

The Effect of Implementing the Kaizen Philosophy on Employee Performance Through Employee Innovation and Work Efficiency: A Case Study at XYZ Bank in West Kalimantan

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Abstract

The banking industry has experienced increasingly intense competition, forcing companies to continuously improve service quality and operational efficiency through enhanced employee performance. This study investigated the effect of implementing the Kaizen philosophy on employee performance, with particular attention to the mediating role of employee innovation and work efficiency at PT XYZ in the West Kalimantan region. The Resource-Based View (RBV) framework provided the theoretical foundation for this research. A quantitative research design was employed, with data collected through questionnaires administered to 100 employees of PT XYZ in West Kalimantan, selected using purposive sampling. The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS version 4.1.0.3 to examine both direct and indirect relationships among variables. The results revealed that the implementation of the Kaizen philosophy did not have a significant direct effect on employee performance. However, it had a positive and significant effect on both employee innovation and work efficiency. Furthermore, work efficiency had a positive and significant effect on employee performance and served as a full mediator in the relationship between Kaizen implementation and employee performance. In contrast, employee innovation did not significantly affect employee performance and did not function as a mediating variable. These findings indicate that, in the banking industry, the implementation of the Kaizen philosophy is more effective in improving employee performance through work efficiency rather than through employee innovation.

INTRODUCTION

Competition in the banking industry has become increasingly intense, forcing companies to continuously ensure the maintenance of service quality and operational efficiency. One key approach is improving employee performance. In the service industry, employee performance is a critical indicator because it is directly related to productivity, service quality, and customer satisfaction (Adeinat & Kassim, 2019; Harris & Fleming, 2017). Therefore, banking institutions need to implement managerial approaches that encourage continuous performance optimization (Alonge et al., 2023; Cegarra-Navarro et al., 2019; Setyarini et al., 2025).

The Kaizen philosophy is widely applied in organizational efforts to improve employee performance. It actively engages all employees in continuous improvement processes. Kaizen is also believed to enhance employee innovation and work efficiency (Abdulmouti, 2015).

Employee innovation refers to employees' ability to generate and implement new work-related ideas (Lukes & Stephan, 2017; Volery & Tarabashkina, 2021). Meanwhile, work efficiency reflects how effectively employees utilize time and resources (Nuutinen et al., 2022; Susanto et al., 2023).

PT XYZ is one of the private banks that plays a dominant role in Indonesia's national banking sector and consistently focuses on operational excellence and human resource development. To maintain competitiveness, Bank XYZ applies the Kaizen philosophy in daily work activities and organizes a national competition titled the "Kaizen Championship" for employees or work units that propose improvements to organizational processes. The implementation of the Kaizen philosophy in the banking sector is relevant because it encourages employees to work more effectively, reduces operational waste, and supports continuous improvement (Al-Doori, 2020; Ghaleb, n.d.; Marin-Garcia et al., 2018). Kaizen is considered an organizational culture aligned with the company's values, particularly its fourth value system: the continuous pursuit of excellence (Sulistiyani, 2023).

Previous studies have reported mixed findings regarding the relationship between Kaizen implementation and employee performance. Caluela & Ario Sumbogo (2024) found that Kaizen culture has a significant positive effect on employee performance. In contrast, Septiani et al. (2025) reported that Kaizen work culture does not significantly influence employee performance. Meanwhile, work innovation has been shown to have a significant positive effect on employee performance (Rahmat et al., 2024), and work efficiency has also been found to influence employee performance significantly (Christa et al., 2021). Given these inconsistencies, the effect of Kaizen implementation on employee performance cannot be concluded definitively. This condition suggests the potential role of mediating variables, namely employee innovation and work efficiency.

Despite increasing interest in Kaizen implementation across organizational contexts, research simultaneously examining the mediating roles of employee innovation and work efficiency in the relationship between Kaizen philosophy and employee performance remains limited, particularly in the banking sector. Moreover, most previous studies have been conducted in manufacturing or general service industries, leaving a gap in understanding its application in the highly regulated and procedurally standardized banking environment. The novelty of this study lies in its simultaneous examination of employee innovation and work efficiency as dual mediating pathways within a single integrated model, providing a more comprehensive understanding of how Kaizen philosophy influences employee performance. Additionally, this study addresses a contextual gap by focusing on Indonesia's banking sector, where Kaizen implementation has increased but lacks empirical validation regarding its effectiveness in enhancing employee performance through internal organizational capabilities.

Based on this background, this study was conducted to examine the effect of Kaizen philosophy implementation on employee performance and to analyze the roles of employee innovation and work efficiency as mediators at PT XYZ in West Kalimantan. This research is expected to provide a clearer understanding of the Kaizen implementation mechanism in improving employee performance, as well as offer recommendations for PT XYZ management in developing more effective human resource strategies and continuous improvement practices.

RESEARCH METHOD

Types of Research

This study examined the effect of the implementation of the Kaizen philosophy on employee performance, considering employee innovation and work efficiency as mediating variables. A quantitative approach was employed, focusing on testing causal relationships between variables through numerical data analysis. This approach was used to enable objective and systematic measurement of variables and to support statistical testing of the structural model using Partial Least Squares–Structural Equation Modeling (PLS-SEM).

