

The Effect of Employee Morale and Organizational Familiarity on Innovative Work Behavior through Employee Engagement

*Familiarity on
Innovative Work
Behavior*

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ABSTRACT

This study examines the influence of employee morale and organizational familiarity on innovative work behavior, with employee engagement serving as a mediating variable. The research contributes to the organizational behavior literature by integrating motivational and contextual factors to explain innovative behavior among employees, particularly within the context of an Indonesian manufacturing company, PT. Karya Lencana Mas. The study aims to investigate both the direct and indirect effects of employee morale and organizational familiarity on innovation through employee engagement. Using a quantitative approach, data were collected through structured questionnaires distributed to employees with a minimum of one year of service. The data were then analyzed using Partial Least Squares - Structural Equation Modeling (PLS-SEM). The findings indicate that both employee morale and organizational familiarity have significant effects on innovative work behavior, both directly and indirectly through employee engagement. Employee engagement plays a crucial mediating role in strengthening these relationships. These findings highlight the importance of creating a positive work environment and enhancing employees' understanding of organizational systems and culture. The practical implications of this study suggest the need for HR strategies and leadership practices that focus on improving employee morale and organizational socialization to foster a more engaged and innovative workforce.

Keywords: *Engagement, Familiarity, Human Resource Management, Innovative, Morale*

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ABSTRAK

Penelitian ini meneliti pengaruh employee morale dan organizational familiarity terhadap innovative work behavior, dengan employee engagement sebagai variabel mediasi. Studi ini berkontribusi pada literatur perilaku organisasi dengan menggabungkan faktor motivasional dan kontekstual untuk menjelaskan perilaku inovatif karyawan, khususnya dalam konteks perusahaan manufaktur Indonesia, PT. Karya Lencana Mas. Penelitian bertujuan menguji pengaruh langsung dan tidak langsung dari employee morale dan organizational familiarity terhadap inovasi melalui employee engagement. Menggunakan pendekatan kuantitatif, data diperoleh melalui kuesioner terstruktur yang disebarakan kepada karyawan dengan masa kerja minimal satu tahun, lalu dianalisis menggunakan Partial Least Squares - Structural Equation Modeling (PLS-SEM). Hasil penelitian menunjukkan bahwa employee morale dan organizational familiarity berpengaruh signifikan terhadap innovative work behavior, baik secara langsung maupun tidak langsung melalui employee engagement. Variabel employee engagement berperan penting sebagai mediator dalam memperkuat hubungan tersebut. Temuan ini menekankan pentingnya membangun iklim kerja yang positif dan meningkatkan pemahaman karyawan terhadap sistem serta budaya organisasi. Implikasi praktisnya adalah perlunya strategi SDM dan kepemimpinan yang mendukung peningkatan employee morale dan sosialisasi organisasi guna menciptakan karyawan yang lebih terlibat dan inovatif.

Kata kunci: *Keterlibatan, Keakraban, Manajemen Sumber Daya Manusia, Inovatif, Moral*

INTRODUCTION

In a period of heightened competitive and dynamic commercial rivalry, companies must persist in innovating to survive and prosper (Dari et al., 2023). Innovation arises not alone from advanced technology or work processes but also from the innovative behaviors exhibited by individuals in the workplace, referred to as Innovative Work Behavior (IWB) (Nasution, 2021). This behavior encompasses the capacity to originate, advocate for, and execute innovative ideas that enhance organizational value (Odugbesan et al., 2023). Nonetheless, other internal elements inside the firm, such as employee engagement, affect the manifestation of IWB (Abun et al., 2023). Employees who are emotionally and psychologically engaged in their work typically possess a strong sense of organizational belonging, hence enhancing their motivation to think creatively and create (Wijaya, 2024). Employee morale is a significant aspect that affects employee engagement and innovation (Nur et al., 2021). Employees exhibiting elevated work morale will experience increased empowerment, enthusiasm, and positivity in executing their tasks (Singh, 2023). Elevated employee morale serves as a crucial basis for enhanced employee engagement, which may ultimately foster innovative behavior (Obeng et al., 2021). Conversely, diminished morale may lead to a reluctance to engage in work and diminish the impetus for innovation (Nugroho & Wahjoedi, 2024).

