

Uncertain Supply Chain Management

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Authenticity, market orientation, and innovation capability: A multilevel analysis

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ABSTRACT

Article history:

Received November 10, 2022

Received in revised format

December 12, 2022

Accepted March 24 2023

Available online

March 25 2023

Keywords:

Market orientation

Paradox mindset

Authenticity

Motivation

Innovation capability

The purpose of this study is to study the effect of market orientation and authenticity on innovation capability both directly and moderated by paradox mindset, organizational level. We also study the effect of motivation, individual level, on innovation capability both directly and moderated by a paradox mindset. The hypotheses proposed in this study are empirically tested using data from 580 respondents and 180 Batik SME organizations in Indonesia. To analyze the data, multilevel analysis with MPlus software is used. The results show that in a cross-level relationship, artisan motivation had a positive effect on innovation capability, and paradox mindset significantly moderated the relationship between market orientation and innovation capability. In addition, the authors also found a significant effect of authenticity on innovation capability. The study uses multilevel analysis to evaluate the mechanism of influence of artisan motivation (bottom-up) on innovation capability, and the moderating effect of paradox mindset in the Indonesian batik industry.

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1. Introduction

In recent times both economic theory and empirical evidence have consensus on the important role of SMEs in the economy (Khan et al., 2020). SMEs need to keep up with these dynamics by reconfiguring structures and processes to facilitate innovation (DeFillippi et al., 2007) by adapting. Sooner or later, companies must learn to adapt to the environment. This is in accordance with the dynamic capabilities theory that organizations must respond to change and learn appropriately so that the organization is able to adapt to the environment (Wren & Bedein, 2009). This research focuses on dynamic capabilities that organizations must have the ability to achieve competitive advantage in times of uncertainty and change (Teece et al., 1997). According to Teece (2014), dynamic capability involves sensing opportunities to meet customer needs, capturing opportunities, and continuous renewal through transformation and dynamic capability in this study is represented by innovation capability. Innovation capability is considered as one dimension of the phenomenon including actions that can be implemented to improve SME performance (De Castella et al., 2018), since innovation capability is the ability to continuously transform knowledge and ideas into new products, processes, and systems (Gunday et al., 2011) for the benefit of the company and stakeholders. Given that innovation is an organizational capability, actions that deploy resources with new capabilities to create value (Yang et al., 2009) are very important for organizational sustainability, innovation has a deep influence in many aspects such as supply chain of SME's (Wijaya, 2022). Therefore, innovation capabilities can increase the competitiveness of the company by promoting product and service innovations that contribute to sales and organizational growth (Siahaan & Tan, 2020). The focus and concentration of organizations in responding to changes in all industries today is on developing innovation to ensure success in the market (Saunila et al., 2014). One of the strategic issues in the competitive business world is finding internal and external competencies that are difficult to imitate and can support valuable products and services, especially in the Indonesian batik industry. The Batik industry is inseparable from artistic creativity and innovation, as innovation plays an important role in organizational survival and growth.

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Referring to previous research, innovation in the context of SMEs is important because it is one of the causes of increased turnover and organizational performance (Ratten et al., 2019; 2018; Hoyte, 2018). However, innovation is used to achieve a competitive advantage, but in the context of Indonesian batik SMEs, the ability to innovate must still pay attention to authenticity and the social environment (Bashokuh-E-Ajirlo et al., 2021; Basole, 2015; Wherry, 2006) and motivation at the individual artisan level (Schneiderjans & Khalajhedayati, 2020). This sometimes creates tension because organizations are required at the same time to innovate and respond to the market (market orientation) (Prifti & Alimehmeti, 2017) but still pay attention to authenticity (Miron-Spektor et al., 2018; Shams et al., 2020).

The tension between innovation and tradition, in turn leads to loss of originality and operational efficiency (Carvajal Pérez et al., 2020). Therefore, individuals with a high paradox mindset will be able to accommodate the tensions faced and can adjust simultaneously regarding authenticity, artistic and financial logic in cultural productions (Durand & Jourdan, 2012). Paradox theory provides insights into the nature and management of opposing but interconnected tensions, which may seem contradictory but are also mutually reinforcing and supportive (Smith & Lewis, 2011), previous studies have also shown that a paradox mindset contributes positively such as innovative behavior (Liu et al., 2020).

