

How to Increase Employees' Innovative Behavior? A Study in A State-Owned Electricity Company

*Muhammad Ahriansyah^{ORCID}, Fanny Martdianty^{ORCID}

Master of Management Program, Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia

Correspondence*:

Address: Jl. Salemba Raya 4, Jakarta Pusat, DKI Jakarta, Indonesia, 10430 | e-mail: ahriansyahm@gmail.com

Abstract

Objective: This research investigates the impact of high-performance human resource practices (HPHRPs) on employees' innovative behavior (EIB) both directly and through the mediating effects of work engagement (WE) and psychological capital (PsyCap) in a state-owned electricity company.

Design/Methods/Approach: The data was gathered by conducting a survey questionnaire among 722 employees who work in an electricity company. The collected data was then validated through confirmatory factor analysis. The data was analyzed using the covariance-based Structural Equation Modeling (CB-SEM) technique to test the hypotheses.

Findings: The findings indicate that HPHRP has a positive impact on Employee Innovative Behaviour (EIB), both directly and indirectly, through the mediation of Work Engagement (WE) and Psychological Capital (PsyCap) in a state-owned electricity company.

Originality/Value: This paper is unique as it provides empirical evidence on how high-performance human resource practices impact employees' innovative behavior directly and with the mediation of work engagement and psychological capital.

Practical/Policy implication: HR Managers should focus on employee participation and communication to increase employee work engagement and psychological capital, which will impact innovative behavior among employees. Researchers are encouraged to study employee and organizational performance measures other than Work Engagement and Psychological Capital influenced by high-performance work practices.

Keywords: State-owned electricity company, Employees' innovative behavior, High-performance human resource practices, Psychological capital, Work engagement

JEL Classification: M12, M54



I. Introduction

Encouraging innovative behavior among employees is critical to an organization's long-term success and growth. By fostering a culture of innovation, employees are more likely to introduce new and improved approaches to their work processes, resulting in positive outcomes and increased productivity. Therefore, it is essential for organizations to prioritize the cultivation of employee innovative behavior. (Jung & Yoon, 2018). For companies to survive and operate effectively, continuous improvement and development of products and services are necessary, requiring the collaborative efforts of all employees. Therefore, companies should enhance creativity and innovation processes among their workforce. Innovation is a key source for generating competitive advantage, significantly impacting the productivity of employees (Alshebami, 2021). Additionally, as highlighted by Iqbal et al. (2022), these innovative behaviors represent cognitive and motivational processes aimed at developing and implementing new ideas to provide solutions and address the challenges existing within the company today.

Labor productivity is a crucial factor that enhances, strengthens, and sustains a company's overall business performance. Variables such as workforce absenteeism can exert a negative impact on workplace productivity. However, conversely, when employees are present at work, they may also encounter decreased productivity and produce work of below-average quality (Mohammad et al., 2019). Furthermore, Kenny (2019) asserts that employee productivity is the outcome of employees' production within a company, facilitated by available resources. This highlights that an individual's capacity for productivity can be considered as the ratio of the resources provided by the company to the effort required to produce goods and services. These resources may include money, training, or other essentials necessary to complete an activity. Additionally, employee productivity gauges the efficiency of employees when the company supplies the required resources.

According to Olusadum and Anulika (2018), employees represent one of the most critical resources for achieving organizational goals. It is imperative to focus on fostering innovative employee behavior to enhance workforce productivity. Work engagement is a critical factor that can stimulate an increase in employees' innovative behavior. As noted by Zhang & Wang (2022), work engagement stands out as one of the most robust predictors of employee innovative behavior. The greater an employee's involvement, the more inclined they are to exert additional effort to enhance their innovative behavior, ultimately contributing to the attainment of organizational goals. Furthermore, the findings of this research align with the hypothesized significant positive impact of work engagement on innovative behavior. On a related note, Turner (2019) emphasizes that employees express themselves more physically, cognitively, and emotionally when engaged in their work. Work engagement is a method or factor contributing to employee retention within the organization. In this context, work engagement comprises three dimensions: vigor, dedication, and absorption (Schaufeli & Bakker, 2004).

Based on the findings of Slåtten et al. (2021), it is evident that Psychological Capital serves as a motivational factor. The four resources within psychological capital, namely hope, self-efficacy, resilience, and optimism, collectively exert a synergistic impact on employees' innovative behavior. The motivational influence of Psychological Capital on engaging in innovative behavior is essential for at least two reasons. First, individual innovative behavior extends beyond the responsibilities outlined in the employee's role, requiring extra effort. Second, inherent risk and potential obstacles are associated with individual innovative behavior. However, possessing a high level of Psychological Capital can empower individuals to channel energy towards more goal-directed and innovative behavior. Therefore, according to Agarwal & Farndale (2017), Psychological Capital is a crucial mediator, a fundamental characteristic of the work environment that influences an individual's capacity to execute creative ideas.

Additionally, Farrukh et al. (2022) suggest that frontline employees with high psychological resources are likely to exhibit innovative work behavior. Such employees actively contribute to generating, promoting, and implementing new ideas within their organizations, reflecting a tendency towards innovation. Human resource practices, such as providing clear career paths and performance-based rewards, endow employees with positive attributes for both current and future success (optimism). Simultaneously, job security and incentives serve as motivational factors, propelling employees to set and achieve goals, face setbacks, recover quickly, and bounce back from problems and adversity (hope and resilience) (Agarwal & Farndale, 2017).

This research aims to address the limitations identified in Goyal & Patwardhan (2021), where research examining the significance of High-Performance Human Resource Practices (HPHRPs) on Employee Work Engagement still faces constraints, particularly in studies conducted within the service sector in India. In this context, the research endeavors to overcome these limitations by conducting a study in the public utility sector in Indonesia. The effort to instill and execute novel ideas or practices within public organizations, referred to as public sector innovation (PSI), has been associated with enhanced job satisfaction, improved quality of public services, and increased citizen participation (Rogers et al., 2019; Salge et al., 2012; de Vries et al., 2015). Positioned as a developing nation in the Asia-Pacific region, the Indonesian government aims to foster a culture of innovation at the local government level (Kusumasari et al., 2019). This research also answers another limitation related to the sample size, which is small. In this study, the researcher attempted to collect a larger sample size, where a larger sample is expected to provide better accuracy for the statistical estimation. Additionally, this research aims to respond to limitations in the study conducted by Farrukh et al. (2022) that explored the relationship between high-performance work practices and employees' innovative behavior, partially

mediated by psychological capital, in different sectors and countries. The expectation is that this approach will yield different results due to variations in cultural backgrounds.

