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# Inclusive Leadership and Exploitative Innovation Capability: Implications for Tourism Performance in Borobudur National Tourism Strategic Area

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## Abstract

In the dynamic tourism business environment, competition among tourism destinations has become increasingly fierce, driving the need for innovation and sustainable competitive advantage to achieve superior tourism performance. This study aims to examine the role of inclusive leadership in fostering innovation to enhance organizational performance. Using a saturated sampling technique, data were collected from 110 managers of the Borobudur National Tourism Strategic Area (KSPN) in Central Java, Indonesia. The research employs the SEM-PLS approach to analyze structural equation modeling and predict the research model for theoretical development. The findings contribute to advancements in Dynamic Capabilities Theory by demonstrating that: (1) inclusive leadership and absorptive capacity positively influence exploitative innovation capabilities; (2) exploitative innovation capabilities positively affect both organizational and innovation performance; (3) exploitative innovation capabilities mediate the relationship between inclusive leadership and organizational performance; (4) absorptive capacity positively influences innovation performance; and (5) innovation performance positively impacts organizational performance. These insights provide valuable implications for developing sustainable tourism destinations through leadership and innovation strategies.

## Keywords

Inclusive leadership, exploitative innovation capability, absorptive capacity, innovation performance, and tourism performance

## INTRODUCTION

In recent years, more and more tourism businesses have emerged. The increasing number of new tourism destinations forces tourist destinations to remain able to survive by maintaining their existence to meet tourist needs. Tourism is a very competitive service sector in facing increasing customer demand, which requires creativity in human resources and commitment to improving service quality (Hoang et al., 2021). Tourism performance is the main focus in implementing measures to ensure competitiveness and sustainability. Important factors that determine performance according to Almatrooshi et. al. (2016) is leadership. Tourism organizations can employ empowering leadership, which has emerged as an inclusive leadership style (Carmeli et al., 2010) which can encourage improvements in employee innovation behavior, employee

performance and team performance Mitchell et al. (2015); Nishii, (2013); Nishii & Leroy, (2022) and are expected to be able to overcome challenges and achieve successful tourism performance.

Current inclusive leadership studies mainly focus on the influence of inclusive leadership on employees' psychological attitudes and behavior at the individual level (Carmeli et al., 2010; Choi et al., 2015; Jiang et al., 2022). Yet there is little research on the impact of inclusive leadership on organizational level performance Gong et al. (2021), in particular tourism organizations and their impact on organizational innovation models have not been considered. This research focuses on finding methods to improve organizational performance. For continued organizational success, the field of innovation must be open to employees in their specialized roles (Qu et al., 2017).

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Innovation is a process of using new knowledge, technology and producing new or better products (Anderson, A and Li, 2014). Innovation can bring new perspectives and ideas to organizations by helping organizations gain competitive advantage, improving organizational performance and facilitating organizational development (Rosenbusch et al., 2011). Organizations in the tourism business need to aim at service innovation in tourism including tourist desires, resource availability and organizational competence, and the adoption of technology that enables tourism innovation and effective service delivery (Bodolica et al., 2020). Organizations also need to adapt the way they view the risks and benefits of innovation initiatives (Marshall et al., 2021). Thus, organizations that are able to innovate will be able to maintain their competitive advantage and performance (Argote & Ingram, 2000; Mahmoud M. Migdadi, 2021).

One innovation that must be considered to increase competitiveness and organizational survival is exploitative innovation (Su et al., 2022). This research focuses on exploitative innovation, considering that exploratory innovation tends to respond to changing customer needs and generate long-term profits and is risky and incurs a lot of costs (tends to be very expensive to implement) (Schamberger et al., 2013). Meanwhile, exploitative innovation tends to generate long-term profits that can be reinvested in exploration activities (Schamberger et al., 2013). Exploitative innovation can also increase the short-term efficiency of the organization and improve organizational performance through increasing organizational income (Gong et al., 2021).

