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Fostering Innovative Culture for Enhanced Organizational Health and Performance in Public Organizations

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Abstract

Objective: This study aims to explore the effects of introducing an innovative culture on organizational health and performance within public sector entities, specifically focusing on the Surabaya City Government. The selection of Surabaya City Government is rooted in its pivotal role in public sector reform within Indonesia. The city ranks fifth in Indonesia's Regional Competitiveness Index, highlighting the importance of fostering innovation to enhance organizational health and public service delivery.
Design/Methods/Approach: Employing an action research design, this research utilizes a longitudinal survey method conducted at two distinct time points: pre and post innovative culture training intervention. The Organizational Health Index (OHI) and custom surveys on innovative culture are used to gather data from a sample of civil servants within various departments of the Surabaya City Government. Analytical methods include descriptive statistics, paired sample T-Tests, and structural equation modeling (SEM) to assess the impact of the innovative culture on organizational performance.
Findings: The introduction of an innovative culture significantly reshaped internal alignments and quality of execution, leading to enhanced organizational performance initially. However, these changes also introduced challenges, such as disruptions in established processes and potential misalignment between short-term adaptability and the organization's established long-term objectives. The findings indicate that while innovative culture fosters greater adaptability and responsiveness to change, it also necessitates sustained management focus to integrate innovations effectively without compromising the organization's core operational stability.
Originality/Value: This study contributes to the existing literature by providing empirical evidence on the impact of innovative culture in a public sector context, a relatively underexplored area compared to private sector studies. It expands the understanding of how public organizations can harness innovative practices to enhance their health and operational efficiency.
Practical/Policy Implication: The findings underscore the importance of careful implementation and continuous management of innovative practices within public organizations. For policymakers and practitioners, the study suggests establishing an Innovation Governance Committee to oversee the alignment and implementation of innovation with organizational goals and public accountability; implementing mandatory leadership training to foster transformational leadership, creative problem-solving, and cross-departmental collaboration; adopting innovation performance metrics to assess both qualitative and quantitative aspects of innovation, such as the successful integration of new initiatives and stakeholder feedback; and developing a policy to balance innovation with stability, using a phased approach to introduce new initiatives while maintaining core operational stability.

Keywords: Organizational Health; Innovative Culture; Good governance; Effective institution; Public Sector

JEL Classification: H83, C93, H75

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1. Introduction

Organizational health, in the context of public organizations, refers to an organization's ability to align its strategies, execute them efficiently, and renew itself to sustain performance over time. A healthy organization not only meets its objectives but also demonstrates resilience and adaptability within its operational environment (Singh & Jha, 2018). Organizational health is underpinned by strong structures, a supportive culture, and efficient management processes, which together drive superior organizational performance (Sinaga et al., 2019). This concept extends beyond financial success to include the fulfillment of social and environmental responsibilities, emphasizing a balance between employee well-being and the organization's financial goals (Strahan née Brown et al., 2019). Achieving this balance fosters sustainable operations, boosts employee morale, and enhances overall productivity (Griffin et al., 2000). Ultimately, organizations that prioritize organizational health are better positioned to maintain long-term success and adapt to external changes (Koinig & Diehl, 2021).

In the private sector, organizations have demonstrated a strong capacity for adaptability by swiftly responding to market dynamics and implementing strategic changes, offering valuable insights for public sector evolution (Singh, 2022; von Thiele Schwarz et al., 2021). While private organizations excel at leveraging flexibility to capitalize on opportunities in unstable environments (Weick & Quinn, 1999), public organizations face more bureaucratic constraints. However, both sectors can benefit from focusing on organizational health, which significantly enhances the ability to respond to environmental shifts and enact new strategies (Keller & Price, 2011). Public sector organizations can adopt these lessons, using adaptability to maintain alignment between strategic goals and changing external demands (Nair et al., 2015; Singh & Jha, 2018). Recent studies affirm that organizations committed to continuous learning and innovation can integrate new practices, fostering growth and adaptability, which are critical for sustaining long-term success in both the public and private sectors (Beer & Nohria, 2000; Schein & Schein, 2018).

As public organizations transition from traditional bureaucratic frameworks to more modern, efficient, and accountable structures, they face various challenges akin to those in the private sector, such as budget limitations and the imperative for improved service delivery (Ancarani et al., 2018; Pollitt & Bouckaert, 2017). However, the successful adaptation strategies in the private sector, such as cultivating flexible organizational structures and fostering a culture of continuous learning and innovation (Beer & Nohria, 2000; Schein & Schein, 2018), offer valuable insights that can streamline change management within public entities. By adopting and adapting these practices, public organizations can better address their distinctive challenges, including navigating complex environments and meeting diverse stakeholder demands, which ultimately enhances governance and the quality of public services (Alshwayat et al., 2023; Fernandez & Rainey, 2006). This integration of strategies signifies a broader movement toward agility and adaptability across sectors, underscoring the universal importance of adept change management to maintain organizational health and efficacy in rapidly evolving contexts. As this evolution continues, the necessity for effective change management becomes more pronounced, particularly in ensuring excellent governance and elevated public service quality (Fernandez & Rainey, 2006; Pollitt et al., 2004). Public organizations face distinct challenges in implementing these changes, as their change management processes diverge significantly from those of the private sector due to the complexities of their operating environments and varied stakeholder expectations (Sukoco et al., 2022). Therefore, there is an increasing emphasis not only on identifying necessary changes but also on how these changes are implemented, highlighting the need for adaptive strategies to continuously meet the evolving challenges in the public sector (Kuipers et al., 2014; Yean et al., 2022).

Much of the research on innovative culture has predominantly focused on the private sector (Barjak & Heimsch, 2023; Jegerson et al., 2024; Pfotenhauer et al., 2023). In contrast, the public sector presents unique challenges, such as bureaucratic rigidity and public accountability, which require a more nuanced understanding of how innovation can be fostered within such structures (Ashok et al., 2021; Raudla et al., 2024). This gap highlights the need for research that specifically examines how public organizations can adopt and sustain an innovative culture to enhance both organizational health and performance.

This study adopts a multi-stage analytical approach to explore how fostering an innovative culture impacts organizational health and performance, particularly in public sector contexts like Surabaya's city government. To address the research questions, we employed methods that align with both the complexity of the organizational environment and the study's longitudinal design. Specifically, we utilized intraclass correlation coefficients (ICC1 and ICC2) and measures of agreement (RwG) to assess the consistency of aggregated group-level data, ensuring the reliability of responses from various organizational units. The choice of descriptive statistics, correlation matrices, and paired sample t-tests was made to evaluate the significance of observed changes before and after the implementation of innovative culture interventions, providing a robust analysis of shifts in organizational dynamics (Cheah et al., 2024).

This research extends dynamic capability theory (DCT) by applying it to foster an innovative culture in public organizations, demonstrating how dynamic capabilities—sensing opportunities, seizing them, and reconfiguring resources—enhance organizational health and performance in the face of bureaucratic challenges and accountability

demands (Helfat & Peteraf, 2009; Teece, 2007). Using action research, the study provides deeper, real-time insights into cultural dynamics, offering a more interactive approach than traditional survey methods (Coghlan & Brannick, 2016). Focusing on the public sector, this research addresses issues like bureaucratic inertia and accountability complexities, showing how an innovative culture improves organizational resilience and long-term performance (Fernandez & Moldogaziev, 2013; Van Wart, 2013). The findings contribute both to DCT and public sector reform by highlighting how innovation drives sustainable improvement in this unique context.

2. Literature Review and Hypotheses Development

2.1. Organizational Health

Organizational health refers to an organization's ability to align, execute, and rejuvenate its strategies more effectively than its competitors, enabling it to maintain superior performance over time. This concept is evaluated through the Organizational Health Index (OHI), which measures the essential characteristics that support long-term high performance (Keller & Price, 2011). Organizational health is pivotal for adapting to environmental shifts, which enhances an organization's competitive edge (Keller & Price, 2011; Lencioni, 2012). Research has shown that organizational health is linked to an organization's ability to thrive despite fluctuations in its environment (Orvik & Axelsson, 2012; Quick et al., 2007; Tetrick, 2002; Xenidis & Theocharous, 2014).

The OHI offers a structure for organizations to evaluate attributes that sustain this capability. It highlights three principal attributes of good health: Internal Alignment, Quality of Execution, and Capacity for Renewal. Internal Alignment pertains to a state in which the organizational goals are congruent with and reinforced by its culture and climate, rendering them significant to individuals within the organization. Quality of Execution pertains to the organization's capability to manage processes and motivate personnel to execute tasks proficiently. Lastly, Capacity for Renewal refers to the organization's ability to comprehend, mold, and adapt to external conditions and environments, ensuring it stays progressive and dynamic.

