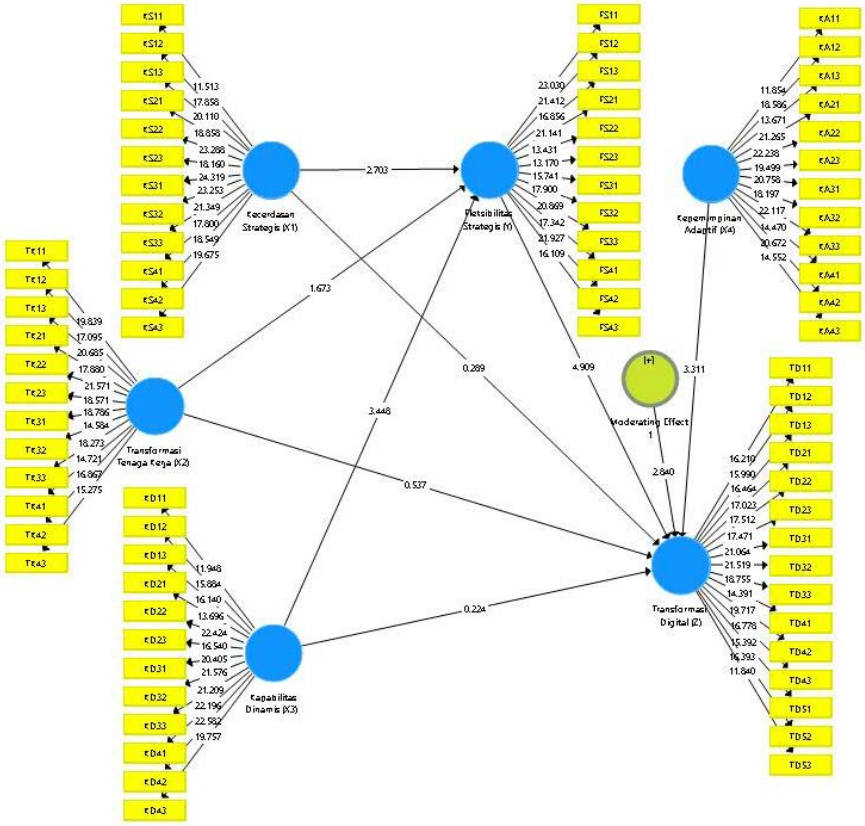

Figure 1. Results of Full Structural Model (Standardized Output)-PLS Algorithm

Based on the image above, the structural equation model is obtained as follows:

$$Y = 2{,}757X1 + 1{,}711X2 + 3{,}598X3 + \zeta$$

$$Z = 0{,}283X1 + 0{,}532X2 + 0{,}238X3 + 3{,}285X4 + 5{,}161Y + \zeta$$

Information:
X1 = Strategic Intelligence
X2 = Labor Transformation
X3 = Dynamic Capability

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X4 = Adaptive Leadership
Y = Strategic Flexibility
Z = Digital Transformation
ζ = Residual or Error

The correlation coefficient value above can be explained as follows:

