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# COMPARATIVE STUDY ON WORKFORCE TRANSFORMATION STRATEGY AND SME POLICIES IN INDONESIA AND MALAYSIA

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## ABSTRACT

This study aims to compare efforts to digitise SMEs in Indonesia and Malaysia, particularly in the Central Java and Kuala Terengganu regions, especially in the cultural context and perceptions of SME owners, in terms of workforce transformation. Data were collected on the creative industry SMEs in Central Java and Kuala Terengganu, with a sample size of 241 at each location. The collected data were then analysed using the ANOVA difference test and the SPSS regression test. This study's results prove differences in the levels of agile leadership, organisational ambidexterity and workforce transformation in SMEs in Central Java, Indonesia and Kuala Terengganu, Malaysia. Agile leadership and organisational ambidexterity have also been shown to positively and significantly affect workforce transformation. The results of this study contribute to improving the theoretical understanding of SME workforce transformation in Indonesia and Malaysia, particularly the development of academic science in management. In addition, this study also provides information, recommendations, and references to SME entrepreneurs related to strategic planning to optimise performance in maintaining the sustainability of their businesses. This study also provides a practical contribution as a reference for improving the performance of SMEs in Indonesia and Malaysia.

## KEY WORDS

**workforce transformation, agile leadership, organisational ambidexterity**

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## INTRODUCTION

Small and medium enterprises (SMEs) are the backbone of a resilient national economy in increasing domestic ultimatums (Hashim, 2015; Azam et al.,

2023; Costa Melo et al., 2023; Nuryakin et al., 2022). In developing countries, SMEs play an important role due to the potential to increase income distribution and job creation, reduce poverty and export growth, and develop entrepreneurship, industry, and rural economics (Tambunan, 2008; Karmaker et al., 2023; Skare et al., 2023).

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SMEs in Indonesia account for more than 90 % of all companies; therefore, they are the largest source of employment (Tambunan, 2008). Most SMEs in Indonesia are engaged in the agricultural sector, including livestock, forestry and fisheries. The second important sector for SMEs is trade, hotels and restaurants. SMEs in Indonesia do not yet have the maximum development capacity due to obstacles, including the lack of capital and the ease of technology implementation. According to Wignaraja (2013), the supply of communication technology to SMEs only reached 6.6 %, so marketing through technology was not optimal. In Malaysia, SMEs also play a very important role in national economic growth as well as in building social welfare (SME Corporation Malaysia, 2018). Malaysia has 662 939 SMEs, representing more than 97 % of total companies and contributing more than one-third of the total Malaysian GDP (Chin & Lim, 2018; SMEinfo, 2017). Many companies in Malaysia are family businesses; their traditional structure means the lack of literature on their leadership (PWC, 2016). Malaysian SMEs have shown remarkable changes in terms of economic contribution (Hussain et al., 2010; Khan & Khaliq, 2014; Ghee et al., 2015) and national job opportunities (Islam, 2010; Schaper, 2014).

More specifically, the development of SMEs in Indonesia, especially in Central Java, intensified, and the growth reached 15 % in 2020, which is fairly large. The development of SMEs in Kuala Terengganu has also experienced a significant increase in technological developments that have facilitated their marketing and operational strategies. Across ASEAN, digital technology is actively transforming industries, enriching lives and driving progress. ASEAN has the opportunity to advance the forefront of the dynamic global digital economy as a community. Although still lagging behind other global peers, ASEAN has the potential to enter the top five digital economies globally by 2025 if all ASEAN members are committed to strengthening their local digital economy (Chua & Dobberstein, 2017).