The OHI serves as a comprehensive tool to assess organizational health through nine primary elements, each consisting of multiple interconnected practices (Keller & Price, 2011). The initial element, Direction, integrates practices such as Shared Vision, Strategic Clarity, and Employee Engagement, all aimed at delineating a clear trajectory for the organization. The subsequent element, Leadership, comprises practices like Authoritative Leadership, Consultative Leadership, Supportive Leadership, and Challenging Leadership, which are vital for motivating and guiding others. The third element, Culture and Climate, features practices such as Open and Trusting, Internally Competitive, Operationally Disciplined, and Creative and Entrepreneurial environments, reflecting the core beliefs and quality of interactions within the organization (Akpa et al., 2021; Asif, 2011).

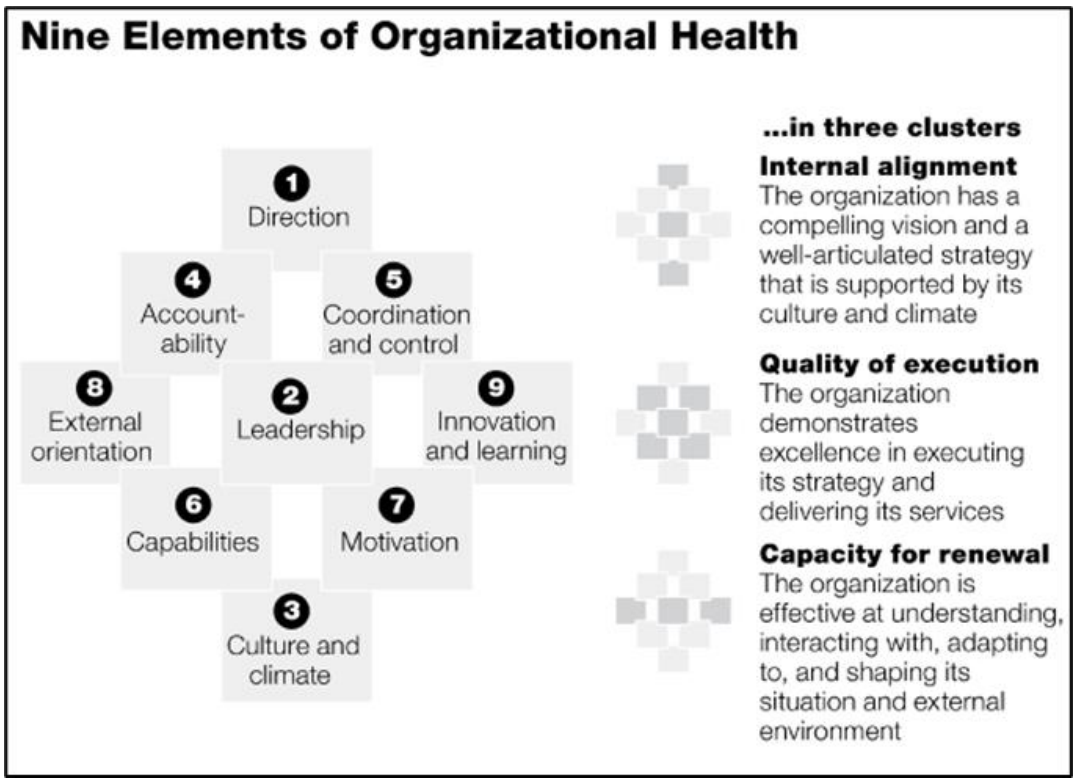


Figure 1. Organizational Health Index. *source: (Keller & Price, 2011)*

The fourth element, Accountability, entails practices like Role Clarity, Performance Contracting, Management Consequences, and Personal Ownership, essential for clarifying expectations and ensuring individual accountability for outcomes (Simons, 2005). Coordination and Control, the fifth element, involves practices including Individual Performance Reviews, Operational Management, Financial Management, Professional Standards, and Risk Management, crucial for assessing performance and managing risks and opportunities (Prigent, 2007).

The sixth element, Capability, includes practices such as Talent Acquisition, Talent Development, Process-based Capabilities, and Outsourcing Expertise, fundamental for strategy implementation and competitive advantage (Yu et al., 2022). The seventh element, Motivation, involves practices like Meaningful Values, Inspirational Leaders, Career Opportunities, Financial Incentives, and Rewards and Recognition, all critical for spurring employees to exceptional efforts (Schuesslbauer et al., 2018). External Orientation, the eighth element, comprises practices like Customer Focus, Competitive Insights, Business Partnerships, and Community and Government Relations, essential for engaging with external stakeholders (Hsu & Chen, 2023). The final element, Innovation and Learning, involves practices like Top-down Innovation, Bottom-up Innovation, Knowledge Sharing, and Capturing External Ideas, crucial for the organization's adaptability and ongoing evolution (Al-Sulami et al., 2023; Tidd & Bessant, 2014).

OHI thus offers a detailed framework for measuring organizational health across nine element and 37 related practices, delivering insights into training, job satisfaction, and recognition. Distinguished from other surveys, OHI provides actionable recommendations for attaining desired outcomes by pinpointing areas in need of transformation. Its expansive scope encompasses not only employee satisfaction and engagement but also other vital domains such as coordination and control, innovation and learning, external orientation, and capability, which all positively impact organizational performance (Keller & Price, 2011).

2.1.1 Internal Alignment

Internal alignment in public organizations is essential for synchronizing various components—such as direction, leadership, culture, and climate—with strategic goals, thus enhancing performance (Abdul Rashid et al., 2003). Clear communication of strategic direction ensures operational execution aligns at all levels, enabling organizations to respond effectively to external challenges (Lee & Puranam, 2016). Research shows that strategic clarity improves efficiency and effectiveness, and involving employees in program development boosts commitment and performance (Kim et al., 2020; Walker & Bozeman, 2011).

Leadership plays a critical role in motivating members to achieve objectives. Leaders who provide direction and encourage discussion promote collaboration and innovation (Bass & Riggio, 2006; Van Wart, 2013). Participatory leadership enhances decision-making and performance (Wright & Pandey, 2011; Yukl, 2010), while transformational leadership fosters competency development and continuous improvement (Fernandez & Moldogaziev, 2013; Trottier et al., 2008).

Organizational culture and climate involve shared beliefs and interactions. A culture of openness promotes communication and innovation (Denison, 1996; Schein, 2010), and climates that foster psychological safety enhance problem-solving and adaptability (Schneider et al., 2011). Healthy competition among employees improves performance (El-Said Barghouth et al., 2024), and performance monitoring enhances service quality (Bouckaert & Halligan, 2008). An innovative culture helps organizations adapt to external changes, improving overall performance. Consequently, it is proposed:

Hypothesis 1: Internal Alignment of public organizations has a positive effect on Organizational Performance.

2.1.2 Quality of Execution

Quality of execution in public organizations refers to their ability to effectively implement plans and strategies through accountability, coordination and control, capability, motivation, and leadership (Keller & Price, 2011). High-quality execution ensures optimal outcomes and efficient service delivery (Allio, 2005; Rainey & Bozeman, 2000). Effective coordination and accountability mechanisms ensure resource efficiency and responsiveness to public demands (Moynihan & Pandey, 2005; Vigoda, 2002), while leadership motivates employees and aligns goals with strategies (Van Wart, 2013).

Accountability, through clear role definitions, performance contracts, and reward systems, fosters employee commitment and enhances performance (Kernaghan, 2003; Khaton et al., 2024). This leads to greater transparency and trust, improving organizational effectiveness (Sofyani et al., 2008). Effective coordination and control mechanisms, such as performance-based development and KPIs, streamline operations and improve outcomes (Atieh, 2021; Keathley-Herring et al., 2024). Adherence to SOPs and proactive risk management further enhance resilience and efficiency (Ambarwati et al., 2006). Capability is the alignment of employee skills with organizational needs, strengthening performance through targeted development programs and expert engagement (Adama et al., 2024; Greeve & DiTomaso, 2007). Motivation, driven by organizational values, leadership, career paths, and rewards, boosts employee effort and

satisfaction (Natsir et al., 2024; Yang et al., 2023). Both intrinsic and extrinsic motivators significantly enhance productivity and organizational results (Aljumah, 2024; Kwarteng et al., 2024). Hence, it is hypothesized that:

Hypothesis 2: Quality of Execution of public organizations has a positive effect on Organizational Performance.

2.1.3 Capacity for Renewal

Capacity for Renewal is the ability of public organizations to continuously adapt, innovate, and renew their processes to meet evolving challenges (Keller & Price, 2011). Leadership plays a central role in guiding the organization through renewal by providing clear instructions, offering opportunities for consultation, and setting challenging tasks that encourage innovation and problem-solving (Tan et al., 2023). Leaders who inspire and support innovation create an environment where renewal efforts align with strategic goals, improving overall performance (Le et al., 2024).

