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Psychological capital of employee and innovativeness of Small and Medium-Sized Enterprises (SMEs)

Prince Lenard R. Salubre[1], Junalyn L. Bahalla[2], Ronald E. Almagro[3]
Santo Tomas College of Agriculture Sciences and Technology, Philippines[1-3]
salubre@gmail.com1, bahalla@gmail.com2, ronald.almagro14.ra@gmail.com3

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Abstract
Purpose: This study explores the association between employees (PsyCap) and the innovation ability of Small and Medium-Sized Enterprises (SMEs).
Research methodology: A descriptive correlational research design was employed, involving 150 respondents selected through simple random sampling. Two adapted questionnaires were used to measure PsyCap and innovation outcomes.
Results: The results revealed A The strong positive relationship between employees' PsyCap and innovation outcomes ($p<0.000$, $R=0.650$), particularly creativity, risk-taking, and problem-solving. These findings underscore the importance of PsyCap as a significant predictor of innovative behavior within SMEs.
Limitations: The study's limitations include its focus on SMEs, which may limit the generalizability of the results to larger organizations or different geographical regions. Despite this, the study contributes valuable insights into Human Resource Management (HRM) practices, emphasizing the need for targeted employee training and strategic organizational growth initiatives.
Contributions: The findings highlight the critical role of Psychological Capital in fostering innovation and offer practical implications for enhancing competitiveness and sustainability in SMEs through the development of employees' psychological resources.
Keywords: *Psychological Capital, Innovation, SMEs, Correlational Design, HRM*
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1. Introduction

Innovation is widely recognized as a driver of competitiveness, economic growth, and progress, and is essential for overcoming crises and sustaining businesses in the long run (Ratten, 2021). However, since late 2019, COVID-19 has severely impacted global economies and health, leading to a supply demand imbalance that has slowed economies and affected all sectors, including small and medium-sized enterprises (SMEs) (Hasanat et al., 2021). Antonioli and Montresor (2021) noted that innovation is influenced by the stage of the business cycle, which is currently characterized by a challenging and unprecedented economic moment due to the pandemic. Consequently, many SMEs have struggled to adapt, with some ceasing operations remaining closed since the outbreak's early months (Bartik et al., 2020).

Shafi, Zoya, Fauzi, and Yang (2024) observed that SMEs in Pakistan were the major victims of the COVID-19 outbreak. Lockdowns have led to various challenges including decreased demand, supply chain disruptions, cancellation of export orders, raw material shortages, and transportation disruptions. These issues have significantly hindered many SMEs' ability to innovate. Ahmed and Siddiqui (2021)

reported that 31% of enterprises have completely shut down, 19% have partially closed, and 18% are considering applying for loans, although many have been instructed to cease operations to contain the spread of the disease.

In the Philippines, the lockdown triggered a rapid economic downturn marked by a significant decline in domestic and foreign demand, international trade, national production, and consumer confidence. Financial constraints on businesses further exacerbate economic losses (Shinozaki and Rao, 2021). In the CALABARZON region, businesses, particularly SMEs in the tourism and food service industries, have faced high levels of closures and struggled to maintain innovation due to the pandemic, with some permanently shutting down (Delgado & Moreno, 2021).

Although global studies have explored the relationship between employees' psychological capital and innovation in SMEs (Alshebami, 2021), there is a notable gap in research specific to Santo Tomas and Davao del Norte. This study aims to fill this gap by investigating how psychological capital correlates with innovativeness in SMEs in this locale. This study seeks to provide a deeper understanding of how innovation impacts the well-being and productivity of individuals working in SME environments. These findings have significant implications for management practices and employee welfare in smaller businesses. Ultimately, this study emphasizes the importance of fostering innovative practices among SMEs. To ensure wide dissemination, this study's findings will be shared through flyers, pamphlets, and social media platforms.

2. Literature Review

2.1 Theoretical Framework

Bandura (2001) Social Cognitive Theory posits that an individual's behavior, beliefs, and self-perceptions are shaped by the dynamic interplay between personal factors, behavioral patterns, and social environment. In the context of innovativeness and psychological capital, the presence of creative leaders or colleagues is a potent environmental cue. Employees who are regularly exposed to and engaged with innovative peers are likely to develop a stronger belief in their own creative capacities. This belief, in turn, can enhance psychological capital, a composite construct comprising self-efficacy, optimism, hope, and resilience. The perception of being capable and effective in generating innovative ideas fosters a sense of mastery and control that is critical for sustaining resilience and optimism in the face of challenges. Consequently, employees who internalize these beliefs about their creative potential are more likely to exhibit higher levels of psychological capital, which further reinforces their innovative behavior.

Hobfoll (1989)'s Conservation of Resources (COR) theory provides an additional lens through which to examine the relationship between leadership and employee innovation. According to COR Theory, individuals strive to acquire, protect, and build resources that are valuable to them, including psychological resources, such as self-efficacy and optimism. Leaders with high PsyCap are particularly effective in fostering a work environment that promotes resource gain, especially in terms of psychological resources. These leaders often create a safety climate that encourages risk-taking and experimentation, which are essential components of innovative behavior. Employees with high growth need strength (GNS) are especially responsive to such environments and become more proactive in innovation when they perceive their leaders as supportive and resourceful. This supportive climate not only encourages innovative efforts, but also bolsters employees' psychological capital, as the availability of resources and the potential for resource gain reduce the psychological costs associated with taking creative risks.

