

## PATERNALISTIC LEADERSHIP AND WORK ENGAGEMENT IN THE INNOVATIVE SERVICE INDUSTRY: THE MEDIATING ROLE OF PSYCHOLOGICAL CONTRACT

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**Abstract:** *According to the common view, paternalistic leadership, which is accepted in traditional societies, is assumed to be an effective form of leadership and can be persuasive and impose its authority to the extent that it acts in the interests of its followers. It is argued that authority and control behaviours, which we know as paternalistic leadership behaviours, arouse feelings of respect, fear and obedience among followers, and this results in positive organizational behaviours such as loyalty, respect and harmony, especially in Eastern societies. Work engagement is a positive motivational state in which employees have positive feelings toward their work, find their work meaningful, think their professional responsibilities are manageable, and think positively about the future of their work. A psychological contract, on the other hand, is an informal and unwritten, mutually agreed-upon contract that expresses the sum of mutual expectations between an organization and its employees. Whereas there are many studies examining the relationship between paternalistic leadership and work engagement, none of them examine the mediating effect of the relational psychological contract on this relationship, particularly in the innovative service sector. This research was conducted to contribute to filling this gap in the field. This study had two objectives: (1) determining how paternalist leaders influence employee work engagement and (2) identifying whether the relational psychological contract mediates paternalistic leadership and work engagement. Data were collected from 223 gray-collar employees working in the innovative service sector in Turkey through an online survey. The data were analysed using partial least squares (PLS)-structural equation modelling. The results showed that paternalistic leadership significantly affects work engagement and relational psychological contracts. The results also showed that the relational psychological contract fully mediated the relationship between paternalistic leadership and work engagement. Our results are also original in that they show that the relational psychological contract plays a mediating role between paternalistic leadership and work engagement in innovative service industry businesses.*

**Keywords:** enthusiastic; leadership styles; paternal authority; paternalism; positive organizational behaviours; relational psychological contract; structural equation model; traditional societies; work commitment.

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**1. Introduction.** For decades, scientists and practitioners have argued that current leadership theories fall short of explaining all aspects of leadership (Dickson, et al., 2012). Leadership is the skill needed to mobilize followers to achieve goals (Eren, 2020). Paternalistic leadership (PL) is a structural process in which a leader pays attention to followers' personal and family matters and expects respect and loyalty in return. Paternalistic leaders promote employees' confidence and help them improve their contributions to company goals by identifying their unique strengths and weaknesses.

Many researchers have investigated cross-cultural leadership and ultimately found that leadership styles that promote participation are valuable in individual cultures in the West, whereas questionable and authoritarian leadership styles are more acceptable in collectivist Eastern cultures (Dickson et al., 2012; Dorfman et al., 1997). PL, which is acceptable in traditional societies, is generally assumed to be an effective form of leadership. According to the prevailing opinion, leaders can be persuasive and impose their authority to the extent that they act by considering the interests of their followers. It is argued that authority and control behaviours, which we know as PL behaviours, arouse feelings of respect, fear and obedience among followers, and this results in positive organizational behaviours such as loyalty, respect and harmony, especially in Eastern societies (Aycan, 2006; Farh & Cheng, 2000).

Work engagement (WE) is employees' physical, cognitive, and emotional commitment to their work (Kahn, 1990, p. 694). We recently received much attention from both academics and practitioners. While Roberts and Davenport (2002) define WE as an individual's feeling of commitment and enthusiasm about his/her job, Schaufeli and Bakker (2003) describe it with the dimensions of vigour and dedication, which express the high amount of energy to be expended while working. In the literature, it is claimed that having a vigorous structure brings some individual and organizational benefits, such as developing flexible and creative thinking, increasing performance, making effective decisions, and exhibiting positive organizational behaviours because of having positive feelings toward one's work (Shraga & Shirom, 2009). For the relationship between leadership styles and work dedication, while the relationship between ethics and servant leadership and WE has mostly been examined (Durgut & Gunay, 2020; Ozbezek & Ege, 2022; Ozturk & Demirtaş, 2022), very little empirical research has been conducted on the relationship between PL style and employee WE, especially in the innovative service sector. Additionally, no study has investigated the mediating effect of relational psychological contracts on this relationship.

Argyris (1960) explains a situation in which employees are more productive and less remonstrative if they have guaranteed job security and freedom and receive the wages they think they deserve. Levinson et al. (1966) viewed the psychological contract (PC) as an informal contract between an organization and its employees, expressing the sum of mutual expectations. For them, a PC is a nonpromise commitment between a company and its employees based entirely on nonverbal acceptance.

Innovation is expressed as a feeling, an emotional state, and a set of values that make it possible to explore beyond the present (Durna, 2002). In today's rapidly changing business world, innovation is seen as vital for businesses to continue their existence, and many innovation types, such as "product, process, service and business model innovation", have been developed (Hsueh et al., 2010). Service innovation, which develops as a newer approach than product innovation, is as challenging as product innovation is, and its success is related to the effective participation and responsibility of employees (Li et al., 2019).

The fact that the manufacturer and the seller are often the same person in the innovative service sector makes employees a component of the service quality offered by the business. The innovative service sector has had to consider the psychological development of employees as well as their career development for a long time to solve the qualified personnel problem. Psychological moods in employees, such as WE and PC, create an increase in positive organizational behaviours. Owing to the PL behaviours that enable the establishment of sincere relations, an increase in the rate of morale and well-being is ensured.

Whereas there are many studies examining the relationship between paternalistic leadership and work engagement, none of them examine the mediating effect of the relational psychological contract on this relationship, particularly in the innovative service sector. This research was conducted to fill the gaps identified in the literature and industry. Our results support the literature showing that paternalistic leadership significantly affects work engagement in grey-collar employees. Our results are also original in that they show that the relational psychological contract plays a mediating role between paternalistic leadership and work engagement. We think our results provide original findings for businesses with grey-collar workers and for the literature.

