

Employee Empowerment and Innovative Work Behavior: The Moderating Role of Leader-Member Exchange

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Purpose: This paper seeks to address the moderating effect of leader-member exchange on the link between employee empowerment and innovative work behavior.

Design/Methodology: The study draws on the causal-comparative research design, and employs paper-based self-administered questionnaires to gather data from a sample of 470 employees drawn from manufacturing firms in Kenya. This sample is part of a population of 9915 employees and has been narrowed down using Yamane's formula. The study employs stratified and simple random sampling techniques to constitute the required sample of employees.

Findings: The results indicate that employee empowerment and Leader-Member Exchange positively and significantly affect innovative work behavior. The results further reveal that Leader-member exchange significantly moderates the link between employee empowerment and innovative work behavior.

Practical Implication: The findings of this study provide an avenue through which managers of manufacturing firms can identify constructs that best explain innovative work behavior, especially during challenging times such as this time of Covid 19 pandemic. The results of this study provides managers with opportunities to come up with techniques, policies and strategies to improve relationship between employees and their supervisors for purposes of improved productivity, employee loyalty and reduced conflicts.

Originality/Value: The study makes a novel attempt to show the moderating influence of leader-member exchange in the context of employee empowerment and innovative work behavior in manufacturing firms in Kenya. Moreover, the study underscores the importance of leader member exchange in employees' innovative behavior, which is vital knowledge in tough times like the current uncertainty caused by the covid-19 pandemic.

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Introduction

The manufacturing sector stands out as an essential pillar to the growth of Kenya's economy. As a result, it is recognized as one of the most critical sectors in the Big Four Agenda outlined by his Excellency, the president of the Republic of Kenya Hon. Uhuru Kenyatta (Ngugi, 2019). This is a four-point plan targeting food security, manufacturing (mainly focusing on job creation), affordable universal health care, and affordable housing which, the president believes that if leveraged, would improve the living standards of Kenyans, grow the economy and leave a lasting legacy. However, the Kenya Association of Manufacturers (KAM) and the Kenya Business Guide (KBG) have noted a significant drop in the manufacturing sector's contribution to the country's GDP, raising fears that the country could experience premature deindustrialization (KAM, 2018; KBG, 2018). Moreover, a study carried out by SYSPRO (vendor specializing in the provision of ERP and other advanced business software to mid-size producers and distributors), a global technology firm in partnership with Strathmore Business School points out several challenges that are holding back the Kenyan manufacturing sector and cites inability to run optimally as the bane of performance of most companies in the sector (Wangui, 2019).

Nevertheless, the culture of innovation among organizations is touted as one way through which the growth of Kenya's manufacturing firms can be guaranteed (Miano, 2019). While recognizing the significant steps that Kenya, as a country, is taking towards nurturing the innovative culture Miano (2019) concurs that acceleration of the country's growth, which as it is, still lies in its nascent stages is critical to the emerging competition. The extant literature demonstrates that adoption of a culture that is sensitive to the enhancement of innovativeness and creativity is indeed a sure way through which organizations can remain competitive (J. P. De Jong & Den Hartog, 2007).

The significance of innovativeness among manufacturing firms is further emphasized through the Deloitte report presented at the World Economic Forum, and which recognizes the role 'minds' as opposed to 'mines' are poised to play in the future of Africa's development (Deloitte, 2016). The report postulates and rightly so, that Africa is in possession of a valuable resource in terms of a higher percentage (60 percent) of a population aged under 35 years (African development bank report, 2014). Consequently, the continent stands a better chance to be propelled into a higher growth trajectory through innovative work behavior. Other scholars have made similar observations (Aghion, Boulanger, & Cohen, 2011).

Although a lot of interest is being shown towards innovations among entrepreneurs, investment in creativity and innovation, particularly in research and development, need not be taken for granted (Ndemo & Aiko, 2016). Investment in innovation among employees in the form of empowering them features prominently in the discourse on innovativeness among firms in areas such as correcting errors and re-designing work processes (Uzunbacak, 2015); managing innovative processes (Saray, Patache, & Ceran, 2017) and innovative work behavior (Alkhodary, 2016) among others.

