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## Examining the Antecedents of Innovative Work Behavior: A Study of the Banking Sector

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### Abstract

*In rapidly changing environment innovative work behavior (IWB) is indispensable; however the research on innovative work behavior (IWB) is still scarce in relation to antecedents of innovative work behavior. Based on the social exchange theory and optimal distinctiveness theories the study has investigated the literature and observed transformational leadership and inclusive leadership as its antecedents in service sector. This study aimed to investigate the two different styles of leadership on innovative work behavior. The data was collected from banking sector with total number of 315 responses. The analysis was run on Structure Equational Modeling (SEM) with AMOS software. The finding revealed the both hypothesis of transformational leadership and inclusive leadership have significant positive impact on innovative work behavior. Both hypothesis one and two were accepted at level of at 0.00  $p < 0.5$ . At the end of study the theoretical, managerial implications, limitation and future recommendations are discussed.*

Key Words: Transformational leadership, Inclusive leadership and Innovative work behavior

### Introduction

In recent the rapidly changing environment the organizations are facing unprecedented changes globally. These changes may not only hinder the performance of employees but also the organizational success. As result the management of organizations always desires the employees to go beyond their duties assigned through their innovative behavior to stay competitive in the market. Innovation is a backbone of organization for achieving the competitive advantage and this can be achieved through the innovative work behavior of employees. The innovative behavior can only be achieved if the employees have trust on their leadership. (Younas,et.al.,

2022). According to Purwanto et al., (2020) almost 80% new ideas come from employees innovative work behavior. Organizations with low innovative work behavior face low performance of employees as well as of organization. Innovative work behavior is a multi-layer behavioral process that constitutes of creation, promotion and implementation of novel ideas (Saether, 2019) and relies on intrinsic motivation (Venketsamy, & Lew, 2024). The literature of employee innovative work behavior suggests the perceived organizational support for creativity a key factor among its several antecedents (El-Kassar, et al., 2022). Overall innovative work behavior is an individual level of behavior which is desired for overall all organizational success (Haris et al., 2023). However the relation of innovative work behavior with organizational factors is still a grey area that need to explored (Venketsamy, & Lew, 2024). The literature of innovative work suggests two broad category initiation and execution (Axtekk et al 2000) need attention of leadership for improvement of employee innovative work behavior.

Likewise, based on optimal distinctiveness theory the literature posits how the leaders can develop the belongingness at workplace (Way et al, 25021). Leadership has crucial role in the success or the failure of organizations through its vision mission and strategies (Bhatti, S. H). Decent organizations believe that the leadership plays a pivotal role in employee development so the role of leadership ought to be ethical when it concerns the employee behavior (Eva et al, 2021). The ethically concerned leadership always devises the strategies to create a competitive advantage thorough the opportunities for innovative work behavior of employees. According to the literature on leadership the Inclusive leadership and transformational behavior are conducive to create employee innovative. Following social exchange theory (Blau, 1964) when the management fulfills the need of employees on reciprocal bases, the show the positive attitudes and behavior and employee innovative behavior is amongst one of them (Pratiwi & Nawangsari, 2021). Transformational leaders help to solve the problems that occur on the way to work whereas inclusive leadership allows them to speak and share their opinion and ideas. Following the social exchange theory transformational leaders helps developing perceived organizational support among employees that highlights the employees' positive attitude when the leadership provides the assistance to the employees when needed. (Utomo, et al., 2023). In contrast the lack of perceived organizational support reduces the employee motivation for innovative work and sharing ideas. According to literature on leadership the positive leadership encourages innovative work behavior at work.

Similarly the service based industry is expected to go beyond the client expectations and like every service organization almost the banking sector globally also seeks innovative ways to improve their performance (Othman et al., 2020) due to the pressure of external stakeholders and technological changes. Employees are the only source that can help bring change for them. The innovative behavior can be from simple idea to every technical skill of the human resource that improves the organizational performance. Going through the literature of banking industry, it has been observed that banking employees need to manage the innovative work behavior in today's rapidly changing environment (Nurisman, et al., 2024). The innovative work behavior helps improving service innovation and strengthens the bond between customers and organizations (Zhang et al., 2022). These relations motivate the employees for excellence service delivery. Therefore the banking industry in developing countries like Pakistan ought to build strong relations with its stakeholders by motivating their employees' innovating behavior. As a result, the leadership that strive for motivating their employees for quality service can successfully stir the innovative work behavior among employees (Akram et al., 2020). The literature review posits that most of the studies on innovative behavior have been conducted in the developed countries and comparatively less is investigated in the developing countries. However, it is the problem of every organization globally due to drastic changes in the technology globally that can be better addressed by the human resource. Thus the purpose of this study is to investigate impact of leadership styles on Innovative work behavior in the banking sector of Pakistan.

