Leadership styles as antecedents of employee turnover intentions and innovative work behaviour: A research framework

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ABSTRACT: Extant literature has given little attention to the respective moderating and mediating effects of alternative job opportunity and job autonomy on the relationships between leadership styles, employee turnover intentions, and innovative work behaviour. This paper provides a framework of how employees’ perceptions of supervisors’ leadership styles may induce them to stay in their organisations and exhibit innovative work behaviour. Our principal theoretical and conceptual contributions reside in the examination of job autonomy as a mediator in the leadership - innovative work behaviour relationship; the expansion of the alternative job opportunity moderation in the leadership – employee turnover intention nexus; and the provision and testing of a conceptual framework. The relevance of the topic to contemporary business practice is also worthy to note.

Keywords: transformational leadership, transactional leadership, turnover intentions, innovative work behaviour, alternative job opportunity, job autonomy
INTRODUCTION

Key challenges that confront today’s businesses include the retention of employees and the stimulation of employees’ daily innovations to achieve organisational goals. The tendency of employees to voluntarily leave their organisations is a phenomenon that bedevils organisations in diverse ways. There is substantial empirical evidence (e.g. Abbasi & Hollman, 2000; Najm, 2010; Vance, 2006) to postulate turnover as a threat to the bottom line of most corporations. Research conducted by Price Waterhouse Coopers (PWC, 2015 as cited by Simpson, 2015) found Australia to have the highest turnover rate (23%) for employees to leave their jobs within the first year, from a list of 11 developed countries. According to this report, the cost of turnover in Australia is estimated at $3.8 billion in lost productivity and $385 million in avoidable recruitment costs. Aside from such cost implications of turnover, there is evidence in the literature (e.g. Abbasi & Hollman, 2000; Alexandrov, Babakus & Yavas, 2007; Amankwaa & Anku-Tsede, 2015; Wells & Pearcey, 2011) to show that employees’ intention to quit their jobs may lead them to exhibit withdrawal behaviours, such as low work commitment, tardiness, and absenteeism. These withdrawal behaviours may affect employee morale, customer relations and consequently operational efficiency.

For organisations to be successful however, management should not only focus on mitigating turnover intentions but strive to obtain optimum performance from employees. It is not surprising that recent studies (e.g. Afsar, Badir & Saeed, 2014; Alpkan, Bulut, Gunday, Ulusoy & Kilicmanon, 2010; Bysted, 2013; Ma Prieto & Pilar, 2014; Odoardi, Montani, Boudrias & Battistelli, 2015) have sought to identify factors that stimulate employees to exhibit innovative work behaviour. In a survey by Odoardi et al. (2015) for instance, the researchers found participative leadership style, teamwork, and information sharing as factors that stimulate employee innovative work behaviour. Alpkan et al. (2010) also found that management support for idea development and tolerance for risk taking stimulated employees’ innovative work behaviour. Ma Prieto and Pilar (2014) similarly found human resource practices which enhance employee ability and opportunity also stimulated employee innovative work behaviour.
In an attempt to identify factors which mitigate employee withdrawal behaviours, such as turnover and encourage expected employee attitudes, such as innovation, the leadership literature has examined different leadership approaches, including participative leadership (Odoardi et al., 2015), democratic leadership (Blase, 1995), and ethical leadership (Yidong & Xinxin, 2013). Despite a few inconsistent research findings, transformational and transactional leadership styles have been found as the most prominent leadership behaviours that organisations can employ to address employee turnover intentions (Abbasi & Hollman, 2000; Alexandrov et al., 2007; Amankwaa & Anku-Tsede, 2015; Wells & Pearchey, 2011;) and stimulate innovative work behaviour (e.g. Afsar et al., 2014; Kang, Solomon & Choi, 2015; Lee, 2008; Si & Wei, 2012).

**RESEARCH ISSUES**

Recent research (e.g. Amankwaa & Anku-Tsede, 2015; Rainayee, 2013; Saeed & Shabir, 2013; Wang & Yen, 2015; Wells & Pearchey, 2011) has expanded and modified the knowledge on employee turnover beyond the long-held assumption that dissatisfied employees are more likely to leave their jobs. Booth and Hamer’s (2007) study of the key factors influencing turnover in the retailing industry identified uncontrollable and controllable factors. The uncontrollable factors included economic variables which related to the supply and demand for labour in a particular location. The controllable factors included fair pay, job satisfaction, management treatment of employees, morale, manageable workload, career development, and trust and respects between employees. A conceptual model of factors that contribute to employee turnover of mine sites in Australia was developed by Beach, Brereton and Cliff (2003). The model contained two types of factors: within management control and external to management control. The factors within management control included work roster, commute type, job design, remuneration, and workplace culture.

