

# **Pivotal Role of Organizational Agility in Hospitality Industry in Indonesia: Mediating Role of Organizational Culture and Performance Management System**

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## **Abstract**

This study aims to investigate the influence of organizational agility on organizational performance in the hospitality industry. The post-covid data signifies the need for research investigating how starred hotels in Indonesia can improve their competitive performance. This study also investigates the important role of organization culture and performance management system in the relationship between organizational agility and organizational performance. The data analysis technique used is Structural Equation Modeling (SEM) with SmartPLS 4 Software to analyze the relationship between variables. The sampling technique used is non-probability on 105 employees/business owners in the hotel sector with 3-5 stars in Indonesia. The findings show that organization agility does not possess any direct correlation with organization performance among starred hotels in Indonesia. Furthermore, positive and significant correlation from organizational agility to performance can be established through the mediatory of performance management system implementation and supportive organizational culture among the industry. The result of this study generates enticing implications towards hospitality business leaders.

**Keywords** Organizational Agility, Organizational Culture, Performance Management System, Organization performance

## **INTRODUCTION**

The shift from VUCA (Volatile, Uncertain, Complex, Ambiguous) into BANI (Brittle, Anxious, Nonlinear, and Incomprehensible) environment has affected the way organizations operate their businesses and activities. Agility has become an essential factor determining the survival of an organization in this era, as it boosts organizational capability in improving their overall performance (Al Taweel & Al-Hawary, 2021; Cegarra-Navarro et al., 2016; Nafei, 2016; Rafi et al., 2021a). In the local context of Indonesian organizations, similar results can be found in the recent research conducted by (Surya Wanasida et al., 2021). As the wave of disruption and the change of business environment are happening transnationally, the aforementioned research can be the benchmark on how agile organizations are able to generate increases on their performance level, regardless of demographic context, organizational form, and the nature of challenges they face.

So far, there has been little to none of research investigating the connection within the context of the hospitality industry, particularly hotels. Lodging industries are always vulnerable to disruptions from their external environment (Choirisa, 2022; Sandra et al., 2022; Syaputri et al., 2021). For example, Covid outbreak recently has brought one major hotel chain approximately

90% Revenue per Availability Room (RevPar) plummeting in China and even 100% on some other nations(Choirisa, 2022). In Indonesia alone, the overall hotel occupancy rate reached the lowest level of 20% during the initial stage of Covid outbreak (Syaputri et al., 2021), and caused more than 1,200 hoteliers losing their job (Syaputri et al., 2021). Hotels are also classified as one of the industrial sectors operating in a dynamic environment thus uncertainty is becoming a necessity (López-Gamero et al., 2023).

In addition, the question whether or not organizational culture as well as the existence of performance management systems implemented in a hotel may support the main connection between agility and performance, has yet to be addressed in the previous research. Organizational culture has always been an integral and emphasized part of hospitality organizations, as pointed out by some research; with its existence may improve intimacy with customer(Rahimi & Gunlu, 2016), innovation (María del Rosario et al., 2017a), reputation (González-Rodríguez et al., 2019), and particularly performance (Achmad, 2016; González-Rodríguez et al., 2019; Nazarian et al., 2017). Another realistic way to maintain the performance level is achieved through the implementation of a performance management system which is not something new in hotel industries, both overseas (Panno, 2020; Sadat Mirfakhradini, 2019) and local (Ariyanto & Yulianah, 2023).

As Covid slows down and the tourism climate slowly returns to the previous state, lodging industries around the world, particularly in Indonesia, will again compete with each other to host their guests. Data from the Indonesian Ministry of Tourism and Creative Industry (Widi, 2022) suggests that profits obtained from tourism sector rose to more than 750% at the end of 2022 compared to the previous year, which was triplets from the target, and more than 3,700 starred hotels in Indonesia were competing each other to contribute to the number (Mustajab, 2022). The data signifies the need for research investigating how starred hotels in Indonesia can improve their competitive performance in the current situation.

The end of world travel restrictions post Covid, therefore, brings back a competitive climate among lodging industries. Such massive opportunities from tourist influx both domestically and internationally require not only strategic thinking but also adaptation to the market. Only adaptive lodging industries will be able to exploit the opportunity. Financial structure is no longer becoming the sole determining factor of hotel survival (Gémar et al., 2016). All aspects, especially the human resource within, need to perform at their peak level in order to win the market (Gémar et al., 2016; Shi et al., 2021; Widawati et al., 2023). The question remains on how this could be achieved through agile organizational management.

