J-MAS
Jurnal Manajemen dan Sains, 7(2), Oktober 2022, 1386-1390
Program Magister Manajemen Universitas Batanghari
ISSN 2541-6243 (Online), ISSN 2541-688X (Print), DOI 10.33087/jmas.v7i2.982

Relationship Between Innovative Work Behavior, Competitive Advantage and Business Performance

Ahmad Firdaus*, Sakinah
Faculty of Economics, Batanghari University
*Correspondence email: daus.husin2@gmail.com

Abstract. The aims of this study is to see how the influence of innovative work behavior on business performance in SMEs, while the mediating variable is competitive advantage. Innovative work behavior is the basis for developing excellence which will impact business performance. The sample in this study were 111 SMEs in Jambi province, especially those that had been established for more than 5 years. the data used is primary data taken through questionnaires distributed to 111 SMEs managers, and processed with verification analysis techniques using structural equation modeling.

Keywords: Business Performance, Competitive Advantage, Innovative Work Behavior.

INTRODUCTION

The development and growth of business people causes competition in the business environment to become more stringent (Aini et al., 2013; Hassan et al., 2013; Ismail et al., 2017), thus requiring companies to have different and unique products with high quality and standards compared to their competitors, this can be said as a competitive advantage (Argote & Ingram, 2000; Ngah & Ibrahim, 2010). Besides that, the development of business organizations is closely related to the improvement of human resources, with good human resource management practices, the ability of employees can be optimized so that they can achieve high performance (Hooi & Ngui, 2014; Pulakos, 2004). With the support of human resources who have high capabilities and are innovative, organizations can compete in a dynamic business environment. Conversely, if an organization cannot adjust and innovate, then the organization will be eliminated from the business environment (Firdaus et al., 2021).

Management researchers say that innovation comes from individual behavior therefore innovative individual behavior is considered essential for the success and survival of an organization. Innovative work behavior is described by (Janssen, 2000), as the process of creating and applying new ideas by individuals in working in an organization, innovative work behavior can provide high performance to that individual as well as to groups and teams. some other research results also say that innovative work behavior is closely related to the competitive advantage of the company, this is supported by Salavou et al., (2004); Xerri & Brunetto (2011) research which says that one of the factors that support business excellence is innovation.

Competitive advantage can be achieved if the company is able to provide more value to customers than what is provided by its competitors (Ismail et al., 2017; Ngah & Ibrahim, 2010). According to Argote & Ingram (2000) in his research, the performance of SMEs and competitive advantage can be influenced by two orientation strategies, namely market orientation and entrepreneurial orientation. A sustainable competitive advantage is the key to superior long-term business performance

From this explanation, the purpose of this study is to see how the influence of innovative work behavior on competitive advantage and its impact on business performance while the subjects in this study are SMEs in Jambi Province.

Literature Review

Business Performance

The concept of business performance (Adams et al., 1998; Giannopoulos et al., 2013; Hassan et al., 2013) narrowly focuses on the use of results based on financial indicators which are assumed to reflect the fulfillment of the company's economic goals, this concept refers to financial performance such as market growth, profitability, earnings per share. While the broad concept of business performance, in addition to financial performance indicators, also includes operational (ie non-financial) performance indicators.

Khaddam et al., (2021) classifies performance into two groups, namely internal performance (financial) and external performance (marketing). Because of the financial size alone, the company is relatively unable to perform external benchmarks from market growth, competitive prices, relative product and service quality, and satisfying and retaining customers (Jin & Choi, 2019; Khaddam et al., 2021; Kiptoo & Koech, 2019). So to complement internal financial performance, businesses need in parallel a set of external marketing metrics to track market-based performance.

Competitive Advantage

According to Ejrami et al., (2016) Defining competitive advantage is an advantage over competitors that is obtained by offering lower value or by providing greater benefits because the price is higher. Meanwhile González-Loureiro et al., (2015) provide an understanding of competitive advantage as a company's ability to make products or service offerings that are more valued by customers compared to other companies.

