

Psychological Empowerment and Employees' Performance: Mediating role of Innovative Behavior in Nepalese Organizations

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Abstract: *This study attempts to analyze the complex relationship that exists between three important HR dimensions: psychological empowerment, innovative behavior, and employees' performance in Nepalese organizations. Understanding the factors that lead to improved employee performance in today's dynamic workplaces is essential for organizational success. Psychological empowerment has been identified for its role to inspire the employees and increase their work commitment whereas the innovative behavior is essential for organizational innovation. The study uses a quantitative approach with a broad sample of 607 employees from the hotel, insurance, and banking industries in Nepal. To analyze and interpret findings, the study adopted a descriptive, correlational and explanatory research design approach for which the study performed the reliability, validity, factor, correlation and regression analysis with the use of the tools like Exploratory Factor Analysis (EFA), and Confirmatory Factor Analysis (CFA). This study investigates how psychological empowerment influences innovative behavior and subsequently impacts overall employee performance. The study is significant for identifying the role of innovative behavior as a mediator in the relationship between psychological empowerment and employees' performance. These findings offer valuable theoretical insights to researchers and practical benefits to practitioners by emphasizing the importance of fostering psychological empowerment and innovative behavior to improve employees' performance as well as the overall performance of the organizations.*

Keywords: Employees' Psychological Empowerment, Employees' Innovative Behavior, Employees' Performance, Mediating Role, Nepalese Organizations

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I. INTRODUCTION

Human resources are undeniably crucial assets for any organization, playing a pivotal role in determining the success or failure of a company in achieving its goals. These personnel are often considered the most valuable assets a company possesses because they significantly influence the organization's performance and overall effectiveness (Soelton et al., 2020). As a result, managers always struggle with the crucial responsibility of improving the performance of their employees. A skillful and empowered workforce is a constant requirement for any organization, providing a distinctive advantage in the competitive market. Managers carefully create and modify HR policies and procedures as they earnestly seek improved performance. In addition to other strategies, they remain informed of the most recent developments of the technology for manufacturing and processing and aim to nurture an innovative, motivated, and satisfied employee. Since employees are the core of all the organizational aspects discussed above, their capacity for innovation and psychological empowerment become critical assets. The results of the organization might be significantly influenced by these factors.

According to Berry (2011), psychological empowerment is known as the belief that one possesses the knowledge, capabilities, and authority to take an active role in one's life and the lives of those around them. According to De Jong and Den Hartog (2007), an employee's innovative behavior is the behavior aimed toward the development and adoption of novel ideas, products, processes, and practices inside certain job functions, social groups, or organizations. In the view of Rothman and Coetzer (2003), the accomplishment of a task in accordance with pre-established standards of accuracy, completeness, cost, and speed, the initiatives taken, the creativity with which employees solve problems, and the resourcefulness with which they allocate their resources, time, and energy are all indicators of an employee's performance.

The significance of this research was recognized by the enormous emphasis given to the HRD component of employee empowerment inside an organization, which is seen to be directly related to employee performance. Within this framework, the analysis aimed to investigate the potential influence of innovative behavior in between these two important dimensions of HR and determine how it affects the performance of employees.

In pursuit of these inquiries, the study embarked upon a comprehensive exploration, aiming to address the following distinct objectives:

- To study the effect of psychological empowerment and innovative behavior on employees' performance in Nepalese organizations;
- To analyze the impact of employees psychological empowerment on their innovative behavior in Nepalese context and;
- To examine the mediating relationship of employees' innovative behavior in between their psychological empowerment and performance in Nepalese context.

The study was expected to be significant to the managers in formulating their HR policies related to empowering their employees, implementing these policies and programs and making them innovative so that their performance could be increased.

This study was also expected to significantly contribute to the literature by establishing and defining the novel relationships between the Psychological Empowerment, Innovative Behavior and Employees Performance. In the course of which a detailed and meticulous study of related literature was done. Although the review of literature was focused on the prior theories which would have defined the relationships among the HR dimensions Psychological Empowerment, Innovative Behavior and Employees' Performance, in search of which the other relevant literature was also studied. The literature review enabled the researcher to understand the established theoretical foundation and conceptualize the framework of this study. In this way, the variables psychological empowerment, innovative behavior, and employee performance were incorporated into the study's conceptual framework.

The study was anticipated to be important to managers as they develop their HR policies relating to employee empowerment, implement them, and make their employees innovative to improve their performance. By developing and defining the novel linkages between psychological empowerment, innovative behavior, and employee performance, this study was also anticipated to make a substantial literary contribution. Throughout which, a thorough and rigorous analysis of the related literature was conducted. Although the focus of the examination of the literature was on earlier theories that defined the connections between the HR dimensions of psychological empowerment, innovative behavior, and employee performance, other pertinent material was also examined in the process.

