IMPACT OF LEADERSHIP ON EMPLOYEE INNOVATIVE WORK BEHAVIOR: A NATIONWIDE EMPIRICAL STUDY

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ABSTRACT: *Islamic banking sector is one of the fastest growing sectors in Pakistan for the last two decades. But it has been facing very tough competition from the conventional banking sector. Being experienced in the market, conventional banks are introducing more and more innovative products, services, procedures and systems to their customers for better business results. Now, there is a dire need for the Islamic banking sector to enhance employee innovative work behavior (EIWB) to mitigate the challenge of innovation, to compete with conventional banks and to survive in the dynamic financial market. The current study investigates nine leader behaviors that can impact/enhance EIWB. A nationwide empirical study was conducted with a sample of 387 from different branches in all major cities of Pakistan. Quantitative techniques were used for the research and data were collected in non-contrived settings. The findings of the study concluded that five leader behaviors: recognizing, delegating, intellectual stimulation, rewarding and support for innovation have a positive significant impact on EIWB in Islamic banking sector of Pakistan. These behaviors enhance innovative behavior among the target respondents. On the other hand, informing, role-modeling and providing vision were not found to have any significant relationship with EIWB. So three hypotheses were rejected and the study sought to provide a different notion in the current research settings if compared to the past studies conducted in other countries. However, monitoring has a negative significant impact on EIWB. It shows that excessive monitoring by the managers decreases EIWB. Recommendations for policymakers and suggestions for the future researchers are also discussed.*

Key words: Leader behavior, Employee innovative work behavior, the Banking sector of Pakistan.

1. INTRODUCTION

The banking sector is one of the most successful sectors in Pakistan. Being citizens of an Islamic country, people are getting more and more interested in Islamic Banking. Interest-free banking brings more attraction for the customers. State Bank of Pakistan established a separate department in 2003 with an aim to develop Islamic Banking in Pakistan. Since then, Islamic banking is progressing at a fast pace for the last three decades [1]. Islamic banking is facing tough competition with conventional banking. Conventional banking has a long history and experience of developing their business. Many initiatives are taken by conventional banks to increase employee innovation to keep an edge over Islamic Banking. Innovative methods to serve customers are strongly linked with customer satisfaction [2]. So Employee Innovative Work Behavior (EIWB) helps introduce new products, unique services, and innovative processes to achieve business excellence. This paradox requires enhanced EIWB in Islamic banking so that it can compete with conventional banking. EIWB is a dire need for Islamic Banking to survive in the current competitive market of Pakistan.

This study explores the ways to enhance EIWB through leader behaviors. The extant literature has revealed a strong nexus between some leader behaviors and EIWB in some specific work environments. Nine leader behaviors are shortlisted that had more impact on EIWB after an intensive literature review. Hypotheses are developed to test the study. The researchers collected the data from 387 employees of Islamic banks from eight different cities from all over Pakistan to ensure maximum coverage of target respondents.

1.1 Purpose of the Study

The purpose of the study is to investigate the ways to enhance EIWB through effective leader behaviors. Hence, the study aims to explore the impact of leader behaviors on employee innovative work behavior in Islamic banking sector of Pakistan

2. LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Employee innovation and creativity can make a difference for any organization. Innovative employees can bring innovation in products, services, plans, processes and systems that in turn gives a competitive advantage to the organization over the others. The current study is an empirical investigation that explores leader behaviors that can affect employee innovative work behavior (EIWB). Literature reveals that Rewarding helps to create innovation among employees. A study reported that financial incentives encourage employees to perform with creativity [3]. We have explained if rewards are linked with innovative performance, employees perceive that the management expects innovations from them. This perception creates a will for more innovation among employees. The findings explained that specifying rewards in the form of bonus, increment and other allowance for innovative behaviors leads to inculcate innovation among employees' behaviors [4]. An extensive review of the literature revealed that Monitoring is a leader behavior that has a negative relationship with EIWB in most of the studies. [5] conducted a comparison between two innovative and creative teams. The researcher observed that the team which was not successful for innovation has a manager who used to give more orders, interfere with their work, conduct close supervision and check their work quite often. [6] claimed in a study conducted in Nigeria on more than 400 employees that the employees who performed better in quality management with more creativity and brought more innovative ideas had supervisors who were not doing much monitoring and close supervision.

