The Role of the Servant Leadership on the Relation between Ethical Climate Perception and Innovative Work

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Abstract:

Globalization and changes in technology forced enterprises to adopt contemporary management approaches in order to gain a sustainable competitive edge. To this end, human resources gained a great interest as a managerial tool to sustain that advantage. While managers are expected to display appropriate leadership style and to create a suitable climate, employees are anticipated to display adaptive performance and innovative work behaviors. This study, therefore, aims at investigating the relationship among key variables for human capital management in terms of innovative practices. A survey is carried out with 254 employees in hospitality business in Turkish Republic of Northern Cyprus and it is concluded that ethical climate perception has a positive effect on innovative work behavior. Furthermore, a mediation role of servant leadership on the relationship between ethical climate perception and innovative work behavior is observed.

Key Words: Competitive Advantage, Human Resources, Leadership, Ethical Climate

JEL Classification: C92, D03, M12

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1. Introduction

Globalization and sudden changes in technology forced enterprises to adopt contemporary management approaches in order to gain a sustainable competitive advantage. Moreover, human factors emerged as a managerial instrument of maintenance of a sustainable competitive advantage. The adaptive performance, which the enterprises need in order to keep up with the changes and sustain their dominance in the market, will be carried out by means of human resources, whose intellectual and social capital as well as tacit knowledge would be utilized. Furthermore, employees in the service industry undertake duties in order to create differences against their competitors and achieve the organizational objectives via shaping the other factors of production even in different levels and forming various combinations (Öğüt & Kaplan, 2011: 191).

In this context, managers are forced to use the appropriate leadership methods and create a convenient organizational climate in order to improve employees’ innovative work behaviors as they constitute one of the backbones of organizational achievement (Jong & Hartog, 2010; Havlíček et al., 2013; Thalassinos et al., 2012). On the other hand, it is a renowned fact that strategic flexibility cannot be achieved through classical management methods. In this framework, we come across researches about strategic leadership (Boal & Hooijberg, 2001), authentic leadership (Endrissat et al., 2007), transformational leadership (Reuvers et al., 2008) and servant leadership (Reed et al., 2011) in the literature. Besides, type of leadership plays a great role in the perception, formation and maintenance of ethical climate of an organization (Öğüt & Kaplan, 2011: 192). This role of leadership types in the creation of ethical climate has been proved by literature findings (e.g., Mulki et al., 2009).

However, explicit relationships between variables and effects of the demographic variables have been analyzed in the studies focus on ethical climate as the prerequisite of innovative work behaviors. Theoretical analysis, on the other hand, points out that type of leadership may have a role in this interaction. The objective of the analysis is, therefore, to assess the role of servant leadership on the effect of ethical climate perception on innovative work behaviors. Surveys were conducted on the employees working in the accommodation facilities in Turkish Republic of Northern Cyprus in order to measure the perception level of the employees and as a result, direct and indirect effects are discussed and findings are evaluated with regard to management and organizational studies.
2. Conceptual Framework

2.1 Innovative Work Behaviors

Recently, the fact that the importance of measuring the innovation as well as the innovation itself and thus discovering the employees with potential in an organization has become one of the significant issues that draw attention of the researchers and the business owners (Goldsmith, 1991). All kinds of innovations, typically, rely on the individuals. Absence of a certain person may hinder the achievement of innovation or delay the innovation itself. These kinds of people are deemed as the most successful employees (champions) by the other professionals creating the innovation (Nam & Tatum, 1997: 265). Each employee with the innovative behaviors, who struggles for an emphasized and common goal, is a factor that can provide a competitive advantage as innovation can. On the other hand, there is a correlation between the innovative skills of the enterprises and the innovative work behaviors of the employees (Cingöz & Akdoğan, 2011: 848).

Some of the literature on innovation focuses on innovative work behaviors as well as attitudes and characteristics of employees. Innovative work behaviors are related to ability of employees to create new ideas and enthusiasm to make ideas come true (Scott & Bruce, 1994; West & Farr, 1989). There is not a definite wording in the literature. Some researchers call it employee innovativeness (Axtell, 2000) or individual innovativeness (West & Altink, 1996). Overall, there is a consensus that certain personal features are related to innovative work behavior (Nicholson & West, 1988; Amabile, 1997; Rushton & West, 1988). Some are (1) tolerance against ambiguity, (2) will for stabilization and (3) self-confidence. Likewise, innate abilities are related to innovative behavior (Jong & Hartog, 2003: 17). To this end, innovative work behavior means the conscious realization of the new ideas in order to exploit the opportunities offered in an organization (Chang & Liu, 2008:1443; Cingöz & Akdoğan, 2011).