This research is conducted in Indonesian context, and a regression model is used to investigate how starred hotels' performance in Indonesia can be improved directly through organizational agility, and indirectly through both organizational culture and performance management system as the mediators.

The topic elevated in this study is consistent with the research previously conducted by the writers, as the writers themselves have conducted similar research regarding organizational development in various industries in Indonesian context (Devie et al., 2023; Wibowo et al., 2022, 2023), all of which emphasis on how business organizations may survive the current challenges.

This research is expected to provide a basis for hotels to evaluate whether or not they have been agile enough in reacting to the challenges. Just like a human's bodily system uses white blood

cells to prevent disease and illness, hotel managers can also evaluate whether the existing culture and the implementation of a performance management system (two of which actually belong to the organization's internal environment) have so far contributed to improving their overall business performance. Academically, this research is also expected to be the most recent milestone for the following studies regarding the survival of hospitality industries.

This paper is arranged into several sections, with the later sections respectively explaining how the hypotheses are deduced from the relationship between organizational agility, organizational culture, property management system, and organizational performance; data collection and analysis; findings; analysis and discussion; and conclusion.

## LITERATURE REVIEW

The concept of organizational agility (OA) has been developed since the early 80s, and more studies have exponentially been conducted ever since, especially during the industrial 4.0. The emergence of industrial revolution 4.0 post 2010s brings heavier emphasis on agility, some research mentioned that technological and infrastructure updates brought by the revolution have changed the way organizations operate, and inevitably push organizations to be more agile (Cho et al., 2023; Jesse, 2018; Matthiae & Richter, 2018; Mrugalska & Ahmed, 2021).

Researchers have coined the term 'organizational agility' with the capability of an organization to sense and react to existing opportunities as well as to deal with any incoming threat properly, consistently, and continuously (Mrugalska & Ahmed, 2021; Rafi et al., 2021b; Žitkienė & Deksnys, 2018). The way an organization grasps on opportunity relies on its capabilities (competence, motivation, and experience), while response quality will be determined from its so-called enablers (resources an organization currently possesses) (Žitkienė & Deksnys, 2018). The agility of an organization can be seen in how it assesses and responds to both of its internal and external business environments, which is reflected in the measurement adopted in this research (Rafi et al., 2021b). (Desouza, 2006) has further developed this environmental analysis through an alternate perspective by observing organizations' operational activity as well as partners and customer relationships. This perspective also incorporates Information Technology as one of the fundamental factors conforming to the recent industrial revolution, and this measurement has since been developed to suit more with a more general context, one of them is performed by (Rafi et al., 2021b).

In the context of lodging industries, a number of published studies investigating the implementation of organizational agility have been conducted with results pointing out direct positive outcomes: improvement of innovation, management quality, adaptability, and performance (Darvishmotevali et al., 2020; Khalil et al., 2023; López-Gamero et al., 2023; Melián-Alzola et al., 2020).

Organizational performance (OP) is a reflection of how well the organization achieves previously set goals. This means that the organization needs to compare the expected results with the actual results achieved in order to know whether the work carried out is in accordance with the organization's plans and goals. Organizational performance is an important indicator for both small, medium and large businesses (A .D .S .Thathsara & Jayaranjani Sutha, 2021; Abeysekara et al., 2019; Ernita et al., 2020; Rehman et al., 2019). Organizational performance can be measured by looking at financial aspects, customer aspects, learning & growth aspects, and internal process aspects. The financial aspect can be seen from the organization's financial performance, while the

customer aspect can be seen from the data obtained from the consumer's point of view. Next, the learning & growth aspect can be seen from the performance of the organization's human resources, the implementation of organizational culture and the use of technology that can help business processes. The internal process aspect can be seen from the way work is implemented in an organization. This will measure the quality of work produced by the organization (Rafiq et al., 2020).

Organizational performance in the hotel industry is determined by the employees in the organization. This happens because the employees carry out activities in providing services to their customers so that hotel employees are the most valuable resource for the hotel where these employees work. If linked to the method of measuring organizational performance formulated by Kaplan, employees as a hotel's human resource assets will determine financial performance, the level of satisfaction of consumers who use the products and services offered, the implementation of work culture and use of technology and determine the quality of each job performed (Nguyen et al., 2022; Sarwar & Muhammad, 2020).

