ELEMENTS OF ENTREPRENEURSHIP IN PRIVATE UNIVERSITIES: ORGANIZATIONAL CHANGE CAPACITY, INNOVATIVE CAPABILITY AND THE PERFORMANCE

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ABSTRACT

This paper aims to investigate the empirical implementation of entrepreneurial elements of organizational learning, innovativeness and the adaptive capability of private universities in Indonesia. This study was conducted in six private universities in Indonesia to easily examine the relationship among variables. A total of 333 lecturers participated in this study. By testing six hypotheses using structural equation modelling, the findings reveal that organizational change capacity and innovative capability are more likely to strengthen the effect of organizational learning on the performance of private universities. Consequently, this study encourages private universities to re-orient teaching programs, research, publication and community involvement productivity. There results show that the exploration and exploitation of entrepreneurship elements of organizational learning, change capacity, innovativeness are more likely to provide the power to maintain existing conditions as well as improve the performance.

Keywords: Organizational Learning, Organizational Change Capacity, Innovative Capability, Performance, Private Universities.

INTRODUCTION

Previous literatures theoretically reveal contradictory findings in the relationship between organizational learning and performance. Some studies revealed significant findings (Jiménez & Valle, 2011; López, Peón & Ordás, 2005; Tippins & Sohi, 2003) while others found that organizational learning has no significant effect on the performance (Chaston, Badger, Mangles & Smith, 2001; Jimenez, Valle & Espallardo, 2008; Liao & Wu, 2009). Similarly, Lejeune (2008) demonstrated that organizational learning has no direct impact on performance unless it is mediated by organizational capability. Wang's (2008) study also confirms that organizational change capability is the major determinant in influencing organizational performance.

Hence, this study proposed innovative capacity and organizational change capability that are empirically believed to be able to mediate as well as to fill the theoretical gap. In addition, most of the above-mentioned studies were conducted in corporate contexts, while those of educational contexts attracted less attention. Meanwhile, educational environment, particularly at the higher education level, has commonly been associated as an agent of change, mainly characterized by responsiveness toward change and innovation by exploring learning as its main driver (Tvaronavičienė & Korsakienė, 2007). In the context of higher education, previous studies (e.g. Khalifa & Ayoubi, 2015; Mulford & Silins, 2003) considered more on the role of transformational leadership in promoting organizational learning. Other studies reveal the

influence of transformational leadership mediated by organizational learning and innovation on organizational performance, were not conducted in an educational context.

In this study, we found the relevant momentum to explore these complex interlinked relationships by taking an object of private universities in which those variables to examine were more relatively found. Since private universities are frequently affiliated with local social and religious institutions, their organizational structure is often considered innovative, flexible in terms of their funding schemes, offering more relevant educational platforms and more specialized academic programs for students, degree of student participation and commercializing the service. Private universities often generally have less hierarchical and bureaucratic management due to their relatively efficient bureaucracy than that of the public ones that highly depend on government funding (Perry & Rainey, 1988; Boyne, 2002; Rainey & Bozeman, 2000). Private universities are also often regarded feasible for examining the relationship of organizational learning, innovation, changing capacity and organizational performance. Guerrero, Urbano & Salamzadeh (2014) show that there are several entrepreneurial university level including environmental factors and internal factors that affect entrepreneurial university missions in terms of teaching and research activities that ultimately have influence on the socioeconomic aspects. To address some detailed contructs proposed by Guerrero, Urbano & Salamzadeh (2014), this study uses organizational learning capacity as the reflection of university mission, organizational change capacity and innovative capability as the derivation of environmental and internal factor, respectively.