These studies have provided strong arguments to posit that it takes more than employees’ satisfaction with their leaders’ behaviours to stimulate employees to leave their jobs. Even though most of these researchers have found transformational leadership style as the most appropriate for mitigating
employees’ intentions to leave their organisations, there are still inconclusive and contrasting findings. Whereas some researchers (e.g. Alexandrov et al., 2007; Amankwaa & Anku-Tsede, 2015; Hamstra et al., 2011; Pieterse-Landman, 2012; Wang & Yen, 2015; Wells & Pearchey, 2011) argue that employees’ intention to quit their jobs may be reduced by transformational leadership behaviours of immediate supervisors, other studies (e.g. Ahmad, Rehman, Shabir & Razzaq, 2012; Long et al., 2012; Gul,) have found no empirical support for this idea.

Over the last decade many studies on leadership have focused on its impact on organisational variables such as employee commitment (e.g. Ahmad, Majid & Zin, 2015; Randeree, Kasim; Chaudhry & Ghaffar, 2012; Famakin & Abisuga, 2016) and employee satisfaction (e.g. Elshout, Scherp & van der Feltz-Cornelis, 2013; Randeree et al., 2012) with limited attention on its influence of innovative work behaviour. Even though some researchers have examined the influence of employees’ autonomy over their jobs (Bysted, 2013), human resource practices (Ma Prieto & Pilar, 2014), and leadership styles (Afsar, 2014; Lee, 2008; Odoardi et al., 2015) on innovative work behaviour, there is arguably no study on job autonomy as a mediator between leadership styles and innovative work behaviour. Despite, Alpkan et al. (2010) and Bysted’s (2013) findings that employees’ autonomy in their work provides them the essential freedom and empowerment to be innovative, these researchers were silent on how autonomy over one’s job is achieved. An employees’ level of autonomy over their jobs may hinge on several factors, including senior management orientations, organisational structures, individual employee characteristics and leadership styles. No matter the managerial orientations and organisational structures that may exist in organisations, behaviours of immediate supervisors influence employees’ autonomy in their work by providing employees the freedom needed to be innovative even if the organisational structure is not conducive for innovation.

It is also noteworthy that most studies on leadership have been conducted in countries with different social and cultural orientations, but the findings have been generalised globally. Such conclusions may be problematic in the sense that organisational, national and regional cultures may influence leadership styles
and employee behaviours. It will therefore be interesting for the framework in this paper to be tested in different countries and industries where competition is keen and employee innovation is essential.

**OBJECTIVES OF THE PAPER**

This paper proposes a conceptual framework that addresses the gaps in the interrelationships between transformational and transactional leadership styles, employee turnover intentions, innovative work behaviour, alternative job opportunity and job autonomy. The specific objectives of the paper are to identify:

1. the effect of employees’ perception of supervisors’ leadership styles on their turnover intentions.
2. the effect of employees’ perception of supervisors’ leadership styles on their innovative work behaviour.
3. how perceived alternative job opportunity will moderate the effect of supervisors’ leadership styles on employees’ turnover intentions.
4. how job autonomy will mediate the effect of supervisors’ leadership styles on employees’ innovative work behaviour.

**OVERVIEW OF FACTORS INFLUENCING EMPLOYEE TURNOVER INTENTIONS AND INNOVATIVE WORK BEHAVIOUR**

**Transformational and Transactional Leadership Styles and Employee Turnover Intentions**

Prior research has identified supervisors’ leadership style to contribute towards employees’ intention to remain with the organisation and also their propensity to demonstrate innovative work behaviour. There are significant empirical studies (e.g. Alexandrov et al., 2007; Amankwaa & Anku-Tsede, 2015; Hamstra et al., 2011; Pieterse-Landman, 2012; Wang & Yen, 2015; Wells & Pearchey, 2011) in the existing leadership literature to suggest that when leaders exhibit behaviours that employees perceive to be transformational, employees’ intentions of leaving their organisations may reduce. Most studies on transformational leadership and employee turnover intentions have produced consistent statistical findings
across organisations, industries and countries. For instance, using data from a sample of 185 managers in local Johannesburg Stock Exchange listed manufacturing companies in South Africa, Pieterse-Landman (2012) found a significant negative relationship between transformational leadership and employees’ intentions to quit. Najm’s (2010) study of projects in the construction industry in Kuwait also found a negative relationship between transformational leadership and employees’ turnover intentions.