When effectively implemented within an organization, as highlighted by the findings of Goyal & Patwardhan (2021), a well-executed High-Performance Human Resource Practices (HPHRP) strategy, encompassing indicators such as internal career opportunities, extensive training, employment security, participation and communication, sensitive selection, and incentive compensation, is likely to foster a psychological and emotional impact on employees, thereby increasing their work engagement by instilling a sense of energy, enthusiasm, and concentration in their tasks. Hence, this research will concentrate on discerning the impact of implementing a management system—specifically, high-performance human resource practices—on employees' innovative behavior. This influence will be mediated by variables of employee work engagement within an electricity company. This research is different from previous research, which used organizational identification as an independent variable (such as Zhang & Wang, 2022; Mazumder et al., 2022; Collins et al., 2019). Based on previous research, which was used as a reference, this study took the HPHRPs variable as an independent variable because based on findings from Goyal & Patwardhan (2021) showed that HPHRPs had a significant effect on employee engagement. On the other hand, Farrukh et al. (2022) showed that high-performance work practices significantly impact employees' innovative behavior and psychological capital, so in this study, psychological capital and employee engagement are the partial mediators.

This study explores how high-performance human resource practices impact employees' innovative behavior through the mediation of work engagement and psychological capital. The findings are expected to bring insights for companies to enhance employees' innovative behavior, especially within state-owned electricity companies. The structure of this paper encompasses an introduction, literature review, methods, results, and discussion to conclusions.

2. Literature Review and Hypotheses Development

2.1 Theoretical Background

The research incorporates the application of the Social Exchange Theory (SET). Social exchange, a foundational concept in sociology and social psychology, seeks to elucidate the intricacies of social interactions and connections among individuals by emphasizing the principle of reciprocal giving. According to this theory, individuals are inclined to behave logically, aiming to maximize gains while minimizing losses in all their social interactions. Viewed from an organizational standpoint, the exchange of social relationships flourishes when an organization demonstrates concern for its employees (Cropanzano & Mitchell, 2005), consequently leading to enhanced positive work outcomes. Employees who receive social and economic resources from their workplace aspire to reciprocate by contributing through engagement, creativity, and innovative behaviors (Saks, 2006). The utilization of Social Exchange Theory elucidates the mechanisms that connect how organizations treat their employees to the employees' job performance (Helfers et al., 2019). According to Nazir et al. (2018), under optimal working conditions, employees generally sense support and the promotion of support, making them more inclined to reciprocate by investing additional effort in the form of Innovative Behavior and demonstrating affective commitment to their organizations. Therefore, according to SET, organizational and supervisor support, perceived as equitable by employees, is essential. Over time, this support cultivates a conducive climate that encourages and nurtures innovative behavior (Cropanzano et al., 2002).

2.2 Hypotheses Development

2.2.1 High-Performance Human Resource Practices (HPHRPs) and Employees' Innovative Behavior

Research related to strategic human resource management (SHRM) focuses on how HR practices can contribute to organizational performance and competitive advantage (Collins & Clark, 2003). Barney & Wright (1977) added that the role of HR management as an influential strategic partner in organizations and HR strategic decision-making is increasingly important. In this regard, it shows that strategic HR management practices such as high-performance human resource practices (HPHRPs) show better performance in organizations (Becker & Gerhart, 1996). According to Goyal and Patwardhan (2021), HPHRPs can be described as a set of HR practices that are harmoniously aligned to produce desired organizational outcomes and can meet the organization's goals to enhance employee motivation, capabilities, and opportunities. HPHRPs are indicated by a combination of HR practices aimed at improving organizational performance (Boselie et al., 2005). Like most existing definitions, the term HPHRPs refers to a set of HR practices intended to improve employees' skills, motivation, and opportunities to participate, which seeks to improve organizational performance.

According to Jung and Yoon (2018), members' creativity and innovative behavior are crucial for the survival and growth of an organization, with members' innovative behavior being the fundamental prerequisite for triggering organizational innovation, as the introduction of new ideas into the performance process can lead to positive outcomes such as increased productivity, while risky behavior can result in failure. West & Farr (1989) added that innovative behavior is a deliberate activity by an employee to create, propose, and realize new ideas to improve individual, departmental, and organizational performance. Although it is almost similar to creativity, innovation is broader than creativity and involves the application of ideas into practice (King & Anderson, 2002). Based on Ancona & Caldwell

(1987), innovative behavior consists of creating ideas and encompasses practices and actions based on the ideas created. This demonstrates that this behavior in organizations is crucial for sustainable competitive advantage.

According to Farrukh et al. (2022), the world's service companies are becoming complex and dynamic, forcing service companies to achieve superior performance by identifying opportunities and becoming more innovative. On the other hand, scientific research is increasingly determining what important factors influence employees' innovative behavior (EIB). EIB includes behavioral tasks that facilitate the workforce in generating, promoting, and realizing new and creative ideas from employees (Afsar et al., 2020; Zreen et al., 2021). It also refers to employees' deliberate efforts to introduce new services/products or new work methods by successfully generating, promoting, and implementing ideas (Atitumpong & Badir, 2018; Grošelj et al., 2020). Employee work behavior and human resources are the main inputs in the value-creation process, which will significantly determine the company's innovative capabilities (Akbari et al., 2021). Karatepe (2013) added that high-performance work practices greatly influence frontline service employees' performance and work-related behavior. Employees consider the presence of these practices to be a commitment and seriousness from the company in developing human resources, which is very important and has the ultimate goal of service capability and performance improvement (Tang & Tang, 2012). Thus, good human resources can facilitate management in finding ways to predict EIB effectively (Martinez-Sanchez et al., 2020). High performance human resource practices are known to enhance employee motivation. Motivated employees are more likely to engage in innovative behavior as they are driven to seek new solutions and improvements in their work. Hence, the relationship that can be suspected is:

H1: HPHRPs positively influence EIB

2.2.2 High-Performance Human Resource Practices and Work Engagement

Work engagement is generally defined as the level of commitment and involvement an employee has toward their organization and its values. When an employee is engaged, he is aware of his responsibility for the business goals and motivates his colleagues to achieve the organizational goals (Anitha, 2014). According to Gallup (2002), there are three types of employees—those who are actively involved, those who are not involved, and those who are disengaged—and employees consistently giving their best effort is achievable when they are consistently engaged, whereas those who focus solely on their tasks without contemplating the organization's goals are categorized as uninvolved, performing only what is required of them; meanwhile, disengaged individuals pose a risk to the organization, leading to poor performance that can diminish the morale of their colleagues. Additionally, May et al. (2004) define employee work engagement as how an organizational member devotes himself to work, not only cognitively but also through the flexible application of emotions and behavior. Meanwhile, according to Schaufeli and Bakker (2004), indicators that can assess employee involvement are vigor, dedication, and absorption.

