KINERJA Volume 29, No. 1, 2025 Page. 114-133

Exploring the Pathways to Engagement: The Role of Psychological Climate, Gratitude, and Self-Efficacy in Small Business Contexts

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Abstract

This study explores the relationship between psychological climate and work engagement, focusing on the mediating roles of gratitude and general self-efficacy in small business contexts. Data were collected from 180 employees working in small businesses in two cities in Central Java through an online questionnaire. Respondents were selected using a purposive sampling technique to ensure relevant work experience. Structural Equation Modeling (SEM) with Partial Least Squares (PLS) was employed to analyze the data. The results revealed that the direct influence of psychological climate on work engagement was not supported. However, the findings underscore the significant mediating roles of gratitude and general self-efficacy. Gratitude amplifies emotional connection, while general self-efficacy fosters confidence translating a positive psychological climate into greater work engagement. These findings highlight the importance of internal psychological mechanisms in driving employee engagement in small businesses. The study suggests that managers should focus on creating a supportive workplace climate while fostering gratitude and self-efficacy through targeted interventions. These strategies could help small businesses enhance employee engagement, even in resource-constrained environments. Future research could explore additional mediators and longitudinal effects to deepen the understanding of these relationships.

Keywords: psychological climate, work engagement, gratitude, general self-efficacy

JEL : M54, O15

DOI : 10.24002/kinerja.v29i1.10511

Received : 12/24/2024 Reviewed: 01/14/2025 Final Version: 03/09/2025

1. INTRODUCTION

Small businesses play a crucial role in national economies by driving employment, innovation, and economic stability. Across various studies, SMEs are recognized as engines of growth, particularly in developing countries, where they contribute significantly to GDP, local employment, and social stability (Ribeiro-

Soriano, 2017). Research indicates that SMEs promote competition, encourage entrepreneurship, and create diverse job opportunities, making them indispensable to sustainable economic development (Tuymuratovich, 2021). However, the success and the longevity of small businesses do not only depend on external economic conditions but also on the engagement and productivity of their workforce (Putra, 2024; Ribeiro-Soriano, 2017; Tuymuratovich, 2021).

In the Indonesian context, work engagement in SMEs is receiving increasing attention, as highlighted by Putra (2024), who conducted a bibliometric analysis of work engagement research trends in Indonesian SMEs. The study found that the number of research publications on work engagement in Indonesian SMEs has surged between 2020 and 2024, driven by the recognition that engaged employees contribute to innovation, resilience, and business sustainability.

A high level of employee engagement is essential for SMEs (Dave et al., 2022; Jindal et al., 2023; Lazauskaite-Zabielske et al., 2021; Naqshbandi et al., 2024; Wang & Chen, 2020) as these enterprises typically lack the extensive financial resources of large corporations performance (Chun-Liang et al, 2021; Mandal, 2020) and must instead rely on motivated, committed employees to drive (Ribeiro-Soriano, 2017). Enhancing employee engagement leads to improved business performance, lower turnover rates, and greater innovation capacity (Tuymuratovich, 2021). Given the economic and social significance of SMEs, ensuring their success through effective employee engagement strategies is crucial. This research attempted to address this issue.

In general terms, work engagement is primarily a psychological state influenced by personal and environmental factors (Kossyva, 2023). This perspective implies that understanding the mechanisms fostering engagement requires an exploration of organizational and individual factors.

This study draws upon the Job Demands-Resources (JD-R) theory (Demerouti et al., 2001). The theory distinguishes between job demands, which require effort and may lead to burnout, and job resources, which enhance motivation and engagement (Bakker et al., 2023). This is also confirmed by a recent study (Van den Broeck et al., 2017), finding that the JD-R model is applicable across different industries, reinforcing the importance of managing workload, improving job resources, and addressing sector-specific challenges to enhance employee well-being.

Traditionally, the model examines both job demands, which can lead to exhaustion and job resources which enhance motivation and engagement. While previous studies (e.g. Hooi, 2024; Kossyva et al., 2023; Li et al., 2022; Lim et al., 2025, Rai, 2018; Rai & Chawla, 2022; Reina-Tamayo et al., 2018; Saari et al., 2017; Saks, 2019) using the JD-R model have extensively examined the impact of job demands on engagement, fewer studies have investigated how job resources, independent of demands, can sustain the engagement.

