

The Effect of Sustainable Human Resource Management on Innovation Capability Through Employment Experience



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ABSTRACT: This study aims to determine the Effect of Sustainable Human Resource Management on Innovation Capability through Employee Employment Experience. This research is a descriptive research using quantitative methods. Sampling of the study population was carried out by Proportional Random Sampling technique with a sample of 120 people. The data collection technique is by distributing questionnaires to 120 respondents who are employees of BCA Finance Surabaya. The analysis technique used in this study is Smart PLS (Structural Equation Modelling) which is covariance-based to variant-based. The results of this study show that Sustainable Human Resource Management has a significant effect on Employee Experience, Sustainable Human Resource Management has a significant effect on Employee Innovation Capability, and Employee Experience has a significant effect on Employee Innovation Capability. This research is useful for the development of human resource management science. This research also has implications for developing a model of cooperation between educational institutions and the business world and improving human resource competencies.

KEYWORDS: Sustainable Human Resource Management, Employment Experience, Innovation Capability

INTRODUCTION

In this era of the industrial revolution 4.0, the motor vehicle sector is advancing rapidly, this is evidenced by congestion on highways that are increasingly congested and elongated. The prolonged congestion in big cities like Surabaya is filled with the latest motorized vehicles. Cars that fill the highway look luxurious and elegant because of the latest output, this proves that society at this time places cars as primary needs.

PT BCA Finance is a company engaged in financing and their main focus is in the car financing sector. The success of PT BCA Finance is inseparable from the role of sustainable human resources or in this thesis called Sustainable Human Resource Management. The goal of sustainable human resource management is to achieve organizational goals, while balancing corporate growth and conserving environmental resources (Chams and Garcia-Blandon, 2018). Sustainable human resource management is very important for companies because it has the aim of achieving organizational or company targets by maintaining a balance between business growth and environmental resource preservation. Human resource management is a system that aims to influence the attitude, behavior, and performance of employees in order to make the best contribution to achieving company goals (Suparyadi, 2015).

In the industrial revolution 4.0, all human resources are required to innovate so that the organization can compete with competitors and can achieve its targets. The innovation ability of HR must be high so as not to be left behind by competitors, because in today's era, if the organization is complacent, it can make competitors excel a step. Innovation is defined as the introduction of new ways that are economically and socially successful or new combinations of existing ways of converting inputs into outputs that result in changes in the value/price relationship offered to users (Fontana, 2011).

Innovation can be done not only in product innovation, but also in other forms such as process innovation, business model innovation, organizational structure, brand, marketing, management systems, customer service and experience (Keeley, 2013). Good quality of human resources will determine the effectiveness of the innovation process (Wichitchanya and Durongwatana, 2021). Firms should fulfill the demands for innovation to meet market needs, creating new needs for the market and anticipate developments in technology (Cooper, 2011).

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In order to make human resource management sustainable, a manager needs to consider several factors that may affect the survival of the company. One factor to consider is work experience. Work experience is the knowledge, skills, and abilities that employees have to carry out responsibilities from previous jobs (Marwansyah in Wariati, 2015). Work experience is a basis or reference for an employee to be able to place themselves in the right conditions, dare to take risks, be able to face challenges responsibly and be able to communicate well with various parties to maintain productivity, performance and produce competent individuals in their fields (Hartono, Toto Heru Dwihandoko, 2023). There are also several factors that affect the work experience of employees. Some other factors that may be influential in certain conditions are as follows: Personal background such as, education, courses, training, work (Handoko in Basari, 2012). As evidence of what one has done in the past, Talents and interests, to estimate one's interests and capacities or abilities, Attitudes and needs to foresee one's responsibilities and authorities, Analytical and manipulative abilities to learn judgment and analysis abilities. Engineering skills and abilities, to assess abilities in the technical aspects of the work.

Based on the background of the problem that has been described by the author, there is a gap between the theory studied and the facts that occur in the object of research. The theory that the author learned about Sustainable Human Resource Management, Innovation Capability, and Employment Experience in expert opinion can affect the performance of an employee, but in the reality, it is different from what happened to the object of BCA Finance Surabaya's research, where Sustainable Human Resource Management and Employment Experience have been carried out well but there are indications that Innovation Capability is still not optimal. Based on the description above, the author is interested in researching in the form of a thesis entitled "The Effect of Sustainable Human Resource Management on Innovation Capability through Employment Experience of BCA Finance Surabaya Employees".

