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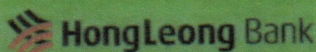


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**ISLAMIC CO-CREATION COMPETENCY MODEL IN INNOVATION
STRENGTHENING AND STRATEGIC HUMAN RESOURCES IMITATING
(A STUDY OF CENTRAL JAVA SMEs STAKEHOLDERS)**

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Abstract

This study explains the importance of building human resource capabilities through increased competency. The competency is built consciously by individuals, groups and organizations through knowledge management by strategic Human Resource Management (HRM). Creating a knowledge management based-competitive advantage will affect the culture pattern, especially the innovation culture (Naranjo-Valencia, 2011). This advantage focuses on continuous learning and team performance in order to create organizational competency or build new capabilities (Amabile, TM 2000). The relationship between strategic HR practices, organizational learning, knowledge management and capability has long been studied, among which are, by Jaw and Liu (2003), Gomez (2004), as summarized by Theriou and Chatzoglou D. (2008). This study will strengthen the knowledge management dimension in creating capability. The knowledge management superiority behavior will create organizational capabilities. Meanwhile, competency is derived from organizational capabilities that can be described as individual, group and organizational capabilities. Co-creative predictive competency which is built on the concept of Resource-Based View produces strategic HR investment which has a competitive advantage. This advantage will then create innovation and creativity in order to improve performance. This is necessarily required to especially face upcoming competition. Not every innovation succeeds in improving performance (Volberda, 2012), that's why an integrated innovation management model is needed. It consists of antecedents and consequences. The co-creative predictive competency model is proposed to be a novelty of this study, because the variable emphasis is initiative strategic HRs. The initiatives in among other things are addressed to conform knowledge initiatives to some field practices, such as accelerated management activities on change anticipation (Martin 2006, Zangiski, M. A, 2013), product innovation initiatives, innovation processes and programs, both sequential and radical. Marno (2015) explained the failure of quality management to create innovation and imitating competency because the understanding of competency theory on qualities did not fit the practice of the organization. This study was conducted in SMEs in Central Java covering sectors of trade, industry, services and other sectors of creative economy. It is expected to generate empirical models that can be used to enrich science varieties and can also be applied as a basis for policy making.

Keywords: Strategic Human Resource Management, Co-Creative Predictive Competency, Innovation and Imitating Creativity, Integrated Innovation Management, Organizational Performance.

INTRODUCTION

Background of the Study

The development of business organizations highly depends on stakeholders' creative and innovative business behaviors which are built according to knowledge management in order to improve their performances. Small and Medium Enterprises (SME) are increasingly giving strategic contributions because they account for 60% of our country's Gross Domestic Product, not to mention the absorption of labors in this sector so that the government hopes SMEs to progress and continues to evolve.

Human Capital is a source of innovation and creation of competitive advantages. It requires a comprehensive model in determining basic competencies to enhance the organization's values. Investments in strategic HR can be reached through education, training, job satisfaction as well as agents of change (McGuirk, H; 2014) with increased competency as its goal.

The knowledge management based-point of view recognizes the centrality of knowledge and management as a main component of company's competitive advantages (Nonaka, 1991; Grant, 1996; Argote and Ingram, 2000). However, companies and their employees do not always have knowledge needed to innovate within their boundaries; Therefore, they should cross boundaries to learn from strategic alliances and other forms of collaboration (Filieri et al., 2014). To compete in a knowledge economy, individuals and companies are urged constantly to find, access and utilize external knowledge, such as what provided by a variety of actors like business partners, customers, suppliers, universities and competitive companies.

