

## **A MODERATING ROLE OF POWER DISTANCE IN SUPPORT FOR INNOVATIONS AND INNOVATIVE BEHAVIOUR OF MIDDLE AND FRONT- LINE MANAGERIAL LEVEL EMPLOYEES IN SRI LANKA**

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### **Abstract**

*Research on practices of innovative behavior of organizational employees supports the notion that continuous support may be the predictors of effective innovation implementation in contemporary organizations. Extant studies stress that various ways of support gained for innovations is related to fruitful innovations within an organization and identify managerial, organizational and cultural support as key elements of support for innovations. Generally, the level of support for innovations may vary as per the power distance in different hierarchical authorities. However, relatively few studies have tested how and why management, organization and organizational culture support relate to innovative behavior and largely ignored the influences of power distance in organization hierarchies. Accordingly, the main aims of the present study are to investigate the impact of support for innovations on innovative behavior and to examine the moderating role of power distance, in social distance process of power. To advance the understanding of these topics, simple regression analysis and moderator regression analysis were performed to test hypotheses with a sample size of 120 middle- and lower-level employees from Sri Lanka. The study found that there is a positive direct effect of support for innovations and innovative behaviour*

*of middle- and lower-level employees. Further, power distance moderates the positive relationship between support for innovations and innovative behaviour with an antagonistic effect. The present study makes several theoretical contributions to social cognitive theory and the social distance theory of power. Managerial contributions of the present study make domestic firms successful through better focus of innovation support and power distance which facilitate innovative behaviour of employees.*

**Keywords:** Innovative Behaviour of Employees in Sri Lanka, Support for Innovations, Power Distance

## **1. Introduction**

Research on the relationship between innovation support and innovative behavior of employees supports the notion that different outcomes of individuals which leads to organizational success may be the predictors of different organizational behaviour (Lukes and Stephan, 2017). Therefore, it is vital for an organization to identify the factors of its success, which can be measured from organizational performance and employee behavior. High rate of innovation support and implementation of innovative ideas of employees are two main factors that have been regarded as key success factors for effective organizational performance (Lukes and Stephan, 2017; Scott and Bruce, 1994). Contemporary organizations emphasize that employees need to develop more creative and innovative ideas for the long run survival of the organization which has been identified as corporate entrepreneurship (Srivastava and Agrawal, 2010; Lukes and Stephan, 2017; Scott and Bruce, 1994). Therefore, it is evident that innovative behaviour of employees is a key success factor for most of the organizations due to new applications of the business environment. As per Lukes and Stephan (2017) employee innovative behaviour is defined as behaviors through which employees produce or espouse new ideas and make subsequent efforts to instrument them within an organization.

Previous studies have indicated that various determinants of innovative behaviour namely management support, culture, leadership, team behaviour, organization and individual attributes in all management levels are related to support for innovations (Scott and

Bruce, 1994; Lukes and Stephan, 2017; Hammond et al., 2011). Emphasizing management/ supervisor support, organization culture and organizational support as the main factors of support for innovations, managerial support is found to be a perception that an employee's supervisor is supportive of new and innovative ideas (Oldham and Cummings, 1996), organizational support includes the organization making resources available for the implementation of new ideas and the encouragement of innovation including top management support and use of rewards (Hunter et al., 2007) and organizational culture includes the context of the organization based on work tasks and environment (Lukes and Stephan, 2017).

On the other hand, it is emphasized that middle-level management is performing more on innovations than frontline management of an organization as one of the key responsibilities of middle management is to leave the organization more innovative and creative. Behn (1995) illustrated that it is very hard to convince frontline employees to be innovative as part of their job role. On the other hand, as per Engen and Magnusson (2015), it is evident that middle management should take the leading role to develop more innovations among frontline management. Additionally, Liu et al. (2016) illustrated that this may be a result of experience and positions held in the status hierarchy. They expressed that employees with longer position tenure are not supporting to develop innovations within the organization compared to employees with shorter position tenure.

It is evident from the practices of contemporary organizations that they are struggling to create required innovative behaviour among employees due to more focus on short term survival and market competition. Further, it may not perform in an environment where the managers are more authoritative and the organization climate is not supportive of employee innovative behaviour in various management levels (Lukes and Stephan, 2017 as cited in House et al., 2004). Further, research on power distance in different cultural backgrounds show that power relationships formed among individuals, groups and organizations are a source for various individual and organizational outcomes. Therefore, understanding of power distance is especially important in organizations because power is fundamental to all relationships, is inherent in hierarchical organizations, and affects many organizational processes and outcomes (Anon., 1997). This can

be theoretically rationalized from the Social Distance Theory of Power where high power distance people feel more distance than low power people (Magee and Smith, 2013).

