The Role of Paternalistic Leadership on Employee Innovative Behavior in Indonesia's Digital-Based Companies

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ABSTRACT

Studies have suggested that the most common factor forming an employee's innovative behavior is leadership style. However, studies examining leadership styles' influence on employee's innovative behavior in diverse cultural contexts are rarely discussed. Paternalistic leadership is believed to be the most effective leadership style applied in countries with a collectivist culture like Indonesia. Nonetheless, studies from Western culture criticized Paternalistic Leadership as a form of dictatorship wrapped in kindness. Studies from Asian countries have also denied this by suggesting that this leadership style positively impacts employee's innovative behavior. This study aims to examine the role of Paternalistic Leadership on Innovative Behavior in Indonesia's digital-based companies. Research data taken from 332 people who work in digital-based companies in Indonesia, data analysis was performed using Linear Regression and General Linear Model (GLM). The results of the study indicate that Paternalistic Leadership has a significant impact on Employee Innovative Behavior.

Keywords: *Paternalistic Leadership, Employee Innovative Behavior.*

1. INTRODUCTION

According to reference [1] from World Bank, the Southeast Asia region's digital market has the fastest growing market in the world with 260 million users. This study also predicts that Southeast Asian people's spending will grow 16 times higher in 2025 to USD 88 billion, Indonesia itself is predicted to play a significant role with digital market control of around 52% with a total of USD 46 billion. Badan Ekonomi Kreatif Indonesia (2018) notes that Indonesia currently has 1,835 digital-based startups and ranks 6th as the country with the most digital-based startups in the world. In addition, 4 of the 7 unicorns, namely startup valued at more than USD 1 billion, in Southeast Asia are Indonesian companies. However, even though digital-based startups are proliferating in Indonesia, there are also digital-based startups in Indonesia that have failed and had to close their businesses permanently in Indonesia. According to reference [2], there were 26,58% of digital-based startups were experiencing losses in Indonesia and finally closing down their companies. 90% of the reasons are because of the inability to innovate.

According to reference [3], innovation is a corrective action on changes that affect the planning cycle's acceleration in producing a product or service that can provide higher value of benefits and satisfaction. Meanwhile, innovative behavior is an individual activity that aims to introduce new and useful ideas related to processes, products, or procedures [4]. Innovative attitude is the most fundamental aspect of entrepreneurial behavior [5] and is a potential source for the creation of competitive advantage that can facilitate the company to enter the market, have a competitive position which ultimately affects the performance and sustainability of an organization [6].

Various types of factors are considered potential to influence innovative behavior, including leadership styles applied in organizations. To stimulate innovation, leadership is needed to enhance the team's innovative abilities through the expertise of leaders in coordinating work and their collective actions [7,8]. Many studies suggested that leadership style is the most crucial drive of innovative behavior [9]. One of the leadership styles that most influences innovative behavior is

transformational leadership [10-12]. However, the universality of transformational leadership style is questionable, whether it is suitable to be applied in non-western cultural contexts or not [13]. It is said that the most effective and most effective leadership style to be applied to Asian and Middle East countries is a paternalistic leadership style [14]. Paternalistic leadership, which consists of authoritarianism, benevolence, and morality [15], suggests that leaders who have authority must protect employees from generating respect and loyalty to the organization.

In the Indonesian context, [16] divided the paternalistic leadership style into seven dimensions. The first is Visible because it reflects the character of employees in Indonesia who want a visible leader who acts as a figure who leads by example. The second one is labeled Authoritarian, which reflects the behavior of leaders who hold full authority over subordinates; the third is Benevolent, in which the leader appears to be someone who shows concern for their subordinates. While the other four dimensions, namely Moral-incorruptnes reflects leaders who do not abuse their authority for personal gain, Moral-courage reflects leaders who can express their disapproval of something that is not following work norms and ethics, Moral-impartialness reflects leaders who assess their subordinates' performance objectively, not based on personal closeness, and Moral-magnanimity reflects leaders who are open to criticism or disapproval of his subordinates to him. Many studies have suggested that the paternalistic leadership style combining authoritarianism and benevolence holds the key to stimulating innovative behavior [17].

2. METHODS

This is quantitative research with a survey method. Quantitative research is usually used to calculate behavior, knowledge, opinions, or attitude [18]. Based on its objectives, this research is causal explanatory studies that aim to determine the influence of a variable on other variables through testing hypotheses. There are two types of data collected, primary and secondary data. Primary data will be obtained through a questionnaire filled by a sample employee of digital-based companies consisting of 59 closed questions representing two variables. The scale used in this research questionnaire is the Likert scale with five scales. The method used in distributing questionnaires is a self-administered survey, a data collection technique where respondents fill out the questionnaire without researchers' assistance [19]. Secondary data is obtained through literature studies by reading, studying, and quoting from the literature relating to the problems being studied, documents, or company records.

