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Employee Performance: Is Mediation by Innovation Possible?

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Abstract: The construction services sector plays a crucial role in boosting Indonesia's economic growth. The object of this study is a construction services company operating in Java, which currently has approximately 200 employees spread across various projects and locations. This study examines the factors influencing employee performance, including organizational citizenship behavior, competitive intensity, and organizational slack, each mediated by innovation, particularly those related to employee performance in construction services companies. The results of this study indicate that all hypotheses have a positive and significant influence, except for the fifth hypothesis, which is rejected because there is no significant influence between the level of competitive intensity and employee performance.

Keywords: Innovation; Organizational Citizenship Behaviour; Competitive Intensity; Organization Slack; Employee Performance.

Abstrak: Sektor konstruksi memegang peranan penting dalam mendorong pertumbuhan perekonomian Indonesia karena berkontribusi langsung terhadap pembangunan. Obyek penelitian ini adalah perusahaan jasa konstruksi yang beroperasi di wilayah Jawa yang saat ini memiliki sekitar 200 karyawan yang tersebar di berbagai proyek dan lokasi. Penelitian ini meneliti mengenai hal yang mempengaruhi kinerja karyawan dari *organizational citizenship behavior*, *competitive intensity*, *organization slack* yang masing-masing dimediasi oleh *innovation*, khususnya yang berkaitan dengan kinerja karyawan pada perusahaan jasa konstruksi. Hasil dari penelitian ini semua hipotesis memiliki pengaruh yang positif dan signifikan, kecuali hipotesis kelima ditolak karena tidak terdapat pengaruh yang signifikan antara tingkat *competitive intensity* terhadap *employee performance*.

Kata kunci: Innovation; Organizational Citizenship Behaviour; Competitive Intensity; Organization Slack; Employee Performance.

INTRODUCTION

Currently, the construction services sector plays a crucial role in boosting Indonesia's economic growth. According to data from <https://binakonstruksi.pu.go.id/informasi-terkini/sekretariat-direktorat-jenderal/seluruh-pelaku-industri-konstruksi-harus-bersinergi-alam-menjawab-tantangan-jasa-konstruksi/>, by 2023, this sector will contribute significantly to Indonesia's Gross Domestic Product (GDP), reaching 9.920 per cent. Based on these data, the construction sector ranks as the fifth largest sector in Indonesia, after the Manufacturing Industry which contributes 18.670 per cent, followed by Trade (12.940 per cent), Agriculture (12.530 per cent), and Mining (10.520 per cent). The performance of this construction sector is expected to continue to improve, with projected growth of around 6.400 per cent to 6.700 per cent until the end of 2024. The 2020 to 2024 Medium-Term Development Plan emphasizes



the government's commitment to encouraging infrastructure and urban development, which will directly increase the activity and capacity of the construction sector in the country. With these various major projects, the construction sector is expected to not only contribute significantly to national economic growth, but also be able to absorb a wider workforce and encourage the development of other related industries.

This research focuses on a construction services company operating in Java, which currently employs approximately 200 employees across various projects and locations. Their performance varies significantly, reflecting the diversity of competencies, experience, and working conditions in the field. Overall, most employees demonstrate satisfactory levels of productivity, with some achieving high standards and even demonstrating initiative in proposing innovations in work processes. High-performing employees, approximately 30 per cent of the total workforce, are able to complete tasks on time and with quality results. They actively participate in training related to the latest technology and contribute to improving project efficiency. However, approximately 40 per cent of employees demonstrate sufficient competence and consistently perform their duties in accordance with the company's operational standards. They serve as the backbone of the project, although they rarely demonstrate innovation or new initiatives.

Approximately 20 per cent of employees demonstrate adequate performance, frequently experience delays, and require increased supervision in completing their tasks. Limited ability to keep up with technological developments and new procedures is one factor hindering their performance. The remaining 10 per cent require more intensive training and development to meet expected standards and contribute optimally. The performance of these employees is influenced by various factors, ranging from education level, experience, training provided, to the work environment in the field. To improve overall productivity and work quality, companies need to strengthen training and competency development programs, as well as create a more motivating and innovation-supportive work environment. This approach is expected to enable all employees to perform optimally, enabling the company to compete and thrive in Indonesia's increasingly competitive construction industry. To solve this problem, companies need to develop innovation training programs, create a work environment that supports creativity, and provide incentives that motivate employees to contribute to product and work process innovation.

The novelty of this research lies in the combination of variables and relationship model that have not been previously studied in the context of employee performance in construction companies in Indonesia. This study integrates organizational citizenship behavior (OCB), competitive intensity, and organizational slack as factors influencing employee performance, but uniquely positions innovation as a mediating variable to explain how these three factors can improve performance. This approach differs from previous research, which generally only examines the direct influence of OCB, competitive intensity, or organizational slack on performance without considering the important role of innovation in bridging these relationships. Furthermore, this study broadens understanding of how the competitive environment in the construction industry, characterized by its dynamic, technology-intensive, and high-risk characteristics, influences the need for internal innovation to improve employee performance. Thus, this study provides a new contribution in the form of a more comprehensive conceptual model that connects individual behavior, organizational



conditions, external pressures, and innovation mechanisms in improving employee performance specifically in the construction sector. This is evidenced by several previous studies: Competitive intensity attempts to explain the business environment facing a competitive environment and the results generated through innovations that have been implemented to improve performance (Idarraga & Marin, 2019). In conditions of high competition, management will use its resources and knowledge to avoid risks, uncertainties, and other factors to improve organizational performance, which ultimately will improve employee performance. Management has the capacity to survive and adapt to environmental changes, thus having a positive impact that can ultimately improve organizational performance (Idarraga & Marin, 2019).