Data were collected using a questionnaire as the research instrument. The questionnaire was developed by adapting indicators from previous validated studies. Responses were measured using a five-point Likert scale ranging from “Strongly Disagree” to “Strongly Agree.”

Population and sample

All employees of PT XYZ West Kalimantan Region, which consists of three Main Branch Offices, namely the Singkawang branch, the Pontianak branch, and the Kubu Raya branch are the population of this study. The main characteristic of this population is permanent employees who are actively working, and actively participate in the implementation of the kaizen philosophy in the three Main Branch Offices.

Purposive sampling was used in the selection of this research sample, and a sample of 100 respondents was taken. The determination of the number of samples is based on guidelines (Hair et al., 2014) which state that the minimum number of samples is equivalent to five to ten times the total indicators of the research variables. So, with 19 indicators in this study, it is recommended that the number of samples should be as many as 95 to 190 respondents. Researchers took samples larger than the recommended amount with the aim of strengthening the data analysis capabilities.

The questionnaire was distributed online via Google Form and distributed by the Human Capital Management team from the head office to the E-mail of employees from the three Main Branch Offices who were selected as respondents to fill out the questionnaire. This data collection method is carried out because it follows the policy of the research object company.

Data Analysis Techniques

The hypothesis was tested by applying the PLS-SEM method through SmartPLS version 4.1.0.3. The method is considered to be in accordance with the characteristics of this study, namely being able to accommodate relatively complex structural models and analyze the direct and indirect influences bridged by mediation variables. The analytical approach applied is expected to contribute a more comprehensive understanding of the mechanism of implementing the kaizen philosophy through the mediation variables of employee innovation and work efficiency in influencing employee performance in PT XYZ in the West Kalimantan region.

In this study, data analysis was carried out in stages, including an outer model to assess the validity and reliability of the construct, as well as an inner model to test the relationship between variables and research hypotheses. The evaluation of convergent validity was carried out based on the outer loading value with a threshold of > 0.70 and the Average Variance Extracted (AVE) value with a threshold of > 0.50 . To test the validity of the discriminator, this study applied the Heterotrait-Monotrait Ratio (HTMT) approach with a recommendation of a

lower limit value of 0.90, which was supported by the fulfillment of the Fornell-Larcker criteria. The reliability of the construct is measured through Cronbach's Alpha and Composite Reliability coefficients, where values exceeding 0.70 indicate an adequate level of reliability and internal consistency.

When the measurement model has met the set test criteria, the analysis is then continued on the inner model with the aim of identifying and testing the causal relationships between the constructs of this research model. The assessment of the structural model is carried out through a series of tests, including: R-Square which is used to evaluate the level of variation of endogenous variables that can be explained by exogenous variables, Effect Size (f^2) which functions to measure the magnitude of the influence of each construct on dependent variables, and Predictive Relevace (Q^2) which is used to test the predictive ability of the research model. In addition, direct and indirect influence testing was carried out through path coefficient analysis and mediation testing to determine the role of Employee Innovation and Work Efficiency in mediating the relationship between the Implementation of the Kaizen Philosophy and Employee Performance.

The hypothesis was tested through a bootstrapping procedure to obtain an estimate of statistical values and p – values that are the basis for statistical decision-making. The research hypothesis is acceptable if the statistical value exceeds 1.96 and the p – value is less than 0.05 at a significance level of 5% ($\alpha = 0.05$). Through the application of this research methodology, it is hoped that this study can provide an empirical understanding of the impact of the implementation of the Kaizen philosophy on employee performance, both through direct influence

as well as through a mediation mechanism involving variables of employee innovation and work efficiency at PT XYZ in the West Kalimantan region.

RESULTS AND DISCUSSION

Evaluation of Measurement Models (*Outer Model*)

Evaluation of the measurement model (*outer model*) is very important for latent variables in studies using PLS. The measurement model is evaluated to ensure that each research construct is able to represent the theoretical concepts that are validly researched and produce reliable measurements.

1. Construct Validity Evaluation

Reflective model validation shows that each indicator is able to accurately reflect the underlying latent construct. This assurance process includes convergent validity analysis and discriminant validity as an effort to verify model quality measurements. The assessment of **convergent validity** was obtained through *factor loading analysis* which showed the degree of association between the indicator and the latent construct it reflected. The validity of the convergence is considered to be met when the research instrument shows a *loading factor* with a value that exceeds the threshold of 0.70. The results of the convergent validity test can be seen in the following table:

Tabel 1. Factor Loading

Variabel	Indicator	Factor Loading	Cut Off	Remarks
Employee Innovation (M ₁)	M _{1.1}	0.875	0.7	Valid
	M _{1.2}	0.855	0.7	Valid
	M _{1.3}	0.883	0.7	Valid
	M _{1.4}	0.842	0.7	Valid
	M _{1.5}	0.781	0.7	Valid
Work Efficiency (M ₂)	M _{2.1}	0.879	0.7	Valid
	M _{2.2}	0.896	0.7	Valid
	M _{2.3}	0.865	0.7	Valid
	M _{2.4}	0.898	0.7	Valid
Implementation of Kaizen Philosophy (X)	X ₁	0.951	0.7	Valid
	X ₂	0.743	0.7	Valid
	X ₃	0.936	0.7	Valid
	X ₄	0.879	0.7	Valid
	X ₅	0.893	0.7	Valid
Employee Performance (Y)	Y ₁	0.729	0.7	Valid
	Y ₂	0.892	0.7	Valid
	Y ₃	0.887	0.7	Valid
	Y ₄	0.951	0.7	Valid
	Y ₅	0.897	0.7	Valid

