

**THE EFFECT OF LEADERSHIP STYLES ON INNOVATION: A CASE STUDY
OF PAGATECH LIMITED**

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DECLARATION

I declare that the research Report entitled “The Effect Of Leadership Styles On Innovation: A Case Study Of Pagatech Limited” submitted to Research and Postgraduate Studies’ Office of Business and Economics College is original and it has not been submitted previously in part or full to any university.

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Date: _____

CERTIFICATE

We certify that the Research Report entitled “The Effect of Leadership Styles on Innovation: A Case Study Of Pagatech Limited” was done by Mr. Abebe Abebaw for the partial fulfillment of Masters Degree under our Supervision.

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ABSTARCT

In today's business world, every business organization interacts and transacts with its environment. The success or failure of a business organization is primarily determined by the effectiveness of its interaction with its environment. Changes in social composition, governmental regulations, technological advancements and global competition have made it extremely difficult for organizations to strive and sometimes even survive. Continuous innovation is one of the crucial sources for organizational survival in market-oriented economies. As a result, organizations are paying attention to probing all factors that boost the innovative effort of its employees. This is especially true in technology driven business due to the unprecedented innovation requirements and the ever changing environment in which these businesses are operating. This study was aimed at examining the effect of leadership styles on Innovation at Pagatech Limited. To achieve this objective, the study adopted an explanatory type of research design. The research was a quantitative research. From the total population of 460 employees, the sample of 214 respondents were selected using Yemane(1967) sample size determination formula. A structured online questionnaire was used to collect the data. Correlation analysis was used to test for the association among the dependent variables and independent variables for the study. Results of correlation analysis showed that transformational and transactional leadership style had a significant and positive impact on innovation. Correlation analysis also showed that laissez-faire leadership style has a significant negative impact on innovation. Autocratic leadership was found to have an insignificant negative relationship with innovation. The research concludes transformational, transactional and lasses faire leadership styles had a significant impact on innovation where as autocratic leadership had insignificant impact on innovation. The researcher recommends the organization develop processes and introduce training that promotes transformational and transactional leadership styles while discouraging the laissez-faire and autocratic leadership styles. Thereafter, regression analysis was used to test for the effect of the independent variable of the leadership on the dependent variable (innovation). The results were presented in form of tables and figures with brief descriptions.

Keywords: Transactional leadership, Transformational leadership style, Autocratic leadership, laissez-faire leadership, innovation.

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LIST OF ABBREVIATIONS

AL= Autocratic leadership

CR= Contingent Reward

CRTY = Creativity

IC = Individual consideration

II=Idealized influence

IM=Inspirational Motivation

IMPT = Impact

IN= Innovation

INBE = Idealized Behavior

INCO = Individual Consideration

INMO = Inspirational Motivation

INST = Intellectual Stimulation

INTM = Intrinsic Motivation

IS= Intellectual Stimulation

LF= Laissez faire

MBE= Management by Exception

MLQ = Multifactor Leadership Questionnaire

ORIN = Organizational Innovation.

PESI = Perception of Support for Innovation

S.D= Standard deviation

SME = Small Medium enterprises

SPSS= Statistical package for social sciences

UK= United Kingdome

USA =United States of America

α = Cronbach's coefficient alpha

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

In response to rapid technological development and an interconnected global economy, organizational innovation, which is defined as the generation and implementation of new organizational structures, processes or practices Damanpour F.(1991), has been regarded as key to achieving a company's sustained success and economic growth (Colino, Benito-Osori, & Armengot, 2014), and has garnered increasing attention from researchers and practitioners (Damanpour F. , 1991). There are strong indications that leadership is important for organizational innovation (Nadler & Tushman, 1990). Leadership plays a decisive role in enhancing organizational creativity Gaddis, & Strange (2002), launching and driving innovation projects (Bossink, 2007), and implementing innovation projects and overcoming resistance (Gilley, Dixon, & Gilley, 2008). Somech (2006) concludes that corporate leaders are the key drivers, who either promote or inhibit innovation management in the organization. Deschamps (2005) goes even further, saying that the failure of innovation projects is most likely due to ineffective leadership skills (see also Bass 1990b). In particular, one research stream focuses on investigating the influences of leadership (Dong et al., 2003; West et al., 2003), since top managers are in a central position and their leadership behaviors can influence the organizational innovation in several ways (Makri & Scandura, 2010). Some researchers like Bhaskar & Junni, (2016, p. 1543) demonstrated that "Leadership has been put forth as a key driver of organizational innovation."