Employees who feel valued, supported, and psychologically fulfilled are more inclined to exhibit innovative job behavior (Nur et al., 2021). Elevated employee morale fosters a constructive work environment, promotes passion, and enhances a sense of ownership about projects and the business (Rajak et al., 2023). Morale not only reflects a favorable work environment but also serves as a catalyst for the emergence of innovative ideas and constructive efforts (Obeng et al., 2021). High staff morale fosters confidence in initiative-taking, encourages the pursuit of innovative solutions, and promotes receptiveness to change (Danaeefard & Ahmadzahi Torshab, 2021). Consequently, a business considers employee morale a crucial determinant of innovative work behavior creation (Kapur, 2023). Moreover, frequently neglected, organizational familiarity significantly contributes to the enhancement of work engagement (Petitta et al., 2023). Familiarity with the organization encompasses employees' comprehension of the company's structure, culture, systems, and values (Dobrinić & Fabac, 2021). When individuals possess a comprehensive understanding of organizational operations and feel at ease within the work environment, they will exhibit greater confidence in articulating new ideas and

executing creative initiatives (Zhou et al., 2023). Familiarity with the organization enhances engagement since employees develop a stronger personal connection to it (Calabro et al., 2023).

An extensive comprehension of the organization, referred to as organizational familiarity, significantly impacts innovative work behavior (Dobrinić & Fabac, 2021). Employees that comprehend the organization's structure, culture, and internal processes possess a heightened ability to recognize chances for change and execute pertinent innovations (Ramzan, 2021). Familiarity enhances their confidence, proactivity, and focus in innovation (Martinez-Cajas et al., 2025). Employees with a profound understanding of their organization are not only capable of adapting but are also driven to provide innovations that align with the firm's vision and requirements (Magnier-Watanabe et al., 2024).

PT Karya Lencana Mas seeks to enhance its competitiveness by strengthening human resource quality, thereby improving innovative work behavior (IWB). This study examines the direct and indirect effects of employee morale and organizational familiarity on IWB, mediated by employee engagement. The motivation stems from challenges in fostering workplace innovation. Observations and internal data revealed that not all employees demonstrate initiative or engage in improvement efforts, indicating a lack of innovative behavior. A contributing factor is inconsistent employee morale—some staff feel unmotivated, bored, and unappreciated, which diminishes their engagement and willingness to innovate. Additionally, organizational familiarity is a barrier. Many employees, especially new hires, lack adequate knowledge of the organizational system, culture, and structure. This leads to hesitation in contributing ideas or taking initiative. Compounded by low employee engagement—where employees are present physically but not emotionally or mentally involved—these conditions foster indifference and hinder innovation. As a result, PT Karya Lencana Mas struggles to cultivate a creative and competitive organizational culture. Investigating the impact of employee morale and organizational familiarity, alongside the mediating role of employee engagement, is therefore essential. While previous studies have explored various determinants of IWB, most focus on leadership, culture, or technological factors. Internal psychological and relational factors like morale and organizational familiarity remain underexplored, particularly in local industrial contexts such as PT Karya Lencana Mas. Moreover, the mediating role of employee engagement in linking these variables to IWB has not been sufficiently examined. This study addresses that gap by integrating all three factors into a unified framework.

