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INFLUENCE OF TRANSFORMATIONAL LEADERSHIP ON INNOVATION IN ORGANIZATIONS

Original
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Abstract

The current business environment is overwhelmed by the progress of technology, the increasing and dynamic expectations of customers and the competitive landscape. Continuous innovation has become necessary an imperative for the majority of companies regardless of their sector of activity. Leadership is an important factor that influences the attitudes and behaviors of subordinates with respect to organizational goals. Leadership creates visions, supports to build relationships and increases the interest of subordinates. However, transformational leadership involves the creative and innovative aspects of employees and organizations. Transformational leadership provides self-confidence to subordinates, increases intrinsic motivation, inspiration, and supports innovation, personal development, and social relationships among employees. The influence of leadership on innovation within organizations is an extremely important subject, a feature which will remain relevant in the future of the company. Therefore, the question of the research is: Can a complex causal relationship be established between the influence of leadership on innovation? The purpose of the research is to create a model that highlights the precise transformational leadership components which influence innovation at the individual and organizational level.

INTRODUCTION

The analysis of the correlation between leadership style and innovation in organizations has been researched thoroughly within the literature by both researchers and practitioners.

Innovation has become a major driver of growth, performance and evaluation. In a survey conducted by Barsh, Capozzi, & Davidson (2008) that targeted 600 managers and professionals worldwide, respondents indicated leadership as the best predictor of innovation performance.

Over 70% of senior managers in the survey specified that innovation will be at least one of the top three growth factors for their companies in the next three to five years. Other managers see innovation as the most important way for companies to accelerate the pace of change in today's global business environment. Leading strategic thinkers have moved from traditional product and service categories to pioneering innovations in business processes, distribution, value chains and the overall models.

The influence of leadership on innovation in organizations is an extremely important factor. Leadership is a topical issue and the characteristics which will be maintained in the future alongside the theoretical argument will be analyzed in depth in this research. Therefore, the question to be answered through this paper is: can a complex causal relationship be established between the influence of leadership and the impact on innovation in the N-E region of Romania?

A number of studies have shown that leadership positively influences organizational innovation (Jung, Chow, & Wu, 2003). However, there is a lack of studies which examine the contextual conditions where this effect occurs or is highlighted. The number of researches drops considerably when it comes to analyzing leadership within organizations in the service sector in the N-E region of Romania.

In this article, the author analyzed the impact of the transformational leadership style on factors that encompass innovation, namely: creativity, employee voice and knowledge sharing.

LITERATURE REVIEW

Transformational leadership and creativity

Through the transformational leadership style, the behavior of leaders is usually described as a driving force of creativity for the following three reasons (García-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012; Si & Wei, 2012). First of all, individualized consideration will act as a reward. for subordinates by recognizing and

motivating them. Secondly, intellectual stimulation will improve the exploratory thinking of subordinates by supporting innovation, autonomy and challenge. Thirdly, inspirational motivation will stimulate subordinates' process of generating ideas by encouraging them to work in line with the organization's vision.

Transformational leadership consists of four sub-dimensions: a) Idealized influence, in which leaders are admired, respected and trusted; b) Inspirational motivation, which reflects the way leaders motivate and inspire employees by providing meaning and challenge in their work; c) Intellectual stimulation, which refers to stimulating employees' efforts to be innovative and creative by questioning hypotheses, reframing problems and approaching old situations in new ways; and d) Individualized consideration, involving leaders who pay more attention to the needs of each follower of achievement and growth, acting as a coach or mentor (Bass and Riggio, 2006). Some researchers constantly believe that transformational leadership is related to the positive attitudes and performances of subordinates (Perko, Kinnunen, & Feldt, 2014; Chan & Mak, 2014).

Mumford, Scott, Gaddis, & Strange (2002) identified that transformational leadership style enhances creativity by maximizing challenges, taking risks, providing individual support and feedback, encouraging individual initiative, and intellectual stimulation. Based on the interactionist model of creative behavior developed by Woodman, Sawyer, & Griffin (1993) it was proposed a theory for organizational creativity. They emphasize the importance of the interaction between the individual and the situation. According to them, the "creative situation" is the total sum of social and environmental (contextual) influences on creative behavior. Woodman et al. (1993) emphasize the key role of cross-cutting effects, including leadership, which is considered a feature of the group and a situational factor that impacts creative behavior.