External orientation is another critical dimension, where public organizations engage with external stakeholders—such as citizens, suppliers, and governmental bodies—to stay attuned to regulatory, technological, and socio-political changes (Migchelbrink & Van de Walle, 2022). By integrating feedback and adjusting services to meet external demands, organizations can enhance service delivery and maintain relevance, directly improving performance (de Kok et al., 2023). Innovation and learning further contribute to the renewal process (Urbinati et al., 2023). Organizations that promote idea generation, provide incentives for employee improvements, and foster collaboration enhance their ability to adapt and implement innovative solutions (AlEssa & Durugbo, (2022). By continuously learning from internal and external experiences, organizations can improve their operational strategies and maintain high performance (Do & Mai, 2020). Capacity for Renewal enables public organizations to stay agile and responsive, ensuring sustained relevance and efficiency by combining strong leadership, active external engagement, and a culture of innovation and learning. Hence, it is hypothesized that:

Hypothesis 3: Capacity for Renewal of public organizations has a positive effect on Organizational Performance.

2.2 The Moderating Effect of Innovative Culture

Innovative culture in public organizations fosters creativity, experimentation, and continuous improvement, complementing internal alignment by adding flexibility to established strategies and processes. An innovative culture encourages continuous refinement of internal alignment, preventing it from becoming stagnant (Li et al., 2020). According to Sørensen and Torfing (2011), organizations with such a culture are better equipped to adjust their strategies in response to changing external demands without losing coherence. By fostering creativity and problem-solving, employees can identify inefficiencies and propose solutions that align with organizational goals, leading to enhanced performance (Mitchell & Walinga, (2017). This culture also ensures responsiveness to external changes, such as regulations and societal expectations, keeping the organization agile and aligned (Kosiol et al., 2024).

Furthermore, innovative culture balances stability with flexibility, enabling organizations to adapt while maintaining alignment with core objectives (Achdiat et al., 2023). O'Reilly and Tushman (2020) highlight that organizations balancing exploration (innovation) and exploitation (alignment) tend to perform better. Additionally, an innovative culture promotes organizational learning, ensuring that alignment remains effective by integrating new knowledge into strategic processes (Nonaka & Takeuchi, 1995). In summary, innovative culture strengthens the positive impact of internal alignment on organizational performance by fostering adaptability, learning, and continuous improvement (Achdiat et al., 2023). Given these findings, a hypothesis is put forth:

Hypothesis 4a: Innovative Culture in Public Organizations enhances the effect of Internal Alignment on Organizational Performance.

An innovative culture enables public organizations to adapt quickly to external changes, which is crucial for maintaining execution quality in fluctuating circumstances (Mamédio et al., 2022). The ability to adjust strategies and processes in response to new challenges enhances organizational performance (Arokodare & Asikhia, 2020). Innovative organizations are better equipped to foster resilience and maintain high standards of execution even under uncertain conditions (Do et al., 2022). Innovation thrives on collaboration and knowledge sharing (Al-Omoush et al., 2022). An innovative culture encourages breaking down silos, promoting open communication and collective problem-solving (Bömelburg & Gassmann, 2024). This environment fosters cross-departmental collaboration, allowing employees to share ideas that enhance execution quality (Lindblom & Martins, 2022). The cross-pollination of ideas in innovative organizations directly influences performance by making execution more efficient and aligned with organizational goals (Bjorklund et al., 2013). Organizations with a strong culture of innovation can modify execution practices to remain effective, particularly when dealing with unexpected challenges like policy changes or emergent social issues (Sørensen & Torfing, 2022). An innovative culture keeps execution processes fresh by continuously encouraging employees to explore new methods and technologies (Abdul-Halim et al., 2019). Therefore, it is proposed that:

Hypothesis 4b: Innovative Culture in Public Organizations enhances the effect of Quality of Execution on Organizational Performance.

Innovative culture creates the ideal environment for Capacity for Renewal by promoting continuous improvement and encouraging employees to explore new methods and experiment with ideas (Keller & Price, 2011; Rampa & Agogué, 2021). This proactive mindset ensures that renewal becomes a part of daily operations, helping organizations maintain high performance even in complex situations (Arokodare & Asikhia, 2020). IC also accelerates the implementation of changes by reducing resistance to new ideas, allowing quicker and more effective renewal initiatives (Gad David et al., 2023). Holbeche (2019) highlighted that public organizations with strong IC tend to implement renewal processes more efficiently, crucial in fast-paced environments. Additionally, when employees freely share knowledge, they leverage collective expertise to enhance the renewal process, as collaborative innovation fosters more comprehensive solutions (Ali et al., 2019; Al-Omoush et al., 2022). Therefore, it is proposed that

Hypothesis 4c: Innovative Culture in Public Organizations enhances the effect of Capacity for Renewal on Organizational Performance.

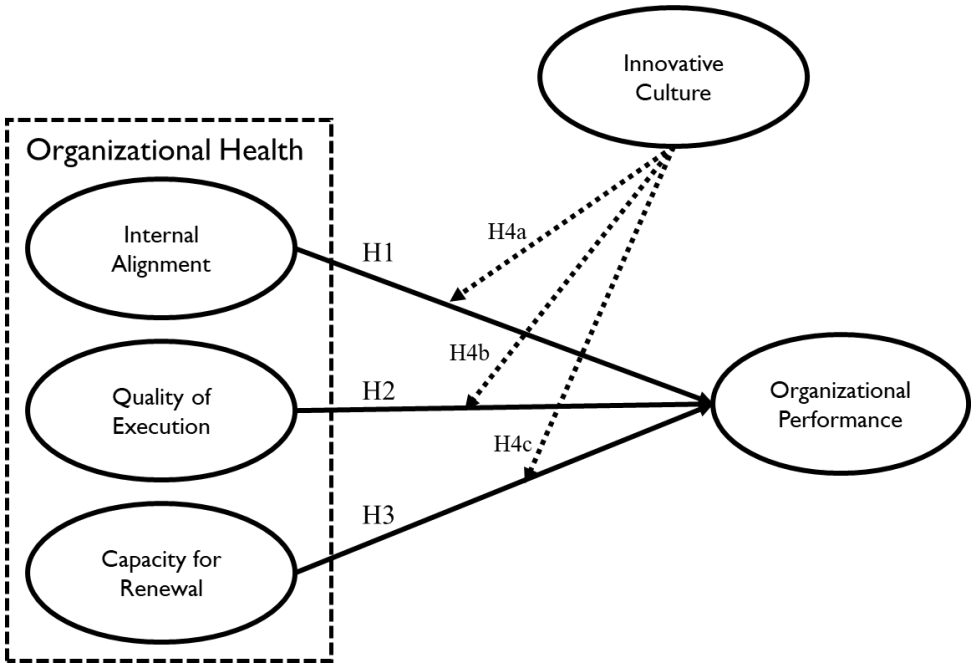


Figure 2. Research Model

3. Method

3.1 Research Design & Sample

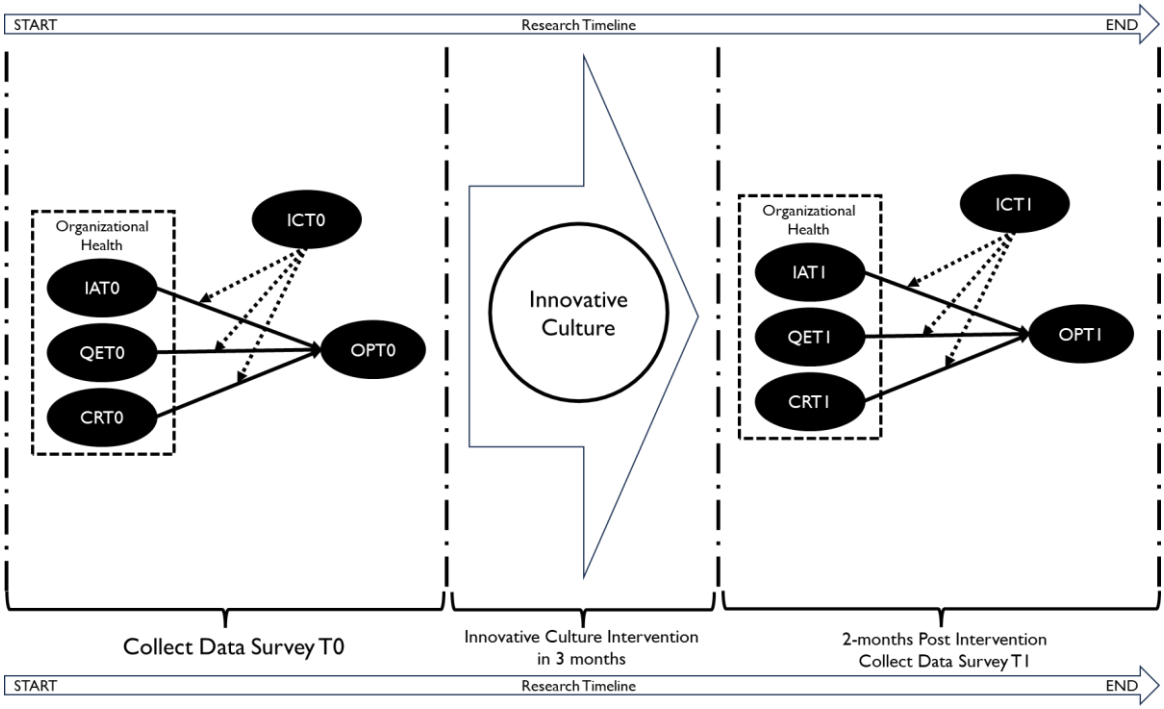
The research design in this study adopts an action research approach, utilizing a longitudinal survey conducted at two different time points: three months prior to the innovative culture training (ICT) (T0) and three months after the training (T1). The study population comprises civil servants (Aparatur Sipil Negara, ASN) within the organizational units (OPD) of the Surabaya City Government, which includes 17 departments, the Inspectorate, two Secretariats, six agencies, the Civil Service Police Unit, 31 districts, and 154 sub-districts, amounting to a total of 22,882 ASN (12,253 civil servants and 10,629 non-civil servants). A non-proportional quota sampling technique is employed (Neuman, 2017), yielding a sample of 1,384 ASN from the OPD of Surabaya City, comprising 217 middle managers and 1,167 lower managers. To mitigate potential common method bias, the study incorporates several strategies, including the use of multisource data, ensuring respondent anonymity by not collecting names, and varying the sequence of questions in the survey (Podsakoff et al., 2003).