In this vein, the aim of this research is to reveal the effects of PLs and RPCs on employee WE to meet the need for qualified and dedicated employees in the service sector, which has continued to develop itself since the beginning of global competition. This study, based on the structural equation model (SEM), was carried

out to examine the interactions between PLs and RPPs and WE in the service sector operating in Istanbul, Turkey, which has a traditional structure and a collectivist culture. Data were collected from 223 gray-collar employees working in the innovative service sector through an online survey. We also investigated whether RPC plays a mediating role between PL and WE. First, the concepts were defined, and then, the relationships between them were analysed.

In this research paper, first, the definitions of the concepts were made in line with the relevant literature. Then, our hypotheses were developed by defining the relationships between the variables based on the literature. To test the developed hypotheses, data collected from a random sample of businesses operating in the innovative service sector were analysed. Finally, a discussion was made with the literature, and individual, sectoral and social suggestions were made.

## 2. Literature Review.

*2.1. Paternalistic leadership behaviours.* Although different cultures accept leadership characteristics similarly, expectations and practices related to leadership show significant divergence due to social and cultural differences. Traditional societies internalize PL more widely. PL is based on a genuine relationship between parents and children (Aycan, 2006; Chen & Farh, 2010; Farh & Cheng, 2000). Silin (1976) argues that PLs yield more successful outcomes in Eastern societies due to socioeconomic and cultural factors (Chen et al., 2014; Cheng, 1995; Gerçek, 2018; Redding, 1993; Silin, 1976).

Leaders with PL skills pay personal attention to their followers and treat them kindly. They are genuinely concerned about their followers' holistic well-being, both at and outside work. While they exercise their authority, they avoid exploiting their followers' emotions. PL has three dimensions: benevolence, morality, and authority (Farh & Cheng, 2000). Paternalistic leaders combine strong discipline and authority with paternal affection (Farh & Cheng, 2000). They are authoritarian, benevolent, and moral leaders (Farh et al., 2006). A paternalistic leader protects her followers and expects their obedience and loyalty (Afsar & Rehman, 2015; Aycan et al., 1999; Farh & Cheng, 2000).

*2.2. The relationship between paternalistic leadership and work engagement.* While WE is a concept of positive psychology and positive organizational behaviour (Luthans & Church, 2002, p. 58), the positive organizational behaviour movement, which emerged with the reflection of positive psychology in the field of organization, started to focus on employees' positive aspects (Bostanci & Ekiyor, 2015; Duckworth et al., 2005). Positive organizational behaviours benefit both employees and organizations. They focus on the work experience, well-being, and happiness of employees. They help employers manage employees' strengths and psychological capacity and improve their organizational performance. They ensure the retention of human resources by contributing to organizational development and change. This is a win-win situation for both employees and organizations (Bakker & Schaufeli, 2008).

Weifang is one of those positive aspects (Schaufeli et al., 2006). According to Attridge (2009), WE is a positive motivational state in which employees have positive feelings toward their work, find their work meaningful, think their professional responsibilities are manageable, and think positively about the future of their work. Yavan (2016) defines WE as the feeling of joy and pride in the work one does and as a concept that guarantees goal-oriented attitudes, requires a high level of mobility, provides permanence to reach goals, and examines the basic dimensions of intrinsic motivation. Therefore, WE is defined as a positive mood state where job satisfaction is high (Schaufeli et al., 2002).

Unlike individualistic societies, members of organizations that focus on teamwork and cooperation imitate the benevolent and ethical behaviour of their leaders. This allows them to exhibit more active and positive behaviour to improve the quality of their work lives (Mansur et al., 2017). Job commitment, which we can describe as a motivational structure that expresses a positive, satisfying, emotionally motivated, and work-related mental state, also increases at this point (Salanova et al., 2005). In line with this argument, Oge et al. (2018) argue that paternalist leaders can use their benevolent and moral behaviours to activate positive motivational reactions, such as WE. WE plays a mediating role between PL and organizational identification (Korkmaz et al., 2018). The benevolence aspect of leadership affects WE positively and significantly (Cenkci & Özçelik, 2015).

Support from colleagues and managers increases WE (Vassos et al., 2013; Xanthopoulou et al., 2009). Employees in collectivist societies work better because benevolent and ethical leaders instil organizational values (Tuan, 2018). PL positively and significantly affects WE and plays a role in the formation of organizational culture (Kiliç et al., 2020). In line with this, the following is Hypothesis I:

**H1:** Paternalistic leadership affects work engagement positively.

*2.3. The relationship and mediating role between paternal leadership, work engagement, and the relational psychological contract.* A PC refers to situations in which a salary increases and suspensions or

promises are made mutually between the employee and the employer (Gerçek, 2018; Robinson & Rousseau, 1994; Rousseau, 1990, 1995). A PC is defined as employees' subjective understanding and expectations regarding mutual responsibility in the relationship between them and their employers. PC plays a regulatory role in employees' subjective evaluations and organizational performance (Huibao et al., 2008; Leung & Chang, 2002). Employees expect to be financially and emotionally satisfied (Oge et al., 2018; Sönmez & Başal, 2021). Personal norms and beliefs come into play in this relationship, and expectations about mutual obligations explain the PC (Edwards & Karau, 2007; Rousseau & Parks, 1993; Van Buren, 2000).

A PC has two dimensions: transactional and relational. In the transactional dimension, the parties (employees and employers) participate very little in each other's activities, making their relations more short-term and monetable. In the relational dimension, there is a mutual exchange that includes both material elements and elements that can transform into material values. The relational dimension involves an agreement with a socioemotional aspect, including employees' career development. In the relational dimension, the relationship between employers and employees is more open-ended and longer-term (Rousseau & Parks, 1993). A transactional contract expresses the financial aspects of the exchange agreement between the parties, while a relational contract expresses the aspects of the relationship between the parties aiming at mutual investment and career development. People who are devoted to their work and believe that work is an integral part of their life are willing to spend all their resources (time and effort) on work, which leads them to establish a mutual relationship with the institution they work for. This gives rise to a relational contract between the parties. In contrast, employees with low enthusiasm for their work attribute low value to both the organization and the job. Therefore, we can talk about a relational dimension rather than a transactional side.