LITERATURE REVIEW

Innovative Work Behavior

Innovative Work Behavior (IWB) refers to individual actions within an organization aimed at generating, promoting, and implementing novel ideas that improve work processes, products, or services (Dayanti, 2024). This behavior involves a continuous cycle from idea generation to the practical execution of those ideas, all contributing to organizational growth and sustainability. IWB is not solely driven by creativity but also by an individual's courage to voice ideas and take risks for change (Hashim et al., 2024). It involves proactively recognizing opportunities, developing concepts, and communicating them effectively to bring about positive changes in the workplace (Dari et al., 2023). Internal motivation and organizational support are key factors influencing IWB. Employees play an active role in seeking external inspiration and fostering collaboration to bring their ideas to fruition (Abun et al., 2023). Transformational leadership and an innovative work climate further enhance the development of IWB (Alt et al., 2023). This behavior reflects proactive and voluntary efforts to generate and implement new ideas aimed at improving efficiency and addressing challenges within the organization (Pradesa et al., 2023). IWB is shaped by personal motivation, a supportive work environment, and leadership that encourages creativity (Mustafa et al., 2022). These behaviors can be assessed through four main dimensions: idea exploration involving the

search for new opportunities, idea generation referring to the creation of unique solutions, idea promotion involving advocacy for those solutions, and idea realization with the implementation of ideas in practice (Odugbesan et al., 2023; Liobikien, 2023; Utomo et al., 2023; Balkar, 2024). These stages collectively describe IWB as a continuous process, which is essential to fostering workplace innovation from concept initiation to real-world implementation (Farrukh et al., 2023).

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Employee Engagement

Employee engagement is a crucial notion in contemporary human resource management, referring to the degree of emotional and cognitive connection employees have with their work and the organization (Goyal et al., 2023). Employee engagement denotes a favorable and fulfilling work environment defined by three principal dimensions: energy, dedication, and absorption (Nazarwin et al., 2024). Employee engagement constitutes the active and positive participation of employees in their job and organization, manifested via their work ethic, commitment, and complete concentration in fulfilling their responsibilities (Ghani et al., 2023). Engaged employees typically exhibit superior performance, demonstrate loyalty to the firm, and foster a constructive work environment. Enhancing employee engagement is a strategic imperative for contemporary firms to sustain and cultivate their human capital (Knox & Marin-Cadavid, 2023). Employee involvement often encompasses three primary dimensions: energy, devotion, and absorption (Kulachai, 2024). Previous research indicate that employee engagement signifies a favorable mental state that motivates individuals to enhance their contributions to organizational objectives (Lidman et al., 2023; Fatima et al., 2024; Ahuchogu et al., 2024). This engagement entails emotional dedication, concentration, and robust intrinsic motivation to perform work to the best of one's ability (Priskila et al., 2021). Employee engagement encompasses individuals' perceptions of being valued and supported by the organization, in addition to their responsibilities (Albrecht et al., 2023). Support from superiors, chances for professional advancement, and an inclusive workplace culture are critical elements in fostering high engagement (Ramirez-Lozano et al., 2023).

Employee Morale

Employee morale represents the level of happiness, enthusiasm, and engagement employees feel toward their work and workplace (Slil et al., 2025). High morale reflects a positive work culture where employees feel appreciated, respected, and motivated, while low morale signals dissatisfaction and disengagement, often leading to higher turnover (Sari, 2024). As a key indicator of employee motivation and engagement, morale significantly affects both individual and organizational performance (Kapur, 2023; Sumantri et al., 2024). Although some studies suggest compensation and motivation have stronger effects on performance than morale (Rostina et al., 2023), morale remains vital in shaping work attitudes. Employee morale is assessed through job satisfaction, workplace relationships, quality of the work environment, and involvement in decision-making (Yeakey, 2023). These factors directly influence morale and, in turn, impact overall employee performance (Sumantri et al., 2024). Recognition and a sense of accomplishment enhance morale and support mental well-being (Kwon & Farndale, 2020; Singh, 2023). Constructive feedback and positive reinforcement also play essential roles in boosting morale by promoting a positive outlook and opportunities for growth (Okunade, 2025). Social support theory underscores the role of emotional connections and support from colleagues in enhancing morale, reducing isolation, and improving mental health (Djuli et al., 2023; Thangaraja et al., 2024). Moreover, employee morale significantly influences innovative work behavior. Research shows that motivated and appreciated employees are more likely to be proactive and creative (Nur et al., 2021; Rajak et al., 2023; Nugroho & Wahjoedi, 2024; Dicks-Ilori et al., 2024). In addition to its direct effect, morale also indirectly influences innovation through employee engagement, where

emotionally invested employees show greater motivation to contribute innovatively (Danaeefard & Ahmadzahi Torshab, 2021).

