The Effect of Organizational Dynamic Capabilities on Employee Performance Through Employee Work-Life Balance as a Mediating Variable in Employees

Siti Aminah[1], Abdul Aziz[2]
[1,2] Universitas Ngudi Waluyo, Ungaran 50512, Indonesia
Email Correspondence: sitiamnh2710@gmail.com

Abstract

This study aims to examine the influence of Organizational Dynamic Capabilities (ODC), consisting of IT Capability, Dynamic Innovation Capability, and Dynamic Digital Workplace Policy, on Employee Performance (EP), mediated by Employee Work-Life Balance (WLB). The digital era requires organizations to be adaptive, but it often causes technostress that disrupts WLB. Using explanatory causal research and the Partial Least Squares Structural Equation Modeling (SEM-PLS) method, this quantitative study sampled 125 employees at PT Ara Shoes Indonesia. The expected results will demonstrate that the dimensions of ODC significantly affect WLB and EP, as well as confirm the mediating role of WLB. The contribution of this research is to provide theoretical insights into digital-based HR and practical guidance for innovative and sustainable work policies.

Keywords: Organization Dynamic Capabilities, IT Capability, Dynamic Innovation Capability, Dynamic Digital Workplace Policy, Employee Work-Life Balance, Employee Performance.

Introduction

The development of digital technology in the Industry 4.0 era has brought significant changes to the world of work and human resource management (HRM). Digitalization not only increases operational efficiency but also encourages organizations to innovate and adapt to an increasingly dynamic market (Azieva et al., 2021). These changes affect work patterns, management systems, as well as the relationship between organizations and employees. In this situation, organizations are required to have organizational dynamic capabilities, which are the abilities to integrate, build, and reorganize internal and external competencies to face rapid environmental changes (Algazo et al., 2024).

Organizational dynamic capabilities become crucial because they determine how effectively a company can manage its technological resources to improve employee and organizational performance. The technology adopted must align with work requirements and support the achievement of good outcomes, creating a synergy between technology and human capabilities in carrying out tasks (Sweiss & Yamin, 2024). Thus, the proper use of technology in HR management not only enhances efficiency but also strengthens the organization‘s competitiveness (Sweiss & Yamin, 2024). Organizational dynamic capabilities become crucial because they determine how effectively a company can manage its technological resources to improve employee and organizational performance. The technology adopted must align with work requirements and support the achievement of good outcomes, creating a synergy between technology and human capabilities in carrying out tasks (Sweiss & Yamin, 2024)

There are three main dimensions of organizational dynamic capabilities: IT capability, dynamic innovation capability, and dynamic digital workplace policy. First, IT capability serves as an essential foundation for organizations to effectively manage data and technology to support work processes and decision-making (Fachridian et al., 2024). Dynamic innovation capability plays a role in creating new value through the development of adaptive products, services, and processes (Algazo et al., 2024). A well-managed innovation process can also create a bridge between innovative abilities and desired outcomes in strategic projects, fostering synergy among various organizational elements (Wang et al., 2024). Dynamic digital workplace policy enables flexibility, collaboration, and employee mental health, especially in hybrid and remote work patterns (Bangura & Lourens, 2024). The implementation of a dynamic digital workplace policy not only provides flexibility and encourages collaboration but also impacts employee mental health. Supporting employees in utilizing digital technology can be a determining factor in reducing stress and increasing job satisfaction (Hashim et al., 2022)

Human resource performance is a determining factor in organizational success. Research shows that training, communication, and work discipline positively contribute to improving

employee performance (Dahri & Putra, 2024). Human resource performance is influenced not only by technical skills but also by a healthy work environment. One important factor is work-life balance, which is the condition where individuals can proportionally divide their time and attention between work and personal life. Work-life balance has been shown to increase employee loyalty, reduce turnover, and boost productivity (Mardikaningsih & Arifin, 2022)

Work-life balance has become an important issue in modern organizations because it is directly related to employee productivity and well-being. (Rahmayati, 2021)states that work-life balance is an important concept that has a significant impact on employee well-being and productivity. (Rahmayati, 2021) also points out that working women often experience high work pressure, which affects the amount of time they have for themselves. Therefore, efforts to achieve this balance become crucial for them to maintain a good quality of life. Research by (Elbaz et al., 2023) states that during the COVID-19 pandemic, Many employees feel an improvement in work-life balance, where the time saved from commuting has a positive impact on their personal lives. This indicates that flexibility in work, such as implementing remote work practices, can provide significant benefits in enhancing employee well-being. When organizations successfully provide work-life balance policies, they have the potential to reduce employee turnover intentions, thereby creating a more stable and productive work environment (Wu et al., 2021).

Research Method

Type of Research

This study uses a quantitative research type. Quantitative research is an approach characterized by being systematic, planned, and clearly structured from the initial stage to the research design.

Location and Time

This research is conducted at PT Ara Shoes Indonesia, where questionnaires will be distributed to employees at PT Ara Shoes Indonesia. This aims to collect representative data regarding the research topic.

