Innovative Work Behaviour as a Mediator Between Transformational Leadership and Employee Retention

S. Anisha Estherita and S. V asantha
School of Management Studies, Vels Institute of Science, Technology and Advanced Studies, [VISTAS], Chennai, India
anishaestherita6@gmail.com, vasantha.sms@velsuniv.ac.in

Abstract. Work behaviour that brings about innovation is making use of one’s creativity for solving newly emanating problems and it emphasizes on creativity and innovation for developing new ideas, products, services or strategies. A transformational leader supports their subordinates to reveal their innovative and creative thinking and it acts as a promoter of innovative work behaviour among the employees. As a result of transformational leadership and innovative work behaviour, employees’ do not feel to leave the organization and wish to stay in the organization for a longer period of time. With the help of transformational leadership and resulting innovative work behaviour evolving out of that, employees do not feel like leaving the organization. Thus, innovative work behaviour acts a bridge between the transformational leadership and retention of employees. The main purpose of this study is to investigate how innovative work behaviour plays a mediating role between transformational leadership and retaining the employees. For the study, review method was used and under the process of review academic and research papers were identified and reviewed. This review method aimed at strengthening the existing literature. The study results demonstrated that transformational leadership plays a vital role for bringing out employees’ innovativeness and eventually retain the employees in the organization for a longer period of time.

Keywords: Creativity · Innovative work behaviour · Retention · Transformational leadership

1 Introduction

Transformational leadership approach motivates the employees to introduce innovation and creativity and take the required steps to their discretion that they feel will shape the organisation’s success. A leadership that promotes transformation is an approach that is used to provide more room to creativity and innovation in solving problems and business crisis [1]. A strong transformational leader will establish clear goals and enables the employees to align their personal goals to organizational goals. A leadership that promotes transformation mainly focuses on transforming or changing others to support one another and the organization as a whole [2]. This type of leadership provides freedom
for the employees and the authority to make decisions as well. Transformational leaders are said to exhibit four typical behaviours namely, “inspirational motivation, idealized influence, intellectual stimulation and individualizes consideration.” Leaders who follow this approach provide both support and challenges to the subordinates [3]. Leaders who are transformational assist their followers in empowering themselves and become good leaders by responding to their needs of their subordinates [3]. Leadership that accepts transformation is said to extract the maximum capacity out of the employees by setting more highly challenging expectations [3]. A leader who is transformational prepares a team that is able to produce an organizing vision of a transfigured system [4].

Work behaviour that promotes innovation is very much vital for any organization’s survival as well as success [5]. In this dynamic environment, as there are changes cropping up each day, the organisations must think of creative and innovative ways of doing a job, solving a problem and delivering their service to the customers. Creativity is the main essence of this type of work behaviour [6]. Innovative work behaviour is not only about generating unique ideas, but also ensuring the behaviour that supports to the implementation of the unique idea [7]. Innovation initiatives greatly depend on the human capital and the behaviour of the human capital as it acts as a value creation process for the organization [8]. For the organisations to survive in the market, innovation is a must and the type of leadership approach plays a vital role in elevating innovation in work behaviour [9]. Innovation in work behaviour is predicted by few factors such as motivation, competency of the employee, self-efficacy and employees’ commitment to the work [10]. Accordingly, the employees who exhibit creativity will display better performance than the employees who are less creative [7]. Retaining employees in an organization has become a difficult task for the managers in recent days. As employees get better offers from various other companies while they work in one company, they shift to another job which has a better compensation. Organisations should invest in employee retention as its cost is less compared to hunting new employees. Further, when best talents are retained in the organization, they tend to attract other talented candidates and also improve the performance of the organization. Retention initiatives are vital in which management takes the necessary steps to prevent the employees from leaving the organization. Retaining employees is the responsibility of an organization to continue its business on a longer run [11]. The retention of employees in an organization is dependent on the ability of the organization to manage its people [12]. Hence, if the management has proper retention strategies and policies in line, then the employees will stay and work for the achieving the organizational goals successfully [13]. Organizations that strive hard to retain their talents for a longer time, it provides various benefits to the organization such as sustained business process and reduced cost [14]. Few employees in the organization will possess scarcely specialized skill or knowledge, they will be difficult to acquire. Such employees should be retained carefully with a well-drawn retention plan [15]. Employee retention begins with orientation and it is the duty of the HR department to minimize turnover and ensure best candidates are retained in the organization.

