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ENTREPRENEURIAL LEADERSHIP AND INNOVATION: THE MEDIATING ROLE OF EMPLOYEE VOICE BEHAVIOR

Liderança e Inovação Empreendedora: O Papel Mediador do Comportamento Vocal dos Funcionários

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ABSTRACT: This study uses a systematic quantitative research approach to identify the relationship between entrepreneurial leadership (EL) and innovation through the moderating effect of employee voice behavior (EVB). This study focuses on employees of Pakistani medium and large enterprises and implies that there is a positive and significant relation between EL and innovation and similarly between EL and EVB. Current study concludes that EVB also partially mediate the relationship between EL and innovation, which means that there are other factors mediating their relationship about which further research needs to be done. It can be concluded from this paper that the firms having entrepreneurial leadership ability in their employees and having EVB in organizational culture are usually good at innovation.

KEY WORDS: Entrepreneurial leadership; Employee voice behavior; Innovation; Organizational culture

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LIDERANÇA EMPREENDEDORA E INOVAÇÃO: O PAPEL MEDIADOR DO COMPORTAMENTO DA VOZ DO EMPREGADO

Entrepreneurial leadership and innovation: the mediating role of employee voice behavior

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RESUMO: Este estudo utiliza uma abordagem de pesquisa quantitativa sistemática para identificar a relação entre liderança empreendedora (EL) e inovação através do efeito moderador do comportamento vocal empregado (EVB). Este estudo centra-se em funcionários de médias e grandes empresas paquistanesas e implica que existe uma relação positiva e significativa entre EL e inovação e de forma semelhante entre EL e EVB. O estudo atual conclui que o EVB também medeia parcialmente a relação entre o EL e a inovação, o que significa que existem outros fatores mediando sua relação sobre quais pesquisas adicionais precisam ser feitas. Pode-se concluir a partir deste documento que as empresas que possuem capacidade de liderança empreendedora em seus funcionários e têm EVB na cultura organizacional geralmente são boas em inovação.

PALAVRAS-CHAVE: Liderança empreendedora; Comportamento de voz do empregado; Inovação; Cultura organizacional

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INTRODUCTION

Over the past couple of decades, the business environment has changed dramatically due to rapid globalization and technological advancements. The only way of survival for businesses is innovation, which is now regarded as the key success factor and pinnacle for growth and survival in the modern business era (Rajapathirana & Hui, 2017). Recent developments in the theory of economic growth have highlighted the importance of innovation for sustainability in output and growth in productivity for firms specifically in developing countries (Wadho & Chaudhry, 2018). A number of studies have reported a positive relationship between innovation and labour productivity, profitability, firm growth, openness, and other firm-level outcomes (Wadho & Chaudhry, 2018). Innovation has been defined in a number of ways, one important definition is that Innovation is an outcome, process and mindset at the same time, which facilitates an

organization to search and get maximum out of opportunities (Kahn, 2018). An important feature of innovation is that it should be implemented (EUROSTAT/OECD, 2005).

Firm's innovational ability is affected by many factors, and one main factor that influences innovation is leadership. The 21st century is especially focusing on a new type of leadership i.e. entrepreneurial leadership (Mishra & Misra, 2017). To innovate regularly, the firm must internalize entrepreneurial behaviors and attitudes that increase innovativeness ability of the firm (Avanti Fontana, 2017).

This study focuses on studying the relationship between EL and innovation through mediating effect of EVB which is believed to have a strong relationship with entrepreneurial leadership and innovation (Chen & Hou, 2016). This study is done focusing Pakistan medium and large enterprises who are struggling to compete with the multinational firms despite having financial and other resources (Aslam, Zulqarnain, Shoaib, & Akram, 2014).

The systematic quantitative approach is used in this study. Questionnaires from previous studies were selected and modified for the present study. Data was collected from the top and middle-level managerial employees of Medium and large-scale Pakistani enterprises both from manufacturing and service sector.

This study is significant in several ways; first, it has deliberated innovation from a different perspective i.e. from a perspective of entrepreneurial leadership. Secondly, EVB has been introduced as a moderator in the relationship between EL and innovation. EVB is a behavior if managed carefully can contribute significantly in encouraging both EL and innovation. Thirdly, this study has opened new directions for future research in the area of leadership, innovation, and employee behavior. Lastly, this study was done focusing Pakistani medium and large-scale enterprises, who are facing severe problems to complete in the era of globalization and technological advancement, and for them, innovation is the only option for survival. This study has provided some useful learning for managers of Pakistani firms on how they can improve their innovative capability and competitiveness by focusing on EL and encouraging EVB.

