

Innovation Capability Driven by Employee Capacity Building in Improving HR Performance

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Abstract. *This study aims to analyze the effect of employee capacity building on human resource performance both directly and indirectly through innovation capability as an intervening variable, as well as to examine the role of organizational culture as a moderating variable in the relationship among these variables. The type of research used is explanatory research with a quantitative approach. The population of this study includes all human resources at the Regional Office of Customs and Excise Central Java and Yogyakarta Special Region, consisting of both civil servants (ASN) and non-civil servants (non-ASN), totaling 203 employees. Based on the Slovin formula with a 5% margin of error, a sample of 135 respondents was obtained. The sampling technique used was non-probability sampling with a convenience sampling approach (Hair, 2021). Data were collected through literature studies and the distribution of questionnaires directly to respondents. The questionnaire was designed using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The analytical method employed was Structural Equation Modeling (SEM) using the Partial Least Square (PLS) approach to examine the relationships among variables simultaneously. The results of the study show that: (1) employee capacity building has a positive and significant effect on human resource performance; (2) employee capacity building has a positive and significant effect on innovation capability; (3) innovation capability has a positive and significant effect on human resource performance; (4) organizational culture does not moderate the relationship between employee capacity building and human resource performance; and (5) organizational culture moderates the relationship between innovation capability and human resource performance. These findings reinforce the concept that enhancing employee capacity through training, skill development, and continuous learning not only directly improves performance but also strengthens innovative capabilities that contribute to better work outcomes. Moreover, organizational culture plays an important role in reinforcing the impact of innovation on performance, although it does not significantly moderate the influence of capacity building on performance. This study provides practical implications for public sector organizations to strengthen adaptive training programs, build an innovative culture, and create a*

supportive work environment for sustainable human resource performance improvement.

Keywords: *Building; Capabilities; Capacity; Culture; Performance.*

1.Introduction

The Directorate General of Customs and Excise (DJBC) plays a vital role in maintaining the security and smooth flow of international trade in Indonesia. Its duties include protecting the public from dangerous goods, protecting domestic industry, eradicating smuggling, and optimizing state revenue through the collection of import duties and taxes. With the rapid development of global trade, the DJBC is required to implement more effective and efficient customs systems and procedures to improve the smooth flow of goods and documents. This is crucial in facing the increasingly complex challenges of trade globalization and investment liberalization.

To achieve this, the Directorate General of Customs and Excise (DJBC) needs to transform into an institution that focuses not only on tax collection and law enforcement, but also as a trade facilitator by providing fast, secure, low-cost, and accessible services. New policies such as the implementation of a self-assessment system and post-clearance audits aim to improve efficiency and compliance, while also facilitating the flow of goods. The DJBC is expected to adapt to global trends that demand speed, flexibility, and transparency in all services.

Failure to fulfill this duty could hamper the competitiveness of domestic products in international markets and reduce investment, which in turn would negatively impact the Indonesian economy. Therefore, improving human resource (HR) capacity within the Directorate General of Customs and Excise is crucial to addressing these challenges. Strengthening HR capacity in the customs and excise sector is a crucial step to ensure the Directorate General of Customs and Excise can play an optimal role in the era of free trade and globalization.

Capacity Building In the era of globalization, adaptability is crucial because rapid changes in various sectors, including economic, technological, and social, require individuals and organizations to have a high level of adaptability. In an increasingly connected world, competition in the global market is increasingly fierce, so mastering relevant skills and knowledge is key to survival and growth. Capacity building encompasses not only technical skills but also the development of soft skills such as leadership, communication, and the ability to work in multicultural teams. (Gaffar Rahman et al., 2021). Organizations with strong capacities will be better able to respond to challenges and take advantage of emerging opportunities, both at the local and international levels. (Ajetomobi & Ezekiel

Richard, 2021) Therefore, investing in human resource capacity development is a strategic step to ensure sustainable competitiveness in an increasingly complex global market.

Capacity building or capacity building refers to efforts to increase the ability of individuals, groups, or organizations to achieve their goals effectively and sustainably.(Muslimah et al., 2021)This aims to create human resources that are more competent and ready to face challenges in a constantly changing environment, as well as increase effectiveness and efficiency in carrying out tasks and responsibilities.(Yimam, 2022)With proper capacity building, organizations can not only achieve optimal performance but also ensure long-term sustainability in the face of market dynamics and technological developments.

Research on the role of capacity building on HR performance remains controversial. Studies have found that training and development have a significant positive relationship with employee performance. (Ismail Nor, 2023). Strengthening employee capacity cannot boost HR performance (Ahmad et al., 2015) Therefore, further research is needed to identify other factors that can simultaneously support employee capacity building and career development, in order to achieve optimal performance in the organization.

