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Unlocking Innovative Work Behavior through Artificial Intelligence Capability: The Mediating Roles of Psychological Empowerment and Knowledge Sharing

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ABSTRACT

Artificial intelligence (AI) capability has become a critical organizational resource for enhancing innovation and sustaining competitiveness in increasingly digital business environments. Despite growing interest in AI adoption, limited empirical evidence explains how AI capability translates into employees' innovative work behavior (IWB), particularly in small and medium-sized enterprises (SMEs), where innovation depends heavily on human capital rather than formal research and development. Drawing on the Ability–Motivation–Opportunity (AMO) Theory, this study develops and tests a model in which Psychological Empowerment (PE) and Knowledge Sharing Behavior (KSB) mediate the relationship between Artificial Intelligence Capability (AIC) and Innovative Work Behavior. A quantitative cross-sectional survey was conducted among 350 Indonesian SME employees with experience using AI-enabled digital technologies. The proposed model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results demonstrate that AI capability significantly enhances innovative work behavior both directly and indirectly by strengthening employees' psychological empowerment and encouraging knowledge-sharing behavior. The mediation analysis further confirms that empowered employees who actively exchange knowledge are more likely to transform AI-enabled resources into innovative workplace practices. These findings extend AMO Theory by conceptualizing AI capability as an organizational ability that creates employee innovation through complementary motivational and opportunity mechanisms. This study contributes to the emerging literature on AI-enabled organizational innovation by integrating technological, psychological, and behavioral perspectives into a unified framework within the SME context. From a managerial perspective, the findings suggest that investments in AI technologies should be accompanied by initiatives that cultivate employee empowerment and collaborative knowledge exchange to maximize innovation outcomes and improve organizational competitiveness.

Keywords: Artificial Intelligence Capability, Innovative Work Behavior, Psychological Empowerment, Knowledge Sharing Behavior, Ability–Motivation–Opportunity Theory, SMEs
JEL Classifications: O33, M54, J24

1. INTRODUCTION

Artificial intelligence (AI) has become a strategic driver of organizational innovation and competitiveness by enabling firms to process large volumes of data, generate predictive insights, and improve decision-making. As digital transformation accelerates, competitive advantage increasingly depends on organizations' ability to integrate AI into business processes rather than relying solely on tangible resources. This issue is particularly critical for small and medium-sized enterprises (SMEs), which operate under financial, technological, and human resource constraints while depending heavily on employees' creativity and adaptability to sustain innovation (Ghorbanzadeh et al., 2025). However, AI capability extends beyond adopting advanced technologies; it reflects an organization's ability to acquire, integrate, and leverage AI to enhance employees' performance and problem-solving.

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Since employees remain responsible for interpreting AI-generated insights and transforming them into valuable solutions, AI investments alone cannot guarantee innovation. Evidence indicates that AI contributes to organizational performance only when employees actively incorporate it into their work processes (Ghorbanzadeh et al., 2025). Therefore, understanding how AI capability translates into innovative work behavior (IWB) requires examining the psychological and behavioral mechanisms underlying this relationship.

Innovative work behavior, defined as employees' efforts to generate, promote, and implement new ideas, represents the micro-foundation of organizational innovation and is especially important in SMEs, where innovation depends largely on individual initiative rather than formal R&D activities (Rumijati and Hakim, 2023; Sopiah et al., 2024). Prior studies suggest that employees are more likely to engage in innovative behavior when they experience psychological empowerment—characterized by meaning, competence, self-determination, and impact—which enhances creativity, proactive behavior, and innovation (Aristana et al., 2025; Efendi et al., 2025; Mahmoud et al., 2022). Likewise, knowledge sharing behavior facilitates collaborative learning, integrates diverse expertise, and supports the development of innovative solutions (Arsawan et al., 2022; Marampa et al., 2024; Supriyanto et al., 2020). Despite these findings, existing studies have largely examined psychological empowerment and knowledge sharing as outcomes of leadership, organizational culture, or HR practices, while overlooking their roles as mechanisms through which AI capability promotes employee innovation. Consequently, the literature provides only a fragmented explanation of how AI-enabled organizational resources are translated into innovative work behavior, particularly within resource-constrained SMEs (Jabid et al., 2025; Jadmiko et al., 2026; Marampa et al., 2025; Mohammad, 2026).