LITERATURE REVIEW

Sustainable human resource management

Sustainable human resource management or can be called sustainable human resource management is very important in this era of industrial revolution 4.0. The main task of sustainable human resource management is the supervision of the use and consumption of human resources, specifically considered as managerial control over human abilities and functions (Chams and Garcia-Blandon, 2019).

Sustainable Human Resource Management Indicators according to Afandi (2018:10), there are five indicators, including:

1. Task assignment, which is the details of the work to be done by employees.
2. Quality of work, namely standardized and desired work results.
3. Amount, that is, the amount of results of production operations of employees.
4. Punctuality, that is, the result of staff work.
5. Cost-effectiveness, i.e. appropriate and effective use of costs.

Meanwhile, according to Suwatno & Priansa (2016), there are four indicators, namely:

1. Recruitment;
2. Human resource development;
3. Training;
4. HR Maintenance.

Innovation capability

Innovation capability can also be called the ability to innovate. Innovation is defined as the introduction or combination of new existing methods or new economically and socially successful methods to transform resources with the result of changing the ratio of price to value provided to users (Fontana, 2011).

Innovation Capability Indicator

Based on research by Saunila and Ukko (2011), innovation capability has seven factors namely Participatory Leadership (Fachrudiy Asj'ari, Moch. Afrizal M, 2022), Work Climate and Wellbeing, Ideation and Organizing Structures, Know-how Development, External Knowledge, Regeneration and Individual Activity.

Employment Experience

Employment Experience can also be called Work Experience. Work experience is needed for human resources as well as organizations or companies. The more work experience, the more understanding of human resources to do things that are

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considered difficult by the organization / company. Work experience shows the extent to which an individual has a field of activity he is engaged in (Sulaeman, 2014).

Employment Experience Indicator

Employment Experience indicators according to Pitriyani and Halim (2020) are as follows:

1. Duration of work Measures the length or duration of work performed by someone who understands and performs well at work.
2. Level of knowledge and skills possessed. Knowledge is a concept, principle, procedure, policy or other information needed by an employee. Knowledge also includes the ability to understand information and apply it to job responsibilities. Skills, on the other hand, refer to the physical abilities required to accomplish or complete a task or tasks.
3. Workmanship and equipment. The level of human proficiency in applying the technical aspects of skills and job skills.

METHOD

Population

Population is the sum total of all elements in the form of events, things, or people that have similar characteristics that researchers focus on because they are considered the universe of research (Ferdinand, 2014). The population in this study was all employees of PT. BCA Finance in Surabaya has 200 employees. A sample is a subset of a population consisting of several members of the population. This subset was chosen because in most cases it is impossible to check all members of the population. Thus, they form a representative population called a sample. (Ferdinand, 2014). Sampling of the study population was carried out by Proportional Random Sampling technique with a sample of 120 people.

Hypothesis

The function of hypotheses is to be able to guide research according to our expectations. Based on the results of several studies and reviews of the literature described, we propose the following hypotheses:

1. Sustainable human resource management affects the employment experience of PT BCA Finance Surabaya employees.
2. Sustainable human resource management affects the innovation capability of PT BCA Finance Surabaya employees.
3. Employment experience affects the innovation capability of PT BCA Finance Surabaya employees.

RESULT

Data Analysis

Measurement Model (Outer Model)

In this study in analyzing data using Smart PLS (Partial Least Square) software. Here is a schematic model of the outer measurement model:

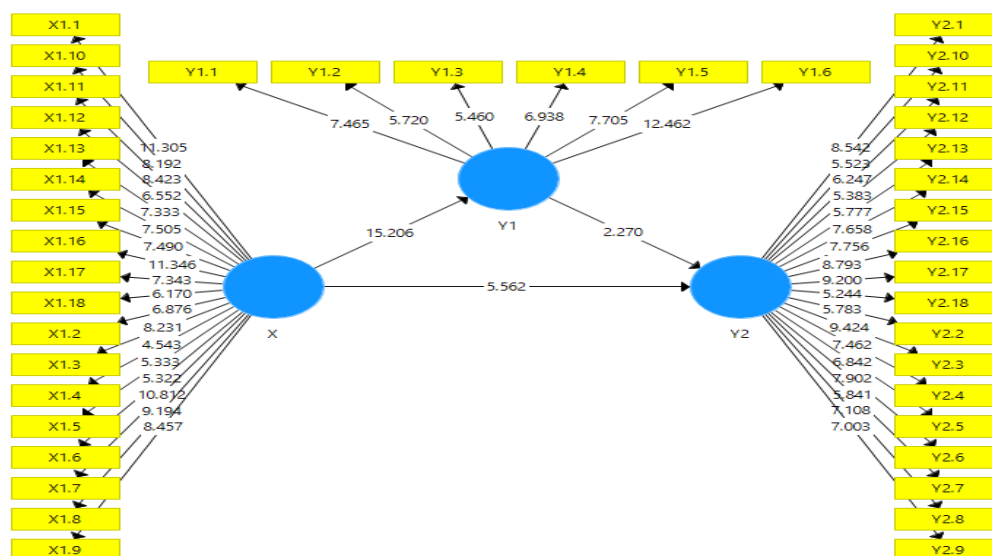


Figure 1 (Outer Model)