Organizational Familiarity

Organizational familiarity refers to the degree of individual comprehension of the structure, values, culture, and operational procedures inside an organization (Ortega-Torres & Sandemetrio, 2024). Organizational familiarity refers to the extent of an employee's understanding of the organization's operations, including interpersonal relationships, operational procedures, and communication dynamics within the workplace (Zheng & Bradley, 2024). Organizational familiarity significantly enhances the efficacy of team collaboration by fostering a comprehensive understanding of the organization and the interpersonal dynamics among team members (Ispiryan et al., 2024). Acquaintance with the organization can enhance employee engagement and promote long-term job sustainability, as individuals experience greater comfort and confidence in executing their responsibilities (Gabor et al., 2025). Employees that possess a comprehensive understanding of the organization's structure, culture, work systems, and values will experience increased confidence and comfort in their work environment (Heist et al., 2024). This comprehension motivates employees to engage more actively in expressing ideas, initiating actions, and enhancing work processes (Ugheoke, 2024). Moreover, organizational familiarity enhances the sense of belonging to the organization, so fostering the development of more consistent and durable innovative work behavior that supports the attainment of corporate objectives. Prior research findings demonstrate that organizational familiarity significantly influences the promotion of innovative work behavior (Petitta et al., 2023; Zhang et al., 2024; Magnier-Watanabe et al., 2024). Acquaintance with the organization enhances employees' confidence in undertaking new risks, as they perceive a greater sense of safety and assurance (Dobrinić & Fabac, 2021). Moreover, comprehending the organization's internal system enhances the efficacy of individual creativity, since employees can tailor ideas to the work environment. Favorable opinions of the workplace environment also affect the degree of innovation (Ramzan, 2021). Organizational familiarity enhances active employee participation in generating innovative ideas (Martinez-Cajas et al., 2025).

- H1. Employee engagement has a direct and significant effect on innovative work behavior
- H2. Employee morale has a direct and significant effect on employee engagement
- H3. Employee morale has a direct and significant effect on innovative work behavior
- H4. Employee morale has an indirect and significant effect on innovative work behavior through employee morale
- H5. Organizational familiarity has a direct significant effect on employee engagement
- H6. Organizational familiarity has a direct significant effect on innovative work behavior
- H7. Organizational familiarity has an indirect significant effect on innovative work behavior through employee morale

METHODS

This study employed an incidental sampling method, a non-probability approach, to gather data through questionnaires (Vehovar et al., 2016). A total of 210 respondents were selected, all of whom were active employees of PT. Karya Lencana Mas with at least one year of service. The sample size was determined based on prior research recommendations for studies utilizing the Structural Equation Modeling (SEM) method. Data analysis was conducted using SmartPLS software through the full information estimation method. The Partial Least Squares Structural Equation Modeling (PLS-SEM) technique was chosen due to its effectiveness in evaluating complex theoretical models and its common application in social and organizational research. This method is particularly suitable for examining models that include multiple variables and relational pathways, such as the single mediating variable used in this study. The study involved

four main variables: employee morale, organizational familiarity, employee engagement, and innovative work behavior. Employee morale is described as the enthusiasm, satisfaction, and positive attitude of employees toward their work and environment, contributing to productivity and involvement. Its indicators include work spirit, job satisfaction, feeling appreciated, motivation, and task enthusiasm. Organizational familiarity refers to employees' understanding of organizational structure, culture, values, and systems, which influences their comfort and confidence. Its indicators include knowledge of organizational structure, work culture, work systems, clarity of values, and confidence in taking initiative. Employee engagement is defined as employees' emotional and psychological involvement in their work, reflected through commitment, enthusiasm, and readiness to contribute. Indicators include work commitment, enthusiasm, task focus, a sense of belonging, and willingness to contribute. Lastly, innovative work behavior involves the creation, promotion, and implementation of new ideas beneficial to the organization. Its indicators include idea generation, idea advocacy, implementation, change initiation, and creative problem-solving.

