

Organizational Culture, Knowledge Sharing, and Innovation's Impact on Competitive Advantage in the Indonesian Bakery Industry

*The Determinant of
Competitive
Advantage*

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ABSTRACT

Intensifying competition and rapid changes in consumer preferences within the Indonesian bakery industry have compelled firms to continuously strengthen their internal capabilities to sustain competitive advantage. This research aims to examine the effect of organizational culture, knowledge sharing, and organizational innovation in building a competitive advantage in the bakery industry. Using the perspectives of resource-based view, knowledge-based view, and dynamic capabilities, this study adopts a sequential design of mixed-method exploration. The qualitative phase involved in-depth interviews with one director, two coordinating managers, and one manager, followed by quantitative analysis using 197 survey responses. The data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that organizational culture significantly influences knowledge sharing, organizational innovation, and competitive advantage. In addition, the sharing of knowledge and organizational innovation contributes significantly to competitive advantage. These findings emphasize the importance of fostering a strong organizational culture that supports knowledge sharing and innovation to achieve sustainable competitiveness.

Keywords: *Competitive Advantage, Knowledge Sharing, Organizational Innovation, Organizational Culture.*

INTRODUCTION

In the age of globalization and rapid digital transformation, businesses must quickly adjust to shifting consumer demands and market conditions. One of the sectors that has shown significant growth in Indonesia is the bakery industry. According to data from the Indonesian Bread Entrepreneurs Association, the bread industry has experienced an annual growth rate of more than 10%, with a projected market value of USD 49.19 billion in 2023. This growth is driven by the increasing consumption of bread and cakes as part of the urban lifestyle, along with the increasing demand for practical, nutritious, and innovative products (Mitelut et al., 2021). In this context, the ability of companies to build a competitive advantage is important to maintain and excel in the midst of increasingly fierce competition (Porter, 1985; Hesterly & Barney, 2014).

The object of this research is a local bakery SME in Indonesia, established in 2019, which has shown rapid growth through a unique approach to integrating local cultural values into its products and organizational processes. With more than 60 outlets across Java and Sumatra, this SME has managed to penetrate the market by differentiating itself from similar businesses that primarily focus on product innovation without emphasizing the cultural values of the organization. Unlike competitors who prioritize product features, these SMEs adopt the values of *Silih Asah*, *Silih Asih*, and *Silih Asuh*, which reflect a collaborative culture, continuous learning, and social responsibility in their

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management and operations (Setyaningrum et al., 2025). The corporation makes an intriguing case for investigating the connection between organizational culture and competitive advantage because of these unique principles.

The study highlights four key variables: organizational culture, knowledge sharing, organizational innovation, and competitive advantage. The relationship between these variables is based on the Resource-Based View (RBV), which emphasizes internal resources as the basis for competitive advantage by Wernerfelt (1984) and Barney (1991), the Knowledge-Based View (KBV), which positions knowledge as a strategic asset by Grant (1996) and Nonaka and Takeuchi (2007), and Dynamic Capability Theory, which describes an organization's ability to adapt to change by Teece (2007) and Wilden et al. (2023). This study makes the assumption that organizational culture directly affects competitive advantage, and that this impact is enhanced by organizational innovation and knowledge-sharing strategies that result from a robust and flexible workplace culture.

Previous studies have explored the relationship between organizational culture, innovation, and competitive advantage, but most have been conducted in the technology and manufacturing sectors. For example, research by Alvesson and Sveningsson (2024) emphasizes the importance of cultural values in increasing the effectiveness of knowledge-based organizations, while Inkinen (2016) highlights the role of knowledge sharing as a catalyst for innovation in tech companies. In the food sector, a study by Hazem and Zehou (2019) found a positive correlation between innovative organizational culture and the creation of new products. However, research examining these variables in the context of local bread SMEs in Indonesia is still limited. In addition, most previous studies by Breznik and Lahovnik (2016) and Azizah et al. (2024) have adopted a quantitative approach, while the mixed-methods approach used in this study allows for a deeper exploration of the social context and cultural values of the company.