Despite the position of the literature on the effect of transformational leadership style on employee turnover intentions, there have been some studies which found this relationship statistically insignificant. For instance, Long et al. (2012) in their exploratory study among academic staff in a community college in Malaysia found the negative relationship statistically insignificant as compared to the stance of extant literature. Similarly, Gul et al. (2012) conducted a study to investigate the association between leadership styles, organisational commitment and turnover intentions in the insurance sector of Pakistan and found an insignificant negative relationship between turnover intentions and transformational leadership styles.

There have however been inconclusive findings in the leadership literature on the effect of transactional leadership style on employee turnover intentions. Some authors have found transactional leadership behaviours of immediate supervisors to reduce employee turnover intentions; although there are also contrasting findings. Martin and Epitropaki (2001) reported that transactional leadership behaviour may be useful in reducing employee turnover intentions. Najm’s (2010) Kuwait study also found a negative relationship between transactional leadership and employees’ turnover intentions. However, Long et al. (2012) in their exploratory study among academic staff in a community college in Malaysia found no significant relationship between transactional leadership and employee turnover intentions. Even though these researchers indicated that the findings of their study may be due the characteristics of the industry, there have been similar findings from different organisations, industries and countries. For instance, Amankwaa and Anku-Tsede (2015) reported that transactional leadership behaviours of immediate supervisors rather increased the turnover intentions of employees in the Ghanaian banking industry.

Consistently, we argue that:
Hypothesis 1a. Employees’ perception that their supervisors have a transformational leadership style will reduce their turnover intentions.

Hypothesis 2a. Employees’ perception that their supervisors have a transactional leadership style will increase their turnover intentions.

Alternative Job Opportunity as a Moderator

Alternative job opportunity refers to employees’ perception of whether or not there are other jobs available in the labour market that meet their potential or employable skills (Amankwaa & Anku-Tsede, 2015). The construct mainly considers employees’ perception of available jobs that may exist in the labour market. In view of this, Saeed and Shabir (2013) referred to this term as perceived alternative job opportunities and Rainayee (2013) similarly used perceived alternative external opportunities. According to Amankwaa and Anku-Tsede (2015), the interaction of supply and demand forces in the economy may be taken into consideration when employees examine external opportunities. The extent to which employees may increase their turnover intentions will depend on their perception of how the labour market provides them with better offers.

When employees perceive many employment alternatives, they express lower levels of commitment and, consequently, higher levels of turnover intentions (Amankwaa & Anku-Tsede, 2015; Hwang & Kuo, 2006). This presumption may not be the same for all employees because people may have different needs and as such react to organisational situations differently. For instance, employees who seek personal development may actively consider alternative opportunities in the external market when their organisations fail to provide substantial growth opportunities from within (Hwang & Kuo, 2006). Previous studies have used employees’ perception of alternative job opportunities as an antecedent of employee turnover intentions across industries. For instance, Hwang and Kuo (2006) found perceived alternative job opportunity as a significant predictor of employees’ turnover intentions in public sector organisations. Thatcher, Stepnia and Boyle (2003) reported similar findings among information
technology workers. Despite some studies (e.g. Hwang & Kuo, 2006; Tse, 2008; Martin & Epitropak, 2001; Thatcher et. al., 2003) on leadership behaviours and employee turnover intentions, none of these studies had examined the alternative job opportunity as a moderating variable until the recent study by Amankwaa and Anku-Tsede (2015) who found within the Ghanaian banking industry that even though employees may not be happy with certain leadership styles exhibited by their supervisors, they will remain with their organisations as a consequence of the high unemployment rate. Consistently we argue that:

Hypothesis 1b. The effect of transformational leadership style on employees’ turnover intentions will be moderated by alternative job opportunity.

Hypothesis 2b. Alternative job opportunity will moderate the effect of transactional leadership style on employees’ turnover intentions.

