The Role of Individual Performance in the Influence of Innovation Culture and Quality of Work Life on Competitive Advantage

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Abstract

Providing empirical evidence of the role of individual performance on the influence of innovation culture and quality of work life to increase competitive advantage is the aim of this study. This study takes the tourism sector as an object with SME employee respondents working in the tourism sector, such as travel agents, hotels, tourist attractions, restaurants, transportation, souvenir shops, etc. in the Jakarta area, Indonesia. On the basis of convenience sample selection, 328 respondents were obtained. The analysis tool in this study uses SEM-PLS. The research results show that individual performance plays a mediating role in the influence of innovation culture and quality of work life on competitive advantage. The theoretical implication of this research is to strengthen contingency theory, which is associated with competitive advantage, individual performance, innovation culture, and quality of work life. The practical implication of this study is the importance of a culture of innovation, quality of work life and individual performance to increase competitive advantage in the SME tourism sector so that they are able to win business competition and maintain the sustainability of the SME business.

Keywords: Competitive advantage, innovation culture, quality of work life, individual performance.

Introduction

The Covid-19 pandemic has had a global impact on all sectors, not just the health sector. However, the Covid-19 pandemic tragedy has had an impact on the economic sector, tourism, and other sectors. Especially in the tourism sector, each country has issued its own policies to reduce the spread of Covid-19. This has had a tremendous impact on state income and the tourism sector, especially the economic sector. For example, in Indonesia, the government issued a social restriction policy, so that there were no visits from foreign or local tourists.

This is shown by data from UNWTO (United Nation World Tourism Organization), which states that there has been a decline in foreign tourists by 70%-100%. This has an impact on huge losses in the tourism sector globally, namely between 300-450 billion US dollars. As a result, many companies and SMEs in the tourism sector went bankrupt.

Therefore, to revive the bankruptcy that has occurred in companies and SMEs, it is necessary to develop an effective strategy. From a strategic perspective, the key to business success is the development of unique competitive advantages, which are advantages that produce things that are difficult for competitors to imitate and value for customers. Companies that have a competitive advantage will be able to achieve above average profits and will become leaders in their market.

Competitive advantage is a company’s formulated strategy designed to achieve opportunities that cannot be imitated by competitors to maximize profits and profits. Competitive advantage is the key to success for organizations or companies that are in an environment that continuously experiences rapid changes in a tight competitive environment and in an increasingly short period of time. The mediation effect is the impact of the role of conflict resolution/solution finding as commonly applied in social sciences. The role of the mediation effect itself gives shape to an approach. Inter-organizational learning provides a mediating effect on the relationship between entrepreneurial orientation, marketing orientation and a company’s competitive advantage. The results provide evidence that inter-organizational learning is not only a valuable resource and competitive advantage, but also helps companies to leverage their entrepreneurial orientation and market orientation into competitive advantage (Pratono et al., 2019). So it can be concluded that the purpose of the mediation effect in this first study is to open a relationship between the organization and

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the company to achieve the goals of becoming a relationship partner. Not all bodies that have goals have to compete, with the mediation effect they can collaborate with each other without prioritizing competition.

So this competitive advantage can be achieved by utilizing the resources available in the company. One of the company’s resources is individual performance. Performance is an achievement of the work of a person or group of people in an organization and a certain time period in accordance with the scope of responsibility and authority of each as an effort to achieve organizational goals and is carried out in accordance with morals and ethics and legally without violating the law. Conceptually, performance can be seen from two sides, namely organizational performance and individual performance. Individual performance refers to the work results of company employees or individual members of the organization (Alhakimi & Mahmoud, 2020; UI-Haq et al. 2023).

Goodhue and Thompson (1995) statement is in line with the explanation above, namely that individual performance achievement is related to the achievement of a series of individual tasks. An increase in efficiency, effectiveness and better quality shows that there is an increase in performance, because the uniqueness of individual performance can have an impact on the competitive advantage of a company or SME.