Recent research has demonstrated that job resources alone can significantly predict engagement, even without considering job demands (Bakker & de Vries, 2020). Following this perspective, this study focuses on job resources, namely psychosocial safety climate, gratitude, and self-efficacy, as the key drivers of work engagement. Thus, this study fills this gap by shifting the focus toward the motivational pathway. A central reason for focusing exclusively on job resources is

that organizations increasingly seek engagement strategies that do not solely rely on demand reduction but rather on strengthening positive workplace factors (Bakker & de Vries, 2020). The nature of small business work environments further supports the decision to focus on job resources. Employees in small businesses often work in fluid and dynamic roles, where job responsibilities may fluctuate, making it difficult to define specific job demands consistently (Gashi, 2024; Portovaras et al., 2020)

This study provides theoretical and practical advancements in the field of work engagement. Theoretically, it shifts the focus of the JD-R model toward the motivational pathway, demonstrating that psychological resources alone can sustain engagement. Practically, it offers an actionable framework for organizations to foster engagement through psychosocial safety climate improvements, gratitude-building strategies, and self-efficacy training. By filling this research gap, this study equips scholars and practitioners with a deeper understanding of how employees thrive in the workplace (van der Walt, 2018).

2. LITERATURE REVIEW

2.1. The Job Demands-Resources (JD-R) Model

The Job Demands-Resources (JD-R) model is a widely recognized framework for understanding employee well-being, motivation, and performance across various job contexts. Initially developed to explain burnout, the model classifies workplace characteristics into job demands and job resources (Bakker & Demerouti, 2014). Job demands are defined as physical, psychological, social, or organizational aspects of work that require sustained effort and can result in certain physiological or psychological costs (Bakker et al., 2023). These include high workload, time pressure, emotional labor, and role conflict (Van den Broeck et al., 2023). When job demands exceed an employee's coping capacity without adequate resources, they can lead to burnout, exhaustion, and reduced well-being (Bakker & de Vries, 2020). Job resources, on the other hand, are aspects of the work environment that help employees achieve work goals, reduce job demands, and stimulate personal growth and learning (Bakker et al., 2023). These include autonomy, social support, feedback, opportunities for development, and leadership behaviors (Bakker & Demerouti, 2014). Job resources buffer the negative effects of job demands and directly enhance motivation and engagement (Bakker & Demerouti, 2017).

The original JD-R model focuses primarily on job characteristics. However, in later developments, the model incorporates personal resources such as self-efficacy, optimism, and resilience (Bakker & Demerouti, 2017). These influence how employees perceive and react to job demands and resources (Bakker & de Vries, 2020). In further research, the model also expands its focus to include work engagement, defined as a positive, fulfilling work-related state of mind characterized by vigor, dedication, and absorption (Bakker & Demerouti, 2017). This shift represents the motivational pathway of the JD-R model, where the availability of job resources fosters enthusiasm, resilience, and productivity. Employees with high job resources tend to engage more in their work, leading to higher performance, job satisfaction and reduced turnover intentions (Bakker, 2022).

While the JD-R model traditionally emphasizes the interplay between job demands and job resources in shaping work engagement, this study focuses on personal resources and organizational resources, namely psychosocial safety climate, gratitude, and self-efficacy. Prior research has established that job resources act as primary motivators in the workplace, driving employee engagement and well-being even in high-demand environments (Yuan et al., 2024)

From the perspective of the JD-R model, psychological climate represents an *organizational resource*, whereas gratitude and self-efficacy are *personal resources.* Neither falls into the category of job demands. In this study, work engagement is examined as the dependent variable, with psychosocial safety climate serving as the independent variable, while gratitude and self-efficacy function as mediators. Instead of addressing engagement through job demands and resources, this study highlights the role of psychological and personal factors as key mechanisms influencing employee motivation in small business contexts.

This study was conducted in a small business context. Therefore, it focuses solely on job resources rather than job demands due to the unique characteristics of such businesses. Given the informal and relationship-driven nature of such businesses, psychosocial safety climate and personal resources provide a more relevant framework for understanding engagement than job demands or traditional job resources. In small business settings, rigid organizational structures and extensive formalized support systems are often absent. Instead, employee engagement is influenced more by workplace culture, interpersonal relationships, and perceptions of the work environment (Hlado & Harvankova, 2024). Psychosocial safety climate plays a more central role in shaping employee motivation and well-being than traditional job resources (Lazauskaite-Zabielske et al., 2018). Additionally, personal resources such as gratitude and self-efficacy significantly contribute to engagement by fostering positive emotional states and resilience (Komase et al., 2021). Gratitude strengthens interpersonal bonds and psychological safety, reinforcing engagement independently of job resources (Qi et al., 2023). Similarly, self-efficacy enhances employees' belief in their ability to manage work challenges, leading to greater intrinsic motivation (Bakker & de Vries, 2020).