1. The correlation coefficient value obtained between strategic intelligence and strategic flexibility is 2.757, which shows that the model is strong because it is in the interval > 0.35. The positive correlation coefficient value indicates that the relationship between the two is unidirectional, meaning that the better the strategic intelligence (increasing by 1 unit), the impact will be on increasing strategic flexibility (i.e 2.757).
2. The correlation coefficient value obtained between workforce transformation and strategic flexibility is 1.711, which shows that the model is strong because it is in the interval > 0.35. The positive correlation coefficient value shows that the relationship between the two is unidirectional, meaning that the better the workforce transformation (increasing by 1 unit), the impact will be on increasing strategic flexibility (i.e 1.711).
3. The correlation coefficient value obtained between dynamic capabilities and strategic flexibility is 3.598, which shows that the model is strong because it is in the interval > 0.35. The positive correlation coefficient value shows that the relationship between the two is unidirectional, meaning that the better the dynamic capability (increasing by 1 unit), the impact will be on increasing strategic flexibility (i.e 3.598).
4. The correlation coefficient value obtained between strategic intelligence and digital transformation is 0.283, which indicates that the model is moderate because it is in the interval 0.15-0.35. The positive correlation coefficient value shows that the relationship between the two is unidirectional, meaning that the better the strategic intelligence (increasing by 1 unit), the impact will be on increasing digital transformation (by 0.283).
5. 5. The correlation coefficient value obtained between workforce transformation and digital transformation is 0.532, which shows that the model is strong because it is in the interval > 0.35. The positive correlation coefficient value shows that the relationship between the two is unidirectional, meaning that the better the workforce transformation (increasing by 1 unit), the impact will be on increasing digital transformation (i.e 0.532).
6. The correlation coefficient value obtained between dynamic capabilities and digital transformation is 0.238, which indicates that the model is moderate because it is in the interval 0.15-0.35. The positive correlation coefficient value indicates that the relationship between the two is unidirectional, meaning that the better the dynamic capabilities (increasing by 1 unit), the impact will be on increasing digital transformation (i.e 0.238).
7. The correlation coefficient value obtained between adaptive leadership and digital transformation is 3.285, which shows that the model is strong because it is in the interval > 0.35. The positive correlation coefficient value shows that the relationship between the two is unidirectional, meaning that the better the adaptive leadership (increasing by 1 unit), the impact will be on increasing digital transformation (i.e 3.285).
8. The correlation coefficient value obtained between strategic flexibility and digital transformation is 5.161, which shows that the model is strong because it is in the interval > 0.35. The positive correlation coefficient value shows that the relationship between the two is unidirectional, meaning that the better the strategic flexibility (increasing by 1 unit), the impact will be on increasing digital transformation (i.e 5.161).

Coefficient of Determination (R2)

The coefficient of determination is a number that shows the magnitude of the influence contribution given by the exogenous latent variable to the endogenous latent variable. Based on the test results, the following results were obtained:

Table 4. Coefficient of Determination (R2)

Variabel Endogen	R *Square* (R^2)
Strategic Flexibility (Y)	0,783
Digital Transformation (Z)	0,881

Source: processed by the author, 2021

In the table above, the R Square value for the strategic flexibility variable obtained is 0.783 or 78.3%, which indicates a good model because the R Square is greater than 0.75 (Hair et al, 2011). These results show that the variables strategic intelligence, workforce transformation, and dynamic capabilities together have an influence of 78.3% on strategic flexibility, while the remaining 22.7% is (1-R Square) the magnitude of the influence contribution provided by other factors not studied.

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Meanwhile, the R Square value for the digital transformation variable obtained was 0.881 or 88.1%, indicating a good model because the R Square was greater than 0.75 (Hair et al, 2011). These results show that the variables strategic intelligence, workforce transformation, dynamic capabilities, adaptive leadership, and strategic flexibility together have an influence of 88.1% on digital transformation, while the remaining 11.9% is (1-R Square) the magnitude of the contribution of influence provided by other factors not studied.

Predictive-Relevance (Q2)

Q Square predictive relevance for structural models is used to measure how well the observed values are produced by the model and also its parameter estimates. A model is considered to have relevant predictive value if the Q Square value is more than 0 (> 0). The predictive-relevance value is obtained by:

$Q^2 = 1 – (1 – R_1^2) (1 – R_2^2)..... (1 – Rn^2)$
$Q^2 = 1 – (1 – 0,783) (1 – 0,881)$
$Q^2 = 0,974$

The predictive-relevance values for the strategic flexibility variable are:

$Q^2 = 1 – (1 – R square^2)$
$Q^2 = 1 – (1 – 0,783^2)$
$Q^2 = 0,613$

Meanwhile, the predictive-relevance value for the digital transformation variable is:

$Q^2 = 1 – (1 – R square^2)$
$Q^2 = 1 – (1 – 0,881^2)$
$Q^2 = 0,776$

Based on the calculation results above, a Q Square value of 0.974 is obtained. This shows that the large diversity of research data that can be explained by the research model is 97.4%, so that the research model produces very good observation values and parameter estimates and has predictive relevance. Meanwhile, the remaining 2.6% is explained by other factors outside this research model.

The Q Square value of strategic flexibility was obtained at 0.613, which indicates that the variables strategic intelligence, workforce transformation, and dynamic capabilities have a good level of prediction of strategic flexibility. Then the Q Square for digital transformation was obtained at 0.776, which shows that strategic intelligence, workforce transformation, dynamic capabilities, adaptive leadership and strategic flexibility have a good level of prediction of digital transformation.

