How to enable employee creativity in a team context: A cross-level mediating process of transformational leadership

Yuntao Bai [a], Li Lin [b], Peter Ping Li [c]

[a] *School of Management, Xiamen University, Xiamen, China*
[b] *School of Economics, Utrecht University, The Netherlands*
[c] *International Business School Suzhou, Xi'an Jiaotong-Liverpool University, Suzhou, China*

ARTICLE INFO

ABSTRACT

Employee creativity is critical to organizations' growth and is largely dependent on team dynamics. However, teams generally fail to encourage members to share their diverse knowledge, especially those that may cause disagreement among team members, as conflict often occurs in a team context. However, the issue of how to enhance employee creativity from the perspective of team leader in a team context is largely understudied. This study aims to explore the cross-level links between the transformational behavior of team leader and employee creativity in a team context. We propose a three-path cross-level mediating model in which two critical team-level process variables, i.e., team conflict and knowledge sharing, are involved. Using multi-level structural equation modeling, we found that team conflict and knowledge sharing served as two sequential mediators between the cross-level links. This study highlights the critical role of transformational leadership as across-level enabler for employee creativity.

1. Introduction

To facilitate employee creativity, one of the prevalent human resource practices is to organize employees into small groups. In groups, members can share their distributed knowledge to enhance their creative capabilities, which in turn help their organization create innovative products and services (Amabile, Conti, Coon, Lazenby, & Herron, 1996; Wang & Noe, 2010). It is evident that knowledge sharing among employees is critical to organizational creativity and innovation (Carmeli, Gelbard, & Reiter-Palmon, 2013; Gilson, Lim, Luciano, & Choi, 2013; Grant, 1996; Van Wijk, Jansen, & Lyles, 2008; Wang & Noe, 2010). However, placing employees into groups does not always result in effective knowledge sharing and organizational innovation. One key reason may lie in team conflict.

In a team context, conflict is often inevitable, and it can sometimes be a salient antecedent to team effectiveness (De Dreu & Van de Vliert, Using Conflict in Organizations, 1997; Hempel, Zhang, & Tjosvold, 2009). Though conflict is generally regarded as negative so as to be avoided, a certain type of conflict could be beneficial to organizations. In general, two types of team conflict are widely recognized: task (cognitive) conflict, and relationship (emotional) conflict. *Task conflict* could contribute to employee knowledge sharing and creativity by triggering an exchange of information and an exploration of diverse and even opposing opinions as well as a re-evaluation of the status quo

and a scrutiny of the task at hand (De Dreu & West, 2001). Unlike task conflict, *relationship conflict* often causes negative psychological reactions, including strain, frustration, anger, and fear, which often hurt employee creativity (De Dreu, 2006). Meanwhile, the two types of conflict often coexist in the same team because task conflict often triggers relationship conflict when people adhere to opposite opinions and perspectives, thus difficult to tease apart the distinctive effects of the two types of conflict on information sharing and performance (Bai, Han, & Harms, in press; Simons & Peterson, 2000). Hence, understanding and then managing the processes and results of different types of team conflict in team context is worthy serious examination.

Bearing the above points in mind, this paper will focus on the specific role of transformational leadership to explain the complex links between team conflict, knowledge-sharing, and creativity process. Transformational leadership has been generally understood as a contextual element influencing and interacting with team dynamics at multiple levels of analysis. Previous studies have devoted considerable attention to the multi-level relationships between transformational leadership and employee outcomes, e.g., job performance, job satisfaction, and organizational citizenship behavior (e.g., López-Domínguez, Enache, Sallan, & Simo, 2013; Tse & Chiu, 2014; Wang & Howell, 2010; Zhu, Newman, Miao, & Hooke, 2013). There is also a growing interest in the link between transformational leadership and employee creativity. *Employee creativity* can be defined as "the production of novel and useful ideas concerning products, services, processes and procedures by a team of employees working together" (Shin & Zhou, 2007, p. 1715). Despite the growing interest, the primary attention has been

on the direct main or moderating effect of transformational leadership on employee creativity (e.g., Herrmann & Felfe, 2013, 2014; Hirst, Van Dick, & van Knippenberg, 2009; Pieterse, Van Knippenberg, Schippers, & Stam, 2010; Wang & Rode, 2010) or the indirect effect via individual-level psychological mechanisms, such as creative self-efficacy (Gong, Huang, & Farh, 2009), follower dependency (Eisenbeiss & Boerner, 2013), individual differentiation (Tse & Chiu, 2014), intrinsic motivation and psychological empowerment (Chen, Li, & Tang, 2009; Gumusluoglu & Ilsev, 2009; Jung, Chow, & Wu, 2003; see Rosing, Frese, & Bausch, 2011 for the most recent review). In contrast, the team-level mechanisms explaining "how employees working together to create" are understudied (see Eisenbeiss et al., 2008 as an exception for innovation climate as a mediating process). As defined, employee creativity is not only a function of individual talents or intrinsic motivations, but also a result of how team members interact with each other in a dynamic process (Gisber-López, Verdú-Jover, & Gómez-Bras, 2013). Echoing the call from Dionne, Yammarino, Atwater, and Spangler (2004) that "expanding our understanding of specifically how transformational leadership components can be linked to team performance through various teamwork processes" (p. 182), we specifically focus on the effect of transformational leader on the group-level cognitive and emotional processes, which in turn contribute to individual-level creativity.