However, an increase in individual performance can be influenced by several factors, including a culture of innovation and quality of work life. The tourism sector is a sector that is always faced with change, therefore all companies or SMEs operating in the tourism sector must always improve a culture of innovation that provides its own uniqueness so that it can increase the company's or SME’s competitive advantage. One study explains that the success of a company or SME in a highly competitive market and in the long term is influenced by one key factor, namely a culture of innovation (Naranjo-Valencia et al., 2016). In addition, (Naranjo-Valencia et al., 2011) found that organizational culture is a clear determinant of innovation strategy. This is in line with (Sanz-Valle et al., 2011) which shows that to increase innovation, flexibility focus and external focus alone are not enough. Both are necessary to characterize organizational culture. Y. Wei et al. (2013) explain that a perceived innovative culture can be a building block for a company’s resources and competitive advantage by creating superior employee-level outcomes. This explanation is in accordance with Jiménez-Jiménez & Sanz-Valle (2011), Yamakawa & Ostos (2011), García-Zamora et al. (2013), Aboramadan et al. (2020), and Schultd & Gomes (2020), which states that a culture of innovation has a positive impact on performance. Nevertheless, Uz Kurt et al. (2013) stated that organizational culture was found to have an insignificant regression coefficient on the dimensions of company performance in the presence of organizational innovation.

Individual performance can also be influenced by the quality of work life. Quality of work life is the condition of how far employees' perceptions of the organization's contribution to achieving its goals can provide employee material and psychological well-being, or a comprehensive program aimed at increasing employee satisfaction, strengthening learning in the workplace and helping employees better manage change and transition, so that it will have an impact on individual performance which can increase competitive advantage. This explanation is in accordance with Al-Shawabkeh & Hijjawi (2018), Al-Otaibi (2020), and Allam & Shaik (2020), which state that performance is influenced by the quality of work life. However Dewi et al. (2020) dan Haryono & Pamungkas (2021) show different results that quality of work life has no effect on performance.

Individual performance can also have an influence on competitive advantage. When an individual can achieve higher performance, it means an increase in efficiency, effectiveness or higher quality of completing a series of tasks assigned to individuals in a company or organization so that this can increase competitive advantage. This means that the better the individual performance of the employees, the better the competitive advantage will be. This is in accordance with Albrecht et al. (2015) which states that increasing employee engagement has a positive impact that will help organizations achieve competitive advantage. However, this explanation is different from (Sadalia et al., 2017) that human resources do not have a significant influence on competitive advantage.

Based on the phenomena and research gaps that have been explained, it shows that this study is important to research. So the research question is whether a culture of innovation and quality of work life influence individual performance? and does individual performance mediate innovation culture and quality of work
life on competitive advantage? The originality of this study is to develop a competitive advantage model by integrating a culture of innovation and quality of work life and using individual performance as a mediator. So the aim of this study is to provide empirical evidence of the role of individual performance in the influence of innovation culture and quality of work life to increase competitive advantage.

Theoretical Framework

The philosophy of the contingency theory mindset is based on the fact that each organization has its own characteristics and faces different problems. Contingency theory in a broad sense states that organizational effectiveness is a function of the suitability between the environmental systems in which an organization operates. Contingency theory is the first and most well-known tool to explain variations in organizational structure. The essence of contingency theory states that the effectiveness of a company comes from aligning or adapting the characteristics of the company to the possibilities that reflect the company's situation (L. Donaldson, 2006). Therefore, companies should not only focus on acquiring and developing their resources, but also need to improve their capabilities to deal with environmental obstacles. Contingency theory-based organizations gain competitive advantage through assessing their business environment and establishing appropriate strategies for each level of business environment contention (Johannesson and Palona, 2010). Therefore, contingency theory shows corporate behavior that is necessary for the survival of the company (Pratono, 2016) both in the short and long term.

Contingency theory tries to explain the determining factors of a company's effectiveness. However, the effectiveness of a company has a broad definition. Overall, effectiveness refers to performance (L. Donaldson, 2006). Therefore, the contingency approach model must show the relationship and interdependence between structure or control and contingency factors (environment and strategy). Contingency theory is a statement that companies achieve good performance conditions when their structure is relevant/suitable to handle uncertainty based on their size, technology and environment (L. Donaldson, 2006). Contingency theory aims to understand how companies balance performance expectations with the internal and external business environment (Homburg et al., 2012). It can also be said that a certain level of match between organizational structure variables and contingency variables will lead to increased performance.