New employees trust their managers the most (Fisher, 1990). New employees must be directly dependent on their employers to fulfil all the contract terms. Chen et al. (2008) state that managers' benevolence (or kindness) and employees' traditional values (or respect for authority) reduce the adverse effects of PC violations. They add that employees with traditional values commit fewer contractual violations. Liao et al. (2017) maintain that moral and authoritarian PLs positively affect PC and fully mediate the relationship between PLs (moral and authoritarian) and turnover intention. According to Tabernero et al. (2009), relationship-based leadership plays a key role in developing relational contracts that emphasize employee loyalty and trust. Based on the relationships between leadership types and RPC, Hypothesis II was developed:

**H2:** Paternalistic leadership positively affects relational psychological contracts.

The relationship between PC and WE, which focuses on the changes in the relationship between employers and employees and the possible consequences of that relationship, was consistent with the literature. We can express this relationship as employees' response to the investments made by employers or the relations established with them. The PC plays a vital role in that relationship. According to Macneil (1985), financial exchange transactions between parties covering a specific time are transactional contracts. According to him, relational PCs are indefinite and variable-term agreements that establish and maintain relationships. Kanbur and Ay (2020) argue that employees' loyalty and sense of belonging are organizations' most important strategic resources. They maintain that an organizational environment based on mutual trust between employees and their superiors is needed to develop those strategic resources. Thus, PCs help parties build positive superior-subordinate relationships. Relational PC affects WE behaviours positively and significantly (Kanbur & Ay, 2020). Bal and Kooij (2011) conducted a study with 465 employees in a health institution in the Netherlands and found that the subdimensions of PC played a mediating role in the relationship between work centrality and WE. As noted by Millward and Hopkins (1998), employees with relational PC are more likely to adhere to organizational goals and behave like organizational citizens than are those with transactional contracts. Therefore, employees with relational contracts are more committed to and satisfied with their jobs and less likely to think about their financial interests and seek different jobs than are those with transactional contracts (Millward & Hopkins, 1998). Thus, the following is Hypothesis III:

**H3:** Relational PC affects work engagement positively.

Many studies have evaluated the relationships between PL and job satisfaction, organizational commitment, organizational identification, job performance, intention to quit, organizational citizenship, and workplace loneliness. However, there is limited research addressing the effect of PL on WE. Moreover, there is no research investigating the relationship between PL and WE among grey-collar employees. Generally, research shows that PLs affect WE positively. Similarly, no studies have investigated whether PC plays a mediating role between PL and WE. Paternalistic leaders are kind but decisive people who build an unwritten but spiritually loyal relationship with their employees. This relationship affects individuals both inside and outside the workplace. A PC also expresses a mental state shaped by unwritten but relational and transactional relations between the parties. Thus, engagement positively affects the variables (job performance,

productivity, etc.) that directly influence profitability and is also positively affected by antecedents. It is predicted that WE is affected by both PL and RPC and that RPC plays a mediating role between PL and WE. However, no research has investigated whether the RPC plays a mediating role between PL and WE. Turkish society is a collectivist society. Therefore, we hypothesize that benevolent and moral paternalistic leaders activate latent value-oriented behaviours in employees, who, in return, want to add more value to their organizations, manifesting as WE. In this context, the following is Hypothesis IV:

**H4:** The relational psychological contract plays a mediating role between paternalistic leadership and work engagement.

### 3. Methodology and research methods

**3.1. Methods, sampling, and data collection** This study adopted a relational survey method to test the relationships between PL, WE and RPC in the model. Relational surveys are quantitative research methods widely used in the social sciences. The study population consisted of all grey-collar employees of large-scale innovative service sector businesses operating in Istanbul. The sample consisted of 223 participants. Participants were recruited using convenience sampling, which is a time- and cost-effective nonprobability sampling method. The innovative service sector is one of the main sectors driving the economy compared to traditional sectors, which is why it was chosen for the sample. It provides more income and employment compared to other sectors. It can be stated that it forms the basis of the country's economy by contributing 70% to the gross national product in Turkey. Hence, in this sector, the goals of valuing the employee providing the service and making him a dedicated and innovative employee have come with it. Moreover, it was preferred to collect data from employees in large-scale innovative service sector companies to monitor the effects of psychologically oriented variables such as PL and WE more healthily and clearly. While determining the large-scale companies to be included in the research, innovative service sector companies with a market value of more than \$1 billion were targeted among the 100 companies with the highest stock performance in Turkey concerning market and trading volume in the Borsa Istanbul 100 index (BIST 100). Thus, six innovative service companies were selected. Due to the economic and practical benefits of these methods, the companies used convenience sampling, which is a non-random sampling method. E-mails containing the permission of the research ethics committee and the online survey link were sent to the institutional e-mail addresses of these companies as of 03 October 2021. Three months later, that is, at the end of 2021, 153 people completed the survey. In January 2022, a reminder e-mail was sent to the companies with a survey link, and a total of 225 surveys were reached at the end of March, 2 of which were not included in the analysis because they were not completed. A total of 223 surveys were analysed. The data were analysed using partial least squares-structural equation modelling (PLS-SEM).

**3.2. Scales.** The survey consisted of four parts. The first part consisted of four questions about demographic characteristics. The second part was the 13-item Paternalistic Leadership Scale (PLS) developed by Pellegrini and Scandura (2006). The third part was the 9-item Utrecht Work Engagement Scale (UWES), developed by Schaufeli and Bakker (2003) and adapted into Turkish by Ozkalp and Meydan (2015). The fourth part was the 17-item shortened version of the Psychological Contract Scale (PCS) developed by Millward and Hopkins (1998) and adapted into Turkish by Mimaroglu (2008). The original scale consisted of two subscales, but one of which is the 7-item relational psychological contract scale (RPCS), was used only in this research model. This research model was designed as a first-order structural model. The indicators are reflective in this model since latent variables are the cause of the observed items.

**4. Results.** The data were analysed using SPSS and Smart PLS3. The frequency, mean and kurtosis, and skewness values were used for demographic data. The measurement model (reliability and validity) and the structural model (model structure and hypothesis tests) were analysed using the partial least squares-structural equation model (PLS-SEM). Table 1 shows the demographic characteristics of the participants.