Yet, the empowerment of employees is in itself not enough to spur innovation among employees. Interpersonal relationships and relationships nurtured between employees and their immediate leaders should not be underestimated. Scholars have increasingly demonstrated that leader-member exchanges enhance trust, respect, support, and loyalty and also facilitate the acquisition of innovative work behavior (Alsughayir, 2017; Bibi & Afsar, 2018; Tastan & Davoudi, 2015). Despite several policies being developed to guide innovativeness in organizations in Kenya, investment in leader-member exchange remains silent in most of these policies. This paper, therefore, seeks to address this gap by employing the theory that governs exchanges between leaders and their protégés to explore the quality of relationships nurtured between supervisors and employees in manufacturing firms in Kenya and how such relationships moderate the interconnection between empowered employees and their innovative work behavior (IWB).

Literature Review

The current study is embedded in the theory of innovation diffusion proposed by Everett Rogers in 1962 (Rogers, 2003) and leader-member exchange dyadic theory of leadership developed by (Dansereau Jr, Graen, & Haga, 1975; Van Breukelen, Schyns, & Le Blanc, 2006). The theory of innovation diffusion underscores the rationale upon which new ideas and technology can be infused in production in the event of varying conditions. It seeks to remind organizations on the importance of responsiveness to creativity and innovation in the wake of industry changes. Manufacturing firms in Kenya operate under varying conditions and often use different approaches to empower employees which make this theory critical to the current study. On the other hand, the leader-member exchanges theory postulates that the quality of exchange relationships nurtured between leaders and subordinates informs the kind of leadership exhibited. Consequently, exchanges could be of high quality, in which case they would be characterized by liking, trust and mutual respect or, of low quality and exemplified by suspicion, skepticism, hatred and antagonism among others.

Innovative Work Behavior (IWB)

The concept of IWB is best approached from the realm of knowledge economy where intangible assets get recognition for their role in organizational competitiveness under the presumption of 'doing more with less' (Crossan & Apaydin, 2010). It has been argued that employee innovation is reminiscent of organizations that are seeking high performance (Korzilius, Bücken, & Beerlage, 2017). In this context then, Riaz, Xu, and Hussain (2018) build on a previous definition by Scott and Bruce (1994) which, relates innovative behavior to generation, realization, and promotion of novel ideas in the organization among groups of employees or individual employees. J. P. De Jong and Den Hartog (2008) on the contrary adopt the definition which looks at IWB as a behavior elicited by an individual intending to initiate and introduce novel ideas, procedures, processes, and products that could ultimately be useful to the organization. They posit that unlike creativity, IWB has a more explicit applied component that comes up with mutual benefits.

Although many manufacturing industries have been operating in diverse sectors in Kenya, the agricultural sector accounts for better productivity and growth realized through innovations. As a result, the sector has been at the center of the innovation policies in Kenya (Ndemo & Aiko, 2016). The current study seeks to cover this gap by bringing on board other sectors in the manufacturing industry. To do so, the study first examines whether empowering employees relates directly to IWB in manufacturing firms from diverse sectors. Second, assuming that such a direct linkage exists, the study demonstrates the potential inherent in leader-member exchange (LMX) to moderate it. We, therefore, use the conceptual model displayed in Fig. 1.

Employee Empowerment and Innovative Work Behavior

Employee empowerment is a kind of strategy and philosophy that provides an employee with the opportunity to make decisions and take responsibility for their outcomes (Ndegwa, 2015). Existing literature supports the argument that employee empowerment sparks innovativeness (Uzunbacak, 2015). Moreover, it has also been associated with employee autonomy and self-belief (Wong Humborstad, Nerstad, & Dysvik, 2014). Alkhodary (2016) noted that employee empowerment was critical to employees' originality and idea fluency. Similarly, Abuzaid (2018) attributed strategic success to employee empowerment.

