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The Role of Ethical Leadership and Managerial Competence in Improving Human Resource Innovation at the Civil Service and Human Resource Development Agency (BKPSDM) Office in Bekasi City and Bekasi Regency, West Java Province

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ABSTRACT

This study investigates the extent to which ethical leadership and managerial competence contribute to human resource (HR) innovation within government organisations, focusing on the BKPSDM offices of Bekasi City and Bekasi Regency in Indonesia. Using a quantitative survey design, the research measures the relationship between the two independent variables and HR innovation among civil servants. The analysis shows that ethical leadership and managerial competence each exert a significant positive influence, jointly accounting for 47.39 per cent of the variance in HR innovation. The findings suggest that when leaders demonstrate integrity, fairness, and moral clarity—combined with managerial abilities in planning, coordination, decision-making, and change management—organisations become more conducive to creativity and innovation. The study contributes theoretically by reinforcing the complementary role of ethical behaviour and managerial capability in public-sector innovation. However, the limited variable scope and single-regional setting constrain generalisation, indicating the need for broader models in future research.

Keywords: Ethical Leadership; Managerial Competence; Human Resource Innovation; Public Sector; Government Agencies; Indonesia; Organisational Performance

INTRODUCTION

Human resource (HR) innovation has become a critical pillar of organisational performance as governments adapt to digital transformation, evolving service demands, and increasing expectations for accountability. Innovations such as HR analytics, AI-enabled recruitment, e-learning, performance dashboards, and flexible work arrangements require leadership that can foster trust while managing complex organisational change (Taryono et al., 2024)(Fenwick et al., 2024)(Dawson et al., 2024). As public-sector institutions operate under regulatory constraints and formal accountability systems, the ability to stimulate employee creativity and continuous improvement becomes essential for sustaining organisational effectiveness.

Although ethical leadership builds trust, but in a rigid bureaucracy it can reduce room for experimentation. Ethical guidance may strengthen procedural compliance and reduce risk-taking in highly regulated organisations (Alebiosu et al., 2022; Bass & Steidlmeier, 1999). Conversely, managerial competence—encompassing planning, coordination, problem-solving, and change management—can enhance operational efficiency but may unintentionally narrow the space for experimentation if efficiency pressures overshadow adaptive learning (Amarakoon et al., 2018; Gahan et al., 2021). These tensions highlight the need to examine how leadership values and managerial capabilities jointly shape HR innovation.

The relationship between ethical leadership and innovation remains theoretically fragmented. While some penelitianes report positive associations (Van der Wal & Demircioglu, 2020) , previous literature shows inconsistent results(Brown et al., 2005). Similarly, empirical findings on managerial competence show strong links to trustworthiness and perceived organisational performance (Cho & Ringquist, 2011; Sudrajat et al., 2024), yet its direct influence on HR innovation is insufficiently tested within government agencies. Mechanistic pathways—such as voice, empowerment, organisational identification, knowledge capability, or job crafting—have been proposed but lack consistent validation across public-sector contexts (Abuzaid et al., 2024; Wen et al., 2021). These inconsistencies underscore the need for context-sensitive quantitative evidence.

Indonesia's decentralised governance structure positions local civil service agencies (BKPSDM) as the core institutions responsible for personnel management, bureaucratic reform, and digital HR development. These agencies operate under competing demands for compliance, transparency, and innovation, while navigating hierarchical routines and resource constraints (Herman et al., 2024; Sudrajat et al., 2024). Despite these pressures, empirical penelitianes examining leadership capabilities and HR innovation in Indonesian local governments remain scarce, often descriptive, and rarely integrated with broader theoretical debates. The limited institutional variation within a single region also means that small-N penelitianes serve as proof-of-concept designs requiring future replication (Alebiosu et al., 2022; Alexandro, 2025).

This research aims to examines the influence of ethical leadership and managerial competence on human resource innovation, as well as the mechanisms and conditions that affect this relationship.. The research questions focus on how (mediation), when (moderation), and to what extent the combined effects of the two capabilities shape HR innovation at the levels of practice, process, and organisational outcomes.

Theoretically, this study clarifies the relationship between ethical leadership, managerial competence, and human resource innovation; practically, it provides guidance for developing leadership and management strategies in government agencies.

LITERATURE REVIEW

Research Paradigm Concept and Previous Research

Human resource innovation in the public sector is often associated with ethical leadership and managerial competence, but the mechanisms of its influence remain unclear. Ethical incentives can increase trust and regularity of behaviour, but in the context of public accountability they also have the potential to reinforce a preference for exploiting processes rather than exploring new ideas. while managerial competencies that emphasise efficiency can narrow the space for experimentation necessary for innovation(Alebiosu et al., 2022; Bass & Steidlmeier, 1999). At the same time, learning capabilities and HR orchestration—through HRM practices, work design, and leadership patterns—influence the HRM–innovation relationship, but evidence in the Indonesian public sector is still limited and needs to be read sensitively to the institutional context(Amarakoon et al., 2018; Gahan et al., 2021) .

Specifically, the relationship between public ethics and public innovation is not always straightforward. Research across Australian civil services shows that ethical culture and ethical leadership correlate positively with realised innovation in work groups, but previous literature acknowledges that this relationship is ambiguous and tends to be anecdotal, requiring more rigorous testing of mechanisms(Brown et al., 2005; Van der Wal & Demircioglu, 2020). These findings confirm that 'ethical' and 'innovative' expectations can clash in a number of public value and work process contexts, and therefore research approaches must examine how ethics passes through the channels of voice, empowerment, and psychological safety to produce innovative behaviour(Abuzaid et al., 2024; Van der Wal & Demircioglu, 2020).

Local governments in Indonesia are mandated to develop regional human resource policies and implement bureaucratic reform and service digitalisation agendas. In addition, local governments are highly strategic and critical in terms of climate capability (ethical leadership) and orchestration capability (managerial competence) operating under the pressure of public accountability(Herman et al., 2024; Sudrajat et al., 2024) However, the homogeneity of the local government context and the focus on two locations limit the variation in organisational culture and external pressures. According to Alebiosu et al. (2022) and Alexandro (2025), research such as this will

position the study as proof-of-concept, requiring replication across agencies/regions (Alebiosu et al., 2022; Alexandro, 2025). Because high managerial competence plays an important role in decision-making that can stimulate innovation, create an open mindset, and identify new opportunities in human resource management (Zhu et al., 2009).

