

The Role of Paternalistic Leadership on Fostering Employees' Innovative Behavior: Moderating Effects of Job Insecurity

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Abstract- *Employees' innovative behavior is critical for organizations to be successful and survive among competitors. In this regard, managers have the potential to foster the innovative behavior of their subordinates. This study focuses on the effect of paternalistic leadership on employees' innovative behavior and examines the moderating effect of job insecurity. This research is based on quantitative methods and was through a sample of 219 employees from Malaysian SMEs. The collected data was analyzed via Structural Equation Modelling–Partial Least Square (SEM-PLS). The findings showed a significant relationship between paternalistic leadership and employees' innovative behavior. The statistical results also showed the negative interaction of job insecurity on relationship between paternalistic leadership and innovative behavior. This study contributes theoretically to leadership and innovation literature and offers a practical contribution to managers of Malaysian SMEs by highlighting the effect of paternalistic leadership on innovative behavior and the effect of job insecurity in the above-mentioned relationship.*

Keywords- *Paternalistic Leadership; Innovative Behavior; Job Insecurity*

1. INTRODUCTION

A competitive and dynamic business environment forces organizations to be innovative and compete for success with their competitors. The important role of innovation puts pressure on organizations to capitalize on their employees' creative potentials. In considering his or her employees, a manager can be one of the most influential sources of fostering innovative behavior in an organization. In this regard, leadership has become an area of interest for both researchers and practitioners. Among leadership styles, paternalistic leadership is the one that needs more investigation because of the existence of different views between Western and Eastern countries and cultures. For example, previous studies by Erben and Guneser (2008) and Aycan (2006) indicated that Western societies saw paternalistic leadership negatively while Eastern cultures sought paternalistic leadership as an appropriate characteristic of authority. Pelligrini and Scandura (2008) posited that theoretical literature on paternalistic leadership had grown in the last two decades, but there is a lack of empirical studies in this area. This study was designed, therefore, to investigate the possible relationship between paternalistic leadership and employees' innovative behavior, using employees of

SMEs in Malaysia as the country of choice governed by eastern culture. In addition, job insecurity is a considerable issue for employees, which affects their performance as well as their work behavior. This study also aims to investigate the moderating role of job insecurity on relationship between paternalistic leadership and the innovative behavior of employees.

2. LITERATURE REVIEW

2.1 Individual Innovative Behavior

In an uncertain and fast-changing world of business, innovation is significantly important for organizations. In other words, growth, success and the survival of organizations essentially depend on innovation. In this regard, innovation depends on the abilities of employees to be innovative. Since employees are an essential source of innovative behavior, organizations are mainly dependent on innovative employees. Therefore, many researchers and practitioners, such as Unsworth and Parker (2003) and Smith (2002), have recommended that the innovative behavior of employees helps organizations to attain organizational goals and favorable outcomes.

An individual's innovative behavior was defined by West and Farr (1990) as the intentional behavior of an individual

to introduce and/or apply new ideas, products, processes and procedures to his or her work role, unit or organization. Based on this definition, both the 'introduction' and the 'implementation' or 'application' of new ideas, products, processes and procedures are included as pertaining to innovative behavior. It should also be noted that the term 'new' in the above definition does not necessarily mean 'new to the field' but rather new to the relative unit of analysis. For example, the introduction of new technology – which has not been used in the organization before – by an employee, is also considered as innovative. According to Van de Ven (1986), individual innovative behavior is a combination of administrative innovation and technical innovation. Administrative innovation refers to the introduction and/or application of new procedures and policies, whereas technical innovation is the introduction and/or application of new technologies, products and services. Lee (2008) mentioned that developing the potential innovative behavior of employees is directly related to the productivity and effectiveness of an organization. In accordance with Scott and Bruce (1994) and Janssen (2000), innovative behavior was conceptualized as a complex behavior involving activities pertaining to both the generation and introduction (either by oneself or adopted from others) and the realization or implementation of new ideas. It should be noted that, based on Janssen's (2000) definition, this study examines employees' innovative behavior as the overall concept of innovative behavior.

