

## Linking cultural dynamics to organizational agility through dynamic managerial capability in Bali's SMEs

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### ABSTRACT

Organizational agility is essential for small and medium enterprises confronting environmental turbulence, yet how culturally embedded values translate into adaptive capabilities remains insufficiently explained. This study examines how cultural dynamics directly influence organizational agility and how dynamic managerial capability mediates this relationship within Bali's culturally distinctive small- and medium-enterprise environment, characterized by Tri Hita Karana and Menyama Braya. Using a quantitative, cross-sectional design, the study used non-probability purposive sampling with convenience-based access, yielding 153 valid managerial responses from local small and medium enterprises in industry, services, and tourism. The study analyzed the data using partial least squares structural equation modeling. The results show significant positive relationships between cultural dynamics and dynamic managerial capability, cultural dynamics and organizational agility, and dynamic managerial capability and organizational agility. The significant indirect effect indicates complementary partial mediation, and the model explains variance in organizational agility. The findings advance dynamic capability theory by identifying a dual-pathway mechanism whereby culturally embedded reciprocity facilitates collective coordination while activating managerial cognition, human capital, and social capital for adaptive resource reconfiguration. Nevertheless, collectivist consensus may also constrain managerial discretion, challenging assumptions that cultural cohesion invariably enhances agility. Practically, small and medium enterprises should integrate culturally grounded cooperation with managerial capability development. These context-specific findings warrant cautious causal interpretation and further longitudinal validation.

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### 1. Introduction

Current scholarship shows that cultural dynamics are not peripheral but constitutive of organizational agility because shared values, collaboration norms, and openness to change

shape whether firms can respond quickly, innovate continuously, and adapt under turbulence (Goncalves et al., 2020). In contrast, rigid or overly hierarchical cultural patterns tend to suppress responsiveness and experimentation (Carvalho et al., 2023). Concurrently, dynamic managerial capabilities are progressively recognized as the micro-foundational mechanism through which managerial cognition, human capital, social capital, and emotion regulation activate resources for adaptation (Huy & Zott, 2019). However, small and medium enterprises (SMEs) still face capability asymmetries, financial frictions, and resource scarcity that constrain translating these managerial strengths into sustained organizational agility (Zighan & Dwaikat, 2023). Organizational culture and societal culture represent distinct but interacting levels of analysis. Internal shared values and collaboration norms shape firm-level adaptive behavior (Goncalves et al., 2020), whereas Tri Hita Karana and Menyama Braya constitute broader Balinese societal logics (Gunawan et al., 2023; Suharta et al., 2024). This study links them through managerial interpretation: societal values become strategically relevant only when managers translate them into organizational routines, relationships, and resource-reconfiguration practices.

Operating under abrupt environmental change, digital turbulence, and competitive volatility with limited slack resources, SMEs urgently need to cultivate adaptive cultural norms, strengthen managerial reconfiguration capacity, and accelerate organizational response to ensure survival (Wai et al., 2022). The urgency is heightened because SMEs' performance depends on interacting digital maturity and organizational agility rather than isolated capability (Çallı & Çallı, 2021). Moreover, SMEs' transformation requires complementary technological innovation, digital talent, leadership, and technical capability, while financial and institutional constraints intensify the need to develop these capabilities jointly, providing stronger grounds for examining interdependent cultural and managerial mechanisms (Cheng et al., 2026).

Within the 2023–2025 review window, Bali experienced severe disruption alongside rapid SME expansion (Carina et al., 2023; Ernawati, 2024). This study therefore examines a heterogeneous, non-probability sample spanning local, industrial, service, and tourism-linked SMEs rather than tourism-only firms. Industry boundaries remain theoretically consequential because tourism exposure, demand volatility, and stakeholder dependence differ markedly between export crafts or agriculture and food-service or accommodation enterprises, potentially producing heterogeneous cultural and agility responses.

In Bali, these dynamics are embedded in Tri Hita Karana, which emphasizes harmony among spiritual, social, and environmental relations (Gunawan et al., 2023) and Menyama Braya, which institutionalizes brotherhood, reciprocity, and mutual cooperation (Suharta et al., 2024). These values may strengthen trust and collective resource mobilization. However, their consensus-oriented character may also complicate rapid managerial reconfiguration, making Bali a theoretically distinctive context for examining how culture translates into organizational agility through dynamic managerial capability.

Prior SME research shows that change readiness and agile leadership strengthen dynamic capability (Adhiatma et al., 2023), while organizational agility and digital capability jointly shape digital transformation (Zhang et al., 2024). However, these relationships remain fragmented because SME-specific barriers, including resource constraints and traditional leadership structures, may condition how such capabilities interact, leaving the cultural-managerial mechanisms underlying agility insufficiently explained (Bueechl et al., 2021). More specifically, agility has often been modeled as an outcome of digital capability, IT-enabled dynamic capability, or leadership variables (Bacha & Niesten, 2024), while dynamic managerial capability has been explored in relation to project success, corporate social responsibility, or international performance, leaving limited empirical explanation of

whether it mediates the impact of cultural dynamics on organizational agility in SMEs (Budiman et al., 2023).

Dynamic managerial capability is theoretically relevant because post-pandemic Balinese SME entrepreneurs operate amid volatile demand and limited slack, where local norms alone cannot determine adaptive action. Managerial cognition frames ambiguous cultural and market signals, human capital enables rapid problem-solving, and social capital mobilizes trusted networks; however, these same embedded ties may reinforce consensus and delay reconfiguration, making dynamic managerial capability a contingent rather than automatic translation mechanism (Iglesias & Maksimov, 2023). Managers must first interpret cultural signals, regulate emotions, mobilize social and human capital, and reconfigure resources before adaptive routines and rapid responses can materialize at the organizational level.

