

***The Conceptual Link between Leadership and Innovation:
The Role of Organizational Climate and Personal Initiative***

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Abstract

Travel and Tourism industry is recognized as one of the vehicles for socio-economic developments. The growing competition arising from globalization trends and technological advances exacerbates the demand for hotels to innovate their services and processes to ensure their effectiveness and competitiveness. It is believed that employees' innovative behavior can be seen as a competitive advantage for their organization and therefore the research into employees' behaviors that associate with innovation is essential. Also, clarifying the factors shaping individual innovation will allow researchers to encourage and motivate such behaviors. Given such importance, the key purpose of this paper is to introduce a conceptual framework that represents the relationship among key organizational variables: namely, leadership, organizational climate, personal initiative and individual innovative behavior. The paper will first review the leadership qualities that are identified as essential for successful innovation practices with its focus on the hotel industry. Then, the four variables are linked by examining organizational climate and personal initiative as moderators on the relationship between leadership and individual innovation behavior. Three propositions are later developed based on the proposed relationships. The framework provides a starting point for further discussion and research on the topic of innovation in the hotel industry which has been neglected with most scholarly studies focusing on manufacturing, and R & D innovation.

Keywords: Leadership, Individual Innovative Behavior, Organizational Climate, Personal Initiative, Hotel Industry

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INTRODUCTION

Today, Tourism industry is considered as one of the most profitable and effectively developing sectors of the world economy. Travel & Tourism direct industry GDP in the year 2011 was larger than the automotive, chemicals and manufacturing sectors. Tourism industry achieved an historic milestone of one billion travelers in a single year of 2012 (UNWTO), International tourism continued its momentum with a 5% growth in 2013.

Globalization has brought remarkable transformational changes in all aspects of tourism and hospitality industry throughout the world. It is creating various challenges, opportunities and threats to the industry participants. Nowadays hotel management can be considered as an art (Jayawardena, 2000). To successfully respond to the market demands, hoteliers should rely on the support and hard effort of front house employees and the skills of the back of house employees to enhance the performance of the hotel and satisfy the guests' demands (Jayawardena, McMillan, Pantin, Taller & Willie 2013, and Slatten et al 2011).

Creativity and innovation in dynamic and growing hotels industry has been emphasized in the literature to strengthen the firms' competitive advantage in the marketplace and increase the quality of services to customers (Slatten, Svenssen & Svaeri 2011; Chen 2010; Ottenbacher 2007; Wong & pang 2003). Assuming hospitality sector characterized by being labor-intensive; the performance of employees in this sector like other service industries, is of particular importance. Employees are the service providers and organization representatives to customers in this sector (Slatten et al 2011; Martinez-Ros & Orfila-Sintes 2011), and also the nature of service job is not all about standardization but personalization and customization to meet the customers' divergent expectations (Slatten et al 2011, Zeithmal et al 2008). Therefore, employees' new ideas, suggestions and participations are an important source in successful innovation practices (Amabile 1988; Scott & Bruce 1994; Woodman, Sawyer & Griffin 1993). In addition, creative employees are those who are more engaged with their work and are willing to take more risk in their tasks (Bagheri, Esmaili, Abbasi & Seraji 2013, Dewett 2004). It is believed that innovation is not only profitable for the organization, but also it develops better socio-psychological benefits for employees of the organization. Innovation raises the level of job satisfaction and provide better network of interpersonal communication across the organization (Janssen 2000).

