

Leadership Styles as Predictors of Innovative Work Behavior

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The present study was carried out to examine the role of transformational, transactional, and laissez-faire leadership styles in predicting innovative work behavior among bank managers of Rawalpindi and Islamabad. Multifactor Leadership Questionnaire (MLQ; Bass & Avolio, 1990) and Innovative Work Behavior Scale (Butt, 2006) were used for data collection. The sample of the current study comprised 100 bank managers including men ($n = 78$) and women ($n = 22$) with age range from 30 to 55 years ($M = 33.42$, $SD = 9.13$). Stepwise regression analysis was applied to see the effect of leadership styles on innovative work behavior. Results showed that transformational and transactional leadership style positively predicted innovative work behavior whereas laissez-faire leadership style negatively predicted it. t -test revealed women bank managers to have more transformational leadership style and men to be more innovative. In case of bank sectors, public banks had more transformation leadership style and private bank were more innovative. Findings of the study are in line with the theoretical assumptions of transformational and laissez-faire leadership style but inconsistent for transactional leadership style. Practical implications are discussed and suggestions for future research are made.

Keywords: leadership styles, innovative work behavior, gender, banks

The present study is a theory based research that aims to examine the function of transformational, transactional, and laissez-faire leadership style based on the Full Range Theory of Leadership (Avolio & Bass, 2002) in the prediction of innovative work behavior.

Transformational leaders are viewed as influential, inspirational motivational, and humanistic (Avolio & Bass, 2002). They focus on future needs, concern themselves with long-term issues, and view themselves from a holistic perspective (Avolio, Waldman, & Einstein, 1988; Bass, 1990). On the other hand, the characteristic of transactional leadership is that they are goal oriented. They focus on setting objectives, monitoring, and controlling outcomes (Avolio & Bass, 2002). Whereas, in laissez-faire there are non-transaction decisions that necessarily are not made, actions are belated, leaders responsibilities are unnoticed, and authority remains unconsulted (Bass, 2000).

Janssen (2000), and Scott and Bruce (1994) are of the opinion that innovative work behavior is perceived as consisting of four interrelated sets of activities; recognition of the problem, idea generation, promotion, and realization. The first two sets cover the notion of creativity-oriented work behaviors and the last two behavioral sets refer to implementation-oriented behavior that includes the promotion of new ideas.

The establishment of multinational banks in Pakistan has given rise to innovation in banking related operations especially with the incorporation of information technology, computers, and e-practices. The slogan of Silk Bank "Leadership and Innovation" is

evidence in this regard. There is a great need to promote innovative work behavior in the banking sector as leadership plays a central role in promoting innovative work behavior in organizations. As suggested by some researchers, the new patterns of leadership are necessary to bring changes in situations (Hitt & Ireland, 2004). Beside this practical significance, the current study is based on the Full Range Theory of Leadership (Avolio & Bass, 2002) which is being tested in the Pakistani culture in order to predict innovative work behavior. So, this study also holds theoretical significance and is an initiative in investigating the leadership practices and innovative work behavior in the banking sector of Pakistan.

To survive in the current market scenario and to stay competitive, organizations are in greater demand to be innovative. Ramoorthy, Flood, Slaterry, and Sardessai (2005) found that to achieve the task of innovation, organizations work on their employees, i.e., to innovate their methods and operations to get fruitful results.

Janssen (2000) is of the view that to have a continuous flow of innovation and to achieve goals, individual employees need to be skilled to innovate. The actions of individual employees are elemental not only for continued innovation, advancement, and development but also for quality management and corporate entrepreneurship (Sharma & Chrisman, 1999).

Innovative work behavior is a dynamic and a complex phenomenon that also encompasses the creativity. Mumford and Gustafson (1988) believe that creativity denotes the formation of novel ideas and innovation and bringing them into practical use. So, the term innovative work behavior encompasses both the creativity and innovative aspects (Janssen, 2000, 2002).

As a result of globalization almost all of the modern organizations face multi-faceted challenges. They need to be more innovative than before. Consequently, innovative work behavior is essential for organizations to ensure their existence and to grow in the current era of struggle (Jung, Chow, & Wu, 2003; Tierney, Farmer, & Graen, 1999).