To address this gap, this study develops an integrated framework proposing that AI capability enhances innovative work behavior indirectly through psychological empowerment and knowledge sharing behavior. Unlike previous studies that have treated these mechanisms independently, this research examines their complementary roles in explaining how AI capability creates employee-level value and fosters innovation. By focusing on SME employees, this study contributes to the growing literature on AI-enabled organizational innovation in a context where innovation depends heavily on employee initiative, collaboration, and the effective use of limited technological resources. The findings are expected to extend current theoretical understanding of AI capability while providing practical guidance for SME managers seeking to maximize AI investments by cultivating a more empowered, collaborative, and innovative workforce.

2. THEORETICAL FRAMEWORK

2.1. Ability Motivation Opportunity (AMO) Theory

The Ability–Motivation–Opportunity (AMO) Theory provides a comprehensive framework for explaining how organizational resources influence employee behavior and organizational performance. The theory argues that employees achieve superior performance when they possess the necessary abilities, are motivated to apply those abilities, and are provided with opportunities to contribute effectively to organizational goals (Appelbaum et al., 2000). Rather than attributing performance solely to individual competence, AMO emphasizes the complementary interaction of these three dimensions in creating sustainable competitive advantage. In the context of this study, AI capability represents the ability dimension because it enhances employees' capacity to process information, solve complex problems, and make evidence-based decisions through intelligent technologies. However, technological capability alone is insufficient to generate innovation. Consistent with the motivation dimension, employees are more likely to utilize AI effectively when they experience psychological empowerment, reflected in greater confidence, autonomy, and perceived impact on organizational outcomes (Boxall and Purcell, 2016). Accordingly, AI capability is expected to foster innovative work behavior only when it strengthens employees' intrinsic motivation to experiment, initiate change, and develop creative solutions.

The opportunity dimension emphasizes organizational conditions that enable employees to collaborate, exchange knowledge, and apply their capabilities in meaningful ways (Boxall and Purcell, 2016). In this study, knowledge sharing behavior represents this opportunity because it facilitates collaborative learning, integrates diverse expertise, and transforms individual knowledge into organizational innovation, while AI capability further supports these processes through digital platforms and intelligent systems. Empirical evidence reinforces this perspective, showing that employee abilities, motivation, and opportunities jointly mediate the relationship between organizational practices and organizational performance (Jiang et al., 2012). Building on AMO Theory, this study conceptualizes AI capability as an organizational resource that enhances employees' abilities, psychological empowerment as the motivational mechanism, and knowledge sharing behavior as the opportunity mechanism through which AI capability is translated into innovative work behavior. By integrating these dimensions, this study extends the application of AMO Theory beyond traditional human resource management to explain employee innovation in AI-enabled SME environments.

2.2. Artificial Intelligence Capability

Artificial Intelligence Capability (AIC) is increasingly recognized as a strategic organizational capability that enables firms to create value by effectively integrating artificial intelligence into business processes, managerial decision-making, and organizational learning. Rather than referring merely to the adoption of intelligent technologies, AI capability reflects an organization's ability to acquire, deploy, and leverage AI-related resources to enhance operational and strategic performance. Consistent with the resource-based view, sustainable competitive advantage arises from combining AI resources with complementary organizational capabilities rather than relying on technology alone. AI capability therefore encompasses technological infrastructure, analytical competence, data-driven decision-making, and employees' ability to incorporate AI into their daily work (Ghani et al., 2022). Empirical evidence further demonstrates that AI capability enhances organizational effectiveness by improving

analytical accuracy, information processing, and decision quality while complementing, rather than replacing, human expertise (Lindrianasari and Kuncoro, 2024). Moreover, organizations with strong AI capability are better positioned to accelerate digital transformation, strengthen innovation, improve operational efficiency, and enhance long-term competitiveness, particularly among SMEs (Hidayati et al., 2026; Purnomo et al., 2026).

Beyond improving organizational performance, AI capability functions as an enabler of learning, knowledge integration, and adaptive decision-making. Previous studies show that AI strengthens organizational innovation by enhancing the effectiveness of complementary capabilities, optimizing managerial and human resource decisions, and encouraging employees to develop digital competencies required in AI-supported work environments (Jaya and Bhuana, 2024; Priatna et al., 2025; Rahman et al., 2026). AI capability also creates external value by improving customer engagement, personalization, organizational resilience, and strategic responsiveness through integration with complementary digital technologies (Febrian and Mero, 2026; Istianingsih et al., 2026; Italina et al., 2025). Nevertheless, existing research has predominantly examined AI capability from organizational, technological, or customer-performance perspectives, with limited attention to its influence on employee-level behavioral outcomes. In particular, little is known about how AI capability shapes employees' innovative work behavior through psychological and behavioral mechanisms, especially in SMEs where innovation relies heavily on employee initiative and collaboration.

