



## Analyzing Strategic Intuition Capability Among Sabu Raijua Entrepreneurs: The Role of Managerial Cognitive Capability and Absorptive Capacity

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### ARTICLE INFO

### ABSTRACT

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**Research Aims:** Entrepreneurs need strategic intuition capability in dealing with business situations that are constantly evolving, dynamic, and uncertain. This study was conducted to determine how the influence of managerial cognitive capabilities and absorptive capacity on strategic intuition capability among entrepreneurs in Sabu Raijua Regency.

**Design/methodology/approach:** The nature of this study is explanatory with a quantitative approach. There were 105 respondents who took part in filling out the online questionnaire. The collected data were later processed with the Smart PLS 4.0 software.

**Research Findings:** This study proves that managerial cognitive capability has a significant impact on strategic intuition capability, managerial cognitive capability has a significant impact on absorptive capacity, but absorptive capacity has no effect on strategic intuition capability.

**Theoretical Contribution/Originality:** This research makes a number of theoretical contributions, particularly with regard to the relationship between managerial cognitive capabilities, absorptive capacity, and strategic intuition capability. The managerial implications of this research are useful for entrepreneurs in evaluating or improving themselves in order to continue to develop the business being managed.

**Keywords:** Managerial cognitive capability, absorptive capacity, strategic intuition capability, entrepreneur.

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### Introduction

Business intuition is the backbone of entrepreneurship. Although supported by statistical data, entrepreneurs rely on their intuition to sense and seize opportunities, and build strong relationships and networks to expand and execute on those opportunities (Gienjoyed, 2020). Many successful entrepreneurs incorporate their intuition, rather than only logical, deliberate thinking, in making business decision (Sutton, 2020), and even 85% of the CEOs of big corporations are utilizing their business intuition, in the form of rules of thumb, in capitalizing business opportunities (Maidique, 2014). In the era of post Covid-19 pandemic, when businesses are still facing uncertainty and ambiguity, entrepreneurs are challenged to use their intuition to make survival pivots, because the pandemic has altered the business landscape as if previous historical data do not exist.

As the aim of this study is to acknowledge the importance of strategic intuition on entrepreneurship, this study conducts a research to measure the strength of managerial cognitive capabilities and absorptive capacity on establishing strategic intuition capability among entrepreneurs. The subject of the study is the entrepreneurs in Sabu Raijua, East Nusa Tenggara, as they are notably famous of their entrepreneur spirits, despite their inhospitable living environments. By understanding how strategic intuition capability is constructed, this research framework is expected to be replicated to other regions in Indonesia that experience similar environments.

Sabu Raijua is a unique regency in East Nusa Tenggara, Indonesia, because it is located at the most southern remote island of Indonesia, with a very limited access to reach the island both via sea and air. Due to the unfriendly harsh environment, local people cannot rely on the provision of the nature, as the island experiences a short wet season and very long dry season. Climate and weather play an important role on the profession of the local people. When the nature provides enough rain, they cultivate the land to grow crops, vegetables, and fruits. When the land is too dry to cultivate and the water is scarce, many local people go to the sea to collect fish. When the wind is too strong to sail, the local people harvest the sap of lontar or palm trees for the ingredients of the palm sugar. However, due to global climate changes, the seasonal patterns becomes unpredictable, which creates instability for the local people's profession and income.

As dominantly self-employed, the local people of Sabu Raijua are constantly challenged with uncertainty and ambiguity to make proper business decision, which lead them to rely on their instinct to conduct the business. The aim of this study is to explore what constitute the strategic intuition capabilities of entrepreneurs, especially those living in the harsh geographical environment. Strategic intuition capabilities are often defined as "the personal ability or talent ability to make decisions regarding a specific subject by employing one's thought process, engaging through concentration and an alert state of mind, and possessing the proper foundation based on job expertise and analytical competency" (Nocker & Sena, 2019). Under uncertain and ambiguous environments, entrepreneurs resort to this intuition in order to evaluate possibilities and make decisions according to the knowledge gained from experience (Aujirapongpan et al., 2020).

Strategic intuition capability is mostly shaped by experiences and knowledge which become the foundations of creativity and focal point in making business decisions (Duggan, 2013). In this instance, the entrepreneurs in Sabu Raijua seem to be capable to comply with the harsh natural environment, however, they lack of the ability to properly administer their business in the dynamic business environment. Therefore, dynamic capabilities (Teece, 2018), or the ability to detect changing environment and identify business opportunities, are stepping stones to building strategic intuition capability (Altintas & Loilier, 2023). Dynamic capabilities can be assessed by cognitive capabilities, too (Helfat & Peteraf, 2015).