Source: Data processed by Researchers, 2026

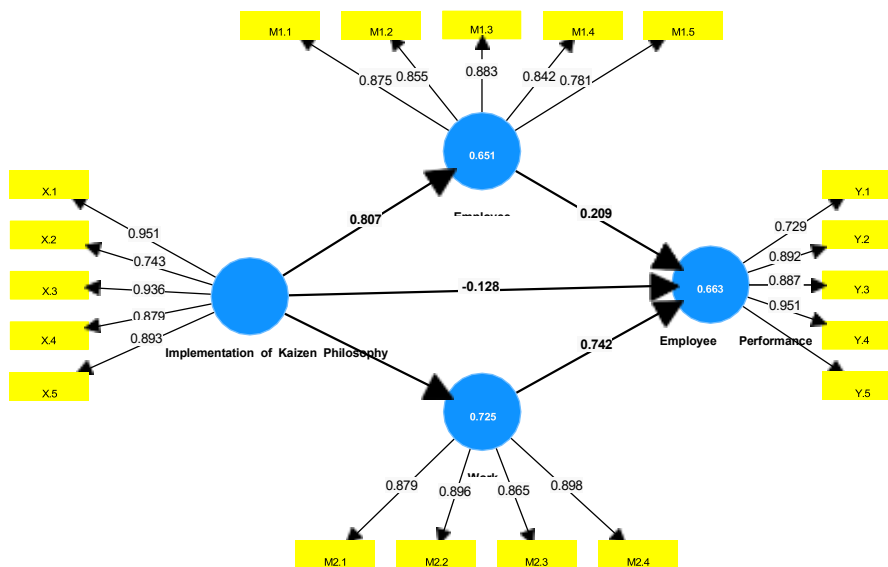


Figure 1. Factor Loading Path Diagram

Source: PLS-SEM Output, 2026

The figure above shows that after invalid items were excluded from the SEM model, all indicators that measured the variables Kaizen Philosophy Implementation (X), Employee Innovation (M₁), Work Efficiency (M₂), and Employee Performance (Y) had a *factor loading*

value > 0.70. So, the indicator has met the validity criteria and is suitable for use in measuring related variables.

Convergence validity evaluation is not limited to *factor loading* alone, but can also be done through the calculation of *Average Variance Extracted (AVE)*. The magnitude of AVE describes the level of construct's ability to capture and explain the variance of the indicators used. Convergent validity testing through AVE values can be observed in the table below:

Tabel 2. Average Variance Extracted (AVE)

Variabel	AVE
Employee Innovation (M ₁)	0.719
Work Efficiency (M ₂)	0.783
Implementation of Kaizen Philosophy (X)	0.781
Employee Performance (Y)	0.765

Source: Data processed by Researchers, 2026

As shown in the table above, the variables Kaizen Philosophy Implementation (X), Employee Innovation (M₁), Work Efficiency (M₂), and Employee Performance (Y) obtained an AVE value of > 0.50. The conclusion from these results is that the entire construct shows a convergent validity that meets the eligibility standard. Thus, all indicators have an adequate level of validity so that they are able to accurately describe the constructed measured.

The validity of **the discriminant** was evaluated through a comparison between the *outer loading* value of each indicator and the *cross loading* value against other constructs. An indicator is considered valid if it shows a stronger correlation with the construct it represents, which is reflected in a higher *outer loading* value than its correlation with other constructs. The results of *the cross loading* calculation are shown in the following table:

Tabel 3. Cross Loadings

Item	M1	M2	X	Y
M _{1.1}	0.875	0.713	0.604	0.595
M _{1.2}	0.855	0.684	0.710	0.561
M _{1.3}	0.883	0.793	0.747	0.725
M _{1.4}	0.842	0.704	0.699	0.636
M _{1.5}	0.781	0.604	0.648	0.516
M _{2.1}	0.718	0.879	0.701	0.750
M _{2.2}	0.743	0.896	0.822	0.767
M _{2.3}	0.791	0.865	0.721	0.685
M _{2.4}	0.683	0.898	0.764	0.645
X ₁	0.726	0.825	0.951	0.617
X ₂	0.812	0.615	0.743	0.455
X ₃	0.708	0.814	0.936	0.634
X ₄	0.709	0.788	0.879	0.645
X ₅	0.610	0.698	0.893	0.606
Y ₁	0.568	0.586	0.459	0.729
Y ₂	0.627	0.756	0.623	0.892

Y_3	0.561	0.660	0.536	0.887
Y_4	0.747	0.789	0.679	0.951
Y_5	0.631	0.712	0.617	0.897

Source: Data processed by Researchers, 2026

In addition, the evaluation of discriminant validity can be carried out through *the Fornell-Larcker Criterion*. This criterion is met when the resulting value does not exceed 0.90. The results of the calculation of discriminant validity are presented in the following table:

Tabel 4. Fornell-Larcker Criterion

Variabel	M_1	M_2	X	Y
M_1	0.848			
M_2	0.829	0.885		
X	0.807	0.852	0.884	
Y	0.721	0.806	0.673	0.874

Source: Data processed by Researchers, 2026

Based on the *Fornell-Larcker Criterion measurement* above, it can be concluded that all research constructs, namely the Implementation of Kaizen Philosophy (X), Employee Innovation (M_1), Work Efficiency (M_2), and Employee Performance (Y) are proven to have good discriminant validity. Therefore, each indicator in each construct has met the criteria for discriminant validity and is declared worthy of being integrated in this study.