In light of the important roles of team conflict and knowledge-sharing in team processes in general, and employee creativity in particular, the purpose of this study is to answer the question: *how would transformational leadership enhance individual employee creativity via cross-level mechanisms?* By addressing this gap in the existing research, our study seeks to make three key contributions. First, we attempt to enrich the research on the complex effects of transformational leadership on team conflict, knowledge sharing, and employee creativity. Creativity research has often been criticized as being confined to individuals as a micro-level analysis, thus limiting our understanding about how creativity develops through higher-level mechanisms (Anderson et al., 2004). Our cross-level model responds to the repeated calls for more research on team dynamics (e.g., Avolio and Yammarino, 2002; Eisenbeiss et al., 2008), with a special attention to the critical role of transformational leadership. Specifically, the study will show that transformational leadership fosters employee creativity by influencing interpersonal motivation and capability in a team context via the intensive interaction between members in a team (Shih, Chiang, & Chen, 2012). Second, to further open the black box of team dynamics, we focus on two core process-related variables, i.e., team conflict and knowledge sharing, as two cross-level mediators, in tandem, between transformational leadership and employee creativity. The proposed three-path cross-level mediating process via team conflict and knowledge sharing can enrich our understanding about the cross-level mechanisms for leadership-creativity link. In other words, we posit that transformational leadership can shape employee creativity indirectly through the mechanisms of team conflict and knowledge sharing.

Third, to embed our study in the macro-level context, we conduct our study in the special context of China not only as an emerging economy but also a unique culture as compared to the West, thus from an "emic" perspective (Tsui, Wang, & Xin, 2006). In general, those cultures that value *personalized relationship* as the cultural norm (e.g., interpersonal harmony) have been framed as collectivists (Chen & Chen, 2009; Hempel, Zhang, & Tjosvold, 2009; Triandis, McCusker, & Hui, 1990). Scholars have evoked this *relational orientation* as an explanation for the Chinese preference for interpersonal harmony as well as their bias against interpersonal conflict (Tjosvold, Poon, & Yu, 2005; Xin & Pearce, 1996). Hence, the need for closure, the emphasis on harmony (Leung, Brew, Zhang, & Zhang, 2011), and the focus on avoiding any open face-to-face confrontation (Bond, Hewstone, Wan, & Chiu, 1985; Chen & Tjosvold, 2002) may make the typical forms of team conflict among the Chinese different from those in the West. Further, it is worth noting that China has been widely known for its lack of creativity in the past, yet the country has been undertaking major steps to transform its model of economic development from that of "Made in China" to that of "Created in China" (Keane, 2006). It is interesting to learn about how creativity can be fostered in the context of modern China.

2. Theoretical background and hypotheses development

2.1. The link between transformational leadership and employee creativity

Employee creativity is central to the long-term survival of an organization because employee creativity generates novel and potentially useful ideas to create new, and/or improve existing, products, services, processes, and routines (Shalley, Gilson, & Blum, 2000). Nowadays, rather than confined to R&D staff, employee creativity has been extended to all employees who can directly or indirectly contribute with their novel ideas, so creative ideas may be generated by every employee in any position at any level of an organization. Previous studies have regarded creativity as a function of employee's personal traits and cognitive capabilities (e.g. Gong, Cheung, Wang, & Huang, 2012; Oldman & Cummings, 1996), but the more recent research has been shifting the priority toward the team level with a special focus on various contextual factors that may trigger or hinder employee creativity in a team context (e.g., Eisenbeiss et al., 2008; García-Morales et al., 2012; Shalley et al., 2004).

Transformational leadership is described as a style by which leaders inspire followers through vision with a sense of mission to broaden and elevate the interests of their followers by fostering the awareness and acceptance of the collective interests over the followers' own self-interests (Bass, 1985; Li, Bai, & Xi, 2012; Wang & Howell, 2010). Transformational leadership can influence employee creativity through each of its four facets (the four "I"s). *Idealized influence* characterizes the degree to which leaders are perceived as being an inspiring role model through their personal accomplishments, charismatic characteristics and exemplary behavior. This "I" has two forms: (1) the "idealized attributes" for leaders earn trust and respect, and (2) "idealized behaviors" for leaders to demonstrate how to sacrifice their own interests for advancing the interests of their team. *Inspiration motivation* depicts the extent to which leaders present an arousing vision that emphasizes the importance of tasks, promotes a strong sense of cohesion and collective purpose, and expresses higher expectations on followers. *Intellectual stimulation* entails encouraging followers to challenge existing assumptions, reframe problems and to approach old situations in new ways. New ideas and creative solutions are solicited from followers without fear of public criticism of individuals' mistakes. *Individualized consideration* refers to the extent to which leaders pay attention to and adapt their support to accommodate the unique needs of each follower.

Notably, prior studies fail to produce the consistent evidence for a relationship between transformational leadership and employee creativity. For example, Jaskyte (2004) found non-significant correlations between transformational leadership and innovative work, while Herrmann and Felfe (2013) reported the positive effect of transformational leadership on creativity. Even though meta-analyses studies (e.g., Hammond, Neff, Farr, Schwall, & Zhao, 2011; Kahai, Sosik, & Avolio, 2003; Rosing, Frese, & Bausch, 2011) showed the equivocal results for such a relationship, we adopt the position for a positive link based upon three major reasons. First, transformational leaders can identify and articulate a shared vision, which facilitates the development of novel ideas in pursuit of a shared vision. In an empirical study conducted by West and Anderson (1996), it was found that the clearer a team's goal was, the higher the level of employee creativity achieved. Second, transformational leaders provide the necessary intellectual stimulation (Chen, Li, & Tang, 2009), for example learning opportunities (Andriopoulos, 2001). They show their employees new approaches to investigating old problems, thus cultivating their followers' innovation capabilities and in turn increase the probability that creative solutions