



Transformational leadership influence on organizational performance through organizational learning and innovation [☆]

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ARTICLE INFO

Article history:

Received 1 May 2010

Received in revised form 1 October 2010

Accepted 1 March 2011

Available online 31 March 2011

Keywords:

Transformational leadership

Organizational innovation

Organizational learning

Organizational performance

ABSTRACT

This study analyzes the influences of transformational leadership on organizational performance through the dynamic capabilities of organizational learning and innovation. Although these indirect interrelations are very important for improving organizational performance, previous research has not usually explored them. The study confirms these influences empirically, basing the analysis on a sample of 168 Spanish firms. The results reveal that (1) transformational leadership influences organizational performance positively through organizational learning and innovation; (2) organizational learning influences organizational performance positively, both directly and indirectly through organizational innovation; (3) organizational innovation influences organizational performance positively.

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1. Introduction

Transformational leadership can be defined as the style of leadership that heightens consciousness of collective interest among the organization's members and helps them to achieve their collective goals. In contrast, transactional leadership focuses on promoting the individual interests of the leaders and their followers and attaining the satisfaction of contractual obligations on the part of both by establishing objectives and monitoring and controlling the results (Bass and Avolio, 2000). Leaders use transactional and transformational behavior to different degrees (Bass, 1999). This investigation focuses on transformational leadership. Theories of transformational leadership emphasize emotions, values, and the importance of leadership oriented to encouraging creativity in employees. Employees are a valuable resource in the firm, a resource for which the transformational leader takes responsibility and whose professional development he or she promotes (Bass, 1999; Bass and Avolio, 2000; García Morales et al., 2008a, b).

Transformational leadership attempts to create emotional links with its followers and inspires higher values. Such leadership transmits the importance of having a shared mission and infusing a sense of purpose, direction and meaning into the followers' labor (Bass, 1999). Transformational leadership becomes the motor and transmitter of innovative culture and of the dissemination of knowledge oriented to seeking the best possible organizational performance. The example of transformational leadership committed to the organization's goals and their internalization in its followers seeks to encourage commitment to results on the part of the organization's members (Bass, 1999; Bass and Avolio, 2000).

Transformational leaders have charisma, provide inspiration and promote intellectual stimulation (Bass, 1999; Bass and Avolio, 2000; Conger, 1999). Charisma generates the pride, faith and respect that leaders work to encourage their employees to have in themselves, their leaders, and their organizations. Transformational leaders provide inspiration by motivating their followers, largely through communication of high expectations. Such leaders also promote intellectual stimulation by promoting employees' intelligence, knowledge and *learning* so that employees can be *innovative* in their approach to problem solving and solutions.

Various studies analyze the influence of transformational leadership on organizational performance through intermediate constructs such as culture (e.g., Ogbonna and Harris, 2000), entrepreneurship (e.g., García Morales et al., 2006), knowledge management (e.g., Gowen et al., 2009), congruence in top management teams (e.g., Colbert et al., 2008), flexibility (e.g., Rodriguez Ponce, 2007), human-capital-enhancing human resource management (Zhu et al., 2005), competitive strategies (e.g., Menguc et al., 2007), and absorptive capacity (e.g., García Morales et al., 2008a, b). However, understanding

[☆] The authors gratefully acknowledge the cooperation and financial support provided by the Spanish Ministry of Education (Project ECO2009-09241) and the Andalusian Regional Government (Excellence Research Project P08-SEJ-4057). Comments by Matías-Reche, University of Granada and Verdú-Jover, University of Miguel Hernandez (Elche) on an earlier draft were helpful in revising this paper. The authors alone are responsible for all limitations and errors that may relate to the study and the paper.

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of the processes through which the leader exerts this influence is still limited and largely speculative (Bass, 1999; Conger, 1999). This investigation seeks to analyze empirically whether transformational leadership exerts this influence on organizational performance through the intermediate influence of organizational learning and innovation.

Organizational learning is the capability “within an organization to maintain or improve performance based on experience. This activity involves knowledge acquisition (the development or creation of skills, insights, and relationships), knowledge sharing (the dissemination to others of what has been acquired by some), and knowledge utilization (integration of learning so that it is assimilated and broadly available and can be generalized to new situations)” (DiBella et al., 1996, p. 363). Organizational learning is the process by which the organization increases the knowledge created by individuals in an organized way and transforms this knowledge into part of the organization's knowledge system. The process takes place within a community of interaction in which the organization creates knowledge, which expands in a constant dynamic between the tacit and the explicit (Nonaka and Takeuchi, 1995). The development of new abilities and knowledge and the increase in the organization's capability enable organizational learning. Organizational learning involves cognitive and behavioral change. More than ever, organizational learning has become a need rather than a choice. Inability to learn is the reason most firms disappear before forty years have passed (Argyris and Schön, 1996; Senge, 1990).