Howell & Higgins (1990) were among the first to study the relationship between transformational leadership and creativity. Specifically, they examined personality traits, leadership style, and ways in which technological innovations influence Canada. The sample was extracted from 88 organizations that have recently implemented a technological-related innovation. Questionnaires and interview transcripts of 25 pairs of innovative and non-champion champions were analyzed. Champions used transformational leader behaviors to a greater extent than their "nonchampion" counterparts. The champions also exhibited greater risk-taking and innovation, initiated more trials, and used a greater variety of tactics than non-champions.

Chell & Karataş-Özkan (2014) noted that researching innovation at the individual level is very important, because innovation in the workplace involves human behavior. The significance of contextual factors (i.e. innovative climate) as activators of creative performance and innovative behavior has been well documented (Ren & Zhang, 2015). Transformational leaders increase their subordinates' enthusiasm to transcend personal interests to the detriment of the organization. Not only that, but transformational leaders contribute to raising subordinates' awareness of required outcomes, and increased performance expectations by creating vision and mission for the organization (Denti & Hemlin, 2012; García-Morales et al., 2012).

Elements such as personality traits, intrinsic motivation, self-efficacy, organizational environment, and psychological factors have been highlighted in previous research as factors that support individuals in increasing their level of creativity in an organization (Arnold & Connelly, 2013; Brandt & Laiho, 2013).

There is empirical evidence showing a relationship between transformational leadership and the creativity and innovative ideas of subordinates. Jung et al. (2003) used data from 32 Taiwanese electronics and telecommunications companies in a study and looked at how transformational leadership influences creativity at the organizational level. The authors observed that transformational leadership is positively and statistically significant in relation to both the perception of subordinates regarding their own freedom of innovation and to the existence of an organizational climate oriented towards supporting innovation. Transformational leaders increase the intrinsic motivation of subordinates, which stimulates creativity, and intellectual stimulation encourages subordinates to think "outside of the box" (Bass & Riggio, 2006).

Transformational leadership and the voice of employees

Employee voice is a type of proactive work behavior that aims to improve the status quo (Parker & Collins, 2010) and can foster organizational improvement (Liang, Farh, & Farh, 2012). Due to the potential benefits of employee voice, methods for motivating employees at work have become an important topic in researching organizational behavior. Transformational leadership can have a significant effect on employee vocal behavior, as it has been associated with personal and organizational change and high performance (Bass & Riggio, 2006). The four components of transformational leadership will stimulate the voice of employees: idealized influence, inspirational motivation, intellectual

stimulation, and individualized consideration (Liu, Zhu, & Yang, 2010).

Although previous studies have investigated the relationship between transformational leadership and employees' voice, these studies are not sufficient (Svendsen & Joensson, 2016). The researchers revealed that cognitive factors, including psychological safety trust (Conchie, Taylor, & Donald, 2012), and the Pygmalion process (Duan, Li, Xu, & Wu, 2017), mediate the relationship between transformational leadership and employee voice.

Transformational leadership can encourage employees to provide constructive suggestions for their organizations. A transformational leader can signal and encourage vocal behavior by being a good listener, interacting personally with employees and giving them space and security to express themselves (Svendsen & Joensson, 2016).

Previous empirical research has examined the psychological mechanisms underlying how transformational leadership influences employee voice in cost-benefit analysis, self-concept, and Pygmalion perspectives (Duan et al., 2017). Specifically, Detert & Burris (2007) suggested that transformational leaders are more likely to cultivate employees' psychological security, which alleviated negative concern about speech and thus motivated employees' vocal behavior. From the perspective of self-concept, Liu et al. (2010) indicated that transformational leaders are more likely to evoke employees' personal identification with the leader and to build a strong relational self that motivated employees to speak. Moreover, from a Pygmalion perspective, Duan et al. (2017) found that transformational leadership influenced the voice of employees through the vocal expectations of leaders and perceptions about the role of the voice of employees. Thus, in this study it was underlined the positive correlation between transformational leadership and employee vocal behavior.