## **Literature Review**

### **Transformational Leadership and Innovative Work Behavior**

Transformational leadership is a unique trait that influences the employees to perform beyond expectations (Li H., 2019). The literature of leadership found to increased in the last decade (Sudibjo & Prameswari, 2021) and play a vital role for evoking innovative behavior. According to Kim and Park (2020) the transformational leadership make employee encouraged by providing them support in multifaceted work condition. Transformational leader personally meet the employee to grow their innovative behavior by putting solution in their work (Li H., 2019). As result employee generate new ideas and process them from individual level to organizational level (Farr& Ford, 1990). Transformational leaders are taken as more trustworthy and realistic with ability to develop an exceptional organizational culture that move employees

for innovative work behavior (De Groot, 2000). The inspirational and intellectual stimulation is key elements of transformational leadership and the leaders who try to present their supporting role have positive impact on delivering innovative behavior among their employees. Thus it is hypothesized that:

**H1:** Transformational Leadership has positive impact on Innovative Work Behavior

### **Inclusive leadership and Innovative Work Behavior**

The concept of inclusive leadership was initially introduced in 2006 by (Nembhard and Edmonson, 2006) as empathetic interaction with employees and later Carmeli et al., (2010) associated it with visibility and accessibility of leaders. Passing through different stages in recent Randel et al., (2018) associated this concept with team building, shared decision making and diversity. The literature of inclusive leadership posits that inclusive leadership helps employees building their confidence staying positive to grow their innovative work behavior. Though the relationship between inclusive leadership was highlighted by Choi et al., (2015) however it is still grey are to implore. Innovative work behavior is non discretionary and depends upon the social exchange (Fagan et al., 2022). Inclusive leadership encourages the employees to build psychological state that build emotional strength of innovative work behavior. The study of leadership styles brings the several positive aspects of different leadership traits , however, inclusive leadership has its own importance for team building that helps not only followers but also enhances the performance level of organization (Surucu et al., 2023) . According to Korkmaz, et al., (2022) inclusive leadership may not only address the individual, team levels but also the organizational level.

**H2:** Inclusive Leadership has positive impact on Innovative Work Behavior

## **Research Methodology**

### **Research Design**

Quantitative research methods are used to test the hypothesis and analyze the data for evaluating the impact of relationship between the variable defined. Based on literature review and observation for the improvement of behavior in the service sector the banking sector was selected. Switching jobs for extrinsic rewards is very common practice in the banking sector that

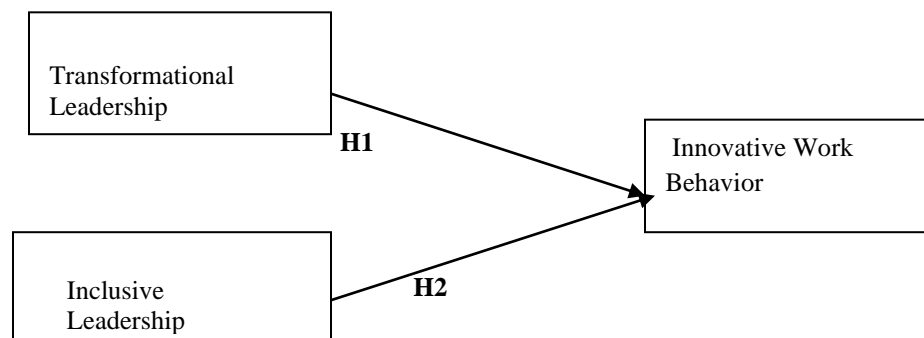
impact on the performance of organizations in this industry, therefore, this sector was perceived to be selected for data collection.

## Measures

The instruments were adopted as 7 items of Transformational leadership from Carless et al., (2000), 6 items of Innovative work behavior from Pekdemir et al. (2014) and 9 items of Inclusive Leadership Carmeli et al., (2010)

## Sampling and Data Procedure

The data was collected from employees of private banks situated in the twin city of Rawalpindi and Islamabad. The reason of selecting employees of private banks was that they represent the most important source of service innovation. The data was collected through Google forms and personal contact. The data was collected through convenience sampling method as it is least cost and easily accessible. The questionnaire of Likert –Scale 1-5 from strongly agree to strongly disagree. The surveys were distributed to 350 employees of the five local private banks branches to the employees in officer grades and not involved in leadership level. 250 surveys were returned and 35 were discarded as they were found incomplete. The majority of the survey return was from male of 26 to 49 years of age.