Thus, from these results, this research model can be stated to have good goodness of fit (GOF).

Hypothesis Testing Statistics

Hypothesis testing in this research is based on the values contained in the SEM analysis with the limit value of hypothesis testing. The significance value used is 1.96 (significance level = 5%). So constructs that have tcount > 1.96 are declared to have a significant effect. The following shows a summary of the results of the hypothesis test as in the table below:

Table 5. Hypothesis Testing Statistics

Hypothesis	Path/Correlation Coefficient	t count	t table	Information	Conclusion
If strategic intelligence increases, strategic flexibility will increase (H1)	0,319	2,684	1,96	Influential	Supported
If workforce transformation increases, strategic flexibility will increase (H2)	0,203	2,791	1,96	Influential	Supported
If dynamic capabilities increase, strategic flexibility will increase (H3)	0,394	3,521	1,96	Influential	Supported
If strategic intelligence increases, digital transformation will increase (H4)	0,127	2,289	1,96	Influential	Supported
If workforce transformation increases, digital	0,173	2,505	1,96	Influential	Supported

Hypothesis	Path/Correlation Coefficient	t count	t table	Information	Conclusion
transformation will increase (H5)					
If dynamic capabilities increase, digital transformation will increase (H6)	0,111	2,211	1,96	Influential	Supported
If strategic flexibility increases, digital transformation will increase (H7)	0,396	5,227	1,96	Influential	Supported
The more adaptive a leader is, the greater the influence of strategic flexibility on digital transformation (H8)	0,197	2,622	1,96	Influential	Supported

Source: processed by the author, 2021

Based on the results of hypothesis testing in the table above, it can be explained as follows:

H1: Strategic Intelligence Affects Strategic Flexibility

Hypothesis 1 explains the influence of strategic intelligence on strategic flexibility. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 2.684 > 1.96 so that H0 is rejected, and H1 is accepted (supported). This means that the strategic intelligence variable has a positive and significant effect on the strategic flexibility variable.

H2: Workforce Transformation Affects Strategic Flexibility

Hypothesis 2 explains the influence of workforce transformation on strategic flexibility. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 2.791 > 1.96 so that H0 is rejected, and H2 is accepted (supported). This means that the workforce transformation variable has a positive and significant effect on the strategic flexibility variable.

H3: Dynamic Capabilities Affect Strategic Flexibility

Hypothesis 3 explains the influence of dynamic capabilities on strategic flexibility. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 3.521 > 1.96 so that H0 is rejected, and H3 is accepted (supported). This means that the dynamic capability variable has a positive and significant effect on the strategic flexibility variable.

H4: Strategic Intelligence Influences Digital Transformation

Hypothesis 4 explains the influence of strategic intelligence on digital transformation. By looking at the results of the existing data processing, it is known in the table above that the calculated t value = 2.289 > 1.96 so that H0 is rejected, and H4 is accepted (supported). This means that the strategic intelligence variable has a positive and significant effect on the digital transformation variable.

H5: Workforce Transformation Influences Digital Transformation

Hypothesis 5 explains the influence of workforce transformation on digital transformation. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 2.505 > 1.96 so that H0 is rejected, and H5 is accepted (supported). This means that the workforce transformation variable has a positive and significant effect on the digital transformation variable.

H6: Dynamic Capabilities Influence Digital Transformation

Hypothesis 6 explains the influence of dynamic capabilities on digital transformation. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 2.211 > 1.96 so that H0 is rejected, and H6 is accepted (supported). This means that the dynamic capability variable has a positive and significant effect on the digital transformation variable.

H7: Strategic Flexibility Influences Digital Transformation

Hypothesis 7 explains the influence of strategic flexibility on digital transformation. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 5.227 > 1.96 so that H0 is rejected, and H7 is accepted (supported). This means that the strategic flexibility variable has a positive and significant effect on the digital transformation variable.

H8: Adaptive Leadership Moderates the Relationship Between Strategic Flexibility and Digital Transformation

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Hypothesis 8 explains the moderating influence of adaptive leadership on the relationship between strategic flexibility and digital transformation. By looking at the results of existing data processing, it is known in the table above that the calculated t value = 2.622 > 1.96 so that H0 is rejected, and H8 is accepted (supported). This means that there is moderation in the adaptive leadership variable in the relationship between the strategic flexibility variable and the digital transformation variable.