3.2 Data Collection Procedure

The research initiates with an initial data collection phase labeled as T0, where multiple variables are measured to establish a baseline before IC intervention. These variables include Internal Alignment pre-IC Intervention (IATO), Quality of Execution pre-IC Intervention (QETO), Capacity for Renewal pre-IC Intervention (CRTO), Organizational Performance pre-IC Intervention (OPTO), and Innovative Culture pre-IC Intervention (ICTO). Following the baseline measurement, an IC Intervention is implemented over a three-month period. This intervention aims to enhance or

modify the innovative cultural practices within the organization, hypothesizing that changes in organizational culture will positively affect its health and performance.

Three months after the completion of the IC Intervention, a subsequent data collection phase, labeled T1, was conducted. This post-intervention measurement assesses the same variables as the pre-intervention phase but now reflects the impact of the intervention. The variables measured include Internal Alignment post-IC Intervention (IATI), Quality of Execution post-IC Intervention (QETI), Capacity for Renewal post-IC Intervention (CRTI), Organizational Performance post-IC Intervention (OPTI), and Innovative Culture post-IC Intervention (ICTI). This design and timeline depict that the intervention aimed at fostering an innovative culture is expected to influence not only the direct performance of the organization but also other critical aspects such as execution quality, capacity for renewal, and internal alignment. The illustration of the research design & timeline procedure can be seen in Figure 3.



Note: T0: Time before IC Intervention, T1: Time after IC Intervention, IAT0: Internal Alignment pre-IC Intervention, QET0: Quality of Execution pre-IC Intervention, CRT0: Capacity for Renewal pre-IC Intervention, ICT1: Innovative Culture before Intervention, OPT0: Organizational Performance pre-IC Intervention, IAT1: Internal Alignment post-IC Intervention, QET1: Quality of Execution post-IC Intervention, CRT1: Capacity for Renewal post-IC Intervention, ICT1: Innovative Culture after Intervention, OPT1: Organizational Performance post-IC Intervention

Figure 3. Research Design & Timeline

3.2. Measurement

In this study, organizational health is operationally defined as the collective capability of the Surabaya City Government to adapt to evolving conditions in order to align, execute, and renew strategies, thereby sustaining superior performance over time (Keller & Price, 2011; Rahmasari & Sukoco, 2019). The measurement of organizational health (OH) is based on three dimensions, which are further divided into nine elements comprising 37 indicators. Innovative culture is assessed using a five-item scale (Aksoy, 2017), while public organizational performance is evaluated through a five-item scale (Gould-Williams, 2003). All variables are measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The reliability and validity of these measurement scales are confirmed through statistical analysis, with key metrics such as outer loading (OL), average variance extracted (AVE), Cronbach's alpha (CA), and composite reliability (CR) presented in Table 2. These metrics ensure the scales' internal consistency, convergent validity, and discriminant validity.

3.3. Analysis Techniques

In this research, the analytical methods applied consist of several stages to test hypotheses and explore the dynamics of organizational health. First, the intraclass correlation coefficient (ICC1 and ICC2) and measures of agreement (RwG) were calculated to evaluate the consistency of individual scores aggregated at the group level, which

is crucial in multilevel studies or when data are analyzed at a higher level than the individual (LeBreton & Senter, 2008). Next, descriptive statistical analysis, correlation matrices, and paired sample T-Tests were performed using IBM SPSS Statistics version 27 to summarize data distribution and examine relationships among variables. This approach determines whether the observed changes are statistically significant (Cheah et al, 2024). Finally, structural equation modeling (SEM) was utilized as the primary method of analysis, with SmartPLS-4 software handling data processing and analysis (Sarstedt et al., 2024). The measurement model focused on assessing the discriminant and convergent validity of the variables, using OL, AVE, and FL for this purpose. Additionally, reliability was tested using CA and CR to ensure internal consistency of the variables (Hanafiah, 2020). In the structural model analysis, the effects of one latent variable on others were evaluated by examining the percentage of variance explained, along with the path coefficients (β) and R^2 values. The R^2 helps determine the proportion of variance in the dependent variable that can be predicted by the independent variables, offering insights into the model's explanatory power (Risher & Hair, 2017).

4. Result

4.1. Respondent Demographics

This research comprised 1,384 participants, with the majority being male (51.81%) and mostly belonging to the age range of 31-40 years (65%). The majority of respondents possess a Bachelor's degree (59.39%), while a significant portion have a Master's degree (31.65%). A minority of respondents have a Doctoral degree (0.43%). The bulk of roles are occupied at Echelon IV.b (45.81%) and Echelon IV.a (23.12%), suggesting substantial levels of accountability. Furthermore, a significant proportion of participants, namely 77.82%, has over 15 years of professional experience. This indicates a notable degree of proficiency and commitment in their particular domains.

Table 1. Respondent Demographics

Profile	Classification	Numbers	Percentage
Gender	Male	717	51.81%
	Female	667	48.19%
Age	< 30	158	11%
	31 - 40	900	65%
	41 - 50	221	16%
	51 - 60	105	8%
Education	Doctoral	6	0.43%
	Master	438	31.65%
	Bachelor	822	59.39%
	Diploma	29	2.10%
	High School	89	6.43%
Echelon	Echelon II	27	1.95%
	Echelon III,a	73	5.27%
	Echelon III,b	111	8.02%
	Echelon IV,a	320	23.12%
	Echelon IV,b	634	45.81%
	Echelon IV Functional	219	15.82%
Job Experience	< 5 years	13	0.94%
	5 – 10 years	59	4.26%
	11 – 15 years	235	16.98%
	> 15 years	1077	77.82%
N		**1384**	

4.2. Validity and Reliability

Table 2 presents the validity and reliability. Each item was measured based on outer loading (OL), composite reliability (CR), Cronbach's alpha (CA), and average variance extracted (AVE). The data revealed that all items within each dimension and variables demonstrated good validity and reliability meeting the criteria. Therefore, it can be concluded that the measurement instruments in this study are valid and reliable for assessing internal alignment dimension, quality of execution dimension, capacity for renewal dimension, innovative culture, and organizational performance.

Table 2. Validity and Reliability

Item	Item Indicators	OL	AVE	CA	CR
Organizational Health (Keller & Price, 2011)					
Internal Alignment Dimension (Direction; Leadership; Culture and Climate)			*0.827*	*0.978*	*0.988*
Quality of Execution Dimension (Accountability; Leadership; Coordination and Control; Capabilities; Motivation)			*0.805*	*0.988*	*0.991*
Capacity for Renewal Dimension (External Orientation; Leadership; Innovation and Learning)			*0.795*	*0.976*	*0.985*
Direction Element					
Vision of our organization (Regional Secretariat / Secretariat of the Regional House of Representatives / Inspectorate / Agency / Department / Unit / Sub-district / Village)...					
DR1	...has been clearly communicated by our leaders	0.919			
DR2	...translated into a clear organizational strategy map	0.888			
DR3	...translated into work programs involving employees in its formulation	0.922			
Leadership Element					
In order to complete the work, our leaders...					
LE1	...provide clear directions, guidance, and instructions.	0.954			
LE2	...provide opportunities for discussion/consultation.	0.952			
LE3	...support the work done by subordinates.	0.926			
LE4	...assign challenging tasks.	0.888			
Culture and Climate Element					
Our organization (Regional Secretariat / Secretariat of the Regional House of Representatives / Inspectorate / Agency / Department / Unit / Sub-district / Village) ...					
CC1	...has a habit of expressing opinions openly.	0.896			
CC2	...has a habit of encouraging healthy internal competition.	0.942			
CC3	...monitors performance achievements and employee behavior according to established standards.	0.926			
CC4	...has a habit of encouraging initiatives in innovation and creativity.	0.946			
Accountability Element					
AC1	The duties, main tasks, and functions of each staff member in our organization are clearly stated in official documents.	0.940			
AC2	The responsibilities of each staff member in our organization are outlined in the performance contract.	0.926			
AC3	Rewards and punishments are given according to the performance/role and responsibilities of the staff in our organization.	0.923			
AC4	The staff in our organization have a high sense of personal ownership towards the Surabaya City Government.	0.920			
Coordination and Control Element					
CO1	The performance of the staff in our organization is the basis for determining HR development programs (e.g., promotions, special assignments, etc.).	0.951			
CO2	Our organization's Key Performance Indicators are formulated in accordance with the duties and functions of the work unit.	0.939			
CO3	The allocation, absorption, and accountability of budget absorption are strictly reviewed in our organization.	0.909			
CO4	SOPs and staffing regulations are effectively enforced in our organization.	0.938			
CO5	Our organization's risk control system operates effectively to anticipate potential problems in my work unit.	0.936			
Capability Element					
Our organization (Regional Secretariat / Secretariat of the Regional House of Representatives / Inspectorate / Agency / Department / Unit / Sub-district / Village) ...					

