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DIGITAL TRANSFORMATION IN IMPROVING THE PERFORMANCE OF AGRO INDUSTRIAL SMEs IN INDONESIA

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ABSTRACT

This research seeks to identify and test factors that improve organizational performance towards digital transformation in SMEs in the agro-industrial sector. This study uses a quantitative approach. The population in this research is Indonesian agro-industrial SMEs, totaling 1.68 million units, data source from the Ministry of Industry. The type of sampling used was nonprobability sampling with purposive sampling technique. In determining the number of representative samples, it depends on the number of indicators multiplied by 5 by 10 to obtain a total sample of 380 respondents. This research data consists of primary data. To collect research data, the author can use methods including, observation method, questionnaire method, documentary method. Data analysis in this research used SEM-PLS. The results of this research show that Agility Organizational Culture has a significant influence on Digital Transformation, Business Environment does not have a significant effect on Digital Transformation, Strategic Intelligence has a positive and significant effect on Digital Transformation, Leadership Competencies have a positive and significant effect on Digital Transformation, Agility Organizational Culture has a positive and significant effect on Organizational Performance, Business Environment has a positive and significant effect on Organizational Performance, Strategic Intelligence has a significant effect on Organizational Performance, Leadership Competencies do not have a significant effect on Organizational Performance, Digital Transformation has a significant impact on Organizational Performance

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1. INTRODUCTION

IKM is an industry according to Ministry of Industry Regulation No. 6 of 2016, namely small industry (IK) is an industry with a maximum of 19 employees, has an investment value of less than 1 billion rupiah excluding land and buildings where the business is located and medium industry (IM) is an industry that has a maximum of 19 employees and an investment value of minimum 1 billion rupiah or have a minimum of 20 employees and a maximum investment value of 15 billion rupiah. SMEs have a large contribution to the economy, so appropriate policies are needed to drive industry. With agriculture as its center, agro-industry is an economic sector that includes all companies, agents and institutions that provide all agricultural needs and take commodities from agriculture to be processed and distributed to consumers. The strategic value of agro-industry lies in its position as a bridge that connects the agricultural sector in upstream activities and the industrial sector in downstream activities. By developing agro-industry quickly and well, it is hoped that the number of workers, farmer income, export volume and foreign exchange, domestic and international market share, exchange value of agricultural products and supply of industrial raw materials will increase.

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Small and Medium Industries (IKM) play a very large role in advancing the Indonesian economy. Apart from being an alternative new job opportunity, SMEs also play a role in driving Indonesia's economic growth rate. Currently, SMEs have contributed greatly to regional income and Indonesian state income. IKM is a form of small community business whose establishment is based on someone's initiative, so that it can reduce the unemployment rate in Indonesia. This makes SMEs less vulnerable to various external changes which are now in the era of digitalization, so SMEs need to carry out digital transformation to keep up with developments.

Throughout 2022, the Ministry of Industry will develop the number and quality of new entrepreneurs (WUB) for small and medium industries (IKM) through various programs and facilitation to strengthen the national economy. Development of WUB IKM 2022, namely by conducting training for 17,763 WUB, providing business permit facilities for 6,235 WUB, growing WUB in Islamic boarding schools (Santripreneur) 670 students are trained from 13 Islamic boarding schools, growing WUB based on technology. Programs to increase competitiveness carried out include 300 exhibitions, 71 packaging printing assistance, 181 partnership facilitation, 189 packaging and brand design facilitation, 497 intellectual property registration facilitation, 29 Hazard Analysis Critical Control Point facilitation, E- smart (branding and business management guidance) as many as 4,202, machine/equipment restructuring as many as 99.

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 agro-industrial Small and Medium Industries (IKM) 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). Digital sales penetration could be their main strategy because this strategy can expand market reach (Jelita, 2021).

The existence of digitalization in the business sector certainly makes all activities easier, especially interactions between sellers and buyers which would otherwise be difficult to carry out. With the existence of various social media, SME entrepreneurs can increase the number of consumers through digital marketing. Digitalization also makes it easier for entrepreneurs to promote products online at relatively low costs compared to promoting through other media. From data found by the Katadata Insight Center (KIC), the purpose of internet access in running a business.

According to Safitri (2020, p.1), Indonesia, which is dominated by SMEs as the backbone of the national economy, has been affected by the COVID-19 pandemic, not only in terms of production and income, but also in terms of the number of workers who have to be reduced, etc. . SMEs lack resilience and flexibility in facing the Covid-19 pandemic due to several things such as the low level of digitalization, difficulties in accessing technology and a lack of understanding of business survival strategies. The level of digitalization is still low, of course, because there are several obstacles in marketing via the internet.

From data on the latest developments in the digital world, the weaknesses of SMEs in the agro-industrial sector and consumers have the same problems in utilizing digital technology. It is hoped that SMEs will immediately prepare themselves for the digital era by preparing digital infrastructure and increasing internal resources so that they can help improve organizational performance to be even better. An agile organization is needed because currently it is not the organization that is the biggest and richest but the organization that is most agile and flexible that is the winner. For example, Gojek, is a very agile organization, and always innovates to meet market demands. Agile organizations are represented, among other things, in the innovations they display, for example: how the Human Resources Division designed the flexy hours program to attract millennials, making maternity leave 6 (six) months for female workers, and other policies. An agile organizational culture of course also requires a good and suitable business environment.

