DOES DIGITAL READINESS MATTER? THE MEDIATING ROLE OF DIGITAL READINESS BETWEEN ORGANIZATIONAL CULTURE AND INNOVATIVE WORK BEHAVIOR AMONG SMES IN INDONESIA

Fadia Azzahra[1], Alice Salendu, Aisha Nurani Sengkananingrum

Faculty of Psychology, University of Indonesia
Jl. Lingkar, Pondok Cina, Kecamatan Beji, Kota Depok, West Java 16424, Indonesia

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ABSTRACT

Background: Innovation in Small and Medium Enterprises (SMEs) in Indonesia is essential for business development, requiring SMEs to foster innovative work behavior. However, some Indonesian SMEs still struggle to implement innovative work behavior, especially in utilizing digital technology for innovation in this digital era.
Purpose: This study aims to explore the role of digital readiness in mediating organizational culture's impact on the innovative work behavior of SME employees in Indonesia.
Design/methodology/approach: The research employed a quantitative approach using Structural Equation Modeling - Partial Least Squares (SEM-PLS) analysis. The survey was distributed to SME employees in Indonesia. This research used 185 respondents for further data analyzing.
Findings/results: The results reveal that digital readiness only mediates the relationship between market culture and innovative work behavior. On the other hand, digital readiness does not mediate adhocracy and clan culture to innovative work behavior.
Conclusion: Results interestingly suggest that digital readiness significantly mediates market culture to innovative work behavior. Adhocracy and clan cultures may directly instill innovative work behavior, as confirmed by previous studies.
Originality/value (State of the art): This is the first study to investigate how types of culture are associated with innovative work behavior mediated by digital readiness.

Keywords: Innovation, innovative work behavior, organizational culture, digital readiness, SME

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[1] Corresponding author:
Email: azzahrafadia1012@gmail.com

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) in Indonesia play a critical role in the national economy, significantly contributing to job creation and GDP. These growing small businesses can make substantial contributions to economic growth and poverty reduction in both developing and developed countries (Lita et al. 2020; Rozak et al. 2024). MSMEs in Indonesia account for 61.07% of the country's gross domestic product (GDP) and absorb 97% of the workforce (Sulastri, 2022). Particularly, the proportion growth numbers of Small and Medium Enterprises (SMEs) inched up, dominating the MSMEs and projected to incline through the years, which makes SMEs very crucial in national economic growth (OECD, 2018). The positive impact of developing small and medium businesses on the economy and development serves as a foundation for efforts to prepare crucial aspects for improving business performance. These aspects include sufficient capital, readiness for innovation, digital technology adoption, leadership and shared values, and entrepreneurial competencies (Arabeche et al. 2022; Bhatti et al. 2020; Carrasco-Carvajal et al. 2023; Harini et al. 2023).

One of the most critical factors for SME growth is innovation. Innovation represents a form of non-financial business performance, reflecting an organization's ability to improve product quality, work processes, new marketing strategies, or business practices (OECD, 2005). Organizations capable of innovating are believed to gain various benefits, such as competitive advantages in the market and improved organizational and employee performance (Azeem et al. 2021; Buccieri et al. 2020; Scaliza et al. 2022). This innovation is also reflected in employees' innovative work behavior. Innovative work behavior (IWB) encompasses actions that contribute to organizational innovation (Ahmad et al. 2021; Thai et al. 2024). This behavior includes identifying, improving, accepting, and implementing ideas (De Jong & Den Hartog, 2010). IWB is influenced by various factors such as organizational climate, support, and culture (Azeem et al. 2021; Ekmekcioglu & Öner, 2024; Khan et al. 2020).

A study conducted in Indonesia involving 546 MSME owners showed that fostering innovative work behavior enables businesses to achieve better performance, higher profits, and increased trust among organizational members (Utomo et al. 2023). Organizations that enhance their innovation capacity also attain better competitive advantages (Azeem et al. 2021). Conversely, organizations that fail to develop innovative behavior in their processes and products encounter performance issues, such as low productivity and difficulties adapting to external changes (Anatan, 2023; Harini et al. 2023; Nurdiana et al. 2021). In implementing innovation and innovative behavior, business units may encounter various enabling and hindering factors. Digital transformation is an essential component in fostering innovation development in Small and Medium Enterprises (SMEs) (Anatan, 2023; Gloriman & Fauziyah Adzimatinur, 2024; Yang & Xiao, 2024). Readiness and the ability to utilize digital technology, including participation in electronic markets (e-commerce) and social media use in business, represent forms of marketing and process innovation that drive business performance (Nurfarida et al. 2021; Yang & Xiao, 2024; Zhen et al. 2021).

