

THE INFLUENCE OF LEADER-MEMBER EXCHANGE AND PSYCHOLOGICAL EMPOWERMENT ON INNOVATIVE WORK BEHAVIOR: A SYSTEMATIC REVIEW

Nirmala Manindra Dwi Putri, Airlangga University
Anwar Maruf, Airlangga University
Sutinah, Airlangga University

ABSTRACT

Business industry has always been required to implement innovative work behavior in order to create innovation for the improvement of the products and maintaining the sustainability of its business especially in this competitive era. Innovative work behavior can be encouraged through leader-member exchange interactions and psychological empowerment. This research aimed to find out the influence of leader-member exchange and psychological empowerment towards innovative work behavior. Method used in this research was systematic review from Google Scholar database and selection process resulting 20 articles derived from electronic source books and journals being used in this research. The influence of leader-member exchange and psychological empowerment on innovative work behavior lies in the intrinsic motivation it could cause, which in turn could motivate employees to show innovative work behavior.

Keywords: Innovative Work Behavior, Leader-member Exchange, LMX, Psychological Empowerment.

INTRODUCTION

Indonesia's economic growth experienced stagnancy in the past three years which only reached 5.04% cumulatively. In 2019, the economic growth has declined as much as 0.15%, which amounted to 5.17% to 5.02% from the third quarter of 2018. This condition has a negative impact on the Indonesian economy it needs the role of supporting sectors to encourage the country's economic growth.

Abrupt changes in technology and high level of competition are urging the emergence of new ideas and strategies to be able to excel in market competition (Carmeli & Atwater, 2009). The increased need for innovation is also driven by the low level of innovation in Indonesia. The 2019 Global Innovation Index (GII) assessment ranks Indonesia 85th out of 129 countries in terms of the development of science and technology, human capital and research, and creative output. Innovation in the industrial sector is one of the keys to drive the growth and national economic development (BPS, 2019).

Getz & Robinson (2003) revealed that 80% of new ideas in innovation were raised by employees. The innovation of individuals in an organization is known as innovative work behavior. Akram et al. (2016) revealed that innovative work behavior is a fundamental foundation for improving organizational performance.

Innovative work behavior by employees in the workplace includes the efforts to explore opportunities, coming up with ideas, fight for ideas, and implementing ideas (de Jong, 2007). Meaning, employees are trying to find solutions to problems by creating solutive ideas, finding data to support it, and implementing it in order to able to produce innovations in the field of products, markets, or organizational structures (Orfila-Sintes & Mattson, 2009). Organizations with low innovative work behavior would be experiencing some negative impacts which could hinder the performance of the organization (i.e. enhancement of absenteeism, resignation, poor working ethic, and a decrease in service to the customer) (Subramony & Holtom, 2012). Hence organizations should be trying to encourage the employees to have an innovative mindset.

Leadership is one of the main factors that influence the employee's innovative work behavior. Organizational leader plays an important role in motivating, inspiring, and stimulating employee work processes Wojtczuk-Turek & Turek (2013) through relationships that are built to improve the employee's capability (Hammond, et al., 2011). The superiors and subordinates need to establish two-way communication which is known as the leader-member exchange in the theory of leadership (Graen & Uhl-Bien, 1995). Social exchanges in the form of ideas, beliefs, obligations, and interpersonal closeness could arise in a leader-member exchange relationship (Liden & Maslyn, 1998). Research by Ansari and colleagues (2018) and Alsughayir (2017) shows that the quality of leader-member exchange has a significant effect on employees' innovative work behavior.

Aside of leader-member exchange, another important factor which has an impact on innovative work behavior is psychological empowerment. Spreitzer (2011) explains that psychological empowerment is intended to provide power and control to the individual, to make the individual feels confident to complete his work. The employees who obtained the psychological empowerment would feel more confident in thinking creatively, being proactive, getting initiative, and able to work independently. Employees' capacity will increase along with the increase of motivation in innovation because they feel like they have more ideas and inspiration. Amabile (1988) explains that psychological empowerment makes employees feel as if they have more power than others to do something new.

The topic is interesting to be studied further and becomes the basis of the research, which is to describe the dynamics of psychological how the leader-member exchange and psychological empowerment influence the innovative work behavior.

METHOD

This study used a systematic review method from the electronic literature on the Google Scholar database. This research did not limit the range of publication time, the type of publication, or specific discipline of science. The relevant articles were found with the use of keywords "*leader-member exchange*", "*psychological empowerment*", and "*innovative work behavior*" derived from electronic book sources and research articles. Selections were then done to the articles which were considered not covering the topic of the relationship between leader-member exchange and psychological empowerment on innovative work behavior resulting 20 articles obtained and were used in this review.