The presence of innovative work behavior in the modern organi-

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zations is more attributed to effective leadership. In this regard, transformational leaders are intellectually stimulating. They foster innovative thinking and establish innovative work environment to acquire modern knowledge and new technology. Jung et al. (2003) has examined the link between this factor and innovation at organizational level. On the other hand, Howell and Higgins (1990) have also supported the view that innovation is the characteristics of transformational leaders. Pawar and Eastman (1997) suggested that these leaders construct a dynamic organizational vision that is necessary to bring change in cultural values to reflect greater innovation. Transformational leadership style of the manager has been prominent in promoting innovating work behavior among subordinates (Bass & Avolio, 1990; Janssen, 2002; Mumford, Scott, Gaddis, & Strange, 2002; Sosik, Avolio, & Kahai, 1997). In the Full Range Leadership Theory (Avolio & Bass, 2002), transformational leadership style is found to be more effective than transactional style in promoting innovation, insight, and craze for high achievement among the employees. Transformational leaders work on followers capacity building by motivating them to create new ideas. They provide intellectual stimulation and re-evaluate the potential problems in the working environment. They assist followers to enhance their performance, abilities, and individual qualities by using inspirational motivation. As a result, followers meet high performance standards set by their leaders (Bass & Avolio, 1990; Hater & Bass 1988).

Judge and Piccolo (2004) and Lowe, Kroeck, and Sivasubramaniam (1996) in their studies found a positive relationship between transformational leadership and work unit effectiveness measures and found innovativeness to be an important component of effectiveness. The numbers of creative ideas generated have also been considered as a component of effectiveness (Sosik et al., 1997; Sosik, Kahai, & Avolio, 1998). Transformational leadership is also associated with innovative work climate and behaviors in health care teams (Wilson-Evered, Dall, & Neale, 2001; Wilson-Evered, Härtel, & Neale, 2004). However, some studies find no relationship between leadership styles and work behavior. For example, Jaskyte (2004) in his study found no significant difference in the production of creative ideas, innovative behavior, and leadership styles.

Riaz (2009) investigated the role of leadership style in the

prediction of decision making. The results indicated that transformational and transactional leaders were the most effective decision makers. In case of conflict management, Almas (2007) found transformational leaders to effectively manage conflicts in the manufacturing organizations. Transformational leadership has also been found to lead to innovative work behavior in school, colleges, and universities (Abbas, 2010).

Eagly, Johannesen-Schmidt, and Van Engen (2003) in their meta-analytic study found that women are more transformational than their men counterparts. Men, on the other hand, are reported to be more transactional and laissez-faire. Some studies appear with contradictory findings portraying no gender differences in leadership styles. While investigating the role of transformational leadership in public sector organizations, Wright and Pandey (2009) found that transformational leadership is present in public sector organizations at higher level than transactional and laissez-faire leadership styles.

The aim of the present study was to explore the effect of leadership styles on innovative work behavior. The conceptual framework is given in Figure 1. Differences in gender and public-private sector banks in leadership styles and innovative work behavior are also investigated.

Hypotheses

1. Transformational leadership style would be positively correlated with innovative work behavior.
2. Transactional leadership style would be negatively correlated with innovative work behavior.
3. Laissez-faire leadership style would be negatively correlated with innovative work behavior.
4. Women bank managers would score high on transformational leadership style whereas men managers would score high on transactional and laissez-faire leadership style.
5. Managers of private sectors would depict transactional leadership style whereas managers in public sector would show transformational.