An organization must consistently implement changes to tackle pressing and competitive sustainability challenges. (Millar et al., 2012). There will be a resistance reaction and rejection of the rules that will be implemented; this is one of the reasons why most changes are ineffective (Chansanam et al., 2021). On the other hand, according to (Aosa, 1992), the success of a corporation depends on achieving goals by transforming the input available to the organization into output. According to Goyal & Patwardhan (2021), organizations can increase employee work engagement by implementing High-Performance Human Resource Practices (HPHRPs). This can be achieved by focusing on employee compensation, incentives, job security, promotions, and career development. By addressing the needs and desires of all employees, organizations can foster enhanced involvement of each employee within the organization, leading to increased work engagement. Therefore, HPHRPs play a crucial role in influencing employee work engagement in their place of work. Therefore, the relationship that can be suspected is:

H2: HPHRPs positively influence WE

2.2.3 High-Performance Human Resource Practices and Psychological Capital

Psychological Capital (PsyCap) is a positive state and individual development through increasing self-efficacy, optimism, hope, and resilience (Luthans et al., 2008). Employee Psychological Capital is positively related to a pleasant work attitude (Luthans et al., 2007). Psychological Capital will determine how an individual relates to a positive assessment of circumstances, feeling safe in taking risks and reducing levels of uncertainty and stress (Agarwal & Farndale, 2017; Edmondson & Lei, 2014). Thus, employees with high Psychological Capital exhibit innovative behaviors at work (Farrukh et al., 2022). For example, self-efficacy can influence an individual's emotional response, determination, decisions, goals, and persistence (Parker, 1998). These individuals not only accept challenges and exert great effort and energy to achieve their goals but are also more persistent (Luthans et al., 2007; West et al., 2009). This belief and motivation can help them develop and have more positive expectations of future problems (Wood & Bandura, 1989).

High performance work systems attract the interest of researchers, most of whom seek to understand the impact of these practices on employee behavior and attitudes (Appelbaum et al., 2001). According to Whitener (2001), a high-performance work system, defined as an HR practice designed to enhance organizational effectiveness by fostering an atmosphere that enables full employee engagement in organizational activities to achieve predetermined goals and objectives, has the potential to influence the increased involvement of employees in their workplace. The high-

performance work system is a series of separate but interrelated HR practices that can improve employee competency, which consists of a strict recruitment and selection process, empowerment, information sharing, decision-making, participation, flexible work assignments, training, and performance assessment (Messersmith et al., 2011). Empirical studies have confirmed a positive relationship between these management practices and employee attitudes and behavior (Lepak et al., 2006).

Psychological Capital is considered a positive state of individual development through increasing self-efficacy, optimism, hope, and resilience (Luthans et al., 2008). According to Luthans et al. (2007), Psychological Capital predicts better work performance and attitudes among many individual traits that can influence organizational results and performance. Based on research findings by Abubakar et al. (2019), the implementation of HR management practices in the form of high-performance work practices not only improves employees' future time perspective and Psychological capital Cap but can also have a further impact on creating a better work environment, thereby impacting positive results related to other work. Apart from influencing employees' emotional responses, high-performance work systems can improve employee performance. The conclusion from the explanation above, the relationship that can be suspected is:

H3: HPHRPs positively influence PsyCap

2.2.4 Work Engagement and Employees' Innovative Behavior

According to Jaiswal and Tyagi (2020), employee work engagement is an important dimension that shows employee commitment to their respective tasks and their efforts to develop innovation in the workplace. As Macey et al. (2009) added, organizations increasingly try to have employees who work with dedication, enthusiasm, and high energy for sustainable profits. Involved employees, if given the freedom to make decisions within their domain, will provide better performance (Runhaar et al., 2013). On the other hand, in a long innovation cycle, any difficulties may arise unexpectedly. Therefore, only if employees persevere, face and solve difficulties, and are willing to invest time and energy in innovative activities can be achieved perfectly (Orth & Volmer, 2017).

Furthermore, when employees devote themselves to working for the company, they can find problems, get ideas for solutions, and stimulate their creativity (Sharma & Nambudiri, 2020). Meanwhile, Kim & Park (2017) stated that employee involvement is a critical component of organizational sustainability, with increased involvement leading to enhanced innovative behavior. Consequently, positive employee psychological states such as engagement can amplify motivation and the likelihood of innovative behavior in the workplace. High work engagement can lead employees to be more active in finding ways to solve existing problems and overcome difficulties in their work, which can stimulate creativity and lead to innovative outcomes. The conclusion from the explanation above, the relationship that can be suspected is:

H4: WE have a positive effect on EIB

2.2.5 Psychological Capital and Employees' Innovative Behavior

According to Luthans et al. (2007), psychological capital (PsyCap) is defined as "the state of an individual's positive psychological development." They further explained that psychological capital is characterized by (1) having the confidence (self-efficacy) to take and exert the effort necessary to succeed in challenging tasks, (2) making positive attributes (optimism) about current success and the future, (3) persevering in achieving goals and, if necessary, redirecting the path towards the goal (hope) to succeed, and (4) when faced with problems and difficulties, the person concerned can survive, rise and even surpass them to achieve success (resilience). In addition, because psychological capital is considered a positive mindset for employees, psychological capital can be increased by providing appropriate training and special development, enabling employees to have valuable and useful capital (Luthans et al., 2005).

Meanwhile, according to Seligman and Csikszentmihalyi (2001), employees with innovative behavior and creative skills play an important role in a company's growth, development, and sustainability. Therefore, companies need to take adequate measures to stimulate the willingness to innovate among their employees and improve their innovative behavior (Li & Zheng, 2014). Contreras et al. (2017) also emphasized that companies should provide employees with the essential resources and opportunities for fostering growth and enhancing their innovative nature. They should also leverage employee psychological capital, as represented by the four constructs, given their correlation with entrepreneurial intentions, particularly individual self-efficacy and resilience.