II. LITERATURE REVIEW

Employees' psychological empowerment is their perception of confidence, decision-making capabilities, autonomy, and importance in job performance (Knol & Van Linge, 2009; Spreitzer, 1996). It focuses on the psychological experience of workplace empowerment, emphasizing how employees perceive it rather than external work circumstances (Spreitzer, 1995; Thomas & Velthouse, 1990). Thomas and Velthouse (1990) defined psychological empowerment as cognitive characteristics influencing workers' motivation. Mishra and Spreitzer (1998), Quinn and Spreitzer (1997), and Wilkinson (1998) highlight that psychological empowerment occurs when psychological conditions lead to an employee's sense of empowerment, involving organic or bottom-up processing. Managers should avoid imposing empowerment on staff, as employees only feel empowered when they perceive it (Mishra & Spreitzer, 1998; Quinn & Spreitzer, 1997; Spreitzer, 1995).

Innovative behavior among employees is characterized by the development and adoption of novel ideas, products, processes, and practices within specific job functions, social groups, or organizations (De Jong & Den Hartog, 2007). Dorenbosch, Engen, and Verhagen (2005) describe innovative work behavior as employees voluntarily initiating the creation and utilization of ideas, processes, or products within a group or organization. Similarly, Janssen (2000) defines it as the spontaneous application of new ideas, presentations, and practices to improve the business role, group, or organization. Innovation typically begins with an idea, whether generated internally or externally,

aiming to impact or benefit the organization (Urip et al., 2018). Despite the importance of innovative behavior, there is a lack of empirical evidence regarding employees' innovative behavior in the context of Nepal.

Employee performance is the outcome of employees' efforts measured against predetermined parameters set by the organization. Rothman and Coetzer (2003) identify indicators of performance as the successful completion of tasks in terms of accuracy, completeness, cost, and speed, along with initiatives, problem-solving creativity, and resourcefulness in allocating resources, time, and energy. Herbert, John, and Lee (2000) define employee performance as the result of actions contributing to goal achievement. Sultana et al. (2012) also characterize performance as task accomplishment compared to established standards of accuracy, completeness, cost, and time. Nuredin (2016) adds that worker performance may manifest in increased output, adeptness with new technologies, and high levels of engagement.

A positive effect of employees' psychological empowerment and their performances was found in the earlier studies. For instances, Indradevi (2011); Liden, Wayne, and Sparrowe (2000); Spreitzer (1995), there is a strong association between employee psychological empowerment and employee performance; Cook (1994), empowered employees have complete knowledge about their work, so that they plan and schedule their work and are capable of identifying and resolving any obstacles for their performance; Ford et al. (1992), individuals high in self-efficacy were more likely to have the opportunity to perform more of the tasks they were trained for and also to perform more complex and difficult tasks; Thomas and Velthouse (1990), empowered individuals perform better than those relatively less empowered; Liden, Wayne and Sparrowe (2000), individuals who feel that their jobs are meaningful and that by completing their job responsibilities they have an impact on others within and outside of the organization are motivated to perform well; Vroom (1964), the relationship between the four dimensions of psychological empowerment and performance from an expectancy theory point of view is also axiomatic; Tuuli and Rowlinson (2009), psychological empowerment not only has direct and positive performance consequences, but also indirect effects, mediated by intrinsic motivation, opportunity to perform and ability to perform; Adhikari (2015), four cognitions: psychological empowerment meaning, competence, self-determination and impact are positively contributing towards the increased employees' performance.

An association between the employee's psychological empowerment and their innovative behavior was also found in various studies like, Cingoz and Kaplan (2015) found psychological empowerment had a positive effect on innovative behavior; Janssen (2005) concluded when supervisors are perceived as being supportive of employee innovation, employees feel encouraged to use their influence to carry out innovative activities at work, Cuhadar (2005) resulted that the organizations which seek ways to empower their employees attempt to increase their profitability, making more use of enterprise, creativity, and innovativeness. Similarly, innovation as being an important aim of empowerment releases the potential within employees to make a positive change in

their work roles, work units, or organization (Block, 2016; Randolph, 1995). Likewise, by loosening controls, managers give entrepreneurial employees the autonomy or freedom to tinker with existing elements and practices and reconfigure them in new ways (Levin & Senger, 1994; Kanter, 2008); empowerment leads to innovative behavior (Erturk, 2012; Spreitzer, 1995); employee empowerment is a significant predictor of innovation (Cakar & Erturk, 2010; Erturk, 2012; Knight-Turvey, 2006; & Spreitzer, 1995); and many others have also found an association between the employees psychological empowerment and their innovative behavior.

