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Linking Psychological Empowerment, Knowledge Sharing, and Employees' Innovative Behavior in Indonesian SMEs

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The research aims to empirically verify the role of psychological empowerment in its contribution to innovative work behavior, with knowledge sharing as a mediating variable. This research was conducted in small and medium enterprises (SMEs) located in Yogyakarta, Indonesia, which is one of the provinces with the most significant growth of creative industries and tourism in Indonesia. The study used a quantitative approach with purposive sampling technique. Questionnaires were distributed to 500 employees from 50 SMEs from different types of businesses. Statistical analysis was conducted by using structural equation modeling with Smart-Partial Least Squares (PLS). The results show that the three dimensions of psychological empowerment: meaning (β=.09, p<.05), competence (β=.05, p<.01), and self-determination (β=.10, p<.01), were positively related to innovative work behavior. Furthermore, our findings showed that knowledge sharing partially mediated the relationship between meaning (β=.13, p<.05) and self-determination (β=.15, p<.05) to innovative work behavior, while full mediation for the impact dimension (β=.07, p<.01). These findings offer implications regarding how psychological empowerment can enhance innovative work behavior through knowledge sharing in SMEs.

Keywords: meaning, competence, impact, self-determination, knowledge sharing, innovative work behavior

The current environment faced by SMEs is more competitive than before (Distanont & Orapan (2019). Rapid technological changes followed by the boundaryless information access and the shorter product life cycles have been forcing SMEs to be more focused on innovation as the main driver for sustainable competitive advantage (Dadfar, Dahlgaard, Brege, & Alamirhoor, 2013; Özçelik & Taymaz, 2004). The innovation process relies heavily on the knowledge, experience, creativity, and competence of individual employees, who involve themselves in continuous learning to create new ideas (De Jong & Hartog, 2007). Therefore, employees play pivotal roles in the success of an organization's innovation, including in SMEs.

Yet, one of the obstacles faced by employees at SME to be innovative is that they do feel the owner-manager has full control and power in decision making, including the implementation of innovation process (Nolan & Garavan, 2016; Çakar & Ertürk, 2010). They have less authority to develop new technologies, processes, techniques, and/or product ideas (Piperopoulos, 2007). Surprisingly, there was only a little study which has attention to employees' innovativeness in SMEs. Most of the prior researches were dominantly viewed innovation from the organizational level form the owner-manager perspective (Expósito &

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Sanchis-Llopis, 2019; Didonet, Simmons, Díaz-Villavicencio, & Palmer, 2016). This research provided a new perspective related to innovative work behavior of employees in SMEs. Therefore, the purpose of this study was to determine the effects of psychological empowerment on employees' innovative work behavior in SMEs through knowledge sharing.

Previous studies concluded that psychological empowerment plays an important role in nourishing employees' innovative work behavior (Marane, 2012; Seibert, Wang, & Courtright, 2011; Singh & Sarkar, 2012). Psychological empowerment refers to an individual cognitive state characterized by the sense of authority with a strong motivation and high ability to fulfill expectation at the workplace (Spreitzer, 1995; Thomas & Velthouse, 1990). Empowered employees will exhibit more innovative behavior and achieve better task performance (Afsar, Cheema, & Saeed, 2018; Spreitzer, 1995; Amabile & Gryskiewicz, 1989). However, contrary to the previous research, Kmieciak, Michna, & Meczynska (2012), found no significant relationship between psychological empowerment and innovative behavior in SMEs. Other, such as Jung, Chow, & Wu (2003) stated that empowerment has a negative or insignificant effect on innovation. It is due to the cultural characteristics of the research sample, and new knowledge is needed to identify a variable that may mediate or moderate the relationship between psychological empowerment and innovative work behavior.