Due to the crucial role of employees' innovative behavior, scholars have done substantial research in investigating the factors that can endorse innovation in organizations. Research findings constantly showing the notion of creativity is the complicated outcome of person-situation interaction, and social-contextual factors in the organization (Woodman & Schoenfeldt 1990; Woodman, Sawyer & Griffin 1993, West & Anderson 1996). Numbers of environmental and contextual variables such as leadership, organizational support and climate have been identified as motivators of individual level creativity and innovation in organizations (Shalley & Gilson 2004, Shalley, Zhou & Oldham 2004, Ismail 2003; West & Sacramento 2012, Jong & Hartog 2007). Of all the factors that affect employees work environment in organization, leaders are of particular importance as they direct and evaluate employees daily work, influence their access to resources and information, and shape

their engagements with tasks and interactions with others (Guptha & Singh 2013). In general, leadership found to have an effective source of influence on employee's work behavior (Yukl et al 2002). Mumford & Licunan (2004) and Mumford, Scott, Gaddis et al (2002) analysis of leadership and innovation scholarly studies demonstrated not only leadership contributes effectively in the generation of new ideas and products, but also it has a significant role in the success of creative endeavors. Further, in the context of Hotel industry leadership has been found critical in advocating employees' creative accomplishments (Pang & Wong 2003; Chen 2010; Enz & Siguaw 2003; Slatten et al 2011).

This paper is attempting to develop an integrated approach to shed light on the impact of leadership on individual's innovative work behavior. Specifically, this paper suggests a framework to investigate the influence of organizational climate, as organizational contextual factor, and personal initiatives, as an individual level attribute, to fully understand the factors facilitating and enhancing employees' innovative behavior in hotels.

To sum up, we provide theoretical reasoning for why individual innovative behavior is critical in the hotel industry and how the interaction among leadership, organizational climate and personal initiatives will result in higher levels of innovativeness among employees.

LITERATURE REVIEW

HOTEL INDUSTRY INNOVATION

Although innovation theories traditionally developed for manufacturing, service innovation is gaining more attention nowadays. In the face of market changes, customers are bombarded by different product and service offerings in the market, what can empower organizations for success and survival is adding innovative service values to their products (Victorino, Verma, Plaschka & Dev 2005). In this regard referring to the fundamental distinction between service innovation and manufacturing, it would be interesting to elaborate how innovation has been explained in services and more specifically in the hotel industry. Enz et al (2010, pp. 6) defined service innovation as "the introduction of new or novel ideas that focus on services and provide new ways of delivering a benefit, new service concepts or new service business models through continuous operational improvement, technology, investment in employee performance or management of the customer service experience". Within the context of hotel industry, innovativeness can take various forms, such as encouraging employees to come up with creative ideas, simply being open to change, or developing appropriate strategies (Tajeddini, 2010).

Further, Innovation in hotel industry has been categorized in different clusters; market drivers (Ottenbacher 2007; Ottenbacher, Gnoth & Jones 2006), service delivery to customers (Wong & Pang 2003; Heaton & Ford 2001), effective management process and organizational structure (Ottenbacher & Gnoth 2006; Orfila-Sintes & Mattsson 2007; Orfila-Sintes, Crespí-Cladera & Martínez-Ros 2005) and service provider which refers to hotel tangible characteristic and additional services (Orfila-Sintes & Mattsson 2007).

Traditionally hotel industry was concerned by routine operations to provide basic food and accommodation to travelers (Wong & Ladkin 2008) which is no longer effective to satisfy the customers' expectations. Nowadays, Hospitality sector is overflowed by lots of similar and alternative service offerings (Reid Wainata & Mia 2005), customers are not absolutely brand loyal, they are looking for the best offers under budgetary constraints (Olson & Connolly 2000), information technology is rapidly changing the market (Martines-Ras & Orfila-Sintes 2011), new segments have emerged in the market such as leisure, business and sun and sand travellers which all make a significant change in the concept of the hotel industry. Hotels need to innovative their services and operations to satisfy the customers changing demands to survive (Chen 2011; Ottenbacher 2007; Wong & pang 2003). For instance, Jumeirah Essex House at New York City hired a curator to showcase the best artistic works including film, photography, paint, and ceramics in hotel's lobby to show its commitment to culture and art, the programs was unique at that time and fits Jumeirah slogan "stay different" perfectly. Customers have been found to be influenced more by innovative service offerings such as child-care program, personalization and customization of services (Victorino et al 2005; Enz et al 2010).