A positive association also in between employees' innovative behavior with their performance was observed in various earlier studies. Few of them were, that the adoption of innovative behavior intends to contribute to the overall effectiveness and performance of the organization (Cingoz & Kaplan, 2015); there is a linkage between the innovation process and overall economic performance of the organization (Klomp & Van Leeuwen, 2001); the innovative behavior consisting of entrepreneurial policies and entrepreneurial practices had significant influence towards non-financial HR performance (Urip et al., 2018); innovative working behavior has positive correlation with task performance (Dorner, 2012; Leong & Rasli, 2014; Rexhepi & Berisha, 2017; Yuan & Woodman, 2010).

In addition, there might be other research that could have been able to establish the mediating relationships among the various human resource related aspects in the organization such as HRD, employees' psychological empowerment, employees' innovativeness, organizational productivity, effectiveness, efficiency, employees performance, organizational commitment, job satisfaction, etc. Bin Abdullah, Almadhoun, and Ling (2015) found a significant mediating influence of psychological empowerment in the relationship between organizational empowerment and organizational commitment. Kaabomeir (2020) measured the mediating effect of psychological empowerment in between the HR variables leadership styles on employee performance. As per Xu, Yu, and Li (2012), to some extent, psychological empowerment mediates the relation between transformational leadership and employee satisfaction. The impact of performance feedback on work engagement was mediated by two dimensions of psychological empowerment, meaning of work and autonomy (Xiao, Liu, & Chen, 2017). Psychological empowerment partly mediated the relationship between transformational leadership and employee innovative behavior and that psychological empowerment partly mediates the relationship between transformational leadership and employee innovative behavior (Lei Z., Zhou, & Lei, Y., 2011). There is a significant complementary mediation effect of innovative behavior between entrepreneurial self-efficacy and entrepreneurial intention (Norena-Chavez, 2020). As per Rahayunus (2021), the individual innovation capabilities play an essential role in mediation between knowledge sharing and employee performance.

Conceptual Framework

In this way, after an in-depth and careful study of various established theories, existing literatures and studies in various contexts, this study has conceptualized a

model to measure the direct as well as mediating relationships among the variables psychological empowerment, innovative behavior and employees' performance in Nepalese context. The conceptual framework of the study is as demonstrated in Figure 1.



Figure 1. *The Conceptual Framework*

Note: The dashed arrow signifies the mediating role between the concerned variables

The study has conceptualized the variable psychological empowerment and its reflecting factors conceptualized by Spreitzer (1995), a model based on the Thomas and Velthouse (1990) approach, which defines empowerment as increased intrinsic motivation manifested in four cognitions: meaning, competence, self-determination, and impact (Menon, 2001). Likewise, the variable innovative behavior along with its contributing factors Idea Generation, Idea Search, Idea Communication, Implementation Starting Activities, Involving Others, Overcoming Obstacles, and Innovation Outputs from a model by Lukesh and Stephan (2017). Similarly, the variable Employees Performance was conceptualized based on Tuuli and Rowlinson (2009), Employees Performance was adopted from two studies, Williams and Anderson (1991), Van Scotter and Motowidlo (1996), and Podsakoff et al. (1993). And, on the basis of the literature review and the conceptual framework, ten different hypotheses were established.

And, on the basis of the literature review and the conceptual framework, following four different hypotheses were established.

- Hypothesis I** : Employees' psychological empowerment has a positive effect on employees' performance.
- Hypothesis II** : Employees' innovative behavior has a positive effect on employees' performance.
- Hypothesis III** : Employees' psychological empowerment has a positive effect on employees' innovative behavior.
- Hypothesis IV** : Employees' innovative behavior mediates the relationship of the employees' psychological empowerment and employees' performance.

III. METHODOLOGY

The study has adopted a quantitative research design. It has adopted the descriptive and explanatory research design approach. The primary data were collected from the

employees other than executive-level managers through Likert scale questionnaire survey. The population of the study was all employees (assistant level, officer level, and manager level) of Nepalese commercial banks, Nepalese life and non-life insurance companies and Four Star and Five Star hotels operated in Nepal. There were 607 total sample respondents, the size of which was determined as suggested by Cochran (1963) from the population size of 52,984 employees (Commercial banks 36,861, insurance companies 10,623, hotels 5,500). In this way, the population for the study comprises 52,984 employees of three different industries. Since the research had to have a balanced representation from various population groups the disproportionate stratified convenient sampling technique was adopted to collect the responses.

The specific information section of the instrument consisted of seven-point Likert scale questions related to the respective variables used in the study. The questions adapted related to various variables were; employees' psychological empowerment from Spreitzer (1995), Innovative Behavior from Lukesh and Stephan (2017) and Employees' Performance from Tuuli and Rowlinson (2009). To assess the earnestness of respondents, certain questions were phrased in a negative manner. Additionally, to mitigate the potential bias stemming from question titles, each question within various variables was coded, and the corresponding variable titles were omitted. Furthermore, the sequential arrangement of the questions was randomized to counteract any tendency for respondents to exhibit greater reluctance in later questions related to specific variables compared to those posed earlier.

