Inclusive Leadership, Psychological Capital, and Employee Innovation Performance: The Moderating Role of Leader-Member Exchange

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Abstract. Based on the perspective of psychological capital, this paper studies the impact of inclusive leadership on employee's innovation performance. It is found that inclusive leadership can indirectly improve employee's innovation performance by enhancing their psychological capital. According to organizational support theory, when employees perceive the organization's support for their work, employees will act in favor of the organization. Inclusive leadership allows employees to feel the organization's support for their work, and their psychological capital will increase, thereby improving their innovative performance. The leader-member exchange moderates the relationship between inclusive leadership and psychological capital. Employees with high quality leader-member exchange will have higher levels of psychological capital, and furthermore, employees' innovative performance will be higher.

1. Introduction

With the development of globalization, competition among enterprises is becoming more and more intense. Innovation is becoming more and more important in the enterprise, and may even decide the life and death of the enterprise directly [1]. The innovation of enterprises can't be separated from employees, and employee's innovation performance is the core of enterprise development. How to improve the innovation performance of employees has become the focus of attention of many scholars. There are many factors affecting employees' innovative performance, and the intrinsic motivation and character of employees will have an impact on their innovative performance [2, 3]. In addition to the individual's own factors will affect innovation performance, leadership style will also affect the innovative performance of employees [4].

Inclusive leadership is a new type of leadership that has been proposed in recent years. As our employees' values, personalities, and ways of working become more and more diverse, inclusive leadership arises. Inclusive leadership manages employees differently to meet their different needs, creating a supportive environment for employees, laying the foundation for employee innovation performance. At present, there are not many researches about the relationship between inclusive leadership and employee innovative performance. There are fewer literatures about its internal influence mechanism. In view of this, this paper attempts to explore the impact of inclusive leadership on employee innovation performance with psychological capital as a mediating variable.

2. Literature Review

2.1 Inclusive leadership

Different scholars have different definitions of inclusive leadership based on different research situations. Duan Chen believes that inclusive leadership can accept differences among employees, tolerance staff mistakes in the work. Leaders and subordinates can have good communication to meet the needs of subordinates [5]. The following are several representative definitions of inclusive
leadership. This paper defines inclusive leadership based on Li Yanping's point of view. Inclusive leadership means that leaders treat subordinates with tolerance, affinity and support.

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
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<tr>
<td>Hollander 2009</td>
<td>Leaders respect and recognize subordinates, while subordinates also respect and respond to leaders</td>
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<tr>
<td>Zhu Qixun 2011</td>
<td>Openness, democracy, humanism and justice</td>
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<tr>
<td>Li Yanping 2012</td>
<td>Leader treats employees with openness, affinity, tolerance, and support</td>
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<tr>
<td>Carmeli 2010</td>
<td>A relationship between leaders and employees who interact and depend on each other in their work</td>
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### 2.2 Employee innovation performance

Han Yi regards employee's innovation performance as a process, including a series of steps. The process is composed of five steps: innovation willingness, innovation action, innovation suggestion and innovation achievement, and the diffusion of innovative thinking [6]. Janssen argues that employee innovation performance is a novel idea that benefits organizational performance [7]. Yao Yanhong and Heng Yuanyuan believe that employee innovation performance consists of two parts: innovation action and innovation effect. Innovative action means that employees have new ideas or programs. Innovation effect refers to the achievement of innovation and the application of results [8]. This paper defines employee innovation performance mainly based on Han Yi's view.

### 2.3 Psychological capital

Goldsmith and Veum define psychological capital as the characteristics that can influence their work efficiency, which can influence the motivation and satisfaction of employees [9]. Luthans (2004) believes that psychological capital is a positive psychological factor of employees, and has four basic characteristics: self-efficacy, hope, optimism and toughness. Employees with high psychological capital can perform better at work [10]. Avolio (2004) pointed out that psychological capital is a set of positive psychological states that can lead to high performance of employees, including resilience, optimism, self-confidence and self-efficacy [11]. This paper defines psychological capital according to Luthans' point of view. Psychological capital is a series of positive psychological abilities, characterized by self-efficacy, hope, optimism and tenacity.

