

UNIVERSITI TEKNOLOGI MARA

**DYNAMIC CAPABILITIES AND
RISK MANAGEMENT PRACTICES
ON ENTERPRISE RESILIENCE
AMONG INDONESIAN STATE-
OWNED ENTERPRISES AND THEIR
SUBSIDIARIES**

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ABSTRACT

Businesses face numerous challenges in today's unpredictable, uncertain, complex, and ambiguous interconnected world. These difficulties are projected to increase in frequency and severity in the future. Acquiring and maintaining sustainable competitiveness is getting increasingly difficult. Nonetheless, some firms thrive while others fail. Adverse events frequently have significant implications that worsen if not addressed promptly. Such condition has made resilience a hot topic among businesses and scholars. Enterprise Resilience is a business's capacity to absorb, recover from, and subsequently thrive in the face of adversity. Firms need resilience to survive and compete in the long run. Thus, organizational resilience is a competitive advantage driver. Uncertainty is one of the most significant challenges to the resilience of businesses and organizations, but it may also present an opportunity. Using dynamic capabilities and risk management, companies might deal with uncertainty. Based on the Dynamic Capability Theory, this study examines the impact of dynamic capabilities (Leadership, Information Technology, and Alliance Management) on enterprise resilience among Indonesian state-owned enterprises and their subsidiaries. Dynamic capabilities are envisioned as a source of long-term competitive advantage in times of rapid change. Enterprises reconfigure internal and external resources to create new capabilities to adapt to the changing market environment. Dynamic capabilities are the ability to develop, deploy, and reconfigure resources. Enterprises can recover, embrace new chances, and succeed with these capabilities. Many people and divisions are responsible for risks and their commercial, legal, and economic ramifications despite intricate interdependencies. These interdependencies impact and enhance organizational resilience. The link between Enterprise resilience and risk management practices has not yet been articulated. Additionally, this study explores the mediating effect of risk management practices on the relationship between an enterprise's dynamic capabilities and resilience. The Indonesian State-Owned Enterprises (SOEs) and their subsidiaries will serve as the units of analysis for this research considering their important role in the Indonesian economy. The study examined 322 valid data from online surveys of SOE directors and senior management using SmartPLS. The study confirms that Leadership Capabilities, Information Technology Capabilities, and Alliance Management Capabilities significantly influenced Enterprise Resilience. Leadership Capabilities, Information Technology Capabilities, and Alliance Management Capabilities significantly influenced Risk Management Practices. Risk Management Practices also significantly influenced Enterprise Resilience among Indonesia SOEs. Finally, Risk Management Practices mediate the relationship between IT Capabilities, Alliance Management Capabilities, and Enterprise Resilience. This study could provide theoretical contribution by extending the application of dynamic capability theory to resilience and framework contribution by combining the dynamic capability theory view with risk management in determining the resiliency of SOEs. This study may enrich the methodology by using a quantitative and online survey of the public sector (SOEs) from various sectors/industries from emerging markets (Indonesia) as the sample. Finally, this study may inform the Board of Directors of SOEs and their subsidiaries on what capabilities should be developed and improved to achieve Enterprise Resilience. The findings provide the information for regulators and policymakers to create the roadmap, scenario, and strategies required to ensure Indonesia SOEs' long-term viability and to develop world-class Indonesia SOEs.

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