Managerial cognitive capabilities include mental activities such as perception, reasoning, and problem solving (Helfat & Peteraf, 2015), which influence managerial abilities in seeing and exploiting opportunities and responding to threats. As a matter of fact, managerial cognitive capabilities require one's absorptive capacity to function properly. Absorptive capacity is often defined as individual's ability to absorb, learn, and utilize new knowledge to achieve productive goals (Cohen & Levinthal, 1990; All et al., 2018). Absorptive capacity influences strategic intuition (Aujirapongpan & Jutidharabongse, 2017), meanwhile managerial cognitive capabilities also have a strong role in influencing entrepreneurs' intuition (Gannon et al., 2009).

The objective of this study was to gain insight into the impact of managerial cognitive capabilities and absorptive capabilities on strategic intuition capability within the community of Sabu Raijua Regency. The entrepreneurs in Sabu Raijua Regency have already demonstrated the presence of intuition, particularly strategic intuition. However, their strategic intuition capability currently remains in the survival stage, and they have not yet been able to overcome the limitations they face in their development. There are still numerous opportunities that could be further explored. This study's objective is to ascertain the factors that shape the strategic intuition capability of entrepreneurs in Sabu Raijua Regency, the extent of their managerial cognitive capabilities, and their absorptive capacity. These capabilities will enable them to continue to exist despite uncertain environmental conditions and underdeveloped areas.

## Literature Review

### Strategic Intuition Capability (SIC)

According to Dane and Pratt (2007), strategic intuition are brain processes outside the subconscious that relate holistically to environmental stimulation. Miller and Ireland (2005) call the strategic intuition a mindset for understanding and making timely decisions based on experiences. Duggan (2013) defines strategic intuition capability as one's ability to think out of the box to solve problems. To summarize, strategic intuition capability deals with a person's ability to make decisions based on understanding, thinking, and experiencing that form the individual's mental model. To measure strategic intuition capability, Duggan (2013) creates these indicators, such as sensing capabilities, aggressive thinking capabilities, and strategic decision capabilities. Sensing capabilities refers to the ability to detect opportunities and threats. Aggressive thinking capabilities are the ability to think actively and decisively in facing challenges, as well as combining past and present experiences to predict future outcomes. Strategic decision capabilities involve collecting, analyzing, and interpreting information to make strategic decisions in accordance with future goals (Aujirapongpan & Hareebin, 2020).



## **Managerial Cognitive Capabilities (MCC)**

Managerial cognitive capability is the ability of the managers to engage in mental processes that shape cognitive (Helfat & Peteraf, 2015). This capability includes mental activities such as “perception and attention, problem solving and reasoning, language proficiency, communication skills, and social cognitive” (Helfat & Peteraf, 2015). Souza and Forte (2019) define managerial cognitive capabilities as a leader's ability to carry out mental activities that have an impact on strategic changes in business models or performance. Implicitly, this capability refers to the ability to manage complexity, combine information, and adopt appropriate policies in dynamic business environments (Teece, 2014). In a study by Adna and Sukoco (2022), indicators for measuring managerial cognitive capability are constructed based on Teece's (2014) concept of dynamic capabilities, which include the ability to sense the environment, seize the opportunity, and reconfigure the resource to meet the challenges of the business dynamic environment.

## **Absorptive Capacity (AC)**

In business settings, absorptive capacity is the skill in taking, assimilating, and using new values or information for commercial needs to increase competitiveness (Tho, 2017; Cohen & Levinthal, 1990). According to Schweisfurth and Raasch (2018), absorptive capacity is a system that creates and applies external knowledge for an existing group. Lane et al. (2006) explained absorptive capacity through three stages, namely recognizing and capturing useful knowledge from outside, combining new knowledge through dynamic learning, and utilizing the new knowledge to create commercial values. To sum up, absorptive capacity is an individual or organizational skill in understanding, exploring, and managing external knowledge to increase productivity and efficiency. Indicators to measure absorptive capacity include the individual's ability to recognize new issues, the ability to absorb new information and knowledge, the ability to integrate or combine new knowledge with existing knowledge, and the ability to apply or make use of the new combine knowledge (Tho, 2017; Cohen & Levinthal, 1990).