Most of the studies that have been undertaken in Kenya have zeroed in on examining how employee empowerment was significant in various firms. For instance, Ndegwa (2015) analyzed how employee empowerment-related to performance in commercial banks in Kenya. Odero, Egessa, and Oseno (2020) examined the influence of empowered employees on the performance of deposit-taking savings and credit cooperative organizations (SACCO's) in Kenya. Idua (2017) explored the effect of empowered employees on the performance of public universities in Kenya. Busara (2016) investigated the role that employee empowerment plays on the performance of government procurement.

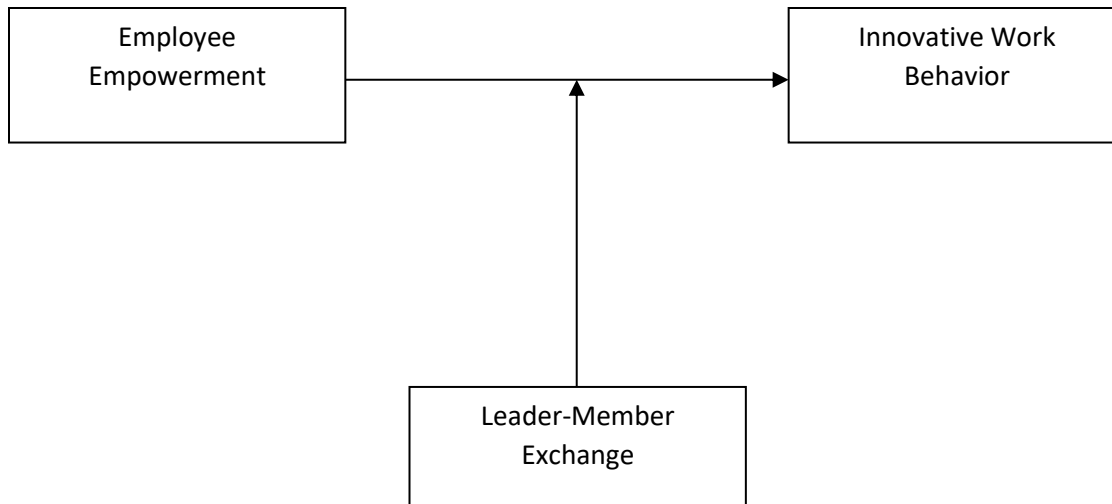


Figure 1 - Conceptual Model

Significantly, this array of studies conducted in Kenya is only relating employee empowerment with organizational performance. There is little or no evidence of whether employee empowerment has a direct influence on IWB. Given this, we, therefore, postulate that:

H₀₁: *Innovative work behavior in manufacturing firms in Kenya is independent of employee empowerment.*

Moderating Role of Leader-Member Exchange

The ability to be innovative at work requires that workers engage in social processes when interacting with their co-workers and leaders (Carmeli & Schaubroeck, 2007). Indeed it has long been demonstrated that innovative behavior is a function of the work context (Carr, Schmidt, Ford, & DeShon, 2003). If a warm climate is nurtured between leaders and subordinates, it has been shown that creativity and innovation can be enhanced, culminating in individuals functioning at their highest level (Walumbwa, Wang, Wang, Schaubroeck, & Avolio, 2010).