This paper is structured in several sections. The first part is an introduction that discusses the distinctive character of private universities, considered to have a higher degree of entrepreneurship than public ones. This character encourages the author to further explore the existence and the empirical evidence of entrepreneurial private universities by proposing several relevant variables of organizational learning, organizational change capacity, innovative capability and the performance. Organizational change capacity and innovative capability are the most important variables that function as mediating variables to strengthen the effect of organizational learning on performance. The second part is the review and hypothesis literature. This study extensively reviews the latest literature relevant to the context of entrepreneurial university. The third section discusses the research methodology with details on the type of research, sampling and data analysis. The fourth section is a key part discussing about the results of research with emphasis on the characteristics of respondents, statistical analysis and hypothesis testing. The fifth part which is the last section discusses the conclusions and the practical implications and theoretical contribution of this result.

LITERATURE REVIEW

Organizational Learning and Performance

Recently, organizational learning has increased in importance and interest as a focus subject (Smith, 1997). This subject aims to make a performance improvement in areas of both quality and quantity, to increase sales; to gain greater support; and to create, expand and maintain customers (Budiharseno, 2017; Nugroho, Bakar & Ali, 2017). Therefore, by continuous learning, organizations are likely to improve their strategic capability, to maintain a competitive advantage and to improve results. Attitudes, behaviours and strategies of organizational learning help to achieve greater continuing performance (Morales, Barrionuevo & Gutiérrez, 2012; Noruzy, Dalfard, Azhdari, Shirkouhi & Rezazadeh, 2013). Organizational continuity is currently

facing an increasingly high level of competition (Lawler & Worley, 2011; Wahyuni & Ginting, 2017). Fundamentally, relevant changes are beneficial to maintain the sustainable ability of the organization in facing a constantly changing business environment. The conditions are regarded to be more likely to bring the logical consequences in the form of a more complex transformation of organizational management and flexible strategic formulation (Hutabarat & Huseini, 2006; D'Aveni & Gunther, 1994). Although competition creates an environment that requires organizational flexibility, many organizations are unable to meet this flexibility demand (Lawler & Worley, 2011; Kurniawan, 2017). The failure occurs because most organizations constantly strive for continuity and stability and thus they realize such organizational change capacity in a relatively small portion (Andrews, 1971; Lawler & Worley, 2011). The inability of allocating organizational resources occurs because the importance of organizational changes is often assumed as too costly and ineffective (Lawler & Worley, 2011).

Hence, the organizational ability to keep updating their knowledge through the learning process is even more important to create a more flexible organization. This needs long-term commitment to build and develop strategic resources in a dynamic environment. Argyris & Schön (1978) state that organizational learning occurs when organizational members act as agents of learning for the organization, respond to internal and external changes in the organization to detect and correct errors. Organizational learning is a valuable tool to facilitate knowledge management and is often described as an important strategy for making improvements in organizational performance and sustaining competitive advantage (Baldwin, Danielson & Wiggenhorn, 1997). Hence, organizational learning is a valuable means to facilitate knowledge management within an organization and important strategy to improve organizational performance and sustaining competitive advantage (Baldwin, Danielson and Wiggenhorn, 1997). Some studies reveal that organizational learning positively impacts on organizational performance (Khandekar & Sharma, 2006; Kontoghioehes, Awbrey & Feurig, 2005). Employee willingness for change shows an attitude and belief that it is necessary for an organization to change. It means that employees are ready to make decisions to support the changes and believe that the change providing benefits for all involved parties is likely to be performed effectively (Kuntz & Gomes, 2012). In addition, Armenakis, Harris & Mossholder (1993), Madsen, Miller & John (2005) argue that the employee readiness for a change is essential. In summary, the proponents of organizational change propose a modification by providing readiness for change (Nordin, 2012).

H1 Organizational learning positively influences organizational performance.

Organizational Learning and Innovative Capability

Organizational learning has often functioned as a process to correct organizational actions through knowledge being able to improve organizational understanding of change (Fiol & Lyles, 1985; Garvin, 2000; Marquardt, 1996). Furthermore, organizational learning is a way to foster new ideas, organizational knowledge and creativity (Curado, 2006). The organizational ability to manage knowledge through the learning process is considered important nowadays to achieve a more flexible organization. Despite the fact that it is highly associated with the adaptive ability of change, innovation capability also actually needs a more effective organizational response to a specific change of environment in managing risk and opportunity. Without it, the innovation will be less likely to affect organizational performance. Hence, the organization has consistently demanded to sufficiently provide knowledge in the form of

organizational learning to all members to assess specific outcomes of innovation. Moreover, this flexibility needs long-term commitment to further develop strategic resources in a dynamic environment. Argyris & Schön (1978) state that organizational learning requires organizational members to act as agents of learning and change for the organization, adaptively responding to both internal and external changing environments by detecting and correcting the errors which occur. Additionally, the learning enables the members to be possibly able to store learning results in the form of image benefitting personal and organizational being.