This study's population is the general population, that is, employees who work in digital-based companies in Indonesia. The sampling method is nonprobability sampling with a convenience sampling procedure that makes the population members do not have the same opportunity to be sampled. Ac- cording to reference [20], in the general population, the number of respondents that can be considered to be representative is the number of valid items in the questionnaire multiplied by five to ten. Therefore, the minimum number of samples in this study is 58 valid items multiplied by 5, that is 290. However, the samples taken in this research amounted to 332 respondents.

2.1. Research model and hypotheses

This study modified the research conducted by [21] entitled "Does Paternalistic Leadership Promote Innovative Behavior?". This study explains the influence of paternalistic leadership on employee's innovative behavior in technology-based companies in China. However, this research's focus is only taking two dimensions of paternalistic leadership, which are authoritarian and benevolent, mediated by affective trust. This study explains that the combination of authoritarian and benevolent dimensions positively influences employee's innovative behavior. Meanwhile, the influence of affective trust as a mediating variable was not significant. This research also explains that employee's innovative behavior will be more positive if the companies are led by Fig. 1. That reflect paternalistic leadership's benevolent dimension.
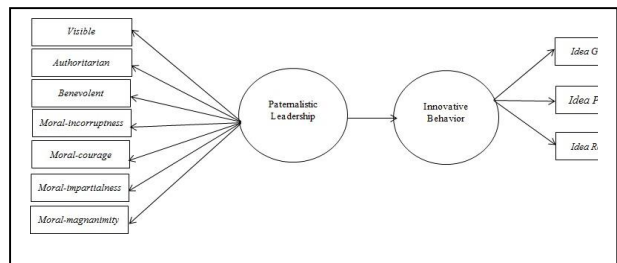

Figure 1 Reflect paternalistic leadership's benevolent dimension

H1: Paternalistic leadership has a significant positive influence on employee's innovative behavior.

H2: The dimensions of paternalistic leadership have a significant positive influence on the dimensions of employee's innovative behavior.

Following the proposed research model, this study consisted of two research variables which are paternalistic leadership as an independent variable and innovative behavior as the dependent variable. Paternalistic leadership in this study refers to the scale of [16], and innovative behavior refers to [22]. Based on the reliability test, it was found that two dimensions of paternalistic leadership, namely Moral-incorruptness and Moral-impartialness, are not reliable because they have a Cronbach's Alpha value of 0,487 and 0,235. Simultaneously, the items can be considered reliable if

they have a minimum Cronbach's Alpha of 0,6. Therefore, the researcher did not include them in the analysis.

3. RESULTS AND DISCUSSION

3.1. Hypotheses Testing

Hypothesis analysis is conducted by using simple regression processing in SPSS 25 to determine paternalistic leadership's effect on employee's innovative behavior. Table 1. Show result of calculation

Table 1. Paternalistic Leadership on Employee Innovative behavior

Coefficient B	Sig.	Adjusted R Square
0,436	0.000	12,3%

Source SPSS statistical data

From the table above, it is known that the significance value is <5% (0,000) and coefficient B is positive, so it can be concluded that paternalistic leadership has a significant positive influence on innovative behavior. In addition, it is also known that the adjusted r squared for this model is 0,123, meaning that this model can explain 12,3% of the independent variable that is innovative behavior. It means that other factors have a positive influence on innovative behavior aside from paternalistic leadership. So, the first hypothesis is accepted.

Then, a General Linear Model (GLM) analysis was conducted to map the influence of paternalistic leadership dimensions on employee innovative behavior dimensions, Table 2. Show the results of GLM analysis of paternalistic leadership on innovative behavior.

Table 2. GLM analysis of Paternalistic Leadership on Innovative Behavior

PL Dimension	IB Dimension.	Sig.	Beta
Visible	Idea Generation	0,602	0,038
	Idea Promotion	0,023	0,182
	Idea Realization	0,009	0,220
Authoritarian	Idea Generation	0,005	0,138
	Idea Promotion	0,251	0,224
	Idea Realization	0,262	0,253
Benevolent	Idea Generation	0,325	0,065
	Idea Promotion	0,033	0,153
	Idea Realization	0,004	0,216
Moral-courage	Idea Generation	0,310	0,061
	Idea Promotion	0,006	0,181
	Idea Realization	0,865	0,012
Moral-magnanimity	Idea Generation	0,321	0,058
	Idea Promotion	0,048	0,127
	Idea Realization	0,001	0,217

Source: SPSS statistical data

The table above shows the information about which paternalistic leadership dimensions have a positive influence on innovative behavior, namely:

Visible towards Idea Promotion and Idea Realization with probability values of 0,023 and 0,009 (<0,5). It means that the character of a leader who is considered responsible and lead by example can encourage their subordinates in introducing their innovative ideas into their work environment and objectify their innovative ideas.

Authoritarian towards Idea Generation with a probability value of 0,005 (<0,05). It can be said that the character of the leader who tends to have robust control over his subordinates can encourage his subordinates to create innovative ideas.

