

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

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Received: 13 December 2018 Accepted: 4 January 2019 Published: 15 January 2019

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.

Index terms— leadership, innovation, trust.

1 Introduction

ver 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.

2 II.

3 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.

4 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. IV.

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

6 Model Fit

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

7 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 that the employees would in return behave in a way that innovative ideas are created and implemented.

8 VI.

9 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 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.

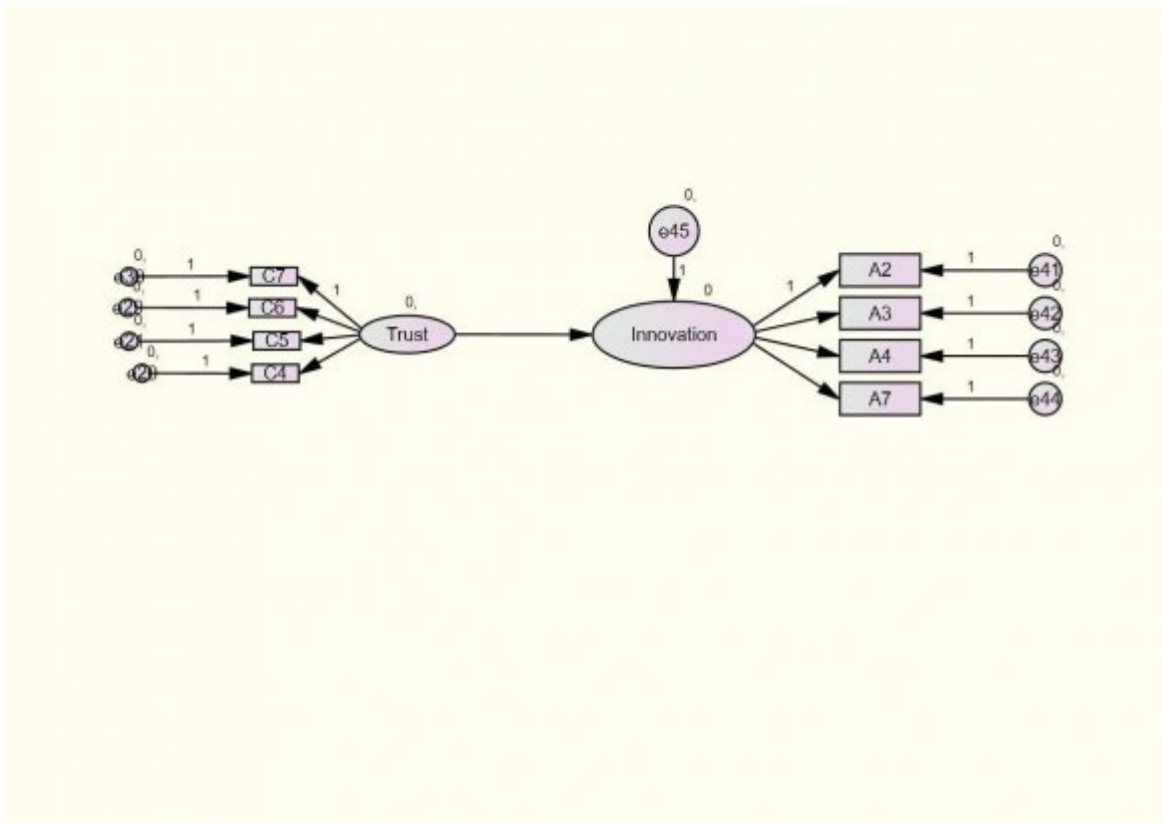


Figure 1:

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| 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).

Figure 2: Table 1 :

2

| GOF TEST | Requirement | GOF Test indicators |
|---------------|-------------|---------------------|
| df | >0 | 19 |
| χ^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.

Figure 3: Table 2 :

3

| 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. | | | | | |

Figure 4: Table 3 :

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