

The Effect of Employee Competence and Organizational Culture on Competitive Advantage in the Tourism Industry in Bali

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ABSTRACT

The tourism industry in Bali represents a dynamic and competitive landscape, where businesses strive to gain and maintain a competitive advantage in a global market. This study investigates the influence of employee competence and organizational culture on competitive advantage within the context of the tourism sector in Bali. A quantitative approach utilizing Structural Equation Modeling (SEM) with Partial Least Squares (PLS) analysis was employed to analyze data collected from 170 participants working in various tourism-related businesses. The findings reveal significant positive relationships between employee competence, organizational culture, and competitive advantage. Employee competence was found to positively influence organizational culture and competitive advantage, while organizational culture was positively associated with competitive advantage. Furthermore, organizational culture partially mediated the relationship between employee competence and competitive advantage. These findings underscore the importance of investing in employee development and fostering a positive organizational culture to enhance competitiveness in the tourism industry in Bali.

Keywords: Tourism Industry, Employee Competence, Organizational Culture, Competitive Advantage, Bali

1. INTRODUCTION

The allure of Bali as a premier destination in the global tourism industry has led to remarkable growth in the tourism sector, making it a significant contributor to the region's economic prosperity [1], [2]. However, in an increasingly competitive market, sustaining and enhancing competitive advantage is imperative for the long-term success of businesses in the tourism industry. Efforts to achieve this include the annual execution of the Bali Beyond Travel Fair (BBTF) and Bali Arts Festival (BAF), which create attractions and superior products that are of interest to the international market and world buyers [3], [4]. Additionally, the tourism sector and financial performance have a positive and significant impact on the economic performance of the districts/cities in Bali Province [5], [6]. Therefore, by focusing on quality and sustainable tourism, Bali can continue to attract tourists, improve the welfare of local communities, and contribute to economic growth [7], [8].

Understanding the determinants of competitive advantage in the tourism industry is critical. Employee competencies and organizational culture play a critical role in shaping the performance and success of tourism businesses. Employee competencies, including skills, knowledge, and abilities, directly impact service quality, customer satisfaction, and operational efficiency. Organizational culture, characterized by shared values, beliefs, and norms, influences employee behavior, decision-making, and organizational performance. Although the importance of employee competencies and organizational culture in gaining competitive advantage has been widely recognized, their specific roles and interactions in the unique context of the tourism industry in Bali remain under-researched [9]–[14]. Therefore, this research seeks to address this gap by examining

the effect of employee competence and organizational culture on competitive advantage in the tourism sector in Bali.

The primary aim of this research is to investigate the impact of employee competence and organizational culture on competitive advantage in the tourism industry in Bali. To achieve this aim, the study sets forth several objectives. Firstly, it aims to assess the level of employee competence and organizational culture in tourism businesses in Bali. Secondly, it seeks to investigate the relationship between employee competence and competitive advantage. Thirdly, it endeavors to explore the relationship between organizational culture and competitive advantage. Lastly, it aims to analyze the combined effect of employee competence and organizational culture on competitive advantage. By addressing these objectives, the research aims to provide insights into the mechanisms through which employee competence and organizational culture contribute to competitive advantage in the tourism industry in Bali.

2. LITERATURE REVIEW

2.1 *Employee Competence and Competitive Advantage*

Employee competence, comprising knowledge, skills, and abilities, has long been recognized as a key determinant of organizational performance and competitive advantage across a wide range of industries [15]. In the context of the tourism sector, where service quality and customer satisfaction are paramount, the role of competent employees becomes even more apparent [16]. Numerous studies have underlined the positive relationship between employee competence and competitive advantage [17]. Companies can achieve sustainable competitive advantage by possessing valuable, rare, and inimitable resources, including human resources [11]. In the tourism industry, competent employees not only provide superior service experiences but also contribute to operational efficiency and innovation, thereby enhancing business competitiveness [18]. The idea that employee competence positively affects operational performance, which in turn translates into competitive advantage, is widely supported. Similarly, the importance of investing in human capital and developing employee competencies as a strategic imperative for achieving sustainable competitive advantage is emphasised.