Some studies have introduced generative organizational learning, a concept being able to encourage creativity and development of best practice or organizational actions (Marquardt, 1996; Nonaka & Takeuchi, 1995; Bateson, 1972). Lemon & Sahota (2004) note that the knowledge repository in the form of organizational culture is able to increase innovative capacity. Lynn, Reilly & Akgun (2000) state that companies with continuous learning will dominate the business competition. Therefore, companies with no learning capability are likely to lose. In order to survive, companies must produce unique and superior goods and services with more value than their competition (Cumming, 1998). Previous studies suggest that if a company wants to acquire innovation capability and learn continuously, it is necessary to learn and adopt innovative ideas (Weerawardena, O'Cass & Julian, 2006). The major assumption is that learning is important for companies to improve the speed and flexibility of the overall innovation process (de Weerd-Nederhof, Pacitti, da Silva-Gomes & Pearson, 2002). In addition, organizational learning is expected to change the mind-set of members to continuously create new knowledge. In the next phase, the learning result, achieved through the development of a new frame of reference, is likely to be capable of producing more explicit individual capabilities in improving the quality of work (Argyris & Schön, 1978; Chiva & Joaquín, 2005; Fiol & Lyles, 1985; Nonaka & Takeuchi, 1995). Wang & Lo (2003) found that organizational learning positively affects the company's core competencies. These processes of learning with experimentation, remedial efforts and innovation also influence the internal acquisition, integration and application of the new knowledge. More specifically, Kontoghioehes, Awbrey & Feurig (2005) revealed that the dimensions of organizational learning influence organizational-adaptive capability, innovation and organizational performance.

H2 Organizational learning positively influences an organization's innovative capability.

Organizational Learning and Organizational Change Capacity

The literature has a number of discussions on "change readiness", a mental state that typically focuses on the extent to which organizational members recognize the need for a particular change at a specific point in time (Cawsey & Deszca, 2007). Given this emphasis, it is important to differentiate such change readiness (i.e., the ability to implement a specific change), from change capacity (the ability of an organization to change not just once, but as a normal course of events in response to and in anticipation of internal and external shifts). Change capacity, which in essence is a broader concept, requires a more extensive set of interventions. Senge, Lichtenstein, Kaeufer, Bradbury & Carroll (2007) defines a learning organization as a place in which an individual develops a capacity to achieve certain goals, new ways of thinking foster, groups' wants are achieved and individuals constantly learn together. Basically, organizational learning is an on-going basis being required in all forms of organization as a fundamental prerequisite to maintain and develop an adaptive capacity (Robbins, 2009). Hence, the organizational members need a conducive climate to revitalize values, knowledge and skills.

Optimization of human resources as the basic capital should be followed by developing and renewing capabilities, which in turn, make every member of the organization able to respond to changes and support organizational renewal. Therefore, organizational learning is an effective way to make changes to the system of thinking and the behavioural patterns of the members of the organization as well as to make changes to the overall organization (Daft, 2006). Hence, Cohen & Levinthal (1990) described absorptive capacity as the organizational level of background diversity and cognitive and knowledge previously acquired. The learning is relevant to many aspects of organizational behaviour, relatively able to provide a permanent behavioural adaptability as a result of the experience. Comfort (2012) associated organizational learning as a key strategy for organizations to assess, understand and adapt to business change. Lack of learning ability and adaptive behaviour leads organizations to practice increasingly ineffective acts in facing changes (Comfort, 2012). Siggelkow & Levinthal (2003), Judge & Elenkov (2005) revealed positive finding between organizational change capacity and organizational performance.