Building on this gap, the present study conceptualizes Artificial Intelligence Capability as an organizational capability that enables firms to acquire, integrate, and leverage AI-enabled resources to support intelligent decision-making, organizational learning, and employee innovation. Unlike prior studies that primarily focus on organizational or technological outcomes, this research positions AI capability as the key organizational resource that enhances psychological empowerment and knowledge sharing behavior, ultimately fostering innovative work behavior among SME employees. In doing so, this study advances the understanding of how AI creates organizational value through human capital rather than technological adoption alone.

2.3. Innovative Work Behavior

Innovative Work Behavior (IWB) is widely recognized as a key driver of organizational innovation because it reflects employees' ability to transform knowledge, creativity, and experience into ideas that improve products, services, and work processes. Unlike creativity, which focuses primarily on generating novel ideas, IWB encompasses the broader process of generating, promoting, and implementing those ideas to create organizational value. As a result, employees play an active role not only in executing organizational strategies but also in supporting organizational renewal, adaptability, and long-term competitiveness. This role is particularly important in small and medium-sized enterprises (SMEs), where innovation depends largely on employee initiative rather than formal research and development activities. Empirical evidence shows that IWB significantly enhances SME performance by improving responsiveness to changing market conditions and enabling organizations to transform employee knowledge into sustainable competitive advantage (Lewaherilla et al., 2024; Rumijati and Hakim, 2023; Sopiah et al., 2024).

Previous studies indicate that innovative work behavior develops through the interaction of individual psychological resources and organizational support mechanisms. Employees who experience greater psychological empowerment are more likely to experiment with new approaches, take initiative, and implement creative solutions because they possess stronger confidence, autonomy, and perceived influence over organizational outcomes (Efendi et al., 2025; Mahmoud et al., 2022). Likewise, knowledge sharing behavior strengthens IWB by facilitating collaborative learning, integrating diverse expertise, and enabling employees to collectively develop innovative solutions, particularly in SMEs with limited organizational resources (Arsawan et al., 2022; Marampa et al., 2024; Supriyanto et al., 2020). These findings suggest that employee innovation is not solely determined by individual competence but also by organizational environments that promote learning, collaboration, and knowledge exchange.

Despite these advances, existing research has predominantly explained innovative work behavior through leadership, organizational culture, and human resource management practices, while paying limited attention to the role of emerging technological capabilities. As organizations increasingly adopt artificial intelligence, employee innovation is likely to depend not only on access to AI technologies but also on employees' psychological readiness and their willingness to share knowledge generated through AI-enabled work processes. Accordingly, this study conceptualizes Innovative Work Behavior as employees' intentional behavior to generate, promote, and implement novel ideas and positions it as the primary behavioral outcome of Artificial Intelligence Capability. Specifically, the study proposes that AI capability enhances innovative work behavior indirectly through psychological empowerment and knowledge sharing behavior, thereby providing a more integrated explanation of employee innovation in AI-enabled SME environments.

2.4. Psychological Empowerment

Psychological Empowerment (PE) is a central construct in organizational behavior because it explains how employees transform organizational resources into proactive attitudes and productive behaviors. Rather than representing a formal managerial practice, psychological empowerment reflects employees' intrinsic perceptions of meaning, competence, self-determination, and impact in performing their work. These dimensions strengthen employees' confidence, autonomy, and sense of purpose, encouraging them to view challenges as opportunities for growth and to contribute actively to organizational objectives. Unlike extrinsic motivation, which depends primarily on rewards or supervision, psychological empowerment promotes self-directed behavior by enabling employees to take initiative, adapt to change, and engage more effectively in complex work environments. In the context of digital transformation, psychological empowerment becomes increasingly important because technological capabilities generate organizational value only when employees possess the confidence and autonomy to utilize them effectively.