The measurement variables in this study are how human resource innovation is influenced by ethical leadership and managerial competence. HR innovation (Y) is defined as the application of new ideas, processes, policies, and technologies in HR management to improve organisational effectiveness. The indicators include: the use of HR technology (HRIS and digital applications), AI-based recruitment, training/e-learning, flexible work policies, innovative culture, real-time/360° performance management, performance-based compensation, employee experience, and diversity & inclusion (Dawson et al., 2024; Fenwick et al., 2024; Taryono et al., 2024). Ethical leadership (X1) is measured through: honesty & transparency, fairness & objectivity, integrity, concern for employee welfare, social/environmental responsibility, ethical role modelling, open communication, and ethical decision-making (Bass & Steidlmeier, 1999; Brown et al., 2005; Northouse, 2019). Managerial competencies (X2) include: planning, organising, directing, controlling, problem solving, change management, and interpersonal skills (Liang et al., 2018; Semeijn et al., 2014).

Gap Research: Theoretical Gaps and Mechanistic Agendas

Theoretically, the relationship between ethical leadership and innovation remains mechanistically weak: strong evidence tracing the path from voice, empowerment, and psychological safety to innovative behaviour in the public sector is still limited and often anecdotal (Van der Wal & Demircioglu, 2020; Wen et al., 2021). In the regulated public sector context, managerial skills (communication, leadership, innovation orientation) must be effectively integrated; however, this has not yet been done. (Castaño et al., 2024; McCarthy, 2014). Therefore, this study examines the discourse by positioning ethical leadership as a climate capability (trust, voice) and managerial competencies as orchestration capabilities (resource allocation, governance, adaptive processes), then testing relevant mediation and moderation for HR innovation (Abuzaid et al., 2024; Wen et al., 2021)

Cross-research findings on the influence of ethical leadership on employee innovative performance have been inconsistent: some show a direct influence (Sharma & Sharma, 2024), while others assert that the relationship is mediated by intellectual capital (human/social capital) or by the ethical environment (Rabbi et al., 2025; Vijayakumar et al., 2025). In addition, there are apparent differences in how organisational systems function as mediators between HRM actions and innovation, demonstrating the importance of system design and institutional context(Mulyaningsih et al., 2024). For example, organisational identification impacts ethical leadership in Pakistan's public services, resulting in innovative behaviour with proactive moderators emphasising the importance of psychological mechanisms(Abuzaid et al., 2024; Afsar et al., 2020).

Studies show that ethical leadership helps innovation. In the Indian insurance sector, ethical leadership has a significant effect on administrative innovation through knowledge process capability as a mediator; this underlines the importance of knowledge capability mechanisms in translating ethical values into administrative change (Pratap Singh Rathore, 2023; Vijayakumar et al., 2025). In the Australian public sector, ethical culture and ethical leadership are positively associated with realised innovation in work groups (Van der Wal & Demircioglu, 2020). However, the public administration literature remains ambiguous and anecdotal about the ethics–innovation relationship, necessitating cross-contextual testing that explores credible mediation pathways (Brown et al., 2005; Van der Wal & Demircioglu, 2020).

Managerial competence (competence, integrity, kindness, courage) builds trust in leaders and has a strong correlation with organisational outcomes, especially in organisations with low performance or structural uncertainty. (Cho & Ringquist, 2011). This argument confirms that managerial characteristics influence organisational productivity, but the literature has not explicitly linked managerial competence with HR innovation, creating a gap to be filled through research linking HR process orchestration with innovative outputs(Cho & Ringquist, 2011; Sudrajat et al., 2024).

Mediation and moderation play a role in the relationship between ethics and innovation. Organisational identification mediates the effect of ethical leadership on innovative service behaviour, with proactive personality as a moderator(Afsar et al., 2020). Organisational commitment mediates the relationship between ethical leadership and innovative behaviour in the banking context (Albdareen et al., 2024), while a more comprehensive mediation-moderation model confirms the role of empowerment and job crafting as mediators and person-organisation fit as a moderator(Abuzaid et al., 2024). However, this evidence is predominantly from the private sector, so the context of government institutions still requires testing of similar mechanisms(Afsar et al., 2020) (Albdareen et al., 2024).

Internal capabilities (managerial competence, HRM practices), as well as innovation management theories related to innovation processes and systems, have been shown to require an integrative approach for the public (Gahan et al., 2021; Shipton et al., 2016). Furthermore, differing findings between green transformational

leadership and ethical leadership, such as the influence of environmental innovation versus energy efficiency, indicate that leadership style correlates with innovation objectives(Bass & Steidlmeier, 1999; Mulyaningsih et al., 2024).

Cross-country research shows that ethical leadership plays an important role in innovation, but the mechanisms of its influence are not uniform. In Australia, ethical culture correlates with workplace innovation, but evidence in the public sector remains ambiguous and tends to be anecdotal (Van der Wal & Demircioglu, 2020). Asian research adds nuance: in India, leader ethics drives administrative innovation through intellectual capital and knowledge capabilities (Sharma & Sharma, 2024; Vijayakumar et al., 2025), while in South Korea, participatory leadership strengthens perceptions of responsible innovation through an ethical climate (Lythreatis et al., 2024). These findings imply that ethics alone is not sufficient; it must be tied to psychological mechanisms (commitment, identification, voice) and organisational capabilities for innovation to truly materialise.

Leadership and management practices in ASEAN countries show significant variation. In Malaysia, ethical leadership plays an important role in building better relationships, openness, and professional commitment(Abdullah et al., 2020; Aslam et al., 2024; Waheed et al., 2019), as well as supporting administrative innovation through knowledge process capabilities (Vijayakumar et al., 2025). HR practices emphasise recruitment, training, and external collaboration (Mohan, 2017), with a fairly high level of HR accounting disclosure (Wiyadi et al., 2021). Singapore stands out in innovation capabilities and competitive management (Sarreal & Reyes, 2019; Wu et al., 2005) and has a strong ethical infrastructure to support anti-corruption behaviour(Putri et al., 2024). Thailand demonstrates its commitment to governance through high human resource disclosure (Wiyadi et al., 2021) and management practices that encourage innovation (B. N. Do et al., 2023). Meanwhile, in the Philippines, leadership emphasises progressive stability and strategic thinking (Taormina & Selvarajah, 2005), while an entrepreneurial orientation drives innovation in SMEs (Sarreal & Reyes, 2019).