The development and function of the educational process is influenced by all factors and conditions of the existence of society: economic, political, social, cultural, etc. (Shvets et al., 2020). Reforming the human resource training system is one of the most important and difficult tasks in social transformation across various environments. Furthermore, innovation capability, which encompasses the ability to generate new ideas, new methods, new products, or services, has also been found to improve human resource performance. (Sasmoko et al., 2019).

An organization with strong innovation capabilities can continue to compete in dynamic markets, create sustainable competitive advantage, and improve long-term performance. Innovation focuses not only on developing new products but also on continuously improving the way the organization operates, thereby increasing efficiency and delivering value to customers.

Organizational culture is proposed to be a moderating variable in the relationship between capacity building and innovation capabilities towards HR performance. Basically, good capacity building will encourage human resources to be more prepared to face work challenges. (Ahmad et al., 2015b; Brix, 2019). Similarly, innovation capabilities enable employees to be creative, discover new ways of working, and provide more effective solutions.(Mendoza-Silva, 2020)However, these two factors will not be optimal if they are not supported by a conducive organizational culture.(Alharbi et al., 2022)An adaptive organizational culture that is open to change and values creativity will contribute to increasing employees' innovative abilities.(Alharbi et al., 2022).

To understand the dynamics of customs and excise revenue performance in Central Java and the Special Region of Yogyakarta, it is necessary to review historical data on revenue

targets and realizations from year to year. This data provides an overview of the extent to which the Central Java and Yogyakarta Regional Customs and Excise Offices (KWBC) have been able to achieve their established targets and identifies revenue trends over the past few years. The following table presents information on the KWBC Central Java and Yogyakarta revenue targets and realizations for the period 2019 to March 2025. This data serves as the basis for analyzing fluctuations in performance and identifying potential challenges and opportunities for future improvement.

Table of Targets and Realizations of KWBC Central Java and DIY for the 2019-2025 Period (March)

Fiscal year	Revenue Target (Rp. Trillion)	Revenue Realization (Rp. Trillion)	% Achievement	% Growth Target	% Realization Growth
2019	39.06	40.19	102.93%	-	-
2020	43.11	43.83	101.67%	10.37%	9.06%
2021	43.77	45.63	104.21%	1.53%	4.11%
2022	49.94	51.21	102.55%	14.10%	12.23%
2023	53.38	55.99	104.89%	6.89%	9.33%
2024	60.02	60.41	100.65%	12.44%	7.89%
2025 (until March)	66.19	15.21	22.98%	10.28%	-

Based on available data, there has been a significant decline in the Central Java and Yogyakarta Regional Customs and Excise Office (KWBC) revenue target achievement for 2025 through March. While in previous years, the target was consistently exceeded by over 100%, in 2025, this figure plummeted to just 22.98%.

This situation indicates that revenue realization through the first quarter of 2025 is still far from the established annual target, reaching only IDR 15.21 trillion out of a total target of IDR 66.19 trillion. This decline is also reflected in revenue growth performance. In 2024, growth remained positive at 7.89%, while for 2025, the growth trend cannot yet be calculated due to limited data available through March.

Several possible explanations for this decline include: a decline in import volume, particularly for commodities like rice, which resulted in a 12.52% year-on-year decline in import duty revenues; unstable economic conditions impacting export-import activities; and changes in government policy in the international trade sector. External factors such as supply chain disruptions or natural disasters may also have contributed.

2. Research Methods

This type of research is conducted to test hypotheses with the intention of confirming or strengthening the hypothesis with the hope that it can ultimately strengthen the theory used as a basis. In relation to the above, the type of research used is "Explanatory research" or research that is explanatory in nature, meaning this research emphasizes the relationship

between research variables by testing the hypothesis. The description contains descriptions but the focus lies on the relationship between variables (Singarimbun, 1982). Data collection carried out is: Literature study, Primary data in this study is the main data while secondary data is as supporting data. Primary data is obtained through questionnaires, which consist of closed-ended questions and open-ended questions. The decision to use open-ended or closed-ended questions depends greatly on how far the researcher understands the research problem (Kuncoro, 2003). Open-ended questions are questions that give respondents the freedom to answer questions according to their way of thinking (Kuncoro, 2003). Closed questions are questions where the answers have been limited by the researcher so that it closes the possibility for respondents to answer at length according to their way of thinking. Questionnaire distribution is a direct data collection method that involves submitting a list of questions to respondents and handing them directly to them. This questionnaire distribution method is recommended because it has the advantage of being able to contact respondents who are difficult to reach, is less expensive, and gives respondents time to consider their answers directly (Sekaran, 1992; Cooper and Emory, 1995).

