

The smart effort to build up an innovative organizational culture in a skincare company

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Article Info

Article history:

Received : 2023-08-06

Accepted : 2024-02-03

Published: 2024-02-05

JEL Classification Code:

J81, M14, M54

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[DOI: 10.20885/jsb.vol28.iss1.art3](https://doi.org/10.20885/jsb.vol28.iss1.art3)

Abstract

Purpose – The research objective was to examine the predominant errand of work engagement (WE) and the physical work environment (PWE) in the development of innovative organizational culture (IOC) by contemplating the mediating factors of innovative work behaviour (IWB) and employee performance (EP).

Design/methodology/approach – The research was conducted through a questionnaire survey of all employees of PT. Alzena Skincare Indonesia, 175 people who produced quantitative primary data. Through the PLS-SEM high-level analysis, the validity and reliability of the questionnaire were checked, and each research hypothesis was evaluated in detail.

Findings – The research results showed that an 'IOC' in a skincare company can be developed, and 'WE' is the principal aspect. However, it was still essential for the company to heed the 'PWE'. The partial mediating role of 'IWB' and 'EP' accelerated the formation of an 'IOC'. Meanwhile, serial mediation of 'IWB' and 'EP' only supported 'WE' in building 'IOC', not the 'PWE'.

Research limitations/implications – This research was still limited to PT. Alzena Skincare Indonesia employees, so the results cannot be generalized to other types of businesses. Thus, further research is compulsory to test the research model on other objects and look for other factors that can encourage creation of an innovative organizational culture.

Practical implications – The practical implication of this research was that skincare company managers need to build 'IOC' by strengthening 'WE' and improving the 'PWE' that supports it. These two factors created 'IWB' and improved 'EP', ultimately forming an 'IOC'.

Originality/value – It still needed to uncover research that examined the effect of 'WE' and the 'PWE' on 'IOC', especially if it was serially mediated by 'IWB' and 'EP'. So, the complex model was the main novelty of this study.

Keywords: Innovation Organizational Culture (IOC), Employee Performance (EP), Work Engagement (WE), Physical Work Environment (PWE), Innovative Work Behavior (IWB)

Introduction

The cosmetic product business is one type of business that could survive in conditions of declining people's purchasing power when the Covid-19 pandemic rocked the world economy. This phenomenon was evidenced by online transactions in 2020, which for cosmetic products increased

to 80% (Kemenperin, 2020). PT. Alzena Skincare Indonesia was one of interesting cosmetic product business from Pati, Central Java. This business has been growing so that it had many branches spread across several regions in Indonesia (Setiyadi et al., 2022). In 2019, Alzena won the “The Most Trusted Beauty Skincare with Excellent Service of The Year 2019” award from the “menkopukm” (the Ministry of Cooperatives and SMEs) (Patinews, 2019). This achievement demonstrated Alzena's management dedication to realizing the company's vision: “A Worldwide, Professional, and Natural of Beauty and Natural Face Company”.

However, in this digital transformation era accelerated by Covid-19 pandemic's impacts, the climate of competition between businesses was getting tougher (Anjaningrum et al., 2021), so every business is required to innovate to compete (Anjaningrum et al., 2023). Meanwhile, according to the grand theory of Resource Based View (RBV) Barney (1991), company resources are the main key to facing competition. While, the most valuable asset in the organization are employees (Ngo et al., 2023). So, employee performance must be weighted up, and because of the demands for innovation, it is also overriding to think about building up an innovative organizational culture (IOC).

PT. Alzena Skincare Indonesia continues to make breakthroughs in product innovation, such as the launch of skincare products for men (Setiyadi et al., 2022). However, the thing that still becomes homework is how to create the Alzena company culture to be innovative owing to the fact that IOC is the principal constituent for engendering holistic and sustainable innovation.

There was a vigorous linkage between employee performance (EP) and ‘IOC’, as research results of Andriyanty et al. (2021) divulged that performance strongly alter ‘IOC’. So, an ‘IOC’ can be created when the employee's performance is also soaring. Nevertheless, apart from innovation, an empirical gap occurred when many studies proved the organizational culture's sequel on employee performance (e.g. Sari et al., 2023; Ningsih & Prastiwi, 2022; Ferine et al., 2021; Cherian et al., 2021; Mekka et al., 2020; Hasan, et al., 2020; and Ningsih et al., 2019). This opposite effect concocts an interesting research gap to study whether the object of study is focused on innovative culture; employee performance drives an ‘IOC’, not the other way around.

Efforts are needed to enhance ‘EP’ and build up an ‘IOC’ in one span of time simultaneously. It is mandatory to look for the factors that drive it. The research of Ajiardani & Anjaningrum (2022) disclosed that high employee performance will be attained when employees have strong work engagement (WE) which supported by good physical work environment (PWE). Ajiardani & Anjaningrum (2022) also revealed that ‘WE’ and ‘PWE’ simulate innovative work behaviour (IWB), ultimately improving ‘EP’. However, this study had yet to unveil whether the relationship between these four factors can create ‘IOC’. Moreover, the research object was a group cafe, which will be different from the condition of HRM in a skincare company.

While, Rodionova & Dominiak (2020) divulged that in HRM process, the problem of employee engagement is indeed one of the most pressing matters. Employee productivity and organizational efficiency are directly affected by the level of employee engagement. Likewise, innovation, Aman (2019) explained that the ability to innovate is strongly influenced by employee engagement. The aforesaid was emphasized by Sherlock et al. (2022), who explicated that firm innovativeness depends on personal commitment. Employees with high commitment are automatically bound by work. So, an ‘IOC’ can be formed by ‘WE’.

Meanwhile, finding an interconnection between the ‘PWE’ and ‘IOC’ is still very rare. Many studies have revealed that the environment of work and organizational culture were drivers of employee performance (e.g. Lathiifa & Chaerudin, 2022; Dimbarokke et al., 2023; and Basuki & Khalid, 2021), but it is still difficult to find a unidirectional or reciprocal relationship between the two drivers. So, it raises a research gap that allows the opinion that the work environment can influence organizational culture, especially in an innovation culture.

An ‘IOC’ certainly needs support from a work environment model, especially the ‘PWE’. Maybe it has a strong effect indirectly. At first, the ‘PWE’ will influence employee behaviour. First, it could be ‘IWB’, as found by Ajiardani & Anjaningrum (2022), then form an ‘IOC’. A strong relationship existed between the ‘PWE’ and ‘IWB’ (Abun et al., 2023). If the ‘PWE’ supports employee work behaviour so that they can be more innovative, it ultimately creates an ‘IOC’ (Al-Omari et al., 2019).

