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The Contingent Role of Innovative Leadership in the Digital Era: How Competence Drives Employee Performance While Learning Agility Lags

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ABSTRACT

This study examines the influence of work competence and learning agility on employee performance, with innovative leadership as a moderating variable, within the context of digital transformation in the Indonesian agribusiness sector. Using a quantitative approach with Partial Least Squares Structural Equation Modeling (PLS-SEM), data were collected from 71 employees of PT Agrobisnis Banten Mandiri (Perseroda), a regional-owned enterprise in Banten Province. The findings reveal that work competence significantly and positively affects employee performance ($\beta = 0.582$, $p < 0.001$), confirming its critical role as a foundational capability in the digital era. However, learning agility demonstrates no significant direct effect on performance ($\beta = 0.128$, $p = 0.453$), and innovative leadership neither directly influences performance nor moderates the learning agility–performance relationship. Interestingly, innovative leadership negatively moderates the competence–performance relationship ($\beta = -0.343$, $p = 0.032$), suggesting that excessive emphasis on innovation may dilute the contributions of technical competence in bureaucracy-laden organizations. These findings challenge the universal applicability of learning agility and innovative leadership as performance drivers, contributing to the contingency perspective of human resource management. The study offers practical implications for organizations in transitional economies where bureaucratic structures may constrain the effectiveness of progressive management approaches

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INTRODUCTION

The rapid acceleration of digital transformation has fundamentally reshaped organizational landscapes across industries, compelling enterprises to reimagine their business models, operational processes, and human resource management practices . In the agribusiness sector, digitalization has emerged as a critical catalyst for enhancing supply chain efficiency, reducing operational costs, and fostering innovation . However, the successful navigation of digital transformation depends not merely on technological adoption but on the quality and adaptability of human capital—employees who possess both the technical competencies to perform digitally enabled

tasks and the learning agility to continuously update their skills in response to evolving demands.

Indonesia's agribusiness sector, a cornerstone of the national economy, faces unique challenges in this digital transition. As a regional-owned enterprise (BUMD), PT Agrobisnis Banten Mandiri (Perseroda) operates at the intersection of commercial viability and public service obligations, tasked with supporting food security while maintaining operational efficiency. The company's internal performance data reveals a concerning trend: employee performance scores have declined across multiple dimensions—quality orientation, problem-solving skills, planning capabilities, teamwork, and self-learning capacity—from 2021 to 2024. This performance degradation signals fundamental challenges in human resource management that demand systematic investigation.

Theoretical frameworks suggest that work competence and learning agility serve as dual engines of employee performance in dynamic environments . Competence encompasses the knowledge, skills, and attitudes that enable effective task execution, while learning agility reflects an individual's capacity to learn from experience and apply those lessons to novel situations. Social Exchange Theory (SET) provides a complementary lens, positing that positive organizational behaviors—such as performance and engagement—emerge from reciprocal relationships where employees reciprocate organizational support through enhanced contributions . Within this framework, innovative leadership, characterized by vision, creativity, risk tolerance, and collaborative orientation, is theorized to strengthen the translation of individual capabilities into superior performance by creating supportive climates conducive to learning and experimentation.

Yet, the literature presents inconsistent findings regarding these relationships. While numerous studies confirm competence's positive influence on performance , others report non-significant effects, suggesting the presence of contextual moderators. Similarly, learning agility demonstrates variable impacts across organizational settings, with some research indicating strong performance effects and others finding negligible direct influence . These contradictions point to the critical need for contingency approaches that account for organizational context, cultural factors, and leadership dynamics.

This study addresses three research questions: (1) Do work competence and learning agility influence employee performance at PT Agrobisnis Banten Mandiri? (2) Does innovative leadership moderate the competence-performance and learning agility-performance relationships? and (3) What are the implications for human resource management in Indonesian agribusiness enterprises undergoing digital transformation? By investigating these questions, we contribute to the growing body of contextualized management research in emerging economies, challenging the universal applicability of Western-developed HRM frameworks.