Competitive advantage indicators include: product uniqueness, competitive prices, and products that are not easily imitated (Andes et al., 2020; Ejrami et al., 2016; González-Loureiro et al., 2015; Hidayat et al., 2022).

Innovative Work Behavior

Innovative work behavior is explained as the behavior of individuals who intentionally create and implement new ideas or new things in their work roles as groups or organizations so that they can be used to improve the performance of the group or organization (Akram et al., 2018; Dorner, 2012; Li & Zheng, 2014; Yuan & Woodman, 2010). Messmann (2012) said that innovative work behavior is the sum of individual physical and cognitive work activities in carrying out a set of work required in the development of innovation, whether done individually or in groups. Meanwhile, (Scott & Bruce, 1994) explained that innovation is a process that is carried out systematically and gradually and has different activities and behaviors at each stage.

Scott & Bruce (1994) provide further explanation that innovative work behavior in the workplace as a complex behavior consisting of a set with three different behavioral tasks: idea generation, idea promotion, and idea realization. Individual innovation begins with idea creation, i.e. the production of new and useful ideas in any domain (Kanter, 1988). Broadly speaking, innovative work behavior consists of idea generation, promotion ideas, and idea realization (Arif et al., 2015; Jafri, 2010; Kim & Park, 2017; Nijenhuis, 2015).

Framework

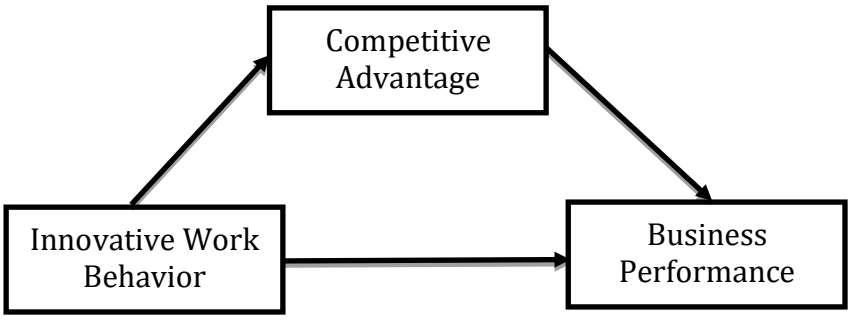

Figure 1. Research Framework

Hypothesis:

H_1: Innovative work behavior has a positive and significant effect on competitive advantage

H_2: Innovative work behavior has a positive and significant effect on business performance

H_3: Competitive advantage has a positive and significant effect on business performance

H_4: Innovative work behavior has a positive effect and significant on business performance through employee retention as an interverning variable

METHODS

This type of research is descriptive quantitative. The number of samples in this study amounted to 111 SMEs in Jambi Province. The criteria for SMEs that are used as subjects are those that have been established for more than 5 years. The data was taken from a questionnaire given to SMEs managers, and processed using verification analysis using Structural Equation Modeling (SEM).

RESULTS AND DISCUSSION

Measurement Model (Confirmatory Factor Analysis)

Analysis begins with testing a measurement model using the Confirmatory Factor Analysis (CFA) test. This test is carried out on each variable and is used to see how strong the indicator indicators can measure the research variables. The following is an overview of measurement models using CFA in each endogenous and exogenous construct can be seen in the following table:

Table 1. Validity and Reliablity Test Result

Variables	Indicator	Loading Factor	CR	AVE
Innovative work behavior	ib1; ib2; ib3; ib4; ib5; ib6;	0.811; 0.793; 0.794; 0.806; 0.828; 0.782;	0.725	0.616
Competitive Advantage	ca1; ca2; ca3; ca4; ca5; ca6;	0.785; 0.805; 0.842; 0.766; 0.843; 0.807;	0.747	0.779
Business Performance	bp1; bp2; bp3; bp4; bp5; bp6; bp7; bp8	0.783; 0.793; 0.791; 0.893; 0.772; 0.784; 0.883; 0.896	0.713	0.708