Although cross-country evidence confirms the relevance of ethical leadership and managerial competence to innovation, there are gaps that have not been widely discussed: the ethical integration of AI in HRM(Del Barone et al., 2025), the influence of organisational culture as a moderator (Taormina & Selvarajah, 2005), and long-term evaluation of the impact of innovation(B. N. Do et al., 2023). This study fills this gap by examining the complementarity of ethical leadership and managerial competence on HR innovation in Indonesian government agencies, using comprehensive innovation indicators and considering mediation mechanisms and boundary conditions.

Managerial competence also emerges as a driver of innovation, particularly through planning, communication, and change management capabilities. The competency model in Spain emphasises the importance of ethics and innovation orientation in organisational performance(Castaño et al., 2024), while in Indonesia, strategic competence is a prerequisite for the adoption of AI technology in public HRM (Del Barone et al., 2025). However, most research focuses on general performance rather than HR innovation, so the relationship between managerial competencies and innovation in public bureaucracy has rarely been tested.

Theoretical and Practical Contributions

Theoretically, this study clarifies the mechanistic contribution by testing mediation and moderation that have been overlooked, shifting the discourse from normative claims to context-bound testing. In practical terms, the findings are expected to guide agency leaders in designing an organisational architecture that balances integrity (ethical climate) and adaptive processes (managerial competence), including AI-based HR modernisation and governance that allows room for experimentation while remaining accountable.

This research is necessary to fill the gap regarding the relationship between ethical leadership, managerial competence, and human resource innovation in Indonesian government institutions—using an integrative model that combines climate factors (ethics), orchestration (competence), and psychological mechanisms (organisational identification, voice, empowerment) as well as boundary conditions (proactivity, person–organisation fit). The practical contribution is aimed at developing policies and strategies to enhance innovation through ethical and competent leadership—making ethics not merely compliance, but rather the courage to experiment, managed with competence in the process of(Afsar et al., 2020; Cho & Ringquist, 2011).

A two-location quantitative survey design (BKPSDM Bekasi City & Regency) with N = 50 was deliberately used to test basic associations and calculate explained contributions; the results show that ethical leadership and managerial competence together explain $R^2 = 47.39\%$ of the variation in HR innovation. We acknowledge the limitations of generalisability and potential for perceptual bias, so the results are positioned as a starting point for further multi-location, multi-level, longitudinal research with triangulation of process and outcome implementation data.

Definition and Indicators of Research Variables

The definition of the dependent variable, human resource innovation (variable Y), refers to the application of new ideas, practices, and technologies in human resource management to improve organisational effectiveness. This innovation encompasses various aspects, such as recruitment, training, career development, performance management, and organisational culture, with the aim of creating an adaptive, responsive, and productive work environment (Taryono et al., 2024). The concept of Human Resource Innovation represents an organisation's ability to adopt new ideas, technologies, and practices in human resource management to improve adaptability and competitiveness. In the context of local government, human resource innovation is not only technical in nature but also reflects an organisation's readiness to move towards data-driven management, meritocracy, and a collaborative work culture.

First, innovation is evident in the application of HR technology, such as e-recruitment and internet-based selection platforms that enable faster, more transparent, and geographically unrestricted processes(Khushk et al., 2025; Rodríguez-Sánchez et al., 2019). However, critical reflection shows that technology adoption alone does not guarantee transformation; organisations often fail to utilise data from digital systems for strategic decision-making. Second, innovation in recruitment and selection through selection 2.0 techniques can improve the accuracy and quality of candidates(Mathushan & Shantha, 2024; Rodríguez-Sánchez et al., 2019). On the other hand, ethical challenges such as algorithmic bias or over-reliance on digital platforms need to be anticipated so that innovation does not actually reduce fairness. Third, the development of technology-based training and competencies, such as automation training, strengthens the readiness of officials to face digital work(Devi et al., 2025). However, improving technical skills is not enough without alignment with organisational needs and clear career opportunities.

Fourth, employee engagement is the foundation of innovation. Flexible HR policies have been shown to increase engagement by creating space for adaptation, participation, and creativity(B.-R. Do et al., 2016). However, many organisations have not been able to translate flexibility into consistent and measurable work mechanisms. Fifth, flexible work policies such as skill and task flexibility contribute to organisational resilience in the face of change(B.-R. Do et al., 2016). The challenge is to ensure that flexibility does not lead to role ambiguity or uncontrolled workloads. Sixth, the creation of an innovative culture—through training, performance appraisal, and reward systems—is a key catalyst for creativity(Escribá-Carda et al., 2014; Walker & Derbyshire, 2020). However, building a culture cannot be done top-down; it requires leadership commitment and policy consistency.

Seventh, performance system innovations such as technology-based performance appraisals encourage innovative behaviour and employee commitment(Escribá-Carda et al., 2014; Sawasdee et al., 2020). Reflectively, without integration with agency performance targets, modern assessments remain at risk of becoming administrative formalities. Eighth, compensation and reward innovations through non-financial schemes and performance-based incentives have been proven to increase motivation . However, in bureaucracies, flexibility in giving rewards is often hampered by rigid regulations. Ninth, employee experience is important in the digital age. AI technology has the potential to reduce workloads and enhance the internal user experience(Khushk et al., 2025). The challenge is to ensure that positive experiences are not only felt at the technical level, but also in employees' career journeys.

Tenth, diversity and inclusion (D&I) emphasises the importance of diverse perspectives in sparking creativity and innovation(Sadeghi & Salemi, 2013). Overall, HR innovation is not just about incorporating new technologies, but about a series of structural and cultural changes that enable organisations to work more adaptively and responsively. Without the support of ethical leadership, good data governance, and a culture that encourages learning, the various forms of innovation above risk becoming nothing more than slogans without producing real change.

The definition of the independent variable concept of ethical leadership (variable X1) is a leadership style that prioritizes moral and ethical principles in decision-making, interactions with subordinates, and the creation of a work environment based on honesty, integrity, and fairness. Ethical leaders not only expect ethical behavior from their team members, but also provide examples and build an organizational culture that supports ethical values. The main components of ethical leadership include: integrity, namely the leader's actions that are in accordance with moral and ethical values; honesty, namely leaders who are open and transparent in communication and actions; justice, namely fair and impartial decision-making; and positive influence, namely ethical leaders influence employees to act in an ethical manner (Brown et al., 2005; Northouse, 2019).