Innovation is a key factor in improving organizational performance, business sustainability, growth, and competitive advantage. Organizational innovation encompasses the knowledge and competencies needed to create new products and/or technologies, as well as to enhance the capabilities of existing products or services (Suryawan, 2022). However, innovation is not only about creating new things, but also about improving and developing existing offerings to ensure the organization remains relevant and competitive in the market. Therefore, based on (Suryawan, 2022) opinion, the author views innovation as playing a crucial role in improving employee performance. Therefore, innovation is positioned as a mediating variable in this study.

Research purposes. The gap of this research has never been done by other researchers regarding the things that influence employee performance from organizational citizenship behavior, competitive intensity, organizational slack, each of which is mediated by innovation, especially those related to employee performance in construction service companies.

Research Problem. Although various previous studies have examined the influence of organizational citizenship behavior (OCB), competitive intensity, and organizational slack on employee performance, most of these studies only examined the direct effect of each variable without considering the mechanisms through which these factors improve performance. No research has comprehensively examined the role of innovation as a mediating variable bridging these three factors in the context of construction companies, which are characterized by dynamic, high-tech, and high-risk environments. As a result, it remains unclear whether OCB, competitive intensity, and organizational slack can actually improve employee performance through increased innovation, or whether these relationships operate directly without innovation playing a role. This knowledge gap leaves construction companies unclear about which factors are most effective in driving internal innovation to improve employee performance.

THEORETICAL REVIEW

Innovation functions as a critical adaptive capability. (Suryawan, 2022) explains through his research that innovation functions as an important adaptive capability. Innovation functions as a critical adaptive capability enabling individuals to sense opportunities, seize them through new ideas or improved work methods, and reconfigure their routines to achieve superior performance. Within his research a framework of thought can be created, innovation becomes a key driver of employee performance, as employees who engage in innovative



behaviors are better able to improve work efficiency, solve problems creatively, and generate higher value for the organization. Thus, innovation is conceptualized as a dynamic capability that directly enhances employee performance, particularly in environments that demand agility, technological responsiveness, and continuous improvement such as the construction industry. Management has the capacity to survive and adapt to environmental changes, thus having a positive impact that can ultimately improve organizational performance (Idarraga & Marin, 2019).

The influence of organizational citizenship behavior on innovation. Organizational citizenship behavior is an individual's contribution to the workplace that goes beyond the demands of their formal role. Organizational citizenship behavior encompasses a variety of behaviors, such as helping coworkers, volunteering for additional tasks, and complying with organizational rules and procedures (Charli & Mahzum, 2022). Organizational citizenship behavior plays a crucial role in enhancing organizational effectiveness (Nasir et al., 2022).

When employees consistently demonstrate voluntary behaviors beyond their formal job responsibilities—such as helping colleagues, showing initiative, and displaying a positive attitude—it creates a supportive and collaborative work environment. This positive atmosphere contributes to higher job satisfaction among employees, which is a key indicator of organizational success. Additionally, employees who engage in organizational citizenship behavior tend to have a lower desire to leave the organization, reducing turnover rates and maintaining stability within the workforce. The combination of high job satisfaction and low turnover not only sustains organizational continuity but also improves overall performance and productivity. Therefore, fostering OCB through supportive leadership, recognition, and alignment of organizational values can significantly boost organizational effectiveness by cultivating a committed, satisfied, and loyal workforce.

These behaviors reflect the added value of employees and fall into the category of prosocial behavior positive, constructive, and meaningful social behavior that helps and supports the success of the organization and the overall work environment. This opinion is further stated by (Sutrisno et al., 2023) who state that organizational citizenship behavior is voluntary work behavior and is not directly related to a formal reward system. This behavior reflects an employee's willingness to help fellow coworkers, show initiative, and contribute positively to the work environment, without any coercion or direct reward from the organization. Organizational citizenship behavior plays a crucial role in creating a harmonious work environment and increasing overall organizational effectiveness. Management's attitude reflects a professional, namely an individual capable of carrying out his or her work supported by knowledge, skills, and a positive attitude. This professional is not only a source of income for the organization but also able to achieve quality standards set by management (Ganguly et al., 2019).

Research results from (Ningrum et al., 2023) prove that organizational citizenship behavior can create innovative and competitive workers in achieving goals set by the organization.

Based on the description above, a hypothesis is made:

H1: Organizational citizenship behavior influences innovation.



The influence of competitive intensity on innovation. Management utilizes resources in the form of accumulated experience and knowledge to drive innovation in the tourism business, thereby reducing the risk of loss and uncertainty (Idarraga & Marin, 2019). Within this framework, the concept of new things includes various elements like novel ideas, procedures, processes, and products that are unprecedented. Innovative behavior involves individuals applying their knowledge and experience to produce these innovations, which can be new ideas, methods, or solutions (Whittaker et al., 2020). This underscores the critical role of creativity and leveraging internal resources to foster innovation and progress in diverse areas. In this context, "new things" encompass ideas, procedures, processes, and products that have not existed before. Innovative behavior involves individuals leveraging their knowledge and experience to generate these new ideas, methods, or solutions. It is driven by creativity, curiosity, and a willingness to experiment and take risks. Individuals who demonstrate innovative behavior actively seek opportunities for improvement, challenge existing routines, and are open to change.

They utilize their expertise and insights to develop novel approaches that can enhance efficiency, effectiveness, or value. For organizations, fostering a culture that encourages such behaviors can lead to numerous benefits, including gaining a competitive edge, improving products or services, and promoting continuous growth. Overall, innovation is a dynamic process that relies heavily on the proactive efforts of individuals to think creatively and apply their knowledge in new ways. This process not only results in the creation of new ideas or products but also contributes to organizational and societal advancement.

The intensity of competition or rivalry in the market can encourage companies to increase innovation significantly in order to achieve a sustainable competitive advantage over their competitors. Through this level of intense competition, companies have the opportunity to produce optimal marketing performance. Furthermore, the intensity of this competition is also influenced by the market orientation conditions adopted by the company (Haryanto et al., 2019). The results of research from (Haryanto et al., 2019) prove that the intensity of competition has a positive and significant effect on performance.

Based on the description above, a hypothesis is made:

H2: Competitive intensity influences innovation.