The business world, both large and small, faces IR 4.0, which demands the ability to adapt and take advantage of digital technology availability. The availability of technology from IR 4.0, e.g., information technology during the post-pandemic period, provides opportunities and challenges in maintaining sustainability when facing dynamic, unpredictable change. Lockdown regulations put pressure on financial limitations and disrupted operational cash flows and physical communication with limited customers,

resulting in a decreased ability to maintain business sustainability (Ali & Karimah, 2020). This phenomenon demands strengthening the ability of SMEs to manage the existing workforce transformation in adapting to the digital work environment. Digitalisation affects the development of SMEs in Indonesia and Malaysia, but the national cultural context sometimes makes implementation different. Digitalisation is more efficient if human resources or the workforce are ready to transform.

The workforce transformation is a fundamental change in circumstances and requires a change in culture, behaviour and mindset (Shaughnessy, 2018; Fachrunnisa et al., 2020). In other words, workforce transformation requires a change in human consciousness that truly transforms life and livelihoods (Verhoef et al., 2019). Several factors that determine the achievement of workforce transformation include organisational ambidexterity and agile leadership. Rapid changes in the external environment, such as new technologies and growing global competition, cause a short product life cycle and rising tensions between exploitation and exploration (Tai et al., 2019). Due to the rapid changes in the external environment, SMEs face difficulties with long-term survival. Solís-Molina et al. (2018) argued that organisations need competencies of ambidexterity. Several research efforts on organisational ambidexterity (O'Reilly & Tushman, 2013) showed that organisations that managed to create a balance between exploration and exploitation performed better in the short and long term. Rosing and Zacher (2017), Sudarti et al. (2019) and Adhiatma et al. (2019) also stated that ambidexterity is not only achieved at the organisational level but also at the individual level. Factors that affect ambidexterity at an individual level provide insights and new methods on how to develop ambidexterity in an organisation. This way, SMEs are expected to be able to adapt to the changing environment and digital technology to build digital transformation through increasing organisational ambidexterity capabilities. The successful workforce transformation in this digital era is determined by the existence of agile leadership. An agile leader can guide their team and continually influence its behaviours by defining, spreading and maintaining organisational vision (Perker et al., 2015). Marquest (2018) stated that maintaining performance in a current rapidly changing environment demands the ability to drive workforce transformation, and agility is the key to staying in a business game. Leadership agility means affecting people and

making a change. Agility is considered a main skill for current managers.

The biggest challenge facing SMEs towards digitalisation is transforming their workforce by changing their mindsets and work patterns. Entrepreneurs need the right strategic orientation, e.g., learning and marketing orientation, creativeness and innovation, to support the transformation to maintain business continuity (Ejdys, 2015). In facing digital transformation challenges and the need to remain competitive in the industry, leaders must formulate and implement strategies that embrace the implications of digital transformation and drive better operational performance (Hess et al., 2016). The effective use of labour has often been a critical factor in a company's long-term success over its competitors, especially in highly competitive and technology-driven industries. This study examines a comparative study as an effort towards digitising SMEs in Indonesia and Malaysia, especially in the Central Java and Kuala Terengganu regions, especially in the cultural context and perceptions of SME owners in the field of workforce transformation. In addition, this research is also useful to encourage the strengthening of economic growth and development through collaboration or cooperation between SMEs in the two countries.

## 1. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

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Agile leadership is the ability to guide and influence the team to always provide customer value by having the flexibility and speed skills that can facilitate organisational success (Adhiatma, Fachrunnisa, Nurhidayati et al., 2022; Grzesik & Piwovar-Sulej, 2018). An agile leadership-based approach can answer the industry's ability to adapt quickly to market needs (Faisal et al., 2007; Kot et al., 2018). Since SMEs in Indonesia are smaller companies, it is easier for leaders to make and implement decisions quickly (Hamdani & Wirawan, 2012). Research is still lacking on leadership knowledge and its impact on company performance, especially in the agile leadership style of business leaders in Malaysia (Sam et al., 2012). A study by Madanchian and Taherdoost (2019) shows a leadership effectiveness dimension consisting of the ability to inspire, facilitate and motivate an accountable and positive attitude, contributing to Malaysian SME performance improvement. Recent research also stated that the unpreparedness for facing IR 4.0

indicates that the leadership capability of Malaysian SMEs still needs improvement (Hamdan, 2020). The lack of understanding of leadership for business performance sustainability can lead to the lack of motivation of all SME members to produce optimal performance in their tasks. Meanwhile, recent research related to leadership for Malaysian SMEs shows that agile leadership becomes the key to success in implementing digital transformation (Fachrunnisa et al., 2020).

