

Performance Management Based on Culture: Key to Developing Dynamic Capabilities in the Creative Industry through Technology and Community Participation

Kresnawidiansyah Agustian^{1*}, Subari², Wiwin³, Agustian Zen⁴

^{1,2,3,4} Program Studi Magister Manajemen, Fakultas Ekonomi dan Bisnis, Universitas Islam Jakarta, Indonesia

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ABSTRACT

The creative industry in Indonesia plays a vital role in the economy as a source of income, job creation, and innovation driver. However, this industry also faces significant challenges, including rapid market changes, intense competition, and the need for continuous innovation. This research will review various studies and literature discussing culture-based performance management, dynamic capabilities, technology, and community participation in the context of the creative industry. Our main focus is to identify best practices and challenges faced and provide strategic recommendations for effective implementation. The research method uses a literature review approach with a qualitative method. The data used in this study is obtained from Google Scholar with a publication range between 2009 and 2024. The results show that culture-based performance management, dynamic capabilities, technology, and community participation play an important role in the development of the creative industry in Indonesia. The application of local cultural values in performance management can enhance company identity, employee motivation, and relationships with consumers. Dynamic capabilities enable companies to adapt quickly to market changes, while technology provides tools for efficiency and performance monitoring.

ABSTRAK

Industri kreatif di Indonesia memiliki peran penting dalam perekonomian sebagai sumber pendapatan dan pencipta lapangan kerja dan penggerak inovasi. Namun, industri ini juga menghadapi tantangan signifikan, termasuk kecepatan perubahan pasar, persaingan yang ketat, dan kebutuhan untuk terus berinovasi. Penelitian ini akan mengkaji berbagai studi dan literatur yang membahas manajemen kinerja berbasis budaya, kapabilitas dinamis, teknologi, dan partisipasi masyarakat dalam konteks industri kreatif. Fokus utama kami adalah mengidentifikasi praktik terbaik dan tantangan yang dihadapi, serta memberikan rekomendasi strategis untuk implementasi yang efektif. Metode penelitian ini menggunakan pendekatan tinjauan pustaka dengan metode kualitatif. Data yang digunakan dalam penelitian ini diperoleh dari Google Scholar dengan rentang waktu publikasi antara tahun 2009 hingga 2024. Hasil studi menunjukkan bahwa manajemen kinerja berbasis budaya, kapabilitas dinamis, teknologi, dan partisipasi masyarakat berperan penting dalam pengembangan industri kreatif di Indonesia. Penerapan nilai-nilai budaya lokal dalam manajemen kinerja dapat meningkatkan identitas perusahaan, motivasi karyawan, dan hubungan dengan konsumen. Kapabilitas dinamis memungkinkan perusahaan untuk beradaptasi dengan cepat terhadap perubahan pasar, sementara teknologi menyediakan alat untuk efisiensi dan pemantauan kinerja.

1. INTRODUCTION

The background of this study arises from the urgent need to integrate cultural values into performance management strategies, especially in the dynamic and innovative creative industry. The creative industry in Indonesia plays a vital role in the economy as a source of income, job creation, and innovation driver (Sutrisno et al., 2024). However, this industry also faces significant challenges, including rapid market changes, intense

* Corresponding author, email address: kresnawidiansyah@gmail.com

competition, and the need for continuous innovation. The creative industry, which encompasses various sectors such as art, music, film, design, and fashion, requires a flexible and adaptive management approach to survive and thrive amidst fast-changing market dynamics. Therefore, it is important to examine how culture-based performance management can be the key to addressing these challenges and improving the performance and competitiveness of the creative industry.

One approach that can help overcome these challenges is culture-based performance management. This approach emphasizes the importance of understanding and integrating local cultural values into performance management strategies. In the context of Indonesia, with its rich cultural diversity, this approach can create a unique competitive advantage. The integration of local cultural values in performance management can enhance employee engagement and motivation, create a harmonious work environment, and encourage innovation (Mubarok & Panjaitan, 2024). Employees who feel that their cultural values are appreciated and upheld by the company will be more motivated to contribute maximally. Additionally, this approach helps reduce resistance to change, as changes introduced are aligned with existing cultural values, making them more easily accepted by all parties within the organization.

