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The Importance of Innovative Behavior in Malaysian Small and Medium Enterprises (SMEs) Employees' Job Satisfaction

Rosmelisa Yusof

Student, Putra Business School, Universiti Putra Malaysia, Serdang, Selangor, Malaysia
Fellow, School of Management, Universiti Sains Malaysia, Penang, Malaysia

Ng Siew Imm

Associate Professor, Faculty of Economics and Management,
Universiti Putra Malaysia, Serdang, Selangor, Malaysia

Azmawani Abd Rahman

Associate Professor, Faculty of Economics and Management,
Universiti Putra Malaysia, Serdang, Selangor, Malaysia

Ho Jo Ann

Associate Professor, Faculty of Economics and Management,
Universiti Putra Malaysia, Serdang, Selangor, Malaysia

Abstract:

This study aims to investigate the relationship between innovative behavior and job satisfaction. A sample of respondents was conveniently selected among employees working in electrical and electronic (E & E) Small and Medium Enterprises (SMEs) listed with MATRADE. A total of 201 questionnaires were used for data analysis. The data obtained was then analyzed using PLS-SEM. Findings showed a positive relationship between innovative behavior and job satisfaction. This study provides useful information for researchers and entrepreneurs in understanding the importance of employees' innovative behavior when they experience job satisfaction.

Keywords: *innovative behavior, job satisfaction, entrepreneurship, SMEs*

1. Introduction

Individual innovative behavior acts as a foundation for the high organizational performance whereby the application of innovative work behavior will improve employees' and firm performance (Carmeli, Meitar, & Weisberg, 2006). At the same time, for SMEs to improve their performance and productivity, they need to enhance and utilize their employees' innovative skills. Therefore, researching innovative behavior within SME employees is timely and relevant as this sector contributes more than 50% of the total employment in the Malaysian private sector (Hakimian, Farid, Ismail, & Nair, 2016). Accordingly, the performance of an organization is driven by the potential development of employees' innovation (Reuvers et al., 2008). One of the indicators for employee performance or effectiveness is based on their innovative skill and behavior (Xerri & Brunetto, 2011).

In addition, for SMEs to compete with bigger business entities, they need to be innovative (Rosenbusch, Brinckmann, & Bausch, 2011). Previous research proposed that innovation has a greater effect in helping SMEs become competitive and grow larger compared to large firms (López-sintas & Martínez-ros, 2000). However, most of the studies on SMEs focused on the innovation process of SMEs at the firm level (Koellinger, 2008; López-sintas & Martínez-ros, 2000; Rosenbusch et al., 2011). Innovative behavior at the individual level has not attracted much attention within SME research. Thus, research on SME employees' innovative behavior is needed for further investigation.

Apart from that, previous studies on innovation mainly focused on the negative issues of conflict with co-workers and turnover intention (Shih & Susanto, 2011). The past innovative literature provided a small number of studies that observed the positive outcomes of innovative behavior, for example, job satisfaction and work performance (Yuan & Woodman, 2010). Job satisfaction was shown to have an important impact on overall organizational wellbeing and effectiveness (Morgan, Mcdonagh & Ryan-morgan, 1995). Unfortunately, studies that investigate the effect of positive outcomes of innovative behavior are still lacking. Thus, the understanding of the positive consequences of innovative behavior is inadequate and needs further investigation. Meanwhile, the literature related to job satisfaction showed that job satisfaction leads to employees' performance (Davis, 2004). Job satisfaction has also been used as employees' relative utility on the job and an important indicator of employees' attitude and behavior (Bouranta, 2013). Drawing on various studies that underlined the outcome of implementing innovative behavior, this study aims to examine the positive outcomes of job satisfaction when displaying innovative behavior.

