The Influence of Authentic Leadership on Creativity and Innovativeness

Büşra Müceldili, Haldun Turan, and Oya Erdil

Abstract

This study analyzes how authentic leadership (AL) predicts innovativeness both directly and indirectly; through mediating role of employees' creativity. For analyzing the relationship, a survey on a sample of one hundred and forty two employees working in both manufacturing and service firms in Turkey is conducted in the research. The main findings are; AL has a positive relationship with employees' creativity; employees' creativity has a positive impact on innovativeness and AL has a positive relationship with innovativeness. The study contributes to understanding the role of AL on creativity and innovativeness. The empirical findings of this research will lead practitioners the value authentic leadership in trying to enhance creativity and innovativeness.

Keywords: Authentic leadership, innovativeness, creativity, leadership

1. Introduction

In today's dynamic work environment creativity and innovation are valuable sources for gaining competitive advantage. With ever-advancing technology, intense domestic and global competitive pressures, uncertain and highly turbulent economic environment, organizations need to overcome innovative competitors and promote creativity in order to survive and prosper. Beside this, organizations need to find innovative approaches to addressing their own needs.

One key contextual factor that influences employee creativity and innovation is leadership. However, increasing globalization, fierce competition and pace of technological change hinder leaders' efforts in establishing the necessary work environment for the creativity of employees. Leaders play a critical role in enabling and supporting the awakening and fostering of creativity and innovation. Employee creativity

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can be supported by leaders via making creativity a job requirement, giving feedback on creative goal progress, rewarding employees when they achieve creative outcomes (Stobbeleir, 2011). Employees present high levels of creativity when they are motivated (Zhou & Ren, 2011 cf. Amabile, 1988, 1996). On the other hand, some studies in the literature demonstrate that leadership and supervision may influence employees' creativity negatively. Leaders' close monitoring behavior and controlling supervision (Zhou & Ren, 2011) reduced the employees' creativity. The conflicting findings directed the study to understand the effects of leadership (authentic leadership) on employees' creativity and organizational innovation.

There is an increasing need for a better understanding of the links between new leadership styles, such as authentic leadership, and creativity and innovation. Both scholars and practitioners investigate the AL effects on employees' attitudes and behaviors and contributions to the organizational performance and innovativeness. In this regard, more empirical research is necessary for proving the effect. This paper shows how AL predicts innovativeness both directly and indirectly; through the mediating role of employees' creativity. Accordingly, the paper is structured as follows. First, authentic leadership is examined. In this section, the concept of authentic leadership and its dimensions are investigated. Second, the relationship between authentic leadership and employee creativity is explained. In this section, the contribution of authentic leadership to individual creativity is empirically examined. Third, the association among creativity and innovation is investigated. Fourth, the empirical results are provided. Lastly, suggestions for future researches and information for practitioners are presented.