Ethical leadership emphasises moral behaviour, transparency, and integrity-based decision-making. In the context of public organisations, ethical leadership is an important foundation for human resource innovation efforts, as it determines the quality of governance, fairness, and trust among employees. First, honesty and transparency are fundamental elements. Ethical leaders must be able to be open about the reasons behind their decisions and actions, thereby fostering a culture of accountability and trust (Dahiya et al., 2025). This transparency is not only about sharing information, but also about having the courage to face the political consequences of unpopular decisions. When transparency is merely ceremonial, the consequences are a decline in public trust and increased internal uncertainty (Basher, 2025).

Second, the aspects of fairness and objectivity require leaders to treat employees fairly without bias or favouritism(Kalshoven et al., 2011). In practice, challenges arise when external pressures, personal relationships, or patronage norms influence the objectivity of decisions. However, without fairness, organisations lose cohesion, and unethical behaviour has the potential to become the new normal(Vikaraman et al., 2020). Third, integrity demands consistency between moral values and actual actions. Integrity becomes crucial, especially in situations where leaders are under pressure to take shortcuts or make moral compromises (Dahiya et al., 2025). However, integrity without internal enforcement mechanisms will render ethical values mere organisational rhetoric.

Fourth, the dimension of concern for employee welfare emphasises the leader's orientation towards employee needs and development (Kalshoven et al., 2011). This includes psychological support, a conducive work environment, and attention to work-life balance. When organisations fail to demonstrate this concern, the impact is seen in declining morale, increased turnover intention, and declining service quality(Basher, 2025). Fifth, ethical leadership also demands social and environmental responsibility. Leaders must not only consider the organisation's short-term results, but also its impact on society and the environment (Basher, 2025; Tziner & Persoff, 2024). However, critical reflection shows that many organisations use CSR merely for image purposes, rather than as an operational principle, so that its contribution to sustainability is not substantive.

Sixth, leaders must act as ethical role models, setting a real example of behaviour that is worth emulating(Webb, 2018). . This modelling is a very powerful mechanism of influence, as employees tend to follow the moral standards demonstrated by their leaders. However, when leaders fail to set an example, the negative effects are greater and spread more quickly than good behaviour(Singh & Rathore, 2014). Seventh, the ability to communicate openly and honestly strengthens ethical culture. Honest two-way communication facilitates the expression of opinions and reporting of irregularities without fear(Webb, 2018). The challenge arises when the organisational culture still perceives criticism as a threat rather than feedback. In such circumstances, ethical leaders must actively create a safe space for dialogue (Dahiya et al., 2025). Eighth, ethical decision-making ensures that every policy considers its impact on employees, society, and the organisation(Pereira, 2025; Webb, 2018). Ethical decisions are often slower and more complex, but they prevent long-term risks such as internal conflict, legal violations, or reputational damage. In bureaucracy, ethical dilemmas arise when formal rules conflict with moral values or social needs, requiring leaders to balance procedural compliance and moral responsibility.

Meanwhile, the definition of the independent variable concept of managerial competence (variable X2) is knowledge, skills, and attitudes/behaviours that can be observed, measured, and developed to lead and/or manage an organisational unit. This competence includes the ability to plan, organise, direct, and control resources in order to achieve organisational goals effectively and efficiently (Regulation of the Minister of Administrative and Bureaucratic Reform of the Republic of Indonesia Number 38 of 2017)

Managerial competence essentially describes the extent to which a manager is able to perform key management functions effectively. Indicators of this can be seen in the way a manager plans, organises, directs and controls organisational activities. First, planning is a key element of managerial competence. Effective planning reflects a manager's ability to set clear goals, analyse organisational needs, and determine strategic priorities(Gunawan & Aungsuroch, 2017). Planning plays an important role in ensuring the accuracy of risk mitigation and the successful achievement of organisational goals(Zinovieva et al., 2023).

Second, organising involves establishing an efficient work structure, proportional task distribution, and optimal resource allocation (Gunawan & Aungsuroch, 2017). This competency includes the ability to build organisational structures and work systems that support HR management strategies(Liang et al., 2017). A well-organised organisation requires managers to ensure that every member understands their role. Third, leading requires the ability to motivate employees, provide easy-to-understand instructions, and build effective two-way communication (Gunawan & Aungsuroch, 2017). Leadership skills are crucial, especially in dynamic and high-pressure environments, including those related to safety and efficiency(Zinovieva et al., 2023). Effective leadership also includes the ability to resolve conflicts and maintain harmonious working relationships.

Fourth, controlling is the process of monitoring performance, evaluating results, and taking corrective action when there are deviations from the plan(Zinovieva et al., 2023). Controlling is not only administrative in nature, but also includes the ability to read situations, assess risks, and make timely decisions(Gunawan & Aungsuroch, 2017). Accuracy in monitoring and adjusting organisational steps. Fifth, strategic thinking enables managers to see long-term opportunities, understand the dynamics of the organisational environment, and develop strategic steps for competitive advantage(Cerny et al., 2013). In certain contexts, strategic thinking is also important for responding to disasters and allocating resources (Nilsson & Rüter, 2008). Strategic thinking is important for maintaining the sustainability of organisational performance.

Sixth, problem-solving is a key competency in dealing with environmental changes and unexpected challenges. This competency includes sharp analysis, creativity in designing alternative solutions, and the courage to make difficult decisions(Lokyan & Hovhannisyan, 2019). These skills also help improve overall management practices and results (Liang et al., 2017). Effective decisions arise from a combination of logic, creativity, and flexibility of

thinking. Seventh, change management reflects a manager's ability to lead transition processes, manage resistance, and ensure that change is aligned with organisational goals(Lis, 2024). Continuous professional development is the foundation of effective change management(Lokyan & Hovhannisyan, 2019). The ability to see the dynamics of the organisational environment is key to successful change.

Eighth, interpersonal skills are essential for building relationships, managing conflicts, collaborating in teams, and communicating effectively(Belov et al., 2020). Interpersonal competence is closely related to employee satisfaction and performance(Gunawan & Aungsuroch, 2017). Overall, managerial competence indicators describe the comprehensive abilities that support managers' effectiveness in achieving organisational goals. The combination of technical, strategic, adaptive, and interpersonal abilities makes managerial competence an important factor in improving organisational performance, especially in the context of dynamic local government facing rapid change.

