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THE ADAPTATION TO ENVIRONMENTAL DYNAMISM AND DYNAMIC CAPABILITY IN BUILDING A SUPERIOR SERVICE QUALITY MANAGEMENT

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Abstract. This study aims to examine whether there is an effect of environmental dyamism and dynamic capability on service quality management in airport management service companies in Indonesia. The type of research used in this research is verification. The unit of analysis in this research is the airport industry in Indonesia. The observation unit is the management of airport service companies in Indonesia. The research data were collected in a time horizon in the form of cross section / one shoot. The population in this study was all airport service companies in Indonesia. Samples were taken as many as 33. The causality analysis used was PLS. The results of hypothesis testing resulted in the finding that environmental dyamism and dynamic capability had a significant influence on airport service quality management in airport service companies in Indonesia. Dynamic capability has a greater influence than environmental dynamism in establishing airport service quality management. The results of this study provide managerial implications for airport service companies in Indonesia that the development of a superior airport service quality management can be done by prioritizing the development of dynamic capability supported by efforts to adapt to environmental dynamism. Dynamic capability development needs to be prioritized in the aspect of reconfigurating capacity, while adapting to environmental dynamism needs to be emphasized on the macro environment aspects.

Keyword: environmental dynamism, dynamic capability, service quality management.

Introduction

According to Annex 14 of the ICAO (International Civil Aviation Organization), an airport is a certain area on land or water (including buildings, installations and equipment) which is designated either in whole or in part for the arrival, departure and movement of aircraft.

In terms of measuring facilities and passenger comfort, the Global airport industry trade representative, ACI, has a program to measure Customer Experience / Airport Service Quality (ASQ), which compares airports around the world. The ASQ study was conducted at airports, which measured: 1) Passengers' perceptions of airport services; 2) Comparison of airport service standards based on size, area and amount of traffic categories; 3) The most important aspect at a particular airport; and 4) How passengers' perceptions and priorities change over time. However, based on the results of observations related to Service Quality Management, it is found that there is a phenomenon of problems in the Airport Management Service Company (PJPK) such as there are still delays in service to passengers. In addition, the utilization of production equipment in the existing portfolio is deemed not optimal, so that the focus of business units both on aeronautical and non-aeronautical business services overlaps. Some service facilities do not have clear and well defined rules so that they have not been able to consistently provide satisfactory services.

Dynamic capability contributes to increasing relative firm performance (Drnevich & Kriauciunas, 2011). Companies can redefine their strategic and operational capabilities by reconfiguring their asset resources and capabilities (Agarwal, Selen, Sajib, & Scerri, 2013). Based on the results of observations in accordance with the concept of dynamic capability, there is a phenomenon of problems in the Airport Management Service Company (PJPK), such as in terms of upgrading its core capabilities which include two things, namely the ability to improve the quality of human resources and the ability of organizational capabilities.

In addition, airport managers are required to be able to understand the developing industrial environment related to airports. The environment of a company is a total of physical and social factors that are considered directly in individual decision-making behavior in organizations (Li & Liu, 2014). Environmental characteristics are classified into stability/dynamism, simplicity/complexity, and strength/hostility (Li & Liu, 2014). Environmental dynamism has a contingency effect and represents variability in several components of the external environment, such as customers, competitors, and technology (Chakravarty, A. & Grewal, R. & Sambamurthy, 2013).

However, based on observations it is known that there are still problems related to environmental dynamism in the Airport Management Service Company (PJPK), such as in terms of supporting political stability which can have an impact on the attractiveness of using aircraft transportation modes. Economic development can cause an increase or decrease in the number of aircraft passengers, thus having an impact on the sustainability of the airport business. Due to the highly competitive environment, companies must keep a close eye on various uncertainties, such as technological innovation, threats from new entrants and default risks from suppliers, and they must also seek more information to use appropriate resources, carry out more complicated analyzes. and sophisticated, making decisions on time and implementing appropriate for dynamic capability development (Luo, 1999; Oktemgil & Greenley, 1997).

Based on this background, this study aims to examine whether there is an effect of environmental dyamism and dynamic capability on service quality management in airport management service companies in Indonesia.