2. Construct Reliability Evaluation

To test the reliability of the construct, three measurements were used, namely *Cronbach's Alpha*, ρA , and *Composite Reliability (CR)*. The construct is considered reliable if each of these values is above the minimum limit of 0.70. The results of the calculation of the three reliability measurements can be seen in the following table:

Table 5. Construct Reliability

Variabel	Cronbach's Alpha	Rho A	Composite Reliability
Employee Innovation (M_1)	0.902	0.907	0.927
Work Efficiency (M_2)	0.908	0.910	0.935
Implementation of Kaizen Philosophy (X)	0.928	0.932	0.946
Employee Performance (Y)	0.921	0.931	0.942

Source: Data processed by Researchers, 2026

As shown in the table above, it can be seen that *Cronbach's Alpha*, ρA , and *Composite Reliability* values are in the variables Kaizen Philosophy Implementation (X), Employee Innovation (M_1), Work Efficiency (M_2), and Employee Performance (Y)) is above 0.70. So this means that there is good internal consistency so that all indicators in these variables can be declared reliable.

Evaluation of Structural Models (*Inner Model*)

After the *outer model* has been tested and all the specified conditions have been met, the next thing to do is to test *the inner model*. *Inner model* or structural model evaluation aims to predict the inter-relationships of latent variables. *The inner model* can be evaluated from

the magnitude of *the variance* that can be seen from the *R-Square* value for the dependent variable and the statistical value from the path coefficient *test*. The increase in *the R-Square* value indicates that the research model has a higher level of prediction accuracy.

1. Goodness of Fit Model (R Square)

The *goodness of fit model evaluation* was carried out to find out how much the exogenous variable contributes in explaining changes in endogenous variables. In the PLS – SEM analysis, *the goodness of fit model* was evaluated using *the values of R – Square* (R^2) and *Q – Square Predictive Relevance* (Q^2). A summary of the results of the evaluation *of the goodness of fit model* is shown in the table below:

Tabel 6. Goodness of fit Model

Variabel	R2
Employee Innovation (M ₁)	0.651
Work Efficiency (M ₂)	0.725
Employee Performance (Y)	0.663
$Q^2 = 1 - (1 - R^2_1) * (1 - R^2_2) * (1 - R^2_3)$	
$Q^2 = 1 - (1 - 0.651) * (1 - 0.725) * (1 - 0.663)$	
$Q^2 = 0.9678$	

Source: Data processed by Researchers, 2026

The R-square is quite good, namely in the variable Employee Innovation (M₁) of 0.651 or 65.1%, in Work Efficiency (M₂) of 0.725 or 72.5%, and in Employee Performance (Y) of 0.663 or 66.3%. When you look at *Q-Square, predictive relevance (Q2)* is also by 0.9678 or 96.78%. The results show that the overall model is able to explain data diversity by 96.78%, which indicates an excellent level of model predictability. Meanwhile, 3.22% is the influence of external variables that are outside the research model and are not part of the object of analysis.

2. F Square

F-square functions to tell the amount of influence between variables. This can be known by *the effect size* or *f-square* where the *value of f-square* > 0.01 is categorized as weak; > 0.15 is categorized as moderate; > 0.35 is categorized as strong. The value of *F-Square* is shown in the table below:

Tabel 7. Nilai F-Square

Variabel	M1	M2	X	Y
M1	-	-	-	0.036
M2	-	-	-	0.355
X	1.867	2.642	-	0.012
Y	-	-	-	-

Source: Data processed by Researchers, 2026

The table above shows the value *of the resulting F-Square*. This *F-Square* value indicates how much influence each independent variable has on the dependent variable. Generally, if the value.. The greater the influence, the greater the influence of the variable in explaining the variance of the dependent variable