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LITERATURE REVIEW

Social Exchange Theory as an Organizing Framework

Social Exchange Theory (SET) provides the theoretical foundation for this study . Rooted in the work of Blau (1964), SET conceptualizes workplace relationships as ongoing exchanges where employees reciprocate organizational investments—such as support, fair treatment, and development opportunities—through positive behaviors, including enhanced performance and organizational commitment . The theory's core premises of reciprocity and mutual obligation suggest that when organizations provide resources that enable employee capability development, employees respond with increased effort and productivity.

In the digital transformation context, SET illuminates how organizational investments in competence development and learning opportunities generate reciprocal performance improvements. Moreover, leadership behaviors that signal organizational support—including innovative leadership practices—strengthen exchange relationships by enhancing employees' perceptions of organizational commitment to their development . The quality of leader-member exchange thus becomes a critical contingency factor determining whether individual capabilities translate into performance outcomes.

Work Competence and Employee Performance

Work competence represents a multidimensional construct encompassing knowledge, skills, motives, traits, self-concept, and attitudes that enable effective job performance . Competence serves as the foundational capacity for task execution, enabling employees to meet performance standards, solve problems, and adapt to evolving job demands. In the digital era, competence extends beyond traditional technical skills to include digital literacy, data analytics capabilities, and adaptability to technology-enabled work systems .

Empirical evidence consistently supports competence's positive influence on performance. Studies across diverse contexts—manufacturing, public administration, and financial services—demonstrate that competence enhancement correlates with productivity gains, quality improvements, and innovation outcomes . Competent employees demonstrate greater accuracy, efficiency, and problem-solving effectiveness, translating individual capabilities into organizational value.

The SET perspective reinforces this relationship: organizations that invest in competence development signal commitment to employees, generating reciprocal obligations fulfilled through enhanced performance. When employees perceive that their competencies are valued and developed, they reciprocate through discretionary effort and commitment to organizational goals.

Learning Agility and Employee Performance

Learning agility refers to an individual's willingness and capacity to learn from experience and apply that learning to novel, challenging situations . Comprising mental agility (critical thinking), people agility (interpersonal effectiveness), change agility (adaptability), result agility (delivering under pressure), and self-awareness

(understanding personal strengths and limitations), learning agility enables employees to navigate the complexities of digital transformation.

Theoretically, learning agility should enhance performance by enabling rapid skill acquisition, flexible problem-solving, and adaptation to changing job demands . Agile learners identify patterns in new situations, transfer learning across contexts, and maintain effectiveness amid uncertainty. Research in technology-intensive environments confirms these benefits, demonstrating positive relationships between learning agility and innovation, adaptability, and task performance .

However, the learning agility-performance relationship may be contingent on organizational support structures. Employees with high learning agility require environments that enable application of newly acquired skills—including autonomy, psychological safety, and opportunities for experimentation . Without such support, learning capacity may remain unrealized potential. SET posits that perceived organizational support moderates this relationship, with supportive environments strengthening the translation of learning agility into performance.

Innovative Leadership and Employee Performance

Innovative leadership encompasses behaviors that encourage creativity, experimentation, and the implementation of novel ideas . Innovative leaders articulate compelling visions, demonstrate creative thinking, foster collaboration, tolerate risk, and translate ideas into actionable plans. This leadership style creates climates conducive to innovation, psychological safety, and continuous learning—conditions theorized to enhance employee performance.

Theoretical mechanisms linking innovative leadership to performance include: (1) enhanced employee motivation through inspiring vision and support for autonomy; (2) increased creative problem-solving through encouragement of experimentation; (3) improved learning through psychological safety that normalizes failure as a learning opportunity; and (4) strengthened organizational commitment through supportive leader-member exchanges . SET supports these mechanisms: innovative leaders signal organizational investment in employee development, generating reciprocal performance contributions.

Nevertheless, research presents mixed findings on innovative leadership's direct performance effects. Some studies confirm positive influences , while others find non-significant relationships, suggesting that leadership effectiveness depends on contextual factors including organizational structure, culture, and employee characteristics. In bureaucratic or tradition-oriented organizations, innovative leadership may face resistance or limited implementation.

The Moderating Role of Innovative Leadership

Innovative leadership is theorized to moderate the relationships between individual capabilities and performance by creating enabling environments. In contexts characterized by high innovative leadership, competent employees receive opportunities to apply their skills in creative ways, while agile learners find support for experimentation and skill application. The moderation logic draws from both SET—

where leadership signals organizational support—and interactionist perspectives that emphasize environment-capability interactions.