2.2. Work Engagement

The concept of work engagement originates from Kahn (1990), who described engagement as the extent to which employees bring their full selves to work. Schaufeli and colleagues are among the pioneers who introduced work engagement as a distinct construct. They define work engagement as a positive, fulfilling, and work-related state of mind characterized by vigor, dedication, and absorption (Schaufeli et al., 2002). Vigor reflects high energy levels and mental resilience, dedication entails a strong sense of involvement, enthusiasm, and significance, and absorption denotes deep immersion in one's work, where time seems to pass quickly (Bakker & Demerouti, 2017). These three dimensions were originally defined in the Utrecht Work Engagement Scale (UWES-17) consisting 17 items (Schaufeli et al., 2002), which was later shortened to the UWES-9 consisting 9 items (Schaufeli, Bakker, & Salanova, 2006) and, further refined into the UWES-3 – an ultra-short scale of work engagement consisting 3 items (Schaufeli et al., 2019) which was used in the present study.

Several scholars have highlighted the critical role of work engagement in organizational success, demonstrating its impact on job performance, motivation, and employee well-being (Gulyani & Sharma, 2018). Engaged employees contribute to higher organizational performance, lower absenteeism, and greater innovation (Chaudhary et al., 2012).

The importance of work engagement is particularly evident in small businesses, where resource constraints require employees to be highly motivated, proactive, and adaptable (Bakker, 2022). Unlike large corporations with structured career paths, small businesses rely on employees who take on multiple roles, innovate, and contribute beyond their formal job descriptions (Ding & Miao, 2023). Research suggests that fostering a supportive work climate is essential to maintaining engagement, as small businesses often struggle with limited financial incentives and career growth opportunities (Gwamanda & Mahembe, 2023). Leadership styles, such as servant leadership and ethical leadership, have been identified as significant drivers of employee engagement, particularly in small businesses where direct interactions with leaders play a crucial role in shaping workplace motivation (Canavesi & Minelli, 2021). Employees in small enterprises tend to be more engaged when they perceive fairness, job autonomy, and recognition from leaders (Zhang et al., 2014). Moreover, a strong ethical and social responsibility climate has been found to enhance employees' sense of purpose and organizational commitment, further driving work engagement (Ding & Miao, 2023).

2.3. Psychological Climate

The concept of psychological climate was introduced by James and Jones (1974), who defined it as an individual's perception of their work environment rather than an objective organizational feature. James et al. (1978, 1990) further refined the concept by identifying key dimensions such as role clarity, leadership support, and job challenge, emphasizing its impact on employee attitudes and behavior. Kahn (1990) linked psychological climate to employee engagement, proposing that a work environment perceived as safe and meaningful fosters greater involvement. Brown and Leigh (1996) expanded the framework by demonstrating how psychological climate influences job involvement, effort, and performance, introducing a six-dimensional model validated through empirical research.

Various scholars have defined psychological climate in slightly different ways, highlighting different aspects of workplace experiences. Uraon and Gupta (2021) describe psychological climate as employees' cognitive appraisal of their work environment, which plays a crucial role in shaping their affective commitment and performance. Similarly, Karanika-Murray et al. (2017) emphasize psychological climate as a perception of workplace autonomy, competence, and relatedness, suggesting that these factors interact with job control to enhance job satisfaction. Other scholars, such as Gyensare et al. (2017), focus on psychological climate as an indicator of support and fairness within an organization, demonstrating that it moderates the relationship between affective commitment and turnover intention.

A slightly different perspective comes from Kataria et al. (2019), who conceptualize psychological climate as employees' perception of organizational support, role clarity, and recognition. They argue that a well-defined and supportive climate fosters greater work engagement and discretionary behaviors. Aldabbas and

Blaique (2024) expand this idea by introducing the concept of an organizational climate of care, linking the psychological climate to caring human resource management (HRM) practices that enhance employee engagement. In the context of sports, Jakobsen (2023) highlights the role of an autonomy-supportive psychological climate, illustrating that environments that foster independence and motivation lead to higher persistence and well-being among athletes. Wu (2023) focuses on the connection between psychological climate and leadership behaviors, particularly the emotional intelligence of school principals, showing that a positive climate significantly enhances teacher motivation. Similarly, Munyaka et al. (2017) explore psychological climate as a function of authentic leadership, demonstrating its influence on team commitment and reducing employees' intention to quit. Common to the various definitions is that psychological climate refers to employees' subjective perception of their organizational environment, shaped by factors such as support, fairness, autonomy, role clarity, and leadership behaviors.