3. Results and Discussion

3.1. Respondent Description

The respondents of this study were 135 employees at Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta. The distributed questionnaires were successfully collected and completed, resulting in 135 data points suitable for further analysis. The following is a descriptive analysis of the respondents' demographic characteristics:

Respondent Characteristics Description Table

No	Characteristics	Total Sample n = 135	
		Amount	Percentage (%)
1.	Gender		
	Man	105	77.8
	Woman	30	22.2
2.	Age		
	20 - 30 years	50	37.0
	31-40 years old	55	40.7
	41 - 50 years old	20	14.8
	50 – 60 years	10	7.4
3.	Last education		
	High School/Vocational School	4	3.0
	Diploma	53	39.3
	S1	62	45.9
	S2	16	11.9
4.	Years of service		
	0 - 10 years	66	48.9
	11 - 20 years	49	36.3

21 - 30 years old	14	10.4
> 30 years	6	4.4

Source: Results of research data processing (2025).

The data presented in the table above shows that The majority of respondents were male, 105 people (77.8%), while 30 were female (22.2%). This composition shows that the work environment in Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta The workforce is still dominated by male employees. This situation can be attributed to the characteristics of work in the customs and excise sector, which requires high mobility, discipline, and assertiveness in carrying out supervisory and service duties. Male dominance can impact work patterns that tend to be rational and results-oriented, although it is important for organizations to continue promoting gender equality to create more inclusive and innovative work dynamics.

The age distribution shows that the 31–40 age group dominates with 55 people (40.7%), followed by 21–30 years old with 50 people (37%), 41–50 years old with 20 people (14.8%), and 51–60 years old with 10 people (7.4%). This finding indicates that the majority of employees are in the early to middle productive age, namely the age group that generally has high energy, good adaptability to technology, and openness to change. This is an important potential for improving employee innovation capabilities and performance, because this age range is synonymous with readiness to learn and transform to meet the demands of digitalization of public services in the Customs and Excise environment.

The majority of respondents had a bachelor's degree (62 people (45.9%)), followed by a diploma (53 people (39.3%)), a master's degree (16 people (11.9%)), and a high school/vocational school (SMA/SMK) degree (4 people (3%)). This proportion reflects that employees Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta Have a high level of formal education. A predominantly undergraduate or postgraduate academic background is crucial for developing employee capacity building and the innovation capabilities needed to improve the quality of public services and work effectiveness. Employees with higher education tend to have better analytical and problem-solving skills, which in turn strengthens a knowledge-based organizational culture and superior performance.

The length of service characteristics show that employees with 0–10 years of service constitute the largest group (48.9%), followed by 11–20 years (36.3%), 21–30 years (10.4%), and more than 30 years (4.4%). This finding indicates that nearly half of the respondents are relatively new employees, but already experienced enough to understand the organization's work systems and culture. The combination of young and senior employees creates intergenerational synergy that can enhance the process of knowledge transfer and work innovation. However, the dominance of employees with less than 10 years of service also indicates the need to strengthen capacity building and internalize organizational culture, so that the values of professionalism and integrity can be consistently passed down.

Overall, the respondent profile describes a potential and dynamic composition of human resources in the environment. Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta. The predominance of productive-age, highly educated, and diversely experienced employees provides a significant opportunity for organizations to build a culture of innovation and sustainable performance.

1) Descriptive Analysis of Research Data

In this section, a descriptive analysis is conducted to obtain an overview of respondents' responses to the research variables. This analysis is conducted to obtain perceptions about respondents' tendencies to respond to the indicator items used to measure these variables and to determine the status of the variables studied at the research site.

The variable descriptions are grouped into 3 categories, namely: low category, score = 1.00 – 2.33, medium category, score = 2.34 – 3.66 and high/good category, with score = 3.67 – 5.00. A detailed description of each research variable can be described in the following section:

a. *Employee Capacity Building*

The description of respondents' responses in the form of descriptive statistics of Employee Capacity Building variable data can be presented as follows:

Descriptive Statistics Table of Employee Capacity Building Variables

Variables and indicators	Mean	Standard Deviation
<i>Employee Capacity Building</i>	3.74	
1. Training and development	3.81	0.80
2. Skills,	3.71	0.78
3. Increased knowledge,	3.69	0.77
4. Strengthening systems and structures that support performance	3.77	0.74

The data presented in the table shows that the overall mean value for the Employee Capacity Building variable is 3.74, which is included in the high/good category (range 3.67–5.00). This indicates that in general, employee capacity development efforts in Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta has been running effectively. The indicator with the highest score is training and development (mean = 3.81), which shows that the agency consistently provides opportunities for employees to participate in technical and functional training to improve competency. Meanwhile, the indicator with the lowest score is knowledge improvement (mean = 3.69), although still in the high category, indicating that there is still room for improvement in the management of continuous learning, such as strengthening knowledge management and access to new knowledge sources.