Therefore, this research offers novelty by providing an analytical perspective on the role of organizational culture based on local wisdom in shaping competitive advantage, both directly and indirectly through knowledge sharing and organizational innovation. The research's practical contribution is to offer food and beverage companies, particularly small and medium-sized enterprises, strategic advice for enhancing internal cultural values in addition to product competitiveness. The main objective of this study is to analyze the influence of organizational culture on competitive advantage, as well as to examine the mediating role of knowledge sharing and innovation in the case of local bakery SMEs.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Organizational Culture on Competitive Advantage

Organizational culture refers to the shared system of values, beliefs, norms, and practices within an organization that serves as a guideline for behavior and decision-making (Schein, 2010). In addition to reflecting the company's collective identity, organizational culture significantly influences how organizations adapt to changing environments (Hatch, 2018). Cameron and Quinn (2011) categorize organizational culture into six indicators: dominant characteristics, organizational leadership, employee management, organizational glue, strategic emphasis, and success criteria. A strong organizational culture has been shown to increase employee engagement, speed up decision-making processes, and encourage innovation (Denison, 1990; Hazem & Zehou, 2019). In the context of SMEs, particularly in the bakery industry, a flexible and adaptive culture allows companies to respond effectively to changing consumer trends and preferences. Values such as collective learning, collaboration, and openness to change are key to building a sustainable competitive advantage (Groysberg et al., 2018; Zhang et al., 2023).

Organizational culture reflects the values, norms, and behaviors that shape the way individuals work in an organization. Schein (2010) states that a strong organizational culture can serve as an informal control system that guides organizational behavior and

decision-making. In the context of strategy, culture can be a unique, rare, unrivaled, and systematically managed source of competitive advantage, in line with the VRIO criteria of the Resource-Based View (Barney, 1991). Research by Kotter (2008) and Groysberg et al. (2018) shows that an adaptive culture aligned with organizational goals contributes significantly to competitive advantage. In the SME sector, a culture that embodies local identity and family values can increase customer loyalty and internal efficiency.

Competitive advantage is the ability of a company to provide superior value to customers compared to its competitors, allowing the company to maintain a strategic position in the market (Porter, 1985). From the perspective of the Resource-Based View, this advantage comes from internal resources that are characterized by the attributes of VRIO: Valuable, Rare, Unparalleled, and Organized (Barney, 1991). Companies that have VRIO-qualified resources and capabilities tend to outperform competitors who rely solely on external market strategies (Wernerfelt, 1984).

H1: Organizational culture has a positive effect on competitive advantage.

The Effect of Organizational Culture on Organizational Innovation

Organizational innovation refers to the application of new methods in business practices that aim to improve technological innovation capabilities and overall business performance (Migdadi, 2022; Kafetzopoulos, 2024). These include innovations in business practices, workplace organization, and external relations (Camison and Villar-López, 2012). In a fast-paced industry like bakeries, innovation is essential to maintain relevance and attract new consumers. According to Dynamic Capability Theory by Teece et al. (1997), innovation is a part of an organization's dynamic capabilities that allows adaptation to market and environmental changes.

Organizational culture also plays an important role in fostering a work environment that supports innovation. A culture that embraces change, encourages creativity, and tolerates failure can improve an organization's ability to develop new ideas (Denison & Mishra, 1995; Crossan & Apaydin, 2010). From the perspective of dynamic capabilities, organizational culture is a key element in building sustainable innovation capabilities (Teece, 2007; Eisenhardt & Martin, 2017). A study by Hazem and Zehou (2019) found that organizations with collaborative and experimental cultures excel at creating innovative products and processes. In the food SME sector, innovation often comes from a work culture that encourages initiative and experimentation.

H2: Organizational culture has a positive effect on organizational innovation.

The Effect of Organizational Culture on Knowledge Sharing

Knowledge sharing is a process in which individuals in an organization exchange information, experiences, and insights to enrich the company's collective capabilities (Nguyen et al., 2022; Wanto & Hariputra, 2022; Yeboah et al., 2023). Organizational knowledge is categorized into four forms: written contributions, organizational communication, personal interactions, and community of practice (Yi, 2009). From the perspective of the Knowledge-Based View (KBV), knowledge is considered a strategic resource that can produce a competitive advantage when managed effectively (Grant, 1996). Effective knowledge-sharing practices can accelerate innovation, increase efficiency, and strengthen organizational learning (Alavi & Leidner, 2001; Meher et al., 2024). In the SME food sector, knowledge sharing facilitates the transfer of production expertise, recipes, distribution techniques, and operational problem-solving (Inkinen, 2016; Sudarti & Dewi, 2022). A work environment that encourages openness and collaboration is essential to the success of this process.

