Volume 19 Issue 47
Originally issued as A15



Global Journal of Management and Business Research: A Administration and Management
Volume 19 Issue 15 Version 1.0 Year 2019
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

The Effect of Trust in Leaders in Creation of Employee Innovation in Organizations

By Niluka. T. Amarasinghe, Dr. Gapar Johar, Dr. Ali Khatibi & Dr. S.M. Ferdeous Azam
Management and Science University

Abstract- The significance of creating trust in the leaders has shown increased importance in the contemporary organizational setup. The study discusses the effect of Trust on Leaders has in Creation of Employee Innovation in Organizations in the present-day.

Purpose: The study is to determine the relationship Trust on Leaders has in the Creation of Employee Innovation in contemporary organizations

Design/Methodology/approach: The research is conducted perusing the recent Journals and articles published in reliable, high-quality Journals on the captioned subject. Quantitative research Conducted on a deductive approach through a survey questionnaire in the banking industry of Sri Lanka.

Findings: Trust in the leader by the employee is showing a positive relationship to employee innovation in organizations. Therefore, improving the Trust in leaders by the employees would enhance the innovative behaviours of employees in organizations.

Keywords: leadership, innovation, trust.

GJMBR-A Classification: JEL Code: M10, M19



Strictly as per the compliance and regulations of:



© 2019. Niluka. T. Amarasinghe, Dr. Gapar Johar, Dr. Ali Khatibi & Dr. S.M. Ferdeous Azam. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 3.0 Unported License http://creativecommons.org/licenses/by-nc/3.0/), permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

The Effect of Trust in Leaders in Creation of Employee Innovation in Organizations

Niluka. T. Amarasinghe [α], Dr. Gapar Johar [σ], Dr. Ali Khatibi [ρ] & Dr. S.M. Ferdeous Azam [ω]

Abstract- The significance of creating trust in the leaders has shown increased importance in the contemporary organizational setup. The study discusses the effect of Trust on Leaders has in Creation of Employee Innovation in Organizations in the present-day.

Purpose: The study is to determine the relationship Trust on Leaders has in the Creation of Employee Innovation in contemporary organizations

Design/Methodology/approach: The research is conducted perusing the recent Journals and articles published in reliable, high-quality Journals on the captioned subject. Quantitative research Conducted on a deductive approach through a survey questionnaire in the banking industry of Sri Lanka

Findings: Trust in the leader by the employee is showing a positive relationship to employee innovation in organizations. Therefore, improving the Trust in leaders by the employees would enhance the innovative behaviours of employees in organizations.

Keywords: leadership, innovation, trust.

I. Introduction

Over the past two decades, the importance of trust in an organizational setting was seen with much prominence (Kramer, 2006). Within business, the issue of internal mutual reliance occurs at three separate levels: within the company leadership, within the groups that interact with, or are governed by, that leadership; and about individuals who form stakeholder groups (Dovey, 2009). Trust is important in organizations to create affective corporation among team members in an environment of present complexities. Today people working in widely dispersed workstations, working from home, working into varying time schedules are some specific reasons why Trust is of utmost importance in the contemporary workplace (Tyler, 2003). As per Ellonen et al (2008), Trust could be classified into two as Interpersonal organizational trust and Impersonal organizational trust.

Innovation has been defined by West and Farr (1990), as generation and implementation of new ideas that the potentially useful in organizations. Innovation has long been cited as essential for organizational competitiveness and success and defined as the adoption of an idea or behavior – whether pertaining to a device, system, process, policy, program, product, or service – that is new to the adopting organization (Bae et al., 2011). As per Chang et al. (2016), innovation not only comes from creative products and services but from the transformation of the management practices. Today innovation is considered as the source of sustained success in Corporates (Adams et al., 2006). As a result, the factors for creativity and innovation has drawn much attention of the researchers. Leadership is therefore identified as a major factor in creating creativity and innovation in organizations (Scott and Bruce, 1994).