Hence, Hypothesis 1 of this study is as follows:

H1. There are different levels of agile leadership in SMEs in Kuala Terengganu and Central Java.

Ambidexterity is usually seen as a combination of two conflicting activities: exploration and exploitation (Rosing & Zacher, 2017). Ambidexterity is the company's ability to exploit existing capabilities to explore new opportunities (Adler & Heckscher, 2013). According to research by Chuen et al. (2018), SME owners and managers in Malaysia have not generated sufficient returns due to their current competitive abilities. Organisational capabilities, such as ambidextrous or balancing exploitation and exploration, will be useful to support the growth of SME performance in the long term. According to research by Ikhsan et al. (2017), the ambidexterity context already significantly impacts the performance of SMEs in Indonesia's creative industry. This can encourage companies to create and provide better value to maximise customer satisfaction through products and services. Other authors (Adhiatma, Fachrunnisa & Sudarti, 2022; Adhiatma, Fachrunnisa, Nurhidayati et al., 2022; Sudarti et al., 2019) also said that most SMEs in Indonesia have close relationships with customers.

Hence, Hypothesis 2 in this study is as follows:

H2. There are different levels of organisational ambidexterity in SMEs in Kuala Terengganu and Central Java.

Workforce transformation is a fundamental change from a situation and requires changes in culture, behaviour and mindset (Shaughnessy, 2018). In other words, workforce transformation requires a shift in human consciousness that can truly transform lives and livelihoods (Pan et al., 2019). Transformation is not just changing but has a more rational, cognitive and holistic perspective and can be spiritually oriented (Bertola & Teunissen, 2018). SMEs in Central Java have been transforming the workforce through entrepreneurship training to gain added value from the productivity of small and medium enterprises (Suminar et al., 2020). Meanwhile, many

SMEs in Malaysia still face domestic and global challenges to compete. The main obstacle Malaysian SMEs face is workforce transformation (Gunto & Alias, 2013).

Hence, Hypothesis 3 in this study is as follows: H3. There are different levels of workforce transformation in SMEs in Kuala Terengganu and Central Java.

Creating a transforming workforce in SMEs requires agile leadership and organisational ambidexterity. Workforce transformation is also closely related to increasing the productivity needed in business and public sectors. In the face of this digital era, workers who have been able to transform will be more agile so as to create an agile organisation (Sanatigar et al., 2017). Establishing agility in SMEs in Central Java and Kuala Terengganu is one of the key skills for today's managers. An agile manager with multiple skills, flexibility and speed to facilitate the achievement of greater organisational success is ready to meet the challenges of today's world (Buhler, 2010). Organisational ambidexterity is also important for the long-term success of SMEs (Laureiro-Martínez et al., 2015). One of the more persistent ideas in organisational science is that long-term success depends on how SMEs in Central Java and SMEs in Kuala Terengganu exploit their capabilities while simultaneously exploring fundamental new competencies. Previous studies have often considered that the reciprocal exchange between these two activities cannot be overcome, but more recent research has described organisational ambidexterity as being able to simultaneously exploit existing competencies and explore new opportunities (Raisch et al., 2009).

Hence, Hypothesis 4 in this study is as follows: H4. There is a positive and significant influence between agile leadership and organisational ambidexterity on workforce transformation in SMEs in Kuala Terengganu and Central Java.