These findings confirm that employee capacity has developed well, but organizations need to ensure continuity between training and the application of learning outcomes in work practices so that individual and organizational performance is increasingly optimal.

b. Innovation Capability

The description of respondents' responses in the form of descriptive statistics of the Innovation Capability variable data can be presented as follows:

Descriptive Statistics Table of Innovation Capability Variables

Variables and indicators	Mean	Standard Deviation
<i>Innovation Capability</i>	3.74	
1. Novelty in work completion,	3.77	0.76
2. Novelty in creating new programs,	3.67	0.79
3. Development of problem-solving skills	3.76	0.80

The overall average value of the Innovation Capability variable was 3.74, categorized as high/good. This means that employees at the Semarang Type A Middle Customs Office (KPPBC) have good innovative capabilities in carrying out their duties and responsibilities.

The indicator with the highest score was innovation in work completion (mean = 3.77), indicating that employees tend to be able to find new ways to complete work more efficiently and effectively. Conversely, the indicator with the lowest score was innovation in new program creation (mean = 3.67), which, although still in the high category, indicates that strategic innovation in the form of new program creation is still not optimal and tends to be operational in nature.

Overall, these results reflect that employees' innovation capabilities are quite good and contribute positively to improving organizational performance, but stronger managerial encouragement is still needed to encourage the exploration of ideas and creativity outside of work routines.

c. Organizational culture

The description of respondents' responses in the form of descriptive statistics for the Organizational Culture variable data can be presented in a table. Based on the results of the descriptive analysis, the overall average for the Organizational Culture variable was 3.77, which is included in the high/good category. This indicates that the shared values, norms, and beliefs that form the basis of employee behavior have been firmly established in the work environment.

The indicator with the highest score was the philosophical rule, with a mean of 3.81, indicating that the organization's core principles and values, such as integrity, responsibility, and professionalism, have been well internalized by employees. Meanwhile, the indicator with the lowest score was norms (mean = 3.70), indicating that strengthening the

consistency of daily work behavior values is still needed to align with the organization's vision and mission.

Descriptive Statistics Table of Organizational Culture Variables

Variables and indicators	Mean	Standard Deviation
Organizational culture	3.77	
1. Observed behavioral regularities	3.75	0.95
2. Norm;	3.70	0.91
3. Philosophical rule;	3.81	1.02
4. Organizational climate	3.78	1.00
5. Values	3.79	1.04

In general, a strong organizational culture supports increased employee loyalty, commitment, and work effectiveness, while strengthening the link between a positive work culture and superior HR performance.

d. HR Performance

A description of respondents' responses in the form of descriptive statistics for the HR Performance variable data can be presented in Table 4.5. For the HR Performance variable, the overall average value of the HR Performance variable was 3.76, which is included in the high/good category. This result indicates that employees Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta has demonstrated optimal levels of performance, both in terms of quality and work productivity.

Descriptive Statistics Table of HR Performance Variables

Variables and indicators	Mean	Standard Deviation
HR Performance	3.76	
1. Quality of Work;	3.63	0.98
2. Quantity;	3.80	0.91
3. Punctuality;	3.84	0.91
4. Effectiveness;	3.73	0.97
5. Independence.	3.80	0.84

The indicator with the highest score was Work Quality (mean = 3.84), indicating that employees were able to produce work according to standards and demonstrated a good level of precision and accuracy. Meanwhile, the indicator with the lowest score was Timeliness (mean = 3.63), which was in the moderate category, indicating that there were still obstacles in completing work on time, possibly caused by high workloads or limited coordination between units.

In general, HR performance that is in the high category is a reflection of the success of human resource management, however, aspects of time management and process efficiency need to be given attention so that organizational effectiveness can continue to increase.

2) Evaluation of Measurement Model (Outer Model)

In this study, data analysis was conducted using a simultaneous model with the PLS approach. The fundamental evaluation conducted was the evaluation of the measurement model (outer model) with the aim of determining the validity and reliability of the indicators measuring the latent variables. Validity criteria were measured using convergent and discriminant validity, while construct reliability criteria were measured using composite reliability, Average Variance Extracted (AVE), and Cronbach's Alpha.

Evaluation of the latent variable measurement model with reflective indicators is analyzed by examining the convergent validity of each indicator. Convergent validity testing in PLS can be seen from the magnitude of the outer loading of each indicator on the latent variable. According to Ghazali (2011), an outer loading value above 0.70 is highly recommended.