This mediating role is further justified by evidence that managerial cognition and opportunity-seizing capability shape performance under dynamism, while managerial and technical capability convert broader dynamic capability into organizational agility, making dynamic managerial capability the most plausible transmission channel between cultural dynamics and agility in SMEs (Houessou et al., 2023). Despite growing evidence linking culture, dynamic capability, and agility, prior studies largely examine these relationships separately, emphasize digital or leadership antecedents, and rarely explain how culturally embedded values become agile action in SMEs. This gap is salient in Bali because collectivist norms may deepen trust and resource sharing while consensus obligations delay tactical reconfiguration. Accordingly, this study advances theory by positioning dynamic managerial capability as the micro-foundational mediator linking cultural dynamics to organizational agility in Bali's SMEs.

The novelty offered by this study lies in proposing an integrated SME framework in which cultural dynamics are treated as the internal strategic antecedent, dynamic managerial capability is positioned as the micro-foundational mediator, and organizational agility is conceptualized as the adaptive capability produced by this cultural-managerial conversion process (Tripathi, 2024). Its contribution is to extend agility research beyond prevailing models centered on digital capability, IT-enabled dynamic capability, or learning culture by explaining how managerial cognition, human capital, and social capital operationalize culture into agile outcomes in SMEs, thereby sharpening theory and yielding more actionable guidance for SME capability development (Yoshikuni et al., 2024). This research examines the direct influence of cultural dynamics on organizational agility in Bali's SMEs and tests whether dynamic managerial capability mediates that relationship by converting cultural orientations into adaptive managerial action, resource reconfiguration, and faster organizational response under turbulence.

## **2. Literature Review and Hypothesis Development**

### **2.1. Literature Review**

#### **2.1.1. Grand Theory**

The theoretical foundation of dynamic managerial capability originates in the resource-based view (RBV) and its extension, the dynamic capability view, which explains how firms renew and reconfigure resources to sustain advantage under environmental change (Altintas, 2023). However, the firm-level dynamic capability view offers limited explanation for why organizations facing comparable turbulence respond differently because it insufficiently specifies managerial agency (Heubeck & Meckl, 2023). Adner and Helfat (2003) introduced dynamic managerial capability to address this micro-foundational limitation by situating adaptive capacity in

managers' ability to build, integrate, and reconfigure organizational resources and competences (Hock-Doeppen et al., 2025).

Dynamic managerial capability therefore advances the dynamic capability view through three interdependent foundations: managerial human capital, managerial social capital, and managerial cognition, which explain heterogeneous strategic responses across firms (Mostafiz et al., 2021). This perspective has subsequently been supported in innovation, corporate social responsibility, and organizational ambidexterity research (Chen et al., 2023).

### **2.1.2. Cultural Dynamics**

Cultural dynamics refer to evolving systems of shared values, norms, communication routines, and power relations through which organizational members interpret change and coordinate adaptive action (Winton et al., 2021). Although clan, adhocracy, group, rational, and development cultures are commonly associated with responsiveness and innovation, hierarchy and market-dominant configurations may restrict experimentation (Mandal et al., 2022). Such typologies cannot fully explain culturally embedded SMEs. In Bali, Tri Hita Karana frames organizational conduct around harmony among spiritual, social, and environmental relationships, while Menyama Braya emphasizes brotherhood, reciprocity, solidarity, and mutual cooperation. Rather than treating these principles as descriptive local traditions, this study conceptualizes them as culturally embedded relational logics that can influence trust, knowledge exchange, managerial interpretation, stakeholder coordination, and collective resource mobilization.

Strong relational cohesion may expand social capital and accelerate coordinated responses, yet consensus obligations and established communal routines may simultaneously constrain managerial autonomy or delay reconfiguration. Such tensions reinforce evidence that cultural effects depend on work design, managerial structures, autonomy, resources, and institutional conditions (Kandeya et al., 2025). Cultural cohesion can therefore become dysfunctional when resistance, communication bottlenecks, weak feedback, or misaligned incentives convert embedded values into organizational inertia (Neumann et al., 2024). Accordingly, Balinese local wisdom becomes strategically consequential when leadership and organizational mechanisms translate relational harmony and reciprocity into sensing, learning, resource mobilization, and adaptive reconfiguration (Goncalves et al., 2020).

### **2.1.3. Dynamic Managerial Capability**

Dynamic managerial capability is the managerial ability to generate, expand, and reconfigure the company's resource portfolio and strategic direction through sensing, seizing, and transforming, grounded in managerial cognition, human capital, social capital, and related psychological abilities such as intuition and emotion (Altintas, 2023). Dynamic managerial capability research has matured into a multi-level and increasingly application-oriented stream, linking managerial microfoundations not only to strategic change and competitive advantage but also to corporate social responsibility, environmental, social, and governance, artificial intelligence adoption, and social mission execution across turbulent environments (Iglesias & Maksimov, 2023). Its main limitations remain conceptual breadth and empirical heterogeneity, because the construct has historically received less attention than the broader dynamic capability tradition, has evolved through multiple conceptual expansions and analytical levels, and still requires more

coherent synthesis, clearer operationalization, and stronger cumulative measurement logic (Deepa et al., 2024).

Dynamic managerial capability may over-attribute adaptation to individual managers while underplaying structural and contextual constraints, especially when interdependence patterns, technological turbulence, or governance conditions alter whether managerial strengths can actually generate superior outcomes (Heubeck, 2024). Managerial focus is dynamic managerial capability's theoretical advantage, because it explains the micro-foundational mechanisms that broader dynamic capability approaches often leave underspecified, showing how cognition, human capital, and social capital convert strategic intent into reconfiguration, learning, and adaptive action (Martin & Bachrach, 2018).