The survey employed a self-administered stratified sampling method to distribute questionnaires among the employees. During the initial pilot testing phase, feedback from the first 50 respondents was instrumental in refining the technical nuances of the questions within the specific information section. Subsequently, in the second phase, the reliability of these questions was scrutinized. The data collected proved to be highly reliable, as evidenced by the individual variable coefficients, as well as the overall Cronbach's alpha coefficients, all surpassing the threshold of 0.70 (Nunnally & Bernstein, 1994).

Table 1
Reliability Statistics of the Study

Variables	Cronbach's Alpha	N of Items
Psychological Empowerment	0.908	17
Innovative Behavior	0.929	21
Employees' Performance	0.892	12
Overall	0.962	50

During the data refinement process, every item within each variable underwent coding, and the scale values associated with items phrased in a negative manner were inverted for subsequent analysis. As depicted in Table 1, the reliability assessment encompassing the 607 sample responses revealed that Cronbach's alpha coefficients

for both individual variables and the overall aggregate surpassed the threshold of 0.70. Consequently, it was ascertained that these items served as reliable measures for the respective variables (Nunnally & Bernstein, 1994).

Exploratory Factor Analysis (EFA) was performed to identify the factors on the basis of the underlying pattern of collected data. The KMO measure of sampling adequacy in the beginning before removing any item by EFA was 0.965 which shows that the data collected was sufficient for the factor analysis. The Bartlett's Test of Sphericity was significant at 0.000 level, which ensured that the EFA was adequate for the principal component analysis and was an indication for the further processing of exploratory factor analysis. All the diagonal coefficients of the anti-image correlation matrix were above 0.50, which also supported the factor analysis. The initial analysis of rescaled total variance explained (TVE) by three fixed factors was 45.70% which all were having their respective eigenvalues greater than two.

Two items InO65 of Innovative Behavior and TPB70 of Employees' Performance having communalities lower than 0.30 (Secret & Zeller, 2006) had been removed. SD40 of PE; and IS49, IO60, OO63, InO65 and InO66 of IB were removed with no loadings to any three factors in the rotated component matrix. M31, M32, C33, C35, C36, SD41, and IM44 of PE; and IG46, IG47, IS50, IS51, IC54, ISA55, ISA57, OO61 and OO62 of IB were also removed from the further analysis since they were loaded to the inappropriate factors. On the basis of the majority of the items loaded in each factor, Factor 1 was explored to be the variable Employees' Performance with 11 items, Factor 2 was explored to be the variable Innovative Behavior with seven items and Factor 3 was explored to be the Psychological Empowerment with nine items.

The overall reliability of the data set after EFA was found to be 0.927 with every variable's individual Cronhach's Alpha coefficients being above 0.70 and the total variance explained by four factors increased to 50.35%. Scale validity of the study was obtained with the adaptation of the instruments: employees' psychological empowerment validated by Spreitzer (1995), Innovative Behavior validated by Lukesh and Stephan (2017) and Employees' Performance validated by Tuuli and Rowlinson (2009). Since all the items were not having their Kurtosis values beyond the +2 or -2 range, the data used in this study are taken from a normally distributed population (Stevens, 2012). Similarly, none of the Skewness values fell beyond -3 and +3 limit, the data used in this study were also free from any outliers (Brown, 2006).

Measurement Model

To test the hypothesis of the existence of the relationship between observed variables and their underlying latent constructs, the Confirmatory Factor Analysis (CFA) was performed. An overidentified model consisted of three unobserved latent constructs Psychological Empowerment Innovative Behavior and Employees' Performance with 27 measured variables and their respective error terms were taken to run the measurement model as reflected in the Figure 2. The estimated standardized regression weights in each item were significant at 1% level of confidence for their respective latent constructs.