H3 Organizational change capacity positively influences organizational learning.

Organizational Change Capacity and Organizational Performance

Organization stability will have an impact on the value and performance of the organization temporarily. However, in the long term, the stability will make it difficult for the organization to adjust to the environment (Judge & Blocker, 2008). Therefore, in order to succeed amidst tight competition, an organization ability to make changes is the answer (Lawler & Woley, 2011). Judge & Douglas (2009) argue that organizational change capacity refers to a combination of managerial and organizational ability to adapt to fit the environment more quickly and effectively than their competitors. Some researchers prove there is a relationship between organizational change capacity and organizational performance. Siggelkow & Levinthal (2003) argue that the higher the ability to change the organization, the higher the performance of the organization will be. In line with these findings, Judge & Elenkov (2005) show the positive relationship that exists between organizational change capacity and environmental organization performance.

The current competitive environment emerges as a complex result of demographic, technological and global economic change. Since such changes are able to disrupt the organization in achieving its objectives and create unintended consequences, the capability to anticipate the business environment change is necessarily important. Similarly, the change is also highly influential for universities to create a more competitive environment and adapt to any challenges as well as show their responsibility to greater communities and public expectations, improve the access of cooperation by providing more attention on quality and affordable tuition (Blustain, Goldstein & Lozier, 1999). Buono & Kerber (2010); Judge & Douglass (2009), define organizational change capacity as a combination of managerial and organizational capabilities to make faster and more effective changes than their competitors. This concept refers to a dynamically adaptive ability to overcome external the long-term threats and capture new opportunities (Judge & Elenkov, 2005). Thus, organizations that are increasingly capable of adapting any environmental changes are more likely to be able to achieve better performance (Siggelkow & Levinthal, 2003). Shipton, Budhwar & Crawshaw (2012) reveal that a high level of uncertainty of the business environment often leads to improve organizational change capacity.

H4 Organizational change capacity positively influences organizational performance.

Organizational Change Capacity and Innovative Capability

Organizational change capacity is associated with the organizational members' willingness and ability to modify and change, in term of ensuring appropriate resources in creating a continuously facilitative culture and infrastructure (Buono & Kerber, 2010; Judge & Douglass, 2009). This allows the improvement of flexible capability as the main feature of innovation (Nonaka & Takeuchi, 1995; Argyris & Schön, 1978; Cnaan, Handy & Wadsworth, 1996; Robinson & Curry, 2005). Meanwhile, Damanpour and Gopalakrishnan (1998) note that the type of organizational control and management incentives in human resource management is useful for innovative capability. Hence, Tsai (2001, p. 996) associated absorptive capacity as the 'ability to successfully replicate new knowledge.' Basically, the innovative capability has often been perceived to enable organizations to increase their level of response to both external and internal changes and promote better organizational performance. Hage (1999) argues that complexity of labour division; structure and high-risk strategies improve organizational learning, innovation, creativity and problem-solving. Moreover, the innovative ability of human capital is positively correlated with the knowledge of the institutions that eventually improves organizational absorptive capacity (Vinding, 2006; Cohen & Levinthal, 1990) demonstrated that organizational ability in adopting external information and a new value is perceived to be able to improve innovative capability. Tsai (2001) further argued that absorptive capacity positively influences organizational innovation. Hence, knowledge must be utilized in problem-solving and in capturing opportunities generated through an on-going evaluation and response process. Thus, innovation is more likely to be able to maintain an organizational ability to remain competitive in an uncertain environment by capturing creative sharing knowledge and applying expertise.

H5 Organizational change capacity positively influences innovative capability.