In a high-power distance culture, employees may react less positively because of its emphasis on power-sharing organizational structures and practices (Tripathi and Bharadwaja, 2018 as cited in Spreitzer, 2008). Therefore, it is evident that employees with high power distance organizations are less likely to focus more on positive organizational and individual outcomes. As Rao and Pearce (2016) explain, low power distance among the managerial levels will lead to better organization performance, team collaboration and innovation. On the other hand, due to high power distance, employees will refuse to support their supervisors, even though they are willing to provide guidance and support (Tripathi and Bharadwaja, 2018). Hence, this study focuses on whether support for innovations influences the innovative behaviour of middle and lower level management. This may vary due to the power differences in the organizational hierarchy. Therefore, the potential relationship between support for innovations and innovative behaviour of employees in middle management and frontline management moderates on power distance, which has not been explored in the previous literature and is open for more research. This paper measures the impact of support for innovations and innovative behaviour of middle and frontline management and examines whether the power distance moderates the direct association.

The remainder of this paper is organized as follows: Section two briefly reviews the literature pertaining to support for innovations, innovative behaviour and power distance. In section three, the research method is outlined. Section four presents the study's empirical results. The last section discusses the research findings, followed by a presentation of the research limitations and direction for future research.

## **2. Literature review**

Innovations bring an additional value to an organization and it is widely accepted for an effective performance in the long run (Yuan and Woodman, 2010). Therefore, it is the responsibility of any organization to create an environment which promotes more innovations within the organizational set-up. Further, development of innovative behaviour within the workplace may be the main pathway to various

organizational outcomes such as corporate entrepreneurship, sustainable competitive advantage, winning the market competition and diversification strategy formulation (Lukes and Stephan, 2017).

Apart from studies that have focused mainly on leadership (Pieterse, Knippenberg, Schippers, and Stam, 2010; Hoch, 2013) a variety of factors have been studied as important antecedents to innovative behaviour of employees within the workplace, such as managerial, organizational and cultural support (Lukes and Stephan, 2017), work groups and personal traits (Scott and Bruce, 1994; Srivastava and Agrawal, 2010). Moreover, out of all the factors, it is identified that organizational climate, organization support and manager support are key factors to enhance innovations within a workplace (Park and Jo, 2018; Lukes and Stephan, 2017; Scott and Bruce, 1994; Al-Hawari, et al., 2019; Sönmez and Yildirim, 2019). Managerial support provides a countless backing to promote better employee outcomes within an organization including innovations. Additionally, the direction and guidance of managers/supervisors towards employees create more opportunities and autonomy to be creative and loyal in work behaviours. Similarly, Rooney, Gottlieb, and Newby-Clark (2009) expressed that managerial support is encouraging additional employment results in organizations. Therefore, managerial support is a key driver of employee motivation to develop more favourable outcomes in the workplace. With regard to the organizational support and culture, Hunter, Bedell, and Mumford (2007) focused on the organization making resources available for the implementation of new ideas and the encouragement of innovation including top management support and use of rewards, which result in various positive individual outcomes within an organization.

One of the key individual outcomes for an organization is the employees' novel ideas which generate more innovative behaviour among employees and corporate entrepreneurship in the long run. The term innovative behavior represents the intentional behaviour of an individual to introduce and/or apply new ideas, products, processes, and procedures to his or her work role, unit, or organization (Scott and Bruce, 1994). Similarly, innovative behaviour of an individual is a result of ideas (idea generation and idea implementation) of an individual in the workplace which results in new processes and products (Lukes and Stephan, 2017; Binnewies, Ohly, and Sonnentag, 2007). It is evident

from the existing literature that the understanding of employee innovative behavior can range across various activities. An important aspect of innovative behaviour is to communicate the innovative idea to the colleagues and managers to get feedback (Lukes and Stephan, 2017, Howell, Shea, and Higgins, 2005). Once the innovative idea is communicated and permitted, further resources such as time, money and people are allocated to start the implementation process. Involving others will be an added advantage for the implementation of the innovative idea (Howell, Shea, and Higgins, 2005). A key challenge would be to overcome obstacles and develop the innovation outputs at completion (Lukes and Stephan, 2017).