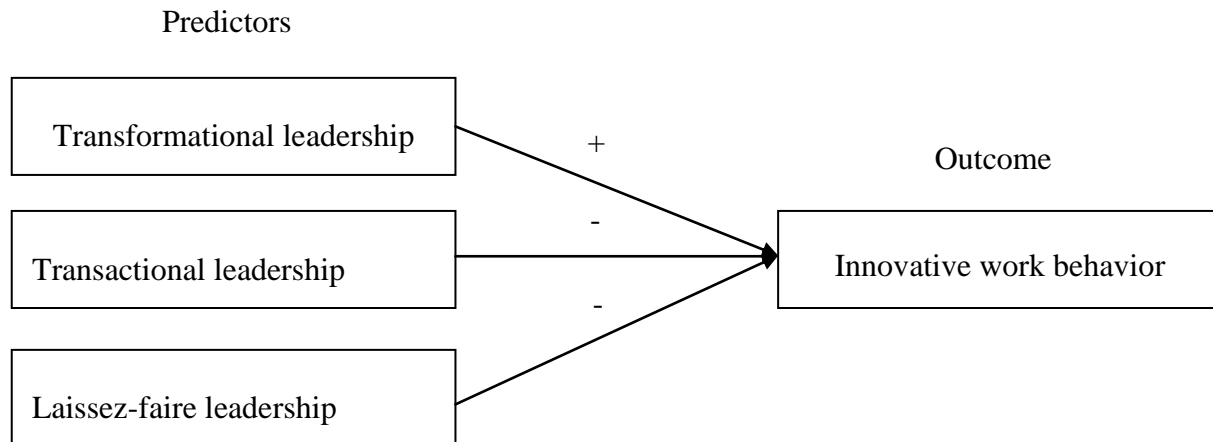


Figure 1. Conceptual framework of leadership styles and innovative work behavior

Method

Participants

The sample consisted of 100 bank managers (men = 78, women = 22). In Pakistan, most of the managerial positions are being held by men. Out of 47 banks in Pakistan, only one bank's president/CEO is a woman which is The First Women Bank. Thus, the small sample size of women bank managers is due to the relative small proportion of women in the banking sector. The data was collected both from public sector banks ($n = 16$) and private sector banks ($n = 84$) of Rawalpindi and Islamabad. Public sector managers are also less in number as compared to their counterparts. In the last two decades, most of the banks have been privatized. Only five banks are considered purely public sector banks (State Bank of Pakistan, 2011). The age range of the participants was from 30 to 55 years ($M = 33.42$, $SD = 9.13$), and education level was from graduation to masters level, with varying job related experience from six months to thirty two years. For data collection purposive convenient sampling technique was used. Those managers were included who had the experience of supervision of five subordinates and had least six months job experience.

Instruments

1. *Multifactor Leadership Questionnaire (MLQ-Form 5X; Bass & Avolio, 1990)*. This was used to measure leadership styles of the bank managers. It is a self-report measure having 36 items. It has three subscales, i.e., Transformational, Transactional and Laissez-faire leadership styles having 20, 12, and 4 items respectively. It is a 5-point Likert type scale. There are no cut off scores in the instrument, so high scores on a subscale indicate high transformational, transactional or laissez-faire leadership style and vice versa. Antonakis, Avolio, and Sivasubramaniam (2003) assessed the psychometric properties of MLQ and found it to have a strong validity and there was a clear distinction between the three subscales of the Full Range Theory of Leadership. MLQ is a reliable instrument in the Pakistani context and especially in the banking sector and its subscales have satisfactory internal consistency. For the current study the alpha value of MLQ is .84 and for the subscales it is .90, .83, and .56 for transformational, transactional, and laissez-faire respectively.

2. *Innovative Work Behavior Scale (Butt, 2006)*. The second instrument was used to measure innovative work behavior. It consists of 28 items and has four subscales; Idea Promotion, Idea Generation, Work Commitment, and Idea Implementation. It is a 5-point Likert rating scale and scores range from 1 to 5, i.e. strongly agree to strongly disagree. There are no cut off scores, so high

scores indicate high innovative work and vice versa. Innovative work behavior scale has high internal consistency and it is a valid instrument in the Pakistani context (Abbas, 2010). Alpha reliability for the current study is .94.

Procedure

For data collection, researchers approached the bank managers during their working hours. Informed consent was taken from the respondents and the nature and purpose of the study was explained. They were ensured about the confidentiality of the data and that it would only be used for research purpose. Demographic information was also taken (age, gender, and type of organization). Respondents' queries were entertained during the completion of the forms.

Results

Table 1 shows transformational leadership style to be positively correlated with transactional leadership style ($r = .66$, $p < .05$), and innovative work behavior ($r = .61$, $p < .01$) and negatively correlated with laissez-faire style ($r = -.18$, $p < .05$), whereas, transactional leadership style is positively correlated with laissez-faire leadership style ($r = .26$, $p < .05$) and innovative work behavior ($r = .52$, $p < .05$) and laissez-faire leadership style is negatively correlated with innovative work behavior ($r = -.21$, $p < .05$).