Innovative Capability and Organizational Performance

Innovation capability refers to the ability to create new and useful knowledge drawing from previous information (Choudhury, 2010). This capability consists of a comprehensive set of characteristics of an organization facilitating and supporting innovation strategies. This capability creates and manages other organizational capabilities and resources stimulating innovation activities. Several innovations of improving and strengthening exiting products, services and processes are typically implemented by using the existing knowledge of a company (Subramaniam & Youndt, 2005). In the current dynamic of a rapidly changing environment, the role of technological innovation in establishing organizational performance is inevitably significant. Technological innovation gives more useful ways for an organization to provide its services and product to the consumers. Several studies showed a positive relationship between technological an innovation and organizational performance (Foster, 1986; Hill & Rothaermel 2003; Tripsas & Gavetti, 2000). Technological innovation is able to help companies seize opportunities in an uncertain environment, gain a competitive advantage that eventually affect their long-term performance (Hitt, Hoskisson & Kim, 1997). Guan & Ma (2003) argued that innovation assets of manufacturing, marketing, resource allocation and strategic planning improve the technological capacity of an organization, which in turn affects integrative competency and competitive sustainability. Tsai (2001) revealed that new knowledge access is

able to promote organizational units' performance and innovative capacity. Chen & Huang (2009) found that the practices of strategic human resources are positively related to knowledge management capacity, which in turn have a positive effect on innovation performance. Furthermore, Tsai (2001) noted that absorptive capacity is of significant influence on organizational performance.

H6 Innovative capability positively influences organizational performance.

RESEARCH FRAMEWORK

This study examines the direct role of organizational learning in improving the private universities' performance (H1), organizational change capacity (H3) and innovative capability (H4). To examine the extent to which the organizational learning is capable of influencing the innovativeness and performance, this study takes the central role of organizational change capacity as mediating variable, that is used to mediate the relationship between organizational learning and the performance (H2) and the innovative capability (H5). The more complex relationship, however, lies in the innovativeness, that is perceived as an ultimate means to achieve organizational goals. Hence, this study places the innovative capability to strengthen the relationship between organizational learning and organizational change capacity and the performance (H6).

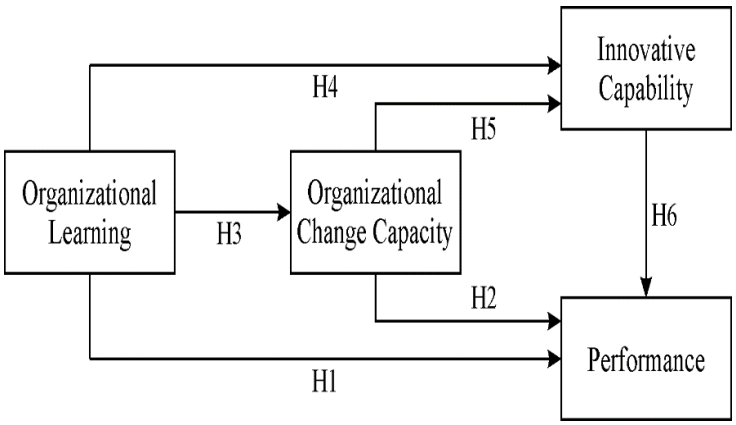

FIGURE 1
THEORETICAL FRAMEWORK

RESEARCH METHOD

This study used a quantitative survey to analyse the five hypotheses outlined above. The study used a stratified random sampling by a population of the entire lecturers of the private universities in Central Java, Indonesia. The total population was 255 universities with 10,385 lecturers. This study employed a model of estimation Maximum Likelihood (ML), the sample size of 100-200 (Kline, 2011). Therefore, the number of samples was 333 from the best six universities in this province measured by Webometrics (Sultan Agung University, Satya Wacana Christian University of Salatiga, Soegijapranata Catholic University, Muhammadiyah University of Surakarta, UNISBANK University of Semarang & Dian Nuswantoro University). In addition, this study was conducted by administering questionnaires, in which each variable had a Likert-style scale response ranging from 1 (strongly disagree) to 7 (strongly agree). In measuring

