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**The Effect of Innovation Capabilities, Core Competencies and Organizational Culture on Organizational Performance of the Army TNI Hospital Mediated by Strategic Flexibility**

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**Abstract**

The main objective of this study is to analyze the influence of Innovation Capabilities, Core Competencies, and Organizational Culture on the Organizational Performance of Indonesian Army Hospitals, mediated by Strategic Flexibility.

Research method, this study employed a quantitative approach using causal research design. The population consisted of structural personnel from fourteen Level II Indonesian Army Hospitals, totaling 476 individuals. A sample of 224 respondents was selected using purposive sampling. Data were collected through a structured, closed-ended questionnaire distributed via Google Form. The data were analyzed using Structural Equation Modeling (SEM) with SmartPLS version 3.0.

The results reveal that Innovation Capabilities, Core Competencies, and Organizational Culture have a positive and significant influence on Organizational Performance, both directly and indirectly through Strategic Flexibility. Furthermore, Strategic Flexibility has a positive and significant impact on Organizational Performance and serves as a mediating variable between the independent variables and performance outcomes.

This study provides valuable managerial implications, especially for hospital leadership, by emphasizing the importance of fostering innovation, enhancing core competencies, and cultivating an adaptive organizational culture to support strategic flexibility. These internal capabilities are crucial for improving competitiveness and the effectiveness of healthcare services within the Indonesian Army Hospitals. However, the study is limited to the Army Hospital context and does not include comparisons with other healthcare institutions.

Additionally, the exclusively quantitative approach limits deeper exploration of qualitative organizational behaviors.

**Keywords:** Innovation Capabilities, Core Competencies, Organizational Culture, Organizational Performance, Strategic Flexibility.

## **1. Introduction**

The performance of Indonesian Army Hospitals plays a strategic role in supporting the operational readiness of soldiers and ensuring public health. As part of the national and military healthcare system, Indonesian Army Hospitals face complex challenges such as limited resources, pressures for efficiency, and the need to adapt to technology. Hospital performance is currently assessed across multiple aspects, including operational efficiency, service quality, patient satisfaction, and internal competency (American Hospital Association, 2024; Military Health System Communications Office, 2022). However, many hospitals, including Indonesian Army Hospitals, still face challenges in meeting service standards due to managerial issues, low innovation, and weak performance measurement systems (Barnett et al., 2019; Hasnaningrum et al., 2023; Topan et al., 2015; Ulfa, 2018).

As demands for service quality increase, Indonesian Army Hospitals need to optimize strategic factors that influence their performance. One such capability is innovation, which reflects the hospital's ability to adopt technology, develop services, and respond to changing patient needs. Innovation has been proven to improve service quality and hospital competitiveness (Akinwale & AboAlsamh, 2023; Parthasarathy et al., 2021; Pesqueira et al., 2025). Furthermore, core competencies, such as technical and managerial expertise, and military-specific experience, also determine hospital operational excellence (Grant, 2024; Ibrahim et al., 2025; Ndayishimiye et al., 2023). Meanwhile, organizational culture is a crucial foundation that drives innovation, collaboration, and responsiveness to change (Schein, 2023; Karimah et al., 2023; Zhang et al., 2025).

However, these three factors do not always have a direct impact on performance, as a hospital's ability to respond to environmental dynamics depends heavily on strategic flexibility. This concept describes an organization's ability to adapt quickly to external changes, such as developments in medical technology or national policies (Huebner, 2022; Mello-Sampayo, 2024; Tamjid & Rakhshani, 2022). Strategic flexibility is believed to be the bridge that enables internal capabilities, such as innovation and competence, to be translated into tangible performance improvements in the context of military hospitals. Therefore, it is important to understand the synergistic relationship between innovation capabilities, core competencies, organizational culture, and organizational performance, with strategic flexibility as a mediator.

Various studies have highlighted the importance of each of these variables in the hospital context, but most have focused on public hospitals and the private sector. Military hospitals, such as the Indonesian Army Hospital, with their unique characteristics, have not received

comprehensive studies (Luo et al., 2024; Abu-Nahel et al., 2021). Furthermore, performance indicators relevant to military hospitals, such as operational readiness and social mission, have not been a primary focus in previous models (Jamieson, 2023; Huang et al., 2024). Therefore, this study aims to fill this gap by testing a model of the relationship between innovation capabilities, core competencies, and organizational culture on organizational performance, with strategic flexibility as a mediating variable, in the context of the Indonesian Army Hospital. The results of this study are expected to provide theoretical and practical contributions to improving the performance of military hospitals in Indonesia, as well as enrich the literature on strategic management in the healthcare sector.

## **2. Literature review**

### *2.1. Innovation Capabilities*

Innovation capabilities are an organization's strategic ability to create value through continuous innovation by utilizing and developing internal resources. Rooted in the dynamic capabilities theory proposed by Teece, Pisano, and Shuen (1997), innovation capabilities emphasize the importance of an organization in integrating, building, and reconfiguring its assets and competencies to respond to rapid environmental changes. Innovations arising from these capabilities can take the form of new ideas, products, services, or business processes that support organizational efficiency and competitiveness.