Empirical evidence consistently demonstrates that psychological empowerment enhances employees' creativity, initiative, and innovative work behavior. Psychologically empowered employees are more likely to implement work improvements, identify innovative solutions, and actively participate in organizational change because they perceive themselves as capable of influencing organizational outcomes (Mahmoud et al., 2022). Similarly, psychological empowerment has been shown to stimulate employee creativity, strengthen commitment to experimentation and continuous improvement, and directly promote innovative work behavior by increasing intrinsic motivation and proactive engagement (Aristana et al., 2025; Efendi et al., 2025). Beyond individual innovation, empowered employees are also more willing to exchange knowledge, collaborate with colleagues, and contribute to organizational learning, reinforcing their role in sustaining innovation and organizational adaptability.

Despite these advances, previous studies have primarily examined psychological empowerment as an outcome of leadership, organizational support, organizational culture, or human resource management practices, while giving limited attention to the role of emerging technological capabilities. As organizations increasingly integrate artificial intelligence into strategic and operational activities, employees' perceptions of competence, autonomy, and work impact are likely to evolve through their interaction with AI-enabled technologies. Accordingly, this study conceptualizes Psychological Empowerment as the motivational mechanism through which Artificial Intelligence Capability enhances Innovative Work Behavior among SME employees. By positioning psychological empowerment as an employee response to organizational AI capability rather than solely as a consequence of leadership or organizational climate, this study extends the existing empowerment literature and provides a more comprehensive explanation of employee innovation in AI-enabled organizational environments.

2.5. Knowledge Sharing Behavior

Knowledge Sharing Behavior (KSB) is widely recognized as a strategic organizational behavior that enables knowledge to be exchanged, integrated, and applied collectively to support organizational learning, innovation, and adaptability. Rather than merely transferring information, KSB reflects employees' voluntary willingness to share experiences, expertise, and ideas that facilitate collaborative problem-solving and improve organizational performance. Unlike formal knowledge management systems that focus on technological infrastructure, KSB emphasizes employees' active participation in creating an environment where knowledge continuously circulates across individuals and work units. This collaborative process enables organizations to integrate diverse perspectives, reduce knowledge fragmentation, and strengthen their capacity to respond to dynamic business environments. In the era of digital transformation, KSB has become increasingly important because technological capabilities, including artificial intelligence, generate organizational value only when employees collectively interpret, exchange, and apply AI-generated knowledge in their daily work.

Empirical evidence consistently identifies Knowledge Sharing Behavior as a key antecedent of innovative work behavior. Employees who actively share knowledge are better able to combine diverse expertise, enhance problem-solving capabilities, and develop innovative solutions through collaborative learning (Supriyanto et al., 2020). Similarly, knowledge sharing facilitates the generation and implementation of new ideas by integrating complementary perspectives and refining creative solutions through continuous interaction (Arsawan et al., 2022). This role is particularly critical in small and medium-sized enterprises (SMEs), where limited financial resources and research and development capabilities make organizational innovation highly dependent on collective learning and employee collaboration (Marampa et al., 2024). Furthermore, AI capability and knowledge sharing behavior are complementary organizational capabilities: AI improves employees' access to information and analytical insights, whereas KSB enables that knowledge to diffuse across the organization, amplifying organizational learning and innovation.

Despite growing empirical support, previous studies have primarily examined knowledge sharing behavior as a consequence of leadership, organizational culture, trust, social interaction, and human resource management practices, while paying limited attention to the influence of organizational technological capabilities. As organizations increasingly rely on artificial intelligence to support knowledge-intensive work, understanding whether AI capability can stimulate employees' willingness to exchange knowledge becomes increasingly important. Accordingly, this study conceptualizes Knowledge Sharing Behavior as employees' voluntary behavior of exchanging, disseminating, and integrating knowledge to support collaborative learning and organizational problem-solving. Within the Ability–Motivation–Opportunity (AMO) framework, KSB represents the opportunity dimension through which Artificial Intelligence Capability is translated into Innovative Work Behavior. By positioning knowledge sharing behavior as a strategic behavioral pathway linking AI capability and employee innovation, this study extends the literature beyond traditional leadership- and culture-based explanations and offers a more integrated understanding of innovation in AI-enabled SMEs.