The competence-performance relationship may be strengthened by innovative leadership that provides resources, autonomy, and psychological safety for competent employees to fully utilize their capabilities . Conversely, innovative leadership may weaken this relationship if innovation emphasis shifts organizational focus away from competence-based task execution toward creativity and risk-taking—potentially undermining routine performance.

Similarly, innovative leadership may strengthen learning agility's performance effects by creating conditions for skill application and experimentation. When leaders support learning and tolerate mistakes, agile learners can apply newly acquired knowledge to improve performance . However, if learning agility is not matched with appropriate support, its potential remains unrealized.

RESEARCH METHOD

Research Design and Sample

This study employed a quantitative, cross-sectional survey design. Data were collected from 71 employees of PT Agrobisnis Banten Mandiri (Perseroda), a regional-owned enterprise in Banten Province, Indonesia, operating in the agribusiness sector. The sample comprised the entire organizational population (saturated sampling) to ensure comprehensive representation, excluding only the researcher. Demographic characteristics included: 64.79% male, 46.48% aged 20-30 years, 59.15% holding bachelor's degrees, and 54.93% with 1-3 years of tenure—indicating a relatively young, educated, and newly-hired workforce typical of organizations undergoing transformation.

Measurement of Variable

All variables were measured using validated scales adapted to the Indonesian context. Work competence (5 items) assessed motives, traits, self-concept, knowledge, and skills. Learning agility (5 items) measured people agility, change agility, result agility, mental agility, and self-awareness. Innovative leadership (7 items) evaluated vision, creative thinking, collaboration, innovation willingness, risk mitigation, change orientation, and implementation of innovative ideas. Employee performance (5 items) assessed quality, quantity, timeliness, task effectiveness, and responsibility.

Items were rated on a 10-point Likert scale (1=strongly disagree to 10=strongly agree), offering greater response differentiation compared to conventional 5-point scales. Following Sekaran and Bougie (2016), instrument validity was established through pilot testing with 30 non-sample employees, yielding all items with r-values exceeding 0.306 and Cronbach's alpha values above 0.70.

Analytical Approach

Structural equation modeling using Partial Least Squares (PLS-SEM) with SmartPLS 4.1.0.9 was employed for hypothesis testing. PLS-SEM was chosen for its suitability with smaller sample sizes, its robustness to non-normal distributions, and its

capacity to handle complex models with moderating effects. The analysis followed two-stage procedures: measurement model evaluation (validity and reliability assessment) and structural model testing (path coefficient estimation and hypothesis testing).

RESULTS AND DISCUSSIONS

RESULTS

Measurement Model Evaluation

Convergent validity was assessed through outer loadings and Average Variance Extracted (AVE). All indicators exceeded the 0.7 threshold (except one item with 0.566, retained for theoretical relevance), with AVE values ranging from 0.570 to 0.811—all above the recommended 0.5 criterion. Discriminant validity was confirmed through both Fornell-Larcker criterion (square roots of AVE exceeding inter-construct correlations) and Heterotrait-Monotrait (HTMT) ratios (all below 0.90). Composite reliability and Cronbach's alpha values exceeded 0.70 across all constructs, confirming measurement reliability. The R^2 for employee performance was 0.645, indicating substantial explanatory power.

Structural Model and Hypothesis Testing

Hypothesis testing using bootstrap resampling (5,000 subsamples) revealed differential support for the proposed relationships:

H1 was supported: work competence demonstrated a significant positive effect on employee performance ($\beta = 0.582$, $t = 3.782$, $p < 0.001$). Competence explained the largest portion of performance variance, confirming its centrality to employee effectiveness.

H2 was rejected: learning agility showed no significant effect on performance ($\beta = 0.128$, $t = 0.751$, $p = 0.453$). Despite the positive direction, the relationship failed to reach statistical significance.

H3 was rejected: innovative leadership exerted no significant direct influence on performance ($\beta = 0.090$, $t = 0.911$, $p = 0.363$). Leadership behaviors, while conceptually important, did not translate into observable performance differences.