Thus, based on a review of previous research, this study explains the mediating role of knowledge sharing as a strategic instrument in improving the effect of psychological empowerment towards innovative work behavior. To our knowledge, no study has examined the role of knowledge sharing from this perspective. Knowledge sharing is a process where individual exchanges knowledge and ideas through discussions to create new knowledge or ideas (Van den Hooff & Ridder, 2004). Cheng (2002) stated that knowledge sharing could help employees to understand their jobs better and bring personal recognition within the department. An empowered employee tends to be more active in sharing knowledge, and they promote innovative work behavior (Kang, Lee, & Kim, 2017; Philips, 2011).

This research was conducted in Indonesia, where SMEs have an important role to support economic development. According to the BPS-Statistics (Bureau of Statistics) Indonesia report, in 2018, SMEs account 98.8% of all private sector companies, contribute 60.3% to Gross Domestic Bruto and employ 96% of the total workforce (BPS, 2018). Based on data from the Global Entrepreneurship Index in 2018, it is known that the growth in the number of new entrepreneurs in Indonesia (early stage entrepreneurs) has increased by as much as 4.4%. Furthermore, 70% of these new entrepreneurs are small businesses in the creative industry sector. This condition improves business competition, especially in small businesses. Therefore, it is crucial for SMEs to create continuous innovations to reach the competitive advantage.

Finally, based on the above explanation, this study was designed to make several contributions to widening prior research. First, this present study gives a clear understanding of the effect of psychological empowerment dimensions (meaning, competence, self-determination, impact) on employees' innovative work behavior in SMEs. Second, this research attempts to address these issues by examining the role of knowledge sharing in facilitating psychological empowerment dimensions and enhancing the innovative work behavior of employees in SMEs in Indonesia.

Literature Review and Hypotheses

Psychological Empowerment and Innovative Work Behavior

Innovative work behavior (IWB) is a form of innovation at the individual level that is very important to improve the competitive advantage. Individuals need to have the ability to work outside of routine activities, for example by finding new technology, implementing new work methods, and conducting investigations to implement new ideas (De Jong & Hartog, 2010). So, IWB is not only an individual intention to generate new ideas, but also introduces and applies these ideas for efficiency and effectiveness of problem-solving (Jansen, 2000).

IWB has several stages, namely idea generating, idea promotion and idea realization (Scot & Bruce, 1994). Idea generation is the stage where individuals use their creativity to create something new and beneficial to the progress of an organization or company. Idea promotion is the stage of finding and gathering partners, sponsors, or supporters of ideas that have been generated. The next stage after idea promotion is idea realization which includes implementing or realizing ideas in the work environment.

This study focused more on the role of the dimensions of psychological empowerment in improving IWB. The empowerment concept was divided into two approaches, namely structural empowerment and psychological empowerment (Knol& Van Linge, 2009; Seibert, Wang, & Courtright, 2011). Structural empowerment focused more on increasing the power of individual decision making in the form of access to opportunities, information, resources, support, and power (formal and informal) (Kanter, 1983; Laschinger & Finegan, 2005). While psychological empowerment focuses more on individuals' cognitive perceptions or motivational states regarding power in organizations (Conger &Kanungo, 1988; Thomas and Velthouse, 1990; Spreitzer, 1995; Seibert et al., 2011). Psychological empowerment is a motivational construct that has four dimensions about individual orientation and their role in work, namely meaning, competence, impact, and self-determination (Thomas & Velthouse, 1990; Spreitzer, 1995). This study examined the correlation of each dimension toward the employee's IWB in SMEs.

Meaning

According to Spreitzer (1995), meaning is the sense of compatibility between employee's work role with values, beliefs, attitudes, and behaviors that are believed by each individual. Meaning refers to perception of individual conformity to the work goals with the personal goals and expectations (Brief & Nord, 1990). According to Spreitzer, De Janasz, & Quinn, (1999) working will be more meaningful if individual values are appropriate with organizational value. The meaningfulness of work reflects a deep relationship between employees and their work that motivate employees to behave outside the formal role (Seibert, Wang, & Courtright, 2011; Farzaneh, Farashah, & Kazemi, 2014). If employees consider that the job is necessary, the feeling of meaningfulness will emerge and encourage individuals to be more proactive and more innovative at work (Chiang & Hsieh, 2012).Therefore, the following hypothesis is proposed:

H1: Meaning has a positive effect on innovative work behavior.