3. METHOD

This study employed a quantitative, cross-sectional survey design to examine the relationships among Artificial Intelligence Capability, Psychological Empowerment, Knowledge Sharing Behavior, and Innovative Work Behavior among employees of small and medium-sized enterprises (SMEs). Data were collected through a structured questionnaire administered to SME employees with experience using digital technologies or artificial intelligence in their work. Using purposive sampling, 350 valid responses were obtained, ensuring that participants possessed relevant knowledge of the research phenomenon (Hair et al., 2021). This sample size satisfies the recommended requirements for Partial Least Squares Structural Equation Modeling (PLS-SEM) and provides adequate statistical power for analyzing complex structural models with multiple mediating relationships (Hair and Alamer, 2022).

The proposed model was analyzed using SmartPLS 4 and the two-stage PLS-SEM procedure recommended by (Hair and Alamer, 2022) The measurement model was assessed by examining indicator reliability, internal consistency reliability (Cronbach's Alpha and Composite Reliability), convergent validity (Average Variance Extracted), and discriminant validity (Heterotrait–Monotrait Ratio). Subsequently, the structural model was evaluated through collinearity, path coefficients, coefficients of determination (R^2), predictive relevance (Q^2), effect size (f^2), and predictive performance (PLSpredict) (Hair and Alamer, 2022). To test the proposed mediation effects, bootstrapping with 5,000 resamples was performed to estimate the significance of indirect effects and bias-corrected confidence intervals. Mediation was considered significant when the indirect effect was statistically significant and the corresponding confidence interval excluded zero (Hair and Alamer, 2022; Nitzl et al., 2016).

4. RESULTS AND DISCUSSION

The measurement model was first evaluated to assess indicator validity and reliability. Indicator reliability was determined using factor loadings, with values above 0.70 considered acceptable (Hair and Alamer, 2022). The results show that all indicators exceeded the recommended threshold, indicating satisfactory indicator reliability. Table 1 presents the factor loadings, Average Variance Extracted (AVE), and Composite Reliability for each construct. All constructs met the recommended criteria, confirming adequate convergent validity and internal consistency reliability.

The structural model was subsequently evaluated by examining the coefficient of determination (R^2), which indicates the model's explanatory power for each endogenous construct. Figure 1 illustrates the proposed structural model, while Table 2 presents the R^2 values. The R-square value of Innovative Work Behavior is 0.530 or 53% then.

Knowledge sharing behavior is 0.415 or 41.5% or psychological empowerment is 0.433 or 43.30%. Figure 2 presents the PLS-SEM structural model, illustrating the standardized path coefficients among the study constructs and the hypothesized relationships.

Table 3 presents the results of the hypothesis testing, including the standardized path coefficients, *t*-statistics, P-values, and the decision for each proposed hypothesis.

Table 1: Variables, indicators, loading factors, AVE and composite reliability

Variables	Indicators	Loading factors running	Cronbach's alpha	AVE	Composite reliability
AI	AI1	0.797	0.868	0.654	0.869
	AI2	0.818			
	AI3	0.816			
	AI4	0.797			
	AI5	0.816			
IWB	IWB1	0.893	0.930	0.781	0.930
	IWB2	0.887			
	IWB3	0.887			
	IWB4	0.867			
	IWB5	0.884			
KS	KS1	0.876	0.921	0.759	0.921
	KS2	0.882			
	KS3	0.865			
	KS4	0.860			
	KS5	0.874			
PE	PE1	0.865	0.922	0.763	0.923
	PE2	0.878			
	PE3	0.876			
	PE4	0.872			
	PE5	0.877			

Source: Processed data, 2026

4.1. Artificial Intelligence Capability Againts Innovative Work Behavior

Hypothesis 1 (H_1) proposed that Artificial Intelligence Capability positively influences Innovative Work Behavior. The results support this hypothesis, showing a positive and statistically significant relationship between Artificial Intelligence Capability and Innovative Work Behavior ($\beta = 0.224$, $t = 4.289$, $P = 0.000$). Since the p-value is below the 0.05 significance threshold, H_1 is accepted. This finding indicates that organizations with stronger AI capability are more likely to encourage employees to generate, promote, and implement innovative ideas. AI capability enhances employees' access to information, analytical insights, and intelligent decision support, thereby fostering innovation in the workplace (Hair et al., 2022).