2.2 Paternalistic Leadership

Research on paternalistic leadership increasingly has flourished in the last two decades. Paternalistic leadership may be defined as "a father-like leadership style in which strong authority combined with concern and considerateness" (Pelligrini & Scandura 2008, p. 567). Paternalism also refers to the "hierarchical relationship in which a leader guides professional and personal lives of subordinates in a manner resembling a parent, and in exchange expects loyalty and deference" (Gelfand et al., 2007, p. 493). Paternalism goes back to the early work of Max Weber which considered paternalism as one form of legitimate authority. According to the study by Weber (1968), paternalistic leadership was distinguished as three types of legitimate dominations – traditional, charismatic and bureaucratic – in the areas of economy and society. Paternalistic leadership is defined by Farh and Cheng (2000, p. 84), as a style that "combines strong discipline and authority with fatherly benevolence and moral integrity couched in a personality atmosphere". According to Aycan (2006), in paternalistic relations the leader acts like a father, a close friend or a brother who is involved in employees' personal lives and who has the right to expect personal favors from them. Prior studies considered paternalism as an effective leadership style in many non-Western cultures, Farh et al. (2006), Pellegrini and Scandura (2006), and Martinez (2003) are amongst researchers who conducted research in this regard.

Nevertheless, Uhl-Bien and Maslyn (2005) indicated that paternalistic leadership equated to authoritarianism in the Western context, despite the negative correlation reported between paternalism and authoritarianism (Aycan & Kanungo, 1998).

In general, paternalistic leadership is considered a leadership style that its main focus is centered around employees' welfare. In paternalistic leadership a leader cares and protects in a genuine way that holds the loyalty of employees out of respect and appreciation for the leader's benevolence. In a contrasting point of view, the study by Aycan (2006) indicated that the relationship in an authoritarian relationship is based on control and exploitation, which makes subordinates conform solely to avoid punishment. Aycan (2006) also posited that "the negative association between paternalism and authoritarianism indicates that once exploitation replaces benevolence and control replaces concern, the relationship moves away from paternalism and toward authoritarianism".

Culture is considered a factor related to paternalistic leadership; a collectivistic culture desires a paternalistic leader who is involved in employees' personal lives, but in an individualistic culture the same leadership style could be perceived as a violation of privacy. Hence, paternalism is congruent with the values of collectivistic and high-power distance cultures. In considering the association between leaders' behavior and employees' innovative behavior, Jond and Hartog (2007) examined in depth the relationship between leader behaviors and employees' innovative behavior. The study was provided as an inventory of leader behaviors that enhance employees' innovative behavior. In this regard, Jong and Hartog (2007) found 13 leadership behaviors relevant to employees' innovative behavior, which included both idea generation and application behavior. They concluded that "leaders influence employees' innovative behavior both through their deliberate actions aiming to stimulate idea generation and application as well as by their more general, daily behavior" (De Jong & Hartog, 2007).

According to the above-mentioned issues of cultural concern and the association of leadership and innovation, this study aimed to test whether or not paternalistic leadership had a relationship with employees' innovative behavior among Malaysian SMEs, by testing the following hypothesis; H₁: Paternalistic leadership has a positive relationship with employees' innovative behavior.

2.3 Job Insecurity

There has been increasing attention on Job Insecurity (JI) over the last decade among researchers such as Westman et al. (2001), Kinnunen et al. (2000), and Rosenblatt and Ruvio (1996). The first attempt at researching job insecurity was by Greenhalgh and Rosenblatt (1984), which defined the term as the "perceived powerlessness to maintain desired continuity in a threatened job situation" (p. 438). They also defined job insecurity as an experience of being "powerless to maintain desired continuity in a

threatened situation". Their study argued that job insecurity is based on an individual's perceptions and interpretation of the immediate work environment. The research conducted by Ashford et al. (1998), which was based on Greenhalgh and Rosenblatt (1984), indicated that the threat of job loss, either overall job loss or any dimension of one's job, and the erosion of any employment condition may cause job insecurity. Job insecurity has also been described as:

- "An overall concern about the future existence of the job" (Rosenblatt & Ruivo, 1996, p. 587);
- "A discrepancy between the level of security a person experiences and the level she or he might prefer" (Hartley et al., 1991, p. 7);
- "The subjectively experienced anticipation of a fundamental and involuntary event" (Sverke et al., 2002, p. 243).

