

# How to Implement SME Empowerment during the Covid-19 Pandemic

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## **The Effect of Relational Capability on Learning Capability: A Study on SMEs in Klaten, Central Java, Indonesia**

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### **Abstract**

Learning capability is an important aspect in sustaining a business, especially in a rapidly changing environment. SMEs in Klaten, Central Java, collaborate in an association to solve the same problem. The purpose of this research is to test and analyze the effect of relational ability on learning ability. The study was conducted on 100 food SMEs in Klaten, Central Java using a quantitative approach. The research instrument was a questionnaire to obtain data. The analytical tool used is WarpPLS. The research findings show that relational capability has a significant effect on learning capability.

**Keywords:** Relational capability, learning capability, small and medium enterprises



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### **INTRODUCTION**

The Resources Base View reveals that the company's internal factors have implications for the company's ability to create innovation, competitiveness, and performance. The company's resources need to be developed so that it becomes a uniqueness that is not owned by other companies so that it is useful in increasing the company's advantages. Technological capability and relational capability are important for SMEs in increasing innovation, especially during the COVID-19 pandemic where the business environment is changing rapidly. SMEs are required to be able to learn (learning capability) so that they are able to adapt to a rapidly changing environment. Therefore, this research is directed to implement technology assistance and relational skills assistance to further test its effectiveness in the development of SME innovation. The results of this study are expected to provide important information for SMEs and stakeholders (universities and government). The formulation of the problem in this research is whether Relational Capability contributes to Learning Capability? This study specifically aims to examine and analyze the contribution of relational capability to learning capability.

### **LITERATURE REVIEW**

#### **Resource Based View Theory**

The theory used in this research is Resource Based View (RBV). RBV emphasizes on utilizing company resources to create short-term and long-term advantages. Company attributes that are not easily imitated become the most important resource in order to create superior performance and competitiveness (Barney, 1991; Hamel and Prahalad, 1996). Conner (1991) states that firm performance depends on ownership of inputs and unique ability to utilize resources. SMEs that always improve their technology and relationship skills will be able to absorb a lot of information and this is an important learning process. Thus, technological capabilities and relationship capabilities facilitate learning capability. Through the ability to learn, a lot of information is collected so that creative ideas emerge that can create innovations.

#### **Relational Capability**

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Hietajärvi et al. (2017) stated that relational ability is a strategic and important ability in identifying companies that access, and acquire technology and knowledge and skills that companies cannot do alone. In a dynamic operating environment, companies need cooperative strategies with public and private organizations to obtain information and resources in order to elevate the company's position and improve competitive performance (Kolk et al. 2018). Martin (2016) strengthens the argument that SMEs can establish collaborative cooperation through relational skills efficiently so that SMEs' knowledge increases.

Ghane & Akhavan (2014) reveal that relational skills are very important to implement strategies and efforts to reduce customers, as well as create friendly relationships. Lado et al. (2011) encourage SMEs to be passionate about developing and utilizing relational capabilities to produce superior services for customers. SMEs must develop their relational capabilities efficiently to create effective collaboration (Salisu and Abu Bakar, 2019). According to Wieland & Wallenburg (2013), collaboration with strategic partners increases the agility of SMEs in serving customers. Value creation for customers is influenced by the company's ability to build relationships with partners, learning processes, and resource integration (Albort-Morant et al., 2018).

SME's Collaboration shows the cooperation of SMEs with external parties. The parties that can be involved with SMEs include fellow SMEs, groups of SMEs that have a structure, larger companies, the government, and universities. The company's collaboration expands the opportunities for SMEs to improve and create new products. Muscio (2014) and Forfas (2005) reveal that access to new knowledge is very important to improve the company's capabilities. Rothwell (1994) reveals that the company's competitiveness is determined by the company's ability to utilize the network. Barriers to growth can be overcome by alliances (van Dijk et al., 1997) and efficient partnerships (Schmitz, 1999).

### **Learning Capability**

Learning ability according to Fang et al. (2011) point out the features of enterprise and quality management that support organizational learning. The company's learning ability is indicated by the need for training, failure evaluation, information transfer and for employees. Learning ability is an important resource to improve efficiency, innovation, and company performance (Santos-Vijande et al., 2012). Learning ability supports companies in increasing productivity, reading market opportunities, business adaptation, efficiency, and distribution of new products (Sok & O'Cass, 2011). The ability to learn enhances the ability of SMEs to survive, create innovation, and develop markets (Jerez-Gómez et al. 2005).

Technological capabilities increase the company's learning ability, better organization, more efficient manufacturing, and more appropriate allocation of resources (Baark et al., 2011). Technology orientation increases the company's willingness and ability to apply technology. Technological capabilities make business processes more efficient, generate creative ideas, improve performance, and adapt quickly to environmental changes. Therefore, companies need to utilize technology and utilize knowledge (Lichtenthaler, 2016). The technological capabilities that companies need to acquire new knowledge (Ahmad et al., 2014; Zawislak et al., 2013). Technological skills are important in creating innovative product designs (Masa'deh et al., 2018).