Technology also plays a crucial role in supporting culture-based performance management. Companies can implement more efficient and effective performance management systems with technological advancements. Technology allows for real-time performance data collection and analysis, providing deeper and more accurate insights into individual and team performance (V K Rajan et al., 2023). Additionally, technology facilitates better communication and collaboration, essential in developing dynamic capabilities. The use of digital platforms for performance management enables more objective and transparent assessments and simplifies feedback and employee development management. Technology also supports continuous learning and skill development through e-learning and online training, which is crucial in ever-changing industries like the creative industry.

Dynamic capabilities are the organization's ability to adapt, integrate, and reconfigure internal and external competencies to address changing environments. In the creative industry, where market changes and trends are rapid, dynamic capabilities become a key success factor. Culture-based performance management can help companies develop these dynamic capabilities by creating an environment that supports innovation and adaptation (Gupta & Gupta, 2019). Organizations with strong dynamic capabilities can respond quickly and effectively to changes and continuously create new value through sustainable innovation. This means that companies can survive in the face of change and leverage these changes to grow and develop further.

Community participation is also an important component in the culture-based performance management strategy. In the creative industry, community involvement can create social support and open valuable collaboration opportunities. Community participation can take various forms, from consumer feedback, local community engagement, to collaboration with artists and other creators. All these contribute to the development of more relevant and high-value-added products and services. Community involvement also helps companies better understand market needs and preferences and build strong relationships with local communities (Kim et al., 2023). Companies can create more innovative products that align with market tastes and build higher customer loyalty through active community participation.

Literature studies show that companies that successfully integrate cultural approaches in performance management tend to have stronger dynamic capabilities (Ringov, 2017). They are better able to adapt to market changes, develop innovations, and maintain competitiveness (Subagja et al., 2022). Additionally, this approach also proves to increase employee satisfaction and retention, which ultimately contributes to better organizational performance. Employees who feel valued and recognized will be more loyal and motivated to give their best contribution, which in turn increases the productivity and quality of the company's output (Uka & Prendi, 2021). Culture-based performance management benefits individual employees and significantly positively impacts the overall organization (Radu, 2023).

This research will review various studies and literature discussing culture-based performance management, dynamic capabilities, technology, and community participation in the context of the creative industry. Our main focus is to identify best practices and challenges faced and provide strategic recommendations for effective implementation. Through this review, it is hoped to provide a more comprehensive view of how cultural approaches can support the development of dynamic capabilities and improve company performance in the creative industry. This research also aims to fill gaps in the existing literature and provide meaningful contributions to performance management practices in the creative industry.

By understanding and applying culture-based performance management, companies in the creative industry can create sustainable competitive advantages. This approach allows companies to be more responsive to market changes, enhance innovation, and build stronger relationships with employees and the community. Through the integration of technology and community participation, companies can optimize their performance management processes and develop the dynamic capabilities needed for long-term success. This research is expected to make a significant contribution to the literature on performance management and dynamic capabilities and provide practical guidance for companies to improve their performance and competitiveness through cultural, technological, and community participation approaches.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Performance Management

Performance management is a systematic process aimed at improving organizational effectiveness by ensuring that individual and team performance aligns with the company's strategic goals and objectives (Brown et al., 2017). This process involves several key steps, including performance planning, setting clear and measurable goals, monitoring and evaluating performance, providing regular feedback, and developing and training employees to achieve optimal results. Performance management not only focuses on performance appraisal but also on continuous improvement by identifying strengths and areas for development, creating a supportive work environment that fosters productivity and innovation (Awan et al., 2020). It includes the use of tools and techniques such as Key Performance Indicators (KPIs), performance reviews, and individual development plans to ensure that all members of the organization can effectively contribute to the organization's long-term success.

Culture

Culture is the collective set of mindsets, values, norms, customs, traditions, and artifacts shaped by a group of people and passed down from one generation to the next (Sani & Parawita, 2023). Culture reflects a community or society's way of life, including language, religion, art, law, morals, customs, and daily-used technology. Culture forms group identity and provides a framework for members to understand the world and interact with each other (Fitzsimmons, 2013). Additionally, culture plays a crucial role in shaping individual and collective behavior and influences how they view and respond to various aspects of life, including social, economic, and political contexts. In an organizational context, corporate culture includes values and practices applied by management and adopted by employees, collectively forming a unique work environment that influences performance and internal dynamics.