The main components of innovation capabilities include knowledge creation and transfer, technological capabilities, organizational learning, and collaboration and networks. Organizations that master these capabilities tend to be more adaptive to change and better able to present innovative solutions. Furthermore, according to Helfat and Peteraf (2003), innovation capabilities have a life cycle that needs to be managed to remain relevant. Zollo and Winter (2002) also emphasize the importance of organizational learning as a foundation for strengthening innovative capabilities. Eisenhardt and Martin (2000) and O'Connor and Ayers (2005) also underscore the role of innovation capabilities in generating breakthrough innovations amidst uncertain business environments. Overall, innovation capabilities are viewed as key strategic capabilities that support long-term competitive advantage.

### *2.2. Strategic Flexibility*

Strategic flexibility is an organization's ability to respond quickly and effectively to changes in a dynamic and uncertain environment. According to Shimizu and Hitt (2014), strategic flexibility encompasses the ability to recognize external changes such as the emergence of new technologies and the ability to allocate resources quickly and efficiently. This concept is further reinforced by Ron Sanchez (2007), who emphasizes the importance of flexibility in managing strategic competencies to effectively respond to market challenges and opportunities.

Furthermore, strategic flexibility involves three main dimensions: the ability to adapt, learn, and collaborate (Teece, 2007). Brozovic (2018) added that companies with strategic flexibility are able to adjust targets and strategies based on resource availability and market conditions. Lau's

(2019) strategic flexibility development framework consists of three stages: knowing, understanding, and implementing a flexibility-based strategy. This process emphasizes the importance of manufacturing capabilities, skills development, and organizational transformation to achieve sustainable flexibility. This flexibility is also demonstrated in the form of product variations, technological adaptation, and a decision-making approach that is responsive to market changes.

### *2.3. Organizational Culture*

Organizational culture is a system of shared values, norms, and assumptions that shape the behavior of individuals and groups within an organization. According to Robbins and Judge (2023), organizational culture serves as the foundation for determining how members interact and act. Luthans (2021) adds that this culture is formed from historical experiences, managerial practices, and leadership styles that collectively shape the organization's identity. Gary Dessler (2023) and Armstrong (2023) state that this culture influences all management practices and employee behavior in supporting the achievement of organizational goals.

Organizational culture also plays a crucial role in shaping strategy and innovation. Lee (2024) and Orieno (2024) emphasize that a culture that supports risk-taking, creativity, and continuous learning is crucial in fostering sustainable innovation. Schein (2020) classifies organizational culture into three levels: core assumptions, stated values, and visible artifacts or symbols. Meanwhile, Aitimbetov (2024) details six dimensions of organizational culture: dominant characteristics, leadership, employee management, organizational glue, strategic emphasis, and success criteria. A strong culture enables organizations to adapt to change and create a competitive advantage that is difficult to replicate.

### *2.4. Core Competencies*

Core competencies are fundamental and distinctive capabilities possessed by an organization, which are the main source of competitive advantage and differentiate the company from its competitors. This concept was first introduced by Prahalad and Hamel (1990) through the idea of *The Core Competence of the Corporation*, which states that a company's long-term advantage lies in mastering core competencies, not just in managing products or business units. These core competencies reflect the company's collective knowledge of how to efficiently integrate production skills and technology, which allows the company to create unique value for customers and reach various markets in the future.

Furthermore, Smith (2022) emphasized that core competencies are the primary source of differentiation that enables an organization to create and offer unique solutions to the market. Meanwhile, Mooney (2007) expanded this concept in the context of modern organizations by highlighting the importance of continuously evaluating and adapting core competencies to remain relevant to technological changes and market dynamics. In Fiol's view, core competencies are the combination of skills and resources that a company uses to produce

superior results, and are the result of harmonization across units within the organization (Agha et al., 2012).

Core competencies must meet three main criteria to be considered core competencies: (1) providing value to customers ( *customer value* ), (2) being unique and difficult for competitors to imitate ( *competitor differentiation* ), and (3) being extendable across multiple products and markets ( *extendability* ). These characteristics are reaffirmed by Dangelico et al. (2019), Liu and Liang (2021), and Santos-Vijande et al. (2018), who state that core competencies must be valuable, unique, and capable of further development to create sustainable growth.

Experts such as Pisano (2019) and Kumar & Pattnaik (2020) suggest the importance of a systematic approach and regular evaluation in identifying and developing core competencies. Felin and Powell (2016) emphasize the crucial role of human resources in building competencies, while Grant (2021) and Galbraith (2019) state that integrating core competencies into a company's strategy and innovative management systems is key to long-term success.

In today's rapidly changing business world, core competencies must not only be sustainable but also adaptable to changes in the external environment. Values such as customer orientation, innovation, cross-functional collaboration, and responsiveness are becoming increasingly important. Cripe (2023) identified various values and behaviors that support strengthening core competencies, including strategic leadership, initiative, decisiveness, flexibility, and effective communication.

In other words, core competencies are the strategic foundation of an organization that not only reflects its unique capabilities, but also guides the company's future direction in winning the competition and achieving sustainable growth.