## 2. RESEARCH METHOD

### 2.1. POPULATION AND SAMPLE

A survey methodology is used in this research to collect primary data for empirical analysis. The samples used in this research were SMEs intensely using simple digital technology, such as social media marketing and partnership, to work with clients and customers. In this study, the high use of a simple digital

technology by an SME was understood as the use of at least mobile phones with an Internet connection in running the business as the mobile phone is a simple digital technology supporting the use of the Internet and social media (e.g., Facebook, Instagram, WhatsApp, etc.) that facilitate access to information about various digital technology features.

The study population were SMEs in Indonesia and Malaysia with industrial classification, included in a homogeneous-specific section that falls under the classification of small and home industries. The study samples were SMEs with less than 300 employees, and the study sampling technique was non-random sampling with a purposive sampling method. Specifically for this research project, company data (e.g., industry type, number of employees and annual sales) were collected into an ad hoc database (Table 2).

Data was obtained from distributing questionnaires to owners/leaders/managers of 250 creative industries SMEs in Semarang, Central Java, Indonesia, and 250 SMEs in Terengganu, Malaysia, as they have a strategic position in decision-making related to information technology adoption. The questionnaire was submitted by a trained research assistant. The criteria of SMEs selected as study samples are based on the development and adoption of BPS (Badan Pusat Statistik, 2017; SME Corporation Malaysia, 2018), referring to SMEs by the World Bank's standard (World Bank Group, 2018) as business types with the annual sales turnover of USD 100 000 – < 15 000 000, and full-time employees of 10 –  $\geq$  300 people. Additionally, Semarang as the capital city of Indonesia, and Terengganu, the capital city of Malaysia, were selected as population targets since these areas have the potential for the development of creative industry-based small businesses (Halim & Mat, 2010; Wahyono & Hutahayan, 2020). Other selection criteria used in this research were SMEs using the Internet in part business, with the organisation's tenure of more than one year (i.e., SMEs have been operating for at least one year). SMEs in the creative industries sector were chosen as a sample because they use digital technologies (for business development, production and distribution, processes, and customer relationships) to develop innovation in their business (Li, 2018). In this research, SMEs in the creative industries sectors included fashion, retail, service, food and beverages, and handicrafts as a part of creative industries. According to the National Creative Industry Policy (DIKN, 2018) of Malaysia and Badan Ekonomi Kreatif Indonesia (2017) of

Indonesia, the creative industries definition follows the United Kingdom's Department of Culture Media and Sport (DCMS, 1998) "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property". The questionnaire contained a detailed literature review on measurement scales and some questions that address workforce transformation, organisational ambidexterity and agile leadership. The questionnaire was supplemented with a cover letter requesting owners, senior managers or executives to complete the questionnaire.

An expert focus group was used to meet the face validity for agile leadership, organisational ambidexterity and workforce transformation and to validate the developed items before surveying. All the survey statement items were translated from English into Indonesian and Malaysian, then back-translated into English by an independent translator, and content analysis was also carried out on spoken and written material (Brislin, 1980). In addition, five SME owners had a personal interview, and the questionnaire was validated by several academics. The interview aimed to improve the quality of items and correct the wording issues. Finally, after three months, 482 out of 500 companies provided data, which represents a 96.4 % response rate.

In this study, the collection of data through the distribution of questionnaires arranged in stages based on a five-point Likert scale ranging from strongly disagree to strongly agree.

## 2.2. MEASURES

Agile leadership was defined as the ability to guide a team in influencing behaviour to always provide value to customers by having the flexibility and speed skills to facilitate organisational success. This variable was measured with four items: the sense of urgency and direction, sharing responsibility and mutual accountability, effectiveness in recognising problems and making decisions, and commitment and trust among members. These items were developed by Perker et al. (2015).

Organisational ambidexterity refers to a company's ability to exploit current opportunities while simultaneously exploring new opportunities for the future. The three items by Tuan (2016) were used for measuring: using new technology, the capability to get to know new technology, and increasing the role of consumers.