With the global environment becoming more complex, organizations need to be agile and change for competitive advantage and advancement. As per Shostack (1988), Innovation brings in competitive advantage, operating efficiency, and market leadership in organizations. The fact that Innovation helps firms to make radical changes in processes, structures, and cultures ensures competitive advantage, was justified by many literatures (Bartlett, 2009). The types of leadership styles organizations should develop in their respective work settings need to be identified to support them foster a better innovative organizational culture.

II. Literature Review

a) Trust

The subordinate's willingness to trust a leader is based on the distribution of rewards, sanctions, and resources to them as they are tied to career advancement and wages (Werbel and Henriques, 2009). Subordinates need to perceive fair in the distribution of rewards and other resources, if not the trust they have on leader will be lost.

b) Trust in the leader

The willingness of subordinates to be vulnerable to the actions of the leaders are considered as Trust in the leader (Sharkie, 2009). The perception of trust is related to the character of the leader, where attributes like dependability and integrity determine the level of trust placed on the leader by the follower. Employee trust of leaders in organizations has become important than ever before, as the contemporary organizations giving a lesser guarantee on job security and promotions. As per Sharkie (2009), The discretionary effort of employees takes place in a context where a higher level of trust is needed to encourage corporative behavior.

Author α σ ρ ω: Management and Science University, Malaysia. e-mail: niluka72@hotmail.com

© 2019 Global Journals

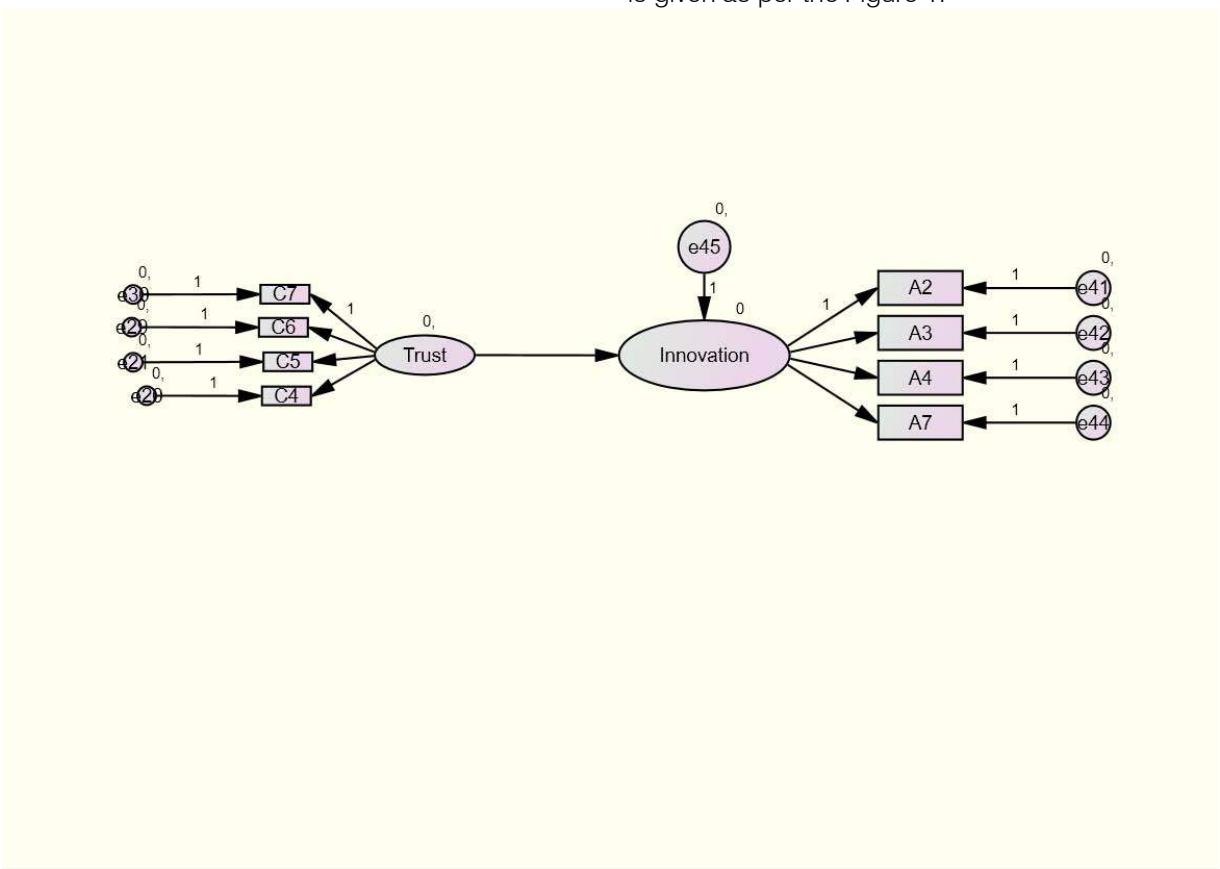
c) *The Effects of "Trust in the Leader by the employees, is mediating the Transformational Leadership and Employee Innovation in Organizations."*

