

The Influence of Performance-Based Reward Systems and Decision Decentralization on Human Resource Management Innovation in the Local Government of Makassar City, South Sulawesi Province

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ABSTRACT

This study aims to analyze the influence of performance-based reward systems and decision decentralization on innovation in human resource management. In an era of increasingly dynamic global competition, organizations are required not only to carry out HRM functions efficiently but also to adopt innovative approaches to address challenges posed by the work environment, technology, and employee expectations. A performance-based reward system, which directly links rewards to individual or team performance, can motivate employees to engage in innovative behavior, while decision decentralization allows for faster decision-making and greater responsiveness to local needs. This study used a quantitative approach with a survey method to collect data from structural and functional officials in six Makassar City government agencies that implement a performance-based reward system and decision decentralization. The results indicate that both variables have a positive effect on HRM innovation, both separately and simultaneously. These findings provide theoretical and practical insights into the importance of integrating a fair and transparent reward system with a more autonomous decision-making structure in encouraging innovation in human resource management. Policies that encourage these two elements can strengthen competitive advantage and organizational performance.

Keywords: Performance-Based Reward System, Decision Decentralization, HRM Innovation, Human Resource Management, Organization.

INTRODUCTION

In an era of increasingly dynamic and rapidly changing global competition, organizations are required not only to implement efficient human resource management processes but also to be innovative in facing the challenges of changing work environments, technology, and employee expectations. Innovation in human resource management—in the form of implementing new practices, developing competencies, and adopting flexible work structures—is a key factor in strengthening an organization's competitive advantage (human resource management innovation)(Wongsansukcharoen & Thaweepaiboonwong, 2023).

One strategic tool widely used by organizations to encourage productive and creative employee behavior is a performance-based reward system(Sanders et al., 2018). Recent studies have found that rewards clearly linked to individual and team performance can stimulate innovative work behavior and knowledge sharing among employees(Nguyen & Dao, 2023; Zhu et al., 2018). A fair and transparent reward system enhances employee motivation and commitment, which in turn fosters greater creativity(Figueiredo et al., 2025) -and- performance-

based reward systems and performance development assessments have a positive effect on innovative work behavior (Shipton et al., 2016).

On the other hand, organizational structure and decision-making processes also play a crucial role in supporting innovation in human resource management (Shin et al., 2022; Zhang et al., 2024). The concept of decision decentralization refers to the delegation of decision-making approvals to the managerial or lower-level levels, allowing for faster and more adaptive responses to local or specific work unit needs (Do et al., 2018). For example, The managers at the decentralized level have significant influence on decision-making processes and contribute to organizational creativity and success (Tavares et al., 2024). Meanwhile, the decentralization and devolution in HRM are crucial processes for making the HR function more flexible, responsive, and innovative (Hassan et al., 2024).

Considering these two aspects—performance-based reward systems and decision decentralization (Sanders et al., 2018)—an important question arises: How much influence do they have on innovation in human resource management? In other words, are organizations that effectively implement performance-based reward systems and provide greater levels of autonomy or decision-making power to work units more likely to generate innovation in human resource management? This article aims to answer these questions. Therefore, this study suggests that the implementation of performance-based reward systems and the degree of decision decentralization will have a positive impact on innovation in human resource management.

Based on the description above, the problem formulations raised in this study are: the influence of performance-based reward systems on innovation in human resource management; the influence of decision decentralization on innovation in human resource management?; and the influence of performance-based rewards and decision decentralization simultaneously on innovation in human resource management (Sanders et al., 2018). Related to this problem formulation, the objectives of this study are to: analyze the influence of performance-based reward systems on innovation in human resource management; analyze the influence of decision decentralization on innovation in human resource management; and explore the influence of performance-based reward systems and decision decentralization simultaneously on innovation in human resource management.

The theoretical contribution of this research is to contribute to the development of human resource management theory and organizational innovation, particularly those related to performance-based reward systems and decision decentralization. In addition, this research will enrich the literature on how elements in HRM influence innovation in organizations, as well as suggest new theories to understand the relationship more deeply. The practical contribution of this research is to provide useful insights for HR practitioners and organizational managers on how to design reward systems and decision-making structures that can support innovation in human resource management (Sanders et al., 2018). The findings of this research are expected to be used to design more effective human resource policies in supporting organizational desires and adaptation to change. The policy contribution of this research (based on the resulting findings) is to contribute to policy makers in designing policies that can encourage organizations to create a climate that supports innovation through adaptive human resource management and a focus on rewards and decentralized decisions.

LITERATURE REVIEW AND PREVIOUS RESEARCH

The grand theory used is HRM innovation theory. This HRM innovation theory emphasizes the importance of reward systems and decision-making structures in fostering innovation within organizations. In the context of this research, performance-based reward systems and decision decentralization are proposed as two key variables supporting innovation in human resource management. Innovation in HRM can be seen as the application of new ideas in human resource management to improve organizational performance and competitiveness (Do et al., 2018; Nguyen & Dao, 2023).

The performance-based reward system theory posits that performance-based reward systems serve as motivational mechanisms that direct employee behavior (Shipton et al., 2016) toward achieving organizational goals in more innovative and creative ways (Zhu et al., 2018). Rewards tied to good performance not only increase employee commitment but also motivate them to innovate (Figueiredo et al., 2025). The direct relationship between the rewards received by employees and the increased creativity and innovation displayed in their work. "A reward system implemented fairly and transparently increases employee motivation, commitment, and subsequently, creativity" (Figueiredo et al., 2025).

The theory of decision decentralization suggests that decision decentralization allows for faster and more responsive decision-making to the specific needs of work units or lower managerial levels. An organizational structure that grants greater autonomy to unit managers can create a more favorable environment for innovation by allowing for more flexible and creative decision-making (Zhang et al., 2024; Zhu et al., 2018). Decentralization

and devolution in HRM are essential processes for making the HR function more flexible, responsive, and innovative (Hassan et al., 2024).

Integrating the two theories above, within the framework of HRM innovation theory, a performance-based reward system and decision decentralization work synergistically to create a culture that supports innovation (Nguyen & Dao, 2023). Organizations that successfully implement these two elements tend to have higher levels of innovation in human resource management (Wongsansukcharoen & Thaweepaiboonwong, 2023). Therefore, this theory makes an important contribution to understanding how managerial structures and systems within HRM can play a role in enhancing innovation, ultimately positively impacting organizational competitiveness and performance.