RESULTS

At PT. Karya Lencana Mas, the workforce is composed of 55% male and 45% female employees, indicating a slightly higher representation of men within the organization. This demographic distribution reflects a relatively balanced gender composition, although male employees still outnumber their female counterparts. In terms of age, the majority of employees fall within the 31–40 age range, making up 45% of the total workforce. This is followed by the 25–30 age group, which accounts for 29%, and the 41–50 age group, comprising the remaining 26%. These figures reveal that most employees at PT. Karya Lencana Mas are within the peak of their productive years. The predominance of individuals in the 31–40 age bracket suggests a workforce that possesses both experience and professional maturity. Additionally, the significant presence of employees in the 25–30 and 41–50 age ranges adds to the diversity in skills, perspectives, and experience levels. Overall, the employee profile at PT. Karya Lencana Mas illustrates a strong and capable human resource foundation, dominated by individuals who are likely to contribute actively to organizational goals through their energy, innovation, and expertise. This composition also supports the company's potential for long-term growth and adaptability, given the balanced mix of youth and experience among its personnel. The data emphasizes that the company benefits from a well-rounded team capable of handling both current challenges and future developments effectively.

Table 1. Construct validity testing

Variable	Statement	Loading Factor	Alpha	Information
Employee Morale	EM.1	0.833	0.7	Valid
	EM.2	0.859	0.7	Valid
	EM.3	0.859	0.7	Valid
	EM.4	0.865	0.7	Valid
	EM.5	0.928	0.7	Valid
Organizational Familiarity (X2)	OF.1	0.979	0.7	Valid
	OF.2	0.973	0.7	Valid
	OF.3	0.918	0.7	Valid
	OF.4	0.962	0.7	Valid
	OF.5	0.908	0.7	Valid
Employee Engagement	EE.1	0.909	0.7	Valid
	EE.2	0.780	0.7	Valid
	EE.3	0.795	0.7	Valid
	EE.4	0.829	0.7	Valid
	EE.5	0.841	0.7	Valid
Innovative Work Behavior (Y)	IWB.1	0.866	0.7	Valid
	IWB.2	0.779	0.7	Valid
	IWB.3	0.898	0.7	Valid
	IWB.4	0.880	0.7	Valid
	IWB.5	0.854	0.7	Valid

Based on Table 1, an alpha value of 0.7 signifies strong instrument dependability, and all indicators possess a loading factor exceeding 0.7, so affirming their validity.

The construct reliability test evaluates the internal consistency of multiple indicators that constitute a construct or latent variable in research. This test aims to verify that the indicators reliably assess the intended construct.

Table 2. Construct Reliability and R-Square

Variable	Composite Reliability	(AVE)	R Square	R Square Adjusted
Employee Morale	0.915	0.730		
Organizational Familiarity	0.976	0.838		
Innovative Work Behavior	0.952	0.714	0.922	0.920
Employee Engagement	0.983	0.920	0.767	0.755

Based on Table 2, the average value is > 0.5. So the composite reliability value is > 0.7. So it can be concluded that the indicators in the study can be measured well. The R-squared adjusted value for the inventive work behavior variable is 0.920, or 92.0%, indicating that the remaining 18.0% is affected by external variables not included in this study. The corrected R-squared value for the employee engagement variable is 0.755, or 75.5%, indicating that the remaining 24.5% is affected by external variables not included in this study.