This study examines innovation capability influenced by market orientation, authenticity, and motivation (individual) and strengthened or weakened by paradox mindset, which can be explained by dynamic capability theory (Teece, 2007) and paradox theory (Smith & Lewis, 2011). First, the dynamic capability theory initiated by Teece (2007) about microfoundation, that the microfoundation of dynamic capability sustains organizational-level sensing in seizing, and reconfiguring capacity to be developed and used. Second, paradox theory provides insight into the nature and tensions that often arise in change (market orientation), which may be conflicting but also mutually reinforcing and supportive (Smith & Lewis, 2011), but still rarely at the organizational level influenced by individual personal factors with multi-level studies.

In addition, the batik industry has undergone major changes because batik has a comparative advantage in the economic field, so it is expected to be able to improve people's welfare, this is in line with the Ministry of Industry's statement that the batik industry has a significant contribution to the Indonesian economy, because the batik industry provides large employment opportunities. Based on the Ministry of Industry's records, the industry has absorbed 200 thousand workers and 47 thousand business units in 101 centers in Indonesia (source: Ministry of Industry Data, 2018), which is a large number to be able to respond to the market. Organizations need to keep up with these dynamics by improving their ability to innovate (Adomako, 2020; Asibey et al., 2017).

This study will make several contributions. First, this study will enrich the study of innovation capability with dynamic capability theory (Teece, 1997) and paradox theory (Smith & Lewis, 2011) to investigate the influence of market orientation, authenticity, and market orientation in organizations represented by leaders and individual motivation (employees/artists) on innovation capability. This research will also add to the empirical studies on authenticity that are still lacking at the organizational level because previous research is more at the individual level (Shams et al., 2020; Basole, 2015). Third, this research will add a study with multi-level analysis (Bottom-up), which is still limited to examining the individual level related to motivation (Wanyoike & Maseno, 2021) in the innovation capability process, known as the microfoundations approach dynamic capability (Teece, 2007).

2. Literature Review and Hypothesis Development

2.1 Market orientation and Innovation Capability

Market orientation is a strategic posture of the company that obtains internal and external information and disseminates it to all parts of the company (Prifti & Alimehmeti, 2017). Market orientation basically concentrates on improving the relationship between the company and its customers, which reflects the organizational culture, beliefs and values focused on solving customer problems. Moorman and Blakely (1993) define market orientation as a customer orientation that prioritizes the interests of customers, but does not ignore other stakeholders such as owners, managers and employees to develop the company in order to achieve long-term profits. In applying market orientation, companies must create procedures that are more efficient and effective than competitors to obtain satisfactory value and profitability (Blankson & Cheng, 2005), and the impact is very broad for a business such as: business performance, customer satisfaction and ability to innovate. Zhang and Bartol (2010) mentioned that market knowledge through market orientation will result in greater innovation success among firms with innovation-oriented views.

Some previous studies found that market orientation has a direct influence on innovation success (Liu & Su, 2014), in addition, some studies confirm the positive relationship between market orientation and innovation. Innovation capability facilitates the creation of superior value for customers and influences innovative activities and their effectiveness (Maydeu-Oliveres, 2001), but for companies that do not have the ability to innovate cannot fully utilize the market knowledge generated through market orientation (Tutar et al., 2015). Therefore, hypothesis 1 is formulated as follows:

H₁: *Market orientation has a positive effect on innovation capability.*

2.2 Authenticity and Innovation Capability

Understanding authenticity for consumers is very important, as it can provide an overview of regions with lower socioeconomic backgrounds that have opportunities to market strengths related to quality raw materials and specialized skills (Zainol & Al Mamun, 2018). In addition, authenticity is an advantage for the weak to survive in inequality (Wherry, 2006). Previous empirical research found that innovation capability is one of the main factors causing increased turnover and performance in organizations (Hoyte, 2018). This makes sense, as innovation in the artisan sector, in the tradition and capacity of artisans helps prevent their regional authenticity and cultural heritage from extinction (Teixeira & Ferreira, 2018). In addition to innovation capability, previous research has shown how regional cultural heritage is increasingly important at different and different economic levels (Ratten et al., 2019; Teixeira & Ferreira, 2018) and that regions can develop competitiveness through taking advantage of their cultural heritage (authenticity) and artisan skills (Hill, 2021; Oral et al., 2021). Authenticity is about how a product/service can uniquely/differently meet customer needs (Shams et al., 2020), and consists of three dimensions of authenticity, namely: quality commitment; heritage; sincerity (Napoli et al., 2014). Authenticity in the batik industry describes behavior formed in individuals who are in a larger community or entity and companies (especially SMEs) tend to be seen as important and related to the local regional community (Habisch, 2004). Every community has a form, purpose and uniqueness and expresses it in the community (group) which is largely shaped by the cultural values of the community itself (Asibey et al., 2017). The cultural values formed will become an identity which will eventually become distinctiveness/uniqueness (Cheah et al., 2016) which affects innovation capability (Rashid & Ratten; 2021; Ratten et al., 2019; Hoyte, 2018). Therefore, hypothesis 1 is formulated as follows:

H₁: *Authenticity has a positive effect on innovation capability.*

2.3 Motivation and Innovation Capability

Motivation is seen as an important construct in traditional entrepreneurship such as the batik industry and is often associated with the intention to start and run activities through keasadran. Artisans certainly hope to earn a living based on their art or skills (Carsrud & Brännback, 2011). Motivation involves the energy, direction and persistence of activation and intention (Ryan & Deci, 2000), motivation may be the trigger to turn intention into action (Carsrud & Brännback, 2011) such as innovative behavior. Gilson and Shalley (2004) state that individuals are the basic source of innovation. Individuals who come up with creative ideas provide initial information that serves as the starting material for innovation at the organizational level (Zhang & Bartol, 2010). Pret and Cogan in their study argue (2018) that in craft communities, a shared commitment facilitates the trust of artisans to share knowledge and social-emotional support. As Tashman and Marano (2009) identify the organization's ability to create a competitive advantage includes creating a social network aimed at the welfare of members and reducing poverty and motivating artisans. A positive relationship has also been found empirically between motivation and innovation at the organizational level (Hartmann, 2005). Thus, motivation at the individual level can increase the ability to innovate at the organizational level. Therefore, hypothesis 3 is formulated as follows:

H₃: *Motivation has a positive effect on innovation capability.*

2.4 Moderating effect of paradox mindset

Environmental dynamism encourages organizations to strengthen market orientation and contribute to customer satisfaction by meeting needs. Market orientation is a business perspective that makes consumers the focus of attention of all company activities (Cravens & Piercy, 2006). Companies with market orientation are able to provide services or products that can meet customer needs in a more effective and efficient way than their competitors (Slater & Narver, 1998). However, some studies do not find a direct effect of market orientation on innovation (Wu et al., 2018; Lin et al., 2015). In contrast to several other types of businesses, in the batik industry, authenticity (Shams et al., 2020; Cheah et al., 2016) can be an advantage, but increasingly rapid environmental changes require SMEs to continue to innovate. In line with Bhaduri and Stanforth (2017) that authenticity is also an opportunity that can be developed to create a competitive advantage. Therefore, SMEs are faced with a tension between authenticity or adjusting to the dynamism of the environment, in this case, market needs. Different conditions, it requires leaders' ability to manage tension because the tension experienced can threaten and cause dysfunctional responses, so a paradox mindset is needed which is defined as the extent to which a person accepts and is energized by tension (Miron-Spektor et al., 2018). Previous studies have also shown that paradox mindset contributes positively such as innovative behavior (Liu et al., 2020). According to Haudi et al. (2022); Mukaromah et al. (2022) SMEs can build innovation-focused managerial practices given that innovation may be a major challenge as well as a major advantage for organizations (Sukoco et al., 2019). The dynamism of the environment requires organizations to continue to innovate which emphasizes market orientation but does not neglect artisanal motivation and authenticity as indicators of organizational performance. Therefore, individuals who have a high paradox mindset will be able to accommodate the tensions faced and can adjust simultaneously regarding artistic (authenticity), financial logic (such as market orientation), and motivation (individuals) in the production of cultural products (Durand & Jourdan, 2012).