The readiness and competence to adopt e-commerce in SMEs' business processes can significantly enhance performance, especially in the post-COVID-19 era, where consumer preference has shifted towards online shopping, particularly in Indonesia (Almtiri et al. 2023; Pramono et al. 2021; Priambodo et al. 2021). However, companies often face difficulties in innovating due to inadequate resources, such as insufficient capital and investment (Rohadin & Yanah, 2019; Fatih & Fachrizah, 2021). Additionally, small businesses struggle to adapt to digital technology, which is crucial for business development in today's dynamic market conditions (Pramono et al. 2021; Setyawati et al. 2023). A key challenge for small businesses in adopting technology for innovation lies in the lack of understanding and skills in digital literacy and technology. Only 9% of MSMEs in Indonesia have been able to maximize the use of digital technology (Soomro et al. 2020; Sunuantari et al. 2021). Socioeconomic factors also pose challenges when organizations lack adequate infrastructure and resources (Anatan, 2023). For instance, in West Java, SMEs in the culinary and fashion sectors face a barrier to adopting digital readiness due to a lack of digital strategy, vision and action plan prepared by the organizations (Rafiah et al. 2022). Ministry of Cooperatives and SMEs of the Republic of Indonesia's statistics also point out that 70.2 % of SMEs struggle to adapt to digital transformation as a result of the lack of digital skills, digital literacy, and the lack of the organization's management itself in navigating digitization (mpr.go.id, 2023).

To this date, one of the prominent factors that affect behavior in the context of an organization is the values and beliefs held by its members, more known as the culture. Organizational culture refers to shared values, norms, and beliefs that shape a supportive climate. When employees perceive this supportive climate, they are motivated to innovate, including implementing and monitoring innovations (Setyawati et al. 2023). An organizational culture that encourages members to seek new approaches, implement ideas, and take risks fosters innovation behavior (Hayton & Cacciotti, 2013; Hofstede et al. 2010; Scaliza et al. 2022; Tadesse Bogale & Debela, 2024). Previous research has explored factors influencing innovation or innovative behavior. Organizational values and culture significantly impact innovation development (Azeem et al. 2021; Bendak et al. 2020; Buccieri et al. 2020; Ekmekcioglu & Öner, 2024; Sarmawa et al. 2022). Clan culture has been found to affect innovative work behavior directly and partially through knowledge sharing as the mediator in Indonesian SMEs (Lestari et al. 2024). However, some studies indicate that organizational culture significantly impacts innovation performance only through full mediation mechanisms, such as psychological ownership (You et al. 2022) and existing management contexts (Zhang et al. 2023). Further investigation into the mediation roles required in the relationship between organizational culture and innovative behavior is necessary, particularly in contexts other than general companies, such as SMEs in Indonesia. Innovation and innovative behavior are also found to be closely linked to digital technology use and digital transformation (Gloriman & Fauziyah Adzimatinur, 2024; Sanawiri & Iqbal, 2020; Xie et al. 2023; Yang & Xiao, 2024). Therefore, the readiness of SMEs to embrace digital technology in instilling innovative work behavior should be investigated. The types of organizations that are likely to engage with digital readiness and innovative work behavior may be able to complete the mechanism.

To date, research explaining how organizational culture shapes digital readiness and subsequently influences innovative behavior in the context of Indonesian SMEs remains limited. A related study showed that general organizational readiness partially mediates the relationship between digital organizational culture and organizational innovation among 227 IT SMEs in Pakistan (Zhen et al. 2021. Next, a universal corporate culture that shows criteria such as employee engagement, motivation, and talent attraction can boost organizational readiness in facing digital transformation (Stoianova et al. 2020). However, these studies do not elaborate on how other or specific types of organizational culture might influence employees' innovative work behavior in other SME sectors in Indonesia, especially through digital readiness. There is a proof of study in DKI Jakarta Employees that digital readiness can directly affect employees' innovative work behavior and indirectly affect innovative work behavior through learning agility (Riswan et al. 2023). Unfortunately, this study is not in the realm of SMEs as well and does not cover how digital readiness mediates the organizational culture impact or factors. Therefore, this serves as a foundation for exploring the role of various organizational culture types on innovative work behavior mediated by digital readiness.