Organizational culture (OC) is the behavior possessed by members of an organization based on norms, beliefs, ideologies and beliefs that are believed and carried out together. Through organizational culture, each member can provide new ideas, apply these ideas and share them with all members of the organization and this can make a good contribution to the organization because it indirectly produces positive things that can increase the productivity or performance of the organization (Rehman et al., 2019; Shea et al., 2023). According to Quinn and Cameron, organizational culture is divided into several types, namely clan culture, adhocracy culture, market culture and hierarchy culture. Quinn and Cameron further explained that every organization must have these four types and maintaining a balance between these four types of culture is very important for an organization because it can create an optimal management system.

Clan culture is a culture that focuses on the relationships between each member of the group, social interaction and the need to feel included in a group are important aspects because they are thought to increase work productivity. A conducive working atmosphere that prioritizes the principle of collaboration is very good for the development process of organizational members. Next, adhocracy culture is an organizational culture that focuses on the ability of each member to provide a quick response. The ability to adapt, flexibility and high creativity are very important because they can create a dynamic work environment which is expected to provide opportunities for each group member to innovate with the aim of making a positive contribution to the organization. Meanwhile, market culture is a hierarchy culture, a culture that focuses on a bureaucratic system where the main focus is efficiency in producing products and providing services to consumers. Organizations that adhere to a hierarchy culture tend to have a structured work environment and almost all organizational activities have clear procedures. The most important value for this culture is stability where this value is used in carrying out daily activities (Azeem et al., 2021; María del Rosario et al., 2017b).

Performance management system (PMS) is a management approach that is regulated through communication between leaders and team members regarding planning, providing feedback on ongoing processes and evaluation processes of what has been previously planned. (Ariyanto & Yulianah, 2023; Nursam, 2017). The performance management system involves the use of resources owned by the company to achieve predetermined goals, the more effective the work of the company's employees and the more efficient the use of the resources owned can make the

company have good performance so that a control process is needed from the leaders company towards each member of its team. Therefore, every company needs a system that can help leaders ensure the company's performance meets expectations (Ariyanto & Yulianah, 2023; Hristov et al., 2021).

## **Hypothesis Development**

Organizational agility is very important for companies, the ability to adapt to ever-changing conditions is a company's competitiveness. So that a company can have this capability well, of course it cannot be separated from the ability of every employee who works in it so that the work culture that exists in the company can support the company to achieve its desires. The work culture of a company will determine whether the company's employees have a positive attitude in accepting the initiatives made, how each employee tries to convince other employees that what they are doing is appropriate and this can make a positive contribution to the company and It's all for the common interests and welfare of every employee. In the hotel industry itself, employees are required to be able to meet the diverse needs of guests so that to carry out their duties, employees always help each other because cooperation is the main key in this industry. Previous studies have investigated the relationship between organizational agility and organizational culture (Alamsjah & Yunus, 2022; Carvalho et al., 2021). This culture of mutual assistance can make a positive contribution to the company because it indirectly provides support for hotels to always be agile.

H1: Organizational agility has a positive and significant impact towards the organizational culture of hotels in Indonesia.

A strong organizational culture will have a good impact on the organization because every employee or member of the organization has references and guidelines that can be relied upon to ensure the behavior of each member. Previous research conducted by (Nazarian et al., 2017) shows that organizational culture has a positive and significant effect on organizational performance. Organizational culture is a resource that can be utilized well because it can provide a competitive advantage for an organization. Employees who follow the organizational culture well will also have good adaptability so that when changes occur, each employee can follow it well and is also able to provide solutions to every problem faced by guests. Furthermore, the results of research conducted by (Nazarian et al., 2017) in the hotel industry shows that organizational culture has a positive and significant effect. An organizational culture that encourages innovation and flexibility will help create competitiveness for a hotel, this means a culture that supports employees to create new solutions for guests who use the services offered. Apart from that, it also accustoms employees to always be ready for changes that will occur due to the very dynamic conditions of the hotel industry (Nazarian et al., 2017).

H2: Organizational culture has a positive and significant impact towards the organization performance of hotels in Indonesia.

Organizational agility makes it possible for an organization to have the ability to adapt quickly in facing changes that occur in the business environment internally and externally, this ability to adapt quickly can be a differentiator from competitors. Every employee is required to be able to run quickly, adjusting the pace of work to the speed desired by the company they work for

with the hope that the productivity of each employee will be very high. Therefore, so that companies can measure the performance of each employee, they need a system that can help them do this job. A Performance Management System which consists of work planning, control of what has been planned and work evaluation can help companies ensure that each employee has performed as expected. Every work plan that is mutually agreed upon at the beginning of the year will be monitored by this system so that it is hoped that by the end of the year the agreed goals can be achieved and become a good contribution to the company.