Keep up with developments in the business environment. Globalization, e-commerce and the environment are three big issues (David, 2004 in Wijaya, J. H., 2010) which cause environmental dynamics to increase. In dynamic conditions like today, industrial AGRO SMEs should continuously monitor internal and external environmental events as well as trends in community desires, so that rapid changes can be made when necessary. However, because so far SMEs are still considered unable to overcome weaknesses and obstacles in improving their abilities, insight, skills and knowledge, so they are still considered less alert in taking advantage of the opportunities and strengths of their business environment.

Apart from having strategic intelligence, an organization must also have good leadership competencies. Equal distribution of competencies for leaders in agro-industrial SMEs is currently still not fulfilled. The lack of training/training for leaders is one of the main factors that the equal distribution of leader competencies in agro SMEs has not been met properly. Each position in the organization, especially the leader position, must of course meet the needs and have adequate competence so that the company's performance can increase.

2. LITERATURE REVIEW

Agility Organizational Culture

Organizational culture is an inseparable part of the organization's internal environment, because there are as many

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cultural variations in an organization as there are individuals in the organization. Generally, an organizational culture is greatly influenced by the organization's external environment. Each employee has their own cultural characteristics, so it is possible that there are employees who don't like it, but there are also those who like it, so it is necessary to unify the perceptions of all employees regarding the statement of organizational culture, this is a descriptive description of organizational culture.

Business Environment

The environmental model for agro-industrial SMEs is the same as other manufacturing industries. Referring to (Umar, H., 2005) the environment consists of the external and internal environment. The external environment is divided into two categories, namely remote and industrial environments. The remote environment includes PEST (Political, Economic, Social and Technological) factors, and the industrial environment refers to the strategy of Michael Porter. The internal environment is the aspects that exist within the company, including HR, Finance, Operations, Marketing and Management aspects. Scanning is needed to assess the level of external threats or opportunities that may arise, in addition to internal strengths and internal weaknesses (Wheelen – Hunger, 2003).

Strategic Intelligent

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).

Leadership Competencies

Leaders in an organization play an important role in realizing the organization's vision and mission. Likewise in business and companies, a leader must be able to commit to building business and company performance to achieve profitability that brings prosperity to employees, companies, consumers and stakeholders in the commission ranks. Leadership according to Lameijer (2020) is a leader's competency which includes managerial, behavioral, and emotional strategic abilities that are able to motivate and mold their subordinates into competent human resources. Leadership is the key to the success of a strategic plan.

Digital Transformation

In the book Digital transformation in business (2022), by Jamaludin et al, digital transformation is a comprehensive term that describes an organization's ability to utilize digital technology to increase the efficiency and effectiveness of internal operations and external market offerings (Vial, 2019). So according to Danuri (2019), digital transformation is a change in the way work is handled by using information technology to gain efficiency and effectiveness. For this reason, digital transformation is also one of the main challenges facing businesses today (Saarikko et al., 2020).

Organizational Performance

Organizational performance is the achievement of organizational goals by using resources efficiently and effectively (Richard Daft, 2010). Another opinion concludes that organizational performance is the level of success (Keban, 2003). So that organizational performance is the result of the organization's achievement of previously set targets.

3. METHOD

This study uses a quantitative approach. The population in this research is Indonesian agro-industrial SMEs, numbering 1.68 million units, data source from the Ministry of Industry. The type of sampling used was nonprobability sampling with a purposive sampling technique. In determining the number of representative samples it depends on the number of indicators multiplied by 5 to 10 and a total sample of 380 respondents was obtained. This research data consists of primary data. To collect research data, the author can use methods including, observational method, questionnaire method, documentary method. Data analysis in this research used SEM-PLS.

4. RESULT AND DISCUSSION

4.1 TESTING THE MEASUREMENT MODEL (OUTER MODEL)

1. CONVERGENT VALIDITY

Based on the test results using it, valid indicator results were obtained as follows:

Table 1. Outer Loading Factor of Agility Organizational Culture (AOC) Indicator

Indikator / Pertanyaan	Faktor Loading	Keterangan
AOC1	0,767	Valid
AOC2	0,773	Valid
AOC3	0,784	Valid
AOC4	0,786	Valid
AOC5	0,805	Valid

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AOC6	0,817	Valid
AOC7	0,763	Valid
AOC8	0,812	Valid
AOC9	0,833	Valid
AOC10	0,836	Valid
AOC11	0,693	Valid
AOC12	0,848	Valid
AOC13	0,818	Valid
AOC14	0,852	Valid
AOC15	0,810	Valid
AOC16	0,797	Valid
AOC17	0,817	Valid
AOC18	0,824	Valid

(Sumber : Hasil Olah Data SmartPLS, 2023)

Results of the Outer Loadings Test on the Agility Organizational Culture (AOC) variable after testing the validity of the data, there were 18 indicators/questions for the Agility Organizational Culture variable which were declared valid because they had loading factor values above > 0.70 and loading factors between 0.60 – 0 .70 is still acceptable. So it can be concluded that the 18 indicators are declared valid and capable of measuring the Agility Organizational Culture variable.