The influence of organizational slack on innovation. Organizational slack is all the resources owned by business management to meet the demands of sub-units within the organization that require additional resources to complete tasks set by management (Idarraga & Marin, 2019). The results of research conducted by (Fabio & Anne-Laure, 2021) stated that organizational slack (organizational resource slack) influences the level of investment in innovation, both exploitative and exploratory. Thus, organizational slack is thought to be a factor that supports or encourages innovation, not the other way around. The research hypothesizes that the presence of slack, particularly in the form of potential slack, increases spending on innovation. Organizational slack is considered a factor that facilitates or supports innovation, not that innovation causes slack. Organizations with adequate slack tend to be more capable and more likely to engage in both exploitative and exploratory innovation. According to existing theory and research, organizational slack serves as a resource reserve



that provides flexibility and security for organizations. When organizations have sufficient slack, they don't need to worry about losing core operations when investing in innovation. This encourages organizations to experiment, develop new products, or pursue other innovative processes that can enhance future competitiveness.

Based on the description above, a hypothesis is made:

H3: Organizational slack influences innovation.

The influence of organizational citizenship behavior on employee performance and the influence of organizational citizenship behavior on employee performance is mediated by innovation. (Simanjuntak et al., 2020) provides a definition of organizational citizenship behavior, namely voluntary behavior from employees that goes beyond their basic duties and responsibilities, with the aim of helping the organization and improving the overall work atmosphere. The opinion of (Simanjuntak et al., 2020) is supported by (Permana & Mujanah, 2019; Gupta et al., 2024) who stated that organizational citizenship behavior voluntary behavior carried out by employees outside of their formal duties, which is not directly expected or officially recognized by the organization, but has a positive impact on the work environment and organizational performance in general. Research by (Permana & Mujanah, 2019) shows a positive relationship between organizational citizenship behavior and employee performance.

This behavior reflects employees' commitment and sense of responsibility to help create a harmonious, collaborative, and productive work environment. By increasing collaboration and strengthening relationships between employees, organizational citizenship behavior can improve efficiency and productivity without increasing direct costs. Therefore, encouraging and instilling a culture of organizational citizenship behavior within an organization is a crucial strategy for building a positive and sustainable work environment, ultimately driving improved overall organizational performance. Previous research by (Gupta et al., 2024) also showed a positive relationship between pay for performance (performance-based compensation) and job performance.

Furthermore, this study also demonstrated that the relationship is mediated by two variables: procedural justice and organizational citizenship behavior. However, performance-based compensation not only directly improves employee performance, but its influence is also strengthened through perceptions of fairness in the appraisal process and through voluntary behavior beyond formal duties (OCB). This underscores the importance of both fairness and voluntary behavior in enhancing the effectiveness of compensation policies on organizational performance. Furthermore, research by (Riyanto et al., 2023) demonstrated that organizational citizenship behavior has a positive and significant effect on employee performance.

Based on the description above, a hypothesis is made:

H4: Organizational citizenship behavior influences employee performance.

H8: Organizational citizenship behavior influences employee performance which is mediated by innovation.



The influence of competitive intensity on employee performance and the influence of competitive intensity on employee performance is mediated by innovation. The high competitive intensity experienced by construction service business management can be overcome by using innovation to avoid management obsolescence and proactively anticipate market changes so as to enrich and expand the reach of the tourism business network, improve market position and maximize the number of customers (Idarraga & Marin, 2019). For this reason, company business management is expected to be able to utilize resources in the form of accumulated experience and knowledge to carry out organizational innovation so that it can avoid the risk of loss and uncertainty (Idarraga & Marin, 2019). Management by the organization is strive to generate high levels of innovation to achieve sustained competitive intensity against its competitors, thus producing optimal performance (Haryanto et al., 2019).

Research conducted by (Sulistyowati et al., 2023) shows that high levels of competition in certain industries can boost employee performance if management provides innovation and good knowledge to its employees. The results of research conducted by (Ren et al., 2024) prove that the intensity of competitive actions in the work environment triggers employee work performance, which then signals the team about the importance of improving sales performance and reducing pro-environmental behavior. Based on findings from (Ren et al., 2024), the intensity of competitive behavior in the workplace has a positive impact on employee performance. This suggests that competition can be an effective motivator for increasing productivity and achieving work goals. However, it is also important to consider the psychological impact and organizational culture. Too much competition can lead to stress, conflict, or even unethical behavior, which can be detrimental to long-term performance sustainability. Furthermore, signaling the importance of improving sales performance to the team demonstrates that competition is not only individually motivating but can also reinforce focus on concrete, measurable results.

However, a reduction in pro-environmental behavior could mean that sustainability and social responsibility may be neglected in the pursuit of sales targets. Therefore, companies need to strike a balance between competitive incentives and sustainability to ensure that performance improvements do not compromise social and environmental values. Overall, competition management strategies must be carefully designed to improve performance without significantly negatively impacting performance. A balanced approach and the provision of incentives that support sustainability can be an effective solution in this context. Based on the description above, a hypothesis is made:

H5: Competitive intensity influences employee performance.

H9: Competitive intensity influences employee performance which is mediated by innovation.

The influence of organizational slack on employee performance and the influence of organizational slack on employee performance is mediated by innovation. According to (Idarraga & Marin, 2019), organizational vacancies are excess resources owned by company management to meet certain needs, in response to internal pressures within the organization that are in accordance with the changes in strategy implemented. Organizational slack is the excess resources a business management has to provide services to customers in



response to internal organizational pressures and strategic changes. Therefore, in the face of environmental forces impacting the organization, organizational slack can be exploited to improve organizational performance (Idarraga & Marin, 2019). When facing environmental forces that influence management capabilities, corporate management can leverage organizational gaps as opportunities to improve overall organizational performance. Research by (Idarraga & Marin, 2019) also shows that excess resources, or slack, have a positive impact on organizational performance. Thus, it is hoped that company management can invest these excess resources in programs designed for both the short and long term. This step can improve organizational performance by providing and adjusting the necessary resources to enhance services and support company activities developed by management to achieve better results. Based on the description above, a hypothesis is made:

H6: Organizational slack influences employee performance.