According to Bass B. M.(1990, p. 19), "leadership consists of influencing the attitudes and behaviors of individuals and the interaction within and between groups for the purpose of achieving goals." Chemers(1997) defines leadership as "a process of social influence in which one person is able to enlist the aid and support of others in the accomplishment of a common task." Leadership is regarded as a key factor in the initiation of transformative change in organizations, with leaders having the capability to espouse and entrench behaviors and attitudes that result in a positive effect on individuals, teams, and organizations (Raja & Palanichamy, 2011). Achua and Lussier (2013), define leadership as the influencing process of leaders and followers to achieve organizational objectives through change. They continue to define influence, as the process of a leader communicating ideas, gaining acceptance of them, and motivating followers to support and implement the ideas through change. The essence of leadership is anchored on the ability of a leader to influence how employees respond in an

organization (Gunavathy & Indumathi, 2010). According to Daft (2008) leadership is an influence relationship between leaders and followers who intend real changes and outcomes that reflect their shared purposes.

Leadership is a key factor in the management and control of employees and the organization and, can be viewed as a series of managerial attitudes, behaviours, characteristics and skills, based on individual and organizational values, leadership interests and, reliability of employees in different situations (Alkhatani, 2016). Leadership is executed in different styles depending on the leader's personality and the situation at hand. Irwin (2014) suggests that style is the outward face of a leader because it is the most readily observable way we interact with others. There are various evolutionary models of leadership styles that have been developed, a majority of them lying along a continuum of job centeredness and employee centeredness (Achua & Lussier, 2013). Daft (2008) while making reference to Fielder's Contingency Model, refers to relationship orientation or task orientation leadership styles. Job entered leadership style is said to be the degree to which a leader takes charge to get the job done, while the employee centered leadership style is where the leader endeavors to meet the personal needs while developing relationships (Achua & Lussier, 2013).

The word innovation is derived from the Latin word *novus*, or new, and is alternatively defined by Gopalakrishnan & Damanpour (1994, p. 94) as "a new idea, method or device or the process of introducing something new". As mentioned above, Amabile, et al., (2004) define creativity as the production of novel and useful ideas in any domain, and define innovation as the successful implementation of creative ideas within an organization. Based on that, Amabile, Barsade, Mueller, & Staw, (2005) argue that creativity by individuals and teams is a starting point for innovation. The first is a necessary but not sufficient condition for the second. De Jong (2006) argues that the concept of innovation was for the first time considered by Schumpeter (1934) who viewed innovation as a process that involves creation of new brand, products, services, and processes and recognition of its impact on economic development. Many scholars have examined innovation as a concept from different point of view. Mezias & Glynn, (1993, p. 78) define innovation as "non routine, significant, and discontinuous organizational change that embodies a new idea that is not consistent with the current concept of the organization's business". Organizational innovation is viewed as formation of novel, important, and useful products or services in organizational environment (Gumusluoglu & Ilsev, 2009). Suranyi-Unger, (1994) defines organizational innovation as the introduction of any new product, process, or

system into an organization (Sarros, Cooper, & Santora, 2008). Abbasi & Zamani-Miandashti(2013) view innovation as an outcome of various antecedent organizational factors or determinants, namely, transformational leadership and organizational culture. Based on above discussion, researchers found the factors i.e. followers' creativity, organizational innovation, empowerment, support for innovation, intrinsic motivation have one or other way supportive relations with transformational leadership.