3. Hypothesis Testing

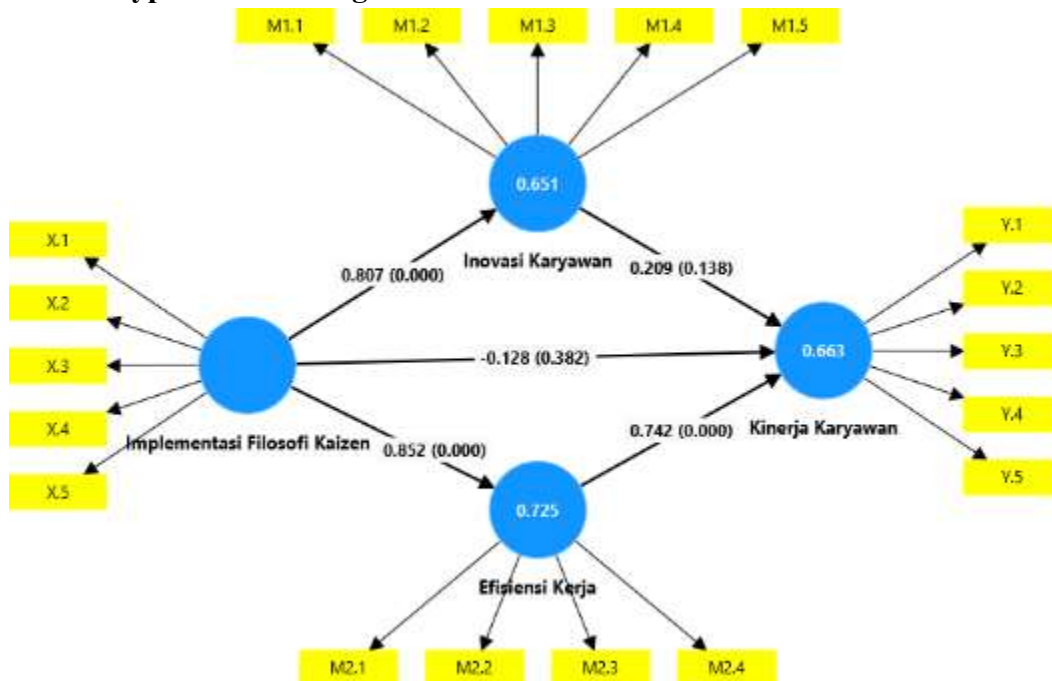


Figure 2. P – Value

Source: PLS-SEM Output, 2026.

The significance test is to verify the influence of significant independent variables on variations in dependent variables. The hypothesis test decision was seen from the comparison between the p – value with a significance level of 0.05. If the value $p - value < 0.05$, then the hypothesis that states the influence between variables is acceptable. The results of the significance test are shown in the table below:

Table 8. Hypothesis Test

Hipotesis	Path	Coeficin	Std Error	T Statistics	P – Value	Remarks
H_1	$X \rightarrow Y$	-0.128	0.146	0.874	0.382	Insignifikan
H_2	$X \rightarrow M_1$	0.807	0.057	14.282	0.000	Signifikan
H_3	$M_1 \rightarrow Y$	0.209	0.141	1.483	0.138	Insignifikan
H_4	$X \rightarrow M_1 \rightarrow Y$	0.169	0.110	1.530	0.126	Insignifikan
H_5	$X \rightarrow M_2$	0.852	0.071	12.058	0.000	Signifikan
H_6	$M_2 \rightarrow Y$	0.742	0.126	5.877	0.000	Signifikan
H_7	$X \rightarrow M_2 \rightarrow Y$	0.632	0.129	4.896	0.000	Signifikan

Source: Data processed by Researchers, 2026

The table presents information about the results of testing variables in the structural model developed in this study. The following is a systematic presentation of each causal relationship tested:

1. The Direct Influence of the Implementation of the Kaizen Philosophy on Employee Performance

The result showed that the statistical value obtained was 0.874 with a p – value of 0.382. Based on the test criteria, the statistical value was below the ttable value (1.96), as

well as $p - \text{value} > \text{significance level } (\alpha = 0.05)$. So, at a significance level of 5%, it can be concluded that there is no significant influence of the Implementation of the Kaizen Philosophy directly on Employee Performance. Therefore, the H1 hypothesis states that "The implementation of Kaizen Philosophy has a significant effect on Employee Performance" is rejected.

2. The Direct Influence of the Implementation of the Kaizen Philosophy on Employee Innovation

The analysis yielded a statistic of 14.282 with a $p - \text{value}$ of 0.000. The statistical value exceeds the bell table value(1.96), while $p - \text{value}$ is below the significance level ($\alpha = 0.05$). These findings indicate that at a significance level of 5%, the implementation of the Kaizen Philosophy has a positive and significant influence on Employee Innovation. The path coefficient of 0.807 confirms that the relationship between the two variables is positive, meaning that the increase in the implementation of the Kaizen philosophy will be in line with the increase in employee innovation. Hypothesis H2 states that "The implementation of Kaizen Philosophy has a significant effect on Employee Innovation" is accepted.

3. The Direct Influence of Employee Innovation on Employee Performance

The statistical value obtained was 1.483 with a $p - \text{value}$ of 0.138. Because the statistics $<$ table (1.96) and $p - \text{value} > \alpha = 0.05$, it can be concluded that at a real level of 5%, there is no significant influence of Employee Innovation on Employee Performance. Thus, the H3 hypothesis which states that "Employee Innovation has a significant effect on Employee Performance" is rejected.

4. Indirect Influence of Kaizen Philosophy Implementation on Employee Performance through Employee Innovation

The results of the mediation test showed a statistic of 1.530 with a $p - \text{value}$ of 0.126. The t statistical value is smaller than the t table (1.96) and $p - \text{value}$ is greater than $\alpha = 0.05$. Based on these criteria, it can be affirmed that at the significance level of 5%, there is no significant influence of the Implementation of the Kaizen Philosophy on Employee Performance mediated by Employee Innovation. In other words, Employee Innovation does not function as an effective mediator variable in linking the Implementation of the Kaizen Philosophy to Employee Performance. Hypothesis H4 which states "The implementation of Kaizen Philosophy affects Employee Performance through Employee Innovation" is rejected.