A growing body of research has explored the relationship between psychological climate and work engagement. Aldabbas and Blaique (2024) highlight that an organizational climate of care developed through caring HRM practices enhances work engagement by fostering an emotionally supportive workplace. Jakobsen (2023) extends this idea into a sports setting, showing that autonomy-supportive psychological climates improve intrinsic motivation and persistence, factors that parallel work engagement in traditional workplaces. Wu (2023) further supports this argument by demonstrating that a leadership-driven psychological climate enhances teacher motivation, reinforcing the idea that a positive work environment encourages higher levels of engagement and performance.

These findings suggest that a positive psychological climate directly enhances work engagement by fostering intrinsic motivation, commitment, and discretionary effort. Employees who perceive a supportive and fair workplace are more likely to be engaged, emotionally invested, and dedicated to their roles. Building on these insights, this study proposes employees who perceive a positive psychological climate characterized by support, autonomy, fairness, and recognition are more likely to experience higher levels of work engagement. Therefore, the following first hypothesis then is developed.

H1: Psychological climate positively influences work engagement.

2.4. Gratitude

According to McCullough et al. (2002), gratitude has deep roots in philosophy, theology, and moral psychology, drawing on the works of Aristotle, Cicero, and various religious traditions. The authors define gratitude as an affective trait, describing it as a generalized tendency to recognize and respond with grateful emotion to the roles of other people's benevolence in one's positive experiences and outcomes (McCullough et al., 2002). Then, they explore gratitude as a personality trait and develop a method for its measurement.

Scholars define gratitude in various ways. However, it is commonly defined as a positive emotional response to receiving benefits from others, fostering reciprocity and social bonding. It can be understood as a trait, state, or response to external conditions (Hasan et al., 2017; Komase et al., 2021). In workplace settings, gratitude

emerges when employees experience fairness, recognition, and organizational support, leading to stronger relationships and increased motivation (Desai et al., 2024; Qi et al., 2023). Research highlights that gratitude enhances psychological well-being, job satisfaction, and engagement, while also mitigating stress and reducing turnover intentions (Fehr et al., 2017; Huang, 2022). Gratitude interventions, such as structured workplace practices and mindfulness exercises, actively cultivate gratitude and reinforce positive work behaviors (Komase et al., 2021).

Organizations that provide emotional and material resources create environments where gratitude thrives, strengthening employees' connection to their workplace (Fehr et al., 2017). Furthermore, workplace service climates that prioritize employee well-being and recognition have been shown to enhance gratitude by reinforcing a culture of acknowledgment and reciprocity (Qi et al., 2023). Employees who feel valued exhibit higher levels of vigor, dedication, and absorption in their work, reinforcing engagement through positive affect and social exchange processes (Desai et al., 2024).

Employees in supportive work environments experience gratitude as an emotional response, leading to higher intrinsic motivation and work engagement (Hasan et al., 2017). In other words, gratitude acts as a psychological resource that amplifies the effects of a supportive work climate on engagement, reinforcing both personal and job resources (Komase et al., 2021). Since gratitude plays a crucial role in the relationship between psychological climate and work engagement, the second hypothesis of this study is proposed.

H2: Gratitude mediates the relationship between psychological climate and work engagement.

2.5. Self-Efficacy

The concept of self-efficacy originates from Bandura's (1977, 1997) self-efficacy theory, which suggests that individuals with higher self-efficacy demonstrate greater motivation, persistence, and adaptability in the face of obstacles. Schwarzer & Matthias Jerusalem (1995) introduce and validate the Generalized Self-Efficacy Scale (GSE), a widely used instrument to measure self-efficacy across different situations. The scale is designed to assess an individual's belief in their ability to cope with a variety of difficult demands in life.

Different scholars have provided nuanced definitions of self-efficacy. Toth et al. (2020) define self-efficacy as a personal resource that helps employees sustain engagement and resilience in knowledge-intensive work. A more domain-specific definition is provided by Chen (2016), who focuses on creative self-efficacy, arguing that confidence in one's creative abilities enhances work engagement. Despite these variations, a common conceptualization of general self-efficacy emerges as an individual's belief in their capability to effectively perform tasks, solve problems, and adapt to workplace challenges, which subsequently influences their level of engagement, motivation, and performance (Bandura, 1997; Kossowska & Łaguna, 2018; Liu et al., 2017; Zarrin et al., 2023).