Stepwise regression analysis was conducted in which transformational, transactional, and laissez-faire leadership styles were entered as predictors and innovative work behavior as an outcome variable. Step 1 indicates that transformational leadership style ($\beta = .51$, $p < .001$) is the most prominent positive predictor of innovative work behavior causing 36% variance in it, $F(1, 96) = 47.44$, $p < .001$. Step 2 portrays that transactional leadership style is the second important predictor of innovative work behavior and 43% variance is explained by the predictors, $F(2, 95) = 28.77$, $p < .001$, indicating that addition of transactional leadership style increased 7% of variance in innovative work behavior. The results show that transformational leadership style ($\beta = .29$, $p < .001$) and transactional leadership style ($\beta = .24$, $p < .05$) have significant unique effect on innovative work behavior. Step 3 depicts that laissez-faire leadership style is the least important predictor of innovative work behavior and 45% variance is explained by the predictors, $F(3, 94) = 18.41$, $p < .001$, showing that addition of laissez-faire leadership style increased 3% of variance in innovative work behavior. The results indicate that transformational leadership style ($\beta = .19$, $p < .001$) and transactional leadership style ($\beta = .15$, $p < .05$) have significant positive effect whereas laissez-faire

Table 1

Mean, Standard Deviation, Alpha Reliability Coefficients and Zero Order Correlations for Subscales of Multifactor Leadership Questionnaire and Innovative Work Behavior Scale (N = 100)

Scale/Subscales	<i>M</i>	<i>SD</i>	α	1	2	3	4
1. Transformational	56.08	10.65	.90	---	.66*	-.18*	.61**
2. Transactional	29.48	5.39	.83		---	.26*	.52*
3. Laissez-faire	4.97	3.13	.56			---	-.21*
4. Innovative work behavior	99.94	17.16	.94				---

* $p < .05$. ** $p < .01$.

Table 2
Stepwise Regression Analysis Showing the Effect of Transformational, Transactional, and Laissez-faire Leadership Style on the Prediction of Innovative Work Behavior (N = 100)

Predictor	ΔR^2	β
Step 1	.37	
Transformational		.51***
Step 2	.07	
Transformational		.29***
Transactional		.24*
Step 3	.03	
Transformational		.19***
Transactional		.15*
Laissez-faire		-.13*

* $p < .05$. ** $p < .01$. *** $p < .001$.

leadership style ($\beta = -.13, p < .05$) has significant negative effect on innovative work behavior.

Table 3 shows t -test of gender (men and women bank managers) and organizational type (public and private sector bank managers) for leadership styles and innovative work behavior. The results are significant for gender in transformational, $t(98) = 1.15, p < .05$, transactional, $t(98) = 1.65, p < .05$, and laissez-faire leadership styles, $t(98) = 1.74, p < .05$, indicating that women bank managers have more transformational, less transactional and less laissez-faire leadership style as compared to men bank managers. Men and women also significantly differ in innovative work behavior, $t(98) = 1.11, p < .05$, indicating men to score high as compared to women bank managers. For public-private banks, results are significant for transformational, $t(98) = 1.02, p < .05$, transactional, $t(98) = 1.51, p < .05$, and laissez-faire leadership styles, $t(98) = 2.02, p < .05$, indicating public sector bank managers to show more transformational and less transactional and less laissez-faire leadership styles as compared to private sector bank managers. The results were also significant for innovative work behavior, $t(98) = 1.52, p < .05$, showing private sector bank managers to be higher on it as compared to public sector bank managers.

Discussion

Reliability analysis showed transformational and transactional

Table 3
Mean, Standard Deviation and t-values of Gender (Men and Women Bank Managers) and Organization Type (Public and Private Sector Bank Managers) for Leadership Styles and Innovative Work Behavior (N = 100)

Variables	Men (n = 78)		Women (n = 22)		t	Private Sector (n = 85)		Public Sector (n = 15)		t
	M	SD	M	SD		M	SD	M	SD	
Transformational	53.73	10.54	56.77	10.95	1.15*	56.07	10.76	56.13	10.37	1.02*
Transactional	29.94	5.31	27.81	5.46	1.65*	30.13	5.48	29.36	5.40	1.51*
Laissez-faire	5.84	3.17	4.40	3.05	1.74*	5.73	3.36	4.83	3.09	2.02*
Innovative Work Behavior	101.01	16.70	96.31	18.60	1.11*	100.31	17.52	97.80	15.27	1.52*

$df = 98$. * $p < .05$.

leadership styles to have high internal consistency except for laissez-faire leadership style. As far as the low reliability of laissez-faire leadership style is concerned, past researches in the indigenous context also report similar trends (Almas, 2007; Riaz, 2009). There is a need of further validation for Multifactor Leadership Questionnaire in the Pakistani context. Furthermore, the theorists of Full Range Leadership Theory (Avolio & Bass, 2002) indicate that laissez-faire leadership style is more vigilant in the collectivist cultures and managers are found to be reluctant in portraying themselves as laissez-faire leaders as they display themselves to be more individualistic (Riaz, 2009).