H10: Organizational slack influences employee performance which is mediated by innovation.

The influence of innovation on employee performance. According to (Suryawan, 2022), innovation is a key factor in improving organizational performance, business sustainability, growth, and competitive advantage. An organization's innovation encompasses the knowledge and competencies needed to create new products and/or technologies, as well as to enhance the capabilities of existing products or services. However, innovation is not only about creating new things, but also about improving and developing existing offerings to ensure an organization remains relevant and competitive in the market. Therefore, developing innovation is considered crucial for long-term success and sustainability. (Suryawan, 2022) opinion aligns with research conducted by (Nugroho et al., 2025), which shows a positive relationship between innovation and performance. Having skilled and capable human resources enables a company to anticipate employees who demonstrate strong performance and loyalty (Darnawan et al., 2020). This emphasizes the need to monitor employee behaviors that influence their performance, especially those related to innovation.

Furthermore, (Masman, 2023) demonstrated in his research that the company's business environment influences employee performance. Therefore, (Masman, 2023) recommends that understanding employee talent and creativity in order to innovate their work requires an effective management plan through innovative approaches both internally and externally. Based on the description above, a hypothesis is made:

H7: Innovation influences employee performance.



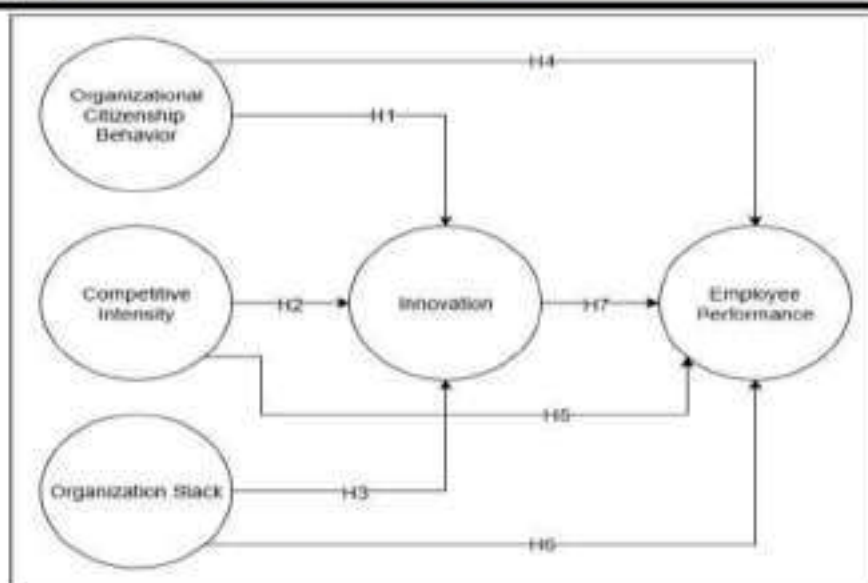


Figure 1. Research Model

Source: (Research model, 2025)

METHODS

This study used primary data using a survey method, where the researcher sought to gather respondents' opinions by asking closed-ended questions in a questionnaire. The research method employed a non-probability sampling technique with a purposive sampling method. Questionnaire data collection was conducted by distributing questionnaires in Indonesia, specifically in the province of Java, according to predetermined criteria, namely 200 construction service company employees who met the criteria, namely permanent employee status with a work period of 5 (five) years or more in the island of Java. The reason for choosing the island of Java is because it has the largest population in Indonesia (<https://sensus.bps.go.id/main/index/sp2020>). The determination of the sample size of 200 was based on references from (Hair et al., 2021).

To avoid ambiguous questions and minimize bias, avoid using confusing terms and provide clear explanations so respondents understand the questionnaire. The age of the employees of this research object is between 30 to 55 years old with 66 per cent male and 34 per cent female. Education from Junior High School (SMP) is 15 per cent, Senior High School (SMA)/equivalent is 26 per cent, Diploma/equivalent is 20 per cent and Bachelor's degree is 39 per cent. The results of this questionnaire were processed using Partial Least Square software. Partial Least Squares (PLS) is a multivariate statistical analysis technique used to model the relationship between a group of hidden (latent) variables and their measuring variables. This method is very useful when available data is limited, the number of variables is large, or when the basic assumptions of other statistical methods are difficult to fulfill. In general, PLS is used to build predictive and exploratory models, overcome multicollinearity



problems between variables, and identify structural relationships between latent variables and their indicators.

Table 1. Operational Definitions and Variables

Variable	Definition	Indicators	Scale	Source
<i>Organizational Citizenship Behaviour (OCB)</i>	Voluntary behavior by employees that goes beyond their basic duties and responsibilities, with the goal of helping the organization and improving the overall work atmosphere.	1. Altruism (OCB1). 2. Conscientiousness (OCB2). 3. Sportmanship (OCB3).	Ordinal	(Simanjuntak, et al., 2020)
<i>Competitive Intensity (CI)</i>	Organizations use all their efforts to face highly competitive conditions.	1. Price competition (CI1). 2. Competition within the company's operational sector (CI2). 3. Competition (CI3).	Ordinal	(Marín-Idárraga & Cuartas-Marín, 2019)
<i>Organization Slack (ORS)</i>	Resources owned by the organization to meet the demands of sub-units within the organization that require additional resources to complete company tasks.	1. Strategic decisions (ORS 1). 2. Long-term plans (ORS 2). 3. Administrative policies (ORS3).	Ordinal	(Marín-Idárraga & Cuartas-Marín, 2019)
<i>Innovation (I)</i>	Change is something new in the service process by the organization.	1. Innovation Capability (I1). 2. Tacit Knowledge Sharing (I2). 3. Social Capital Relational (I3). 4. Social Capital Cognitive (I4). 5. Social Capital Structure (I5). 6. Knowledge Reciprocity (I6). 7. Quality of Knowledge Shared (I7).	Ordinal	(Ganguly et al., 2019)
<i>Employee Performance (EP)</i>	The ability of employees to carry out their duties and responsibilities optimally.	1. Regulations (EP1). 2. Professional system reward (EP2). 3. Rewards and bonuses (EP3). 4. Training & Development (EP4). 5. Lack of absenteeism (EP5).	Ordinal	(Paais & Pattiruh, 2020)