LITERATURE REVIEW

Term innovation has always attracted lots of attention from researchers in the management field; however, still, there is a lot of debate about the true definition of the term. This confusion about the definition of term innovation is created by the difference of opinion available in the literature. It should be noted that innovation is combination of three different things i.e. (1) innovation is an outcome, which encompasses what is sought by the innovation like product innovation, process innovation, business model innovation and market innovation, (2) innovation is continuous process and lastly (3) innovation is a mindset which tries to internalize the innovation in the individuals of the organization (Kahn, 2018). A more commonly used definition of innovation by business sector is provided by paragraphs 146 and

150 of Oslo Manual (Guidelines for Collecting and Interpreting Innovation Data) also cited by (Gault, 2018), which states that —An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations|. According to Oslo Manual, another important feature of innovation is implementation i.e. —A common feature of an innovation is that it must have been implemented (EUROSTAT/OECD, 2005).

As the business environment is becoming increasingly competitive, leadership is gaining importance, especially where risks are increasing, forecasting becoming difficult, industries are converging (Bettis, 1995). To cope with the challenges of modern-day business environment the 21st century has shifted its focus on EL to cope with the challenges posed by rapid globalization and innovation (Mishra & Misra, 2017). EL is a combination of entrepreneurial orientation, entrepreneurship, leadership abilities and entrepreneurial management and could be defined as a process which brings together unique innovation and complete package of resources to reap the organizational opportunities (Avanti Fontana, 2017).

More recently, it has been identified that entrepreneurial leadership influence employees innovative work behavior that ultimately influences organizational innovation. (Newman, Tse, Schwarz, & Nielsen,

2018). Entrepreneurial leadership has a dual character, one as an entrepreneurial accelerator and other is entrepreneurial doers (Newman et al., 2018).

EVB is a constructive behavior which is defined as a challenge-oriented behavior directed towards the improvement of the situation.(LePine & Van Dyne, 1998). It is considered that voice behavior has a strong influence on the creativity and innovativeness of the employees (Chen & Hou, 2016).

RESEARCH FRAMEWORK

Based on the literature review and gaps identified, following research framework is developed for the current study (Figure 1).

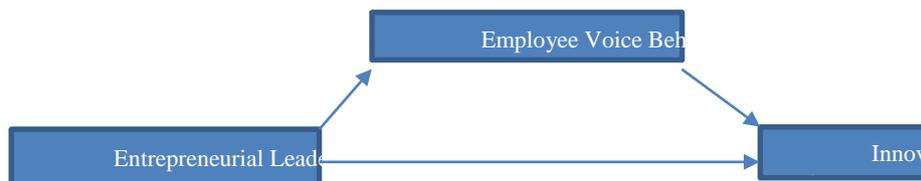


Figure 1 Research Framework

3.1 Hypothesis development

Following hypothesis are formed based on the research framework, **H1:** Entrepreneurial Leadership positively influences innovation. **H2:** Entrepreneurial Leadership (EL) positively influence employee voice behavior. **H3:** Employee Voice behavior positively influences innovation. **H4:** Employee voice behavior mediates the relationship between EL and innovation.

METHODOLOGY

Participants and procedure

Data were collected from middle and senior level employees of medium and large-scale Pakistani enterprises from both manufacturing and service sector on a cross-sectional timeframe through convenience sampling technique using both faces to face and online survey methods. Convenience sampling technique was used keeping in view the availability of respondents, as all of them are busy professionals. 350 Questionnaire were sent, out of which 310 were got back, out of them, 22 were discarded due to missing data and other problems and 288 questionnaires were included in final analysis which yields 82% response rate. Total 36 medium and large-scale organizations from six major cities of Pakistan Lahore, Karachi, Islamabad, Rawalpindi, Faisalabad, and Gujranwala participated ipn the study. 53% of organizations participated in this study are from the service sector and 47% are from the manufacturing sector. Demographic analysis of the respondents reveals that majority (74.3%) of the respondents are males, which shows males dominancy in professional sector of Pakistan. As far as Age distribution of respondents are concerned, 13.2% belongs to age bracket of 25~30, 13.9% ranges between 31~35 and 17.4% of the respondents fall within the age of 36~40, 17% to 41~45, 20% to 45~50 and 18.4 % to 50 and more respectively, which depicts that data set is relatively evenly distributed as far as age is concerned. 51 % of the respondents hold master's degree (16 years of education), 16% are undergraduate, and 28.8% holds graduation (12 years of education). Only 12 (4.2%) hold MPhil (18 years of education) and only one respondent (0.3%) holds PhD Degree. Respondents are also relatively evenly distributed as far as the number of years of experience is concerned, 16% of the respondents have 1~5 years of professional experience, 21% falls within the 6~10-year category, 18% within 11~15, 20% within 16~20 and 24% within 21 and more year's category respectively.

Measure used

To ensure the reliability and content validity, this study has adopted measures from previous studies.

3.1.1 Entrepreneurial Leadership

The measure for Entrepreneurial Leadership is adopted from (Avanti Fontana, 2017) which consist of 4 dimensions namely (1) Strategic Dimension having 10 items (2) Communicative dimension having 5 items

(3) Motivational Dimension having 5 items (4) Personal / Organizational Dimension having 4 items. All items are measured on 5 points Likert scale (1 = strongly disagree and 5 = strongly agree).

Reliability was assessed according to the guidelines of (Hair, Black, Babin, & Anderson, 2010).