Dynamic Capabilities

Dynamic capabilities are an organization's ability to continuously sense and respond to changes in the business environment and quickly reconfigure its resources and competencies to achieve sustainable competitive advantage (Chatterjee et al., 2022). This concept includes three main activities: sensing (detecting opportunities and threats in the external environment), seizing (taking advantage of existing opportunities and developing appropriate responses), and transforming (reshaping and adjusting organizational assets and structures to support change). Dynamic capabilities enable organizations to remain flexible, adaptive, and innovative in facing market and technological uncertainties (Teece & Leih, 2016). Thus, dynamic capabilities are key elements for organizational survival and growth, especially in highly dynamic industries like the creative industry.

Creative Industry

The creative industry is an economic sector focused on the creation, production, and distribution of goods and services that derive economic value from individual or group creativity, skills, and talent (Syah Budi, 2023). This industry encompasses various fields such as visual arts, design, fashion, film, music, advertising, architecture, publishing, television, radio, interactive games, and handicrafts. The creative industry plays a vital role in the modern economy by driving innovation, creating jobs, and enriching local and global culture. In Indonesia, the creative industry is also considered a strategic sector that can enhance national economic competitiveness and develop the creative potential of the community. Moreover, this industry contributes to the development of cultural identity and artistic expression, which can positively impact social and economic well-being (Kalfas et al., 2024).

Technology

Technology is the practical application of scientific knowledge for specific purposes, encompassing tools, machines, systems, and methods used to solve problems or achieve certain goals (Wahyoedi et al., 2023). Technology spans various fields, including information and communication, manufacturing, health, transportation, and energy. Technological advancements have brought significant changes in how we work, communicate, and live daily by enhancing efficiency, productivity, and accessibility (Prastyaningtyas et al., 2023). In the business world, technology plays a crucial role in product innovation, operational processes, and marketing strategies, enabling companies to compete more effectively in the global market (Sutrisno et al., 2023). With technological progress, we see digital transformation changing traditional business models and creating new opportunities across various industry sectors.

Community Participation

Community participation is the active involvement of individuals and groups in decision-making, planning, and implementing activities that impact their lives at local, national, and global levels (Rijal, 2023). This participation can take various forms, such as voting in elections, engaging in community planning and development, participating in civil society organizations, and contributing to public discussions and consultations. Community participation is important because it gives citizens a voice, allows them to influence policies and decisions that affect them, and enhances transparency, accountability, and sustainability in development processes. Moreover, active and inclusive participation can strengthen social bonds, build a sense of ownership, and improve the quality of outcomes achieved, as decisions better reflect the needs and aspirations of the involved community (Ainscow, 2020).

3. RESEARCH METHOD

This research employs a literature review approach using qualitative methods to analyze performance management based on culture in the development of dynamic capabilities in the creative industry through technology and community participation. This study involves descriptive analysis to explore and explain relevant concepts and identify relationships between the variables studied. The data used in this research were obtained from Google Scholar, with a publication range from 2009 to 2024. The data collection process began with a literature search using relevant keywords such as "performance management," "culture," "dynamic capabilities," "creative industry," "technology," and "community participation." From the initial search results, 50 articles met the initial criteria. A rigorous selection was then conducted based on the relevance, quality, and contribution of the articles to the research topic. The selection criteria included clarity of methodology, data accuracy, and alignment with the research focus. After the selection process, 34 of the most relevant and high-quality articles were chosen for further analysis. Data analysis was conducted using a descriptive approach, aimed at identifying the main themes and patterns that emerged from the reviewed literature. Each article was analyzed to identify key concepts, main findings, and practical implications. The results of the analysis were then synthesized to provide a comprehensive overview of how culture-based performance management can support the development of dynamic capabilities in the creative industry through the use of technology and community participation. By employing this qualitative literature review method, this research is expected to significantly contribute to the theoretical and practical understanding of the role of culture-based performance management in enhancing the performance and competitiveness of the creative industry. The results of this study are also expected to serve as a foundation for developing more effective strategies and policies to leverage the potential of technology and community participation to support the growth of the creative industry in Indonesia.