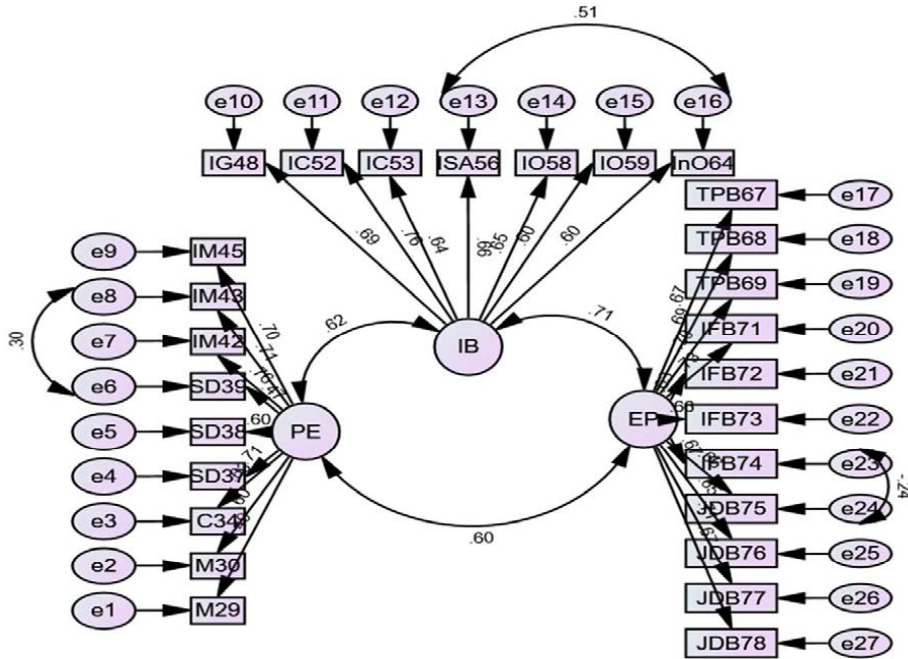


Figure 2. Measurement Model of the Study

As shown in the Table 2, the measurement model validity of CFA was supported by Chi-Square value 805.618 with the 318 degrees of freedom and the p-value was significant at 1% confidence level. The absolute fit of the model was supported by RMSEA 0.050 less than 0.06, the SRMR 0.0564 lower than 0.08, and the CMIN/DF 2.533 recommended by Hu and Bentler (1999). The incremental fit indices of the model were supported by the CFI 0.930, greater than 0.90 (Hair et al., 2014). PClose coefficient 0.553 greater than 0.05 (Hu & Bentler, 1999) was also an excellent indicator of model fit.

Table 2
Measurement Model Overall Fit Indices

Measure	Estimate	Threshold	Interpretation	Reference
CMIN	805.618	--	--	
DF	318	--	--	
CMIN/DF	2.533	Between 1 and 3	Excellent	(Hu & Bentler, 1999)
CFI	0.930	> 0.90	Acceptable	(Hair et al., 2014)
SRMR	0.0564	<0.08	Excellent	(Hu & Bentler, 1999)
RMSEA	0.050	<0.06	Excellent	(Hu & Bentler, 1999)
PClose	0.447	>0.05	Excellent	(Hu & Bentler, 1999)
Cronbach Alpha	0.927	>0.70	Excellent	(Nunnally & Bernstein, 1994)

As reflected in Table 3, the convergent validity was obtained with all AVE estimates above 0.40 and all the CR estimates were above 0.60 (Fornell & Larcker, 1981). The discriminant validity of the model was achieved since all square roots of AVE estimates for each factor were greater than the corresponding correlation estimates of the same factors (Hu & Bentler, 1999) and all MSV coefficients were lower than AVE coefficients.

Table 3
Construct Reliability, Average Variance Extracted and Discriminant Validity

	CR	AVE	MSV	MaxR(H)	HRD	PE	IB
HRD	0.858	0.408	0.380	0.872	0.639		
PE	0.842	0.433	0.507	0.848	0.617***	0.658	
IB	0.903	0.518	0.507	0.904	0.603***	0.712***	0.720

The various tools used for descriptive analysis were mean, standard deviation, skewness, kurtosis etc. Whereas, for the inferential analysis techniques like EFA, CFA, SEM were used. The study has also attempted to address some important ethical concerns like no coercion, deception was made to the respondents and consent was taken to collect the response from them; respondents voluntarily participated in the surveys; anonymity of the respondent was respected; there was no any harm to any participants, concern or stakeholders physically, psychologically, emotionally, socially or in any other ways; the study tried to cite the reference sources as far as applicable and was not an outcome of plagiarism, and it was not an attempt to bring any kind of conflict of interest with any organization.

