

HOW AUTHENTIC LEADERSHIP IMPROVES INNOVATIVE WORK BEHAVIOR IN SMES: THE MEDIATING ROLE OF THRIVING AT WORK

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Abstract

This study aims to explore the relationship between authentic leadership and innovative work behavior while examining the mediating effect of employees' thriving at work. During November-December 2023, a survey was conducted of 150 employees working in the creative industry in Kabupaten Kebumen. Most of the respondents worked in the food, handicraft, and fashion industries. Using Smart PLS 2, this study demonstrates the measurement model and structural model assessment. The result showed that authentic leadership shares a positive influence on innovative work behavior. In addition, according to specific indirect effect results, this research found that thriving at work has a significant mediating effect that channels authentic leadership and innovative work behavior. The present study provides insight for SME managers regarding how to improve innovative work behavior by considering authentic leadership styles and improving thriving at work.

Keywords: *Authentic leader, Innovative work behavior, Thriving at work, Creative industries.*

Abstrak

Penelitian ini bertujuan untuk mengeksplorasi hubungan antara kepemimpinan otentik dan perilaku kerja inovatif sambil memeriksa efek mediasi dari berkembangnya karyawan di tempat kerja. Selama November-Desember 2023, dilakukan survei terhadap 150 karyawan yang bekerja di industri kreatif di Kabupaten Kebumen. Sebagian besar responden bekerja di industri makanan, kerajinan tangan, dan fashion. Menggunakan Smart PLS 2, penelitian ini menunjukkan model pengukuran dan penilaian model struktural. Hasil penelitian menunjukkan bahwa kepemimpinan otentik berbagi pengaruh positif pada perilaku kerja yang inovatif. Selain itu, menurut hasil efek tidak langsung spesifik, penelitian ini menemukan bahwa berkembang di tempat kerja memiliki efek mediasi yang signifikan yang menyalurkan kepemimpinan otentik dan perilaku kerja yang inovatif. Studi ini memberikan wawasan bagi manajer UKM tentang bagaimana meningkatkan perilaku kerja yang inovatif dengan mempertimbangkan gaya kepemimpinan otentik dan meningkatkan berkembang di tempat kerja.

Kata kunci: *Authentic leader, Innovative work behavior, Thriving at work, Creative industries.*

INTRODUCTION

In line with the rapid development of markets and digital transformation, innovation in small and medium-sized enterprises (SMEs) has become increasingly crucial. Competition among SMEs is growing, both locally and globally. Therefore, SMEs are required to be adaptive and innovative to face dynamically changing consumer needs continuously. Past studies revealed that innovative SMEs display a higher competitive advantage, improve operational efficiency, and capture a larger market share (Ighomereho et al., 2022; Shehu & Mahmood, 2014). Furthermore, innovation enables SMEs to adapt to changes in market trends and technology, making them more resilient in the face of intense business competition. The role of leaders in the success of innovation in SMEs has been widely studied (Javed et al., 2019). Scholars argue that leaders have a critical role in shaping an organizational culture that supports employee's creativity. In the context of innovation, SME leaders need to facilitate collaboration among team members, motivate them to share ideas, and create an environment that encourages healthy risk-taking (Koo et al., 2017). Therefore, leadership in SMEs should be inclusive and supportive, allowing each individual to contribute maximally to the innovation process.

This research focuses on the relationship between authentic leadership and employee innovation in the organizational context. *Authentic leadership* is a leadership style characterized by being genuine, transparent, and authentic to one's values (Xerri & Brunetto, 2013). It involves leading with integrity, honesty, and empathy, and it emphasizes self-awareness and self-discipline (Shahzad, 2022). Authentic leaders are able to inspire dedication and engagement in their teams, leading to higher levels of employee engagement. Authentic leadership focuses on the leader's ability to be themselves, sincere,

and consistent in the values they uphold (Sengupta, 2023). However, there are limited works that scrutinize the linkage between authentic leadership and innovative work behavior, specifically in the context of SMEs.