According to Alhakimi & Mahmoud (2020), individual performance explains that the results of an individual's work that have been achieved both qualitatively and quantitatively are in accordance with his responsibilities. The main key to surviving in this globalized era is business performance. Innovation is one of the factors determining a company's business performance. Innovation means renewal and change. Innovation is something that corporate consumers always desire. Because consumers always want companies to innovate continuously so that the products the company produces are different from other companies. Innovation needs to be carried out in order to create competitive advantage. With high competition and rapid technological advances, innovation is what is needed to improve business performance in companies. This means that the more a company's innovation culture increases, the more individual performance will increase, which will have an impact on competitive advantage.

This explanation is in accordance with contingency theory, there is a dependency relationship between structure or control and contingency factors (environment and strategy). Thus, this will definitely have an impact. The more the innovation culture of a company or SME increases, the more individual performance will increase because employees will continue to follow the development of innovations created so that this will increase the company's or SME's competitive advantage. The findings of Jiménez-Jiménez & Sanz-Valle (2011), Yamakawa & Ostos (2011), García-Zamora et al. (2013), Aboramadan et al. (2020), and Schuldt & Gomes (2020) support this explanation, stating that performance is influenced by a culture of innovation. Based on previous explanations and studies, the hypothesis is:

H1: Innovation culture has a significant positive effect on individual performance.

Another factor besides the culture of innovation is the quality of work life. According to Mousavi et al. (2011), the key role of quality of work life is increasing company performance. Generally, quality of work life is considered a philosophy to make people more effective at work by understanding their psychological well-being and their involvement or engagement (Allam & Shaik, 2020). Therefore, implementing a good quality of work life has an impact on employee health which is better, healthier, more committed, safer and
more comfortable in working and producing more goods, and will reduce organizational expenses (Horst et al., 2014). In the end, this can improve individual performance, with a further impact being an increase in the competitive advantage of companies or SMEs. This means that as the quality of work life increases, individual performance will also increase.

This explanation is in accordance with contingency theory, namely that organizational effectiveness is a function of the suitability between the environmental systems in which an organization operates. This is in accordance with Donaldson (2001) who explains that company effectiveness is determined by determining factors with reference to performance. The research findings of Al-Shawabkeh & Hijjawi (2018), Al-Otaibi (2020), and Allam & Shaik (2020) support this explanation, they provide evidence that quality of work life has a positive influence on performance.

H2: Quality of work life has a significant positive effect on individual performance.

Competitive advantage is a set of factors that differentiate a company from its competitors. From a strategic perspective, the key to business success is the development of unique competitive advantages, which are advantages that produce things that are difficult for competitors to imitate and value for customers. Companies that have a competitive advantage will be able to achieve above average profits and will become leaders in their market. Competitive advantage is the key to success for organizations or companies that are in an environment that continuously experiences rapid changes in a tight competitive environment and in an increasingly short period of time. So this competitive advantage can be achieved by utilizing the existing resources in the company. Organizational resources are the basis for achieving and maintaining competitive advantage (Ismail et al., 2012). So to increase the company’s competitive advantage, the company must be able to manage the resources available in the company. One of the company’s resources is employees, each employee has their own performance or what is usually called individual performance.

Individual performance can also have an influence on competitive advantage. Goodhue & Thompson (1995) stated that individual performance achievement is related to the achievement of a series of individual tasks. Higher performance implies an increase in efficiency, effectiveness or higher quality of completing a series of tasks assigned to individuals in a company or organization. Creative individuals will open themselves to share information, individuals who explore themselves by trying to work creatively will be able to help problem-solving (Woodman et al., 1993). When an individual can achieve higher performance, it means an increase in efficiency, effectiveness or higher quality of completing a series of tasks assigned to individuals in a company or organization so that this can increase competitive advantage. This means that the better the individual performance of the employees, the better the competitive advantage will be. This is in line with contingency theory which states that the determining factors of a company's effectiveness refer to performance (L. Donaldson, 2006). Contingency theory shows corporate behavior that is necessary for the survival of the company (Pratono, 2016) both in the short and long term. This explanation is also in accordance with Goodhue and Thompson (1995) who state that individual performance achievement is related to the achievement of a series of individual tasks. This is in accordance with Albrecht et al. (2015) which states that increasing employee engagement has a positive impact that will help organizations achieve competitive advantage. On the basis of this explanation, the hypothesis is:

H3: Individual performance has a significant positive effect on competitive advantage.