H₄: *Authenticity has a positive effect on innovation capability moderated by a paradox mindset.*

H₅: Market orientation has a positive effect on innovation capability moderated by a paradox mindset.

H₆: Motivation has a positive effect on innovation capability moderated by a paradox mindset.

3. Methodology

3.1 Participants and procedures

The participants in this study were leaders and artisans of 180 Indonesian batik SMEs. Leaders were selected as respondents at the organizational level. Leaders structurally act as drivers by designing strategies to compete with competitors so that they can answer questions related to authenticity, market orientation, paradox mindset, and innovation capability. In addition to leaders, employees (artisans) were also selected as respondents at the individual level, because employees/artisans are core members of the organization who disseminate knowledge (Wang & Ahmad, 2020). The sampling method used is purposive sampling, determination based on certain criteria (Hair et al., 2006). This research was conducted using quantitative methods through questionnaires. The questionnaire was distributed via email including: leaders (225) and artisans/employees (700). Online questionnaires were distributed through Google Form. Strategic goals developed by top leaders will be successfully achieved when organizational members perform well. The participation rate of leaders was 180 people (31.03%), and artisan/employees was 580 people (68.9%). The survey also captured socio-demographic characteristics including age, gender. The results show that the age of most respondents (74.2 percent) is less than 40 years old. The accumulation of questionnaire responses based on gender, men are 38.3 percent and women are 61.7 percent, this finding shows that artisan entrepreneurship in this case the Indonesian batik industry is dominated by women at 61.7 percent. Further findings revealed that 80.5 percent worked for less than 5 years, while 17.6% worked between 5 - 10 years. One important finding is that the market destination is dominated by local and export markets at 52.5% and local only at 47.5%.

Table 1
Respondent Characteristics

Variable	Frequency	Percentage	Variable	Frequency	Percentage
Age			Tenure		
<40 year	420	72.4	<5 year	298	80.5
40-50 year	143	24.6	5-10 year	108	17.6
50-60 year	11	1.8	15 year	10	1.6
>60 year	5	0.8	>15 year	2	0.3
Gender			Position		
Man	214	36.8	Leader	180	31
Women	366	63.1	Artisan/employee	580	69
Size			Market		
1-5	343	41.1	Local	253	43.6
6-10	217	37.4	Export	-	-
11-20	87	15	Local-Export	327	56.3
>20	60	10.3			

3.2 Measurement

Organizational level

Innovation capability is the leader's opinion about the new ability to create value (Yang et al., 2009). Referring to the innovation capability suggested by Gunday et al., (2011) that there are three dimensions consisting of: product; process; marketing, and organizational innovation. Innovation capability was measured with 12 items, adapting a five-point response scale (1 - strongly disagree to 5 - strongly agree). The reliability of the measured items is 0.830. Authenticity is the opinion of batik SME leaders about authenticity that every community of society has a form, purpose and uniqueness and expresses it in a community (group) that is largely shaped by the cultural values of the community itself (Asibey et al., 2017). Authenticity was measured based on Zainol and Al Mamun's (2018) research with 10 items, adapting a five-point response scale (1 - strongly disagree to 5 - strongly agree). The reliability of the measured items was 0.835. Market orientation is the opinion of batik SME leaders about market orientation from a cultural perspective is a set of shared values and beliefs aimed at creating customer value that is superior to competitors by involving customers. This dimension was measured using 16 items adopted based on Modi's (2012) research, adapting a five-point response scale (1 - strongly disagree to 5 - strongly agree). The reliability of the measured items is 0.832. Paradox mindset is the leader's opinion about the extent to which the organization accepts and is energized by tension (Miron-Spektor et al., 2018). Managers/leaders often face paradoxes at work when they have to exploit existing competencies to be efficient, but also have to innovate (Miller, 1987). Researchers measured paradox mindset based on Miron-Spektor et al.'s (2018) research with 9 items, adapting a five-point response scale (1 - strongly disagree to 5 - strongly agree). The reliability of the measured items was 0.862.