Wolter et al. (2019) further expand the concept by examining the role of social support in developing self-efficacy, finding that supportive workplace relationships strengthen employees' self-efficacy and, in turn, boost engagement. Similarly, Heng

and Chu (2023) introduce reflection as an antecedent of self-efficacy, showing that employees who engage in reflective practices develop stronger self-efficacy, which subsequently enhances engagement. Lastly, Kossowska and Łaguna (2018) conceptualize self-efficacy as an individual's belief in their ability to leverage job resources effectively, positioning it as a mediator between job resources and work engagement.

Given the potential mediating role of self-efficacy, this study hypothesizes that the impact of psychological climate on work engagement will be mediated by self-efficacy.

H3: Gratitude mediates the relationship between psychological climate and work engagement.

The proposed research framework, as depicted in Figure 1, outlines the hypothesized relationships between the study variables.

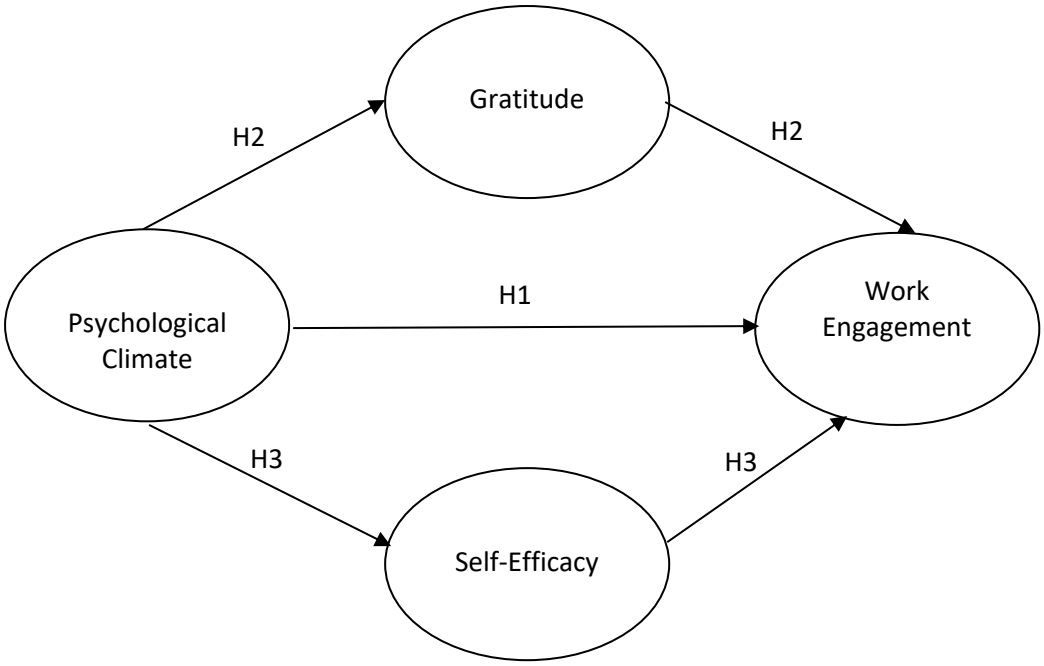

Figure 1. Research Framework

3. METHODOLOGY

This study was conducted among employees working in small businesses across various industries. The sample was selected using purposive sampling to ensure participants met the inclusion criteria of having at least one year of work experience in their current organization. The participants comprised 55% females and 45% males, with an average age of 28 years. The majority of participants (65%) have a high school or diploma-level education, while the rest hold bachelor's

degrees. Data collection was conducted using a Google Form survey, distributed with the assistance of local contacts familiar with the target population. The survey link was shared electronically, allowing respondents to complete it at their convenience. The organizations selected for this study were small businesses in two cities in Central Java, Indonesia.