An organizational culture that fosters open communication, collaboration, and trust is a key factor in encouraging knowledge-sharing behaviors among the organization's members. Research by Alavi and Leidner (2001) and Ipe (2003) emphasizes that the success of knowledge sharing is largely determined by norms and values in organizations.

When individuals feel valued, and the environment promotes collective learning, they are more likely to share information and experiences. In addition, Nonaka and Takeuchi (1995) argue that the formation of knowledge-creating companies can only occur if the culture supports the exchange of experiences and mutual learning. In SMEs, knowledge sharing is a key means of facilitating informal learning and improving operational capabilities.

H3: Organizational culture has a positive effect on knowledge sharing.

The Effect on Competitive Advantage

Organizational innovation is one of the main sources of competitive advantage, especially in a highly competitive and dynamic industry. Innovation allows organizations to create new value through products, processes, or marketing strategies (Crossan & Apaydin, 2010; Bouhelal & Adouka, 2022). Within the framework of RBV and Dynamic Capabilities, innovation represents the implementation of internal capabilities that are difficult to replicate (Barney, 1991; Teece, 2007). Furthermore, Breznik and Lahovnik (2016) show that continuous innovation can generate strong differentiation, strengthen market position, and improve customer satisfaction. In the bakery industry, flavor, packaging, and distribution innovations play a crucial role in seizing market share.

Studies by Wilden et al. (2023) emphasize that organizations with innovative and responsive cultures are more likely to achieve long-term competitive advantage. In this context, organizational culture and knowledge-sharing practices serve as the basic elements that support the emergence of innovation. In the bakery industry, competitive advantage can be achieved through product differentiation, culture-inspired innovation, superior customer service, and efficient distribution networks. This excellence is further strengthened when it is supported by distinctive cultural values and consistent managerial practices.

Knowledge sharing improves the quality of decision-making, accelerates problem-solving, and strengthens organizational learning processes, all of which have a positive impact on achieving competitive advantage (Inkinen, 2016; Krisprimandoyo et al., 2025). According to the Knowledge-Based View (KBV), organizations that can effectively manage and disseminate knowledge are better prepared to face change and create added value (Grant, 1996). Research by Wang and Wang (2012) also found that knowledge sharing directly improves the innovation capabilities and competitiveness of organizations. In SMEs, the process of sharing knowledge plays a crucial role in improving market efficiency and responsiveness

H4: Organizational innovation has a positive effect on competitive advantage.

H5: Knowledge sharing has a positive effect on competitive advantage.

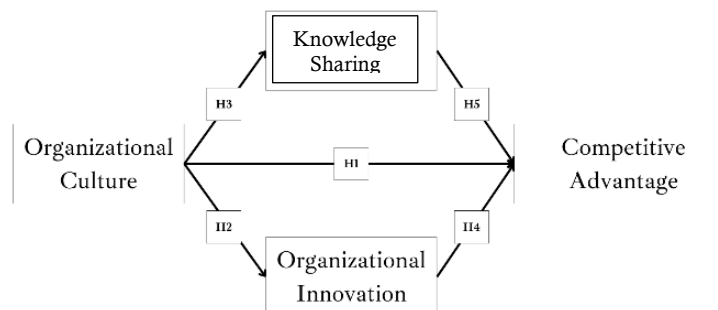


Figure 1. Research Concept Framework

Figure 1 presents the research model in which organizational culture directly influences competitive advantage, knowledge sharing, and organizational innovation. In addition, knowledge sharing and organizational innovation independently contribute to

competitive advantage. The model emphasizes that all relationships are direct, without any mediating effects among the variables.