On the other hand, the research of Luhglatno & Dwiatmadja (2020) emphasized that employee expertise, such as how to create creative, unique, and superior new ideas, must be considered in order to achieve organizational success. So 'TWB' will affect employee performance (Andriyanty et al., 2021; and Vassallo et al., 2023). 'TWB' had been proven to impact performance (Febriani & Sa'diyah, 2021), especially employee performance (Ajiardani & Anjaningrum, 2022). In the current global economic landscape, it has forced all business sectors to innovate in terms of services, products, and work processes, so 'TWB' is important for company leaders to pay attention to (Luhglatno & Dwiatmadja, 2020). Every employee must be innovative in every way. The individual level of 'TWB' will affect the team level, ultimately affecting the company, forming its own culture (Pandey et al., 2019).

PT. Alzena Skincare Indonesia's organizational culture is still not very innovative, especially when judged from the perspective of implementing participatory management. Employee participation in the management process still needs to be improved, even though the company has provided basic facilities for an innovative corporate culture, such as a special space for sharing information and knowledge equipped with IT infrastructure that supports employees in seeking new ideas.

Meanwhile, in terms of work behaviour, individuals are still less innovative when there are complaints from consumers regarding long queues for maintenance; the personnel on duty should immediately look for ideas on how to solve the problem of long queues and or, better yet if they can anticipate a long queue. Likewise, with the problem of new promotions from competitors that threaten customer loyalty, employees cannot immediately look for effective ideas to anticipate customer betrayal. However, returning to the application of participatory management, which is still not optimal, the employees on duty cannot make decisions quickly. This condition also makes task performance not optimal, where work results must contribute to organizational effectiveness.

Meanwhile, in terms of work engagement, employee assessments of their work often need more meaning and purpose. Employees come to work, carry out their duties by their job description and applicable SOPs, and work with full concentration, but what is the meaning of their work? Long-term goals still need to be well ingrained in the minds of employees. The goal of most employees working is still limited to earning a living. As for the physical work environment, employees often complain that the room temperature needs to be more suitable for them. Some employees feel that the AC is too cold, but if the temperature is increased, other employees feel too hot. So, is there a connection between problems with work engagement and a physical work environment that still needs to be optimal for innovative employee work behaviour?

Moreover, does this problem have anything to do with work results and the organizational culture created? So, it is urgent to research whether work engagement, physical work environment, work behavior, and employee work results influence the formed organizational culture. However, the demand for an innovative organizational culture in this highly competitive era is urgent to be realized to maintain the company's existence and resilience in competing.

Based on the problems being faced by PT. Alzena Skincare Indonesia and empirical studies showed some research gaps, so this study analysed how the complex relational between 'WE', 'PWE', 'TWB', 'EP', and 'IOC', in which the complex conceptual framework model (see figure 1.) is the main novelty of this research. So far, research related to innovative organizational culture in the skincare business is still rare, so this research becomes urgent to be carried out in order to provide alternative solutions to the problems faced by skincare businesses related to how to improve employee performance and create an innovative organizational culture.

Literature Review and Hypotheses

Organizational Culture

Organizational culture is a shared value owned by a group of people in an organization in learning about the truth, which solves organizational problems. Organizational culture is also a system of assessing beliefs or norms mutually agreed upon by members of the organization. This system is a guideline in behavior to solve organizational problems (Suwaldiyana, 2021; Sari et al., 2023). According to Ariawaty (2020), good values in organizational culture impact employee commitment.

In particular, corporate culture reflects a more mature image and corporate identity, in which corporate culture is considered a pattern of basic assumptions that are considered valid and correct to be studied together and passed on to members in solving company problems (Cherian et al., 2021). Meanwhile, innovation was originally defined by Schumpeter (1939) in Altındağ & Köseadağı (2015) as the activity of creating new things in the industry, such as the discovery of new products, development of methods, development of new markets, creation of new resources, creation monopolies, which in then focused on the latest product development and new production systems. Concerning organizational culture, Barker (2011) in Altındağ & Köseadağı (2015) defined innovative culture as an experience and skills combination that can bring up new ideas, processes, and products. The causes for the formation of an innovative culture are process requirements, discrepancies, unexpected developments, industry and market changes, demographic changes, perceptions, and new information that appears outside or inside the organization.

Innovation in the current era is inseparable from technological developments. So, in this study, we define innovative organizational culture as the shared value of organizational members in studying unexpected developments, both in terms of products and processes, as a result of changes in the business environment and technological developments.

The Self-Determination Theory

The main theory as the basis for this research is the self-determination theory, which, as the research of Li et al. (2021) and Ghani et al. (2023), this theory is used to investigate the influence of employee involvement on innovative work behavior. The self-determination theory (often abbreviated to SDT) emphasizes humans' inherent needs regarding autonomy, competence, and relatedness in the work context. When employees feel they have autonomy and control over their work, they can become more engaged in tasks and develop new ideas. Having autonomy also makes employees aware of the need for special skills and working in a positive and conducive atmosphere to achieve better performance (Ghani et al., 2023).

The theoretical framework of SDT, in a dynamic context, also provides support for the idea that employees can be encouraged and empowered to actively participate in increasing organizational success (work engagement) by being given a safe and comfortable environment (physical work environment) to express their ideas (innovative work behavior) (Ghani et al., 2023). So, the physical work environment is considered important in supporting innovative work behavior and better performance (Ajiardani & Anjaningrum, 2022; Abun et al., 2023), which ultimately forms an innovative organizational culture.

Thus, the environment where individuals perceive their ideas should be recognized as important to consider and incorporate into the decision-making process because it increases employees' intrinsic motivation and fosters greater motivation to engage in innovative work behavior. Additionally, employees tend to have better social relationships, a stronger sense of belonging to an organization where justice is upheld, a positive emotional state, and greater engagement. So, employees are motivated to develop new ideas, collaborate with colleagues, and provide in-depth feedback to improve organizational processes and products. The process continues to repeat itself, and eventually, employees become accustomed to it, forming a culture within the organization, namely an innovative culture.

Work Engagement, Physical Work Environment, and Innovative Work Behavior

Ajiardani & Anjaningrum (2022) have proven how high the role of work engagement (WE) was in shaping innovative work behavior (IWB). Similar findings were also declared by Vithayaporn & Ashton (2019), especially due to the Covid-19 pandemic, which has changed the strategy organizations exertion, where work involvement was proven to be a significant driver of 'IWB' (Wicaksono & Pusparini, 2022). Work engagement is also a motivation that employees must be involved and enthusiastic about their work. Positively engaged employees seek to contribute to the organization through innovation. Motivating conditions such as work engagement stimulate employees' positive thinking, then increase their innovative work behavior (Sari et al., 2021). Highly involved employees tend to show how their behavior can be considered innovative (Ali et al., 2022).