Hackman and Oldham (1976) Job Characteristics Theory highlights the impact of specific job features on employees' psychological states, and consequently, their motivation, job satisfaction, and performance. Key job characteristics such as autonomy, feedback, skill variety, task significance, and task identity are critical in shaping employees' work experience. When employees are given autonomy in decision making, provided with constructive feedback, and engaged in tasks that require a variety of skills and have clear relevance and importance, they are more likely to experience heightened

psychological states. These states—namely, experienced meaningfulness of the work, felt responsibility for outcomes, and knowledge of results—are positively associated with higher PsyCap. The opportunity to work on innovative projects, in particular, can significantly enhance an employee's sense of self-efficacy, optimism, and hope as they perceive their work to be impactful and valuable. This sense of meaningful engagement, coupled with intrinsic motivation derived from autonomous and skill-varied tasks, reinforces resilience and a proactive approach to overcoming challenges.

Integrating these theoretical perspectives, it is evident that both the social environment and job design play critical roles in fostering innovation and enhancing psychological capital among workers. Leaders who model and encourage innovative behaviors create a conducive environment for resource gain, thereby increasing employees' PsyCap. Furthermore, job characteristics that offer autonomy, feedback, and opportunities for skill development contribute to work experience that supports innovation and bolsters psychological resources. In sum, an environment that nurtures creativity and provides psychologically enriching work conditions not only enhances employees' beliefs in their innovative capacities, but also strengthens the psychological capital necessary for sustained innovation and effective problem-solving in the workplace.

2.2 Conceptual Framework

Figure 1 presents the conceptual framework of the study variables. The independent variable is employees' Psychological Capital, which includes the following indicators: self-efficacy refers to the ability to undertake and apply the necessary effort to succeed in challenging tasks; optimism is the belief in one's ability to succeed in both the present and future; hope is the capacity to persist toward goals despite difficulties and adversity; and resilience is the ability to continue striving and go beyond obstacles to achieve success (Luthans, Luthans, & Luthans, 2021).

The dependent variable in this study is innovativeness, with the following indicator: organizational innovation capabilities, which refers to an organization's ability to transform ideas, knowledge, and resources into new products, services, or processes that regularly benefit stakeholders (Razavi & Attarnezhad, 2013).

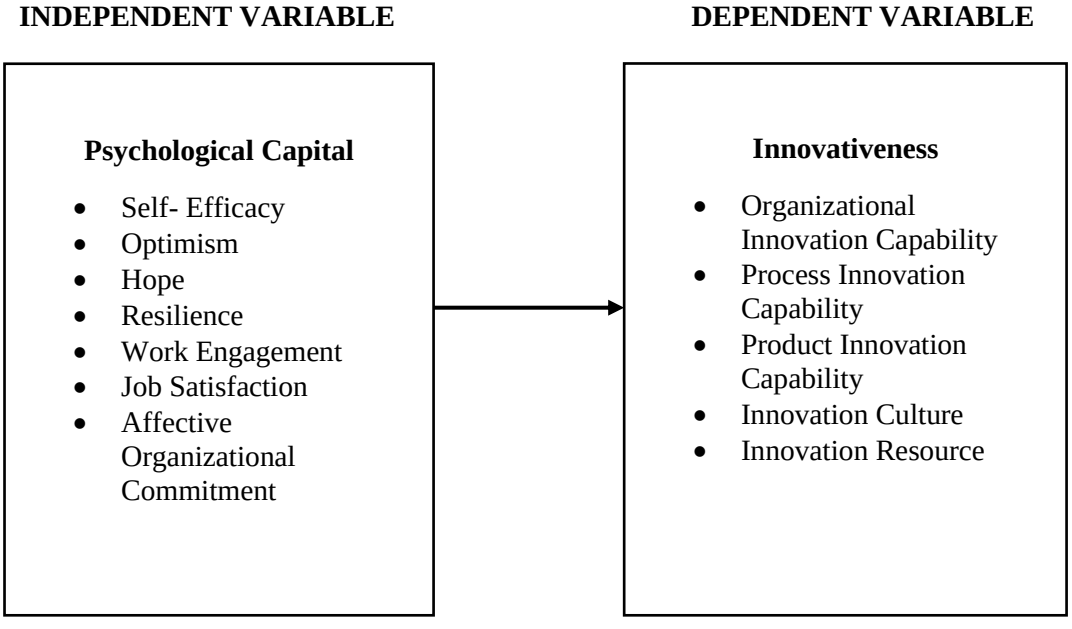

Figure 1. The Conceptual Framework of the Study

2.3 Research Objectives

This study aims to understand how innovativeness affects employee PsyCap in small and medium-sized enterprises (SMEs).

Specifically, this study sought to answer the following questions.

1. What is the level of PsyCap of employees in terms of:
    1.1 self-efficacy;
    1.2 optimism;
    1.3 hope;
    1.4 resilience;
    1.5 work Engagement;
    1.6 job Satisfaction; and
    1.7 affective Organizational Commitment?
2. What is the level of innovativeness in terms of the
    2.1 organizational Innovation Capability
    2.2 process Innovation Capability
    2.3 product Innovation Capability
    2.4 innovation Culture; and
    2.5 innovation Resource?
3. Is there a significant relationship between the level of innovation in small and medium-sized enterprises (SMEs) and the psychological capital of their employees?

3. Research Methodology

3.1 Research Design

Utilizing the descriptive-correlational research method, researchers aimed to systematically collect information to describe a phenomenon, situation, or population. The research was conducted using a quantitative approach that relies on natural science methods to produce factual numerical data. According to Renjith, Yesodharan, Noronha, Ladd, and George (2021), the quantitative non-experimental research design was based on observing phenomena in their natural environment. This method aims to establish a cause-and-effect relationship between two variables through computational, statistical, and mathematical methods. It aims to gain knowledge of social phenomena using objective data conveyed through statistics. This process has been systematic and reproducible by other researchers. (Williams et al., 2021) The quantitative approach provided reliable evidence to support the study findings. This study was expected to identify the relationship between independent and dependent variables. According to Mohajan (2020), the primary purpose of quantitative research is to provide objective and reliable data that can be statistically analyzed. Quantitative research methods involve the use of numerical data and the systematic investigation of phenomena and their relationships. This method aimed to answer questions about the relationships between independent and dependent variables.