According to past studies, Informing is another significant predictor of innovation among employees. [7] demonstrated that interactive and effective communication helps employees to work on new ideas, innovative solutions and unique ways to perform their tasks at job. [8] performed an empirical study on banking projects. They reported a significant relationship between informing and EIWB. Another study concluded that employees perform effectively and innovatively if their trustworthy leaders provide clear and complete information about work [9].

Others [10] and [11] found that if employees are provided with a clear vision of innovation, it impacts employee creativity and innovation in a positive fashion. The next leader behavior which is important to impact EIWB is Delegating. [12] Contend that employees exhibit better innovation in their routine tasks if they are given more freedom and authority to work as per their own will. [13] revealed in an empirical study on the knowledge workers of 36 different companies to investigate the link between delegation and innovation. The study revealed that a strong positive nexus is evident between delegating EIWB. The study of the literature helped to know that Supporting for Innovation is an effective leader behavior for employee innovation. A study reported that Support for Innovation motivates employees to bring innovation and creativity in their work [14]. It was observed that people working in the research and development sector feel more encouraged for innovation and creativity when they get support for innovation from their management [15].

Recognizing is also testified as a significant predictor of EIWB. If bosses give value to employees' innovation and praise their creativity, it enhances innovative behavior among employees. Recognition for innovative ideas compels employees to think out of the box and introduce innovative ways of work at their jobs [16]. Role Modeling is a vital leader behavior that creates innovation among followers. They explored that leaders can modify employees behavior by showing self-examples, guidance and mentoring. Hence, such leaders can also boost employee innovative work behavior. [17] illustrated in a study that innovative behavior of employees and taking interest in creative ideas stimulate subordinates to work more innovatively just like their leader, mentor or role model.

The last leader behavior that is extracted from the literature is intellectual stimulation. [18] claimed that leaders who are expert in intellectual stimulation could enhance EIWB. Intellectual stimulation is positively correlated with employee innovative work behavior in R&D organizations [19]. Hence, a strong relationship between leadership and EIWB is evident in the literature. From the above insight from literature, the following nine hypotheses are proposed: (references completed)

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Hypothesis 1a: There is a positive relationship between Rewarding and EWIB

Hypothesis 2a: There is a positive relationship between Monitoring and EWIB

Hypothesis 3a: There is a positive relationship between Informing and EWIB

Hypothesis 4a: There is a positive relationship between Providing vision and EWIB

Hypothesis 5a: There is a positive relationship between Delegating and EWIB

Hypothesis 6a: There is a positive relationship between Supporting and EWIB

Hypothesis 7a: There is a positive relationship between Recognizing and EWIB

Hypothesis 8a: There is a positive relationship between Role Modeling and EWIB

Hypothesis 9a: There is a positive relationship between Intellectual Stimulation and EWIB

3. METHODOLOGY

This is an empirical study conducted using a quantitative method. A survey was developed and distributed to collect data in non-contrived settings at different branches of Islamic Banks. Hypotheses were tested through regression analysis. The units of analysis are the employees of Islamic Banks operating in Pakistan.

3.1 Instrument

The study measured Leader behaviors and EIWB through a total of 36 items out of which, twenty-seven items were meant to measure leader behaviors while nine items were meant to measure EIWB. Five Point Likert scale was used for the questionnaire, where coding is used in this way: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree. The instrument was developed by taking these items from different scholars. These scholars included [13, 16, 20, 21]. Authentication of validity was specially considered while selecting items for the questionnaire.

3.2 Sampling Procedure

Simple random sampling method was used to ensure the probability of equal chance for the respondents to be selected. Data were collected from 8 major cities of Pakistan (Lahore, Karachi, Islamabad, Peshawar, Quetta, Faisalabad, Multan and Gujranwala) which are located at diverse places geographically. There are 1314 branches of Islamic Banks with more than 13,600 employees throughout the country (SBP, 2014). In total, 450 questionnaires were distributed out of which 387 were accurately filled and received back. Kaiser-Meyer-Olkin (KMO) & Bartlett test was applied to verify sample adequacy of the study. City wise sample composition is given in the following section.