Apart from 'WE', 'IWB' appears when it is supported by a physical work environment (PWE) (Ajiardani & Anjaningrum, 2022; Abun et al., 2023). The 'PWE', including office design, is important for employees to do their job effectively under certain conditions (Weijs-Perrée et al., 2019) to be more innovative (Al-Omari et al., 2019).

So, if employees are more involved in their work, the resulting creativity will be higher so they can overcome existing obstacles. This condition triggers innovative employee behavior, where employees find bright ideas to complete their work. This achievement can be more successful if comfortable physical work environment conditions support it. So, positive work behavior can be created if employees have high involvement in their work, and the physical working environment is also supportive because it makes workers comfortable at work. Based on empirical studies, it is shown there are relationships between 'WE' and 'PWE' with 'IWB', so the following hypotheses can be drawn:

H1: High 'WE' build up 'IWB'

H2: A comfortable 'PWE' supports the formation of IWB

Work Engagement, Physical Work Environment, Innovative Work Behavior, and Employee Performance

It has been stated previously research there are important relationships between work engagement (WE) and physical work environment (PWE) with innovation work behavior (IWB). Then do these three factors affect employee performance? Furthermore, how to model the complexity of the relationships that may occur?

Work engagement is important in reducing the impact of gossip on performance (Li et al., 2023) because internal communication, knowledge sharing, continuous learning, and intrapreneurship can run more smoothly (Tiwari & Lenka, 2020). So, work engagement is important to pay attention to because if employees do not care about work, slack off work, or resign, even leaving work will certainly harm the company (Shen & Ren, 2023).

Employee performance was also found to be dominated by the physical work environment (Ajiardani & Anjaningrum, 2022; Abun et al., 2022; and Novitasari & Iskandar, 2022). The physical work environment is a requirement that must be addressed because it lets employees do their job optimally even though certain conditions, such as stressful conditions, reduce performance. So, the quality of the workplace environment determines employee performance (Rorong, 2016), including office design, furniture arrangement, and others (Weijs-Perrée et al., 2019).

Luhgiatno & Dwiatmadja (2020) research emphasizes that employee skills need attention to achieve organizational success. So innovative work behavior will affect employee performance (Andriyanty et al., 2021; Vassallo et al., 2023). 'IWB' has been proven to impact performance (Febriani & Sa'diyah, 2021), especially employee performance (Ajiardani & Anjaningrum, 2022). In the current global economic landscape, it forces all business sectors to innovate in terms of services, products, and work processes, so employee work behavior becomes necessary for company leaders to thoughtful to Luhgiatno & Dwiatmadja (2020) because it will affect their performance.

Employee performance that produces innovation will be achieved only if existing human resources work innovatively. Today's employee work behavior is, like it or not, required to be innovative. Moreover, based on The Self-Determination Theory, this condition is closely related to employee's basic needs regarding autonomy, competence, and connectedness in the work context. Employees certainly want to get recognition for their work's results, which is related to their competition with colleagues. However, to achieve this, employees need to have autonomy at work and be fully involved so that creative and innovative ideas emerge in completing their work. Thus, innovative work behavior will emerge, especially if comfortable physical work environment conditions support it. High work engagement and comfortable physical work environment conditions can encourage employee work behavior in an innovative direction, ultimately affecting the work results obtained. While, previously it was also explained that 'WE' and 'PWE' could explain 'IWB', while 'WE', 'PWE', and 'IWB' also affect 'EP'. This relationship shows the emergence of a special relationship in the possibility of the 'IWB' partial mediating role in the interrelation between 'WE' and 'PWE' with 'EP'. This phenomenon gave rise to several research

hypotheses, including:

H3: High 'WE' enhance 'EP' significantly

H4: A comfortable 'PWE' enhance 'EP' significantly

H5: 'IWB' enhance 'EP' significantly

H6: 'WE' improves 'EP' significantly when the 'IWB' mediates it

H7: 'PWE' improves 'EP' significantly when the 'IWB' mediates it

Work Engagement, Physical Work Environment, Innovative Work Behavior, Employee Performance, and Innovative Organizational Culture

Previously, the relationship between 'WE', 'PWE', and 'IWB' with 'EP' has been explained. However, can these four factors form a new organizational culture, an innovative culture? Moreover, the complexity of the relationship between the five constructs must first be explored through several empirical studies.

The strong link between employee performance and innovative organizational culture has been proven in Andriyanty et al. (2021) research, which revealed the strong influence of performance on an innovative corporate culture. So, an innovative organizational culture can be created if employee performance is also high.

However, if we ignore the innovation factor, an empirical gap occurs when many studies prove the sequelae of organizational culture on employee performance (e.g., Sari et al., 2023; Ningsih & Prastiwi, 2022; Ferine et al., 2021; Cherian et al., 2021; Mekka et al., 2020; Hasan et al., 2020; and Ningsih et al., 2019). This recursive effect creates research gaps, so the relationship between the two constructs still needs stronger evidence.

Meanwhile, research by Ajiardani & Anjaningrum, 2022 divulged that high employee performance will be realized if employees have strong work engagement. Furthermore, Kim et al. (2019) also emphasized that employee work involvement must be high if the resulting performance is high. Engaged employees can be a strategic business tool in this era. Companies can survive and overcome intense competition if employees' physical and mental well-being is maintained so that work engagement can be seen as a strong source of competitive advantage in turbulent times (Bedarkar & Pandita, 2014).

Rodionova & Dominiak (2020) disclosed that in the HRM process, employee engagement issues are indeed one of the most pressing matters. Employee productivity and organizational efficiency are directly affected by the level of employee engagement. Likewise, with innovation, Aman (2019) explained that the ability to innovate is strongly influenced by employee engagement. The above was emphasized by Sherlock et al. (2022), which explain that corporate innovation depends on personal commitment. Employees with high commitment are automatically tied to work. So, an innovative organizational culture can be formed with employee engagement.

Meanwhile, finding the interconnection between the physical work environment and innovative organizational culture is still rare. Many studies revealed that the work environment and organizational culture are drivers of employee performance (e.g., Lathiifa & Chaerudin, 2022; Dimbarokke et al., 2023; and Basuki & Khalid, 2021), but it is still difficult to find a unidirectional or reciprocal relationship between the two drivers so that it creates a research gap that allows the opinion that the work environment can influence organizational culture, especially in innovation culture.