Employees with high levels of hope may also have positive intentions toward their work and create new products and services that benefit their company (Alshebami, 2021). Therefore, employees' intentions and self-efficacy may have many factors influencing them because psychological capital is about one's beliefs and perceptions of one's abilities (Caza et al., 2010). Based on the findings of Alshebami (2021), psychological capital has been demonstrated to positively influence employees' innovative behavior, considering it a crucial factor in encouraging overall employee performance and attitudes at work, linked to positive emotions that foster a conducive environment for innovation; the study recommends a focus on increasing employees' positive psychological capital to maximize benefits for the company, promoting the development of innovative products and services, and concurrently enhancing employees' confidence levels in goal achievement and overcoming challenging difficulties, as high psychological capital is associated with elevated

levels of creativity, hope, and optimism. The conclusion from the explanation above, the relationship that can be suspected is:

H5: PsyCap has a positive effect on EIB

2.2.6 Mediating role of Work Engagement

According to Kataria et al. (2019), the strategic management system, exemplified by High-Performance Human Resource Practices (HPHRPs), positively influences employee engagement as positive experiences stemming from established organizational policies, including incentives, compensation, continuous training, and robust career opportunities, impact employees' willingness to exert effort and provide positive feedback to the company, fostering a sense of obligation to reciprocate the company's investment by making a more significant contribution to their work. The findings from Wang et al. (2021) show that employee involvement has a positive impact on employee innovative behavior. When employee involvement increases, employees will contribute more time and energy to work anywhere and anytime, which leads to an increase in innovative behavior from these employees. The conclusion from the explanation above, the relationship that can be suspected is:

H6: WE positively mediate the relationship between HPHRPs and EIB

2.2.7 Mediating role of Psychological Capital

Abubakar et al. (2019) found that a high-performance work system positively affects psychological capital. This is based on the fact that the more an organization invests in strategic HR practices such as HPWS, the more it will impact positive results for work. In this case, the implementation of strategic management such as HPWS must specifically focus on emotions and developing the employees' work environment to make it healthier to increase employees' psychological capital where; this will then have a further impact on the output produced by employees as desired, which can be in the form of increasing employee creativity, giving rise to innovative employee behavior, and having an impact on increasing performance. Meanwhile, Mutonyi's (2021) findings show that psychological capital has a significantly positive impact on employee innovative behavior; the higher the self-efficacy, hope, resilience, and optimism of employees will impact increasing employee innovative behavior. This finding is still in line with the findings of previous studies, which showed the same results regarding the relationship between PsyCap and employee innovative behavior; the higher the PsyCap level, the stronger the impact on employee innovative behavior. However, based on the findings of Farrukh et al. (2022), it is evident that the implementation of high-performance work practices significantly enhances employees' innovative behavior, both directly and mediated by PsyCap. The conclusion from the explanation above, the relationship that can be suspected is:

H7: PsyCap positively mediates the relationship between HPHRPs and EIB

3. Method

3.1 Research Context

State-owned enterprises (SOEs) are a common and significant tool in delivering public services (Florio, 2014; Kowalski, 2013). Bruton et al. (2015) state that SOEs contribute about 10% of global gross domestic product. They are an essential foundation for global employment and the economy (Ennsler-Jedenastik, 2014; Kankaanpää et al., 2014; Ysa et al., 2012). In Indonesia's economic structure, state-owned enterprises (SOEs) are pivotal. The current issue revolves around how SOE enhancements can aid emerging markets, such as Indonesia, in addressing diverse development challenges. Proficient SOEs have the potential to serve as catalysts for inclusive economic growth and development in increasingly emerging markets. In Africa, SOEs are estimated to contribute 15 percent to the Gross Domestic Product (GDP), surpassing 50 percent in the Middle East and North Africa. In Asia, including Indonesia, China, and India, the substantial role of SOEs in GDP stands at around 6 percent, while in Latin America (Brazil, Mexico, and Argentina), it reaches 8 percent (Armstrong, 2015).

Based on data presented by the Total Economy Database from 2013 to 2022, the labor productivity per person employed in five Southeast Asian countries—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—indicates that Indonesia ranks among the countries with the lowest productivity, surpassing only the Philippines. In this context, labor productivity per employee is derived from the value added to the business in goods, services, or both, calculated based on the number of employees available to generate that value. Although the trend suggests a continuous increase compared to Malaysia, let alone Singapore, labor productivity per person employed in Indonesia lags significantly behind these neighboring countries. More specifically, within the scope of this research, the productivity of a state electricity monopoly company, measured by sales (MWh)/employees, is notably lower than that of other neighboring countries. This research aims to address this gap by investigating the impact of HR management's strategic role on employees' innovative behavior to enhance employee productivity through more creative and efficient work completion.

The urgency for Indonesia to establish a competitive corporation with regional or global reach is heightened amid the challenges of a dynamic and turbulent business environment characterized by the disruption era (Pranoto, 2017). Encouraging an expanded role for State-Owned Enterprises (SOEs) is essential to revitalizing the concept of "Indonesia Incorporated." This involves initiatives to elevate both state-owned enterprises and private partners, fostering

economic growth in the country (Aviliani et al., 2014). This is crucial as State-Owned Enterprises (SOEs) remain among the entities that the state heavily depends on the growing number and significance of State-Owned Enterprises (SOEs) necessitate specific attention from the government (Liu, 2009; Arocena & Oliveros, 2012; Swiatczak et al., 2015). Adverse occurrences, such as mismanagement and service malfunctions, heighten public pressure on the government to enhance the governance of SOEs. Both the public and the business community are increasingly questioning the transparency and democratic oversight of SOEs. Criticisms are directed at SOEs prioritizing profits over public services and engaging in unhealthy competition (Bruton et al., 2015; Grossi & Thomasson, 2011; Swiatczak et al., 2015).

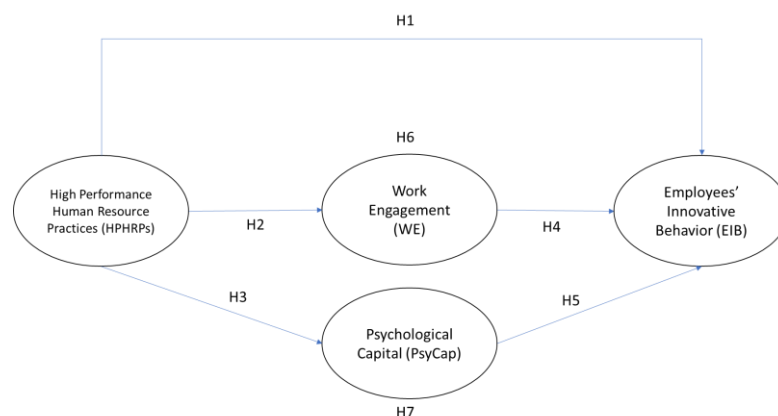


Figure 1. The Proposed Model

3.2 Participants and Procedures

This research relies on analyzing quantitative data gathered through purposive random sampling. The sample comprises active employees of state-owned electricity companies, each with a minimum work period of 1 year and a permanent employment status (excluding outsourcing and non-fixed work agreements). The total sample size for this study was 722 individuals. Questionnaires were distributed online to each employee via email. The questionnaire covers employee perceptions concerning key variables: high-performance human resource practices, psychological capital, work engagement, and employees' innovative behavior. Each respondent will receive a survey consisting of consent questions, filter questions, filling instructions, core questions related to the identified variables, and questions regarding respondent profiles. All information from this questionnaire will be treated as confidential and processed solely by researchers for academic purposes. The questionnaire comprises a total of 57 questions.