Several previous studies (in the last five years) relevant to this article concern "performance-based reward systems" and "decision decentralization" in the context of HRM innovation. First, the influence of innovation in human resource practices: its relationship to innovation capability and performance of small and medium enterprises (Wongsansukcharoen & Thaweepaiboonwong, 2023). This study found a significant relationship between innovation in human resource practices, innovation capability, competitive advantage, and performance of small and medium enterprises. The core of the research focuses on innovative human resource practices (including rewards/ compensation and assessment) that impact innovation capability and performance of small and medium enterprises. This is relevant to performance-based rewards.

Second, the impact of innovation-oriented human resources on small and medium-sized enterprises (Aslam et al., 2023). This study aims to examine the impact of innovative human resource management practices, including employee participation, performance appraisal, rewards, and compensation, on firm performance in terms of labor productivity, product innovation, process innovation, and marketing innovation. The core of this study is to provide empirical evidence that innovative human resource elements—including reward and cost-effectiveness systems—positively impact product, process, and marketing innovation in small and medium-sized enterprises.

Third, the enhancement of human resource innovation, employee promotional voice, and innovative work behavior (Zhang et al., 2024). This study explores how to foster employee promotional voice through specific human resource management practices and positive employee attitudes. The core of this study is to examine how innovation-supportive human resource practices (including decentralization or employee voice/involvement) facilitate employee innovative behavior (employee voice) (Shipton et al., 2016). The decision/decentralization aspect is evident here.

Fourth, human resource decentralization and devolution (Hassan et al., 2024). Human resource decentralization and devolution have been highlighted as key human resource processes in organizations' efforts to increase flexibility. This study focuses specifically on HRM decentralization and decision devolution, particularly relevant to the element of "decision decentralization." It demonstrates that downward-permitting HRM processes play a role in organizational idiosyncrasy and the likelihood of innovation.

Fifth, the role of human resource management practices on organizational innovation: The importance of innovation-driven human resource practices (Gampine & Batieno, 2023). This study aimed to explore the role of innovation-driven human resource management practices on organizational innovation, and the results showed that commitment-driven and innovation-driven human resource practices have a positive impact on organizational innovation. The study focused on distinguishing between several "bundles" of HRM practices (high-performance work systems, commitment practices, and innovation-driven practices). It found that employee commitment and practices that explicitly encourage innovation were influential, while HPWS alone were not. This relates to performance-based reward systems and innovation-enabling decisions (Sanders et al., 2018).

The first and second studies above reinforce the role of recognized systems/performance-based compensation in supporting innovation. The third and fourth studies highlight decentralization or lower-level decision-making/management involvement as important elements of innovative HRM. The fifth study provides evidence that not all HRM practices are equally effective, suggesting the need for an appropriate bundle or combination of practices.

There are several differences between the previous studies discussed above and this article's research. First, the focus of the research variables. This article's research primarily examines two key variables influencing innovation in HRM: performance-based reward systems and decentralization. This study also assesses the simultaneous influence of both on innovation in human resource management. While some previous studies (such as those found in (Aslam et al., 2023; Wongsansukcharoen & Thaweepaiboonwong, 2023)) examine innovative HRM practices more broadly, including their impact on the performance of small and medium-sized enterprises or organizations in general, and organizational innovation capability, these studies emphasize innovation capability and the impact of the given system on productivity or product innovation rather than measuring the influence of decentralization decisions.

Second, the concept of innovation measurement. In this article, innovation is measured in the context of HRM, including the implementation of performance-based reward systems and decision decentralization as

elements that facilitate innovation in HRM practices (Do et al., 2018), such as improving employee competency and organizational uniqueness (Nguyen & Dao, 2023). Previous research has focused more on product, process, or marketing innovation within the context of the organization as a whole. For example, the primary focus was on the influence of innovation in HRM on product innovation and productivity. This study focuses more on innovation at the macro-level within the organization (Aslam et al., 2023).

Third, decision decentralization. In this article, decision decentralization is directly linked to HRM innovation. This study emphasizes that decisions delegated to lower levels, or decentralization in HRM, provide managers and work units with greater freedom to be more responsive and flexible, which in turn encourages innovation in HRM. Previous research, such as that conducted by (Tavares et al., 2024) and (Hassan et al., 2024), Effective organisational performance depends on the quality and development of human resources, supported by integrated HRM practices and strong leadership (Astutiningsih et al., 2024). Decision decentralisation enhances HRM innovation by empowering employees to share ideas, take initiative, and engage in creative problem-solving (Zhang et al., 2024). The synergy between decentralised decision-making and innovation-oriented HRM practices strengthens job satisfaction and improves overall organisational performance (Astutiningsih et al., 2024; Zhang et al., 2024).

Fourth, the approach to reward systems. This article's research focuses on the influence of performance-based reward systems on HRM innovation. The rewards are directly linked to individual or team performance (Sanders et al., 2018), which encourages employees to be more creative and innovative in their work (Do et al., 2018). HRM practices that focused on performance-based rewards as part of overall HR management and focused more on the direct relationship with employee innovative behavior rather than its impact on HRM management within the context of organizational policies (Zhang et al., 2024).

Fifth, the organizational context. This research context focuses more on HRM innovation related to human resource management within organizations, with a more practical approach and a focus on policies and organizational structures that support innovation (Shin et al., 2022). Most previous research focused more on general organizational performance, such as the impact of HRM innovation on productivity or company financial results (Gampine & Batieno, 2023), and did not specifically link this to aspects of structured human resource management at the organizational level.

Therefore, the comparison is that this article's research focuses more on two key variables (performance-based reward systems and decision decentralization) that play a direct role in HRM innovation. While previous research has focused more on product innovation and organizational capabilities, as well as more general HRM practices (Gampine & Batieno, 2023), such as - increased productivity and creativity without focusing on HRM structures and policies that support innovation (Shin et al., 2022), this article fills a gap in the literature by exploring the direct link between innovative HRM policies (such as performance-based rewards and decision decentralization) and innovation in human resource management.

Based on the comparison above, there are novelties in this article that distinguish it from previous research: the study's synergistic approach between the two key variables, its focus on HRM innovation as a key to competitive advantage, its integration of reward systems and decision decentralization in the HRM context, its contribution to HRM theory and organizational practice, its practice of decision decentralization at the HRM level, and its practical contribution to human resource management in organizations.