1. Literature Review

2.1 Environmental Dynamism

Environmental dynamism has a contingency effect and represents variability in several components of the external environment, such as customers, competitors, and technology (Chakravarty, A. & Grewal,

R. & Sambamurthy, 2013). Competitive anticipation is very important because it allows companies to estimate a "strategic window" from the available time to prepare, issue, and implement the next initiative (Low, M.B & MacMillan, 1988). The external environment includes the macro environment and the micro environment (Ahmad, Khattak, Khan, & Khan, 2011). The micro environment includes corporate stakeholders who have control over the company such as suppliers, customers, retailers and competitors. Meanwhile, the macro environment includes political, economic, social and technological aspects.

The industry environment measured through the following dimensions and indicators: 1) Competitive intensity: intensity of competition, frequency of price wars, frequency of new competitive moves; 2) Tech / market turbulence: change in production service technology, number of new products form technology breakthroughs, extent of change in customer product preferences, extent customers look for new products; and 3) Customer / product differentiation: customer differences in size, needs, and buying, similarity of products (Pelham & Lieb, 2002).

Based on this description, the environmental dynamism variable in this study was measured in two dimensions, referring to (Ahmad et al., 2011). covering the macro environment and the micro environment.

2.2 Dynamic Capabilities

Teece et al. (1990) and later Teece et al. (1997) in (Thomas, 2011) defines dynamic capability as the company's ability to integrate, build, update, and reconfigure internal and external competencies to deal with environmental changes quickly so that they are aligned with the changing business environment by adapting, integrating, and reconfiguring. the organization's internal and external skills, resources, and functional competencies.

(Maijanen & Jantunen, 2016) in their research use (D. J. Teece, 2007) latest dynamic capability framework which consists of three basic capacities, namely: (1) to sense and shape opportunities and threats, (2) to seize opportunities (seize opportunities), and (3) to maintain competitiveness through enhancing, merging, protecting, and, if necessary, reconfiguring the tangible assets and intangible assets of the company's business.

Sensing capability refers to the ability to sense and identify opportunities and threats in the environment by applying observation, creation, learning and interpretive activities. Organizations must constantly be alert to weak signals as signs of future developments and opportunities (new technology, target segments, changing customer needs, new innovations, etc.). Sensory capacity inherently includes the cognitive dimension of dynamic capability, and especially dynamic managerial ability, since the initiation of fundamental change depends primarily on the manager's ability to perceive, notice and interpret new opportunities or new strategic options (Maijanen & Jantunen, 2016).

Seizing capacity refers to the ability to seize perceived opportunities, to take action, and to invest in making the reform process progress toward desired goals. Seizing capacity is supported by activities such as structuring organizational innovation, selecting business models and product architectures, and investing in appropriate technology. This capacity also refers to the capacity to design decision-making procedures and organizational structures that enhance decision-making and counter the cognitive and structural dependency pathways that underlie decision-making activities (Maijanen & Jantunen, 2016).

Reconfigurating capacity is supported by patterned activities to mix and combine, update, and manage tangible and intangible resources - assets, routines, and capabilities - to maintain organizational health. Configuration capacity is also concerned with learning new skills, developing and adopting new

processes and organizational structures, and effectively implementing knowledge management activities (e.g. knowledge sharing in organizations) (Maijanen & Jantunen, 2016).

According to **Error! Reference source not found.** these three capacities of dynamic capability are important to bring success, because companies will need to feel, seize, and transformational / reconfiguration capabilities to be developed and applied simultaneously to build and maintain a competitive advantage.

In line with the above concept, Breznik and Lahovnik (2016) **Error! Reference source not found.** revealed that from an analytical perspective, dynamic capability can be divided into three classes, namely; (1) sensing capability, (2) seizing capability, and (3) reconfigurating capability (D. J. Teece, 2007; David J Teece, 2009). (1) sensing capability; In order to identify opportunities, companies need to keep a close eye on their environment and look for opportunities that are constantly opening up, within and outside the company boundaries. Sensing activities are observational activities for new discoveries or exploring market needs, practices in the R&D process that enable the creation of new knowledge enhancements, activities that produce understanding of technological transformations, and others. (2) Seizing capability: when there is an opportunity that is felt, then the opportunity is taken and its value and potential must be recognized. Capability means choosing the right technology or identifying your target customer. (3) Reconfigurating capability: when opportunities are perceived and taken, they need to be reconfigured. The ability to reconfigure means the ability to recombine and reconfigure the resource base to address changes and opportunities in the corporate environment.