The implementation stages of this questionnaire test are delineated as follows. In the initial phase, the researcher enlisted five target respondents to conduct proofreading, aiming to gain insights into questions or language elements that might be challenging to comprehend. This step aimed to enhance clarity for a broader audience. Subsequently, a pretest involved distributing questionnaires to 50 employees of state-owned electricity companies to assess validity and reliability using SPSS software. The primary test will undergo data analysis using Structural Equation Modeling (SEM) software. During pretest data processing, validity is assessed by examining the component matrix values, considering values above 0.5 as satisfactory (Field, 2005). Meanwhile, as per Malhotra's criteria (2009), reliability deems test results reliable if the obtained Cronbach's Alpha values are equal to or exceed 0.60. Data processing results revealed two indicators with matrix component values below 0.50. Despite this, they are retained in the research, assuming that increasing the sample size will render these indicators valid. All Cronbach's alpha values surpass 0.60, affirming the reliability of all dimensions within each variable.

3.3 Measures

This study adopted 22 22-item scales developed by (Wei et al., 2010) to measure high-performance human resource practices with dimensions consisting of internal career opportunities, extensive training, employment security, participation and communication, sensitive selection, and incentive compensation. To measure employee engagement, researchers used a questionnaire developed by (Schaufeli & Bakker, 2004), which consists of 17 question items with the dimensions of vigor, absorption, and dedication. In measuring employee Psychological Capital, this research utilized a questionnaire from Luthans et al. (2008) comprising 12 questions, a simplified version of the 24-question questionnaire by Luthans et al. (2007). The adoption of the 12-item scale aligns with previous studies (Farrukh et al., 2022). The dimensions of Psychological Capital consist of hope, self-efficacy, resilience, and optimism. Finally, to measure the dependent variable in this research, namely employees' innovative behavior, the researchers adopted a questionnaire developed by Monica Hu et al. (2009) consisting of 6 questions. Employees' responses were taken on a seven-point likert scale. As for demographic questions, in this case, the researcher made this questionnaire anonymous to minimize possible bias. This demographic question includes gender, length of work, highest level of education, position level, and employee work unit.

In the measurement model analysis, this research uses the reference Hair et al. (2019) explained that factor loading is the correlation between the original variable, and a higher factor loading indicates that the variable better represents a particular factor. The standardized loading factor estimate that is considered reasonable is 0.5 or higher. A variable's Indicators can be considered valid if they meet the SLF or loading factor of more than or equal to 0.50. Next, to assess reliability, the researcher can look at the Construct Reliability (CR) and Average Variance Extracted (AVE) values. A construct is considered reliable if the CR value exceeds 0.7 and the VE value exceeds 0.5. As shown in Table 1, four indicators have SLF values below 0.5, namely IC5, V4, V6, and A1. However, indicators with an SLF value below 0.50 are still maintained as measuring tools in this case. According to Hair et al. (2019), the SLF range of 0.30-0.40 can still meet the minimum value provided the minimum sample size is 350 or more. Meanwhile, after carrying out the second-order test for variables that have multiple dimensions, the results obtained were all valid indicators. On the other side, several dimensions of the existing variables have an AVE value of less than 0.5, such as the dimensions of sensitive selection and incentive compensation in the HPHRPs variable and absorption in the work engagement variable. However, according to Fornell & Larcker (1981), if the AVE value is below 0.5 but has a CR value of more than 0.6, then it is still acceptable. So, it can be concluded that all variables are acceptable and reliable.

Table 1. SLF, t-value, composite reliability, and average variance extracted

First Order Construct	Second Order Construct	Indicators	Standardized Loading Factor (SLF)	Composite Reliability (CR)	Average Variance Extracted (AVE)
	High Performance	ICO	0.84	0.94	0.71
	Human Resource Practices	ET	0.81		
		ES	0.85		
		PAC	0.91		
		SS	0.87		
		IC	0.77		
Internal Career Opportunities		ICO1	0.63	0.69	0.53
Extensive Training		ICO2	0.82		
		ET1	0.78	0.89	0.66
		ET2	0.81		
		ET3	0.84		
		ET4	0.83		
Employment Security		ES1	0.78	0.68	0.52
		ES2	0.66		
Participation and Communication		PAC1	0.78	0.88	0.65
		PAC2	0.86		
		PAC3	0.84		
		PAC4	0.73		
Sensitive Selection		SS1	0.80	0.83	0.49
		SS2	0.63		
		SS3	0.77		
		SS4	0.75		
		SS5	0.52		
Incentive Compensation		IC1	0.69	0.79	0.44
		IC2	0.72		
		IC3	0.71		
		IC4	0.75		
		IC5	0.39		
	Work Engagement	V	0.94	0.85	0.67
		D	0.95		
		A	0.45		
Vigor		V1	0.87	0.86	0.53
		V2	0.93		
		V3	0.83		
		V4	0.40		
		V5	0.70		
		V6	0.49		
Dedication		D1	0.83	0.91	0.66
		D2	0.89		
		D3	0.88		

First Order Construct	Second Order Construct	Indicators	Standardized Loading Factor (SLF)	Composite Reliability (CR)	Average Variance Extracted (AVE)
		D4	0.78		
		D5	0.66		
Absorption		A1	0.41	0.84	0.44
		A2	0.60		
		A3	0.54		
		A4	0.82		
		A5	0.90		
		A6	0.77		
	PsyCap	SE	0.86	0.96	0.87
		O	0.97		
		R	0.93		
		H	0.98		
Self-Efficacy		SE1	0.90	0.91	0.78
		SE2	0.90		
		SE3	0.85		
Optimism		O1	0.83	0.87	0.69
		O2	0.82		
		O3	0.84		
Resilience		R1	0.82	0.78	0.55
		R2	0.69		
		R3	0.70		
Hope		H1	0.88	0.80	0.57
		H2	0.70		
		H3	0.67		
Employees Innovative Behavior		EIB1	0.90	0.95	0.77
		EIB2	0.87		
		EIB3	0.86		
		EIB4	0.90		
		EIB5	0.88		
		EIB6	0.86		

4. Result and Discussion

4.1 Sample profile

From the total sample of 722 employees, the sample profile on different parameters was categorized to know more about the sample demographics (see Table 2). The sample consists of 23.13% female respondents and the rest, 76.87% male respondents. In total, 88.08% of the respondents are in the supervisor/functional 4-6 position level, 9.28% in the lower management level, 2.22% in the middle management level, and only 0.42% of the respondents are from the top management level. About 10.66% of the respondents have a work experience of 1–5 years, 35.32% have a work experience of 6–10 years, 23.13% have work experience of 11–15 years, and the rest, 30.88% of respondents have work experience of >15 years. The respondents' educational qualifications include high school or equivalent, diploma, graduation, and post-graduation. About 18.42% of respondents have high school or equivalent backgrounds, diplomas around 19.80%, graduation 55.26%, and post-graduation 6.51%.