Source: (Primary data, 2025)

The variables studied were organizational citizenship behavior, competitive intensity, organizational slack as independent variables, innovation as a mediating variable and employee performance as a dependent variable. The study examined the relationships among several key variables, with organizational citizenship behavior, competitive intensity, and

organizational slack serving as independent variables. Innovation was considered a mediating variable that explains the mechanism through which the independent variables influence the outcome. The primary dependent variable in the research was employee performance. This framework suggests that factors such as organizational citizenship behavior, competitive environment, and available organizational slack can impact employee performance indirectly through their effect on innovation, highlighting the complex interplay between these variables in shaping organizational outcomes.

RESULTS

Measurement model. In this stage, validity and reliability tests were conducted. Reliability or internal consistency was measured using Cronbach's Alpha (CA), with a minimum CA value of 0.700 (Hair et al., 2021). Validity was then measured using convergent validity, which consists of loading factors and average variance extracted (AVE), with minimum values of 0.700 and 0.500, respectively (Hair et al., 2021). **Table 2** shows that CA values ranged from 0.751 to 0.895, meeting the minimum value of 0.700. Furthermore, Table 2 reveals that AVE values ranged from 0.610 to 0.769, meeting the minimum value of 0.500.

Table 2. Internal Consistency dan Convergent Validity

Variable	Cronbach Alpha	Average Variance Extracted
Innovation	0.870	0.610
Organizational Citizenship Behaviour	0.751	0.672
Competitive Intensity	0.856	0.769
Organization Slack	0.823	0.748
Employee Performance	0.895	0.752

Source: (Data processing results, 2025)

Loading Factor. It is an important measure that shows how strongly an indicator (question item) reflects the latent construct it measures. Furthermore, **Table 3** indicates that the loading factor for each item ranges from 0.750 to 0.911 and meets the minimum value requirement of 0.700. Thus, the questionnaire items are valid. The factor loadings, which range from 0.750 to 0.911, are all above the accepted threshold of 0.700. This indicates strong convergent validity, meaning each item correlates well with its intended construct. High loadings suggest that the items are good indicators of the underlying variables such as organizational citizenship behavior, competitive intensity, organizational slack, innovation, and employee performance.

Table 3. Loading Factor

Indicator	Innovation	Organizational Citizenship Behaviour	Competitive Intensity	Organization Slack	Employee Performance
OCB1		0.761			
OCB2		0.830			
OCB3		0.823			



CI1		0.827	
CI2		0.911	
CI3		0.835	
ORS1			0.831
ORS2			0.877
ORS3			0.845
I1	0.752		
I2	0.750		
I3	0.815		
I5	0.726		
I6	0.823		
EP1			0.860
EP2			0.825
EP3			0.910
EP4			0.820

Source: (Data processing results, 2025)

Structural model. In the structural model stage, hypothesis testing was conducted with a significance level of α is 5 per cent and a two-tailed test. The hypothesis was declared supported if the *p-value* was less than 5 per cent. The results of the hypothesis test proved that only H5 was not supported because the *p-value* (is 0.270) was greater than α is 5 per cent. Furthermore, H1; H2; H3; H4; H6; H7 were supported with *p-values* less than α is 5 per cent. The mediation test on hypotheses H8; H9; H10 was supported, as indicated by all *p-values* less than α is 5 per cent.

The hypothesis testing results indicate that most proposed relationships within the structural model are statistically significant at the 5 per cent level, with H1, H2, H3, H4, H6, and H7 supported by *p-values* less than 5 per cent. However, H5 was not supported, as its *p-value* of 0.270 exceeded the threshold, suggesting that the hypothesized effect in this case is not statistically significant. Additionally, the mediation analyses for H8, H9, and H10 were all supported, confirmed by *p-values* below 5 per cent, indicating that the mediating variables play a significant role in the relationships examined. Overall, the results validate most of the hypothesized paths in the model, except for H5, which requires further investigation.

Table 4. Hypothesis Test

Hypothesis	Standardized Path Coefficient	p-value	Decision
H ₁ : Organizational citizenship behavior influences innovation.	0.371	0.000	supported
H ₂ : Competitive intensity influences innovation.	0.367	0.000	supported
H ₃ : Organizational slack influences innovation.	0.221	0.000	supported
H ₄ : Organizational citizenship behavior influences employee performance.	0.230	0.003	supported
H ₅ : Competitive intensity influences employee performance.	0.132	0.270	not supported
H ₆ : Organizational slack influences employee performance.	0.166	0.028	supported
H ₇ : Innovation influences employee performance.	0.374	0.000	supported



H ₃ : Organizational citizenship behavior influences employee performance which is mediated by innovation.	0.156	0.002	supported
H ₉ : Competitive intensity influences employee performance which is mediated by innovation.	0.170	0.002	supported
H ₁₀ : Organizational slack influences employee performance which is mediated by innovation.	0.093	0.002	supported

Source: (Data processing results, 2025)

DISCUSSION

The first hypothesis, indicates that the relationship between organizational citizenship behavior and innovation is statistically significant. This means that the relationship is most likely not a coincidence, but rather a real influence of organizational citizenship behavior on innovation within an organization. This indicates that increasing organizational citizenship behavior will proportionally increase innovation. While not very strong, this relationship is significant and indicates that organizational citizenship behavior is an important factor in driving innovation. This indicate that organizational citizenship behavior has a positive, directional relationship with innovation.