Table 2. Outer Loading Factors for Business Environment Indicators

Indicator	Loading Factor	Conclusion
BE1	**0,695**	Valid
BE2	**0,744**	Valid
BE3	**0,796**	Valid
BE4	**0,726**	Valid
BE5	**0,761**	Valid
BE6	**0,702**	Valid
BE7	**0,699**	Valid
BE8	**0,642**	Valid
BE9	**0,738**	Valid
BE10	**0,791**	Valid
BE11	**0,790**	Valid
BE12	**0,742**	Valid
BE13	**0,774**	Valid

(Source: SmartPLS Data Processing Results, 2023)

Outer Loadings Test Results on the Business Environment variable after testing the validity of the data, there were 13 indicators/questions for the Business Environment variable which were declared valid because they had loading factor values above > 0.70 and loading factors between 0.60 - 0.70 were still acceptable. . So it can be concluded that the 13 indicators are declared valid and capable of measuring Business Environment variables.

Table 3. Outer Loading Factors of Strategic Intelligence (AI)

Indicator	Loading Factor	Conclusion
SI1	**0,783**	Valid
SI2	**0,752**	Valid
SI3	**0,776**	Valid
SI4	**0,784**	Valid
SI5	**0,757**	Valid
SI6	**0,784**	Valid
SI7	**0,787**	Valid
SI8	**0,844**	Valid
SI9	**0,792**	Valid
SI10	**0,821**	Valid
SI11	**0,762**	Valid
SI12	**0,773**	Valid

(Source: SmartPLS Data Processing Results, 2023)

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Outer Loadings Test Results on the Strategic Intelligent (SI) variable after testing the validity of the data, there were 12 indicators/questions for the Strategic Intelligent variable which were declared valid because they had loading factor values above > 0.70. So it can be concluded that the 12 indicators or questions are declared valid and capable of measuring the Strategic Intelligent variable.

Table 4. Outer Loading Factors of Leadership Competencies (LC) Indicators

Indicator	Loading Factor	Conclusion
LC1	**0,786**	Valid
LC2	**0,829**	Valid
LC3	**0,868**	Valid
LC4	**0,889**	Valid
LC5	**0,852**	Valid
LC6	**0,830**	Valid
LC7	**0,837**	Valid
LC8	**0,841**	Valid

(Source: SmartPLS Data Processing Results, 2023)

Outer Loadings Test Results on the Leadership Competencies (LC) variable after testing the validity of the data, there were 8 indicators/questions for the Leadership Competencies variable which were declared valid because they had loading factor values above > 0.70. So it can be concluded that the 8 indicators or questions are declared valid and able to measure the Leadership Competencies variable.

Tabel 5. Faktor *Outer Loading Indikator Digital Transformation* (DT)

Indicator	Loading Factor	Conclusion
DT1	**0,786**	Valid
DT2	**0,822**	Valid
DT3	**0,838**	Valid
DT4	**0,841**	Valid
DT5	**0,840**	Valid
DT6	**0,818**	Valid
DT7	**0,836**	Valid
DT8	**0,869**	Valid
DT9	**0,832**	Valid
DT10	**0,756**	Valid
DT11	**0,858**	Valid
DT12	**0,829**	Valid
DT13	**0,823**	Valid
DT14	**0,775**	Valid
DT15	**0,778**	Valid

(Source: SmartPLS Data Processing Results, 2023)

Outer Loadings Test Results on the Digital Transformation variable after testing the validity of the data, there were 15 indicators/questions for the Digital Transformation variable which were declared valid because they had loading factor values above > 0.70. So it can be concluded that the 15 indicators or questions are declared valid and capable of measuring the Digital Transformation variable.

Table 6. Outer Loading Organizational Performance (OP) Factors

Indicator	Loading Factor	Conclusion
OP1	**0,785**	Valid
OP2	**0,732**	Valid
OP3	**0,774**	Valid
OP4	**0,812**	Valid
OP5	**0,800**	Valid
OP6	**0,814**	Valid
OP7	**0,788**	Valid
OP8	**0,794**	Valid
OP9	**0,836**	Valid

(Source: SmartPLS Data Processing Results, 2023)

Results of the Outer Loadings Test on the Organizational Performance (OP) variable after testing the validity

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of the data, there were 9 indicators/questions for the Organizational Performance variable which were declared valid because they had loading factor values above > 0.70. So it can be concluded that the 9 indicators or questions are declared valid and capable of measuring the Organizational Performance variable.