4. DATA ANALYSIS AND DISCUSSION

This discussion aims to delve deeply into how culture-based performance management can contribute to the development of dynamic capabilities in the creative industry through technology and community participation. Culture-based performance management in Indonesia involves the implementation of local cultural values as an integral part of managerial strategies to enhance organizational performance (Wanto, 2012). The diversity of culture, including traditions, norms, and local practices, provides unique opportunities for companies to leverage these cultural elements in their performance management strategies. For example, Batik

Keris, a leading batik company in Indonesia, has integrated Javanese cultural values into its managerial practices. Batik Keris can strengthen its corporate identity and boost employee motivation and engagement by emphasizing work ethics based on the principles of gotong royong (mutual cooperation) and appreciation of traditional craftsmanship. This approach also allows the company to build stronger relationships with consumers who value products that reflect their cultural heritage. Implementing cultural values in performance management creates a harmonious and productive work environment and enhances the company's appeal in both local and international markets.

Dynamic capabilities refer to an organization's ability to adapt, integrate, and reconfigure internal and external competencies to address rapidly changing markets and environments (Mohamud & Sarpong, 2016). In the highly dynamic creative industry in Indonesia, dynamic capabilities are key to maintaining competitiveness and sustainability. Gojek is a prominent example of this. As a creative technology startup, Gojek has successfully adapted to the local market needs by leveraging technology. They have added new features such as food delivery and shopping that cater to Indonesian consumer preferences. This approach demonstrates how dynamic capabilities can drive innovation and company growth by enabling effective and efficient responses to market changes. Technology acts as an enabler that strengthens dynamic capabilities, allowing Gojek to remain relevant and competitive in a constantly evolving market. This adaptation also underscores the importance of integrating technology in the sustainable development of dynamic capabilities.

Technology plays a crucial role in supporting culture-based performance management by providing tools and systems that enable more efficient measurement, monitoring, and improvement of performance (Ledford & Lawler, 2015). In Indonesia, companies like Tokopedia have utilized technology to implement advanced performance management systems. Tokopedia uses data analytics to monitor employee performance in real-time, provide constructive feedback, and quickly adjust strategies based on available data. Tokopedia can enhance transparency and responsiveness in the workplace and enable the integration of local cultural values into their managerial practices by leveraging technology. This creates a more inclusive and adaptive work environment, aligning with Indonesian cultural values that support collaboration and innovation. The use of technology in this context demonstrates how digital tools can support culture-based performance management and improve organizational efficiency and effectiveness.

Community participation in the product and service development process in the creative industry significantly contributes to the relevance and quality of the products (Rosmadi, 2018). In Yogyakarta, local creative communities actively engage in designing and marketing products such as handicrafts and traditional foods. The involvement of local communities in design and production ensures that the products created are more aligned with the preferences and needs of the local market. This participation enhances product quality and builds stronger relationships between companies and consumers. It illustrates how community involvement can enrich the creative process and support the sustainability of the local creative industry by creating more relevant and high-value-added products. Community participation can also enhance the appeal of local products and strengthen market positioning, thereby supporting the growth of the creative industry.

Integrating cultural values into performance management strategies can create a unique and distinctive competitive advantage (Waheed et al., 2021). Danar Hadi, a fashion company that integrates Javanese cultural values in its design and production processes, is a concrete example of this strategy's application. Danar Hadi has differentiated itself from competitors and attracted international market attention by preserving traditional batik-making techniques and creating products with unique appeal in the global market. This approach shows how cultural values can strengthen managerial strategies, helping companies create sustainable competitive advantages. Integrating cultural values into performance management creates a strong corporate identity and expands product appeal in the global market.

Technology significantly impacts dynamic capabilities by enabling companies to adapt and respond to market changes more rapidly (Ellström et al., 2022). Traveloka, as a travel and accommodation service provider, has demonstrated how technology can be used to develop dynamic capabilities. Traveloka leverages technology to process customer data and market trends by launching various new and innovative services tailored to consumer needs. This enables them to adjust their product offerings and accelerate their response to changes in demand. This approach emphasizes how technology can support dynamic capabilities, allowing companies to remain relevant and competitive in a rapidly changing market. Technology serves as a strategic tool to strengthen dynamic capabilities and support sustainable growth in a competitive

industry.