## **Hypothesis Development**

Potential competitive advantage emerges from well-equipped human capital (Teece, 2018). Gannon et al. (2009) relate human capital with managerial cognitive capabilities as the latter has a direct impact on business performance. Hodgkinson and Healy (2011) reveal that managerial cognitive capability improves strategic intuition capability, and vice versa. Meanwhile, managerial cognitive capability cannot function without the proper capacity to absorb. Zahra and George (2002) state that absorptive capacity affects one's ability to absorb and utilize new knowledge which may sharpen the effort of making decision amidst uncertainty and ambiguity. Aujirapongpan dan Jutidharabongse (2017) claim that strategic intuition capability requires good cognitive capability which is supported by sufficient absorptive capacity, especially the ability to



absorb latest news related to business. Therefore, the research framework for this study is constructed as follows:

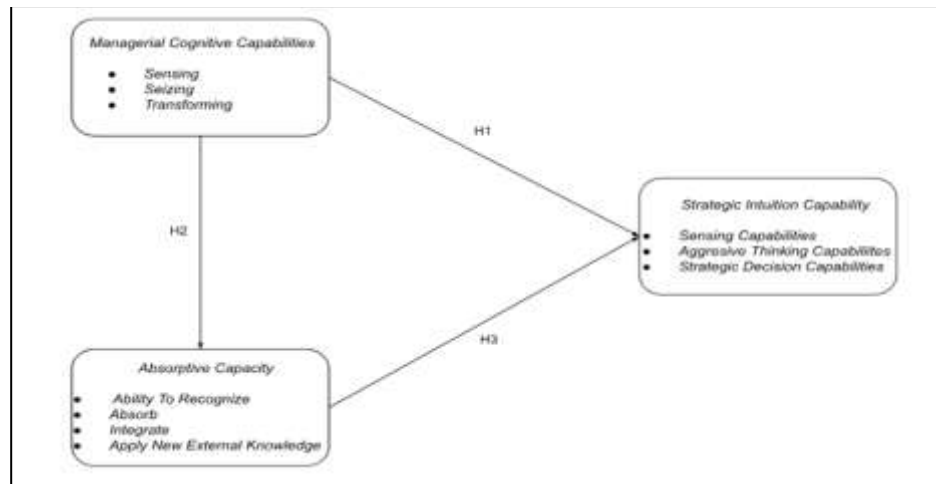


Figure 1. Research framework

The hypotheses are as follows:

- H<sub>1</sub>: MCC has a significant impact on SIC;
- H<sub>2</sub>: MCC has a significant impact on AC;
- H<sub>3</sub>: AC has a significant impact on SIC;
- H<sub>4</sub>: MCC has a significant impact on SIC through AC.

## Method

In order to test the hypothesis, this study adopts quantitative research method, in which a research framework is constructed to examine the hypotheses to prove the relationships among those variables. To prove the hypotheses, a questionnaire is designed to collect data from respondents. The population of this study are entrepreneurs in Sabu Raijua Regency, so a number of samples is calculated to comply with the eligibility of this study. Based on the formula by Lemeshow, the study requires at least 100 respondents. The questionnaire is designed to follow the five-scale of Likert, and distributed by email and social media to reach a wider scope. All returned questionnaires are 114, with 105 valid questionnaires. The data then are processed with the smartPLS software to get the result of the hypothesis tests.

The questionnaire consists of two parts, respondents' profiles and respondents' perception on intuition capability. Respondents' profile is to generate more detailed information on respondents, such as age ranges, level of education, business ownerships, revenues, types of business, and length of business. Respondents' perception is measured by three variables, including strategic intuition capability, managerial cognitive capability, and absorptive capacity. Strategic intuition capability is measured by the sensing capability, aggressive thinking capability, and strategic



decision capability. Meanwhile managerial cognitive capability is measured by the capability to sense opportunities, seize opportunities, and reconfigure resources to capture opportunities. Finally, absorptive capacity is measured by the ability to recognize, absorb, integrate, and apply new information.

## Result and Discussion

SmartPLS software surrenders two test models, the outer model and the inner model. The outer model is to test the validity and reliability of the research instrument, while the inner model give the coefficient of determination and hypothesis test results. The value of the validity test is reflected in the value of Average Variance Extracted (AVE). Hair et al. (2019) suggest that the value of AVE must be greater than 0.5 in order to be valid. Knowing the test results, all variables of MCC, AC, and SIC show the value of their AVE above 0.5, so they are valid. Meanwhile, the reliability of the instrument is reflected by the values of composite reliability and Cronbach's alpha, which exceed 0.7 and 0.6 respectively (Capeda-Carrion et al., 2019). Observing the test results, all variables of MCC, AC, and SIC surrender the values of greater than 0.7 and 0.6, so they are reliable. The summary of the validity and reliability tests can be observed in Table 1.

Table 1. The results of validity and reliability tests

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_a)	AVE
AC	0.894	0.906	0.913	0.568
MCC	0.947	0.949	0.954	0.632
SIC	0.807	0.822	0.868	0.573

The inner model surrenders two important test results, the coefficient of determination and the p-values. The inner model analysis is used to examine and predict causal relationships between latent variables. This test is carried out by looking at the R-square or coefficient of determination, which describes the influence of each variable on others in the research framework. The coefficient of determination value for SIC or strategic intuition capability is 0.688, which means managerial cognitive capability and absorptive capacity explain 68.8% of strategic intuition capability, while 31.2% is explained by other variables not included in this study. Besides, the coefficient of determination value for MCC or managerial cognitive capabilities is 0.514, which suggests managerial cognitive capability affect 51.4% of absorptive capacity.