**Figure 1.** Perceived Model

## Results & Discussion

The hypothesis was tested on SPSS and Structural Equation Modeling (SEM) procedure on AMOS software. Amos is effective software

### 4.1 Reliability Analysis

Table 1 Reliability Analysis

S.No	Variables	Items	Reliability
1.	Transformational Leadership	7	.80
2.	Inclusive Leadership	9	.82
3.	Innovative Work Behavior	6	.76

The results of Cronbach alpha of first independent variable Transformational leadership with 7 items is found 0.80, four items of second independent variable Inclusive Leadership is 0.82 with 9 items, while third dependent variable Innovative Work Behavior is 0.76 with 6 items

### Correlation Analysis

**Table 2**  
Correlation Analysis

		MTL	MIL	MIWB
MTL	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	315		
MIL	Pearson Correlation	.216**	1	
	Sig. (2-tailed)	.000		
	N	315	315	
MIWB	Pearson Correlation	-.033	.016	1
	Sig. (2-tailed)	.556	.783	
	N	315	315	315

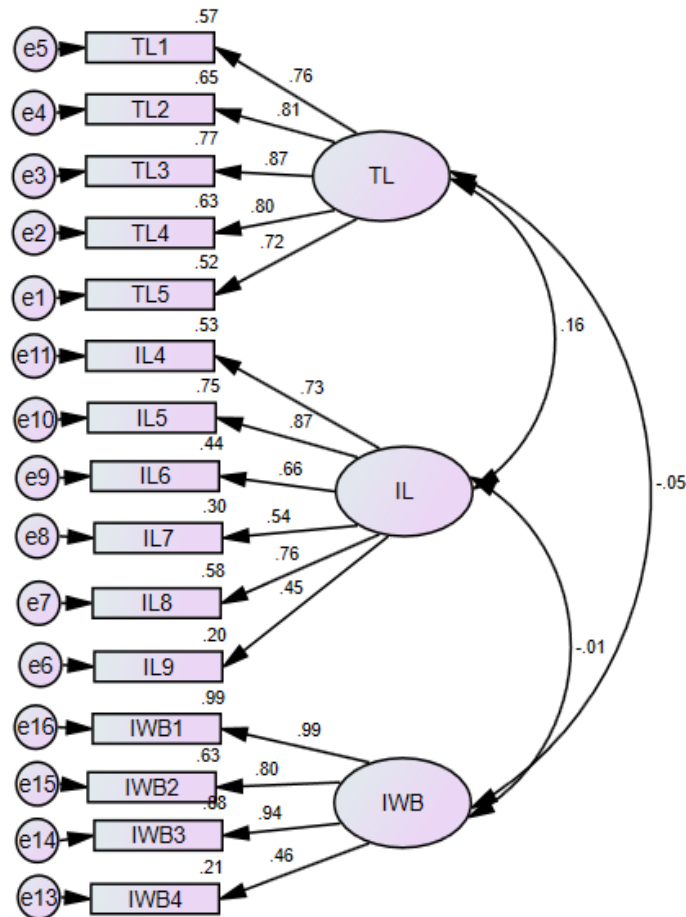
\*\*-. Correlation is significant at the 0.01 level (2-tailed).

The results of correlation in the table 2 suggests that correlation between Inclusive Leadership and Innovative Work Behavior is 0.556 which is positive and significant at 0.01 level and shows that increase in transformational leadership increases the innovative work behavior of employees at work. Likewise correlation between inclusive leadership and innovative work Behavior is 0.783 and suggests that the increase in inclusive leadership results increase in innovative work behavior of employees.

### Confirmatory Factor Analysis (CFA)

The validity of instruments were tested through Confirmatory Factor Analysis (CFA) is done for each variable in the perceived model. The items of 6 and 7 of Transformational Leadership from were found weak factor loading and was excluded from the analysis. The results of overall variable found to be in acceptable range of model fit. The items 1, 2 and 3 of Inclusive Leadership were found weak factor loading and was excluded from the analysis. The results of overall variable found to be in acceptable range of model fit and the items 5 and 6 of Innovative Work Behavior were found weak factor loading and was excluded from the analysis. The results of overall variable found to be in acceptable range of model fit.