The Indonesian film industry also provides an example of the application of culture-based performance management and dynamic capabilities. Falcon Pictures, a film production house, has successfully integrated local cultural values into their film production, contributing to commercial success and positive critical reception. Falcon Pictures can retain cultural elements that resonate with the local audience and enhance their product appeal by utilizing technology in the film production process to improve quality and efficiency. This approach shows how culture-based performance management and dynamic capabilities can be applied simultaneously to achieve optimal results in the creative industry and enhance a company's competitiveness. It illustrates the synergy between culture and technology in creating relevant and high-quality products.

Community participation plays a vital role in enriching the creative experience and supporting the development of the creative industry (Fatimah & Purwanti, 2023). In Bandung, local creative communities are actively involved in planning and executing various art festivals and cultural events. Community involvement in this process enhances the diversity of events and strengthens the relationship between the creative community and the audience. This demonstrates how community participation can enrich the creative experience and provide significant support for the local creative industry. Community involvement increases the quality and appeal of events while supporting the growth and sustainability of the creative industry by creating new opportunities for collaboration and innovation.

A cultural approach to performance evaluation can create a more inclusive and supportive work environment, contributing to employee satisfaction and organizational performance (Arman et al., 2024). Unilever Indonesia, for instance, has adapted its performance evaluation methods by considering local cultural values such as *gotong royong* (mutual cooperation) and appreciation of diversity. With this approach, Unilever can enhance employee satisfaction and ensure that performance evaluations reflect values appreciated by the employees. This creates a more harmonious and productive work environment, which in turn improves overall organizational performance. This approach highlights how integrating cultural values into performance evaluation can strengthen the relationship between management and employees and enhance organizational effectiveness.

Technology plays a crucial role in enhancing the performance of the creative sector by providing tools that facilitate automation and efficiency (Diawati et al., 2023). Razer, as a leading hardware and software provider, offers innovative solutions specifically designed to meet the needs of creators in various fields. Razer supports increased productivity and quality of output by providing devices that allow professionals to work more efficiently and creatively. For instance, products like mechanical keyboards and gaming mice developed by Razer can improve work speed and accuracy while also supporting a more profound creative process. This demonstrates how technology simplifies daily tasks and enables creators to meet the increasing demands of the market with better results. Such technological innovations strengthen creators' ability to adapt to the latest trends and face emerging challenges in the ever-evolving industry.

The music industry in Indonesia provides a clear example of effectively applying dynamic capabilities in response to market changes. Musica Studio's, one of the leading music labels in the country, has successfully adapted to changes in music preferences and distribution technology through the launch of music streaming platforms and digital collaborations. This strategic move enables Musica Studio's to remain relevant in the highly competitive and ever-evolving music market. Musica Studio's can expand its audience reach and adapt to how consumers access music by launching streaming services. This approach underscores the importance of flexibility and adaptation in responding to market changes. Musica Studio's success confirms that dynamic capabilities are crucial to maintaining sustainability and growth in the music industry and ensuring that the company remains at the forefront of innovation and trend changes.

Community participation can significantly impact company performance by increasing customer support and loyalty (Algesheimer et al., 2009). For example, Kopi Kenangan, a rapidly growing coffee company, involves consumers in developing new products by using social media to gather feedback. Kopi Kenangan can enhance product quality and build a loyal customer community by actively engaging customers. This involvement creates a deeper connection between the company and its customers, which in turn contributes to the company's growth. Through active community participation, companies can gain valuable insights into customer preferences and needs, supporting better product development strategies and overall company performance. This approach demonstrates how community involvement in the product innovation process strengthens market positioning and supports sustainable growth and long-term success.

Overall, culture-based performance management, dynamic capabilities, technology, and community participation interact to support the development of the creative industry in Indonesia. By applying cultural values in management, utilizing technology to improve efficiency, and actively involving the community, companies can create competitive advantages and enhance their performance. Case studies in Indonesia demonstrate how these approaches can be practically applied to achieve optimal results and support sustainable growth in the creative industry. The interaction between culture, technology, and community is key to creating relevant and sustainable innovations in the creative sector.