Innovative thought points out how the employees approach to the problems and solutions. An employee who tries solutions other than the regular and common ones will have a more innovative capacity compared to his/her colleagues. Employees who have innovative work behaviors can respond to customer demands in a faster and more appropriate way (Chang & Liu, 2008: 1443). Innovative work behaviors have a complicated structure that includes three different behaviors such as finding an idea, improving an idea and realizing an idea (Janssen, 2004: 202). Researching for new technologies, proposing alternative ideas to reach the goals, trying new methods and finding sources for the realization of the new ideas are considered as examples for innovative work behaviors (Cingöz and Akdoğan, 2011: 849).
2.2 Ethical Climate Perception

The word climate bears the meaning of tendency and inclination. In terms of management literature, climate means the way of perception of the current conditions in an organization by the employees. Ethical climate is basically described as the corporate practices and procedures that explain the anticipated behaviors of employees (Büte, 2011: 172-173). Victor and Cullen define ethical climate as common perceptions about how to cope with ethical problems and what decent behaviors are in terms of ethics (Öğüt & Kaplan, 2011: 192).

Not only the interests of individuals, groups, and enterprises but also corporate social responsibilities, corporate procedures and standards as well as the environmental factors such as legal regulations have a role in the formation of the ethical climate (Büte, 2011:173). Among the factors that affect the innovative work behaviors of employees are leader-member relationship, characteristics of the job and the person as well as the organizational culture and climate (Cingöz & Akdoğan, 2011:848). The fact that innovative work behaviors exhibit a dynamic structure shows that they are more easily affected by organizational climate (Khan, Aslam & Riaz, 2012). Moreover, the type of leadership plays a crucial role in the perception, formation and sustainment of the ethical perception of an employee (Öğüt & Kaplan, 2011:192). This role of leadership in the creation of the ethical climate has been proved with findings (e.g., Mulki et al., 2009). The hypothesis below has been put forward in the light of these explanations:

**Hypothesis 1**: The ethical climate perception has a significant and positive effect on innovative work behaviors.

2.3 Servant Leadership

The researches on the leadership contributed to the literature in terms of different definitions and concepts. The common points are generally based on a specific group and target as well as the leader-member interaction. Taking the changing global conditions into consideration, the adaptation of the new management approaches in the businesses is necessary for the employees to gain motivation and offer the best service. Servant leadership is therefore one of the recently recognized approaches.

Although the concept of servant leadership was first introduced by Greenlaf in the 1970s, it is no later than early 2000s that it has been attached great importance in the literature and was associated with the issues such as leadership styles and features, leader-member exchange and organizational culture (Lanctot & Irving, 2010:28).
Behavioral researches conducted by Spears (2002), Laub (2003), Patterson (2003), Winston (2003) and Covey (2006) shed some light on the characteristics of the servant leadership (Lanctot & Irving, 2010). Dennis and Winston (2003) and Dennis and Bocernea (2003) are the other behavioral researchers in this framework (Aslan & Özata, 2011). Nonetheless, ambiguity about the definition of the servant leadership and its impact in terms of the organization still continue (Lanctot & Irving, 2010:29). According to Greenlaf, servant leadership includes cooperation, trust, attendance of the employees and using the power available in an ethical way (Aslan and Özata, 2011:139). Within the core of the servant leadership lie the concepts “humanity-focused” and “perfect service” (Dinçer & Bitirim, 2007). The servant leadership is based on persuasion and being a sample rather than management and control (Lanctot & Irving, 2010:34).

The constant emphasis on ethics and leadership for years has gained more meaning with the concept of servant leadership (Lanctot & Irving, 2010). Patterson (2003), Parolini (2004), Wallace (2006), Winston (2003), Whetstone (2005) and Covey (2005) explain the relationship between ethics and servant leadership (Lanctot & Irving, 2010:29). The hypothesis below has been put forward within the light of the studies discussed.

**Hypothesis 2:** There is a significant and positive relationship between ethical climate and servant leadership.

The innovation process focuses firstly on the discovery of the opportunities as well as the production and choice of proper solutions for the customer demands while transforming them into appealing concepts. This process requires much organizational creativity. The last phase of the innovation process is to transform the concepts into new products and services and put them into the market in the most efficient and fastest way. The innovative leaders have some unique features, which are 1) transparency to the outer world and curiosity, 2) developing ideas about the circumstances, 3) patience for the results, 4) adopting the risks, 5) enthusiasm for new tries and 6) tolerance against failure (Deschamps, 2005:32).