Exploitative innovations can be influenced by absorptive capacity (Chang et al., 2019). Absorptive capacity is defined as the ability of an organization to acquire external knowledge, assimilate it and exploit it (Pinheiro et al., 2022). Absorptive capacity represents the background structure that enables an organization to exploit and explore acquired, transformed, and newly created knowledge. Absorptive capacity is the relationship between an organization's internal ability to develop new products and improve existing ones on the one hand and its external base of information and opportunities on the other (Song, 2015). Absorptive capacity plays a fundamental role in the development of an organization's innovative capabilities and

performance (Ali et al., 2016a; Camisón & Villar-López, 2014; Cepeda-Carrion et al., 2012).

This research is interested in investigating the influence of inclusive leadership on performance in tourism organizations by examining the role of exploitative innovation capability, absorptive capacity and innovation performance in the Borobudur National Tourism Strategic Area (KSPN), Central Java, Indonesia. This research seeks to answer whether exploitative innovation capabilities can influence tourism performance. The situation in tourism requires new challenges and future opportunities (Morrison & Coca-Stefaniak, 2020).

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Inclusive Leadership and Exploitative Innovation Capabilities

From the perspective of dynamic capability theory, it can be explained that when an organization is oriented towards creating and maintaining competitive advantage, it requires a leader who is able to meet the diverse needs of employees. The leader's ability to meet the diverse needs of employees has a major impact in stimulating employee morale (Shore et al., 2018). Especially in the hospitality sector, including tourism destinations, leaders' abilities are expected to be able to respond to external demands, technological advances and increasing competition (Jolly & Lee, 2021). Given the dynamic nature of tourist destinations, organizations must continue to evolve in order to survive. This requires the ability of a leader who is able to encourage various contributions from each individual and even help group members contribute fully (Randel et al., 2016).

Inclusive leaders can meet the diverse needs of employees, focus on organizational and employee stability, recognize employee contributions (Carmeli et al., 2010) and increasing cohesion, thereby promoting full exploration and utilization of existing organizational knowledge. Inclusive leadership represents invitation and appreciation for employee contributions (Gong et al., 2021). Even low-level employees tend to feel supported and believe that leaders see followers as important members of the organization (Edmondson, 2006).

In tourism organizations, tourism stakeholders must operate in a socially

responsible manner, and innovative approaches are needed that enable quality improvements to be able to meet tourist needs (Ropret et al., 2014). For this reason, innovation in tourism destinations is very important. This research offers incremental innovation. Because incremental innovation provides rapid knowledge and information updates, as well as responding to external challenges faced by the organization (Gong et al., 2021). Leaders must assess uncertainty and risk while pursuing organizational and business growth (Molm et al., 2000).

Exploitative Innovation Capabilities allow organizations to avoid the costs of coordinating technology, markets and design capabilities, which can serve as a source of faster profits (Kollmann & Stöckmann, 2014). When facing high risks and uncertainty, inclusive leaders are able to consolidate organizational flexibility and stability and jointly discuss solutions with employees based on available knowledge and technology (Carmeli et al., 2010; Javed et al., 2019). Thus, a hypothesis is proposed to explain the relationship between inclusive leadership and Exploitative Innovation Capabilities, namely:

H1: Inclusive leadership has a positive effect on Exploitative Innovation Capabilities.

### **Exploitative Innovation Capabilities and Organizational Performance**

Competition and growth in science and technology motivate organizations to innovate, because innovation is an important instrument of an organization's growth strategy to remain able to survive and achieve competitive advantage. Exploitative Innovation Capabilities advocate the use of existing knowledge or technology to improve and perfect products or services, often bringing incremental innovation outcomes and benefits to the organization (Jansen et al., 2009). Exploitative Innovation Capabilities can provide relatively stable rewards and benefits for the organization (Gong et al., 2021).