organizational learning, this study used some items developed previously by Argyris & Schön, 1978; Chiva & Joaquín, 2005; Fiol & Lyles, 1985; Nonaka & Takeuchi, 1995, including organizational dialogue generatively, team learning, thinking system, knowledge transfer and best practices. Organizational change capacity was measured by the willingness and ability to change; creating a facilitative infrastructure; ensuring appropriate resources and developing a continuously supportive culture (Buono & Kerber, 2010; Judge & Douglass, 2009). The measurements for innovative capability were adopted from previous studies of Nonaka & Takeuchi (1995); Argyris & Schön (1978); Ferdinand (2006); Cnaan, Handy & Wadsworth (1996); Robinson & Curry (2005), including the capability of experience-based problem solving, flexibility, originality and elaboration of ideas. The performance was measured by the items adopted from Othman & Othman (2014), consisting of educational skills that are in accordance with the field work; the number of research publications, the effectiveness of teaching methods and the suitability of supporting facilities to establish standards of higher education.

RESULTS

Respondent Characteristics

This paper tested innovative capability and organizational change capacity, closely related to the organizational capability to construct innovative and adaptive capability. In organizational resources management, specifically in private universities, the two variables were closely related to productive age range and sufficient organizational experiences, of which were used to determine the sample. Out of 333 respondents, 222 lectures (66.67%) were male. The majority was in the age range of 30-39 (34.23%) and was considered productive for working. More than 85% of the respondents had obtained a master's degree, of which the majority were lecturers (51.95%) and senior lecturers (41.14%). More than 50% of the respondents were considered sufficiently experienced and had been teaching for 21-30 years.

Table 1
CHARACTERISTICS OF RESPONDENTS

Background characteristics	Classification	Amount	Percentage (%)
Gender	Male	222	66.67
	Female	111	33.33
Age groups (years old)	20-29	76	22.82
	30-39	114	34.23
	40-49	85	25.53
	50-59	42	12.61
	>60	16	4.80
Educational level	S2	287	86.19
	S3	46	13.81
Academic Position	Professor	5	1.50
	Senior Lecturer	137	41.14
	Lecturer	173	51.95
	Assistant	18	5.41
Tenure (years)	0-5	7	2.10
	6-10	16	4.80
	10-15	44	13.21
	16-20	52	15.62
	21-25	87	26.13
	26-30	89	26.73

	31-35	17	5.11
	>35	21	6.31

Statistical Analysis

As shown in Table 2, the results of confirmatory factor analysis through Software AMOS 22 suggested that each indicator in the model be declared as fit, indicated by the acceptable values of Chi-Square (149.086 ≥ 103.764), probability (0.2099 ≥ 0.05), GFI (Goodness of Fit Index) (0.952 ≥ 0.95), AGFI (Adjusted Goodness of Fit Index) (0.989 ≥ 0.90), RMR (Root Mean Square Residual) (0.026<0.1), NFI (Normal Fit Index) (0.938 ≥ 0.90), IFI (Incremental Fit Index) (0.99 ≥ 0. 915) and CFI (Comparative Fit Index) (0.991 ≥ 0.95). However, the value of MIN/DF (Chi-Square/DF) is 1.156 (≤ 2.00) and RMSEA (Root Mean Square Error of Approximation) is 0.022 (≤ 0.08). Thus, the Structural Equation Model (SEM) was further analysed.

Table 2
GOODNESS OF FIT

Description	Cut of Value	Result of Test	Conclusion
Chi-Square	≥ 103.764	149.086	fit
Prob	≥ 0.05	0.109	fit
GFI	≥ 0.95	0.952	fit
AGFI	≥ 0.90	0.936	fit
RMR	<0.1	0.026	fit
NFI	≥ 0,90	0,938	fit
IFI	≥ 0,95	0,991	fit
TLI	≥ 0.95	0.989	fit
CFI	≥ 0.95	0.991	fit
CMIN/DF	≤ 2.00	1.156	fit
RMSEA	≤ 0.08	0.022	fit

Hypotheses Testing

The effect of organizational learning on organizational performance

Hypotheses testing indicated that the variable of organizational learning positively affects organizational performance, indicated by the value of C.R=3.424 and p<0.01 (Table 3). Therefore, the first hypothesis is supported, highlighting that the higher the organizational learning, the higher the performance. This finding is consistent with the results of several previous studies (Khandekar & Sharma, 2006; Kontoghioehes, Awbrey & Feurig, 2005). This indicates that organizational learning is more likely to be able to be used as a self-control strategy primarily aiming to improve the skills, knowledge and capabilities of human resources as well as to improve organizational performance.