### *2.5. Performance*

Performance is *the* final result of an individual's or organization's work activities, measured by the level of effectiveness, efficiency, and achievement of specific goals. According to Robbins (2016) , performance is defined as the results achieved by an individual in their work in accordance with predetermined standards and criteria. In an organizational context, Afandi (2018) states that performance is the result of collective work in achieving goals legally and ethically. Likewise, Kasmir (2019) and Mangkunegara (2017) state that performance includes quantitative and qualitative work results based on assigned responsibilities.

Conceptually, organizational performance is also closely related to the strategy adopted by the company. Venkatraman (1986) developed a framework for strategic business orientation that encompasses dimensions such as aggressiveness, proactivity, future-orientedness, analysis, defensiveness, and risk-taking. Each of these dimensions reflects a company's managerial style in responding to external environmental dynamics and business opportunities. Hofer (1983) added that an effective strategy must align with market conditions, internal resources, and organizational goals to improve long-term performance.

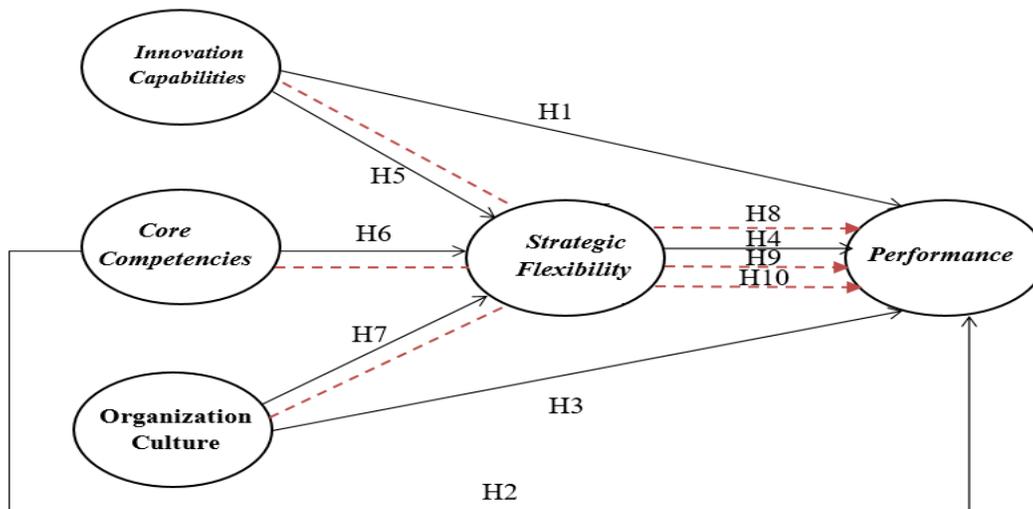
Furthermore, the resource *-based approach*, as described by Spanos and Lioukas (2001), emphasizes that competitive advantage and performance stem not only from market position but also from unique internal capabilities, including core competencies. They suggest integrating Porter's market position approach and the resource approach to create a holistic and effective strategy.

Sutrisno (2016) identified several key factors influencing performance, such as effectiveness and efficiency, authority and responsibility, discipline, and initiative. Furthermore, according to Bernardin and Russell (in Wahyuni, 2020) , performance indicators include: work quality, work quantity, job knowledge, and the ability to work in a team.

Overall, performance is a direct reflection of the effectiveness of strategy, the quality of human resources, and the structure and culture of the organization. Therefore, in modern organizational management, improving performance is not only about achieving operational targets, but also encompasses enhancing strategic capabilities and adapting to a rapidly changing external environment.

**3. Framework**

A conceptual framework is the foundation of thought that underlies research or scientific writing. It explains how relevant theories, concepts, and facts are connected to answer research questions or achieve research objectives. The following is a conceptual framework used in research:



**4. Research methodology**

This study uses a quantitative research design with a causal research approach, aiming to examine the causal relationships between variables that influence the performance of the Indonesian Army Hospital. A research design is a scientific method for obtaining data for specific purposes and uses (Sugiyono, 2022). The main focus of the study is three independent

variables: Innovation Capabilities, Core Competencies, and Organizational Culture, which are suspected of influencing the dependent variable, Performance. Furthermore, Strategic Flexibility is positioned as a mediating variable, explaining the mechanism by which the independent variables influence hospital performance. This approach allows researchers to examine the extent of the direct and indirect influences that occur through the mediating role of strategic flexibility.

The variables in this study were operationalized in detail to avoid bias and ambiguity that could affect data validity (Nurdin & Hartati, 2019). Innovation Capabilities were measured through the dimensions of product, technological, and organizational innovation, with indicators assessed using a Likert scale of 1-5. Core Competencies consisted of dimensions of competitive advantage, sustainability, and competency protection capabilities, which were also measured using a Likert scale. Organizational Culture was measured based on three levels of dimensions: artifacts, adopted values, and basic assumptions underlying organizational behavior (Schein, 2020). Performance, as the dependent variable, was measured in terms of quality, quantity of work, knowledge, and cooperation. Meanwhile, Strategic Flexibility, as a mediating variable, encompassed the organization's ability to adapt, learn, and collaborate, which was also measured using a Likert scale.