This study collected 180 responses, which meet established criteria for Partial Least Squares Structural Equation Modeling (PLS-SEM). First, based on the 10-times rule (Hair et al., 2019), the minimum required sample size is determined by either ten times the highest number of indicators in a construct or ten times the maximum number of structural paths leading to a latent variable. The construct with the highest number of indicators is self-efficacy (10 items), requiring at least 100 responses, while the dependent variable, work engagement, has two mediating paths, suggesting a minimum requirement of 20 responses. Since 180 responses exceed these thresholds, the sample size is sufficient for reliable analysis. Second, prior PLS-SEM literature supports the use of 100–200 samples for structural equation modeling (Hair et al., 2021). As PLS-SEM is variance-based, it requires fewer observations than covariance-based SEM (CB-SEM), making 180 respondents sufficient for robust parameter estimation (Hair et al., 2019). Additionally, validated scales were used for all research variables: Psychological Climate (9 items; Brown & Leigh, 1996), Gratitude (6 items; McCullough et al., 2002), General Self-Efficacy (10 items; Schwarzer & Jerusalem, 1995), and Work Engagement (3 items; Schaufeli et al., 2019).

The questionnaire was designed with closed-ended items rated on a 5-point Likert scale, ranging from 1 (“Strongly Disagree”) to 5 (“Strongly Agree”). All scales were translated into the local language. Ethical considerations were adhered to throughout the research. Participants were informed of the study’s purpose and assured of their anonymity and confidentiality.

4. RESULT AND DISCUSSION

Structural Equation Modeling (SEM) was employed to test the proposed model, using Partial Least Squares (PLS) as the estimation method. The analysis followed a systematic approach, including reliability and validity tests, outer model assessment, and inner model evaluation.

4.1. Reliability and Validity

The reliability of the constructs was confirmed through Cronbach's Alpha and Composite Reliability values, which exceeded the acceptable threshold of 0.70. Convergent validity was assessed using the Average Variance Extracted (AVE), with values above the recommended level of 0.50. The results confirmed that the measurement model met the required standards for reliability and validity. According to Hair et al. (2019), CR and CA values above 0.70 indicate good internal consistency. Table 1 presents the reliability test results for each construct in this research model.

Table 1. Reliability Test Results for Construct

Construct	Cronbach's Alpha	Composite Reliability (CR)	Criterion	Description
Work Engagement	0.840	0.903	> 0.70	Reliable
General Self-Efficacy	0.817	0.890	> 0.70	Reliable
Gratitude	0.890	0.915	> 0.70	Reliable
Psychological Climate	0.844	0.887	> 0.70	Reliable

Source: Data processed (2024).

As shown in Table 1, all constructs have Cronbach's Alpha and Composite Reliability values above 0.70, demonstrating good internal consistency. Thus, the instruments used in this study are considered reliable for measuring work engagement, general self-efficacy, gratitude, and psychological climate.

4.2. Outer Model Assessment

Convergent and discriminant validity were assessed to confirm that each construct has strong internal coherence (convergent validity) and is distinct from other constructs (discriminant validity). Convergent validity was tested by evaluating Average Variance Extracted (AVE) and loading factors for each item, while discriminant validity was assessed using the Fornell-Larcker criterion.

Table 2 presents the results for convergent validity, which is deemed sufficient if AVE values for each construct exceed 0.50 and each item's loading factor is greater than 0.60.

Table 2. Outer Model Assessment

Indicator	Loading Factor	AVE
General Self-Efficacy 01	0.813	**0.730**
General Self-Efficacy 02	0.846	
General Self-Efficacy 03	0.813	
General Self-Efficacy 04	0.827	
General Self-Efficacy 05	0.812	
General Self-Efficacy 06	0.837	
General Self-Efficacy 07	0.852	
General Self-Efficacy 08	0.871	
General Self-Efficacy 09	0.802	
General Self-Efficacy 10	0.809	
Gratitude 01	0.875	**0.643**
Gratitude 02	0.829	
Gratitude 03	0.851	
Gratitude 04	0.914	
Gratitude 05	0.880	
Gratitude 06	0.771	
Psychological Climate01	0.815	**0.679**
Psychological Climate02	0.874	
Psychological Climate03	0.812	
Psychological Climate04	0.800	
Psychological Climate05	0.803	
Psychological Climate06	0.800	

Indicator	Loading Factor	AVE
Psychological Climate07	0.836	
Psychological Climate08	0.793	
Psychological Climate09	0.805	
Work Engagement01	0.937	
Work Engagement02	0.893	**0.757**
Work Engagement03	0.905	

Source: Data processed (2024).

Based on Table 2, all constructs have AVE values above 0.50, and all items show loading factors exceeding 0.60, indicating sufficient convergent validity. This implies that these constructs effectively explain the variance in their respective items, making them suitable for further analysis.