Table 4. Research Hypothesis Test

	Original Sample	Sample Mean	T Statistics	P Values	Information
Employee Morale -> Innovative Work Behavior (Y)	0.108	0.013	3.048	0.008	Significant
Employee Morale -> Employee Engagement (Z)	1.198	1.207	6.205	0.000	Significant
Organizational Familiarity -> Innovative Work Behavior (Y)	0.287	0.292	2.800	0.005	Significant
Organizational Familiarity -> Employee Engagement (Z)	0.388	0.391	4.783	0.045	Significant
Employee Engagement-> Innovative Work Behavior (Y)	0.730	0.749	7.065	0.000	Significant
Employee Morale -> Employee Engagement (Z) -> Innovative Work Behavior (Y)	0.874	0.907	4.345	0.000	Significant
Organizational Familiarity -> Employee Engagement (Z) -> Innovative Work Behavior (Y)	0.283	0.295	4.689	0.002	Significant

Based on Table 3, all relationship paths between variables in the research model show a significant influence. Employee morale has a significant direct effect on innovative work behavior ($\beta = 0.108$, $p = 0.008$) and on employee engagement ($\beta = 1.198$, $p = 0.000$). Organizational familiarity also has a significant direct effect on innovative work behavior ($\beta = 0.287$, $p = 0.005$) and employee engagement ($\beta = 0.388$, $p = 0.045$). In addition, employee engagement has a very significant direct effect on innovative work behavior ($\beta = 0.730$, $p = 0.000$). The indirect effect is also proven to be significant, where employee morale affects innovative work behavior through employee engagement ($\beta = 0.874$, $p = 0.000$), and organizational familiarity also shows an indirect effect through employee engagement on innovative work behavior ($\beta = 0.283$, $p = 0.002$). These results confirm that employee engagement acts as a mediator that strengthens the relationship between employee morale and organizational familiarity towards innovative work behavior.

DISCUSSION

The study conducted at PT. Karya Lencana Mas reveals several key findings regarding the relationship between employee morale, organizational familiarity, employee engagement, and innovative work behavior. First, the study confirms that employee

morale positively and significantly influences employee engagement, aligning with previous studies that suggest a supportive environment where employees feel appreciated and motivated boosts engagement (Obeng et al., 2021; Kurniawati et al., 2021; Thangaraja et al., 2024). High morale promotes emotional investment, enthusiasm, and a stronger sense of belonging (Slil et al., 2025). Employees with high morale show increased dedication, loyalty, and active involvement in work (Setiawan, 2022). As such, PT. Karya Lencana Mas must prioritize boosting morale through creating a positive workplace, recognizing achievements, balancing work-life demands, and offering personal development opportunities to cultivate innovation and adaptability. Second, organizational familiarity also significantly affects employee engagement. This is consistent with research showing that employees who understand an organization's structure, culture, and operations tend to be more engaged (Petitta et al., 2023; Zhou et al., 2023; Magnier-Watanabe et al., 2024). Familiarity, including diverse professional networks and strong internal communication, reduces performance disruptions and promotes innovation (Calabro et al., 2023; Zhang et al., 2024). Morale and organizational familiarity work in tandem to boost psychological resources and attachment to the workplace (Su & Huang, 2022; Ugheoke, 2024). Therefore, PT. Karya Lencana Mas is advised to promote corporate culture through training, clear communication, and inclusive activities to reinforce employees' sense of belonging and engagement.

Furthermore, employee morale significantly influences innovative work behavior. This supports earlier findings that employees with high morale are more likely to demonstrate creativity, take initiative, and develop new approaches to work (Danaeefard & Ahmadzahi Torshab, 2021; Nur et al., 2021). High morale contributes to a sense of psychological safety that encourages idea expression (Slil et al., 2025). Hence, the organization must invest in improving employee well-being, recognizing efforts, and creating a cheerful work environment to support innovation and build a resilient, future-ready culture. In parallel, organizational familiarity also plays a critical role in driving innovative work behavior. Employees who understand their organization's mission, values, and processes are more likely to contribute proactively and adapt to changes (Dobrinić & Fabac, 2021; Rew & Cha, 2021). Familiarity fosters communication and collaboration across different stakeholders, enriching idea generation and execution (Ugheoke, 2024). For PT. Karya Lencana Mas, this underscores the importance of initiatives like regular training, transparent communication, and cultural alignment to foster innovation through a strong internal connection.