Two important aspects of job insecurity, based on Greenhalgh and Rosenblatt (1984), are fear of total job loss and fear of loss of job features. Job insecurity has usually been conceptualized from two points of view – global and multi-dimensional. These two concepts have been defined as quantitative and qualitative respectively, by Hellgren et al. (1999). Kinnunen et al. (2000) defined the global view of job insecurity as the threat of job loss or job uncertainty while Mauno and Kinnunen (2002) defined the multi-dimensional definition of job insecurity as the continuity of certain dimensions of the job, such as fluctuations in daily work hours or opportunities for promotion.

Generally, previous research indicated that the effect of job insecurity on employees included productivity and efficiency and organizations as well (Sverke et al., 2002). In addition, Goslinga et al. (2005) determined the relationship between job insecurity and several work-related behaviors and attitudes of employees. In this regard, this study aimed to investigate the moderating effect of job insecurity on the relationship between paternalistic leadership and employees' innovative behavior based on the testing of the following hypothesis: H₂: Job insecurity moderates the relationship between paternalistic leadership and employees' innovative behavior.

3. RESEARCH METHODOLOGY

This research was based on cross-sectional study design and quantitative methodology. Initially the questionnaires were adopted from previous studies and a pilot study was conducted to make sure about the reliability of the questionnaire. Due to the important role of SMEs as the backbone of the country's economy, this study selected Malaysian SMEs as the sample. By the same token, the conducted study by Abdul et al. (2013) posited that "In Malaysia, SMEs are an important segment of the economy and represent 99.2% of the total business establishments in Malaysia". Therefore, this study also aimed to focus on employees of Malaysian SMEs. Respondents were asked

to rate related questions about their innovative behavior, job insecurity and the behavior of their leaders, which was paternalistic leadership in this study.

Innovative behavior was assessed via nine items of the 5-Likert scale by Janssen (2000) which is based on Scott and Bruce's (1994) scale for individual innovative behavior in the workplace. The response format ranged from '1=Never' to '5=Always', and the nine items refer to idea generation, idea promotion and idea realization, as follows: (1) creating new ideas for difficult issues (idea generation); (2) searching out new working methods, techniques or instruments (idea generation); (3) generating original solutions for problems (idea generation); (4) mobilizing support for innovative ideas (idea promotion); (5) acquiring approval for innovative ideas (idea promotion); (6) making important organizational members enthusiastic for innovative ideas (idea promotion); (7) transforming innovative ideas into useful applications (idea realization); (8) introducing innovative ideas into the work environment in a systematic way (idea realization); and (9) evaluating the utility of innovative ideas (idea realization). Since previous research showed a high inter-correlation among idea generation, idea promotion and idea realization (Scott & Bruce, 1994), this study conceives the combination of them as an overall scale for innovative behavior.

Paternalistic leadership was measured via a questionnaire, which was adopted from Aycan et al. (2000). This measurement consisted of five items which were scored on a 5-likert scale in such a way that the score of 5 represented 'strongly agree' while the score of 1 represented 'strongly disagree'. Since job insecurity is considered a moderating variable in this study, it is measured based on the global definition which considers the threat of job loss or job discontinuity. The measurement was developed by Greenhalgh (1982), and included the four items of "I am worried about the possibility of being fired", "I am not worried about my job's future", "the thought of getting fired really scares me", and "I am certain that my job will continue for a long time". The global measurement of job insecurity is responded to on a 5-point Likert scale from 1 = strongly agree to 5 = strongly disagree. A total of 219 questionnaires were used for the purpose of data analysis. In the initial process of data analysis, collected data were entered into SPSS and the obtained data analyzed through the Structural Equation Model – Partial Least Square (SEM-PLS).

4. RESULTS

This study was designed based on quantitative methodology which employed SEM-PLS to do the data analysis. The measurement model and structural model were tested and are presented in the following sections. The demographic data of respondents, which was initially analyzed through SPSS, indicated that 38.8% of the respondents were male and 61.2% female. According to categorization of the sample by level of education, 22.4%

had a diploma, 57.1% had a bachelor degree, 15.5% had a master's degree, 2.3% had doctorate and 2.7% had other professional certifications. Categorization by age indicated that 0.9% of employees were under 20 years of age, 38.8% were between 21 and 30 years of age, 42% were between 31 and 40, 18.3% were in the 41–50 age group, and there were no participants over the age of 51. In terms of race or ethnic group, 61.6% of employees were Malay, 26.5% were Chinese, 10.1% were Indians and 1.8% belonged to other ethnicities or racial groups. The demographic data of respondents is presented in Table 1.