Knowledge is often generated through social interaction (Cohen and Levinthal, 1990 ; Kogut and Zander, 1992; Brown and Duguid, 2002), and the process of transferring knowledge from one organization to another or from one person to another is considered to be important for the generation of innovation (Powell et al, 1996 ; Lane et al., 2001; Owen-Smith and Powell 2004; Shu et al., 2012). The increasing importance of both businesses and individual networks for the acquisition of valuable knowledge requires a thorough understanding of how these entities regulate the relationship to facilitate knowledge flows and optimize the output of innovation (Filieri et al., 2014). The businessmen's competency becomes an indicator as the need for organizational learning, leading to more effective and efficient organization which is characterized by

higher productivity and flexibility by reducing costs for the organization (Garavan, 1999). Competency model can be defined as an ability to design a combination of skills, knowledge, attitudes and experiences of employees in order to increase the organization's values (Gorsiline, 1996; Garavan, 2001). Competency will create innovation and imitating as what Volberda (2012) did and it should be designed to create a model of integrated management innovation, meaning that there is careful antecedent management and consequence in order to obtain optimal results.

Innovation and *imitating* are parts of company's efforts to introduce new products on the targeted markets. Many determinant factors which support the orientation of organizations' innovation, one of which is the organizations' culture (Naranjo-Valencia, 2011). The relationship between individual learning, organizational learning and organizational change will be an interesting study in order to create professionalism. Some studies (Fenwick & McMillan, 2005; Buuren, Buijs, & Slob, 2010, Buuren, 2013) created an ideal model of how to develop competency by supporting theories and practices.

Small industries known in Indonesia have two definitions. First, the definition of small industries according to the Act no. 8 in 2008, is a business having a net of 50 million to 500 million and a turnover of between 300 million to 2.5 billion. Whereas, the second definition according to BPS (Central Bureau of Statistics), is an industry employing about 5 to 99 labors. Although some definitions of small industries have different views, they essentially share similar characteristics. First, there is an absence of a clear task division between administrative and operational fields. Both owners are managers and there is a possibility of the absence of corporate and personal property separation.

Innovation in small industries becomes important, with which limitations they have, they need to *survive*. Strengthening knowledge management and its derivations is supposed to cover product innovation, process innovation, organizational structure innovation and new management techniques. Likewise, *imitating* is intended to modify the process of innovation which is not against the law but economically can increase the company's values (Jay Kandampully, 2002).

The Statement of the problems

Small and medium enterprises (SMEs) have potentials to be improved, including increased investment of human resources. This investment will lead to Strategic HR Competency which is capable of creating or imitating innovations and for the organization to enhance its organization values. Competency is a combination of tacit and explicit knowledge as well as a combination of behaviors and skills (Ashkezari, MJD, 2012). Whereas, co-creative predictive competency is the knowledge and expertise to anticipate changes together (Individuals, Groups and Organizations) and when applied to SME stakeholders, it is currently still limited.

Integrated Innovation Management has antecedents in another form of managerial, inter-organizational and intra-organizational aspects. These three aspects can be represented by the increasing primacy of competencies owned by the Management harness the potential of the three aspects above. The competencies required are capable of integrating, organizing and harmonizing the various competency sowned by the HR. The study on suitability (*fit*) between strategic HRM and organization is still rare, similarly are the empirical studies at UKM Indonesia SMEs (Becker, 1996).

This study will try to close the gap theory, and will then be obtained empirical models by arranging and proposing co-creative predictive competency model as a leverage support management as well as a novelty in creating innovation and imitating.

The purposes of the Study

This study is aimed at testing the performance of strategic human resources in order to increase innovation (product, process, management and engineering structures) for Small and Medium Enterprises (SMEs). In details, the purposes of this study are as followings:

1. Conducting a study on integrated professional competency owned by strategic human resources.
2. Conducting a study on strategic human resources in order to increase imitating creativities, innovation and organizational learning in improving operational performance.
3. Conducting an empirical study and making a strengthening model of co-creative predictive competency in improving innovation and imitating.

4. Improving the dynamic capabilities of Small and Medium Industries in respect of strategic human resource potential towards performance set by the government (increase in GDP).
5. Creating strategic policies for the advancement of Small and Medium Enterprises for the relevant institutions, especially the Office of Cooperatives and SMEs of Provinces or Cities.