Tourism performance can increase if tourist attraction is high. Tourist attraction can be realized through fulfilling tourist needs. Current tourism trends are created to meet tourist needs. Existing tourism trends are a form of exploitative innovation in tourist destinations. The results of existing research also confirm that Exploitative Innovation Capabilities have a positive and significant influence on the efficiency and effectiveness of

organizational performance (Berraies & Bchini, 2019). Thus, a hypothesis is proposed to explain the relationship between exploitative innovation capabilities and organizational performance, namely:

H2: Exploitative Innovation Capabilities have a positive effect on Organizational Performance

### **Exploitative Innovation Capability mediates Inclusive Leadership and Organizational Performance**

This research uses a perspective from dynamic capability theory, therefore those with greater dynamic capabilities will outperform organizations with smaller dynamic capabilities (David J. Teece; Gary Pisano; Amy Shuen, 2009). The dynamic capabilities framework explains the sources of competitive advantage. The competitive process or improvement of organizational performance is where the organization identifies opportunities, then invests to seize these opportunities to improve its organizational capabilities. Innovation can be said to be an organizational capability because it is an action that deploys resources with new capabilities to create value (Yang et al., 2009).

Innovation capabilities play a key role in the survival and growth of organizations (Francis & Bessant, 2005). Innovation capability is also considered an important means of achieving an organization's competitive advantage and sustainable success (Liao et al., 2017). Innovation capability is an organization's capacity to develop new products through innovative behavior, strategic capabilities and technological processes (Wang & Ahmed, 2004). Ambidexterity innovation, which combines exploratory innovation and exploitative innovation, enables organizations to develop existing capabilities and explore new opportunities to improve short-term and long-term performance (Voss & Voss, 2013).

Based on the results of previous research, it shows that exploitative innovation has a strong impact on performance (Gong et al., 2021). Exploitative innovation builds on existing knowledge and strengthens existing skills, processes, and structures (Jansen et al., 2006). The challenge to improve performance in tourism destinations today is to try to be better than competitors by meeting the needs and desires of tourists.

With inclusive leadership, it emphasizes a mutually inclusive, mutually beneficial relationship between the leader and his subordinates. Inclusive leadership conveys organizational signals to employees that they dare to think, innovate and change. Inclusive leaders focus on differentiating between employee needs and increasing employees' sense of identity in the organization, thus inclusive leadership can support a harmonious work atmosphere so that ultimately inclusive leadership can improve organizational performance.

Through dynamic capabilities theory, which is a general theory of competition which shows that the basis for competitive advantage or sustainable organizational performance lies in organizational resources that are able to integrate, build and reconfigure specific internal and external capabilities of the organization in response to changes in its environment (David J. Teece; Gary Pisano; Amy Shuen, 2009). The greater the inclusive leadership efforts in tourism destinations, the better the organization's ability to develop innovation capabilities, which will then further improve the performance of tourism destinations. Based on the conceptual reasoning that has been built in the relationship between inclusive leadership, Exploitative Innovation Capabilities and organizational performance, the following hypothesis is built:

H3: Exploitative Innovation Capabilities mediate inclusive leadership and organizational performance.

### **Absorptive Capacity and Exploitative Innovation Capability**

Through absorptive capacity, organizations are able to expand their knowledge and skills base, increase their ability to assimilate, utilize future information and ultimately increase innovation (Jansen et al., 2006). In addition, an organization's ability to change and exploit knowledge can determine the level of organizational innovation, such as faster problem-solving capabilities and increased quick reactions to new information (Jiménez-Jiménez & Sanz-Valle, 2011). Organizations that present a higher level of absorptive capacity can use knowledge generated by other organizations, and therefore should have a greater ability to innovate (Nieto & Quevedo, 2005). Therefore

when an organization has a higher absorptive capacity, it exhibits a higher level of innovation (Song, 2015).

There are several empirical studies of the relationship between absorptive capacity and innovation (Tsai, 2001; Spithoven et al., 2010). Tsai, (2001) showed that absorptive capacity significantly influences organizational innovation, higher absorptive capacity is associated with better opportunities to successfully apply new knowledge towards commercial goals and generate more innovation. Spithoven et al., (2010) argue that absorptive capacity is a prerequisite for unlocking innovation that organizations in traditional industries must build absorptive capacity to convert externally available knowledge into innovative products and services. Thus, a hypothesis is proposed to explain the relationship between absorptive capacity and Exploitative Innovation Capabilities, namely:

H4: Absorptive capacity influences Exploitative Innovation Capabilities.