The definition of the concept of the human resource innovation variable (variable Y) refers to the application of new ideas, technologies, or methods in human resource management aimed at improving organizational performance, efficiency, and competitiveness. This innovation includes changes in various HRM practices, such as recruitment, training, career development, performance appraisal, and management compensation (Shin et al., 2022). Innovation in HRM is one of the key factors in strengthening an organization's competitive advantage (Wongsansukcharoen & Thaweepaiboonwong, 2023). This concept encompasses all forms of changes in managerial practices implemented by the HRM function to improve employee and organizational performance as a whole (Sudrajat et al., 2024). This innovation is important because organizations that do not innovate tend to be left behind in the face of competition. Thus, the operational definition of variable Y refers to the implementation of new systems, improvements in HRM practices, or new technologies adopted by an organization to increase employee productivity, creativity, and efficiency. This innovation involves changes in policies, processes, or tools used in human resource management to create a more adaptive and productive work environment (Gampine & Batieno, 2023). The indicators are: (1) Number of new systems or practices implemented, namely the number of new systems introduced in human resource management, such as technology-based recruitment systems, data-based performance management, or online training platforms; (2) Adoption of HRM technology, namely the extent to which new technology is adopted to support HRM processes, such as the use of HRIS software, cloud-based performance management systems, or digital training applications; and (3) Changes in human resource management policies, namely adjustments or updates to HR policies aimed at increasing employee engagement, innovation, and well-being.

The definition of the concept of a performance-based reward system variable (variable X1) is a system that provides an imbalance to employees based on individual or team performance achievements, which aims to motivate employees to be more productive and creative. This reward can be in the form of money (bonuses), salary increases, promotions, or other recognition (Sanders et al., 2018). In this system, the rewards received are highly dependent on how they meet or exceed targets set by the organization (Sudrajat et al., 2024; Zhu et al., 2018). A performance-based reward system can trigger innovative work behavior (Shipton et al., 2016) and knowledge sharing among employees (Figueiredo et al., 2025). This concept focuses on the relationship between performance achievement and rewards provided by the organization to improve employee performance and motivation in achieving organizational goals. Thus, the operational definition of variable X1 is the implementation of a performance appraisal system that links imbalances or is given directly to the achievement of predetermined performance targets. This system includes the provision of bonuses, salary increases, awards in the form of recognition for achievements, or other benefits given to individuals or groups based on their performance within a certain period. The indicators are: (1) Frequency of award giving, namely how often awards are given to employees based on performance achievements; (2) Linkage of awards to performance, namely awards given have a direct relationship with measurable performance achievements (for example, target achievement or clear contribution to the organization); and (3) Type of award given, namely awards in the form of money (bonuses, salary increases), facilities (promotions, recognition), or other non-financial awards.

The definition of the concept of the variable decentralization of decisions (variable X2) is a process in which the authority to make decisions in an organization is delegated from the top managerial level to the middle managerial level or even to the operational or lower-line level. The goal is to increase the speed of response and adaptability to changes occurring in the organization. With decentralization, managers at lower levels have more independence in making decisions, allowing them to act more quickly and more relevantly to the specific needs of their units (Salehzadeh & Ziaecian, 2024). Decentralization of decisions allows for faster and more responsive decision-making to the specific needs of work units or lower managerial levels (Hassan et al., 2024). This concept illustrates how delegation of authority in an organization can speed up the decision-making process and make the organization more responsive to rapid change (Salehzadeh & Ziaecian, 2024). Thus, the operational definition of variable X2 refers to the extent to which management decisions are delegated to lower managerial levels, which aims to increase responsibility and continuity in decision-making (Tavares et al., 2024). In the context of HRM, this means that decisions related to employee management, such as recruitment, training, and payroll policies, are made more at the unit or department level, rather than solely by top management (Sudrajat et al., 2024). The indicators are (Salehzadeh & Ziaecian, 2024): (1) Degree of decision delegation, which is the extent to which decisions are made at lower managerial levels compared to top managers; (2) Independence in decision making, which is the extent to which lower-level managers have the autonomy to make decisions without the approval of top managers; (3) Speed of decision making, which is the time required to make decisions at the operational level faster than decisions that require top management approval; and (4) Flexibility in decision making, which is the ability of lower-level managers to adjust policies or decisions based on the context and needs of their unit or team.

The performance-based reward system variable (variable X1) is an approach that provides balance or rewards to employees based on their performance achievements, both individually and as a team. These rewards can be in the form of bonuses, salary increases, promotions, or other recognition directly related to the work results achieved (Sanders et al., 2018). This implementation system aims to motivate employees to be more productive and creative, as well as increase their commitment and loyalty to the organization. Its effect on HRM innovation (variable Y) is to increase creativity and innovation, namely with clear rewards related to performance achievements, employees will be motivated to innovate. Employees who feel appreciated for their performance and contributions will be more likely to share knowledge and new ideas that can improve HRM practices in the organization. In addition, encouraging the implementation of new practices, namely a performance-based reward system can encourage employees to innovate in the way they work, whether in human resource management, recruitment processes, or career development programs. Employees who receive recognition for the innovations they bring to their work are likely to continue and spread those ideas.

The variable of decision decentralization (variable X2) refers to the delegation of decision-making authority from top managers to lower-level managers or even to the operational level. By granting greater autonomy to lower-level managers, organizations can be more responsive to changes and challenges faced at the unit or department level (Tavares et al., 2024). Its impact on HRM innovation (variable Y) is flexibility and responsiveness to needs, meaning that decision decentralization allows managers at the unit or lower-level level to make decisions more quickly and more relevant to their needs. In the context of HRM (Salehzadeh & Ziaecian, 2024), this means that HR policies, such as recruitment, training, or performance appraisals, can be more flexible and tailored to local situations or the needs of different units (Sudrajat et al., 2024; Zhu et al., 2018). Furthermore, to increase creativity in HRM, with autonomy in decision-making, lower-level managers can experiment with new methods in human resource management, which can encourage innovation in human resource management (Sudrajat et al., 2024). For

example, they can introduce a performance appraisal system that is more suited to the needs of their teams or implement more relevant and effective training strategies. Employee empowerment, including decentralization of decisions, also provides employees with the opportunity to feel more empowered and more involved in the changes and innovations occurring within the organization. This creates a more innovative environment because everyone has the opportunity to contribute to decision-making (Salehzadeh & Ziaei, 2024).

The interaction between the performance-based reward system (variable X1) and decision decentralization (variable X2) in encouraging HRM innovation (variable Y) is such that when these two variables are implemented simultaneously, they can reinforce each other and create an environment that is highly supportive of innovation in HRM. A performance-based reward system incentivizes employees to innovate, while decision decentralization allows for speed and understanding in implementing new ideas (Sanders et al., 2018). Managers who have decision-making authority in their units can quickly implement changes driven by employees who feel valued and motivated by the recognition they receive (Aslam et al., 2023).