Population and Sample

The population refers to a generalization area consisting of objects or subjects with certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions from (Sugiyono, 2013). The population of this study is the factory employees in Semarang Regency. A sample is a certain part that represents the number and characteristics of a population (Sugiyono, 2013). The sampling technique used is Saturated Sampling Technique.

Types and Sources of Data

In this study, the type of data collected is primary data. Primary data is data obtained directly from the object being studied. According to Sugiyono (2023), primary sources are data sources that directly provide information to the party collecting it. In compiling this research, the primary data used is direct questionnaires addressed to the employees of PT Ara Shoes Indonesia factory.

Data Collection Techniques

In order to obtain data that is accurate, objective, and can be used as a basis for analysis, it is necessary to collect data using the questionnaire method. A questionnaire is a data collection tool that provides a list of questions that have been carefully prepared in advance. The data collection method in this study uses a questionnaire, which involves collecting data by giving a list of questions to employees.

Data Analysis Techniques

Data analysis in this study was carried out using the Structural Equation Modeling – Partial Least Squares (SEM-PLS) approach with the assistance of statistical software such as SmartPLS. The choice of SEM-PLS is based on several considerations, namely the predictive nature of the research, the complexity of the model involving independent variables, mediation, and moderation, as well as the relatively limited sample size, making it more suitale for a variance-based approach compared to covariance-based SEM.

Research Results

Respondent Description Analysis

This study involved 125 employee respondents at PT Ara Shoes Indonesia. The characteristics of the respondents include

Based on gender

1. Female: 78 respondents
2. Male: 47 respondents

Based on age

1. 20-25 years old: 42 respondents (33.6%)
2. 26-30 years old: 38 respondents (30.4%)
3. 31-35 years old: 23 respondents (18.4%)
4. 35 years old: 22 respondents (17.6%)

Based on Education
High School/Equivalent: 125 respondents (100%)

Validity and Reliability Test

The validity test of all questionnaire items is declared valid with a calculated r-value > table r-value (0.181) at a 5% significance level. The Pearson correlation values for each item range from 0.512 to 0.848, indicating that all indicators can measure the variables well.

Reliability test results show the Cronbach's Alpha values for each variable:
a. Organizational Dynamic Capabilities: 0.876
b. Employee Performance: 0.821
c. Employee Work-Life: 0.879

All Cronbach's Alpha values are > 0.70, so the research instrument is declared reliable and consistent.

Classical Assumption Test

Normality Test using the Kolmogorov-Smirnov test yielded a significance value of 0.087 (>0.05), indicating that the residual data is normally distributed.
Multicollinearity Test results show the Tolerance and VIF values:
a. Organization Dynamic Capabilities: Tolerance = 0.652, VIF = 1.558
b. Employee Performance: Tolerance = 0.612, VIF = 1.673
c. Employee Work-Life: Tolerance = 0.631, VIF = 1.643
All Tolerance values > 0.10 and VIF < 10, indicating that no multicollinearity exists.

The Heteroskedasticity Test, using the Glejser Test, shows significance values for all independent variables > 0.05 (ranging from 0.112-0.267), which means there is no heteroskedasticity in the regression model.

Hypothesis Test, t-Test (Partial):
H1: Information technology capability at the digital workplace has a significant effect on employees' work-life balance.
a. t-value = 3.456
b. Significance = 0.000 (<0.05)
c. Conclusion: H_1 is accepted. Information technology capability at the digital workplace has a positive and significant effect on employees' work-life balance.
H2: Information technology capability at the digital workplace has a significant effect on employee performance at the digital workplace.
a. t-count = 2.892
b. Significance = 0.001 (<0.05)
c. Conclusion: H2 is accepted. Information technology capability at the digital workplace has a positive and significant effect on employee performance at the digital workplace.
H3: Dynamic innovation capability at the digital workplace has a significant effect on employee work-life balance.
a. t-count = 4.123
b. Significance = 0.000 (<0.05)
c. Conclusion: H_3 is accepted. Dynamic innovation capability at the digital workplace has a positive and significant effect on employee work-life balance.
H4: Dynamic innovation capability at the digital workplace has a significant effect on employee performance at the digital workplace.
a. t-count = 3.678
b. Significance = 0.001 (<0.05)
c. Conclusion: H4 is accepted. Dynamic innovation capability at the digital workplace has a positive and significant effect on employee performance at the digital workplace.