Transformational leadership paves way for innovation in work behaviour. Innovation in work behaviour in the present business scenario is surviving in this unstable and
dynamic environment [16]. Innovation is the key aspect the contributes to the competitiveness of the organisation and also keep up to the customer’s expectations [17]. Leaders who support transformation make their employees add meaning to the work they do so that it will enhance their innovative behaviour [18]. The leaders who are transformational, motivate and encourage their employees to exhibit their innovative work behaviour as because they tend to directly impact the employees’ performance [19]. Hence, transformational leaders motivate employees to think intelligently and creatively as so the employees become more engaged to the organisational goals and achieving the goals become relatively easier [20]. Transformational leadership facilitates the organisation to retain their employees by creating a positive and cohesive environment in the organisation as maintaining a healthy work environment is a key aspect in developing and retaining the talented employees and so transformational leadership supports employee retention [21].

This study aims to do an in-depth literature survey on the mediating impact of innovation in work behaviour between transformational leadership and retention of employees and further intends to extend the branch of knowledge on this topic. The next section presents a conceptual model of the research topic and the following section presents the literature review of the related articles. Then, methodology of the study has been proposed and the objectives of the study are established in the following section. Finally, the reviewed literatures are discussed, and the findings of the study are established and the final section provides the conclusion of the study.

2 Objectives of the Study

- To conduct an intensive literature review on the impact of transformational leadership on employee retention with a mediating effect of employee’s innovative work behaviour.
- To explore the relationship between transformational leadership approach and retention of employees and how innovation in work behaviour mediates between these two.

3 Research Methodology

The study is descriptive in nature. Data was collected through secondary method of data collection. The data collected from previously published research articles have been studied and the conclusion has been arrived for the study.

4 Review of Literature

4.1 Transformational Leadership

Transformational leadership is the term conceived by James MacGregor Burns. Leaders and the followers will support and help each other for them to advance to a higher level of confidence, Burns [1978]. A leader who promotes transformation is possible of
encouraging the employees to produce with the help of a mobilising aim of forming a transformed system in the organization, [4, 21] stated that Transformational leadership is possible with a strong emotional attachment between the leader and the followers. Hence, the employees upraise from lower-level needs to the most higher-level needs, [22]. Leaders who are transformative are more suitable for today’s strategic environment. [23] stated that when a leader follows a transformational approach, it impacts on the employee commitment and their trust in the leader. There are various aspects in which transformational approach has an impact among which employee’s satisfaction and organizational outcomes are vital, [24] by bringing out the maximum capacity and capability of the employees by instilling the importance of achieving the personal as well as organizational goals. [25], described that transformational leadership happens when the organization and the employees work together to transform the organization into a better one.

4.2 Innovative Work Behaviour

According to [26], innovation has become a crucial factor to make organization adapt to the changes that are taking place in the environment and Innovation creates more superior performance in a sustained manner for the organization, [8]. When employees exhibit innovative work behaviour, he or she will not be satisfied with the current level and will explore new and effective ways of doing the job or task as stated by [22]. Innovative work behaviour helps the organization to be competitive in the dynamic environment, [27]. Organisational innovation is possible only by linking the innovation with individual innovation, [28, 29] stated that the organisation’s climate affects the organisation’s capability to exhibit innovation as only when the climate is conducive of innovation, then the employees can provide their innovative ideas. Innovative work behaviour is seen as one of the pivotal points for in the current environment for ensuring the organizational development and growth, [30].

4.3 Employee Retention

Employee satisfaction is the key for retaining talented employees in the organization, because human talent is the major asset of the organization, [31, 32] states that providing employees with options like career development, good working environment, compensation benefits and managerial support for the employees, they will be retained in the organization. [33], expresses that retention is a complex process and employee development program contributes well to the retention of employees, [33, 34], stated that good talents are rare to find these days and so they should be retained in the organization with the best possible retention strategies as retention protects the employees from being poached by reputed organisations [35, 36] stated that retention of employees is a main key that contributes to the long-term health and survival of the organization as well as its success. According to [37], the organisations should not only try to attract the best candidates but also try their best to retain the best talents. Employee retention has become a tough task but in the long run it will be beneficial for the employees as well as the organization, [35].
4.4 Effect of Transformational Leadership on Innovative Work Behaviour

Burns [1978], was the first one to coin the term transformational leadership for differentiating transactional leadership from transformational leadership. He stated that leaders who follow a transformational approach are the ones who inspire their subordinates to aim and accomplish determined and progressive goals. [38] proposed a model which stated the impact of leadership that promotes transformation on individual and organizational level creativity and innovation. The model concluded that transformational leadership approach impacts on both the individual and organizational level creativity and innovation. [39] in examining the relation between transformational approach to leadership and innovative work behaviour, the researchers found that the elements of transformational approach to leadership positively impact on the elements of innovative work behaviour.