Competence

Competence refers to individual beliefs regarding the capacity to carry out tasks and responsibilities successfully (Chen & Kao, 2011; Lawler, 1973). Zhou (1998) suggests that individuals are more creative when they feel competent to do their jobs and believe in their ability to handle work-related problems. Based on the self-determination theory (Ryan &Deci, 2000), perceive competence lead to higher levels of innovative behavior for two main reasons. First, individuals with high competence feel confident in their knowledge and skills to generate ideas and implement these ideas in the workplace. They spend extra time to identify and generate ideas to solve the problems in a new way (Hsu, Tan, Laosirihongthong &Leong, 2011). Second, the employee feels better prepared to face the challenges and uncertainties faced in the workplace (Richter, Hirst, & Baer, 2012). Accordingly, the second hypothesis of the present study was formulated:

H2: Competence has a positive effect on innovative work behavior.

Self-Determination

Self-determination is a sense of autonomy in initiating work behavior and making work decisions (Deci, Connell & Ryan, 1989). Employees who perceive greater control over their work, feel that their job allows them to be more creative (Lawler & Hall, 1970). Perceived autonomy provides employees more opportunities to experiment with their new ideas (Ohly, Sonnentag, & Pluntke, 2006) and is positively related to innovative behavior (De Jong & Kemp, 2003). Some studies have demonstrated that innovation is enhanced when individuals were autonomous in the workplace (Amabile, 1988). The organization should maintain employees' sense of autonomy and control in order to promote employees' feelings of self-determination and personal initiative at work, which should then boost levels of interest in work activities and enhancing innovative behavior. Due to this theoretical background, the third hypothesis of the present study was developed:

H3: Self-determination has a positive effect on innovative work behavior.

Impact

Impact is the extent to which an individual can influence organizational outcomes (Ashforth & Mael, 1989). Impact is control over the employee's environment or belief that their actions affect the system (Thomas and Velthouse, 1990). Researchers have observed that creativity is encouraged when individuals and teams operate in a relatively, experience a sense of ownership and feel control over their work ideas and processes. Spreitzer (1995) found that when employees feel that their work makes a difference in the lives of others, they will show more innovative behavior. They were more likely to try to produce, promote, and realize creative ideas for innovation (Janssen, 2005). According to this theoretical background, the fourth hypothesis of the present study was developed:

H4: Impact has a positive effect on innovative work behavior

Mediating Role of Knowledge Sharing

Bartol and Srivastava (2002) define knowledge sharing as a sharing information, advice and relevant expertise, carried out by individuals in an organization with other individuals. Knowledge sharing is a culture of social interaction, involves exchanging experiences, knowledge, and skills of employees to all parts of the human resource management process (Hogel, Parboteeah, & Munson, 2003; Mohan, 2017). The process of

knowledge sharing is a mutually beneficial exchange of knowledge that is owned and together builds new knowledge. The process of knowledge sharing consists of "supply" and "demand" activities towards new knowledge (Ardichvili, Page, &Wentling, 2003). That is, some individuals need new knowledge (for example to solve specific work problems), and there are also individuals who offer the knowledge they have. Van den Hooff & Ridder (2004) divides knowledge sharing into two dimensions, namely knowledge donating and knowledge collecting. Knowledge donating refers to the communication of intellectual capital owned by individuals to other individuals. Knowledge collecting refers to the activity of consulting with colleagues in order to gain the knowledge that is owned by their colleagues.

