



Transformational leadership, innovation climate, creative self-efficacy and employee creativity: A multilevel study



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ABSTRACT

Highlighting the implications of transformational leadership, the study examines the role of transformational leadership in predicting employee creativity. The study also investigates the mediating role of innovation climate and moderating role of creative self-efficacy. A study was carried out on a sample included a dyad of 372 employees and their immediate supervisors. The findings indicate that transformational leaders can foster a climate for innovation that promotes employee creativity. Further, a significant moderating role of creative self-efficacy was found in the relationship between innovation climate and employee creativity. The findings reveal that employees with high creative-self-efficacy resort to creative behavior when they receive a supportive innovation climate.

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1. Introduction

Today's business environment has forced organizations to rejuvenate old products and services to meet the rapidly changing customer demands. New ideas, products and services have become the source for competitive advantages and business opportunities. Regardless of the industry type, product and service innovation have become a critical driver for long-term business success (Hon, 2012). Business organizations that offer only old products and services may no longer be able to survive, particularly in the developing economies, since innovation is continually emphasized (Gautschi, 2001). Thus, innovation has become an essential tool to compete with the changing global business environment.

Studies have shown that the service sector contributes to more than 70% of the gross domestic product (GDP) of the world's developed economies, and hence plays a significant role in the propagation and consumption of innovation and creativity (Ostrom et al., 2010). This case is not different in the context of developing economies like India, which largely depends on the service sector (Thakur and Hale, 2013). The success of the service industry predominantly relies on innovative services (Ostrom et al., 2010). Thus, innovative services play a vital role in shaping value creation (Moller et al., 2008) and means for gaining a larger market share (Chapman et al., 2003). In particular, the tourism industry

has emerged as one of the major service segments (Narayan et al., 2009) that needs to be more innovative in its service orientation.

The World Tourism Organization (UNWTO) reported that the tourism industry is witnessing a continuous expansion by becoming the fastest growing economic sector in the world (WTO, 2013). According to the Indian Brand Equity Foundation (IBEF), the Indian tourism industry has turned into the driving force for the service sector in the country and has achieved the 12th rank among 184 countries in terms of the total contribution made to the Gross Domestic Product (GDP) in the year 2012. This sector contributed \$34.7 billion to the GDP in 2012 (IBEF, 2013). A substantial growth in the arrival of international tourists and a growing number of Indian tourists traveling within the country has made India one of the most preferred tourist destinations for international and domestic tourists.

Located in the foothills of the Himalayas, Uttarakhand has been referred to as 'Dev Bhoomi' (land of god), which carries a diverse and rich culture with monuments of historical importance. Naturally imbued with fresh air, pure water, adverting mountains, wildlife parks and several hill stations, it is the center of attraction for national as well as international tourists. In addition to several wildlife parks, hill stations and mountain vistas, trekking routes and pilgrimage places that have allured international and domestic tourists to the state, it has been voted as 'the best emerging destination' of South Asia (IBEF, 2013). Further, the state has witnessed a significant growth in the compound annual growth rate (CAGR) of 9.6% during 2001–2011 for domestic tourist arrivals and foreign tourist arrivals (FTA) has a CAGR of 8.5% during 2001–2011 (IBEF, 2013).

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The growth prospects and future industry projection indicate that the Indian tourism industry has enough potential to become a global leader in this sector. Tourist hotels, which are an important component of the tourism industry, can act as a catalyst for this growth by providing novel tourism experiences (IBEF, 2013) that enhance customer value by offering standard facilities and creative services. Thus, the role of service innovation becomes more crucial in a highly interactive business environment like hotels where customers spend their leisure time.

Innovation and creativity are intrinsically linked (Robinson and Beesley, 2010), where creativity is the emergence of new ideas (Beesley and Cooper, 2008), innovation requires the implementation of those creative ideas (Robinson and Beesley, 2010). Thus, to develop a sound business framework, organizations must promote creative behavior among their employees (Nieves et al., 2014).

Nourishing creativity among employees in view of innovative results is a primary concern for leaders. Shalley et al. (2004) argued that the employee creativity is attributed to the individual factors and the context in which they work. Similar to this, previous studies have identified several antecedents of employee creativity (see Table 1).

Creativity researchers have established that leaders can have a deep contextual impact on an employee's performance to deliver creative and innovative results (Shalley and Gilson, 2004). This has been studied as the supervisor's leadership style (Wang et al., 2013; Gupta et al., 2012; Zhang and Bartol, 2010; Gong et al., 2009). For example, Amabile et al. (2004) reported that a leader's behavior is a key factor in the work environment that determines creativity among the individuals. Further, individual level variables play a significant role in nourishing employee creativity (Shalley and Gilson, 2004; Sun et al., 2012). The present study utilizes both approaches to introduce a comprehensive model to predict employee creativity.