Table 7. Uji *Average Variance Extracted* (AVE)

Variabel	*Average Variance Extracted* (AVE)
Agility Organizational Culture	**0,645**
Business Environment	**0,547**
Strategic Intelligent	**0,616**
Leadership Competencies	**0,709**
Digital Transformation	**0,674**
Organizational Performance	**0,629**

(Source: SmartPLS Data Processing Results, 2023)

Berdasarkan uji *Average Variance Extracted* (AVE) semua variable memiliki nilai diatas > 0,5 yang artinya semua variable telah memenuhi syarat *Convergent Validity.*

2. Discriminant Validity

Testing discriminant validity by looking at the results of cross loading factor measurements. If the correlation of the construct with the main measurement (each indicator) is greater than the size of the other construct, then the latent construct predicts the indicator better than the other construct (Yamin, 2009:222). The cross loading factor value is shown as follows.

Table 8. Cross Loading Factor Value

Indicator	*Agility Organization Culture*	*Business Environment*	*Strategic Intelligent*	*Leadership Competencies*	*Digital Transformation*	*Organizational Performance*
AOC1	**0,767**	0,629	0,638	0,618	0,639	0,612
AOC2	**0,773**	0,646	0,649	0,606	0,648	0,669
AOC3	**0,784**	0,615	0,657	0,559	0,615	0,621
AOC4	**0,786**	0,633	0,618	0,592	0,629	0,605
AOC5	**0,805**	0,605	0,634	0,526	0,643	0,586
AOC6	**0,817**	0,630	0,640	0,544	0,647	0,585
AOC7	**0,763**	0,575	0,609	0,504	0,574	0,534
AOC8	**0,812**	0,652	0,693	0,626	0,677	0,588
AOC9	**0,833**	0,659	0,690	0,580	0,675	0,661
AOC10	**0,836**	0,666	0,702	0,621	0,666	0,636
AOC11	**0,693**	0,556	0,565	0,490	0,580	0,581
AOC12	**0,848**	0,705	0,713	0,646	0,710	0,627
AOC13	**0,818**	0,670	0,668	0,598	0,647	0,614
AOC14	**0,852**	0,730	0,726	0,677	0,703	0,638
AOC15	**0,810**	0,668	0,659	0,650	0,642	0,606
AOC16	**0,797**	0,681	0,697	0,589	0,699	0,669
AOC17	**0,817**	0,648	0,684	0,584	0,663	0,590
AOC18	**0,824**	0,669	0,683	0,632	0,695	0,640
BE1	0,538	**0,695**	0,617	0,544	0,573	0,568
BE2	0,617	**0,744**	0,642	0,617	0,623	0,586
BE3	0,692	**0,796**	0,718	0,651	0,691	0,628
BE4	0,557	**0,726**	0,588	0,516	0,551	0,554
BE5	0,563	**0,761**	0,632	0,581	0,582	0,551
BE6	0,499	**0,702**	0,579	0,509	0,518	0,546
BE7	0,494	**0,699**	0,548	0,484	0,523	0,543
BE8	0,412	**0,642**	0,493	0,416	0,453	0,554
BE9	0,576	**0,738**	0,670	0,618	0,615	0,587
BE10	0,676	**0,791**	0,743	0,676	0,703	0,622
BE11	0,701	**0,790**	0,730	0,677	0,713	0,631
BE12	0,649	**0,742**	0,708	0,642	0,682	0,595

Indicator	*Agility Organization Culture*	*Business Environment*	*Strategic Intelligent*	*Leadership Competencies*	*Digital Transformation*	*Organizational Performance*
BE13	0,703	**0,774**	0,747	0,663	0,720	0,611
SI1	0,669	0,732	**0,783**	0,691	0,690	0,660
SI2	0,627	0,712	**0,752**	0,637	0,662	0,624
SI3	0,664	0,684	**0,776**	0,634	0,686	0,639
SI4	0,640	0,647	**0,784**	0,625	0,687	0,603
SI5	0,618	0,651	**0,757**	0,621	0,666	0,659
SI6	0,614	0,676	**0,784**	0,638	0,675	0,657
SI7	0,656	0,680	**0,787**	0,646	0,682	0,653
SI8	0,672	0,705	**0,844**	0,720	0,737	0,679
SI9	0,638	0,690	**0,792**	0,622	0,675	0,632
SI10	0,714	0,736	**0,821**	0,681	0,756	0,627
SI11	0,607	0,687	**0,762**	0,619	0,665	0,581
SI12	0,662	0,705	**0,773**	0,658	0,709	0,621
LC1	0,606	0,662	0,664	**0,786**	0,643	0,606
LC2	0,596	0,678	0,701	**0,829**	0,677	0,632
LC3	0,637	0,713	0,729	**0,868**	0,733	0,667
LC4	0,620	0,676	0,699	**0,889**	0,698	0,598
LC5	0,613	0,637	0,695	**0,852**	0,687	0,606
LC6	0,622	0,634	0,678	**0,830**	0,689	0,623
LC7	0,626	0,673	0,689	**0,837**	0,673	0,597
LC8	0,651	0,693	0,719	**0,841**	0,708	0,594
DT1	0,656	0,678	0,728	0,693	**0,786**	0,661
DT2	0,651	0,644	0,701	0,654	**0,822**	0,679
DT3	0,690	0,686	0,763	0,709	**0,838**	0,666
DT4	0,680	0,697	0,739	0,707	**0,841**	0,675
DT5	0,691	0,705	0,741	0,674	**0,840**	0,677
DT6	0,703	0,755	0,751	0,704	**0,818**	0,676
DT7	0,707	0,738	0,774	0,714	**0,836**	0,692
DT8	0,676	0,709	0,737	0,692	**0,869**	0,706
DT9	0,645	0,668	0,688	0,653	**0,832**	0,718
DT10	0,580	0,617	0,652	0,584	**0,756**	0,675
DT11	0,667	0,664	0,722	0,670	**0,858**	0,705
DT12	0,678	0,677	0,714	0,673	**0,829**	0,725
DT13	0,693	0,679	0,723	0,642	**0,823**	0,679
DT14	0,637	0,679	0,697	0,640	**0,775**	0,673
DT15	0,669	0,663	0,706	0,657	**0,778**	0,702
OP1	0,640	0,683	0,698	0,670	0,690	**0,785**
OP2	0,582	0,632	0,632	0,541	0,607	**0,732**
OP3	0,654	0,681	0,652	0,588	0,689	**0,774**
OP4	0,588	0,639	0,653	0,543	0,650	**0,812**
OP5	0,646	0,621	0,667	0,604	0,700	**0,800**
OP6	0,647	0,627	0,664	0,635	0,716	**0,814**
OP7	0,509	0,569	0,565	0,503	0,611	**0,788**
OP8	0,516	0,556	0,565	0,500	0,589	**0,794**
OP9	0,664	0,608	0,670	0,610	0,702	**0,836**