METHODS

This study is a non-experimental quantitative- research utilizing cross-sectional data collection. The sampling technique employed is convenience sampling. The variables to be examined include adhocracy culture, clan culture, market culture, digital readiness, and innovative work behavior. Structural equation modeling partial-least square (SEM-PLS) will be carried out to analyze the hypotheses. SEM PLS is selected to predict the interaction among variables, including the mediation mechanism models and the accuracy of the model. Before analyzing further, we will run data cleaning to exclude invalid responses and outliers. This research has secured ethical clearance from the Committee on Research Ethics at the Faculty of Psychology, Universitas Indonesia, to maintain the integrity of research ethics. Participants in this study are employees who have been working in SMEs in Indonesia for at least one year. According to Law No. 20 of 2008 and the Central Statistics Agency, the SMEs referred to in this study are enterprises with a workforce ranging from 5 to 100 employees and an annual revenue between IDR 300,000,000 and IDR 50,000,000,000. The survey was distributed via Google Forms from October until December 20024. Based on G Power calculations, the minimum number of participants required for this study is 129.

The measurements used for this research are subscale and scale of adhocracy culture, clan culture, market culture, digital readiness, and innovative work behavior. Innovative work behavior was measured using an adaptation of the Innovative Work Behavior scale developed by Etikariena and Muluk (2014), consisting of 9 items. An example of an item is: "Gaining approval for the innovative ideas I propose." The scale employed a 7-point Likert response format, ranging from 1 (Strongly Disagree) to 7 (Strongly Agree).

Digital readiness was assessed using a scale developed by Nasution et al. (2018). This scale includes two subscales: attitudes toward digital technology and actions toward digital technology, with a reliability range of $\alpha = 0.85–0.88$. Example items include: "I am willing to embrace future digital developments" and "I have sufficient skills to use digital technology." A 7-point Likert range was employed (1 = Strongly Disagree to 7 = Strongly Agree). The organizational cultures of adhocracy, clan, and market were measured using the short version of the OCAI scale (Cameron et al. 1991), as employed in previous research (Azeem et al. 2021). This scale consists of six items, with two items representing each type of culture. Sample items include: "We have informal norms and rules that everyone follows" and "Customer interests are never ignored when making organizational decisions." The scale utilizes a 5-point Likert range (1 = Strongly Disagree to 5 = Strongly Agree).

Research highlights the role of various cultural types in shaping innovation processes and behaviors, notably three of the four cultures in the Competing Values Framework (CVF): adhocracy, clan, and market cultures. Adhocracy culture emphasizes innovation processes, exploration, and adaptation to dynamic external challenges, making organizations more flexible and entrepreneurial (Cameron & Quinn, 1999; Maher, 2000). This culture focuses on recognizing opportunities and threats (Hartnell et al. 2011; Yang et al. 2023) and is positively associated with organizational innovation (Aprilianty & Waskito, 2023; Yang et al. 2023). Clan culture is characterized by a familial atmosphere, cooperation, and strong bonds (Bianchi et al. 2021; Goncalves et al. 2020). In the context of small businesses in Central Java, Indonesia, clan culture positively influences employees' innovative work behavior (Lestari et al. 2024). Market culture is oriented towards achieving market advantages, meeting targets, and emphasizing productivity and performance. This culture fosters innovation to maintain competitiveness and achieve organizational goals (Liao et al. 2018). Market culture has been shown to drive various types of innovation within organizations, yielding significant benefits (Azeem et al. 2021; Bendak et al. 2020; Kara et al. 2024). These findings underscore the importance of organizational culture in fostering digital readiness and innovative behaviors, particularly in small and medium-sized enterprises.