Item	Item Indicators	OL	AVE	CA	CR
CA1	...currently places employees according to their competencies.	0.801			
CA2	...implements employee development programs (e.g., rotation, coaching, training, etc.) that meet the needs of the organization.	0.848			
CA3	...supports work processes with reliable SOPs and information systems.	0.951			
CA4	...involves external experts for tasks requiring specialized skills.	0.812			
Motivation Element					
MO1	Our organization has values that motivate behavioral change among employees, leading them to perform better.	0.957			
MO2	Our leaders set a good example in their work, motivating employees to perform better.	0.941			
MO3	The career paths in our organization are clear, motivating employees to perform better.	0.846			
MO4	Our organization provides performance allowances according to the contributions of the employees.	0.893			
MO5	Our organization gives rewards and recognition to employees who contribute or excel.	0.874			
External Orientation Element					
Our organization (Regional Secretariat / Secretariat of the Regional House of Representatives / Inspectorate / Agency / Department / Unit / Sub-district / Village) ...					
OE1	...adapts to the external environment by improving services to respond to stakeholder needs.	0.828			
OE2	...considers changes in regulations, technology, as well as social, economic, and political conditions in decision-making.	0.945			
OE3	...establishes working relationships with other institutions/agencies to synergize in completing tasks that require cross-unit coordination.	0.934			
OE4	...runs Community Care programs.	0.932			
Innovation & Learning Element					
IL1	Our leaders actively provide improvement ideas for the work unit.	0.950			
IL2	Our organization provides incentives (financial or non-financial) to employees who provide improvement ideas for their work unit.	0.802			
IL3	Our organization conducts collaborative activities to share knowledge regularly.	0.923			
IL4	Our organization uses best practices from other organizations as input for performance improvement.	0.905			
Innovative Culture (Aksoy, 2017)			*0.604*	*0.835*	*0.874*
Our leaders, (Regional Secretary/DPRD Secretary/Inspector/Head of Agency/Head of Service/Head of Unit/Sub-district Head/Head of Village Head) …					
IC1	…have the courage to innovate and take risks.	0.839			
IC2	…encourage creative ideas in our organization.	0.893			
IC3	…value a willingness to experiment with new ideas.	0.720			
IC4	…expect employees to work together to implement new processes.	0.777			
IC5	The most important success factor in our organization is being innovative.	0.970			
Organizational Performance (Gould-Williams, 2003)			*0.597*	*0.813*	*0.854*
Our organization (Regional Secretariat / Secretariat of the Regional House of Representatives / Inspectorate / Agency / Department / Unit / Sub-district / Village) ...					
OP1	…. providing excellent service	0.843			
OP2	…. providing very appropriate salaries and incentives	0.874			

Item	Item Indicators	OL	AVE	CA	CR
OP3	…. rarely receiving criticism from the people of Surabaya	0.901			
OP4	…. not utilizing existing resources (R)	0.801			
OP5	…. overall, has performed well	0.835			

4.3. Data Aggregation (ICC1, ICC2, RwG)

In this research, the analysis was conducted at the group-level, specifically focusing on organizational units known as Organisasi Perangkat Daerah (OPD), which served as the primary units of analysis. To mitigate the risk of common method variance, data for each dimension were gathered from two distinct groups of respondents: middle managers and lower managers (Podsakoff et al., 2009). These dimensions were aggregated based on survey responses collected from a variety of organizational units, which included the Regional Secretariat, DPRD Secretariat, Inspectorate, agencies, departments, units, districts, and sub-districts. To determine the validity of aggregating individual scores to the team level, three widely recognized measures were employed: ICC (1), ICC (2), and Rwg (LeBreton et al., 2003). Detailed calculations for these variables are provided in Table 3.

Table 3. ICC1, ICC2, and RwG

	ICC1		ICC2		RWg		f-ratio		p-value	
Variable / Dimension	**T0**	**T1**	**T0**	**T1**	**T0**	**T1**	**T0**	**T1**	**T0**	**T1**
Organizational Health	*0.41*	*0.77*	*0.96*	*0.99*	*0.66*	*0.81*	*26.9*	*12.7*	*0.00*	*0.00*
Direction	0.41	0.42	0.87	0.87	0.75	0.75	7.79	7.84	0.00	0.00
Leadership	0.42	0.42	0.87	0.88	0.78	0.81	7.86	8.03	0.00	0.00
Culture and Climate	0.44	0.42	0.88	0.87	0.74	0.85	8.42	8.00	0.00	0.00
Accountability	0.47	0.43	0.89	0.88	0.70	0.83	9.45	8.16	0.00	0.00
Coordination and Control	0.45	0.42	0.89	0.88	0.74	0.85	9.01	8.09	0.00	0.00
Capability	0.46	0.42	0.89	0.87	0.73	0.82	9.03	7.97	0.00	0.00
Motivation	0.47	0.43	0.89	0.88	0.73	0.84	9.40	8.24	0.00	0.00
External Orientation	0.46	0.43	0.89	0.88	0.71	0.85	9.16	8.14	0.00	0.00
Innovation & Learning	0.46	0.42	0.89	0.88	0.73	0.84	9.05	8.04	0.00	0.00
Innovative Culture	*0.81*	*0.51*	*0.95*	*0.84*	*0.60*	*0.89*	*21.7*	*6.30*	*0.00*	*0.00*
Organizational Performance	*0.81*	*0.53*	*0.95*	*0.85*	*0.79*	*0.79*	*22.1*	*6.77*	*0.00*	*0.00*

4.4. Correlation

Table 4 presents the descriptive statistics and correlation matrix pre-intervention correlations (T0). The highest correlation is observed between ICT0 (Innovative Culture at T0) and CRT0 (Coordination and Control at T0) with a correlation coefficient of 0.820**, indicating a strong relationship between these dimensions before the intervention. In Table 5, after the IC Intervention (T1), correlations generally increase. The most notable change is the correlation between CRT1 (Coordination and Control at T1) and QET1 (Quality of Execution at T1), which is significantly high at 0.875**. This reflects a stronger alignment of these dimensions post-intervention, suggesting improved integration between coordination efforts and quality of execution following the IC Intervention.

Table 4. Correlations Pre-IC Intervention (T0)

Var./ Dim.	Mean	SD	1	2	3	4	5
IAT0	4.164	0.299	**0.666**	0.076	0.061	0.022	0.523
QET0	3.875	0.457	0.276**	**0.546**	0.521	0.480	0.076
CRT0	3.816	0.497	0.247**	0.722**	**0.302**	0.672	0.052
ICT0	3.638	0.744	0.149**	0.693**	0.820**	**.925**	0.020
OPT0	4.210	0.307	0.723**	0.276**	0.229**	0.142**	**.824**

Table 5. Correlations Post-IC Intervention (T1)

Var./Dim.	Mean	SD	1	2	3	4	5
IAT1	4.295	0.358	**0.827**	0.711	0.696	0.130	0.084
QET1	4.232	0.347	0.843**	**0.805**	0.766	0.135	0.085
CRT1	4.233	0.354	0.834**	0.875**	**0.795**	0.135	0.088
ICT1	4.234	0.267	0.361**	0.368**	0.367**	**0.604**	0.159
OPT1	4.140	0.304	0.289**	0.292**	0.296**	0.399**	**0.597**

4.5. Paired T-test

The paired T-test results presented in Table 7 compare the mean values of various variables before (T0) and after (T1) the Innovative Culture (IC) intervention. Each pair shows a statistically significant difference, as evidenced by the p-value of .000 for all variables, indicating that the observed changes are unlikely to be due to chance.

For IA, the mean increased from 4.164 at T0 to 4.295 at T1, with a difference of 0.131, reflecting a 3.15% improvement. The T-value of 4.318 indicates a statistically significant change. Similarly, QE saw a mean increase from 3.875 at T0 to 4.232 at T1, a 9.21% improvement, with a T-value of 11.828, further demonstrating a significant effect post-intervention. CR exhibited an even greater increase, with a mean difference of 0.418, representing a 10.94% improvement from T0 to T1, and a T-value of 12.520. IC showed the largest improvement, with a mean difference of 0.596, resulting in a 16.38% increase and a notably high T-value of 27.677, indicating the strongest impact of the intervention. Lastly, OP showed a slight decrease in the mean value, from 4.201 at T0 to 4.140 at T1, a difference of -0.069, reflecting a minor decline of 1.64%. Despite this, the T-value of 6.107 still shows that this change is statistically significant, though the impact is less pronounced compared to the other variables.