Discriminant validity was evaluated using the Fornell-Larcker criterion, which requires that the square root of the AVE for each construct be higher than its correlations with other constructs. Table 3 displays the discriminant validity results based on the Fornell-Larcker criterion.

Table 3. Discriminant Validity Based on Fornell-Larcker Criterion

Construct	Work Engagement	General Self-Efficacy	Gratitude	Psychological Climate
Work Engagement	0.870	0.350	0.409	0.211
General Self-Efficacy	0.350	0.854	0.366	0.238
Gratitude	0.409	0.366	0.789	0.210
Psychological Climate	0.211	0.238	0.210	0.824

Source: Data processed (2024).

As Table 3 shows, the square root of the AVE (diagonal) for each construct exceeds the correlations with other constructs, confirming strong discriminant validity with no overlap among constructs (Hair et al., 2019).

4.3. Inner Model Assessment

The inner model was assessed to examine the relationships among constructs in the structural model. Overall model fit was evaluated using the Goodness-of-Fit (GoF) index to confirm that the proposed model aligns with empirical data. One of the fit indices used was the Standardized Root Mean Square Residual (SRMR), which measures the alignment between observed and predicted correlations. An SRMR value below 0.08 suggests a good fit (Hair et al., 2019)

The SRMR for this model was 0.067, below the 0.08 threshold, indicating a strong fit between the theoretical model and empirical data. This supports the adequacy of the proposed model for further inner model analysis.

Subsequent analysis focused on assessing predictive strength and relationships among constructs using the R-squared (R^2) value and path coefficients. The R^2 value indicates the proportion of variance in the dependent construct explained by the independent constructs in the model. Based on statistical testing, the construct *work engagement* had an R^2 value of 0.56. According to Hair et al. (2019), an R^2 value above 0.33 is considered moderate, so 0.56 suggests moderate-

to-strong predictive power. Path coefficients, t-statistics, and p-values were calculated using bootstrapping to test the significance of relationships among constructs. The corresponding statistical results are summarized in Table 4. The model exhibited an acceptable fit, with R^2 values indicating that 56% of the variance in work engagement was accounted for by the constructs. Additionally, the SRMR value of 0.067 confirmed a good model fit.

Table 4. Inner Model Evaluation Results

Relationship	Path Coefficient	t-statistic	p-value	Description
Psychological Climate → Work Engagement	0.095	1.328	0.18	Not Significant
Psychological Climate * Gratitude → Work Engagement	0.069	2,494	0.013	Significant
Psychological Climate * General Self-Efficacy → Work Engagement	0.055	2.091	0.037	Significant

Source: Data processed (2024).

As depicted in Table 4, the influence of psychological climate on work engagement is positive but not statistically significant. Consequently, the findings for the first hypothesis diverge from expectations and previous studies (e.g., Aldabbas & Blaique, 2024; Jakobsen, 2023; Wu, 2023).

The initial hypothesis proposed that psychological climate would positively influence work engagement. While the relationship was observed in the expected direction, statistical tests revealed that it was not significant ($p > 0.05$). This suggests that psychological climate alone does not directly predict work engagement.

However, the mediating role of gratitude in this relationship was confirmed ($p < 0.05$), indicating that gratitude serves as a crucial psychological pathway. This finding aligns with previous research by Hasan et al. (2017) and Komase et al. (2021), which suggests that gratitude functions as a psychological resource that enhances the effects of a supportive work climate on engagement, reinforcing personal and job resources.

Similarly, the mediating role of general self-efficacy was also supported ($p < 0.05$), emphasizing its significance as a psychological mechanism in the relationship between psychological climate and work engagement. This result is consistent with prior studies (Wolter et al., 2019; Heng & Chu, 2023; Kossowska & Łaguna, 2018), which highlight self-efficacy as an individual's belief in their ability to leverage job resources effectively, thereby acting as a bridge between job resources and work engagement.

The unsupported direct relationship between psychological climate and work engagement could be attributed to the following: first, the effect of psychological climate on work engagement might operate primarily through mediators like gratitude and general self-efficacy rather than directly influencing engagement. Second, psychological climate may be perceived differently by employees, depending on their individual or situational factors, which could weaken its direct impact. Lastly, in small

businesses, external factors like job insecurity or limited career growth might moderate or weaken the direct effect of the psychological climate.