Methodology

Quantitative descriptive by distributing questionnaires to employees who are the object of study is used to obtain data. The object of study is the SME tourism sector, such as travel agents, hotels, tourist attractions, restaurants, souvenir shops, etc. located in Jakarta, Indonesia. The convenience sampling technique is because this technique is easier, faster and more economical. This study succeeded in obtaining 528 respondents after going through a sample selection process. The analysis tool used is Structural Equation Model-Partial Least Square (SEM-PLS) with WarpPLS version 7.0.

The following is a table of indicators for the questionnaire questions:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation culture</td>
<td>Creativity</td>
</tr>
</tbody>
</table>
Results and Discussion

The population of this study is all SMEs in the tourism sector in Jakarta. After going through a sampling process using convenience techniques, 528 respondents were obtained. Respondents were dominated by employees of travel agencies, restaurants, accommodation and transportation services. Based on observation results, it is proven that SME employees have high loyalty because of the length of their work period. Apart from that, the number of respondents was dominated by men and the education level of the respondents was mostly high school graduates.

Based on the variable definitions that have been explained, each follows the reflective indicator model. Hypothesis testing in the inner model aims to partially test the direct influence between exogenous variables and endogenous variables with endogenous variables with endogenous variables on each path. Warp PLS version 7.0 analysis is used as a data processing tool. The results of data analysis are shown in table 1.

<table>
<thead>
<tr>
<th>Num.</th>
<th>Model indices</th>
<th>fit and quality</th>
<th>Criteria Fit</th>
<th>Analysis Results</th>
<th>Annotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average path coefficient (APC)</td>
<td>p &lt; 0.05</td>
<td>0.385 (P&lt;0.001)</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Average R-squared (ARS)</td>
<td>p &lt; 0.05</td>
<td>0.287 (P&lt;0.001)</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Average adjusted R-squared (AARS)</td>
<td>p &lt; 0.05</td>
<td>0.285 (P&lt;0.001)</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Average block VIF (AVIF)</td>
<td>acceptable if &lt;= 5, ideally &lt;= 3.3</td>
<td>1.264</td>
<td>Ideally</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Average full collinearity VIF (AFVIF)</td>
<td>acceptable if &lt;= 5, ideally &lt;= 3.3</td>
<td>1.465</td>
<td>Ideally</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Tenenhaus GoF (GoF)</td>
<td>small &gt;= 0.1, medium &gt;= 0.25, large &gt;= 0.36</td>
<td>0.536</td>
<td>Large</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1 displays the research results. Overall, it can be seen that this research has succeeded in proving the hypothesis that has been developed. It can be seen that competitive advantage is influenced by individual performance, and individual performance is influenced by the culture of innovation and quality of work life. This means that the findings of this research strengthen the existing contingency theory, which is associated with competitive advantage, individual performance, innovation culture, and quality of work life.

The culture of innovation has an influence on individual performance, this is indicated by a p value that is smaller than 0.05, namely p<0.01 with a positive beta value of 0.44. This means that every time there is an increase or change in the culture of innovation, it will have an impact on increasing individual performance. These findings are in accordance with the phenomena that occur and are in accordance with the research object used, namely the tourism sector. Based on the phenomena that occur, the tourism sector must continue to follow current developments along with increasingly sophisticated technological changes. If this is not done, the company or SME will be left behind by other competitors. Therefore, for companies or SMEs to be able to survive in the business world, they must be able to create new innovations to meet consumer demand because consumers are more interested in innovation in tourism destinations. By increasing the culture of innovation, this will trigger individual performance because employees will be forced to always follow changes in innovation and adapt to changes in innovation, which will ultimately improve individual performance.

This explanation is supported by Naranjo-Valencia et al. (2016) who explain that one of the factors that can influence a company's success in a competitive market in the long term is a culture of innovation. Likewise, Y. Wei et al. (2013) stated that a perceived innovative culture can be a building block for a company's resources and competitive advantage by creating superior employee-level outcomes. Karaev & Mercan (2023) stated the importance of a culture of innovation as a marketing strategy. Findings from Jiménez-Jiménez & Sanz-Valle (2011), Yamakawa & Ostos (2011), García-Zamora et al. (2013), Aboramadan et al. (2020), and Schuldt & Gomes (2020), with the statement that individual performance is influenced by a culture of innovation. This is in accordance with contingency theory which provides an explanation of the existence of a dependent relationship between structure or control and contingency factors (environment and strategy). Contingency theory is a statement that companies achieve good performance conditions when their structure is relevant/suitable to handle uncertainty based on their size, technology and environment (T. Donaldson & Preston, 1995). Contingency theory aims to understand how companies balance performance expectations with the internal and external business environment (Homburg et al., 2012). It can also be said that a certain level of match between organizational structure variables and contingency variables will lead to increased performance. However, this finding is different from Uzkurt et al. (2013) which states the opposite, there is no influence on individual performance with an innovation culture.