Based on the description of the concept, in this study, the dynamic capability variable refers to the opinion of (D. J. Teece, 2007) in (Maijanen & Jantunen, 2016) and (Breznik & Lahovnik, 2016) which includes three dimensions, namely sensing capacity, seizing capacity, and important reconfiguration capacity to bring company success.

1.3 Service Quality Management

Service delivery is related to where, when and how service products are delivered to customers and whether they are fair or unfair. Both describe the innovation process in service delivery which includes initiation, communication, management, and its impact on customers (Martins & Ledimo, 2015).

Airport service quality has been identified as the main driver of passenger satisfaction. Several studies have identified factors such as tidiness, efficient check-in and security procedures, display of flight information, better signage and terminal facilities as contributors to passenger satisfaction. Conversely, the poor performance of airport service features contributes to passenger dissatisfaction (Esu & Ufot, 2017).

Previous research states that there are three dimensions that reflect passenger expectations of airport services. A qualitative and quantitative study of nearly 1,000 airport users, showed that passenger expectations of airport service quality are a multidimensional hierarchical construction that includes three main dimensions, namely: servicescape, service personnel, and services (Fodness & Murray, 2007).

Servicescape is the first dimension of service delivery according to (Fodness & Murray, 2007). Servicescape includes all objective factors that can be controlled by service providers that facilitate customer actions as long as service is received and increase the perception of service quality according to customers. The basic servicescape construct includes three main elements: function and layout, ambiance and signs / symbols. Spatial layout and functionality refers not only to the arrangement and machines, equipment and furniture, but also the ability to facilitate the performance and achievement of customer

service goals. This dimension is considered of special importance because the physical setting up of service encounters is an objective environment that exists to meet the specific needs of the customer service.

The next dimension that affects the perception of service quality where customer presence is required to deliver service is the interaction between service employees. A widely known means of measuring consumer perceptions of the quality of service interactions is SERVQUAL, a multi-attribute scale that generally consists of five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. However, in measuring personal service at airports, (Fodness & Murray, 2007) do not use the original elements from Parasuraman (1988) regarding the SERVQUAL construct, but there are more suitable alternatives, which consist of attitudes, behavior, and expertise from service providers.

The third dimension is services. The need for passengers to be physically present at the airport emphasizes the issue of time and how much time is spent on a service. Servicescape theory places it as a layout and functionality space. In this dimension, (Fodness & Murray, 2007) use the sub-dimensions of productivity, maintenance, and leisure.

In another study, (Wattanacharoensil, Schuckert, & Graham, 2016) integrating sociological, psychological, and service management perspectives and marketing management, all of which influence passenger experience, proposing a theoretical framework for the creation of airport experiences in relation to tourism. Their research explores airport experience and augments research on airport experience by clarifying the ten main components required for airport passenger experience propositions based on existing research, current industry phenomena, and empirical studies. The paper also outlines components that can enhance the passenger experience in relation to tourism and highlights the role of airports in a destination.

Based on this concept study and according to the research analysis unit, the dimensions of service quality management used in this study refer to the dimensions of (Fodness & Murray, 2007) which consist of the dimensions of servicescape, service personnel, and productivity services.

1.4 Hypothesis Development

(Bogicevic, Yang, Bilgihan, & Bujisic, 2013) examined the complexity of the airport industry service package. It is important to identify which factors are distracting air travel and which factors increase passenger satisfaction. The main satisfaction was found in the context of the airport and the main cause of dissatisfaction in the arrangement of the airport according to passengers. Environmental dynamism positively increasing the significant influence of dynamic capability on competitive advantage (Li & Liu, 2014). Environmental dynamism has a contingency effect and represents variability in several components of the external environment, such as customers, competitors, and technology (Chakravarty, A. & Grewal, R. & Sambamurthy, 2013).

Dynamic capability contributes to increasing the company's relative performance (Drnevich & Kriauciunas, 2011). Information systems are increasingly interrelated with other systems in various ways (vom Brocke & Lindner, 2004). Airport management companies can be achieved by implementing services packages to meet growing customer needs. In fact, airports can successfully combine their portfolio activities and products into a service package targeting specific customer groups (Jimenez, Claro, & de Sousa, 2014).