This finding is consistent with previous studies suggesting that AI capability serves as a strategic organizational resource that strengthens innovation by improving decision quality, organizational learning, and employees' ability to perform knowledge-intensive tasks (Lindrianasari and Kuncoro, 2024). It also supports the Resource-Based View (RBV), which argues that competitive advantage is achieved not merely through technological assets but through the effective integration of organizational capabilities that enable employees to create value and drive innovation (Barney, 1991). Consequently, AI capability contributes directly to enhancing employees' innovative work behavior in SME environments.

4.2. Artificial Intelligence Capability Gaints Knowledge Sharing Behavior

Hypothesis 2 (H_2) proposed that Artificial Intelligence Capability positively influences Knowledge Sharing Behavior. The empirical results support this hypothesis, revealing a strong and statistically significant positive relationship between Artificial Intelligence Capability and Knowledge Sharing Behavior ($\beta = 0.644$, $t = 20.634$, $P = 0.000$). Because the p-value is below 0.05, H_2 is accepted. This finding indicates that organizations with higher AI capability are more effective in encouraging employees to exchange knowledge, share expertise, and collaborate in solving work-related problems. AI-enabled technologies facilitate access

Table 2: Value of R-square

Endogenous constructs	R^2	Adjusted R^2
Innovative work behavior	0.530	0.526
Knowledge sharing behavior	0.415	0.414
Psychological empowerment	0.433	0.431