**Table 1.** Patient demographic characteristics

|                |         | Frequency | %    | Cumulative % |
|----------------|---------|-----------|------|--------------|
| Gender         | Woman   | 91        | 40.8 | 40.8         |
|                | Man     | 132       | 59.2 | 100          |
|                | Total   | 223       | 100  |              |
| Marital Status | Married | 92        | 41.3 | 41.3         |
|                | Single  | 131       | 58.7 | 100          |
|                | Total   | 223       | 100  |              |

**Table 1 Continued**

|                    |              |            |            |      |
|--------------------|--------------|------------|------------|------|
| Age (years)        | <25          | 29         | 13         | 13   |
|                    | 25-35        | 89         | 39.9       | 52.9 |
|                    | 36-45        | 76         | 34.1       | 87   |
|                    | >45          | 29         | 13         | 100  |
|                    | <b>Total</b> | <b>223</b> | <b>100</b> |      |
| Education (degree) | High school  | 25         | 11.2       | 11.2 |
|                    | Associate    | 40         | 17.9       | 29.1 |
|                    | Bachelor's   | 91         | 40.8       | 70   |
|                    | Master's     | 59         | 26.5       | 96.4 |
|                    | Ph.D.        | 8          | 3.6        | 100  |
|                    | <b>Total</b> | <b>223</b> | <b>100</b> |      |

Sources: developed by the authors.

4.1. *Reliability and validity.* The reliability and validity of the scales were determined using PLS-SEM analysis. PLS-SEM involves two analyses. First, the factor loadings of the observed variables in the model and the reliability and validity of the latent variables that the observed variables depend on were measured. Second, structural model analysis was used to analyse the latent variables and test the hypotheses. Table 2 shows the factor loadings and the reliability values of the latent variables.

**Table 2.** Findings regarding the model

| Variable         | Item            | Factor loadings | Ca    | CR    | AVE   |
|------------------|-----------------|-----------------|-------|-------|-------|
| PL <sup>a</sup>  | B1              | 0.808           | 0.870 | 0.918 | 0.589 |
|                  | B2              | 0.877           |       |       |       |
|                  | B3              | 0.722           |       |       |       |
|                  | B4              | 0.802           |       |       |       |
|                  | B5              | 0.819           |       |       |       |
|                  | B6              | -0.640          |       |       |       |
|                  | B7              | 0.673           |       |       |       |
|                  | B9              | 0.607           |       |       |       |
|                  | B10             | 0.813           |       |       |       |
|                  | B11             | 0.818           |       |       |       |
|                  | B12             | 0.816           |       |       |       |
|                  | WE <sup>b</sup> | I1              |       |       |       |
| I2               |                 | 0.859           |       |       |       |
| I3               |                 | 0.849           |       |       |       |
| I4               |                 | 0.910           |       |       |       |
| I5               |                 | 0.873           |       |       |       |
| I6               |                 | 0.765           |       |       |       |
| I7               |                 | 0.741           |       |       |       |
| RPC <sup>c</sup> | IL1             | 0.748           | 0.862 | 0.897 | 0.594 |
|                  | IL2             | 0.780           |       |       |       |
|                  | IL3             | 0.798           |       |       |       |
|                  | IL4             | 0.718           |       |       |       |
|                  | IL5             | 0.857           |       |       |       |
|                  | IL6             | 0.712           |       |       |       |

Notes: PL<sup>a</sup>= Paternalistic Leadership. WE<sup>b</sup>= Work Engagement. RPC<sup>c</sup>= Relational Psychological Contract.

Sources: developed by the authors.

Before a reliability analysis, the cause–effect relationships among factors are examined to determine the types of factors. A PLS-SEM has two types of factor structures: reflective and formative. If the cause of the latent variable is the observed variable, that relationship is reflective. If the cause of the observed variable is the latent variable, that relationship is formative (Esposito Vinzi et al., 2010, p.49). In this study, the observed variables were the cause, while the latent variables were the effect. Since the structures were reflective, the reflective analysis procedure was followed. In line with the measurement model analysis findings, item loads, which are the correlation values between the observed variables and the latent variable, were examined for

reliability (Table 2). Items with a correlation value of 0.7 and above were considered to explain at least half of the latent factor variance (Garson, 2016). Item loadings of 0.5 and above are considered sufficient, but items lower than 0.5 should be excluded from the model (Afthanorhan, 2013; Bulut, 2015). As an exception, item loads of 0.4 and above are acceptable in immature exploratory studies (Wong, 2013, p. 21). Therefore, Items B13, IL7, IA8, and IA9 were removed from the model.

All the items had factor loadings ranging from 0.607 to 0.910, indicating acceptable reliability (Table 2). The values examined for the reliability of the latent variables are Cronbach's alpha ( $C\alpha$ ) and composite reliability (CR) values, which should be greater than 0.7. However,  $C\alpha$  and CR coefficients ranging from 0.60 to 0.70 are acceptable in exploratory studies. The  $C\alpha$  and CR coefficients, ranging from 0.70 to 0.95, are highly reliable (Sarstedt et al., 2017, p. 16).

In this study, all the  $C\alpha$  and CR coefficients were highly reliable. Two types of analyses were conducted for PLS-SEM validity analysis (convergence and discriminant validity). The average variance extracted (AVE) coefficient was used to check for convergent and discriminant validity. An AVE greater than 0.5 indicates validity (Garson, 2016, p. 65). For discriminant validity, the Fornell Larcker criterion, cross-loads, or heterotrait-monotrait (HTMT) values can also be examined. An HTMT value smaller than 0.9 indicates discriminant validity (Henseler et al., 2015). Table 3 shows the HTMT values.

**Table 3.** Heterotrait–Monotrait (HTMT) ratio

|                  | RPC <sup>a</sup> | WE <sup>b</sup> |
|------------------|------------------|-----------------|
| RPC <sup>a</sup> | 0.786            |                 |
| WE <sup>b</sup>  | 0.610            | 0.777           |

Notes: RPC<sup>a</sup>= Relational psychological contract. WE<sup>b</sup>= Work Engagement.

Sources: developed by the authors.

All the values were less than 0.9, indicating discriminant validity (Table 3). The measurement model analyses showed that the elements in the model met the criteria for reliability and validity.