H1a: Adhocracy culture positively affects innovative work behavior
H1b: Clan culture positively affects innovative work behavior
H1c: Market culture positively affects innovative work behavior

Digital readiness is defined as the willingness and preparedness of individuals to apply digital technology to foster innovation (Nasution et al. 2018). It is considered a specific aspect of general organizational readiness (Ashari Nasution et al. 2021). Digital readiness closely aligns with digital competence, which is critical in driving innovation. Studies have shown that readiness for digitalization significantly influences a business's ability to innovate (Xie et al. 2023; Vărzaru, 2024). The relevance of digital transformation research is particularly evident in the context of small and medium-sized enterprises (SMEs) in Indonesia, where business performance and innovation are increasingly tied to digital capabilities (Anatan & Nur, 2023; Kurniawati et al. 2021). A supportive cultural environment is a key component of digital readiness, requiring streamlined processes and adequate infrastructure (Soomro et al. 2020). Cultures that promote innovation and emphasize digitalization play a pivotal role in fostering readiness for digital transformation (Almatrodi & Skoumpopoulou, 2023; Stoianova et al. 2020; Trushkina et al. 2020). Moreover, digital transformation, combined with the necessary resources to enable innovation, has been found to have a significant impact on organizational innovation and innovative behaviors (Anatan, 2023; Gloriman & Fauziyah Adzimatinur, 2024; Vărzaru & Bocean, 2024; Xie et al. 2023; Y. Yang & Xiao, 2024). It underscores the critical role of digital readiness as a foundation for transformation and innovation within SMEs, especially in adapting to dynamic market conditions and leveraging technological advancements to sustain competitiveness.

H2a Adhocracy culture positively affects digital readiness
H2b: Clan culture positively affects digital readiness
H2c: Market culture positively affects digital readiness
H3: Digital readiness positively affects innovative work behavior
H4a: Digital readiness mediates relationship between adhocracy culture and innovative work behavior
H4b: Digital readiness mediates relationship between clan culture and innovative work behavior
H4c: Digital readiness mediates relationship between market culture and innovative work behavior

This study is grounded on Social Exchange Theory (SET), which emphasizes the process of interaction and reciprocal exchanges between supervisors or organizations and their employees, aiming for mutual benefit (Blau, 1964). SET explains both visible and intangible mechanisms wherein employees who feel satisfied with the environment fostered by their supervisors, as well as their interactions with colleagues, are more likely to exhibit improved job performance and positive work attitudes. These attitudes include behaviors that promote innovation (Rozak et al. 2024). Based on the foundation of SET, we posit a mediation mechanism to solve the research questions. Organizational culture includes certain values, beliefs, and characteristics, which can differ according to the type and can produce various results. The cultural types that are investigated are the adhocracy, clan, and market culture. This research constructs a model that exchange will happen in a form where the organizational culture is set to certain settings, and it can instill the readiness of the employees to have digital readiness, which later on nurtures innovative work behavior that is beneficial for the organization. We will then compare the mediation model with the direct relationships among variables to see if digital readiness significantly enhances the impact of organizational culture. Figure 1 is shown to describe the research model. The data analysis was conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS) to test the proposed hypotheses. The researchers distributed the questionnaire via google form to collect primary data.

RESULTS

After distributing the survey through Google Forms, we collected responses from 296 participants. First, we conducted a data cleaning process to eliminate participants that are not eligible according to the criteria. After eliminating respondents who failed the attention-check items, excluding invalid data and eliminating the outliers, a total of 185 valid responses were retained for further analysis.

Table 1 below shows the characteristics of 185 respondents in this research. The respondents involved in this study were 185 individuals. Among them, 69.2% were female (n = 128), while the remaining 30.8% were male (n = 57). The majority of respondents (87.6%, n = 162) were aged between 18 and 28 years. It was followed by 9.7% (n = 18) aged 29–39 years, 1.6% (n = 3) aged 40–49 years, and 0.5% each in the 50–70 years (n = 2) and 60–69 years (n = 1) age groups. Regarding educational background, the largest group of respondents had completed high school or vocational school (55.1%, n = 102), followed by those with a bachelor's degree or equivalent (31.4%, n = 58). Respondents with a doctoral degree made up 8.6% (n = 16), while 2.2% (n = 4) had completed junior high school, 1.6% (n = 3) had an associate degree (D3), and 1.1% (n = 2) had completed elementary school. In terms of business scale, 54.1% of respondents (n = 100) worked in small enterprises employing 5–19 employees, while 45.9% (n = 85) worked in medium-sized enterprises employing 20–99 employees. The sectors represented by the respondents included the culinary sector (51.9%, n = 96), followed by creative and trade businesses (29.7%, n = 55), service businesses (8.6%, n = 16), healthcare businesses (2.7%, n = 5), information, communication and technology (3,2%, n= 6), tourism (2,7 %, n=5), and agriculture and livestock (1.1%, n = 2). The respondents are also identified with whether they already have experience becoming entrepreneurs or not. The respondents who already have entrepreneurial experience (57.8 %, n=107) dominate the respondents who have not possessed entrepreneurial experience before working as an employee in their current business (42.2 %, n=78). The type of business, whether the business is a family business or not, in this research, yields the majority of respondents work in a family business (60,5 %, n=112) and the rest work in a non-family business (39.5 %, n= 73)