Cronbach’s Alpha for Entrepreneurial Leadership is ($\alpha = .918$).

3.1.2 Employee Voice Behavior

An instrument for employee voice behavior is adopted from (LePine & Van Dyne, 1998) which consist of 6 items. All items are measured on 5 points Likert scale 1 = strongly disagree and 5 = strongly agree) (Cronbach’s $\alpha = .826$)

3.1.3 Innovation

An instrument for outcome variable i.e. Innovation is adopted from INNOSCALE developed by (Vicente, Abrantes, & Teixeira, 2015) which consist of 13 items. It consists of four dimensions (1) product development capability having 4 items (2) innovativeness having 3 items (3) strategic capability having 3 items and (4) technological capability having 3 items e.g. All items are measured on 5 points Likert scale (1 = strongly disagree and 5 = strongly agree) (Cronbach’s $\alpha = .724$).

HYPOTHESIS TESTING

H1: Entrepreneurial Leadership positively influence innovation: A simple linear regression analysis was performed using SPSS version 23, taking Entrepreneurial leadership as independent variable and Innovation as an outcome or dependent variable.

Table 1 Regression Analysis Between EL (IV) and Innovation (DV)

| F | Standardized Coefficient | Beta (p) | Sig | Result |
|--|--------------------------|----------|-------|-----------------|
| Model is Significant at (1,285)=20.253, $p<0.01$ | .258 | | 0.001 | H1 is supported |

H2: Entrepreneurial Leadership positively influences employee voice behavior. To test H2, again simple linear regression was performed taking entrepreneurial leadership as the independent variable and employee voice behavior as the dependent variable.

Table 2 Regression Analysis Between EL and EVB

| F | Standardized coefficient | Beta (p) | Sig | Result |
|--|--------------------------|----------|-------|-----------------|
| Model is Significant at (1,285)=71.049, $p<0.01$ | .447 | | 0.001 | H2 is supported |

This result is in accordance with the finding of (Chen & Hou, 2016), who states that leaders are now concerned about their employees showing willingness and raising voice against organizational issues.

H3: Employee Voice behavior positively influences innovation. Simple linear regression analysis was performed to test the H3, taking employee voice behavior as independent variable and innovation as the dependent variable.

Table 3 Regression Analysis Between EVB and Innovation

| F | Standardized coefficient | Beta (p) | Sig | Result |
|--|--------------------------|----------|-------|-----------------|
| Model is Significant at (1,286)=14.388, $p<0.01$ | .219 | | 0.001 | H3 is supported |

Results are in line with the finding of (Chen & Hou, 2016), who states that employee voice behavior has a strong and positive effect on creativity and innovativeness of the firm.

H4: Employee voice behavior mediates the relationship between EL and innovation. **Table 4**

| | | Mediation Analysis | | | | |
|---------------------------|----------------|--------------------|--------------------------|----------|------|---------------------------|
| | | Model | Standardized Coefficient | Beta (p) | Sig | Results |
| Direct (Without Mediator) | | EL | | .258 | .001 | H4 is Partially supported |
| | | EL | | | | |
| In-Direct (With Mediator) | Employee Voice | | | .201 | .002 | |
| | | | | .126 | .049 | |

*Dependent Variable: Innovation

Analysis showed that both direct effect i.e. entrepreneurial leadership to innovation and indirect effect i.e. entrepreneurial leadership to innovation through employee voice behavior are significant, which implies that even though employee voice is mediating the relationship, however, there are some other factors that are also affecting the relationship between entrepreneurial leadership and innovation. Therefore, our findings support H4 partially. Further research needs to be done about the other factors that are affecting the relationship between entrepreneurial leadership and innovation.

CONCLUSION

In the current business environment, innovation is the key success factor for any business enterprise. With the rapid globalization and technological advancement, the enterprises who will not innovate on regular basis and will not keep pace with the changing trends of the market and business environment will soon perish. Following conclusions are drawn from the current study,

1. Entrepreneurial leadership has a strong and positive relationship with innovation, which means that firms having leaders (or managers) with entrepreneurial abilities in their cadre are more likely of better performing at innovation and vice versa.

2. Entrepreneurial leadership has a strong and positive relationship with employee voice behavior, which implies that employees will show voice that is behavior that is more constructive when they find entrepreneurial leadership guiding and supporting them and employees will raise more voice against problems within the organizational system that will ultimately increase their creativity and hence organizational innovation.

3. Employee voice behavior has a direct and positive relationship with innovation. It can be implied from this that if an employee raises their voices against problems in the organizational system and against status quo, then organizational innovation will improve.

4. Employee voice behavior also partially mediates the relationship between entrepreneurial leadership and firm’s innovation, which implies that both direct effect (i.e. from entrepreneurial leadership to innovation) and indirect effect (from entrepreneurial leadership to innovation through employee voice behavior) are significant, which means that there are others factors who are influencing the relationship between entrepreneurial leadership and innovation which are not covered in this research and this require further research in this area.

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