

Development of Innovation Culture Based on Human Resources Management with Local Cultural Values



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ABSTRACT: This study aims to produce a model of developing a culture of innovation through an HRM approach in HRM practices and a cultural approach. This research was conducted on cooperatives in Bali. The research population is cooperative in Bali. Respondents are cooperative managers. Total population is 1371 people with 93 as sample using Slovin formula. The object of research is about the culture of innovation, human capital, human resource practices, and local Balinese cultural values. Inferential statistics using Partial Least Square to analyze data and test hypotheses. The results of this study resulted in a model to strengthen the innovation culture determined by HRM, namely through an approach to HRM practices based on local cultural values. Culture in the form of values is an external factor that is able to encourage the internal environment to innovate. This study found that human capital did not mediate the influence of HRM practices on the culture of innovation, but HRM practices had an effect on human capital.

KEYWORDS: Innovation Culture Based; Human Resources Management; Local Cultural Values

I. INTRODUCTION

Organizations that have a culture that supports the courage to innovate and take risks, encourage creative ideas, value the willingness to experiment with new ideas, expect employees to work together to implement new processes, reflect organizations that have a culture of innovation (Aksoy, 2017). The culture of innovation can be done through a human resource management approach. Approach HR Management is realized through HR Management Practices. HR practices are able to increase intellectual capital and have an impact on innovation culture (Kianto et al., 2017; Waheed et al., 2019; Park et al., 2019). Factors that play a role in shaping innovation are human resource factors (Alharthey et al., 2013; Haifa, 2014). Important Human Resource Management practices are managed to innovate (Easa & El Orra, 2021). However, research results still found that not all indicators of HRM practices were able to increase innovation such as career and performance-oriented training (Aman et al., 2018). Performance-based training was not able to increase innovation. Training is not only guided by something that can be seen and measured, but there are elements of values that are owned by individuals who play a role. The values possessed by employees are related to values that are believed and considered good which have become a culture. HR practices with an HR approach as capital and a cultural approach in the form of values are needed to create a culture of innovation.

The results show that human capital improves innovation performance by increasing the role of structural and relational capital (Kianto et al., 2017). In conclusion, the organization must be able to create its human resources (HR) as the main capital in realizing a culture of innovation. The results of the study show that human capital plays a major role in improving the culture of innovation in small and medium-sized companies in Croatia (Dabić et al., 2018). Human capital has a significant influence on increasing a company's production efficiency and can quickly advance a company's technological innovation (Zhang & Lv, 2015; Sun et al., 2020; Gross et al., 2020). The results of research in China also found Human capital have a big influence on innovation in the banking business (Sun et al., 2020). It is proven that innovation is needed in all business sectors, so it is very important to study especially for developing countries. On the other hand, Human capital has a negative effect on Technological Innovation (Xu et al., 2019) The existence of inconsistent research results shows that it is necessary to review the role of human capital in strengthening the culture of innovation.

The role of human capital in creating innovation can be enhanced through the human approach and the role of culture (Shujahat et al., 2019). The role of culture has been widely studied but is still difficult to understand. The cultural approach in HR management practices is still a question that needs to be tested (Milikić, 2009). There is a relationship between cultural values in

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society and human resource practices in organizations (Adewale & Anthonia, 2013). This view is supported by the results of research that finds innovative behavior is determined by intrinsic motivation (Ali et al., 2022). Intrinsic motivation has a tendency to be influenced by the external environment in the form of cultural values in the community. A strategy that considers external environmental factors will encourage the internal environment to create an innovative environment (Mady et al., 2022).

Based on the results of previous research, this study aims to produce a model of developing a culture of innovation through an HRM approach in HRM practices and a cultural approach. This study complements the results of previous studies that have not considered exogenous factors in creating a culture of innovation (Chan et al., 2020). External factors in the form of cultural values in society in Bali. Balinese people are very strong with their culture. Cooperatives are the most preferred form of business organization in Bali. In 2020 cooperatives in Bali reached 5,019 units. Cooperative problems are the responsibility of all parties in Bali.