RESULTS

Innovative Work Behavior

Innovative work behavior is an individual behavior which intentionally creates, introduces and applies new idea, processes, products or procedures in the work-role, group or organization, it creates a new thing for the relevant units, designed to significantly benefit the individuals, groups, organizations or wider society (West & Farr, 1990). In short, it is the process of bringing up, introducing and applying new ideas for the benefit of an organization or group (Janssen, 2000). The new idea could be in the form of technological updates, products, services, or work methods (Kleysen & Street, 2001).

De Jong (2007) states that innovative work behavior is a series of processes of creating and implementing new ideas, products, processes, and procedures that are beneficial to the organization. The relevance of innovative work behavior in an organizational context is the business that produces profits for the organization or the company. According to de Jong and Hartog (2010), employee's creativity is closely related to innovative work behavior, which is the initial stage of the emergence of innovation in the field of problem solving or creating solutions to a problem.

Four dimensions of innovative work behavior is conceptually formulated by de Jong (2007), namely: a) the exploration of opportunities, b) the appearance of an idea, c) fight for ideas, and d) implementation of ideas. Innovation begins with finding the gap between potential and real performance. The opportunities then come up with new solutive ideas to solve problems. To encourage negotiations, proposed ideas would then need supports from other parties. Then, the developed ideas take place to be implemented in order to achieve problem solving. De Jong (2007) also added four antecedents of innovative work behavior, which is at the individual level, group level, organizational level, and environmental factors. Competition Ong et al. (2003) and organization type Hill & Johnson (2003) could be the form of the environmental factor.

Leader-Member Exchange

The concept of leader-member exchange theory focuses on mutual values between leaders and employees (Graen & Uhl-Bien, 1995). Leadership effectiveness is characterized by a relationship between superiors and subordinates that shows maturity and benefitting both parties. Leader-member exchange is accompanied by the feelings of mutual respect, liking, and high loyalty. Leaders giving subordinate the opportunity, support, and assistance to develop (Bauer & Erdogan, 2015). That leadership behavior would motivate subordinates to provide greater reciprocity to superiors.

Liden & Maslyn (1998) describes four dimensions in the concept of leader-member exchange including: a) Affection, related to inter-individual attraction that continues to interpersonal and emotional familiarity; b) Loyalty, characterized by loyalty and support for each other consistently at all times and conditions; c) Contribution, refers to the quality of subordinate's performance on doing the tasks given by superiors, the higher the subordinate's contribution, the more impressed the leader will be; d) Professionalism appreciation is related to the employee's view of the superiors' image and achievement in the organization's internal and external environment.

Leader-member exchange had a positive impact to the organization; it lowers the turnover level, increases organizational commitment, increases employee job satisfaction, and organizational citizenship behavior (Walumb et al., 2011; Volmer et al., 2011). Positive leader-member exchange can also influence the employees' feelings to be positive. Positive employee feelings considered to be able to increase creativity (Northouse, 2013). On the contrary, the pattern of negative leader-member exchange can bring negative impact to the performance of the

organization. The form of negative leader-member exchange includes having relations too close with the boss, which can lead employees to underestimate the job (Rofcanin & Mehtap, 2010). Thus, control is needed for the quality of leader-member exchange between superiors and subordinates.

Psychological Empowerment

Psychological empowerment means the delegation of authority and responsibility to the employees in decision-making and all related activities (Garrett-Jones & Fernando, 2013). Spreitzer (1998), Jin-Liang & Hai-Zhen (2012) defines psychological empowerment as the individual intrinsic motivation in carrying out their work roles which are reflected in the meaning, competence, self-determination, and the impact it causes. Psychological empowerment in the workplace will be formed by interactions between individuals and their work environment (Lee et al., 2011). Thus, psychological empowerment is seen as a set of cognition that reinforces employees' belief that they are competent at work, able to act effectively and have control over their decisions (Lee et al., 2011).

Psychologically empowered employees are more convinced about their competence and expertise to do their jobs (Meyerson & Kline, 2008). They are more satisfied with their work, highly committed to the organization, have lower possibility of resignation, and shows more positive performance. Thus, employees will be able to determine their own destiny autonomously and independently, which is formed by the interaction of the environment by paying attention to the aspects of work meaning, competence, the impact on the organization or company, and self-reliance principle.

Spreitzer (1998), in Jin-Liang & Hai-Zhen (2012) further mentions the dimension of “meaning” in psychological empowerment refers to the compatibility between work goals and behavior in individual level. The “competency” dimension means the individual's confidence in his own ability to carry out work and to make valuable achievements. The dimension of “self-determination” is the individual's view of the institution on initiating and determining action. The “impact” dimension involves the individual's belief on the work results he gives to the workplace.