Transformational and Transactional Leadership Styles and Innovative Work Behaviour

There has been a growing interest in the influence of transformational leadership on innovative work behaviour (Afsar et al., 2014; Kang et al. 2015; Gumusluoglu & Ilsev, 2009; Si & Wei, 2012) due to the theoretical underpinnings and successful empirical findings in this area. From a theoretical perspective, Bass and Avolio (1995) advance that transformational leaders possess four core characteristics: charismatic role modelling, individualised consideration, inspirational motivation, and intellectual stimulation, which make them achieve expectations from followers. Transformational leaders employ these characteristics to stimulate employee innovative work behaviour. Transformational leaders use their charisma to inspire admiration, respect, and loyalty, and emphasise to followers the importance of having a collective mission (Gumusluoglu & Ilsev, 2009). Transformational leaders through intellectual stimulation broaden and elevate the interest of their employees (Bass, 1990b), and stimulate employees to think about old problems in new ways (Bass, 1985). By epitomising innovation, transformational leaders can enhance followers’ innovativeness through motivation and intellectual stimulation (Lee, 2008; Mumford, Scott, Gaddis & Strange, 2002).
Empirical studies have also found transformational leadership behaviour as an important predictor of innovative work behaviour. Kang et al. (2015) found among 35 chief executive officers (CEOs) and 105 managers in start-up companies in the United States that CEOs transformational leadership positively influenced managers innovative work behaviour. Similarly, in a study among employees of five most innovative companies in China, Afsar et al. (2014) found that transformational leadership positively influenced innovative work behaviour. Other studies have found support for the argument that transformational leadership positively stimulates innovative work behaviour. For instance, Si and Wei (2012) found at a multinational communication company branch in Shanghai and the company’s headquarters in France that transformational leadership behaviours of immediate supervisors positively influenced employees’ innovative work behaviour.

Unlike transformational leadership, the theoretical (Amabile, 1998; Bass & Avolio, 1995) and empirical (Si & Wei, 2012, Lee, 2008) foundations to a large extent posit transactional leadership to negatively influence employee innovative behaviour at the workplace. From a theoretical perspective, transactional leaders establish an exchange-based relationship with followers by clarifying goals, rewarding achievement, and by intervening only when necessary (Bass & Avolio, 1995). Lee (2008) asserts that followers of a transactional leader have the tendencies not to respond innovatively because the leader does not stimulate them to attempt novel ways of problem conceptualisation and solving. Moreover, Amabile (1998) posit that the tendency of transactional leaders to react negatively to mistakes also contributes to followers’ reluctance to ‘think outside the box’ for fear of not meeting expectations and standards. The consequence is that followers rely on tried and tested methods of getting work done and innovation is thus not encouraged and nurtured. Even though in their recent study, Kang et al. (2015) found transactional leadership to have positive influence on employees’ innovative work behaviour, some empirical studies (Si & Wei, 2012; Lee, 2008) lend support to the theoretical perspective that transactional leadership negatively influences innovative work behaviour. Consistent with the theoretical and empirical foundations on the influence of leadership on innovative work behaviour, we argue that:
Hypothesis 3a. Employees’ perception of supervisors’ having a transformational leadership style will positively affect their innovative work behaviour.

Hypothesis 4a. Employees’ perception of supervisors’ having a transactional leadership style will negatively affect their innovative work behaviour.

Job Autonomy as a Mediator

Employees’ perception of their autonomy over their jobs has been found in previous studies to be a positive predictor of their innovative work behaviour (Alpkan et al., 2010). Hennessey and Amabile (2010) argued that job autonomy adds a feeling of empowerment to employees and thus creates within employees an intrinsic motivation needed for creative tasks and innovative work behaviour. Even though there is sufficient evidence in the literature to support the argument that employees’ job autonomy will positively relate to their innovative work behaviour, this relationship does not exist in isolation. In an organisational setting, employees’ level of freedom to be creative about their jobs depends either on the organisational structure, senior management orientation, supervisor behaviours and/or employee characteristics. For instance, in tall organisational structures where managers hold an ethnocentric view to decision making, there may be little or no room for employees to be innovative due to structured work practices. In Ghana for instance, private organisations tend to have flatter organisational structures and decentralised decision making procedures and this has seen private organisations benefit in terms of increased sales and market share through employee enthusiasm and creativity. If the job design does not provide employees with an essential degree of autonomy, it will hinder them from trying out new things (Bysted 2013) that will benefit the organisation. In addition, individual employee characteristics can also be critical in determining whether or not employee’s freedom on the job will lead to innovative work behaviour.