2. SMEs in Malaysia

Malaysian SMEs are divided into four major segments which are manufacturing, manufacturing-related services, services (with information and communication technology), and primary agriculture (Ab, Nizam, & Zain, 2011). SMEs are known as the sources of innovation, generating export opportunities, and also a platform for providing future successful large-scale enterprises. More than 90% of business establishments in Malaysia were set up as SMEs (June & Mahmood, 2011). For SMEs to compete with bigger business entities, they need to be innovative (Rosenbusch, Brinckmann, & Bausch, 2011). Previous research proposed that innovation has a greater effect in helping SMEs become competitive and grow larger compared to large firms (López-sintas & Martínez-ros, 2000). However, most of the studies on SMEs focused on the innovation process of SMEs at the firm level (Koellinger, 2008; López-sintas & Martínez-ros, 2000; Rosenbusch et al., 2011). The innovative behavior at the individual level as of yet has garnered limited attention within SME research. Thus, the current study attempts to further investigate the positive outcome of SMEs employees' innovative behavior.

3. Innovative Behavior

Creativity and innovation have been the main issues studied by researchers in the areas of business, management, and economics. Innovation includes the practice of twisting opportunity into realistic action (Škerlavaj, Song, & Lee, 2010). In other words, innovativeness will create an opportunity and give benefits to the entire organization. SMEs are also oriented to develop creativity and innovation activities as one of the ways to increase firm performance. Based on the literature, creativity “generates novel and appropriate ideas, products, process or solutions” (Škerlavaj et al., 2010). Meanwhile, innovation is not only related to the production of ideas but also includes the implementation of ideas (Vinarski-Peretz et al., 2011). Therefore, innovation comprises the process of producing creative ideas which subsequent to it is the implementation of the ideas.

Innovative behavior is defined as a complex behavior involving activities such as idea generation, realization, and implementation (Scott & Bruce, 1994). Previous researchers have attempted to show the importance of individual innovation on firm culture, performance, and effective commitment (Hakimian, et al., 2015). According to Carmeli and Spreitzer (2009), innovative behavior requires more risks during the implementation of the ideas and a person also needs to think out of the box.

Several kinds of literature on innovative behavior in the Malaysian context specifically referred to the innovative capacity of teachers and lecturers (Othman, 2016; Abdullah & Ling, 2016). Meanwhile, some studies conducted on Malaysian firms focused more on innovation capacity at the organizational level. For example, the study by Zakaria et al. (2016) found that organizational innovation has a positive relationship with the organizational performance of Malaysian SMEs. In light of limited findings on the positive outcomes of innovative behavior, this study seeks to examine if innovative behavior leads to employees' job satisfaction.

4. Job Satisfaction

Job satisfaction is recognized as one of the key elements that contribute to organizational behavior (Chen, Zhao, Liu, & Wu, 2012; Lund, 2003). Work satisfaction relates to employees who undertake a task willingly and consider it as an ideal challenge (Noble, 2008). Job satisfaction was characterized by Locke (1976) as the “function of a perceived relationship between what one wants from one's job and one perceives it as offering”. This suggests that job satisfaction is a situation where one is satisfied with the job one is doing. Meanwhile, Spector (1985) described job satisfaction as “the extent to which individuals like or dislike their job”. By itself, when employees like their job, they are probably satisfied with their work. Besides that, job satisfaction is also known as an employee's psychological perception that arises from the interactive influences of their work (Chen et al., 2012). Atkinson et al. (1997) stated that the financial success of an organization depends on productive employees, while productive employees are determined by their satisfaction. Previous studies also stated that job attributes such as promotional chance, task precision, useful skills, mentoring, organizational obligation, and relationship with superiors and fellow workers have significant results on work satisfaction (Ting, 1997; Lo & Ramayah, 2011).