RESEARCH METHODS

This study uses a mixed-methods approach with a sequential exploratory design to gain a comprehensive understanding of the research phenomenon. The qualitative phase was conducted through in-depth interviews with key informants in strategic organizational positions and served as the basis for developing the quantitative instruments. This approach allows the exploration of contextual and cultural aspects of organizational culture and its relationship with competitive advantage before empirical testing, while also strengthening the findings through data triangulation. The qualitative phase involved four informants: one director, two coordinating managers, and one manager, who were purposively selected based on their experience and leadership roles. The interviews focused on organizational cultural values, knowledge-sharing practices, innovation activities, and competitive strategies, and were conducted at the company's headquarters in Cibinong, Bogor. The data were analyzed thematically to identify cultural patterns and values. The findings highlight the importance of Sundanese cultural values, especially *Silih Asah*, *Silih Asih*, and *Silih Asuh*, as the core philosophy of the organization and the basis for developing the quantitative instrument.

The quantitative phase was conducted through an online survey using Google Forms, distributed by the coordinating manager to employees across various divisions and locations in Java and Sumatra. Participation was voluntary, using a self-selection sampling approach. The questionnaire consisted of closed-ended items measured on a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree), adapted from previous studies and refined based on qualitative findings. The research population included 513 active employees of bakery SMEs, with 197 valid responses analyzed, exceeding the minimum sample size required for PLS-SEM in models of moderate complexity (Hair et al., 2021). The sample represented various organizational levels. The measurement instruments were adapted from earlier research and modified to fit the company context, and were tested for validity and reliability. Organizational culture refers to Cameron and Quinn (2011), knowledge sharing to Yi (2009), organizational innovation to Camison and Villar-López (2012), and competitive advantage to Porter (1985). All instruments were tested prior to hypothesis testing.

Data analysis was conducted in two stages. First, qualitative analysis employed thematic analysis to identify key themes related to organizational culture, knowledge sharing, innovation, and competitive advantage, which served as the conceptual basis for instrument development and data interpretation. Second, quantitative analysis utilized Structural Equation Modeling with the Partial Least Squares technique (PLS-SEM) using SmartPLS 3.0 software. PLS-SEM was selected due to its suitability for exploratory models, small to medium sample sizes, and complex relationships among latent variables (Hair et al., 2021). The analysis included evaluation of the measurement model (convergent and discriminant validity, reliability), assessment of the structural model (path coefficients and R^2 values), and hypothesis testing through bootstrapping with 5,000 resamples. The research was conducted at the headquarters of the bakery SME in Cibinong, Bogor Regency, West Java, and involved employees from branches across Java and Sumatra, with data collection carried out between December 2024 and March 2025.

RESULTS

Qualitative Findings

Qualitative analysis reveals that organizational culture serves as the fundamental cornerstone of a company's strategic posture. Embedded in local Sundanese wisdom, this organization institutionalizes three cultural values: *Silih Asah* (mutual learning), *Silih Asih* (caring for each other), and *Silih Asuh* (guiding each other) (Groysberg et al., 2018). Unlike many organizations where culture remains symbolic or ceremonial, these values are deeply integrated into day-to-day operations, decision-making processes, leadership

practices, and human resource development. The *Silih Asah* value is operationalized through continuous learning programs, both formal and informal. New hires undergo a structured onboarding program that not only trains them in technical skills but also immerses them in the company's values and philosophy. Continuous refresher training ensures cross-functional knowledge sharing, where even administrative staff are encouraged to learn basic concepts of accounting, marketing, and IT to foster holistic organizational awareness (Inkinen, 2016).

Meanwhile, *Silih Asih* translates into relational harmony, emotional support, and conflict management practices that promote cohesion within the team. Leaders actively prevent prolonged conflict and emphasize empathy as a managerial responsibility. This emotional foundation fosters psychological security, a key driver of innovation and open communication (Azizah et al., 2024). Finally, *Silih Asuh* was institutionalized through a structured guidance system. The hierarchical level from managers to coordinators to frontline staff is designed not only as an administrative layer, but as a mentorship chain in which coaching and personal development are routine expectations. This dynamic not only improves employee skills but also maintains organizational consistency and cultural alignment.

The company's knowledge-sharing practices are systemic and organic. Formal knowledge sharing occurs through monthly refresher training programs, functional briefings, and cross-training initiatives. Importantly, companies also integrate value-based discussions into these sessions, ensuring that employees understand the philosophical reasons behind their work, not just the procedural aspects (Nonaka & Takeuchi, 2007). Informal knowledge sharing is just as exciting. Supervisors and senior staff are involved in ongoing mentoring with newer or younger employees.