Table 7. Paired T-test

Pair	X_{T0}	X_{T1}	Diff	Diff (%)	STDEV	T	P-Value
IAT1 – IAT0	4.164	4.295	0.131	3.15	1.08915	4.318	.000
QET1 – QET0	3.875	4.232	0.357	9.21	1.14072	11.828	.000
CRT1 – CRT0	3.816	4.233	0.418	10.94	1.24184	12.520	.000
ICT1 – ICT0	3.638	4.234	0.596	16.38	0.80101	27.677	.000
OPT1 – OPT0	4.201	4.140	0.069	1.64	0.42283	6.107	.000

4.5. Structural Model Estimation

The hypothesis testing results from the structural model estimation in Table 4 provide insights into the relationships between various variables before (T0) and after (T1) the IC Intervention. For H1, the relationship between IAT0 (Internal Alignment at T0) and OPT0 (Organizational Performance at T0) is strongly supported, with a significant positive path coefficient ($\beta = 0.690$, $p < 0.001$), indicating that internal alignment positively influences organizational performance before the intervention. However, after the intervention (IAT1 → OPT1), the relationship becomes negative and non-significant ($\beta = -0.119$, $p = 0.150$), leading to the rejection of the hypothesis post-intervention.

Table 4. Hypothesis Testing Result

H	Correlation Path	β	STDEV	t-values	p-values	Result
H1	IAT0 → OPT0	0.690	0.026	27.026	0.000	Supported
	IAT1 → OPT1	-0.119	0.083	1.438	0.150	Rejected
H2	QET0 → OPT0	0.195	0.046	4.249	0.000	Supported
	QET1 → OPT1	0.483	0.096	5.014	0.000	Supported
H3	CRT0 → OPT0	0.313	0.063	4.971	0.000	Supported
	CRT1 → OPT1	-0.199	0.099	2.008	0.080	Rejected
H4a	IAT0*ICT0 → OPT0	-0.165	0.023	7.216	0.000	Rejected
	IAT1*ICT1 → OPT1	0.469	0.080	5.885	0.000	Supported
H4b	QET0*ICT0 → OPT0	0.360	0.036	10.023	0.000	Supported
	QET1*ICT1 → OPT1	-0.008	0.100	0.082	0.935	Rejected
H4c	CRT0*ICT0 → OPT0	-0.106	0.029	3.641	0.000	Rejected
	CRT1*ICT1 → OPT1	-0.483	0.119	4.042	0.000	Rejected

In H2, both pre-intervention (QET0 → OPT0) and post-intervention (QET1 → OPT1) show significant positive relationships between QE and OP. The pre-intervention path coefficient is β = 0.195, and the post-intervention value increases to β = 0.483, both with p-values < 0.001. This indicates that QE has a stronger positive impact on OP following the intervention.

For H3, CRT0 → OPT0 (Capacity for Renewal before intervention) is supported, with a positive and significant path coefficient (β = 0.313, p < 0.001). However, the relationship becomes negative and non-significant after the intervention (CRT1 → OPT1, β = -0.199, p = 0.080), leading to the rejection of this hypothesis in the post-intervention context.

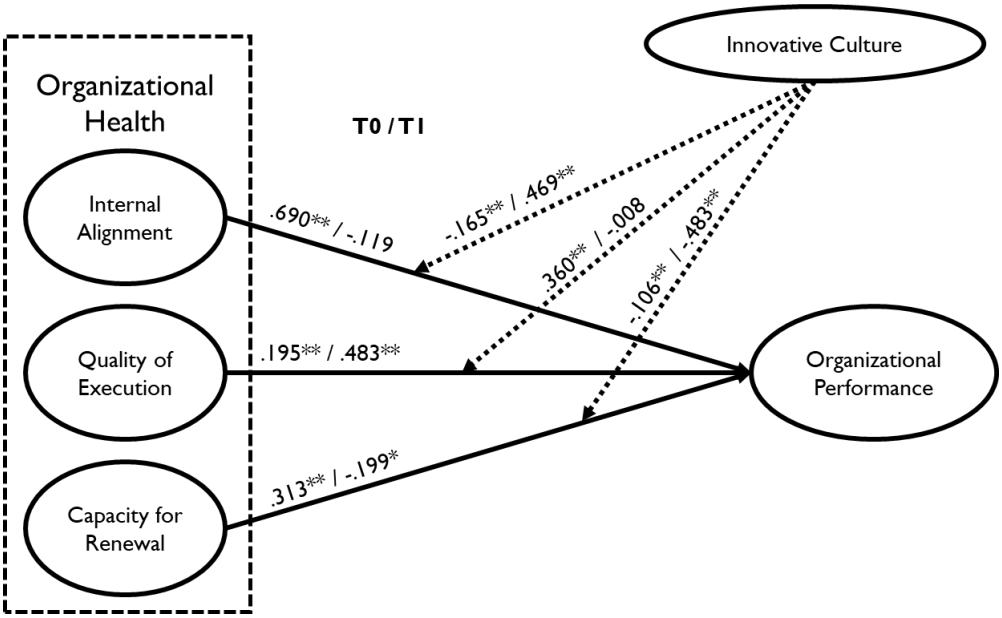


Figure 4. Path Coefficient Result T0 with T1

Regarding the moderating effect of IC, the results show mixed outcomes. In H4a, the interaction between IAT0 and ICT0 on OPT0 is negative and significant (β = -0.165, p < 0.001), indicating that IC negatively moderates the relationship before the intervention. However, after the intervention, the interaction (IAT1*ICT1 → OPT1) becomes positive and significant (β = 0.469, p < 0.001), suggesting that IC enhances the impact of IA on OP post-intervention. For H4b, the interaction between QET0 and ICT0 on OPT0 is strongly supported (β = 0.360, p < 0.001), but after the intervention (QET1*ICT1 → OPT1), the interaction is non-significant (β = -0.008, p = 0.935), leading to the rejection of the hypothesis. In H4c, both the pre- and post-intervention interactions between CRT and ICT are negative and significant (CRT0*ICT0 → OPT0, β = -0.106, p < 0.001; CRT1*ICT1 → OPT1, β = -0.483, p < 0.001), indicating that IC negatively moderates the relationship between CR and OP both before and after the intervention. Based on this result a research model with path coefficient Result T0 with T1 has been established as depicted in Figure 4.

5. Discussion

5.1 Organizational Health to Organizational Performance

Before the innovative culture training, public organizations likely had strong internal alignment (IA) due to consistency in policies, procedures, and organizational structure. At this stage, the alignment between the organization's vision, mission, and operational execution significantly influenced organizational performance (OP). Operating in a conventional mindset and work culture, IA played a critical role in driving performance. Research supports this, with IA being a key determinant of success in stable environments where innovation is not the primary focus (Kim et al., 2020; Lee & Puranam, 2016). Strong IA at T0 would have led to improved performance due to a clear and stable operational framework.

After the IC training, the organization likely shifted its focus toward innovation, flexibility, and creativity, causing IA to lose its central role in driving OP. The training may have disrupted established processes, as changes in workflows and expectations reduced the influence of IA. As the organization adjusted to this new culture, IA became less relevant, and adaptability became more critical. The introduction of new ideas and technologies likely altered organizational priorities, making previously established internal alignment less relevant for achieving optimal performance. At T1, OP was likely driven more by the organization's ability to implement and integrate the IC rather than its internal alignment.

As organizations like the OPD in Surabaya shifted toward innovation, IA's role diminished as innovation took precedence in driving performance.

The organization's success likely depended more on its adaptability and responsiveness to change than on maintaining internal alignment. In other words, after the training, organizational performance was driven more by how quickly and effectively the organization could implement the innovative culture, rather than by how well its internal elements were aligned. The introduction of innovation training may also have led to a significant overhaul of organizational processes, temporarily reducing the importance of IA as the organization worked to realign its internal elements with a more flexible structure and procedures.

The innovative culture in public organizations significantly strengthens the relationship between Quality of Execution (QE) and Organizational Performance (OP). Innovative organizations encourage employees to think beyond routine operations and adopt novel approaches to problem-solving, enhancing their ability to execute tasks effectively while responding dynamically to organizational challenges (Sharma & Dwivedi, 2021). Before the implementation of an innovative culture (T0), public organizations, such as the OPD of the Surabaya City Government, operated in a more structured and procedural manner. At this stage, QE was vital for achieving performance objectives, focusing on efficiency, compliance with procedures, and meeting established standards. The significant impact of QE on OP at T0 is logical because, in the absence of innovation, the consistency and quality of task execution drove organizational performance. The high reliance on structured and standardized processes meant that QE played a central role in delivering successful outcomes. After the innovative culture training (T1), although the focus of the organization shifted toward flexibility and innovation, QE remained crucial. However, at this stage, QE likely improved in ways beyond adherence to procedures—organizations began incorporating new ideas and creative problem-solving into their execution processes (Ko & Shin, 2023). The successful execution of innovative solutions became a key driver of performance, as the organization's ability to adapt and implement innovations added a new dimension to how quality execution was measured.