Another important test result is the hypothesis test result, which is observable in Table 2. As this study is a two-tail test, the benchmark score is greater than 1.96, and the p-value is less than 0.05. The results of the test is shown in Table 2.



Table 2. The inner model evaluation

	Original sample (O)	Sample mean (M)	Standart Deviation (STDEV)	T Statistic ( O/STDEV )	P values
AC -> SIC	0.210	0.250	0.165	1.268	0.205
MCC -> AC	0.717	0.750	0.061	11.700	0.000
MCC -> SIC	0.666	0.622	0.186	3.575	0.000

The result shows that MCC has a significant impact on SIC, with the p-value of 0.000, therefore,  $H_1$  is accepted. In other words, managerial cognitive capability of entrepreneurs in Sabu Raijua can build their strategic intuition capability. This study surrenders a similar result with a study by Hodgkinson and Healy (2011), which confirms the role of managerial cognitive in constructing business intuition. This study is also in line with a study by Jutidharabongse et al. (2020) that concludes a strong managerial cognitive capability help build strategic intuition capability.

The test result also shows that MCC has a significant impact on AC, with the p-value of 0.000. So, hypothesis two or  $H_2$  is also accepted. Managerial cognitive capability of entrepreneurs in Sabu Raijua affects their absorptive capacity. The result of this study is similar to a study by Jutidharabongse et al. (2020). This concept is also supported by a study by Zahra and George (2002) that absorptive capacity performs well when one has the prior knowledge, and managerial cognitive capability acts as the prior knowledge.

It is noticeable in Table 2 that one path is declined as it does not comply with the value of p-value. AC has no significant impact on SIC because the p-value is greater than 0.05. so, hypothesis three or  $H_3$  is declined. Absorptive capacity does not have any significant role in shaping strategic intuition among the entrepreneurs in Sabu Raijua. The result of this study contradicts with the results of Zahra and George (2002) and Aujirapongpan and Jutidharabongse (2017). In their studies, absorptive capability plays important roles in forming knowledge, which becomes the foundation of the intuitive decision making.

This study is also exploring the intervening role of absorptive capacity between managerial cognitive capability and strategic intuition capability. The result can be observed in Table 3.

Table 3. The indirect effect of absorptive capacity

	Original sample (O)	Sample mean (M)	Standart Deviation (STDEV)	T Statistic ( O/STDEV )	P values
MCC -> SIC	0.150	0.192	0.142	1.059	0.290

AC does not perform the role of intervening variable between MCC and SIC, as the p-value is over 0.05. So, hypothesis four or  $H_4$  is declined. In other words,



managerial cognitive capability cannot affect strategic intuition capability through absorptive capacity. The result of this study is uniquely different than studies by Davenport and Prusak (1998) and Dane and Pratt (2007). Both studies agree that knowledge cannot be disseminated without good absorptive capacity, and high absorptive capacity creates alertness during uncertainty and ambiguity in detecting opportunity through the use of strategic intuition.

## Conclusion

As this study is exploring what constructs strategic intuition capability among entrepreneurs, it becomes obvious that managerial cognitive capabilities play a significant role in building the intuition capability. Managerial cognitive capability also has a significant role in creating absorptive capacity. However, absorptive capacity does not affect strategic intuition capability. Absorptive capacity also does not perform its role as an intervening variable that connects managerial cognitive capability and strategic intuition capability. It is obvious that entrepreneurs in Sabu Raijua consider highly on the managerial knowledge than the experience. Therefore to improve strategic intuition, it is necessary to equip them with adequate knowledge so that they can make a proper decision under uncertainty and ambiguity.

The contribution of this study is to enrich the understanding of indigenous entrepreneurs of Indonesia, as there are many regions still fighting poverty with the help of job creations by local entrepreneurs. Studies on indigenous entrepreneurship in Indonesia are still rarely undertaken, so this study is also bringing up the awareness of researchers to investigate the diversity of Indonesian culture in shaping and forming the entrepreneurial orientation of local entrepreneurs. This study strengthens the study of strategic intuition among entrepreneurs in general, which becomes a dominant factor in making business decisions.

This study has several limitations. The relatively small number of respondents may contribute to the test results. Data collection time is also relatively short, in which the questionnaires were distributed and collected in May 2024. Finally, the sample of respondents was focused on the Sabu Raijua Regency, while many entrepreneurs migrate to other regions to find better business environments. For future studies, the numbers of respondents are expected to be enlarged with the additional respondents from entrepreneurs living outside the regions. Besides, future research can incorporate also other variables related to entrepreneurial mindset, spirit, and orientation.

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