The higher the organizational citizenship behavior, the higher the innovation. A positive, directional relationship means that employee behaviors within the organization that go beyond formal duties, such as helping colleagues, showing initiative, and actively participating, create an environment conducive to innovation. Environments that foster these behaviors are typically more open to new ideas, collaborative, and adaptable to change. This research also supports the assertion that management attitudes reflect a professional, someone who can perform work based on knowledge, skills, and attitudes to generate income and achieve the quality standards required by management (Ganguly et al., 2019). The results of this study also align with the statement that management attitudes reflect a person's professionalism.

According to (Ganguly et al., 2019), a professional is able to perform their work based on the appropriate knowledge, skills, and attitudes, thus generating income and achieving quality standards set by management. Thus, increasing organizational citizenship behavior supported by a professional attitude can encourage increased innovation within the organization. These results underscore the importance of developing and maintaining a culture of organizational citizenship behavior within the organization, for example, through training, rewards, and the reinforcement of positive norms. Organizations that encourage behavior as part of a good organization will create an innovative climate that allows for the emergence of new ideas and creative solutions.

The second hypothesis, with the statement that competitive intensity influences innovation is accepted. This means that as market competition increases, companies will be encouraged to innovate to maintain their sustainability and competitiveness. This phenomenon aligns with the theory that high competition drives companies to adapt, increase efficiency, and create new products or services. This indicates that competitive intensity has a direct relationship with innovation. The higher the competitive intensity, the higher the innovation. This research supports the findings of research conducted by (Idarraga & Marin, 2019), which found that management successfully leverages resources in the form of accumulated experience and knowledge to innovate in businesses, thus avoiding the risk of loss and



uncertainty. In a management context, intense competition drives companies to innovate as a differentiation strategy, for product development, or for process improvement. Companies that leverage internal resources such as experience and knowledge (Idarraga & Marin, 2019) will be better able to respond effectively to competitive pressures through relevant and sustainable innovation.

This research also supports the results of research conducted by (Haryanto et al., 2019) that business management also strives to produce high innovation in order to achieve sustainable competitive intensity against its competitors, so that management can produce optimal organizational performance. In this case, every construction service business is greatly influenced by the number of available resources, work levels, seasons, or competitive intensity. (Haryanto et al., 2019) emphasized that high innovation resulting from competitive pressure can improve overall organizational performance. Innovation not only increases competitiveness but also improves operational efficiency and opens up new market opportunities, ultimately contributing to business sustainability.

This study also supports the opportunity to profit from positive externalities resulting from the high intensity of construction services businesses. This study also shows the opportunity to profit from positive externalities arising from the high intensity of construction services businesses, indicating that healthy competition can support innovation and economic growth in related sectors. High levels of competition not only support innovation but also have the potential to create positive externalities, such as improved service quality and overall industry efficiency.

In the construction services sector, for example, high levels of competition can encourage companies to innovate in technology and processes, which indirectly provides broader social and economic benefits. These findings suggest that companies should view competition as an opportunity for innovation, not just a challenge. Governments and stakeholders can support a culture of innovation through policies that encourage research and development, training, and incentives for companies actively innovating in competitive markets. While this relationship is positive, it is important to consider that excessive levels of competition can create excessive pressure and risk innovation failure. Therefore, innovation strategies must be tailored to internal capacity and market conditions.

The third hypothesis, with the statement that organizational slack influences innovation is accepted. This indicates that organizational slack has a directional relationship with innovation. The higher the organizational slack, the higher the innovation. This research supports the research conducted by (Idarraga & Marin, 2019) which states that organizational slack is all the resources owned by business management to meet the demands of subunits within the organization that require additional resources to complete tasks set by management. Slack functions as a supporting factor or driver of innovation, not the other way around, that innovation creates slack. The existence of these reserve resources facilitates innovation, allowing organizations to invest in innovative development without sacrificing routine operations.

This research supports the view that slack positively influences innovation, pointing out that slack is typically considered a supporting factor, not a direct cause of innovation. This means that organizations that already have slack are more capable and more likely to innovate, but innovation does not automatically create slack. Conversely, slack provides crucial



'headroom' for innovative activities. While slack can support innovation, too much slack can also potentially create risks such as inefficiency, wasted resources, or a lack of pressure to continuously innovate. Therefore, organizations need to balance having sufficient slack for innovation and operational efficiency. Organizational slack plays a crucial role as a supporter of innovation. The presence of slack gives organizations the space to experiment and invest in innovation without sacrificing operational stability. However, slack must be managed carefully to maximize its benefits without causing inefficiencies.

The fourth hypothesis, stating that organizational citizenship behavior influences employee performance is accepted. This indicates that organizational citizenship behavior has a direct relationship with employee performance. The higher the organizational citizenship behavior, the higher the employee performance. Statistical significance indicates that the observed relationship is unlikely to be due to chance, providing confidence that organizational citizenship behavior genuinely influences employee performance. Organizational citizenship behaviour encompasses voluntary actions by employees that go beyond their formal job requirements, such as helping colleagues and demonstrating initiative. Such behaviours can foster a more productive and harmonious work environment, thereby enhancing overall employee performance.

This research supports the findings of research conducted by (Permana & Mujanah, 2019), which demonstrated a positive relationship between organizational citizenship behavior and employee performance. These findings shed light on employee commitment and responsibility in helping to create a harmonious, collaborative, and productive work environment. By increasing collaboration and strengthening relationships between employees, organizational citizenship behavior can improve efficiency and productivity without increasing direct costs. For this reason, encouraging and instilling a culture of organizational citizenship behavior within an organization is a crucial strategy for building a positive and sustainable work environment, ultimately driving improved overall organizational performance. This research also supports the findings of research conducted by (Gupta et al., 2024), which also showed a positive relationship between pay for performance (performance-based compensation) and job performance.