Ethical leadership and managerial competence are crucial in fostering human resource (HR) innovation. Ethical leadership emphasizes moral values, fairness, openness, and integrity, creating a trustworthy and psychologically safe work environment that encourages employees to share ideas and feel valued, thus promoting innovation. Managerial competence pertains to a leader's ability to plan, organize, direct, and control work processes, enabling the establishment of structures and systems that support innovation through training, employee involvement in decision-making, and reward systems for creative ideas. Together, they complement each other: ethical leadership builds a foundation of trust and integrity, while managerial competence provides the technical capacity and systems to implement innovation effectively. Leaders who are both ethical and competent ensure that innovation policies are not only effective but also fair and accepted by employees, resulting in an organizational climate that fosters new ideas and ensures sustainable implementation.

Based on the relationship framework above, the author proposes the following research hypotheses: (1) There is a positive relationship between ethical leadership and human resource innovation; (2) There is a positive relationship between managerial competence and human resource innovation; and (3) There is a positive relationship between ethical leadership and managerial commitment, collectively, and human resource innovation. The statistical hypotheses are as follows:

- H_0 : $\varrho y_1 = 0$
- H1 : $\varrho y_1 > 0$
- H_0 : $\varrho y_2 = 0$
- H1 : $\varrho y_2 > 0$
- H_0 : $Ry._{12} = 0$
- H_1 : $Ry._{12} > 0$

Description:

H0	=	Null hypothesis.
H1	=	Alternative hypothesis.
ϱy1	=	Correlation coefficient between ethical leadership and HR innovation.
ϱy2	=	Correlation coefficient between managerial competence and HR innovation.

RESEARCH METHOD

This research was conducted in two locations: the Bekasi City Human Resources Development Agency (BKPSDM) Office and the Bekasi Regency Human Resources Development Agency (BKPSDM) Office in West Java Province. The study was conducted over a three-month period, from June to August 2025. The BKPSDM Office was chosen because this regional agency plays a role in formulating HR policies that support innovation. These policies should encourage employees to innovate and adopt new technologies that improve work effectiveness and efficiency. Furthermore, the BKPSDM is also tasked with creating a work environment that encourages employee involvement in innovation. This can be achieved by providing space for employees to stimulate new ideas and providing support for their implementation.

This research approach is quantitative, which will statistically examine the relationship between ethical leadership (X1), managerial competency (X2), and HR innovation (Y). This approach will measure these variables using instruments that can generate numerical data. The type of quantitative research used is survey research (Rea and Parker, 2014). This survey measures employee or subordinate perceptions of ethical leadership and managerial competence and their impact or influence on HR innovation. The correlational relationship between the independent and dependent variables is described in the following research paradigm (figure1):

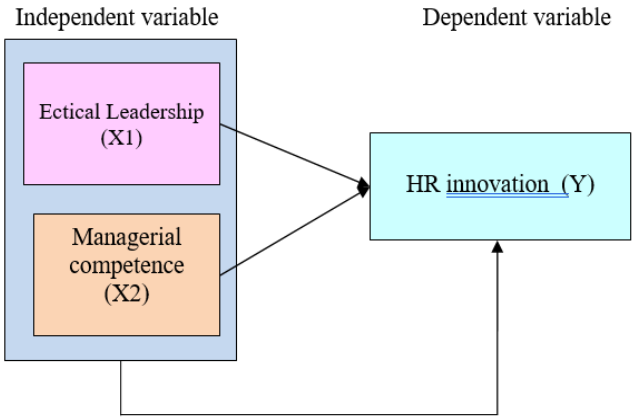

Figure 1 Research Paradigm

The population in this study consisted of all civil servants (PNS) or state civil servants (ASN) working at the Civil Service and Human Resource Development Agency (BKPSDM) of Bekasi City and Bekasi Regency. The total population was 140 people, consisting of 76 ASN at BKPSDM Bekasi City and 64 ASN at BKPSDM Bekasi Regency.

The sampling technique used was proportional random sampling. Through this technique, 70 ASN were randomly selected based on the proportion of employees in each agency. Of these, 38 were from BKPSDM Bekasi City and 32 were from BKPSDM Bekasi Regency. Next, the 70 selected respondents were divided into two groups, namely 20 people for instrument testing (calibration) and 50 others for the collection of main research data. The sampling procedure was carried out in several stages, namely recording all 140 civil servants, assigning a code to each individual, then conducting a random draw to obtain 70 respondents according to the proportion. After that, the researchers assigned respondent numbers 1–20 to the instrument test sample and numbers 1–50 to the main research sample.

Data collection was conducted using a Likert scale-based questionnaire. The instrument was given to respondents to be filled in according to their perceptions of the statements presented. Before being used in the main study, the instrument was first calibrated through validity and reliability tests involving 20 civil servants. The instrument test results showed that: (1) of the 30 items of the HR innovation variable (Y), 26 were declared valid, with a reliability coefficient of 0.9294188; (2) of the 34 items of the ethical leadership variable (X1), there were 29 valid items and a reliability coefficient of 0.93745452; and (3) of the 30 items of the managerial competence variable (X2), 25 items were valid with a reliability coefficient of 0.9113360507.

These results indicate that all instruments have met the eligibility criteria for use in the study. The data analysis techniques in this study included three stages, namely prerequisite analysis, descriptive analysis, and hypothesis testing. The prerequisite test was conducted to ensure the normality and homogeneity of the data. The normality test was conducted using the Lilliefors test at a significance level of $\alpha = 0.05$, while the homogeneity of variance test was conducted using the Bartlett test using a chi-square distribution at the same significance level. Descriptive analysis was used to describe the characteristics of each variable, through the calculation of mean, median, mode, standard deviation, variance, frequency distribution, and the presentation of histograms and polygons.

The final stage was hypothesis testing. First, regression coefficient testing was conducted with simple regression analysis using F distribution at $\alpha = 0.05$. Second, the linearity of the relationship is tested through ANOVA for simple regression. Third, the relationship between variables is tested using Pearson's Product Moment correlation to test the first and second hypotheses. Furthermore, for the third hypothesis, multiple regression analysis is used, accompanied by a linearity test and multiple correlation test through an F test at a significance level of $\alpha = 0.05$. In addition, this study also tested the coefficient of determination and partial correlation, with the significance test of the partial coefficient using the t-test at a level of $\alpha = 0.05$. With this series of procedures, this study ensured that the analysed data met the statistical requirements and that the instruments used had adequate validity and reliability

RESULT AND DISCUSSION

Data Description

The research data covers three variables, namely ethical leadership (X1), managerial competence (X2), and HR innovation (Y). Each variable was analysed to determine the respondents' score trends, data distribution, and the

position of the mean, median, and mode values. Statistical symbols such as ΣX1, ΣX2, ΣY, variance (S^2), and standard deviation (S) are retained in their original form.