The Significance of the Study

In a world of competition, leading to turbulence as well as the preparation of AEC (Asean Economic Community), every company needs to prepare themselves dealing with how to improve innovation and imitating capabilities carried out so far. One of the issues and the characteristics of small and medium enterprises is the lack of resources and their abilities to develop human resource capabilities (Urata, 2003).

The integrated understanding in the context of the organization's development amid competition changes is necessarily needed. In the context of organizational creativities, innovation plays a strategic role in achieving sustainable competitive advantages (Halbesleben, 2003). This study deals with the integrated organizational learning in creating a competency-based competitive advantage model and fitting the management functions, especially the operational management. The model will be built to explore the significant dimensions which influence the creation of predictive competencies in innovation and imitating.

LITERATURE REVIEW

Strategic Human Resource Management

HR management paradigm has evolved in line with the demands of the changes taking place in business in general (Ulrich, 2010, Armstrong, 2013). This stage is entering the era of Strategic HR Management; several derivative theories are *Competitive Advantage* (Porter, 1990), *Resource Based View* (Barney, 1991) who realized that to win the competition, it is necessarily needed unique, irreplaceable and visionary strategic human resource.

Creating competitive advantage is basically creating organizational values, meanwhile the role of strategic HRM will shift from Strategic Operations, from qualitative to quantitative, from policing into partnering, as well as from activities to

solutions (Ulrich, 2010). These changes of this role are not easy to implement, so the management of human resources will play multiple roles, among others as: Strategic HR Management, Company's Infra structure Management, Workers' Contribution Management as well as Change and Transformation Management.

The strategic role of human resources focuses on conforming the strategic HR to the business strategies and practices. In playing this role, HR professionals work as strategic partners, helping to ensure the success of the business strategies. HR professionals play a role in increasing the capacity to implement the strategic plans. Translating business strategies of HR practices through three ways. First: Business can adapt to changes because the time between planning and executing the strategy is short. Second: Business can satisfy consumer desires because the customer service strategies can be translated into policy and special practices. Third, Businesses can achieve financial performance through executing effective strategies.

Plessis, Frederick (2010) provides an understanding that strategic human resource management is necessarily needed when a business faces competition. The study on Rosebank in Auckland, New Zealand described the gap between what the business targeted and what was given by HR at that time. The power of labor which could be developed in economic growth could be achieved by training for workers having talents.

In creating values, strategic HR professionals constantly continue to test and improve the strategic HR processes. Moving (*delivering*) infrastructure roles will create administrative efficiencies. There are two ways to meet efficiency. Firstly, to ensure that HR processes are efficient, for example by *reengineering*, we can change the HR roles by automation. Secondly, the executives can simultaneously improve individual, Group or Organization competencies (HRPA, 2014).

Co-Creative Predictive Competency

According to the Human Resources Professionals Association (2014), competency refers to a set of knowledge, skills and attitudes inherent to be a professional figure. Competency model as a set of job competencies and competency framework is the integration and organization of the various models of competency owned by HR. Whereas, Moore (2002) distinguishes the definition of competent into different senses: competency as a work area, and competency as behavior which supports the

work and Portfolio competency as: attributes attached to behavior in order to be called experts.

Studies on competency and on how defining competency have also been done, among others are: Mereli (1998); Dubois (1998); Ashkezari, MJD, (2012) In general, competency refers to superior performance standards which are necessary needed so that organizations reach both effective and efficient success. In its development, it appears *competency based management system* written by (Draganidis and Mentzas, 2006), competency has several definitions: identification of competency, competency model, competency assessment, *competency-based management*, competency standards, and competency profiles.

In practice, these competencies can be applied to each management functions, including HR Management. As Ashkezari (2012) states, competency will be used in improving HR performance. Competency perspective can also be seen from the Strategic HR investments competency built through characters and innovation creativities (Bergendahl, 2015).