2. Literature Review

2.1. Authentic Leadership

Authentic leadership is one of the emerging pillars of the field of leadership since the last decade. Organizations need authentic leaders for trying to cope with the new, turbulent, and dynamically changing work environment via making a fundamental difference in organizations by helping employees find meaningfulness and connection at work. Although the word authenticity has gained popular interest in academic management literature—intersection of the leadership, ethics, positive organizational behavior and scholarship—, it is not new in philosophy and psychology. Authenticity comes from Greek philosophy and has an important place in philosophical writings and refers to "thine own self be true" (Gardner et al, 2005; cf. Harter, 2002). Avolio and his colleagues defined authenticity as knowing, accepting, and remaining true to one's self (Avolio, 2011). Authenticity is the common core factor among the authentic leadership dimensions (Peterson et al., 2012). Although there isn't an accepted definition of authentic leadership in the literature, Walumbwa et al. (2008)'s definition goes beyond the notion of being true to oneself and reflects several assumptions that comprise of authentic leadership. They define authentic leadership (AL) "as a pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self development" (Walumbwa et al., 2008:94). Based on the definition, authentic leadership comprised of four related dimensions which are borrowed from Kernis' four components of authenticity: self-awareness, internalized moral perspective, relational transparency, and balanced processing. These four components have been investigated and empirical evidence supports that a core AL factor comprises of the relationships among the four components. (Walumbwa et al., 2010; Walumbwa et al. 2011). Through these unique components, AL is distinguished from other leadership styles such as transformational, ethical, charismatic, servant and spiritual. Self-awareness is a key factor and starting point in the development of authentic leadership. Knowing oneself and being true to oneself are essential for authentic leadership (May et al., 2003). Self-awareness refers to the degree of leader's awareness of his or her strengths, limitations and how the leader impacts others. Self-awareness is a
dynamic process in which a person continually re-examines his/her strengths and weaknesses. In the development of authentic leadership, ethical/moral component have an important place as all the leadership types. Social psychologists define and operationalize authenticity with the advanced level of moral development (Walumbwa et al., 2008). Authentic leaders point out and care about ethical issues and is guided by moral standards and values even against groups, organizational and societal pressures (Peus, 2012). The other component of authentic leadership is relational transparency that involves presenting one’s genuine. It reflects valuing and achieving openness and truthfulness in one’s close relationships (Gardner, 2005). The final component of authentic leadership is balanced processing. Balanced processing indicate fair decision making process. In this process all information is analyzed objectively through the absence of denials approach.

2.2. Authentic Leadership & Creativity

The effects of leadership and supervisory behaviors on employees’ creativity are intriguing topics and have attracted a great deal of research attention. The number of studies specifically revealing the effect of leadership on creativity in the workplace is salient. Researchers have investigated the impact of transformational leadership, empowering leadership, supportive supervision, transactional leadership and benevolent leadership on creativity (Rego et al., 2012). Although a large number of studies have investigated the effect of supervisory behaviors on employees’ creativity, very few empirical studies have investigated the relationship between employees’ creativity and AL.

Authentic leadership includes transformational/full-range leadership, positive psychological capacities, ethical and moral perspective. These constructs are conceptually highly relevant to creativity. For instance previous researches indicate that transformational leadership have shown positive impact on creativity (Shin & Zhou, 2003; Sosik, Kahai & Avolio, 1998). Authentic leadership is one of the leadership form which has been founded on positive psychology movement. According to organizational creativity literature for enhancing employees' creativity, managers and organizations should build positive contexts in the workplace. Authentic leaders raise the positive emotions of employees by creating positive, supportive, fair and transparent interactions (Peterson et al., 2012) which in turn make them more creative. Studies also have provided evidence for a positive relationship between ethical and moral perspective and employee creativity (Valentine, 2011; Bierly, 2009).

According to Walumbwa et al.’s (2008) conceptualization, authentic leadership components (self-awareness, internalized moral perspective, relational transparency and balanced processing) promotes creativity. For instance relational transparency component provides creativity via expressing thoughts, challenges and sharing information openly. Close relationship can be enhanced through relational transparency between authentic leader and employee. When these relationship is formed, employees tend to feel freer to try new things (Fraley and Shaver; 2008) In line with this research, Rego et.al. (2012) argued that authentic leaders promote employees' perceptions of psychological safety and their intrinsic motivation, which in turn make them more creative (Rego, 2012). Psychological safety provides an environment without fear and in this environment employees tend to be more creative. Authentic leaders show transparency with employees’ that build safer and trusting place for them. Beside psychological safety, motivational approach was drawn upon for theorizing how and why leader behaviors effect creativity . Zhou and Ren (2012) suggest that intrinsic motivation is seen as an tendency that enhances employees' creativity. Accordingly, we propose

H1: Authentic leadership is positively related to employee creativity.

2.3. Creativity & Innovation
Creativity which is required in almost any job at different levels is valued across a variety of occupations and industries. Creativity provides unusual and unique contributions to organizations. Creativity leads to successful companies, fulfilled employees, economic prosperity and social development. According to the definition—which refers to the generation of novel and useful ideas concerning products, services, processes, management practices, business models, and competitive strategies, creativity have two core elements; novelty and usefulness (Zhou & Ren, 2011). While novelty emphasizes newness, usefulness emphasizes implementation and value.