As noted by Scott and Bruce (1994:584), it is a common fact in the literature that the leadership is effective during the innovation process. Furthermore, the existence of innovative work behaviors is referred mostly to the leadership (Khan, Aslam & Riaz, 2012:18). However, neither theoretical nor observational researches have been made in this field at all (Scott & Bruce, 1994:584). Especially, leader-member exchange seems to have been associated with the innovative work behaviors in a positive way (Scott & Bruce, 1994:584). When it comes to the innovation, the leaders are not usually interested in traditional resources such as research and development departments in order to contribute to the new big ideas. They give
importance to the ideas of their employees and partners who aim to improve the organization. The dedicated employees are the ones who have the most enthusiasm about contribution to the organization (Krueger & Killham, 2006:274).

It is known that the transformational and transactional leadership (Khan, Aslam & Riaz, 2012) as well as the participative leadership positively affect the innovative work behaviors. When the leaders increase and improve the interests of their employees and create an atmosphere of consciousness and acknowledgement by having their employees ignore their self-interests for the interests of the general, the transformative leadership style is put into practice (Bass, 1990). The experimental data supports the activity of this sort of behaviors (Kelloway, Barling & Helleur, 2000:145). The hypothesis below has been put forward within the light of these studies:

**Hypothesis 3:** There is a significant and positive relationship between the innovative work behaviors and servant leadership.

The leadership has an indirect effect since it affects the creation of the climate perception (Scott & Bruce, 1994:584). Employees follow the leaders; because they believe that the latter have a better vision and know how to reach the goals. The organizations must have faith in vision, strategy and the goals of the leaders as the innovation literally means a journey to the unknown. Organizations are based on many open and tacit values. Learning, participation, personal development and contribution are the values that form the innovation. Culture, however, can be defined as the reflection of the leadership and basic values.

The culture is a platform where the activities, practices, business interactions and innovative researches take place. A flexible and supportive atmosphere that feeds and encourages respect, praises success, and embraces both risks and ideas plays a critical role for innovation (Hattori & Wycoff, 2002:28). Moreover, the managers can affect the behaviors of their employees by changing ethical climates of organizations (Büte, 2011:173). The findings related to the relationship between the servant leadership and ethical climate perception and innovative work behaviors point out the possible mediation role of the servant leadership. Therefore, the hypothesis below has been put forward:

**Hypothesis 4:** The servant leadership has a mediation role on the effect of ethical climate perception on innovative work behaviors.
3. Method

3.1 Participants

254 employees participated in the survey. The target number of employees was 400 for the survey; however, only the %63.5 provided feedbacks. The average age of the participants is 27.1 (sd=7.28; min=16, max=54) and the average term of employment is 2 years. The other demographic variables are presented in Table 1. The employees are mostly male, single and with an education level of high school or higher (college, university etc.).

Table 1 Descriptive Statistics

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>162</td>
<td>63.8</td>
</tr>
<tr>
<td>Female</td>
<td>92</td>
<td>36.2</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>180</td>
<td>74</td>
</tr>
<tr>
<td>Married</td>
<td>74</td>
<td>29.1</td>
</tr>
<tr>
<td>Education Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediary School</td>
<td>24</td>
<td>9.4</td>
</tr>
<tr>
<td>High School</td>
<td>112</td>
<td>44.1</td>
</tr>
<tr>
<td>Associate Degree</td>
<td>35</td>
<td>13.8</td>
</tr>
<tr>
<td>Master and higher</td>
<td>83</td>
<td>32.7</td>
</tr>
</tbody>
</table>

3.2. Measurement Scales

Ethical Climate Perception Scale (translated into Turkish by Büte (2011) in order to measure the structural equity model that was formed on the basis of the hypothesis) and the Servant Leadership Scale (developed by Dennis and Winston (2003) and translated into Turkish by Aslan and Özata (2011)) are used in the study. Innovative Work Behavior Scale, developed by Hurt, Joseph and Cook (1977) and used by Goldsmith (1991), was translated into Turkish by the researchers. The retranslation was made by the linguists who have a good command of the both languages. A group of academicians who at least completed a master program in the fields of human resources, psychology, management and organization was consulted. The scale took its final form as a result of the group consensus.
3.3. Validity of the Scales

The exploratory factor analysis and confirmatory factor analysis were carried out on innovative work behaviors scale (IWBS) and the other scales respectively. The KMO value of the exploratory factor analysis is 0.839 and the value of the Barlett’s Sphericity test is <0.001, which is deemed as sufficient to continue the test. The “Maximum Likelihood” method and the “Varimax” method are preferred for the exploratory factor analysis and the transformation method, respectively. As a result of the evaluation of the factor weights, two questions weighted less than 0.10 are omitted from the analysis. As a result of the exploratory factor analysis, IWBS reveals a double factor structure.