Before proceeding to evaluate the measurement model, we ensured that this data did not suffer from common method bias (CMB). Therefore, Harman's Single Factor test was carried out to ensure there is no CMB with one variance factor under 50% (Podsakoff, 2003). In conclusion, this research does not suffer from CMB

with a 29.102 % one-factor variance. Table 2 and Table 3 present the evaluation of the measurement model comprised of outer loading, composite reliability, average variance extracted (AVE), and discriminant validity with heterotrait-monotrait (HTMT). The measurement model is satisfactory when outer loading is greater than 0.6, composite reliability is greater than 0.7, AVE is greater than 0.5, and the HTMT ratio is less than 0.9. Composite reliability is deemed reliable since all variables have CR ranges from 0.838 to 0.905. Convergent validity reflected by outer loading and AVE also shows good validity ($\lambda > 0.6$; AVE > 0.5). All variables are also discriminated from each other with an HTMT ratio range from 0.079 to 0.622.

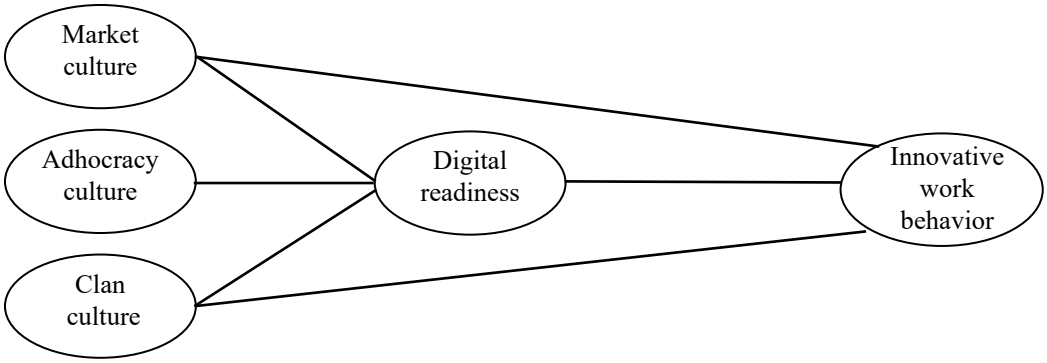

Figure 1. Research Model

Table 1. Characteristics of Respondents

Characteristics	Frequency	Percentage
Gender		
Male	57	30.8%
Female	128	69.2%
Age		
29 - 39	18	9.7%
18 - 28	162	87.6%
40 - 49	3	1.6%
50 - 70	2	0.5%
Education		
Elementary School	2	1.1%
Junior High School	4	2.2%
Senior High School/ Vocational school	102	55.1%
Bachelor/equivalent	58	31.4%
Doctoral	16	8.6%
Associate degree	3	1.6%
Business Scale		
Small (5 -19 employees)	100	54.1%
Medium (20 – 99 employees)	85	45.9%

Characteristics	Frequency	Percentage
Business Sectors		
Culinary	96	51.9%
Creative and trade businesses	55	29.7%
Healthcare	5	2.7%
Service	16	8.6%
Agriculture and livestock	2	1.1%
Tourism	5	2.7%
Information, communication and technology	6	3.2%
Entrepreneurial experience		
Yes	107	57.8%
No	78	42.2%
Family business		
Yes	112	60.5%
No	73	39.5%