Knowledge is also shared laterally through peer-to-peer interactions, facilitated by a culture of openness and strong trust (Yuliana & Nugroho, 2022). Digital platforms such as WhatsApp and Telegram serve as daily forums for problem-solving, quick consultations, and inspirational exchanges, often initiated directly by the Director, who sends motivational messages and articles every morning to all staff. Such multi-layered knowledge sharing mechanisms strengthen organizational learning, reduce knowledge silos, and enable rapid dissemination of best practices across geographically dispersed branches.

Innovation within the company is not top-down or limited to the appointed innovation team. Instead, innovation emerges organically at all levels of the organization. Frontline employees such as cashiers, drivers, and warehouse staff are encouraged to suggest improvements that range from logistics scheduling adjustments to packaging redesigns (Hazem & Zehou, 2019). The company's leadership operates under the philosophy that even small operational adjustments can lead to significant business outcomes. The innovation process is characterized by its agility and responsiveness. New ideas are quickly piloted, evaluated, and, if successful, implemented across the organization without lengthy bureaucratic delays. The use of digital monitoring tools and weekly distribution reviews further increases the company's capacity to quickly adjust operations based on real-time feedback (Wilden et al., 2023). This democratic approach to innovation ensures that solutions remain grounded in operational realities and customer needs, ultimately contributing to customer satisfaction and internal efficiency.

Qualitative findings identify several interrelated sources of competitive advantage: cultural differentiation, the blending of local cultures into product design, store aesthetics, employee uniforms, and customer interactions create a distinctive, emotionally resonant customer experience that is difficult for competitors to replicate (Inkinen, 2016). An agile distribution system is a weekly adaptive logistics system that ensures on-time and fresh product delivery across a geographically dispersed retail network. Transformational leadership is strengthening the consistent values of the director, direct communication, and strategic clarity provides organizational stability in the midst of growth. Knowledge-based workforce is employees systematically upskill through formal training and informal coaching, enhancing organizational capabilities and resilience (Wilden et al., 2023).

These qualitative insights provide a rich contextual understanding of the mechanisms by which organizational culture, knowledge sharing, and innovation contribute to sustainable competitive advantage.

Quantitative Findings

This study involved 197 respondents who were active employees of UKM Bakery. Respondent characteristics were analyzed to understand the basic profiles of participants who contributed to the questionnaire. This data is important to provide an initial context regarding sample representation in a broader population.

Table 1. Respondent Profile

Characteristic	Group	Frequency	Percentage %
Gender	Man	93	47.2%
	Woman	102	51.8%
	No answer	2	1.0%
Age	< 20	8	4.1%
	20 – 24	94	47.7%
	25 – 29	58	29.4%
	30 – 34	17	8.6%
	35 – 39	11	5.6%
	≥ 40	9	4.6%
Final Education	Elementary School/Equivalent	2	1.0%
	Junior High School/Equivalent	14	7.1%
	High School/Equivalent	168	85.3%
	Diploma (D1/D2/D3)	2	1.0%
	Bachelor's Degree (S1)	9	4.6%
	Other Answers/None	2	1.0%
Position	Stick	136	69.0%
	Staff Coordinator	31	15.7%
	Supervisor	16	8.1%
	Manager	10	5.1%
	Manager Coordinator	1	0.5%
	Director	1	0.5%
Total		197	100%

Table 1 shows that a total of 197 respondents filled out a questionnaire that was distributed online. The composition of respondents shows that the majority are women (51.8%) and men (47.2%). The age of respondents was mostly in the 20-24 age group (47.7%), with most having graduated from high school or vocational school (85.3%). The majority hold positions as operational staff (69%), with the highest tenure between 1 and less than 3 years (40.1%). These results show that respondents come from productive age groups with typical educational backgrounds found in the SME sector. This profile is relevant because it reflects the reality of the organizational structure of a rapidly growing production-based company like Bakery SME.