5. The Direct Influence of the Implementation of the Kaizen Philosophy on Work Efficiency

The analysis yielded a statistical of 12.058 with a $p - \text{value}$ of 0.000. Because the statistics $>$ table (1.96) and $p - \text{value} < \alpha = 0.05$, then at a significance level of 5%, it can be concluded that the Implementation of the Kaizen Philosophy has a positive and significant influence on Work Efficiency with a path coefficient of 0.852. These findings show that the higher the level of implementation of the Kaizen philosophy, the proportionate work efficiency of employees. Hypothesis H5 which states that "The implementation of Kaizen Philosophy has a significant effect on Work Efficiency" is accepted.

6. The Direct Influence of Work Efficiency on Employee Performance

The results of the analysis showed a statistic of 5.877 with a $p - \text{value}$ of 0.000. The statistical value exceeds the t table (1.96), while the $p - \text{value}$ is below the significance level ($\alpha = 0.05$). Based on these findings, it can be concluded that at a significance level of 5%, Work

Efficiency has a positive and significant effect on Employee Performance. With a path coefficient of 0.742, it indicates that the increase in work efficiency will be in line with the improvement of employee performance. Hypothesis H6 which states that "Work Efficiency has a significant effect on Employee Performance" is accepted.

7. Indirect Influence of Kaizen Philosophy Implementation on Employee Performance through Work Efficiency

The mediation test yielded a statistic of 4.896 with a p – value of 0.000. Because the statistics $>$ table (1.96) and p – value $<$ $\alpha = 0.05$, then at a significance level of 5%, it can be concluded that there is a significant influence of the Implementation of the Kaizen Philosophy on Employee Performance mediated by Work Efficiency. Thus, Work Efficiency has proven to be an effective mediator variable in connecting the Implementation of the Kaizen Philosophy with Employee Performance. Statistically, this proves that the H7 hypothesis which states that "The implementation of the Kaizen Philosophy affects Employee Performance through Work Efficiency" is accepted.

8. Comparison of Direct and Indirect Influences

In comparison, the path coefficient value for the direct influence of the implementation of the Kaizen Philosophy on Employee Performance is -0.128, while the path coefficient value for the indirect influence (through Work Efficiency) is 0.632. These findings show that indirect influences have a greater magnitude compared to direct influences, indicating that the positive impact of the Kaizen philosophy on employee performance is more optimal when mediated by work efficiency.

The main purpose of this study is to examine the influence of the implementation of the Kaizen philosophy on employee performance, as well as to examine the role of employee innovation and work efficiency in mediating these relationships in PT XYZ in the West Kalimantan region. The analysis conducted using the PLS-SEM method showed that the correlation of the implementation of the Kaizen philosophy on employee performance was not significantly affected. However, it is proven that there is a significant influence in the relationship between the implementation of the Kaizen philosophy on increasing employee innovation and work efficiency. It was found that work efficiency can be a mediator in influencing the relationship between the implementation of the Kaizen philosophy and employee performance. On the other hand, employee innovation does not succeed in being a significant mediating variable in the relationship.

The Influence of Implementing the Kaizen Philosophy on Employee Performance

The test results describe that the implementation of the Kaizen philosophy does not have a significant effect on employee performance directly. It is evidenced by a p – value of 0.382, which exceeds the significance limit set at 0.05. Thus, the first hypothesis was rejected.

This means that the implementation of Kaizen in an organization does not necessarily automatically improve employee performance directly. In the context of banking, the implementation of the Kaizen philosophy focuses more on the formation of work culture, process standardization, and gradual and continuous operational improvement. The impact of Kaizen implementation requires a process of adaptation and the support of other internal factors before it can be reflected in the improvement of individual work.

These findings are in agreement with the findings of a study by Septiani et al., (2025) which found that the implementation of the Kaizen philosophy did not have a significant

influence on employee performance. This condition indicates that the application of the Kaizen philosophy is not the only factor that determines employee performance, because there are other factors that play a role such as work motivation, work appraisal system, leadership style, competence, and work environment. The implementation of Kaizen plays more of a role as a long-term organizational culture than as a factor that directly improves individual work outcomes.

However, this finding is different from the results of research by Caluela & Ario Sumbogo, (2024), which states that Kaizen culture has a significant effect on employee performance. The inconsistency of the findings can be influenced by differences in organizational characteristics, company culture, and industry fields studied. In the banking industry, highly standardized work processes cause Kaizen's influence on performance to appear more through increased work efficiency than direct influences.

Based on the Resource – Based View (RBV) perspective, the implementation of the Kaizen philosophy is an organizational capability that is intangible and functions to build a competitive advantage through the development of internal organizational processes. Thus, the influence of Kaizen on employee performance tends to occur through certain internal mechanisms, such as increasing work efficiency and strengthening more effective work patterns.

The Influence of Kaizen Philosophy Implementation on Employee Innovation

The results of the hypothesis test explain that the implementation of the Kaizen philosophy has a positive and significant influence on employee innovation. The path coefficient value of 0.807 and the p – value of 0.000 indicate that the optimal increase in the implementation of Kaizen is positively correlated with the increase in the level of innovation generated by employees. The results of the research prove that the second hypothesis is accepted.

It can be interpreted that the implementation of the Kaizen culture allows the creation of a work climate conducive to the active participation of employees in the continuous improvement process. Kaizen encourages employees to actively provide ideas, inputs, and solutions in improving their daily work processes. This condition creates an organizational culture that is more open to change and learning.