These factors are named as creative leadership (Cronbach α=0.88) and openness to innovation (Cronbach α=0.57) by the researchers. The original scale has 4 factors, which are “will to try” (Cronbach α=0.84), “finding the original” (Cronbach α=0.86), “idea leadership” (Cronbach α=0.65) and ambiguity (Cronbach α=0.63). As creativity and innovative work behaviors are seen as the source of innovation and the practice of the creative ideas respectively (Çalışkan, Akkoç & Turunç, 2011), the names of the dimensions are thought to be meaningful. In this framework, the mono-factor structure of the confirmative factor analysis and the ethical climate perception scale (ETPS) and the second-level multi-factor structures of the servant leadership scale (SLS) and the IWBS are tested. As it is obviously seen from the findings of the confirmative factor analysis in Table 2, the tested structures of the scales are confirmed.

Table 2 Confirmative Factor Analysis Results of the Scales

<table>
<thead>
<tr>
<th>Scale/Model</th>
<th>$\Delta \chi^2$</th>
<th>df</th>
<th>$\Delta \chi^2$/df</th>
<th>RMR</th>
<th>RMSEA</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECPS</td>
<td>34,440</td>
<td>14</td>
<td>2,460*</td>
<td>0.049</td>
<td>0.076</td>
<td>0.975</td>
</tr>
<tr>
<td>IWBS</td>
<td>292,277</td>
<td>116</td>
<td>2,520*</td>
<td>0.099</td>
<td>0.078</td>
<td>0.884</td>
</tr>
<tr>
<td>SLS</td>
<td>159,997</td>
<td>72</td>
<td>2,222*</td>
<td>0.069</td>
<td>0.070</td>
<td>0.943</td>
</tr>
</tbody>
</table>

Note: RMSEA= Root Mean Square Error of Approximation; CFI= Comparative Fit Index; RMR= Root Mean Square Residual.
ETPS = Ethical Climate Perception Scale; IWBS = Innovative Work Behaviors Scale, SLS= Servant Leadership Scale.
*p < .001.
4. Findings

Means, standard deviations, reliability coefficient and correlation between variables are indicated below in Table 3.

**Table 3 Reliability Values of the Deviations and the Correlations**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>SD</th>
<th>C.A.</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ethical Climate</td>
<td>3.47</td>
<td>.573</td>
<td>.864</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Innovative Work Behaviors</td>
<td>3.60</td>
<td>.506</td>
<td>.727</td>
<td>.429*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. Servant Leadership</td>
<td>3.42</td>
<td>.786</td>
<td>.897</td>
<td>.628*</td>
<td>.342*</td>
<td>1</td>
</tr>
</tbody>
</table>

SD= Standard Deviation, C.A.= Cronbach alpha (reliability coefficient)  * p< .01 (One direction).

The findings suggest that the ethical climate perception has a significant and positive relationship (r=0.429, p<.01) with innovative work behaviors. Likewise, we can observe the same relationship between servant leadership and ethical climate perception (r=0.628, p<.01). A similar relationship between innovative work behaviors and servant leadership is also observed (r=0.342, p<.01). In order to test the mediation role of the servant leadership on the effect of ethical climate perception on innovative work behaviors, the regression analysis method consisting 3 phases suggested by Baron and Kenny (1986) was employed.

Therefore, 2 separate structural equity models were designed in order to observe the direct and indirect effects at the same time and tested by means of AMOS 16.0 package program. Baron and Kerry agree that 3 different circumstances need to take place in order for us to talk about the presence of the mediation role: 1) The independent variable must have an impact on the dependent variable, 2) the mediatory variable must have an impact on the dependent variable, 3) when the mediatory variable is included in the analysis, a change must be observed in the impact of the independent variable on the dependent variable and the former must have a significant impact on the dependent variable.
Table 4 Structural Equity Models

<table>
<thead>
<tr>
<th>Phase</th>
<th>Measuring Model</th>
<th>$\Delta \chi^2$/df</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ethical Climate Perception -&gt; Innovative Work Behavior</td>
<td>2.16</td>
<td>0.068</td>
</tr>
<tr>
<td>2</td>
<td>Ethical Climate perception -&gt; Servant Leadership -&gt; Innovative Work Behavior</td>
<td>1.819</td>
<td>0.057</td>
</tr>
</tbody>
</table>

In the first phase of the analysis, it was determined that the measuring model, which was formed in order to research the impact of the ethical climate perception on the innovative work behaviors, exhibited a good fit ($\Delta \chi^2$/df=2.165 and RMSEA=0.068). The servant leadership was included in the model in the second phase of the analysis; and likewise, the measuring model exhibited a good fit ($\Delta \chi^2$/df=1.819 and RMSEA=0.057). The fit-of-goodness index values of the measuring models are as follows in Table 4. The measuring models were applied in order to research the mediation and the path analysis coefficients obtained are as follows in Table 5.