Against this background, it is hardly surprising that a large number of publications have already addressed various aspects of the relation between leadership and innovation management (Rickards & Moger, 2006). Since studying the relationship between leadership and innovation in general is too broad a topic for this study, the focus of this research is exclusively on leadership styles with regard to organizational innovation. The main advantage of focusing on leadership styles is that they are representative of different lines of thought and comprehensive at the same time. One stream of well established leadership styles contains transformational leadership and transactional leadership, which are treated as opposite ends of a continuum (Bass B. M., 1990). Transformational leadership – can “transform followers to rise above their self-interest by altering their morale, ideals, interests, and values, motivating them to perform better than initially expected” (Pieterse, Knippenberg, Schippers, & Stam, 2010, p. 610), while transactional leadership – focuses on the context that “followers agreed with, accepted, or complied with the leader in exchange for praise, rewards, and resources or the avoidance of disciplinary action” (Bass & Bass, *The Bass Handbook of Leadership: Theory, Research, and Managerial Applications*, 2008, p. 208). It has been argued that these two kinds of leadership play significant roles in organizational innovation performance (e.g. (Bhaskar & Junni, 2016). Kanter (1982) finds that autocratic leaders drive innovation processes by controlling, monitoring, instructing, and hierarchical influence. Somech (2006, p. 140) specifies that authoritarian leaders provide “team members with a framework for decision making and action in alignment with the superior’s vision”. Research on innovation provides evidence on the specific benefits of authoritarian leadership with regard to different innovation-related goals. Research shows that authoritarian leadership is particularly beneficial for establishing clear rules (Somech, 2006).

However, gaps remain of these accumulated studies on the influences of leadership styles on organizational innovation. Initially, although almost all related studies have examined the effects of transformational and transactional leadership styles on innovation, researchers have not yet arrived at a consensus on the direction of the leadership's influence on organizational innovation. Previous studies have found positive relationships between transformational leadership and innovation as well as positive (Bhaskar & Junni, 2016) and negative (e.g. (Pieterse, Knippenberg, Schippers, & Stam, 2010)) relationships between transactional leadership and innovation. In addition, previous studies have investigated the influences of these leaderships on a particular field of innovation, such as product innovation (Damanpour & Aravind, 2006) and service innovation (Foss, Laursen, & Pedersen, 2011), but the effects of leadership on innovation performance at the organizational level remain unexplored, as innovation as a whole is of importance for organizational competitiveness and effectiveness (Wolfe & Jeremy, 1994). Third, effects of authoritative and laissez-faire leaderships styles on organizational innovation are conspicuously absent from the literature and empirical studies on the link between leadership styles and organizational innovation performance. Given these research gaps and the uneven distribution of the evidence on the effects of leadership styles on innovation, this study intended to continue the momentum of research on the effect of leadership and organizational innovation, and examined how different leadership styles influence the innovation.

1.1 Statement of the Problem

The CEO of Pagatech limited and the board members of the company have a goal to become the leading financial services provider in Nigeria and beyond. The purpose of the company is to make it simple for one billion people to access and use money. It plans to do this by building an ecosystem that makes it simple for people to send and receive money and access financial services. In this regard, the company has encouraged building a product and a brand synonymous with quality. Growth oriented Individual and organizational innovation are given priority. The company believes leadership and leadership style of leaders of the various teams making up the company have a direct impact on the company's quest in becoming an innovative and a leading player in the digital financial services. The company's strategic move towards becoming the leader in digital financial services is the leadership provided by managers who are expected to influence others in achieving organizational goals and also boost employee's creativity and organizational innovation.

While revenues have grown in that past quarters, the net operating revenue did not grow as expected. Transaction volumes also grew in past few quarters but not as much as it was

anticipated. Numbers of active users also grew but not at the rate forecasted at the beginning of the year. Even though there is a high rate of innovation in the organization, all the innovation and product development is not directed towards the general objective of the company of becoming a leader. Delays in product development, falling behind in technological trends have become recurring issues for the company.

Should the continuing mismatch in organizational innovation and organizational goal persist, becoming the number one digital financial services company may be difficult to achieve. A need therefore arises to investigate what impact the newly adopted strategy focussing on leadership's role on innovation in the organization.

While a lot of research had been done on leadership, the effect of leadership on innovation in Nigeria was a segment that has been missing from these studies. Research done by Suleiman, (2015), mainly focused on Leadership styles and its effect on Students academic achievements, and showed different leadership styles have different levels of impact on student's achievements in Nigeria. Another research done by Ejimabo N. ,(2013), on the impact of leadership in Nigeria, focused on accessing the reality, challenges and perspective of leadership in the political situation; it did not go through leadership in innovation. When broadening the geographical scope, Adegoke, Andy, & Kathrin, (2014) work on leading for innovation the impact of leadership on innovation, their study focused on UK productivity and Performance which rarely held true in a developing country with different level of technological advancement and cultural differences. Another study by Alexander & Maria, (2011) focused on the impact of leadership on innovation in the Sweden context. Even though their conclusion of a positive influence of leadership styles on innovation applies for the company they studied, the case study design of the research made it impossible to generalize the findings. To fill the gap in the research, the current study sought to investigate how transformational leadership, transactional leadership, autocratic and laissez-faire leadership styles affect organizational innovation performance of Pagatech limited.