Multicollinearity is a condition in which there is a correlation between independent variables or between independent variables that are not mutually independent. Before conducting a hypothesis test, a multicollinearity test is necessary. The multicollinearity test can be performed by looking at the Collinearity Statistics (VIF) values in the inner VIF Values. If the inner VIF <5 indicates no multicollinearity. (Hair et al., 2019).

Multicollinearity Test Results Table

	VIF
Organizational culture -> HR performance	2,241
Employee capacity building -> HR performance	1,000
Innovation Capability -> Human Resources Performance	2,028
Organizational culture x Employee capacity building -> HR performance	1,267
Organizational Culture x Innovation Capability -> HR Performance	1,557

Based on the results above, it can be seen that the VIF values of all variables are below 5. This means that there is no multicollinearity problem in the model formed.

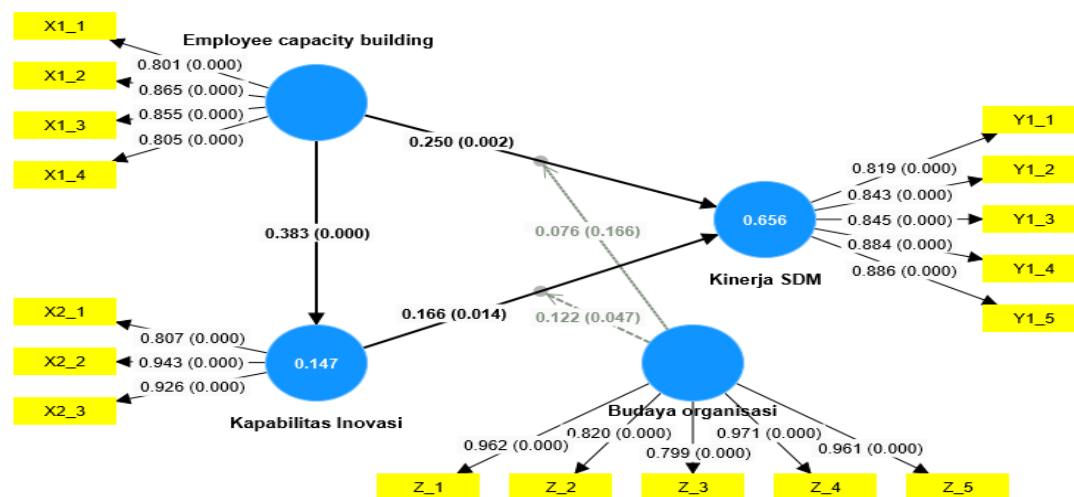
3) Goodness of fit evaluation

PLS analysis is a variance-based SEM analysis aimed at testing model theory, emphasizing predictive studies. Several measures are used to indicate the acceptability of the proposed model, including R-square and Q-square. (Hair et al., 2019).

3.2. Structural Model Evaluation (Inner Model)

Structural model testing (inner model) examines the relationship between latent constructs by estimating the path parameter coefficients and their significance levels (Ghozali, 2011). This procedure is carried out as a step in testing the proposed research hypothesis. The test results are output from the structural model of the loading factor construct, which will explain the influence of the Employee Capacity Building construct on HR Performance through Innovation Capability and organizational culture moderation.

In this case, data processing was performed using the Smart PLS v4.1.0 software tool. The results of this data processing are shown in the following image:



Full SEM-PLS Moderation Model Image

Source: Results of research data processing with Smart PLS 4.1.0 (2025)

a. Analysis of the Influence between Variables

Research hypothesis testing is conducted to determine whether a hypothesis is accepted or not by comparing the calculated t with the t table, with the condition that if the calculated t > t table, then the hypothesis is accepted. The critical value used when the sample size is greater than 30 and the two-tailed test is 1.65 for a significance level of 10%, 1.96 for a significance level of 5% and 2.57 for a significance level of 1% (Marliana, 2019). In this case, to test the hypothesis, a significance level of 5% was used, where the t-table value was 1.96. (Ghozali & Latan, 2015). The results of testing the influence of each research variable can be presented in the following table:

Hypothesis Test Results Table

Influence	Original sample (O)	T statistics (O/STDEV)	P values	Information
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H1	Employee building performance	-> capacity HR	0.264	3,305	0.001	Accepted
H2	Employee building Capability	-> capacity Innovation	0.383	5,027	0.000	Accepted
H3	Innovation Human Performance	Capability -> Resources	0.152	2,205	0.027	Accepted
H4	Organizational Employee building performance	culture x capacity -> HR	0.071	1,309	0.191	Rejected
H5	Organizational Innovation HR Performance	Culture x Capability ->	0.128	2,034	0.042	Accepted

Source: Primary data processing with Smart PLS 4.1.0 (2025)

Decisions are made based on the calculated statistical test values and predetermined significance levels. Hypothesis testing is performed by comparing the predetermined t-table with the calculated t-value generated from the PLS calculation. Based on the data processing results table above, the results of each proposed hypothesis test can be identified as follows:

a. Hypothesis Testing 1 (H1)

H1: The better the improvement in Employee Capacity building, the higher the HR performance..