4.4. Discussion

The findings of this study provide nuanced insights into the relationship between psychological climate, gratitude, general self-efficacy, and work engagement. While the direct influence of psychological climate on work engagement (Hypothesis 1) was unsupported, the indirect relationships mediated by gratitude and general self-efficacy were significant, confirming Hypotheses 2 and 3. These results suggest that while psychological climate plays a foundational role in shaping workplace experiences, its impact on work engagement may be more complex and mediated by personal psychological resources.

One possible explanation for the lack of direct influence is that psychological climate alone may not be sufficient to directly drive work engagement in small business contexts. Unlike larger organizations, small businesses often operate in resource-constrained environments where employees may prioritize immediate and tangible motivators, such as financial rewards or job security, over perceived psychological support. Additionally, employees in small businesses may experience a blurred distinction between professional and personal relationships, potentially diluting the motivational impact of the psychological climate.

Another plausible reason is the potential variability in how psychological climate is perceived across employees. Individual differences, such as personality traits, resilience, or prior work experiences, could moderate how employees interpret and respond to their work environment. For example, employees with low optimism or high-stress levels might struggle to fully benefit from a positive psychological climate, which could attenuate its direct impact on engagement.

The significant mediating roles of gratitude and self-efficacy highlight the importance of emotional and cognitive mechanisms in translating a supportive psychological climate into higher engagement. Gratitude fosters positive emotional states, strengthening interpersonal relationships and reinforcing an employee's sense of purpose. Similarly, self-efficacy empowers individuals to approach challenges proactively, bridging the gap between psychological climate and sustained work engagement. These findings underscore the need to consider the interplay between organizational context and personal psychological attributes when examining workplace behaviors.

5. CONCLUSION

This study highlights the critical roles of gratitude and general self-efficacy as mediators in the relationship between psychological climate and work engagement, emphasizing the importance of emotional and cognitive processes in fostering workplace motivation. While the direct influence of psychological climate on engagement was unsupported, the findings offer valuable theoretical and practical insights for small business contexts. By addressing the identified limitations and extending the scope of inquiry, future research can further refine our understanding

of these relationships and contribute to developing more effective strategies for enhancing employee engagement.

5.1. Theoretical Implications

This study contributes to the broader literature by challenging the assumption of a universal direct link between psychological climate and work engagement. Instead, it highlights the importance of mediating mechanisms, such as gratitude and self-efficacy, which serve as pathways through which psychological climate influences engagement. These findings align with the Job Demands-Resources (JD-R) model, which emphasizes the role of personal resources in enhancing the motivational impact of job resources. The results also extend existing theories by providing empirical evidence from small business contexts, a relatively underexplored area in organizational behavior research.

Furthermore, this study offers a refined perspective on psychological climate, suggesting that its influence may be contingent on individual and contextual factors. The findings encourage future research to explore potential moderators, such as personality traits, cultural norms, or job characteristics, that might shape the relationship between psychological climate and engagement.

5.2. Practical Implications

From a practical standpoint, the findings emphasize the need for small business leaders to go beyond creating a supportive psychological climate. While fostering trust, fairness, and recognition remains important, these efforts should be complemented by strategies that enhance employees' gratitude and self-efficacy. For example, leaders can implement gratitude-building initiatives, such as recognition programs or team-building activities, to cultivate positive emotional states among employees. Providing training opportunities and constructive feedback can also strengthen employees' confidence in their abilities, enabling them to approach challenges with greater resilience.

Moreover, the results suggest that interventions should be tailored to address the unique challenges of small business environments. Leaders should focus on fostering strong interpersonal connections and empowering employees to take ownership of their roles, ensuring that the benefits of a positive psychological climate are fully realized. By integrating organizational and personal resource-building strategies, small businesses can create a more engaged and motivated workforce, contributing to their long-term sustainability and success.

5.3. Limitations and Suggestions for Future Research

This study has several limitations that should be acknowledged. First, the use of purposive sampling limits the generalizability of the findings to other organizational contexts or geographical locations. Future research could adopt a more diverse sampling approach to validate these results across different industries or cultural settings. Second, the cross-sectional design precludes establishing causal relationships among the variables. Longitudinal studies are recommended to better understand the dynamic interplay between psychological climate, gratitude, self-efficacy, and work engagement over time.

Additionally, the reliance on self-reported data may introduce common method bias. Future studies could integrate multi-source data, such as supervisor evaluations or peer assessments, to enhance the robustness of the findings. Lastly, potential moderating factors, such as individual traits (e.g., resilience or optimism) or external job demands, were not examined in this study. Future research could explore these moderating variables to provide a more comprehensive understanding of the mechanisms underlying work engagement.

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