As per Neinaber et al., (2015), The personal interactions and the emotional bonds are essential between the leader and the follower in building trust. The Level of Trust team players place in their leader mediates the relationship between Servant Leadership and individual creative behavior (Jaiswal and Dhar, 2017). The research explores the relationship Servant leadership is having on trust in leader and thriving on Employee creativity. It covers 35 institutions in India of which 26 institutions agreed to participate. Confirmatory Factor Analysis (CFA) was used to measure the factor loadings and Multi-Level Mixed modeling using Hierarchal Linear Modelling (HLM). The results of the study proved that Servant Leadership is positively related to creativity of employees. It also proved that Trust in leader and Thriving played the role of mediating and moderating role respectively.

III. Methodology

a) *Design*

A stratified random sample of the Leaders of Sri Lankan Banking industry (Executive grade and above) and the employees (Below executive grades) which resulted a response of 380 Leaders and followers on a survey to measure the transformational leadership and the Trust. The respondents were requested to provide their responses on a 5-scale survey questionnaire. The model was designed accordingly and the refined model is given as per the Figure 1.



Source: Researcher Developed, 2019

Figure1: The structural Model

b) *Hypothesis development*

The linkage between Trust on Leaders and Employee Innovation in Organizations.

As per Neinaber et al., (2015), The personal interactions and the emotional bonds are essential between the leader and the follower in building trust. The Level of Trust team players place in their leader mediates the relationship between Servant Leadership and individual creative behavior (Jaiswal and Dhar, 2017).

H: The Trust in leader by the employees, has a positive relationship to Employee- innovation In Banking industry in Sri Lanka.

IV. Discussion

The reliability of the individual items checked to measure the stability and the consistency of the study (Sekaran and Bougie, 2016). The average variance

© 2019 Global Journals

extracted (AVE) and Cronbach's Alpha values were measured, and the indicators given in Table 1.

Table 1: Summery of Individual Items Reliability of the constructs

Construct	No. of Items	AVE	Composite Reliability	Cronbach's Alpha
Innovation	4	0.5328	0.9614	0.815
Trust	4	0.5052	0.9634	0.800

Structural equation modeling performed in this study using analysis of moment structures (AMOS) statistical tool, where it explains the relationship among multiple variables formulated by combining a measurement model called Confirmatory Factor Analysis (CFA). The study indicates an almost 0.9652 AVE in the construct of Transformational Leadership whilst the constructs of Trust indicating 0.5052 AVE values which are considered as acceptable. Cronbach alpha for Transformational leadership indicates as 0.816 which is good while Trust indicating 0.800, which are good reliability measures. As per Hair et al. (2010), The reliability alpha would be low when there are less items in a latent variable. Therefore, the given indicators can be accepted as valid.

Model Fit

The Model fit of the entire model was tested using AMOS software and the indicators are given in the Table: 2.

Table 2: Model Fit of the comprehensive Model

GOF TEST	Requirement	GOF Test indicators
df	>0	19
X^2/df	<5	2.233
TLI	>0.9	0.956
IFI	>0.9	0.977
CFI	>0.9	0.977
PCFI	>0.8	0.516
RMSEA	<0.08	0.054
PCLOSE	>0.05	0.345

Out of the eight goodness of fit indicators tested, seven indicators are within the requirement level that shows an acceptable level of the entire model.