4.2. *Common method bias analysis.* In cross-sectional studies, when data are collected from the same people with the same measurement tool, common method bias (CMB) is a problem, but some measures can be taken to reduce this problem. If there is no opportunity to collect data from different people at different times, the participant is not asked about their identity in the questionnaires so that the participant can answer more easily, thus reducing CMB (Podsakoff et al., 2003). For CMB control, variance inflation factor (VIF) values of hidden variables should be checked. If the VIFs of the hidden variables are less than or equal to 3.3, then there is no CMB in the model (Kock, 2015). In the Smart PLS-3 program, the “inner VIF values” are checked for the VIFs of the hidden variables. When these values are presented in Table 4, it is understood that all the values are less than 3.3; thus, there is no CMB in the model.

**Table 4.** Inner variance inflation factor (VIF) values

|                  | RPC <sup>b</sup> | WE <sup>c</sup> |
|------------------|------------------|-----------------|
| PL <sup>a</sup>  | 1,000            | 2,040           |
| RPC <sup>b</sup> |                  | 2,040           |

Notes: PL<sup>a</sup>= Paternalistic Leadership. RPC<sup>b</sup>= Relational psychological contract. WE<sup>c</sup>= Work Engagement.

Sources: developed by the authors.

4.3. *Structural model analysis.* The model, the variables in the model, and the items related to the variables were reliable and valid for measuring the constructs. Structural model analysis was performed to determine whether the hypotheses were confirmed. In PLS-SEM structural model analysis (SmartPLS), path and blindfolding analyses are used to evaluate the relationships between structures and the predictive power of structures. A bootstrapping procedure was used to test the hypotheses. Path analysis yields  $R^2$  values that show the predictive power of path coefficients and structures. Blindfolding analysis yields  $Q^2$  values, which are also predictive indicators. Table 5 shows the indicators for path coefficients and predictive power.

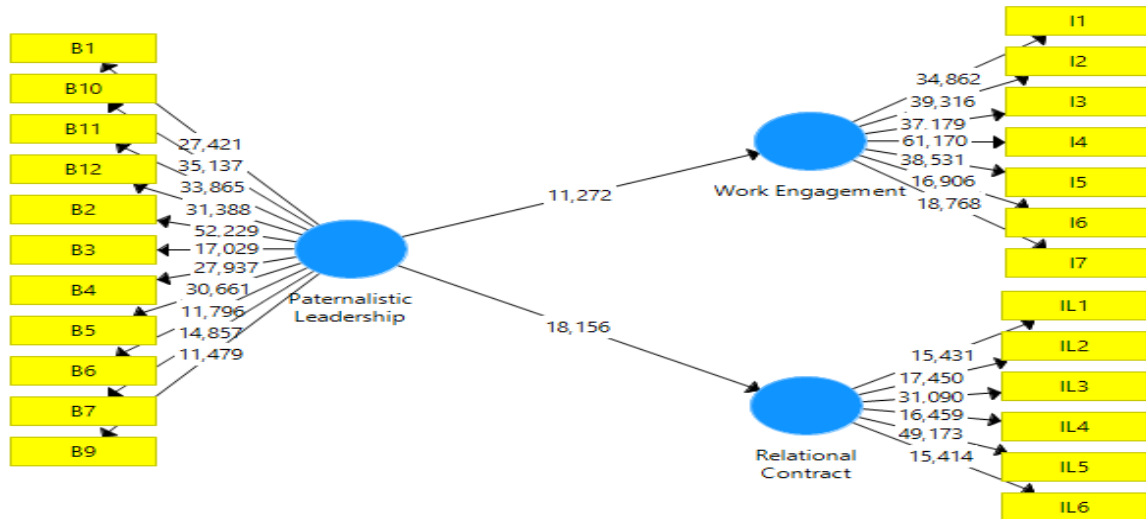
Path coefficient analysis (for PL<sup>a</sup>-RPC<sup>b</sup>, PL<sup>a</sup>-WE<sup>c</sup>, and RPC<sup>b</sup>-WE<sup>c</sup>) revealed that the relationships between the variables were significant.  $R^2$  values showed that endogenous variables were strongly predicted.  $Q^2$  values greater than 0 indicated that the exogenous variables could predict the endogenous variables. The bootstrapping procedure was carried out after examining the predictive power of the model and the structures in the model. Analyses were conducted for two models. The first model did not include a mediating variable. The second variable included the RPC as a mediating variable. Figure 1 shows the results.

**Table 5.** Structural model path coefficients, R<sup>2</sup>, and Q<sup>2</sup> values

|                  | RPC <sup>b</sup> | WE <sup>c</sup> | R <sup>2</sup> | Q <sup>2</sup> |
|------------------|------------------|-----------------|----------------|----------------|
| PL <sup>a</sup>  | 0.714            | 0.150           |                |                |
| RPC <sup>b</sup> |                  | 0.598           | 0.510          | 0.292          |
| WE <sup>c</sup>  |                  |                 | 0.508          | 0.346          |

Notes: PL<sup>a</sup>= Paternalistic Leadership. RPC<sup>b</sup>= Relational psychological contract. WE<sup>c</sup>= Work Engagement.

Sources: developed by the authors.



**Figure 1.** Structural model analysis (no mediating variable)

Sources: developed by the authors.

The t test, standard deviation, and p values were used to evaluate the hypotheses. Table 6 shows the results.

**Table 6.** Structural model findings and hypothesis testing

|                                     | (M)   | (STDEV) | t       | p      | Hypothesis |
|-------------------------------------|-------|---------|---------|--------|------------|
| PL <sup>a</sup> -> RPC <sup>b</sup> | 0.721 | 0.039   | 18.156* | 0.00** | Confirmed  |
| PL <sup>a</sup> -> WE <sup>c</sup>  | 0.583 | 0.051   | 11.272* | 0.00** | Confirmed  |
| RPC <sup>b</sup> -> WE <sup>c</sup> | 0.600 | 0.067   | 8.875*  | 0.00** | Confirmed  |

Notes: PL<sup>a</sup>= Paternalistic Leadership. RPC<sup>b</sup>= Relational psychological contract. WE<sup>c</sup>= Work Engagement. \*t≥1.65= 10% significance, t≥1.96= 5% significance, t≥2.58= 1% significance \*\* significant in the confidence interval p<0.1 and %99 (M)= Sample mean, (STDEV)= standard deviation, t= t statistics, p= p value

Sources: developed by the authors.