4.2 Testing the hypothesis

The hypotheses were tested, and the results provided evidence that the model fit well. The obtained value for RMSEA = 0.078; GFI = 0.90; NFI = 0.98; NNFI = 0.98; CFI = 0.98; IFI = 0.98 and RFI = 0.98. One criterion indicates marginal fit, namely PNFI = 0.84. Of the seven good fit indicators and one marginal fit indicator, each represents absolute fit measures, incremental fit indices, and parsimonious fit measures. So, it can be concluded that this research model fits well and is acceptable. The composite reliability for all the HPHRP, WE, PsyCap, and EIB factors is above 0.7. SEM was carried out to test the relationship between the independent variable, namely HPHRP, and the dependent variable, namely EIB, with two mediating variables, namely work engagement and psychological capital, using a sample of 722. The results indicate that all seven hypotheses are supported because of a significant relationship between all the variables. The results are shown in Figure 2 and Table 2. The results show HPHRPs and EIB ($\beta = 0.10$, $p < 0.001$) supporting H1; HPHRPs and WE ($\beta = 0.76$, $p < 0.001$) supporting H2; HPHRPs and PsyCap ($\beta = 0.65$, $p < 0.001$) supporting H3; WE

and EIB PsyCap ($\beta = 0.17, p < 0.001$) supporting H4; PsyCap and EIB ($\beta = 0.63, p < 0.001$) supporting H5; HPHRPs and EIB through WE ($\beta = 0.13, p < 0.001$) supporting H6 and HPHRPs and EIB through PsyCap ($\beta = 0.41, p < 0.001$) supporting H7.

Table 2. Demographic Characteristics of the sample

Variables	Number	%
Gender		
Male	555	76.87%
Female	167	23.13%
Work Experience		
1-5 years	77	10.66%
6-10 years	255	35.32%
11-15 years	167	23.13%
>15 years	223	30.88%
Education		
High School or Equivalent	133	18.42%
Diploma	143	19.80%
Graduation	399	55.26%
Post-Graduation	47	6.51%
Position Level		
Supervisor/Functional 4-6	636	88.08%
Lower Management	67	9.28%
Middle Management	16	2.22%
Top Management	3	0.42%

4.3 Discussion

The results have shown the direct and indirect impact of HPHRPs on EIB. The model confirms that HPHRPs significantly positively influence EIB both directly and through mediation. The results confirm that when an organization practices HPHRPs and promotes internal career opportunities, training, participation, and communication, provides job security and incentives, and wisely selects candidates. The employees of such organizations likely feel more enthusiastic, concentrated, and energetic towards the work. It also impacts workers' psychology; in this case, it can increase employees' hope, self-efficacy, resilience, and optimism. Employees tend to show innovative behavior to contribute more to the company when all these aspects are affected.

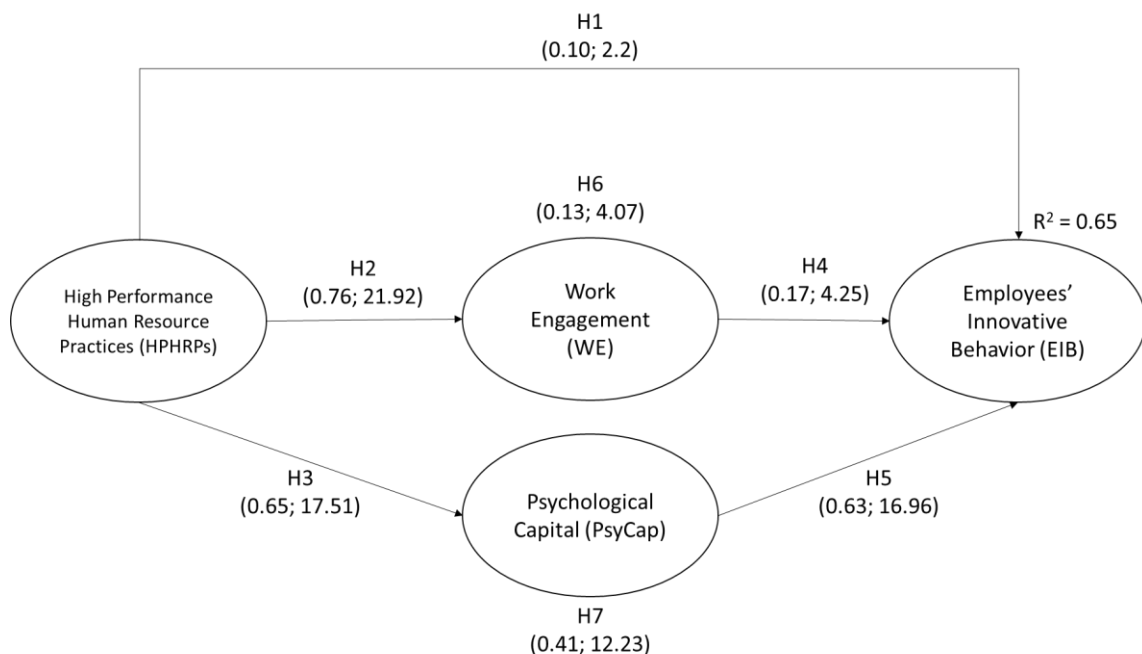


Figure 2. Structural Model Results

The purpose of this study was to examine the impact of HPHRP on EIB both directly and indirectly. This research shows that the implementation of HPHRP directly has a positive impact on EIB. This shows that this research supports the findings of Farrukh et al. (2022), who found a significant and positive influence on the direct relationship between HPHRPs and EIB. This research is also in line with research by Imran and Al-Ansi (2019), which found a positive and significant relationship between the implementation of HPWS management strategies and innovative work behavior. On the other side, the results indicate the critical role of HPHRP in involving employees by increasing their interest, energy, concentration, and dedication; besides that, it is also essential to pay attention to and increase employees' psychological capital by increasing employees' hope, self-efficacy, resilience, and optimism. This finding is in line with the findings of Goyal and Patwardhan (2021); the results of their research show that when an organization implements HPHRPs, it is likely to increase employee work engagement. This study verifies the positive relationship between HPHRPs and employee work engagement in a state-owned electricity company in Indonesia. This indicates that the HPHRPs have the strategic capability to engage the employees working in the state-owned company. HPHRPs such as internal career opportunities, extensive training, sensitive selection, participation and communication, employment security, and incentive compensation are a few of the practices that motivate the employees in the direction of work and work as a driving force. These findings are also consistent with the results of Kataria et al. (2019), indicating that the strategic management system, in this case, HPHRP, positively influences employee engagement. Employees who encounter positive experiences stemming from established organizational policies, such as offering incentives and compensation, providing ongoing training, and presenting favorable career opportunities, will likely contribute to a sense of exertion or positive employee feedback for the company.