The population of this study was all personnel from 14 Level II Indonesian Army Hospitals in Indonesia, totaling 476 people. The sample was drawn using a purposive sampling technique, with specific criteria to ensure the data's representativeness to the population (Sugiyono, 2022). The minimum sample size required was between 215 and 430 respondents, as per the guidelines of Hair et al. (2019), which recommend a sample size 5–10 times the number of indicator items used. In this study, 224 valid questionnaires were collected, thus meeting the statistical requirements for analysis.

Data collection was conducted using a questionnaire distributed through Google Forms. The questionnaire consisted of 43 closed-ended questions using a Likert scale to measure respondents' attitudes and perceptions of the variables studied (Sugiyono, 2022). The primary data obtained through this method was deemed relevant and accurate to address the research objectives. Subsequent data analysis was conducted to examine the causal relationships and mediating role of Strategic Flexibility variables in strengthening the influence of Innovation Capabilities, Core Competencies, and Organizational Culture on the Performance of Indonesian Army Hospitals.

In this study, data analysis was conducted using the Structural Equation Modeling (SEM) method with the Partial Least Squares Path Modeling (PLS-SEM) approach using SmartPLS 3.0 software. This method is more suitable for predicting and explaining latent variables rather than testing specific theories. The stages of PLS-SEM analysis consist of evaluating the outer model (measurement model), evaluating the inner model (structural model), and testing the hypothesis (Ghozali & Latan, 2020). The evaluation of the outer model serves to assess the validity and reliability of the measuring instrument used in the study. The measurement model connects the manifest variables or indicators with the latent variables. Validity is tested using convergent

validity and discriminant validity, while reliability is measured using Composite Reliability and Cronbach's Alpha (Ghozali & Latan, 2020). This evaluation is important to ensure that the indicators used can measure the construct accurately and consistently.

## 5. Research Results and Discussion

### 5.1. Analysis of Research Results

The processing results for testing the research hypothesis are shown in the Hypothesis Testing table which consists of 11 hypothesis tests.

Hypothesis Testing Table

Hypothesis	Coefficient	P-Values	Note
H1: There is a positive and significant influence of <i>Innovation Capabilities</i> on the <i>Organizational Performance</i> of Indonesian Army Hospitals	0.147	0.020	Hypothesis Supported
H2: There is a positive and significant influence of <i>Core Competencies</i> on the <i>Organizational Performance</i> of the Indonesian Army Hospital.	0.204	0.032	Hypothesis Supported
H3: There is a positive and significant influence of <i>Organizational Culture</i> on the <i>Organizational Performance</i> of the Indonesian Army Hospital.	0.187	0.030	Hypothesis Supported
H4: There is a positive and significant influence of <i>Strategic Flexibility</i> on the <i>Organizational Performance</i> of the Indonesian Army Hospital .	0.420	0,000	Hypothesis Supported
H5: There is a positive and significant influence of <i>Innovation Capabilities</i> on <i>Strategic Flexibility</i> in Indonesian Army hospitals .	0.161	0.039	Hypothesis Supported
H6: There is a positive and significant influence of <i>Core Competencies</i> on the <i>Strategic Flexibility</i> of the Indonesian Army Hospital.	0.486	0,000	Hypothesis Supported

H7: There is a positive and significant influence of <i>Organization Culture</i> and <i>Strategic Flexibility</i> at the Indonesian Army Hospital.	0.293	0,000	Hypothesis is Supported
H8: There is a positive and significant influence of <i>Innovation Capabilities</i> on the <i>Organizational Performance</i> of the Indonesian Army Hospital mediated by <i>Strategic Flexibility</i> .	0.068	0.039	Hypothesis is Supported
H9: There is a positive and significant influence of <i>Core Competencies</i> on the <i>Organizational Performance</i> of the Indonesian Army Hospital which is mediated by <i>Strategic Flexibility</i> .	0.204	0.001	Hypothesis is Supported
H10: There is a positive and significant influence of <i>Organizational Culture</i> on the <i>Organizational Performance</i> of the Indonesian Army Hospital which is mediated by <i>Strategic Flexibility</i> .	0.123	0.004	Hypothesis is Supported

Source: SmartPLS 3 Data Processing Results (2025)

Based on the results of testing the ten hypotheses in this study, it was concluded that all hypotheses were proven to have a positive and significant effect, both directly and through a mediating role. First, Innovation Capabilities were proven to have a positive and significant effect on the Organizational Performance of the Indonesian Army Hospital (H1), with an estimated coefficient of 0.147 and a p-value of 0.020. This indicates that the higher the innovation capability of the hospital, the higher its performance. Second, Core Competencies were also proven to have a positive and significant effect on Organizational Performance (H2). The estimated coefficient of 0.204 with a p-value of 0.032 indicates that core competencies such as human resource quality and operational efficiency significantly contribute to improving hospital performance. Third, Organizational Culture made a positive contribution to Organizational Performance (H3), with a coefficient of 0.187 and a p-value of 0.030. A conducive organizational culture, such as discipline and teamwork, can strengthen the achievement of organizational performance. Fourth, the test results show that Strategic Flexibility has the strongest influence on Organizational Performance (H4), with a coefficient of 0.420 and a p-value of 0.000. This indicates that the hospital's ability to adapt its strategy to environmental changes is crucial in supporting optimal performance. Furthermore, this study also tested the relationship between internal capabilities and Strategic Flexibility. The results showed that Innovation Capabilities (H5), Core Competencies (H6), and Organizational Culture

(H7) each had a positive and significant influence on strategic flexibility, with coefficients of 0.161; 0.486; and 0.293, respectively, and a p-value <0.05. These findings confirm that these three internal factors are an important foundation in building organizational strategic flexibility.