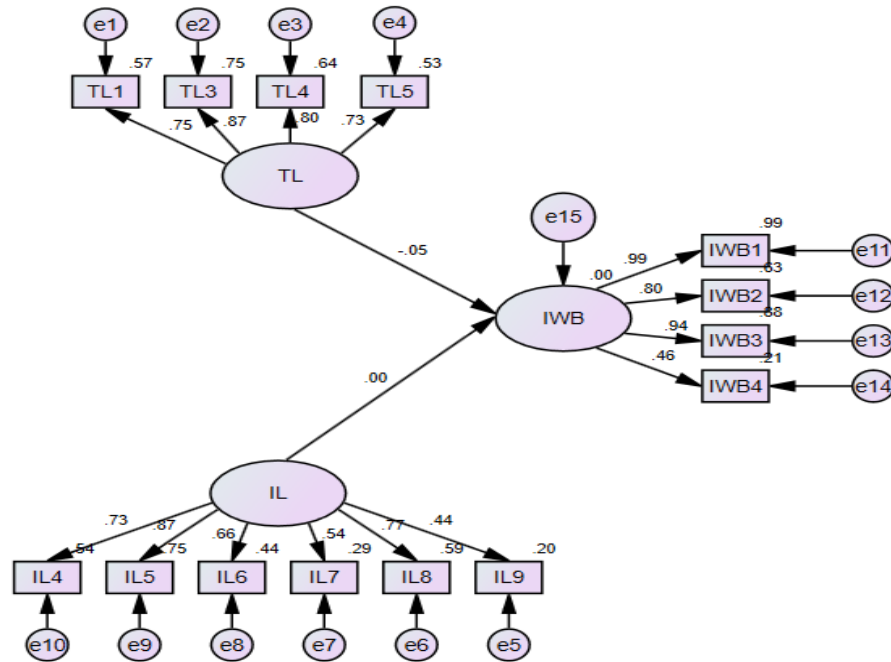
### Measurement Model



**Figure2** Measurement Model

The figure 2 presents the measurement model of the study. The model was estimated and results depicted the acceptable fitness of model with CMIN/DF=2.4, GFI=0.91, AGFI=0.96, CFI=0.96, and RMSEA=0.06.

### Structural Model



**Figure3.** Structural Model

The figure 3 shows the structural model of the study. The model was estimated on AMOS and results are found positive on the standards of model fit. The acceptable fitness of model fit is CMIN/DF=2.3, GFI=0.91, AGFI=0.95, CFI=0.95, and RMSEA=0.06. The results of hypothesis 1 and 2 are accepted at,  $p < .001$  level.

### Summary of Hypothesis

**Table 3**

*Hypotheses Results*

	Hypothesis Statement	Results
1	Transformational Leadership has positive impact on Innovative Work Behavior	Accepted



2	Inclusive Leadership has positive impact on Innovative Work Behavior	Accepted
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## Discussion

The under discussion study is important for several ways. It has both theoretical and practical implications. This aimed to advance the understanding based on theory how different styles of leadership may impact on developing innovative behavior among employee through supportive environment and emotional well being. Furthermore and the positive impact of leadership styles on innovative work behavior suggests the management to foster a conducive environment for employee discretionary behavior. The result shows that the managers with Transformational and Inclusive leadership traits increase the employee innovative behavior. Employee innovative behavior is intrinsic trait that can be improved by ethical organizational polices introduced by the leadership. As the managers' style of getting work done has a direct impact on employees' behavior, therefore if the managers provide provided the resources to be creative they will shoe positive feedback and develop innovate work behavior.

## Limitation & Future Directions

The data was conducted from twin city, whereas it can be extended in other part of the as well. In future other antecedents of leadership like authentic leadership, entrepreneurial leadership, and servant leadership can be investigated for generalisability. This study is conducted in the service sector while in future it can be further involved in more technical sectors as telecommunication, IT and other complex industries. Due to time and cost constraints the study could not be extended on large scale and the data w\s collected through convenience sampling therefore it is suggested to collect the data from large sample and conduct longitudinal study. Similarly comparative study could be conducted through multinational organizations working in the developed and developing countries at the same time to check the impact of culture on the leadership style on innovative work behavior of employees of respective countries.

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