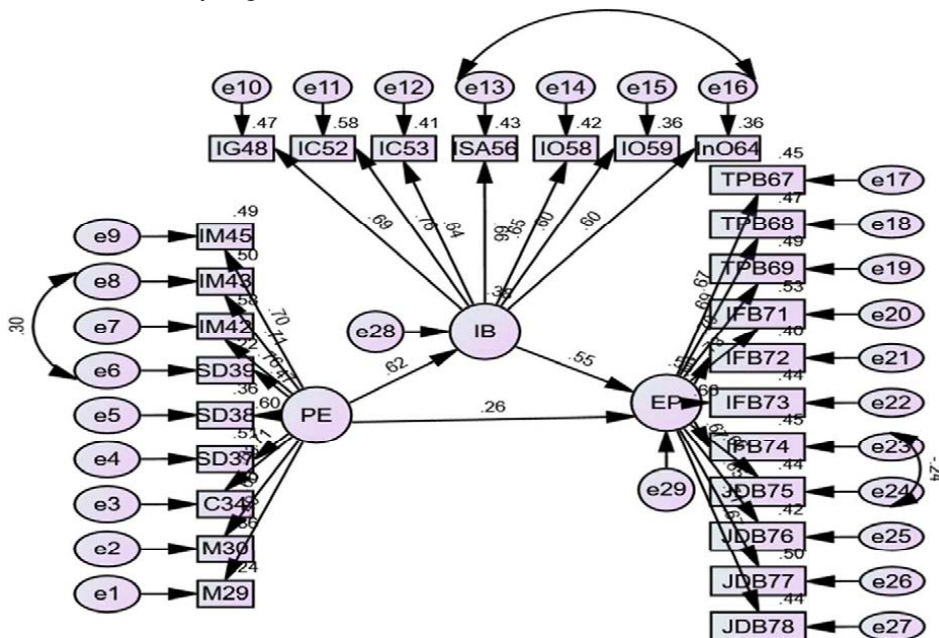


Figure 3. Structural Equation Model of the Study

IV. RESULTS AND DISCUSSION

In the inferential analysis segment of the study, the Structural Equation Model (SEM) was performed to test the hypotheses set in the study. The path analysis of SEM is reflected in Figure 3.

The output of the CFA result showed that the proposed model meets the most common goodness of fit indicators and hence the model fits the data satisfactorily. The mediating function of innovative behavior was examined using a four-step procedure built on Baron and Kenny's (1986) work, supplemented with pertinent contributions from Preacher and Hayes (2008) who examined multiple mediation models.

As depicted in Table 4, The unstandardized coefficients of PE on EP was 0.309, PE on IB was 0.644 and IB on EP was 0.614, which all coefficient values were significant at 1% level implying a positive relationship between them. Based on Standardized coefficient, PE on IB with coefficient value 0.617 was the most influencing path in the model.

Table 4
Variables in the Structural Equation Model Analysis

Variables	Unstandardised coefficient (B)	S.E of B	Standardised coefficient (Beta)	t value	P value	Label
EP <--- PE	0.309	0.062	0.265	4.997	***	P1
IB <--- PE	0.644	0.070	0.617	9.147	***	P2
EP <--- IB	0.614	0.067	0.549	9.188	***	P3

Note. *** $p < .001$.

To study the direct and mediating relationships among the variables, various steps of SEM analysis were performed at 1% level of significance as demonstrated in Table 5. A significant direct effect of Psychological Empowerment on Innovative Behavior with coefficient 0.644 was found. The direct effect of Innovative Behavior on Employees' Performance with coefficient 0.191 was found to be significant. Similarly, a significant direct effect of Psychological Empowerment on Employees Performance with coefficient 0.309 was also found.

Table 5
The Direct, Indirect and Total Effect Analysis of SEM Model of the Study

	Direct Effect			Indirect Effect			Total Effect		
	Coeff.	P	UB LB	Coeff.	P	UB LB	Coeff.	P	UB LB
IB<---PE	0.644	.000***	.818 .502				.644	.000***	.818 .502
EP<---IB	0.614		.761 .480				.614		.761 .480
EP<---IB<---PE	0.309	.000***	.451 .173	.395	.000***	.544 .290	.705	.000***	.878 .564

Note. *** $p < .001$.

The total effect of Psychological Empowerment on Employees' Performance is 0.705 which is significant at 1% level. The coefficient 0.705 falls in between the upper bound 0.878 and the lower bound 0.564 of the Bias-corrected Percentile, the total effect is significant. The direct effect of Psychological Empowerment on Employees' Performance is 0.309 which is significant at 1% level. The coefficient 0.309 falls in between the upper bound of the Bias-corrected Percentile 0.451 and the lower bound 0.173, the direct effect is significant. The indirect effect of Psychological Empowerment on Employees' Performance is 0.395 which is significant at 1% level. The coefficient 0.395 falls in between the upper bound 0.544 and the lower bound 0.290 of the Bias-corrected Percentile, the indirect effect is also significant. The total effect of Psychological Empowerment on Employees' Performance is different from the direct effect, the partial mediating effect of Innovative Behavior in between them has been identified.

Test of Hypothesis

On the basis of the study of the significant or insignificant relationships among the variables, various set hypotheses were tested with the use of SEM. The study has generated the following hypothesis results.

Hypothesis I: Employees' Psychological Empowerment has a positive effect on Employees' Performance.

The direct effect of psychological empowerment on employees' performance is significant at 1% level ($\beta=0.309$, $p<0.001$). This indicates that Psychological Empowerment has a positive effect on Employees' Performance. Hence the Alternative Hypothesis I was accepted. Accordingly, it can be concluded that if employees are psychologically empowered, they can perform better.

Hypothesis II: Employees' innovative behavior has a positive effect on employees' performance.

The direct effect of innovative behavior on employees' performance is significant at 1% level ($\beta=0.614$, $p<0.001$). This indicates that the Employees' innovative behavior has a positive effect on employees' performance. Hence Alternative Hypothesis II was accepted. In this way, it can be concluded that innovative employees can perform better in the organization. The organizations should emphasize on making its employees innovative that results in increased performance.