Source: Processed data, 2026

Figure 1: Research model

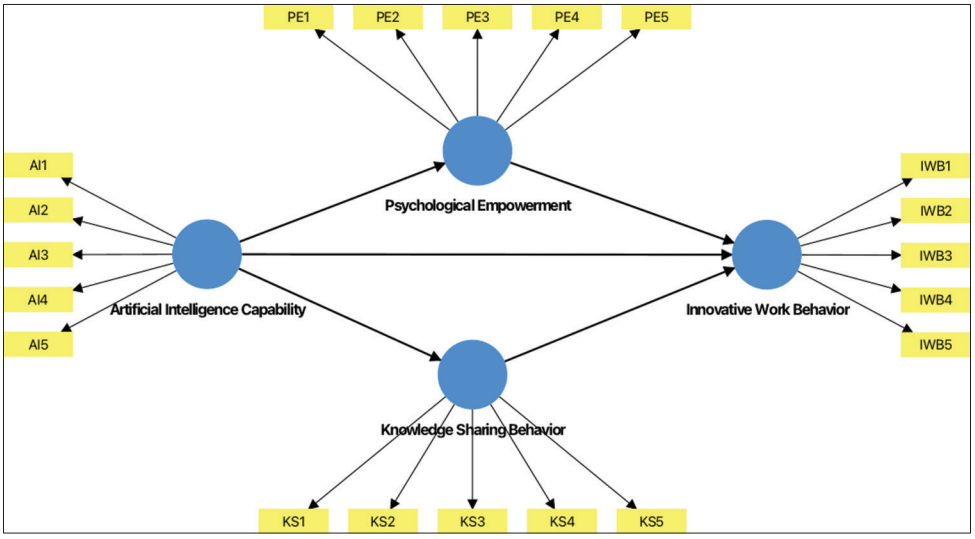


Figure 2: Structural equation model

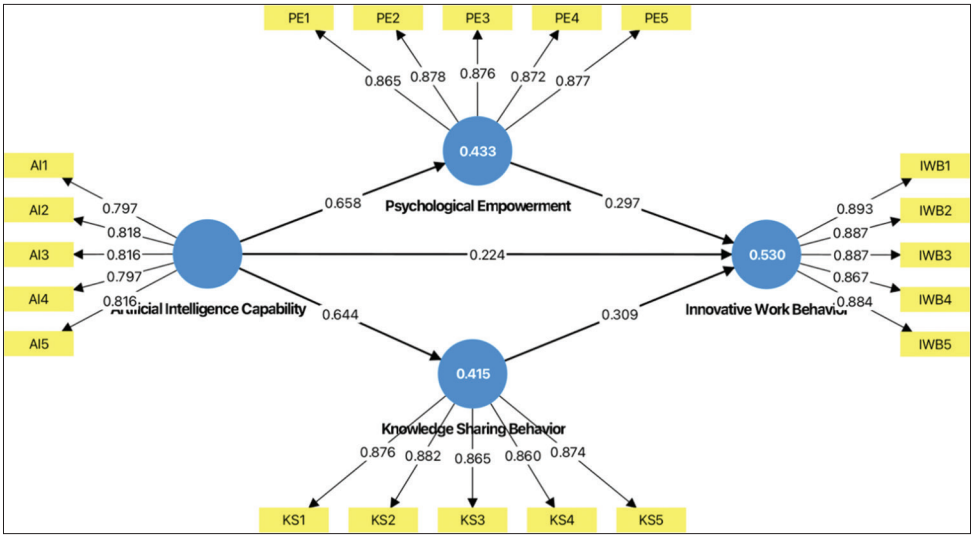


Table 3: Hypothesis testing

Hypothesis	Relationship	Original sample (β)	Sample mean (M)	STDEV	t-statistic	P-value	Result
H_1	Artificial Intelligence Capability→Innovative Work Behavior	0.224	0.222	0.052	4.289	0.000	Accepted
H_2	Artificial Intelligence Capability→Knowledge Sharing Behavior	0.644	0.644	0.031	20.634	0.000	Accepted
H_3	Artificial Intelligence Capability→Psychological Empowerment	0.658	0.658	0.030	21.924	0.000	Accepted
H_4	Artificial Intelligence Capability→Psychological Empowerment→Innovative Work Behavior	0.196	0.195	0.038	5.151	0.000	Accepted
H_5	Artificial Intelligence Capability→Knowledge Sharing Behavior→Innovative Work Behavior	0.199	0.201	0.038	5.227	0.000	Accepted

Source: Processed data, 2026

to information, improve communication, and create digital environments that support continuous knowledge exchange among employees (Hair et al., 2022).

This result is consistent with previous studies demonstrating that AI capability enhances organizational learning by improving employees' ability to access, process, and disseminate knowledge across the organization (Ghani et al., 2022; Jaya and Bhuana, 2024). It also aligns with the Ability–Motivation–Opportunity (AMO) Theory, which emphasizes that organizational resources should provide employees with opportunities to collaborate and exchange knowledge to improve organizational performance

(Appelbaum et al., 2000; Boxall and Purcell, 2016). Therefore, AI capability not only strengthens technological infrastructure but also fosters a collaborative knowledge-sharing culture that supports innovation and organizational learning within SMEs.

4.3. Artificial Intelligence Capability Enhances Psychological Empowerment

Hypothesis 3 (H_3) proposed that Artificial Intelligence Capability positively influences Psychological Empowerment. The results provide strong support for this hypothesis, indicating a positive and statistically significant relationship between Artificial Intelligence Capability and Psychological Empowerment ($\beta = 0.658$, $t = 21.924$, $P = 0.000$). Since the p-value is below the 0.05 significance level, H_3 is accepted. This finding suggests that organizations with stronger AI capability enhance employees' perceptions of competence, autonomy, and confidence in performing their work. By providing intelligent decision support, timely access to information, and digital resources, AI capability enables employees to feel more empowered in accomplishing their tasks and contributing to organizational objectives (Hair et al., 2022).

This finding is consistent with previous studies showing that advanced technological capabilities strengthen employees' confidence, improve decision-making quality, and foster greater autonomy in the workplace (Jaya and Bhuana, 2024; Lindrianasari and Kuncoro, 2024). It also supports the Ability–Motivation–Opportunity (AMO) Theory, which posits that organizational resources enhance employee performance by strengthening not only their abilities but also their intrinsic motivation (Appelbaum et al., 2000; Boxall and Purcell, 2016). Accordingly, AI capability functions as a strategic organizational resource that promotes psychological empowerment, enabling employees to become more proactive, engaged, and prepared to initiate innovative work behavior.

4.4. Psychological Empowerment mediates the relationship between Artificial Intelligence Capability againts Innovative Work Behavior

Hypothesis 4 (H_4) proposed that Psychological Empowerment mediates the relationship between Artificial Intelligence Capability and Innovative Work Behavior. The results support this hypothesis, indicating that the indirect effect of Artificial Intelligence Capability on Innovative Work Behavior through Psychological Empowerment is positive and statistically significant ($\beta = 0.196$, $t = 5.151$, $P = 0.000$). Since the P-value is below the 0.05 significance level, H_4 is accepted. This finding suggests that AI capability enhances employees' innovative work behavior by strengthening their psychological empowerment, particularly their perceptions of competence, autonomy, and confidence in performing work-related tasks (Hair et al., 2022).