#### **2.1.4. Organizational Agility**

Organizational agility may be interpreted as the firm's capacity to adjust quickly and flexibly to environmental dynamics by reducing rigidity, reconfiguring processes and capabilities, and balancing innovation with coordinated execution under changing conditions (Martin & Bachrach, 2018). Agility is a pivotal organizational outcome and mediator linked to digital competitiveness, SME innovation, human resource analytics, operational performance, and the cultural and operational conditions needed to sustain adaptation in unstable contexts (Vadithe & Kesari, 2024). Its main limitations arise from conceptual fragmentation, because the literature spans strategic agility, digital agility, and crisis agility, which broadens relevance but also disperses definitional precision, theoretical integration, and cumulative comparability across settings (Junior & de Padua, 2023).

Agility is sometimes treated as a universal remedy, even though evidence suggests that agility alone is insufficient without resilience, collaboration, and appropriate cultural or managerial conditions, while some antecedents such as hierarchical culture may be weak or context-dependent rather than uniformly harmful (Mandal et al., 2022). Despite this fragmentation and the presence of boundary conditions, the cumulative evidence still supports organizational agility as a strategically consequential capability because it consistently improves responsiveness, innovation, employee outcomes, and SME competitiveness when embedded in supportive technological, managerial, and cultural systems (Carvalho et al., 2023).

### **2.2. Hypothesis Development**

#### **2.2.1. Cultural Dynamics and Dynamic Managerial Capability**

Dynamic managerial capability emerges from the interaction of managerial cognition, human capital, and social capital, which determine how managers interpret change, mobilize opportunities, and reconfigure resources (Mostafiz et al., 2021). However, these microfoundations are not exercised in a vacuum. Cultural dynamics shape managerial interpretation, communication, learning, autonomy, and socially embedded decision frames, influencing whether managers activate resources or leave them latent (Hock-Doepgen et al., 2025). Supportive cultural conditions can reinforce strategic transformation, innovation, responsiveness, and capability development (Chen et al., 2023), suggesting that culture functions as an enabling architecture for managerial adaptation rather than merely a stable organizational backdrop (Dayangan & Aykol, 2024).

However, this relationship is neither automatic nor uniformly beneficial. Cultural cohesion may facilitate trust and coordinated learning. However, rigid

structures, resistance to change, resource constraints, or misaligned practices can limit managerial discretion and weaken adaptive action, producing heterogeneous or unexpectedly weak outcomes (Keller et al., 2025). This tension sharpens dynamic managerial capability theory by showing that managerial capability depends not only on managers' resource endowments but also on the cultural conditions governing their activation. Accordingly, cultural dynamics are conceptualized as a theoretically consequential antecedent that conditions the conversion of managerial microfoundations into adaptive capability (Heubeck & Meckl, 2023). **H<sub>1</sub>: Cultural Dynamics Has a Positive Effect on Dynamic Managerial Capability.**

### 2.2.2. Cultural Dynamics and Organizational Agility

Cultural dynamics can influence organizational agility by shaping how rapidly firms interpret environmental change, coordinate responses, and reconfigure routines (Vadithe et al., 2026). Cultures characterized by experimentation, flexibility, learning, and collaboration may reduce behavioral rigidity and support workforce responsiveness, innovative climates, and agile teamwork (Alviani et al., 2024). These conditions can also sustain organizational ambidexterity by legitimizing exploration without abandoning exploitation, an important tension when firms must innovate while maintaining operational continuity (Khairy et al., 2023). Psychological safety and collaborative norms further facilitate knowledge exchange and coordinated adjustment, although their benefits depend on whether openness produces actionable learning rather than consensus without strategic movement (Pattanatornchai et al., 2024).

Nevertheless, culture should not be treated as an invariably positive or linear antecedent of agility. Evidence from SMEs and digital-transformation contexts associates cultural harmony and learning orientations with agility-related outcomes, yet these effects remain sensitive to organizational conditions and implementation mechanisms (Javed et al., 2023). Simple resource-based explanations are challenged by the findings that green innovation did not directly enhance agility, whereas green human resource management and green organizational culture transmitted adaptive effects (Vadithe et al., 2026). This distinction advances theory by conceptualizing cultural dynamics as a conversion mechanism through which organizational resources become coordinated adaptive action, rather than merely as a supportive background condition. **H<sub>2</sub>: Cultural Dynamics Has a Positive Effect on Organizational Agility.**

### 2.2.3. Dynamic Managerial Capability and Organizational Agility

Dynamic managerial capability explains why comparable firms may respond differently to turbulence: managerial cognition, human capital, and social capital shape how firms interpret environmental signals and mobilize resources (Zhang & Dong, 2026). Managers with stronger adaptive capability can recognize discontinuities and initiate strategic responses more rapidly (Tran & Thai, 2026). However, agility cannot be inferred from managerial resource possession alone; it requires continuous resource recombination and operational flexibility (Awwad et al., 2022). Evidence across digital, manufacturing, and supply-chain contexts supports the contribution of dynamic capability to rapid organizational reconfiguration (Gani & Mithila, 2026). Nevertheless, the mechanism remains contested. Agility may also emerge through digital platforms, resilience-oriented capability, and managerial discretion, indicating that managerial capability constitutes one pathway rather than a sufficient condition (Theodore et al., 2022).