Ethical Leadership Data (X1)

The ethical leadership variable (X1) was measured using 29 statement items with a score range of 1–5, so that the maximum score for each respondent was 145. From 50 respondents, the total score for variable X1 (ΣX1) was 5,344. When compared to the criterion score of 7,250 (145 × 50), the quality of ethical leadership reached 0.7371 or 73.71%. This value indicates that the level of ethical leadership of ASNs in BKPSDM in Bekasi City and Regency is in the high category. The X1 score range is 63–139 with a range of 70 and seven interval classes. From the data processing, the mean value is 106.88, the median is 107.50, the mode is 106, the variance (S^2) is 218.03, and the standard deviation (S) is 14.77. A total of 26 respondents (52%) had scores above the mean, while 24 respondents (48%) were below the mean. The largest variation in scores appeared in the middle interval class of 96–106, which was 30%.

Managerial Competence Data (X2)

The managerial competence variable (X2) was measured using 25 statements, so that the maximum score for each respondent was 125. The total score for variable X2 (ΣX2) was 4,361. When compared to the criterion score of 6,250 (125 × 50), this value is equivalent to 0.6978 or 69.78%, which means that the managerial competence of ASN is in the high category. The X2 score ranges from 47 to 119 with a range of 68 and seven interval classes. The mean is 87.22, the median is 87.50, the mode is 73, the variance (S^2) is 306.01, and the standard deviation (S) is 17.49. Of the total respondents, 22 people (44%) were above the mean and 28 people (56%) were below the mean. The largest distribution of values was in the 80–89 interval class at 22%.

Human Resource Innovation Data (Y)

The HR innovation variable (Y) was measured using 26 statement items, with a maximum score of 130 for each respondent. From 50 respondents, the total score for variable Y (ΣY) was 4,820. Compared to the criterion score of 6,500 (130 × 50), the level of human resource innovation reached 0.7415 or 74.15%. This indicates that human resource innovation is in the high category. The Y score range is 49–132 with a range of 79 and seven interval classes. The mean value obtained is 96.40, the median is 97.00, the mode is 96, the variance (S^2) is 426.29, and the standard deviation (S) is 20.65. The number of respondents above the mean was 25 (50%) and those below the mean was also 25 (50%), indicating a balanced distribution. The largest distribution was in the middle interval class of 85–96, at 22%.

Looking at the three variables as a whole, it appears that each has a high average value and considerable data variation, as illustrated by the variance (S^2) and standard deviation (S) values for each variable. This indicates diversity in respondents' perceptions of ethical leadership, managerial competence, and HR innovation at the Bekasi City and Regency BKPSDM. Meanwhile, measures of central tendency such as the mean, median, and mode provide a general overview of the value trends for each variable. A complete summary of these statistical values is presented in Table 1.

Table 1. Mean, Variance, and Standard Deviation of Variables X_1, X_2, and Y

Variable	Mean	Variance (S^2)	Standard Deviation (S)
X1	106.88	218.08	14.77
X2	87.22	306.01	17.49
Y	96.40	426.29	20.65

Source: *Research findings.*

Table 1 shows that ethical leadership (X1) is in the high category (mean = 106.88), although the variation in scores is quite large (standard deviation (S) = 14.77). The range of values from 92.11 to 121.65 indicates inconsistency in the application of ethics, in line with the findings of Brown et al. (2005), which highlight the ambiguity of the influence of ethics in bureaucracy.

Managerial competence (X2) was also high (mean = 87.22), but the standard deviation (S) was greater (17.49), indicating a gap in abilities between individuals. This supports the argument of Gahan et al. (2021) that innovation requires consistent managerial capabilities, not just procedural ones.

HR innovation (Y) recorded an average of 96.40 with a wide variation/standard deviation (S) = 20.65, indicating that innovation has not yet become an organisational culture but depends on specific units (Van der Wal & Demircioglu, 2020). Reflectively, although the positive correlation between X1, X2, and Y supports the hypothesis, Bass & Steidlmeier (1999) caution that ethics are often reduced to rhetoric without substantive change.

The challenge for BKPSDM is to ensure that ethical values and managerial competencies are translated into real practice, not merely survey numbers.

Hypothesis Requirements Testing

First, test the normality of variable X1 data. From the calculation, Lcount (the largest value) is obtained as 0.0791. When consulted with the *Liliefors* table at a significance level of $\alpha = 0.05$ and N = 50, $L_{table} = 0.125$ is obtained. Thus, H0 is accepted because L_{count} is smaller than Ltable. (0.0791 < 0.125). This means that the data on variable X1 comes from a normally distributed population. Normality of variable X2 data. From the calculation, Lcount (the largest value) is 0.0724. If we consult the Liliefors table at a significance level of $\alpha = 0.05$ and N = 50, we obtain $L_{table} = 0.125$. Thus, H0 is accepted because L_{count} is smaller than Ltable. (0.0724 < 0.125). This means that the data on variable X2 comes from a normally distributed population. Normality of variable Y data. From the calculation, L_{count} (the largest value) is 0.0630. When consulted with the Liliefors table at a significance level of $\alpha = 0.05$ and N = 50, $L_{table} = 0.125$ is obtained. Therefore, H0 is accepted because L_{count} is smaller than L_{table} . (0.0630 < 0.886). This indicates that the data for variable Y comes from a normally distributed population. For further clarification, the results of the normality test for variables X1, X2, and variable Y can be seen in Table 2:

Table 2. Results of normality testing for variables X1, X2, and variable Y

N	α	variable	L_{count}	L_{table}	Kesimpulan
50	0.05	X_1	0.0791	0.125	H_0 accepted (normal)
50	0.05	X_2	0.0724	0.125	H_0 accepted (normal)
50	0.05	Y	0.0630	0.125	H_0 accepted (normal)

Source: Research results.