Table 2. Evaluation of measurement model

Variable	Indicators	λ	CR	AVE
Adhocracy Culture (AC)	AC1	0.846	0.844	0.731
	AC2	0.864		
Clan Culture (CC)	CC1	0.902	0.838	0.722
	CC2	0.794		
Market Culture (MC)	MC1	0.842	0.839	0.722
	MC2	0.858		
Digital Readiness (DR)	DR1	0.754	0.858	0.504
	DR2	0.749		
	DR3	0.625		
	DR4	0.661		
	DR6	0.669		
	DR9	0.786		
Innovative Work Behavior (IWB)	IWB1	0.710	0.905	0.514
	IWB2	0.683		
	IWB3	0.673		
	IWB4	0.754		
	IWB5	0.708		
	IWB6	0.729		
	IWB7	0.727		
	IWB8	0.737		
	IWB9	0.732		

Note: λ: outer loading; CR: composite reliability; AVE: average variance extracted

Table 3. Discriminant validity

	AC	CC	DR	IWB	MC
AC					
CC	0.166				
DR	0.127	0.306			
IWB	0.291	0.460	0.622		
MC	0.079	0.431	0.377	0.397	

Note: Adhocracy Culture (AC); Clan Culture (CC); Market Culture (MC); Digital Readiness (DR);Innovative Work Behavior (IWB)

The model fit of this model is inferred by seeing the Standardized Root Mean Square Residual (SRMR) and the R-Square to investigate how all predictors predict innovative work behavior simultaneously. The model built must also indicate good predictive accuracy by seeing the Q^2predict, variance inflation factor (VIF) to see whether multicollinearity happens or not, root mean squared error (RMSE), and mean absolute error (MAE), which shows whether the PLS model constructed has less error than the linear model. Results can be seen in Table 4. VIF indicates that multicollinearity among variables does not occur, which ranges from 1.002 to 1.137 (< 5). R-square shows that adhocracy culture, clan culture, and market simultaneously explain 43,1 % variance of innovative work behavior. The overall model has a Q^2 predictive value greater than 0, indicating accurate and relevant predictive power compared to the linear model (Q^2 IWB = 0.185), which is greater than zero. Measurement errors in PLS prediction are also lower than in the linear model, as indicated by the negative mean difference in errors between the PLS and linear models (DR= -0.014; IWB= -0.098), meaning the PLS model exhibits fewer errors than the linear model. SRMR shows a value of 0.079 (<0.08) and also reflects a good model fit.

Hypothesis testing was conducted by looking at the direct and indirect effects of variables using the bootstrapping method on 5000 subsamples that can be seen in Table 5. The support of the hypothesis can be seen from the path coefficient, t-statistics and p-value. The results show that H1a (β= 0.258; p value 0.00) and

H1b (= 0.244; p value 0.06) are accepted. It means that adhocracy and clan culture influence innovative work behavior positively. Market culture directly influences innovative work behavior positively (β= 0.109; p-value 0.117) but is not significant. Therefore, hypothesis H1c is rejected. Hypothesis 2a (β= -0.043; p-value 0.60) and H2b (β= 0.137; p-value 0.071) were rejected because they were not significant, suggesting adhocracy culture and clan culture do not influence digital readiness directly and positively, while H2c was accepted (β= 0.236; p-value 0.02) which indicates market culture affects digital readiness directly and positively. H3 is accepted (β= 0.484; p-value 0.00), which means that digital readiness directly influences innovative work behavior positively. H4a (β= -0.021; p-value 0.628) and H4b (β= 0.066; p-value 0.125) were rejected, which means that digital readiness does not mediate clan culture and adhocracy culture on innovative work behavior. H4c (β= 0.114; p-value 0.037) is accepted so that digital readiness fully mediates market culture on innovative work behavior.