An innovative organizational culture certainly requires support from a work environment model, especially the physical work environment. It could have a powerful effect indirectly. At first, the physical work environment will influence employee behavior; consider, in this case, IWB, as stated by Ajiardani & Anjaningrum (2022), then form an innovative organizational culture. A strong relationship exists between the 'PWE' and 'IWB' (Abun et al., 2023). If the 'PWE' supports employee work behavior so that they can be more innovative, then in the end, an innovative organizational culture is created (Al-Omari et al., 2019). Innovative multicultural work behavior will shape an innovative organizational culture (Korzilius et al., 2017). Technology is also important for coordination (Malik et al., 2023), which shows innovative work behavior in this era.

So, an innovative organizational culture is shaped by how employees behave and their performance. Suppose employees behave innovatively in completing their work, especially when

facing problems and obstacles. In that case, the resulting performance will be high and lead to results that come from innovative thinking and behavior. If this is done repeatedly and continuously and carried out by all company personnel, an innovative culture in the organization will be formed automatically. Based on the self-determination theory, organizational culture arises from the individual needs of each company personnel member who wants to achieve better performance (Ghani et al., 2023) by developing new ideas that emerge from employee autonomy and control for the work carried out by employee involvement in the task and supported by very comfortable working environment conditions.

While, previous studies above have shown a direct relationship between ‘WE’, ‘PWE’, ‘IWB’, ‘EP’, and ‘IOC’. Nevertheless, many still need to be stronger, especially PWE’s relationship with the ‘IOC’. Previous studies above also indicated a mediation role. ‘WE’ and ‘PWE’ directly affected ‘IWB’ and ‘IOC’, while ‘IWB’ also affects ‘IOC’; this indicates that ‘IWB’ is a partial mediator in the intercourse between ‘WE’ and ‘PWE’ on ‘IOC’. Likewise, the relationship between ‘WE’ and ‘PWE’ with ‘EP’ and ‘IOC’ indicates that ‘EP’ partially mediates in the influence of ‘WE’ and ‘PWE’ on ‘IOC’.

Moreover, a more complex relationship may also occur, considering that ‘IWB’ affects ‘EP’ and ‘IOC’, while ‘WE’ and ‘PWE’ are indicated to affect ‘IWB’, ‘EP’, and ‘IOC’, so it can be speculated if there may be a partial mediating role of ‘IWB’ and ‘EP’ in the influence of ‘WE’ and ‘PWE’ on ‘IOC’. Based on this analysis, the complex conceptual model is shown in Figure 1, and several hypotheses are drawn which require concrete evidence, as follows:

H8: High ‘WE’ induce an ‘IOC’

H9: A comfortable ‘PWE’ induce an ‘IOC’

H10: ‘IWB’ creates an ‘IOC’

H11: High ‘EP’ fuels an IOC

H12: ‘WE’ creates an ‘IOC’ when ‘IWB’ mediates it partially

H13: ‘PWE’ creates an ‘IOC’ when ‘IWB’ mediates it partially

H14: ‘WE’ creates an ‘IOC’ when ‘EP’ mediates it partially

H15: ‘PWE’ creates an ‘IOC’ when ‘EP’ mediates it partially

H16: ‘IWB’ creates an ‘IOC’ when ‘EP’ mediates it partially

H17: ‘WE’ creates an ‘IOC’ when ‘IWB’ and ‘EP’ mediates it serially

H18: ‘PWE’ creates an ‘IOC’ when ‘IWB’ and ‘EP’ mediates it serially

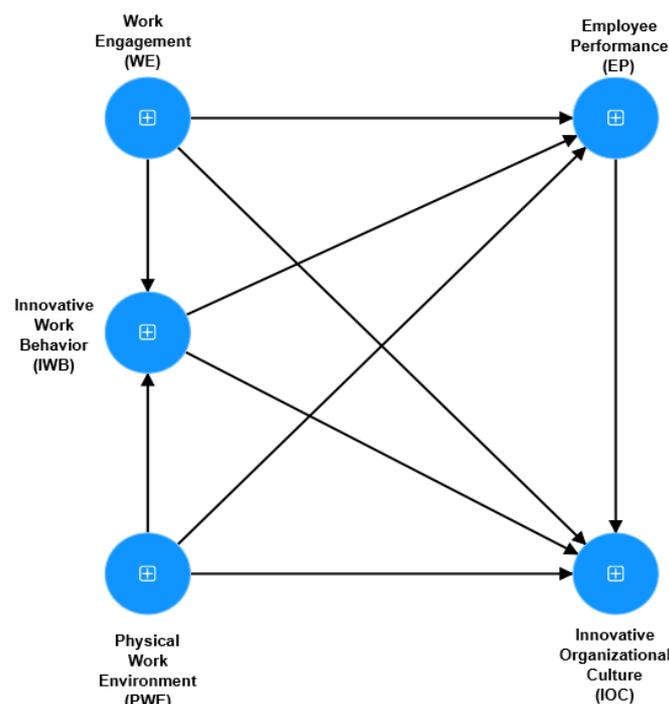


Figure 1. Research Conceptual Model

Research Methods

This type of research is quantitative research conducted through a cross-sectional survey with an instrument in the form of a 5-point Likert scale online questionnaire. The research population was all employees of PT. Alzena Skincare Indonesia has 196 employees (see table 1. for employee demographics). The sampling technique used is saturated sampling or census. The data collection process was conducted from June 28, 2023, to July 20, 2023, where the President Director of PT Alzena Skincare Indonesia assisted with research access, so all employees filled out the questionnaire according to the specified target time. The collected data was analysed using high-level analysis, namely SEM-PLS, which can analyse the outer model (factors of each variable) and inner model (relationships between variables, including path analysis models) simultaneously with analysis guidelines using the article of Hair et al. (2014), book of Garson (2016) and book of Hair et al. (2017). By the relationship path between variables, as shown in Figure 1, there are two independent variables, that is work engagement and physical work environment, there is one dependent variable, that is innovative organizational culture, and there are two mediations which are located serially, that is: innovative work behaviour and employee performance. The main structural equation models formed from direct paths include:

$$IWB = p1.WE + p2.PWE + e1 \quad (1)$$

$$EP = q1.WE + q2.PWE + q3.IWB + e2 \quad (2)$$

$$IOC = r1.WE + r2.PWE + r3.IWB + r4.EP + e3 \quad (3)$$

IWB is Innovative Work Behaviour; WE is Work Engagement; PWE is Physical Work Environment; EP is Employee Performance; and IOC is Innovative Organizational Culture. Meanwhile, $p1$ is the WE path coefficient to IWB, $p2$ is the PWE path coefficient to IWB, $q1$ is the WE path coefficient to EP, $q2$ is the PWE path coefficient to EP, $q3$ is the IWB path coefficient to EP, $r1$ is the WE path coefficient to IOC, $r2$ is the PWE path coefficient to IOC, $r3$ is the IWB path coefficient to IOC, and $r4$ is the EP path coefficient to IOC. Meanwhile, $e1$ is the standard error of path 1, $e2$ is the standard error of path 2, and $e3$ is the standard error of path 3. SEM-PLS analysis was carried out using SmartPLS version 4.0.9.4 software.