3.2 Research Subject

The respondents of this study were employees of small and medium-sized enterprises in Santo Tomas, Davao Del Norte. The target participants were comprised of 150 participants. The respondents were selected using a universal method. The respondents were selected using a universal sampling technique to determine the desired sample size from the recorded population. Simple random sampling is a non-probability sampling technique, in which each member of the population has an equal chance of being selected for the sample. This was in contrast to probability sampling techniques, in which the probability of selection is known for each member of the population (Stratton, 2021).

3.3 Research Instrument

Two (2) adapted questionnaires were used. The purpose of the questionnaire was to collect information from respondents about their attitudes, experiences, and opinions. Quantitative data could be gathered through questionnaires (Doyle, McCabe, Keogh, Brady, & McCann, 2020). The survey questionnaire measured the following independent variables: The Psychological Capital of the Employee, and the dependent variable: innovativeness.

Psychological Capital (PsyCap). The instrument for the Independent Variable was adopted from the question: Why are hospitality employees' PsyCap important? The effects of psychological capital on

work engagement and employee morale (Paek, Schuckert, Kim, & Lee, 2015). PsyCap contained a total of 35 items on self-efficacy (5 items), optimism (5 items), hope (5 items), resilience (5 items), work engagement (5 items), job satisfaction (5 items), and affective organization commitment (5 items).

Scale	Range	Descriptive Equivalent	Interpretation
5	4.20-5.00	Very High	This specifies that Psychological Capital is Extremely Important.
4	3.40-4.19	High	This specifies that Psychological Capital is Very Important.
3	2.60-3.39	Average	This specifies that Psychological Capital is Important.
2	1.80-2.59	Low	This specifies that Psychological Capital is Not Important.
1	1.00-1.79	Very Low	This specifies that Psychological Capital is Not at all Important.

Innovativeness. The instrument for the dependent variable were adapted from The Innovativeness of Small and Medium Enterprises in Kuwait (Alzougool, 2019) The Innovativeness contained a total of 20 items. Organizational Innovation Capability (four items), Process Innovation Capability (four items), Product Innovation Capability (four items), Innovation Culture (four items), and innovation resources (four items).

Scale	Range	Descriptive Equivalent	Interpretation
5	4.20-5.00	Very High	This specifies that Psychological Capital is Extremely Important.
4	3.40-4.19	High	This specifies that Psychological Capital is Very Important.
3	2.60-3.39	Average	This specifies that Psychological Capital is Important.
2	1.80-2.59	Low	This specifies that Psychological Capital is Not Important.
1	1.00-1.79	Very Low	This specifies that Psychological Capital is Not at all Important.

3.4 Statistical Tools

The following statistical tools will be used in the computation of data to test the hypothesis at an alpha 0.5 level of significance.

Mean. The mean is the most commonly used measure of the central tendency and is often referred to as the average, which is the total sum of values divided by the number of values in a sample (Malakar, 2023).

Pearson r. This tool was used to measure the strength and direction of the association between the two variables. The Pearson's correlation coefficient, r, indicates the closeness of the observations to the fitted line (Obilor & Amadi, 2018).

3.5 Hypothesis

The null hypothesis was tested at a significance level of 0.05, indicating that there is no significant relationship between psychological capital and innovation.

4. Results and discussions

4.1 Level of Psychological Capital of Employee in terms of Self-efficacy

The table shows that the PsyCap of employees in terms of self-efficacy has a category mean of 3.52 with a descriptive equivalent of high. This means that the PsyCap of employees in terms of self-efficacy is high, with a standard deviation of 1.00 (SD) indicating the diversity of the responses for this indicator. This result indicates that self-efficacy is evident in the selected enterprises. These findings indicate that self-capability in the workplace is frequently observed in the selected enterprises. This implies that, at high, enterprises tend to show a prominent level of self-efficacy.

Table 1. Level of Psychological Capital of Employee in terms of Self efficacy

	Items	SD	Mean	Descriptive Equivalent
1.	I feel confident in analyzing a long-term problem to find a solution.	0.97	3.99	High
2.	I feel confident in presenting my work area in meetings with management.	0.90	3.50	High
3.	I feel confident in contributing to discussions about my company's strategy.	0.97	3.51	High
4.	I feel confident in helping to set targets/goals in my work area.	0.88	3.51	High
5.	I feel confident in contacting people outside my company (e.g., customers) to discuss problems.	1.25	3.11	Average
	Category	**1.00**	**3.52**	**High**

These results support Skaalvik and Skaalvik (2010), who stated that individuals with high levels of self-efficacy beliefs are expected to put themselves in more challenging situations, which may lead to greater success in their jobs and boost their confidence. Additionally, satisfied employees in resourceful work environments are self-efficacious and goal- and task-oriented (Rajabi & Ghalehteimouri, 2022). Moreover, Aluonzi, Byamukama, Marus, and Charity (2024) indicated that individuals with high self-efficacy show resilience to adversity; similarly, individuals with high self-efficacy possess certain characteristics that dispose them favorably to change.

4.2 Level of Psychological Capital in terms of Optimism

The table shows that the PsyCap of employees in terms of optimism has a category mean of 3.67 with a descriptive equivalent of high. This means that the PsyCap of employees in terms of optimism is high, with a standard deviation of 1.00 (SD) indicating the diversity of the responses for this indicator. This result indicates that optimism is evident among the selected enterprises. These findings indicate that employees with high levels of positivity in the workplace are frequently observed in selected enterprises. This implies that, at high, enterprises tend to show a prominent level of optimism.