### **Absorptive Capacity and Innovation Performance**

Zahra & George (2002) argue that the absorptive capacity of an organization can be a source of competitive advantage. A & Levinthal (1990) explains absorptive capacity related to innovative capabilities, innovative performance, and the formation of expectations. Absorptive capacity influences the effectiveness of innovation activities (Chen et al., 2009). Absorptive capacity is one of the most important determinants of an organism's ability to acquire, assimilate, and effectively utilize new knowledge to enhance innovation (Ali et al., 2016).

Organizations with well-developed absorptive capacity are more likely to pursue product, process, and management innovation. Organizations with strong absorptive capacity are able to acquire new external knowledge, combine acquired knowledge with previous related knowledge, and transform and exploit new knowledge in product, process, and management innovation (Leal-Rodríguez et al., 2014). As a result, organizations make efforts to increase the absorptive capacity to acquire, assimilate, transform, and exploit new and external knowledge, which contributes to achieving high performance in product, process, and management innovation. Thus, a hypothesis

is proposed to explain the relationship between absorptive capacity and innovation performance, namely:

H5: Absorptive capacity has a positive effect on innovation performance.

#### **Exploitative Innovation Capabilities and Innovation Performance**

Exploitative Innovation Capabilities are the ability to create exploitative innovations, characterized by being able to create and commercialize products, services and improve business models based on meeting customer or market needs. Exploitative innovation capabilities are built on existing knowledge and skills, exploitative innovation can improve innovation performance, capture the quantity and/or quality of innovation results (He & Wong, 2004). Exploitative innovation capabilities build on existing knowledge and skills.

Exploitative innovation aims to respond to current environmental conditions by adapting existing technology to meet customer needs (Lubatkin et al., 2006). It involves the most successful use and exploitation of existing knowledge in an environment favorable to refinement, efficiency, production, and execution (James, 1991). Exploitative innovation can facilitate innovative performance by emphasizing incremental improvements in existing technologies, products, and markets (He & Wong, 2004). Thus, a hypothesis is proposed to explain the relationship between Exploitative Innovation Capabilities and innovation performance, namely:

H6: Exploitative Innovation Capabilities have a positive effect on innovation performance.

#### **Innovation Performance and Organizational Performance**

Different theories reveal that innovation performance is essential for better organizational performance (García-Morales et al., 2012). According to marketing theory, organizations that concentrate on speed of innovation gain a larger market share, which results in high revenues and high profitability. Strategic theory emphasizes that organizations that adopt innovation first are able to create isolation mechanisms. Because knowledge about the innovation is not available to competitors, this mechanism protects profit margins, allowing the organization to gain important benefits.

Likewise, resource and capability theory posits that the capabilities, resources, and technologies required to adopt an innovation make external imitation more difficult and enable organizations to maintain competitive advantage and obtain greater organizational performance (Lengnick-Hall, 1992). Thus there is a positive relationship between innovation performance and organizational performance (Zahra et al., 2000). Organizations with greater innovation performance will achieve better responses to improve organizational performance and consolidate sustainable competitive advantages (García-Morales et al., 2012). Thus, a hypothesis is proposed to explain the relationship between innovation performance and organizational performance, namely:

H7: Innovation performance has a positive effect on organizational performance.