The effect of organizational learning on innovative capability

The testing showed that the variable of organizational learning has a positive influence on innovative capability (C.R=2.113, p=0.035). Therefore, the second hypothesis is accepted. This means that organizational learning is more likely to encourage the creativity and development of

new ideas, knowledge and best practices. The result is in line with some previous studies (Argyris & Schön, 1978; Chiva & Joaquín, 2005; Fiol & Lyles, 1985; Nonaka & Takeuchi, 1995; Wang & Lo, 2003) concluding that organizations are better able to produce capabilities of human resources and improve the quality of work by conducting the learning and development of new reference frames. Weerawardena, O'Cass & Julian (2006) found similar results stating that the higher the learning orientation, the greater the company's innovation level. In summary, learning is regarded as the key guide to produce innovations and innovative ideas within an organization. The results show that the relationship between learning and organizational innovation was verified and conformed positive.

The effect of organizational learning on organizational change capacity

The variable of organizational learning positively influences organizational change capacity (C.R=7.477; p<0.01). Thus, the third hypothesis stating that the higher the organizational learning, the higher the organizational change capacity is accepted. The result showed that organizational change requires a process of reviewing the old patterns internalized through learning of new values to all members of the organization. This result is in accordance with what Brown & Harvey (2006) noted that the optimization of human resources as the main modal should be followed by an ability to develop and to regenerate. Therefore, every member of an organization is able to respond and support the change and regeneration of the organization. Thus, organizational learning is an effective way to make a change in the way of thinking and behavioural patterns of the members of the organization and to make a whole change of the organization if necessary (Daft, 2006).

Table 3
HYPOTHESIS TESTING

Regression Weights		Estimate	S.E.	C.R.	P
Organization Change Capacity	Organizational Learning	0.419	0.056	7.477	***
Innovative Capability	Organization Change Capacity	0.031	0.015	2.113	0.035
Innovative Capability	Organizational Learning	0.029	0.012	2.375	0.018
Performance	Organizational Learning	0.192	0.056	3.424	***
Performance	Organization Change Capacity	0.295	0.068	4.301	***
Performance	Innovative Capability	0.920	0.333	2.764	0.006

The effect of organizational change capacity on organizational performance

The variable of organizational change capacity results indicated that it has a positive effect on organizational performance, as indicated by the value of C.R=4.301 and p<0.01, meaning that the improvement of organizational change capacity is likely to improve organizational performance. The result also demonstrated that the change is very likely to be able to come from technological developments, a shift trend of consumer behaviour and regulatory and economic conditions. The ability to perform anticipatory actions will mainly depend on accumulated learning experiences and resources. This result is in accordance with those identified by Buono & Kerber (2010); Judge & Douglass (2009); Judge & Elenkov (2005); Lawler & Worley (2011) who recognized that organizational change capacity has a positive and significant impact on performance.