Based on the theories from previous study, the following conceptual model was developed:

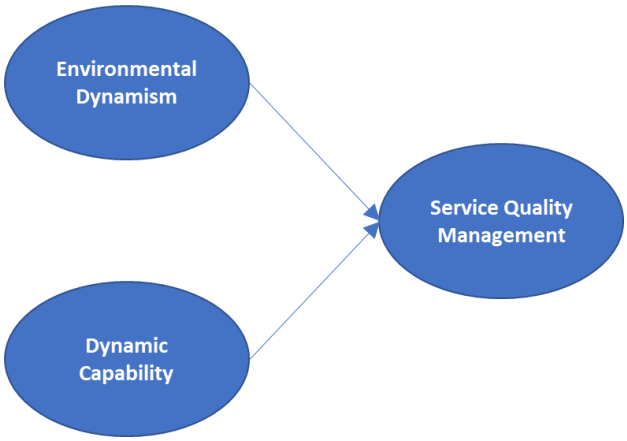

Figure 1. The Conseptual Model

The research hypotheses formed based on the conceptual model are:

H1: Environmental dynamism affects service quality management

H2: Dynamic capability affects service quality management

2. Methodology

The type of research used in this research is verification. The purpose of verification is to determine the relationship of each variable in the study using a hypothesis that will be carried out in the field.

The unit of analysis in this research is the airport industry in Indonesia. The observation unit is the management of airport service companies in Indonesia. The research data collected is in a time horizon in the form of cross section / one shoot, meaning that information or data is collected directly on the scene empirically at a certain time.

Population is a combination of all elements that share a series of similar characteristics (Malhotra, 2010). While the definition of the sample is a population sub-element that is selected to participate in the study. Based on this understanding, the population in this study are all airport service companies in Indonesia. Samples were taken as many as 33.

The causality analysis in this study is used to obtain evidence of a causal relationship between variables. This analysis is to answer the research objectives using PLS, which is a multivariate technique that examines a series of dependency relationships between latent variables.

3. Results and Discussions

A. Evaluation of outer Model-Validity and Reliability

Validity and reliability test is used to measure the dimensions and the indicators in measuring the latent variables is constructed. Validity analysis, also known as effectiveness analysis, is mainly to detect whether each measurement question accurately expresses the meaning of each research variable. The expected factor loading value is > 0.7, but the loading value of 0.5 - 0.6 can be tolerated, as long as the research model is still in the development stage with a measurement scale and the number of indicators per variable is not large, ranging from three to seven indicators (Jaya, I. G. N. M. & Sumertajaya, 2008).

For reliability, this paper measured two aspects: (1) Composite reliability (CR); and (2) average variance extracted (AVE). Composite reliability is used to measure the reliability indicators in measuring variables. Indicates that the indicators is reliable in measuring variables, show that all of variables in the model estimated fulfill the criteria of discriminant validity. AVE is the **average** amount of **variance** in indicator variables that a construct is managed to explain. AVE for each construct can be obtained by sum of squares of completely standardized factor loadings divided by this sum plus total of error **variance**s for indicators.

In general, composite reliability is greater than 0.7, indicating that the inherent consistency of all measurement questions is higher (Nunnally, J.C. and Bernstein, 1994) . Average variance extracted (AVE) is greater than 0.5, indicating that the measurement questions can better reflect the characteristics of each research variable in the model.

Table 1. Loading Factor of Latent Variable

Variable	Dimensi	ndikator	loading factor	SE	t value	AVE	omposite eliability
nvironmental	*Aicro*		0,991	0,002	609,897	0,811	0,945
Dynamism		*D1*	0,902	0,017	52,100		
		D2	0,905	0,011	79,241		
		D3	0,899	0,021	43,662		
		D4	0,895	0,019	47,239		
	Aacro		0,973	0,005	188,713	0,790	0,963
		D5	0,867	0,021	41,173		
		D6	0,847	0,030	27,986		
		D7	0,894	0,018	48,616		
		D8	0,927	0,011	81,927		
		D9	0,936	0,010	89,357		
		D10	0,827	0,027	30,921		
		D11	0,916	0,013	73,173		
Dinamic	*ensing Capacity*		0,942	0,009	100,087	0,680	0,864
apability,		C1	0,808	0,042	19,124		
		C2	0,761	0,109	6,956		
		C3	0,898	0,017	53,932		
	eizing Capacity		0,964	0,008	120,183	0,875	0,965
		C4	0,932	0,015	62,653		
		C5	0,936	0,013	71,636		
		C6	0,944	0,010	91,724		
		C7	0,930	0,011	82,465		
	econfigurating		0,980	0,005	187,802	0,790	0,957