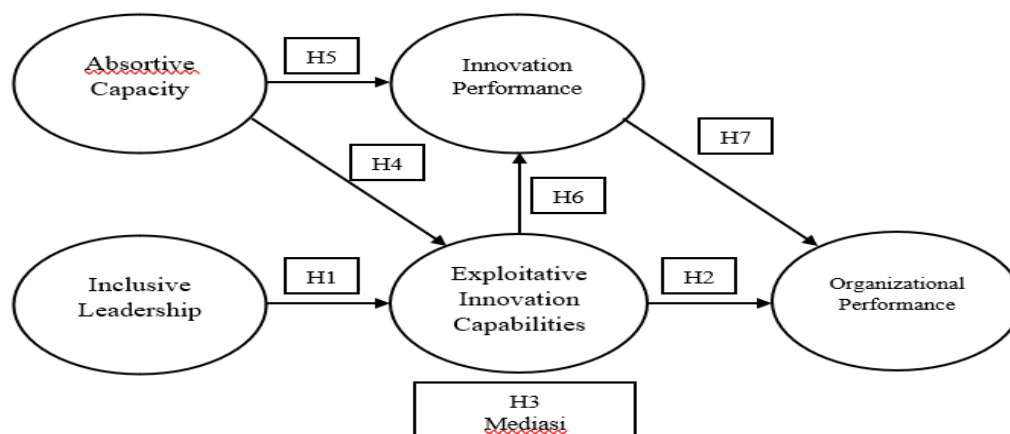


Figure 1.  
Conceptual Model

## METHODS

### Determination of Population and Sample

The population of this study was 148 tourism destination managers in the KSPN Borobudur area, Central Java, Indonesia who were registered with the Tourism, Youth and Sports Office of Magelang Regency, Indonesia in 2023. This research used a saturated sampling technique, for the reason that the population was relatively small. The samples involved in this research were 110 tourist destination managers in the KSPN area. According to Hair et al., (2017) The use of small samples between 35-50 in SEM-PLS can still be used on the grounds that there are no identification problems or the model can still be estimated and achieves fairly high statistical power.

In total, this research sent 148 questionnaires to 148 tourism destination managers in the KSPN Borobudur area, Central Java, Indonesia. There were 115 returned questionnaires, and 110 questionnaires that could be used. Most managers are men (88%); with responsible status (49.1%); have at least 20.9% undergraduate; and have experience in the current position of 2 to 5 years (60%).

### Research Instrument

This research uses survey research design and questionnaires as instruments. The inclusive leadership variable is measured using nine items based on Carmeli et al. (2010); Gong et al. (2021) using a five-point Likert scale ranging from (1) strongly disagree

to (5) strongly agree. A sample item is "leaders are open to discussions." The absorptive capacity variable is measured using twelve items based on A & Levinthal, (2012); Ali et al.(2016a); Flatten et al. (2011); Lim & Ok (2023) using a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. A sample item is "organizations get information quickly." The innovation performance variable is measured using five items based on Hogan & Coote, (2014); Gürlek & Çemberci, (2020); Farzaneh et al.(2020) using a five-point scale ranging from (1) strongly disagree to (5) strongly agree. A sample item is "organizations accelerate the pace of commercialization of new products. Organizational performance variables are measured with five items based on Huselid, (2010); Singh et al., (2021); Para-González et al. (2018); Muthuveloo et al.(2017) using a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. A sample item is "the organization uses resources efficiently". The exploitative innovation capability variable was measured with nine items based on Jansen et al. (2006); Rr, (2020); Chang et al.(2019) using a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. A sample item is "the organization makes improvements to products and services".

### Data Analysis

To assess the reliability and validity of the model, this research uses outer model evaluation. Several indicators show that the loading factor value in the initial estimate shows a value of <0.5. Therefore, some invalid

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indicators will be dropped from the model. The full structural model after modification is as follows:

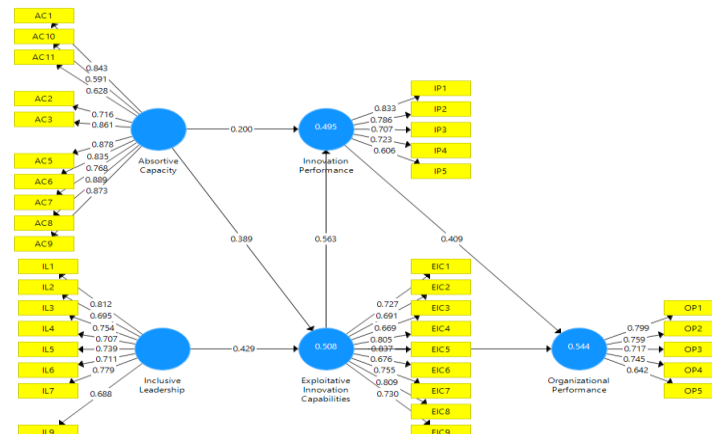


Figure 2.  
Full Structural Model

The analysis results shown in the table above show that there are 3 variable items that have factor loading values  $< 0.50$ , namely AIC4, AIC12, and IL8. Therefore, it can be concluded that the three research variable items do not pass the convergent validity test, and must be removed from the variable instrument. Then modify all variable

items to have factor loading values  $> 0.50$ . Therefore, it can be concluded that all research variable items passed the convergent validity test.