Authentic Leadership is an approach to leadership that emphasizes authenticity, transparency, and alignment with personal values of the leader (Dewi, 2023). This leadership model encourages leaders to be genuine, honest, and empathetic, while also promoting self-awareness and self-discipline. Authentic leadership goes beyond external aspects of leadership and focuses on the internal integrity of the leader, which contributes to the success of the team and the organization (Gelaidan, 2023). Research has shown that Authentic Leadership can have a positive impact on employee innovation. Through their integrity and transparency, authentic leaders create a culture that supports creativity and innovative thinking (Grošelj, 2020). They can motivate team members to share ideas, create a supportive environment for taking calculated risks, and inspire high levels of engagement. As a result, Authentic Leadership provides a strong foundation for innovative work behavior among employees. In the context of SMEs, authentic leaders can create a work environment that fosters creativity, especially when facing increasing competition and dynamic market changes. In small-scale businesses, authentic leadership can strengthen relationships with the team, motivate employees to contribute maximally, and build a culture that supports the exploration of new ideas (Korku, 2023; Laguna, 2019). Consequently, Authentic Leadership can serve as a significant catalyst for innovation in SMEs, opening up opportunities for growth and sustainability in the digital transformation era and global competition.

Present study strives to examine the connection between authentic leadership and innovative work behavior while investigating the mediating role of thriving at work. The concept of thriving at work encompasses the positive experiences of employees in the work environment, involving vitality, satisfaction, and commitment to work. Employees who experience thriving at work tend to have a strong internal motivation to innovate. Thus, thriving at work can be a pathway through which authentic leadership influences innovative work behavior, shaping a work environment that supports the exploration of new ideas and the implementation of creative solutions among SME employees. Thriving at work, which consists of two main dimensions, namely vitality and learning, has been shown by several studies to have a significant positive impact on innovative work behavior (Hildenbrand et al., 2016). Employees with high thriving will create psychological conditions that support openness to new ideas. High spirits also provide an additional boost to face challenges and take the necessary risks in the context of innovation (Ighomereho et al., 2022). Furthermore, the sense of learning orientation emphasizes the importance of continuous learning and professional development. Employees who focus on learning tend to be more open to change and have a tendency to try innovative approaches in their work (Riaz et al., 2018). They can apply new knowledge and skills acquired through continuous learning to create creative and effective solutions. By combining these two elements, thriving at work creates an environment in which employees not only feel enthusiastic and alive but also constantly improve themselves.

Based the explanation of past literature, this study focused to explain the link between authentic leadership and innovative work behavior. Subsequently, this present study directed to examine the mediating effect of thriving at work in the authentic leader- innovative work behavior connection. This research contributes theoretically by investigating the underexplored linkage between authentic leadership and innovative work behavior in SMEs (Walumbwa et al., 2007). The study also proposed a research model of thriving at work as a mediating factor, elucidating how positive individual psychology influences innovation in SMEs. Practically, the findings advocate for SME leaders to adopt authentic leadership styles to cultivate a conducive environment for innovation. The research suggests strategies aimed at enhancing thriving at work and subsequently fostering a culture of innovation within SMEs (Rasoolimanesh et al., 2021). Overall, this study provides a comprehensive framework to guide SME leaders in leveraging authentic leadership and positive work experiences to drive innovative work behavior among their teams.