Moreover, technology can mediate managerial action rather than substitute for it, suggesting that dynamic managerial capability creates organizational value only when managerial judgments translate into coordinated reconfiguration (Atobishi et al., 2024). Direct empirical evidence nevertheless associates dynamic managerial capability with organizational agility (Budiman et al., 2023). This reasoning advances the debate by conceptualizing dynamic managerial capability as a conversion mechanism linking manager-level microfoundations with organization-level adaptive action. **H<sub>3</sub>: Dynamic Managerial Capability Has a Positive Effect on Organizational Agility.**

#### **2.2.4. Cultural Dynamics and Organizational Agility: The Mediating Role of Dynamic Managerial Capability**

Organizational agility requires firms to transform potentially valuable resources into timely interpretation, resource mobilization, and reconfiguration (Zhang & Suntrayuth, 2024). Cultural dynamics provide such adaptive potential through collaboration, knowledge sharing, relational norms, and leadership practices, but these cultural resources do not automatically generate agile responses (Su et al., 2026). Dynamic managerial capability clarifies this translation through three distinct microfoundations. Managerial human capital converts culturally supported learning and experience into expertise for resource redeployment; managerial social capital transforms collaborative norms into access to information, partners, and resources; and managerial cognition enables managers to interpret cultural and environmental signals, frame alternatives, and prioritize adaptive action (Awwad et al., 2022).

Evidence that intermediate knowledge and dynamic capability transmit organizational resources into agility further supports this process logic (Marjerison et al., 2022). However, these mechanisms can also constrain adaptation: accumulated experience may reinforce established routines, dense relational ties may produce over-embeddedness, and managerial cognition may privilege culturally familiar interpretations. Thus, mediation is conditional rather than automatic; inadequate leadership, organizational misalignment, or weak resource-conversion mechanisms can leave cultural advantages strategically latent (Lal et al., 2026). This distinction advances theory by specifying culture as a distal enabling resource, dynamic managerial capability and its three microfoundations as differentiated transmission mechanisms, and agility as the proximal adaptive outcome (Alviani et al., 2024). **H<sub>4</sub>: Dynamic Managerial Capability Mediates the Relationship between Cultural Dynamics and Organizational Agility.**

Figure 1 integrates the four hypotheses into a directional research model in which cultural dynamics is positioned as the antecedent, dynamic managerial capability as the mediating managerial mechanism, and organizational agility as the adaptive outcome. The first hypothesis proposes a positive path from cultural dynamics to dynamic managerial capability, reflecting the expectation that adaptive norms, communication, learning, and relational embeddedness strengthen managers' cognition, human capital, and social capital for resource reconfiguration. The second hypothesis predicts a positive direct effect of cultural dynamics on organizational agility because flexible and collaborative cultural conditions can accelerate coordinated responses to environmental change.

The third hypothesis posits that dynamic managerial capability positively affects organizational agility, as managers who can sense changes, mobilize relationships, and

reconfigure resources should enable faster organizational adaptation. The fourth hypothesis further proposes that dynamic managerial capability positively mediates the culture–agility relationship. Importantly, retaining both the direct and mediated paths differentiates the model from purely capability-mediated explanations: culture may facilitate agility independently while simultaneously operating through managerial microfoundations. This dual-pathway logic advances dynamic capability theory by clarifying how culturally embedded organizational conditions are translated into adaptive organizational action.

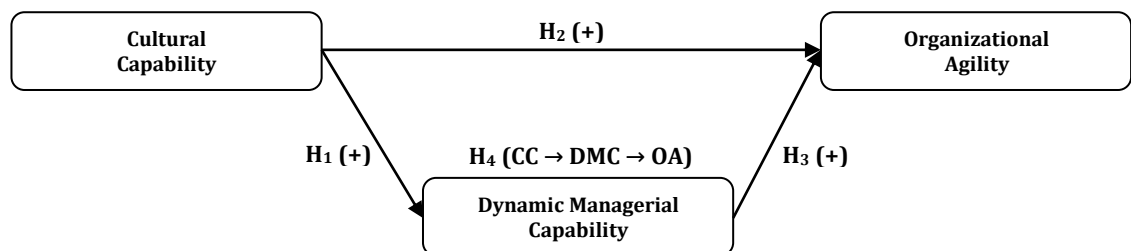


Figure 1. Research Framework

### 3. Research Methods

#### 3.1. Population and Sampling Method

This study employed a quantitative cross-sectional design involving SMEs registered in Bali, Indonesia. The accessible population comprised 36,387 SMEs. The questionnaire distribution target was calculated using Slovin's formula at a 5% margin of error. Thus, 396 represented the intended population-based sampling target, not the achieved analytical sample. Slovin's formula was not used to claim sampling precision or population representativeness because selection was non-probability; 396 SMEs represented only the outreach target. The implemented procedure used non-probability purposive sampling with convenience-based access. Eligible SMEs were operational in Bali, had accessible contact information, and could nominate an owner, manager, or equivalent decision-maker who could provide firm-level information.

The primary level of analysis was organizational. Owners, managers, or equivalent decision-makers served as key informants and reported on their respective SMEs' practices, capability, and agility rather than solely on personal behavior. Therefore, one managerial response represented one SME. This study gathered 153 completed questionnaires from 396 total invitations. The study screened each response for completeness, duplication, and usability; all 153 met the predefined criteria and were retained as valid observations for partial least squares structural equation modeling (PLS-SEM) analysis, yielding a final response rate of 38.64%. Given the 38.64% response rate and non-probability design, the 153 observations are not statistically representative of all Bali SMEs. Used solely for theory- and prediction-oriented PLS-SEM, the findings offer limited population-level generalization and should be interpreted as context-specific. The study does not claim 5% population-level sampling precision or strict representativeness because the achieved sample did not reach the Slovin-derived target. The 153 observations were retained for theory and prediction-oriented PLS-SEM analysis, where moderate sample sizes remain analytically workable (Hair et al., 2021; Kock, 2021).