The scientific literature proposes different definitions of innovation. This study uses the definition of innovation formulated by the Product Development and Management Association, which analyzes innovation as “a new idea, method, or device. The act of creating a new product or process. The act includes invention as well as the work required to bring an idea or concept into final form” (Belliveau et al., 2002, p. 446). Although research widely prescribes firm innovation as a means of improving organizational performance, many firms do not or cannot develop innovation properly. Researchers urge attention to what enables firms to innovate, to search for answers beyond semiautomatic stimulus–response processes (Zollo and Winter, 2002, p.341).

Empirical studies support the relationship between organizational learning and innovation (Bueno et al., 2010; Cohen and Levinthal, 1990; Glynn, 1996; Hurley and Hult, 1998; Ireland et al., 2001; Mezias and Glynn, 1993). Different types of learning and innovation are also related. For example, generative learning is the most advanced form of organizational learning and occurs when an organization is willing to question long-held assumptions about its mission, customers, capabilities, and strategy and to generate changes in its practices, strategies, and values. Such learning forms the necessary underpinnings for radical innovations in products, processes, and technologies (Argyris and Schön, 1996; Damanpour, 1991; Glynn, 1996; Senge, 1990; Senge et al., 1994).

The literature also emphasizes the great importance of organizational learning and innovation for a company's survival and effective performance. Organizational learning is a major component in any effort to improve organizational performance and strengthen competitive advantage. The development of new knowledge, derived from organizational learning, reduces the likelihood that a firm's competencies will become outdated, enabling the competencies to remain dynamic and thus favoring improvement in performance. Organizational learning usually has positive connotations, since this form of learning associates with performance improvements (Argyris and Schön, 1996; Fiol and Lyles, 1985; Inkpen and Crossan, 1995; Ireland et al., 2001; Senge, 1990). Various authors also show that innovation is essential to improving performance and that innovation comes into play in order to improve organizational performance (Argyris and Schön, 1996; Damanpour, 1991; Fiol and Lyles, 1985; Hurley and Hult, 1998; Senge, 1990; Zaltman et al., 1973).

To summarize, this study analyzes the influence of transformational leadership on organizational learning and innovation and emphasizes the importance of providing empirical results that prove these relationships. The model also claims to demonstrate the existence of a positive and significant link between organizational learning and innovation and between these dynamic capabilities and organizational performance. The relatively slight attention paid in practice to these topics contrasts with their importance for technicians and practitioners.

To achieve the objectives, the article develops as follows. Based on previous research, the section on hypotheses proposes a series of hypotheses on the influence of transformational leadership on organizational learning and organizational innovation, the influence of organizational learning on organizational innovation and the influence of both organizational learning and organizational innovation on organizational performance. The method section presents the data and the method used to analyze empirically the hypotheses developed in Spanish firms. The section on the results presents the findings. Finally, the section on conclusions and future research discusses the results and points out some of the limitations of this study.

2. Hypotheses

2.1. The influence of transformational leadership on organizational learning and organizational innovation

Prior studies assert association between leadership and organizational learning (McGill et al., 1992; Senge, 1990; Senge et al., 1994; Tushman and Nadler, 1986). Transformational leadership builds teams and provides them with direction, energy, and support for processes of change and organizational learning (Bass, 1999; McDonough, 2000). This style allows organizations to learn through experimentation, exploration, communication and dialogue (Lei et al., 1999; Menguc et al., 2007; Senge et al., 1994; Slater and Narver, 1995; Tushman and Nadler, 1986).

More specifically, transformational leadership fuels organizational learning by promoting intellectual stimulation and providing inspirational motivation and self-confidence among organization members (Coad and Berry, 1998). The transformational leader will be a catalyst, a mentor, a facilitator and a trainer in organizational learning. He or she encourages shared mental models in technological organizations that favor continuous learning and facilitate technological learning and the use of new technologies (Senge et al., 1994).

Transformational leadership generates greater consciousness and acceptance of the purpose and mission of the organization and fosters a shared vision, reorienting the training and construction of work teams. This leadership style also allows the leader to commit him- or herself openly to learning, to become its driving force, and to provide whatever is needed to overcome internal skepticism and external difficulties to establish learning within the organization (Wick and Leon, 1995).

The influence of transformational leadership on communication and the influence of communication on organizational learning produce an indirect effect of transformational leadership on organizational learning through communication (Argyris and Schön, 1996; Lei et al., 1999; Schein, 1993; Senge et al., 1994). On the basis of these arguments, the capability for transformational leadership is one of the most important means of developing organizational learning in organizations (Maani and Benton, 1999; Slater and Narver, 1995).

H1. A positive association exists between transformational leadership and organizational learning.

The strategic literature highlights leadership style as an especially important influence on organizational innovation (Kanter, 1983; McDonough, 2000; Van de Ven, 1986). Broad consensus currently

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