Another factor that influences individual performance is the quality of work life. Based on figure 1, quality of work life has an influence on individual performance, this is indicated by a p value that is smaller than 0.05, namely p<0.01 with a positive beta value of 0.25. This means that every time there is an increase in the quality of work life, individual performance will also increase. Therefore, when an organization or company implements a good quality of work life, employees are healthier, more committed, safer and more comfortable at work and produce more goods, and will reduce organizational expenses (Horst et al., 2014), so that this can improve individual performance.

This explanation is in accordance with contingency theory, namely that organizational effectiveness is a function of the suitability between the environmental systems in which an organization operates.
Contingency theory is a statement that companies achieve good performance conditions when their structure is relevant/suitable to handle uncertainty based on their size, technology and environment (T. Donaldson & Preston, 1995). Contingency theory aims to understand how companies balance performance expectations with the internal and external business environment (Homburg et al., 2012). It can also be said that a certain level of match between organizational structure variables and contingency variables will lead to increased performance. This is in accordance with Donaldson (2001) who explains that company effectiveness is determined by determining factors with reference to performance. The findings of this research are supported by Al-Shawabkeh & Hijjawi (2018), Al-Otaibi (2020), and Alam & Shaik (2020). However, in contrast to Dewi et al. (2020) and Haryono & Pamungkas (2021) which state that quality of work life has no effect on performance.

To answer the last hypothesis, based on figure 1, it shows that individual performance has an influence on competitive advantage, this is indicated by a p value that is smaller than 0.05, namely p<0.01 with a positive beta value of 0.46. This means that the increasing individual performance will have an influence on increasing the competitive advantage of the company or SME. The findings of this research are in accordance with the phenomenon and research object used, namely the tourism sector. Competitive advantage is the key to success for organizations or companies that are in an environment that continuously experiences rapid changes in a tight competitive environment and in an increasingly short period of time. So this competitive advantage can be achieved by utilizing the existing resources in the company.

One of the resources of a company or SME is its human resources. Through good individual performance from companies or SMEs, competitive advantage will increase. This explanation is in accordance with Ismail et al. (2012), organizational resources are the basis for achieving and maintaining competitive advantage. Likewise, Albrecht et al. (2015) which states that increasing employee engagement has a positive impact that will help organizations achieve competitive advantage. This is in accordance with contingency theory, which states that organizations based on contingency theory gain competitive advantage through assessing their business environment and establishing appropriate strategies for each level of business environment contention (Johannesson and Palona, 2010). Therefore, contingency theory shows corporate behavior that is necessary for the survival of the company (Pratono, 2016) both in the short and long term. However, it is different from (Sadalia et al., 2017) that human resources do not have a significant influence on competitive advantage.

**Conclusion**

The conclusion of this research is the importance of a culture of innovation and quality of work life to improve individual performance which has an impact on competitive advantage so that SMEs can win the competition because they have their own uniqueness. This can be demonstrated from the results of data processing which shows that there is a significant positive influence between the variables of innovation culture and individual performance, quality of work life and individual performance, as well as individual performance and competitive advantage.

The limitations of this study are the low R square value, which is only 21% and the sample used in this research is only SMEs in the tourism sector in Jakarta, Indonesia, so the findings of this research cannot be generalized to other sectors and organizations. Suggestions for future research are to modify the research model, by adding other variables that are more influential, such as job benefits, work motivation, and so on. Apart from that, this study also provides suggestions for expanding the research sample so that research findings can be generalized or comparing research samples between countries so that the results can be more generalized and compared. The implication of this research is to contribute to the government in formulating policies related to the SME tourism sector.

**Conflicts of Interest: The authors declare no conflict of interest.**

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