Table 2. Level of Psychological Capital of Employee in terms of Optimism

	Items	SD	Mean	Descriptive Equivalent
1.	If something goes wrong with my work, it motivates me to improve.	0.95	3.82	High

2.	I always look on the bright side of everything about my job.	0.83	3.83	High
3.	I'm optimistic about what will happen to me in the future as it pertains to work.	0.95	3.79	High
4.	In my job, things never work out the way I want them to.	1.16	3.21	Average
5.	I approach my job with optimism and look for the positive side of things.	1.12	3.69	High
	Category	**1.00**	**3.67**	**High**

This result supports the idea of Diarti and Hesniati (2024) that high levels of optimism can help keep people calm during moments of stress and disruption, and ensure that the focus remains on the potential solution to any challenge rather than the immediate difficulties being faced. According to Xanthopoulou, Bakker, and Fischbach (2013), optimistic people tend to focus on good things, aligning with Seligman, Steen, Park, and Peterson (2005). Optimists view positive events as personal achievements that are likely to continue, while negative events are viewed as temporary and external. Additionally, optimistic individuals are more committed to the mission of their organization than pessimistic individuals (Soje & Tanko, 2024). Moreover, (Chakilia & Ahado, 2024) stated that a person tends to reframe challenges as opportunities and believes in their ability to overcome obstacles, and their positive view of the future fuels their confidence and determination to succeed.

4.3 Level of Psychological Capital in terms of Hope

The table shows that the PsyCap of employees in terms of hope has a category mean of 3.55, with a descriptive equivalent of high. This means that the Psychological Capital of employees in terms of hope is high, with a standard deviation of 0.98 (SD) indicating the homogeneity of the responses for this indicator. This result indicates that hope is evident among the selected enterprises. These findings indicate that employees with stronger positive strengths are likely to achieve higher goals in the workplace, and are frequently observed in selected enterprises. This implies that, at high, enterprises tend to show a prominent level of hope.

Table 3. Level of Psychological Capital of Employees in terms of Hope

	Items	**SD**	**Mean**	**Descriptive Equivalent**
1.	If I find myself in a jam at work, I can think of many ways to get out of it.	0.98	3.77	High
2.	At the present time, I am energetically pursuing my goals.	0.94	3.34	Average
3.	There are lots of ways around any problem that I am facing now.	1.06	3.43	High
4.	I am satisfied with the support I receive from my superiors.	0.90	3.69	High

5.	At this time, I am meeting the work goals I have set for myself.	1.05	3.53	High
	Category	**0.98**	**3.55**	**High**

This result supports the idea of Mao, He, Morrison, and Andres Coca-Stefaniak (2021) that hope is a powerful driver of intrinsic motivation and commitment toward achieving goals. Individuals with high levels of hope believe in their ability to make a difference and are motivated to meaningfully contribute to the organization's success. Furthermore, fostering hope within an organization not only directly impacts individual innovation efforts but also creates an environment conducive to knowledge sharing and employee empowerment, ultimately leading to greater collective innovation (Ozyilmaz, 2020).

4.4 Level of Psychological Capital in terms of Resilience

The table shows that the PsyCap of employees in terms of resilience has a category mean of 3.35 with a descriptive equivalent of average. This means that the PsyCap of employees in terms of resilience is at an average level, with a standard deviation of 1.13 (SD) indicating the diversity of the responses for this particular indicator. This result indicates that the resilience of the selected enterprises is evident. These findings indicate that employees who can adapt to challenging tasks in the workplace are frequently observed in selected enterprises. This implies that enterprises tend to show a prominent level of resilience on average.

Table 4. Level of Psychological Capital of Employee in terms of Resilience

	Items	**SD**	**Mean**	**Descriptive Equivalent**
1.	When I have setback at work, I have trouble recovering from it and moving on.	1.25	3.29	Average
2.	I can be “on my own,” so I can speak, at work if I have to.	1.13	3.25	Average
3.	I usually take stressful things at work in progress.	1.04	3.51	High
4.	I can get through difficult times at work because I’ve experienced difficulties before.	1.01	3.57	High
5.	I feel I can handle many things at a time at my job.	1.20	3.13	Average
	Category	**1.13**	**3.35**	**Average**

These results support the idea of Kuckertz et al. (2020) that employees with high levels of resilience can overcome obstacles in an uncertain situation. In the business context, resilience is the capacity of an entrepreneur to survive, adapt, and grow during turbulent times. Resilience enables them to navigate during a crisis and get their best out of the situation. Resilience is a multi-dimensional construct. It is an amalgamation of various favorable personal attributes, traits, and behaviors (Ayala & Manzano, 2014). Moreover, Giancotti and Mauro (2020) stated that companies that want to survive and foster success must develop their resilience capacity, because it is crucial to achieve sustainability in the long term when reacting to unexpected events.

4.5. Level of Psychological Capital in terms of Work Engagement

The table shows that the PsyCap of employees in terms of Work Engagement has a category mean of 3.66 with a descriptive equivalent of high. This means that the PsyCap of employees in terms of Work Engagement is at a high level, with a standard deviation of 0.95 (SD) indicating the homogeneity of the

responses for this indicator. This result indicates that Work Engagement in the selected enterprises was evident. These findings indicate that highly engaged employees in their work are frequently observed in the selected enterprises. This implies that enterprises tend to exhibit a prominent level of Work Engagement.