Table 1. Employees Demographics

| | | | |
|----------------|---|-----|--------------------------------------|
| Job Placement | HRD | 1 | Total Respondents = 196 employees |
| | Finance | 2 | |
| | Warehouse | 2 | |
| | Marketing | 8 | |
| | Operational | 1 | |
| | Legality | 1 | |
| | Administration | 38 | |
| | Medical Personnel (doctor, beauty consultant, beauty therapist, pharmacy) | 122 | |
| | Others (Security, Office Boy etc.) | 21 | |
| Gender | Male | 21 | 10.7% |
| | Female | 175 | 89.3% |
| Education | Senior High School | 58 | 29.6% |
| | Diploma | 98 | 50.0% |
| | Bachelor | 40 | 20.4% |
| Marital Status | Marry | 157 | 80.1% |
| | Single | 39 | 19.9% |

There were two exogenous latent constructs, that is: Work engagement and physical work environment, and also three endogenous latent constructs, that is: Innovative work behaviour, employee performance, and innovative organizational culture. The questionnaire items on the research construct are presented in table 2 below:

Table 2. Questionnaire Indicator/Item

| Constructs | Indicator/Item | Reference |
|---|--|---|
| Work Engagement (WE) | Employees work very energetically (WE1). | Yu et al. (2020) |
| | Employees assess the work done as full of meaning and purpose (WE2). | |
| | Employees can forget about other things when they are focused on work (WE3). | |
| | Employees are always eager to go to work when they wake up (WE4). | |
| Physical Work Environment (PWE) | Equipment that supports employee work (PWE1). | Ajiardani & Anjaningrum (2022); Wu et al. (2021) |
| | Lighting that fits employees' eyes (PWE2). | |
| | Equipment (PWE3). | |
| | Workspace temperature (PWE4). | |
| | Decoration comfortable and attractive workspace (PWE5). | |
| | Noise level (PWE6). | |
| Innovative Work Behaviour (IWB) | Innovative individuals (IWB1). | Al-Omari et al. (2019); Ajiardani & Anjaningrum (2022) |
| | innovative leadership styles (IWB2). | |
| | innovative organizations (IWB3). | |
| Employee Performance (EP) | Adaptive performance (EP1). | Carvalho et al. (2020) and Ajiardani & Anjaningrum (2022) |
| | Contextual performance (EP2). | |
| | Task performance (EP3). | |
| Innovative Organizational Culture (IOC) | Availability of basic facilities for an innovative corporate culture (IOC1). | Andriyanty et al. (2021) |
| | Existence of an innovative vision & mission (IOC2). | |
| | Growth of a culture of respecting fellow human beings as well as the environment (IOC3). | |
| | Implementation of participatory management (IOC4). | |

Results and Discussion

Results

External model measurement of PLS-SEM

The critical value for the loading factor so that the construct measuring items are declared valid is 0.70 (Garson, 2016). Based on the numbers listed on the connecting line between the manifest and latent constructs in Figure 1, which shows the value of the loading factor, it is known that each item measuring each latent construct has a loading factor of over 0.7, so all items are valid.

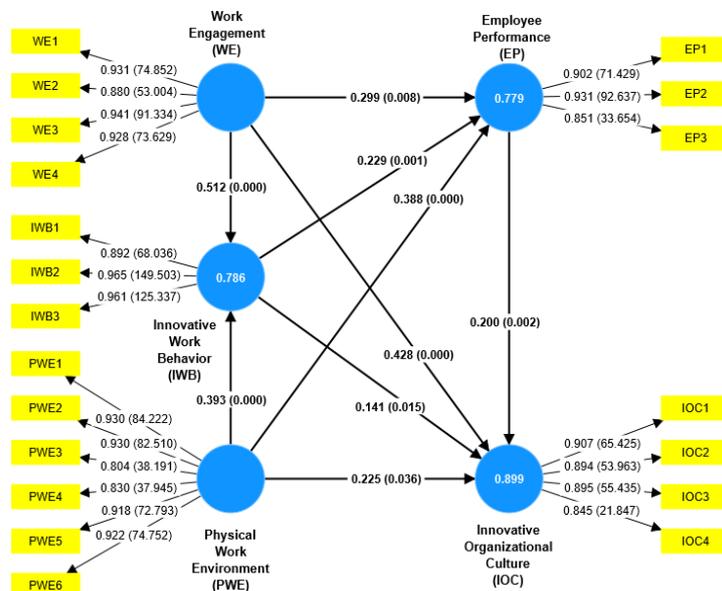


Figure 2. Structural Model

Source: SmartPLS 4.0.9.4 Software Output (2023)

The critical value for average variance extracted (AVE) is 0.5, so it can be concluded that items are valid in reflecting latent constructs. Based on the AVE values in table 3, it was known that all AVE values for each variable were greater than 0.5, which proved the validity of the items used to measure each latent construct. Meanwhile, the critical value for cronbach's alpha (CA) is 0.6, and the composite reliability (CR) is 0.8 to indicate a reliable instrument. The CA and CR values in table 3 showed that the CA for each latent construct was greater than 0.6, and the CR for each latent construct was greater than 0.8, proving the reliability of the latent construct measuring items.

Table 3. Reliability and Validity of the Constructs

| Latent Constructs | AVE > 0.5 | CA > 0.6 | CR (rho a) > 0.8 | CR (rho c) > 0.8 |
|-------------------|-----------|----------|------------------|------------------|
| EP | 0.802 | 0.876 | 0.878 | 0.924 |
| IOC | 0.784 | 0.908 | 0.909 | 0.936 |
| IWB | 0.884 | 0.933 | 0.933 | 0.958 |
| PWE | 0.793 | 0.947 | 0.947 | 0.958 |
| WE | 0.847 | 0.939 | 0.940 | 0.957 |

Source: SmartPLS 4.0.9.4 Software Output (2023)

It should be noted that perhaps generation and gender affect work involvement, but in this era, as stated by Hanggarawati & Kismono (2022), there were no significant differences between generations with work involvement or gender issues. So, the analysis results here, regardless of generation and gender, will still be valid.