Apart from using factor loading values, convergent validity tests can also be carried out by looking at the Average Variance Extracted (AVE) values. In table 1, the AVE values for all variables are presented.

TABLE 1  
Average Variance Extracted (Ave)

	Average Variance Extracted (AVE)
Absorptive capacity	0.632
Exploitative innovation capabilities	0.557
Inclusive leadership	0.543
Innovation performance	0.541
Organizational performance	0.539

Source: Primary data processed, 2023

In the convergent validity test, an indicator is said to be valid if the Average Variance Extracted (AVE) shows a result of  $\geq 0.50$  (Hair et al., 2017). The results above show that all research variables have an AVE value  $> 0.50$ , therefore it can be concluded that all variables have good convergent validity.

The next validity test carried out on SEM PLS is discriminant validity. The results of the discriminant validity test are presented in table 2 as follows:

TABLE 2  
Discriminant Validity (Fornell-Larcker Criterion)

	Absortive Capacity	Exploitative Innovation Capabilities	Inclusive Leadership	Innovation Performance
<b>Absortive capacity</b>	0.795			
<b>Exploitative innovation capabilities</b>	0.611	0.747		
<b>Inclusive leadership</b>	0.516	0.630	0.737	
<b>Innovation performance</b>	0.544	0.686	0.499	0.735
<b>Organizational performance</b>	0.552	0.675	0.397	0.679

Source: Processed primary data, 2023

Discriminant validity testing is carried out by comparing the AVE root value of each indicator with the correlation value between other indicators. If the AVE root value obtained for each indicator is greater than the correlation value between the indicator and other indicators (Fornell-Larcker criteria), then it can be said that the variables determined in the research model are declared valid and feasible (Hair et al., 2017).

Criteria for evaluating reliability can be done using Cronbach's alpha and

composite reliability. Reliability testing is acceptable if the Cronbach's alpha value is above 0.6 (Chin W, 1998). Based on the Fornell-Lacker criteria, the critical value of composite reliability must be above 0.70 for each instrument to be said to be reliable. Table 3 presents the Cronbach's alpha and composite reliability values, as follows:

**TABLE 3**  
**Reliability (Cronbach Alpha & Composite Reliability)**

	Cronbach's Alpha	rho_A	Composite Reliability
<b>Absortive capacity</b>	0.933	0.942	0.944
<b>Exploitative innovation capabilities</b>	0.899	0.900	0.918
<b>Inclusive leadership</b>	0.879	0.883	0.905
<b>Innovation performance</b>	0.786	0.812	0.853
<b>Organizational performance</b>	0.785	0.789	0.853

Source: Processed primary data, 2023

Based on Table 3, it can be seen that the Cronbach's alpha and composite reliability values for each variable are > 0.70. This shows that all research variables have good reliability, so they are suitable to be used as instruments for subsequent research.

The structural model was evaluated using R-square. The R-Square value explains how much the exogenous (independent/free)

variables in the model are able to explain the endogenous (dependent/dependent) variables. The structural model was evaluated using R-square to explain the percentage influence of all variables. The results of the R Square evaluation are presented below, summarized in table 4 below:

**TABLE 4**  
**Evaluasi Koefisien Determinasi (R Square)**

	R Square	R Square Adjusted
<b>Exploitative innovation capabilities</b>	0.508	0.499
<b>Innovation performance</b>	0.495	0.486
<b>Organizational performance</b>	0.544	0.536

Source: processed primary data, 2023

The explanation of the R Square evaluation results is as follows:

- a. Exploitative innovation capabilities have an R Square value of 0.508, meaning that absorptive capacity and inclusive leadership are able to explain exploitative innovation capabilities by 50.8% while the remainder ( $100 - 50.8 = 49.2\%$ ) is explained by other variables outside the research model.
- b. Innovation performance has an R Square value of 0.495, meaning that absorptive capacity, inclusive leadership and exploitative innovation capabilities are able to explain innovation performance by 49.5%, while the remainder ( $100 - 49.5 = 50.5\%$ ) is explained by other variables outside the research model.
- c. Organizational performance has an R Square value of 0.495, meaning that absorptive capacity, inclusive leadership, exploitative innovation capabilities and innovation performance are able to explain organizational performance by 54.4%, while the remainder ( $100 - 54.4 = 45.6\%$ ) is explained by other variables outside the research model.