Individual level

Motivation is the opinion of individuals/employees/craftsmen about the ability to implement innovative ideas (Hartmann, 2006). Others suggested that motivation is an important factor in initiation and also plays a key role in business development, growth, persistence and success. Researchers measured motivation based on Carsrud and Brännback's (2011) research with

6 items by adapting a five-point response scale (1 - strongly disagree to 5 - strongly agree). The reliability of the measured items is 0.892.

Data aggregation

This study was conducted in a multilevel manner, the variables in this study were collected from two levels of respondents to avoid common method biases (Podsakoff & Organ, 1986). Analytical strategy. The variables contained in this study were collected from various respondents to avoid common method variance (Podsakoff & Organ, 1986). The questions in the questionnaire were randomized to avoid leading questions, non-response bias tests were conducted (Armstrong and Overton, 1977) on the initial and final responses. We conducted a series of confirmatory factor analyses to examine the constructs. For the leader-rated variables (authenticity, market orientation, paradox mindset, and innovation capability) we compared the fit of the one-factor model to the hypothesized three-factor model. Table 2 shows the hypothesized four-factor model (M4) fits the data significantly better than the one-factor to three-factor models.

Table 2
Model fit result for confirmatory factor analyses

Model	X ² /df	RMSEA	CFI	TLI	SRMR
M4: AU,MO,PM,IC	4423.403	0.140	0.460	0.382	0.131
M3: AU,MO,PM+IC	4162.026	0.138	0.477	0.425	0.130
M2: AU+MO,PM+IC	3864.924	0.132	0.496	0.473	0.126
M1: AU+MO+PM+IC	2285.653	0.105	0.720	0.730	0.092

Note(s): semua χ^2 signifikan pada $p < 0.05$ AU= Authenticity, MO= Market Orientation, PM= Paradox Mindset, IC= Innovation Capability.

Similarly, the discriminant validity of the artisan-rated variable (motivation) by comparing a single factor model showed a good fit with the data ($\chi^2=2321.262$, CFI=0.760, TLI=0.725, RMSEA=0.090). Finally, since the objective of examining the influence of individual-level constructs on organizations is consistent with previous studies (Carsrud & Brännback, 2011; Hartmann, 2005), we adopted multivariate structural equation modeling (MSEM) (Preacher et al., 2010). MSEM can accommodate multilevel analysis of both top-down and bottom-up relationships (Preacher et al., 2010).

Table 3
Description statistics and correlation matrix

Research variables	Mean	SD	1	2	3	4	5	6	7	8
1) PM	4.363	0.482	1	0.466**	0.118**	0.412*	-0.028	0.084*	0.172**	0.121**
2) MO	4.436	0.465	0.462	1	0.265	0.601	0.072	0.042	0.198	0.018
3) AU	4.320	0.726	0.119	0.246	1	0.204	0.076	0.068	0.336	-0.220
4) IC	4.290	0.540	0.416	0.610	0.202	1	0.088	-0.018	0.149	0.105
5) MT	4.360	0.452	-0.030	0.080	0.076	0.088	1	-0.043	0.007	-0.059
6) Tenure	1.318	0.460	0.028	0.034	0.050	-0.022	-0.004	1	0.139	0.156
7) Market	2.080	0.980	0.178	0.184	0.384	0.146	0.009	0.139	1	0.042
8) Size	1.923	0.476	0.125	0.023	-0.225	0.103	-0.059	0.153	0.042	1

Notes : PM=Paradox Mindset, MO= Market Orientation, AU=Authenticity, IC=Innovation capability, MT=Motivation *

4. Result

Table 3 presents the means, standard deviations, and correlations. Given the multilevel nature of the data analyzed as well as the bottom-up relationship of the multilevel model, we tested the hypotheses using MPlus (version 8.6) in two separate stages. First, to examine the high innovation capability of organizations, we tested the significance of the moderating effect of the paradox mindset on the effect of market orientation and found quite unique results. Second, we examined the moderating effect of the paradox mindset on innovation capability and found that the paradox mindset significantly moderates the effect of authenticity but negatively. Third, to examine the moderating effect of a paradox mindset on motivation at the individual level (Bottom-up) in organizations.