This study aimed to investigate how organizational culture influences innovative work behavior with digital readiness as mediation. It was found that both adhocracy culture (H1a) and clan culture (H1b) have a direct influence on innovative work behavior. It is in line with several previous studies that found adhocracy culture that focuses on taking risks and entrepreneurial activities and a clan culture that focuses on teamwork and collaboration can positively affect innovative work behavior and the innovation process within organizations (Anning-Dorson, 2016; Lestari et al. 2024; Yang et al. 2023). In addition, this can also be explained by considering other variables, such as whether the organization has a clear and appropriate mechanism for the idea generation and implementation processes for innovation. The organization's orientation towards innovation processes requires clear and directed monitoring of innovation development so that the results can be more visible and ultimately productive (Keum & See, 2017). Businesses that still maintain psychological safety and clear procedures can foster innovation because employees know how to innovate correctly and feel safe presenting their ideas to their superiors (Seshadri et al. 2015; Xue et al. 2023). The adhocracy and clan cultures in this study context may depend on how clearly the innovation generation process is defined and can be followed by employees.

Table 4. Model fit

	R^2 adjusted	Q^2 predict	RMSE	MAE	Average loss difference	SRMR
Digital Readiness (DR)	0.079	0.039	1.025	0.694	-0.014	0.079
Innovative Work Behavior (IWB)	0.431	0.185	0.926	0.678	-0.098	

Note: RMSE: root mean squared error; MAE: mean absolute error; SRMR: Standardized Root Mean Square Residual

Table 5. Hypothesis Testing

Model	Hypotheses	β	T statistics	p-value	f2	VIF
Direct effect	AC→ DR	-0.043	0.524	0.600	0.002	1.002
	AC → IWB	0.258	4.049	0.000	0.119	1.004
	CC → DR	0.137	1.807	0.071	0.019	1.076
	CC → IWB	0.244	2.774	0.006	0.098	1.096
	DR → IWB	0.484	4.307	0.000	0.381	1.104
	MC → DR	0.236	2.328	0.020	0.057	1.076
	MC → IWB	0.109	1.566	0.117	0.019	1.137
Indirect effect	AC → DR → IWB	-0.021	0.485	0.628		
	CC → DR → IWB	0.066	1.535	0.125		
	MC → DR → IWB	0.114	2.087	0.037		

Note: Adhocracy Culture (AC); Clan Culture (CC); Market Culture (MC); Digital Readiness (DR);Innovative Work Behavior (IWB); variance inflation factor (VIF)

H1c was not supported, where market culture did not have a direct positive effect on innovative work behavior. This finding contradicts studies showing that market culture has the highest influence on organizational innovation (Azeem et al. 2021). Market culture was also found to contribute to various types of innovation carried out by the organization, such as process and product innovations (Bendak et al. 2020). However, this interesting finding can be explained by the characteristics of market culture, which, although externally focused on market orientation, has low flexibility because stability and control remain the primary objectives (Scaliza et al. 2022). It can hinder open collaboration, making innovation or innovative behavior difficult to achieve (Wiener et al. 2017). In addition to aiming for competitive advantage in the market, organizations with market culture tend to set performance agreements that must be achieved only at the organizational level, while individual performance agreements are made later (Zeb et al. 2021). The findings imply that individual performance, including innovative work behavior, is not necessarily strongly promoted urgently. These characteristics may cause organizations with a market culture to standardize behaviors or actions that have already proven advantageous and successful, which means trying drastic new things could lead the company to lose its competitive edge and stability.

Adhocracy culture (H2a) and clan culture (H2b) were not found to have a direct effect on digital readiness. It is somewhat surprising for adhocracy culture, which is oriented toward dynamic conditions. The rejection of this hypothesis may occur when the adaptive orientation of the organization does not focus on digital readiness but rather on service or product quality processes. This statement is supported by research proving that adhocracy culture positively influences the relationship between creativity and service innovation (Yang et al. 2023). Clan culture, which is highly concerned with the conditions of each member, could also hinder digital readiness if they see some members who feel unprepared to adopt digital technologies. It can slow down the adoption of digital technology due to a lack of skilled digital agents (Soomro et al. 2020; Zhen et al. 2021; Afsar et al. 2020). In terms of respondent characteristics, the most dominant sector in this study was the culinary sector, which focuses more on product and service quality rather than on digital readiness and competence. On the other hand, the acceptance of H2c shows that market culture is positively related to digital readiness because its orientation is to become superior and listen to market needs. It is relevant in the context where e-commerce is increasingly showing good business performance, thus digitalization is necessary, particularly in businesses in Indonesia (Harini et al. 2023; Sanawiri & Iqbal, 2020).