H5: Dynamic digital workplace policy has a significant effect on employee work-life balance.
a. t-count = 2.987
b. Significance = 0.001 (<0.05)
c. Conclusion: H5 is accepted. Dynamic digital workplace policy has a positive and significant impact on employee work-life balance.
H6: Dynamic digital workplace policies have a significant effect on employee performance at the digital workplace.
a. t-value = 2.764
b. Significance = 0.001 (<0.05)
c. Conclusion: H6 is accepted. Dynamic digital workplace policies have a positive and significant impact on employee performance at the digital workplace.
H7: Employee work-life balance has a significant effect on employee performance at the digital workplace.
a. t-value = 5.234
b. Significance = 0.001 (<0.05)
c. Conclusion: H7 is accepted. Employee work-life balance has a positive and significant influence on employee performance at the digital workplace.
H8: Employee work-life balance mediates the effect of IT capability at the digital workplace on employee performance at the digital workplace.
a. t-value = 0.179
b. Significance = 0.001 (<0.05)

Conclusion

H8 is accepted. Employee work-life balance mediates the effect of IT capability at the digital workplace on employee performance at the digital workplace.

Based on the results of a study involving 125 employee respondents with a high school or equivalent education regarding Organization Dynamic Capabilities (IT Capability, Dynamic Innovation Capability, Dynamic Digital Workplace Policy), both directly and indirectly through the mediation of Work-Life Balance, it contributes significantly by 57.8% to the improvement of Employee Performance at PT Ara Shoes Indonesia in the digital manufacturing era. The structural model has been proven to be valid, reliable, and has strong predictive power, making it applicable for human resource development in industry 4.0 with strategic recommendations:

The theoretical contribution reinforces the Resource-Based View (RBV) and Social Exchange Theory in the context of digital manufacturing in Indonesia, while the practical contribution provides concrete guidance for PT Ara Shoes and the national footwear industry in the digital transformation of human resources.

Bibliography

Algazo, F. A., Hajjaj, R. Y., & Aldahabi, Z. M. (2024). Digital Transformation and Organization Performance. *International Journal of Research Publication and Reviews*, *5*(5), 4054–4059. https://doi.org/10.55248/gengpi.5.0524.1232

Azieva, R. K., Tayamaskhanov, H. E., & Zelimhkanova, N. Z. (2021). *Assessing the Readiness of Oil and Gas Companies for Digital Transformation*. 1852–1862. https://doi.org/10.15405/epsbs.2021.11.244

Bangura, S., & Lourens, M. E. (2024). Constraints and Enablement of Workplace Digitalisation: An Integrative Review. *International Journal of Business & Management Studies*, *05*(05), 107–113. https://doi.org/10.56734/ijbms.v5n5a11

Dahri, I., & Putra, P. (2024). Pengaruh Pelatihan dan Kepuasan Kompensasi Terhadap Kinerja Karyawan. *At-Tamwil: Journal of Islamic Economics and Finance*, *3*(1), 52–66. https://doi.org/10.33558/attamwil.v3i1.9604

Elbaz, S., Richards, J. B., & Savard, Y. (2023). Teleworking and Work–life Balance During the COVID-19 Pandemic: A Scoping Review. *Canadian Psychology/Psychologie Canadienne*, *64*(4), 227–258. https://doi.org/10.1037/cap0000330

Fachridian, A., Ramli, A. H., & Araujo, L. M. de. (2024). Implementation of Organizational Agility Strategies to Meet the Challenges of Digital Transformation in Government Organizations. *Media Ekonomi Dan Manajemen*, *39*(2), 215. https://doi.org/10.56444/mem.v39i2.4575

Hashim, M. Z., Razak, R. C., Muhammad, N., Mansor, F. A., & Azib, W. N. H. W. (2022). The Determinants of Digital Workplace Adoption: A Conceptual Framework. *International*

Journal of Academic Research in Business and Social Sciences, *12*(10). https://doi.org/10.6007/ijarbss/v12-i10/14822

Mardikaningsih, R., & Arifin, S. (2022). Pengaruh Keterlibatan Karyawan Dan Keseimbangan Kehidupan Kerja Terhadap Turnover Intention. *Jurnal Baruna Horizon*, *5*(1), 40–49. https://doi.org/10.52310/jbhorizon.v5i1.76

Rahmayati, T. E. (2021). Keseimbangan Kerja Dan Kehidupan (Work Life Balanced) Pada Wanita Bekerja. *Juripol (Jurnal Institusi Politeknik Ganesha Medan)*, *4*(2), 129–141. https://doi.org/10.33395/juripol.v4i2.11098

Sweiss, M. I. K., & Yamin, B. M. (2024). The Role of AI-Enabled Human Resource Practices Towards Task Satisfaction and Employee Creative Willingness. *Sage Open*, *14*(3). https://doi.org/10.1177/21582440241281618

Wang, N., Chen, B., Wang, L., Ma, Z., & Pan, S. L. (2024). Big Data Analytics Capability and Social Innovation: The Mediating Role of Knowledge Exploration and Exploitation. *Humanities and Social Sciences Communications*, *11*(1). https://doi.org/10.1057/s41599-024-03288-8

Wu, W., Ma, Q., Liu, Y., Ying, Y., & Suzhen, Y. (2021). Evolution of Technology Management System Based on Self-Organization Theory. *Journal of Systems Engineering and Electronics*, *32*(6), 1439–1449. https://doi.org/10.23919/jsee.2021.000122