Therefore, a performance-based reward system encourages employees to innovate by rewarding performance achievements, which increases their motivation, commitment, and creativity. Decision decentralization provides flexibility and speed in decision-making, allowing organizations to respond more quickly to change and adapt to the needs of specific work units (Salehzadeh & Ziaei, 2024). When these two elements are implemented together, they reinforce each other to create a more innovative HRM environment, which in turn improves organizational competitiveness and performance. Thus, performance-based reward systems and decision decentralization not only impact individual innovation but also play a crucial role in the innovative transformation of human resource management within organizations.

Based on the relationship or influence framework above, the author proposes the following research hypotheses: (1) There is a positive relationship between a performance-based reward system and human resource management innovation; (2) There is a positive relationship between decision decentralization and human resource management innovation; and (3) There is a positive relationship between a performance-based reward system and decision decentralization simultaneously and human resource management innovation. The statistical hypotheses are as follows:

- (1) $H_0 : \rho_{y1} = 0$
 $H_1 : \rho_{y1} > 0$
- (2) $H_0 : \rho_{y2} = 0$
 $H_1 : \rho_{y2} > 0$
- (3) $H_0 : R_{y.12} = 0$
 $H_1 : R_{y.12} > 0$

Description:

- H_0 = Null hypothesis.
- H_1 = Alternative hypothesis.
- ρ_{y1} = Correlation coefficient of performance-based reward systems with human resource management innovation.
- ρ_{y2} = Correlation coefficient of decision decentralization with human resource management innovation.

METHOD

This research was conducted in Makassar City, South Sulawesi Province, for 3 months, from July to September 2025. The research approach is quantitative, which will test the relationship between the performance-based reward system variable (X1), the decision decentralization variable (X2), and the human resource management innovation variable (Y) statistically. In this approach, these variables will be measured using instruments that can produce numerical data. The type of quantitative research used is survey research (Rea & Parker, 2014). In this survey, employee perceptions of the performance-based reward system and decision decentralization and their impact or influence on human resource management innovation are measured. The correlational relationship between the independent variables and the dependent variable is described in the form of a research paradigm as follows:

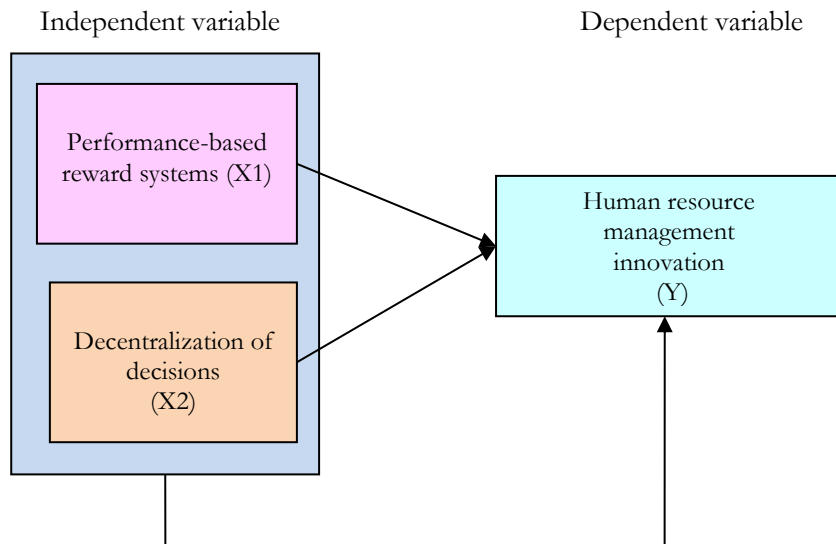


Figure 1. Research paradigms

The population in this study was six agencies in the Makassar City regional government that implement a performance-based reward system for civil servants and have decentralized decision-making in their human resource management. These agencies comprised 120 structural and functional officials directly involved in human resource management within these six agencies.

The sample consisted of 60 structural and functional officials directly involved in human resource management within the tourism, social, transportation, regional revenue, health, and food security agencies.

Sampling was carried out using the "proportional random sampling" technique, namely samples were taken proportionally and randomly. In this case, from the 6 existing agencies, 3 agencies were then taken (50% of the 6 agencies). From these three agencies, the number of agencies was then calculated as follows: (a) Tourism Agency as many as: $60/120 \times 60 = 30$; (b) Regional Revenue Agency as many as: $30/120 \times 60 = 15$; and (c) Health Agency as many as: $30/120 \times 60 = 15$. Thus, the number of samples in this study is: $30 + 15 + 15 = 60$ people. All of the selected samples above (60 people) were given research instruments. Of the 74 instrument items distributed, it turned out that all were returned, and after being examined, all were suitable for use and processed (all respondents provided responses to each item of the statement submitted, and all instrument pages were complete). Data collection in this study used a questionnaire technique. Data were collected using a Likert scale instrument. The questionnaires were distributed to respondents, who then answered the questions based on their perceptions/responses.

Instrument calibration (trial). The instrument calibration process was carried out on 20 structural and functional officials who were directly involved in human resource management to test the validity and reliability of the test items as follows: (1) The results of the validity test of the human resource management innovation instrument (variable Y) showed that of the 30 test items, 26 statements met the validity requirements or could be used to measure variable Y. Meanwhile, from the calculation results, the reliability coefficient for the variable Y instrument was 0.911, (2) The results of the validity test of the performance-based reward system instrument (variable X1) showed that of the 30 test items, 22 statements met the validity requirements or could be used to measure variable X1. Meanwhile, from the calculation results, the reliability coefficient for the variable X1 instrument was 0.904, and (3) The results of the validity test of the decision decentralization instrument (variable X2) showed that of the 30 test items, 26 statements met the validity requirements or could be used to measure variable X2. Meanwhile, from the calculation results, the reliability coefficient for the X2 variable instrument was obtained as 0.932.