Table 5. Level of Psychological Capital of Employee in terms of Work Engagement

	Items	SD	Mean	Descriptive Equivalent
1.	At my work, I feel like I'm bursting with energy.	0.99	3.42	High
2.	When I get up in the morning, I feel like going to work.	0.84	3.50	High
3.	My job inspires me.	1.00	3.89	High
4.	I am proud of the work I do.	0.92	3.83	High
5.	I get carried away when I am working.	0.99	3.67	High
	Category	**0.95**	**3.66**	**High**

This result supported the idea of Wirawan, Jufri, and Saman (2020) that Employees with high engagement consistently exceed the minimum requirements, driven by a deep sense of purpose and a desire to make a significant contribution. Their work becomes more than just a job; it's a source of fulfillment and well-being, both physically and mentally (Niswaty, Wirawan, Akib, Saggaf, & Daraba, 2021). Additionally, Schaufeli, Marisa Salanova, González-Romá, and Bakker (2002) stated that this profound connection fuels a reservoir of mental and physical energy that they approach tasks with unwavering persistence, readily investing extra effort, and going the extra mile. Highly engaged employees are not just present; they are also fully immersed in their work. They found it inherently meaningful, stimulating feelings of enthusiasm, passion, and even inspiration. Challenges become opportunities to learn and grow, and the work itself becomes so engrossing that time seems to fly unnoticed (Ciftci & Erkanli, 2020).

4.6 Level of Psychological Capital in terms of Job Satisfaction

The table shows that the PsyCap of employees in terms of Job Satisfaction has a category mean of 3.92, with a descriptive equivalent of high. This means that the PsyCap of employees in terms of Job Satisfaction is at a high level, with a standard deviation of 0.97 (SD) indicating the homogeneity of the responses for this indicator. This result indicates that Job Satisfaction in the selected enterprises was evident. These findings indicate that employees who are contented with their work are frequently observed in selected enterprises. This implies that enterprises tend to exhibit a prominent level of Job Satisfaction.

Table 6. Level of Psychological Capital of Employee in terms of Job Satisfaction

	Items	SD	Mean	Descriptive Equivalent
1.	I am satisfied with my overall job.	0.95	3.89	High
2.	I am happy with my fellow workers.	0.98	3.96	High
3.	I am grateful to my supervisor.	0.92	3.78	High
4.	I am satisfied with the job's policies.	1.03	3.94	High
5.	I am fulfilled by the support provided by this company.	0.98	4.01	High

Category	**0.97**	**3.92**	**High**

This result supports the idea of Ngwenya and Pelser (2020), who found that a high level of contentment an individual experiences with their work plays a crucial role in the employee's inclination to exert their best effort. In addition, Huynh and Hua (2020) stated that people who have positive feelings about their jobs have a high level of job satisfaction, whereas people who have negative feelings about their jobs have a low level of job satisfaction. Any combination of psychological, physiological, and environmental circumstances that cause a person to truthfully say I am satisfied with my job (Aziri, 2011). Moreover, when a person works hard and uses his maximum capabilities to prove to himself and others that he is capable, successful, and has the potential to boost his feelings and give him satisfaction (Alshebami, 2021). Therefore, according to Y. Xie et al. (2021) An employee who feels satisfied is likely to be content and motivated, leading to success in their work. Conversely, a happy employee is often a successful employee, highlighting the importance of job satisfaction.

4.7 Level of Psychological Capital in terms of Affective Organizational Commitment

The table shows that the PsyCap of employees in terms of Affective Organizational Commitment has a category mean of 3.70, with a descriptive equivalent of high. This means that the PsyCap of employees in terms of Affective Organizational Commitment is at a high level, with a standard deviation of 0.97 (SD) indicating the homogeneity of the responses for this indicator. This result indicates that Affective Organizational Commitment is evident in the selected enterprises. These findings indicate that employees who are committed to their work are frequently observed in selected enterprises. This implies that enterprises tend to exhibit a prominent level of Affective Organizational Commitment.

Table 7. Level of Psychological Capital of Employee in terms of Affective Organizational Commitment

	Items	SD	Mean	Descriptive Equivalent
1.	I would be very happy to spend the rest of my career with this company.	0.86	3.94	High
2.	I really feel as if this company's problem is my own.	1.14	3.37	Average
3.	I feel like part of the family at my company.	0.94	3.79	High
4.	I feel emotionally attached to this company.	0.99	3.57	High
5.	This company has a great deal of personal meaning for me.	0.97	3.82	High
	Category	**0.98**	**3.70**	**High**

This result supports the study by Taştan, Küçük, and Işiaçik (2020), who stated that they have a high level of commitment and tend to experience emotional attachment to the organization. Consequently, they will remain with the organization and not think of leaving (Karimi, Ahmadi Malek, Yaghoubi Farani, & Liobikienė, 2023). According to Miao, Bozionelos, Zhou, and Newman (2022), a strong and significant relationship does exist between organizational employee commitment and organizational employee performance. Moreover, (Khalid, Pan, Li, Wang, & Ghaffari, 2020) employees' positive feelings toward the organization and its values are characterized by their willingness to contribute to organizational goals. Furthermore, Raja, Azeem, Haq, and Naseer (2020) found that employees who have frequent experiences of positive emotions at work tend to develop an affective commitment attachment in their workplace.

4.8 Level of Psychological Capital

All the Psychological Capital indicators had an overall mean of 3.62, with a standard deviation of 1.00. This implies a degree of diversity in the responses received for this particular indicator. Based on the analysis, it can be concluded that employees' PsyCap in Small and Medium-sized enterprises is highly important. The results indicate that the items Self-efficacy, Optimism, Hope, Work Engagement, Job Satisfaction, and Affective Organizational Commitment have a high descriptive level, while the item Resilience has an average descriptive level. Although the Resilience indicator scored the lowest, it still received a fair rating, which means that there is an opportunity to improve it to achieve optimal PsyCap.