The model test in the research pays attention to the estimated model to measure the suitability of the model in the PLS-SEM context. The SRMR and NFI values are used to evaluate the extent to which the resulting model matches the data of this study, namely 0.087; while the recommended SRMR value ranges from 0 and is positive (Hair et al., 2017). Furthermore, the NFI value in this research is 0.607; The recommended NFI value varies between 0 to 1 (Hair et al., 2017). The final step in data analysis using SmartPLS is to carry out a hypothesis test of variable relationships by evaluating the bootstrapping t-values, p-values report by comparing the t-values and p-values with critical values for testing single tailed tests at a certain probability of error number. are 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.57 (significance level = 1%) (Hair et al., 2017). A construct can be said to be significant if it has a P Value score smaller than a significance score of 5% or P Value < 5% and has a T Statistics score > 1.96. The results of hypothesis testing are shown in table 5 and it can be concluded that all hypotheses are accepted.

**TABLE 5**  
**Hypothesis testing**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
<b>Absorptive capacity -&gt; exploitative innovation capabilities</b>	0.389	0.380	0.087	4.479	0.000
<b>Absorptive capacity -&gt; innovation performance</b>	0.200	0.204	0.099	2.014	0.045
<b>Exploitative innovation capabilities -&gt; innovation performance</b>	0.563	0.562	0.077	7.334	0.000
<b>Exploitative innovation capabilities -&gt; organizational performance</b>	0.394	0.401	0.105	3.766	0.000
<b>Inclusive leadership -&gt; exploitative innovation capabilities</b>	0.429	0.443	0.079	5.415	0.000
<b>Innovation performance -&gt; organizational performance</b>	0.409	0.409	0.109	3.762	0.000
<b>Inclusive leadership -&gt; exploitative innovation capabilities -&gt;</b>	0.169	0.177	0.054	3.148	0.002



## organizational performance

Source: processed primary data, 2023

### Conclusion and Discussion

Inclusive leadership in this research is reflected by the ability to listen, treat fairly and take into account the needs and interests of subordinates, thereby being able to meet the diverse needs of subordinates and have an impact in stimulating subordinates' work enthusiasm in generating new ideas. Inclusive leaders in tourist destinations are able to use their abilities by providing full support to help organizations create exploitative innovation capabilities.

In this research, exploitative innovation capabilities are able to improve existing tourism products and services and introduce tourism products and services in a better way. Exploitative innovation capabilities advocate the use of existing knowledge or technology to improve and perfect a product or service, often bringing incremental innovation outcomes and benefits to the organization. In line with research Berraies & Bchini, (2019) which states that exploitative innovation influences the efficiency and effectiveness of organizational performance. Organizational performance in tourism destinations can increase if tourist attraction is high, through exploitative innovation capabilities, organizations are able to work more effectively and efficiently to achieve increased tourist attraction.

Innovation capabilities play a key role in the survival and growth of organizations (Francis & Bessant, 2005). Organizations that are able to encourage the creation of exploitative innovation capabilities will be able to improve their organizational performance (Tushman, 2013). It can be concluded in this research that the competitive process or improvement in organizational performance can be realized by the ability to identify opportunities by creating new capabilities, especially in tourism destinations, namely being able to try to be better than competitors and realize the needs and desires of tourists. And the presence of inclusive leadership supports a harmonious work atmosphere so that ultimately inclusive leadership can improve organizational performance (Gong et al., 2021). The greater the inclusive leadership efforts in tourism destinations, the better the

organization's ability to develop innovation capabilities, which will then further improve the performance of tourism destinations.