SEM-PLS Inner Model Measurement

The determination test, often called the R-Square (R^2) test, is one of the most widely considered internal model tests in research because it can show the contribution percentage of exogenous constructs to endogenous ones. In figure 2 the value of R^2 is indicated by the numbers in the construct in the form of a blue circle. In the IWB construct, the R^2 value of 0.786 was interpreted to mean that around 78.6% of IWB was explained by WE and PWE. In the EP construct, the R^2 value of 0.779 was interpreted to mean that around 77.9% of the EP was explained by WE, PWE, and IWB. In the IOC construct, the R^2 value of 0.899 was interpreted to mean that around 89.9% of IOC was explained by WE, PWE, IWB, and EP. The contribution of each endogenous construct is classified as a strong influence because it exceeds 67% (Hair et al., 2017).

Testing the Hypotheses

The T-test is the most standard test used in quantitative research to test the research hypothesis and whether it is accepted or rejected. The critical value used is 1.96 if the research is conducted at a 5% significance level or 95% confidence level. If the t-statistic value is over 1.96 or the p-value is < 5%, then the effect of exogenous latent constructs on endogenous constructs is significant. Determining the direction of influence of exogenous construct to endogenous, positive, or negative; is sufficient to examine it based on the path coefficient or the original sample (O) value in the output of the SmartPLS software. The t-test results can be seen in table 4, along with these interpretations.

Main Structural Equation Models formed from direct paths:

$$IWB = 0.512WE + 0.393 PWE + e_1 \quad (1)$$

$$EP = 0.299WE + 0.388PWE + 0.229IWB + e_2 \quad (2)$$

$$IOC = 0.428WE + 0.225PWE + 0.141IWB + 0.200EP + e_3 \quad (3)$$

Where "IWB" stands for Innovative Work Behavior, "WE" stands for Work Engagement, "PWE" stands for Physical Work Environment, "EP" stands for Employee Performance, "IOC" stands for Innovative Organizational Culture, and "e" stands for error terms.

The direct effect analysis between latent constructs (see table 4.) found that 'WE' effected 'IWB' positive-significantly (with $p = 0.512$, t-statistics $5.606 > 1.96$, p-value $0.000 < 0.05$). So that H1: "High 'WE' build up 'IWB'", supported. It was also known that the 'PWE' effected 'IWB'

positive-significantly (with $p = 0.393$, t-statistics $4.407 > 1.96$, p-value $0.000 < 0.05$). So that H2: “A comfortable ‘PWE’ supports the formation of ‘IWB’”, supported.

‘WE’ effected ‘EP’ positive-significantly (with $p = 0.299$, t-statistics $2.656 > 1.96$, p-value $0.008 < 0.05$). So that H3: “High ‘WE’ enhance ‘EP’ significantly”, supported. ‘PWE’ effected ‘EP’ positive-significantly (with $p = 0.388$, t-statistics $3.718 > 1.96$, p-value $0.000 < 0.05$). So that H4: “A comfortable ‘PWE’ enhance ‘EP’ significantly”, supported. ‘IWB’ effected ‘EP’ positive-significantly (with $p = 0.229$, t-statistics $3.262 > 1.96$, p-value $0.001 < 0.05$). So that H5: “‘IWB’ enhance ‘EP’ significantly”, supported.

Table 4. T-Test Results

| Relational between Latent Constructions | Path Coef. | T statistics | P values | Inference |
|---|------------|--------------|----------|--|
| Direct Effects | | | | |
| WE → IWB | 0.512 | 5.606 | 0.000 | + Sig → Supported of H1 |
| PWE → IWB | 0.393 | 4.407 | 0.000 | + Sig → Supported of H2 |
| WE → EP | 0.299 | 2.656 | 0.008 | + Sig → Supported of H3 |
| PWE → EP | 0.388 | 3.718 | 0.000 | + Sig → Supported of H4 |
| IWB → EP | 0.229 | 3.262 | 0.001 | + Sig → Supported of H5 |
| WE → IOC | 0.428 | 4.530 | 0.000 | + Sig → Supported of H8 |
| PWE → IOC | 0.225 | 2.092 | 0.036 | + Sig → Supported of H9 |
| IWB → IOC | 0.141 | 2.435 | 0.015 | + Sig → Supported of H10 |
| EP → IOC | 0.200 | 3.134 | 0.002 | + Sig → Supported of H11 |
| Specific Indirect Effects | | | | |
| WE → IWB → EP | 0.117 | 2.953 | 0.003 | Mediation-partially → Supported of H6 |
| PWE) → IWB → EP | 0.090 | 2.451 | 0.014 | Mediation-partially → Supported of H7 |
| WE → IWB → IOC | 0.072 | 2.173 | 0.030 | Mediation-partially → Supported of H12 |
| PWE → IWB → IOC | 0.055 | 2.114 | 0.035 | Mediation-partially → Supported of H13 |
| WE → EP → IOC | 0.060 | 2.011 | 0.044 | Mediation-partially → Supported of H14 |
| PWE → EP → IOC | 0.078 | 2.236 | 0.025 | Partial mediation → Supported of H15 |
| IWB → EP → IOC | 0.046 | 2.098 | 0.036 | Partial mediation → Supported of H116 |
| WE → IWB → EP → IOC | 0.023 | 2.050 | 0.040 | Serial mediation → Supported of H17 |
| PWE → IWB → EP → IOC | 0.018 | 1.733 | 0.083 | Not Serial Mediation → Rejected of H18 |

Source: SmartPLS 4.0.9.4 Software Output (2023)

‘WE’ effected ‘IOC’ positive-significantly (with $p = 0.428$, t-statistics $4.530 > 1.96$, p-value $0.000 < 0.05$). So that H8: “High ‘WE’ induce an ‘IOC’”, supported. ‘PWE’ effected ‘IOC’ positive-significantly (with $p = 0.225$, t-statistics $2.092 > 1.96$, p-value $0.036 < 0.05$). So that H9: “A comfortable ‘PWE’ induce an ‘IOC’”, supported. ‘IWB’ effected ‘IOC’ positive-significantly (with $p = 0.141$, t-statistics $2.435 > 1.96$, p-value $0.015 < 0.05$). So that H10: “‘IWB’ creates an ‘IOC’”, supported. ‘EP’ effected ‘IOC’ positive-significantly (with $p = 0.200$, t-statistics $3,134 > 1.96$, p-value $0.002 < 0.05$). So that H11: “High ‘EP’ fuels an IOC”, supported.