Not only direct influence, this study also found a mediating role of strategic flexibility on the relationship between internal factors and organizational performance. In Hypothesis 8 (H8) it was found that strategic flexibility mediates the relationship between innovation capabilities and organizational performance with a coefficient of 0.068 and a p-value of 0.039. This indicates that the influence of innovation on performance will be stronger if supported by strategic adaptability. Similarly, in Hypothesis 9 (H9), core competencies have a positive effect on organizational performance through strategic flexibility (coefficient 0.204; p-value 0.001). This shows that core competencies will have a greater impact if accompanied by the organization's ability to adapt strategies to change. Finally, Hypothesis 10 (H10) shows that organizational culture also influences organizational performance through strategic flexibility, with a coefficient of 0.123 and a p-value of 0.004. This confirms that a strong and adaptive organizational culture can strengthen hospital performance, especially when accompanied by the ability to develop strategies flexibly.

Overall, all hypotheses are supported by empirical data with significance levels below 0.05. This indicates that innovation capabilities, core competencies, and organizational culture, both directly and indirectly (through strategic flexibility), have been shown to be important factors in improving organizational performance within the Indonesian Army Hospital.

## 5.2. *Discussion of Research Results*

### 5.2.1. The Influence of Innovation Capabilities on the Organizational Performance of the Indonesian Army Hospital

This study examined the influence of innovation capabilities on the organizational performance of the Indonesian Army Hospital and found that the effect was positive and significant. This means that the greater the hospital's ability to manage and implement innovation in various aspects such as medical services, information systems, and resource management, the higher the overall performance of the institution.

Theoretically, innovation capability is an organization's capacity to collectively use knowledge, skills, and resources to create innovations in products, services, and even managerial systems (Dianawaty et al., 2025; Jin & Choi, 2019). This aligns with the Resource-Based View (RBV) approach, which states that competitive advantage stems from strategic assets that are difficult to imitate (Dianawaty, 2025). Organizations with high innovation capabilities tend to be better prepared to face environmental changes, develop efficiency, and strengthen competitive advantage.

This research is consistent with previous studies such as those by Ferreira et al. (2021) and Anggriani & Kistyanto (2021), which showed a positive correlation between innovation capability and organizational performance, both financially and operationally. Strengthening

innovation capabilities enables organizations to respond to market and technological changes in a more adaptive and structured manner (Al-Hakimi et al., 2021; Iddris et al., 2025). Magni et al. (2024) also emphasized that innovation is not merely a tool for adaptation but a key driver of institutional performance and resilience.

In the context of the Indonesian Army Hospital, innovation enables the adoption of digital technology, medical information system reform, and the creation of a more open and participatory work culture. This is reflected in the research results, which show that the aspect of encouraging creative ideas received the highest score in the innovation capability variable. Conversely, the lowest-scoring technology evaluation indicates the need for improvements in the process of technological updates and hospital system modernization.

The respondents' roles, most of whom held strategic positions such as Committee Chair, Deputy Hospital Head, and Head of Internal Audit, further strengthen the validity of these findings. Their perceptions reflect a direct understanding of innovation as part of performance planning and evaluation. Descriptive statistics show that the innovation capability variable has a high average score (4.2351), which directly correlates with the performance variable score (4.2308), particularly in terms of task execution accuracy.

Thus, innovation capability has been proven to be a strategic factor in improving the performance of Indonesian Army Hospitals. This finding supports the results of studies by Cao et al. (2022), Maclean et al. (2023), Sarwar et al. (2024), and Mitariani et al. (2023), which emphasize the importance of innovation as a key driver of organizational performance in a competitive and dynamic sector.

#### 5.2.2. The Influence of Core Competencies on the Organizational Performance of the Indonesian Army Hospital

This study also revealed that core competencies have a positive and significant influence on the organizational performance of the Indonesian Army Hospital. This means that strong core competencies—whether technical, affective, or strategic—will increase the effectiveness and efficiency of the organization's overall performance.

Conceptually, core competence is a combination of knowledge, skills, and behaviors that generate a competitive advantage for an organization (Talaat et al., 2021). This competence relates not only to technical abilities but also to aspects such as leadership, persuasion, and strategic decision-making (Qadry et al., 2023). In the context of military hospitals, these competencies are crucial for service quality, responsiveness, and the successful implementation of the organization's vision.

Guo et al.'s (2021) study supports these findings by emphasizing that healthcare worker competence impacts service quality, job satisfaction, and overall hospital performance. This finding is reinforced by the profile of the study's respondents, who were predominantly highly educated (Master's and Bachelor's degrees) and had worked for between 1 and 3 years, thus

being considered sufficiently experienced and familiar with the organization's management systems.