Table 5
Path coefficients

Path	Estimate	ES	LLCI	ULCI	Result
Test of Direct effect					
Market orientation → Innovation capability	H1 -1.532***	0.422	-1.620	-0.536	Not supported
Authenticity → Innovation capability	H2 0.460***	0.320	0.084	0.642	Supported
Motivation → Innovation capability	H3 0.215**	0.068	0.380	0.326	Supported
Test of the interaction effect					
Paradox mindset*Market orientation → Innovation capability	H4 3.064**	0.742	0.230	0.540	Supported
Paradox mindset* Authenticity → Innovation capability	H5 -0.680**	0.370	-0.148	-0.024	Not supported
Paradox mindset* Motivation → Innovation capability	H6 -0.640	1.028	0.370	-0.262	Not Supported
Control variable					
Market → Innovation capability	- 0.070/3.850/0.000***				
Tenure → Innovation capability	- 0.012/0.460/0.682				
Size → Innovation capability	- 0.40/2.628/0.006**				

Notes: * $p < 0.05$ (statistically significant); ** $p < 0.01$ (statistically highly significant); *** $p < 0.001$ (statistically extremely significant). Standardized estimates are reported. LLCI = lower level of the 95% confidence interval; ULCI = upper level of the 95% confidence interval

We control for market reach, turnover and firm size. The analysis shows that market reach and firm size have different results in models 1 and 2. In model 1 and model 2, both control variables have a positive effect on innovation capability. Meanwhile, other control variables such as tenure have no positive effect on innovation capability.

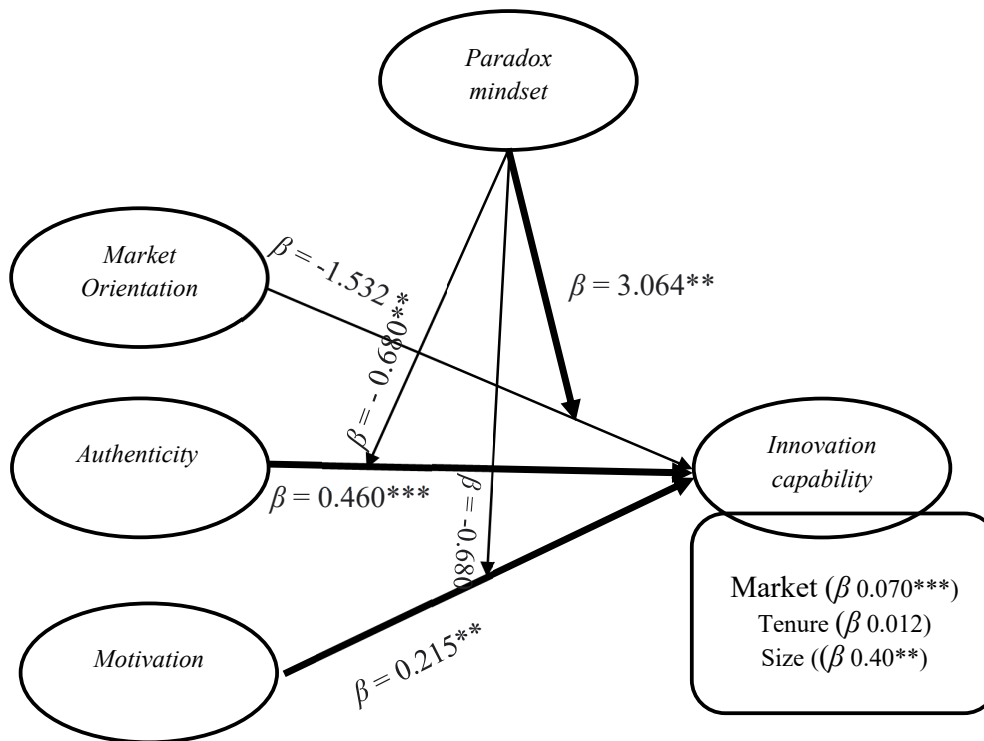


Fig. 1. Research model and analysis results

Notes: * $p < 0.05$ (statistically significant); ** $p < 0.01$ (statistically highly significant); *** $p < 0.001$ (statistically extremely significant).