H4 was supported but with unexpected direction: innovative leadership moderated the competence-performance relationship negatively ($\beta = -0.343$, $t = 2.141$, $p = 0.032$). Higher levels of innovative leadership weakened, rather than strengthened, the positive effect of competence on performance.

H5 was rejected: innovative leadership did not moderate the learning agility-performance relationship ($\beta = 0.295$, $t = 1.940$, $p = 0.052$). The borderline p-value approached significance but fell short of the 0.05 threshold.

Table 1: Hypothesis Testing Results

Hypothesis	Path	β	t-value	p-value	Decision
H1	Competence → Performance	0.582	3.782	0.000	Supported
H2	Learning Agility → Performance	0.128	0.751	0.453	Rejected
H3	Innovative Leadership → Performance	0.090	0.911	0.363	Rejected
H4	Leadership × Competence → Performance	-0.343	2.141	0.032	Supported
H5	Leadership × Learning Agility → Performance	0.295	1.940	0.052	Rejected

DISCUSSION

The Primacy of Competence in Performance

The strong positive effect of work competence on employee performance (β = 0.582, p < 0.001) confirms competence as the foundational determinant of performance in this context. This finding aligns with extensive prior research and reflects the operational realities of PT Agrobisnis Banten Mandiri, where competent execution of standardized tasks—commodity stock management, distribution monitoring, partnership validation, and financial reporting—remains central to organizational effectiveness.

The competence effect operates through multiple mechanisms: knowledgeable employees understand job requirements and make accurate decisions; skilled employees execute tasks efficiently; motivated employees persist through challenges; and self-aware employees identify development needs. SET reinforces this relationship: employees whose competencies are developed perceive organizational support, generating reciprocal performance contributions .

For organizations navigating digital transformation, the competence imperative extends beyond traditional technical skills to include digital literacy and data analytics capabilities. However, the shift from conventional to digitally-enabled processes requires systematic competence development—a resource-intensive endeavor that BUMDs like PT Agrobisnis Banten Mandiri may struggle to implement given resource constraints and bureaucratic structures.

The Enigma of Learning Agility's Non-Significance

The non-significant effect of learning agility on performance (β = 0.128, p = 0.453) challenges prevailing assumptions about its universal performance benefits . Several explanations may account for this finding:

First, the organizational context may constrain learning agility's expression. PT Agrobisnis Banten Mandiri operates in a sector characterized by standardized procedures, regulatory compliance requirements, and hierarchical decision-making—conditions that limit autonomy and experimentation essential for translating learning agility into performance . Employees may develop learning capabilities but lack opportunities to apply new learning in their work.

Second, the measurement may capture learning potential rather than applied learning. Self-reported learning agility reflects capacity for learning, but actual skill

application depends on environmental conditions. The conceptualization of learning agility in Western contexts may require contextual adaptation for Indonesian organizational settings characterized by high power distance and collectivist values .

Third, methodological considerations: the positive coefficient direction (β = 0.128) suggests a small, practically meaningful effect that might achieve significance with larger sample sizes. The p-value (0.453), however, indicates substantial uncertainty, suggesting the effect is not reliably different from zero in this context.

These findings resonate with research indicating learning agility's effects are often mediated by organizational support and engagement . When employees perceive support for learning—through resources, autonomy, and psychological safety—learning agility translates into performance more effectively . The absence of such support at PT Agrobisnis Banten Mandiri may explain learning agility's limited impact.

Innovative Leadership: Limited Direct Effects

The non-significant direct effect of innovative leadership on performance (β = 0.090, p = 0.363) suggests that leadership behaviors, while conceptually important, may not directly translate into performance outcomes in this context. This finding aligns with contingency perspectives that emphasize leadership effectiveness depends on follower characteristics, organizational culture, and environmental conditions .

The bureaucratic nature of regional-owned enterprises may constrain innovative leadership's implementation. Despite leader intentions, hierarchical decision-making, procedural requirements, and tradition orientation may limit the translation of innovative leadership behaviors into employee performance improvements. Moreover, the measure may capture leadership perceptions that do not correspond to actual behavioral changes influencing performance.

Employee characteristics provide another explanation: with 46.48% of respondents aged 20-30 and 54.93% with 1-3 years' tenure, the workforce may require more directive leadership focused on building fundamental competencies rather than complex, innovative leadership behaviors. Innovation-oriented leadership may be premature for employees still developing basic job competence.