Four variables were analyzed, organizational culture, knowledge sharing, organizational innovation, and competitive advantage. The results of descriptive statistics based on z-scores show that: The mean and median values of all variables are 0.000, because the data have been standardized. The highest standard deviation was found in organizational innovation (3.267), indicating the largest variation in respondents' perceptions of this aspect. The distribution of data is considered normal, with slope and kurtosis values within an acceptable range. The measurement model is first evaluated to assess the reliability and validity of the construct, which is reflective. This evaluation includes assessments of indicator reliability (external load), internal consistency reliability (composite reliability), convergent validity (Average Variance Extracted/AVE), and discriminant validity.

The organizational culture (OC1–OC6) indicators exhibit strong item dependability, with factor loadings ranging from 0.700 to 0.836, according to the measurement model assessment. Knowledge sharing (KS1–KS4) has loading values ranging from 0.506 to

0.864; despite KS2's comparatively lower loading of 0.506, it is kept in order to maintain content validity and theoretical considerations. Additionally, with loading values ranging from 0.821 to 0.922, the organizational innovation (OI1–OI3) indicators show exceptional reliability. Lastly, the competitive advantage (CA1–CA3) loadings range from 0.678 to 0.979, indicating that the measuring indications are adequate.

The external load of each indicator is shown in Figure 2 below. All items meet or exceed the generally recommended threshold of 0.7 (Hair et al., 2021), with very few exceptions. Indicators with lower loads (but still above 0.5) are retained because their removal will not substantially improve the measurement model, and they remain conceptually relevant.

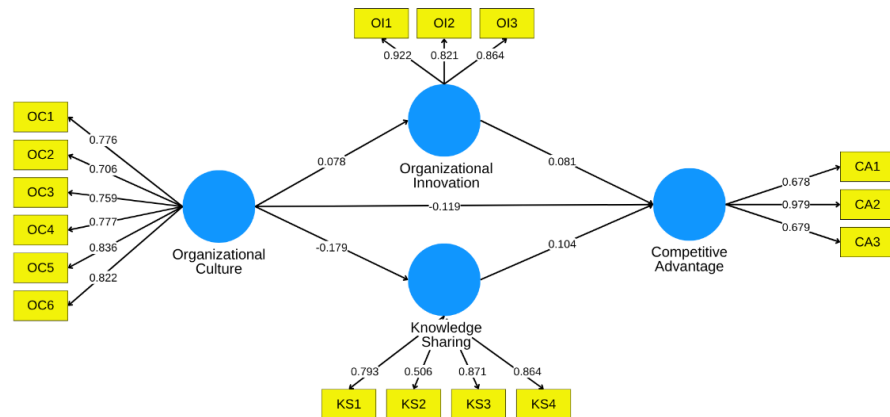


Figure 2. Substantially Improving Measurement Models

Based on Table 2, the Composite Reliability (CR) for all constructions exceeds 0.7, indicating satisfactory internal consistency throughout the construction. AVE values for all constructions exceeded the minimum threshold of 0.5 (Hair et al., 2021), confirming the convergent validity. This indicates that each set of items has a sufficient proportion of variance in measuring the construction in question. Discriminant validity is assessed using the Fornell-Larcker criterion, which reveals that the square root of each construct is greater than its correlation with other constructs. Thus, constructions are empirically different from each other.

Table 2. Validity & Reliability test

Variable	Indicators	Loading	AVE	CR	Cronbach's Alpha	Result
Organizational Culture (OC)	OC1	0.776	0.659	0.886	0.828	Valid & Reliable
	OC2	0.706				
	OC3	0.759				
	OC4	0.777				
	OC5	0.836				
	OC6	0.822				
Knowledge Sharing (KS)	KS1	0.793	0.682	0.928	0.907	Valid & Reliable
	KS2	0.506				
	KS3	0.871				
	KS4	0.864				
Organizational Innovation (OI)	OI1	0.922	0.694	0.872	0.781	Valid & Reliable
	OI2	0.821				
	OI3	0.864				
Competitive Advantage (CA)	CA1	0.678	0.758	0.904	0.840	Valid & Reliable
	CA2	0.979				
	CA3	0.679				

Additionally, the Fornell-Larcker Criterion method, in which the square root of AVE for each construct is greater than the correlation between constructs, was used to test the

validity of the discriminant. This demonstrates that every construction is distinct from the others and can be distinguished empirically.