### 3. Hypotheses Development

#### 3.1 Inclusive leadership and employee innovation performance

Employee's innovation performance is very important to enterprise, and there are many factors that affect employee innovation performance. Among them, the study found that the leadership style to a large extent determine the team's innovative performance [12]. Inclusive leadership is a kind of leadership characterized by tolerance, openness and support. According to organizational support theory, inclusive leadership can promote the employees to show a positive work behavior in the organization [13]. Previous research found that when the supervisor show support for employee innovation at work will enable employees to achieve higher innovation performance [14]. Long Jiali to the high-tech enterprise R & D team as the experimental object, the study found that inclusive leadership can indirectly influence team innovative performance by promoting team's promotional suggestions and inhibitory suggestions [15]. Based on this, we hypothesize:

Hypothesis 1: Inclusive leadership is positively related to employee innovation performance.

#### 3.2 Inclusive leadership and psychological capital

Optimism, resilience, hope and self-efficacy are four dimensions of psychological capital widely
used. Inclusive leadership has a positive impact on these four dimensions. Inclusive leadership is a new style of leadership, which mainly refers to respecting and recognizing subordinates and providing support for their work. Inclusive leadership not only respects employees but also meets their job needs. So that employees’ job satisfaction increased substantially, while employees' self-efficacy can be improved [16]. Edmondson (1996) found that when leaders take an inclusive leadership style, employees will prefer contact with leadership. As a result, communication between employees and leaders will increase. At the same time, the confidence of employees will increase [17]. Based on this, we hypothesize:

Hypothesis 2: Inclusive leadership is positively related to psychological capital.

3.3 Psychological capital and employee innovation performance

Based on the empirical study of knowledge workers in innovative enterprises, Zhang Hongru found the internal mechanism of psychological capital influencing employee's innovative performance. The study found that psychological capital can not only directly influence the innovation performance of employees, but also indirectly affect employee innovation performance through the mediating variable of motivation [18]. Based on equity theory and social exchange theory, Hou Erxiu studies the relationship between knowledge worker's psychological capital and innovation performance. The results confirm that the psychological capital of employees is positively correlated with their innovative performance. Organizations can promote employees' psychological contracts by enhancing their psychological capital, and then employees will be more active in innovative activities [19]. Therefore, when employees have higher psychological capital, they will be optimistic about the future and more confident about themselves. They will be more eager to challenge new difficulties. Therefore, the level of innovation will improve. Based on this, we hypothesize:

Hypothesis 3: Psychological capital is positively related to employee innovation performance.

3.4 Psychological capital as a mediator

Inclusive leadership treats employees with openness, affinity, tolerance, and support. So that employees perceive the organization's support and improve their psychological capital. Taking Qian Xuesen as a case study, Ni Chao found that the seven dimensions of psychological capital are significantly related to innovation performance. It shows that it is necessary to enhance the psychological capital of employees in the organization. Promoting the psychological capital of employees can promote the improvement of organizational performance [20]. According to organizational support theory, when employees perceive the organization's support for their work, employees will show more positive work behavior in return for the organization. Based on the above analysis, based on hypothesis 1, hypothesis 2 and hypothesis 3, we hypothesize:

Hypothesis 4: Psychological capital mediates the relationship between inclusive leadership and employee innovation performance.

3.5 Leader-member exchange as a moderator

Employees with high quality leader-member exchange can receive more support from leaders [21]. According to organizational support theory, employees feel more confident and optimistic about the difficulties they face when they feel the organization's support for their work. Employees and leaders in the high quality leader-member exchange, leaders will be more concerned about the work of employees and provide more help to their employees. Employees will think they are in an organization that cares about employees. The employee's self-efficiency will increase and the level of psychological capital will increase [22]. High quality leader-member exchange promotes the communication between employees and leaders. Enhance the trust and dependence of both sides and helps to raise the level of psychological capital of employees. Based on this, we hypothesize:

Hypothesis 5: Leader-member exchange moderate the relationship between inclusive leadership and psychological capital, and the relationship between inclusive leadership and psychological capital is stronger when employees and leaders conduct high quality leader-member exchange.
4. The Construction of a Research Model

Figure 1. The concept of full relationship model.

5. Conclusion

This paper mainly discusses the impact of inclusive leadership on employee innovative performance, and confirms the mediating role of psychological capital. Based on organizational support theory, the paper identifies the internal mechanism of inclusive leadership influencing employee innovation performance. The results show that there is a significant positive correlation between inclusive leadership and employee innovation performance. Inclusive leadership provides support to employees in the organization, creating a good environment for their innovation. When employees perceive the support of the organization, their psychological capital will increase, which will improve their innovative performance.

The results of this paper have good theoretical and practical significance. The inspiration for enterprises is that if an enterprise wants to improve its innovative performance, it can be implemented through inclusive leadership. Future research can explore the mediating effects and moderating effects of other variables, such as the mediating role of organizational support and the moderating role of power distance.

References