Studies showed that creative individuals are more innovative and employee creativity has an important role for organizational innovation (Hirst et al, 2011). Additionally, Yuan and Woodman (2010) emphasized that generating creative ideas is a component of innovativeness. According to Bear (2012) the first stage of innovation is creativity and provides the foundation for innovation. Therefore,

H2: Creativity is positively related to organizational innovation (innovativeness).

2.4. Authentic Leadership & Innovation

Since innovation is very important and special topic of humanity, it is studied by many disciplines such as anthropology, business, economics, education, engineering, law, medicine, political science, psychology and sociology through different perspectives and focuses. A wide range of disciplines make difficult to define innovation. According to Oxford English Dictionary innovation is the action or process of innovating a new method, idea and product. In the management literature defining innovation is a challenging topic too. Organizational innovation or innovativeness is conceptualized in a variety of ways in the literature. Innovativeness refers to the adoption of a new idea or behavior (Jimenez, 2011). According to Woodman et. al (1993) organizational innovation is described as the creation of valuable and useful new products/services within an organizational context (Gumusluoglu, 2009). DeGraff and Quinn (2007) lists the common definitions of innovation. Innovation is the creation and customization of the product, the combination of the two product categories, the design and decor of the space, the community that gathers in the space, the business model that revitalizes a commodity market, the marketing that describes the experience as desirable and unique, the consumers who become innovative in the space (DeGraff, 2012). Due to the important role of innovation for gaining organizational effectiveness and long term success and dealing with the turbulence of external environment, scholars and practitioners try to explain how and why innovation happens. Innovativeness has been affected by five major factors, organizational factors, relationships at work with one's supervisor, job characteristics, group or social factors and individual characteristics (West and Farr, 1989). Recently, there has been an interest in the effects of leadership on innovation. In their study, Cummings and O’Connell (1978) mentions that leadership is the most important factor in organizational innovation. The positive effects of leadership styles (participative and collaborative leadership styles) and the quality of the relationship between a leader and followers on innovation was supported by a number of empirical studies (Scott and Bruce, 1994; Gumusluoglu and Ilsev, 2009, Jung et. al. 2003). Authentic leaders may have an impact on innovation. They may foster innovation more than traditional leadership styles. Authentic leaders enhance innovation via building confidence, creating hope, raising optimism and strengthening resilience. Additionally, authentic leadership may also have an effective role for enhancing innovation through relationship with followers. The relation transparency component of AL may foster innovation. Empirical studies have revealed that the relationship and the quality of the relationship influences employees' innovative attempts which in turn effects organizational innovation (Yuan and Woodman, 2010). Thus, we propose and test the following hypotheses:

H3: Authentic leadership is positively related to organizational innovation (innovativeness).
H4: Creativity mediates the relationship between authentic leadership and organizational innovation (innovativeness).

![Research Model Diagram]

Figure 1: Conceptual Model

2. Research Design

3.1. Sample and data collection

In order to empirically investigate the proposed hypotheses, one hundred and forty two employees working in organizations operating in Turkey Marmara Region were surveyed. Organizations are in different sectors (e.g., food, clothing, equipment). The data were gathered through the use of questionnaires distributed either via e-mail or face to face interviews. The questionnaire was composed of four parts. The first part was designed to investigate the demographics of participants and the second section includes items to measure authentic leadership style, the third part was designed to measure creativity and the last part includes items to measure innovativeness. All participants in the survey are working under a supervisor. Most of the participants had bachelor's degree. The questionnaire was prepared following an exhaustive literature review and all constructs were measured with existing scales. All items were measured on a five point Likert-type scale where 1=strongly disagree to 5=strongly agree.