Table 3. Fornell-Larcker Test

Variable	OC	KS	OI	CA
Organizational Culture (OC)	0.812			
Knowledge Sharing (KS)	0.551	0.826		
Organizational Innovation (OI)	0.407	0.558	0.833	
Competitive Advantage (CA)	0.486	0.593	0.492	0.871

The findings of the discriminant validity using the Fornell-Larcker criterion are shown in Table 3. The correlations between the constructs in the relevant rows and columns are lower than the square roots of the AVE, which are displayed on the diagonal. With a diagonal value of 0.812, organizational culture outperforms knowledge sharing (0.551), organizational innovation (0.407), and competitive advantage (0.486). In a similar vein, diagonal values for knowledge sharing (0.826), organizational innovation (0.833), and competitive advantage (0.871) are all higher than their inter-construct correlations. These findings verify that the measurement model satisfies discriminant validity requirements and that all constructs are empirically distinct.

Table 4. Structural Model Evaluation (Inner Model)

Endogenous Variable	R ²	Result
Knowledge Sharing	0.304	Moderate
Organizational Innovation	0.311	Moderate
Competitive Advantage	0.416	Moderate

According to Table 4, a Structural model evaluation was carried out to assess the predictability and influence between latent variables. The R² value shows that organizational culture explains 30.4% of the variation in knowledge sharing, 31.1% of the variance in organizational innovation, and together with other variables, explains 41.6% of the variance in competitive advantage.

Table 5. Hypothesis Testing

Relationship	β	T-Statistics	p-value	Result
H1: Organizational Culture → Competitive Advantage	0.368	4.405	0.000	Significant
H2: Organizational Culture → Organizational Innovation	0.558	9.114	0.000	Significant
H3: Organizational Culture → Knowledge Sharing	0.651	8.745	0.000	Significant
H4: Organizational Innovation → Competitive Advantage	0.206	2.341	0.020	Significant
H5: Knowledge Sharing → Competitive Advantage	0.199	2.606	0.009	Significant

The results of the PLS-SEM hypothesis test are shown in Table 5. The results confirm H1 by showing that organizational culture significantly and favorably affects competitive advantage ($\beta = 0.368$; $t = 4.405$; $p < 0.001$). Furthermore, H2 and H3 are confirmed by organizational culture's substantial and significant influence on knowledge sharing ($\beta = 0.651$; $t = 8.745$; $p < 0.001$) and organizational innovation ($\beta = 0.558$; $t = 9.114$; $p < 0.001$). These findings demonstrate how important organizational culture is in determining an organization's capacity for innovation and information sharing.

It is discovered that organizational innovation significantly and favorably affects competitive advantage ($\beta = 0.206$; $t = 2.341$; $p = 0.020$), which supports H4. H5 is confirmed by the fact that information sharing also significantly increases competitive advantage ($\beta = 0.199$; $t = 2.606$; $p = 0.009$). All of these findings suggest that, in addition to organizational culture, innovation and knowledge exchange are significant sources of

competitive advantage. Additionally, the path coefficient analysis demonstrates that every variable has a positive association. A bootstrapping method with 5,000 subsamples was employed to assess its relevance. A statistical t-statistic larger than 1.96 and a p-value less than 0.05 demonstrated the statistical significance of each of the hypotheses (H1–H5).

Qualitative findings reveal that the company's local cultural values play a central role in fostering a supportive and dynamic work environment. This culture is not only symbolic but serves as a behavioral framework for knowledge sharing, innovation creation, and customer orientation. Meanwhile, the quantitative findings confirm that organizational culture has a significant direct influence on competitive advantage ($\beta = 0.368$) and also plays an indirect role through increasing organizational knowledge sharing and innovation. The combination of these two approaches provides a holistic understanding that the competitive strength of Bakery SMEs is built from within, through strong internal organizational values and practices.