Knowledge sharing is crucial because it enables people to work on existing knowledge within and outside the organization, thus enhancing their capacity to come up with creative solutions, and enabling their organizations to develop new platforms for the development of new products and services to the market (Nonaka & Takeuchi, 1995; Wang &Noe, 2010). Conversely, when knowledge is not shared, it hinders the capacity to exploit experience and expertise (Hansen, 1999a, 2002; Lu, Leung, & Koch, 2006). Troy, Szymanski, and Rajan (2001) found that communication and knowledge sharing and availability of market information were interacted in predicting new product ideas. Specifically, both open communication and availability of market information were necessary for idea generation. Thus, based on the preceding discussion, we proposed the following hypothesis:

H5: Knowledge sharing mediates the relationship between the dimension of psychological empowerment and innovative work behavior.
H6: Knowledge sharing has a positive effect on innovative work behavior

According to the prior research and explanation above, we purpose the conceptual model of the relationship between psychological empowerment dimension (competence, meaning, impact, and self-determination) as a determinant of innovative work behavior. This study also examines knowledge sharing as a mediating variable.

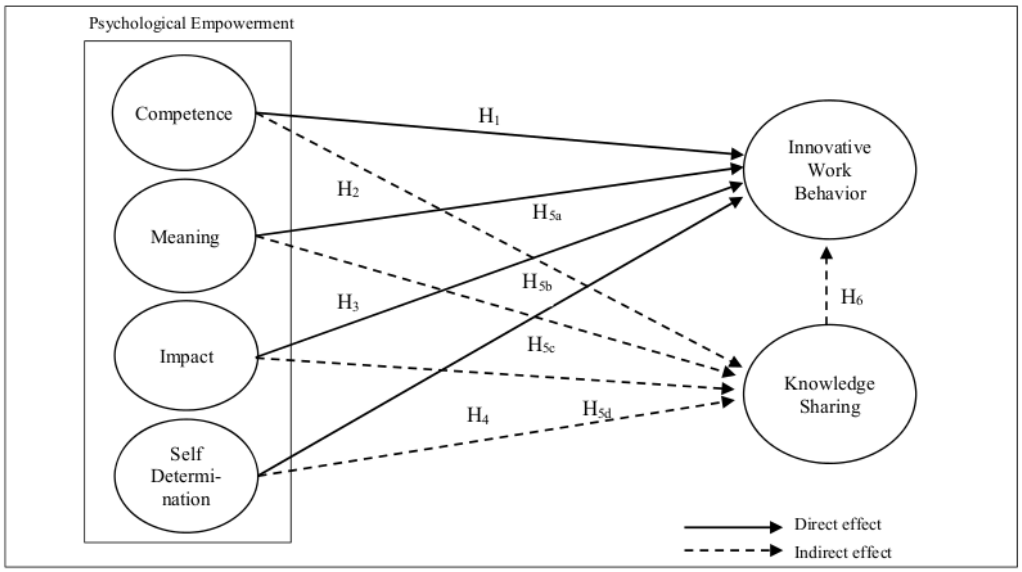

Figure 1. The conceptual model of relationship between psychological empowerment dimensions and innovative work behavior through knowledge sharing as a mediating variable.

Methodology

Sample and Procedure

The population in this study were employees in creative industry SMEs, which is located in Yogyakarta, Indonesia. This study applied purposive sampling technique. SMEs should be listed as a member of Community Integrated Service (CIS) PLUT KUMKM Yogyakarta at least for 2 years and appropriate profit. In this survey, there are a total 50 SMEs from three different cluster. They are handicraft cluster in Kotagede (20 SMEs), leather craft cluster in Manding (13 SMEs), and local food cluster in Bantul (17 SMEs). This survey conducted approximately 5 months during August-December 2018. A number of 500 questionnaires were distributed, 360 were completed and adequately filled. Thus, the usable response for this study is 72%. The respondent characteristics were as follows: mostly females, i.e., as many as 231 of the sample (64.17%), aged less than 36 years (185 people, i.e., 51.38%), unmarried (105 people, i.e., 29.17%), finished university studies (diploma D3 and or bachelor degree S1) (86 people, i.e., 57.33%) and with tenure of less than 5 years (201 people, i.e., 55.83%).