(Source: SmartPLS Data Processing Results, 2023)

Based on the table above, it can be seen that the cross loading factor value of each latent construct for each corresponding indicator is higher than the value of the other constructs, so it can be concluded that the indicators used to measure the latent variable have fulfilled the terms and conditions of the discriminant validity test.

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3. Reliability Test Result

Apart from the validity test, the outer model measurement also carried out a construct reliability test with the aim of proving the accuracy, consistency and correctness of the instrument in measuring the construct. In PLS, to measure the reliability of a construct with reflexive indicators, it can be done using a composite reliability test, provided that if the construct has a composite reliability and Cronbach alpha value greater than 0.5, it can be concluded that the manifest variable has good accuracy, consistency and precision of the instrument. measure the construct. Test results using SmartPLS 3.0 software are presented in the following table:

Table 9. Composite Reliability

Variable	Cronbach's Alpha	Composite Reliability	Result
Agility Organizational Culture	**0,967**	**0,970**	**Reliabel**
Business Environment	**0,931**	**0,940**	**Reliabel**
Strategic Intelligent	**0,943**	**0,951**	**Reliabel**
Leadership Competencies	**0,941**	**0,951**	**Reliabel**
Digital Transformation	**0,965**	**0,969**	**Reliabel**
Strategic Intelligent	**0,943**	**0,951**	**Reliabel**

(Source: SmartPLS Data Processing Results, 2023)

Based on table 9. above, it can be seen that the Cronbach's alpha value produced by all constructs is very good, namely above 0.7 and the composite reliability value produced by all constructs is also very good, namely above 0.5, so it can be concluded that all construct indicators are reliable or in other words Other than that, all the manifest variables of the six latent variables are proven to have accuracy, consistency and accuracy of instruments in measuring the construct well.

4.2 Measurement Model Testing (Inner Model)

Inner Model is a test of the structural model carried out to test the relationship between latent constructs. In this research, inner model testing was carried out by showing the R2 value for the endogenous latent construct. Next, the structural model in the inner model is tested using the predictive value - relevance (Q2). The hypothesis in this research will be tested using the path coefficient values which are presented as follows:

1. Coefficient of Determination (R^2)

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 using SmartPLS 3.0 software, the following results were obtained:

Table 10. Determination Coefficient Value (R2 Test)

Variabel	R Square
Agility Organizational Culture, Business Environment, Strategic Intelligent, Leadership Competencies -> Digital Transformation	0,820
Agility Organizational Culture, Business Environment, Strategic Intelligent, Leadership Competencies, Digital Transformation -> Organizational Performance	0,739

(Source: SmartPLS Data Processing Results, 2023)

In the table above, it can be seen that the R Square value for the Digital Transformation variable obtained is 0.820 or 82%, indicating a strong model because the R square is in the interval > 0.75 (Hair et al, 2011). These results show that Agility Organization Culture, Business Environment, Strategic Intelligence, Leadership Competencies together have an influence of 82% on Digital Transformation, while the remaining 18% is a large contribution of influence provided by other factors not included in this research. Then the R Square value for the Organizational Performance variable obtained was 0.739 or 73.9%, indicating a moderate model because the R square is in the interval 0.50-0.75 (Hair et al, 2011). These results show that Agility Organization Culture, Business Environment, Strategic Intelligence, Leadership Competencies and Digital Transformation together have an influence of 73.9% on Organizational Performance, while the remaining 26.1% is a large contribution of influence provided by other factors. which were not included in this study.