Table 1 shows that all indicators that measure construct variables have met the validity and reliability test requirements with a loading factor value > 0.5, CR value > 0.7 and AVE > 0.5

Full Model Structural Analysis

The step in testing the hypothesis is that a full structural model analysis is carried out, here are the results of the full structural model (SEM) data processing

Table 2. Influence Between Variables

Variables	Standardize Direct Effect	Standardize Indirect Effect	C.R	P-Value
IB --> CA	0.322	-	3.867	0.00
IB --> BP	0.412	0.524	6.543	0.00
CA --> BP	0.633	-	9.289	0.00

DISCUSSION

Based on table 2, The effect of innovative work behavior on competitive advanteg with a standardize value of direct effect of 0.322, with a P-value of 0.000 less than 0.05 (< 0.05) this proves that H_1 is accepted, which means that the level of innovative work behavior has a positive and significant effect on the competitive advantage.

The effect of innovative work behavior on business performance with a standardize value of direct influence of 0.412, with a P-value of 0.000 less than 0.05 (< 0.05) this proves that H_2 is accepted, which means that the level of innovative work behavior has a positive and significant effect on employee performance levels.

The effect of competitive advantage on business performance with a standardize value of direct effect of 0.633, with a P-value of 0.000 less than 0.000 (< 0.05) this proves that H_3 is accepted, which means that the level of competitive advantage has a positive and significant effect on the business performance

The mediation effect of the competitive advantage rate on the effect of the innovative work behavior level on the level of business performance with an indirect influence standardize value of 0.524. this proves that H_4 is accepted.

The results of this study are supported by several previous researchers who also proved that there is a strong influence between innovative work behavior on a company's competitive advantage (Anjaningrum & Rudamaga, 2019; Olawale, 2021). According to Hult et al., (2004), innovative behavior of individuals is the basis for innovations, so that without innovative behavior, innovation will be difficult to develop in a company. Other researchers who support the results of this study were also put forward by (Musneh et al., 2021; Laily, 2020), the results of his research prove that there is a strong influence of innovative work behavior on business performance. Business performance, especially in terms of marketing can develop if individuals work innovatively, they can produce products, processes and services that are superior and cannot be imitated by competitors so that the business becomes better in a sustainable manner (Afsar, 2016; Anjaningrum & Rudamaga, 2019; Jong & Hartog, 2010; Kleysen & Street, 2001).

CONCLUSION

Based on the results of the study it can be concluded that innovative work behavior has an effect on a company's competitive advantage and has an impact on increasing business performance. Increasing innovative work behavior from individuals will also increase business performance.

REFERENCES

Adams, M. E., Day, G. S., & Dougherty, D. (1998). Enhancing New Product Development Performance: An Organizational Learning Perspective. *Journal of Product Innovation Management*, *15*(5), 403–422. https://doi.org/10.1111/1540-5885.1550403

Afsar, B. (2016). The impact of person-organization fit on innovative work behavior: The mediating effect of knowledge sharing behavior. *International Journal of Health Care Quality Assurance*, *29*(2), 104–122. https://doi.org/10.1108/IJHCQA-01-2015-0017

Aini, E., Long Shen, D., Musadieq, M., & Handayani, S. (2013). The Role of Innovation Capability on Business Performance At Small Medium Enterprises. *Jurnal Profit*, *7*(1).

Akram, T., Lei, S., Haider, M. J., & Hussain, S. T. (2018). Exploring the Impact of Knowledge Sharing on the Innovative Work Behavior of Employees: A Study in China. *International Business Research*, *11*(3), 186. https://doi.org/10.5539/ibr.v11n3p186

Andes, S. L., Nuzula, N. F., & Worokinasih, S. (2020). Competitive Advantage as Mediating Factor for Creating Firm Value: A Literature Review. *BISNIS & BIROKRASI: Jurnal Ilmu Administrasi Dan Organisasi*, *27*(1). https://doi.org/10.20476/jbb.v27i1.11760