Workforce transformation was defined as the creation and change from one form to another that is new in function or structure, which includes fundamental changes from one state and culture. This variable was measured with four items, such as skills and qualities required for workforce, communication and reliability. These items were developed by Stevens (2018).

## 3. RESULTS

The study's analysis technique used ANOVA to test hypotheses one to three. The fourth hypothesis used the multiple regression analysis and SPSS 25 as an analysis tool.

### 3.1. DEMOGRAPHIC DATA

This study used 482 Indonesian and Malaysian SMEs as a sample. Demographic data included the country, business fields, the number of employees, and annual sales (Table 2).

In terms of the country, 50 % of SMEs were from Indonesia and 50 % from Malaysia. The majority of respondents were SMEs from the food and drinks businesses (40.2 % in Semarang and 31.9 % in Terengganu), followed by the fashion business sector (31.9 % in Semarang and 16.5 % in Terengganu). The crafts business sectors from Semarang and Terengganu comprised 17.8 % of SMEs. While the retail business SMEs from Terengganu amounted to 7.05 %, and 2.07 % were from Semarang. The remaining 7.8 % and 26.5 % were Semarang and Terengganu service business SMEs.

Most SMEs in Semarang (58.09 %) and Terengganu (56.43 %) had 5–10 employees. 31.12 % of Semarang SMEs had between  $\geq 10$ –49 employees, and in Terengganu, such SMEs comprised 35.27 %. SMEs with 50–300 employees amounted to only 8.30 % in Terengganu and 10.79 % in Semarang. Judging from annual sales, the majority of Indonesian and Malaysian SMEs have an annual sales capability of  $\leq$  USD 100 000 (68.46 % and 65.56 %, respectively). The annual sales capability between USD 100 000 and 3 000 000 was reported by 26.97 % of SMEs in Semarang and 31.54 % in Terengganu. SMEs with annual sales capabilities of more than USD 300 000 comprised only 4.56 % in Semarang and 2.90 % in Terengganu.

Tab. 1. Demographic data

DETAIL TOTAL SAMPLE (482)	SEMARANG, INDONESIA (241)		TERENGGANU, MALAYSIA (241)	
	TOTAL	PERCENTAGE	TOTAL	PERCENTAGE
Semarang	241	50		
Terengganu			241	50
<b>Business Field</b>	<b>SEMARANG</b>		<b>TERENGGANU</b>	
Foods/Drinks	97	40.2	77	31.9
Crafts	43	17.8	43	17.8
Fashion	77	31.9	40	16.5
Retailer	5	2.07	17	7.05
Service	19	7.8	64	26.5
<b>Number of employees</b>	<b>SEMARANG</b>		<b>TERENGGANU</b>	
5 – 10	140	58.09	136	56.43
≥ 10 – 49	75	31.12	85	35.27
50 – 300	26	10.79	20	8.30
<b>Annual Sales</b>	<b>SEMARANG</b>		<b>TERENGGANU</b>	
≤ USD 100 000	165	68.46	158	65.56
USD 100 000 – 3 000 000	65	26.97	76	31.54
USD 3 000 000 - < 15 000 000	11	4.56	7	2.90

Tab. 2. Results of the validity and reliability test for Indonesian and Malaysian SMEs