	apacity					
	C8	0,855	0,030	28,719		
	C9	0,909	0,015	61,256		
	C10	0,818	0,037	22,308		
	C11	0,886	0,024	36,300		
	C12	0,917	0,018	50,744		
	C13	0,943	0,013	70,499		
irport	*ervicescape*	0,975	0,005	195,264	0,777	0,954
ervice Quality	SQM1	0,841	0,032	26,631		
lanagement	SQM2	0,846	0,034	25,187		
	SQM3	0,859	0,028	30,285		
	SQM4	0,855	0,030	28,222		
	SQM5	0,945	0,007	135,868		
	SQM6	0,935	0,009	103,405		
	ervice Personnel	0,943	0,011	86,707	0,911	0,968
	SQM7	0,953	0,008	120,279		
	SQM8	0,951	0,011	89,032		
	SQM9	0,959	0,008	121,656		
	roductivity Service	0,911	0,012	77,243	1,000	1,000
	SQM10	1,000		0,000		

Table 1 shows, the loadings of all the items are above the threshold of 0.7, indicating that the observed variables have high convergent validity. Furthermore, there is a high correlation between the observed variables and their belonging structure variables. Composite reliability that achieved 0.70 or above means the scale has good reliability. In general, composite reliability is greater than 0.6 and average variance extracted (AVE) is greater than 0.5, indicating that the reliability of this model is good.

B. Analysis of structural model (inner model)

The inner model test by the value of R square on endogenous constructs and Q square (Prediction relevance). R-Square is a measure of the proportion of the variation in the value of the affected (endogenous) variable which can be explained by that variable exogenous. Q-Square predictive relevance for structural models, measuring both values observations generated by the model as well as the observation parameters. The value of R square > 0.67 (strong), greater than 0.33 (moderat) and 0.19 (weak) (Chin, 1998). The value of Q square obtained 0.02 (minor), 0.15 (medium) and 0.35 (large), and only used for the endogenous construct with reflective indicator.

Table 2. Evaluation of Inner Model

	R Square	Communality	Q-Square	GOF
lacro	0,981	0,790	1,0000	0,859

licro	0,947	0,811
oductivity	0,830	1,000
econfigurating	0,960	0,790
izing Capacity	0,929	0,875
nsing Capacity	0,888	0,680
rvice Personnel	0,889	0,911
rvicescape	0,951	0,777
irport Service Quality anagement	0,816	0,769
ynamic capability	-	0,739
nvironmental ynamism	-	0,772

Source: SmartPLS 2.0

Table 2 gives the R square value of is the strong criteria (> 0.33 = moderat), and Q square values are in the large criteria, so it can be concluded that the research model is supported by the empirical condition or model is fit.

The table below shows the results of hypothesis testing for the structural model:

Table 3. Hypothesis Testing

No	Hipothesis	Coeff. Estimation	SE	t value	R^2	Conclusion
1	nvironmental Dynamism -> irport Service Quality anagement	0,410*	0,094	4,357	0,356	ypothesis Accepted
2	ynamic capability -> Airport rvice Quality Management	0,522*	0,093	5,598	0,460	ypothesis Accepted

*significant at α=0.05 (t table =1.96)

Based on the results of hypothesis testing in Table 3, it is revealed that the two hypotheses are accepted, which means that environmental dyamism and dynamic capability have a significant influence on airport service quality management in airport service companies in Indonesia.