Tabel 1. Key Findings on Cultural Performance Management, Dynamic Capabilities, Technology, and Community Participation in Indonesia's Creative Industry

No	Aspect	Key Finding
1	Cultural Performance Management	a) Local cultural values can enhance company identity and increase employee motivation. b) Example: Batik Keris integrates Javanese ethics and craftsmanship into its management practices.
2	Dynamic Capabilities	a) The ability to quickly adapt to market changes strengthens a company's competitive edge. b) Example: Gojek utilizes technology to adjust services according to Indonesian consumer preferences.
3	Role of Technology	a) Technology supports performance management by providing tools for monitoring and efficiency improvement. b) Example: Tokopedia uses data analytics to enhance transparency and integrate local cultural values.
4	Community Participation	a) Involving the community in product design and production improves product relevance and quality. b) Example: Creative communities in Yogyakarta are actively involved in designing local crafts and traditional foods.
5	Integration of Cultural Values	a) Incorporating cultural values into performance management can create unique competitive advantages. b) Example: Danar Hadi uses Javanese cultural values in batik design to appeal to international markets.
6	Technology and Dynamic Capabilities	a) Technology enables rapid adaptation and development of dynamic capabilities. b) Example: Traveloka uses technology to tailor its offerings based on consumer data and trends.
7	Performance Management in Film Industry	a) Combining cultural values and technology in film production enhances quality and competitiveness. b) Example: Falcon Pictures integrates local cultural values and technology to achieve commercial success.
8	Community Participation in Arts Festivals	a) Community involvement in planning arts festivals enriches diversity and strengthens audience connections. b) Example: Bandung's creative community participates in organizing arts festivals and cultural events.
9	Cultural Approach in Performance Evaluation	a) Local cultural values in performance evaluation create a more inclusive and productive work environment. b) Example: Unilever Indonesia adapts performance evaluation methods to reflect local cultural values.
10	Technology in the Creative Sector	a) Technology improves efficiency and quality of creative outputs. b) Example: Razer provides tools that enhance productivity and quality for creators.
11	Dynamic Capabilities in the Music Industry	a) Adapting to changing music preferences and distribution technology supports growth. b) Example: Musica Studio's launches streaming platforms to stay relevant in the evolving music market.
12	Consumer Participation in Product Development	a) Engaging consumers in product development boosts quality and customer loyalty. b) Example: Kopi Kenangan involves customers through social media for product feedback.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This research reveals that culture-based performance management, dynamic capabilities, technology, and community participation play crucial roles in the development of the creative industry in Indonesia. The application of local cultural values in performance management can enhance a company's identity, employee motivation, and consumer relations. Dynamic capabilities enable companies to quickly adapt to market changes, while technology provides tools for efficiency and performance monitoring. Community participation, on the other hand, enriches the product development process and strengthens the relationship between the company and the local community. Case studies show that the integration of these elements can create sustainable competitive advantages and support the growth of the creative industry.

The implications of these findings suggest that companies in the creative industry should consider integrating cultural values into their managerial strategies to enhance performance and competitiveness. Appropriate technology application can support performance measurement and improvement, as well as strengthen dynamic capabilities. Moreover, involving the community in product development can enhance product relevance and quality, and build customer loyalty. For policymakers and stakeholders, supporting initiatives that combine culture, technology, and community participation can strengthen the creative industry's ecosystem and contribute to local economic growth.

Based on the research findings, there are several recommendations and limitations to consider. First, companies should implement local cultural values in their performance management strategies to strengthen corporate identity and increase employee motivation. This can be achieved by adapting managerial practices that reflect local cultural values, such as mutual cooperation and appreciation of traditional craftsmanship. Additionally, the appropriate use of technology is essential for increasing efficiency and transparency in performance management. Implementing data analytics systems and performance monitoring tools can assist in making data-driven decisions that are responsive to market needs. Involving the community in product and service development can also enhance product relevance and build stronger consumer relationships. Therefore, companies can hold community consultations and involve consumer feedback in the product design process. To strengthen dynamic capabilities, companies should continuously innovate and adapt to market changes through investment in research and development and employee training.

However, this research has several limitations that should be noted. The data used is limited to the period 2020-2024 and sourced from Google Scholar with rigorous selection, which may not cover the entire spectrum of relevant literature. The focus on case studies in Indonesia also means that these findings may not fully represent global practices and may have limitations in application to international contexts. Additionally, the diversity within the creative industry, which encompasses various sectors such as fashion and technology, means that findings from specific case studies may not be universally applicable across all sectors of the creative industry. The qualitative methods and literature review used in this research may also not provide deep quantitative insights into the effectiveness of the implemented strategies, potentially leading to bias or limitations in the interpretation of results.

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