Anjaningrum, W. D., & Rudamaga, H. (2019). Creative Industry: Enhancing Competitive Advantage and Performance. *Asia Pacific Management and Business Application*, *007*(03), 123–146. https://doi.org/10.21776/ub.apmba.2019.007.03.1

Argote, L., & Ingram, P. (2000). Knowledge transfer: A basis for competitive advantage in firms. *Organizational Behavior and Human Decision Processes*, *82*(1), 150–169. https://doi.org/10.1006/obhd.2000.2893

Arif, S., Zubair, A., & Manzoor, Y. (2015). *Innovative Work Behavior and Communication Climate among Employees of Advertising Agencies*.

Dorner, N. (2012). *Innovative Work Behavior: The Roles of Employee Expectations and Effects on Job Performance* (Issue 4007) [University of St.Gallen].

Ejrami, M., Salehi, N., & Ahmadian, S. (2016). The Effect of Marketing Capabilities on Competitive Advantage and Performance with Moderating Role of Risk Management in Importation Companies. *Procedia Economics and Finance*, *36*(16), 22–28. https://doi.org/10.1016/s2212-5671(16)30012-0

Firdaus, A., Ahman, E., Disman;, & Suryadi, E. (2021). Knowledge Sharing and Innovative Work Behavior as the Keys to Success in Improving SMEs Performance. *Quality - Access to Success*, *22*(181), 35–39.

Giannopoulos, G., Holt, A., Khansalar, E., & Cleanthous, S. (2013). The Use of the Balanced Scorecard in Small Companies. *International Journal of Business and Management*, *8*(14), 1–22. https://doi.org/10.5539/ijbm.v8n14p1

González-Loureiro, M., Alonso, M. V., & Schiuma, G. (2015). Knowledge and sustained competitive advantage: How do services firms compete? *Investigaciones Europeas de Direccion y Economia de La Empresa*, *21*(2), 55–57. https://doi.org/10.1016/j.iedee.2015.03.001

Hassan, M. U., Shaukat, S., Muhammad Saqib Nawaz, & Naz, S. (2013). Effects of innovation types on firm performance: an empirical study on pakistan's manufacturing sector. *International Journal of Business Innovation and Research*, *7*(2), 243–262. https://doi.org/10.1504/IJBIR.2018.089144

Hidayat, T., Mahanani, R. S., Sugiartono, E., & Kurniawan, B. P. Y. (2022). Sustainable Competitive Advantages in Developing Theoretical Models of Business Performance. *Proceedings of the 2nd International Conference on Social Science, Humanity and Public Health (ICOSHIP 2021)*, *645*(Icoship 2021), 103–115. https://doi.org/10.2991/assehr.k.220207.018

Hooi, L. W., & Ngui, K. S. (2014). Enhancing organizational performance of malaysian SMEs the role of HRM and organizational learning capability. *International Journal of Manpower*, *35*(7), 973–995. https://doi.org/10.1108/IJM-04-2012-0059

Hult, G. T. M., Hurley, R. F., & Gary A. Knight. (2004). Innovativeness: Its antecedents and impact on business performance. *Singapore Management Review*, *30*(1), 429–438. https://doi.org/10.1016/j.indmarman.2003.08.015

Ismail, M. D., Alam, S. S., & Roshayati. (2017). Trust, Commitment and Competitive Advantage in SMEs Export Performance. *Gadjah Mada International Journal of Business*, *19*(1).

Jafri, M. H. (2010). Organizational Commitment and Employee's Innovative Behavior. *Journal of Management Research*, *10*(1), 62–68.

Janssen, O. (2000). Job demands, perceptions of effort–reward fairness and innovative work behaviour. *Journal of Occupational and Organizational Psychology*, *73*(73), 287–302. https://doi.org/10.1348/096317900167038

Jin, S. H., & Choi, S. O. (2019). The effect of innovation capability on business performance: A focus on it and business service companies. *Sustainability (Switzerland)*, *11*(19), 1–15. https://doi.org/10.3390/su11195246

Jong, J. De, & Hartog, D. Den. (2010). Measuring Innovative Work Behaviour. *Creativity and Innovation Management*, *19*(1), 23–36. https://doi.org/10.1111/j.1467-8691.2010.00547.x

Kanter, R. M. (1988). Three Tiers for Innovative Research. *Communication Research*, *15*(5), 509–523.