II. LITERATURE REVIEW

Cultural Values and HR Practices

Culture has been widely discussed but is still difficult to understand. Especially culture in the form of values. Consensus theory states that values are the main elements of social life that are upheld by society, and those values are what bind a society (Artadi, 2009: 147). Cultural values are an abstract form of culture consisting of conception, which lives in the minds of the majority of citizens about things that they should consider very valuable in life (Koentjaraningrat, 1984: 25). Culture consists of values, attitudes, beliefs, and assumptions about appropriate behavior that they have together in society. The compatibility between the values possessed by individuals will be carried into organizational life. There is a close relationship between organizational culture and the recruitment process, training programs, performance management, salary structure, and compensation administration. Therefore, that individual values in the form of beliefs need to be adjusted to organizational practices (Adewale & Anthonia, 2013). Internal gap can slowly be bridged, to adapt to the local environment and Human Resource Management Practices can develop in new and innovative ways (Hutnek, 2016). The cultural approach plays a role in shaping human capital and innovation (Shujahat et al., 2019). The cultural approach is a strategy oriented to external environmental factors. External factors are able to adopt the internal environment to innovate (Mady et al., 2022) The external factor in this case is to understand how the cultural context affects HRM, it is important to know the basic characteristics of culture affect HRM. The role of culture does not limit HRM practices in organizations that have managerial discretion to adopt diversity, but do not abandon the existing local culture. The cultural values studied are local cultural values that are maintained from generation to generation. Local Balinese culture that has been maintained for generations and has been tested to be valid and reliable reflects Balinese culture, namely the culture of Jengah, Taksu, and Menyamabraya (Sitiari et al., 2016). The culture of boredom contains meaning according to the fifth dimension of Hopstede's culture (1980, 1991), which is having a long-term orientation. The dimension of long-term orientation according to Hopstede is the tendency of individuals to think about the future which is indicated by work, thrift, and perseverance. Taksu implies that there is strength from within, a belief that is based on honesty. Taksu contains values that reflect the existence of charisma, confidence, self-confidence, authority, and honesty. Hopstede's theory of culture (1980, 1991) which shows that there are differences in strength, ability, namely the dimensions of masculinity-feminism. Masculinism reflects assertiveness, achievement, excellence while feminism reflects politeness, concern, which is reflected in the concept of taksu. The menyama braya culture contains values that prioritize relationships caused by the need to collaborate with other people, according to the second dimension, namely individualism-collectivism (Sitiari et al., 2016). The results of previous studies Organizational culture and human resource practices based on local Balinese cultural values are able to improve organizational performance (Sitiari et al., 2016; 2020; and 2021).

H1: The influence of local cultural values on HRM practices is positive and significant.

Human Resource and Human Capital Practices

Human resource managers need to make changes to existing practices and policies. HR practices include recruitment strategies, performance-oriented training, career-oriented training, performance appraisals, career management, and reward strategies (Aman et al., 2018). HR as the main capital (human capital) is an asset for companies that need to be improved in their abilities, skills, as an investment. Human capital is the knowledge, skills, competencies, and attributes in individuals that facilitate the creation of personal, social and economic well-being with a social perspective (Kwon, 2009). Education, professional skills, knowledge and experimental, knowledge), attitude (i.e., motivation, leadership, behavior patterns) and intellectual (i.e., innovation, creativity, flexibility, adaptability (Khalique, et al 2018). Intellectual resources and intellectual capital can only become a competitive advantage when management recognizes the importance of individual experience, knowledge of an individual in the future of the organization Marko (2013) Organizations will invest only in employees to make it human capital when employees

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want to have the ability to add more economic value to the company after obtaining human capital Birasnav & Rangnekar (2009) Human capital is the knowledge, ability, capacity, skills, and innovative capabilities of employees (Bontis, 2001) Recognizing the important role of Human capital through the implementation of HR practices HR practices have been proven based on research results affect intellectual capital (Kianto et al., 2017; Park et al., 2019).

H2 : The influence of HR practices on human capital is positive and significant.