Second, test the homogeneity of variance. Homogeneity of Y over X, from the calculation, $\chi^2_{calculated}$ is 17.5674. If consulted with the chi-square list (χ^2 table) at a significance level of $\alpha = 0.05$ with df = 19, $\chi^2_{table} = 30.144$ is obtained. Thus, H_0 is accepted because $\chi^2_{calculated}$ is smaller than χ^2_{table}. (17.5674 < 30.144). This means that the sample population of variable Y over X_1 is homogeneous. As for the homogeneity of Y over X_2, the calculation yields χ^2_{count} of 19.4728. When consulted with the chi-square list (χ^2 table) at a significance level of $\alpha = 0.05$ with df = 20, $\chi^2_{table} = 31.410$ is obtained. Thus, H_0 is accepted because χ^2_{count} is smaller than χ^2_{table}. (19.4728 < 31.410). This means that the sample population of variable Y on X_2 is homogeneous. For further clarification, the results of testing the homogeneity of variables X_1, X_2, and variable Y can be seen in the following Table 3.

Table 3. Results of testing the homogeneity of variance of Y over X_1 and Y over X_2

N	α	variable	dk	$\chi^2_{calculated}$	χ^2_{table}	Kesimpulan
50	0.05	Y over X_1	19	17.5674	30.144	H_0 accepted (homogeneous)
50	0.05	Y over X_2	20	19.4728	31.410	H_0 accepted (homogeneous)

Source: Research results.

Testing Research Hypotheses

Correlation between ethical leadership (X_1) and HR innovation (Y). First, testing the regression coefficient (X_1 and Y), where the data processing results obtained the regression line equation of ethical leadership (X_1) on HR innovation (Y) of $\hat{Y} = 6.5663 + 0.84X_1$, F_{count} for the significance test is 27.1293, and a summary of the direction coefficient test results is shown in Table 4 below.

Table 4. *ANOVA* list for the simple regression direction coefficient Y on X_1.

Source of Variation	dk	JK ($\sum Y^2$)	KT ($\sum Y^2$)	F_{count}	F_{table}
Total	50	485536	485536	-	-
Coefficient (a)	1	464648	464648		
Regression (b/a)	1	7542.696	7542.696		4.03
Residual	48	13345.304	278.0272	27.1293	
Matched Tuna (TC)	29	9319.637333	321.3668		
error	19	4025.666667	211.8772	1.5166	2.11

Source: Research results.

Explanation:

df = degrees of freedom.
JK = Sum of Squares
KT = Mean Square

The ANOVA results in Table 4 show that the effect of ethical leadership on HR innovation is significant, with a calculated F_{value} of 27.13 far exceeding the table F value of 4.03 at $\alpha = 0.05$. The linearity test is also satisfied ($F_{calculated} = 1.52 < F_{table} = 2.11$), so the regression model can be accepted. The simple correlation between X1 and Y is r = 0.6011, which is classified as strong and positive, exceeding the r_{table} (0.279). This means that the higher the ethical leadership, the greater the level of HR innovation. The coefficient of determination $r^2 = 0.3613$ shows that 36.13% of the variation in HR innovation is explained by ethical leadership. Even when managerial competence (X2) is controlled, the partial correlation remains significant ($ry1.2 = 0.5007$; t_{count} 4.58 > t_{table} 2.68), with a contribution of 25.07%.

These findings are in line with Van der Wal & Demircioglu (2020), who assert that ethical culture can drive innovation in the public sector. However, the considerable variation in scores indicates that the application of ethical values is not uniform, so its effectiveness may be contextual (Brown et al., 2005). On the other hand, the decline in contribution when X2 is controlled supports the argument of Gahan et al. (2021) that innovation does not only depend on ethical values but also on managerial capacity to orchestrate adaptive processes. Bass & Steidlmeier (1999) even caution that ethics is often reduced to rhetoric without cultural transformation.

Reflectively, these figures confirm theoretical assumptions but raise critical questions: do these high scores reflect substantive change or merely normative compliance? The challenge for BKPSDM is not only to 'lead ethically' or 'improve competence' but how to integrate both into consistent real-world practices. Without cultural transformation, innovation risks becoming administrative jargon rather than operational reality.

Next, the correlation between managerial competence (X_2) and HR innovation (Y). First, testing the regression coefficient (X_2 and Y). The data processing results obtained the regression line equation for managerial competence (X_2) on HR innovation (Y) of $\hat{Y} = 34.2618 + 0.71X_2$, F_{count} for the significance test of 27.3663, and a summary of the direction coefficient test results as shown in Table 5 below.

Table 5. List of *ANOVA* for simple linear regression of Y on X_2

Source of Variation	dk	JK ($\sum Y^2$)	KT ($\sum Y^2$)	F_{count}	F_{table}
Total	50	485536	485536	-	-
Coefficient (a)	1	464648	464648		
Regression (b/a)	1	7584.646	7584.646		4.03
Residual	48	13303.354	277.1532083	27.3663	
Matched Tuna(TC)	28	7584.646	131.3254		
error	20	9494.916667	499.7325	0.2628	2.08

Source: Research results.

Explanation:

df = degrees of freedom.
JK = Sum of Squares
KT = Mean Square

The ANOVA results in Table 5 show that the effect of managerial competence (X_2) on HR innovation (Y) is significant, with a $F_{calculated}$ value of 27.37 far exceeding the F_{table} value of 4.03 at a significance level of 0.05. The linearity test is also satisfied ($F_{calculated} = 0.26$ < table F = 2.08), so the regression model can be accepted. The simple correlation between X_2 and Y is r = 0.6036, which indicates a strong and positive relationship, exceeding the r_{table} (0.279). This means that the higher the managerial competence, the greater the level of HR innovation. The coefficient of determination $r^2 = 0.3643$ indicates that 36.43% of the variation in HR innovation is explained by managerial competence.

Interestingly, when ethical leadership (X1) is controlled, the partial correlation between X2 and Y remains significant ($ry1.2 = 0.5042$; t_{value} 4.63 > t_{table} 2.68), with a contribution of 25.42%. These findings support Gahan et al.'s (2021) argument that innovation depends not only on ethical values but also on managerial capacity to manage change and orchestrate adaptive processes. However, critical reflection is warranted: do these high scores reflect genuinely internalised competencies or merely the outcome of formal training? Previous literature warns that managerial competence is often assessed procedurally rather than substantively (Brown et al., 2005).

Overall, these figures confirm that managerial competence is a key factor in HR innovation, but the real challenge is ensuring that this competence is translated into consistent practice, not just survey numbers..