It was affirmed by several scholars that employees' innovative behavior has helped their firms to gain a competitive advantage (Scott & Bruce, 1994; Shih & Susanto, 2011; Yuan & Woodman, 2010). Employees who behave innovatively seem to give benefits to themselves and also their organization (Shih & Susanto, 2011). According to Scott and Bruce (1994), complex processes such as idea creation, promotion, and implementation are involved when a person executes innovative work behavior. These processes absorb extra workload for employees. As such, employees may perceive both the negative and positive outcomes from their innovative work behavior. Accordingly, employees may enjoy some of the benefits derived from their innovative work behavior such as job satisfaction. This can happen through the process of searching out new ideas, solving problems, and developing adequate plans for the implementation of ideas. If the employees are successful in coping with the above processes, they feel satisfied with their job as they manage to complete their tasks innovatively. Therefore, this study expects a positive correlation between innovative behavior and job satisfaction. Thus, the hypothesis developed is as follows:

- H1: There is a positive relationship between innovative behavior and job satisfaction.

5. Data Collection and Sample

This study used a quantitative approach whereby the data was obtained through a survey questionnaire. The survey was conducted among employees working in E & E SMEs in Malaysia using the convenient sampling methods. The respondents of this survey covered professional workers such as Human Resource and marketing officers and accountants working in several departments within E & E SMEs. The questionnaires were mailed to the SMEs along with a cover letter. A total of 201 respondents participated in the final study.

6. Measurement of Variables

The variable of innovative behavior was measured using a six-item scale adopted from Scott and Bruce (1994) and Yuan and Woodman (2010). The participants were asked about the characteristics of innovative behavior rated on a response scale from 1 (not like me at all) to 5 (very much like me). The Cronbach's alpha was .93. The employee job satisfaction scale was adopted from Cammann et al. (1983). The scale consisted of three items. The respondents were asked about their satisfaction with their current job. The items were rated on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). The Cronbach's alpha was .83.

7. Data Analysis

The hypothesis in this study was tested using Partial Least Square-SEM (PLS-SEM). PLS-SEM uses the measurement and structural models of linear equations (Henseler et al., 2009). Under PLS-SEM, latent variables can be formatively or reflectively modeled (Hair et al., 2014). Formative constructs assume the indicators to have an impact on the original construct (Jarvis, McKenzie, & Podsakoff, 2003), while reflective constructs are affected by the same fundamental construct (Jarvis et al., 2003).

This study applied the reflective construct based on the path of causality commencing from the construct to the indicators (Jarvis et al., 2003). The model validation was carried out consecutively to determine that the measurement and structural model were fit for empirical work (Urbach & Ahlemann, 2010). Then, the structural model analysis was used to test if the underlying theory or concept of the path model proposed in the earlier stage of this study was supported by the data. The results in Table 1 show the t-value >1.725 and p-value < 0.05 at the level of significance. The results indicate a significant relationship between innovative behavior and job satisfaction. Therefore, Hypothesis 1 of this study was supported.

Hypothesis	Relationship	Path Coefficient	Standard Error	T-values (one-tailed)	P-Values	Result
H1	innovative behavior -> job satisfaction	0.561	0.047	11.821	0.000	Significant

Table 1: Path coefficient analysis

8. Discussion

According to Shih and Susanto (2011), innovative behavior benefits individual and also the organization. Job satisfaction is seen as one of the benefits of an employee's innovative behavior. When employees manage to cope with the innovative process such as searching out new ideas, solving problems, and developing adequate plans for the implementation of ideas, they felt satisfied by the fact that they discovered their new ability in making things happen. This study found significant results, thus confirming the previous study by Shih and Susanto (2011) that innovative behavior has a positive effect towards employees' job satisfaction. Apart from that, employees' involvement in innovative behavior gives them internal satisfaction because they will find efficient ways to perform a task at work. This result also holds up the work of Chen et al. (2012) whereby they showed that employees' perception of job satisfaction is a reflection of innovative work behavior.

9. Conclusion

The statistical finding of this study shows a significant relationship between innovative behavior and job satisfaction. Employees with innovative behavior enjoy working in the SMEs which consequently means better job satisfaction for them. Thus, this study managed to show that innovative behavior brings positive outcome of job satisfaction in the employees work behavior. Hence, SMEs need to put more effort in promoting innovative behavior among their employees.

10. References

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