The Negative Moderation Effect: When Innovation Undermines Competence

The most intriguing finding is innovative leadership's negative moderation of the competence-performance relationship (β = -0.343, p = 0.032). Higher innovative leadership weakens competence's positive effect, suggesting that when leaders emphasize innovation, creativity, and risk-taking, the performance value of technical competence diminishes.

This counterintuitive finding may reflect several dynamics:

First, competence and innovation orientation may represent competing demands. Employees face trade-offs between executing tasks competently (following established procedures) and innovating (experimenting with new approaches). When leaders emphasize innovation, employees may allocate attention to creative activities at the expense of competence-based task performance. This reflects the "innovation-

implementation paradox" where emphasis on novel ideas undermines routine execution.

Second, the negative moderation may arise from measurement or conceptual issues. The innovative leadership measure may capture behaviors that employees perceive as undermining stability and certainty—particularly problematic in bureaucratic organizations where employees value predictability. Leaders emphasizing change may create anxiety, reducing performance effectiveness.

Third, competence and innovation may substitute rather than complement each other in this context. Highly competent employees may maintain effective routine performance even without strong innovation emphasis. However, when leaders push innovation, competent employees may perceive their technical skills undervalued, reducing motivation to apply those skills to their fullest potential.

Fourth, cultural context matters: Indonesian organizations characterized by high power distance and collectivism may respond differently to innovation emphasis compared to Western contexts. In high power distance cultures, employees may prefer directive, competence-focused leadership rather than the autonomy and risk-taking inherent in innovative leadership . Innovation emphasis may be perceived as destabilizing rather than enabling.

Non-Significant Moderation of Learning Agility

The non-significant moderation of the learning agility-performance relationship ($\beta = 0.295$, $p = 0.052$) suggests that innovative leadership neither strengthens nor weakens learning agility's performance effects. The borderline p-value (approaching significance) suggests possible Type II error, indicating the moderation effect might achieve significance with larger samples.

Theoretical explanations for the moderation's weakness include: learning agility and innovative leadership may represent overlapping constructs—both emphasizing adaptability, learning, and change orientation. When the same leader characteristics that foster learning agility are present, the interaction may explain little additional variance beyond the main effects.

Additionally, as with the direct effects, organizational constraints may limit innovative leadership's capacity to influence learning agility outcomes. Even the most innovative leaders cannot overcome bureaucratic barriers to experimentation and skill application. The structural environment of regional-owned enterprises may override leadership influences.

CONCLUSION

This study investigated the influences of work competence, learning agility, and innovative leadership on employee performance in the context of digital transformation at PT Agrobisnis Banten Mandiri (Perseroda). The findings reveal that competence remains the preeminent driver of performance, confirming its foundational importance even amid transformation pressures. Learning agility shows no significant direct effect, challenging assumptions about its universal performance benefits and highlighting the importance of enabling organizational conditions. Innovative leadership neither directly influences performance nor moderates the learning agility-performance

relationship, and unexpectedly weakens the competence-performance relationship, suggesting that innovation emphasis may undermine competence-based performance in bureaucratic organizational contexts.

These findings contribute to human resource management theory by demonstrating the contingency of capability-performance relationships and the contextual limitations of progressive HRM approaches. They offer practical guidance for organizations in transitional economies navigating digital transformation while operating within bureaucratic structures: prioritize competence development, create enabling conditions for learning, calibrate leadership approaches to organizational context, and sequence progressive HRM practices appropriately.

As organizations across sectors confront the imperatives of digital transformation, understanding the interplay of individual capabilities, leadership, and organizational context becomes increasingly critical. This study suggests that transformation success depends not only on developing new capabilities but on creating organizational conditions that enable their expression—a lesson particularly relevant for organizations in transitional economies like Indonesia, where bureaucratic legacies, resource constraints, and cultural dynamics shape human resource management realities.

Theoretical Contributions

This study makes several contributions to human resource management theory:

First, it challenges the universal applicability of learning agility as a performance driver. While learning agility has been celebrated as essential for navigating digital transformation , our findings suggest its effectiveness depends on organizational support structures. In bureaucratic, resource-constrained contexts, learning agility may remain unrealized potential, highlighting the need for contextualized HRM theory .