Innovative culture also fosters cross-departmental collaboration and knowledge sharing, which enhances the efficiency and effectiveness of execution processes (Al-Omoush et al., 2022). Breaking down silos and promoting open communication allows employees to share ideas that refine execution practices, aligning them more closely with organizational goals (Lindblom & Martins, 2022). Moreover, as innovation thrives on collaboration, organizations with strong cultures of innovation can adapt their execution strategies to unexpected challenges, such as policy changes or emerging societal issues, while maintaining high standards of execution (Sørensen & Torfing, 2022). In both the pre- and post-training phases, QE remained a significant driver of organizational performance. During T1, despite the shift toward innovation, QE became even more critical in ensuring that the newly introduced ideas were implemented effectively. This reflects the consistency of QE as a pillar of performance, regardless of the organization's cultural orientation. Innovation, while crucial for adaptation, requires proper execution to have a positive impact on performance. As Abdul-Halim et al. (2019) noted, the success of innovation initiatives is highly dependent on the organization's ability to execute them efficiently.

The enduring positive influence of QE on OP before and after the training demonstrates that quality execution remains a core factor in achieving organizational success. The integration of innovation and execution leads to a holistic improvement in performance—innovation enhances the potential for process improvement, while execution ensures that this potential is realized in day-to-day operations (Mamédio et al., 2022).

The impact of Capacity for Renewal (CR) on Organizational Performance (OP) occurs at two stages, before and after the innovative culture training (T0 and T1). Before the training, CR played a significant role in enabling the organization to remain efficient and relevant in a relatively stable environment. During this phase, public organizations demonstrated moderate adaptation through incremental policy refinements and internal procedural updates, which enhanced operational performance. CR was a critical driver of OP at this stage, as the organization relied on its existing knowledge base and stable internal processes to implement structured renewal initiatives. The organizational dynamics were steady, and CR allowed the institution to maintain or improve its efficiency and effectiveness without encountering significant disruptions.

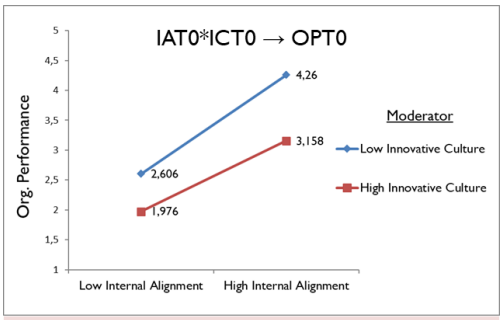
After the innovative culture training, the organization's capacity to adapt might have encountered disruptions due to the sudden shift toward a new culture of innovation. While CR remained high, the rapid pace of renewal and unstructured changes may have caused internal instability, leading to confusion and difficulties in implementing new policies. The overload of renewal initiatives could have overwhelmed the organization, leading to disorganization and a lack of focus, which ultimately affected performance negatively. Moreover, the organization's inability to align rapid innovations with operational execution led to decreased performance, as new ideas were not optimally implemented.
The negative influence of CR on OP at T1 is also attributed to the incomplete integration of the innovative culture within the existing organizational structure. The continuous renewal efforts, without fully stabilizing the operational

framework, created internal disruptions that hindered daily effectiveness. Additionally, resistance to change from employees accustomed to the previous operational models further impeded the implementation of new renewal initiatives, reducing overall performance.

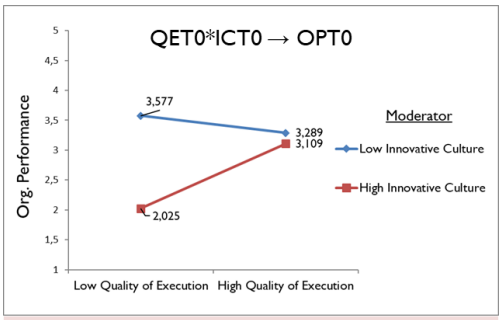
5.2 Moderating of Innovative Culture

The interaction between Internal Alignment (IA) and Innovative Culture (IC) on Organizational Performance (OP) before and after the IC training (T0 and T1) in public organizations, such as OPD Pemerintah Kota Surabaya, reflects key changes in organizational dynamics. Before the IC training, IA in the organization was likely rigid and highly structured. Although IA ensured alignment between organizational goals and operations, the lack of a developed Innovative Culture meant that the organization struggled with flexibility and adaptation. This rigidity in IA hindered the organization's ability to embrace new ideas, weakening its influence on OP. The organization's focus on stability and procedural adherence left little room for innovation, making it difficult to adapt to the changing demands necessary for significant performance improvements (see Figure 5).

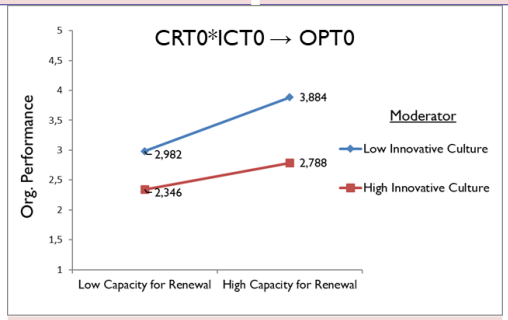
After the training, the integration of IC began to reshape organizational processes, allowing IA to support more innovative approaches. At T1, IA was no longer just about internal procedural alignment but also about enabling flexibility in response to innovation. With a more developed IC, IA became a facilitator of change, allowing innovations to be implemented more effectively and aligned with the organization's operational structure. This synergy between IA and IC resulted in better adaptability and significantly improved OP, as the organization could now respond to challenges without sacrificing internal stability. At T1, IC matured and integrated more effectively with IA, leading to structured innovation. IA, which previously emphasized rigidity, now enabled systematic implementation of innovations. This balance between stability and flexibility allowed the organization to adapt more efficiently and enhance performance. Increased adaptability and responsiveness due to the combined influence of IA and IC allowed the organization to maintain operational effectiveness while driving innovation. (See Figure 6)



Innovative Culture dampens the positive relationship between Internal Alignment and Org. Performance.



Innovative Culture strengthens the positive relationship between Quality of Execution and Org. Performance.



Innovative Culture dampens the positive relationship between Capacity for Renewal and Org. Performance.

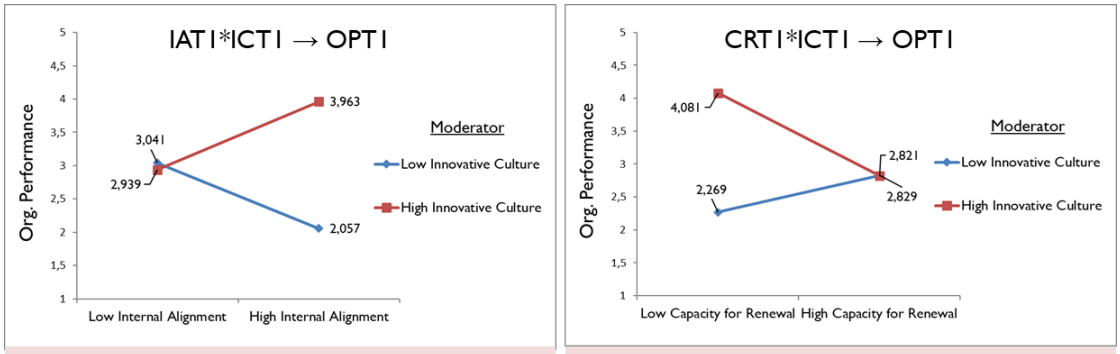
Figure 5. IC moderating effect illustration on OH dimension (IA, QE, & CR) to OP at T0

Before the training, organizational resistance to change was higher due to a static, procedural work culture. IA reinforced the status quo, prioritizing stability over innovation. Without a robust IC, the organization struggled to process and adopt new ideas, which hindered its ability to innovate and improve OP. The rigidity of IA limited the organization's capacity for innovation, further weakening its ability to adapt and negatively affecting performance.After the innovative culture training, the organization became more capable of leveraging its IC to adapt to external changes. IA, which became more flexible, allowed for systematic integration of new ideas, fostering a culture of innovation throughout the organization. As a result, the organization's ability to manage change improved significantly, leading to a marked increase in OP. (See Figure 5)

Before the innovative culture training (T0), the quality of execution (QE) in public organizations like OPD Pemerintah Kota Surabaya was marked by strong adherence to procedures and operational efficiency. Public organizations often focus on stability and clear execution standards, which made QE significantly impact organizational performance (OP) at this stage. The IC, though weak at the time, did not conflict with QE. Instead, limited innovation complemented structured execution by introducing incremental improvements that aligned with established procedures. This synergy between IC and QE reinforced organizational performance, as small-scale innovations enhanced operational effectiveness without disrupting stability. After the training (T1), however, the organization's focus shifted toward introducing widespread innovation. While QE remained critical, the pressure to innovate and introduce new approaches sometimes conflicted with existing execution structures. The influx of innovation, which had not yet fully matured or been integrated into operational processes, weakened the impact of QE on OP. Too many innovations at once led to confusion and disruption in day-to-day execution, resulting in decreased quality and consistency in operations. This reduced the positive effect of QE on OP, as the organization struggled to balance innovation with stable execution.