PL positively affected UWE (t>1.96, p<0.01), confirming Hypothesis I. PL positively affected RPC (t>1.96, p<0.01), confirming Hypothesis II. RPC affected UWE positively (t>1.96, p<0.01), confirming Hypothesis III.

4.4. Mediating effect of the relational psychological contract variable. A path was added to the model to determine the mediating role of the RPC between PL (exogenous variable) and UWE (endogenous variable). The bootstrapping procedure was performed (Figure 2).

The RPC affected the UWE positively. The mediating type and level of the RPC were examined (Table 7).

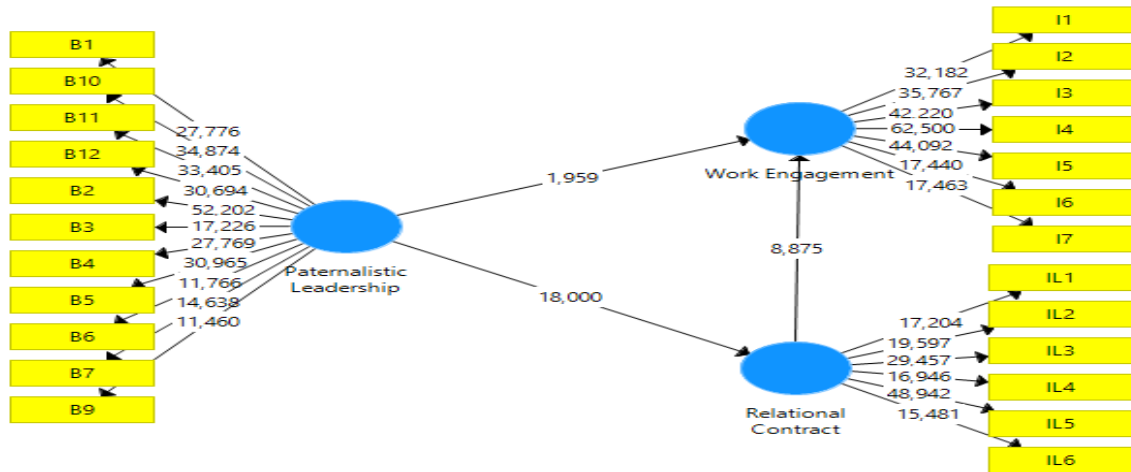
**Table 7.** Structural model findings and hypothesis testing

|                | (M)   | (STDEV) | t      | p     | Hypotheses |
|----------------|-------|---------|--------|-------|------------|
| (p1) PL -> WE  | 0.150 | 0.077   | 1.959  | 0.050 | Rejected   |
| (p2) PL -> RPC | 0.718 | 0.040   | 18.000 | 0.000 | Confirmed  |
| (p3) RPC -> WE | 0.600 | 0.067   | 8.875  | 0.000 | Confirmed  |

Notes: PL<sup>a</sup>= Paternalistic Leadership. RPC<sup>b</sup>= Relational psychological contract. WE<sup>c</sup>= Work Engagement. \*t≥1.65= 10% significance, t≥1.96= 5% significance, t≥2.58= 1% significance \*\* significant in the confidence interval p<0.1 and %99 (M)= Sample mean, (STDEV)= standard deviation, t= t statistics, p= p value

Sources: developed by the authors.





**Figure 2.** Structural model analysis (mediating variable)  
Sources: developed by the authors.

RPC played a mediating role between PL and UWE. According to the model in which no relationship was established between RPC and UWE, PL strongly affected UWE ( $t > 1.96$ ,  $p < 0.01$ ). When the RPC came into play, the PL had a less direct effect on the UWE ( $t < 1.96$ ,  $p > 0.05$ ), which reached the limit of being negligible. The findings on the direct and indirect effects between the variables were examined to better understand the presence and extent of the mediating effect in the PLS-SEMs. The relationship between the exogenous variable PL and the endogenous variable UWE ( $p_1$ ) was direct. The relationships between the exogenous variable PL and the mediator variable RPC ( $p_2$ ) and between the mediator variable and the endogenous variable UWE ( $p_3$ ), that is, ( $p_2 * p_3$ ), are indirect effects. If  $p_2 * p_3$  is insignificant and  $p_1$  is significant, there is no mediating effect. If  $p_2 * p_3$  is significant and  $p_1$  is insignificant, there is a full mediating effect. If  $p_2 * p_3$  and  $p_1$  are significant, there is a partial mediating effect. Therefore, the result of  $p_2 * p_3 * p_1$  was checked. Here, if  $p_2 * p_3 * p_1$  is positive, we can discuss complementary mediation. If  $p_2 * p_3 * p_1$  is negative, we can discuss competitive mediation (Nitzl et al., 2016). The results showed that  $p_2 * p_3$  was significant, whereas  $p_1$  was not significant ( $t < 1.96$ ,  $p > 0.05$ ). These results indicated that the RPC played a fully mediating role in the effect of PL on UWE, confirming Hypothesis IV.

**5. Discussion.** The results showed that PL had a positive and significant effect on WE, which is consistent with the literature. Paternalist leaders encourage loyalty, friendship, harmony, and togetherness. They address their employees' nonwork problems, reduce their loneliness levels in the workplace, and help them exhibit positive behaviors (Aycaan, 2006). Research shows that PLs create positive motivational responses to WE (Cenkci & Ozcelik, 2015; Kiliç et al., 2020; Korkmaz et al., 2018; Mansur et al., 2017; Oge et al., 2018; Salanova et al., 2005; Tuan, 2018). Concepts such as work commitment, WE and teamwork have been positively associated with PL in the literature (Cropanzano & Mitchell, 2005; Oge et al., 2018). Rousseau (1995) stated that new employees are more optimistic about their business relationships with their leaders; thus, newcomers will generally be more willing to trust their employer and fulfil the terms of their contract. In parallel with this issue, Thomas and Anderson (1998), who claim that there will be a PC relationship with the duration of stay in the workplace, argued that the PC will come into play for the individual in the first six months after they start to adapt to the organizational environment. Based on the idea that a paternalist leader is the key actor in a business, the positive organizational behaviours exhibited by an employee in return for having a sense of job security that supports his professional development in the business relationship and that he develops with the leader will ensure the realization of the relational contract (Rousseau, 1995).