Furthermore, the existing literature indicates that innovation support within a workplace gives more autonomy for employees to facilitate employee innovations (Lukes and Stephan, 2017; Sönmez and Yildirim, 2019; Scott and Bruce, 1994; Park and Jo, 2018). Additionally, support of managers, organizational resources and organizational culture helps to motivate various levels of employees to develop innovations to achieve company goals and objectives in the long run. Further, Scott and Bruce (1994) illustrated that employee behaviour is based on the relationship with the manager and organizational culture, especially in employee behaviour towards innovative ideas. Similarly, Sönmez and Yildirim (2019) and Yuan and Woodman (2010) expressed the importance of supervisor support and organizational climate to develop more innovations within an organization. Therefore, the below hypothesis can be developed to investigate the direct effect between support for innovations and innovative behaviour of employees.

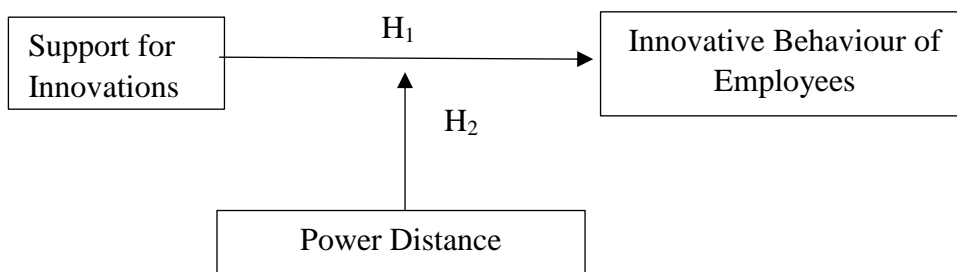
*Hypothesis 1: Support for innovations positively affect the innovative behaviour of employees.*

As per Daniels and Greguras (2014), employees react in different ways given power differences in the organizational hierarchy. Employees will response negatively to such managerial support and allocate resources towards positive individual outcomes (Tepper, 2007). Solidity of the power or the authority among positions may or may not create support for innovations which results in innovative behavior of individuals (Scott and Bruce, 1994; Daniels and Greguras, 2014). Moreover, power distance plays a key role in organizational culture and manager support with various employee outcomes such as

innovations, team collaboration and team performance (Rao and Pearce, 2016). Therefore, a second hypothesis can be developed to measure the moderating effect of power distance on support for innovations and innovative behaviour of employees.

*Hypothesis 2: Relationship between support for innovations and innovative behaviour of employees is moderated by power distance*

The proposed theoretical model is presented in Figure 1.



**Figure 1: Proposed Theoretical Model**

### **3. Methodology**

#### **3.1 Sample and Data Collection**

The sample for this study consisted of 75 middle level employees, and 45 lower level employees from various industries in Sri Lanka such as Information Technology, apparel, telecommunication and banking industries. This sample is chosen based on convenience sampling strategy, due to hierarchical structure and the duties and responsibilities of middle and lower level employees in the selected industries, and easy identification and reliable testing of the power differences in organization hierarchy. The self-administered questionnaire was developed with 41 questions to measure the key variables and was delivered via online-based survey. The data was analysed using the SPSS 21.0 software package and the analysis was conducted using multiple regression analysis and moderator regression analysis. It was found that all the variables' Cronbach's Alpha values were above 0.7 (Support for innovations=0.83, Innovative behaviour=0.83, Power distance=0.70), hence the questionnaire was considered to be reliable.

### 3.2 Variables and Model

Employee innovative behaviour is the dependent variable of the present study. This was measured using seven dimensions: idea generation, idea search, idea communication, implementation (starting activities), involving others, overcoming obstacles and innovation outputs using 23-items of the innovative behavior inventory developed by Lukes and Stephan (2015). The independent variable, support for innovations, was measured using three dimensions: managerial support, organizational support and organizational cultural support, nu modifying the innovation support inventory. This study used one moderator variable, power distance, which was measured using a 6-item scale developed by Dorfman and Howell (1988). The working definitions of the constructs are presented in Table 1.

**Table 1: Working Definitions of the Constructs**

<b>Construct</b>	<b>Working Definition</b>
<b>Support for innovations</b>	Managerial support can be described as a perception that an employee’s supervisor is supportive of new and innovative ideas. Organizational support includes the organization making resources available for the implementation of new ideas and the encouragement of innovation and use of rewards. Organizational culture includes the context of the organization based on work tasks and environment.
<b>Innovative behaviour</b>	The intentional behaviour of an individual to introduce and/or apply new ideas, products, processes, and procedures to his or her work role, unit, or organization.
<b>Power distance</b>	Power Distance has been defined as the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.