The data analysis technique includes three steps, namely: testing the hypothesis requirements, descriptive analysis, and hypothesis testing: (1) Testing the hypothesis requirements, namely testing the normality of the sample through the Lilliefors test using the Z distribution table at a significance level of $\alpha = 0.05$, as well as testing the homogeneity of variance through the Bartlett test using the chi-square test statistic (χ^2) at a significance level of $\alpha = 0.05$; (2) Descriptive analysis is carried out by distributing the data for each variable and is used to calculate the average value (mean), median, mode, standard deviation, variance, frequency distribution, and making histograms and polygons of each variable; and (3) Hypothesis testing with the following steps: (a) Testing the regression direction coefficient through simple regression analysis with F distribution at a significance level of $\alpha = 0.05$, (b)

Linearity testing is carried out using simple regression analysis using the Anova F table test with a significance level of $\alpha = 0.05$, (c) Simple correlation using the simple correlation technique Product Moment Karl Pearson (r), namely a correlation technique using rtable at a significance level of $\alpha = 0.05$. This Product Moment Karl Pearson (r) correlation is used to test the first and second hypotheses, (d) Multiple regression linearity testing using the F test at a significance level of $\alpha = 0.05$, and (e) Multiple correlation using the F test at a significance level of $\alpha = 0.05$. This multiple correlation is used to test the third hypothesis. To complete this research, in addition to the tests described above, determination and partial correlation tests were also conducted. The significance test for the partial correlation coefficient used a t-table at a significance level of $\alpha = 0.05$.

RESULT AND DISCUSSION

Data Description

First, the performance-based reward system variable (variable X1) in this study was measured using a questionnaire consisting of 22 items, each with four alternative answers. The measurement results for each item were determined by assigning a minimum score of 1 and a maximum score of 4 to each respondent's answer. The total score for this variable was determined by summing the scores across the 22 items. Thus, theoretically, the score range for variable X1 will vary between 22 to 88. Based on the descriptive statistical calculations, it is known that the data for variable X1 with a research sample (N) of 60 is as follows: the minimum score is 49, the maximum score is 80, the theoretical score range is 66, the empirical score range is 31, the average score is 64.88, the total data score is 3,893, the variance (S2) is 48.65, the standard deviation (S) is 6.97, the median (Me) is 65, and the mode (Mo) is 66. The frequency distribution of the score for variable X1 is that there are 18 respondents (30%) who obtained a score below the average group score which ranges from 47 to 61, there are 19 respondents (31.67%) who are included in the average group who obtained a score of 62 to 66, and there are 23 other respondents (38.33%) who obtained a score above the average which ranges from 67 to 81.

Second, the data on the decision decentralization variable (variable X2) in this study was measured using a questionnaire consisting of 26 statements, each of which had 4 (four) alternative answers from respondents. The measurement results for each statement were determined by assigning a minimum score of 1 and a maximum score of 4 for each respondent's answer. The total score for this variable was determined based on the sum of the scores from the 26 statements. Thus, theoretically, the score range for variable X2 will vary between 26 to 104. Based on descriptive statistical calculations, it is known that the data for variable X2 with a research sample (N) of 60 is as follows: the minimum score is 42, the maximum score is 97, the theoretical score range is 78, the empirical score range is 55, the average score is 70.05, the total data score is 4,203, the variance (S2) is 171.71, the standard deviation (S) is 13.10, the median (Me) is 70.5, and the mode (Mo) is 71. The frequency distribution of the variable X2 score is that there are 20 respondents (33.34%) who obtained a score below the average group score which ranges from 42 to 65, there are 14 respondents (23.33%) who are included in the average group who obtained a score of 66 to 73, and there are 26 other respondents (43.33%) who obtained a score above the average is around 74 to 97.

Third, the data on the human resource management innovation variable (variable Y) in this study were measured using a questionnaire consisting of 26 items, each of which provided 4 (four) alternative answers for respondents. The measurement results for each item were determined by assigning a minimum score of 1 and a maximum score of 4 for each respondent's answer. The total score for this variable was determined based on the sum of the scores from the 26 items. Thus, theoretically, the score range for the Y variable will vary between 26 to 104. Based on the descriptive statistical calculations, it is known that the Y variable data with a research sample (N) of 60 is as follows: the minimum score is 80, the maximum score is 130, the theoretical score range is 104, the empirical score range is 50, the average score is 106.90, the total data score is 6,414, the variance (S2) is 117.92, the standard deviation (S) is 10.86, the median (Me) is 107.50, and the mode (Mo) is 121. The frequency distribution of the Y variable score is that there are 14 respondents (23.34%) who obtained a score below the average group score which ranges from 80 to 101, there are 20 respondents (33.33%) who are included in the average group who obtained a score of around 102 to 109, and there are 26 other respondents (43.34%) who obtained scores above average, namely ranging from 110 to 130.

Hypothesis Requirements Testing

First, the normality test. For the performance-based reward system variable (variable X1), the L0 value is 0.108. This value is $<L_{table} (n = 60; \alpha = 0.05) = 0.1144$. Since $L_0 (0.108) < L_{table} (0.1144)$, H_0 is accepted (normal). From these test results, it can be concluded that the X1 data originates from a normally distributed population. For the decision decentralization variable (variable X2), the L0 value is 0.096. This value is $<L_{table} (n = 60; \alpha = 0.05) = 0.1144$. Since $L_0 (0.096) < L_{table} (0.1144)$, H_0 is accepted (normal). From these test results, it can be concluded that the X2 data originates from a normally distributed population. For the human resource innovation

variable (variable Y), the L_0 value is 0.107. This value is $< L_{table}$ ($n = 60$; $\alpha = 0.05$) = 0.1144. Since L_0 (0.107) $< L_{table}$ (0.1144), H_0 is accepted (normal). From these test results, it can be concluded that the Y data comes from a normally distributed population.

The summary of the normality test results for variables X1, X2, and Y can be seen in the table 2 :

Table 1. Summary of data normality test results

Variables	N	L_0	α	L_{table}	Conclusion
X ₁	60	0,108	0,05	0,114	Normal
X ₂	60	0,096	0,05	0,114	Normal
Y	60	0,107	0,05	0,114	Normal

Source: Research results.

Second, the homogeneity of variance test. The calculation results for the homogeneity of variance test for Y on X1 obtained $X^2_{count} = 6.921$. This value is smaller than the table value with a significance level of $\alpha = 0.05$ and with $dk = 37$ is 49.80. So, $X^2_{count} = 6.921 < X^2_{table} = 49.80$, so that H_0 which states there is no difference in variance between groups fails to be rejected (or accepted because the population variance between groups is the same or homogeneous). This means that the variance of the Y groups on X1 is homogeneous. The calculation results for the homogeneity of variance test for Y on X2 obtained $X^2_{count} = 18.689$. This value is smaller than the table value with a significance level of $\alpha = 0.05$ and with $dk = 23$ is 35.20. Thus, $X^2_{count} = 18.689 < X^2_{table} = 35.20$, so H_0 , which states there is no difference in variance between groups, is rejected (or accepted because the population variances between groups are equal or homogeneous). This means that the variances of the Y groups over X2 are homogeneous.