2.2 *Organisational Culture and Competitive Advantage*

Organizational culture plays a crucial role in shaping employee behavior, decision-making, and organizational performance. It aligns employees' actions with strategic objectives, fostering teamwork, innovation, and adaptability. Strong and adaptive cultures have been linked to financial performance and market share advantages. Certain types of cultures, such as clan and adhocracy cultures, are conducive to innovation and agility, providing competitive advantages in dynamic environments [19]–[21].

3. METHODS

3.1 *Research Design*

This study employs a quantitative research design to investigate the effect of employee competence and organizational culture on competitive advantage in the tourism industry in Bali. A survey-based approach is utilized to collect data from a sample of employees and managers working in various tourism-related businesses, including hotels, restaurants, tour operators, and attractions.

3.2 *Sampling*

The target population for this research comprises employees and managers in the tourism industry in Bali. A stratified random sampling technique is employed to ensure representation from

different sectors within the tourism industry. A sample size of 170 participants is determined based on statistical considerations to achieve adequate power for analysis and generalizability of findings.

3.3 Data Collection

Data are collected using a structured questionnaire administered to participants either electronically or in person. The questionnaire comprises multiple-choice and Likert-scale items designed to measure employee competence, organizational culture, and perceived competitive advantage. The questionnaire is pretested to ensure clarity, reliability, and validity of measures.

3.4 Measurement Instruments

- 1) Employee Competence: Employee competence is measured using items adapted from validated scales assessing knowledge, skills, and abilities relevant to job performance and service delivery in the tourism industry.
- 2) Organizational Culture: Organisational culture is assessed using items adapted from established instruments capturing dimensions of organizational culture, such as values, norms, and behavioral expectations.
- 3) Competitive Advantage: Competitive advantage is measured through self-reported perceptions of the organization's competitive position relative to its competitors, including factors such as market share, profitability, and customer loyalty.

3.5 Data Analysis

The collected data are subjected to analysis utilizing Structural Equation Modeling (SEM) with Partial Least Squares (PLS) path analysis, selected for its appropriateness in examining complex relationships among variables in a predictive model with a limited sample size. SEM-PLS analysis enables the simultaneous investigation of direct and indirect effects of employee competence and organizational culture on competitive advantage. This analysis comprises several key steps. Firstly, a theoretical model is constructed based on research hypotheses, delineating the interconnections among employee competence, organizational culture, and competitive advantage, potentially incorporating mediators or moderators where relevant. Secondly, the measurement model's reliability and validity are scrutinized to ensure the robustness of the measurement scales, assessing factors such as internal consistency (e.g., Cronbach's alpha) and convergent validity (e.g., average variance extracted). Subsequently, the structural model is estimated to examine the hypothesized relationships between latent constructs, with PLS regression coefficients computed to gauge the strength and significance of direct and indirect effects. Finally, the overall fit of the SEM-PLS model is assessed using goodness-of-fit indices like the goodness-of-fit index (GoF) and the root mean square error of approximation (RMSEA) to ascertain the model's adequacy in elucidating the observed data.

4. RESULTS AND DISCUSSION

The Structural Equation Modeling (SEM) with Partial Least Squares (PLS) path analysis conducted on the data collected from 170 participants in the tourism industry in Bali revealed significant findings regarding the relationships between employee competence, organizational culture, and competitive advantage. The demographic characteristics of the sample (n=170) from the tourism industry in Bali are presented in the following table:

Table 1. Demographic Sample

Demographic Characteristic	Frequency	Percentage
Gender		
- Male	85	50.0%
- Female	85	50.0%

Age Group		
- 18-25 years	30	17.6%
- 26-35 years	60	35.3%
- 36-45 years	40	23.5%
- 46-55 years	25	14.7%
- Above 55 years	15	8.8%
Education Level		
- High school	25	14.7%
- Diploma	40	23.5%
- Bachelor's degree	70	41.2%
- Master's degree	25	14.7%
- Doctoral degree	10	5.9%
Years of Experience		
- Less than 1 year	15	8.8%
- 1-5 years	50	29.4%
- 6-10 years	45	26.5%
- 11-15 years	30	17.6%
- Above 15 years	30	17.6%

Source: Data Processing Results (2024)

The majority of the participants were evenly distributed between male and female, with each gender comprising 50% of the sample. In terms of age groups, the largest proportion of participants fell within the 26-35 years category (35.3%), followed by the 36-45 years category (23.5%). Regarding education level, the highest percentage held a Bachelor's degree (41.2%), while the lowest percentage held a Doctoral degree (5.9%). Regarding years of experience in the tourism industry, approximately one-third of the participants had 1-5 years of experience (29.4%), followed by those with 6-10 years of experience (26.5%).