3.2. Measures

**Authentic Leadership.** Authentic leadership was measured using 16 items including four dimensions, namely self-awareness, relational transparency, internalized moral perspective and balanced processing from the version 1 of the ALQ (Authentic Leadership Questionnaire). Self awareness was measured with four items. An example item is "My leader seeks feedback to improve interactions with others". Relational transparency was measured with five items. An example item is "My leader says exactly what he or she means". Internalized moral perspective was measured with 4 items. An example item is "My leader makes decisions based on his/her core beliefs". Balanced processing was measured with 3 items. An example item is "My leader listens carefully to different points of view before coming to conclusions." (Copyright 2007 Authentic Leadership Questionnaire by Bruce J. Avolio, William L. Gardner, and Fred O. Walumbwa. All rights reserved in all media. Distributed by Mind Garden, Inc. www.mindgarden.com).
Creativity. Creativity was measured by 13 items adopted from Zhou and George (2001). A few example items are "My organization suggests new ways to achieve goals or objectives", "My organization is a good source of creative ideas".

Innovativeness. Innovativeness was measured by nine items (product, process and administrative) adopted from Jimenez and Valle (2011). A few example items are "My organization presents more new products/services introduced than its competitors", "My organization pioneers disposition to introduce new process", "Managers search for new administrative systems in my organization".

3.3. Factor Analysis

The study carries out exploratory factor analysis of to examine factor structure for the variables. Since the sample size in the study is inadequate to perform SEM analyses, hierarchical regression analysis in SPSS was used to test the proposed hypotheses. Through hierarchical regression analysis the direct effect of authentic leadership and the mediating effect of creativity were tested.

For evaluating factor structure for the variables, varimax rotational, exploratory factor analysis in SPSS software was used. KMO (0.897) and significance value (p=0.00) shows that our sample is suitable for the hypothesis analysis. Since some items were below 0.50 or are having collinearity with more than one factor, and some factors contains one item, it is continued to perform factor analyzing by removing the items one by one till the obtained ideal table. The results of factor analyses indicate that authentic leadership dimensions are gathered in two factor. Factor 1 (AL) consists balanced processing and self-awareness items and Factor 2 AL (trn) consists relational transparency items. Factor 3 includes creativity. Creativity items as expected took place in one factor. Factor 4 consists of innovativeness items which includes product, process and administrative innovation items. The reliability of each scale was measured with Cronbach's Alpha which have been found above 0.70 for all scales. Table 1 presents Cronbach's Alpha values, means, standard deviations and correlations. Cronbach's Alpha values are shown using parentheses on the cross of the table. According to correlation analysis, all variables are correlated with each other as expected.

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>MEAN</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.AL</td>
<td>.70556</td>
<td>3.6828</td>
<td>(.916)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.AL(trn)</td>
<td>.76018</td>
<td>3.9225</td>
<td>(.563**)</td>
<td>(.734)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.CRT</td>
<td>.75964</td>
<td>3.6069</td>
<td>(.417**)</td>
<td>(.937)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.INV</td>
<td>1.02</td>
<td>3.5372</td>
<td>(.498**)</td>
<td>(.433**)</td>
<td>(.472**)</td>
<td>(.943)</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level SD = Standard Deviation () = Cronbach’s alpha AL: Authentic Leadership (balanced processing & self-awareness) AL (trn): Authentic Leadership (relational transparency) CRT: Creativity INV: Innovativeness