For more details, a summary of the results of the homogeneity of variance test for Y over X1 and Y over X2 can be seen in the table 2:

Table 2. Summary of the results of the homogeneity of variance test

Variance	X^2_{count}	α	X^2_{table}	Conclusion
Y over X ₁	6,921	0,05	49,80	Homogeneous
Y over X ₂	18,87	0,05	35,20	Homogeneous

Source: Research results.

From the results of the homogeneity test calculations above, it can be concluded that the variance of each predictor variable, namely variable X1 and variable X2, is homogeneous, as the calculated X^2 value $< X^2_{table}$ for each degree of freedom (dk) with a significance level of $\alpha = 0.05$. Therefore, the results of the analysis requirements test in this study indicate that the data are normally distributed, and the variance of the predictor variable data (X1 and X2) is homogeneous.

Research Hypothesis Testing

First, the relationship between the performance-based reward system (variable X1) and human resource management innovation (variable Y) is examined. The first hypothesis proposed in this study states that there is a positive relationship between X1 and Y. Calculations using simple regression analysis based on the data for variable X1 on variable Y yielded a regression direction of 0.414 and a constant of 26.292. Thus, the relationship between the two variables can be described by the regression equation $\hat{Y} = 26.293 + 0.414 X_1$.

Before being used for prediction purposes, the regression equation must pass significance and linearity tests (see Table 3). Therefore, to determine the degree of significance and linearity of the regression equation, an F-test was performed. Based on the results of the regression significance test calculation, as presented in the table below, the calculated F-value was 57.36, while the F-value for dk 1/58 at $\alpha = 0.01$ was 7.10. This indicates that the regression is highly significant because the calculated F-value (57.36) $>$ F-value (7.10) at $\alpha = 0.01$.

Table 3. ANOVA table for the significance and linearity test of the regression equation $\hat{Y} = 26.293 + 0.414 X_1$.

Source of variance				F-test		
	dk	JK	RJK	F_{count}	F_{table}	
					0,05	0,01
Total	60	681798	681798			
Coefficien a	1	685656,6	685656,6			
Regression (b/a)	1	346461,582	346461,582	57,36**		
Resiudual	58	350320,182	6040,003	1.029**	2,51	7,10

Fitnees-to-fault	16	1729,548	108,097			
Error	42	4410,583	105,014		1,82	2,46

Source: Research results.

Description:

- ** = Highly significant regression (F-count = 57.36 > F-table = 7.10) at $\alpha = 0.01$
 ns = Linear regression (F-count = 1.029 < F-table = 1.82) at $\alpha = 0.05$
 df = degrees of freedom
 JK = Sum of Squares
 RJK = Mean Sum of Squares

The regression linearity test obtained F count of $1.029 < F$ table dk 16/42 at $\alpha = 0.05$ of 1.82. This shows that the regression equation $\hat{Y} = 26.293 + 0.414 X_1$ is linear, because F count of $(1.029) < F$ table dk 16/42 (1.82) at $\alpha = 0.05$. The strength of the relationship between X_1 and Y is indicated by the correlation coefficient ry_1 of 0.659. To test the significance of the coefficient, the t test was used and the t count was obtained at 6.665, while the t table at $\alpha = 0.01$ with dk 58 of 1.671 was 2.390. Thus, since the calculated t (6.665) > t (2.390) with a dk of 58 at $\alpha = 0.01$, it can be concluded that the correlation coefficient is highly significant.

The summary of the results of the correlation coefficient significance test between X_1 and Y can be seen in the table 4:

Table 4. Significance test of the correlation coefficient of X_1 with Y .

N	r_{y1}	t_{count}	t_{table}	
			$\alpha = 0,05$	$\alpha = 0,01$
60	0,66	6,66**	1,67	2,39

Source: Research results.

Description:

- ** = The correlation coefficient is highly significant (t-test = 6.66 > t-table = 2.39) at $\alpha = 0.01$
 n = Number of samples
 ry_1 = Correlation coefficient

The table above shows that the correlation coefficient between X_1 and Y , ry_1 , is 0.66, which is significant at $\alpha = 0.01$. Thus, there is a positive relationship between X_1 and Y , or in other words, the better the performance-based reward system, the better the human resource management innovation. Therefore, the alternative hypothesis (H_1), which states that there is a positive relationship between X_1 and Y , is accepted. The strength of the relationship between X_1 and Y can be determined from the calculation of the coefficient of determination. The coefficient of determination between X_1 and Y is $(ry_1)^2 = (0.66)^2 = 0.43$. This means that 43% of the variation in Y can be explained by variations in X_1 through the equation $\hat{Y} = 26.293 + 0.414 X_1$.

By controlling for X_2 , the partial correlation between X_1 and Y , $ry_{1.2}$, is 0.743. This means that even when controlling for variable X_2 , there remains a positive relationship between X_1 and Y . The results of the partial correlation coefficient significance test above can be seen in the following table 5:

Table 5. Partial correlation coefficient significance test

Partial correlation coefficient	t_{count}	t_{table}	
		$\alpha = 0,05$	$\alpha = 0,01$
$r_{y1.2} = 0,74$	8,39**	1,67	2,39

Source: Research results.

Description:

- $ry_{1.2}$ = Partial correlation coefficient
 ** = Highly significant correlation coefficient ($t_{count} = 8.39 > t_{table} = 2.39$) at $\alpha = 0.01$

The discussion of the descriptions above shows that the results of this study indicate a positive relationship between X_1 and Y . This is indicated by the coefficient ry_1 of 0.659 with a significant correlation coefficient t count of 6.665 and a significant regression coefficient F of 57.36, which is significant, both at $\alpha = 0.05$ and at $\alpha = 0.01$. Furthermore, the pure correlation coefficient by controlling for variable X_2 $ry_{1.2}$ is 0.743. Thus, 43% of the variation in Y can be explained by variable X_1 , expressed by the coefficient of determination $(ry_1)^2$ of 0.434. The simple linear equation formed between variables X_1 and Y is $\hat{Y} = 26.292 + 0.414X_1$. These statistical results

indicate that X1 makes a significant contribution to Y, meaning that the better the performance-based reward system, the better the human resource management innovation.