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The model specifies the relationship between latent variables and all indicators, in other words, the outer model can define how each variable relates to other variables. Outer model testing can be done by various methods, including:

Validity Test

The outer model value or loading factor can be used to test convergent validity. An indicator can be declared to meet the convergent validity requirements in the good category if the outer loading value > 0.7. Outer loading values of 0.5-0.6 are considered sufficient to meet convergent validity requirements (Chin in Ghazali, 2014). The following is the outer loading value of each indicator on the research variable:

Table 1. Outer Loading

Variable	Indicator	Outer Loading
<i>Sustainable Human Resource Management (X1)</i>	X1.1	0.672
	X1.2	0.541
	X1.3	0.584
	X1.4	0.530
	X1.5	0.534
	X1.6	0.546
	X1.7	0.601
	X1.8	0.669
	X1.9	0.586
	X1.10	0.592
	X1.11	0.591

Table 2. Outer Loading (Advanced)

Variable	Indicator	Outer Loading
<i>Sustainable Human Resource Management (X1)</i>	X1.12	0.551
	X1.13	0.591
	X1.14	0.542
	X1.15	0.597
	X1.16	0.614
	X1.17	0.566
	X1.18	0.546
	<i>Employment Experience (Y1)</i>	Y1.1
Y1.2		0.572
Y1.3		0.638
Y1.4		0.612
Y1.5		0.609
Y1.6		0.726
<i>Innovation Capability (Y2)</i>	Y2.1	0.581
	Y2.2	0.637
	Y2.3	0.567
	Y2.4	0.535
	Y2.5	0.547
	Y2.6	0.593
	Y2.7	0.532
	Y2.8	0.554
	Y2.9	0.534
	Y2.10	0.525
	Y2.11	0.523
	Y2.12	0.595
	Y2.13	0.570
	Y2.14	0.616
Y2.15	0.573	
Y2.16	0.629	
Y2.17	0.604	
Y2.18	0.590	

Source: Output SmartPLS, 2022

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Based on the data in table 1 above, it can be seen that each indicator of the average research variable has an outer load value between 0.5-0.6 is considered sufficient to meet the convergent validity requirements.

b. Reliability Test

This test is used to test the reliability value of indicators on each variable. A variable can be declared to meet the composite reliability requirement if it has a value of >0.6 (Chin in Ghozali, 2014). Here are the composite reliability values of each variable used in this study:

Table 2. Composite Reliability

Variable	Composite Reliability
<i>Sustainable HRM</i>	0.902
<i>Employment Experience</i>	0.802
<i>Innovation Capability</i>	0.898

Source: Output SmartPLS, 2022

Based on table 2 above, it is known that the composite reliability value of all variables in this study is > 0.6 . This shows that each variable has met composite reliability so that it can be concluded that all variables have a high reliability value.

Multicollinearity Test

This test is carried out by looking at the VIF value on each indicator, whether the indicators in this study occur multicollinearity. If the value of $VIF < 5$ then it can be concluded that in each variable there is no multicollinearity, and vice versa if the value of $VIF > 5$ then multicollinearity occurs (Chin in Ghozali, 2014). Here are the results of the collinearity statistics (VIF) test:

Table 3. Outer VIF Values

Indicator	VIF
X1.1	2.143
X1.2	1.704
X1.3	1.781
X1.4	2.062
X1.5	1.847
X1.6	1.807
X1.7	2.045
X1.8	2.386
X1.9	1.802
X1.10	2.082
X1.11	1.863
X1.12	2.346
X1.13	1.980
X1.14	1.642
X1.15	1.666
X1.16	1.971
X1.17	1.928
X1.18	1.945
Y1.1	1.317
Y1.2	1.288
Y1.3	1.286
Y1.4	1.257
Y1.5	1.366
Y1.6	1.537
Y2.1	2.569
Y2.2	3.339
Y2.3	1.614
Y2.4	1.888
Y2.5	1.676
Y2.6	1.998

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Y2.7	2.435
Y2.8	1.737
Y2.9	1.703
Y2.10	1.737
Y2.11	1.609
Y2.12	2.857
Y2.13	1.870