Relationship of Direct and Indirect Influence

In this research, a model of the direct and indirect influence of strategic intelligence variables, workforce transformation, dynamic capabilities, and adaptive leadership on strategic flexibility and digital transformation can be seen as below:

Table 6. Results of Direct and Indirect Influence Values

Relationship	Direct Effect	Indirect Effect	Total
Strategic intelligence versus strategic flexibility	0,319	--	0,319
Workforce transformation towards strategic flexibility	0,203	--	0,203
Dynamic capabilities versus strategic flexibility	0,394	--	0,394
Strategic intelligence towards digital transformation	0,127	0,162	0,289
Workforce transformation towards digital transformation	0,173	0,108	0,281
Dynamic capabilities for digital transformation	0,111	0,156	0,267
Strategic flexibility towards digital transformation	0,396	--	0,396
Adaptive leadership moderates the relationship between strategic flexibility and digital transformation	0,197	--	0,197

Source: processed by the author, 2021

Based on the table above, explain the direct and indirect influences in this research as follows:

1. **The direct and indirect influence of strategic intelligence on digital transformation through strategic flexibility.**
   The magnitude of the direct influence of strategic intelligence on strategic flexibility is 0.127 (12.7%) and 87.3% of strategic flexibility is influenced by external factors other than the strategic intelligence factors studied. Meanwhile, strategic intelligence indirectly influences digital transformation through strategic flexibility with a value of 0.162 (16.2%). So the total influence of the strategic intelligence variable on digital transformation through strategic flexibility is 0.289 (28.9%).
2. **The influence of workforce transformation, both directly and indirectly, on digital transformation through strategic flexibility.**
   The magnitude of the direct influence of workforce transformation on strategic flexibility is 0.173 (17.3%) and 83.7% of strategic flexibility is influenced by external factors other than the workforce transformation factors studied. Meanwhile, workforce transformation indirectly influences digital transformation through strategic flexibility with a value of 0.108 (10.8%). So the total influence of the workforce transformation variable on digital transformation through strategic flexibility is 0.281 (28.1%).
3. **The influence of dynamic capabilities both directly and indirectly on digital transformation through strategic flexibility.**
   The magnitude of the direct influence of dynamic capabilities on strategic flexibility is 0.111 (11.1%) and 89.9% of strategic flexibility is influenced by external factors other than the dynamic capabilities factors studied. Meanwhile, dynamic capabilities indirectly influence digital transformation through strategic flexibility with a value of 0.156 (15.6%). So the total influence of the dynamic capability variable on digital transformation through strategic flexibility is 0.267 (26.7%).

Focus Group Discussion (FGD)

Limited FGD activities were carried out virtually to strengthen and complete the results of research analysis for discussion participants consisting of representatives of ministries/institutions, associations and related business actors

as below. The participants who attended the FGD were Mrs. Dini (Ministry of Industry), Mrs. Fixy (Ministry of Cooperatives and SMEs), Mrs. Rosalina (PT Rekadaya Multi Adiprima), Mr. Dimas (PT Rekadaya Kreasi Indonesia), Mr. Nur Rahmat (PT Cita Mulya Paratama) , Mr. Dadi (PT Aristo Satria Mandiri), Mr. Syahrul (PT Mahestra Adhimetal), and Mr. Badrus (PT Berkah).

Several things have been conveyed by relevant stakeholders in the FGD and summarized by researchers in order to complete and strengthen the results of this research analysis, namely:

1. Supports the results of hypothesis testing which proves that strategic intelligence has a positive and significant effect on strategic flexibility in automotive component SMEs in Indonesia. This influence exists because strategic intelligence is an important factor for automotive component SMEs to be able to predict consumers and competitors so that they can achieve strategic flexibility.
2. Agree with the results of hypothesis testing which proves that workforce transformation has a positive and significant effect on strategic flexibility in automotive component SMEs in Indonesia. This influence occurs due to the ability to form human resources that respond more quickly and are adaptive to environmental changes, so that workforce transformation will become an important factor for automotive component SMEs in supporting strategic flexibility.
3. Support the results of hypothesis testing which proves that dynamic capabilities have a positive and significant effect on strategic flexibility in automotive component SMEs in Indonesia. This influence occurs because dynamic capability is an important factor for automotive component SMEs to be able to innovate product development and detect changes in the dynamic business environment, in order to achieve strategic flexibility.
4. Support the results of hypothesis testing which proves that strategic intelligence has a positive and significant effect on digital transformation in automotive component SMEs in Indonesia. This influence occurs because strategic intelligence is an important factor for automotive component SMEs to be able to realize digital transformation through exchanging information and collaborating in the use of technology with partners.
5. Agree with the results of hypothesis testing which proves that workforce transformation has a positive and significant effect on digital transformation in automotive component SMEs in Indonesia. This influence occurs because workforce transformation is an important factor for automotive component SMEs in implementing digital transformation by upgrading workforce skills and increasing workforce productivity.
6. Express his support for the results of hypothesis testing which proves that dynamic capabilities have a positive and significant effect on digital transformation in automotive component SMEs in Indonesia. This influence occurs because dynamic capabilities are an important factor for automotive component SMEs in realizing digital transformation by building supporting networks and transferring knowledge.
7. States that it is in line with the results of hypothesis testing which proves that strategic flexibility has a positive and significant effect on digital transformation in automotive component SMEs in Indonesia. This influence occurs because strategic flexibility is an important factor for automotive component SMEs in realizing digital transformation through the ability to change production levels and adjust management to changing environmental conditions.
8. Support the results of hypothesis testing which proves the existence of moderation from adaptive leadership on the relationship between strategic flexibility and digital transformation in automotive component SMEs in Indonesia. This influence occurs because adaptive leadership is an important factor for automotive component SMEs in increasing strategic flexibility to carry out digital transformation through the ability to solve problems of change and provide resources in a sustainable manner.

5. CONCLUSION

The development of a model of the influence of strategic intelligence on strategic flexibility in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive component SMEs who can predict consumers, competitors and technology; and has a vision to become an IKM that has a good reputation, grows quickly and is continuously sustainable, will achieve higher strategic intelligence, so that strategic intelligence becomes an important factor for automotive component IKM players in Indonesia which can have an impact on improving ability to build strategic flexibility. The development of a model of the influence of workforce transformation on strategic flexibility in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive components SMEs who can form human resources that are flexible and effective, easily adapt to change, have a fluid attitude, always respond more quickly to changes in digital technology, are agile to achieve organizational goals, and are always more adaptive in responding to organizational changes, will achieve energy transformation higher levels of work, so that workforce transformation becomes an important factor for automotive component SMEs in Indonesia which can have an impact on increasing capabilities in designing strategic flexibility. The development of a

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model of the influence of dynamic capabilities on strategic flexibility in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive components SMEs who can discover new products, carry out product development, make process improvements, detect periodic changes in the business environment, track customer wants and needs, and identify organizational changes, will achieve higher dynamic capabilities. The development of a model of the influence of strategic intelligence on digital transformation in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive component SMEs who can build good relationships with customers, exchange information with partners, collaborate in the use of technology, implement positive competition, provide incentives, and use effective communication, will achieve higher strategic intelligence, so that strategic intelligence becomes one of the important factors for automotive component SMEs in Indonesia. The development of a model of the influence of workforce transformation on digital transformation in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive component IKM players who are able to upgrade workforce skills, implement improvements in workforce quality, increase workforce productivity, identify new social values in society, socialize the introduction of new social values in the workplace, and implement new social values in the workplace, will achieve higher levels of workforce transformation. The development of a model of the influence of dynamic capabilities on digital transformation in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive component SMEs who are able to form social networks, build support networks, create networks between companies, have high managerial commitment, encourage openness and experimentation, and carry out knowledge transfer and integration, will achieve higher dynamic capabilities, so that dynamic capabilities become one an important factor for automotive component SMEs in Indonesia which can have an impact on increasing capabilities in implementing digital transformation. The development of a model of the influence of strategic flexibility on digital transformation in automotive component SMEs in Indonesia shows a positive and significant relationship. Automotive component SMEs are able to change production levels, change production capacity, have strategies for using other organizational capacities, communicate dynamically, make management adjustments to different conditions and workers. And this research proves the development of a model of the moderating influence of adaptive leadership on the relationship between strategic flexibility and digital transformation in automotive component SMEs in Indonesia. Through the role of a leader who is able to solve change problems, create solutions and change strategies, convey information on business process changes, provide resources on an ongoing basis, build support systems to support change, and strive for the development of new skills and competencies.

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