Khaddam, A. A., Irtaimeh, H. J., Al-Batayneh, A. R. S., & Al-Batayneh, S. R. S. (2021). The effect of business model innovation on organization performance. *Management Science Letters*, *11*, 1481–1488. https://doi.org/10.5267/j.msl.2020.12.026

Kim, W., & Park, J. (2017). Examining structural relationships between work engagement, organizational procedural justice, knowledge sharing, and innovative work behavior for sustainable organizations. *Sustainability*

(Switzerland), *9*(2). https://doi.org/10.3390/su9020205

Kiptoo, L., & Koech, P. (2019). Effect of Strategic Innovations on Organizational Performance. *The Strategic Journal of Business & Change Management*, *6*(2), 443–460.

Kleysen, R. F., & Street, C. T. (2001). Toward a multi-dimensional measure of individual innovative behavior. *Journal of Intelectual Capital*, *2*(3), 284–296.

Laily, N. (2020). The Effect of Knowledge Sharing and Innovation Behavior on The Performance of Batik Entrepreneurs. *Jurnal Manajemen*, *24*(2).

Li, X., & Zheng, Y. (2014). The Influential Factors of Employees' Innovative Behavior and the Management Advices. *Journal of Service Science and Management*, *07*(06), 446–450. https://doi.org/10.4236/jssm.2014.76042

Messmann, G. (2012). *Innovative work behaviour Investigating the nature and facilitation of vocational teachers '*. Regensburg University.

Musneh, S. N., Ambad, S. @ N. A., & Mohd Roslin, R. (2021). The Effect of Innovative Work Behaviour on the Performance of Service Sector SMEs in Sabah. *Journal of International Business, Economics and Entrepreneurship*, *6*(1), 20. https://doi.org/10.24191/jibe.v6i1.14204

Ngah, R., & Ibrahim, A. R. (2010). The Effect of Knowledge Sharing on Organizational Performance in Small and Medium Enterprises. *Proceedings of Knowledge Management 5th International Conference 2010*, *Stewart 2000*, 503–508.

Nijenhuis, K. (2015). Impact Factors For Innovative Work Behavior in The Public Sector. In *University of Twente*. http://www.ifv.nl/kennisplein/Documents/20151021-impact-factors-for-innovative-work-behavior-in-the-public-sector.pdf

Olawale, F. (2021). Innovative Behavior and Firm Competitive Advantage: The Moderating Effect of Environmental Dynamism. *Foundation of Management*.

Pulakos, E. D. (2004). *Performance Management (a roadmap for developing, implementing and evaluating performance management systems)*. Society For Human Resource Management Foundation (SHRM Foundation).

Salavou, H., Baltas, G., & Lioukas, S. (2004). Organisational innovation in SMEs. *European Journal of Marketing*, *38*(9/10), 1091–1112. https://doi.org/10.1108/03090560410548889

Scott, S. G., & Bruce, R. A. (1994). Determinants of Innovative Behaviour : A Path Model of Individual Innovation in The Workplace. *Academy of Managament Journal*, *37*(3), 580–607.

Xerri, M., & Brunetto, Y. (2011). Fostering the innovative behaviour of SME employees: A social capital perspective. *Research and Practice in Human Resource Management*, *19*(2), 43–59. https://doi.org/http://dx.doi.org/10.1142/S1363919611003350

Yuan, F., & Woodman, R. W. (2010). Innovative Behavior in the Workplace: The Role of Performance and Image Outcome Expectations. *Academy of Management Journal*, *53*(2), 323–342. https://doi.org/10.5465/AMJ.2010.49388995