The average value of the core competencies variable, 4.2262, indicates that respondents recognized hospital leaders as possessing high competencies. The highest indicator reflects the ability to strategically access and manage resources. However, the lowest indicator was leadership involvement in shaping organizational culture (mean = 4.1518), indicating the need for improvement in the collaborative and integrity-based work culture.

Meanwhile, the performance variable also showed a high average (4.2308), with the highest indicator being task execution accuracy, reflecting the direct contribution of core competencies to work efficiency and quality in the hospital environment. Therefore, strategies to strengthen core competencies should not be limited to technical training but should also encompass building an organizational culture that supports long-term success.

This finding is supported by research by Byrne et al. (2020), Sen & Karia (2024), Bello et al. (2025), and Audi & Kilika (2023), which also found that core competencies are key to organizational success in achieving superior performance. Strengthening core competencies should be a priority in military hospital managerial policies to maintain optimal performance.

### 5.2.3. The Influence of Organizational Culture on the Organizational Performance of the Indonesian Army Hospital

This study shows that organizational culture *has* a positive and significant influence on the performance *of* the Indonesian Army Hospital. A strong organizational culture has been shown to drive increased work efficiency and service quality. This is supported by the implementation of the organization's core values, which are well internalized among employees, thus fostering productive, synergistic, and service-oriented work behavior.

Organizational culture serves as a guiding mechanism for individual behavior within an organization. When organizational culture reflects collective values, such as tradition, symbolism, and open communication, employee engagement and motivation levels increase (Zeb et al., 2021; Zaviera et al., 2021). In the context of military hospitals like the Indonesian Army, an adaptive and cooperative work culture is key to maintaining service quality amidst the pressures of a complex work environment.

Descriptive results indicate that the organizational culture at the Indonesian Army Hospital is rated very good, with an average score of 4.2118. The highest score was found in the tradition and ceremony indicator (mean = 4.3036), indicating strong team cohesion. Meanwhile, aspects that need improvement are staff role clarity and work environment design, which were rated relatively lower.

Empirically, the influence of organizational culture is also reinforced by previous studies (Hung et al., 2022; Prameswari et al., 2024; Istikhola & Gunawan, 2023), which show that

organizational culture contributes to creating effective communication, strengthening teamwork, and increasing employee commitment. Thus, organizational culture not only shapes a hospital's identity but also serves as a strategic foundation for supporting overall performance achievement.

#### 5.2.4. The Influence of Strategic Flexibility on the Organizational Performance of the Indonesian Army Hospital

In addition to organizational culture, strategic flexibility *has* also been shown to positively impact the performance of the Indonesian Army Hospital. This flexibility reflects an organization's ability to dynamically adapt its strategy to uncertain external environmental changes, such as health policies, patient expectations, and technological developments (Agostini et al., 2023; Herhausen et al., 2021).

Strategic flexibility is an adaptive advantage that enables hospitals to remain competitive and responsive. In this study, descriptive results show a high average value for this variable (mean = 4.2644), particularly in the indicators of operational efficiency and openness to new ideas. However, the aspect of seeking new information remains a weakness (mean = 4.2188), indicating the need to increase organizational capacity in utilizing external intelligence.

The characteristics of the respondents, most of whom held strategic positions and were highly educated, further strengthen the validity of these findings. They play a crucial role in strategic decision-making and assessing the effectiveness of adaptive policies in hospitals.

The consistency of these findings with previous research (Bashir, 2022; Tran et al., 2024; Jian et al., 2024) confirms that strategic flexibility is a critical determinant in improving organizational performance, particularly in the dynamic and stressful military healthcare sector. Indonesian Army Hospitals need to continue developing adaptive work systems, strengthening innovation capabilities, and improving their response to external challenges to ensure sustainable performance.

#### 5.2.5. The Influence of Innovation Capabilities on Strategic Flexibility at the Indonesian Army Hospital

This study examines and proves the positive and significant influence of innovation capabilities on strategic flexibility at the Indonesian Army Hospital. This means that the higher the innovation capability, the greater the hospital's strategic flexibility. Innovation capabilities are defined as an institution's ability to create and adopt new ideas, materials, and practices relevant to the organization's operational needs (Awais, 2023). A systematic innovation process generates added value through product development, process improvement, and the implementation of new technologies, which strengthens the organization's flexibility in responding to a dynamic and uncertain environment (Saeed et al., 2021).

Furthermore, innovation capability enables organizations to proactively adjust their structures, technologies, and work processes. Facing external pressures such as digital transformation and

market disruption, innovation capability is key to designing more responsive and adaptive strategies, while strengthening sustainable competitive advantage (Saeed et al., 2021; Ferreira et al., 2020; Ganguly et al., 2020). Strategic flexibility itself involves adaptive planning and efficient resource management, as well as responsive coordination to change, where support for creative ideas and innovative technologies is a key factor (Awais, 2023; Han & Zhang, 2021; Vem et al., 2022).