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2. *Predictive – Relevance* (Q^2)

Changes in the R2 value are used to see whether measuring exogenous latent variables on endogenous latent variables has a substantive influence. The predictive – relevance value is obtained using a formula:

$$Q2 = 1 – (1 – R1^2) (1 – R2^2) .... (1 – Rn)$$
$$Q2 = 1 – (1 – 0.820) (1 – 0.739) 0,180*0,261$$
$$Q2 = 0,954$$

Based on the calculation results above, the Q-Square value is 0.954. This shows that the large diversity of research data that can be explained by the research model is 95.4%. Meanwhile, the remaining 4.6% is explained by other factors outside this research model. Thus, from these results, this research model can be stated to have good goodness of fit.

3. Hypothesis test

Hypothesis testing in this research is based on the values contained in the SEM analysis with the limit value of hypothesis testing. The following are the results of testing the complete model and hypotheses of this research:

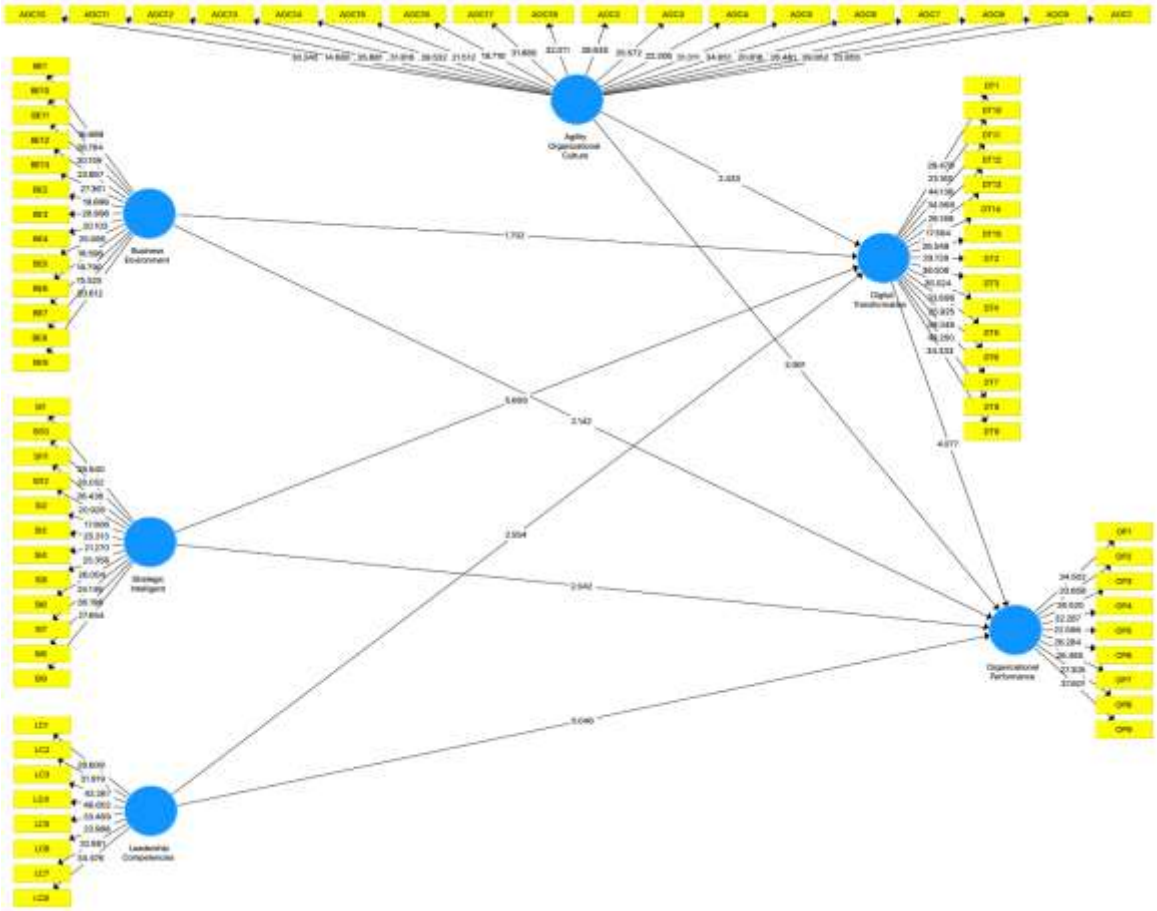

Figure 1. Full Structural Model Results (Standardized Output) – Bootstrapping
(Source: SmartPLS Data Processing Results, 2023)

The t test is known as a partial test, which is to test the influence of each independent variable individually on the dependent variable. This test can be done by comparing the t count with the t table or by looking at the significance column in each t count. Intended to test whether the independent variable partially has a significant effect on the dependent variable. The Smart PLS 3.0 program only provides the bootstrap resampling method. The significance value used is 1.96 (significance level = 5%) (Ghozali and Latan, 2015). So constructs that have tcount > 1.96 are declared to have a significant effect. The following is a summary of the results of hypothesis testing:

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Table 11. Statistical Hypothesis Test Results