#### 3.2. Data Collection Method

The researcher collected data directly from managerial representatives of Balinese SMEs through a structured web-based questionnaire administered via Google

Forms. The study adopted previously developed measurement instruments to maintain construct-content validity and comparability with established empirical research. All indicators were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Cultural dynamics were assessed through eight indicators adapted from Jiao et al. (2025): SME adapts practices consistent with Tri Hita Karana; SME understands stakeholders' cultural norms and Menyama Braya values; SME communicates harmoniously with culturally diverse local stakeholders; SME trains employees in respectful Balinese cultural interaction; SME resolves cultural crises through harmony and reciprocity; SME adapts practices to changing Balinese cultural expectations; SME resolves cultural conflicts through Menyama Braya cooperation; SME manages cultural affairs using Tri Hita Karana principles.

Dynamic managerial capability was measured using eight indicators adapted from Mostafiz et al. (2019), capturing entrepreneurial and managerial experience, education, training, managerial relationships with buyers, suppliers, and competitors, and rapid-internationalization orientation. Organizational agility was evaluated using eight indicators from Sharifi and Zhang (2001) covering service-delivery speed, process duration, employee competence, interunit coordination, process improvement, response time, change implementation, and service flexibility. The researchers screened and validated completed questionnaires before including them in the final analytical dataset.

### 3.3. Data Analysis Method

Data were analyzed using variance-based PLS-SEM in WarpPLS 7.0 because the study emphasizes prediction, latent-variable relationships, and mediation with a moderate sample and limited distributional assumptions (Hair et al., 2021; Kock, 2021). The shortfall from the Slovin target was treated as a limitation of population representativeness; therefore, inference was restricted to theory- and prediction-oriented relationships within the observed sample. Measurement-model criteria comprised outer loadings  $>0.7$ , Cronbach's alpha and composite reliability  $>0.70$ , and average variance extracted (AVE)  $>0.5$ . Discriminant validity was evaluated using Heterotrait-Monotrait ratio (HTMT) ratios and 95% bootstrap confidence intervals. Indicator variance inflation factor (VIF) assessed outer-model collinearity, block VIF assessed inner-model collinearity, and full-collinearity VIF assessed potential common-method bias. This study tested direct and indirect effects using 5,000 bootstrap resamples, with significance at  $p < 0.05$  and mediation requiring confidence intervals that exclude zero.

## 4. Results and Discussion

### 4.1. Respondent Profile

Table 1 shows the demographic profile of 153 Bali SME decision-makers: 76.5% are male, 82.4% hold undergraduate qualifications, 62.1% report 1–5 years of work experience, and 45.8% are older than 40. These distributions challenge assumptions that age, formal education, or accumulated experience necessarily indicate adaptive managerial competence. Within Bali's culturally embedded SMEs, managerial capabilities may also develop through relational networks, experiential learning, and culturally grounded cooperation. However, male predominance and limited experiential diversity may restrict the managerial perspectives represented, potentially overlooking heterogeneous approaches to sensing and resource reconfiguration. Importantly, reported experience does not establish organizational tenure, while managerial respondents assess firm-level conditions. Thus, demographic characteristics

contextualize managerial microfoundations without demonstrating demographic determinants of organizational agility or population representativeness.

**Table 1. Characteristics of Respondents**

|                                | Frequency | Percentage |
|--------------------------------|-----------|------------|
| <b>Gender</b>                  |           |            |
| Female                         | 36        | 23.5       |
| Male                           | 117       | 76.5       |
| <b>Age</b>                     |           |            |
| 20 - 30 Years Old              | 39        | 25.4       |
| 31 - 40 Years Old              | 44        | 28.8       |
| >40 Years Old                  | 70        | 45.8       |
| <b>Education Level</b>         |           |            |
| Undergraduate                  | 126       | 82.4       |
| Postgraduate                   | 27        | 17.6       |
| <b>Work Experience (Years)</b> |           |            |
| 1 - 5 Years                    | 95        | 62.1       |
| >5 Years                       | 58        | 37.9       |

#### 4.2. Measurement Model

**Table 2. Outer Loading, Reliability, AVE Test**

| Variables                                  | Outer Loading | AVE          | Composite Reliability | Cronbach's Alpha |
|--------------------------------------------|---------------|--------------|-----------------------|------------------|
| <b>Cultural Dynamics (CD)</b>              |               | <b>0.720</b> | <b>0.895</b>          | <b>0.865</b>     |
| CD1                                        | 0.822         |              |                       |                  |
| CD2                                        | 0.804         |              |                       |                  |
| CD3                                        | 0.768         |              |                       |                  |
| CD4                                        | 0.728         |              |                       |                  |
| CD5                                        | 0.766         |              |                       |                  |
| CD6                                        | 0.712         |              |                       |                  |
| CD7                                        | 0.808         |              |                       |                  |
| CD8                                        | 0.720         |              |                       |                  |
| <b>Dynamic Managerial Capability (DMC)</b> |               | <b>0.776</b> | <b>0.747</b>          | <b>0.813</b>     |
| DMC1                                       | 0.784         |              |                       |                  |
| DMC2                                       | 0.818         |              |                       |                  |
| DMC3                                       | 0.756         |              |                       |                  |
| DMC4                                       | 0.811         |              |                       |                  |
| DMC5                                       | 0.794         |              |                       |                  |
| DMC6                                       | 0.811         |              |                       |                  |
| DMC7                                       | 0.786         |              |                       |                  |
| DMC8                                       | 0.772         |              |                       |                  |
| <b>Organizational Agility (OA)</b>         |               | <b>0.731</b> | <b>0.855</b>          | <b>0.804</b>     |
| OA1                                        | 0.795         |              |                       |                  |
| OA2                                        | 0.744         |              |                       |                  |
| OA3                                        | 0.784         |              |                       |                  |
| OA4                                        | 0.818         |              |                       |                  |
| OA5                                        | 0.760         |              |                       |                  |
| OA6                                        | 0.769         |              |                       |                  |
| OA7                                        | 0.825         |              |                       |                  |
| OA8                                        | 0.791         |              |                       |                  |