Table 3: Structural Model indicators

Path Hypothesis	Standardized path coefficients	S.E	CR	P Value	Hypothesis Testing Results
Trust-INN	0.325	0.067	4.862	0.000	Supported

H: The Trust in the leader by the employees, has a positive relationship to Employee- innovation In Banking industry in Sri Lanka.

As per table 3, the Trust in leader by the employees is showing a positive relationship to Employee Innovation in the banking industry of Sri-Lanka. However, the P value is 0.00 which is significantly lower than the threshold value of 0.05 to establish a significant relationship. Therefore, the hypothesis is treated as strongly supported and the alternative hypothesis is accepted.

V. Conclusion and Managerial Implications

The literature confirms that Trust in the leader by the employees has a positive and significant relationship with Innovation (Neinaber et al., 2015; Jaiswal and Dhar, 2017). The study outcomes comply with the literature where trust is showing a strong significant positive relationship towards Innovation. Therefore, it is evident that there is a strong need to build trust among the employees to improve Innovation in organizations. The Organizations therefore need to implement a leadership culture that would foster trust in employees so hat the employees would in return behave in a way that innovative ideas are created and implemented.

VI. Limitations of the Study

The study was focusing on the banking industry in Sri Lanka. However, the results could be generalized to any Institution or Industry as the results of the study are in compatibility with the past research findings. The

© 2019 Global Journals

demographic factors of the respondents were not considered for the study. Focus on some of the demographic factors that would have explained the relationship each is having on the moderating effect on employee innovation.

References Références Referencias

1. Bartlett. D, (2009), "Embedding corporate responsibility: the development of a transformational model of organizational innovation", Corporate Governance: The international journal of business in society, Vol. 9 Iss 4 pp. 409 – 420
2. Dovey, K. (2009), "The role of trust in innovation", The Learning Organization, Vol. 16 Iss 4 pp. 311 – 325
3. Ellonen,R., Blomqvist.K.,& 5Puumalainen,K, (2008), "The role of trust in organisational innovativeness", European Journal of Innovation Management, Vol. 11 Iss 2 pp. 160 – 181
4. Hair, J.F., Black. W.C., Babin.B.J. & Anderson .R.E. (2014). Multivariate Data Analysis. (New International ed.). United States of America: Pearson.
5. Jaiswal, N.K & Dhar. R.H, (2017) "The influence of servant leadership, trust in leader and thriving on employee creativity", Leadership & Organization Development Journal, Vol. 38 Issue: 1, pp.2-21
6. Kramer, R.M, (2006). Organizational Trust: A Reader. 1st ed. Oxford: Oxford university press, pp 1-3
7. Nienaber. A.M., Hofeditz. M., & Romeike. P.D., (2015)," Vulnerability and trust in leader-follower relationships ", Personnel Review, Vol. 44 Iss 4 pp. 567 – 591
8. Scott, S. and Bruce, R. (1994) Determinants of Innovative Behavior: A Path Model of Individual Innovation in the Workplace. The Academy of Management Journal, 37, 580-607.
9. Sekaran. U., & Bougie. R, (2013). Research methods for business. 6th ed. New Delhi: Wiley India Pvt ltd, pp. 94-95.
10. Sharkie.R, (2009),"Trust in leadership is vital for employee performance", Management Research News, Vol. 32 Iss 5 pp. 491 – 498.
11. Shostack. G.L, (1988) "Limitation Is the Mother of Innovation", Journal of Business Strategy, Vol. 9 Issue: 6, pp.51-52,
12. Tyler. T.R, (2003), "Trust within Organisations", Personnel Review, Vol. 32 Iss 5 pp. 556 – 568
13. Werbel. J.D., & Henriques. P.L, (2009), "Different views of trust and relational leadership: supervisor and subordinate perspectives", Journal of Managerial Psychology, Vol. 24 Iss 8 pp. 780 – 796
14. West, M. A., & Farr, J. L. (1990). Innovation at work. In M. A. West, & J. L. Farr (Eds.), Innovation and creativity at work: Psychological and organizational strategies (pp. 3-13).

© 2019 Global Journals