### **The Effect of Relational Capability on Learning Capability**

SMEs that develop their relational abilities can create effective collaboration and will increase their competitive position (Salisu and Abu Bakar, 2019). According to Martins (2016) SMEs can develop relational skills in order to improve their technical skills, knowledge related to their business, and important and up-to-date information. The company's collaboration with external institutions allows the expansion of expertise to access new knowledge. Through collaboration with companies and institutions, companies can manage the ability to search, find, access, and interpret information (Forfás, 2005). Thus, SMEs that are increasingly collaborating with other parties will increasingly have the ability to absorb important information related to their business. Access to new knowledge through collaboration with companies and institutions, companies must manage the ability to search, find, access, and interpret their own use information embodied in external organizations (Forfás, 2005) that result in new product innovation (Muscio, 2014). Thus, the involvement of relevant partners improves the new product development process. Based on this argument, the Relational Capability hypothesis is formulated to have a significant effect on Learning Capability.

## RESEARCH METHODOLOGY

This type of research is applied which is aimed at evaluating technological capabilities, relational skills, and learning abilities of SMEs in developing innovations during the COVID-19 pandemic. The purpose of explanatory research is to explain the position of the variables studied and the relationship and influence between one variable and another and to test hypotheses for generalization purposes (Singarimbun and Effendi, 2011). The approach used in analyzing this research is a quantitative approach (Kerlinger, 2003). The population in this study were all processed food SMEs in the Jogonalan sub-district, Klaten, Central Java. Temporary data on SMEs that are still operating as many as 180 SMEs, meanwhile some SMEs are temporarily not operating due to the impact of covid-19. The number of samples in this study was determined by 100 SMEs selected at random.

Relational capability variable was measured using 9 items from Salisu & Julienti (2019), while learning capability was measured by 7 items according to Salisu & Julienti (2019). The measurement scale used in this study is an attitude scale. The type of scale used is a Likert scale graded between a score of 1-5 (1=strongly disagree to 5=strongly agree). The main data used in this research is primary data that comes from respondents' answers, namely the owners of Processed Food SMEs. This study uses a closed questionnaire as a research instrument that is given directly to respondents through face-to-face or social media. Before being used, the questionnaire was tested for validity and reliability using the Product Moment correlation and the Cronbach Alpha coefficient.

The analysis of this study used descriptive statistical analysis and inferential statistical analysis. The inferential statistical tool used is WarpPLS (Warp-Partial Least Square) with considerations relevant to the research objectives and WarpPLS is suitable for research with large or small sample sizes (Hair et al., 2014). Hypothesis testing using p-value. If the p value 0.05, it shows a significant influence between variables so that the hypothesis is accepted. However, if the p-value > 0.05, there is no significant effect between variables so that the hypothesis is rejected.

## FINDING AND DISCUSSION

### Result

Based on the data collection of research respondents, the following results can be presented:

Table 1. Profile of Respondents

Characteristics of Respondents		% (n=100)
Gender	Male	72
	Female	28
Respondent's age	<25 years old	8
	25-40 years old	15
	41-50 years old	53
	>50 years old	24
Firm age	1-5 years old	7
	5-10 years old	12
	10-15 years old	20
	15-20 years old	29
	>20 years old	32

The results of model testing using WarpPLS are as follows:

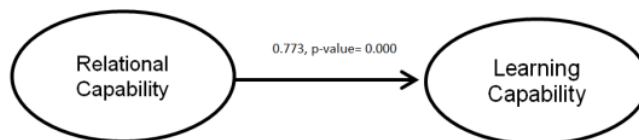


Figure 1. Tested research model

Based on the results of data processing shows that relational capacity has a significant effect on learning capacity. This is evidenced by the correlation coefficient value of 0.773 and p-value of 0.000. Thus, the hypothesis is accepted.

## DISCUSSION

This study found that relational capacity had a significant effect on learning capacity. These results are in line with Martins (2016)'s opinion that relational skills increase their technical ability, knowledge related to their business, and important and up-to-date information. This finding also supports Forfas (2005) which states that cooperation increases the company's expertise in absorbing new knowledge. Collaboration with external parties allows companies to access and understand important new information. Muscio (2014) reveals that learning capacity allows companies to produce new products that consumers want. Thus the involvement of business partners allows companies to improve learning and better access the market.

## CONCLUSION AND FURTHER RESEARCH

The research findings show that relational capacity has a significant effect on learning capacity. The ability to learn is facilitated by the ability of SMEs to establish relationships with partners. SME partners are fellow SMEs, suppliers, distributors, government, and universities. Learning capacity is important in adding experience, skills, and business insight so that SMEs are able to adapt to a changing environment.

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