The interaction between execution and innovation also changed from T0 to T1. Before the training, structured and limited innovation supported efficient execution, strengthening QE's contribution to OP. After the training, the organization's inability to fully integrate and adapt to rapid innovations led to gaps between innovation and execution, weakening QE's influence on OP. The workforce and systems in place struggled to adapt to the pace and intensity of innovation, compromising the effectiveness of execution and reducing the positive impact on performance. (See Figure 5).

Furthermore, after the training, the complexity of implementing innovations increased. Large-scale changes in how the organization operated posed challenges for QE, often exacerbated by limited resources, resistance to change, or insufficient employee training. This misalignment between innovation and existing processes made execution more difficult and less effective, reducing QE's contribution to OP. The organization's expectations for execution also evolved. At T0, expectations were clear and based on structured processes, with incremental innovation supporting consistent quality. At T1, higher expectations for faster, more innovative results created challenges for QE, as the organization—typically constrained by rigid rules—struggled to adapt to the shift from process-focused execution to outcome-driven innovation.



Innovative Culture strengthens the positive relationship between Internal Alignment and Org. Performance.

Innovative Culture strengthens the negative relationship between Capacity for Renewal and Org. Performance.

Figure 6. IC moderating effect illustration on OH dimension (IA & CR) to OP at T1

The influence of Innovative Culture (IC) on Capacity for Renewal (CR) and Organizational Performance (OP) at T0 (before innovative culture training) and T1 (after training) shows that, in both phases, IC weakens the impact of CR on OP in the OPD of Surabaya City Government. At T0, IC within the OPD of Surabaya City Government was likely underdeveloped. The weak innovation culture hindered the organization's ability to fully leverage CR. Although CR should have supported organizational performance, the lack of strong innovation undermined renewal initiatives, weakening the positive impact of CR on OP. As a result, the potential for renewal was not fully realized, and its effect on performance was slow and limited. Innovation at T0 was limited, incremental, and focused on minor improvements in existing processes and policies. IC was not functioning optimally, leading to renewal initiatives that were too modest to significantly boost performance. As a result, the interaction between CR and IC failed to drive meaningful performance improvements.

After the training, IC grew stronger but presented new challenges for CR. The surge of innovations introduced after training strained the organization's capacity to manage renewal effectively. Excessive or poorly directed innovation made renewal efforts unfocused and inefficient, thereby weakening CR's contribution to performance. While CR remained high, the overload of new initiatives disrupted stability and hindered the organization's ability to maintain

consistent performance. Despite the strengthened IC at T1, integrating innovation with CR proved challenging. If innovations were not well-coordinated with renewal efforts, the effectiveness of CR diminished. The influx of new ideas, coupled with organizational adjustments, created friction and difficulty in executing the innovations. This misalignment resulted in CR being less effective in enhancing OP. (See Figure 6)

5. Conclusion and Implication

5.1. Conclusion

In this study, the relationship between Internal Alignment (IA), Quality of Execution (QE), Capacity for Renewal (CR), and Organizational Performance (OP) is examined both before (T0) and after (T1) the implementation of innovative culture (IC) training in public organizations. At the time of T0, IA had a substantial positive impact on OP due to the strong alignment of internal processes with organizational objectives, which promoted consistency and stability. Nevertheless, IA's positive impact on OP was no longer observed post-intervention (T1). This change was likely the consequence of the organization's emphasis on innovation and adaptability, which disrupted conventional structures and procedures. Conversely, QE maintained a robust positive influence on OP both prior to and following the intervention, with a more pronounced effect at T1 as organizations began to integrate innovative strategies into their execution strategies. This underscores the ongoing significance of high-quality execution in maintaining organizational performance, even during periods of change.

The impact of CR on OP was consistent with that of IA, in that CR had a substantial positive impact at T0, which facilitated incremental improvements and stability. Nevertheless, the rapid introduction of innovation following the training at T1 resulted in confusion, which in turn diminished the efficacy of renewal processes and weakened CR's influence on OP. The moderating effect of IC also underwent an evolution. The impact of IA and CR was initially diminished by IC at T0. However, at T1, IC began to bolster IA's relationship with OP, indicating that IC became more integrated and effective post-intervention. Nevertheless, the intervention resulted in a decrease in the interaction between QE and IC, as the rapid influx of innovations posed a challenge to the efficient execution of tasks.

In conclusion, the development of an innovative culture can improve organizational performance; however, this is contingent upon the organization's capacity to execute and update its processes. Organizational structures may be disrupted by mismanagement or an overabundance of innovation, emphasizing the necessity of the meticulous integration of innovative practices to guarantee sustainable performance enhancements.

5.2. Managerial Implication

Public organizations, such as the Surabaya City Government, often benefit from strong internal alignment (IA), which ensures consistency in policies, procedures, and organizational structures. This alignment fosters operational stability, crucial in environments where predictability is valued. However, post innovative culture training, the organization’s ability to adapt and integrate new ways of thinking becomes the critical driver of organizational performance (OP).

Managers must reevaluate how internal processes align with the organization’s evolving goals, as post-intervention performance is less reliant on traditional IA and more on flexibility and creativity. Quality of execution (QE) remains essential, but the emphasis shifts from strict procedural adherence to the effective implementation of innovative solutions. This requires leadership to not only endorse a culture of innovation but also actively support the integration of this culture within the organization’s framework, promoting continuous learning and adaptation.

Additionally, while capacity for renewal (CR) supports incremental improvements and efficiency, innovation overload can disrupt established renewal processes, leading to temporary declines in performance. Effective management during this phase involves creating an environment that can withstand and capitalize on these disruptions by ensuring alignment between innovation efforts and the organization’s overarching strategic objectives. To manage the complexity of fostering an innovative culture, public sector leaders must balance innovation with structured execution and renewal. Achieving this balance is crucial to unlocking the potential benefits of innovation, including enhanced adaptability, improved problem-solving, and superior organizational performance.

5.3. Theoretical Implications

This study advances the theoretical understanding of organizational health in the public sector by illustrating how robust structures, supportive cultures, and efficient management processes help organizations achieve their goals and navigate disruptions. The innovative vulture training demonstrated that, while traditional internal alignment and quality execution are important, their roles evolve as organizations adopt new innovations, adding depth to change management and innovation integration theories.

By linking organizational health with dynamic capability theory (DCT), this study underscores the critical role of capacity for renewal (CR) in long-term success. This connection expands the application of organizational health concepts to the public sector, where unique challenges such as bureaucratic inertia and accountability requirements must be addressed. Overall, the study contributes to a deeper understanding of how innovative vulture can improve

both organizational health and performance, encouraging future research on how innovation can be effectively integrated into public administration and management practices.

5.4. Limitation and Suggestions for Future Research

This study's generalizability is somewhat limited due to its focus on a specific regional context, which may restrict its applicability to other public sector environments with different dynamics. Additionally, the reliance on self-reported data introduces potential bias, as respondents' perceptions may not fully reflect broader organizational realities. Furthermore, the study's short time frame, with data collected at only two points (pre- and post-intervention), limits the assessment of long-term effects and sustainability of innovative culture interventions. The influence of external factors such as economic conditions or policy changes, which were not controlled for, could also have impacted the results.

Future research should consider longer longitudinal studies to better track the sustained impact of innovative culture interventions over time. Research across diverse regions and sectors could also enhance the generalizability of the findings and determine if the benefits of innovation observed in Surabaya can be replicated elsewhere. Incorporating mixed methods—combining quantitative surveys with qualitative interviews or focus groups—would enrich the data and provide deeper insights into the mechanisms driving changes in organizational health and performance. This would also mitigate biases inherent in self-reported data. Additionally, future studies should include a broader range of external factors and intermediary variables that could mediate or moderate the relationship between innovative culture and organizational performance. This comprehensive approach would provide a more holistic view of how innovation practices influence organizational dynamics across various contexts and over extended periods.

Author Contribution

Eri Cahyadi: writing original draft, conceptualization, revisions, data collection, correspondence, Resource. **Ian Firstian Aldhi:** data curation, methodology, data collection and visualization, validation. **Elisabeth Supriharyanti:** data curation, methodology, data collection, validation. **Suparto Wijoyo:** supervisor, Review, formal analysis, validation. **Fendy Suhariadi:** supervisor, Review, validation. **Ikhsan:** data collection, Resource, formal analysis

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Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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