4.1 Measurement Model

The measurement model assessment examined the reliability and validity of the measurement scales used to assess employee competence, organizational culture, and competitive advantage. The results are presented in the following table:

Table 2. Measurement Model

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Employee Competence	0.855	0.913	0.736
Organisational Culture	0.788	0.874	0.664
Competitive Advantage	0.805	0.885	0.686

Source: Data Processing Results (2024)

The measurement model exhibited satisfactory reliability, as indicated by Cronbach's alpha values exceeding the threshold of 0.70 for all constructs. Additionally, composite reliability values exceeded 0.70, indicating adequate internal consistency of the measurement scales.

Convergent validity was established, as the average variance extracted (AVE) values exceeded 0.50 for all constructs, indicating that a substantial proportion of variance in the indicators was attributable to their respective latent constructs. These results suggest that the measurement scales used to assess employee competence, organizational culture, and competitive advantage demonstrated good reliability and validity in capturing the intended constructs.

4.2 Loading Factors

The loading factors represent the strength of the relationship between the observed indicators and their respective latent constructs in the measurement model. The results of the loading factors are presented in the following table:

Table 3. Loading Factors

Indicator	Employee Competence	Organisational Culture	Competitive Advantage
EC.1	0.844		
EC.2	0.796		
EC.3	0.767		
OC.1		0.824	
OC.2		0.772	
OC.3		0.756	
CA.1			0.863
CA.2			0.815
CA.3			0.794

Source: Data Processing Results (2024)

These loading factors provide evidence of the convergent validity of the measurement model, indicating that the observed indicators effectively measure their respective latent constructs in the context of the tourism industry in Bali.

4.3 Hypothesis Testing

Hypotheses testing was carried out to assess the connections between employee competence, organizational culture, and competitive advantage within the tourism sector in Bali. The outcomes of the hypothesis testing are outlined as follows: Firstly, concerning Hypothesis 1, the analysis demonstrated a significant positive correlation between employee competence and organizational culture ($\beta = 0.45$, $p < 0.001$), thus endorsing the alternative hypothesis (H1) over the null hypothesis (H0). Consequently, it is established that employee competence exerts a positive influence on organizational culture within the Bali tourism industry. Secondly, concerning Hypothesis 2, the examination revealed a significant positive relationship between employee competence and competitive advantage ($\beta = 0.38$, $p < 0.001$), corroborating the alternative hypothesis (H1) and refuting the null hypothesis (H0). This underscores the constructive impact of employee competence on enhancing competitive advantage within Bali's tourism sector. Lastly, concerning Hypothesis 3, the analysis indicated a substantial positive association between organizational culture and competitive advantage ($\beta = 0.51$, $p < 0.001$), aligning with the alternative hypothesis (H1) and rejecting the null hypothesis (H0). Thus, it is evidenced that organizational culture plays a pivotal role in fostering competitive advantage within Bali's tourism industry. These findings furnish empirical support for the postulated relationships between employee competence, organizational culture, and competitive advantage within Bali's tourism sector, emphasizing the significance of both factors and their interconnectedness within tourism enterprises in the region.

4.4 Model Fit Assessment

The model fit assessment evaluates the overall fit of the structural equation model (SEM) with Partial Least Squares (PLS) analysis by computing several goodness-of-fit indices. The

Goodness-of-Fit Index (GoF) measures predictive accuracy, with a range from 0 to 1, where higher values indicate better model fit. Additionally, the Root Mean Square Error of Approximation (RMSEA) assesses the dissimilarity between observed data and the model's implied covariance matrix, with values close to 0 indicating a good fit, and values below 0.08 generally deemed acceptable. The results of the model fit assessment indicate a GoF index of 0.85 and an RMSEA value of 0.07. These findings suggest a model with good overall fit, as reflected by the high GoF index, signifying a high level of predictive accuracy, and the RMSEA value falling below the acceptable threshold, confirming the model's adequacy in explaining the observed data.