Table 2 indicates that the measurement model is robust for testing the Bali's SMEs hypotheses because all indicators load robustly with their designated constructs, showing outer loadings spanning from 0.712–0.822 for cultural dynamics, 0.756–0.818 for dynamic managerial capability, and 0.744–0.825 for organizational agility; AVE values are 0.720, 0.776, and 0.731; composite reliability values are 0.895, 0.747, and 0.855; Cronbach's alpha values are 0.865, 0.813, and 0.804; and all indicators are significant at  $p < 0.001$ . These results support the credibility of the proposed influence model because prior studies also show that dynamic managerial capability can be

operationalized as a valid and reliable multidimensional construct, and that organizational agility measurement can achieve strong reliability and supportive validity evidence when scales are theoretically grounded and empirically tested.

**Table 3. HTMT Value**

| Construct Pair                                         | HTMT  | 90% Confidence Interval |
|--------------------------------------------------------|-------|-------------------------|
| Cultural Dynamics – Dynamic Managerial Capability      | 0.819 | 0.791–0.850             |
| Cultural Dynamics – Organizational Agility             | 0.828 | 0.830–0.894             |
| Dynamic Managerial Capability – Organizational Agility | 0.836 | 0.829–0.882             |

Table 3 provides qualified evidence of discriminant validity, with HTMT values of 0.819–0.836 below the conservative 0.85 threshold and all reported 90% confidence intervals excluding unity. These relatively high associations reflect the theoretical interconnectedness of cultural dynamics, managerial capability, and organizational agility within Bali's SMEs, where Tri Hita Karana and Menyama Braya potentially integrate relational trust, collective learning, and adaptive coordination. However, conceptual proximity does not establish construct equivalence. Cultural dynamics represent shared relational norms, managerial capability captures cognitive and resource-reconfiguration mechanisms, and agility reflects organizational responsiveness. Notably, the cultural dynamics–agility confidence interval (0.830–0.894) exceeds 0.85 and does not contain the reported HTMT estimate (0.828), so this requires verification. Consequently, discriminant validity remains provisionally supported rather than unequivocally established.

Table 4 indicates limited indicator-level multicollinearity (outer VIF = 1.113–1.997) and acceptable structural collinearity (inner VIF = 2.052), supporting the statistical distinguishability of cultural and managerial predictors. However, organizational agility's full-collinearity VIF (3.861) exceeds the conservative 3.3 threshold, despite an acceptable overall AFVIF (3.146), challenging unequivocal claims of negligible common-method bias. Within Bali's SMEs, Tri Hita Karana and Menyama Braya may generate substantive shared variance through relational trust, reciprocity, and coordinated adaptation. Conversely, culturally conditioned perceptions and single-manager reporting may artificially strengthen these associations. This ambiguity challenges interpretations that equate cultural embeddedness with objectively demonstrated agility. Consequently, the diagnostics support structural estimation but cannot establish methodological independence, so multi-informant validation is needed to distinguish genuine cultural–managerial complementarities from perceptual overlap.

**Table 4. Collinearity and Common-Method-Bias Diagnostics**

| Diagnostic                  | Cultural Dynamic | Dynamic Managerial Capability | Organizational Agility | Interpretation                                                                      |
|-----------------------------|------------------|-------------------------------|------------------------|-------------------------------------------------------------------------------------|
| Outer VIF Range             | 1.190–1.906      | 1.113–1.336                   | 1.373–1.997            | No problematic indicator-level multicollinearity; all outer VIFs remain below 3.3.  |
| Inner VIF Predicting EP     | 2.052            | 2.052                         | —                      | Acceptable; below 5 and ideally below 3.3                                           |
| Full-Collinearity VIF Afvif | 2.938            | 2.638                         | 3.861                  | Acceptable under ≤5; OA exceeds stricter 3.3 criterion<br>3.146 overall; ideal ≤3.3 |

Table 5 confirms discriminant validity across all three constructs. The square roots of AVE for cultural dynamics (0.849), dynamic managerial capability (0.881), and

organizational agility (0.855) exceed their respective inter-construct correlations, satisfying the Fornell–Larcker criterion (Fornell & Larcker, 1981). The relatively strong correlation between cultural dynamics and organizational agility (0.805) indicates substantive theoretical proximity, suggesting that culturally embedded adaptive practices may be closely associated with agile organizational responses. Nevertheless, because 0.849 and 0.855 remain greater than 0.805, the constructs retain sufficient empirical distinctiveness. Likewise, dynamic managerial capability remains distinct from cultural dynamics (0.696) and organizational agility (0.779). These results strengthen the measurement model by demonstrating that the three constructs capture related but non-redundant dimensions, thereby supporting subsequent structural-path and mediation analyses without evidence that construct overlap alone explains the observed relationships.