Human Resource Practices and Innovation Culture

Human resource management (HR) practices play an important role in developing an innovative culture. The Resource Based View (RBV) theory (Barney, 1991) states that strategic resources are resources capable of creating a sustainable competitive advantage. Human resources as capital are able to create competitive advantage through HR practices. Human resource management is a set of integrated systems developed to manage employees to achieve the strategic and operational goals of the Birasnav & Rangnekar organization (2009). HRM practices mostly include recruitment, selection of competitive and knowledgeable employees, development of essential skills and knowledge, performance appraisal, developing the ability to demonstrate innovative behavior and development of their career plans. The culture of innovation requires innovative employees, who must possess the necessary skills and behaviors according to their competence, creative thinking, foresight, risk taking, long-term focus, high tolerance for uncertainty, independence and motivation, risk-oriented behavior to deal with surprises and challenges. Innovation culture is measured by indicators (Tyler, 2019) namely: 1. Positive interpersonal exchange is reflected There is a strong sense of cohesion throughout the organization, and employees feel like they are all playing for the same team; 2. Intellectual stimulation i.e. debate and discussion is encouraged and supported; 3. Challenge, workers find their work challenging, complex and interesting but, at the same time, less stressful; 4. Flexibility and risk taking, Organizations are willing to take risks and face the uncertainty and ambiguity that tend to go hand in hand with innovation; 5. Employees view top management as a proponent of new ideas. An innovation culture is very different from a status quo culture in many ways. Status quo cultures rely more on predictability and seek stability, whereas innovation cultures favor uncertainty and seek novelty in ideas and knowledge. Status quo culture avoids surprises. On the other hand, the culture of innovation receives a shock. In status quo culture, standard tactics are used to get work efficiency, while innovative tactics, creative thinking and ideas are applied in innovation culture for work efficiency. The old culture seeks stability, and the innovation culture focuses on innovation. Management looks for certainty in the old culture, whereas it looks for ambiguity in the innovation culture. Overall, it appears that the innovation culture and the status quo culture are different from each other. Development of an innovation culture through an HR approach by directing HR practices that support an innovation culture. Based on the research results, HR practices affect the culture of innovation. HR practices have been proven based on research results to have an impact on intellectual capital and have an impact on innovation culture ((Kianto et al., 2017; Waheed et al., 2019; Park et al., 2019). Human Resource Management practices are important in directing managers to innovate (Easa & El Orra, 2021).

H3: The Influence of Human Resources Practices on the Innovation Culture is positive and significant.

Human Capital and Innovation Culture

Human capital is always associated with the skills and expertise of a person in an organization. However, human capital does not only concern this but also includes character, attitude, health, and self-motivation (Sharma, 2013). Furthermore, Sharma said that knowledge assets are only part of the intangible factors that contribute to one's performance. The term human capital is also referred to as intellectual capital, although by definition the two are not the same. Intellectual resources and intellectual capital can only become a competitive advantage when management recognizes the importance of individual experience, also when an individual's knowledge has a positive influence on the current and future development of the organization (Marko, 2013). Human capital is knowledge, skills, competencies, and attributes in individuals that facilitate the creation of personal, social and economic well-being with social (Kwon, 2009) educational, professional, knowledge and experimental skills, knowledge, attitudes (i.e. motivation, leadership, behavioral patterns) and intellectual (i.e. innovation) perspectives , creativity, flexibility, adaptability (Khaliq et al., 2018) Based on empirical evidence the innovation culture is determined by Human capital, Intellectual Capital (Kianto et al., 2017; Park et al., 2019; Gross et al., 2020; Waheed et al., 2019) Even Gross et al. (2020) found that Human capital has the most influence on Technological Innovation when compared to with other elements of Intellectual Capital.

H4: The influence of human capital on innovation culture is positive and significant.

H5: Human Capital mediates the influence of HR practices on the culture of innovation.

Research Concept Framework

Based on theory and empirical studies, the research model is depicted in Figure 1. The model describes a culture of innovation through an approach to HR management practices and cultural values. Culture is the independent variable and Practices, Human

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Capital, Human Resources, and Culture of Innovation as the dependent variable. Human capital variable as a mediation of the influence of HR management practices on innovation culture. This model emphasizes how to combine elements of local values for innovative cultural change through human capital mediated human capital practices.