The findings of this study align with previous theoretical and empirical findings, indicating that innovation capability helps the Indonesian Army Hospital adapt to policy changes, advances in medical technology, and increasing patient expectations (Awais et al., 2023; Otache, 2024). The participation of respondents from strategic positions and mature professional backgrounds also strengthens the validity of the findings that innovation capability significantly contributes to strategic flexibility. Descriptive statistics indicate positive perceptions of the innovation culture and resource support, as well as high levels of strategic flexibility reflected in operational efficiency and openness to external ideas. These findings are also supported by the study by Guha et al. (2025) and a series of previous studies confirming a positive relationship between innovation capability and strategic flexibility (Marrucci & Rialti, 2025; AlTaweel & Al-Hawary, 2021; Saeed et al., 2021; Otache, 2024).

In conclusion, innovation capability is an important foundation in building adaptive strategic flexibility, so that the Indonesian Army Hospital can maintain competitive advantage and relevance in a dynamic healthcare sector environment.

#### 5.2.6. The Influence of Core Competencies on the Strategic Flexibility of Indonesian Army Hospitals

The sixth hypothesis in this study proves that core competencies have a positive and significant effect on the strategic flexibility of the Indonesian Army Hospital. Core competencies are a combination of skills, technology, and managerial capabilities that shape an organization's sustainable competitive advantage (Prahalad & Hamel, 1990; Saptaria & Lina, 2021). Core competencies serve as the primary driver in creating strategic value and new assets through continuous learning and adaptation to changes in technology, markets, and industry partnerships (Byre, 2020; Firmansyah & Ali, 2024).

Effective core competency management enhances an organization's adaptive capacity to respond quickly and efficiently to external dynamics. This is reflected in flexible resource management, strategic innovation, and policy adjustments without losing competitive identity (Jabri et al., 2021; Montales, 2023). In the context of military hospitals, core competencies encompass not only technical but also non-technical skills, which are crucial for addressing operational challenges and complex service requirements.

Analysis of respondent characteristics supports this finding, with the majority highly educated and holding strategic positions such as Chair of the Medical Committee and Head of Medical Services, which play a role in decision-making and resource management. Descriptive statistics

indicate high ratings for core competencies and strategic flexibility, particularly in aspects of resource access and operational efficiency that support collaboration and openness to new ideas. Respondents' education and strategic positions reinforce the conclusion that core competencies are a key foundation for driving organizational strategic flexibility.

These findings are consistent with other studies that emphasize the important role of core competencies in enhancing strategic flexibility, including studies by Kurniawat & Widodo (2025), Yuniarsih et al. (2023), Moftah et al. (2023), and Osazevbaru & James (2023). Optimal management of core competencies is a key factor in ensuring an organization's ability to adapt quickly, efficiently, and strategically to dynamic environmental changes, thereby maintaining competitive advantage and organizational sustainability.

#### 5.2.7. The Influence of Organizational Culture on the Strategic Flexibility of the Indonesian Army Hospital

This study demonstrates that organizational culture has a positive and significant influence on strategic flexibility at the Indonesian Army Hospital. A strong organizational culture reflects the norms, values, assumptions, and habits internalized in the workplace, which serve as the foundation for organizational behavior and influence its ability to adapt to external changes. A systematically designed culture helps organizations adapt quickly to environmental dynamics, increase employee engagement, and optimize performance (Nowak, 2020; Kafetzopoulos et al., 2024; Assoratgoon & Kantabutra, 2023). Strategic flexibility itself is an organization's capacity to efficiently realign resources to respond quickly to market changes (Kafetzopoulos, 2023). This study confirms that a supportive organizational culture supports technology adoption, innovation, and the ongoing transformation of marketing strategies, thereby enhancing strategic flexibility and institutional competitiveness (Herhausen et al., 2021; Rahman & Hadi, 2019).

Research findings indicate that strategic officials, such as the Head of the Medical Committee, play a crucial role in fostering an adaptive and innovative organizational culture. Values such as institutional tradition, adaptability to change, and a hierarchical structure that supports rapid decision-making are key indicators of an organizational culture that facilitates strategic flexibility (Sylvester et al., 2025). A proactive organizational culture that supports risk-taking has been shown to strengthen a hospital's ability to cope with operational pressures and changes. Therefore, organizational culture is not only an internal foundation but also a vital asset in maintaining the sustainability and strategic resilience of the Indonesian Army Hospital (Odhiambo & Kibe, 2024; Brozovic, 2018).

#### 5.2.8. The Influence of Innovation Capabilities on the Organizational Performance of Indonesian Army Hospitals Mediated by Strategic Flexibility

This study revealed that innovation capabilities positively impact the organizational performance of the Indonesian Army Hospital, and this influence is mediated by strategic flexibility. In other words, strong innovation capabilities, when accompanied by sound strategic flexibility, significantly improve hospital performance. Innovation capabilities enable the development of new services, procedures, and technologies relevant to meeting the complex needs of military

healthcare (Awais et al., 2023). Strategic flexibility strengthens these capabilities by enabling rapid response to external changes and proactive decision-making, contributing to improved efficiency and service quality (Meng et al., 2020).