Second, the relationship between decision decentralization (X2) and human resource management innovation (Y). The second hypothesis proposed in this study states that there is a positive relationship between X2 and Y. Calculations using simple regression analysis based on data from the Y variable on X1 produce a direction of aggression b of 0.385 and a constant a of 26.066. Thus, the relationship between the two variables can be described by the regression equation $\hat{Y} = 26.066 + 0.385 X_2$.

Before being used for prediction purposes, the regression equation must meet significance and linearity tests (see table 6). Therefore, to determine the degree of significance and linearity of the regression equation, an F-test was performed. Based on the results of the regression significance test calculation, as presented in the table below, the calculated F value is $57.31 > F\text{-table for } dk \ 1/58 \text{ at } \alpha = 0.01$, which is 7.10. This indicates that the regression is highly significant because the calculated F value ($57.31 > F\text{-table } (7.10)$ at $\alpha = 0.01$).

Table 6. ANOVA table for the significance and linearity test of the regression equation $p = 26.066 + 0.385 X_2$.

Source of variance	dk	JK	RJK	F-test		
				F _{count}	F _{table}	
					0,05	0,01
Total	60	681798	681798			
Coefficien a	1	1784372,40	1784372,40			
Regression (b/a)	1	321806,677	321806,677	57,31**		
Resiudual	58	325665,277	6514,919		2,51	7,10
Fitnees-to-fault	34	221124,36	6503,658	1.493 ^{ns}		
Error	24	104540,917	4355,872		1,92	2,54

Source: Research results.

Description:

- ** = Highly significant regression (F-count = $57.31 > F\text{-table} = 7.10$) at $\alpha = 0.01$
 ns = Linear regression (F-count = $1.49 < F\text{-table} = 1.92$) at $\alpha = 0.05$
 df = degrees of freedom
 JK = Sum of Squares
 RJK = Mean Sum of Squares

For the regression linearity test, the calculated F is 1.49 and the Ftable df 34/24 at $\alpha = 0.05$ is 1.49. This shows that the regression equation $\hat{Y} = 26.066 + 0.385 X_2$ is linear, because the calculated F is $(1.49) < F\text{table df } 40/78$ (1.92) at $\alpha = 0.05$. The strength of the relationship between X2 and Y is indicated by the correlation coefficient r_{y2} of 0.358. To test the significance of the correlation coefficient, the t-test was used and the calculated t was 2.918, while the table at $\alpha = 0.01$ with df 58 was 2.390. Thus, since the calculated t ($2.918 > t$ (2.390 with a dk of 118 at $\alpha = 0.01$), it can be concluded that the correlation is highly significant.

The summary of the results of the correlation coefficient significance test between X2 and Y can be seen in the table 7 below:

Table 7. Significance test of the correlation coefficient of X2 with Y

N	r_{y2}	t _{count}	t _{table}	
			$\alpha = 0,05$	$\alpha = 0,01$
60	0,358	2,918**	1,671	2,390

Source: Research results.

Description:

- ** = Highly significant correlation coefficient (tcount = $2.918 > t\text{table} = 2.390$) at $\alpha = 0.01$
 N = Number of samples
 r_{y2} = Correlation coefficient

The table 7 above shows that the correlation coefficient between X2 and Y, r_{y2} , is 0.358, which is significant at the 0.01 level. Thus, there is a positive relationship between X2 and Y, or in other words, the better the decentralization of decisions, the more innovative human resource management will be. Therefore, the alternative hypothesis (H1), which states that there is a positive relationship between X2 and Y, is accepted. The strength of

the relationship between X2 and Y can be determined from the calculation of the coefficient of determination. The coefficient of determination between X2 and Y (r_{y2}^2) is 0.128. This means that 12.8% of the variation in Y can be explained by variations in X2 through the equation $\hat{Y} = 26.066 + 0.385X_2$.

By controlling for X1, the partial correlation coefficient between X2 and Y, $r_{y2.1}$, is 0.558 (see table 8). Thus, it can be said that even by controlling for variable X1, there remains a positive relationship between X2 and Y. The results of the partial correlation coefficient significance test above can be seen in the following table:

Table 8. Partial correlation coefficient significance test

Partial correlation coefficient	t_{count}	t_{table}	
		$\alpha = 0,05$	$\alpha = 0,01$
$r_{y2.1} = 0,558$	5,074**	1,67	2,39

Source: Research results.

Description:

$r_{y2.1}$ = Partial correlation coefficient

** = Highly significant correlation coefficient ($t_{\text{count}} = 5.074 > t_{\text{table}} = 2.39$) at $\alpha = 0.01$

The discussion of the above descriptions shows that the results of this study indicate a positive relationship between X2 and Y. This is indicated by the coefficient r_{y2} of 0.358 with a significant correlation coefficient t count of 2.918 and a significant regression coefficient F of 57.31, which is highly significant (at $\alpha = 0.01$). Furthermore, the pure correlation coefficient, controlling for variable X1, $r_{y2.1}$, is 0.558. Thus, 31% of the variation in Y can be explained by variable X2, expressed by a coefficient of determination (r_{y2}^2) of 0.311. The simple linear equation formed between variables X2 and Y is $\hat{Y} = 26.066 + 0.385X_2$. These statistical results indicate that X2 makes a significant contribution to Y. This means that the better the decentralization of decisions, the better the innovation in human resource management.

Third, the relationship between the performance-based reward system (X1) and decentralization of decisions (X2) and innovation in human resource management (Y). The third hypothesis in this study states that there is a positive relationship between X1 and X2 simultaneously with Y. To determine the simultaneous relationship between the two independent variables and the dependent variable, the multiple regression analysis technique Y is used on X1 and X2, and produces a regression line with the equation $\hat{Y} = 28.545 + 0.363X_1 + 0.223X_2$ (see Table 9).

Table 9. ANOVA table for the significance and linearity test of the Multiple regression equation $\hat{Y} = 28.545 + 0.363X_1 + 0.223X_2$.

Source of variance				F-test		
	dk	JK	RJK	F_{count}	F_{table}	
					0,05	0,01
Regression	2	248787,326	12393,663	16,375**	2,51	7,10
Residuals	57	433010,674	7596,678			

Source: Research results.