The indirect-effect specifically of ‘WE’ on ‘EP’ through ‘IWB’ was positive-significantly (with $p = 0.117$, t-statistics $2.953 > 1.96$, p-value $0.003 < 0.05$). In this connection, Innovative Work Behavior acted as a partial mediation because the direct-effect of ‘WE’ on ‘EP’ was significant. So that H6: “‘WE’ improves ‘EP’ significantly when the ‘IWB’ mediates it”, supported. The indirect-effect specifically of ‘PWE’ on ‘EP’ through ‘IWB’ was positive-significantly (with p

= 0.090, t-statistics $2.451 > 1.96$, p-value $0.014 < 0.05$). 'TWB' acted as a partial mediation because the direct-effect of 'PWE' on 'EP' was significant. So that H7: "PWE' improves 'EP' significantly when the 'TWB' mediates it", supported.

The indirect-effect specifically of 'WE' on 'IOC' through 'TWB' was positive-significantly (with $p = 0.072$, t-statistics $2.173 > 1.96$, p-value $0.030 < 0.05$). 'TWB' acted as a partial mediation. So that H12: "WE' creates an 'IOC' when 'TWB' mediates it partially", supported. The indirect-effect specifically of 'PWE' on 'IOC' through 'TWB' was positive-significantly (with $p = 0.055$, t-statistics $2.114 > 1.96$, p-value $0.035 < 0.05$). 'TWB' acted as a partial mediation. So that H13: "PWE' creates an 'IOC' when 'TWB' mediates it partially", supported.

The indirect-effect specifically of 'WE' on 'IOC' through 'EP' was positive-significantly (with $p = 0.060$, t-statistics $2.011 > 1.96$, p-value $0.044 < 0.05$). 'EP' acted as a partial mediation. So that H14: "WE' creates an 'IOC' when 'EP' mediates it partially", supported. The indirect-effect specifically of 'PWE' on 'IOC' through 'EP' was positive-significantly (with $p = 0.078$, t-statistics $2.236 > 1.96$, p-value $0.025 < 0.05$). 'EP' acted as a partial mediation. So that H15: "PWE' creates an 'IOC' when 'EP' mediates it partially", supported. The indirect-effect specifically of 'TWB' on 'IOC' through 'EP' was positive-significantly (with $p = 0.046$, t-statistics $2.098 > 1.96$, p-value $0.036 < 0.05$). 'EP' acted as a partial mediation. So that H16: "TWB' creates an 'IOC' when 'EP' mediates it partially", supported.

The indirect-effect specifically of 'WE' on 'IOC' through serial mediation of 'TWB' and 'EP' was positive-significantly (with $p = 0.023$, t-statistics $2.050 > 1.96$, p-value $0.040 < 0.05$). 'TWB' and 'EP' acted as serial mediation. So that H17: "WE' creates an 'IOC' when 'TWB' and 'EP' mediates it serially", supported. While, the indirect-effect specifically of 'PWE' on 'IOC' through serial mediation of 'TWB' and 'EP' was positive, but not significant, (with $p = 0.018$, t-statistics $1.733 < 1.96$, p-value $0.083 > 0.05$). 'PWE' and 'EP' did not act as a serial mediation. So that H18: "PWE' creates an 'IOC' when 'TWB' and 'EP' mediates it serially", rejected.

Discussion

The research results showed that employee performance could directly form innovative organizational culture. These findings fully support the research of (Andriyanty et al., 2021), which divulged earlier the strength of the impact of performance on innovative corporate culture. Of course, the results of this study contradicted many studies, such as Sari et al. (2023), Ningsih & Prastiwi (2022), Ferine et al. (2021), Cherian et al. (2021), Mekka et al. (2020), Hasan et al. (2020), and Ningsih et al. (2019) which studied the relational between employee performance and organizational culture, if putting aside innovative types of culture.

Organizational culture, in general, is what drives employee performance improvement. Nevertheless, in fact, in the context of innovation, a culture of innovation is reflected in the availability of basic facilities for innovative corporate culture, the existence of an innovative vision & mission, the growth of a culture of respect for fellow human beings and the environment, and the implementation of participatory management will be formed if employees are adaptive to every new demand, especially changes in technology (adaptive performance); employees are willing to be involved voluntarily in unofficial activities, insist on achieving task targets, following rules, and working together to achieve organizational goals (contextual performance), as well as being able to carry out all the activities they are responsible for (task performance).

The type of performance that dominates PT employees. Alzena Skin Care is a contextual performance. This condition shows the high level of mutual help among employees, especially in completing work, where employees voluntarily want to help colleagues who are left behind. Employees also always try to act positively to maintain good working relationships and are willing to put in extra effort to complete tasks on time. This high contextual performance is the main factor influencing organizational culture at PT. Alzena Skincare Indonesia. The innovative organizational culture that stands out at PT. Alzena Skincare Indonesia provides basic facilities for an innovative company culture. The company provides a special, comfortable place with facilities that support employees in exchanging ideas and brainstorming to find new ideas to solve problems. So, the positive attitude of employees in helping others, maintaining good relations between

employees, and efforts to complete tasks on time encourage companies to provide special facilities for employees to innovate.

The innovative organizational culture formed will be stronger if supported by strong work engagement, a physical work environment, and IWB. Stronger work engagement and a more comfortable physical work environment can encourage innovative work behavior, ultimately improving employee performance and creating an innovative organizational culture. Strong work engagement can be seen in employee morale. Employees value work as full of meaning and purpose, and employees are always focused at work (Yu et al., 2020). In such a way, if it is supported by a comfortable physical work environment, such as equipment that supports work, proper lighting, equipment, the right workspace temperature, comfortable and attractive decorations, and a workspace that is not noisy (Ajiardani & Anjaningrum, 2022; and Wu et al., 2021), it will be easy for employees to behave innovatively which ultimately improves performance as found by Ajiardani & Anjaningrum (2022), Andriyanty et al. (2021), and Kim et al. (2019) who revealed the work engagement strong influence on IWB which then has a positive impact on the resulting performance (Ajiardani & Anjaningrum, 2022; Abun et al., 2022; Novitasari & Iskandar, 2022). Employees who are strongly involved in work are a business strategy tool in this era because if employees are physically and mentally maintained, the company can survive and overcome competition. Thus, employee engagement's problem is currently the most pressing issue in HRM (Rodionova & Dominiak, 2020). Work engagement is also useful in reducing the impact of gossip on performance (P. Li et al., 2023) because employees with high work engagement will focus more on work so that internal communication or intrapreneurship and the sharing of knowledge can run more smoothly (Tiwari & Lenka, 2020). Finally an innovative organizational culture can be formed spontaneously.