Additionally, the study confirms that employee engagement significantly influences innovative work behavior, a finding that aligns with previous research emphasizing engagement as a critical driver of creativity, particularly in collaborative and autonomous environments (Lubis et al., 2023; Albrecht et al., 2023; Ghani et al., 2023; Faris et al., 2024). Engaged employees are more likely to craft their jobs creatively and contribute novel solutions (Kang et al., 2021; Ahuchogu et al., 2024). Management at PT. Karya Lencana Mas must focus on enhancing engagement by providing recognition, aligning personal and organizational goals, and offering career development opportunities. Importantly, the study identifies employee engagement as a significant mediating factor in the relationship between employee morale and innovative work behavior. High morale leads to enthusiasm and emotional engagement, which in turn drives innovation (Khumalo, 2021; Setiawan, 2022; Thangaraja et al., 2024). However, without engagement, morale alone may not fully translate into creativity (Nugroho & Wahjoedi, 2024). This finding implies that PT. Karya Lencana Mas must improve morale while simultaneously fostering engagement through transparent communication, performance recognition, and team-building initiatives. Strategies such as continuous training and development can reinforce engagement, which serves as a crucial link in transforming morale into innovation.

Similarly, employee engagement also mediates the relationship between organizational familiarity and innovative work behavior. Employees who feel connected to their company's values and mission experience a strong emotional bond that fosters

belonging, motivation, and commitment (Rew & Cha, 2021; Zhang et al., 2024; Martinez-Cajas et al., 2025; Gabor et al., 2025). This connection leads to active participation, devotion, and creative contribution in the workplace (Allen et al., 2025). The presence of engagement amplifies innovative behavior, including proposing new ideas and solving problems creatively (Rew & Cha, 2021; Petitta et al., 2023). PT. Karya Lencana Mas should continue cultivating an inclusive, transparent culture where employees feel valued and integral to the company's success (Maynard & Gilson, 2021). In conclusion, the findings of this study offer vital insights for the strategic human resource management of PT. Karya Lencana Mas. Enhancing employee morale and organizational familiarity not only improves engagement but also significantly boosts innovative work behavior. Therefore, the company should implement HR strategies that strengthen emotional bonds, promote internal communication, and empower employee participation. By focusing on cultivating morale, familiarity, and engagement, PT. Karya Lencana Mas can build a strong, innovative workforce that sustains long-term organizational growth and competitiveness.

CONCLUSION

The study on PT. Karya Lencana Mas employees reveals that employee morale and organizational familiarity significantly and positively impact innovative work behavior, both directly and indirectly through employee engagement. Employees with high morale—those who feel satisfied, appreciated, and motivated—tend to approach challenges positively, think creatively, and take initiative in proposing and implementing new ideas. A positive work atmosphere enhances confidence and encourages innovation. Organizational familiarity, defined as employees' understanding of their organization's structure, systems, values, and culture, also plays a vital role. When employees are familiar with how their organization operates, they feel more secure and comfortable, which increases their engagement. Familiarity with the organization fosters a sense of belonging and alignment, prompting employees to contribute more meaningfully and innovate for the organization's benefit. Employee engagement is identified as a key mediating variable that bridges morale and familiarity with innovative behavior. Engaged employees are emotionally and psychologically invested in their work. They show enthusiasm, dedication, and a commitment to continuous improvement, making them more likely to innovate. The study confirms that while morale and familiarity independently promote innovation, their impact is significantly amplified when employees are highly engaged. Therefore, fostering employee engagement is crucial for building a creative and adaptive work culture. Organizations aiming for sustainability and innovation should implement HR strategies that enhance morale, clarify organizational values, and support active employee participation.

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