According to [40], leadership is a key aspect that supports and fosters innovation in an organization and further specifies that support for innovation mediates the impact of transformational approach to leadership in work behaviour that supports innovation. On the basis of [41], transformational approach to leadership is seen as an important factor that will impact innovation in work behaviour of the employees whereas [42], found a negative association between transformational approach to leadership and Innovation in work behaviour. [38] due to the lack of research made on leadership affecting innovation, the researchers aimed to assess the effect of leadership that supports transformation on the work behaviour that promotes innovation. The study proved that transformational approach to leadership supports organizational innovation and also suggests that managers should practice this type of leadership approach for promoting innovation among the employees. [42], articulates that leaders who promote transformation tends to provide exceptional opportunities for promoting innovation in work behaviour from idea generation and execution as it will enable provision of exclusive products and service which will help them to gain a competitive edge over their competitors [43].

[44] states that people who are provided with leadership abilities should adopt an approach that is transformational in turn motivating their employees with individual attention, stimulating them intellectually and encourage them to attain specific goals. [45] in their study, found that gender plays a moderating role between transformational leadership and innovation in work behaviour, as the social and emotional aspects of gender is a focal point in developing any particular leadership style. Similarly, [46] explored the gender differences’ connection between transformational approach to leadership and innovation in work behaviour. The researcher found that women leaders are not able to exploit the fuller innovative potential of the employees even though they follow a transformational approach to leadership.

According to [47], transformational leadership and Innovation in work behaviour is moderated by psychological wellbeing of employees. The researcher has discovered that when the employees are psychologically motivated, they will be well comfortable under a transformational leader and hence they will exhibit innovation in their work behaviour. Similarly, [48], also studied the mediating role of psychological empowerment between transformational approach to leadership and innovative work behaviour. The researcher ascertained that under a transformational leadership approach,
the employees feel responsible and respected and have freedom in executing ideas and so they also exhibit higher innovation in their work behaviour.

[49, 50], assessed the role of transformational approach to leadership on the innovative work behaviour of IT employees. The study found that when a leader follows a transformational approach, then the employees are psychologically as well as externally motivated and influenced to make well use of their innovative capabilities and creativity in their work. [53], in their study found that if a leader undertakes a transformational leadership approach, it will pave valuable way for employees to display their innovative work behaviour. In a study that aimed at unpacking the relation between transformational approach to leadership and innovative work behaviour, [51], found that psychological wellbeing plays a mediating role between transformational leadership approach and innovation in work behaviour.

In 2019, [52], stated that a transformational leader should pay attention to the employees’ problems and develop their personal capabilities, so the works are innovative and creative that will create competitive advantage to manage the changes in the business environment and survive in the market.

4.5 Effect of Transformational Leadership on Employee Retention

[53], in their study made to find the relationship between transformational leadership and the retention of employees, the study supported the theory of transformational leadership. It was stated that when the transformational approach to leadership increased, the employees’ turnover intention decreased and they were retained at a better rate. In an attempt to explore the association between leadership that promotes transformation and retention of employees with a mediation of intrinsic motivation and organizational support, [54], infer that the transformational leadership approach should be an institution and that institution should promote the capacity to enhance the retention of employees.

Research made by [55], revealed that the interaction of the leaders affects the retention of employees overtime as when the employees become dissatisfied with the leader, they tend to leave the organization being annoyed by the leader’s behaviour. Similarly, a study made by [56], stated that this transformational approach to leadership was more rewarding to employees and also improved the ability of the employees. It also concluded that listening and motivating the employees makes the employee feel valuable and hence, they don’t wish to leave the organization.

In understanding the impact of transformational approach to leadership on retaining the employees of the organization, [57], with the help of literature review found that the leadership approach that is transformational, greatly affects the decision of the employees whether to leave or to stay in the organization. [58], stated in his study that transformational leadership approach will encourage employees to perform well and so their performance increases. Eventually, they don’t feel to leave the organization and they remain in the organization. A study made by [59], to explore the relation between transformational approach to leadership and retention of staff. The researcher found that leadership that promotes transformation have the ultimate aim of building a healthy work environment and hence improving the retention of staff in the organization. [60], suggested that retaining employees will become easier if the leaders adopted a style of transformational leadership. [54], made a study on the association between leadership
that promotes transformation and retention of employees. The researcher found that if
the leaders in the organization followed a transformational approach, it greatly con-
tributed to the retention of employees and also promote retaining the best talents in the
organization.

[61], identified that transformational leadership approach has been proven to be more
superior in impacting the retention of employees with an aid of satisfaction among the
employees. According to [62], transformational approach to leadership should allocate
time to professionally develop the employees under them and hence that will improve the
retention of employees. In the opinion of [63], employees who see their leaders follow a
transformational approach of leadership, has no interest in leaving the organization and
are satisfied with their job as well as leader, hence are retained in the organization.