Several studies highlight the moderating potential of leader-member exchange in various relationships. Lee, Scandura, Kim, Joshi, and Lee (2012), for instance, documented that LMX acts as a boundary condition in linking emotional intelligence with creativity. Hu and Zuo (2007) demonstrated that LMX moderates job insecurity and organizational commitment. Weigl et al. (2016) have also demonstrated that LMX moderates the link between burn out and emotional labor among clinical nurses. The moderating capacity of leader-member exchange has also been demonstrated in the bond between organizational commitment and job characteristics (Sullivan, 2017) and in the link between the behavior of citizens within organizations and authentic leadership (Stewart, 2012). If no documentation of the potential of LMX to moderate the interconnection between IWB and employee empowerment exists, we question whether it is viable and postulate that:

H₀₂: *Leader-member exchange does not significantly moderate the relationship between employee empowerment and innovative work behavior in manufacturing firms in Kenya.*

Research Methodology

Study Design

The design adopted for this study was the causal-comparative design, which is ideal for cause-effect studies such as the current study (Saunders & Lewis, 2009). In examining how employee empowerment directly affects IWB, and how LMX moderates this direct effect, the current study fits in the cause-effect study category.

Sample

The population for the current study included 9915 employees working in manufacturing firms located in the industrial area of Nairobi City County. This was narrowed down to a sample of 470 employees on the strength of Yamane (1973) sample size formula and stratified across seven manufacturing sectors. Data used in the study were collected using a self-administered questionnaire comprising of four sections in line with the three study constructs and employees' background characteristics. Background characteristics related to employee gender, education, age, and experience. Employee gender was measured through the number of male and female respondents categorized as 0 and 1, respectively. The employee age was measured through the analysis of the five categories of ages, those below 20 years, 21-25, 26-30, 31-35, and those above 36 years. Education level was measured at certificate level, diploma level, Bachelor's degree, and postgraduate levels. Furthermore, the employee's experience was measured with the following experience ranges; less than five years, 5-10 years, 11-15 years, 16-20 years. Response scores were elicited on a 5-point Likert type scale scored as follows: 1-strongly disagree; 2-disagree; 3-neutral; 4-agree, 5-strongly agree.

Variable Measurement

Three variables were under consideration in the current study. J. De Jong and Den Hartog (2010) measurement scale were adopted albeit, with modifications to measure the four components of innovative work behavior, which included; idea generation, idea exploration, idea implementation, and championing. Eight items adopted from (Liden & Maslyn, 1998) scale were employed in measuring the four dimensions of LMX, namely; the contribution of exchange, professional respect, loyalty, and affect. A self-developed scale comprising 20 items and developed in line with suggestions by Petter, Byrnes, Choi, Fegan, and Miller (2002) measured the four dimensions of employee empowerment, namely; power, information, knowledge, and rewards.

Data Analysis

Data analysis targeted both inferential and descriptive statistics. Descriptive statistics focused on respondent's demographics and exploration of the prevailing leader-member exchange relationships in manufacturing firms under investigation. Inferential analysis was conducted using Hayes PROCESS Macro model 1 (Hayes, 2018). Under this approach, IWB was depicted as the criterion variable, employee empowerment as the predictor variable, and LMX as the moderating variable. The number of bootstrap samples was set at 10,000. Interactions were probed at a significance level of 0.05 with conditional values of negative one standard deviations (-1SD), mean (0 SD), and positive one standard deviations (+1 SD). The -1 SD value was customized as the 'low level,' 0 SD as the average level, and +1SD as the 'high level' of LMX.

Results

Out of the 470 questionnaires administered, 396 corresponding to 84.3 percent were returned and deemed ideal for the study basing on suggestions by Saldivar (2012). A list-wise deletion of missing values further reduced the sample from 396 to 384. The background characteristics of the study presented in Table 1 revealed the following: Most of the respondents were males (60.4%). Respondents were mostly of the Bachelor's degree level (47.7%) or diploma level (33.3%). Age-wise, most respondents ranged between 21 years of age and 35 years. Moreover, 204 had an experience of 1-5 years (53.1%).