3.3 Sample composition

Following table 1 shows city wise sample composition

Table 1: City wise survey distribution detail

	ISB	LHR	KHI	Peshawar	Quetta	Gujranwala	Multan	FSD	**Total**
Respondents Approached	46	106	95	37	28	45	34	59	**450**
Survey Received	41	96	78	33	26	38	29	46	**387**

3.4 Data Collection

Data were collected through a well-structured questionnaire. Diverse data were collected to ensure maximum representation of the population from the whole country. First of all, permission was obtained from the management to collect the data from each branch. Then the questionnaires were distributed through a web link of google forms. Majority of the employees filled the online forms. However, a few employees gave an excuse that their busy routine did not allow them to complete the form. At the end, 387 questionnaires were received by the researchers which were filled properly. Then this data was entered and coded in SPSS for further analysis.

4. DATA ANALYSIS

4.1 Validity and Reliability of Data

The data were tested to confirm validity and reliability. Confirmatory Factor Analysis (CFA) was done for the verification of data validity. All forty-three question items had the values between 0.572 and 0.911. That means all items are fulfilling the criteria which is ≥ .40 that was presented by [22].

Cronbach's Alpha was used to check the reliability of the data. Data pertaining to all variables were reported as reliable and the values were more than 0.50 which is the rule of thumb. As Cronbach's Alpha 0.60 or more is generally considered well acceptable for the criteria of reliability [23].

4.2 Model testing

Table 2: Overall Model Summery

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
	1	0.875[a]	0.766	0.76	0.56215

Table 3: Correlation analysis

Vaiables	Mean	St. Deviation	Rewarding	Monitoring	Informing	Providing Vision	Delegating	Support for Innovation	Recognizing	Role Modeling	Intellectual Stimulation	EIWB	Pro-Innovation Organizational Climate
Rewarding	3.007	1.25	1										
Monitoring	2.759	1.419	-0.239	1									
Informing	3.09	0.91	0.619	-0.094	1								
Providing Vision	2.909	1.035	0.584	-0.018	0.728	1							
Delegating	3.491	1.249	0.68	-0.445	0.54	0.409	1						
Support For Innovation	3.497	1.17	0.627	-0.395	0.602	0.5	0.847	1					
Recognizing	3.521	1.21	0.62	-0.439	0.587	0.485	0.839	0.907	1				
RoleModeling	3.053	1.000	0.6	-0.08	0.739	0.715	0.518	0.595	0.571	1			
Intellectual Stimulation	3.386	1.097	0.59	-0.285	0.521	0.434	0.772	0.742	0.744	0.558	1		
EIWB	3.52	1.149	0.634	-0.48	0.534	0.447	0.808	0.813	0.835	0.537	0.721	1	
Pro-Innovation Organizational Climate	3.153	1.049	0.7	-0.399	0.578	0.481	0.723	0.745	0.772	0.562	0.698	0.794	1

4.3 Correlation analysis

Table 2 shows model summery where a strong relationship is evident with a value of 0.875 (87.5%). The model is explaining the scenario with a reasonable value of 0.766 (76.6%)

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Table 3 is revealing the correlation among the variables. All independent and dependent variables have either a positive or negative correlation with each other. It reflects a logical notion for further regression analysis to test the hypotheses

4.4 Hypothesis testing

Table 4: Hypotheses testing

Hypothesis No.	Independent Variable	Dependent Variable	Regression Co-efficient	t-Magnitude	Decision
1a	Rewarding	EIWB	0.092*	2.358	**Accepted**
2a	Monitoring	EIWB	-0.146**	-4.956	**Accepted**
3a	Informing	EIWB	0.013	0.309	**Rejected**
4a	Providing Vision	EIWB	0.022	0.552	**Rejected**
5a	Delegating	EIWB	0.174*	3.015	**Accepted**
6a	Support For Innovation	EIWB	0.133*	2.022	**Accepted**
7a	Recognizing	EIWB	0.335**	5.183	**Accepted**
8a	Role Modelling	EIWB	0.037	0.882	**Rejected**
9a	Intellectual Stimulation	EIWB	0.120*	2.847	**Accepted**