Digital readiness is found to affect innovative work behavior (H3) significantly. This finding is in line with previous studies that readiness to utilize digital technology can promote innovation and innovative work behavior (Michelotto & Joia, 2024; Savytska et al. 2022; Vo et al. 2024). For SMEs in Indonesia, digital readiness can be crucial in facing rapid digital transformation to gain competitiveness (Anatan, 2023; Pramono et al. 2021; Sanawiri & Iqbal, 2020). Research in Indonesian 178 SME owners found that the adoption of social media can help businesses understand what innovation the market needs (Nurfarida et al. 2021). For instance, the rise of e-commerce and the tendency of consumers to shop on digital platforms will lead businesses to embrace digital technology in order to reach a larger market and create innovation with various digital tools such as social media (Kano et al. 2022) These endeavors show that SMEs that thrive to gain competitive advantage in the market shall prepare their readiness to master digital competency which can be useful to promote employees work innovatively.

The mechanism by which market culture influences innovative work behavior fully mediated by digital readiness (H4c) can be supported because for small and medium-sized enterprises to excel in the market, they must innovate by preparing for digital transformation (Stoianova et al. 2020). Empirical evidence in the context of micro, small, and medium-sized enterprises in Indonesia shows that digital transformation readiness can affect the quality of product innovation (Gloriman & Fauziyah Adzimatinur, 2024). Additionally, the lack of mediation by digital readiness in adhocracy (H4a) and clan culture (H4b) in fostering innovative behavior can be caused by the adhocracy culture's focus on innovation as the ability to take risks and try new ideas and clan culture's emphasis on collaboration, so that innovative actions can be realized without having to be evaluated by digital readiness (Zeb et al. 2021). Furthermore, it should be confirmed first whether the business is actually ready to implement digital transformation so the business is fully ready to embrace the usage and comprehension of digital technology (Almatrodi & Skoumpopoulou, 2023; Gagan Deep, 2023).

Managerial Implications

This research provides empirical evidence that nurturing certain organizational cultures can shape innovative work behavior and digital readiness. For businesses with an external focus and creating new breaking through ordinary products (adhocracy culture), innovation and innovative work behavior can be reached by exploring diverse ideas and doing trial and error. Businesses with clan types can work innovatively by being open with their members and collaborating effectively due to strong cohesion and high trust (clan culture). Businesses that aim to produce innovative behaviors are encouraged to indulge in digital competencies so they can also thrive in e-commerce and make innovations by utilizing digital technology. In the context of SMEs in Indonesia, digital readiness is proven to be associated with innovative work behavior which suggests that readiness to get used to digital technology must be greatly considered in nurturing innovative work behavior. For adhocratic and clan businesses that endeavor to instill digital readiness to embrace digital technologies in their process, organizations must assess which of the aspects of digital competencies (e.g., digital skills, digital literacy) need to be prepared carefully and then align it with the organization's vision and mission. After assessing the needs, business can start their effort in nurturing digital readiness by preparing leaders that are capable of digitization like digital leadership and carrying out digital tools workshops such as website-making training or preparing to set e-commerce platform. Consequently, digital readiness may help organizations to work innovatively in this digital transformation era to produce more innovation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Organizations with certain types can directly impact innovative work behavior possessed by employees. Adhocracy culture that emphasizes taking risks and implementing new ideas can directly lead to innovative work behavior. The clan culture that focuses on collaboration among members can also directly predict innovative work behavior. Digital readiness in the Indonesian SME context has a role to fully mediate the values of market culture in shaping innovative work behavior which is relevant in e-commerce thriving and digital transformation. Therefore, SMEs with market culture can fully engage with innovative work behavior by nurturing digital readiness first. It can also be concluded that adhocracy culture, clan culture, and digital readiness can predict innovative work behavior directly.

Recommendations

Although this research provides valuable insights, this research still has some flaws, which can open up opportunities for future research. This cross-sectional research may not be enough to display detailed cultural aspects that respondents feel in their workplace. A mixed-method design may complete the lack of qualitative explanation on how culture can shape innovative work behavior and the role of digital readiness. It is highly recommended to confirm whether the business is also oriented to digital transformation. Paying attention to a specific sector of SME, like the ICT sector in Indonesia, may also greatly capture how digital readiness can mediate the culture possessed by businesses on innovative work behavior.

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