Benevolent towards Idea Promotion and Idea Realization with probability values of 0,033 and 0,004 (<0,05). This shows that the more the leader shows concern for their subordinates; they will also be more encouraged to promote their innovative ideas and implement them into their work scope.

Moral-courage towards Idea Promotion with a probability value of 0,006 (<0,05). This shows that if the leader shows more courage in applying honesty values, his subordinates are more courageous in promoting or introducing their innovative ideas in the work environment.

Moral-magnanimity towards Idea Promotion and Idea Realization with probability values of 0,048 and 0,006 (<0,05). If the leader is more open to criticism and different opinion from his subordinates, then the subordinates are predicted to be more courageous in promoting and implementing their innovative ideas in their work environment.

From the explanation above, it is concluded that some of the paternalistic dimensions have positive influence on innovative behavior dimensions, specifically the idea promotion and idea realization dimensions. Thus, it can be concluded that H2 is accepted.

3.2. Discussion

This study suggests that Paternalistic Leadership directly influences Employee Innovative Behavior in Indonesia's digital-based companies. This is in line with the study conducted by [21], which states that Paternalistic Leadership has a positive direct influence on employees' innovative behavior in China's digital-based companies. Reference [21] study also suggests that the most influential dimension was the Benevolent dimension. In this study, based on the GLM analysis, the Benevolent dimension also significantly and positively influences the Idea Promotion and Idea Realization dimensions. The Benevolent dimension is often identified with supportive, caring, and influential leaders towards subordinates [23]. Then, this study also finds out that the Moral-Courage dimension also influences the Idea of Promotion. Next, another Paternalistic Leadership dimension that has a significant influence on Innovative Behavior dimensions is Moral- Magnanimity; it influences all dimensions of Innovative Behavior,

which are Idea Generation, Idea Promotion, and Idea Realization. This is in line with what [24] said, stating that in the current era of digital disruption, leaders are required to think intelligently and dare to admit mistakes to adapt to a dynamic world of change as soon as possible. Changing methods and thoughts is difficult, but it is essential to be applied in the era of disruption where all kinds of business threats can come at any time [24]. Another Paternalistic Leadership dimension that influences the dimensions of Innovative Behavior is Visible, which influences Idea Promotion and Realization. It means that the more the leader shows an exemplary attitude, the more his subordinates are encouraged to promote their innovative ideas and implement them. According to reference [25], one of the keys to leadership that is important in the digital era is the ability to conduct a leadership style that is "walk the talk", meaning employers must be able to implement behaviors that are following the direction he gives, this is in line with the concept of Visible dimension which requires the leader to lead by example.

These study results are also in accordance with reference [27] research which says that implementing leadership that can provide examples to subordinates should be owned by leaders in Indonesia. Then, the idea of leadership that is open to changes and dissent with the subordinates is needed to be applied in this digital era. Open-minded leaders are considered to be able to discuss well with their sub-ordinates and will also form effective communication with cross-functional partners so that cooperation in producing innovative ideas will occur collectively. It can also break silos, which is one of the dynamic work culture characteristics in digital–based companies, so the brainstorming process does not occur exclusively in each department or work unit and holistically in the organization [28]. It also corresponds to the current trend of working in the digital era is collaboration, so leaders must be able to lead inclusively and involve subordinates in the process of design thinking and decision making [25].

4. CONCLUSIONS

4.1. Conlusion

Based on the research and discussion that has been conducted, it was concluded that Paternalistic Leadership has a positive influence on employee's Innovative Behavior in Indonesia's digital-based companies. Paternalistic Leadership dimensions that positively influence Innovative Behavior dimensions are Visible, Authoritarian, Benevolent, Moral-Courage, and Moral-Magnanimity. It means that the leaders in digital-based companies need to show attitudes that can be exemplified, show concern for subordinates, dare to defend the subordinates if they do not violate any rule or ethical values, and open to criticism and dissent to make

employees more encouraged to generate innovative ideas and seek for support to implement these ideas to benefit the company.

4.2. Recommendation

Further research can discuss other factors that influence innovative behavior, such as knowledge sharing, learning organization, organizational climate, and so on.

Subsequent research can raise the context of other industries in Indonesia to enrich references to research on innovative behavior, paternalistic leadership, and workplace happiness.

The process of adaptation of questionnaire items from the original measuring instrument can involve other parties who have competence in the field of linguistics so that these items can better describe the real intentions and be more effective in measuring the variables under study.

4.3. Practical implication

The result of this research suggests that to encourage employee's innovative behavior, leaders should not only demand and set targets but also show concern for their sub-ordinates, be open to criticism, and show courage in defending ethical values in the work environment. In addition, the assumption that authoritarian attitudes always have a negative influence looks unfounded because in this study, it is proven that leaders' authoritarian attitude can encourage the emergence of innovative ideas from their subordinates. That means leaders need to occasionally exercise complete control of teamwork so that the team is consistent in generating innovative ideas. It is essential because the process of creating ideas is the first step before promoting these ideas and implementing them in the company.

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