Table 8. Summary on level of Psychological Capital

Indicators	SD	Mean	Descriptive Equivalent
1. Self-efficacy	1.00	3.52	High
2. Optimism	1.00	3.67	High
3. Hope	0.98	3.55	High
4. Resilience	1.13	3.35	Average
5. Work Engagement	0.95	3.66	High
6. Job Satisfaction	0.97	3.92	High
7. Affective Organizational Commitment	0.98	3.70	High
Category	**1.00**	**3.62**	**High**

These results are supported by those of different studies. Shahid and Aslam (2018) stated that employee attitudes are desirably influenced by Psychological Capital. Pham, Wong, and Bui (2024) found in their study that Workers with stronger positive strengths are likely to achieve higher goals (hope), perceive self-capability to be personally successful (self-efficacy), believe in positivity in the workplace (optimism), and bounce back from adversity quickly (resilience). Additionally, Wardani and Anwar (2019) revealed that Psychological Capital has strong and generally rooted connections with Work Engagement, and people who have good Psychological Capital are more likely to be engaged in their work. According to Kurt and Demirbolat (2019), Psychological Capital contributes to workers' enhanced job satisfaction, engagement (Tsaur, Hsu, & Lin, 2019), well-being (Kun & Gadanecz, 2022), outcomes, and performance (Darvishmotevali & Ali, 2020). On the other hand, According to Istiqomah and Riani (2021), psychological capital successfully moderates the relationship between work engagement and affective commitment. In other words, psychological capital strengthens the impact of work engagement on affective commitment (Oh & Ko, 2024). Liao and Youssef-Morgan (2017) found that Psychological Capital enhances job satisfaction, which, in turn, has been correlated with organizational commitment.

4.9 Level of Innovativeness in terms of Organizational Innovation Capability

The table shows that innovativeness in terms of Organizational Innovation Capability has a category mean of 3.39 with an average descriptive equivalent. This means that innovativeness, in terms of Organizational Innovation Capability, is at an average level, with a standard deviation of 1.01 (SD) indicating the diversity of the responses for this indicator. This result indicates that Affective Organizational Commitment is evident in the selected enterprises. These findings could be of significant importance in determining the current state of innovation within an organization, and can provide valuable insights for the future development and growth of the organization.

Table 9. Level of Innovativeness in terms of Organizational Innovation Capability

Items	SD	Mean	Descriptive Equivalent
1. I am better than our competitors in the manner of developing new managerial work, processes, and systems.	1.23	3.33	Average

2.	I was successful in commercializing and institutionalizing new products.	0.81	3.57	High
3.	I reduce the development time of new products and services.	1.11	2.99	Average
4.	I make improvements in the manner of customer relationships to obtain customer satisfaction.	0.90	3.65	High
	Category	**1.01**	**3.39**	**Average**

These results are supported by the research study of Zhang and Merchant (2020), who conceptualized employees' innovativeness as the degree to which an employee adopts or is willing to adopt something new. It can also be viewed as employees' new perspectives on issues that arise, willingness to take risks, and tolerance for ambiguity (Saunila, 2020). In addition, companies focus on human capital and a knowledgeable workforce to enhance their organizational performance (Su et al., 2016). According to Burgelman and Chanda (2024), innovation capabilities are a comprehensive set of organizational characteristics that support organizational innovation strategies. Holub-Iwan, Kupczyk, Debita, and Rupa (2021) indicated that if there are more knowledge-sharing activities among employees, employees are more likely to attain the ability to think and create new things. Duy, Lan, Quang, and Tú (2023) concluded that effective practice of knowledge sharing helps to innovate employees. Furthermore, Bahrami, Taghizadeh, and Honarmand Azimi (2022) made conclusions in their paper that it is a need to view the process of innovation as changes in a complete system of not only hardware but also marker environment, production facilities & knowledge, & the social contexts of the innovating organization.

4.10 Level of Innovativeness in terms of Process Innovation Capability

The table shows that innovativeness in terms of Process Innovation Capability has a category mean of 3.47, with a high descriptive equivalent. This means that innovativeness in terms of Process Innovation Capability is high, with a standard deviation of 0.97 (SD) indicating the homogeneity of the responses for this indicator. This result indicates that the Process Innovation Capability of the selected enterprises is evident. These findings mean that it can be inferred that the organization in question has demonstrated a strong ability to innovate in terms of its process innovation capabilities.

Table 10. Level of Innovativeness in terms of Process Innovation Capability

	Items	**SD**	**Mean**	**Descriptive Equivalent**
1.	I actively work to constantly adjust its business processes.	0.97	3.38	Average
2.	I constantly look for new ways to deliver our products to our customers.	0.89	3.65	High
3.	I develop in-house solutions to improve our manufacturing processes.	1.07	3.10	Average
4.	I actively seek opportunities to improve the efficiency and effectiveness of my work processes.	0.95	3.73	High
	Category	**0.97**	**3.47**	**High**

These results are supported by the research study of Goni and Van Looy (2022), who found that it is becoming increasingly crucial to develop process innovation capability (PIC) in order to keep up with evolving business environments and new technological advancements. Mendoza-Silva (2021) have suggested that manufacturing companies can achieve long-term competitive advantage through process innovation, which can result in increased effectiveness and efficiency.

4.11 Level of Innovativeness in terms of Product Innovation Capability

The table shows that innovativeness in terms of Product Innovation Capability has a category mean of 3.43, with a high descriptive equivalent. This means that innovativeness in terms of Product Innovation Capability is high, with a standard deviation of 1.02 (SD) indicating the diversity of the responses for this indicator. This result indicates that Product Innovation Capability is evident. This finding suggests a significant degree of innovativeness regarding an organization's ability to develop and introduce new products.