Also, this relationship was analyzed from a new affective perspective. Because of the potential benefits and personal risks associated with speech, employees often choose to express their voice only after engaging in a cognitive calculation of costs and benefits (Kish-Gephart, Detert, Treviño, & Edmondson, 2009).

Transformational leadership and knowledge sharing

In today's rapidly changing business environment, a firm's competitive advantage largely depends on its ability to generate and implement new solutions (Grant, 1996). To this end, "knowledge sharing" is defined as the dissemination of ideas, information, expertise and suggestions between people in organizations to solve problems, develop new ideas or implement policies or procedures (Wang & Noe, 2010). Emphasized by its definition, as well as by

previous studies, knowledge exchange effectively promotes teamwork (Wang & Rode, 2011) and triggers organizational change (Grant, 2013). Thus, it is crucial for leaders to facilitate the exchange of knowledge between employees. In the last decade, an increasing number of researchers have highlighted the effects of various leadership styles on knowledge exchange (Li, Shang, Liu, & Xi, 2014; Dong, Bartol, Zhang & Li, 2017).

Although all of these studies have provided interesting and useful ideas, transformational leadership may be more important in promoting knowledge exchange at the individual level (Garcia-Morales, Llorens-Montes, & Verdu-Jover, 2008). Consequently, considerable studies have reported the positive impact of the transformational leadership style in different situations (Dong et al., 2017). However, researchers have looked at whether facilitating knowledge sharing is as easy for leaders as simply presenting a number of transformational behaviors. Based on the theory of social exchange, a large group of researchers explored the basic mechanism by which transformational leadership facilitates knowledge exchange. For example, most studies have concluded that the exchange of knowledge between leaders and subordinates is a crucial mediator which is influenced by transformational leadership (Li et al., 2014).

Knowledge sharing usually takes place within the team, where team members share their ideas and experiences on work-related issues (Wang & Noe, 2010). The sharing of knowledge between the group members will always benefit the team as a whole.

Accumulated evidence has shown that transformational leadership is positively associated with knowledge sharing (Garcia-Morales et al., 2008). Several components of transformational leadership positively influence knowledge sharing. For example, by encouraging intellectual development and providing individualized attention, employees are motivated to create and share knowledge. Thus, as with many studies (Shao, Feng, & Hu, 2012), transformational leaders facilitate the exchange of knowledge in teams.

In conclusion, most research has focused on the relationship of knowledge sharing between transformational leaders and employees (Lee, Gillespie, Mann, & Wearing, 2010; Li et al., 2014). Specifically, Li et al. (2014) found that transformational leadership positively influenced the sharing of knowledge between leaders and subordinates, which in turn led to an increased change of knowledge. Other researchers have found that transformational leadership has facilitated knowledge sharing by increasing subordinates' trust in the leader (Lee et al., 2010).

PURPOSE, OBJECTIVES, HYPOTHESES

The purpose of the research is to test a model which highlights the influence of transformational leadership on the components of innovation in organizations. The testing will be done through statistical hypotheses established after studying the literature. Innovation includes the following variables: creativity, employee voice and knowledge sharing.

The following objectives are the main pillars of this research: the study of literature on the components of transformational leadership that facilitate or inhibit innovation; building a conceptual model that highlights the influence of transformational leadership on the components of innovation; testing the conceptual model regarding the influence of transformational leadership on the innovation components within organizations from the services sector, from the North-East region of Romania; determining and analyzing the influence of transformational leadership components on creativity, employee voice and knowledge sharing. Fundamental research hypothesis: The specific components of transformational leadership influence innovation within organizations. This research hypothesis is interpretive and evaluative, aiming at designing a model for measuring the relationship between transformational leadership on innovation. An inductive-deductive approach was taken, and the testing support is provided by the following working hypotheses:

H1: Transformational leadership has a direct impact on organizational innovation.