There are two factors that influence psychological empowerment, which is individual and organizational factors (Koesindratmono & Septarini 2011). Individual factors related to the personal characteristics of employees include gender, education level, work position, and years of service of physical and non-physical conditions in the workplace. Whereas organizational factors which include range of control, unclear roles, access to information and resources, social support, and work climate.

DISCUSSION

Leader-member exchange leadership theory emphasizes the mutual values between leaders and employees (Graen & Uhl-Bien, 1995). The concept of leader-member exchange describes the exchange of resources and emotional support from superiors to subordinates and vice versa (Kang & Stewart, 2007). Every leader and employees develop different quality of work relationships that influenced by a relation of formal employment contract to interpersonal closeness.

The high quality of leader-member exchange is based on a relationship-based approach. In this context, affective aspects are very influential on the developed quality of the leader-

member exchange. The affective aspects mentioned were the sense of mutual trust, respect, and responsibility within the company. Leadership relationships are considered effective if they have reached a mature and mutual relationship with each other (Graen & Uhl-Bien, 1995). Leaders with relationships as such will provide opportunities for the employees to develop, while the employees will be motivated to carry out tasks beyond the target voluntarily.

The process of leaders and employees' relationship as mentioned above shows the psychological empowerment of the employees. Psychological empowerment, as leader-member exchange, motivates employees in the working process. Psychological empowerment fosters confidence in the employees to believe they are able to carry out the assigned work. The intrinsic motivation that arises is reflected in four aspects of cognition namely meaning, competence, self-determination, and impact on the organization or company. Employees who experience psychological empowerment will be able to take decisions independently and tend to be able to work autonomously.

As an outcome of the existence of a leader-member exchange and psychological empowerment relationship, the behavior that can arise is innovative work behavior, which is a deliberate action taken to produce an innovation. Sujiwo (2014) states that innovative work behavior is the process of designing and implementing ideas in order to create new products, services, business processes, methods, and policies. This process changes the conventional attitudes to modern or advanced (Purba, 2009).

De Jong & Hartog (2010) revealed that high innovative work behavior would result in high organizational innovation. Innovational behavior is determined by the company's ability to remove obstacles in innovating, while the source of innovation ideas could come from consumers, competitors, and competition demands, or a new vision of the company (Blumentritt & Danis, 2006). Innovative work behavior needs to be implemented in order to achieve maximum results and benefits for the company.

CONCLUSION

The conceptual study between leader-member exchange and psychological empowerment in relation to innovative work behavior can be concluded as follows: *first*, innovative work behavior is an important aspect for the sustainability and success of the company. *Second*, innovative work behavior is influenced by leader-member exchange leadership and psychological empowerment. Superiors and subordinates need to develop reciprocal relationships to foster relationships that support each other in innovating. Psychological empowerment is also important thing to do in order to foster employees' intrinsic motivation to behave innovatively.

ACKNOWLEDGEMENT

The authors declare that they have no conflict of interest and would not take profit upon the publication of this article. The authors are not affiliated in any companies or organizations other than Airlangga University.

REFERENCES

Akram, T., Lei, S., & Haider, M.J. (2016). The impact of relational leadership on employee innovative work behavior in IT industry of China. *Arab Economic and Business Journal*, 11(2), 153-161.