Measurement

The purpose of this study was to examine the effect of psychological empowerment on innovative work behavior with knowledge sharing as mediation variable. Consistent with previous research, we use the self-reported perceptual measure to measure each variable. All of the survey items were translated from English into Indonesian language using a method of forwarding and backward translation (Brislin, 1970). Implementation of this method includes the following steps: forward translation, back-translation expert panel, pre-testing and cognitive interviewing, and final version. To validate this process, this study used service form the center of foreign language UPT. Bahasa UNSOED.

The measure of innovative work behavior was contextualized version of Scott and Bruce (1994). The instrument is a 5-point Likert scale (1=strongly disagree; 5= strongly agree) and includes six items. (e.g., “I generate creative ideas” and “I am innovative”). The reliability coefficient of the original scale was 0.89. Psychological empowerment dimensions were measured using an instrument with 12 items developed by Spreitzer (1995). The instrument is a 5-point Likert scale (1=strongly disagree; 5= strongly agree) and involves 4 sub dimensions: meaning (e.g., “The work I do is very important to me”), competence (e.g., “I am confident about my ability todo my job”), self-determination (e.g., “I have significant autonomy in determining how I do my job”) and impact (e.g., “My impact on what happens in my enterprise is large”). The reliability coefficient of the original overall scale was 0.89. Knowledge sharing measurement in this research was used the four items adopted by Huang (2009). The instrument is a 5-point Likert scale (1=strongly disagree; 5= strongly agree) and includes 6 items. (e.g. “I always share my manuals, methodologies, and models” and “I often share my experience”).

Results

MeasurementModel Evaluation Result

Reliability, convergent validity, and discriminant validity tests were conducted and the results confirmed that all items used in this study were good indicators of latent variables. The

results reveal that all minimum requirements are fit with the measurement model, as illustrated in Table 1. First, this study used a cut-off value of 0.70 significance for the loading factor (p<0, 05). Loading of all items above 0.70. Higher levels of outside loading factors indicate a higher level of indicator reliability (Hair, Hollingsworth, Randolph, & Chong, 2017). Second, all extracted mean values (AVE) exceed the 0.50 threshold, supporting the convergent validity of the construct steps.

Composite reliability (CR) is an indicator explaining the reliability of each latent variable; it precisely explains the convergence and internal consistency of the developed measures. CR estimates the degree to which the respective indicators signal the latent construct. The CR estimates of the latent variables of the present study ranged from 0.79 to 0.92 (Table 1), which exceeded the cut-off value of 0.7.

Table 1

Measurement Model Evaluation Result

Factor		Measurement Item	Factor Loading
Meaning	CR = 0.82 ; AVE = 0.54		
	X1.1	The work I do is very important to me.	0.74
	X1.2	My job activities are personally meaningful to me	0.83
	X1.3	The work I do is meaningful to me	0.79
Competence	CR = 0.88 ; AVE = 0.65		
	X2.1	I am confident about my ability to do my job	0.72
	X2.1	I am self-assured about my capabilities to perform my work activities	0.81
	X2.3	I have mastered the skills necessary for my job	0.82
Impact	CR = 0.83; AVE = 0.56		
	X3.1	My impact on what happens in my department is large	0.79
	X3.2	I have a great deal of control over what happens in my organization	0.85
	X3.3	I have significant influence over what happens in my organization	0.89
Self-Determination	CR = 0.90 ; AVE = 0.76		
	X4.1	I have significant autonomy in determining how I do my job	0.77
	X4.2	I can decide on my own how to go about doing my work	0.77
	X4.3	I have considerable opportunity for independence and freedom in how I do my job	0.79
Knowledge Sharing	CR = 0.92 ; AVE = 0.75		
	M.1	I share my work reports and official documents frequently in effective way.	0.82
	M.2	I always provide my manuals, methodologies, and models	0.70
	M.3	I share my experience or know-how from work frequently	0.70
	M.4	I always provide my know-where or know-whom at the request	0.78
	M.5	I try to share my expertise from my education or training in a more	0.68
Innovative Work Behavior	CR = 0.79 ; AVE = 0.80		
	Y.1	I search out new technologies, processes, techniques, and/or product ideas	0.79
	Y.2	I generate creative ideas	0.81
	Y.3	I promote and champions ideas to others	0.76
	Y.4	I investigate and secures funds needed to implement new ideas.	0.89
	Y.5	I develop adequate plans and schedules for the implementation of new ideas	0.81
	Y.6	I am innovative.	0.87