3.4. Analysis and Findings

Third stage hierarchical regression analysis was used to test the hypothesized direct effect of authentic leadership and the mediating effect of creativity on innovativeness. The hypotheses were tested as follows: First, the relationship between authentic leadership and creativity was tested. H1 predicted a positive relationship between authentic leadership and creativity. Findings indicate that the relationship between authentic leadership (balanced processing and self-awareness dimensions) and creativity was statistically significant (beta=.630, Sig=.000). Therefore H1 was partially supported. Second, the relation
between authentic leadership and innovativeness and creativity and innovativeness was tested. The findings for H2 -which predicted a positive relationship between creativity and innovativeness- (beta=,237 Sig=.013) suggested that creativity has a positive and significant effect on innovativeness, supporting the widespread idea that creativity has an important role on innovativeness. The findings for H3 -which predicted a positive relationship between authentic leadership and innovativeness- (beta=, 223 Sig=.034 & beta=, 208 Sig=.016) indicated that authentic leadership has a positive and significant effect on innovativeness. Therefore, H3 was supported. In the third stage, mediating hypothesis (H4) was tested. H4 was related to mediating effect of creativity on the relationship between authentic leadership and innovativeness. The results showed that change in the R² was not significant. Thus, H4 was not supported. Table 2 shows the results of the analysis.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
<th>Mediator Variable</th>
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<tbody>
<tr>
<td></td>
<td>INV</td>
<td>CRT</td>
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<tr>
<td>AL</td>
<td>.223**</td>
<td>F=20,934</td>
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<tr>
<td></td>
<td></td>
<td>DW=1,675</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R²: .298</td>
</tr>
<tr>
<td>AL (trn)</td>
<td>.208**</td>
<td>F=55,662</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DW=2,348</td>
</tr>
<tr>
<td></td>
<td></td>
<td>R²: .445</td>
</tr>
<tr>
<td>CRT</td>
<td>.237**</td>
<td></td>
</tr>
</tbody>
</table>

AL: Authentic Leadership (balanced processing & self-awareness) AL (trn): Authentic Leadership (relational transparency) CRT: Creativity INV: Innovativeness

Table columns contain standardized beta coefficients. “bold” values are significant. (**p<0.01, *p<0.05)

DW: Durbin Watson value

4. Conclusion and Discussion

This research provides additional evidence for the construct validity of authentic leadership measure and demonstrates authentic leadership relates to creativity and innovativeness. The first contribution of the present study to the literature is the findings about relationship between authentic leadership, creativity and innovativeness in a single model. The study supports previous studies (Gong et. al.,2009; Stobbeleir, 2011) that indicate the positive effect of leadership on creativity. The findings of the study provide additional evidence to previous literature that authentic leadership through, balanced processing and self-awareness dimensions, has a positive effect on creativity (Rego et. al., 2012a, Rego et. al. 2012b). This study suggests that as analyzing and fair decision making character of leader increases, creativity in organization increases. This characteristics of leader provides employees to explain their own ideas and decisions that may ignite employees’ creativity power. In addition, this study contributes to the literature by analyzing the relationship between authentic leadership and innovativeness. Numerous studies have showed the role of ambidextrous (Rosing et. al., 2011), transformational (Gumusluoglu, 2009) and transactional (Pieterse et.al.,2010) leadership effect on innovativeness. However, the study emphasizes authentic leadership effect on innovativeness. The findings suggest that authentic leaders promote creativity within the organization and also ensure firm innovativeness. The finding is important for both scholars and practitioners. If organizations select their leaders with authentic features, they may increase employee creativity and organizational innovativeness which is a need rather than an option in today's uncertain environments. Also, the findings show that the positive effects of creativity on innovativeness which are consistent with previous theoretical and empirical studies (Amabile, 1988; Oldham& Cummings, 1996). In this study, mediating role of creativity for innovativeness was tested by following suggestion made by Baron and Kenny's (1986). Contrary to the expectation of this study, the test of mediation shows that creativity is not a significant mediator of the authentic leadership-innovativeness relationship.

Some additional recommendations for future research can be made. First, the objective of the study is achieved by using data obtained from Turkey. It can be investigated more culturally diverse settings.
Second, through authentic leadership style, organizations may also stimulate other positive consequences beside innovativeness, such as organizational performance, organizational commitment, extra-role performance, job engagement and job satisfaction. Future studies may investigate the relationship between authentic leadership and mentioned above outcomes. Third, future studies may also test the other mediating variables such as Psycap, trust, empowerment for explaining why authentic leaders increase innovativeness. Lastly, future studies may use different data gathering methods such as research diaries and longitudinal designs.

References


Zhou J., Ren R (2011) Striving for Creativity The Oxford Handbook of Positive Organizational Scholarship (Chapter 8)