DISCUSSION

The findings of this study demonstrate strong alignment between qualitative insights and quantitative results, confirming that organizational culture constitutes a critical strategic resource in achieving competitive advantage. Quantitatively, organizational culture shows a significant positive influence on competitive advantage, knowledge sharing, and organizational innovation, while qualitatively, it is evidenced through deeply embedded cultural values that guide daily practices, leadership behavior, and employee interactions. This consistency supports prior studies indicating that organizational culture functions as an intangible asset that is difficult to imitate and thus a source of sustained competitive advantage (Hesterly & Barney, 2014; Zhang et al., 2025). Within the Resource-Based View framework, the culturally embedded values identified in the qualitative phase meet the criteria of valuable, rare, and inimitable resources, reinforcing their strategic importance.

Furthermore, the positive and significant effect of knowledge sharing on competitive advantage identified in the quantitative analysis is strongly corroborated by qualitative evidence showing systematic and organic knowledge exchange across hierarchical and functional boundaries. This finding is consistent with Knowledge-Based View arguments that organizational knowledge and learning processes are central to value creation (Alavi & Leidner, 2001; Inkinen, 2016). Recent empirical studies in SMEs similarly confirm that effective knowledge sharing enhances organizational responsiveness and competitiveness, particularly in dynamic market environments (Yuliana & Nugroho, 2022; Kadarusman et al., 2022; Ratulian et al., 2024). In the context of this study, the integration of formal training, mentoring practices, and digital communication platforms illustrates how knowledge-sharing routines are institutionalized, transforming individual knowledge into collective organizational capability.

The results also reveal that organizational innovation significantly contributes to competitive advantage, which is supported by qualitative findings showing that innovation emerges organically at multiple organizational levels. This aligns with contemporary innovation literature emphasizing distributed and incremental innovation rather than centralized, top-down processes (Crossan & Apaydin, 2010; Hazem & Zehou, 2019). From a dynamic capabilities perspective, the organization's ability to rapidly experiment, evaluate, and implement new ideas reflects its capacity to sense opportunities, seize innovations, and reconfigure operational processes in response to environmental changes (Teece, 2007; Wilden et al., 2023). This capability is particularly relevant in the bakery industry, where product freshness, distribution speed, and shifting consumer preferences demand continuous adaptation.

Taken together, the integration of qualitative and quantitative findings suggests that competitive advantage in Indonesian bakery SMEs is not driven by isolated factors but by the synergistic interaction between organizational culture, knowledge sharing, and innovation. The implication of these findings is that managers should view culture not merely as a symbolic element, but as a strategic mechanism that enables learning and

innovation capabilities. Strengthening culturally grounded knowledge-sharing practices and fostering inclusive innovation processes can enhance organizational resilience and long-term competitiveness, especially in highly competitive and geographically dispersed markets. These results extend prior SME research by empirically demonstrating how culturally embedded practices translate into dynamic capabilities that sustain competitive advantage in emerging market contexts.

CONCLUSION

This study examines the role of organizational culture, knowledge sharing, and organizational innovation in enhancing competitive advantage in Indonesian bread SMEs. Integrating qualitative and quantitative findings provides strong support for the proposed framework, grounded in the Resource-Based View, Knowledge-Based View, and Dynamic Capabilities. Qualitative results show that the company's unique culture, rooted in local Sundanese wisdom (*Silih Asah, Silih Asih, Silih Asuh*), strongly shapes management practices, knowledge-sharing behavior, and innovation capacity. Culture-driven leadership fosters trust, engagement, and continuous learning across the organization. Quantitative results confirm that organizational culture positively influences knowledge sharing and innovation, which in turn contribute to competitive advantage, alongside a direct effect of culture on performance. Embedding cultural values into daily processes while promoting knowledge sharing and innovation is essential for SMEs seeking sustainable competitive advantage.

These results imply that culture should be treated not just symbolically but as a strategic mechanism that enables learning and innovation. Organizations that reinforce culturally grounded knowledge-sharing routines and inclusive innovation processes can improve resilience, responsiveness, and long-term competitiveness, particularly in dynamic and geographically dispersed markets.

The study has limitations, it focuses on bakery SMEs in Indonesia, which may restrict generalization to other industries or contexts. The cross-sectional design also limits understanding of temporal dynamics in culture, knowledge sharing, and innovation. Future research could examine these relationships longitudinally, explore cross-industry comparisons, and consider external factors such as technological advancement or competitive pressures. Such studies could provide deeper insights into the mechanisms by which organizational culture, learning, and innovation sustain competitive advantage over time.

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