

# Transformational leadership, creativity, and organizational innovation

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## Abstract

This study proposes a model of the impact of transformational leadership both on followers' creativity at the individual level and on innovation at the organizational level. The model is tested on 163 R&D personnel and managers at 43 micro- and small-sized Turkish software development companies. The results suggest that transformational leadership has important effects on creativity at both the individual and organizational levels. At the individual level, the results of hierarchical linear modeling show that there is a positive relationship between transformational leadership and employees' creativity. In addition, transformational leadership influences employees' creativity through psychological empowerment. At the organizational level, the results of regression analysis reveal that transformational leadership positively associates with organizational innovation, which is measured with a market-oriented criterion developed specifically for developing countries and newly developing industries. The implications of the findings along with some potential practical applications are discussed.

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Innovation through creativity is an important factor in the success and competitive advantage of organizations (Woodman et al., 1993) as well as for a strong economy (Drucker, 1985). Today, almost all organizations face a dynamic environment characterized by rapid technological change, shortening product life cycles, and globalization. Organizations, especially technologically-driven ones, need to be more creative and innovative than before to survive, to compete, to grow, and to lead (Jung et al., 2003; Tierney et al., 1999).

The literature includes several definitions of creativity and innovation. A widely accepted definition states that creativity is the production of novel and useful ideas, and innovation is the successful implementation of creative ideas within an organization (Amabile, 1983, 1998; Amabile et al., 1996). Thus, creativity is at the individual level, while innovation is at the organizational level (Oldham and Cummings, 1996).

Interest is growing in the influence of transformational leadership on creativity and innovation. Transformational leaders raise the performance expectations of their followers (Bass, 1995) and “seek to transform followers' personal values and self-concepts, and move them to higher level of needs and aspirations” (Jung, 2001: 187). Researchers have studied the effects of transformational leadership on the performance of followers and organizations in the past decade (e.g., Dvir et al., 2002; Howell and Avolio, 1993; Lowe et al., 1996), but only a handful of studies have examined the effects of this type of leadership on followers' creativity. The conflicting findings as well as the experimental nature of these studies prompt the present research which primarily aims to understand the effects of transformational leadership on followers' creativity in a *real* setting.

The intrinsic motivation perspective dominates the creativity literature. This perspective argues that people are most creative primarily via intrinsic motivation (e.g., Amabile, 1983, 1998; Tierney et al., 1999). Amabile et al. (1996) further suggest that an individual's perception of the work environment is a key determinant of his or her creativity. According to their model, the perceived work environment influences the creative work

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carried out in organizations; that is, the psychological meaning employees attach to events in their organizations affect their motivation to generate new ideas. Previous literature has examined several psychological work environment perceptions that can influence creative work in organizations. For example, studies show perceptions of support for innovation (Scott and Bruce, 1994) and psychological empowerment (Deci et al., 1989) to be important sources of creativity.

Several studies report that transformational leaders empower their followers (e.g., Jung and Sosik, 2002) and establish an innovative climate (Jung et al., 2003). However, available research does not examine the mediating roles of empowerment and innovative climate in the relationship between transformational leadership and followers' creativity. This study proposes that employees' intrinsic motivation and perceptions of the work environment, specifically perceptions of support for innovation and empowerment, are the mechanisms underlying the effects of transformational leadership on creativity.

Along with the relationship between transformational leadership and followers' individual-level creativity and the underlying potential mediating processes, this study also investigates the relationship between transformational leadership and innovation at the organizational level. Extending the model to this level of analysis should be a significant contribution to the literature because only a handful of empirical studies have looked at the effect of transformational leadership on organizational innovation (e.g., Jung et al., 2003). More importantly, since innovation at the organizational level is the result of creative efforts and achievements in commercial organizations, gaining an understanding of the effect of this form of leadership on organizational innovation is as important as understanding its effect on employees' creativity. This study aims to examine the effects of transformational leadership on creativity at the individual level and innovation at the organizational level. Fig. 1 shows the multilevel model developed for this purpose.

According to the proposed model, transformational leadership positively relates to followers' creativity. Followers' intrinsic motivation, psychological empowerment, and perception of support for innovation mediate this effect. At the organizational level, transformational leadership positively relates to organizational innovation. Furthermore, individual-level creativity influences innovation at the organizational level.

## 1. Theoretical background and hypotheses

### 1.1. Transformational leadership and individual creativity

Burns (1978) introduces the transformational leadership theory. Bass and Avolio (1995) further developed the theory. According to them, transformational leadership has four components; charismatic role modeling, individualized consideration, inspirational motivation, and intellectual stimulation. Using *charisma*, the leader inspires admiration, respect, and loyalty, and emphasizes the importance of having a collective sense of mission. By individualized consideration, the leader builds a one-to-one relationship with his or her followers, and understands and considers their differing needs, skills, and aspirations. By inspirational motivation, the leader articulates an exciting vision of the future, shows the followers how to achieve the goals, and expresses his or her belief that they can do it. By intellectual stimulation, the leader broadens and elevates the interests of his or her employees (Bass, 1990b), and stimulates followers to think about old problems in new ways (Bass, 1985).

Transformational leadership behaviors closely match the determinants of innovation and creativity at the workplace, some of which are vision, support for innovation, autonomy, encouragement, recognition, and challenge (Elkins and Keller, 2003). This leader's behaviors are likely to act as "creativity-enhancing forces": individualized consideration "serves as a reward" for the followers by providing recognition and encouragement; intellectual stimulation "enhances exploratory thinking" by providing support for innovation, autonomy, and challenge; and inspirational motivation "provides encouragement into the idea generation process" by energizing followers to work towards the organization's vision (Bass and Avolio, 1995; Sosik et al., 1998: 113). The resulting intrinsic motivation felt by the followers is an important source of creativity (Tierney et al., 1999).

Moreover, since feelings of self-efficacy lead to higher creative performance (Mumford and Gustafson, 1988; Redmond et al., 1993), transformational leaders who develop their followers' self-efficacy (Bass, 1990b) can positively affect their followers' creativity. Employees with enhanced self-efficacy are more likely to be motivated to generate novel ideas and solutions. Furthermore, the emotional relationships a transformational

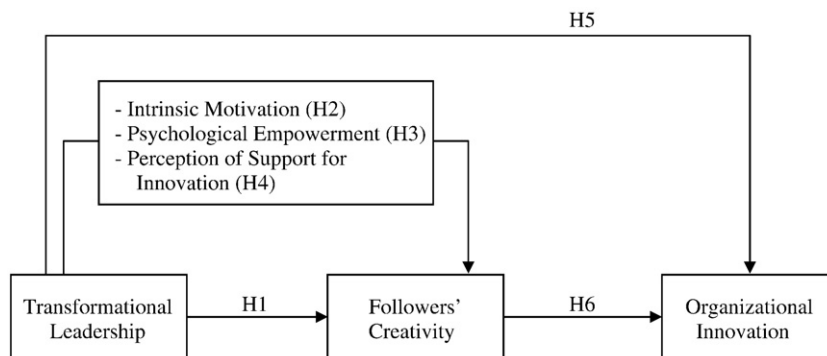


Fig. 1. The proposed model.

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