



Senior expatriate leadership's effects on innovation and the role of cultural intelligence

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ABSTRACT

We propose that senior expatriates' visionary–transformational leadership influences the rate of innovation adoption in the organizations or units they head, but cultural intelligence moderates this relationship. Our hypotheses were tested with data from 153 senior expatriate managers and 695 subordinates from companies in all 27 countries of the European Union. We found a direct influence of senior expatriates' visionary–transformational leadership on the rate of innovation adoption. Cultural intelligence moderates the effect of senior expatriates' leadership on organizational innovation, but not on product–market innovation. Implications for academic research and business practice are discussed.

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1. Introduction

Expatriate managers play a critical role in the ability of multinational corporations (MNCs) to transfer managerial expertise and technology as well as maintain control over subsidiaries spread across the globe (Harzing, 2001; Minbaeva & Michailova, 2004). MNCs usually appoint expatriates at higher ranks at local subsidiaries and assign them a wide range of responsibilities depending on the strategy of the respective MNC. Senior expatriate managers are in effect the heads of their organizational units—they have the primary administrative responsibility for their business units and are in charge of all activities of the respective subsidiaries or international joint ventures. The performance of senior expatriates is vital for the successful functioning of organizational units at local and regional levels and may affect the MNC overall. The need for senior

expatriate managers to exercise effective leadership is critical. Recently, research has elucidated various aspects of expatriate management, such as attributes affecting expatriate performance (Tung, 1998a), staffing issues (Collings, Scullion, & Morley, 2007; Tung, 1998b), careers (Stahl, Miller, & Tung, 2002; Vance, 2005), and effectiveness (Kim & Slocum, 2008; Sunkyu & Gentry, 2005). At the same time, the literature appears to have neglected the senior expatriates' leadership behaviors and their role for achieving important organizational outcomes. Thus, there is a gap between the literature on expatriate management and leadership research.

Sustained innovation is one of the most powerful sources of competitive advantage and successful business performance (Ireland & Hitt, 1999). Contemporary MNCs depend on continued innovation, broadly understood as a process of generating and implementing new ideas. The success of innovation is a function of various macro-level and micro-level factors, key among which is leadership (Mumford & Licuanan, 2004). While effective leadership per se is not sufficient for innovation to be carried out, its presence improves the odds of innovation success. Leadership is within the company's control. MNCs can encourage

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appropriate leadership practices that sustain innovation processes and promote a culture which espouses innovation: encouraging experimenting, fostering collaboration, and setting successful innovations as positive examples.

Innovation often involves profound organizational changes calling for managers to engage in visionary–transformational leadership in order to inspire followers and to mobilize their best efforts (Kouzes & Posner, 1987). The precise mechanisms through which visionary–transformational leadership contributes to the important organizational processes of learning and innovation remain underinvestigated in leadership research in general (Vera & Crossan, 2004), and even more so with respect to senior expatriates. The literature on expatriate management has neglected conspicuously the issue of senior expatriate visionary–transformational leadership, not to mention the way it influences innovation. The first research question that this paper seeks to address is: Does visionary–transformational leadership exercised by senior expatriate managers affect innovation in the organizational units they head?

If senior expatriate visionary–transformational leadership influences organization's innovativeness, what factors are important for this relationship? In the MNC, expatriate managers by definition work with others of different cultural profiles, building complex networks of interpersonal relations across different countries and nationalities (Manev & Stevenson, 2001; Tung, 1998a). To transcend these cultural boundaries, senior expatriates need cultural intelligence (Peterson, 2004; Thomas & Inkson, 2004), or “capability for successful adaptation to [...] unfamiliar settings attributed to cultural context” (Earley & Ang, 2003: 9). We focus on cultural intelligence as a recently developed concept that has potent implications for the study of leadership by highlighting attributes that could enhance a senior expatriate leader's effectiveness in innovating under culturally diverse situations. Our second research question is whether cultural intelligence of senior expatriates moderates the relationship between their visionary–transformational leadership and innovation, and if so, how.

In this paper, we focus on the actual rate of innovation adoption, reflecting a company's commitment to assimilate innovations continually over time (Damanpour & Gopalakrishnan, 2001). Through innovation, firms create and sustain competitive advantages that enable their survival and successful performance. We argue that senior expatriate managers' visionary–transformational leadership behaviors are positively related to the rate of innovation adoption in the organizational units they head. In addition, we propose that senior expatriate managers with higher cultural intelligence have the potential to improve their organizations' innovativeness to a greater degree than those with lower cultural intelligence (often abbreviated CQ). The main premise of this study is that CQ is an important characteristic of senior expatriate leaders who strive to improve their companies' competitiveness through innovation.

Our study has been influenced substantially by the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project, the most comprehensive investiga-

tion to date of the relationship of cultural variables with leadership at multiple levels of analysis: societal, organizational and group (House, Hanges, Javidan, Dorfman, & Gupta, 2004). Starting with 23 leadership styles, the GLOBE project eventually identified six global leader behavior dimensions, among which is charismatic/value-based leadership, which epitomizes visionary, transformational, and inspirational leadership. We extend and complement the GLOBE project by focusing on the micro, individual and organizational levels of analysis, i.e., how, in a context characterized by constant cross-cultural interactions, differences in cultural intelligence of individual senior expatriate managers influence the effect of their visionary–transformational leadership on innovation at the organizational level.

We investigate the research questions by collecting and analyzing data from the European Union (EU) countries. The EU is the largest economic entity in the world, with 27 member countries, population of 495 million people, and a GDP of about €11.6 trillion (Eurostat Yearbook, 2008). The great cultural diversity in the EU offers excellent basis for academic studies of the importance of managers' ability to transcend cultural differences epitomized by the CQ concept.

The paper is organized as follows. We first present a review of the literatures on leadership and innovation. On this basis, we develop a proposition about the effect of senior expatriates' visionary–transformational leadership behaviors on the rate of innovation adoption. Next we review the rapidly developing literature on cultural intelligence and formulate a proposition about its moderating role for the relationship between senior expatriate visionary–transformational leadership and the rate of innovation adoption. Further, we describe the method, study sample, and measures. We proceed with reporting the results of the statistical tests and finally discuss their implications for academic research and managerial practice.

2. Visionary–transformational leadership

Leadership theory places a special emphasis on leadership that is linked to developing and communicating a compelling vision for the future and managing an organizational transformation towards it. The literature on visionary leadership (Nanus, 1992; Sashkin, 1988) emphasizes an ambitious goal, a “transcendent ideal” (Kirkpatrick & Locke, 1996: 37) that challenges and motivates followers. Transformational leadership, first suggested by Burns (1978), has been conceptualized to induce followers to transcend their self-interest in the interest of the organization (Bass, 1985, 1996). In the often used Full-Range Leadership Theory (Avolio, 1999; Bass, 1985, 1998), transformational leadership is one of the first-order constructs, together with developmental-transactional and corrective-avoidant leadership. Further conceptual developments and empirical tests of this theory have indicated that transformational leadership has a significant positive influence on trust in leader, job satisfaction, and organizational commitment (Pillai, Schriesheim, & Williams, 1999; Waldman & Yammarino, 1999).

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