A LITERATURE REVIEW ON RELATIONSHIP BETWEEN LEADER-MEMBER EXCHANGE AND INNOVATIVE WORK BEHAVIOUR

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Abstract
Built on social exchange theory, Leader-Member Exchange (LMX) is different from traditional leadership concept since it recognizes relationship differences between leaders and members based on reciprocal resource exchanges. LMX affects innovative work behaviour, a positive organisational behaviour which comprises of four phases, namely, opportunity exploration, idea generation, championing, and application. Work engagement is another organizational behaviour concept that relates positively to LMX and innovative work behaviour. This conceptual paper is an endeavour to review the conceptualization of LMX, innovative behaviour, and work engagement. Moreover, relationship between LMX, innovative work behaviour and work engagement is explored. After reviewing extensive literature, it was found that the relationship between LMX and innovative work behaviour is not always significant as there are inconsistencies in the findings of previous studies. Hence, work engagement can be proposed as a mechanism in the relationship based on its proven linkage with LMX and innovative work behaviour. It is suggested for future researchers to further explore the overlooked relationship of LMX and innovative work behaviour.

Keywords: Leader-Member Exchange, Innovative Work Behaviour, Work Engagement

Introduction
In the competitive globalisation era, innovation is vital for sustainability, long-term survival and growth of organizations. Innovation is a mean for organization to adapt changes in business environment whether the organization is doing a business or providing a service

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Therefore, innovative work behaviour must be embraced by members of organizations to improve their performance. Leadership plays an important role in stimulating innovative work behaviour in organization (Jung et al., 2003; Mumford, 2002). Being one of the practices in leadership, LMX has been found in previous studies as a determinant of innovative work behaviour (Kheng and Mahmood, 2013; Shunlong and Weiming, 2012). Studies that have been conducted on the relationship between LMX and innovative work behaviour mostly confirmed the positive effect of LMX on innovative work behaviour (Altunoglu and Gurel, 2015; Kheng and Mahmood, 2013; Sanders et al., 2010). However there are conflicting finding in some studies which concluded that the influence of LMX was not significant on employees’ innovative work behaviour (e.g: Taştan and Davoudi, 2015). Therefore, besides reviewing the conceptualization of LMX, innovative behaviour, and work engagement, this paper aims to investigate the relationship between LMX and innovative work behaviour, and proposes work engagement as the mechanism in this relationship.

**Conceptualization of Leader-Member Exchange**

Leader-Member Exchange (LMX) theory was first introduced by Graen and Dansereau in 1970s; initially referred to as vertical dyad linkage approach to leadership which indicates that leaders differentiate subordinates in their work groups, rather than using the same leadership style and consistent behaviour with all subordinates (Schriesheim et al., 1999). LMX is defined as quality of the interpersonal exchange relationship between a subordinate and his or her supervisor, characterised by mutual influence and interdependencies (Graen, 1976; Uhl-Bien, 2006). According to Scandura et al. (1986), it is a system of components and their relationships in both members of a dyad involving interdependent patterns of behaviour and sharing mutual outcome instrumentalities and producing conceptions of environments, cause maps, and value.

LMX is based on social exchange theory which posits that individuals give benefits to others in expectation of receiving benefits of equivalent value in return (Blau, 1964). Described as a social exchange of tangible and non-tangible resources between supervisors and subordinates, LMX explicitly recognizes differences between the relationships leaders have across individual employees (Bernerth et al., 2007). A key characteristic of such relationships is reciprocal resource exchange among dyad members. Studies by Graen, Dansereau et al. (1973) and Graen and Scandura (1987) propose that leaders may offer resources and benefits to subordinates such as discretion latitude, information, recognition, and rewards. In return, subordinates offer only a limited number of the exchange goods, but, in addition, they may show loyalty, commitment, greater responsibility and ownership for challenging task assignments (Bernerth et al., 2015). Leaders establish higher quality exchanges with some of their followers; while with other followers, leaders rely more on the terms of employment in forging exchanges (Sanders et al., 2010). Subordinates who enjoy high quality relationship with leaders are called in-group members while those who are in low quality relationship is called out-group members (Graen and Scandura, 1987, Sherman et al., 2012).

Referring to dimension of LMX, most of the early researches considered LMX as one single dimension construct, which ranges from low quality to high quality (Jing-zhou and Wen-xia,
2011). However, some scholars have a conflicting view. Based on social exchange theory, Dienesch and Liden (1986) proposed that LMX shall be multi-dimensional. Dienesch and Liden also suggested that LMX may be based on varying amounts of three "currencies of exchange", namely, task-related behaviours (labelled contribution), loyalty to each other (labelled loyalty), and simply liking one another (labelled affection). Further, Liden and Maslyn (1998), through a thorough process of interview on LMX dimensions and contents, added the fourth dimension of LMX, namely, professional respect.