The implementation of Kaizen at BCA encourages employees to continue to look for more effective, faster, and more accurate ways of working in serving customers and completing internal operational processes. A work environment that supports continuous improvement provides space for employees to think creatively and develop new ideas that are relevant to the work.

The results of this study are in line with the theory that Kaizen not only leads to efficiency, but also to the development of an innovative mindset through the involvement of all employees in the improvement process. These findings are in line with findings contained in the research literature of Natalia et al., (2024) which explain that innovation arises when organizations provide space for individuals to develop and implement new ideas.

From an RBV perspective, employee innovation is seen as an intangible asset that plays a crucial role in improving an organization's ability to create value. The optimal implementation of the Kaizen philosophy can strengthen a culture of continuous improvement, learning, and innovation, thereby contributing to improving the quality and capabilities of

human resources in the organization.

The Influence of Employee Innovation on Employee Performance

The results of this study explain that employee innovation does not have a significant impact on employee performance. This is evident from the magnitude of the p -value of 0.138, which exceeds the significance threshold set at 0.05. Based on these test criteria, the third hypothesis in this study was rejected.

The results of this study indicate that innovations owned by employees do not necessarily have a direct impact on improving individual work performance. In the banking industry, most work activities already have strict Standard Operating Procedures (SOPs) so that the space for implementing individual innovations becomes more limited. The ideas or creativity that employees have cannot necessarily be directly applied in the daily work process because they have to adjust to the company's regulations, compliance, and service standards.

In addition, the innovations that emerge from employees are likely to be more long-term and cannot be measured directly through individual performance indicators in a short period of time. Employee performance in the banking sector is generally measured more based on accuracy, procedural compliance, productivity, and service quality than individual creativity levels.

This finding is in contrast to the results of research by Rahmat et al., (2024) which found that work innovation has a significant effect on employee performance. These differences in findings can be influenced by the characteristics of the industry and the work system of the organization. In organizations with a high level of flexibility, individual innovations are easier to implement and have a direct impact on work outcomes. In contrast, in a highly structured banking sector, innovation tends to require a longer validation and approval process.

Based on the results of the study, employee innovation has not shown a significant influence in determining the level of individual performance at bank XYZ. On the other hand, performance achievement is more influenced by the capacity of employees to carry out tasks effectively, consistently, and in accordance with applicable operational regulations.

The Influence of Kaizen Philosophy Implementation on Employee Performance through Employee Innovation

The results of mediation testing prove that employee innovation is not able to bridge the influence of the implementation of the Kaizen philosophy on employee performance. This can be seen from the p -value of 0.126 which exceeds the significance limit of 0.05. Therefore, the fourth hypothesis is rejected.

The results of the study indicate that although the implementation of kaizen is able to increase employee innovation, the increase in innovation has not been able to drive a significant increase in performance. In other words, employee-generated innovation has not yet become the primary mechanism linking Kaizen implementation to employee performance improvement.

This condition can be explained because the characteristics of the banking industry place more emphasis on procedural accuracy, regulatory compliance, and operational efficiency than individual innovations. Employee-generated innovations may be more in the form of small improvement ideas that have not directly affected individual performance indicators.

In addition, the implementation of innovation in the banking sector requires a long

process of evaluation, supervision, and approval so that the impact on performance cannot be felt directly. Therefore, while Kaizen culture is capable of driving innovation, it is not yet strong enough to be a mediator to link Kaizen implementation to employee performance.

These findings show that the implementation of Kaizen in bank XYZ is more effective in shaping work efficiency than driving innovation that has a direct impact on individual performance.

The Effect of Implementing the Kaizen Philosophy on Work Efficiency

The findings of this study indicate that there is a positive and significant influence between the implementation of the Kaizen philosophy on work efficiency. This is reflected in the path coefficient of 0.852 with a p – value of 0.000, meaning that the better the implementation of the Kaizen philosophy, the more efficient the employee's operational performance. Thus, the fifth hypothesis is declared accepted.

This means that Kaizen plays a very strong role in improving work efficiency through simplifying processes, reducing waste, and continuously improving work procedures. In banking operations, efficiency is considered quite important because it is directly related to the speed of service, the accuracy of the transaction process, and the quality of customer service.

The implementation of Kaizen at bank XYZ encourages the creation of a work culture that is systematic, disciplined, and oriented to the established procedures. A more effective work process allows for the use of time and resources that can reduce error rates and encourage increased work productivity.

These results support the Kaizen theory which emphasizes the importance of continuous improvement in creating more efficient work processes. This is also in accordance with the results of Christa et al.'s research, (2021) which concluded that work efficiency is closely related to increased organizational productivity.

From the perspective of RBV, work efficiency is an organization's internal capability that is able to create a competitive advantage through optimizing company resources. Based on the results of the analysis presented, the implementation of the Kaizen philosophy is considered to have the potential to have a positive effect on improving operational efficiency and employee performance in the company.

The Effect of Work Efficiency on Employee Performance

The test results stated that there was a positive and significant influence between work efficiency on employee performance. The path coefficient of 0.742 with a p – value of 0.000 indicates that the optimal increase in work efficiency is positively correlated with the achievement of better performance results. Based on the established test criteria, the sixth hypothesis is acceptable.