This study also verifies the findings of Farrukh et al. (2022) regarding the positive impact of implementing HPHRPs on employees' psychological capital, consisting of hope, self-efficacy, resilience, and optimism. This is in line with the findings of Abubakar et al. (2019), who found that a high-performance work system has a positive effect on psychological capital. This is based on the fact that the more an organization invests in strategic HR practices such as HPWS, the more it will impact positive results for work. In this case, the implementation of strategic management such as HPWS must specifically focus on emotions and developing the employees' work environment to make it healthier to increase employees' psychological capital. Table 3 shows that HPHRPs have a higher influence on WE than on psychological capital, meaning the implementation of HPHRPs contributes more to work engagement than psychological capital. This study's results align with previous research conducted for hypotheses, except for the relationship between HPHRPs and EIB. The testing of H2 shows that HPHRPs are an important predictor of WE. The H3 testing results show a positive relationship between HPHRP and PsyCap, which can be interpreted as when employees receive internal career opportunities, extensive training, sensitive selection, rewards, employment security, and recognition through participation, they experience a feeling of importance and appreciate, end up can increase their psychological capital in terms of optimism, resilience, self-efficacy, and hope. The results of H4 and H5 concluded that work engagement and psycap have a positive impact on EIB which is aligned with the previous study of Farrukh et al. (2022) and Zhang & Wang (2022). The results conclude that if the organization implements HPHRP, the employees there will feel more obliged and happier and, in return, will be more involved in work and experience an increase in their psychological capital, which ultimately has an impact on providing more innovative behavior for better company productivity. Meanwhile, the results of H6 and H7 show that the impact of HPHRPs on EIB, when mediated by WE and EIB, is significant and positive. When the implementation of HPHRPs impacts employee motivation and psychological factors, in this case, WE and PsyCap, it will further increase the innovative behavior of these employees.

Table 3. Results of hypothesis testing

No	Hypothesis	Path Coefficient	p-value	t-value	Findings
H1	HPHRPs -> EIB	0.10	<0,001	2.2	Supported
H2	HPHRPs -> WE	0.76	<0,001	21.92	Supported
H3	HPHRPs -> PsyCap	0.65	<0,001	17.51	Supported
H4	WE -> EIB	0.17	<0,001	4.25	Supported
H5	PsyCap -> EIB	0.63	<0,001	16.96	Supported
H6	HPHRPs -> WE -> EIB	0.13	<0,001	4.07	Supported
H7	HPHRPs -> PsyCap -> EIB	0.41	<0,001	12.23	Supported

5. Conclusion

This study investigated the relationship between HPHRP and EIB, both directly and mediated by WE and PsyCap. The research employed a quantitative approach through questionnaire surveys and collected data from 722 employees at state-owned electricity companies. CFA and SEM were utilized for data analysis, and the findings suggest essential implications. The results indicate that work engagement (WE) and psychological capital (PsyCap) play a significant mediating role in the relationship between HPHRPs and employees' innovative behavior. When an organization implements HPHRPs, there is a direct increase in employee innovative behavior (EIB). However, a more substantial increase is observed by mediating work engagement and psychological capital within the organization. This study demonstrates how employees at state-owned electricity companies in Indonesia can further enhance innovative behavior. The direct link between HPHRP and EIB has a positive impact, encouraging researchers to explore other companies or sectors to determine whether the results align with this research. Therefore, organizations are advised to focus on promoting HR practices that enhance work engagement and increase the psychological capital of their workforce to foster innovative behavior.

5.1 Theoretical implications

The findings of this research contribute to the application of social exchange theory by demonstrating, within the context of state-owned electricity companies in Indonesia, that the strategic implementation of High-Performance Human Resource Practices (HPHRPs), with a specific emphasis on participation and communication strengthens work engagement and psychological capital among employees. The research findings align with social exchange theory, emphasizing that employees reciprocate with heightened innovative behavior when companies strategically consider and fulfill employee needs through HPHRPs. This provides valuable insights for future research to explore additional mediating variables and dimensions within the HPHRP framework. The author's contribution to the field of HPHRP can be observed in two aspects. Firstly, this study has identified the need to reanalyze the role of variables mediating the relationship between HPHRP and EIB beyond WE and PsyCap. Secondly, this research opens new avenues for future researchers to investigate whether additional dimensions of HPHRPs can be incorporated to assess their impact on employee innovative behavior.

5.2 Practical implications

This study finds that HPHRP has a positive influence on EIB, which highlights the important role of HPHRP. This indicates that the more effectively strategic HR management is implemented, the greater the potential increase in employees' innovative behavior. Among the HPHRP dimensions, Participation and Communication contribute the most significantly. The research findings underscore the critical focus that HR Managers should prioritize, emphasizing the importance of enhancing employee participation and communication as top priorities. Additionally, attention should be given to aspects such as career opportunities, training, job security guarantees, structured and targeted recruitment, and providing incentives and compensation for employees. An organizational culture that supports open and transparent communication based on trust will have a positive influence on promoting creativity and innovation (Barrett, 2013; Langton & Robbins, 2007). To facilitate this, HR Managers could establish a platform, such as an integrated application or platform for each unit, featuring a mechanism where employees can submit improvement suggestions, and management can promptly provide feedback on the efficiency of these suggestions.

On the other side, work engagement has been proven to positively and significantly influence employees' innovative behavior. This suggests that increased involvement in their work correlates with a heightened ability to foster innovative behavior among employees. Vigor emerges as the dimension with the most substantial contribution. The research findings underscore the importance for companies to consistently elevate employees' energy and resilience levels, fostering a continuous desire to explore, maintain enthusiasm, and persevere, especially in the face of challenges. To sustain and enhance employee engagement in innovation, HR managers can establish an open-door communication forum, such as workshops or mentor-guided classes, to provide a focused environment for individuals with innovative ideas. Therefore, an open-door communication policy, facilitating open communication between individuals, teams, and departments to gain new perspectives, is necessary to create a culture supportive of creativity and innovation (Filipczak, 1997; Samaha, 1996).