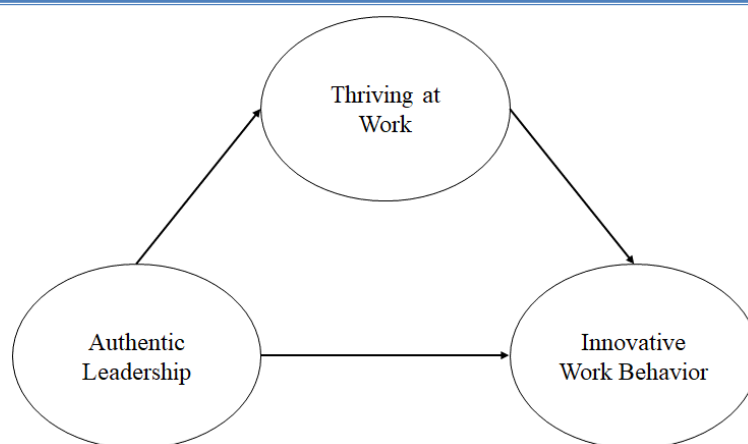


Figure 1. Conceptual Model

RESEARCH METHOD

This research was conducted in the months of October and November 2023. The survey involved 150 employees working in the creative industry in Kabupaten Kebumen. The SME surveyed for the study was under the supervision of Dekranasda Kabupaten Kebumen. To test the hypothesis of the structural model, this research employed Smart PLS version 4. Most of the respondents worked in the food, handicraft, and fashion industries. According to the survey, respondents (75%) were female, 6% held bachelor's degrees, and 75% were in higher education. Related to the work tenure, the majority of the respondents are 2-5 years (65%). The measurement of authentic leadership used eight items developed by Walumbwa et al., (2007). The measurement of thriving at work used ten items from the research by Porath et al., (2012). Finally, the measurement of innovative work behavior used six items from the research by Scott and Bruce (1994). All the variables were measured with a 5-point Likert scale from "strongly agree" to "strongly disagree."

RESULTS and DISCUSSION

Result

This study used a structural model approach with the help of the Smart PLS-4 application. The stages of analysis are testing the measurement model (outer model) and the structural model (inner model). The analysis of the measurement model is to test the validity and reliability of the instrument for each variable. Meanwhile, the structural model analysis aims to test the significant relationship between variables.

Outer Model Assessment

The outer model testing includes analysis of convergent validity, reliability, and discriminant validity. Convergent validity can be assessed by evaluating the loading factor value. If the loading factor value exceeds 0.7, the indicator item is considered valid. Based on Table 1, all indicator items are at values of 0.71-0.92, proving convergent validity. The testing of construct reliability can be seen from the Cronbach's alpha value. If the alpha value > 0.6, then the construct can be considered reliable. Furthermore, Table 2 the mention of the Fornell-Larcker criterion and the assessment of the average variance extracted (AVE) used to evaluate the discriminant validity. The AVE of all constructs were greater than 0.5, while the AVE square root of all variables being greater than the correlation between latent constructs demonstrates good discriminant validity.

Table 1. Outer Model Examination

Variables	Item Construct	Loading Factor (>0,7)	AVE	CR	CA
Authentic Leadership (AL)	AL1	0,880	0,612	0,887	0,765
	AL2	0,760			
	AL3	0,740			
	AL4	0,890			

	AL5	0,720			
	AL6	0,890			
	AL7	0,910			
	AL8	0,890			
Thriving at Work (TW)	TW1	0,850	0,611	0,876	0,777
	TW2	0,810			
	TW3	0,890			
	TW4	0,760			
	TW5	0,820			
	TW6	0,870			
	TW7	0,880			
	TW8	0,750			
	TW9	0,720			
	TW10	0,860			
Innovative Work Behavior (IB)	IB1	0,850	0,712	0,919	0,891
	IB2	0,900			
	IB3	0,880			
	IB4	0,730			
	IB5	0,910			
	IB6	0,870			

Table 2 Discriminant Validity Test

Constructs	AL	TW	IB
Authentic Leadership (AL)	0,861		
Thriving at Work (TW)	0,121	0,761	
Innovative Work Behavior (IB)	0,091	0,319	0,719

Structural Model Assessment

The structural model or inner model in Smart PLS is a model that connects constructs with their indicators. This model is used to test hypotheses proposed in research. In this stage, weight estimation is performed between constructs and their indicators, as well as path coefficient estimation between constructs. This stage is carried out after the outer model stage is complete.

The results of the structural model testing showed that authentic leadership has a positive relationship with innovative work behavior with a t -statistic value of 2.251 and a p -value of 0.0256 ($p < 0.05$). This result confirms that H1 is supported. In addition, authentic leadership also has a significant impact on thriving at work ($\beta=0.234$; $p < 0.05$), thus H2 is also supported. The testing of the influence of thriving at work on innovative work behavior resulted in a value of $\beta=0.234$ and $p= 0.021$ ($p < 0.05$). This result indicates that thriving at work has a positive effect on innovative work behavior and H3 is accepted. For the mediation analysis, the specific mediating effect value indicates that thriving at work has a partial mediating effect on the relationship between authentic leadership and innovative work behavior. This result supports H4.