Table 1: Demographic Background of the study

		Frequency	Percent
Gender	Male	232	60.4
	Female	152	39.6
	Total	384	100
Education	Certificate Level	43	11.2
	Diploma Level	128	33.3
	Bachelor's Degree	183	47.7
	Post-graduate	30	7.8
	Total	384	100
Age	Below 20 years	16	4.2
	21-25	116	30.2
	26-30	99	25.8
	31-35	96	25.0
	Above 36 years	57	14.8
	Total	384	100
Experience	1-5	204	53.1
	6-10	119	31
	11-15	36	9.4
	16-20	14	3.6
	Above 21 years	11	2.9
	Total	384	100

Source: Research Data (2020)

Table 2 presents the means, standard deviations, reliability, and correlation of general levels of all variables in the study. From the results, a significant correlation between employee empowerment, LMX, and Innovative behavior among employees was reported.

The findings presented in Table 2 show that Innovative work behavior leads with the highest mean of 4.07 (SD = .557). It is followed by Employee empowerment with an average of 3.67 (SD = .600), while LMX had the lowest average of 3.57 (SD = .700). Furthermore, the findings reveal that all variables had scale reliability above 0.8, with Employee empowerment having the highest Cronbach's Alpha of .887, followed by Innovative work behavior with .864, whereas LMX had the lowest score of .837. Finally, findings of the Correlation analysis show that both Employee empowerment and LMX have a strong linear relationship with innovative work behavior. Employee empowerment has the highest relationship with $r = .724$, $p < .01$, while LMX has the lowest but most important relationship with $r = .643$, $p < .01$. Furthermore, the findings show that LMX significant association with the empowerment of the employee, as shown by $r = .705$, $p < .01$.

Table 2: Results of Means, standard deviations, reliability and correlation of the study

Variable (n = 384)	M	SD	Reliability	Correlation
Innovative work behavior	4.07	.559	.864	1
Employee Empowerment	3.67	.600	.887	.724
LMX	3.57	.700	.837	.643**

Note: Correlation is significant at ** $p < .01$, (2-tailed), M= Mean, SD = Standard deviation, LMX= Leader Member Exchange

Hypothesis testing

Conditional Process analysis using Hayes (2018) Process Macro (Model 1) was used to test Hypotheses H1 and H2, as presented in Table 3. From the table, the following results are discerned. The overall Model explained

40.3% of the total variance, with an R-square of 0.403, which was statistically significant at ($F=85.645$, $p<0.000$). Results indicate that employee empowerment has a direct and significant effect on IWB ($b=.352$, $p<0.001$) which show that for every 1 unit increase in employee empowerment, there was a 0.352 unit increase in IWB. The results further reveal that LMX has direct and significant effect on IWB ($b = 0.225$, $p<0.001$) showing that every 1 unit increase in LMX there was a 0.225 increase in IWB. Mostly, the interaction of LMX on the link between employee empowerment and IWB shows a significant effect ($b=-.117$, $CI=[-.202,-.031]$). All the control variables were included, and results indicate that all covariates were not significant in the current study.

Table 3: Summary of multiples regression Analysis

Variables	b	SE	t	p	LLCI	ULCI
Constant	4.101	.025	167.408	.000	4.0531	4.150
Empowerment	.352***	.044	7.982	.000	.265	.439
LMX	.225***	.038	5.968	.000	.150	.299
Interaction	-.117**	.044	-2.671	.007	-.202	-.031
Gender	.004	.082	.047	.962	-.158	.166
Education	-.005	.052	-.089	.929	-.106	.097
Age	-.041	.043	-.951	.342	-.124	.043
Experience	-.013	.048	-.267	.789	-.107	.081
R^2	.403					
F	85.645***					

N=384, Note*** $P<0.001$, ** $P<0.01$, LMX =Leader-Member Exchange

The nature is interaction is shown in Figure 2. The results clearly show that investment in LMX reduces the amount required to empower employees. For low LMX, employee empowerment is very critical, as depicted by the high slope. However, at high LMX, the slope for employee empowerment on IWB reduces, indicating that energies spent on employee empowerment can be reduced in favor of LMX (see Fig 2).