COUNTRY	INDONESIA					MALAYSIA				
	CORRECTED ITEM-TOTAL CORRELATION	P-VALUE	NOTE	CRONBACH'S ALPHA	NOTE	CORRECTED ITEM-TOTAL CORRELATION	P-VALUE	NOTE	CRONBACH'S ALPHA	NOTE
<b>AGILE LEADERSHIP</b>										
Sense of urgency and direction	0.289	0.000	Valid	0.925	Reliable	0.313	0.000	VALID	0.804	Reliable
Shares of responsibility and mutual accountability	0.407	0.000	Valid	0.920	Reliable	0.175	0.000	VALID	0.803	Reliable
Effectiveness in recognising problems and decision-making	0.430	0.000	Valid	0.921	Reliable	0.332	0.000	VALID	0.804	Reliable
Commitment and trust among members	0.491	0.000	Valid	0.920	Reliable	0.154	0.000	VALID	0.804	Reliable
<b>ORGANISATIONAL AMBIDEXTERITY</b>										
Always using new technology	0.528	0.000	Valid	0.917	Reliable	0.293	0.000	VALID	0.842	Reliable
The capability to get to know new technology	0.552	0.000	Valid	0.917	Reliable	0.310	0.000	VALID	0.805	Reliable
Increase the role of consumers	0.557	0.000	Valid	0.918	Reliable	0.402	0.000	VALID	0.808	Reliable
<b>WORKFORCE TRANSFORMATION</b>										
Skills required	0.619	0.000	Valid	0.918	Reliable	0.183	0.000	VALID	0.812	Reliable
Qualities required from the workforce	0.666	0.000	Valid	0.916	Reliable	0.384	0.000	VALID	0.812	Reliable
Communication	0.599	0.000	Valid	0.916	Reliable	0.273	0.000	VALID	0.809	Reliable
Reliability	0.678	0.000	Valid	0.920	Reliable	0.293	0.000	VALID	0.819	Reliable

### 3.2. VALIDITY AND RELIABILITY TEST

Validity is defined as the extent to which a concept can be measured accurately in quantitative studies (Heale & Twycross, 2015). The validity test is used to measure the validity or invalidity of a questionnaire. The reliability test is related to the consistency of size (Heale & Twycross, 2015). Reliability testing is used to assess the consistency of objects and data, whether the instruments used to measure the same object several times will produce the same data. Based on Table 3, the significance level or p-value is below 0.05. The corrected item-Total Correlation (r-count) for all research variables  $\geq$  r-table (0.1264), so it can be assumed that all statements on agile leadership, organisational ambidexterity, and workforce transformation are valid. Furthermore, the reliability test results show that the Cronbach's alpha value is  $> 0.6$ . Therefore, the instruments in this study are reliable and feasible to use.

### 3.3. ANOVA TEST

The one-way ANOVA test analysis was used to test the comparison of the average rate between several data groups. ANOVA test or F-test can be done in two ways: by looking at the level of significance or by comparing the F-count with the F-table. Testing with a significant level on the ANOVA table  $< \alpha = 0.05$ , then H0 is rejected (influential), while on the contrary if the significant level on the ANOVA table  $> \alpha = 0.05$ , then H0 is accepted (no effect).

Based on the ANOVA test analysis results (Tab. 4), agile leadership, organisational ambidexterity and workforce transformation have an F-count (5.423, 4.935 and 5.781)  $>$  F table (3.861) with their significance of 0.02, 0.026 and 0.016. The ANOVA test results show differences in the levels of agile leadership, organisational ambidexterity and workforce transformation in SMEs from Kuala Terengganu, Malaysia and Central Java, Indonesia.

Tab. 3. Anova analysis results

DIFFERENCES OF SME LEVELS IN CENTRAL JAVA, INDONESIA AND SMES IN KUALA TERENGGANU, MALAYSIA	F	SIG
Agile leadership	5.423	0.02
Organisational ambidexterity	4.935	0.026
Workforce transformation	5.781	0.016

### 3.4. MULTIPLE LINEAR REGRESSION TEST

Furthermore, the results of multiple linear regression tests were used to test the influence of agile leadership and organisational ambidexterity on workforce transformation in SMEs in Kuala Terengganu and Central Java. The results of the multiple regression test in SPSS are listed in Table 4 below.