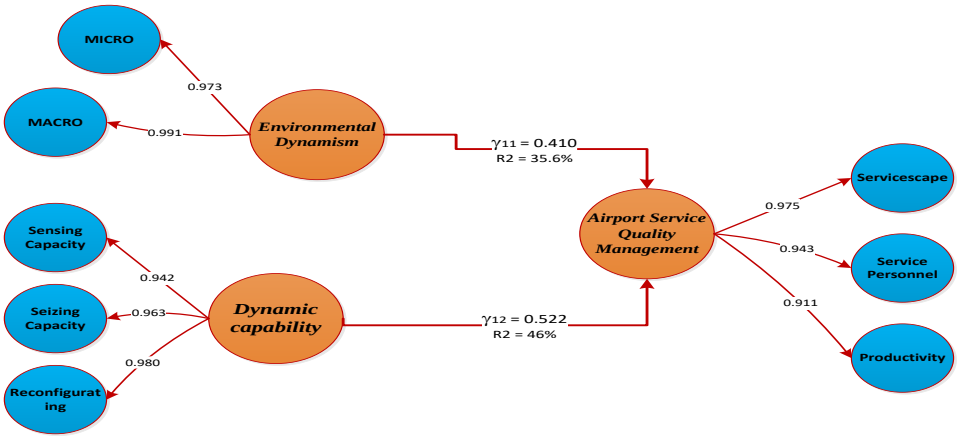

Figure 2. Research Findings

Based on the research findings, then obtained a structural model:

$$SQM = 0.410ED+0.522DC + \zeta_1$$

The results of hypothesis testing resulted in the finding that environmental dyamism and dynamic capability had a significant influence on airport service quality management in airport service companies in Indonesia. Dynamic capability has a greater influence (46%) than environmental dynamism (35.6%) in establishing airport service quality management.

Dynamic capability is built by three dimensions, namely sensing capacity, seizing capacity, and reconfigurating capacity. Of the three dimensions, reconfigurating capacity is an aspect that gives a more dominant influence than seizing capacity and sensing capacity.

Reconfigurating capacity involves the ability to combine and combine all power resources, renew resources, and manage all power resources. Reconfigurating ability also relates to the ability to develop and adopt new processes and organizational structures and implement knowledge management activities. This capability is able to encourage the development of airport service quality management.

The results of this hypothesis testing support the research results of (Drnevich & Kriauciunas, 2011), that dynamic capability contributes to improving relative company performance. This finding also supports (vom Brocke & Lindner, 2004) that the success of airport management companies can be achieved through the implementation of service packages. package) to meet growing customer needs. Airports can successfully combine their portfolio activities and products into a service package targeting specific customer groups (Jarach, 2001, in (Jimenez et al., 2014)).

Next, the results of testing the hypothesis that environmental dynamism affects airport service quality management support the findings of (Gyöngyi, 2005) that environmental demand can come from customers, the regulatory environment, and the competitive environment of the corporation. Based on the direction of the claim, its nature and scope can come from dialogue with stakeholders, customers, surveys and legal documents, including laws. In addition, it is important to identify which factors interfere with air travel and which factors increase passenger satisfaction (Bogicevic et al., 2013). In addition, the results of this study also support (Li & Liu, 2014) who show the role of environmental dynamism in increasing the significant influence of dynamic capability on competitive advantage in a positive way.

Environmental dynamism in this study is measured in two dimensions, namely the macro environment and the micro environment. The macro environment which consists of the following aspects: suppliers, politics, economy, social, culture, technological developments, and demographics is proven to have a greater influence in shaping airport service quality management. Meanwhile, the micro environment includes aspects of customers, regulators, intermediary institutions, and local governments.

The results of this study illustrate that the development of airport service quality management in Indonesia can be done by prioritizing the development of dynamic capability supported by efforts to adapt environmental dynamism.

4. Conclusions and Suggestions

This study aims to examine whether there is an effect of environmental dynamism and dynamic capability on airport service quality management in airport service companies in Indonesia. The test results show support for the hypothesis that environmental dyamism and dynamic capability have a significant influence on airport service quality management in airport service companies in Indonesia.

Reconfigurating capacity is an aspect of dynamic capability that has a more dominant influence than seizing capacity and sensing capacity on airport service quality management in airport service companies in Indonesia. Meanwhile, the macro environment is an aspect of environmental dynamism that has a higher influence than the micro environment in forming airport service quality management for airport service companies in Indonesia.

The results of this study provide managerial implications for airport service companies in Indonesia that the development of a superior airport service quality management can be done by prioritizing the development of dynamic capability supported by efforts to adapt environmental dynamism. Dynamic capability development needs to be prioritized in the aspect of reconfigurating capacity, while adapting to environmental dynamism needs to be emphasized on aspects of the macro environment.

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