Reviewing the literature revealed that many scholars highlighted the importance of human resources innovation in hospitality industry (Martines-Ras & Orfila-Sintes 2011; Enz & Siguaw 2003; Ottenbacher & Gnoth 2005; Chen 2011; Ladkin & Wong 2008). If the only way for hotels and resorts to be innovative was by improving tangible objectives, facilities, and high technology that would be simple, but the innovation in this industry requires initiative staff members to satisfy the heterogeneous demands of customers. Hospitality industry is no longer considered as low-level (Baum 2007), it is skill-oriented and soft skills of hospitality employees are of significant importance such as emotional labor (Seymour 2000) and aesthetic labor (Warhurst et al 2000).

The skills of Service employees are critical to success of the organization because they are customer-contact staff, service providers to the customers and directly affect customer service experience (Zeithmal & Bitner 2000; Lopez-Fernandez, Serrano-Bedia & Gomez-Lopez 2011). Data from 196 independent hotels and restaurants operating in the People's Republic of China show that hiring multi-skilled core customer-contact employees and training core customer-contact employees for multiple skills both have significant and positive effects on incremental and radical innovation among hotel and restaurant companies (Chang, Gong, Shum 2011). As Mumford (2000) suggested that innovative outcomes generated from the ability of front-line employees to respond to guest demands and problems creatively.

INDIVIDUAL INNOVATIVE BEHAVIOR

Innovation theorists often explain innovation as being composed of two stages; idea generation and implementation (Axtell et al 2000; Amabile et al 1996). The separation between the two phases is at the point which idea is first generated, so first stage ends with the adoption of an idea, and the second stage ends when the idea is applied (King and Anderson 2002). innovative work behavior, which is an individual's behavior involving the intentional introduction of new and useful ideas, processes, products or procedures within a work role, group or organization (Far & Ford 1990; West & Farr 1989). Creativity is a process in which employees develop

novel and useful solutions to meet challenges and solve work-related problems in the course of goal-directed behavior (Amabile, 1988), it can either be a part of employee's job requirement or go beyond them (Unsworth, 2001). In fact, creative behavior is the building block and input to innovative behavior, and innovation is the process of revolutionizing of organizational practices by producing a useful outcome. Slatten et al (2011) found that employees' creativity significantly related to employees' innovative behavior.

Individual innovation has been operationalized in different ways. Traditional approaches to the study of creativity emphasized on the personality characteristics and traits associated with individuals' creative achievements (Feist 1998). The research has examined personal characteristics such as backgrounds and biographical factors to measure cognitive styles and intelligence of creative people in different domains (Barron & Harrington 1981, James & Asmus 2000, Woodman & Schoenfeldt, 1989). The macro-level approach focuses only on the role of contextual factors and oversight the importance of individual characteristics (Aiken & Hage 1971). Due to ambiguity and unconvincing results, Social-psychological approaches to creativity which put contextual and individual characteristics together developed to bring a new and more comprehensive insight to this research agenda. Amabile's componential model (1983) and Woodman, Sawyer and Griffin (1993) interactionist model of creativity suggested that creativity is the complicated outcome of person-situation interaction and it is influenced by both contextual and individual factors. The social-psychological models emphasize on the importance of considering the interplay between the person and environment in understanding individuals' creativity and innovative behavior.

LEADERSHIP

Innovation research in the tourism and hospitality changed its focus after 2005, before that the scholars were focusing on analyzing the cases of innovation practices from the industry (Tetzschner & Herlau, 2003; Enz & Siguaw, 2003) or identifying the main clusters of innovation in this industry (Hjalager, 2002; Tetzschner & Herlau, 2003). Recently, the main aim is to explore the determinants of innovation in this industry (Orfila-Sintes & Mattsson, 2009; Slatten et al 2011; Pang & Wong 2003). Previous research determined that employees' innovative behavior depends highly on their interactions with others in the organization (Zhou & Shalley 2003). Leadership as an important organizational context has been found critical in advocating employees' creative accomplishments in hotel industry (Pang & Wong 2003; Chen 2010; Enz & Siguaw 2003; Slatten et al 2007).