Competency gives effect on organizational performance (Teece, 1997) with the study's dynamic capability terminology, putting more emphasis on adaptation, integration and reconfiguration of both internal and external resources as to respond to environmental changes. Knowledge Management affects the dynamic capability as (Prieto and Easterby-Smith, 2006) stated, this knowledge concerns absorption, creation, storage and application (Wang, 2007).

Predictive is intended to observe strategic and sustainable changes, having a superior competency and qualifications to get out of the main stream which has been built (Mc. Donald & Gandz's, 1992). Co-creative predictive competency is a proposition which are put forward by the researcher from *mensitesa*, including resourced based view theory (Barney, 1990), competency-based human resource (Fanny Klett, 2010) as well as Phana Dullayaphut (2012). Predictive competency is also associated with learning capability called *first-order capabilities* which are needed to build and develop competitive advantages (Teece, 1997; Zollo, 2002).

Co-creative as a cooperation among stakeholders as the interaction of individuals, groups and organizations creates work creativities, products or technology (Zou, 2003; Cunming, 2013). Co-creative cooperation creates mutual synergism and

this concept puts more emphasis on working togetherness due to their mutual vision. (Collin, 2003)

Imitating and Innovation Creativity

Creativity viewed from an organization's operational focuses on results or creative products. A creative product is a new, original, useful and appropriate product (Amabile, 1996; Ford, 1996). The latest theory shows some components which can lead someone to be creative, of which are intelligence, ability, motivation, skills, beliefs, values and cognitive styles (Nickerson, 1999).

The study of creativity is a relatively new field in the study of organization, creativity refers to the idea of innovation phase (Shalley, 2008) and creativity is seen as a first and critical step in innovation and a key to competitive advantages (Amabile, 2005). Creativity, in the context of organization, is a conceptualization and development of new ideas, products, processes or procedures by individuals or groups. The level of depth, breadth and speed of change which take place in businesses such as globalization, technology and knowledge-based economy has placed increased pressure on creativity and innovation business. (Ford, 1995; Kim, 2005).

The growth of economy is filled by innovation and imitating, companies invest in R & D fields, on how to improve the performance of a product to donate its profits, if it is successful, it will accelerate in the form of imitating as a new product (Segerstrom, 1990).