Conceptualization of Innovative Work Behaviour

Innovation is defined as “intentional introduction and application within a role, group or organization of ideas, processes, products or procedures” (West and Farr, 1989). At individual level, innovation is referred as innovative work behaviour. Earlier study on individual innovation by Hurt et al. (1977) regarded innovative work behaviour to be personality-based and defined it generally as willingness to change.

Innovative work behaviour has a wide construct which ranging between initiation and implementation of innovations (Jong, 2007). It differs from creativity which has more limited construct, and focuses only on the discovery and generation of ideas. Innovative work behaviour is also broader than proactive work behaviour construct (Crant, 2000; Parker, Williams and Turner, 2006) which focuses on the implementation of change, but do not specifically capture the initiation part of the innovation process.

West and Farr (1990) defined innovative work behaviour as the intentional generation, promotion, and realization of new ideas within a work role, workgroup or organization in order to benefit role performance, the group or the organization. Even though innovative work behaviour benefits the organizations, it is a discretionary effort that may not directly and formally rewarded (Agarwal, 2014). It is an extra-role behaviour in most jobs (Janssen, 2004), where individuals are neither necessarily receive reward for their initiative nor receive sanctions for not doing so. Built on the same definition, Farr and Ford (1990) postulated that innovative work behaviour aims to achieve the initiation and intentional introduction of new ideas, processes, products or procedures.

The concept of innovative work behaviour was further developed by Scott and Bruce (1994); proposed it as a multistage process. Drawing on definition of innovative work behaviour by Kanter (1988), they outlined three stages relevant to innovative work behaviour, namely, idea generation, coalition building, and implementation. Earlier, Kanter (1988) distinguished between four major tasks that constitute innovative work behaviour, namely, idea generation, coalition building, idea realization, and transfer. In agreement with multistage process approach of IWB proposed by Scott and Bruce (1994), Janssen (2000) defined innovative work behaviour as idea generation, idea promotion, and idea realisation. Likewise, Martin and Martins (2002) proposed three stages to represent idea generating, risk taking, and decision-making. These behaviours encourage innovation when they were recognised as a norm in the organization (Martins & Martins, 2002).
In later study, De Jong (2007) extended the stage of idea generation by dividing it into opportunity exploration and idea generation, based on proposal by Scott and Bruce (1994) that idea generation includes both generating ideas and recognition of problems. Furthermore, De Jong (2008) argued that based on entrepreneurship literature, the discovery of opportunities is seen as behaviour preceding idea generation. The four dimensions of innovative behaviour proposed by De Jong (2007) are opportunity exploration, idea generation, idea championing, and idea application. Opportunity exploration is defined as identifying new opportunities (Basadur, 2004; Amabile, 1988), whereas idea generation is a combination and reorganization of information and existing concepts to solve problems or to improve performance (De Jong and Hartog, 2008). Meanwhile, idea championing means finding support and building coalitions (King and Anderson, 2002) to sell creative ideas. The final dimension of innovative work behaviour namely, idea application is defined as efforts put forth to develop an idea selected for implementation into a practical proposition (De Jong and Hartog, 2008).

**Conceptualization of Work Engagement**

Generally, work engagement refers to the relationship of the employee with his or her work. It is a discretionary effort, achieved through the behavioural investment of physical, cognitive, and emotional energy in work roles (Kahn, 1992). According to Khan (1990), there are three psychological conditions associated with work engagement, namely meaningfulness, safety, and availability. Workers will become more engaged at work if the work place offers more psychological meaningfulness and safety, and when they are more psychologically available in performing their job. Macey et al. (2009) defined work engagement as a psychic kick of immersion, striving, absorption, focus, and involvement. The absorption and involvement nature of work engagement can be seen in definition by Ashforth and Humphrey (1995) which postulated that engagement involves investing ‘hands, head, and heart’ in active and full-work performance.

Even though work engagement is almost similar to workaholism in terms of effort and focus put forth in performing task, there are differences in the two concepts. Engaged employees do not work hard because of a strong and irresistible inner drive like workaholics, but because working is fun (Schaufeli et al., 2007). Likewise, work engagement is also different with organisational citizenship behaviour (Macey and Schneider, 2008) since engagement implies the energetic state of involvement with the work itself (Saks, 2006; Schaufeli and Bakker, 2010). Work engagement gives a good impact to individual and organisation. At the individual level, engaged employees enjoy good health and positive work effect (Demerouti et al, 2001). At the organisational level, work engagement results in customers’ satisfaction (Harter et al., 2002; Salanova et al., 2005), productivity (Schaufeli and Bakker, 2004), in-role and extra-role performance (Schaufeli et al., 2006), and financial returns (Xanthopoulou et al., 2007).