The results of multiple regression testing show that the model involving ethical leadership (X1) and managerial competence (X2) on human resource innovation (Y) is significant. The regression equation obtained is $\hat{Y} = 2.7109 + 0.3836X1 + 0.6041X2$, with a calculated F of 21.16 far exceeding the table F of 3.20 at a significance level of 0.05. This means that the regression model is acceptable and that both variables jointly influence HR innovation. A summary of the results of the multiple linear regression significance test is shown in Table 6 below

Table 6. ANOVA table for multiple linear regression

Source of Variation	dk	JK	KT	F_{count}	F_{table}
Total	50	20888	20888		
Coefficient a_0	1	2.71087539	2.71087539		
Total Corrected (TC)	49	-	-		
Regression (Reg)	2	9897.910018	4948.955003		
Residual (S)	47	10990.0899	233.8317017	21.16	4.03

Source: Research results.

The multiple correlation between X1 and X2 on Y is recorded as Ry.12 = 0.4739, which is categorised as a moderate relationship, with an F value of 21.18 > F table 4.03. The coefficient of determination R^2 = 0.4739 indicates that 47.39% of the variation in HR innovation is explained by the combination of ethical leadership and managerial competence. Interestingly, although the two complement each other, the correlation between X1 and X2 itself is relatively low (r = 0.3856; contribution 14.87%), indicating that the two work independently in many aspects.

This finding is in line with the literature that emphasises the importance of synergy between ethical values and managerial capabilities to drive innovation (Van der Wal & Demircioglu, 2020; Gahan et al., 2021). However, critical reflection is needed: does this 47.39% contribution reflect substantive change or merely normative compliance? Bass & Steidlmeier (1999) caution that ethics are often reduced to rhetoric, while managerial competence risks becoming an administrative formality. The real challenge for BKPSDM is to ensure that these two factors are integrated into consistent practice, not merely survey figures.

This study examines the effect of ethical leadership (X1) and managerial competence (X2) on human resource innovation (Y) in government agencies. The hypotheses proposed are: (1) X1 has a positive effect on Y, (2) X2 has a positive effect on Y, and (3) both simultaneously affect Y. The results of simple regression analysis show that X1 has a significant relationship with Y (r = 0.6011; contribution 36.13%), as does X2 (r = 0.6036; contribution 36.43%). Multiple regression testing reinforced these findings, with the equation $\hat{Y}$ = 2.7109 + 0.3836X1 + 0.6041X2 and F count 21.16 > F table 3.20. The coefficient of determination R^2 = 0.4739 indicates that the combination of X1 and X2 explains 47.39% of the variation in HR innovation.

Overall, these results are consistent with the research objective: to prove that ethical leadership and managerial competence are important factors in driving HR innovation. However, critical reflection is needed—these figures show a strong influence, but are the practices truly substantive or merely normative? The challenge ahead is to ensure that these two variables are integrated into the organisational culture, not just reflected in survey scores.

RESEARCH LIMITATIONS

Although it produced significant findings, this study has a number of limitations that are important to note. First, the use of quantitative methods provides an overview of the relationship between variables but does not fully capture the social dynamics, organisational culture, or power structures that may also influence HR innovation. Second, this study was conducted in the context of a specific organisation, so the level of generalisation of the results is still limited. Variations in work culture and capacity between government agencies may produce different relationship patterns. Third, several other variables that, according to the literature, have a strong influence on innovation—such as psychological safety, digital readiness, or the level of bureaucratic workload—were not included in the analysis model. Fourth, because the measurements were based on respondents' perceptions at a single point in time, the possibility of common method bias cannot be ignored.

RESEARCH IMPLICATIONS

These findings have both theoretical and practical implications. Theoretically, the study reinforces the literature that places ethical leadership as the foundation for creating an innovative climate, while also enriching the study of how managerial capabilities contribute to HR innovation. By showing that these two factors simultaneously influence each other, the study provides a deeper understanding that innovation cannot be separated from leadership quality and managerial capacity.

Practically, the results of the study provide a clear message for organisations, especially local government bureaucracies. Strengthening HR innovation is not enough to focus only on improving technology or new work procedures; strategic investment in leadership quality and improving managerial competence is needed. Organisations need to systematically develop ethical leadership training programmes, strengthen code of conduct mechanisms, and build accountability systems that provide space for integrity and fairness. At the same time,

improving managerial competencies—ranging from strategic planning, change management, effective communication, to problem-solving skills—is an important prerequisite for ensuring that innovation can be implemented sustainably. Previous research has shown that organisations that combine ethical values and technical competencies have stronger long-term adaptability and innovation capabilities (Do et al., 2016; Walker & Derbyshire, 2020).

CONCLUSION

This study demonstrates that ethical leadership and managerial competence jointly constitute critical organisational capacities that significantly enhance human resource innovation within public sector institutions. The empirical findings show that both variables exert strong and positive influences on HR innovation, with a combined explanatory power of 47.39 per cent. Ethical leadership contributes by fostering a climate of trust, psychological safety, and fairness—conditions that stimulate employees' willingness to generate and share innovative ideas. Managerial competence complements this foundation by providing the structural, strategic, and operational capabilities required to translate those ideas into effective and sustainable innovation outcomes.

This study confirms that ethical leadership and managerial competence play an important role in driving human resource (HR) innovation. Empirically, the results of quantitative tests show that both variables have a positive effect on HR innovation, both separately and when analysed simultaneously. These findings confirm the literature's argument that an ethically run work environment creates psychological safety, increases trust, and encourages employees to express new ideas that can strengthen HRM practices (Brown et al., 2005; Dahiya et al., 2025). Moral exemplarity, transparency in decision-making, and consistency in values demonstrated by leaders have proven to be important foundations for the growth of creativity and innovative work behaviour.

On the other hand, this study also shows that managerial competence makes a real contribution to ensuring that innovation can be managed and implemented effectively. Managers' ability to plan, organise, direct, and control organisational activities creates a stable work structure for the development and execution of innovation. The literature shows that competent managers not only facilitate efficient work processes, but also drive organisational learning, talent strengthening, and adaptation to change (Gunawan & Aungsuroch, 2017; Liang et al., 2017; Zinovieva et al., 2023).

Most importantly, this study shows that when ethical leadership and managerial competence work together, they do not merely exert a direct influence, but form a synergy that strengthens the organisational climate and the quality of innovation implementation. Ethical leaders build moral legitimacy and trust, while managerial competence provides a framework that ensures innovation can be translated into practical action. Thus, the results of this study clarify that HR innovation is not merely a matter of technology and policy, but is greatly influenced by the combination of moral values and technical capabilities of organisational leaders.

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