Variable	Correlation	T- Value	T-Table	Result
Agility Organizational Culture -> Digital Transformation	0,207	2,433	1,96	Berpengaruh
Business Environment -> Digital Transformation	0,118	1,702	1,96	Tidak Berpengaruh
Strategic Intelligent -> Digital Transformation	0,422	5,669	1,96	Berpengaruh
Leadership Competencies -> Digital Transformation	0,223	2,554	1,96	Berpengaruh
Agility Organizational Culture -> Organizational Performance	0,140	2,061	1,96	Berpengaruh
Business Environment -> Organizational Performance	0,166	2,142	1,96	Berpengaruh
Strategic Intelligent -> Organizational Performance	0,147	2,042	1,96	Berpengaruh
Leadership Competencies -> Organizational Performance	0,005	0,046	1,96	Tidak Berpengaruh
Digital Transformation -> Organizational Performance	0,452	4,077	1,96	Berpengaruh

(Source: SmartPLS Data Processing Results, 2023)

Based on the results of hypothesis testing in table 4.16, it can be explained as follows:

H1: ***Agility Organizational Culture influences Digital Transformation***

Hypothesis 1 explains the influence of Agility Organizational Culture on Digital Transformation. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 2.433 > 1.96 so that H0 is rejected, and H1 is accepted, this means that the Agility Organization Culture variable has a positive and significant effect on the Digital Transformation variable.

H2: Business Environment influences Digital Transformation

Hypothesis 2 explains the influence of the Business Environment on Digital Transformation. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 1.702 < 1.96 so that H0 is accepted, and H2 is rejected, this means that the Business Environment variable has no significant effect on the Digital Transformation variable.

H3: Strategic Intelligence Influences Digital Transformation

Hypothesis 3 explains the influence of Strategic Intelligence on Digital Transformation. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 5.669 > 1.96 so that H0 is rejected, and H3 is accepted, this means that the Strategic Intelligent variable has a positive and significant effect on

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the Digital Transformation variable.

H4: Leadership Competencies influence Digital Transformation

Hypothesis 4 explains the influence of Leadership Competencies on Digital Transformation. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 2.554 > 1.96 so that H0 is rejected, and H4 is accepted, this means that the Leadership Competencies variable has a positive and significant effect on the Digital Transformation variable.

H5: Agility Organizational Culture influences Organizational Performance

Hypothesis 5 explains the influence of Agility Organizational Culture on Organizational Performance. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 2.061 > 1.96 so that H0 is rejected, and H5 is accepted, this means that the Agility Organizational Culture variable has a significant effect on the Organizational Performance variable.

H6: Business Environment influences Organizational Performance

Hypothesis 6 explains the influence of Business Environment on Organizational Performance. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 2.142 > 1.96 so that H0 is rejected, and H6 is accepted, this means that the Business Environment variable has a positive and significant effect on the Organizational Performance variable.

H7: Strategic Intelligence influences Organizational Performance

Hypothesis 7 explains the influence of Strategic Intelligence on Organizational Performance. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 2.042 > 1.96 so that H0 is rejected, and H7 is accepted, this means that the Strategic Intelligent variable has a positive and significant effect on the Organizational Performance variable.

H8: Leadership Competencies influence Organizational Performance

Hypothesis 8 explains the influence of Leadership Competencies on Organizational Performance. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 0.046 > 1.96 so that H0 is accepted, and H8 is rejected, this means that the Leadership Competencies variable has no significant effect on the Organizational Performance variable.

H9: Digital Transformation affects Organizational Performance

Hypothesis 9 explains the influence of Digital Transformation on Organizational Performance. By looking at the results of the existing data processing, it is known that in the table above the t stat value = 4.077 > 1.96 so that H0 is rejected, and H9 is accepted, this means that the Digital Transformation variable has a positive and significant effect on the Organizational Performance variable.

4. Results of Direct Influence and Indirect Relationships

The following is a summary of the direct influence of the variables Agility Organizational Culture, Business Environment, Strategic Intelligence, Leadership Competencies and Digital Transformation on Organizational Performance.

Table 12. Results of Direct Influence and Indirect Influence Values

Direct Influence		Indirect Influence		Total
Agility Organization Culture Terhadap Digital Transformation	0,207			0,207
Business Environment Terhadap Digital Transformation	0,118			0,118
Strategic Intelligent Terhadap Digital Transformation	0,422			0,422

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Direct Influence		Indirect Influence		Total
Leadership Competencies Terhadap Digital Transformation	0,223			0,223
Digital Transformation Terhadap Organizational Performance	0,452			0,452
Agility Organization Culture Terhadap Organizational Performance	0,140	Agility Organization Culture → Digital Transformation → Organizational Performance (0,207 x 0,452)	0,093	0,233
Business Environment Terhadap Organizational Performance	0,166	Business Environment → Digital Transformation → Organizational Performance (0,118 x 0,452)	0,053	0,219
Strategic Intelligent Terhadap Organizational Performance	0,147	Strategic Intelligent → Digital Transformation → Organizational Performance (0,422 x 0,452)	0,190	0,337
Leadership Competencies Terhadap Organizational Performance	0,005	Leadership Competencies → Digital Transformation → Organizational Performance (0,223 x 0,452)	0,100	0,105