The most accepted definition of work engagement used in this current study is from Schaufeli et al. (2002). According to him, work engagement is defined as ‘a positive, fulfilling, work-related state of mind characterised by vigour, dedication, and absorption’. Vigour is defined as high energy and mental resilience while working, a willingness to invest effort in one’s
work, and persistence even in the face of difficulties (Schaufeli et al., 2002). Dedication is a sense of significance, enthusiasm, inspiration, pride and challenge (Schaufeli et al., 2002). Meanwhile, absorption is defined as being fully concentrated and deeply engrossed in one’s work, whereby time passes quickly and one has difficulty detaching from work (Schaufeli et al., 2002).

**Relationship between Leader-Member Exchange and Innovative Work Behaviour**

Studies on the relationship between LMX and innovative work behaviour mostly confirmed the positive effect of LMX on innovative work behaviour (Altunoglu and Gurel, 2015; Frank, 2015; Kheng and Mahmood, 2013; Sanders et al., 2010). These researchers have shown that LMX is an important antecedent of innovative work behaviour (Xerri, M., 2013, Agarwal et al. 2012; Sanders et al. 2010). High level of quality of LMX between supervisors and employees will encourage employees to be more innovative in performing their job. Supportive practices demonstrated by supervisors increase the chances that innovative behaviour will be successful. Employees are likely to be more confident that their innovative behaviour will result in performance (Yuan and Woodman, 2010).

However, there is a conflicting finding in some studies which concluded that the influence of LMX was not significant on employees’ innovative work behaviour (Taştan and Davoudi, 2015). In the study by Taştan and Davoudi (2015), it was found that the LMX quality did not affect the innovative work behaviour of employees in companies of various sectors in Turkey. Similarly, in the study by Lee (2008), it was concluded that quality of LMX did not affect the innovative behaviour of research and development professionals in Singapore. It was stated that the research and development professionals are tend to work independently and confidence with their ability and professionalisme. Hence, high quality LMX does not help in innovativeness. Besides that, in Bernerth et al., 2007; Liden et al., 2006; Van Dyne et al., 2002, it was concluded that there is no relationship between LMX and performance. This can also indicate the trend of relationship between LMX and innovative work behaviour since innovative work behaviour is related to performance (Leong, 2014).

The inconsistent findings on the relationship between LMX and innovative work behaviour suggests that there might be an intervening variable between the two variables. Several factors has been tested to mediate the relationship between LMX and innovative work behaviour such as employability (Stoffers et al., 2014) and satisfaction with HR practices (Sanders et al., 2010). Recent study by Agarwal et al. (2013) concluded that work engagement is a mechanism that links LMX and innovative work behaviour. It was found that LMX does not influence innovative work behaviour directly, but through increased work engagement.

Furthermore, positive relationship between work engagement with LMX and innovative work behaviour in previous studies proposes that work engagement is a suitable mechanism to link LMX with innovative work behaviour. With regard to relationship between work engagement and LMX, Kimberley et al., (2015) stated that resourceful work environment enjoyed by employees in high-quality leader-member exchange leads to work engagement. When supervisors fulfil the psychological contracts of their employees by taking care of their personal and professional needs and treating them with respect, the subordinates will feel
oblige to reciprocate in equally positive manners (Saks, 2006). Employees feel obligated to reciprocate by approaching their work with greater vigour, dedication, and absorption, which are the dimensions of work engagement. Bhatnagar (2007) concluded that leaders of high-quality exchange relationships represent resources that facilitate accomplishment of work goals, stimulate personal development, and thus increase work engagement among employees.

In terms of relationship between work engagement and innovative work behaviour, Bakker et al. (2007) found positive correlations between innovativeness and the three dimensions of work engagement namely vigour, dedication, and absorption. Engaged employees increase their personal initiative which results in enhancing innovativeness (Hakanen et al., 2008). They work at their best level and attempt proactive approach to problem solving. Besides that, people experience positive emotions when they are engaged in their work (Bakker and Demerouti, 2008) and this facilitates people to explore, assimilate new information and experiences, and apply them (Fredrickson, 2001).

Therefore, based on positive relationship between work engagement and LMX, and work engagement and innovative work behaviour, it is proposed that work engagement is a suitable mechanism in the relationship between LMX and innovative work behaviour.

Conclusion

Based on the review of previous studies on LMX, innovative work behaviour and work engagement, it was concluded that the three organisational concepts have been widely discussed including the development of their conceptualization and construct. However, several issues can be explored in future research such as generalization issues, contextualization issues, and measurement. Besides that, there might be a possibility that the concept of LMX, innovative work behaviour, and work engagement can be extended from different angle yet to be explored, for example in terms of sectoral and geographical diversity.

In term of relationship between LMX and innovative work behaviour, it was found that the relationship is sometimes overlooked since most studies showed the trend of positive linkage. The inconsistent findings in several studies suggested that there are possible intervening variables to affect the linkage between LMX and IWB. As in this study, work engagement is proposed as one of the possible mechanisms. Further studies can be carried out to test and confirm the mediating role of work engagement in relationship between LMX and innovative work behaviour. At the same time, other possible mechanism can also be explored.

References