Table 3. Structural Model Examination

	Path Coefficient	SD	t -statistic	p -Value	Hypothesis Test
Direct Effect					
Authentic Leadership → Innovative Work Behavior	0,313	0,139	2,251	0,026	H1: Supported

Authentic Leadership → Thriving at Work	0,234	0,112	2,089	0,038	H2: Supported
Thriving at Work → Innovative Work Behavior	0,622	0,267	2,329	0,021	H3: Supported
Indirect Effect					
Authentic Leadership → Thriving at Work → Innovative Work Behavior	0,146	0,071	2,049	0,042	H4: Supported

Discussion

The research shows that authentic leadership significantly impacts employee behavior and innovation. Authentic leaders create an environment where employees feel supported and valued. A listening and open attitude towards different perspectives creates an inclusive culture that fosters critical thinking and innovation. This provides a strong foundation for promoting innovative behavior. Employees who feel heard and have the freedom to express ideas, combined with support from authentic leaders, are more likely to be active in generating ideas, advocating for them, and implementing them in the workplace.

The results of the study indicate that authentic leadership has a significant impact on thriving at work. Authentic leaders can create an environment where employees feel appreciated and heard. This attitude builds trust and openness, fostering vitality and motivation at work. Decisions based on trust and the ability to listen carefully create an inclusive culture fostering critical thinking and innovation. Leaders who support learning and personal development also contribute significantly to workplace employees' growth and well-being. In conclusion, authentic leadership practices positively influence thriving at work. An authentic leader can create an environment that supports employee growth and motivation at work. When employees feel alive and growing in the workplace, this creates a psychological condition that supports creativity and innovative thinking. Individuals who feel energized, motivated, and desire to learn are more open to new ideas and have positive energy to try new things. This condition creates an ideal foundation for generating ideas, advocating for new solutions, and implementing innovations in the workplace. Thriving at work also increases intrinsic motivation for employees to engage in innovative behavior. When employees feel appreciated and supported, they are more likely to involve themselves in the innovation process to contribute positively to the organization's goals. In addition, a dynamic and supportive work environment can reduce fear of failure, opening the door for experimentation and developing new ideas.

The research also shows that authentic leadership significantly impacts innovative work behavior through the mediation of thriving at work. Authentic leaders always provide feedback, honesty, and consistency in their actions. This behavior creates a foundation for thriving at work, which in turn, becomes the primary catalyst for innovative work behavior. Employees' well-being, which results from authentic leaders creating a supportive environment, provides self-confidence and intrinsic motivation. Employees who feel cared for and valued are more inclined to engage in innovative behavior, such as generating new ideas, advocating for them, and implementing creative solutions. Thriving at work as a mediator connects the authentic leadership style and its positive impact on innovative work behavior in the workplace. The research shows that authentic leadership significantly impacts employee behavior and innovation. Authentic leaders create an environment where employees feel supported and valued. A listening and open attitude towards different perspectives creates an inclusive culture that fosters critical thinking and innovation. This provides a strong foundation for promoting innovative behavior. Employees who feel heard and have the freedom to express ideas, combined with support from authentic leaders, are more likely to be active in generating ideas, advocating for them, and implementing them in the workplace.

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CONCLUSION

In conclusion, the research underscores the pivotal role of authentic leadership in shaping employee behavior and fostering a culture of innovation in the workplace. The findings consistently highlight that authentic leaders, through their supportive and value-driven approach, create an environment where employees not only feel heard and appreciated but also thrive in their professional roles. This thriving at work, characterized by a sense of vitality and personal growth, emerges as a key mediator in the relationship between authentic leadership and innovative work behavior.

The implications of these findings are profound for organizational leaders and policymakers. Organizations that prioritize and cultivate authentic leadership practices stand to benefit from a workforce that is not only more engaged but also more inclined towards creative thinking and innovation. By fostering a culture of trust, openness, and support, authentic leaders contribute to the overall well-being of employees, leading to increased confidence and intrinsic motivation. This positive work environment, in turn, becomes a fertile ground for the generation, advocacy, and implementation of innovative ideas. Moreover, the research suggests that thriving at work serves as a crucial link between authentic leadership and innovative work behavior. The emphasis on employee well-being as a catalyst for innovation highlights the need for organizations to invest in leadership development programs that promote authenticity and supportive leadership styles. Recognizing the interconnectedness of thriving and innovation can guide strategic initiatives aimed at creating a dynamic and inclusive workplace culture. Ultimately, the study emphasizes the transformative potential of authentic leadership not only in shaping individual employee experiences but also in driving organizational innovation. As leaders prioritize authenticity, listening, and support, they lay the foundation for a workplace where employees not only survive but thrive, contributing actively to the creative and innovative pursuits of the organization.

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