Table 3. Outer VIF Values (advanced)

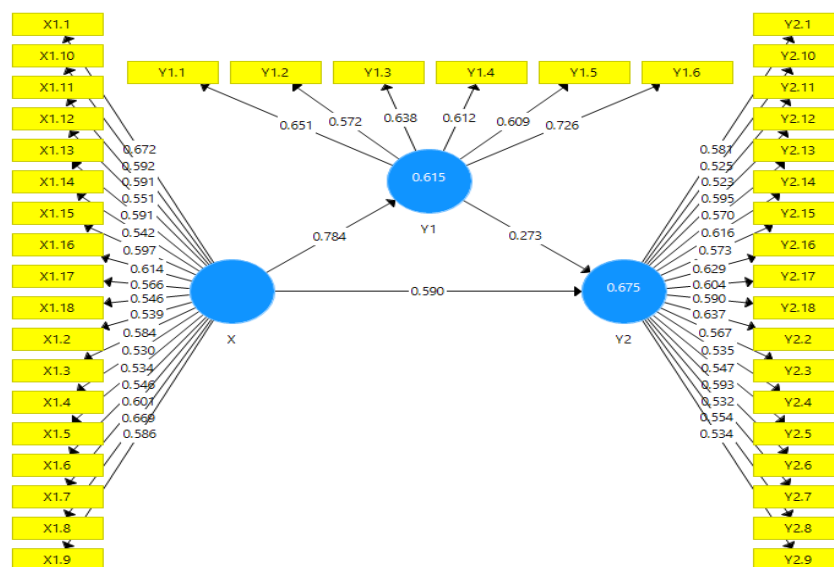
Indicator	VIF
Y2.14	2.599
Y2.15	2.547
Y2.16	4.675
Y2.17	4.699
Y2.18	2.775

Source: Output SmartPLS, 2022

Based on table 3 above, it can be concluded that all variable indicators in this study are < 5, so it can be concluded that all indicators used in this study do not occur multicollinearity.

Structural Model (Inner Model)

Testing the structural model or inner model is used to determine the relationship between the construct, R-Square and significance value of the research model. Here is the structural model of the study:



Picture 2 (Inner Model)

Assessing a model with SmartPLS starts with looking at the R-Square for each dependent latent variable. The results of R-Square > 0.67 identify a good influence between exogenous variables on endogenous variables, while if the R-Square value is 0.33-0.66 then it is included in the medium category, and if the R-Square value is 0.19-0.32 then it is included in the weak category (Chin in Ghazali, 2014). Here are the results of R-square using SmartPLS:

Table 4. R-Square

Variabel	R-Square
Employment Experience (Y1)	0.615
Innovation Capability (Y2)	0.675

Source: Output SmartPLS, 2022

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Based on table 4 above, the R-Square value of the Employee Experience (Y1) variable is 0.615. The acquisition of this value explains that the percentage of the magnitude of the Employee Experience variable is 61.5%. Then it can be concluded that the value of R-Square is in the medium category. In the Innovation Capbility (Y2) variable, an R-Square value of 0.675 is obtained. The acquisition of this value explains that the percentage of the magnitude of the Innovation Capbility variable is 67.5%. So it can be concluded that the R-Square value of the Innovation Capability variable is in the good category.

b. Hypothesis Testing

Based on the data that has been done, the results obtained can be used to answer the hypothesis in this study. The hypothesis test in this study was carried out by looking at the coefficient value, if the coefficient value is positive, the hypothesis can be stated to have a positive relationship, and this research hypothesis can be declared significantly accepted if the P-Values value < 0.05 and t-statistics > 1.96 . Here is the hypothesis test obtained in this study:

Table 5. Bootstrapping

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Sample Deviation (STDEV)</i>	<i>T Statisticsc (O/STDEV)</i>	<i>P-Values</i>
X→Y1	0.784	0.781	0.046	15.206	0.000
X→Y2	0.590	0.605	0.106	5.562	0.000
Y1→Y2	0.273	0.257	0.120	2.270	0.024

Source: Output SmartPLS, 2022

Testing in SmartPLS is done statistically on each hypothesized relationship. In hypothesis testing is done by bootstrapping the sample method. Bootstrapping testing is also intended to minimize the problem of abnormalities in research data. Here are the bootstrapped test results from SmartPLS analysis:

1. Hypothesis 1 Testing (Sustainable human resource management has a significant and positive effect on employee employment experience). The results of the first hypothesis test showed that the relationship between the variable Sustainable human resource management (X) and employment experience (Y1) showed a path coefficient value of 0.784 with a T-Statistics value of 15.206 $>$ t-Table (1.960) and P-Values of 0.000 $<$ 0.05. These results can be concluded that Sustainable human resource management has a significant and positive effect on employee employment experience, which means Hypothesis 1 is acceptable.
2. Hypothesis 2 testing (Sustainable human resource management has a significant and positive effect on employee innovation capability). The results of the first hypothesis test showed that the relationship between the variable Sustainable human resource management (X) and innovation capability (Y2) showed a path coefficient value of 0.590 with a T-Statistics value of 5.562 $>$ t-Table (1.960) and P-Values of 0.000 $<$ 0.05. These results can be concluded that Sustainable human resource management has a significant and positive effect on employee innovation capability, which means Hypothesis 2 is acceptable.
3. Hypothesis 3 testing (Employment experience has a significant and positive effect on employee innovation capability). The results of the first hypothesis test showed that the relationship between the innovation capability (Y1) variable and innovation capability (Y2) showed a path coefficient value of 0.73 with a T-Statistics value of 2,270 $>$ t-Table (1.960) and P-Values of 0.024 $<$ 0.05. These results can be concluded that Sustainable human resource management has a significant and positive effect on employee innovation capability, which means Hypothesis 3 is acceptable.

DISCUSSION

1. The effect of Sustainable human resource management on Employment experience

Based on the results of testing the variables Sustainable human resource management with Employment experience shows that Sustainable human resource management has a positive and significant effect on Employment experience. This shows that BCA Finance Surabaya in recruiting employees is in accordance with the requirements, has compiled employee work details in accordance with the provisions, standardized the results of employee work, carried out future development where the development results are designed to carry out future work, employees at work have achieved the targets set by the company. Sustainable human resource management or can be called sustainable human resource management is very important in this era of industrial revolution 4.0. The main task of sustainable human resource management is the supervision of the use and consumption of human resources, specifically considered as managerial control over human abilities and functions (Chams and Garcia-Blandon, 2019).

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2. The effect of Sustainable human resource management on Innovation capability

Based on the results of testing the variables Sustainable human resource management with Innovation capability shows that Sustainable human resource management has a positive and significant effect on Innovation capability. This shows that BCA Finance Surabaya has carried out future development where the development results are designed to carry out future work, have conducted training for employees so as to improve employee skills, innovation and productivity, and provided motivation and counseling in the context of maintaining human resources. Sustainable human resource management can be defined as "the adoption of human resource management strategies and practices that achieve financial, social and environmental goals and control over undesirable side effects with long-term effects inside and outside the organization" (Ehnert et al., 2016).

3. The effect of Employment experience on Innovation capability

Based on the results of testing the variable Employment experience with Innovation capability shows that Employment experience has a positive and significant effect on Innovation capability. This shows that employee work experience is very influential in creating new innovations that can increase the company's success in achieving goals, because by having work experience employees also have the ability to understand information and apply it to their job responsibilities, and employees can operate company equipment or technology well. Employment Experience can also be called Work Experience. Work experience is needed for human resources as well as organizations or companies. The more work experience, the more understanding of human resources to do things that are considered difficult by the organization / company. Work experience shows the extent to which an individual has a field of activity he is engaged in (Sulaeman, 2014).

CONCLUSION

Based on the results of the analysis that refers to the research objectives, hypotheses, and analysis models, it can be concluded as follows:

1. Sustainable human resource management has a positive and significant effect on the Employment experience. This result is obtained from testing using t-test with the help of SmartPLS software, where the results state that the hypothesis can be accepted and proven correct. This shows that BCA Finance Surabaya in recruiting employees is in accordance with the requirements, has compiled employee work details in accordance with the provisions, standardized the results of employee work, carried out future development where the development results are designed to carry out future work.
2. Sustainable human resource management has a positive and significant effect on Innovation capability. This result is obtained from testing using t-test with the help of SmartPLS software, where the results state that the hypothesis can be accepted and proven correct. This shows that BCA Finance Surabaya has carried out future development where the development results are designed to carry out future work, have conducted training for employees so as to improve employee skills, innovation and productivity, and provided motivation and counseling in the context of maintaining human resources.
3. *Employment experience has a positive and significant effect on Innovation capability. This result is obtained from testing using t-test with the help of SmartPLS software, where the results state that the hypothesis can be accepted and proven correct. This shows that employee work experience is very influential in creating new innovations that can increase the company's success in achieving goals, because by having work experience employees also have the ability to understand information and apply it to their job responsibilities, and employees can operate company equipment or technology well.*

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