In critically examining the impact of transformational approach to leadership on
retention of employees, [64], the behaviours of “idealized influence, inspirational moti-
vation, intellectual stimulation and individual consideration” have a strong influence
over the retention of employees especially talented employees in the organization. And
as a result, this transformational approach to leadership can be used as a strategy to retain
talented employees in the organization.

4.6 Impact of Innovation in Work Behaviour on Employee Retention

[65], in the study made to explore the impact of innovation in the workplace on employee
retention. The researcher concluded that the extent to which employees are provided the
autonomy to provide new ideas and implement them, the extent of their retention is
enhanced. According to [66], employees should feel that they have the autonomy to
innovative and be creative so that the organization is able to attract and retain the best
talents. According to [72], if a company faces low innovation, then the employee turnover
is high. Hence, companies should incorporate various strategies enabling employees to
exhibit their innovative practices so that it acts as an employee retention strategy for the
organization.

[21], in their study made to find the relationship between transformational approach
to leadership and retention of employees, with a moderating and mediating variable of
Organisational Citizenship Behavior and communication. The researcher concluded that
a leader who undertakes a transformational approach, are able to motivate employees
to attain goals, solve problems in a creative way and train and develop their employees,
the retention of employees will become easier for the organisation [67]. [72], stated that
transformational approach to leadership positively impacts the employees’ innovation
in work behaviour.

[68], stated in their study that the employees if motivated and encouraged to imple-
ment their own innovative and creative ideas in the workplace, they become engaged
to their job and they will not have the intention to leave the organization and retention
becomes better. In contradiction to that, [73], in their study, the employees who have the
intention cannot made to stay in the organization by promoting innovation in their work
behaviour especially in a public sector organization as there is no space for creativity
and innovation in a public enterprise [74], examined the innovation promotion culture’s
impact on employee retention, in which the researchers concluded that when innovation
Innovative Work Behaviour as a Mediator

is promoted as a part of the organisation’s culture, it is said to have an impact on the retention of employees.

5 Discussions

The results indicate that transformational approach to leadership does affect the innovation in work behaviour of employees consistent with previous studies [41; 46; 43]. A transformational approach to leadership is helpful in promoting innovation among the employees from the generation of ideas to implementing those ideas which in turn will help the business in providing exclusive products and services unique from that of their competitors so gaining a competitive advantage. It was also found that gender plays a moderating role between transformational leadership approach and innovation in work behaviour which coincides with the study made by [45]. Added mediating factor which was found in virtue of the literature review made was psychological wellbeing of the employees played a mediating role in between transformational approach to leadership and innovative work behaviour [9; 54] and psychological empowerment also tends to play a mediating role between a leadership approach that promotes transformation and innovation in work behaviour as the employees are psychologically empowered when the leaders follow a transformational approach.

The findings also reveal that innovation in work behaviour is found to enhance the retention of employees in the organization. This finding is in consistence with the study made by [65], which found that when the employees are provided with the autonomy to be innovative in work, retaining them becomes an easier task. Hence, companies should also incorporate various strategies that enable employees to display their innovativeness which in turn acts as a retention strategy for the organization. Employees when motivated and encouraged to showcase their innovation and creativity, they think a lot and are engaged to their work and hence they won’t have the interest to leave the organization [68].

Further, the results highlighted that transformational leadership approach also played a significant role in the retention of employees which coincides with the study made by [53]. A transformational leader pays heed to the problems of the employees and also rewarded them for good performance. So, when a leader displays this type of leadership, employees under that leader won’t wish to leave the organization. Retaining the employees becomes easier when the leader follows a leadership approach that promotes transformation [60]. When employees see their leaders adopt a transformational approach, the employees are very much satisfied with their job and their leader and they do not have the interest to leave the job [63].

6 Conclusion

The main purpose of the study was to explore the impact of transformational approach to leadership with a mediating factor of innovation in work behaviour on the retention of employees. The study revealed that retention of employees is affected positively by transformational leadership approach. Further the study revealed that promoting innovation in work behaviour acted as a mediating role between the leadership approach that
promotes transformation and retention of employees. The findings showed that when a leader follows a transformational approach, he inspires and motivates the employees to perform well and hence the employees become satisfied with the organization, they do not wish to leave the organization which decreases the turnover rate of the organization and enhances employee retention. Transformational leaders give the required autonomy to the employees to perform their task. When the employees have enough autonomy to showcase their innovation and creativity, it promotes the innovation in work behaviour and so employees are unconcerned about leaving the organization.

References


332  S. A. Estherita and S. Vasantha

Open Access  This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (http://creativecommons.org/licenses/by-nc/4.0/), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter’s Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter’s Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.