In testing hypothesis 1, the original sample estimate value was obtained at 0.264. This value indicates that Employee Capacity building has a positive effect on HR Performance. This result is supported by the calculated t value of 3.305 > t table (1.96) and the p value of 0.001 < 0.05. Thus, it can be said that the influence of Employee Capacity building on HR Performance is positive and significant. Therefore, the first hypothesis stating that "The better the improvement of Employee Capacity building, the higher HR Performance" can be accepted.

b. Testing Hypothesis 2 (H2)

H2: The better the improvement of Employee Capacity building, the higher the innovation capability.

In testing hypothesis 2, the original sample estimate value was obtained at 0.383. This value indicates that Innovation Capability has a positive influence on HR Performance. These results are also supported by the calculated t value of 5.027 > t table (1.96) and a p value of 0.000 < 0.05. This means that Innovation Capability has been proven to provide a significant

contribution in improving HR Performance. Thus, the second hypothesis which states that "The better the improvement of Employee Capacity building, the higher the innovation capability" can be accepted.

c. Testing Hypothesis 3 (H3)

H3: The better a person's innovation capabilities, the higher their performance..

In testing hypothesis 3, the original sample estimate value was obtained at 0.152. This value indicates that innovation capability has a positive effect on HR Performance. This result is supported by the calculated t value of $2.205 > t \text{ table } (1.96)$ and the p value of $0.027 < 0.05$. Thus, it can be said that the influence of Employee Capacity building on HR Performance is positive and significant. Therefore, the first hypothesis stating that "The better the innovation capability, the higher the HR Performance" can be accepted.

d. Testing Hypothesis 4 (H4)

H4: Organizational culture moderates the relationship between employee capacity building and HR performance.

Based on the results of testing hypothesis 4, the original sample estimate value was obtained at 0.071. However, the calculated t value was only $1.309 < t \text{ table } (1.96)$ and the p value was $0.191 > 0.05$. These results prove that the interaction of organizational culture with employee capacity building does not have a significant effect on HR performance. Thus, the third hypothesis which states that "Organizational culture moderates the relationship between employee capacity building and HR performance" can be rejected.

e. Hypothesis Testing 5 (H5)

H5: Organizational culture moderates the relationship between innovation capability and HR performance.

In testing hypothesis 5, the original sample estimate value was obtained at 0.128. This value indicates a positive direction of influence. The test results are also strengthened by the calculated t value of $2.034 > t \text{ table } (1.96)$ and a p value of $0.042 < 0.05$. This proves that organizational culture significantly moderates the effect of innovation capability on HR performance. Thus, the fourth hypothesis stating that "organizational culture moderates the relationship between innovation capability and HR performance" can be accepted.

3.3. Discussion

1) The Influence of Employee Capacity Building on HR Performance.

The research results show that Employee Capacity Building has a positive and significant impact on HR performance. This finding is supported by previous research showing

that *employee capacity building* has a positive influence on Human Resources (HR) performance (Gaffar Rahman et al., 2021).

Employee Capacity Building in this study it was measured from the reflection of four indicators namely indicators Training and development, skills development, knowledge enhancement, and strengthening systems and structures that support performance. These four aspects have been proven to improve HR performance, as measured in this study by reflecting on five indicators namely indicators work quality, quantity, timeliness, effectiveness, and independence.

The Employee Capacity Building variable shows that the indicator with the highest outer loading value is skills, while in the HR Performance variable, the indicator with the highest outer loading value is independence. This finding indicates a strong relationship between skills and independence. In other words, the higher the skill level possessed by employees, the greater their ability to work independently without high dependence on direct supervision or direction from superiors. This reflects that effective capacity building programs, especially those focused on improving skills, can encourage individuals to have self-confidence, responsibility, and initiative in completing their tasks.

The Employee Capacity Building variable with the lowest outer loading value is the Training and Development indicator, while the Human Resources Performance variable has the lowest outer loading value in the Work Quality indicator. These results indicate that improvements in employee training and development directly contribute to improved individual work quality. This means that the more effective an organization's training and development programs are, the higher the employee's ability to produce quality performance.

2) The influence of Employee Capacity building on innovation capabilities.

The research results show that Employee Capacity Building has a positive and significant effect on innovation capability. This finding is reinforced by Previous research, conducted by Tamsah et al (2020) highlights the impact of training and development on worker performance and productivity in public sector organizations.