H3: Organizational agility has a positive and significant impact towards the performance management system of hotels in Indonesia.

A performance management system involves planning, monitoring and evaluation processes. Every company needs this system to ensure organizational performance meets expectations. The creators of the system and the perpetrators of the system created are every employee in the company so it can be said that the most important contribution for the company to get the best results comes from the individuals who are part of the company. The ability of each member of the company to work effectively and be able to utilize existing resources efficiently is a demand that must be met so that the productivity of each employee is expected to increase and provide the best results as expected. Previous study has also highlighted the importance of performance management system on organizational performance (Khaltar & Moon, 2020).

H4: Performance management system has a positive and significant impact towards the organization performance of hotels in Indonesia.

Organizational agility allows an organization to identify, control and maximize business processes that can be useful as a competitive advantage for the organization. Previous research shows that organizational agility has a positive and significant effect on organizational performance (Ashrafi et al., 2019; Çallı & Çallı, 2021; Khan et al., 2022; Rafi et al., 2022; Surya Wanasida et al., 2021). In the hospitality context, organizational agility is reflected in the ability of each employee to respond to changes that occur. There are so many unique guests with various types of requests that hotel employees are always required to be creative and able to adapt to these diverse guest requests. With good adaptability, hotel employees directly demonstrate good organizational performance (Darvishmotevali et al., 2020).

H5: Organizational agility has a positive and significant impact towards the organization performance of hotels in Indonesia.

Organizational agility has been proven to be able to make organizations have good organizational performance and be able to provide competitiveness for the organization. Organizational culture, which is a strategic asset for an organization, can also provide advantages that are important for the success of an organization. Previous research conducted by (Arokodare et al., 2019) proves that organizational agility has a positive and significant effect on organizational performance with organizational culture as a mediating variable. The strategic effectiveness of an organization is influenced by organizational culture by forming the motivation of organizational members to prioritize the interests of the organization above the interests of each of its members. In the context of this research, organizational culture influences an organization's strategy to adapt and change so that the stronger an organization's organizational culture, the more difficult it is for its members to consider new types of strategies. Therefore, awareness of organizational culture is very important before an organization implements its strategy.

H6: Organizational culture mediates the impact on the relation between organizational agility towards the organizational performance of hotels in Indonesia.

If a company has a performance management system that can support connecting the organization's ability to become more agile or in other words has the ability to adapt to an environment that is changing very quickly, then this company can definitely have good organizational performance.

H7: Performance management system mediates the impact on the relation between organizational agility towards the organizational performance of hotels in Indonesia.

## **RESEARCH METHOD**

### **Sample**

The population used in this research was employees from 3-5-star hotels in Indonesia. This study selects employees from 3-to-5-star hotels as the unit analysis because starting at 3-star hotels are typically part of a bigger chain of hotels. Other factors include the fierce competition in the industry caused by the enormous number of companies in Indonesia's 3- to 5-star hotels. In addition, a large number of international investors enter the market, boosting market competition and spurring rapid development in the number of hotels in Indonesia (UNWTO, 2021). Additionally, the customer began to notice that the amenities offered by 3, 4, and 5-star hotels were unimpressive, as evidenced by their severe pricing competition.

The sampling technique used is non-probability. Sampling is carried out by determining research subjects who meet predetermined criteria. Some of the criteria are employees/business owners in the hotel sector with 3-5 stars in Indonesia who have worked for at least 2 years. The data used is measured in value categories 1-5 using a Likert scale. The data analysis technique used is Structural Equation Modeling (SEM) with SmartPLS 4 Software to analyze the relationship between variables. This research also uses descriptive analysis techniques to complete image descriptions in the form of empirical data based on data. The descriptive analysis in this research is the mean average and standard deviation.

A phase of analysis in the outer model is evaluated using validity and reliability tests. Based on outer loadings and Average Variance Extracted (AVE), a validity test employing convergent validity is evaluated. The anticipated value of the outer loadings is  $> 0.7$  (0.5 to 0.6 is deemed adequate), while the anticipated value of the AVE is  $> 0.5$ . Cronbach's Alpha was used for the reliability test, with an ideal value of 0.8 or 0.9 and an expected value of 0.7. Additionally, composite reliability with an expected value of  $> 0.7$  is used in the reliability test. A coefficient of determination ( $R^2$ ) and predictive relevance ( $Q^2$ ) are present in the inner model. According to Hair et al. (2019), the coefficient of determination has a range of 0 to 1, with a typical value of 0.75 (substantial), 0.50 (moderate), and 0.25 (weak). It is considered to be favourable for predictive relevance if  $Q^2 > 0$ . The t-test is used in this study to test the hypothesis and determine whether a variable's influence has a significant impact or not. The bootstrapping process uses the t-statistic to determine the significance level of a hypothesis. If the t-statistic is greater than 1.96, the hypothesis is said to be significant; otherwise, it is said to be insignificant, so then the theory will be accepted.