4.1 Measurement Model

The measurement model is considered the primary step of analysis through SmartPLS to examine internal consistency reliability, convergent validity and discriminant validity. According to Nunnally (1978), the reliability coefficient is confirmed by a value of 0.7 and above Cronbach's alpha. The results of the measurement model of this study indicated that Cronbach's alpha(s) in all constructs were above 0.8 as shown in Table 2.

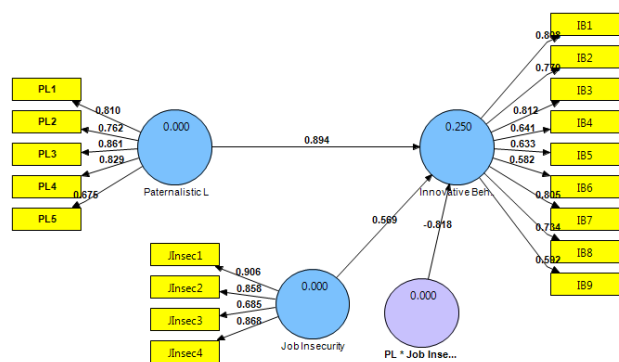


Figure 1. Measurement Model

The composite reliability is also ascertained to determine internal consistency reliability. The accepted value for composite reliability is the greater value of 0.6, which is defined by Hock and Ringle (2006). The results of this study showed that the composite reliability of all measures in this study was above the value of 0.8 as presented in Table 2.

Convergent validity is determined by Average Variance Extracted (AVE) that shows the average communality for each latent variable. According to Hock and Ringle (2006), the accepted value of AVE should be greater than 0.5 in an adequate model. Consequently, the discriminant validity was observed to specify whether the latent variable measures the variance of its own indicators better than the variance of other latent variables (Fornell & Larcker, 1981). This study also compared the square root values of AVE with the correlations between the latent constructs. Thus, the analysis of discriminant validity revealed higher values of square root values of AVE for each construct of this study in comparison with its correlation estimates with other constructs. Therefore, all constructs in the measurement model were found to be distinguishable. The

results of the measurement model are presented in Figure 2 and Table 2.

4.2 Structural Model

Followed by the implementation of a measurement model, the structural model was conducted to test the research model and hypotheses. In this regard, the path coefficient, the level of significance and the R^2 value needed to be examined. The path coefficients indicate the strength of the relationships between the independent and dependent variables. In addition, according to Chin and Frye (2003), R^2 was examined to measure the predictive power of the model for dependent variables. The R^2 is based on the values defined by Hock and Ringle (2006), as the values of 0.67, 0.33 and 0.19, as substantial, moderate and weak cut-offs respectively. Based on Bentler's (1990) study, the significance of path coefficients show support for hypothesized relationships; additionally, the method of a bootstrap resampling also is associated with SmartPLS (Ringle et al., 2005), to evaluate the significance of the path coefficients of the structural model.

Based on the objective of this study, the relationship between paternalistic leadership and employees' innovative behavior was examined. The related hypothesis was tested based on the path coefficients, which was generated by bootstrap procedures through the structural model of SmartPLS. The statistical results indicated that the value of R^2 was assessed as 0.25 for employees' innovative behavior. Table 3 presents the results of the structural model.

Consequently, the statistical result of this study supported the first hypothesis; H_1 : Paternalistic leadership has a positive relationship with employees' innovative behavior. In this regard, the value of path coefficient was 0.89 with the T Statistic of 3.36 at a 0.01 level of significance. The results are presented in Table 3. In addition, the moderating effect of job insecurity was tested on the relationship between the paternalistic leadership and employees' innovative behavior which is presented by H_2 . The statistical result of moderation testing was revealed in Table 3. Then, the statistics value of 1.74 at a 0.05 level of significance indicated the supported results of H_2 , which showed the significant moderation effects of job insecurity. In addition, the path coefficients of -0.82 indicated that job insecurity has a negative interaction effect on the relationship between paternalistic leadership and employees' innovative behavior; therefore, the statistical findings showed that the increasing job insecurity could negatively moderate the relationship between paternalistic leadership and employees' innovative behavior.