H2: There is a positive and significant correlation between transformational leadership and creativity.

H3: There is a positive and significant correlation between transformational leadership and employee's voice.

H4: There is a positive and significant correlation between transformational leadership and knowledge sharing.

DESCRIPTION OF THE CONCEPTUAL MODEL

In a competitive environment characterized by globalization, short product life cycles and rapid technological changes (Gumusluoglu and Ilsev, 2009), innovation has been considered a crucial facilitator for growth, performance and competitiveness.

Managers and researchers have increasingly emphasized the important influence of innovation on competitive advantage, sustainable development and long-term organizational success (Duran, Kammerlander, van Essen, & Zellweger, 2016). Given that innovation among employees is of crucial importance to an organization, it was

essential to identify factors that could stimulate innovative employee behavior, regarding to employee engagement in activities (Shin, Yuan & Zhou, 2017). As a result, a conceptual model was developed (Figure 1) that highlights both the influence of transformational leadership and the impact of transactional leadership on innovation in organizations. The model is divided into three components: the specific components of transformational leadership, reflected by the following four variables: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration (Bass, 1985); innovation in organizations highlighted by three components: creativity, voice, knowledge sharing (Kremer, Villamor & Aguinis, 2019). Figure 1 shows the proposed conceptual model.

The model includes two types of variables, namely: independent variables, and dependent variables. The independent variables are represented by the transformational leadership style and include factors that act as stimuli. This category consist of:

- idealized influence - reflects the extent to which the leader is oriented to adopt a behavior based on high moral and ethical standards, inspiring pride, admiration, respect and trust (Bass, 1985; Hemsworth, Muterera, & Baregheh, 2013; Luț, 2013);
- inspirational motivation - highlights the leader's ability to stimulate followers to formulate and achieve ambitious goals (Hemsworth et al., 2013; Luț, 2013);
- intellectual stimulation - describes the degree to which the leader stimulates and encourages creativity and inventiveness (Luț, 2013);
- individualized consideration - reflects the extent to which the leader pays attention to the problems and needs of team members (Hemsworth et al., 2013; Luț, 2013).

Dependent variables are represented by innovation in the organization and reflect the effects obtained from applying incentives. These variables will be assessed through a questionnaire and are described as: creativity, employee voice and knowledge sharing.

SAMPLE, PROCEDURE AND MEASUREMENT

For pre-testing is the survey method was used and the questionnaire served as a data collection tool. The study is a pilot type, conducted on a number of 21 respondents and is a simplified version of a large-scale research. For data processing was mainly used qualitative analysis, especially statistical analysis.

To measure transformational leadership is used the Multifactorial Leadership Questionnaire developed

by Bass & Avolio (2000) which includes a number of 20 items translated and adapted into Romanian. Responses to items that define leadership styles are measured on the following scale: 0 - Never, 1 - Rarely, 2 - Sometimes, 3 - Quite often, 4 - Frequently or always.

Creativity was measured through 13 items found in the literature. Three elements of the scale were adopted from Scott & Bruce (1994), and the remaining 10 elements were developed by George & Zhou (2001).

Employee voice was measured using eight items from the scale created by Liang et al. (2012). A five-point response scale was used to assess employees' voices (0 = strongly disagree with 4 = strongly agree).

Knowledge sharing was measured by the four-element scale of Faraj & Sproull (2000) and the three-element knowledge sharing scale developed by Durham, Knight, & Locke (1997). Next is reproduced the generic conceptual model and the approached perspective is limited to a simple stimulus-effect relationship (leadership - innovation).

FINDINGS AND ANALYSIS

Based on the model proposed and presented in this research, was formulated a number of 4 hypotheses that were statistically tested and are depicted in the table below (Table 1).

By testing the H1 hypothesis, transformational leadership has a direct impact on innovation in organizations. Hypothesis H1 is partially validated. According to the values of the Pearson correlation coefficient there is a strong relationship between organizational innovation and the transformational leadership style (Inspirational motivation and Intellectual stimulation).