These results state that there are indications that the effective and efficient use of time, energy, and resources by employees plays a significant role in supporting the achievement of optimal performance. Efficient work tends to have an effect on completing work faster, more precisely, and with fewer errors. In the banking industry, work efficiency is very important because it relates to the speed of service, the accuracy of transactions, and the achievement of targets. Employees who can work efficiently will be able to provide more optimal service to customers and improve the quality of work results.

These findings are in line with the results of research conducted by Christa et al., (2021) which found that there is a significant influence between work efficiency and employee

performance. These findings further strengthen the empirical evidence that performance improvement in service organizations is largely determined by the ability to carry out work processes effectively and efficiently.

Based on RBV theory, work efficiency includes organizational capabilities that are important in creating productivity and competitive advantage for the company. The more efficient the employee's work, the higher the organization's ability to achieve optimal business goals.

The Effect of Implementing the Kaizen Philosophy on Employee Performance through Work Efficiency

The findings of the study explain that positively and significantly, work efficiency can function as a mediator variable that mediates the influence of the implementation of the Kaizen philosophy on employee performance. The indirect path coefficient of 0.632 with a p – value significance of 0.000 indicates that the improvement in employee performance resulting from the implementation of Kaizen occurs through increased work efficiency. Thus, the seventh hypothesis is accepted.

Based on the findings of this study, it was identified that work efficiency functions as the main mediating factor that connects the influence of the implementation of the Kaizen philosophy with employee performance in PT XYZ in the West Kalimantan region. In other words, there is no direct influence of Kaizen on operational effectiveness, but the implementation of Kaizen results in more efficient working methods that have an impact on improving performance.

Through the implementation of continuous improvement, waste reduction, standardization of work processes, and operational discipline, Kaizen is able to form a more optimal work system. These conditions then have an impact on improving work quality, punctuality, effectiveness, and employee productivity.

The findings illustrate that in the banking industry, performance improvement pathways are more effectively achieved through increased efficiency than through employee innovation. This is because banking operational activities are highly dependent on speed, accuracy, procedural compliance, and service quality.

The findings of this study are a novelty of research because it shows that the implementation of Kaizen in the banking sector is more effective in improving performance through work efficiency than through employee innovation. Thus, work efficiency can mediate the relationship between kaizen implementation and employee performance.

Research Implications Theoretical Implications

Theoretically, this research contributes to enriching academic studies on the Kaizen philosophy, especially in the banking industry. The results of the study reinforce RBV's perspective that organizational excellence comes from the company's internal capabilities, including work culture and operational efficiency. The findings of this study also indicate that the implementation of the Kaizen philosophy does not consistently have a direct influence on employee performance. In the banking industry, the influence of Kaizen is more effective through work efficiency than employee innovation. These findings enrich previous research by showing that the effectiveness of Kaizen can differ depending on industry characteristics and internal organizational mechanisms. Empirically, this study contributes by revealing the significant role of work efficiency as a mediation mechanism that connects the implementation

of the Kaizen philosophy with employee performance.

Practical Implications

Practically, this research can be a suggestion to PT XYZ in the West Kalimantan region in strengthening the implementation of the Kaizen philosophy. Companies need to continue to encourage a culture of continuous improvement that is oriented towards improving operational efficiency and work quality. Company management can increase the effectiveness of kaizen implementation by strengthening the standardization of work processes, reducing non-value-added activities, and improving work discipline and team coordination. In addition, companies also need to provide continuous training related to work efficiency and problem solving so that employees are able to work more effectively. Although employee innovation has not been proven to significantly affect employee performance, it doesn't hurt if companies still create a work environment that supports creativity and the development of new ideas. This is important to support the company's sustainability in facing changes and competition in the banking industry in the future.

CONCLUSION

This study aimed to examine the effect of implementing the Kaizen philosophy on employee performance, considering the mediating roles of employee innovation and work efficiency at PT XYZ in the West Kalimantan region. Data analysis using PLS-SEM revealed that the implementation of the Kaizen philosophy did not have a significant direct effect on employee performance. These findings indicate that Kaizen implementation in organizations does not necessarily improve individual performance directly but may require supporting mechanisms or factors to enable performance improvement.

The results further showed that employee innovation did not have a significant effect on employee performance and could not function as a mediating variable in the relationship between Kaizen implementation and employee performance. These findings suggest that, in the banking industry, employee innovation has not yet become a dominant factor influencing individual performance improvement. In contrast, work efficiency was found to have a positive and significant effect on employee performance and functioned as a mediating variable in the relationship between Kaizen implementation and employee performance. These results indicate that the Kaizen philosophy is more effective in improving performance through enhanced work efficiency, reflected in streamlined work processes, improved operational effectiveness, and optimized resource utilization.

Overall, work efficiency emerged as the primary mechanism explaining the influence of Kaizen implementation on employee performance at PT XYZ in West Kalimantan, indicating that performance improvement is mainly achieved through increased efficiency driven by a continuous improvement culture.

However, this study has several limitations, including its focus on the West Kalimantan region, which limits generalizability; its cross-sectional design, which does not capture longitudinal dynamics; the limited scope of mediating variables (only employee innovation and work efficiency); and the absence of detailed respondent profile data due to company confidentiality managed by the Human Capital Management team. Therefore, future research is recommended to expand the geographical scope, increase the sample size, and incorporate additional variables such as job satisfaction, organizational commitment, employee

engagement, and transformational leadership to provide a more comprehensive understanding of the relationship between Kaizen implementation and employee performance.

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