Organizational agility indicators are adopted from van Oosterhout et al. (2007) and Rafi et al. (2021). Organizational culture measurements are adopted from Müller & Nielsen (2013) and Azeem et al. (2021). Performance management system measurement is adopted from Ohemeng

et al. (2017). Balance scorecard concept is adopted to measure organizational performance using indicators from Mehralian et al. (2018) and Kusi et al. (2021).

## Research Framework

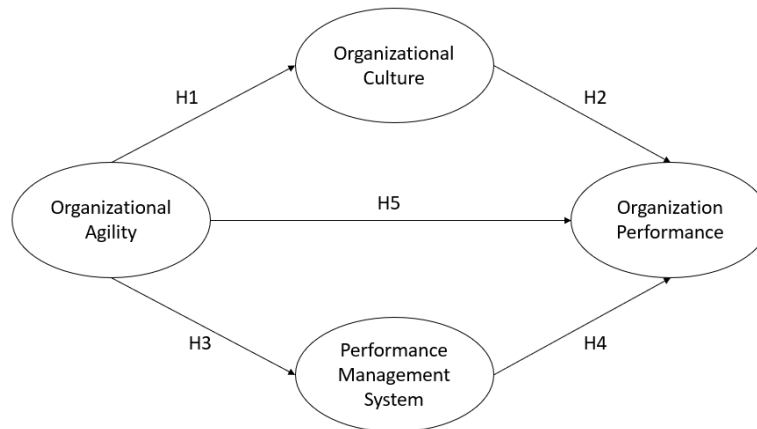


Figure 1 Research Framework

## ANALYSIS AND DISCUSSION

### Descriptive analysis

Online surveys were sent to individuals who are now employed in Indonesia's hospitality sector. 107 people responded to the questionnaire during the course of one month of data collection. The study decided that 105 of the total replies would fulfill the criterion, while the remaining 3 would not since they did not come from a 3 to 5-star hotel or had worked for less than two years. Respondents were drawn from 76 different Indonesian hotels. To protect their privacy, study participants' responses are anonymous.

Table 2 shows that there are 19 3-star hotels (18%), 51 4-star hotels (49%), and 35 5-star hotels (33%). From these results, it can be concluded that the majority of respondents to this study came from 4-star hotels in Indonesia. Table 3 shows that there are 21 hotels from the Surabaya area (27,63%), 11 hotels from the Balikpapan area (14,47%), ten hotels from the Makassar area (13,16%), seven hotels from the Samarinda area ( 9,21%), five hotels came from the Malang area (6,58%), three hotels came from each area of Bali, Yogyakarta and Jakarta (3,95%), two hotels came from each area Banjarmasin, Semarang and Palangkaraya (2,63 %), and one hotel came from each area of Bandung, Kudus, Solo, Probolinggo, Sidoarjo, Jombang and Palembang (1,32%). From these results, it can be concluded that the majority of respondents from this study came from hotels located in Surabaya.



Tabel 1 Profile of Respondents by Hotel Star Category

No	Hotel Star Category	Number of Respondents	%
1	Three Stars	19	18
2	Four Stars	51	49
3	Five Stars	35	33
Total			100

Tabel 2 Profile of Respondents Based on Hotel Location

No	Hotel Location	Number of Respondents	%
1	Surabaya	33	31,43
2	Balikpapan	19	18,1
3	Makassar	10	9,52
4	Samarinda	6	5,71
5	Jakarta	5	4,76
6	Malang	5	4,76
7	Bali	4	3,81
8	Banjarmasin	4	3,81
9	Sidoarjo	3	2,86
10	Others	14	13,30
Total		105	100,00

Figure 2 shows that all outer loadings are  $>0.50$  so they can be considered significant. In Table 3, it can be seen that the results of factor loading  $> 0.5$  which proves that all the indicators used in this research have met the requirements for convergent validity.