Hypothesis 1 suggests that market orientation has a negative effect on innovation capability. Model 1 results show that market orientation is significantly negative ($\beta = -1.532$, $p < 0.001$), thus, hypothesis 1 is rejected. Hypothesis 2 predicts a positive relationship between authenticity on innovation capability ($\beta = 0.460$, $p < 0.001$), thus hypothesis 2 is supported. Hypothesis 3 proposes the relationship between motivation at the individual level has a positive effect on innovation capability. Bottom-up analysis results show that motivation significantly predicts innovation capability ($\beta = 0.215$, $p < 0.01$), thus hypothesis 3 is supported.

Hypothesis 4 states that the paradox mindset strengthens the effect of market orientation on innovation capability. The results of the analysis show that market orientation has no direct effect on innovation capability (H1 rejected). The moderation effect test also proved that market orientation has a positive effect on innovation capability moderated by a paradox mindset ($\beta = 3.064$, $p < 0.01$). thus, this result supports H4. Further analysis of model 2, found that the paradox mindset moderates the relationship between authenticity on innovation capability in a negative direction ($\beta = -0.680$, $p < 0.05$) (H5). Authenticity has a direct effect on innovation capability ($\beta = 0.460$, $p < 0.001$). Hypothesis 6 states that the positive relationship between motivation (individual level) and innovation capability is stronger when the magnitude of the paradox mindset has an impact on the organization. The interaction between motivation and paradox mindset on innovation capability ($\beta = -0.640$, $p > 0.05$), thus, this result indicates that the paradox mindset does not strengthen the relationship between the two.

Following the procedure of Aiken and West (1991), Fig. 2 illustrates the moderating effect of a paradox mindset. Hypothesis 4 states that a paradox mindset strengthens the effect of market orientation on innovation capability. The results show that high market orientation results in superior innovation capability when a paradox mindset is strongly perceived but decreases significantly when market orientation is low ($\bar{\chi} = 2.104$). The results also show that low market orientation results in better innovation capability ($\bar{\chi} = 2.760$), which makes sense because low market orientation provides opportunities to explore more organizational capabilities based on their potential such as authenticity. Interestingly, when market orientation is low, a weak paradox mindset results in better innovativeness than when a paradox mindset is strong.

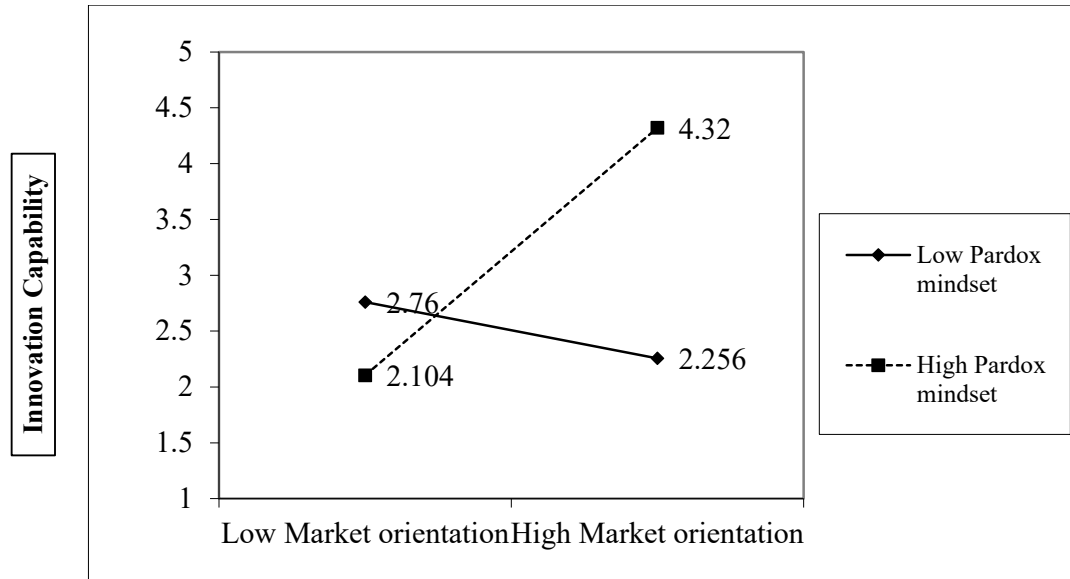


Fig. 2. Moderation effect

5. Discussion

In this study, we look at individual-level motivation, specifically examining the bottom-up relationship of individual-level variables and organization-level innovation capability. We tested whether individual motivation influences innovation capability. In line with our hypothesis, we found a bottom-up relationship between motivation and innovation capability. Hartmann (2006) stated that motivation is the main force for individuals to make efforts and implement innovative ideas, besides that motivation also allows individuals to explore unknown areas and detect and solve problems independently (Meissner, 1989).

