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## Linking Servant Leadership with Employee Innovative Behavior: The Intervening Role of Leadership Trust



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**Abstract:** A business's ability to grow and gain a competitive advantage mainly depends on its workforce's inventiveness. However, the connection or processes behind the creative activity of employees and servant leadership (SL) have yet to be the subject of considerable study. This study, grounded on the LMX theory, looks at the correlation between worker creativity and SL from the standpoint of the employee-leadership relationship. It also explores the mediating function of leadership trust. Five hundred workers in Peshawar, Pakistan, provided information. With the data we had gathered, we ran structural equation modeling and hierarchical regression analysis using Amos 24 and SPSS 26.0. The outcome demonstrated that leadership trust was an intervening factor in the positive association between servant leadership and workers' creative endeavors.

**Key Words:** Hierarchical Regression Analysis, Structural Equation Modeling, Employee Innovation, Servant Leadership

### JEL Classification:

## Introduction

A more dynamic organizational environment and a more significant degree of unpredictability have resulted from the growth of the knowledge-based economy and enhanced global competitiveness. These elements provide new challenges for staff roles and duties and increase organizational innovation and adaptability expectations. To maintain a competitive advantage, companies must cultivate a culture of innovation within

their workforce by motivating individuals to think beyond the box and take the initiative to adjust to changing market conditions. Individual and situational factors combine to foster creativity in workers. Numerous leadership philosophies concerning the impact on workers' creativity have been examined, including transformational, transactional, inclusive, and authentic leadership (Farh et al., 1998). In the last several years, organizational management has gradually come to recognize servant leaders

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because of their distinct leadership styles. Servant leaders stress the importance of their needs as well as progress, treat coworkers like friends, and emphasize their reputation, which makes it easier to change personnel behavior. Despite prior research demonstrating, the mechanisms by which servant leadership influences individual innovative behavior currently need to be better understood. Mediators, including creative self-efficacy, leadership identity, work happiness, and employee empowerment, validate the effect of servant leadership on innovative behavior in teams and individuals. An extensive review of previous studies found that the trust relationship perspective has been applied in a few research projects. So, this study investigates how servant leaders encourage creative behaviors within their workforce and the relationship-based viewpoint grounded in leadership-member exchange theory, which highlights the mediating function of leadership trust in this setting. Figure 1 depicts the theoretical paradigm that this work has given.

**Figure 1**

*Conceptual Model*



## Hypotheses and Theory

### Servant Leadership and Employees' Innovation

Distinguished from other leadership styles, servant leadership is defined by a leader's all-encompassing and selfless view of the company and their focus on the wants and requirements of their subordinates. In Pakistani companies, it is one of the most common leadership styles (Fatima & Zafar, 2018). According to earlier research, servant leadership—a top-down approach to leadership grounded on the "altruism" principle—significantly improves employees' job satisfaction, emotional commitment, organizational trust, organizational citizenship, and job performance. We sum up that servant leaders foster innovative employee behavior

by emphasizing working relationships with employees, understanding mood and emotional fluctuations, inclination to distribute power, and desire to see employees succeed professionally.

The term "employee innovation" describes a variety of small-scale, spontaneous behavioral adjustments that employees make in response to their environment. Organizational architecture and innovative work practices are two examples of these shifts. Employee innovation upends the status quo and opens up new avenues for creativity, but it also raises the risks and uncertainties that come with innovation for staff members. Previous studies have demonstrated that an important influencing factor in deciding whether or not employees endorse an innovation is their risk valuation of the outside climate, which includes the actions and responses of their managers. According to the leadership-member exchange idea, employees regard leaders as role models and look up to their moral standards at work. Moreover, the attitudes and actions of workers are significantly positively influenced by the habits and behaviors of leaders (Little et al., 2016). A few recent developments in the habits and behaviors of leaders are captured in the following Refs. (Khan et al., 2020), (Wang et al., 2019), (Faraz et al., 2019), (Karatepe et al., 2020), (Zhu & Zhang, 2020).

Nonetheless, employees will act in a way that expresses appreciation for the help when managers can afford the support and assistance provided to them. If employees become conscious of their leaders as servant leaders who put forth their needs first and prioritize them, they will have more trust in them and be willing to try out new concepts and methods for resolving problems at work. It encourages inventiveness. Therefore, we presented the following theory:

**Hypothesis 1:** Servant leaders have a positive impact on employees' innovation.

### Leadership Trust and Employee Innovation

Based on optimistic assumptions about the

intentions or actions of others, trust is the capacity to show one's weaknesses to others without fear of exploitation (Rousseau et al., 1998). Related research indicates that employees' beliefs and actions can be significantly impacted by how confident they are in their managers (Grant et al., 2011). Decisions on the division of organizational resources, rewards, and penalties for employees are usually determined by the leaders in organizational settings because of the significant power differential between the top and the bottom. The leaders' influence greatly outweighs the corporate structure because these choices are usually made arbitrarily. Because of this, employees depend increasingly on their managers to provide them with the resources they need to do their jobs. Nonetheless, workers need to maintain a good rapport with them. Because employees are highly vulnerable and uncertain while innovating, trust in the leadership is crucial.