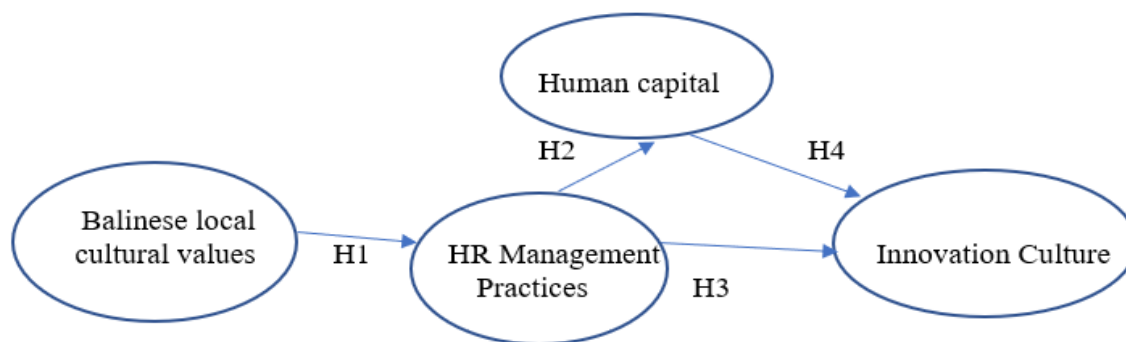


Figure 1. Research Concept Framework

III. METHOD

This research was conducted on cooperatives in Bali. Cooperatives are one of the most popular forms of business in Bali, with the number in 2021 reaching 5,119 cooperative units. The object of research is about the culture of innovation, human capital, human resource practices, and local Balinese cultural values (jengah, taksu, and menyamabraya).

Operational Measures

The variables in this study were measured by indicators referring to previous researchers. The variable of local cultural values is measured by three dimensions of local cultural values in Bali that are valid and reliable reflecting the local culture of Bali (Sitiari et al., 2016). HR management practices consists of 13 indicators referring to (Aman et al., 2018). Human capital consists of 10 indicators referring to (Khalique et al., 2018), and innovation culture consists of 5 indicators referring to (Tyler, 2019).

Sample and Sampling Technique

The research population is a cooperative in Bali. Respondents are cooperative managers. While the object of research is HR practices based on local Balinese cultural values. The total population is 1371 people with the number of samplings calculated using the Slovin formula as follows:

$$n = N / (1 + (N \cdot e^2)) = 1371 / (1 + (1371 \cdot 0,102^2)) = 1371 / (1 + 14,71) = 1371 / 15,71 = 93$$

Data Collection Technique

The respondents of this research are cooperative managers in Bali. The sampling technique used was non-probability purposive judgment sampling, where the sample was limited to the manager level. This is based on the consideration that only the manager level is able to provide valid information related to human capital, HR management practices, and other variables. The instrument used in data collection is a questionnaire.

Data Analysis Approach

This study uses descriptive and inferential statistics. Descriptive statistics are used to determine the characteristics of respondents and the description of respondents' answers. Inferential statistics use Partial Least Square to analyze data and test hypotheses

IV. RESULTS AND DISCUSSION

Sample Characteristics

Respondents in this study amounted to 91 cooperative managers in Bali. Characteristics of the respondents are male dominant, namely 62% with the dominant age above 40 years, namely 31%, with an education level of 45% undergraduate, with a working period of 36% 5-10 years.

Table 1. Characteristics of The Respondents

No	Characteristics	Frequency	Percentage (%)
1	Gender		
	Male	62	68
	Female	29	32
2	Age (year)		

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	21-30	30	33
	31-40	30	33
	> 40	31	34
3	Education		
	Secondary education (high school)	18	20
	Diploma	28	31
	Bachelor's degree	45	49
4	Working period (year)		
	0-1	4	4
	1-5	20	33
	5-10	36	40
	>10	21	23