Leadership is among most considerably studied issues in the behavioral sciences (Barrow 1977), scholars usually define leadership in different ways based on their personal prospects and most interesting facets of the conceptualization of leadership to them (Yukl 1989). The comprehensive review by Dinh, Lord, Gardner, Meuser, Liden & Hu (2014), has identified 752 articles dealing with the topic of leadership, but to date, researchers have not been able to develop a universal model of leadership. Lord et al (2001. pp. 311) indicated there is no universal definition or style of leadership due to "innumerable situational and contextual factors". Due to the nature of work in the hotel industry where employees are in charge of providing services to

customers and responding to their inquiries and problems, it is important to explore what leadership characteristics are more effective for innovation ventures.

Wong & Pang (2003) attempted to identify the motivators to creativity from the perception of managers and supervisors within the context of the hotel industry. The outcome of 20 in-depth interviews and a follow up survey comprising of 288 responses indicated that support and motivation from top managers, detailed and effective interaction and communication between managers and employees play considerably significant role in motivating employee's creativity in this industry. Further, they investigated training and development, autonomy and flexibility, and motivating employee's participation in decision making are among the most important facilitators of individual creativity. Similarly, participation in decision making has been found as an important determinant of innovative behavior (Amabile et al 2004, Jong & Hartog 2007). There is widespread agreement that the delegate-participative leadership encourages creative and innovative performance (Axtell et al 2000; Mumford et al 2002), because it increases the congruence between subordinate goals and organizational goals which results in subordinates carry out their intentions to greater effort toward organizational objectives. Also, it is suggested that employees' insightful ideas are encouraged when hotels or managers provide support for innovation and employees involvement in decision making is motivated (Chen 2011).

Slatten, Svensson and Svaeri (2011) in a study on 72 front line employees from Norway hotel industry found that empowering leadership is positively associated with employee's creativity and innovation in frontline service jobs. Further, Ottenbacher and Gnoth (2005) developed a study to identify the factors that determine innovation success in German hospitality industry. Empowerment highlighted by the authors as a crucial factor of innovation orientation of a hotel's management. Empowering behavior is primarily concerned with the "freedom and the ability to make decisions and commitment" (Forrester 2000, pp. 67). In essence, empowering behaviors reflect giving employees the authority and freedom to make decisions and act independently. It provides subordinates considerable responsibility and autonomy in accomplishing tasks and handling problems without direct supervision (Jung et al 2003). In service industries the "exact tasks" to resolve customer problems is not predictable and employees' personal judgment and immediate actions are required (Banker et al 1996), in this context empowerment is considered as relevant to give employees a sense of courage, responsibility and autonomy to take appropriate actions when required without a long chain of command (Lewis & Gabrielson 1998). In a study of German middle managers Krause (2004) found that granting employees with freedom and autonomy is positively related to different types of innovative behavior; idea generation, testing, and implementation of ideas. Another study by Slåtten, Mehmet Mehmetoglu (2011) on 279 hospitality employees in Norway hotels and restaurants indicated that employee's engagement with work closely related to employee's innovative behavior, accordingly this study revealed that job-autonomy significantly related to higher level of job engagement.