Second, the negative moderation effect refines understanding of leadership's contingent role. Rather than uniformly strengthening capability-performance relationships, innovative leadership may weaken the competence-performance link in certain organizational contexts. This finding emphasizes the need to consider organizational culture, employee characteristics, and task requirements when implementing progressive leadership approaches .

Third, the study contributes to the limited research on HRM in Indonesian agribusiness BUMDs. These organizations operate at the intersection of commercial and public service objectives, presenting unique HRM challenges distinct from both private sector and pure public sector organizations. Findings reveal the particularities of managing human capital in transitional economy organizations navigating digital transformation.

Fourth, it demonstrates the continuing relevance of competence as a performance determinant in the digital era. Despite transformation pressures, fundamental competence—technical skills, knowledge, and work attitudes—remains essential. Organizations should not abandon competence development in their rush to cultivate agility and innovation .

Managerial Implications

The findings suggest several practical recommendations:

First, prioritize competence development.** The strong competence-performance relationship indicates that organizations should invest systematically in building fundamental capabilities. At PT Agrobisnis Banten Mandiri, this includes both traditional technical skills (e.g., commodity management, financial reporting) and digital competencies (e.g., data analysis, system utilization). Competence development through training, mentoring, and job rotation should remain central to HRM strategy.

Second, create enabling conditions for learning agility.** The non-significant learning agility effect suggests that developing learning capability alone is insufficient; organizations must simultaneously create conditions for skill application. This includes providing autonomy, psychological safety, and opportunities for experimentation. At PT Agrobisnis Banten Mandiri, this might involve allowing employees to apply new skills in defined projects, recognizing experimentation efforts, and designing jobs with sufficient variety and challenge.

Third, calibrate innovative leadership to organizational context.** The negative moderation effect cautions against implementing innovative leadership uniformly. Organizations with bureaucratic structures and competence-focused tasks should emphasize competence alongside innovation, rather than prioritizing innovation at the expense of routine performance. Leaders should balance encouragement of creativity with support for reliable task execution.

Fourth, consider phased implementation of progressive HRM practices.** Given the workforce's relative youth and inexperience, PT Agrobisnis Banten Mandiri should first build foundational competence before emphasizing innovation and learning agility. As employees develop basic proficiency, they can gradually be encouraged to experiment and innovate—following a "competence first, innovation second" sequencing

Fifth, develop integrated HRM systems.** Competence development, learning support, and leadership behaviors should be aligned with performance management, rewards, and career development systems. Consistent signals about valued behaviors—competence, learning, and innovation—will reinforce desired outcomes. Similarly, systems that enable feedback and continuous improvement will support the dynamic capability development essential for digital transformation.

Limitations and Future Research

Several limitations suggest directions for future research.

First, the cross-sectional design limits causal inference. While our theoretical model implies causality, longitudinal designs or quasi-experimental approaches would strengthen causal claims.

Second, the sample (n=71) limits statistical power for detecting smaller effects and complex interactions. Although PLS-SEM handles small samples effectively, future studies with larger samples could detect effects that may have been undetected.

Third, single-organization case limits generalizability. While this provides detailed contextual understanding, extending the research to multiple BUMDs, agribusiness companies, or organizations in other sectors would test the findings'

broader applicability. Fourth, self-reported measures may introduce common method bias. Although procedural remedies (anonymity, clarity) were employed, future studies incorporating supervisor-rated performance and objective performance data would provide robustness.

Fifth, the focus on positive leadership and capabilities may overlook the role of negative influences (e.g., work stress, organizational politics, turnover intentions) in shaping performance. Future research should examine these factors to provide more complete understanding.

Sixth, cultural factors deserve explicit investigation. The study's Indonesian context, characterized by high power distance and collectivism, may influence the findings' applicability. Comparative studies across cultural contexts would illuminate whether the competence primacy and negative moderation effects are culture-specific.

Finally, the study focuses on "which" individual capabilities matter but does not thoroughly examine "how" they matter. Future research should investigate mediating mechanisms—including work engagement, psychological safety, and knowledge sharing—that translate capabilities into performance. Understanding these mechanisms would enable more precise interventions.

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