*Source: Scott and Bruce, 1994; Lukes and Stephan, 2017; Oldham and Cummings, 1996; Hunter, Bedell, and Mumford, 2007*

## 4. Results and discussion

**Table 2: Means, Standard Deviations, and Pearson Correlation Coefficients of Variables**

	<b>Mean</b>	<b>SD</b>	<b>Innovative Behaviour</b>	<b>Power Distance</b>



<b>Support for Innovations</b>	<b>for</b>	3.27	0.734	0.639**	0.153
<b>Innovative Behaviour</b>		3.76	0.440	-	0.242**
<b>Power Distance</b>		3.25	0.548	-	-

*Source: Author developed*

\*\* Correlation is significant at the 0.01 level (2-tailed)

*Note.* (1) Between .1-.3: Small Effect. (2) Between .3-.5: Medium Effect. (3) Above .5: Large Effect

An examination of correlations revealed a significant association among the variables. Overall, the pattern of the correlations was similar to the expected results as the direct effect and moderating effect were significant at 99% in the correlation matrix. As per the results, it demonstrates that there is a large effect of support for innovations on innovative behaviour. On the other hand, it represents a small effect of power distance on innovative behaviour which represents a small impact on the association between support for innovations and innovative behaviour of employees.

The results of the regression used to test the hypotheses of support for innovations, innovative behaviour and power distance are given in Table 3.

**Table 3: Regression Results for Support for Innovations, Innovative Behaviour and Power Distance**

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>
<b>Intercept</b>	2.502** (17.558)	2.161** (10.033)	2.122** (9.835)
<b>Beta Value</b>	0.384** (9.032)	0.370** (8.732)	0.374** (8.855)
<b>Power Distance</b>		0.119* (2.089)	0.128* (2.260)
<b>IS X PD</b>			-0.042*** (-1.499)
<b>R</b>	0.639	0.656	0.664
<b>R<sup>2</sup></b>	0.409	0.430	0.441
<b>Adjusted R<sup>2</sup></b>	0.404**	0.420**	0.426**
<b>R<sup>2</sup> change</b>	0.409	0.430	0.441
<b>F change</b>	81.583**	44.135**	30.486**

*Source: Author developed*

Dependent variable: Innovative Behaviour

Note: Data are standardized regression weights. IS= Support for Innovations; PD= Power Distance \*p < .05. \*\*p < .01. \*\*\*p < .1.

These results show that support for innovations had a positive relationship with innovative behaviour ( $\beta = 0.384, p \leq 0.05$ ) which is support for the suggested hypothesis and consistent with evidence from previous studies (Lukes and Stephan, 2017; Scott and Bruce, 1994; Srivastava and Agrawal, 2010; Yuan and Woodman, 2010). Further, the outcomes of the moderation effect is significant at ninety five percent (95%), similar to previous research findings (Daniels and Greguras, 2014; Liu, Ge, and Peng, 2016; Rooney, Gottlieb, and Newby-Clark, 2009). The adjusted  $R^2$  value of 0.426 represents the overall impact of support for innovations with the interaction effect of power distance on innovative behaviour ( $F=30.486, p \leq 0.01$ ). Based on the results, there is an antagonistic effect of power distance on support for innovations and innovative behaviour, which satisfies one of the key aims of the present study. It shows that support for innovations and power distance predict innovative behaviour in the same direction. But, they each weaken each other. The importance of support for innovations is weakened by the presence of the power distance for innovative behaviour which can be further illustrated as an antagonistic effect. This antagonistic moderation effect is presented in Figure 2.