Furthermore, this study also demonstrated that the relationship is mediated by two variables: procedural justice and organizational citizenship behavior (OCB). In other words, performance-based compensation not only directly improves employee performance, but its influence is also strengthened through perceptions of fairness in the appraisal process and through voluntary behavior that goes beyond formal duties (OCB). This emphasizes the importance of both fairness and voluntary behavior in enhancing the effectiveness of compensation policies on organizational performance. This also supports the research findings of (Riyanto et al., 2023), which demonstrated that organizational citizenship behavior has a positive and significant effect on employee performance.

The fifth hypothesis, stating that competitive intensity influences employee performance is rejected. This indicates that competitive intensity has no relationship with employee performance. Although the positive coefficient suggests that, theoretically, increasing competitive intensity has the potential to improve employee performance, the data show that this relationship is not strong enough or consistent enough to be statistically supported. In other words, there is a high probability that this relationship could have occurred



by chance, so we cannot confidently assert a real effect. Without statistical significance, this small positive effect cannot be considered meaningful or reliable. While theory may suggest that increased competitive intensity could motivate employees to perform better, the empirical data do not support this assumption in this case.

The data show that the relationship is not strong or consistent enough to be statistically validated. This may indicate that other factors may have a greater influence on employee performance than the level of market competition. These results confirm that competitive pressure does not directly motivate or improve employee performance in the context of this study. It is possible that internal factors such as motivation, job satisfaction, training, or incentives have a more dominant influence on employee performance than external factors such as the level of competition. This study does not support the research findings (Idarraga & Marin, 2019) which stated that the high competitive intensity experienced by business management can be overcome by using innovation to avoid management obsolescence and proactively anticipate market changes so as to enrich and expand the reach of the construction service business network.

Research by (Idarraga & Marin, 2019) shows that high competitive intensity can be overcome by innovation that supports management and business network development, which can indirectly motivate employees through increased efficiency and new opportunities. However, the results of this study do not support this direct relationship, indicating that innovation and competitive intensity do not automatically have a direct impact on employee performance. These results suggest that, in the context of this study, competitive intensity does not significantly influence employee performance directly. Therefore, companies should focus more on internal factors and employee development strategies to improve their performance, rather than solely relying on the level of market competition.

The sixth hypothesis, with the statement that organizational slack influences employee performance is accepted. This indicates that organizational slack has a directional relationship with employee performance. The higher the organizational slack, the higher the employee performance. This indicates that there is a statistically significant positive relationship between organizational slack and employee performance. In practical terms, as organizational slack increases, employee performance tends to improve. The positive coefficient suggests a directional influence, supporting the idea that having sufficient resources or buffer capacity (organizational slack) can positively impact how well employees perform. This indicates that the relationship between organizational slack and employee performance is statistically significant.

There is a low probability that this observed effect is due to chance, allowing us to confidently infer a real association. Positive standardized path coefficient indicates the positive value signifies that as organizational slack increase employee performance also tends to increase. Although the effect size is modest, it is meaningful within the context of the study. The finding aligns with organizational theory, suggesting that having adequate resources (organizational slack) provides employees with the necessary support and flexibility to perform better.

The results of this study support the findings of (Idarraga & Marin, 2019), who stated that organizational slack is the excess resources held by business management to meet specific demands and respond to internal organizational pressures in accordance with strategic



changes. The results also demonstrate that organizational slack can be utilized to improve performance, particularly in the face of environmental forces that impact management capabilities. Furthermore, this study demonstrates that organizational slack has a positive and significant impact on organizational performance. Therefore, business management is expected to invest these excess resources in both short-term and long-term programs. Thus, sufficient resources will assist the company in acquiring, adapting, and improving services, allowing optimal development of company activities by business management, ultimately resulting in improved organizational performance.

The seventh hypothesis, stating that innovation influences employee performance is accepted. This indicates that innovation has a direct relationship with employee performance. The higher the innovation, the higher the employee performance will be. This suggests that there is a statistically significant and direct positive relationship between innovation and employee performance. Specifically, as levels of innovation increase within the organization, employee performance tends to improve. The relatively higher coefficient indicates a stronger effect compared to other relationships, emphasizing the importance of fostering innovation to enhance employee performance. Statistical significance is the low *p-value* indicates that the observed positive relationship between innovation and employee performance is unlikely to be due to chance, providing strong evidence of a real effect.

Positive standardized path coefficient is this value demonstrates a moderate to strong positive impact, meaning that increases in innovation are associated with notable improvements in employee performance. Organizations that prioritize innovation often create a dynamic and engaging work environment. Innovation can motivate employees, enhance their skills, and foster a sense of purpose, all of which contribute to higher performance. This research supports the findings of research conducted by (Ratnasari, et al., 2020), which demonstrated that innovation in construction services requires consideration of facilities, knowledge, and the surrounding community, thus creating a sustainable and integrated construction services business. Innovation is not merely a strategic aspect but also contributes directly to increased employee productivity and performance. Organizations must integrate innovation as part of their human resource development and operational strategies to achieve optimal performance. Therefore, organizations need to foster an innovative culture and create an environment that supports innovation, as this has a direct impact on employee performance.

The eighth hypothesis, stating that organizational citizenship behavior influences employee performance mediated by innovation. This indicates that when mediated by innovation, organizational citizenship behavior has a unidirectional relationship with employee performance. The higher the organizational citizenship behavior, the higher the employee performance mediated by innovation. There is a statistically significant relationship between organizational citizenship behavior and employee performance when mediated by innovation. The positive coefficient suggests that higher levels of organizational citizenship behavior are associated with increased employee performance via the mediating effect of innovation. The unidirectional nature implies that organizational citizenship behavior influences employee performance indirectly by fostering innovation, which in turn enhances performance.