Tab. 4. Multiple linear regression test

HYPOTHESIS	REGRESSION	STD B	UNSTAND B	SE	P-VALUE
H4	Agile leadership $\rightarrow$ Workforce transformation	0.325	0.355	0.054	0.000
	Organisational ambidexterity $\rightarrow$ Workforce transformation	0.560	0.698	0.062	0.000

Based on the table above, the multiple linear regression equation is as follows:

$$Y = 0.325X_1 + 0.560X_2 + e$$

Y = Workforce transformation  
 X1 = Agile leadership  
 X2 = Organisational ambidexterity  
 e = error term

Consequently, agile leadership and organisational ambidexterity have a positive and significant effect on workforce transformation. The higher level of agile leadership and organisational ambidexterity possessed by SMEs will increase their workforce transformation.

Based on the significance test for individual parameters, the statistical t-test in Table 6 shows that agile leadership has a significant effect on workforce transformation (t-count 6.573  $>$  t table 1.969; p-value 0.000  $<$  0.05). Likewise, organisational ambidexterity (t-count 11.325  $>$  t-table 1.969; p-value 0.000  $<$  0.05) shows a significant effect on workforce transformation. This means that the higher the agile leadership and organisational ambidexterity of SMEs, the higher

Tab. 5. Result of the t-statistic test

HYPOTHESIS	REGRESSION	T COUNT	P-VALUE (SIG.)	VIF	RESULTS
H4	Agile leadership $\rightarrow$ Workforce transformation	6.573	0.000	1.616	Supported
	Organisational ambidexterity $\rightarrow$ Workforce transformation	11.325	0.000	1.616	Supported

the level of workforce transformation for SMEs in Indonesia and Malaysia. The results of the multiple linear regression test and t-statistic test indicate that the fourth hypothesis is supported.

## 4. DISCUSSION

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The results of this study are in line with previous research that forming agility in SMEs in Central Java and Kuala Terengganu is one of the main skills for managers today. An agile manager with many skills, flexibility and speed to facilitate the achievement of greater organisational success is ready to meet the challenges of today's world (Buhler, 2010). Organisational ambidexterity is also critical for long-term success in SMEs (Laureiro-Martínez et al., 2015). One of the more persistent ideas in organisational science is that long-term success depends on how SMEs exploit their capabilities while simultaneously exploring fundamental new competencies. One of the competencies that need to be explored by SMEs is the adoption of Supply Chain Management (SCM) as a comprehensive strategic management application for the flow and transformation of raw materials into finished products or services for distribution to end users (Kot et al., 2018). Previous studies have often considered that the reciprocal exchange between these two activities cannot be overcome, but more recent research has described organisational ambidexterity as being able to simultaneously exploit existing competencies and explore new opportunities (Raisch et al., 2009).

Agility in Indonesian SMEs, including smaller companies, will make it easier for leaders to make decisions and implement them quickly, which is in line with previous research (Hamdani & Wirawan, 2012). Research is still lacking in knowledge about leadership and its impact on company performance, especially the agile leadership style of business leaders in Malaysia (Sam et al., 2012). Meanwhile, in line with previous research by Ikhsan et al. (2017), the context of ambidexterity already has a significant impact on the performance of SMEs in Indonesia's creative industries. SMEs in Central Java that have been able to implement organisational ambidexterity will strengthen their ability to survive and develop by producing superior performance in an increasingly dynamic market. Furthermore, the research results by Suminar et al. (2020) also state that SMEs in Central Java have been able to transform the workforce

through entrepreneurship training, which can provide added value to the productivity of small and medium enterprises. However, there are still many SMEs in Malaysia who face domestic and global challenges to compete. The main obstacle faced by Malaysian SMEs is workforce transformation (Gunto & Alias, 2013).