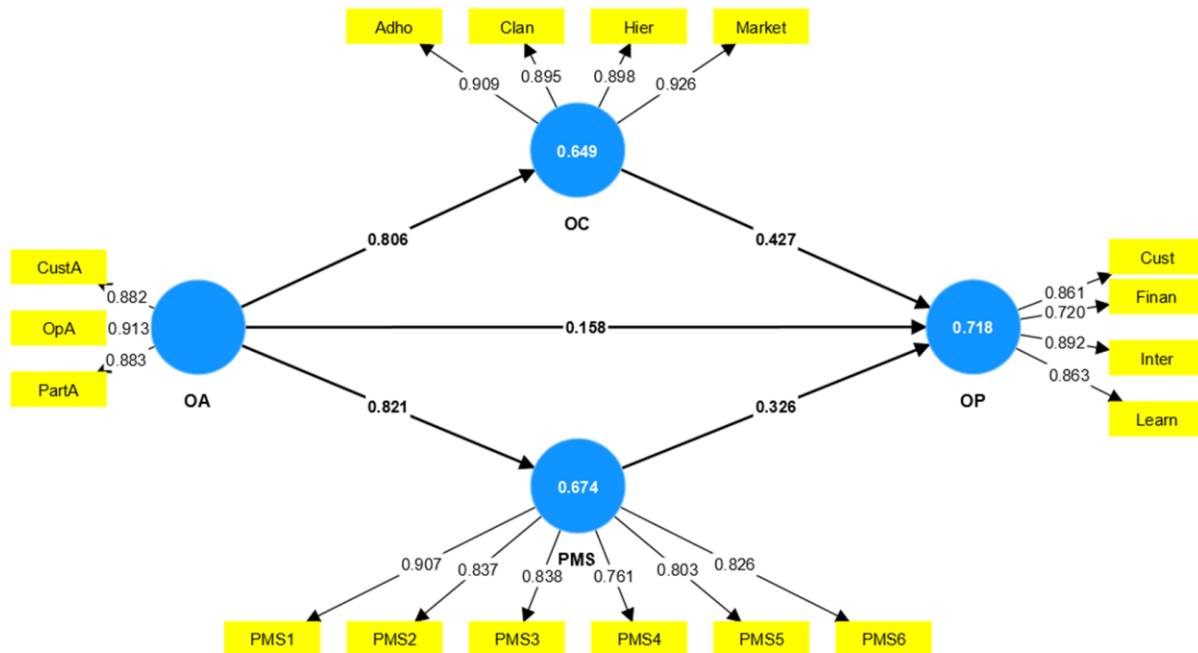


Figure 2 Outer Model

Table 3 Factor Loading of Items

Indicator	Construct Items	Factor Loading
OA1	Our company is able to respond to competitors by shortening the time to market new services (Customer Agility)	0.722 <sup>***</sup>
OA2	Our company provides online facilities to customers (Customer Agility)	0.679 <sup>***</sup>
OA3	Our company can quickly respond to customer requests (Customer Agility)	0.716 <sup>***</sup>
OA4	Our company has a wide selection of suppliers for our goods and services (Partnering Agility)	0.714 <sup>***</sup>
OA5	Our company is able to innovate quickly in creating new technologies to differentiate itself from competitors (Partnering Agility)	0.772 <sup>***</sup>
OA6	The complexity of business processes within our company is increasing due to increasing interdependence relations in business networks (Partnering Agility)	0.723 <sup>***</sup>
OA7	Our company makes changes in internal business processes (for example, purchasing operations, sales operations, room service, etc.) (Operational Agility)	0.755 <sup>***</sup>
OA8	Our company is able to meet the increasing demand for financial transparency and accountability (Operational Agility)	0.772 <sup>***</sup>
OA9	Our company is capable of carrying out major organizational changes (for example, mergers, acquisitions, structural changes, digital transformation, etc.) (Operational Agility)	0.693 <sup>***</sup>
OC1	Our company is like a big family; people in the company share a lot of things (Clan)	0.825 <sup>***</sup>
OC2	Leaders in our company provide a lot of assistance to employees (Clan)	0.740 <sup>***</sup>
OC3	Our company emphasizes human resource development, teamwork, employee commitment, and concern for others (Clan)	0.803 <sup>***</sup>
OC4	Our company is a very dynamic place to work, and employees dare to take risks (Adhocracy)	0.765 <sup>***</sup>
OC5	Leaders in our company provide a lot of innovation and dare to take risks, create new competitions, and try new things (Adhocracy)	0.808 <sup>***</sup>
OC6	Our company emphasizes innovation, getting new resources, creating new competition, and trying new things (Adhocracy)	0.801 <sup>***</sup>
OC7	Our company is result oriented with a focus on getting the job done; employees are very competitive and achievement-oriented (Market)	0.831 <sup>***</sup>
OC8	Leaders in our company are result oriented, work seriously and aggressively (Market)	0.772 <sup>***</sup>
OC9	Our company insists on competitive action, surpassing the competition, and achieving market victory (Market)	0.807 <sup>***</sup>
OC10	Our company is a very structured and controlled place, and there are many procedures that regulate employees (Hierarchy)	0.775 <sup>***</sup>
OC11	Leaders in our company coordinate, organize and ensure the company's efficiency runs smoothly (Hierarchy)	0.808 <sup>***</sup>
OC12	Our company emphasizes the efficiency, stability, and smooth operation of the company as important (Hierarchy)	0.74 <sup>***</sup>
PMS1	Our company has a Performance Management System that is able to link individual goals with organizational goals	0.907 <sup>***</sup>
PMS2	The Performance Management System in our company is able to align employees with organizational goals	0.836 <sup>***</sup>
PMS3	The information generated from the Performance Management System is valuable for our company	0.837 <sup>***</sup>
PMS4	In our company, employee performance is evaluated every year	0.761 <sup>***</sup>