Theoretical Framework and built Empirical Model

1. Theoretical Framework:

Figure 2.1. explains the theoretical framework of the proposed study

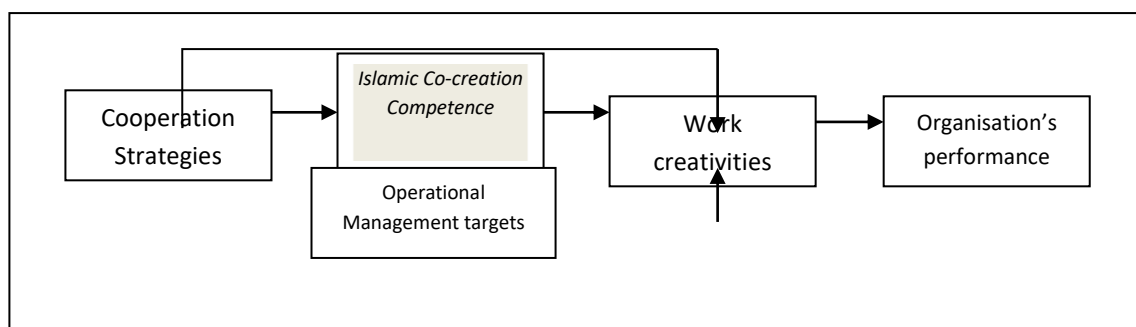


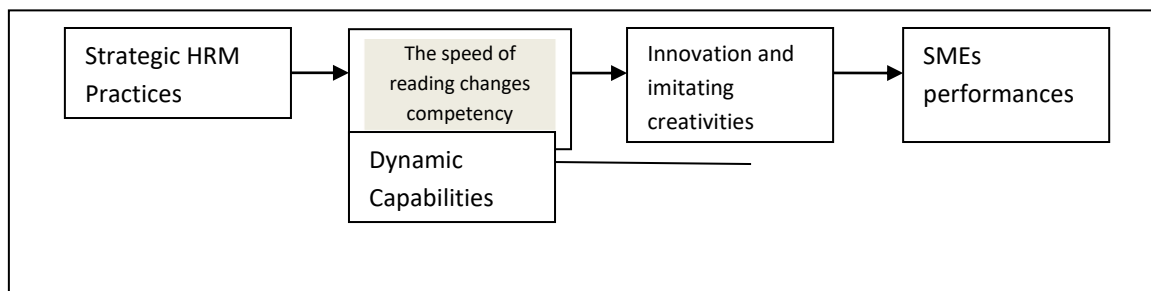
Figure 2.1.

Theoretical framework

To build above framework, the theories made as the basis of this study are: *resource based-view, strategic human resources, work creativity theory, fit theory, organizational learning and performance theory.* (Among others: Chien, 2012; Barney, 1991; Zollo 2002; Zangiski, 2013; Lado, 1994, Volberda, 2013, Argyris, 1990).

2. The Development of Proposed Empirical Model

Figure 2.2. describes the empirical model we propose:



Sources, Data Types, Population and Sample

1. Data Sources and Types

The data sources used were primary data. The data were directly obtained by distributing questionnaires by mail surveys followed by in-depth interviews. The respondents were the stakeholders of Small and medium Enterprises (SMEs) in Semarang and Demak regency. Since the numbers were quite a lot; therefore, it was expected cooperation with the Department of Industry of Semarang and Demak and Central Java Province.

The data types used quantitative and qualitative data, relating to ordinal and interval scales for qualitative analysis and qualitative data as well to complete the discussion of the quantitative study. To draw conclusion, both data were used simultaneously.

2. Population, Sample and Sampling Techniques

The populations in this study were all companies included in Small and Medium Enterprises (SMEs) in Semarang city and Demak regency. The small companies were characterized by the number of employees which were from 5 to 19 people; meanwhile medium-sized enterprises were with the number of employees between 20 to 100 people. According to the data source from the Department of Industry, Trade and Investment in Demak (2012) there were 3,708 business units with the amount of labors

as many as 10 272 people. Those business units were combinations of large, medium, small and home appliances industries. Whereas, in relatively small and medium-sized industries, there were 3,700 labors. Meanwhile, the number of SMEs in Semarang per 2012 amounted to 5,720 so that the study population numbered 9,210 SMEs.

One method commonly used to determine the number of samples was to use Slovin formula (Sevillaet, all in Ferdinand 2006), as follows:

$$n = \frac{N}{1 + ne^2}$$

Where

n: number of samples drawn

N: Number of population

e: fault tolerance limit (error tolerance)

With the above formula which had margin error of 5%, obtained a sample of 383 SMEs. The sampling techniques used in this study were done gradually, first by *area sampling* method, which is the sampling based on companies in certain areas / districts in the city of Semarang and Demak regency which had a large SME population. Secondly, by *proportional sampling* method, which was done by taking samples proportionally from the respective districts.

Dimensional Variables and Analysis Techniques

The model was built with structural equation and could be drawn with SEM model as the empirical model did. A study requires appropriate analytical tools and in accordance with the pattern of research and variables to study in order to be interpreted.

Dimensionality Variables and Measurement

Variable Names	Dimension
Strategic Management Practices	- Irreplaceable - Deterministic - Visionary
Islamic Co-Creative Predictive Competency	- Market Sensing - Cognitive competency - Islamic Value Based

Dynamic capabilities	<ul style="list-style-type: none">- Measured- Result and process Oriented- Initiation of Innovation- Initiation of Imitating
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Along the study framework, the writer will use the path diagram and *The Structural Equation Modelling (SEM)* from AMOS statistical software package used in the model and hypothesis testing.

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