Table 5 Path Analysis Coefficients

<table>
<thead>
<tr>
<th>Phase</th>
<th>Structural Model</th>
<th>$\beta$</th>
<th>S.E.</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ethical Climate -&gt; Innovative Work Behavior</td>
<td>0.280</td>
<td>0.081</td>
<td>0.000</td>
</tr>
<tr>
<td>2</td>
<td>Ethical Climate -&gt; Innovative Work Behavior</td>
<td>0.095</td>
<td>0.037</td>
<td>0.011</td>
</tr>
<tr>
<td></td>
<td>Ethical Climate -&gt; Servant Leadership</td>
<td>0.709</td>
<td>0.066</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Servant Leadership -&gt; Innovative Work Behavior</td>
<td>0.192</td>
<td>0.055</td>
<td>0.000</td>
</tr>
</tbody>
</table>

$\beta$= Path Coefficient, S.E.=Standard Error.

5. Conclusion

The objective of this study is to investigate the mediation role of the servant leadership in the relationship between ethical climate perception and innovative work behaviors by means of an integrated model. The facts that the relationships between the variables did not receive enough attention and only linear relationships were analyzed in the researches make it obvious that more studies should be carried out in this field. Unlike former studies, the relationship between the variables was tested via a structural equation model in order to contribute to the literature and
reach the findings that the researchers need for their further work. A positive relationship is observed among the variables in the literature.

However, when the analyses were carried out with a significance level of %99 and the servant leadership is included in the model, the impact of ethical climate perception on innovative work behaviors becomes insignificant. Therefore, it is possible to state that servant leadership plays a mediation role in the relationship. As a result, all hypotheses in the study are supported. Also, servant leadership researches are made on education and partially health sector (e.g., Aslan and Özata, 2011) in Turkey. Through this study, it was determined that servant leadership is a type of leadership that may be practiced in the hospitality sector as well. Besides, Turkish version of innovative work behavior scale was adapted and its validity was presented by exploratory and confirmatory factor analyses.

Furthermore, the study gives some clues to business owners and managers. Among the capital types used, the enterprises should take into consideration psychological, social, and intellectual capital regarding the individuals. Once success and sustainability rely on the performance and activity of employees in the hospitality business (Taşkıran, 2006: 170), competitive edge may be achieved and then retained by human capital. The business owners and managers should strive to form an ethical climate in their organizations in order to manage and take advantage of capabilities and competencies of employees. Only when ethical behavior becomes a part of corporate policy, labor productivity may be improved. Employees are the source of innovation, which is a critical component for corporate strategy.

The climate of the organization to be formed in order to reveal innovative work behaviors has an untrivial significance. Also, it is possible to manage employee behaviors in parallel with employer expectations when a convenient atmosphere and fair working conditions are created for employees. Therefore, it is as much important to create an ethical climate as to sustain this perception. Among important duties of managers are to strengthen skills of the employees, to make them familiar with the concept of service and to shape their future. This way of thinking, which makes managers embrace servant leadership philosophy, makes it possible for employees to improve their organizational attitudes and behaviors.

Meanwhile, the academicians and the researchers have a crucial role here. It is thought that the study, which assesses innovative work behaviors, can be enriched in terms of social culture. Moreover, financial and non-financial performance of organizations as well as individual performances may be included in the scope of the study. Organizational behaviors and attitudes such as organizational identification, organizational citizenship, job satisfaction and organizational commitment, which employees can improve together with ethical climate perception, seem to be among
the issues in need of more research. However, some limitations should be taken into account while assessing the findings of the study. Firstly, data collection instruments used in the study are prone to the social popularity effect as the study is cross-sectional. The primary reason here is that the measuring instruments that measure the individual perceptions may not reflect the real performances of the participants. The questions of reverse coding took place in the scales in order to eliminate this situation. Next, it should be noted that the research was not designed in a longitudinal frame. Thus, different findings may be observed in different time frames. The third limitation is about the sample itself. Since the sample contains the organizations in hospitality management, one should be careful while making a generalization.

References


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