PMS5	The Performance Management System in our company can ensure effective accountability of employees	0.803***
PMS6	The Performance Management System is used as a supporting mechanism for making changes in the organization	0.826***
OP1	Our company has high profitability compared to competitors (Financial)	0.604***
OP2	Our company has high efficiency compared to competitors (Financial)	0.707***
OP3	Our company has good customer relationship management (Customer)	0.794***
OP4	Our company pays attention to customer requests (Customer)	0.791***
OP5	Our company's internal processes are tailored to meet customer needs (Internal Process)	0.819***
OP6	Our company has a high commitment to service quality (Internal Process)	0.773***
OP7	Our company has a high level of employee satisfaction (Learning and Growth)	0.755***
OP8	Our company runs ongoing training to produce employees who have high skills (Learning and Growth)	0.716***

**Note(s):** \*\*\*p value is significant at 0.001

The first criterion to be evaluated is internal consistency reliability. Cronbach's alpha was used to measure internal item consistency, and values above 0.70 indicated stronger internal consistency reliability. Because of the limitations of Cronbach's alpha, it is more appropriate to use another measure of internal consistency reliability, called composite reliability. Composite reliability considers various outer loadings of indicator variables. In general, Cronbach's alpha and composite confidence scores range from 0-1, with higher scores indicating higher levels of reliability. Specifically, in exploratory research, a value of 0.60 to 0.70 is considered acceptable. In the following stage, we used AVE to examine the convergent validity. The construct typically explains more than half of the variance of its indicators when the AVE value is 0.50 or above (Hair et al., 2017). The AVE value in our model is over 0.5, which supported its convergent validity. The Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE) values are shown in Table 4.

Table 4 Evaluation of the Model

Construct	A	CR	AVE
Organization Agility	0.889	0.910	0.530
Organization Culture	0.945	0.952	0.624
Organization Performance	0.886	0.910	0.559
Performance Management System	0.909	0.930	0.688

Notes: A = Cronbach's alpha; CR = Composite reliability; AVE = Average variance extracted

## Hypothesis Testing

Based on the results of data analysis in Table 5, it is known that the effect of OA on OC have a t-statistic significance level of 14.42 which indicates a t-statistic value > 1.96 and a p-value at < 0.01, these results indicate that there is a significant influence. The original sample value was 0.806, which indicates that OA and OC have a positive relationship. This proves that there is a significant and positive relationship between OA and OC and indicates that H1 is accepted. Likewise, there is a relationship between OC and OP, this can be seen from the t-statistical

significance level of 4.11 and p-value at  $< 0.01$ , which indicates that the two variables have a significant relationship. The original sample value is 0.427, which indicates that OC and OP have a positive relationship. This proves that there is a significant and positive relationship between OC and OP, which indicates that H2 is accepted.

The research results also show that OA and PMS have a t-statistic significance level of 16.4 and a p-value at  $< 0.01$  while original sample value was 0.821, these results indicate that there is positive significant influence. This proves that there is a significant and positive relationship between OA and PMS and indicates that H3 is accepted. The influence of PMS towards OP also shown by t-statistic significance level of 2.6 and a p-value at  $< 0.05$  with original sample value was 0.326, these results indicate that there is positive significant influence. This proves that there is a significant and positive relationship between and OP and indicates that H4 is accepted. However, the result for the influence of OA towards OP shown t-statistic of 1.46 and a p-value at  $> 0.1$ . This proves that there is no significant relationship between OA and OP and indicates that H5 is unsupported.