**6. Conclusions.** It can be said that employees who perceive the paternalistic attitudes of their leader as an indicator of the value provided to them by their organization are likely to spend more energy on their work. Employees who have more energy to work, which improves their skills and mood, will be able to build better relationships at work using these resources. According to social information processing theory, which argues that value judgments are formed according to the information that individuals obtain about what is valuable and worthless for them by observing their environment, it is stated that behaviors and attitudes are also shaped in this way (Salancik & Pfeffer, 1978). In this vein, according to the results of our study, an individual who is affected by a leader's harmony, cooperation, sincere relationships, individual attention, and perhaps most importantly, to make her/him feel like she/he is in a family environment adopts these values and reflects these

attitudes and behaviours. As a result, the behavior of the leader, who exhibits paternalistic attitudes, will set an example of the relations that the employee develops with other people, and needs such as developing friendships or belonging to a group will be met to avoid being alone in the workplace. It can be said that in countries where collectivist culture is dominant, such as Turkey, belonging to a group, being valued and thought of by someone makes one want to stay in that organization longer, be satisfied with the work they do, and act more energetically while doing their job. The results also showed that PL had a positive and significant effect on RPC, which is consistent with theories that argue that the more courteous managers are, the less frequently employees violate relational contracts (Chen et al., 2008; Liao et al., 2017; Tabernero et al., 2009). Our results also showed that RPC positively and significantly affects WE. Employees with relational contracts exhibit more positive organizational behaviors than do those with transactional contracts; therefore, RPC positively affects employees' feelings of WE and organizational citizenship. In this context, in our study, it can be argued that because of the linear relationship between PL and PC, the benevolent and kind attitude of the leader toward the employee leads to the emergence of positive organizational behaviors. In addition, it can be argued that the thoughtful attitude of the leader behind his authoritarian stance that touches traditional values eliminates the negativities that may be experienced in the organization for the employee. In addition, it can be stated that the paternalist leader will act as a catalyst against negative conditions in the organizational environment for the employee and will reveal the feeling of being passionate about the organization and the job by developing sincere relationships. In addition, according to another result obtained in the present study, the RPC had a positive and significant effect on WE. To this end, as (Bal & Kooij, 2011; Kanbur & Ay, 2020; Millward & Hopkins, 1998) stated, employees with a sense of relational contract exhibit more positive organizational behaviors than employees with a transactional contract; therefore, the finding that RPC positively affects employees' feelings of WE and organizational citizenship is also supported by the literature. While the paternalist leader exhibits attitudes that express genuine interest and kindness toward his followers both at work and outside of work, he is an actor who causes positive emotions such as respect, gratitude and appreciation in his followers and ensures that these feelings are reflected in his individual performances positively. The same positive emotions are expected to activate feelings of morality and benevolence in employees (Chen et al., 2014). We argue that as a result of the establishment of an innovative service organizational environment based on mutual trust with their superiors, the positive attitudes of employees, such as gratitude and recognition and thus a sense of achievement, increase, and this will play a very important role in reflecting their WE. This study highlights the fact that when leaders in innovative service businesses establish sincere and close relationships, they develop long-term contracts with moral elements so that employees fulfil their work with enthusiasm and are proud of their work. Again, in this study, it has been shown that an increase in such positive organizational behaviors among innovative service sector employees has an important contribution to providing a service that adopts quality. Therefore, it can be argued that innovative service businesses should primarily observe the behaviour of leaders to ensure that employees can adapt to work and then pay attention to the conditions that enable employees to adapt themselves psychologically to this environment.

With the change in the world economy from product production to the service sector with globalization, the service sector has become an important market for both businesses and countries as a result of the change and transformation experienced with digitalization. To reach a competitive level in the service sector, businesses need to constantly update themselves, support innovative ideas and have a structure that directs change. Service innovation performance, which is defined as the ability of businesses to develop new services to meet the needs of their stakeholders or to improve the services they already offer to achieve competitive advantage (Tian et al., 2016), is a concept for improving the service offered by creating service-oriented value, and it is unrealistic to expect service businesses to make a difference without innovation performance. Based on this idea, we can say that entrepreneurs and managers establish organizational structures that support the generation and implementation of new ideas or behaviors on the basis of innovation, while employees develop and implement them. For this reason, the need for managers and business owners is significant. The ability of businesses to increase their performance through service innovation depends on the willingness of their employees to share knowledge, their sense of belonging to the organization and, of course, the organizational culture because the stakeholder group that creates value and should have the ability to implement it successfully is employees, and they increase their performance as they show emotional closeness to the organization. In describing the components and characteristics of the relational psychological contract, which includes elements such as long-term job security, career development and support in personal problems, Millward and Brewerton (1999) used the concepts of emotional closeness for the feeling of being a member of the organization and integration with organizational goals; professional development for the provision of

training, development and personal development opportunities; and fairness for the perception of fair reward. It can be stated that the paternalistic leader will ensure the realization of relational contracts through the emotional closeness established between the organization and the employee by activating such positive emotions. A paternalistic leader who can have strong and unquestionable authority over his subordinates is a leader who cares about the happiness of his subordinates in both his or her work and private life with a benevolent attitude, while at the same time taking care to be moral with his or her virtuous and sacrificial attitudes; in this respect, it can be said that he or she will bring employees who aim to be constantly beneficial to the organization he or she works for. A paternalistic leader, who may be perceived as manipulative in Western cultures that support participation and individualism, may be perceived as a caring and considerate leader in collectivist Eastern cultures where power distance is high, leading to the emergence of positive organizational behaviors. While this situation supports the participation of employees, it may also lead to obligation and compliance with other organizational members by preventing maverickism. A leader is a manager who is authoritarian in some places and benevolent and fatherly in others, and the real power to motivate employees comes from the leader who anticipates what their needs may be and approaches them with empathy. In this case, it will be possible to have enthusiastic employees who are focused on business goals and showing sustainable willingness, and it will be possible for the individual to focus deeply on his/her work and integrate happily with his/her work.