Next, through hypotheses H2, H3 and H4 it was checked whether there is a positive and significant correlation between the transformational leadership style and each component of innovation, namely: creativity, employee voice and knowledge sharing. Hypotheses H2, H3 are partially validated. By testing the H2 hypothesis, it was verified whether there is a positive and significant correlation between transformational leadership and creativity. According to the Pearson correlation coefficient, there is a direct and relatively close link between creativity and transformational leadership style (Inspirational motivation and Intellectual stimulation).

By testing the H3 hypothesis, was checked whether there is a positive and significant correlation between transformational leadership and employee's voice. According to Pearson correlation coefficient values there is a direct and close connection between the employees's voice

and the transformational leadership style. More precisely there is a direct and close connection between the employees' voice and the Inspirational motivation component of the transformational leadership style.

By testing the H4 hypothesis, was investigated whether there is a positive and significant correlation between transformational leadership and knowledge sharing. Hypothesis H4 is not validated. The values of the Pearson correlation coefficient indicated a direct link between knowledge sharing and transformational leadership style. There is a direct link between knowledge sharing and the components of Inspirational Motivation and Intellectual Stimulation of Transformational Leadership Style. However, no statistically significant correlations are observed between transformational leadership and knowledge sharing.

CONCLUSIONS

The purpose of the research is to test a model which highlights the influence of transformational leadership on the components of innovation in organizations through four statistical hypotheses established after studying the literature. Innovation includes the following variables: creativity, employee voice and knowledge sharing.

The research results indicate that there are concepts or elements that need to be redefined.

Items formulated in a negative sense will be coded in the same direction. The small volume of the sample may have influenced current results.

Within the model proposed in this paper, a diagnosis was made of the impact of the components of transformational leadership (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration) on innovation in organizations. As described, innovation contains three variables: creativity, employee voice, knowledge sharing. Demonstrating this relationship is an essential contribution to the literature because it can be seen as an extension to previous research. Through the developed model, this study is a valuable contribution to current studies interested in the development and growth of innovation.

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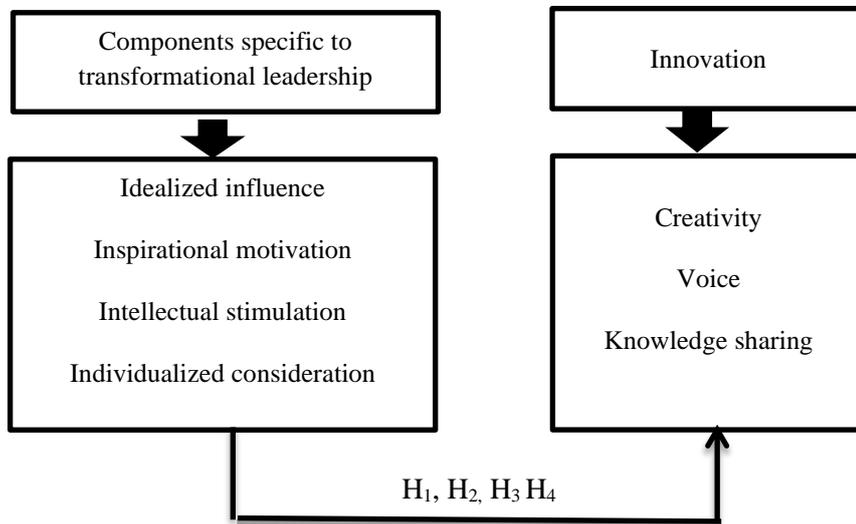


Fig. 1

Conceptual model on the influence of transformational leadership on innovation in organizations

Table 1

Hypothesis results - centralized

No.	Hypothesis	Results
1.	H ₁ : Transformational leadership has a direct impact on organizational innovation.	Partially validated
2.	H ₂ : There is a positive and significant correlation between transformational leadership and creativity.	Partially validated
3.	H ₃ : There is a positive and significant correlation between transformational leadership and employee voice.	Partially validated
4.	H ₄ : There is a positive and significant correlation between transformational leadership and knowledge sharing.	Invalidated