The research results show that both OC and PMS are able to mediate the influence of OA towards OP. The indirect relationship of OA on OP through OC shows t-statistic significance level of 4.08 and a p-value at  $< 0.01$  while the indirect relationship of OA on OP through PMS shows t-statistic significance level of 2.59 and a p-value at  $< 0.05$ . These results conclude that with OC and PMS as a mediator, organizational agility has a stronger indirect influence in producing organizational performance, when compared to the direct relationship between OA and OP. Thus, H6 and H7 are accepted.

Table 5 Hypothesis testing results

Hypotheses	Path Coefficients	T Statistics		Decision
H1: Organizational Agility → Organizational Culture	0.806	14.42	***	Supported
H2: Organizational Culture → Organizational Performance	0.427	4.11	***	Supported
H3: Organizational Agility → Performance Management System	0.821	16.40	***	Supported
H4: Performance Management System → Organizational Performance	0.326	2.60	**	Supported
H5: Organizational Agility → Organizational Performance	0.158	1.46		Unsupported
<b>Indirect Relationship</b>				
H6: Organizational Agility → Organizational Culture → Organizational Performance	0.344	4.08	***	Supported
H7: Organizational Agility → Performance Management System → Organizational Performance	0.267	2.59	**	Supported

Notes: \*\*p  $< 0,01$ ; \*\*\*p  $< 0,001$ .

## Discussion

The results of this study show the strong positive influence of organizational agility on organization culture and performance management system. These results are inline with previous studies which have investigate the relationship between organizational agility and culture (Alamsjah & Yunus, 2022; Carvalho et al., 2021). Furthermore, this research also provide evidence for the relationship between organizational agility and performance management system which in

previous research rarely discussed. At the same time organizational culture and performance management system show positive influence on organizational performance. These are inline with previous studies which have already investigate the pivotal role of organizational culture (65) and performance management system (Khaltar & Moon, 2020) towards organizational performance.

This study show that organizational agility is unable to directly influence organizational performance in hospitality industry in Indonesia. This result is different from previous studies which show that organizational agility has a positive and significant effect on organizational performance (Ashrafi et al., 2019; Çallı & Çallı, 2021; Khan et al., 2022; Rafi et al., 2022; Surya Wanasida et al., 2021). This inconsistent result could be due to the inoperationalization of organizational agility. Meaning that in order for organizational agility could be resulted in competitive performance it needs to be operationalized and crystallized into the organization's daily activities. This notion is supported by the indirect results of this study which show that the influence of organization agility on organization performance is happen trough mediation by organization culture and performance management system.

This study contributes to answer the need research investigating how starred hotels in Indonesia can improve their competitive performance in the post-pandemic situation. This result brings enticing implications towards hospitality industry player in Indonesia. First, most hospitality business leaders must agree regarding the importance of agility, however they have to realize that agility should not just be a high-level notion, but it has to be part of the culture of the organization. Furthermore, organization agility should not only initiate blindly but must be measured well. Thus, a well-designed performance management system should help an organization to operationalize organization agility.

## **CONCLUSION**

Focusing on the context of the hotel industry in Indonesia, this study investigates how organizational agility brings improved performance, as well as how performance management systems and organization culture act as the catalyst for the relationship. Surprising result comes from the fact that agility does not possess any direct correlation with performance improvement among starred hotels in Indonesia. This result brings new perspective regarding the topic, as the majority of the previous studies has stated otherwise, including the one conducted in the Indonesian context (Surya Wanasida et al., 2021). Plenty of factors could be the issues to address in the following research and the writers of this study strongly recommend follow up research to be conducted in a qualitative or mixed approach to provide better insight and more thorough elaboration of the phenomenon.

Nevertheless, positive and significant correlation from organizational agility to performance can be established through the mediatory of performance management system implementation and supportive organizational culture among the industry. These two elements, therefore, successfully serve as the catalysts on the primary correlation and a conclusion can be drawn. Organizational controlled change and intervention are nowadays' necessity in hotel business in order to survive and strive, but this change and intervention will not bring desired outcomes unless the managers and consultants also incorporate both the performance management system and supportive culture into considerations. The two aforementioned elements should go side-by-side and be an integral part of any organizational changes and intervention concepts that are about to take place.

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