In consistence with past studies, Nagy (2014) in a study on Romanian 3 and 4 stars Spa Hotels, found the lack of creativity and initiatives among employees is the result of some major influences; Authoritarian leadership and enforcing discipline and routines, not involving employee in innovation related discussions and decision makings, and lack of training and development programs. Authoritarian leaders are

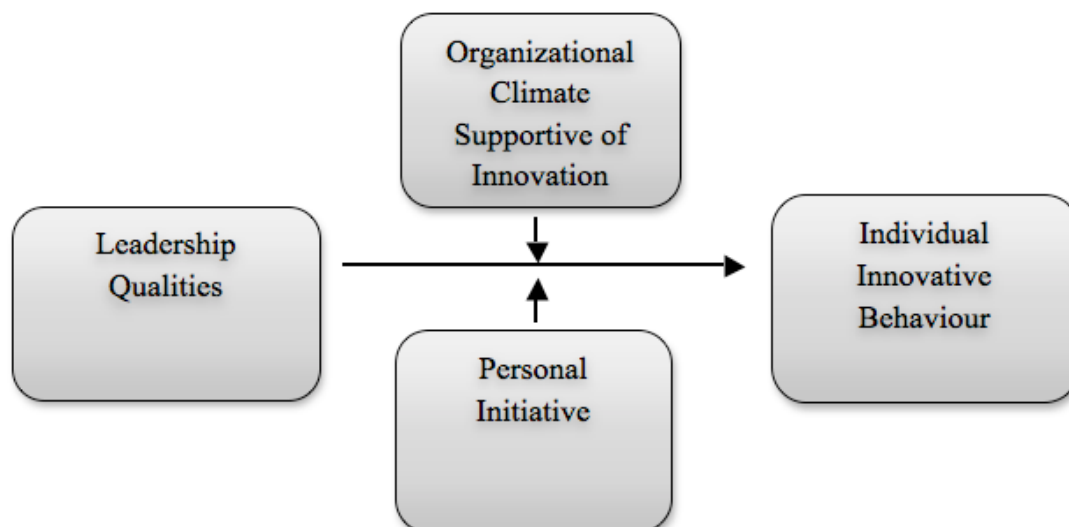
stressing personal power over followers, centralizing the authority of decision making on himself, and assert absolute control over subordinates (Cheng, Chou, Wu, Huang & Farh 2004, Tsui et al 2004; Chu 2004). It is supported in the literature that authoritarian leadership negatively associated with group creativity (Zhang, Tsui & Wang 2011). According to the study of Wong & Pang (2003), setting rules and regulations to follow, conservative management style and corporate bureaucracies are the barriers to creativity in the context of the hotel industry.

CONCEPTUAL FRAMEWORK AND PROPOSITIONS

The development of this study conceptual framework is inspired by the socio-psychological approaches to creativity and innovation (Amabile 1983; Woodman et al 1993). This approach puts the individual and contextual characteristics together to bring a more comprehensive insight into the determinants of creativity and innovative behavior. Although leadership is believed as a critical contributor to employees' innovative behavior in organization, there is a growing attention on the role of organizational and individual attributes to enhance the influence of leadership on subordinates' innovative behavior (Michaelis et al 2009; Wang & Rode 2010). This study proposes although that leadership is a pivotal factor associated with creativity and innovation in organizations, an encouraging and supportive climate can enhance the effect of leadership and promote employee's innovative behavior in organization.

Further, we argue that in the context of hotel industry that employees are service providers, the determinants of personal initiative at individuals are critical. In particular, employees with initiative characteristics are more likely to come up with new ideas and suggestions, and also they will respond to more positively to the leaders.