This study also identified that Psychological Capital (PsyCap) has the most significant influence on positively and considerably shaping employee innovative behavior. This implies that as an employee's psychological capital increases, the impact on enhancing their innovative behavior becomes more substantial. Within the scope of this research, the dimension of hope is highlighted as the most influential in fostering employee innovative behavior. In light of these findings, Human Resource Managers have the opportunity to concentrate on recognizing employees as a means of reinforcing innovative efforts. Based on the findings of Janssen (2000) and Scanlan & Still (2019), it is proposed that equitable rewards and recognition can elicit positive psychological responses and enhance an individual's Innovative Work Behavior. Moreover, such acknowledgment has the potential to generate interest among other employees, encouraging their participation in innovation initiatives.

5.3 Limitations and Future Research Directions

Although this research has yielded valuable results that empirically explain the relationship between HPHRP and EIB through mediation and direct pathways, it also possesses several limitations. The first limitation is that the study was conducted solely within one public sector utility company, preventing researchers from discovering additional findings for comparison. To address this, researchers may consider expanding the scope of the research to gain a more comprehensive understanding of the variables under investigation. The second limitation is that this research solely measures existing variables from the employee's perspective using self-assessed questionnaires. This raises the possibility of language comprehension bias, where differences in understanding or interpretation of the questionnaire questions may impact the research results. To mitigate this, researchers could incorporate in-depth interviews for further investigation, aiming to broaden insights and deepen the analysis of research outcomes.

Based on the findings of this research, the variables of high-performance human resource practices, work engagement, and psychological capital only explain employee innovative behavior variables by 65%. This indicates that other variables can still explain employee innovative behavior variables. Regarding these variables, such as organizational innovation climate, based on the findings of You et al. (2022), organizational innovation climate is critical for achieving sustainable competitive advantage by affecting and increasing employee innovative behavior. On the other hand, based on the findings of Iqbal et al. (2022), entrepreneurial leadership strongly and positively relates to innovative behavior by employees.

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Author Contribution

Author 1: conceptualization, writing original draft, data curation, formal analysis, investigation, methodology. Author 2: review and editing, writing and editing, supervision, validation, visualization.

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Conflict of Interest

The authors declare that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

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Appendix

According to Goyal & Patwardhan (2021), HPHRPs (High-Performance Human Resource Practices) can be described as a set of HR practices that are harmoniously aligned to produce desired organizational outcomes and can meet the organization's goals to enhance employee motivation, capabilities, and opportunities.

No	Variable	Source	Dimension	Question
1	<i>High-Performance Human Resource Practices</i>	Wei et al. (2010)	Internal Career Opportunities	Our organization fills vacancies with people already employed at the organization
2				Our organization has a well-designed development programme
3			Extensive Training	Our organization offers employees diverse training programmes for different training needs
4				Our organization structures training process systematically
5				Our organization encourages employees to undertake continuous training
6				Our organization provides individuals extensive training programmes in order to increase general skills
7			Employment security	Our organization provides employees with job security
8				Our organization expects employees to stay in the organization as long as they wish
9			Participation and communication	Our organization emphasizes employee participation
10				Our organization provides employees the opportunity to suggest improvements in the way things are done
11				Our organization keeps open communications with employees in their jobs
12				Our organization allows employees to participate in many decisions
13			Sensitive selection	Our organization makes extensive efforts to select the right person
14				Our organization uses panel interviews to select new employees
15				Our organization adopts fair procedures in selection
16				Our organization considers the similarity of candidate's personality and organizational culture
17				Our organization emphasizes employee prior work experiences

18				Our organization has a competency-based pay system
19				Our organization offers bonuses based on team performance
20			Incentive compensation	Our organization offers pay levels competitive with those of competitors
21				Our organization grants bonuses based on the profit of the organization
22				Our organization involves employees in calculating their compensation base

According to Schaufeli & Bakker (2004), work engagement is a positive, satisfying state of mind related to work, characterized by an employee's vigor, dedication, and absorption. Employees who are happily engaged in their work and feel motivated to invest more time in their tasks tend to produce better productivity.

No	Variable	Source	Dimension	Question
1	<i>Employee Engagement</i>	Schaufeli dan Bakker (2004)	Vigor	At my work, I feel bursting with energy.
2				At my job, I feel strong and vigorous.
3				When I get up in the morning, I feel like going to work
4				I can continue working for very long periods at a time
5				At my job, I am very resilient, mentally
6				At my work, I always persevere, even when things do not go well
7			Dedication	I find the work that I do full of meaning and purpose
8				I am enthusiastic about my job
9				My job inspires me
10				I am proud of the work that I do
11				To me, my job is challenging
12			Absorption	Time flies when I'm working
13				When I am working, I forget everything else around me
14				I feel happy when I am working intensely
15				I am immersed in my work
16				I get carried away when I'm working
17				It is difficult to detach myself from my job

According to Farrukh et al., (2022), PsyCap as the positive psychological development state of individuals consisting of four dimensions: hope, self-efficacy, resilience, and optimism.

No	Variable	Source	Dimension	Question
1	<i>Psychological Capital</i>	Luthans et al. (2008)	Self-Efficacy	I feel confident in representing my work area in meetings with management
2				I feel confident contributing to discussions about the company's strategy
3				I feel confident presenting information to a group of colleagues
4			Optimism	I always look on the bright side of things regarding my job
5				I'm optimistic about what will happen to me in the future as it pertains to work
6				If I should find myself in a jam at work, I could think of many ways to get out of it
7			Resilience	I can get through difficult times at work because I have experienced difficulty before
8				I usually take stressful things at work in stride
9				I can be "on my own," so to speak, at work if I have to
10			Hope	I can think of many ways to reach my current work goals
11				I see myself as being successful at work
12				At this time, I am meeting the work goals that I have set for myself

According to Grošelj et al. (2020), employees' innovative behavior refers to the intentional efforts made by employees to introduce new services/products or new ways of performing tasks by generating, promoting, and successfully implementing ideas.

No	Variable	Source	Dimension	Question
1	<i>Employees' Innovative Behavior</i>	Monica Hu et al. (2009)	Unidimensional	At work, I come up with innovative and creative notions
2				At work, I try to propose my own creative ideas and convince others
3				At work, I seek new service techniques, methods, or techniques
4				At work, I provide a suitable plan for developing new ideas
5				At work, I try to secure the funding and resources needed to implement innovations
6				Overall, I consider myself a creative member of my team