In addition, we found that market orientation has a negative effect on innovation capability, this makes sense because in the context of the batik industry it is dominated by regional distinctiveness and the effect of market orientation on innovation capability is not universal but conditional (Dogbe et al., 2021). In line with these findings, According to Purwanto and Juliana (2022); Jasin et al. (2023); Cahyono et al. (2023), authenticity is also an opportunity that can be developed to become a competitive advantage for the Indonesian batik industry as Cheah et al. (2016) found that the authenticity of raw materials has a positive effect on the assessment of products made by Prada and Touche (Peru).

6. Theoretical implications

The results of this study have important theoretical implications. First, this study contributes to research related to innovation capability using the dynamic capability theory (Teece, 2007) and paradox theory (Smith & Lewis, 2011) approaches. Extending the study of Torres et al. (2020), this study integrates dynamic capability theory and paradox theory to build an innovation capability development model. This study states that individual motivation has an impact on organizational innovation capability (Hartmann, 2006). We develop and test hypotheses that link individual-level phenomena (motivation), environmental factors (authenticity) and paradox mindset. Saunila (2017) assumed that organizational factors are important in determining the success of new products (innovation). Within the framework of dynamic capability theory, this study states that individual artisans as the strategic core of the organization and supported by market orientation and authenticity have an influence on innovation capability. This finding shows that most artisans (employees) are motivated by pro-social behavioral factors based on past or current life, in addition to motivation being the basis for individuals to take innovative actions at work.

Second, this study contributes to a model that describes the process of how the individual level can contribute to the emergence of innovation capability (Salvato & Vasollo, 2011, 2018; Nasir et al., 2018) using bottom-up multilevel analysis. The phenomenon of the emergence of innovation capability can be explained by the motivation of artisans/employees. Motivation in the artisan sector in tradition and the capacity of artisans in the technical domain help and prevent regional authenticity from becoming extinct (Teixeira & Ferreira, 2018), so there is a direct bottom-up effect on organizational innovation capability. Our findings also reveal that organizational factors, namely paradox mindset and authenticity, also contribute to the emergence of innovation capability.

7. Managerial implication

Our findings have important implications for practitioners. Our results suggest that motivation at the individual level is the hook for improving innovation capability at the organizational level. To get the positive effect of artisan motivation, organizations can use several strategies such as providing rewards or compensation based on the creativity of each work produced by the artisan. Other findings also show that paradox mindset moderates market orientation on innovation capability. To get the positive effect of paradox mindset, organizations can use several strategies, one of which can recruit managers who have a paradoxical mindset and can also organize training programs to improve paradoxical thinking. In addition, our research emphasizes the importance of the environment in improving innovation capability, namely by paying attention to authenticity but remaining market-oriented. Organizations can provide training or coaching to organizational members related to distinctiveness and market orientation. Organizations can take a role related to flexibility in responding to market needs while still paying attention to authenticity as a form of originality.

8. Limitations and future research

This research has several limitations, which can be used as a foothold for future research. First, paradox mindset, market orientation, authenticity and innovation capability of organizations from the same source (leaders), create potential variants from the same source. However, to mitigate the limitations, we collected data at different times. Future research should address the important issue of the long-term impact of innovativeness through a longitudinal study design. Future research may also find it valuable to consider additional moderating variables. For example, entrepreneurial behavior may moderate the relationship between motivation and innovation capability.

9. Conclusion

The study analyzes the influence of motivation (individual), market orientation, authenticity on innovation capability with the moderating role of paradox mindset. The study is based on survey data collected from batik SMEs in Indonesia. The results concluded that motivation (individual) plays an important role in improving innovation capability. Furthermore, authenticity also has a significant influence on innovation capability. The moderating role of paradox mindset significantly moderates the relationship between market orientation and innovation capability.

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