Table 11. Level of Innovativeness in terms of Product Innovation Capability

	Items	SD	Mean	Descriptive Equivalent
1.	I enhance the range of our products and services not previously released products and services.	0.97	3.57	High
2.	I try to acquire new products with differing technical specifications and functionalities.	1.03	3.16	Average
3.	My ideas for product innovation are typically welcomed and considered by management.	1.05	3.33	Average
4.	I have the resources and support necessary to conduct research and develop new product concepts.	1.01	3.65	High
	Category	**1.02**	**3.43**	**High**

These results are supported by the research study of Uchihira (2022), who stated that the company has expanded in all three directions with the increasing innovation capability of PSSs. Entering the partnership in the engine programs is an overall adjustment expansion, customizing each product according to the demands of each customer or partner. Product innovation is essential to the success and renewal of organizations. Moreover, Mafimisebi, Obembe, and Aluko (2020) compared to other types of innovation, radical product innovations have the capability to create fresh business opportunities, accomplish noteworthy cost reductions, and offer hitherto unseen customer benefits, all of which can enhance organizational performance.

4.12 Level of Innovativeness in terms of Innovation Culture

The table shows that innovativeness in terms of Innovation Culture has a category mean of 3.50, with a high descriptive equivalent. This means that innovativeness in terms of Product Innovation Capability is high, with a standard deviation of 0.96 (SD) indicating the homogeneity of the responses for this indicator. This means that Innovation Culture in the selected enterprises is evident. This result indicates that Innovation Culture places strong emphasis on fostering a creative and forward-thinking environment within the organization.

Table 12. Level of Innovativeness in terms of Innovation Culture

	Items	SD	Mean	Descriptive Equivalent
1.	I skillfully transform information from internal and external sources into valuable knowledge for our company.	1.00	3.63	High
2.	My company encourages collaboration and exchange of ideas between the departments to produce new approaches.	0.92	3.41	High
3.	I try out new ideas and methods to provide innovative solutions to our client's problems.	0.96	3.39	Average
4.	My company encourages and rewards employees for taking risks and trying new things.	0.96	3.57	High
	Category	**0.96**	**3.50**	**High**

These results are supported by the research study of Hanifah, Halim, Ahmad, and Vafaei-Zadeh (2020), who found that the concept of innovation culture is the desire to be inventive, coupled with a supportive environment innovation, with the ability to function and the actions necessary to influence a market and the setting in which innovation can be applied. Alternatively, innovation culture includes the ideals of managers and staff, idea creation and dissemination, mechanisms for overseeing the innovation endeavor, encouragement of good initiative, support for internal and external learning, and acceptance of failure. Additionally, whatever definition one chooses to believe, according to X. Xie, Wu, and Zeng (2016), the central idea can be summed up as the goal of thrilling, promoting creativity, and enhancing presentation (X. Xie et al., 2016).

3.13 Level of Innovativeness in terms of Innovation Resource

The table shows that innovativeness in terms of Innovation Resources has a category mean of 3.42, with a high descriptive equivalent. This means that innovativeness in terms of Product Innovation Capability is high, with a standard deviation of 1.08 (SD) indicating the diversity of the responses for this indicator. This result indicates that Innovation Resources in the selected enterprises are evident.

Table 13. Level of Innovativeness in terms of Innovation Resource

	Items	SD	Mean	Descriptive Equivalent
1.	Importance is given to training Research and Development personnel.	0.94	3.83	High
2.	I constantly increase the allocated budget of Research and Development personnel.	1.07	3.29	Average
3.	I have access to training and workshops that help me develop my skills in innovation and creativity.	1.19	3.35	Average
4.	I feel comfortable requesting additional resources or	1.12	3.19	Average

support when needed to pursue my innovative ideas.			
Category	**1.08**	**3.42**	**High**

Based on the study of Long (2020) To facilitate responsible innovation activities, it is important to consider the availability of innovative resources, including the number of shares issued, assets and liabilities, the amount of professional knowledge stored, the amount of intellectual property owned, the extent of R&D cooperation and corporate reputation. In addition, it can be concluded that the demand of enterprises caused by innovative resources will affect their behavioral motivation and further promote the emergence of corporate responsibility behavior (Abbas & Dogan, 2022). Moreover, (Stilgoe, Owen, & Macnaghten, 2020) it is evident that innovative resources necessary for responsible innovation encompass not only the resources (money, knowledge, and technology) that have a direct impact on enterprises' innovation, but also the external relationship capital, which has an indirect impact on enterprises' innovation activities.

4.14 Level of Innovativeness

All the items within the Innovativeness Indicators have an overall mean of 3.44, making them highly consistent in their level of innovation. With a standard deviation of 1.01, there is diversity in the responses received for this particular indicator, which means that the items Process Innovation Capability, Product Innovation Capability, Innovation Culture, and Innovation Resource have a descriptive equivalent of high, while the item Organizational Innovation Capability has the only descriptive equivalent of average. Overall, the findings suggest that innovation is evident and that the region has a thriving culture of innovation.