Based on this research result, SMEs need agile leadership and ambidexterity to implement workforce transformation. This leadership style fosters a culture of agile transformation among members to strengthen performance and maintain business sustainability. Owners or leaders of SMEs that are able to react rapidly and agilely to business opportunities and barriers can establish a strategic culture that allows their workforce to adapt to the needs of a dynamic business environment. Furthermore, the developed agility allows for raising awareness, sharing duties with others, identifying obstacles to act, having adaptable and flexible structures, and anticipating business challenges. A leader's capacity to manage their SME's workers to transform depends on their flexibility in managing their workforce to change on a daily basis in terms of qualities and skills, adjusting to recent social principles, fluidity and agility, speed, and being more adaptive (Fachrunnisa et al., 2020; Stevens, 2018).

In addition, ambidextrousness in business organisations also contributes to realising the transformation of workers. The achievement of workforce transformation is marked by the skills and qualities required, communication, and reliability. An ambidextrous small business workforce is better prepared to face the dynamic business environment. An ambidextrous workforce tends to work exploratively and exploitatively to transform their work procedures into dynamic and flexible processes or system implementations, so they are always ready to transform to capture current and future opportunities to achieve higher performance. Organisational ambidexterity, in the sense of ambidexterity in their business company, means not only exploiting one or certain workforces but being able to maintain harmony between exploitation and exploration so that it is organisationally beneficial. This organisational ambidexterity can take advantage of new technologies to build work procedures into dynamic and flexible processes or a system to balance the exploitation and exploration of their workforce. Hence, the formed ambidexterity culture can organisationally transform the work of their workforce to be able to meet the needs of each workforce, leader, and customer (Tuan, 2016; Stevens, 2018; Adhiatma et al., 2022).

## CONCLUSIONS

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The empirical research was performed to verify the differences in levels of agile leadership, organisational ambidexterity and workforce transformation in SMEs of Central Java, Indonesia and Kuala Terengganu, Malaysia. In addition, it also examined the effect of agile leadership and organisational ambidexterity on workforce transformation in Indonesian and Malaysian SMEs based on the literature review and hypothesis development. It allowed confirming:

- differences in the level of agile leadership, organisational ambidexterity and workforce transformation among SMEs of Central Java, Indonesia and Kuala Terengganu, Malaysia.
- a positive and significant effect of agile leadership and organisational ambidexterity on workforce transformation in Indonesian and Malaysian SMEs.

Hence, it seemed to be an essential conclusion that agile leadership and organisational ambidexterity were the factors determining the ability of SMEs to increase workforce transformation. SMEs will be able to achieve higher agility in dealing with an uncertain environment and rapid changes through several leadership roles so that the company would be able to achieve higher agility capabilities in an uncertain, rapidly changing environment. Such roles include leaders using foresight and strategic perspectives to make the best decision at the right time, direct goal setting and best planning, using their own initiative, and awareness of the application of modern scientific work methods. Agile leadership and organisational ambidexterity have a positive and significant effect on workforce transformation. Based on the calculation results of the t-statistical test, there are differences in the level of agile leadership, organisational ambidexterity and workforce transformation in SMEs in Indonesia and Malaysia.

This research contributes to increasing the theoretical understanding of workforce transformation among SMEs in Indonesia and Malaysia so that it can be used in the development of academic science, especially in the field of management. The study results also provide information, recommendations, and references to business actors, especially those in the SME scope. Thus, these small business actors will be able to plan a more solid strategy to be able to produce optimal performance for the sustainability of their business.

However, this study has the following limitations, so several stages are required for further research:

- This study analyses the influence of agile leadership and organisational ambidexterity as assessed from perceptions of the actors (leaders) of Indonesian and Malaysian SMEs. However, a more specific approach is needed to make a better contribution to each process to obtain different results (e.g., the perception of SME employees or more focus on certain business fields).
- This study uses self-reported data. This may have an impact on the general method variance. Further research should make a better contribution to the achievement independently and use workforce transformation measurements on more objective SMEs
- Respondents in this study were owners/leaders/managers of SMEs in Indonesia and Malaysia, with a minimum workforce of ten people and implemented ICT in running their business. For further research, it can be more specific to the SME's business sector (e.g., creative industries, culinary, fashion, tourism, etc.).

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