*** p < 0.001 , * p < 0.05, p > 0.05 (insignificant)*

Table 4 shows regression analysis which reveals that out of 9 hypotheses, five are accepted and the remaining three are rejected on the basis of statistical values. Informing, providing vision and role modeling have not any significant relationship with EIWB. These results are in contradiction with some of the past studies whereas hypotheses 1a, 2a, 5a, 6a, 7a, and 9a are accepted because of the significant value of regression coefficient. The strongest relationship was found between recognizing and EIWB ($\beta = 0.335$, p-value < 0.001). That generates a notion that recognizing brings 33.5% change in EIWB in positive terms. The second most effective variable is delegation that brings a positive change in EIWB ($\beta = 0.174$, p-value < 0.001). Providing vision is the third predictor of EIWB that creates 13.3% change in EIWB. As per findings $\beta = 0.133$, and p-value < 0.05. Intellectual stimulation ($\beta = 0.120$, P-value < 0.05) has also a positive significant impact on EIWB. Rewarding is the weakest positive predictor of EIWB which brings 9.2% change in EIWB ($\beta = 0.133$, p-value < 0.05) whereas monitoring is negatively related to EIWB. The findings of the study show that monitoring by the supervisors decreases EIWB among employees. Data analysis confirms the notion of this hypothesis and this is also similar to the conclusion of the research work done by [6], in which he concluded that monitoring and close supervision by the managers reduce innovative work behavior among employees. On the other hand, findings of the data analysis revealed that three hypotheses were rejected because of insignificant p-values (*P > 0.05).* So informing, role modeling and providing vision have not any significant impact on EIWB among the target respondents of the study.

5. CONCLUSION

Employee innovative work behavior is vital for the Islamic Banking sector because of its cut-throat competition with conventional banks. It is an established fact that conventional banks have a long history and experience in the Pakistani market and they have been introducing more innovation to their business. In this situation, there is a dire need for the Islamic banking sector to enhance innovative behavior among their employees to cope with the current competitive market with conventional and international banks. This study explored the leader behaviors which are good predictors of employee innovative work behavior (EIWB) among the leaders of the Islamic banking sector. Nationwide research was conducted for the purpose. Findings of the study revealed that recognition, delegation, intellectual stimulation, rewarding and support for innovation are significant predictors of EIWB in the banking sector of Pakistan. These findings are in line with the previous studies conducted by [3, 14, 15, 16, 19]. Another interesting result revealed a negative impact of monitoring on EIWB. This result is in line with the previous study conducted by [6]. This result shows that close supervision and excessive monitoring decrease EIWB whereas the three remaining hypotheses were rejected and the study concluded that informing, role modeling and providing

vision had not any significant relationship with EIWB in the current dynamics of Islamic banking sector of Pakistan. These three results are contradictory to the past researches concluded by [7, 11, 19]. This might be because of local perceptions about less importance of providing vision and less value of seeking one-sided information in concurrent culture. Similarly, if the leader shows innovation in his work as a role model, it also has no impact on employees' perception to change their own behavior towards innovativeness.

5.1 Policy Implications & Future researches

The study recommends that higher management of the Islamic banking sector should strive to boost behavior of recognizing, delegation, intellectual stimulation, rewarding and support for innovation among the managers to increase EIWB in their teams even at branch level.

Special training and leadership development programs should be introduced to improve the five significant leader behaviors among managers and people with supervisory roles in the banks.

Higher management should check unnecessary monitoring and micromanagement by the managers because it decreases EIWB among the employees in the Islamic banking sector.

Future researchers can use moderating variables in the current model such as organizational culture, resources, appraisal system, and communication lines.

Other leader behaviors can also be investigated to explore their relationship with EIWB.

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