Table 14. Summary on level of Innovativeness

Indicators	SD	Mean	Descriptive Equivalent
1. Organizational Innovation Capability	**1.01**	**3.39**	Average
2. Process Innovation Capability	**0.97**	**3.47**	High
3. Product Innovation Capability	**1.02**	**3.43**	High
4. Innovation Culture	**0.96**	**3.50**	High
5. Innovation Resource	**1.08**	**3.42**	High
Category	**1.01**	**3.44**	**High**

Based on the research of Sharma and Sharma (2021) high level of innovativeness is the overall measurement of innovation achievement called innovation excellence. Among administrative processes, innovation is another important factor besides alignment and culture (Bendak, Shikhli, & Abdel-Razek, 2020). Being innovative means having the ability and creativity to come up with novel ideas and products, even for a company that has never been known for its creativity. Innovation culture is a generation to obtain innovation. This means operative and managerial attitudes, beliefs, and practices can be characterized as innovation culture, approaches, dedication, and other factors toward innovation, and is the initial phase of the innovation direction because it influences the whole process of innovation from idea to according to Calik, Cetinguc, and Calisir (2020). In addition, it is important for administrators to keep up with these changes and shape the staff and institutions, taking the current innovations into consideration. It is also important for administrators to innovate in the field of education (Goh & Sigala, 2020).

4.15 Significance of the relationship between the level of innovation in small and medium-sized enterprises (SMEs) and the psychological capital of their employees

Table 15 shows the relationship between the level of innovation in small and medium-sized enterprises (SMEs) and the PsyCap of their employees.

Table 15. Significance of the relationship between the level of innovation in small and medium-sized enterprises (SMEs) and the psychological capital of their employees

Variables Correlated	r	p-value	Decision on Ho	Decision on Relationship
innovation in small and medium-sized enterprises (SMEs) and the psychological capital of their employees	0.650	<.001	Reject	Significant

The correlation between innovation in small and medium-sized enterprises (SMEs) and the psychological capital of their employees showed that innovation has a significant relationship with psychological capital ($p<.001$), with an r-value of 0.650 moderate correlation; therefore, the null hypothesis is rejected. In particular, the degree of correlation and p-value of the two variables are less than 0.05 level of significance, which makes them significant.

The results highlight a significant relationship between Innovation in small and medium-sized enterprises (SMEs) and the psychological capital of their employees. Based on the result, it is emphasized that employees' high psychological capital significantly affects their innovative strategies in small and medium-sized enterprises (SMEs), and the other way around, the Innovative behavior of employees is directly connected to their psychological capital in small and medium-sized enterprises (SMEs) settings.

This result is supported by the idea of Kumar, Upadhyay, Yadav, and Goyal (2022) that higher Psychological Capital motivates them to generate novel ideas through creative thinking and is positively associated with Innovative behavior among employees. Furthermore, several studies have investigated the different leadership styles of Psychological Capital, which further lead to innovation or better innovative capabilities of employees (Le, 2020).

5. Conclusion

The major findings of this study highlight key aspects of psychological capital and innovativeness among employees in small and medium-sized enterprises (SMEs):

1. Psychological Capital

The study found that employees exhibited high levels of PsyCap across various dimensions. Job satisfaction had the highest mean (3.42, SD = 0.97), indicating a generally high level of employee contentment. Affective organizational commitment (mean = 3.70, SD = 0.98), optimism (mean = 3.67, SD = 1.00), work engagement (mean = 3.66, SD = 0.95), hope (mean = 3.55, SD = 0.98), and self-efficacy (mean = 3.52, SD = 1.00) were also rated as high. However, resilience was the lowest-rated dimension (mean = 3.35, SD = 1.13), with an average descriptive equivalent. Overall, the PsyCap of employees was rated high, with an aggregate mean of 3.62 (SD = 1.00).

2. Innovativeness

In terms of innovativeness, the study revealed that SMEs demonstrate a strong innovative culture, with the highest mean score (3.50, SD = 0.96). Other dimensions such as process innovation capability (mean = 3.47, SD = 0.97), product innovation capability (mean = 3.43, SD = 1.02), and innovative resources (mean = 3.42, SD = 1.08) were also rated high. However, organizational innovation capability had the lowest mean (3.39, SD = 1.01), receiving a descriptive equivalent of the average. The overall mean for innovativeness was 3.44 (SD = 1.01).

3. Relationship Between Psychological Capital and Innovativeness

The study found a moderate positive correlation between the PsyCap of employees and their level of innovativeness, with a statistically significant p-value of <.001, lower than the significance level of 0.05. This suggests that higher PsyCap is associated with greater innovativeness in SMEs, leading to

rejection of the null hypothesis. This finding underscores the critical role of psychological capital in fostering an innovative environment within organizations.

5.2 Recommendations

Based on the findings and conclusions of this study, the following recommendations were proposed:

1. Enhancing Employee Resilience

Managers and business owners should focus on strengthening employee resilience by creating supportive work environments that encourage open communication. Providing workshops, training sessions, and stress management resources can help employees better manage challenges. Additionally, managers should consider adjusting workloads or delegating tasks to reduce stress and promote a healthier work-life balance.

2. Promoting Employee Well-being

Prioritizing employee well-being is crucial for sustaining high levels of job satisfaction and organizational commitment. This can be achieved by offering comprehensive benefits that support mental and physical health, setting clear and achievable goals, and providing opportunities for career growth through competitive salaries, benefit packages, and opportunities for promotions.

3. Optimizing Organizational Resources

Organizations should invest in updating tools and software for project management, data analysis, and collaboration to enhance efficiency. It is also important to optimize the allocation of human resources, budget, and time management. Additionally, continuous investment in employee training and development programs is essential to enhance skills and productivity.

4. Fostering an Innovative Culture

To cultivate an innovative culture within the workplace, organizations should conduct workshops and training sessions that equip employees with the resources necessary to pursue innovative ideas. Establishing open communication channels is also critical, as it allows employees to seek additional support or resources for their projects. Implementing mentorship programs and forming cross-functional teams can promote collaboration and innovation.

5. Future Research

Further research should focus on exploring the resilience and job satisfaction of employees in various organizational settings. Investigating these aspects in different industries and contexts could provide deeper insights into how PsyCap influences employee outcomes across diverse environments.

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