Hypothesis Testing

Table 2 summarizes the results of the best-fit model and explains the direct relationship between exogenous variables and endogenous variable. Three exogenous variables: meaning, competence and self-determination have a direct significant effect on IWB. Thus, the H_1, H_2, H4, and H_6 of this study are supported. However, the results indicate that there is no significant relationship between impact and IWB. Therefore, H_3 is not supported.

Table 2

Structural Model Assessment

Construct/ Variable	Co-efficient Regression		
	t- statistic	*p*-value	Conclusion
Meaning→ IWB	2.34	.04	H_1: Supported
Competence→ IWB	5.78	.00	H_2: Supported
Impact→ IWB	1.01	.13	H_3: Not Supported
Self Determination→ IWB	3.16	.00	H_4: Supported
Knowledge sharing → IWB	2.75	.03	H_6: Supported

Note: IWB (Innovative Work Behavior)

Table 3

Result of Mediation Analysis

Knowledge Sharing (KS) as Mediator	Direct Effect (p_3)	Indirect Effect ($p_1.p_2$)	Total effect	Effect	Result
ME →KS→IWB	.09 (t =2.343)	.13 (t =3.250)	.23	Partial Mediation	H_5a : Supported
CO→KS→IWB	.05 (t =5.786)	.11 (t =1.567)	.16	Direct Only	H_5b : Unsupported
IM → KS→IWB	.10 (t =1.015)	.07 (t =3.784)	.18	Full Mediation	H_5c : Supported
SD→KS→IWB	.21 (t =3.165)	.15 (t =2.375)	.36	Partial Mediation	H_5d : Supported

Note: ME: Meaning, CO: Competence, IM: Impact, SD: Self Determination

Table 3 shows the role of knowledge sharing as a mediating variable. For the indirect effect, knowledge sharing partially mediates the relationship between meaning (β= .13, p<.05) and self-determination (β=.15, p<.05) on IWB. While the impact dimension revealed to be fully mediated (β=.07, p<.01) by knowledge sharing. Therefore, H_5a, H_5c, and H_5d are supported. However, contrary to the prediction, indirect path on competence dimension was not significant (β=.11, p>.05) and implying only direct effect. So, H_5b was unsupported.

Discussion

In this study, we focused on the role of psychological empowerment and knowledge sharing in fostering innovative` work behavior. Consistent with our expectations and previous researches, three of the four dimensions of psychological empowerment (except impact) were found significantly related to innovation work behavior. In addition, it is also known that

knowledge sharing is positively related to innovative work behavior. Another significant contribution of this study is to provide empirical evidence that knowledge sharing mediates the relationship between three dimensions of psychological empowerment, namely meaning and impact, and self-determination. Interestingly, however, knowledge sharing does not mediate the effects of competence on innovative work behavior.

Meaning has a positive relationship with innovative work behavior. Meaning represents a fit between employees own values beliefs and the organization's values, goals and purposes (Eturk, 2012). Consistent with Singh & Sarkar (2012), employees who have value congruence with their job or organization will increase their involvement in work and enhance their innovative behavior (Afsar, Cheema, & Saed, 2018). Employees with high passion in the arts, feel higher meaning work in the creative industry and fostering their innovative behavior to produce a new unique product. They are willing to work overtime to find new ideas from various perspectives and try to solve problems with new solutions. Organizations can use these findings to create a sense of meaning within the employee's mind and thus, they can create greater competitive advantages.