Reduced subservient pressure and less power disconnection between superiors and subordinates encourage good attitudes and behaviors in employee identification and internalization processes (Wu et al., 2015). Servant leadership places a high value on staff development and provides tools to foster it to enhance relationships between managers and employees. This gives employees the resources they need to do their work faster while allowing them to learn from their leaders and build strong working relationships. Conversely, the correlation between SL and his followers is characterized by love and respect, providing employees with stability and psychological support. Additionally, it makes it more likely that employees will see their leaders as capable and reliable. When workers are led by servant leadership, positive interactions between leadership members and employees may fulfill psychological needs and provide them with the wisdom of psychological protection in the workplace.

**Hypothesis 2:** SL is significantly related to leadership trust.

However, employees who don't trust their managers will be against their work schedule. This will not only make it hard for them to

begin working on their tasks, but it will also significantly lower their enthusiasm for their innovation. Given the potential dangers associated with creative conduct and the potential for employee displeasure with leaders, employees are more motivated to accept leaders' ideas and activities when they have a higher confidence level. As a result, employee psychological security will rise, and their worry about the dangers involved in creatively acting will be significantly reduced. In conclusion, the study puts up the following theories:

**Hypothesis 3:** There is a significant relationship between leadership trust and employee innovation.

The psychological process of trust is the primary explanation for employee responses and leadership conduct. In line with the leader-member exchange hypothesis, workers' psychology and attitudes operate as a mediating factor, allowing leaders' actions and attitudes to benefit their desire to act. In the interplay of the leader-member interface, SL, which prioritizes worker relations and addresses emotional shifts, can reduce hierarchical ties. The move may result in a hike and enhancement in the confidence of the employee in their leaders and other psycho-emotional and attitudinal improvements as well as betterment.

**Hypothesis 4:** The relationship between employee innovation and servant leadership is intervened by leadership trust.

## **Methods**

### **Sample and Procedure**

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The sample data was obtained from eight Peshawar-based financial, industrial, and retail companies. To reduce the average methodological bias, we submitted the questionnaire on two distinct occasions, one month apart. The first phase is gathering employee reports on servant leadership and demographics. In the second step, workers use employee innovation and leadership trust to fill in the gaps left by the previous stage. A valid questionnaire return rate of 83% was obtained from 600 questionnaires distributed;

500 were gathered after the missing data were incomplete or did not match up.

### Measures

A 5-item (Liden et al., 2015) scale was employed to evaluate servant leadership. "My leader can tell if something is wrong with the job" was one of the sample questions. (Farh et al., 1998) developed a 4-item measure of "I trust my leader to treat me fairly" to assess leadership trust. (Pieterse et al., 2010) asserted in their earlier studies that they looked at how workers' innovative thinking was impacted by transformational leadership as measured by a Likert scale. We used a 06 items scale created by (Scott & Bruce, 1994) to investigate this idea further. Items like "I always seek new

technologies, processes, and methods" are considered.

### Results

#### Confirmatory Factor Analysis

To confirm the discriminant validity of the factors, the study employed factor analysis on the gathered data in this study using AMOS-24 software. The outcomes are displayed in Table 1. Table 1's validated factor analysis findings demonstrate that the three-component model.

Matches the corrected data more accurately than other models, such as the one-factor and two-factor models, demonstrating that the three variables in this study have enough discriminant validity.

Table 1

CFA Outputs

Model	X <sup>2</sup>	df	X <sup>2</sup> /df	RMS	CFI	TLI	GFI
Three Factor Model: A, B, C	181.343	96	1.88	.040	.976	.972	.929
Two Factor model: A+B, C	473.867	102	4.64	.102	.892	.857	.831
One Factor model: A+B+C	1420.54	103	13.79	.193	.591	.621	.633

### Descriptive Statistics

Table 2 exhibits the correlation coefficients, mean, and std. deviation for every research

variable. A positive link has been shown between SL and LT (r=0.707, p<0.01), workers' innovation (r=0.441, p<0.01), and (r=0.433, p<0.01), among other variables.