Work engagement encourages employee work behavior so that it is more innovative. Employees who are always enthusiastic and focused at work can find new ideas (Luhgiatno & Dwiatmadja, 2020), so that individual innovative behavior is increasingly honed. If this is balanced by an innovative leadership style (Al-Omari et al., 2019; and Ajiardani & Anjaningrum, 2022), the resulting performance will be high and create an innovative organizational culture. The findings of Aman (2019) have highlighted the importance of work engagement in enhancing innovation and discovery capabilities (Sherlock et al., 2022), emphasizing the importance of personal commitment in establishing firm innovativeness. Employees with high work engagement are likelier to exhibit IWB (Ali et al., 2022). Innovative work behavior multiculturally will form innovative organizational culture (Korzilius et al., 2017). Furthermore, in this digital era, information technology is important for coordination (Malik et al., 2023).

Work engagement is the most prominent among corporate employees. Alzena skincare means that employees can forget about other things if they are focused on work. This condition shows a very high level of concentration. Employees can focus on work due to sufficient rest time, appropriate intake, and high employee involvement in the work so that employees feel they have autonomy and control over their work, are not disturbed by the demands of rules that are too binding and limit their space for movement but are fully responsible, in the hands of individual employees. This condition is very appropriate because most of the employees of PT. Alzena Skincare Indonesia is a medical personnel consisting of doctors, beauty consultants, beauty therapists, and pharmacies who are required to have high concentration at work because if there are mistakes or malpractices, eating can have fatal consequences.

Meanwhile, the physical work environment is the most dominant at PT. Alzena Skincare Indonesia is equipment that supports employees' work, especially medical employees because whatever is related to skin diagnosis and treatment, especially facial skin, the equipment available must be complete to get maximum results so that consumers are satisfied and loyal.

The overall analysis results show that the influence of work engagement on innovative work behavior is the strongest compared to the relationship between other latent constructs. These findings strongly support the main theory underlying this research, namely The Self-Determination Theory and several previous studies, especially research Li et al. (2021) and Ghani et al. (2023). So, the results of this research also confirm that this theory is still relevant today. So, company management needs to treat employees so that they feel they have autonomy and control over their

work. That way, they can be more involved in tasks and develop new ideas to achieve better performance (Ghani et al., 2023), ultimately forming an organizational culture that leads to an innovative nature.

As for the innovative work behavior side, that is most prominent at PT. Alzena Skincare Indonesia has an Innovative Leadership Style. This condition shows that the leadership of PT. Alzena Skincare Indonesia can implement innovative leadership because it is strongly supported by high employee involvement and a comfortable physical work environment with the facilities needed for innovation.

Another interesting thing from this study is the proven of the physical work environment impact on IOC, which is still rarely proven by previous studies, although the strength of this effect is not commensurate with the effect of work engagement on IOC. The serial mediating role of IWB and employee performance in the relational between the physical work environment and IOC is also not proven. This phenomenon explains that the influence of the physical work environment on the innovative organizational culture will only get stronger if it is mediated by innovative work behavior or employee performance partially, not serially. The physical work environment is an important condition that allows employees to work effectively. The quality of the workplace environment determines employee performance (Rorong, 2016), including workspace design (Weijs-Perrée et al., 2019). The environment of the work supported IWB (Abun et al., 2023), ultimately creating an innovative organizational culture (Al-Omari et al., 2019).

So, the smart effort that PT Alzena Skincare Indonesia has to make to build an innovative organizational culture is strengthening employee engagement. Employee engagement is the main driver that must be strengthened to create innovative work behaviour that impacts performance and ultimately shape an innovative organizational culture. However, the physical work environment is also predominant to ameliorate employee comfort at work, so if there is more budget, renovating the workspace will further stimulate innovative behaviour, performance, and culture.

Theoretical Implication and Managerial Implication

This study's results provided implications for strategic management theory, especially concerning the company's main resources, videlicet human resources, as unraveled by the grand theory of Resource Based View (RBV) Barney (1991) for facing competition in today's digital era that insistence an exceptional innovation. In the context of HRM, organizational culture was crucially needed to meet the urging of the era of technological disruption, so the term 'innovative organizational culture' appeared, which reflected the latest culture in the modern era, namely the culture of innovation. An innovative culture is the main strategic tool companies need to face fierce competition. Companies must pay attention to the level of employee work engagement, physical work environment, innovative employee work behavior, and employee performance. It was established evidence that high employee performance ascendancy the formation of an innovative organizational culture.

Meanwhile, as a declamation regarding managerial implications, to build up an innovative organizational culture, the predominant thing that PT. Alzena Skincare Indonesia have to do is to strengthen employee work engagement by generating employee energy at work in the form of appropriate rewards, holding special events, maybe weekly, maybe some contemplation, or it can also be a religious approach to make employees aware of the meaning and purpose of work. Managers can also ameliorate the physical conditions of the environment, exclusively the design of the workplace, so that employees can enjoy and focus more on work so that they can forget about other things and make employees love their work so that they always have high enthusiasm in starting work begin they wake up in the morning. These conditions will invigorate innovative work behavior, improving performance and building an innovative culture.

Conclusion and Future Direction

Based on this study's results, it was concluded that high employee engagement and a comfortable physical work environment build innovative work behaviour and improve employee performance,

ultimately creating an innovative organizational culture. Work engagement and physical work environment can further improve employee performance when the innovative work behaviour mediate it partially. Work engagement and physical work environment can also create an innovative organizational culture when the innovative work behaviour mediate it partially. Work engagement, physical work environment, and innovative work behaviour create an innovative organizational culture when the employee performance mediate it partially. The serially mediating role of the innovative work behaviour and employee performance only applied to the work engagement relationship with the innovative organizational culture, but does not applied to the physical work environment relationship with the innovative work behaviour.

This research is still limited to employees of just one skincare business, PT. Alzena Skincare Indonesia, so the research results cannot be generalized to similar businesses, let alone to types of businesses other than skincare. Thus, future research is expected to test the model on other research objects and look for factors that could encourage the creation an innovative organizational culture. In addition, this study found that employee performance is a driver of IOC; conversely, many studies have perceived that organization culture is a driver of employee performance, so further research is expected to be able to examine two directions at once, whether, in the context of innovation, there is a relationship with alternating directions between employee performance and IOC.

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