The synergy between innovation and strategic flexibility also shapes an organizational culture focused on continuous improvement and performance sustainability (Kafetzopoulos, 2022). Hospitals with high strategic flexibility demonstrate superior performance across various aspects, including management effectiveness and workforce engagement (Awais et al., 2023). Research by Otache (2024) and other studies such as Phuong (2022), Pascual-Fernández (2021), Marrucci and Rialti (2025), and Saeed et al. (2021) consistently demonstrate that strategic flexibility is a key link that optimizes the use of innovation capabilities to improve organizational performance, particularly in the healthcare sector.

#### 5.2.9. The Influence of Core Competencies on the Organizational Performance of Indonesian Army Hospitals Mediated by Strategic Flexibility

The ninth hypothesis in this study states that core competencies have a positive and significant effect on the performance of the Indonesian Army Hospital through strategic flexibility. Core competencies encompass internal strengths such as human resource expertise, organizational knowledge, and process efficiency that differentiate the hospital from competitors. With the support of strategic flexibility, the hospital can adapt its operational strategy quickly and responsively to dynamic environmental changes, thereby improving organizational performance.

Previous research corroborates these findings, confirming that strong core competencies enable hospitals to provide superior and efficient services (Arini et al., 2024; Hertati et al., 2021). Strategic flexibility acts as a crucial bridge, enabling effective strategy adjustment and resource allocation (Lee et al., 2022; Pratama & Purwanto, 2023). Successful integration of core competencies and strategic flexibility also enhances hospital competitiveness in the face of market competition and dynamic patient needs (Yuantika & Pramono, 2024).

Overall, the synergy between core competencies and strategic flexibility is crucial for improving hospital performance, particularly in the complex and ever-changing context of military healthcare. Continuous development of core competencies and strategic flexibility are key to long-term success.

#### 5.2.10 The Influence of Organizational Culture on the Organizational Performance of the Indonesian Army Hospital Mediated by Strategic Flexibility

The tenth hypothesis suggests that organizational culture has a positive and significant impact on hospital performance through strategic flexibility. Organizational culture is the foundation of values, norms, and behaviors that shape an institution's identity and way of working. A strong and positive culture increases employee commitment and service quality (Nowak, 2020; Saebah & Merthayasa, 2024).

Strategic flexibility is a crucial factor enabling hospitals to adapt quickly to external changes, such as health policies and patient needs. An innovative, collaborative, and open culture fosters adaptive and efficient strategic responses (Awais et al., 2023; Žikić & Valjević, 2021). Hospitals with this work culture are able to accelerate decision-making and significantly improve clinical outcomes (Taufiqurrahman et al., 2021).

Supporting research also confirms that a healthy organizational culture combined with strategic flexibility results in sustained and competitive performance improvements (Kafetzopoulos & Katou, 2023; Jian et al., 2024; Gorondutse, 2020). Thus, a strong organizational culture and high strategic flexibility are key to improving the performance of the Indonesian Army Hospital.

## **5. Conclusion**

This study generally aims to test and analyze the influence of innovation capabilities, core competencies, and organizational culture on the organizational performance of the Indonesian Army Hospital, both directly and through the mediation of strategic flexibility. In addition, this study also provides a comprehensive overview of the characteristics of the leaders of the Indonesian Army Hospital Level II, based on data obtained from 224 respondents, the majority of whom are of productive age, have a higher educational background, and hold strategic positions in the hospital unit. The research findings show that all proposed hypotheses are proven to be statistically supported, both for direct and indirect relationships between variables. This indicates that the three main factors in the study – innovation capabilities, core competencies, and organizational culture – significantly contribute to improving hospital performance, especially when supported by strategic flexibility as the organization's ability to respond to the dynamics of a constantly changing environment.

Based on the analysis of the first research question, it can be concluded that innovation capabilities have a positive and significant impact on organizational performance. The hospital's ability to generate and implement innovations has been shown to improve efficiency, service quality, and institutional competitiveness. In the second research question, core competencies also significantly impact hospital performance. Core competencies such as human resource expertise, superior work systems, and technology utilization are important pillars in improving operational effectiveness. Meanwhile, in the third research question, organizational culture has been shown to contribute positively to achieving organizational performance, particularly a culture that encourages innovation, collaboration, and openness to change.

Furthermore, the results of the study indicate that strategic flexibility as a mediating variable has a positive influence on organizational performance, and plays a significant role in strengthening the influence of innovation capabilities, core competencies, and organizational culture on hospital performance. In other words, the success of hospitals in implementing adaptive, flexible, and responsive strategies is key in transforming internal excellence into optimal performance achievement. The indirect relationship tested in the eighth, ninth, and tenth problem formulations shows that the three main research variables will have a greater impact on organizational performance if mediated by strategic flexibility. This finding confirms that strategic flexibility

not only improves hospitals' ability to adapt to environmental changes but also optimizes the potential for innovation, competitive advantage, and the values of the work culture within the organization.

Overall, the results of this study emphasize the importance of strengthening internal hospital factors, such as innovation capabilities, core competencies, and a healthy organizational culture, which must be combined with strategic flexibility to address external environmental challenges. By synergistically integrating these dimensions, the Indonesian Army Hospital has a significant opportunity to build a superior, efficient, adaptive healthcare system oriented toward long-term performance improvement amidst the ever-evolving dynamics of military healthcare.

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