**Table 5. Fornell–Larcker Discriminant-Validity Assessment**

| Construct                     | Cultural Dynamics | Dynamic Managerial Capability | Organizational Agility |
|-------------------------------|-------------------|-------------------------------|------------------------|
| Cultural Dynamics             | 0.849             | 0.696                         | 0.805                  |
| Dynamic Managerial Capability | 0.696             | 0.881                         | 0.779                  |
| Organizational Agility        | 0.805             | 0.779                         | 0.855                  |

#### 4.3. Structural Model

**Table 6. Direct and Indirect Path Coefficient Test**

| Hypothesis                                                                 | Direct Effect ( $\beta$ ) | Indirect Effect ( $\beta$ ) | Standard Error | T-Value | P-Value | 95% CI (Approx.) | Total Effect ( $\beta$ ) | Variance Accounted For (%) |
|----------------------------------------------------------------------------|---------------------------|-----------------------------|----------------|---------|---------|------------------|--------------------------|----------------------------|
| Cultural Dynamics → Dynamic Managerial Capability                          | 0.707                     | —                           | 0.069          | 10.25   | <0.001  | 0.572–0.842      | 0.707                    | —                          |
| Cultural Dynamics → Organizational Agility                                 | 0.516                     | —                           | 0.072          | 7.17    | <0.001  | 0.375–0.657      | 0.809                    | —                          |
| Dynamic Managerial capability → Organizational Agility                     | 0.415                     | —                           | 0.074          | 5.61    | <0.001  | 0.270–0.560      | 0.415                    | —                          |
| Cultural Dynamics → Dynamic Managerial Capability → Organizational Agility | 0.516                     | 0.293                       | 0.054          | 5.43    | <0.001  | 0.187–0.399      | 0.809                    | 36.2                       |

Table 6 supports all four hypotheses ( $p < 0.001$ ), revealing complementary pathways to agility among Bali’s SMEs. Cultural dynamics strongly predict dynamic managerial capability ( $\beta = 0.707$ ), suggesting that Tri Hita Karana and Menyama Braya activate managerial cognition, relational trust, and resource mobilization. Culture also directly predicts agility ( $\beta = 0.516$ ) and managerial capability ( $\beta = 0.415$ ), jointly explaining 74.5% of the variance in agility. The significant indirect effect ( $\beta = 0.293$ ; 95% CI = 0.187–0.399) accounts for 36.2% of the total effect ( $\beta = 0.809$ ), establishing complementary partial mediation. Challenging exclusively manager-centered explanations, cultural coordination may facilitate responsiveness independently of managerial reconfiguration. However, collectivist reciprocity may also reinforce consensus-driven inertia, particularly in resource-constrained, tourism-exposed SMEs. Cross-sectional evidence limits causal interpretation.

#### **4.4. Discussion**

##### **4.4.1. Cultural Dynamics and Dynamic Managerial Capability**

The strong cultural dynamics–dynamic managerial capability relationship suggests that Bali’s SMEs convert shared cultural values into actionable managerial resources rather than relying solely on individual expertise. Adaptive cultural norms potentially activate managerial cognition, human capital, and social capital for sensing and resource reconfiguration (Huy & Zott, 2019). Specifically, Tri Hita Karana’s relational harmony and Menyama Braya’s reciprocity may expand trusted networks for information access, stakeholder coordination, and resource mobilization (Suharta et al., 2024). In resource-constrained SMEs confronting volatile tourism demand, these relationships may compensate for limited formal capabilities through resource recombination (Wai et al., 2022). Nevertheless, the strong association challenges arguments that collectivist embeddedness necessarily produces inertia, although consensus obligations may simultaneously constrain managerial discretion and reinforce established routines (Keller et al., 2025). Cultural cohesion therefore becomes strategically valuable when relational trust enables adaptive learning rather than ceremonial conformity (Neumann et al., 2024). This refines dynamic managerial capability theory by positioning culture as a conditional activator of managerial microfoundations, not merely a contextual attribute, potentially explaining heterogeneous adaptation among similarly constrained Balinese SMEs (Mostafiz et al., 2019). Cross-sectional evidence nevertheless limits causal interpretation.

##### **4.4.2. Cultural Dynamics and Organizational Agility**

Cultural dynamics positively predict organizational agility in Bali’s SMEs, suggesting that culture functions as an adaptive coordination mechanism rather than merely shared organizational values (Carvalho et al., 2023). Across tourism-linked and other SMEs, fluctuating demand and diverse stakeholder expectations necessitate culturally responsive communication, knowledge exchange, and rapid operational adjustment (Winton et al., 2021). Tri Hita Karana and Menyama Braya may facilitate these processes through relational harmony, reciprocity, and trusted cooperation. Theoretically, this finding extends dynamic capability explanations by identifying cultural coordination as a direct pathway to agility, complementing manager-centered resource reconfiguration (Goncalves et al., 2020). Such coordination matters most for resource-constrained SMEs, where responsiveness depends on recombining existing resources rather than accumulating organizational slack (Zighan & Dwaikat, 2023). Nevertheless, challenging uniformly positive cultural interpretations, collectivist obligations may reinforce consensus-driven delays, relational overembeddedness, and resistance to experimentation (Neumann et al., 2024). Cultural cohesion therefore becomes strategically valuable only when shared norms enable timely adaptation rather than ceremonial conformity. This distinction positions culturally embedded coordination as a potentially consequential, context-dependent organizational capability, although cross-sectional evidence precludes definitive causal conclusions.

##### **4.4.3. Dynamic Managerial Capability and Organizational Agility**

Dynamic managerial capability positively predicts organizational agility in Bali’s SMEs, indicating that managerial resources generate adaptive value when translated into coordinated action rather than remaining individual expertise (Budiman et al., 2023). Amid volatile tourism demand, supplier uncertainty, and

resource scarcity, managerial cognition helps interpret the environment, while human and social capital mobilize trusted relationships and operational responses (Huy & Zott, 2019). Agility consequently depends on timely resource recombination across customer, supplier, competitor, and tourism-related networks rather than resource possession alone (Mehta & Ali, 2021).