Analysis of Measurement Model

This study uses research variables consisting of indicators that make up reflective variables. To test the validity and reliability of the indicators that make up the variables evaluated from the coefficients of convergent validity, discriminant validity, composite reliability, and Cronbach's alpha. Convergent validity is measured based on the outer loading test criteria for each indicator. Outer loading values ranging from 0.50-0.60 are declared valid and significant, and indicators with values below 0.50 are excluded from the model. Convergent validity is measured based on the outer loading test criteria for each indicator. A good discriminant validity is that the square root of AVE for each construct is greater than 0.50. The AVE root value for each dimension ranges from 0.50-0.70 indicating the discriminant test results according to the required AVE value is greater than 0.50 (Ghozali & Latan, 2012:78-79). A measurement can be said to be reliable, if the composite reliability and Cronbach's alpha have a value greater than 0.70. The value of composite reliability and Cronbach's alpha met the reliable criteria, with values between 0.50 -0.84 each, which indicates that all indicators that make up the construct are valid and reliable. AVE value, composite reliability, and Cronbach's alpha. Outer loading test results Outer loading, AVE, composite reliability, and Cronbach's alpha are presented in Table 2.

Table 2. Construct Reliability and Validity

Variable	Item	Loading	C A	CR	AV
Local cultural values (X1)	X1_X10	0.526	0.689	0.793	0.592
	X1_X11	0.656			
	X1_X12	0.696			
	X1_X4	0.606			
	X1_X6	0.558			
	X1_X9	0.692			
HRM practices (Y1)	Y1_10	0.801	0.744	0.816	0.595
	Y1_11	0.700			
	Y1_12	0.545			
	Y1_13	0.507			
	Y1_4	0.501			
	Y1_8	0.535			
Human Capital (Y2)	Y1_9	0.738	0.804	0.856	0.599
	Y2_1	0.645			
	Y2_2	0.684			
	Y2_3	0.799			
	Y2_4	0.669			
	Y2_5	0.725			
Culture of Innovation (Y3)	Y2_6	0.704	0.639	0.847	0.734
	Y3_1	0.878			
	Y3_2	0.836			

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Evaluation of The Structural Model (Inner Model)

The value of R Square indicates that each latent variable is endogenous as the predictive power of the structural model. Changes in the value of R Square can be used to explain the effect of certain exogenous latent variables on endogenous latent variables that have a substantive effect. R Square value of 0.75 concluded that the model was strong, 0.50 moderate, and 0.25 weak (Latan and Ghozali, 2012: 82). R Square value of each variable above 0.50 indicates a strong model. The innovation culture variable has an R² value of 0.501, human capital 0.490, and HR Management Practice 0.502. Based on the R² value, the model is classified as moderate. The R² value of each variable is presented in Table 3.

Table 3. Value of R Square Variable

Construct	R Square	Information
Culture of Innovation	0.501	moderate
Human capital	0.490	moderate
HRM practices	0.502	moderate

Evaluation of the structural model through Q-Square Predictive Relevance (Q²). Q-Square Predictive Relevance (Q²) is a measure of how well the observations made give results to the research model. The value of Q-Square Predictive Relevance (Q²) ranges from 0 (zero) to 1 (one). $Q^2 = 1 - (1 - R^2) (1 - R^2) \dots (1 - R_n^2)$

$$Q^2 = 1 - (1 - 0.5012) (1 - 0.4902) (1 - 0.5022)$$

$$Q^2 = 1 - (1 - 0.251) (1 - 0.240) (1 - 0.25)$$

$$Q^2 = 1 - (0.75) (0.76) (0.75)$$

$$Q^2 = 0.57 \text{ (moderate model)}$$

Direct Relationship Between Variables

Table 4. Path Coefficient

Relationship Between Construct	Coefficient	T statistic	p-value	Information
Human capital -> Culture of Innovation	0.038	0.290	0.772	not significant
local cultural values -> HRM practices	0.320	4.771	0.000	significant
HRM practices -> Human capital	0.281	1.932	0.054	not significant
HRM practices -> Culture of Innovation	0.499	4.414	0.000	significant

Based on the results of the analysis shows the influence of cultural values on HR management practices is positive and significant. The P-value of 0.00 is smaller than 0.05 and the t statistic is 4.771. Local cultural values influence HRM practices. The influence of HRM practices on human capital is positive and not significant. The P value of 0.05 is the same as the value of 0.05. This relationship can be stated to be significant at the 0.10 level. With a statistical t value of 1932. The better the human capital management practices, the better. The influence of HR management practices on innovation culture is positive and significant with a P-value of $0.00 < 0.05$, the t-statistic value of 4.414. This means that the stronger HR Management Practices, the stronger the innovation culture. Meanwhile, the influence of Human Capital on innovation culture is negative and not significant. This relationship is not in accordance with the hypothesis. Human capital is not automatically able to increase the culture of innovation. This relationship directly shows that human capital does not mediate the influence of HRM practices on the culture of innovation.