Employee Capacity Building in this study it was measured from the reflection of four indicators namely indicators Training and development, skills development, knowledge enhancement, and strengthening systems and structures that support performance. These four aspects have been proven to improve innovation capability, which in this study was measured using three indicators namely indicators Novelty in completing work, Novelty in creating new programs, and Development of problem-solving abilities.

The Employee Capacity Building variable has the highest outer loading value on the skills indicator, while the Innovation Capability variable shows the highest outer loading value on the novelty indicator in creating new programs. This finding indicates that the higher the

skill level of employees, the greater their ability to generate new ideas and produce innovative programs. This means that skills are an important foundation in building an organization's innovation capability. Skilled employees are not only able to carry out tasks efficiently, but also have the capacity to think creatively, solve problems in new ways, and develop programs that add value to the organization.

The Employee Capacity Building variable has the lowest outer loading value on the Training and Development indicator, while the Innovation Capability variable shows the lowest outer loading value on the Novelty in Job Completion indicator. This finding indicates that improving the quality of employee training and development will have a positive impact on their ability to create new or innovative ways to complete work. In other words, the more effective the training and development program provided by the organization, the higher the level of creativity and novelty demonstrated by employees in carrying out their tasks.

3) The influence of innovation capabilities on HR performance.

The research results show that innovation capability has a positive and significant effect on HR performance. This result is reinforced by previous research (Chaithanapat et al., 2022; Hanaysha et al., 2022; Teixeira Filho et al., 2022) shows a positive influence of innovation capabilities on performance.

Innovation capability in this study is measured by three indicators namely indicators Novelty in completing work, Novelty in creating new programs, and Development of problem-solving abilities. These three aspects have been proven to be able to improve HR performance, which in this study was measured from the reflection of five indicators namely indicators work quality, quantity, timeliness, effectiveness, and independence.

The Innovation Capability variable has the highest outer loading value for the novelty indicator in creating new programs, while the Human Resource Performance variable has the highest outer loading value for the independence indicator. This finding indicates that the higher the level of novelty in developing new programs, the higher the level of human resource independence. This means that the ability of an organization or individual to create new, innovative programs can encourage human resources to become more independent in working, making decisions, and completing tasks without high dependence on others.

The Innovation Capability variable with the lowest outer loading value is the indicator of novelty in completing work. Meanwhile, in the Human Resources Performance variable, the indicator with the lowest outer loading value is work quality. This finding indicates that the higher the level of novelty or innovation an individual applies in completing their work, the better the quality of the work produced. In other words, an individual's ability to present new ideas, creative methods, and different approaches to completing tasks positively contributes to improving performance quality.

- 4) The moderating influence of organizational culture on the influence of employee capacity building on HR performance.

The findings of this study indicate that organizational culture does not act as a moderating variable in the relationship between employee capacity building and human resource performance. Organizational culture in this study is reflected through several indicators, namely observed behavioral regularities, norms, rules or organizational philosophy (philosophy rule), organizational climate, and values. Meanwhile, employee capacity building is measured based on four main indicators: training and development, skills, knowledge enhancement, and strengthening systems and structures that support performance. Meanwhile, human resource performance in this study is measured through five indicators: work quality, quantity of work results, timeliness, effectiveness, and independence in completing tasks.

This means that the presence or differences in organizational culture neither strengthens nor weakens the influence of employee capacity development programs on HR performance. In other words, the strength or weakness of a company's organizational culture does not influence the magnitude of the impact of capacity building activities such as training, competency enhancement, or skills development on employee performance.

This situation can occur because the existing organizational culture tends to be homogeneous, thus not causing significant differences in individual behavior or performance. Furthermore, employees may be more focused on the immediate benefits gained from the training and development activities they participate in, without being overly influenced by the organizational cultural context. On the other hand, the effectiveness of the implemented capacity building may already be quite high intrinsically, so that improvements in HR performance are determined more by the quality of the development program itself than by the role of organizational culture within it.

Organizational culture does not act as a moderating variable in the relationship between employee capacity building and human resource performance because the work environment in Regional Office of the Directorate General of Customs and Excise for Central Java and the Special Region of Yogyakarta Organizations tend to have established, uniform, and stable cultural characteristics. The homogeneity of values, norms, and employee behavior patterns means that organizational culture is no longer a differentiating factor that can strengthen or weaken the influence of capacity building on performance. Furthermore, the effectiveness of well-established capacity building programs means that performance improvements are more influenced by individual competencies and the quality of training, rather than by variations in organizational culture. Thus, organizational culture serves more as a shared foundation that supports work activities, but does not significantly moderate the relationship between employee capacity development and their performance outcomes.