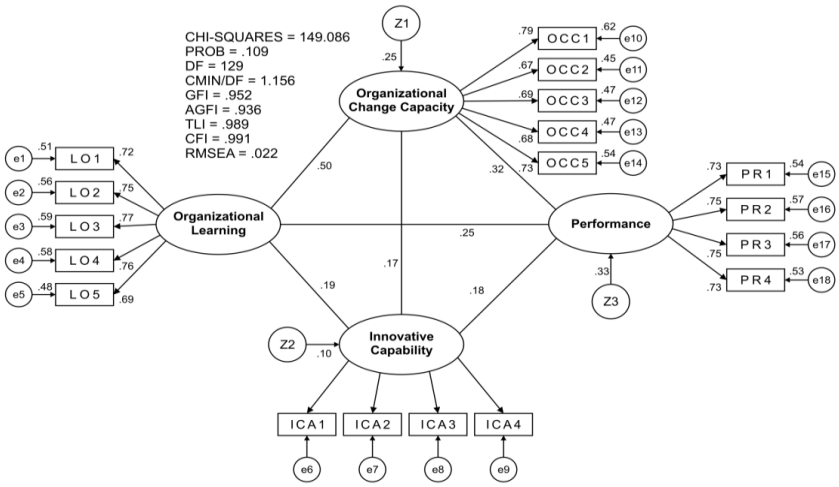

FIGURE 2
FULL MODEL

The effect of organizational change capacity on innovative capability

The testing showed that the variable of organizational change capacity has a positive impact on innovative capability (CR=2.113, p=0.035). Therefore, the fifth hypothesis is also acceptable, meaning that the higher the organizational change capacity, the higher the innovative capability. This finding supports previous studies by Foster (1986); Hill & Rothaermel (2003); Tripsas & Gavetti (2000), demonstrating that the dynamics of a rapidly changing environment allows organizations to be more likely to significantly improve innovation to establish organizational performance.

The effect of innovative capability on organizational performance

The hypothesis testing revealed that the variable of innovative capability has a positive influence on organizational performance (C.R=2.764, p=0.006), which means that higher innovative capability significantly improves organizational performance. The result explains that a high innovative capability possessed by an organization is more likely to be able to help an organization seize opportunities in a changing environment, gain competitive advantage and long-term performance (Hitt, Hoskisson & Kim, 1997). The result of the study showed that innovation capability has a significant influence on organizational performance of universities. This result is also supported by the findings of previous studies (e.g. Khalique, Shaari, Isa & Ageel, 2011).

CONCLUSION

Based on the result of the research, it can be concluded that there is organizational learning relationship with university performance positively and significantly, either directly or indirectly through organizational change capacity and innovative capability. The findings showed that organization change capacity and innovative capability are perceived to be more able to address the gap between organizational learning and organizational performance. The

findings show that organization change capacity and innovative capability have a significant impact on organizational performance. The most significant finding in this study is that it is necessary for private universities to continuously prioritize the support for innovation and adaptive capability on all organization members in order to achieve sustainable and attractive development and performance of institutions.

The theoretical contribution of this research is that innovative action and the capacity to change are critical components for determining organizational sustainability. As Lawson & Samson (2001) point out, organizations that thrive and invest explicitly in a planned way on the aspects of innovation capabilities, both individually and collectively, are more likely to achieve sustainable innovation as machines of organizational performance. Moreover, the results of this study are theoretically useful to provide positive impacts for the development of the theory of organizational learning, by enriching the concept development of the attitude and performance of higher education institution members. These results also have some important implications for the literature of human resource management. The concept of organization change capacity and innovative capability are often perceived as concepts which focus not only on one aspect of organizational capability but also all aspects of individual and organizational resources, including intangible assets in the form of organizational capability. In practical terms and in support of the ideas advocated by Wals (2014), this study encourages private universities to re-orient more productive and stimulating teaching programs, research, publication and community involvement compared to that of public universities. These results have some managerial implications. First, this study allows the management of private universities to mutually create common goals allow more dynamic thinking and provide sufficient resources to make organization members better able to create new ideas. More specifically, these imply that higher education institutions should have a supportive climate allowing all organization members to improve their efforts to learn and develop potential skills on an on-going basis, expand and enrich the culture of the work environment and develop resource strategies as the centre of policy reforms regarding higher education organizational transformation.

There are some limitations of this study, one of which is the use of a relatively small sample. The number of universities that serve as the object of research also comes only from the best six private universities in the Province of Central Java based on Webometrics ranking. Although studies show a good entrepreneurial element in private universities, the lack of objects makes the results not optimal to generalize. Future research can be more focused on private universities not only in the Province of Central Java but in other provinces in Indonesia, as each province has different capacities in innovation and capacity development in response to changes.

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