Furthermore, knowledge sharing partially mediates the relationship between meaning and innovative work behavior. Employees with high meaningful of work will increase motivation to collaborate with colleagues (Mitchell, Parker, Giles, Joyce, & Chiang, 2012). They will like to exchange ideas with coworkers to avoid risk in the decision making process. Therefore, they have to make sure about the implementation of their ideas. So knowledge sharing with colleagues will be a mechanism for employees to generate creative ideas.

Contrary to prediction, innovative work behavior was not influenced by the impact dimension. This result is different from previous studies (Spreitzer, 1995; Gozukara, Yildirim, & Yildiz 2016). With the notable exception of Singh & Sarkar (2012), the study found that impact has an insignificant correlation to IWB. Singh examined innovative work behavior of teachers in India. The result explained that teachers got an unfair salary and they did not get recognition for their work performance. The impact is getting weaker because of their work, although respected, but does not give much social status. This might be similar in the context of SMEs; employees sometimes get less respect from their owner-manager. Furthermore, the central role of the owner-manager and low salary might be the logical reason for the unsupported hypothesis. On the other hand, impact has a positive relationship with knowledge sharing.

The result found that competence dimension has a positive relationship with IWB. In SME, employees who are feeling mastery the job will try new things in method or technique to solve the problems. Perceived competence lead to higher level of knowledge self-efficacy and it will enhance employees' innovative work behavior. However, competence was not directly related to knowledge sharing. Logical reasoning for this finding is the employee who perceived high competence assume that knowledge and skills possessed are the unique strength that distinguishes from other employees (Gupta & Govindarajan, 2000; Kim & Mauborgne, 1991). So, they prefer to hide the knowledge.

Employees who have self-determination feel that they have the authority to do work their way. With feelings of autonomy, employees free themselves from rigid work rules and follow their new thoughts (Amabile & Gryskiewicz, 1987). In addition, innovation in SMEs involves trials, and failures, the feeling of having autonomy gives employees the opportunity

to try new ideas with less fear.Furthermore, they will be more proactive in finding new ideas in completing work, and it can improve creativity and innovative behavior (Zhou, 1998).

Implications

This research provides a number of academic and practical contributions. First, by differentiating four-dimensions of psychological empowerment based on prior research, this study explained more details about the relationship between psychological empowerment dimensions and innovative work behavior at the individual level. This study concludes that the sense of meaning, competence, and self-determination is able to increase innovative work behavior. Moreover, knowledge sharing as a mediating variable provides a fresh finding and it made a significant contribution to the research on innovative work behavior. Second, this study also provides guidelines for practitioners, especially in small businesses. To empower the employees, managers must pay more attention to employees' ideas and nurture the realization of their ideas. Moreover, SMEs need a good knowledge sharing culture in the work environment. Informal knowledge sharing emphasize more responsive work environment to allow employees to share ideas more freely. Sturdy, Schwarz, and Spicer (2006) describe the informal settings such as lunches, drinks, and dinners have proven to facilitate smooth knowledge sharing among employees and become a trigger for innovative work behavior.

Limitations and Suggestions for Future Research

This study contains several limitations and can be further developed in the future. We discuss limitations and some possible new contributions to future research. First, one of the limitations of the cross-section method is that it cannot prove a causal relationship. Therefore, a longitudinal design is needed, although this will not completely resolve the difficulty of proving a cause and effect relationship (Carmeli & Spreitzer, 2009). Second, SMEs in this study came from different clusters. Each cluster has a different level of innovation. Third, this study conducted in the Indonesian context. The results may be different for employees working in various cultural, economic, and environmental conditions.

This study will provide some suggestions points for further research. The result, shown that not all psychological empowerment dimensions are related to IWB. Research in this area is still unclear and limited. Although knowledge sharing has a positive association with innovative work behavior, knowledge sharing practice in small businesses is different from a large company. It gives a novelty for further research to find out the knowledge sharing mechanism that is appropriate for SMEs

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