This finding is consistent with the Ability–Motivation–Opportunity (AMO) Theory, which posits that organizational resources improve employee outcomes by enhancing intrinsic motivation (Appelbaum et al., 2000; Boxall and Purcell, 2016). It also supports previous studies demonstrating that psychologically empowered employees are more willing to initiate change, experiment with new ideas, and engage in innovative work behavior (Efendi et al., 2025; Mahmoud et al., 2022). Therefore, Psychological Empowerment serves as an important psychological mechanism through which AI capability is translated into employee innovation in SMEs.

4.5. Knowledge Sharing Behavior mediates the relationship between Artificial Intelligence Capability Againts Innovative Work Behavior

Hypothesis 5 (H_5) proposed that Knowledge Sharing Behavior mediates the relationship between Artificial Intelligence Capability and Innovative Work Behavior. The results support this hypothesis, indicating that the indirect effect of Artificial Intelligence Capability on Innovative Work Behavior through Knowledge Sharing Behavior is positive and statistically significant ($\beta = 0.199$, $t = 5.227$, $P = 0.000$). Since the P-value is below the 0.05 significance level, H5 is accepted. This finding suggests that organizations with stronger AI capability are more likely to foster employees' knowledge-sharing behavior, which subsequently enhances their innovative work behavior. AI-enabled technologies facilitate access to information, encourage collaborative learning, and support the exchange of expertise, allowing employees to generate and implement innovative ideas more effectively (Hair et al., 2022).

This finding is consistent with previous studies demonstrating that knowledge sharing is a key mechanism through which organizational resources are transformed into employee innovation. Employees who actively exchange knowledge are better able to integrate diverse perspectives, improve problem-solving capabilities, and develop innovative solutions (Arsawan et al., 2022; Supriyanto et al., 2020). The result also supports the Ability–Motivation–Opportunity (AMO) Theory, which emphasizes that providing employees with opportunities to collaborate and share knowledge is essential for translating organizational capabilities into superior performance and innovation (Appelbaum et al., 2000; Boxall and Purcell, 2016). Therefore, Knowledge Sharing Behavior serves as an important behavioral pathway through which Artificial Intelligence Capability promotes Innovative Work Behavior among SME employees.

5. CONCLUSION

This study examined the relationship between Artificial Intelligence Capability (AIC) and Innovative Work Behavior (IWB) by investigating the mediating roles of Psychological Empowerment (PE) and Knowledge Sharing Behavior (KSB) among employees of small and medium-sized enterprises (SMEs). The findings demonstrate that Artificial Intelligence Capability has a significant positive direct effect on Innovative Work Behavior while also significantly enhancing Psychological Empowerment and Knowledge Sharing Behavior. Furthermore, both Psychological Empowerment and Knowledge Sharing Behavior significantly mediate the relationship between Artificial Intelligence Capability and Innovative Work Behavior. These findings indicate that AI capability creates organizational value not only by improving technological efficiency but also by strengthening employees' intrinsic motivation and fostering collaborative knowledge exchange that supports innovation.

This study makes several theoretical contributions. First, it extends the application of the Ability–Motivation–Opportunity (AMO) Theory by demonstrating that AI capability represents the ability dimension, Psychological Empowerment reflects the motivation dimension, and Knowledge Sharing Behavior represents the opportunity dimension through which employee innovation is enhanced. Second, the study enriches the literature on AI-enabled organizational innovation by integrating technological, psychological, and behavioral perspectives into a single explanatory framework. Unlike previous studies that primarily emphasized organizational performance or technological outcomes, this research explains how AI capability influences employee-level innovation through interconnected psychological and behavioral mechanisms, particularly within the context of SMEs.

From a practical perspective, SME managers should view AI as a strategic organizational capability rather than merely a technological investment. Organizations need to complement AI adoption with initiatives that enhance employees' psychological empowerment and encourage knowledge-sharing practices to maximize innovation outcomes. Despite these contributions, this study has several limitations. The cross-sectional research design restricts causal inference, and the findings are limited to SME employees, which may reduce their generalizability to other organizational contexts. Future research should employ longitudinal or mixed-method designs, include larger and more diverse samples, and examine additional mediating or moderating variables, such as digital leadership, organizational learning capability, innovation climate, or digital competency, to further explain how AI capability promotes innovative work behavior across different industries and organizational settings.

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