Even though studies (e.g. Alpkan et al., 2010; Bysted, 2013: Hennessey & Amabile, 2010) support the argument that employees’ job autonomy will positively relate to their innovative work behaviour, the conceptualisation of these studies do not consider how employees’ autonomy may occur. For instance,
Bysted (2013) observed job autonomy as a stand-alone construct that automatically stimulates employees to be innovative and creative in their jobs. We argue that unless the immediate supervisors’ behaviours provide the flexibilities and opportunities for employees, job autonomy may not exist even if senior management orientation is flexible. Consistent with this assertion, Lee (2008) found that employees’ innovativeness is directly impacted by leadership styles. Job autonomy thus depends largely on leadership behaviours exhibited by employees’ immediate supervisors. According to Lee (2008), supervisors need to ensure that employees have the necessary degree of autonomy for innovation to emerge. It has become apparent that job autonomy hinges on the leadership style of employees’ immediate supervisors. It is worth distinguishing that unlike transactional leaders, transformational leaders demonstrate loyal relationship with employees by creating open support for employees and expanded information exchange conducive for employees to be innovative (Isaken & Laver, 2002). Hence, we argue that:

Hypothesis 3b. Employees’ job autonomy will mediate the relationship between transformational leadership and innovative work behaviour.

Hypothesis 4b. Employees’ job autonomy will not mediate the relationship between transactional leadership and innovative work behaviour.

CONCEPTUAL FRAMEWORK

We have deduced propositions and developed a conceptual framework (see Figure 1) on the basis of relevant literature on transformational and transactional leadership styles, employee turnover intentions, innovative work behaviour, alternative job opportunity, and job autonomy. Within this conceptual framework, transactional leadership style is positively linked to turnover intentions but transformational leadership style is negatively related to turnover intentions. Consistent with the literature review, transactional leadership style is modelled to negatively influence employee innovative work behaviour but transformational leadership style is modelled to positively stimulate employees’ innovative work behaviour.
Figure 1 also indicates that perceived alternative job opportunities moderates the relationship between leadership styles and employee turnover intentions whereas job autonomy mediates the link between leadership styles and innovative work behaviour. This framework will not only influence organisational policy and corporate practice on how to manage employee turnover intentions and stimulate innovations, but it will also benefit the academic and research community by providing useful debate for future studies.

**SIGNIFICANCE OF THE FRAMEWORK**

The *Leadership Styles-Turnover Intention-Innovative work Behaviour Framework* offers valuable insight into the interrelationships of factors to maximise both retention and innovative work behaviour. An improved understanding of the factors that enhance innovative work behaviour and decrease employee turnover intentions will assist organisations to become more competitive and successful. This framework can be tested in different organisations to identify the most appropriate leadership style to reduce turnover intentions and enhanced innovative work behaviour. This will allow organisations to adopt the most successful leadership style while also understanding the implications of job autonomy and alternative job opportunities. The findings of testing this framework in organisations will further provide managers with feedback needed to manage employees in ways which will reduce their intentions to leave and increase their daily innovation in the organisation.

The findings of this paper will also benefit academia and the research community by providing an employee turnover intentions and innovative workplace behaviour framework that incorporates leadership factors and determines the influence of alternative job opportunities and job autonomy. This framework builds upon existing leadership, employee turnover intentions and innovation theory to form a unified model for future research directions.
CONCLUSION

In today’s business environment where competition has become keen and change has become constant due to globalisation and the need to update work practices, identifying how organisations may employ appropriate leadership styles to maximise employee retention and innovative work behaviour is critical for organisational success. The relevance of these issues has become more imperative now that businesses seem to rely on creative methods of ascertaining organisational goals.

Organisations must therefore continue to strive for means to address organisational challenges and encourage attitudes that support business efficacy. This paper’s framework thus brings to the fore issues that may confront organisations and ways by which such issues can be addressed.
Figure 1: Leadership Styles-Turnover Intention-Innovative Work Behaviour Framework

- Transactional Leadership
- Transformational Leadership
- Leadership Styles
- Alternative Job Opportunity
- Employee Turnover Intentions
- Job Autonomy
- Innovative Work Behaviour
REFERENCES