Table 2

Means, standard deviations, and correlations

Variables	M	SD	1	2	3	4	5	6	7
1. Gender	1.5	0.618	1						
2. Age	1.72	0.588	-0.142	1					
3. Education	3.14	0.545	-0.052	-.121*	1				
4. Tenure	2.4	0.815	-0.013	.651**	-.124*	1			
5. SL	3.0452	0.6535	0.029	-0.056	-0.087	-0.092	1		
6. LT	3.9273	0.9464	0	0.017	-0.028	-0.081	.707**	1	
7. EI	3.5244	0.7318	0.032	0.029	.152**	-0.04	.441**	.433**	1

N = 500; \*\*p < 0.01, \*p < 0.05

### Hypothesis Testing

The table displays the primary and mediating effects tests' findings derived from the hierarchical regressions carried out with the assistance of SPSS 26.

Model 4 shows that workers' innovation is significantly positively impacted by servant leadership ( $\beta = 0.435$ ,  $p < 0.001$ ), and H<sup>1</sup> is confirmed. H<sup>2</sup> was corroborated by Model 2, which demonstrated a substantial positive impact of servant leadership on leadership

trust ( $\beta = 0.677, p < 0.001$ ). Model 5 shows that the positive impact of leadership trust on servant leadership consisted significantly ( $\beta = 0.311, p < 0.001$ ) when included in the

regression equation, suggesting that LT intervenes in the link between employees' innovation and SL. H<sup>3</sup> and H<sup>4</sup> were therefore supported.

**Table 3**

*Results of hierarchical regression analyses*

LT	EI				
	M1	M2	M3	M4	M5
Gender	0.004	-0.01	0.088	0.08	0.082
Age	0.105	0.109	0.112	0.115	0.091
Education	-0.083	0.018	0.281**	0.341***	0.126**
Tenure	-0.114	-0.063	-0.057	-0.027	-0.013
Servant leadership		0.677***		0.435***	0.362***
Leadership trust					0.311***
R <sup>2</sup>	0.013	0.376	0.028	0.147	0.176
$\Delta R^2$	0.013	0.363	0.028	0.119	0.029
F	1.097	40.936	2.488	11.706	12.092

## Discussion

### Theoretical Implications

There are significant theoretical ramifications to this study. This study establishes a link between employee creativity and servant leadership, then tests and verifies that the two have a substantial positive association. Our study broadens our understanding of the causes and consequences of worker creativity under servant leadership. Since there hasn't been much research done on the subject, we've combined the traits of SL in the Pakistani context—leaders lowering their stance to serve their staff, altering the perception of standard leadership, and reducing the barriers—because we want to encourage innovative behavior among employees. Within the context of the LMX theory, we clarify the role that LT plays in mediating the connection between employee innovation and servant leadership. This contributes to the advancement of both theoretical and empirical investigations into the subject of servant leadership in Pakistan.

### Practical Implications

The researcher has learned a few things about management methods from this paper: First and foremost, leaders in organizations should

focus on developing employees' personal qualities, increasing their willingness to serve the organization and its members, meeting their psychological needs, encouraging employees' intrinsic motivation to advance organizational development, essentially inspiring them to produce further creative concepts and creative behaviors, and encouraging enterprises' inherent motivation to engage in autonomous innovation. Second, as part of standard management procedures, businesses must strengthen the trust between leaders and staff. As the "backbone" and sturdy core of the company, executives need to interact and collaborate with staff members more. Instead of isolating themselves from them, they should help them identify possibilities and work through any potential dangers with them.

### Limitations and Future Research

This paper has certain limitations and flaws. This paper's servant leadership, leadership trust, and employee innovation scales were developed in a Western context, which may need to be revised for a Pakistani context. For better research in the future, the instrument used in this study can be altered from a Pakistani perspective. We conducted this study in the manufacturing industry operated

in Peshawar and ignored the vast area of Pakistan. Therefore, it will allow future researchers to achieve the same or near similar studies in other contexts. By obtaining information from Pakistani manufacturing companies for validation analysis, this study restricted the applicability and generalizability of its findings. To further investigate how universally applicable the results of this study are, future research projects may use employee samples from various industries, countries, and regions.

## **Conclusion**

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This study investigates the mediating function of leadership trust while analyzing and examining the effects of servant leadership on workers' creative behavior, all based on the leadership-member exchange paradigm.

The results above indicate that servant leadership favorably fosters employee

innovation and that confidence in leadership is a mediating factor. Organizations may support the development of a servant leadership style in the workplace by encouraging managers to pay attention to and comprehend the genuine needs and thoughts of their staff members. By doing this, workers may feel more confident in their leaders and be more inclined to innovate at work. We encourage future researchers to examine the results of this study more frequently in businesses through geographies and sectors to enhance and refine the beneficial benefits of servant leadership to ensure that theory and practice are in line. Future researchers might also examine how servant leaders affect other workers' actions, including speaking out and offering assistance. To further this field, academics might investigate the trickle-down effect of servant leadership.

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