The significance confirms that this mediated effect is unlikely to be due to chance. The positive coefficient, although modest, indicates a meaningful positive pathway, employees



exhibiting organizational citizenship behaviors, such as helping colleagues or going beyond their formal roles encourage innovation within the organization, leading to improved performance outcomes. This highlights the importance of fostering organizational citizenship behavior to stimulate innovation and, consequently, enhance overall employee performance. Innovation can occur as a result of combining new knowledge with existing knowledge by reconfiguring the capabilities and competencies of construction service management in producing value-added services, including processes related to the process of creating and acquiring new knowledge by integrating it into outputs that have added value for construction service business services. Innovation is considered a competitive advantage that provides benefits for the sustainability of the organization. Organizational citizenship behavior is important for improving employee performance, and innovation in service and process plays a role in improving employee performance, mediating the relationship between organizational citizenship behavior and employee performance.

Pursuing a competitive strategy for construction service businesses requires the creation and improvement of human resources in the areas of skills, personnel knowledge of the construction service business, motivation and management leadership style, and in-depth knowledge of appropriate construction technology. This research also supports the improvement of employee performance, as construction service business management must focus on process innovation and customer service.

The ninth hypothesis, stating that competitive intensity influences employee performance mediated by innovation. This indicates that competitive intensity has a direct relationship with employee performance when mediated by innovation. The higher the competitive intensity, the higher the employee performance mediated by innovation. There is a statistically significant mediated relationship between competitive intensity and employee performance. The positive coefficient suggests that as competitive intensity increases, it fosters innovation within the organization. Enhanced innovation, in turn, leads to improved employee performance. The significance level confirms that this effect is unlikely due to chance. The positive path coefficient demonstrates that a higher level of competitive pressure motivates organizations and employees to innovate, which then translates into better performance outcomes. Therefore, increasing competitive intensity can be a strategic factor to stimulate innovation and, consequently, enhance employee performance.

This research supports the research conducted by (Idarraga & Marin, 2019) which stated that the competitive intensity experienced by construction service business management can be overcome through innovation to avoid technological obsolescence and anticipate market changes. Therefore, this study provides advice that construction service business management can utilize resources in the form of accumulated experience and knowledge to innovate to avoid the risk of loss and uncertainty. Thus, this research supports the research conducted by (Idarraga & Marin, 2019).

This study also suggests, as suggested by (Haryanto et al., 2019), that construction service business management must strive to produce high innovation to achieve sustainable competitive intensity against its competitors, thus producing optimal employee performance. Innovation is also needed to create impacts that change properties and products and services, increase knowledge of construction service technology, create new goals, increase goal mobility, change the way information is exchanged and change institutional logic and power



relations. Innovation focuses on its uniqueness and exclusivity so it is an important factor for economic development and is a major competitive advantage for construction service businesses. Innovation can make construction service businesses increase company value and gain profits in a competitive market.

The tenth hypothesis, with the statement that organizational slack influences employee performance mediated by innovation, thus the tenth hypothesis is accepted. This indicates that when mediated by innovation, organizational slack has a unidirectional relationship with employee performance. The higher the organizational slack, the higher the employee performance mediated by innovation. There is a statistically significant mediated relationship between organizational slack and employee performance. The positive coefficient indicates that greater organizational slack such as excess resources or capacity leads to increased innovation. This enhanced innovation subsequently results in higher employee performance. When mediated by innovation, organizational slack has a unidirectional positive impact on employee performance. Organizations that maintain sufficient slack resources can foster innovation, which in turn improves employee performance. The relationship, although modest, underscores the strategic importance of resource flexibility in driving innovative activities and performance outcomes.

This study supports the findings put forward by (Idarraga & Marin, 2019) which states that organizational slack is a resource owned by business management to meet the demands of subunits within the organization that require additional resources to complete tasks set by management. Organizational slack is seen as an excess of resources that allows tourism business management to improve services to tourists, especially in responding to internal organizational pressures and adjusting the implemented strategies. Therefore, in facing environmental forces that impact the organization, the existence of vacancies or surplus resources within the organization can be used as an opportunity to improve employee performance. Innovation in the construction service business is necessary because innovation is a concept that is within the scope of services so that innovation cannot be directly explained by the general concept of innovation. Therefore, innovation in the construction service business must have been planned in terms of service quality and have succeeded in introducing innovations and improvements that contain elements of novelty, originality and systematic business thinking.

CONCLUSION

Research findings. All hypotheses were accepted except the fifth hypothesis, which was rejected because there was no significant effect between the level of competitive intensity and employee performance. Although theory and several previous studies suggest that high competition can motivate performance improvement through innovation and market adaptation, in the context of this study, the competition factor was not proven to have a direct effect on employee performance. There are other factors that may have a greater influence on employee performance than the level of market competition. Future researchers are advised to investigate other factors that influence employee performance in more depth, such as job satisfaction, company culture, and incentives. Management needs to note that increasing



competitive intensity alone is not enough to improve employee performance, so a more comprehensive human resource management strategy is needed.

This research adds insight by demonstrating that the influence of competition on employee performance is not universal and can be influenced by factors within a specific organizational or industry context. These findings challenge common assumptions and indicate the need for a more comprehensive strategic approach to managing competition. They also highlight the importance of internal factors and innovation as variables that may play a more significant role in improving employee performance in specific environments.

High levels of competition are generally expected to motivate employees and companies to innovate and improve work performance through the encouragement of that competition. However, these findings suggest that in certain situations, industry characteristics, organizational culture, or external competition management strategies may not directly impact employee performance. Other factors, such as job satisfaction, incentive systems, or an internal culture of innovation, may have a greater influence. These results also caution that general assumptions about the positive impact of competition must be considered contextually and do not apply universally to all situations.

Future research. Suggestions for future research include expanding the variables studied to include other aspects such as job satisfaction, internal motivation, organizational culture, and internal innovation to gain a more comprehensive understanding of their influence on employee performance. Furthermore, it is important to replicate the study across different industries and geographic regions to ensure more generalizability of the results and not be limited to a single context. The use of qualitative methods, such as in-depth interviews or case studies, is also recommended to gain deeper insight into the mechanisms by which competition influences performance. Furthermore, a longitudinal approach can help observe changes in the relationship over time, while analyses of moderating and mediating factors can enhance understanding of the conditions that strengthen or weaken the relationship.

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