For innovation and creativity, organizations need to be blended with leaders who can address complex problems with innovative solutions (Williams and Foti, 2011). Fostering employee creativity through a specific leadership style has been the focus of many researchers (e.g., see Reiter-Palmon and Illies, 2004; Mumford et al., 2002; Gupta et al., 2012). In recent creativity studies, transformational leadership has emerged as a strong predictor of employee creativity (see Wang et al., 2013; Wang and Rode, 2010; Gong et al., 2009; Gumusluoglu and Ilsev, 2009a). For example, transformational leadership engenders a supportive innovation climate (Jung et al., 2003) and mobilizes the necessary contextual resources for subordinates to exert creative behavior. However, very few studies have addressed the subject of creativity in the Indian context. For example, Gupta et al. (2012) has found significant impact of leaders on employee creativity.

In their study on Indian setting, Sinha and Sinha (1990) have found that in India, the leader-subordinate relationship is guided by deference (Shraddha) and affection (Sneh) and subordinates always seek support, assistance, attention and suggestion from leaders even when they are capable enough (Sinha, 2008). Thus, while demonstrating the four behavioral components of transformational leadership i.e., inspirational motivation, intellectual stimulation, idealized influence and individualized consideration (Avolio et al., 1999) a transformational leader can easily fulfill these subordinates' needs and encourage them for creative performance (Gupta and Singh, 2013).

In addition, studies have empirically shown that supportive innovation climate motivates for higher levels of creativity among employees (Charbonnier-Voirin et al., 2010; Wang et al., 2013). Nonetheless, limited literatures on innovation climate have integrated to advance a more precise role of innovative climate at different levels, which limits our understanding of innovation climate as a multilevel phenomenon (Wang et al., 2013; Chen et al.,

2013). Recent multilevel studies have demonstrated that individual creativity positively relates to group level variables including leadership style, supportive coworker (Hon, 2011), support for innovation (Chen et al., 2013) These advance findings signify the importance of multilevel consideration of innovation climate. However, as innovation climate is a broad concept, very limited studies have address cross-level issues, including whether group climate motivates individual level creativity (Charbonnier-Voirin et al., 2010; Wang et al., 2013).

Past studies have also found that an employee's creative self-efficacy has a significant effect on the individual's creative behavior (Tierney and Farmer, 2002; Gong et al., 2009). In their study, Gong et al. (2009) found a significant mediating role of creative self-efficacy in predicting employee creativity. Further, although Bandura (1997) has highlighted the reciprocal relationship between creative behavior and creative self-efficacy, there is hardly any study that investigates the interaction effect of creative self-efficacy in predicting employee creative behavior. Richter et al. (2012) also recommended to study the interaction effect of creative self-efficacy. They also believed that a strong belief in creative-self extensively motivates individuals to seek consultation and guidance in applying creative behavior. In response to (Richter et al., 2012), this study is an attempt to address this gap by investigating the moderating function of creative self-efficacy in the relationship between innovative climate and employee creativity.

Utilizing both, individual-level and group-level pathways in the present model, the present study will add to the existing literature and managerial practices in several ways. First, the main contribution of the present research is the delineation of multilevel effects of group-level variables on individual-level variables to foster creative performance. The study expect that transformational leadership behavior of the group supervisor foster a positive perception about the group innovation climate among the followers which in turn encourage them to perform creatively. Second, we introduce creative self-efficacy as a moderating mechanism to promote individual creativity. The findings of the study will guide to the managers who were constantly devoting their managerial and financial resources in promoting creativity among their employees. The next sections present theoretical support to build up the hypotheses followed by research method, data analysis and results. Finally, we discuss, implications, conclusions and limitations of the study.

2. Theoretical foundation and hypotheses formulation

2.1. Transformational leadership and innovation climate

Transformational leadership has been conceptualized as a multi-dimensional concept (Bass, 1985). In their study, Avolio et al. (1999) came up with a more precise concept of transformational leadership that fused individualized consideration, idealize influence and intellectual stimulation inspirational motivation. Using *idealize influence*, leader inspires the inherent thoughts of followers by acting as a role model to gain respect, admiration and loyalty, which generates a sense of collectivity among the followers. Through one-to-one relationships with each follower in the collective setting, the leader institutionalizes the confidence of *individualized consideration* in which he is always concerned about the needs of each follower. By *inspirational motivation*, a leader not only steers a vision for the future, but also shows the path for achieving goals and helps the followers to realize that they can do it. Through intellectual stimulation, the leader makes available the necessary cognitive resources to the followers and stimulates them to work differently (Avolio et al., 1999).

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