The results of our study will facilitate various gains in the business world. In this context, the reduction of uncertainty and mistrust between parties will provide a sense of trust in the organization and the manager; at the same time, it will reveal the feeling that the expectations of the employee are important and that the employee will fulfil his/her obligations to the organization with greater willingness. The parties' continued obligations to each other will also ensure a high level of willingness to fulfil promises made to each other. Empathizing with the employee and taking care of his/her well-being in both work and private life will increase psychological well-being and ensure a positive mood. The idea that the two parties mutually contribute to each other can lead to positive attitudes, while the opposite can lead to gossip, manipulation, reluctance to share information, low performance, low production quality, casualness in relationships, theft and a number of disciplinary problems in the business world.

The way to be competitive and gain sustainable superiority in the business world is through employees who have the competence to perform their duties with high performance and productivity, are open to development, are energetic, have high commitment to the organization, have high personal success and have a high willingness to eliminate the deficits of the business. This situation will enable managers to find innovations in terms of doing business, developing new organizational policies and making constructive decisions in favor of employees; as a result, their creativity and desire for continuity in their work will increase, as opposed to giving up on the institution or job.

Employees are less likely to feel alienated, excluded from the group or lonely because the paternalistic leader's caring attitude prevents isolation in the workplace and maintains a sense of togetherness and family atmosphere. Considering that possible mistakes lead to great losses while significant technological developments are taking place in the service sector with the effect of innovation, paternalistic leaders, who are the main actors dealing with the physiological, psychological and mental efforts of employees, will be able to reduce the probability of employees making mistakes with their optimistic and thoughtful attitudes toward mutual well-being. Paternalistic leaders who make employees feel less lonely will be able to bring productive and successful individuals to the business world by creating extroverted individuals with strong social skills, good personalities, and high sociability who are not experiencing loneliness problems in their private lives. This study investigated whether the RPC played a mediating role between PL and WE. The results showed that both PL positively and significantly affected RPC and WE in the absence of a relationship between RPC and WE. However, when the RPC variable was introduced, it played a mediating role in the effect of PL on WE, and the effect of PL on WE was fully assumed. These results indicated that RPCs play a fully mediating role in the effect of PL on WE. These results indicate that paternalistic and helpful attitudes reveal ethical values in employees who act according to organizational goals and have relational contracts in societies where collectivist cultures dominate. Consequently, employees are more committed and more enthusiastic about their service work. There is no research investigating the mediating effect of PRC on the relationship between PL and WE. Our results are consistent with the literature, as they reveal the strong and positive effect of PLs on WE levels among grey-collar employees in the innovative service sector. We think that these results will contribute to the literature and guide innovative service businesses with gray-collar employees.

Based on the idea that paternalistic leadership reduces the feeling of loneliness, this study makes an important contribution to the related literature, considering that past studies have focused mostly on the personality aspects of loneliness and have ignored the leadership or organizational dynamics aspects of the concept. In addition, most of the previous related research has focused on the relationship between positive organizational behavior issues such as trust in managers and perceived organizational support (Akdag, 2020; Altunel, 2015; Metin et al., 2018; Tecimen, 2020) and work engagement. For the relationship between leadership styles and work engagement, while the relationship between ethical and servant leadership and work engagement has been mostly examined (Durgut & Gunay, 2020; zbezek, 2022; Ozturk & Demirtaş, 2022), very little empirical research has been conducted on the link between paternalistic leadership style and employees' work engagement. For this reason, this study makes important contributions to the literature on work engagement, psychological contracts and paternalistic leadership. This study adopted a cross-sectional research design and focused on gray-collar employees of large-scale innovative service enterprises in Istanbul. Therefore, the results are sample specific and cannot be generalized to the whole population. Researchers should conduct similar research with blue- and white-collar employees of different-sized businesses or enterprises from different industries.

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### **Патерналізм та залученість персоналу в інноваційній сфері послуг: посередницька роль психологічного контракту**

Патерналізм розглядається як ефективна форма лідерства, здатна переконати та, у певних випадках, застосовувати примусовий вплив, якщо це сприяє інтересам його підлеглих. Повноваження та контроль, характерні для батьківського лідерства, можуть викликати у підлеглих різні емоції, такі як почуття поваги, страху та покори. Ці емоції, в свою чергу, можуть впливати на взаємодію в організаційному середовищі, сприяючи виникненню певних форм організаційної поведінки, таких як лояльність, повага та гармонія. Цей вплив особливо помітний в культурно зумовлених суспільствах, таких як східні культури. Залученість персоналу вказує на те, що працівники перебувають у стані позитивної мотивації, коли вони відчувають радість від своєї роботи, розуміють її значущість, розглядають свої обов'язки як важливі та дивляться з оптимізмом на своє професійне майбутнє. З іншого боку, психологічний контракт є неформальним і неписьмовим, взаємно узгодженим договором, який виражає суму взаємних очікувань між організацією та її працівниками. Незважаючи на велику кількість досліджень, що вивчають зв'язок між патерналізмом та залученістю персоналу, оцінювання посередницького ефекту психологічного контракту у цьому контексті, зокрема в інноваційному секторі послуг, на даний момент відсутнє. Дане дослідження було проведено з метою заповнення цієї наукової прогалини. Основними завданнями статті є: (1) визначення впливу батьківських лідерів на залученість персоналу та (2) визначення посередницької ролі психологічного контракту між патерналізмом та залученістю персоналу. Дані були зібрані серед 223 працівників, що працюють в інноваційному секторі послуг в Туреччині, за допомогою онлайн-опитування. Зібрані дані були проаналізовані за допомогою методу часткових найменших квадратів (PLS) - структурного моделювання рівнянь. Емпіричні результати дослідження свідчать про те, що батьківське лідерство має значущий вплив на залученість персоналу та психологічні контракти. Також підтверджено, що психологічний контракт має посередницький вплив на відношення між патерналізмом та залученістю персоналу.

**Ключові слова:** ентузіазм; стилі керівництва; батьківська влада; патерналізм; організаційна поведінка; психологічний контракт; модель структурних рівнянь; суспільство; робоче зобов'язання.