Figure1. Proposed conceptual framework



LEADERSHIP AND ORGANIZATIONAL CLIMATE

Climate refers to the contextual situation at the organization and its relation with the behaviours, beliefs and thoughts of organizational members. Climate affects the daily life and processes within the organization by shaping the attitudes, feelings and behaviours (Ekvall 1996). Innovation theorists have argued that organizational contextual factors play an important role in the creativity and innovation process (Amabile et al 1996; Oldham & Cummings 1996; Woodman et al 1993). Organizational climate has been considered as a central factor in workplace innovation (McMurray, Islam, Sarros & Pirola-Merlo 2013; Gumusluglu & Ilsev 2009), a climate supportive of innovation indicates the norms and procedures in the organization that promote flexibility and idea generation (Charbonneir-Voirin, Akremi & Vandenberghe 2010; West & Sacramento 2012). Kerr and Jermier (1978) 'substitute for leadership' theory considers various organizational contextual factors influencing leadership process. This theory indicates the reason that leadership is effective or ineffective in some situations depends on organizational characteristics that may 'substitute' or 'neutralize' the impact of leadership. Therefore, it can be concluded that by establishing a climate supportive and fostering creativity and innovation, leaders can considerably influence employees' innovative behaviour (Scott & Bruce 1994; Jung et al 2003; Yukl 2001). It is believed that employees perceiving climate supportive of innovation respond more favourably to leaders (Scot & Bruce 2004; Boerner & Von Stereit 2005; Jung et al 2003; McMurray 2013). Organizational climate supportive of change and flexibility provides employees with signals that organizational norms encourage taking initiatives and new idea development (West et al 2003) , in this circumstance subordinates will more positively respond to the innovative leadership behaviours.

Innovative climate is the extent to which organization supports change, members' different approaches and diversity (Scot & Bruce 1994; Seigel and Kaemmerer 1978), organizational willingness to consider new ideas (Abbey & Dickson 1983), the supply of resources for achieving innovative outcomes and organizational rewards for innovative attempts (Scot & Bruce 1994), practical support for introducing new ideas and approaches (West 1990). Wang and Rode (2010) argument that the relationship between transformational leadership and employee creativity will be weaker under high innovative climate was rejected in , this study indicated that three way interaction of transformational leadership, identification with leader and climate for innovation was associated with employee creativity. Michaelis et al (2009) indicated subordinates responds to the same leadership style depends on contextual factors such as organizational climate. Jung et al (2003) in a study of 32 Taiwanese organizations investigated that climate supportive of innovation raised the positive effect of transformational leadership on organizational innovation. Further, the results of Boerner & Von Stereit (2005) study revealed that transformational leadership style increased the quality of symphony orchestra only in circumstances that it was associated with highly cooperative climate. McMurray and colleagues (2013) in a study of a non-profit charitable organization in Australia found organizational climate act as a stimulus on the impact of leadership on workplace innovation. This research outcome highlighted the need of establishing a supportive working climate to enhance workplace innovation in non-profit organizations.

This study argues that the correlation between leadership and employee's creativity and innovative behaviour varies when employees working in a healthy organizational environment supportive and encouraging of innovation. Shamir & Howell, 1999 (p. 279) stated "The study of leadership needs to reflect not only leaders' personal characteristics and behaviours, but also the situational factors which influence leadership emergence and effectiveness".

LEADERSHIP AND PERSONAL INITIATIVE

Personal initiative (PI) is a multi-factorial behaviour (Frese & Fray 2001). Personal initiative has been explained by psychological action-theory as a "behaviour syndrome resulting in an individual's taking an active and self-starting approach to work and going beyond what is formally required in a given job" (Frese et al 1996, pp. 38). Personal initiative is conceptualized as an individual-level construct and mainly emphasizes on three characteristics: self-starting, proactive and persistent approach to surpassing barriers and problems toward achievement of organizational goals and objectives (Frese & Fray 2001). It is believed that employees with personal initiative are active and have a persistent approach rather than passive and conformist toward organizational objectives (Baer & Frese 2003; Stroppa & Spieb 2010; Hakenen et al 2008), which makes PI as an important requirement for challenging working condition of the 21st century (Frese & Fay 2001).

The study of Binnewies, Ohly & Sonnentag (2007, pp. 450) determined that personal initiative have positive correlation with idea generation, personal initiatives serves as a "motivational promoter" at this stage and fosters individual engagement in working on creative solutions. According to Levitt (2002) creative people may have ideas and new suggestions for the business, but it is not enough to make changes, initiative is required to take the right efforts and make ideas heard and applied. The results of Miron, Erez and Naveh (2004) study demonstrated that the initiative is significantly moderating the relation between creativity and innovation performance in that individuals with higher rather than low initiatives attain more effective innovation performance.