Hypothesis III: Employees' psychological empowerment has a positive effect on employees' innovative behavior.

As shown in Table 5, the direct effect of psychological empowerment on innovative behavior is significant at 1% level ($\beta=0.644$, $p<0.001$). This indicates that employees' psychological empowerment has a positive effect on employees' innovative behavior. Hence Alternative Hypothesis III was accepted. In this way, it can be concluded that psychologically empowered employees can demonstrate more innovative behaviors.

According to Shanker et al. (2017), four conditions must have been fulfilled to evidence a mediating effect between the variables. The independent variable must be

able to predict the dependent variable as the first requirement. Second, the mediator and independent variable need to be significantly related. Third, the dependent variable must be significantly impacted by the mediator. After the impact of the mediator has been considered, the effect of the independent variable on the dependent variable must be eliminated or greatly reduced (Shanker et al., 2017). Based on these assumptions, the following Hypothesis IV having the mediating effects between the variables had been tested.

Hypothesis IV: Employees' innovative behavior mediates the relationship of the employees' psychological empowerment and employees' performance.

The direct effect of psychological empowerment on employees' performance is significant at 1% level ($\beta=0.309$, $p<0.001$). The direct effect of psychological empowerment on innovative behavior is significant at 1% level ($\beta=0.644$, $p<0.001$). The indirect effect from psychological empowerment on innovative behavior is also significant at 1% level ($\beta=0.544$, $p<0.001$). The direct effect of psychological empowerment on innovative behavior is different from the indirect effect and the direct effect after the introduction of the mediating effect of employees' innovative behavior was lower than the indirect effect. In this way, it was concluded that employees' innovative behavior partially mediates the relationship between psychological empowerment and employees' performance. Hence, Alternative Hypothesis IV had been accepted. With this, we can say that innovative employees can also induce psychologically empowered employees in performing better.

Table 6 shows the summary result of the various hypothesis tests.

Table 6
Summary of Hypothesis Test Result

Hypothesis	Independent Variables	Mediating Variables	Dependent Variables	Sig.	Mediation	Result
I	Psychological Empowerment		Employees' Performance	***		Accepted
II	Innovative Behavior		Employees' Performance	***		Accepted
III	Psychological Empowerment		Innovative Behavior	***		Accepted
IV	Psychological Empowerment	Innovative Behavior	Employees' Performance	***	Partial	Accepted

Note. ns=not significant, *** $p<0.01$.

V. CONCLUSION AND IMPLICATIONS

The main aim of this research was to study the mediating effect of employees' innovative behavior in the relationship between psychological empowerment and employees' performance. In order to achieve the main objective, the study had set some other specific objectives.

The first objective of the study was aimed at studying the effect of psychological empowerment and innovative behavior in employees' performance. Looking at the effect of psychological empowerment on employees' performance, the result shows a significant positive effect. This finding is also in support with Bandura, (1977; 1986); Gist and Mitchell (1992), who concluded that employees who perceive themselves with necessary job skills and can choose their own way to do the jobs can outperform; Thomas and Velthouse (1990), empowered employees perform better than those relatively less empowered; Cooke (1994), employees who schedule and organize their own work are better able to recognize and remove performance-limiting barriers; Liden, Wayne and Sparrowe (2000), individuals who feel their jobs meaningful, complete job responsibilities and have an impact on others are motivated to perform well; and Adhikari (2015), four cognitions of psychological empowerment are positively contributing towards the employees' performance. Hence it is concluded that empowering employees psychologically is a must to expect better performance from them.

Another, the study was to study the impact of employees' innovative behavior on their performance. The result shows that employees' innovative behavior has a significant positive effect on their performance. This result has similarities with various related findings like Klomp and Van Leeuwen (2001), the linkage between the innovation process and overall economic performance of the organization; Yuan and Woodman (2010), Dorner (2012), Leong and Rasli (2014), and Rexhepi and Berisha (2017), there is a positive correlation between innovative work behavior and working performance; Jafri (2010), organizations take advantage from employees' innovativeness to compete with dynamic and competitive environments; Berraies, Chaher, and Yahia (2014), employees' innovativeness is strongly associated with the improvement of organizational performance; Berisha et al. (2020), employees that exhibit more innovative work habits typically perform better because they like working in a positive environment where they are free to share new ideas, processes, and/or products. In line with Adhikari (2023), the conclusion of this study is that employees who are innovative can demonstrate better performing behavior.