(Source: SmartPLS Data Processing Results, 2023)

Based on Table 12. above, the direct and indirect effects are explained as follows:

1. The influence of Agility Organization Culture, both directly and indirectly, on Organizational Performance through Digital Transformation. Based on the table above, it can be seen that the direct influence of Agility Organization Culture on Organizational Performance can be seen from the beta coefficient value, which is 0.140 (14%). In other words, 14% of Organizational Performance is influenced by Agility Organization Culture. In this case, the remaining 86% of Organizational Performance is influenced by external factors other than the Agility Organization Culture factor studied. Meanwhile, the indirect effect is the result of multiplying the beta coefficient of the influence of Agility Organization Culture on Digital Transformation with Digital Transformation on Organizational Performance, namely (0.207) * (0.452) = 0.093 or 9.3%. In other words, Agility Organization Culture through Digital Transformation has an effect on Organizational Performance by 9.3%.
2. The influence of the Business Environment, both directly and indirectly, on Organizational Performance through Digital Transformation. Based on the table above, it can be seen that the direct influence of the Business Environment on Organizational Performance can be seen from the beta coefficient value, which is 0.166 (16.6%).

In other words, 16.6% of Organizational Performance is influenced by the Business Environment. In this case, the remaining 83.4% of Organizational Performance is influenced by external factors other than the Business Environment factors studied. Meanwhile, the indirect effect is the result of multiplying the beta coefficient of the influence of the Business Environment on Digital Transformation with Digital Transformation on Organizational Performance, namely (0.118)*(0.452) = 0.053 or 5.3%. In other words, Business Environment, through Digital Transformation, has an effect on Organizational Performance by 5.3%.

3. The influence of Strategic Intelligence, both directly and indirectly, on Organizational Performance through Digital Transformation. Based on the table above, it can be seen that the direct influence of Strategic Intelligence on Organizational Performance can be seen from the beta coefficient value, which is 0.147 (14.7%). In other words, 14.7% of Organizational Performance is influenced by Strategic Intelligence. In this case, the remaining 85.3% of Organizational Performance is influenced by external factors other than the Strategic Intelligence factors studied. Meanwhile, the indirect effect is the result of multiplying the beta coefficient of the influence of Strategic Intelligence on Digital Transformation with Digital Transformation on Organizational Performance, namely (0.422) * (0.452) = 0.190 or 19%. In other words, Strategic Intelligence through Digital Transformation has an effect on Organizational Performance by 19%.
4. The influence of Leadership Competencies, both directly and indirectly, on Organizational Performance through Digital Transformation. Based on the table above, it can be seen that the direct influence of Leadership Competencies on Organizational Performance can be seen from the beta coefficient value, which is 0.005 (0.5%). In other words, 0.5% of Organizational Performance is influenced by Leadership Competencies. In this case, the remaining 99.5% of Organizational Performance is influenced by external factors other than the Leadership Competencies factors studied. Meanwhile, the indirect effect is the result of multiplying the beta coefficient of the influence of Leadership Competencies on Digital Transformation with Digital Transformation on Organizational Performance, namely (0.223) * (0.452) = 0.100 or 10%. In other words, Leadership Competencies through Digital Transformation have an effect on Organizational Performance by 10%.

5. CONCLUSION

Agility Organizational Culture has a significant influence on Digital Transformation, meaning that this research proves that Agility Organizational Culture plays an important role in driving the Digital Transformation process. Business Environment does not have a significant effect on Digital Transformation. This means that this research proves that the Business Environment in Agro-Industrial SMEs in Indonesia has not been able to have a big impact in carrying out Digital Transformation. Strategic Intelligence has a positive and significant effect on Digital Transformation. This means that this research proves that Strategic Intelligence plays an important role in driving the Digital Transformation process. Leadership Competencies have a positive and significant effect on Digital Transformation. This means that this research proves that Leadership Competencies have an important role in realizing Digital Transformation. Agility Organizational Culture has a positive and significant effect on Organizational Performance. This means that this research proves that Agility Organizational Culture plays an important role in improving the Organizational Performance of Agro-Industrial SMEs in Indonesia. Business Environment has a positive and significant effect on Organizational Performance. This means that this research proves that Business Environment has a crucial role in determining the Organizational Performance of Agro SMEs in Indonesia. Strategic Intelligence has a significant effect on Organizational Performance. This means that this research proves that Strategic Intelligence has an important role in improving the Organizational Performance of Agro-Industrial SMEs in Indonesia. Leadership Competencies do not have a significant effect on Organizational Performance. This means that this research proves that Leadership Competencies are not able to improve Organizational Performance. Digital Transformation has a significant impact on Organizational Performance. This means that this research proves that Digital Transformation has a very big impact on increasing Organizational Performance. The novelty development of this research is that it shows that Digital Transformation can quickly provide social impacts in Agro SMEs that affect employment and sustainability at the worker or actor level.

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