The results of the study indicate that for the organizational culture variable, the indicator with the highest loading value is the philosophical rule, which reflects the basic values,

beliefs, and principles that guide behavior and decision-making within the organization. For the employee capacity building variable, the indicator with the highest outer loading value is skills, which describe the technical and functional abilities of employees in carrying out tasks effectively. Meanwhile, for the human resource performance variable, the indicator with the highest outer loading value is independence, which indicates the ability of employees to complete work independently without high dependence on superiors' directions.

These findings indicate that the existence of strong philosophical rules within an organization plays a crucial role in strengthening the relationship between employee skills and work independence. This means that when the organization's core values and principles are well-ingrained, employees will have a clear moral and ethical foundation for using their skills responsibly and professionally. This fosters a conducive work environment, where each individual is encouraged to optimize their competencies and take initiative in carrying out their duties. Thus, strong philosophical rules serve not only as behavioral guidelines but also as a key driver in the development of skilled, independent, and results-oriented human resources.

The organizational culture indicator with the lowest loading value is norms, while for the employee capacity building variable, the indicator with the lowest outer loading value is training and development. Meanwhile, for the human resource performance variable, the indicator with the lowest outer loading value is work quality. These findings indicate that the existence of strong norms within an organization can strengthen the influence of training and development on improving employee work quality. This means that when work norms are consistently applied and mutually understood by all members of the organization, the implementation of training and development activities will be more effective in shaping productive and quality-oriented work behaviors. Clear norms create guidelines for employees in applying training outcomes to daily work practices, so that the skills and knowledge gained from the capacity building process can be implemented more optimally. Thus, strengthening organizational norms not only fosters discipline and responsibility but also contributes directly to improving the quality of individual and organizational work results.

5) The moderating influence of organizational culture on the influence of innovation capabilities on HR performance.

The results of the study indicate that organizational culture moderates the relationship between innovation capability and HR performance. This finding supports the notion that innovation capability essentially encourages employees to generate new ideas, update work processes, and generate creative solutions that improve work effectiveness.(Parra-Requena et al., 2022).

Organizational culture in this study is reflected through several indicators, namely observed behavioral regularities, norms, rules, or organizational philosophy (philosophy rules), organizational climate, and espoused values. Meanwhile, Innovation capability in this study

is measured by three indicators namely indicators Novelty in completing work, Novelty in creating new programs, and Development of problem-solving abilities. These four aspects have been proven to have a positive contribution to improving human resource performance, which in this study was measured through five indicators, namely work quality, quantity of work results, timeliness, effectiveness, and independence in completing tasks.

The organizational culture indicator with the highest loading value is the philosophical rule, which reflects the basic principles, values, and beliefs that guide behavior and decision-making within the organization. Meanwhile, for the innovation capability variable, the indicator with the highest outer loading value is novelty in creating new programs, which demonstrates the ability of organizations and individuals to create innovative ideas and solutions to face work challenges. For the human resource performance variable, the indicator with the highest outer loading value is independence, which describes the ability of employees to work independently, take initiative, and be responsible for the results of their work.

These findings indicate that the stronger the philosophical rules embedded in the organizational culture, the greater the influence of innovation in the creation of new programs on increasing human resource independence. This means that when organizational principles and values provide clear direction, employees are encouraged to innovate creatively without losing their orientation towards the institution's goals. A strong organizational philosophy serves as a moral and ethical framework that guides employees in creating relevant and responsible innovations. Thus, an organizational culture based on philosophical rules not only strengthens the spirit of innovation but also shapes individuals who are independent, adaptive, and possess a high level of professional awareness in carrying out their duties and responsibilities.

The organizational culture indicator with the lowest loading value is norms, while for the innovation capability variable, the indicator with the lowest outer loading value is novelty in work completion. For the human resource performance variable, the indicator with the lowest value is work quality. These findings suggest that the existence of strong norms within the organization plays a significant role in strengthening the influence of novelty or innovation in work completion on improving work quality. This means that when organizational norms, such as discipline, responsibility, and adherence to procedures are consistently implemented by all employees, creativity and new methods applied in completing tasks will produce more optimal work results. In this context, norms function as behavioral guidelines that ensure innovation does not deviate from the corridor of professionalism and organizational standards, so that the novelty created remains relevant, effective, and has a positive impact on performance quality. Thus, the balance between innovation and adherence to organizational norms is key to producing quality and sustainable human resource performance.

4. Conclusion

The research problem in this study is "Innovation Capability driven by employee capacity building in improving HR performance with organizational culture as a moderator". Based on the discussion of the research results, the answers to the research questions are as follows: Employee Capacity building has a positive and significant effect on HR Performance. Employee Capacity building has a positive and significant effect on innovation capability. Innovation capability has a positive and significant effect on HR Performance. Organizational culture does not moderate the relationship between employee capacity building and HR performance. Organizational culture moderates the relationship between innovation capability and HR performance.

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