# Top Management's Transformational Leader Behaviors and Innovation Orientation: A Cross-Cultural Perspective in Eight Countries

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## ABSTRACT

This study builds upon the established relationship between top management's transformational leadership and firm-level innovation. It extends current research by determining how specific transformational-leader behaviors influence the firm's innovation orientation and how national culture moderates this relationship. The study examines these behaviors empirically in 954 firms from eight countries. Findings reveal that six transformational-leader behaviors positively influence innovation orientation but with differing levels of intensity. Only two of these relationships, "providing an appropriate model" and "accepting group goals," are culturally independent, while the other behaviors' effects tend to be culturally dependent. For example, "providing intellectual stimulation" has a stronger effect in collectivist cultures, cultures with high power distance, and low uncertainty-avoidance cultures than in other cultures. Similar culture-dependent findings emerge for other leader behaviors.

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## 1. Introduction

Innovativeness is a major driver of firm performance, as Rubera and Kirca (2012) find in their meta-analysis of 153 innovation studies with more than 36,000 companies. Because of the importance of innovativeness, many studies focus on the organizational and managerial factors that drive it; and transformational leadership in particular has been established as a major determinant (Gumusluoglu and Ilsev, 2009; Jung et al., 2003). The present research builds on this relationship and extends it in two major ways.

First, while the leadership literature has shown that transformational leadership is comprised of several behaviors with differing effects (e.g., Podsakoff et al., 1990), most studies that link transformational leadership and innovation examine transformational leadership as a composite, second-order construct (e.g., Gumusluoglu and Ilsev, 2009; Kirkman et al., 2009). To acquire more fine-grained insights into this relationship, the present research links to firms' degree of innovation of each of the six transformational-leader behaviors: articulating a vision, providing an appropriate model, accepting group goals, having high performance expectations, providing individualized support, and providing intellectual stimulation.

Second, most of the studies on the effects of transformational leadership are conducted in a single country (Grant, 2012; Jung et al., 2008). However, since much of an employee's response to managerial stimuli is culturally predetermined prior to his or her entering a firm, the effects of management activities in general may depend on the national culture in which a firm operates (Hofstede, 2001; Lytle et al., 1995). Although some conceptual arguments suggest that the effectiveness of leadership depends on national cultural influences (Elenkov and Manev, 2005), empirical evidence, especially on the cultural dependency of transformational-leader behaviors, is lacking.

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The present study examines the effects of six transformational-leader behaviors on firms' innovation orientation and the degree to which three major national cultural dimensions – power distance, individualism/collectivism, and uncertainty avoidance – influence this relationship. Therefore, our exploratory study addresses two research questions (1) *How does each transformational-leader behavior influence innovation orientation*? (2) *How does national culture moderate the influence of transformational-leader behaviors on innovation orientation*? These research questions are examined empirically with a sample of 954 firms from eight national cultures.

The study contributes to the literature of leadership and innovation in two major ways: First, it extends prior research by providing exploratory evidence about the relationship between transformational leadership and innovation on the level of six transformational-leader behaviors, leading to new insights on this relationship. Second, it is the first study to investigate the national cultural dependency of the effects of transformational leadership on the level of the six underlying leader behaviors. Thus, the study shows which transformational-leader behaviors, as the new paradigm in the leadership literature (Bass, 1997), depend on national culture and which are universal in their effects.

The remainder of the paper is structured as follows: First, we outline the theoretical foundations by introducing the concepts of transformational leadership, innovation orientation, and national culture. Then we elaborate on the two research questions and explain how we explore them empirically. Next, we explain the methodology in terms of samples, measures, and method of analysis. Finally, we present our findings and discuss them in terms of their theoretical and practical implications.

## 2. Theoretical premises

### 2.1. Top management's transformational leadership

Transformational leaders appeal to their followers' intrinsic motivations so the followers will bypass their own self-interests for the good of the organization (Avolio et al., 1995). Thus, transformational leaders "transform or change the basic values, beliefs, and attitudes of followers so that they are willing to perform beyond the minimum levels specified by the organization" (Podsakoff et al., 1990, p. 108) and "offer a purpose that transcends short-term goals and focuses on higher order intrinsic needs" (Judge and Piccolo, 2004, p. 755).

According to Podsakoff et al. (1990), transformational leadership is comprised of six leader behaviors: *Articulating a vision* involves communicating a strong and compelling vision of the future based on values and ideals. *Providing an appropriate model* refers to setting an example for employees "that is consistent with the values the leader espouses" (Podsakoff et al., 1990, p.112). By *accepting group goals*, transformational leaders foster "collective identities and encourage self-sacrifice for the sake of the group" (Mackenzie et al., 2001, p. 119). *Having high performance expectations* refers to trusting followers to deliver superior performance. *Providing individualized support* relates to coaching, mentoring, and consulting followers (Judge and Piccolo, 2004). *Providing intellectual stimulation* means encouraging followers "to challenge existing assumptions, to reframe problems, and to approach old situations in new ways" (Eisenbeiss et al., 2008, p. 1439).

### 2.2. Innovation orientation

Little research has focused on an organization-wide innovation orientation, although market orientation and customer orientation have been extensively researched (e.g., Kirca et al., 2005). In the past twenty years only a few studies have "acknowledged innovation orientation as a construct in its own right" (Siguaw et al., 2006, p. 557).

Siguaw et al. (2006), who define innovation orientation as "the organizational strategies and actions toward specific innovation-enabling competencies and processes" (p. 556), propose a conceptualization of innovation orientation along three dimensions: learning philosophy, strategic direction, and transfunctional acclimation. Learning philosophy refers to "organization-wide understandings about learning, thinking, acquiring, transferring, and using knowledge in the firm to innovate" (Siguaw et al., 2006, p. 562), while strategic direction highlights the future-orientation of the company (Amabile, 1997; Gatignon and Xuereb, 1997). The prerequisite that the learning philosophy and the strategic direction pervade all functional areas of a firm captures the third component of innovation orientation, the transfunctional acclimation.

### 2.3. National culture

Kluckhohn (1951, p. 86) provides the most prominent definition of national culture as "patterned ways of thinking, feeling, and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values."

The dimensions of national culture used most frequently in academic research are individualism, power distance, and uncertainty avoidance (Triandis, 2004). Individualism refers to the degree of "I" consciousness within a culture (Hofstede, 1984). In individualist cultures, each person is considered primarily as an individual, while collectivist cultures are "we" conscious, considering social groups primary and regarding each person as a member of a social group (Triandis, 1994). Power distance refers to "the extent to which less powerful members of organizations and institutions […] accept and expect that power is distributed unequally" (Hofstede and Bond, 1988, p. 10). In high power-distance cultures, decision power typically lies only in the hands of leaders (Hofstede, 1984), while in low