- Alsughayir, A. (2017). The effect of leader-member exchange on innovative work behavior in the Saudi hospitality. *International Journal of Business and Management*, 12(6), 189-195.
- Amabile, T.M. (1988). A model of creativity and innovation in organizations. *Research in Organizational Behavior*, 10(1), 123-167.
- Atwater, L., & Carmeli, A. (2009). Leader-member exchange, feelings of energy, and involvement in creative work. *The Leadership Quarterly*, 20(3), 264-275.
- Bauer, T.N., & Erdogan, B. (2015). *The Oxford handbook of leader-member exchange*. Oxford university press.
- Blumentritt, T., & Danis, W.M. (2006). Business strategy types and innovative practices. *Journal of Managerial Issues*, 274-291.
- BPS. (2019). *Badan Pusat Statistik*.
- De Jong, J., & Den Hartog, D. (2010). Measuring innovative work behaviour. *Creativity and Innovation Management*, 19(1), 23-36.
- Garrett-Jones, S., & Fernando, M. (2013). The Role of Career Anchors and Psychological Empowerment in Predicting Job Satisfaction in The Indonesian Public Higher Education. *Journal of Knowledge & Human Resource Management*, 5(11).
- Getz, I., & Robinson, A.G. (2003). Innovate or die: is that a fact?. *Creativity and Innovation Management*, 12(3), 130-136.
- Graen, G.B., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. *The Leadership Quarterly*, 6(2), 219-247.
- Hammond, M.M., Neff, N.L., Farr, J.L., Schwall, A.R., & Zhao, X. (2011). Predictors of individual-level innovation at work: A meta-analysis. *Psychology of Aesthetics, Creativity, and the Arts*, 5(1), 90.
- Hill, R., & Johnson, L.W. (2003). When creativity is a must: professional 'applied creative' services. *Creativity and Innovation Management*, 12(4), 221-229.
- Janssen, O. (2000). Job demands, perceptions of effort-reward fairness and innovative work behaviour. *Journal of Occupational and Organizational Psychology*, 73(3), 287-302.
- Jin-Liang, W., & Hai-Zhen, W. (2012). The influences of psychological empowerment on work attitude and behavior in Chinese organizations. *African Journal of Business Management*, 6(30), 8938.
- Jong, J.P.J. (2007). *Individual Innovation: The connection between leadership and employees' innovative work behavior*. Amsterdam, The Netherlands: EIM.
- Kang, D.S., & Stewart, J. (2007). Leader-member exchange (LMX) theory of leadership and HRD: Development of units of theory and laws of interaction. *Leadership & Organization Development Journal*.
- Kleysen, R.F., & Street, C.T. (2001). Toward a multi-dimensional measure of individual innovative behavior. *Journal of Intellectual Capital*.
- Koesindratmono, F., & Septarini, B.G. (2011). The relationship between tenure and psychological empowerment of PT. Nusantara Plantation X (Persero). *Journal of INSAN*, 13(1), 50-57.
- Lee, J., Weaver, C., & Hrostowski, S. (2011). Psychological empowerment and child welfare worker outcomes: A path analysis. In *Child & Youth Care Forum*, 40, 479-497.
- Liden, R.C., & Maslyn, J.M. (1998). Multidimensionality of leader-member exchange: An empirical assessment through scale development. *Journal of Management*, 24(1), 43-72.
- Meyerson, S.L., & Kline, T.J. (2008). Psychological and environmental empowerment: Antecedents and consequences. *Leadership & Organization Development Journal*, 29(5), 444-460.
- Northouse, P.G. (2013). *Leadership: Theory and practice*, 6th ed., London: Sage Publication.
- Ong, C.H., Wan, D., & Chng, S.H. (2003). Factors affecting individual innovation: an examination within a Japanese subsidiary in Singapore. *Technovation*, 23(7), 617-631.
- Orfila-Sintes, F., & Mattsson, J. (2009). Innovation behavior in the hotel industry. *Omega*, 37(2), 380-394.
- Purba, S. (2009). The influence of organizational culture, intellectual capital, and innovative behavior on the performance of department leaders at Medan State University. *Performance*, 13(2).
- Rofcanin, Y., & Mehtap, Ö. (2010). Implications of Leader-Member Exchange Relationship (LMX) Theory and Transformational Leadership Dimensions on Subordinate Citizenship Behavior: An Empirical Paper from Turkey with Services Industry Focus. *International Journal of Global Business*, 3(1).
- Spreitzer, G.M. (1995). Psychological empowerment in the workplace: Dimensions, measurement, and validation. *Academy of Management Journal*, 38(5), 1442-1465.
- Subramony, M., & Holtom, B.C. (2012). The long-term influence of service employee attrition on customer outcomes and profits. *Journal of Service Research*, 15(4), 460-473.

- Sujiwo, A. (2014). Social Change Due to the Development of Sugar Cane Farming (Case Study in Sumbul Hamlet, Klampok Village, Singosari District, Malang Regency) (Doctoral dissertation, Brawijaya University).
- Volmer, J., Spurk, D., & Niessen, C. (2012). Leader–member exchange (LMX), job autonomy, and creative work involvement. *The Leadership Quarterly*, 23(3), 456–465.
- Walumbwa, F.O., Cropanzano, R., & Goldman, B.M. (2011). How leader–member exchange influences effective work behaviors: Social exchange and internal–external efficacy perspectives. *Personnel Psychology*, 64(3), 739–770.
- West, M.A., & Farr, J.L. (1990). *Innovation at work*. John Wiley & Sons.
- Wojtczuk-Turek, A., & Turek, D. (2013). Innovativeness in organizations: The role of LMX and organizational justice. The case of Poland. *International Journal of Synergy and Research*, 2(1-2), 41.

Received: 02-Apr-2023, Manuscript No. JOCCC-23-13568; **Editor assigned:** 04-Apr-2023, Pre QC No. JOCCC-23-13568(PQ); **Reviewed:** 18-Apr -2023, QC No. JOCCC-23-13568; **Published:** 25-Apr-2023