5. DISCUSSION

Based on the objective of this study, the relationship between paternalistic leadership and employees' innovative behavior was investigated among the employees of Malaysian SMEs. In addition, the role of job insecurity was examined as a moderating variable. The

statistical results supported the first hypothesis and revealed a significant relationship between paternalistic leadership and employees' innovative behavior. From a general point of view paternalistic leaders guide both the professional and personal lives of subordinates in a manner resembling a parent. Based on a previous study, conflicting practices in high-power-distance cultures have not been easy to reconcile for Western researchers (Aycan, 2006). Therefore, the perceptions of paternalism as combining benevolence with control of decision making have not been favorable among Western scholars. On the other hand, paternalistic leadership in Eastern countries and collectivistic societies may have different effects on employees' performance or work behavior. In this regard, as the results of this study showed, paternalistic leadership is positively related to the innovative behavior of employees of Malaysian SMEs in relation to their collectivist culture.

The results of the moderation test indicated the significant impact of job insecurity on the relationship between paternalistic leadership and employees' innovative behavior. According to Nawal et al. (2005), the perception of threat of job loss, known as job insecurity, is one of the most important stressors in contemporary work life. Based on the results of this study; however, paternalistic leadership has a strong relationship with employees' innovative behavior but job insecurity acts as a stressor that has a negative effect on the aforementioned relationship. Regardless of the existence of a considerate relationship between paternalistic leadership and employees' innovative behavior, fear of losing jobs could negatively influence subordinates' ability to be significantly productive and creative.

6. CONCLUSION

The important role of innovation for organizational survival in this competitive business world on one hand and considering the role of managers in fostering innovative behavior among employees on the other hand, this study was designed to examine the relationship between paternalistic leadership and employees' innovative behavior. Since in the past few decades, employees have faced new challenges such as changes in the workplace, the role of job insecurity was examined as a moderating variable in this study of employees of Malaysian SMEs. Overall, the hypotheses were supported by statistical findings that showed paternalistic leadership has impacted positively on fostering innovative behavior of employees; however, job insecurity has a negative interaction on this relationship. Meanwhile, paternalistic leadership has totally different effects on the two different cultures of Western and Eastern countries; more research on this area is required. Otken and Cenkci (2012) also suggested that further research on paternalistic leadership within the Eastern context would provide fruitful results. Since it is pivotal for managers to facilitate and encourage the innovative behavior of their subordinates, this study

contributes in a practical way to Malaysian SMEs in determining that paternalistic leadership significantly helps employees to be innovative in their jobs; though their job insecurity has a negative interacting effect.

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APPENDIX

Table 1: Employee Profile

Demographic of Employee		Frequency	Percentage
Gender:	Male	85	38.8
	Female	134	61.2
Level of Education:	Diploma	49	22.4
	Bachelor Degree	125	57.1
	Master Degree	34	15.5
	Doctorate Degree	5	2.3
	Others	6	2.7
Age:	20 or Under	2	0.9
	21 – 30	85	38.8
	31 – 40	92	42
	41 – 50	40	18.3
	51 and above	-	-
Race:	Malay	135	61.6
	Chinese	58	26.5
	Indian	22	10.1
	Others	4	1.8

Table 2. Results of the Measurement Model

	AVE	Composite Reliability	Cronbach's Alpha	Communality
Paternalistic Leadership	0.62	0.89	0.85	0.62
Innovative Behavior	0.51	0.90	0.88	0.51
Job Insecurity	0.70	0.90	0.85	0.70

Table 3. Results of the Structural Model

Path	Parameter Estimate	Sample Mean	Standard Deviation	Standard Error	T Statistics
Paternalistic Leadership → Employees' Innovative Behavior	0.89*	0.98	0.27	0.27	3.36
PL*JInsecurity → Employees' Innovative Behavior	-0.82**	-0.95	0.47	0.47	1.74

*** p<0.01; ** p<0.05; * p<0.01