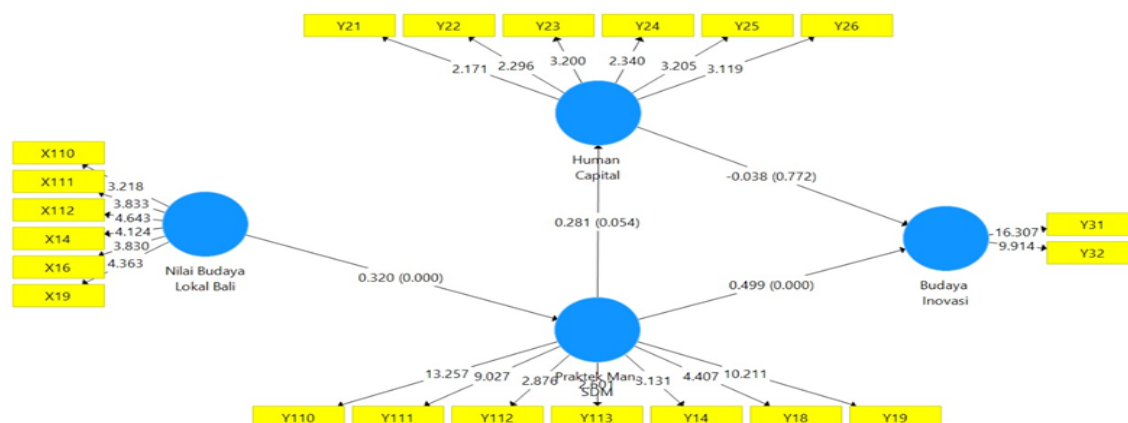


Figure 2. Results of Smart.PLS 3

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HRM practices based on local cultural values are able to increase the culture of innovation and human capital. The role of culture in the form of values is still debated because values can change with changing times. However, in this study the cultural values used are cultural values that have survived from generation to generation and have been proven valid and reliable reflecting local cultural values in Bali (Sitiari et al., 2016). The results showed that the influence of local cultural values on HR practices was positive and significant. It is proven that there is a need for conformity with HR management practices with local cultural values. Innovative behavior is determined by intrinsic motivation (Ali et al., 2022). Intrinsic motivation tends to be formed from individual values. In accordance with the results of research that individual values in the form of beliefs need to be adjusted to organizational practices (Adewale & Anthonia, 2013). Individual belief values that are considered well believed and maintained in the community are termed local wisdom. Local wisdom does not limit the management of HR practices but is not ignored. Supported by other research results, international gaps can slowly be bridged, to adapt to the local environment and Human Resource Management Practices can develop in new and innovative ways (Hutnek, 2016). The Cultural Approach is very supportive of creating a culture of innovation (Sujahata, 2019). A strategy that considers external environmental factors will encourage the internal environment to create an environment for innovation (Mady et al., 2022). The results of this study are the external environment reflected by cultural values in society. Previous research related to local Balinese cultural values found cultural values in society can increase innovation, reduce stress and improve performance (Sitiari et al., 2016, 2021). This means that the cultural approach determines the quality of HR Management Practices that encourage a culture of innovation.

HR management practices based on local cultural values have a positive and significant impact on human capital. Managers who maintain individual employee values in HR management practices are more successful in increasing the capacity of their employees through improving employee capabilities. Understanding that employees are as capital that needs to be considered. The concept of human capital is related to the knowledge, abilities, capacities, skills, and innovative abilities of employees (Bontis, 2001). Recognizing the important role of Human capital through the implementation of HRM practices. Knowledge-based HR practices mediated by intellectual capital are able to improve innovation performance (Kianto et al., 2017). This means that HR management practices affect human capital. Manager decisions in HR Management Practices determine HR capabilities (Park et al., 2019). The results of this study complement the results of previous studies. HR management practices based on local cultural values are able to direct managers to improve HR capabilities as an important asset to improve their abilities.