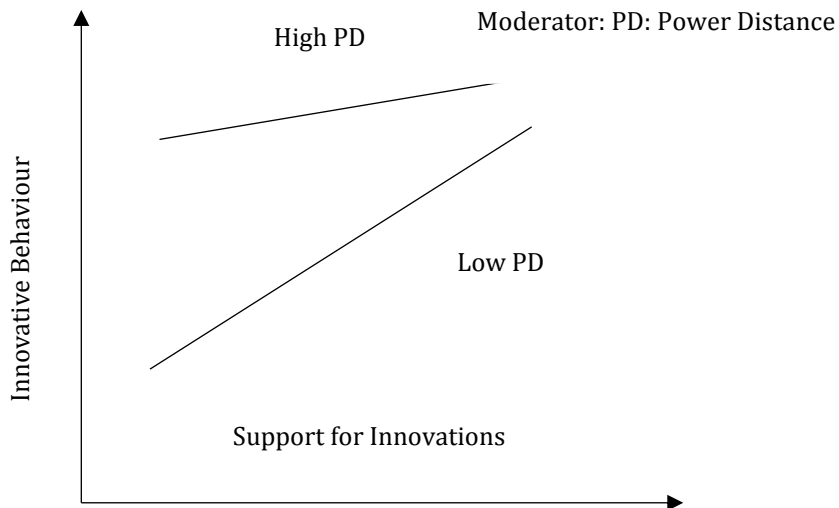


Figure 2: Antagonistic Effect

Source: Author calculations

## **5. Conclusion and implications**

This study not only replicates but extends previous research on the direct effect and moderating effect of power distance on the relationship between the support for innovations and innovative behaviour of employees. In answering research questions, the present study focuses on the innovative behaviour of middle and lower level employees in Sri Lanka. First, the results of this study replicates earlier findings (Lukes and Stephan, 2017; Scott and Bruce, 1994; Srivastava and Agrawal, 2010; Yuan and Woodman , 2010) establishing the positive direct effect of support for innovations on innovative behaviour of employees and indicates that the power distance is a significant determinant of the positive direct association (Daniels and Greguras, 2014; Liu, Ge, and Peng, 2016; Rooney, Gottlieb, and Newby-Clark, 2009).

Importantly, as hypothesised, the present study extends previous research by examining the moderating role of power distance between the direct relationship. This enhancement of employee performance is important as previous researches have indicated the tendency of high and low power distance manager and employee to enhance innovative behaviour. In a high power distance culture, employees may react less positively because of its emphasis on power-sharing organizational structures and practices (Tripathi and Bharadwaja, 2018 as cited in Spreitzer,2008) and low power distance among the managerial levels will lead to high organization performances, team collaboration and innovations (Rao and Pearce, 2016). Moreover, due to high power distance, employees will refuse to support their supervisors, even though they are willing to provide guidance and support (Tripathi and Bharadwaja, 2018).

In conclusion, this research examines the promising mechanisms through which support for innovations influences effective employee innovative behaviour, which has been lacking. The present study makes an important contribution by examining how support for innovations (managerial, organizational and cultural support) influence employee behaviors by displaying the prominence of power distance. Hence, this study provides a better understanding of how innovation support influences employee innovative behavior by fulfilling all the proposed aims at the beginning.

Theoretically, the findings of this study provide understandings for two bodies of work. First, the direct association of support for innovations and innovative behaviour of employees was supported which rationalized from social cognitive theory that enhances more novel ideas of employees through enough social support and learning practices within a workplace. It further reveals that innovation support is imperative for the innovative behaviour of employees of an organization, as identified by previous research (Srivastava and Agrawal, 2010; Riaz, Xu, and Hussain, 2018; Lukes and Stephan, 2017). Second, the moderating effect of power distance revealed by this study and previous research (Scott and Bruce, 1994; Daniels and Greguras, 2014; Tepper, 2007; Rao and Pearce, 2016) supports the theoretical argument and makes contributions to the social distance theory of power.

Additionally, the findings of this study are important because they expand the understanding of antecedents for innovative behaviour of employees in workplace. Organizations should encourage their employees to develop more novel ideas with enough support by employee empowerment and autonomy, as it will result in corporate entrepreneurship in the long run. Further, managerial support can be encouraged by more communication within the organizational context. Consequently, power gaps between management levels will be reduced and employees will feel free to express their innovative ideas to others to get support. Similarly, a friendly organizational culture and resources will enable the development of more innovations.

The selection of participants in various industries at a given period of time is a potential limitation of this study. Nevertheless, future research might consider one industry with a longitudinal research design examining perceptions of support for innovations, innovative behaviour and power distance multiple times over a long period of time. Moreover, the data set can be divided into middle level and lower level to investigate the impact to innovative behaviour of employees. The present study encourages future researchers to carry out the same study again with a change of the research design to a qualitative research as respondents have not given the assured answers based on questionnaire method. The researchers would be able to observe and understand reactions of respondents if they can conduct the study through interview method as a data collection tool. There will be more

interesting answers with close monitoring methods between the researcher and the respondent.

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