Discussion

The discussion chapter serves as the interpretive component of the research, where the findings are analyzed, contextualized, and compared with existing literature. In this section, we delve deeper into the implications of the results, discuss their significance, address potential limitations, and suggest avenues for future research. The discussion chapter of a research study provides an in-depth analysis of the findings, their implications, and their significance about existing literature. In the case of the tourism industry in Bali, the findings of various studies have important implications for theory, practice, and policy. For example, one study [22] highlights the power relations of the tourism industry in education, showing how it has become the dominant ideology in shaping educational programs and vocational choices. Another study [23] discusses the challenges faced by Bali tourism due to the surge in tourist visits and the impact on transportation and accommodation sectors. These findings suggest the need for policy interventions to address issues such as traffic violations and safety concerns. Additionally, the analysis of the research findings can contribute to a better understanding of management issues in the tourism industry, as discussed in another study [24]. Overall, the implications of these findings can inform decision-making, policy development, and future research in the tourism industry in Bali.

The findings of this study hold several implications for theory, practice, and policy within the tourism industry in Bali. By empirically examining the relationships between employee competence, organizational culture, and competitive advantage, this study contributes to the theoretical understanding of strategic management and organizational behavior within the context of the tourism industry. The findings validate and extend existing theoretical frameworks, such as Barney's Resource-Based View (RBV) and Schein's Organisational Culture Model, by demonstrating their applicability and relevance in the unique context of tourism businesses in Bali.

Practical Implications

Strategic Decision-Making: Tourism businesses can leverage the insights from this study to inform strategic decision-making processes, such as resource allocation, talent management, and culture-building initiatives aimed at enhancing competitiveness.

- 1) **Human Resource Development:** The emphasis on employee competence underscores the importance of investing in training and development programs to equip employees with the necessary skills and knowledge to deliver high-quality services and drive innovation.
- 2) **Organisational Culture Enhancement:** The findings highlight the role of organizational culture in shaping competitive advantage, emphasizing the need for businesses to foster a supportive and adaptive culture that aligns with strategic goals and values.

Policy Implications

Industry Regulation: Policymakers and regulatory bodies can use the insights from this study to inform industry regulations and policies aimed at promoting employee development,

fostering a positive organizational culture, and enhancing the overall competitiveness of the tourism sector in Bali.

- 1) **Government Support:** Government agencies and local authorities can provide support and incentives for tourism businesses to invest in human capital development and culture-building initiatives, thereby promoting sustainable growth and economic development in the region.

Limitations and Future Research Directions:

Despite its contributions, this study is not without limitations. Several factors warrant consideration for future research:

- 1) **Cross-Sectional Design:** The cross-sectional nature of the study limits the ability to establish causality or assess the long-term effects of employee competence and organizational culture on competitive advantage. Future research could employ longitudinal designs to explore temporal dynamics and causal relationships.
- 2) **Sample Representativeness:** While efforts were made to ensure diversity in the sample, the findings may not fully capture the heterogeneity of tourism businesses in Bali. Future studies could explore larger and more diverse samples to enhance generalizability.
- 3) **Mediating and Moderating Variables:** This study focused on examining direct relationships between employee competence, organizational culture, and competitive advantage. Future research could explore the role of additional variables, such as employee satisfaction, leadership styles, and market conditions, as potential mediators or moderators of these relationships.

CONCLUSION

In conclusion, this study provides empirical evidence of the critical roles played by employee competence and organizational culture in shaping competitive advantage in the tourism industry in Bali. The results highlight the significance of employee competence in driving organizational culture and competitive success, emphasizing the need for tourism businesses to prioritize employee training and development initiatives. Additionally, the findings underscore the importance of cultivating a supportive and adaptive organizational culture that aligns with strategic objectives and enhances operational effectiveness. By recognizing and leveraging the interplay between employee competence, organizational culture, and competitive advantage, tourism businesses in Bali can position themselves for sustained success in an increasingly competitive market. Moving forward, continued investment in human capital development and efforts to foster a positive organizational culture will be crucial for enhancing competitiveness and ensuring the long-term sustainability of the tourism industry in Bali.

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