Description:

** = Highly significant regression ($F_{\text{count}} = 16.75 > F_{\text{table}} = 7.10$) at $\alpha = 0.01$

df = degrees of freedom

JK = Sum of Squares

RJK = Mean Sum of Squares

In the table 9 above, it can be seen that the F count is 16.375, while in the table it is obtained that the F table dk 1/57 at $\alpha = 0.01$ is 7.10. It can be seen that the regression equation $\hat{Y} = 28.55 + 0.36X_1 + 0.22X_2$ is significant because the F count (16.38) $>$ F table (7.10) dk 1/57 at a significance level of 0.01, so it can be accounted for and conclusions can be drawn regarding the relationship between X1 and X2 with Y. The calculation of the multiple correlation coefficient (R_{y12}) is obtained at 0.644. Based on the significance test of the multiple correlation coefficient, it can be concluded that there is a positive relationship between X1 and X2 with Y, which is indicated by $(R_{y12})^2 = (0.644)^2 = 0.414$ or 41.4%. This means that 41% of the variation in Y can be explained by the joint variation in X1 and X2 through the regression equation $\hat{Y} = 28.55 + 0.36X_1 + 0.22X_2$.

Therefore, the alternative hypothesis (H_1), which states that there is a positive relationship between performance-based reward systems (X1) and decision decentralization (X2) and human resource management

innovation (Y), is accepted. The results of the multiple correlation coefficient calculation between the variables above are summarized in the table 10 below:

Table 10. Results of the multiple correlation coefficient calculation between X1 and X2 with Y

N	$R_{y.12}$	Fcount	Ftable	
			$\alpha = 0,05$	$\alpha = 0,01$
60	0,644	20,18**	2,51	7,10

Source: Research results.

From the calculation results that have been presented above, the strength of the relationship between the two independent variables, namely the performance-based reward system and decision decentralization with the dependent variable, namely human resource management innovation, can be shown in the table 11 below:

Table 11. Comparison of the strength of the relationship between variables according to the size of the partial correlation coefficient

Relationship between variables	Partial correlation coefficient	Rank
Y over X_1	$r_{y1.2} = 0,553$	First
Y over X_2	$r_{y2.1} = 0,311$	Second

Source: Research results.

Description:

$r_{y1.2}$ = Partial correlation coefficient of Y with X_1
 $r_{y2.1}$ = Partial correlation coefficient of Y with X_2

From the comparison above (table 11), the strength of the relationship between X_1 and Y is stronger than the relationship between X_2 and Y. Therefore, in this study, variable X_1 is the primary variable and makes the largest contribution. This means that a good performance-based reward system tends to produce good human resource management innovation.

The discussion of the above descriptions shows that there is a positive relationship between a performance-based reward system and decision decentralization, together with human resource management innovation. The calculation results obtained a multiple correlation coefficient R_{y12} of 0.644 with a significance multiple regression coefficient F of 20.184. The equation of the multiple linear regression line is shown by the equation $\hat{Y} = 28.547 + 0.363X_1 + 0.22X_2$.

RESEARCH LIMITATIONS

The limitations or weaknesses of this study are: (1) The research instrument used was an inventory instrument using a rating scale consisting of four answer choices. As an inventory instrument, it naturally has weaknesses, including the possibility of respondents answering statements that do not reflect their actual experiences. In other words, what respondents experience does not always reflect reality. Therefore, direct observation of structural and functional officials regarding the actual performance-based reward system, decentralization of decisions, and innovation in human resource management in Makassar City regional government agencies is necessary, (2) This research is limited to the influence of performance-based reward system and decision-making decentralization factors, whereas there are many other factors that theoretically can influence the success or failure of human resource management innovation, such as job satisfaction, organizational culture, and the organization's financial capacity. Therefore, it is necessary to conduct research related to these factors. This is intended to determine how much contribution these factors have to human resource management innovation, compared to performance-based reward system and decision-making decentralization factors; (3) The population and sample in this research are limited to only 3 of the 6 agencies that are the objects of this research. In fact, the results of this research (in terms of generalization) would be much better if a more adequate population or sample of agencies were taken (more than 6 agencies). Therefore, it is necessary to conduct research that uses other agencies populations and samples, in addition to the 3 agencies that have been studied or used as samples in this research. This is intended to compare the magnitude of the relationship that occurs between the performance-based reward system and decision-making decentralization with human resource management innovation in the Makassar City regional government; and (4) This research is directed at the human resources aspect. This research has not considered other resource components which also play a very large role in improving human resource management innovation, such as the budget and facilities and infrastructure. Improving the quality of human resource management

innovation also requires support from the budget and adequate and proper facilities and infrastructure. Therefore, research is needed on how big the relationship is between the budget, facilities and infrastructure and human resource management innovation in the Makassar City regional government.

IMPLICATIONS

This article examines the relationship between performance-based reward systems and decision decentralization and innovation in human resource management (HRM). The implications can be divided into several key points, namely: (1) Theoretical implications, namely, this research contributes to the development of HRM theory and organizational innovation by highlighting the role of two key factors, namely performance-based reward systems and decision decentralization, in driving HRM innovation. By integrating these two factors within an HRM theoretical framework, this article enriches the literature and provides a new perspective for understanding how elements within HRM can support innovation in organizations; (2) Practical implications: The findings of this study provide practical insights for HR practitioners and organizational managers on how to design more effective reward systems and decision-making structures that can support innovation in human resource management. This research shows that organizations that successfully implement these two aspects tend to have higher levels of innovation in HRM; and (3) Policy implications: This article also has implications for policymakers, who can use these findings to design policies that can encourage the creation of a climate that supports innovation through adaptive human resource management. This is important for local governments or organizations seeking to improve managerial processes and increase competitiveness through innovative human resource management. Overall, this article emphasizes the importance of combining performance-based reward systems with decision-making decentralization to create a more innovative environment in human resource management, which in turn can improve the performance and competitiveness of local government organizations.

CONCLUSION

The conclusion of this study is that there is a positive relationship between performance-based reward systems and decentralized decision-making and human resource management (HRM) innovation. The implementation of a reward system clearly linked to individual or team performance can encourage innovation in HRM, while decentralized decision-making allows for faster and more adaptive decision-making, creating an environment that is more responsive to the needs of specific work units. Simultaneously, these two factors reinforce each other in encouraging HRM innovation. This study shows that organizations that successfully integrate these two elements tend to excel in creating innovations that support competitive advantage and organizational performance. Therefore, organizations need to design human resource management policies and structures that prioritize performance-based rewards and provide more autonomy in decision-making to achieve optimal levels of innovation. These findings provide theoretical contributions to the development of HRM and organizational innovation theory, as well as practical applications for HR managers in designing systems and policies that support innovation in organizations.

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