Theoretically, this finding distinguishes manager-level sensing and resource orchestration from firm-level adaptive routines, clarifying the microfoundation-agility mechanism (Roh & Xiao, 2024). Culturally embedded relationships may compensate for limited organizational formalization, particularly among resource-constrained SMEs (Kusumawijaya et al., 2026). Nevertheless, the weaker managerial effect relative to culture's direct influence challenges exclusively manager-centered explanations, suggesting that collective coordination also matters. Thus, managerial capability facilitates adaptation but remains contingent on organizational coordination, structural autonomy, and contextual conditions.

#### **4.4.4. Cultural Dynamics and Organizational Agility: The Mediating Role of Dynamic Managerial Capability**

The significant indirect effect, alongside the persistent direct effect, supports complementary partial mediation, indicating that cultural dynamics relate to agility through managerial resource reconfiguration but not exclusively (Iglesias & Maksimov, 2023). The remaining direct pathway suggests independent cultural coordination (Carvalho, 2023), particularly relevant amid Bali's tourism disruptions and SME restructuring (Carina et al., 2023). Culturally embedded reciprocity may accelerate collective responses, while managerial cognition, human capital, and social capital enable strategic adaptation (Huy & Zott, 2019). This challenges explanations requiring cultural resources to operate exclusively through managerial capabilities (Goncalves et al., 2020). Nevertheless, collectivist consensus and resource constraints may obstruct adaptive reconfiguration (Wai et al., 2022). Theoretically, culture emerges simultaneously as an organizational coordination resource and an antecedent of managerial microfoundations (Martin & Bachrach, 2018), with pathway effectiveness potentially contingent on turbulence, resource availability, and organizational formalization (Zighan & Dwaikat, 2023). However, organizational agility's full collinearity VIF, along with cross-sectional, single-informant reporting, warrants caution regarding common-method inflation and causal interpretation.

## **5. Conclusion**

This study conceptualizes organizational agility in Bali's SMEs as a culturally embedded capability system rather than an isolated operational outcome. Cultural dynamics support agility through complementary pathways: relational norms facilitate immediate collective coordination, while dynamic managerial capability translates cultural resources into strategic sensing, interpretation, and reconfiguration. The persistent direct cultural pathway challenges exclusively manager-centered explanations, indicating that managerial cognition, human capital, and social capital constitute important but incomplete mechanisms of adaptation. This dual-pathway explanation advances dynamic capability theory by positioning culture as both an organizational coordination resource and an antecedent that activates managerial microfoundations. Within Bali's tourism-linked environment, culturally embedded reciprocity may accelerate collective responsiveness, although consensus obligations can constrain managerial discretion. Thus, cultural cohesion may be an adaptive, rather than universally beneficial, organizational resource.

For Bali's SMEs, cultural dynamics should become an operational capability rather than ceremonial compliance. Translating Tri Hita Karana and Menyama Braya into weekly demand-sensing meetings, reciprocal supplier-community networks, and rapid coordination protocols can strengthen managerial resource reconfiguration. Demand-based staffing, employee cross-training, frontline autonomy, and multilingual conflict simulations offer practical applications, particularly in tourism-linked enterprises. However, excessive consensus may delay adaptation unless decision authority is clearly established. The observed partial mediation supports integrating culturally embedded coordination with managerial capability development rather than privileging either mechanism. These proposed interventions remain illustrative and require empirical validation before implementation.

For theory, the study contributes by addressing the gap identified in the introduction, namely that prior literature has often treated culture, agility, and managerial capability in fragmented pairwise form rather than in an integrated SME mechanism; this study instead supports an integrated framework in which cultural dynamics is the strategic antecedent, dynamic managerial capability is the micro-foundational mediator, and organizational agility is the adaptive outcome. The partial mediation result is especially important for theory development because it shows that managerial capability explains part, but not all, of culture's influence on agility, thereby refining the debate beyond simple direct-effect models and suggesting that agility in SMEs is simultaneously cultural, managerial, and organizational in origin.

Although the 153 observations are analytically workable for prediction-oriented PLS-SEM, analytical adequacy should not be conflated with population representativeness. Nonprobability purposive sampling, convenience-based access, and a 38.64% response rate may introduce self-selection and nonresponse bias, particularly because participating managers may systematically differ from nonparticipants. The study lacks an unsupported Heckman test and an explicit acknowledgment of potential self-selection and nonresponse bias, with appropriate limits on population-level generalization. Accordingly, interpret the findings as context-specific structural evidence from the observed Balinese SME sample, not as population-level estimates. The cross-sectional, single-informant design further limits causal inference and may retain perceptual or common-method influences. These limitations define the study's empirical boundary conditions without displacing its principal conclusion: cultural dynamics relate to organizational agility both directly and through dynamic managerial capability.

Future research should assess the culture-capability-agility framework across regions, sectors, ownership structures, and tourism exposure to identify contextual boundaries. Longitudinal, multi-informant designs incorporating managerial, employee, customer, and partner perspectives should clarify temporal relationships and mitigate common-method bias. Further investigations should disentangle managerial cognition, human capital, and social capital while examining digital capability, learning culture, employee readiness, organizational structure, and environmental turbulence as mediating or moderating mechanisms. Crucially, comparative studies should determine whether Balinese reciprocity accelerates collective adaptation or whether consensus obligations reinforce organizational inertia, distinguishing direct cultural effects from managerial capability-mediated pathways.

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