The first hypothesis "transformational leadership style would be positively correlated with innovative work behavior" was supported in the present study. Innovation in organizations is affected by a wide variety of factors; the most influential factor is leadership style in which transformational leadership has found to be significantly correlated with the innovative work behavior in the organizations (Bass & Avolio, 1990; Janssen, 2002; Jung et al., 2003; Mumford, Scott, Gaddis, & Strange, 2002; Reuvers, Van Engen, Vinkenbure, & Wilson-Evered, 2008; Sosik, Avolio, & Kahai, 1997). Transformational leadership style is considered as an ideal style of leadership in the Full Range Leadership Theory as followers are encouraged to commence new ideas and problem solving approaches (Bass & Avolio, 2000).

The second hypothesis "transactional leadership style would be negatively correlated with innovative work behavior" was not supported in this research. Findings indicate that transactional leaders also promote innovative work behavior. Riaz (2009) found that just like transformational leadership style which fosters innovation, transactional leadership style is found to be similarly effective in the banking sector of Pakistan. This is one of the many reasons that transactional leadership style is also positively affecting innovative work behavior just like transformational style. Another reason could be that our analyses focused exclusively on individual reports of leadership style and as there are inherent limitations on relying solely on self-reporting, it may lead to social desirable responses. Similarly whatever the leadership style is the banking operation in Pakistan are now-a-days more innovative in nature than it was ever before. Chen and Chen (2007) proposed that for the more efficient innovation operation, transformational leadership should combine with transactional leadership. Reinforcement and reward are used by transactional leaders to enhance innovation and high performance (Gregory, 2006; Jung & Sosik, 2002).

The third hypothesis of our study that there would be a negative relationship between the laissez-faire leadership and innovative work behavior was supported by our findings. This leadership style is not considered very effective as the Full Range Leadership

Theory also explains that these leaders are delayed in action and decision making, are not attentive, they ignore the leadership responsibilities, and are not very receptive toward others (Bass & Avolio, 2000; Bass, 1998).

The fourth hypothesis that women bank managers would score high on transformational leadership style and men bank managers would score high on transactional and laissez-faire leadership style was supported in the study. One of the explanations for these findings is that in our patriarchal society, women have to compete with the men counterparts with some new skills and visions (Carless, 1998) so, they develop this leadership style to survive in the competitive environment (Eagly & Johannesen-Schmidt, 2001). Moreover, women are relationship oriented and relationship is a very significant feature of transformational leadership while transactional leadership style is traditional and is more associated with control and men managers mostly used this style. The results revealed higher innovative work behavior among men. The reason could be because men are prone towards a masculine leadership style (Carless, 1998) and the features associated with masculinity are accepting new challenges and applying creative ideas which are the principal features of innovative work behavior.

While comparing the bank managers of private and public sectors in fifth hypothesis, managers of public sectors scored high on transformational styles and managers of private sectors showed more transactional style. Control is the requirement of private organizations and control is also the dominant features of the transactional leadership style, therefore private organization managers have more transactional leadership style because they are expected to act in a certain way (Eagly & Johnson, 1990). Managers of public sectors scored high on transformational leadership style because they prefer relationship rather than control. Furthermore, findings showed that innovative work behavior is higher in private banking sector. The main components of innovative work behavior are idea promotion, idea generation, work commitment, and idea implementation and these features are commonly observed more in the private settings because innovative work behavior is required for the organization to survive in the global market (Mukherjee & Ray, 2009). Findings can lead to the conclusion that private organization encourages innovation.

Limitations and Suggestions

The questionnaires were self-report measures which may result in single-source bias. Bank managers personally rated their leadership which can raise the problems of reactivity and social desirability because of the direct relevance of the issue with their jobs. Thus, through cross-ratings, e.g., ratings by the subordinates on the leadership style of the managers can mitigate the bias. Findings are less generalizable as the sample was collected only from Rawalpindi and Islamabad and only from within the banking sector. Future researches may include the banks of other regions and/or corporate sectors. Moreover, future researches may address the moderating (factors that influence) and mediating factors of leadership styles and innovative work behavior.

Implications of the Study

The current study can be helpful for the researchers and academicians to better understand the role and nature of leadership styles and its impact. It would be helpful for the bank officials and other corporate sectors in the selection process, recruitment, and ot-

her development practices.

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