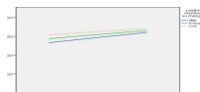


Figure 2 - Nature of interaction between empowerment and LMX

Discussion

The current study revealed that employees in manufacturing firms in Kenya enjoy cordial relationships with their immediate leaders who, in this case, are supervisors. Moreover, employee empowerment directly

influences innovative work behavior. However, this influence is moderated by the nature of relationships that exists between employees and their supervisors.

The findings of the current study have important implications for existing theory on innovative work behavior. First and foremost, the study is a novel attempt to show the moderating influence of leader-member exchange in the context of employee empowerment and innovative work behavior in manufacturing firms in Kenya. Indeed existing theory mainly focuses on the direct effects of employee empowerment or leader-member exchange on organizational performance (Busara, 2016; Idua, 2017; Ndegwa, 2015; Odero et al., 2020). The Hayes Macro Process Approach adopted in the study allows for an elaborate exploration of the moderation potential by not only concentrating on the overall Model, predictors, and the interaction but also giving the moderation plot that allows visualization of the employee empowerment slopes at varying levels of LMX.

In finding that employees and their leaders in manufacturing firms in Kenya enjoy cordial relationships, the study emphasizes and supports previous arguments which have hitherto pointed out that the quality of employee-supervisor relationship enhances job satisfaction, job performance, employee engagement and employee commitment among others (Birkenmeier & Sanséau, 2016; Radebe & Dhurup, 2017). The study confirms that manufacturing firms in the industrial area have the desire to invest in leader-member relationships.

The study also found out that employee empowerment impacts positively on IWB among employees working in manufacturing firms in Kenya. This finding adds to the growing body of literature on employee empowerment, which has previously only focused on employee empowerment and organizational performance (Busara, 2016; Idua, 2017). Moreover, the study established that LMX moderates the interaction between employee empowerment and IWB, with the slope of employee empowerment being more significant at low levels of LMX and smaller at high levels. This finding confirms that when the relationship between employees and their immediate leaders is good, firms are bound to save on investments made towards empowering employees. Indeed, LMX gives the employees a real feeling of empowerment, which has often been overlooked (Nash, 2019).

Managerial Implications

The findings reported in the current study are essential in the sense that they underscore the value of leader-member exchange relationships in the desire to enhance innovative work behavior. This knowledge is particularly relevant to manufacturing industry stakeholders and managers, especially in these difficult times of COVID 19. By investing in LMX relationships between employees and supervisors, manufacturing firms are bound to improve productivity, employee loyalty, and reduce conflicts. It has, for instance, been shown that firms that have invested in strong employment relations have seen their productivity increase, have also maintained a loyal workforce, and has seen a reduction in conflicts (O'Brien, 2014).

Moreover, through the study findings, individuals charged with leadership positions are made aware of the traits such as Candor (Honesty without ambiguity), empathy, flexibility and adaptability, active listening, and humility which are reckoned to be especially relevant in this COVID 19 period (Brownlee, 2020).

Limitations

The main limitation of the current study lies in the use of data obtained only from manufacturing firms in the industrial area of Nairobi City County. Organizational structures in these firms are bound to differ from those of other locations since there is cut-throat competition among the firms in the study location, which could be the source of enhanced IWB. Secondly, by relying wholly on questionnaires administered to employees only, the study fails to account for the views of supervisors and managerial staff in general. Third, the current study uses PROCESS, which although being quite useful in moderation, does not allow for the use of latent variables to control for measurement error and does not test interactions with a categorical variable (Schwarzkopf, 2015).

Conclusion

The study represented an explicit attempt to understand the role LMX has to play in spurring up IWB in manufacturing firms in Kenya. Although employee empowerment was found to have a direct effect on IWB, the study presented evidence to show that LMX complements to the contributions made by employee empowerment. Consequently, manufacturing firms can relax investment in employee empowerment by supporting and creating atmospheres that enhance employee-supervisor relationships. Nevertheless, for more representation, future studies should look to widen the geographical scope of the study by including manufacturing firms from other Counties. Moreover, future studies should focus on triangulating data collection to bring onboard views of other stakeholders.

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