Similarly, in line with Spreitzer (1995), and Lee, Lee, and Kim (2007), employees pursue success and use organizational innovation for competitiveness and transformation, they also often have self-efficacy, are liberal and creative, and exhibit innovative behavior at work; Amabile (1988), employees that feel empowered will be more innovative since they feel like they have autonomy and influence; Conger and Kanungo (1988), empowerment is viewed as one of the factors promoting innovation; Seibert, Wang, and Courtright (2011), empowerment helps improve the execution of ideas created by employees, which in turns increases innovation at work; Fernandez and Pitts (2011), in order for organizational members to be more innovative and creative, empowerment gives them self-determination; this study also has found a positive effect of psychological empowerment on employees' innovative behavior. So, it concludes that psychologically empowered employees can demonstrate high innovative behaviors. In other words, to expect innovative behavior among the employees, they are to be well empowered.

Next objective of the study was to analyze the mediating behavior of employees' innovative behavior in between the relationship of psychological empowerment and employees' performance. This study also supported earlier findings like, Howard and Foster (1999), there may be other processes mediating the effects of HR practices on organizational outcomes; De Jong and Den Hartog (2010), employees' activities are likely to have an impact on how well an organization operates by effectively applying their knowledge and technological abilities in order to spark creative initiatives with the aim of increasing their competitiveness; Shanker et al. (2017), there is a significant and positive impact of organizational climate for innovation and organizational performance mediated by innovative work behavior; Norena-Chavez (2020), there is a significant complementary mediation effect of innovative behavior in the relationships between entrepreneurial self-efficacy and entrepreneurial intention; Rahayunus (2021), that the individual innovation capabilities play an essential role in mediation between knowledge sharing and employee performance; Adhikari (2023), a full mediation of employees' innovative behavior to the relationship of HRD programs and employees' performance; this study also has concluded a partial mediation of employees' innovative behavior to the relationship of psychological empowerment and employees' performance. Hence it is concluded that employees' performance can be increased if psychological empowerment practices to employees by organizations are supported by employees' innovative behaviors.

In this way, the general objective of this research, to study the mediating effect of employees' innovative behavior in the relationship between the psychological empowerment and employees' performance in different industrial contexts of Nepal, was studied. As like most of the priorly established theories, conclusions, and accordingly hypothesized by this study, the conclusion and the findings of this study were as hypothesized.

Theoretical Implications

This study provides some important contributions to the literature, especially new empirical evidence to support the established theories related to the constructs like psychological empowerment, innovative behavior and performance of employees. As aimed by its objectives, the study's findings have suggested that the employees' innovative behavior significantly mediates the psychological empowerment and the performance of the employees.

This study has added a new understanding of the important determinants of the HR dimensions psychological empowerment, innovative behavior and employees' performance. Although the relationships of each construct were not individually tested, the EFA of this study has redefined the variables by breaking the old rules. The study has continued a four-construct model but with reduced items in each construct meaning, competence, self-determination and impact of psychological empowerment by Spreitzer (1995). Similarly, this study has limited the seven-factor model of innovative behavior by Lukesh and Stephan (2017), to five factors: idea generation, idea communication, implementation of starting activities, involving others, and innovation outputs with

reduced items in each construct. Similarly, the study has validated the 12 items model of Tuuli and Rowlinson (2009) with one item removal related to task performance behavior of employees' performance.

The study also contributes to building the theoretical foundation related to various HR factors contributing to the employees' performance in the Nepalese organizational context. For instance, this study has added that psychological empowerment has a positive effect on employees' innovative behavior, and psychological empowerment has a positive impact on employees' performance (Adhikari, 2015); in Nepalese organizational context.

Finally, this study has added a very important milestone to the theoretical foundation by identifying a mediation between the variables psychological empowerment and employees' performance by employees' innovative behavior. This is a very novel contribution to the concerned literature.

Managerial Implications

The success of an organization largely depends on how the employees of that organization perform and indeed the performance of an employee largely depends on what kind of human resource development programs have been initiated, how he or she is empowered in the workplace, and how innovative they are (Adhikari, 2015). An intrinsic state of motivation of an employee is the state of psychological empowerment which is solely dependent on what kind of HR policies the organization undertakes, and again the empowered employees can be expected to demonstrate innovative behavior. Since, how performing the employees in an organization is one of the major reasons behind the success of any organization, this study has explored various implications to the managers of the organizations for their organizational success.

Employee empowerment positively contributes to making employees more creative and innovative. Psychological empowerment definitely appears as a useful avenue in the quest for performance enhancement since empowered employees display positive performance behaviors (Tuuli & Rowlinson, 2009). This shows it is most important for managers to understand the interrelationships of these HR dimensions. The questions like, which HRD activities are valuable in terms of empowering workers?, which HRD initiatives can cultivate extremely inventive employees?, whether the HRD initiatives undertaken started actually improving the employees performance?, does the performance metrics of workers who believe they have more authority differ from those of employees who don't?, if the combination of these HR structures is enhanced in any way, what type of synergy impact can result?, are vital for every manager to know. The results of this study have apparently clarified the answers to such questions. This clarifies to the managers how important the interrelationships of HR dimensions like empowerment and innovativeness of employees is and how it is always a boon to organizational success.

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Conflict of Interest

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