The results of this study found the influence of HRM practices on a positive and significant innovation culture. HRM practices play a role in determining the ability of an organization to innovate. HR Management practices based on local cultural values in the selection and training process are designed by considering the individual values of the employees. Employee intrinsic motivation affects individual behavior (Ali et al., 2022). Individual behavior has to do with the values that come from the environment in which he was raised. This means that the HRM strategy to form a culture of innovation cannot be separated from external and internal factors which are implemented through HRM practices. Previous research has found that HR practices have an effect on innovation culture (Kianto et al., 2017; Waheed et al., 2019; Park et al., 2019). Human Resource Management practices are important in directing managers to innovate (Easa & El Orra, 2021).

The influence of Human capital on the culture of innovation is negative and insignificant. This relationship means that human capital is not necessarily able to strengthen the culture of innovation. This relationship shows that human capital does not mediate the influence of HRM practices on the culture of innovation. Although the results of previous studies that innovation culture is determined by Human capital, Intellectual Capital (Kianto et al., 2017; Park et al., 2019; Gross et al., 2020; Waheed et al., 2019). Even Gross et al. (2020) found that Human capital has the most influence on Technological Innovation when compared to other elements of Intellectual Capital. The results of the study are at least able to explain that the concept of human capital is a very complex concept related to individual problems of employees and the organization where they work. If the organization provides opportunities, facilitates, employees can properly form a culture in accordance with the wishes of the company.

CONCLUSION, RECOMMENDATION, THEORETICAL AND MANAGERIAL IMPLICATIONS

The results of this study resulted in a model to strengthen the innovation culture determined by HRM practices, namely through an approach to HRM practices based on local cultural values. Culture in the form of values is an external factor that is able to encourage the internal environment to innovate. This means that the results of this study indicate that HRM practices that do not ignore local cultural values will encourage every individual in the organization to have an intrinsic motivation to innovate. Employee intrinsic motivation affects individual behavior. This study found that human capital did not mediate the influence of HRM practices on the culture of innovation, but HRM practices had an effect on human capital. It can be suggested for future research to add other variables as a mediation apart from human capital to strengthen the culture of innovation.

The results of this study contribute to explaining HRM strategies in generating sustainable excellence. If it is related to the RBV theory (1991) the results of this study are able to explain that through a HRM approach strategy supported by cultural values,

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it is able to increase the culture of innovation to achieve sustainable excellence. The culture of innovation is determined by HRM practices based on local cultural values. The cultural values in question are local cultural values originating from the external environment in which they live. Strategies that consider external environmental factors will encourage the internal environment to create an environment for innovation (Mady et al., 2022). The external environment in the form of cultural values that are considered good as intrinsic motivation shapes individual behavior. Intrinsic motivation affects individual behavior to innovate (Ali et al., 2022). The compatibility of HRM practices with individual values does not mean limiting management. The reason is that the values that are maintained are values that have been considered good from generation to generation which are considered as local wisdom. The results of the study give meaning to the importance of adopting change without ignoring local values. The results of this study complement the results of previous studies which found HRM practices affect human capital and innovation culture (Kianto et al., 2017; Waheed et al., 2019; Park et al., 2019; Easa & El Orra, 2021). The difference is that this study considers external environmental factors as a driver of the organization's internal environment in producing a culture of innovation. The external environment functions as a bridge in dealing with changes that result in a culture of innovation.

The results of this study can be implied by managers in strengthening the culture of innovation. Innovation culture is a change-oriented culture. In dealing with environmental changes, it is necessary to have an HRM strategy. An HRM strategy that considers external and internal factors will be able to provide sustainable advantages. Managers strengthen the culture of innovation through an approach to HRM practices based on local cultural values. Bali is known to be very thick with its culture. Culture in the form of values that are maintained from generation to generation as local wisdom in Bali. Local wisdom should be adopted by managers in HRM practice but not limit in decision making. For managers, international companies face challenges in bridging the importance of local wisdom for international change. Especially if you are in countries that have a very strong culture. The results of this study can be used as a reference for managers so that the problem of local cultural values does not become a barrier but is able to be an intrinsic motivation for every individual in the organization to innovate..

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