Employees with a higher level of personal initiative actively engage in idea generation, and implementation of innovation (Baer & Frese 2003; Binnewies, Ohly & Sonnentag 2007; Frese & Fay 2001). This study suggests that the correlation between leadership and employees' creativity and innovation varies when employees show higher levels of initiative. The self-starting, proactive and goal-oriented characteristics of individuals with high PI in a working environment that leaders are supportive, empowering and articulating innovative vision would result in more creative ideas and better efforts for idea implementation. This argument has been supported by Michaelis et al (2009) study on 198 employees in lower and middle management positions of a multinational automotive corporation. The results of this study indicated that employees who perceive high levels of climate for initiative reply more effectively to leader behaviours and they believe setbacks and failure will be endured by top managers, on the other hand in low levels of climate for initiative employees feel sacrificed to organizational innovation practices.

PROPOSITIONS

Based on the above discussion, the following propositions are developed:

Proposition 1: Leadership will significantly affect individual innovative behaviour.

Proposition 2: Organizational climate supportive of innovation will moderate the relationship between leadership and individual innovative behaviour.

Proposition 3: Personal initiative will moderate the relationship between leadership and individual innovative behaviour.

CONTRIBUTION OF THE FRAMEWORK

This paper proposed a framework contributes to the body of knowledge in regards to employees' innovative behaviour. Given the importance of service employees' innovation as a competitive advantage for hotels, the suggested model from the literature shed light on the integration of critical constructs to promote human resources innovation. This paper offers practical implications for managers of hotels and other service organizations which require more consideration and empirical investigation. First, even if employees will be provided by the required internal and external resources, to be innovative, without organizational environment supporting and encouraging followers' innovative behaviour the efforts won't be effective. Achieving the desired outcome, requires a deeper understanding of the leadership qualities affiliated with service employees' innovative behaviour ,and also other organizational contextual factors and individual characteristics strengthen the linkage between leadership and subordinates' innovation. Further, this study takes into account the inter-sectorial innovation differences, by emphasizing on investigating the appropriate leadership qualities for creativity and innovation purposes in the hotel industry.

CONCLUSION AND FUTURE RESEARCH

Not only innovation is a mean for an organization to convert change into opportunities (Huse, Neubaum & Gabrielsson 2005) but also it is an opportunity for long-term stability and profitability (Cooper & Edgett 1999). Service innovation will continue to be a driving force of the global economy and the main source of competition. Service employees are assets and source of creative ideas for service organizations because of the importance of service delivery to customers. According to Lashley (2008) service organizations should concentrate on host and guest transactions to build exceptional customer service, satisfaction, loyalty and competitive advantage. Despite the critical role of employees' creativity and innovation in service industries such as the hotel industry, little research to date has been done to investigate the factors encouraging and cultivating employees' innovative behaviour in this particular industrial sector.

This paper suggests that, in motivating and advocating employees' creativity in hotel industry, leadership does matter. Although leadership is undoubtedly associated with subordinates creativity and innovation, employees working in a climate cultivating innovation and taking initiatives get empowered and accept the challenge to contribute actively toward accomplishment of organizational mission and objectives (Jung et al 2003; Liao & Chuang 2007).

Furthermore, the necessity of quality and skilled labourers in order to provide excellent customer services and unique hospitality products /services has been emphasized in the literature (Ottenbacher, Gnoth 2005). Education and training found to be an effective response to pressure from the financial and economic crisis in the Hotel industry (Martinez Ross & Orfila-Sintes 2012). It is suggested that successful hospitality innovation are highly depending on organizational approach in developing systematic interpersonal and general trainings (Ottenbacher 2007). In this regards, the results of this research will produce beneficial guidelines for training and developments in the Hotel industry.

The framework provides a starting point for further discussion and research. It offers scholars and industry managers a new perspective on the relationship among leadership, Organizational climate and personal initiative and employees' creativity and innovation in hotel industry.

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