This research shows that absorptive capacity with its indicators is able to bring organizations at tourist attractions to apply new knowledge and then produce exploitative innovation capabilities. Organizations are able to apply new knowledge to generate more innovation and utilize new knowledge effectively. This research strengthens research from (Ali et al., 2016) which states that one of the most important determining factors for increasing innovation is an organization's ability to utilize knowledge.

This research shows that absorptive capacity with its indicators is able to obtain information quickly and be managed to produce new ideas to create innovation. This research strengthens research from Song (2015) which states that an organization's ability to change and exploit knowledge, such as the ability to increase reactions to new information, can improve organizational innovation performance.

In this research, exploitative innovation capabilities can facilitate innovative performance by emphasizing gradual improvements in existing technology, products, and markets that are in line with research (He & Wong, 2004). Exploitative innovation capabilities are characterized by being able to create and commercialize products, services and improve business models based on meeting customer or market needs.

Organizations with higher innovation capabilities and outperforming competitors are more profitable and report a higher probability of survival (Tejumade V. Adeniran, 2012). It can be concluded in this research that organizations with greater innovation performance will achieve better responses to improve organizational performance and consolidate sustainable competitive advantages.

This research was conducted as an effort to answer problematic questions as well as build a new model that can bridge the research gap between inclusive leadership and

organizational performance by developing a new concept in the form of exploitative innovation capabilities. The construct of exploitative innovation capabilities as a mediating variable is proven to function optimally according to predictions and is a solution to this research gap. These findings also overcome the controversy and inconsistency of previous research results in the relationship between inclusive leadership and organizational performance. From the results of this research, it turns out that it is convincingly able to answer the research problems asked in improving organizational performance. This research also found a fit model that involves inclusive leadership, exploitative innovation capabilities, absorptive capacity, innovation performance. This model leads to organizational performance.

### Managerial Implications

This research has managerial implications that can provide input for the tourism services industry, especially in tourist destinations at KSPN Borobudur and its surroundings in Central Java. The findings of this research provide managerial guidance for focusing resources for better organizational performance by building exploitative innovation capabilities.

Organizational performance in tourist destinations can be improved by implementing inclusive leadership patterns. Organizations must realize the role of inclusive leadership in innovation and organizational performance. Inclusive leadership is able to encourage subordinates to come up with new ideas and is open to listening to new ideas so that subordinates are unable to convey it comfortably and the organization gets lots of fresh ideas for improving service quality. Inclusive leadership can be implemented by paying attention to new opportunities to improve work processes, discussing desired goals and new ways to achieve work goals and, being willing to facilitate consultation by providing a sense of comfort to subordinates. An inclusive leadership pattern can lead to the creation of exploitative innovation capabilities.

The emphasis on exploitative innovation capabilities as a means to achieve organizational performance is the ability to create exploitative innovations, exploitative characteristics are characterized by being able to create and commercialize products, services, and improve business models based on meeting customer or market needs. In

tourism destinations exploitative innovation capabilities include product or service (i.e. improving tourism products or services provided), strategic (i.e. strengthening promotion, cooperation, motivation to support tourist attractions), and technological (i.e. adopting technology to produce new approaches, developing programs new and improve service facilities with a new system that is able to encourage the realization of tourism in accordance with tourist needs).

### Research Limitations

The research respondents varied from managers, owners and/or managers at tourist destinations in the KSPN Borobudur area and surrounding areas in Central Java, so it is possible that there is a bias in perceptions of innovation. The sample size was taken from 110 tourist destinations with wide coverage and quite varied empirical findings. Where the conditions at each tourist destination are very diverse, from the condition of physical and non-physical resources. In terms of methodology, because the data were collected via a single survey at a single point in time, the results may be influenced by temporal and/or unique conditions.

#### 1. Future Research Agenda

The use of a questionnaire with a two-stage system, where in the initial stage prospective respondents are given questions about the level of understanding of each variable, if the prospective respondent reaches a certain level of understanding, then they will proceed to closed and open questions. The use of other variables that have a theoretical relationship with exploitative innovation, both endogenous and exogenous, can enrich the literature. Future research can expand its scope by collecting data in the hospitality sector, not only on tourist attractions but also on hotels and food and beverages.

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