1.2 Research Questions

The study sought to answer the following basic research questions:

- What is the effect of transformational leadership style on innovation in Pagatech limited?
- What is the effect of transactional leadership style on innovation in Pagatech limited?
- What is the effect of laissez -faire leadership style on innovation in Pagatech limited?
- What is the effect of autocratic leadership style on innovation in Pagatech limited?

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study was to examine the effect of leadership styles on innovation in Pagatech Limited.

1.3.2 Specific Objective

The specific objective of this thesis is to examine

- To examine the effect of transformational leadership style on innovations in Pagatech limited.
- To evaluate the effect of transactional leadership style on innovations in Pagatech limited.
- To identify the effect of laissez -faire leadership style on innovations in Pagatech limited.
- To assess the effect of autocratic leadership style on innovations in Pagatech limited.

1.4 Significance of the Study

This study viewed the effect of leadership on innovation taking Pagatech limited company as a case study. This study was believed to be relevant for a number of reasons. First, the study was expected to stimulate leaders to look for more effective leadership to encourage innovation in their respective organizations by using the findings of the study and adopting the leadership styles that have been found to be conducive in improving organizational innovation. The concrete suggestions of the study were thought to help leaders to devise a leadership strategy that suited their organizational needs.

The study could also help Pagatech Limited to take it as an input in identifying major issues in the leadership and innovation activities, which would have lead to better implementation of strategies and staying competitive. It could also help other businesses in the same and related sector assess their leadership strategy and its impact on innovation activities by interpreting the findings of the study in their respective business context, and adopting results of the study to theirs. The result of this research and analysis would assist decision makers in determining the type of leadership that may best suit them to improve innovation. The study helped form the base for further study in leadership and innovation.

1.5 Scope of the Study

Leadership can be practiced in many different ways and the literature gave examples of several different leadership styles. This thesis looked into leadership styles and their effect on innovation. Even though the literature used in this thesis covered a variety of regions in the world and economic development levels the study was made under the context of Pagatech Limited. The study was performed in one single company, Pagatech Limited and the results were focused on that particular firm's way of managing its business and its effects on innovation. This thesis was confined in identifying the effect of leadership styles on innovation in Pagatech Limited in the fiscal year 2019/2020.

1.6 Limitations of the Study

The first limitation of the study, the questionnaires were self-report measures which may have resulted in single-source bias. Leaders personally rated their leadership which could have raised the problems of reactivity and social desirability because of the direct relevance of the issue with their role. Thus, through cross-ratings, e.g., ratings by the subordinates on the leadership style of the managers could mitigate the bias. Findings were less generalizable as the sample was collected only from Employees of Pagatech Limited and only from within the Financial Technology sector. Future researches may include the financial technology companies of other region. Moreover, future researches may address the moderating (factors that influence) and mediating factors of leadership styles and organizational innovation performance.

The second limitation of the study was how different culture distribution impacted the relationships between supervisors and employees. The study was conducted in Pagatech limited offices across multiple countries, and it was important to consider the values and beliefs of employees of Pagatech limited and their culture and how it impacted the roles of individuals within the workplace. The impact of culture on leadership perceptions might have practical and theoretical implications. The second limitation of the study was the respondent's personalities and preferences on supervisor's leadership. Personality and personal preferences would affect people's perceptions on leadership styles and their relationships with supervisors. This study did not take culture, personal leadership styles preferences in to account.

The limited sample size was the other limitation. Limited conclusions and generalizations could be made based on the limited sample size. Generalization of this research topic was difficult to make to other populations.

The following are some of the recommendations for future studies. Firstly, future studies could

be focused on how organization culture factors influence the relationships between leadership styles and organizational innovation performance, like how to incorporate leadership development in organizations or industries of diverse cultures.

Thirdly, the influences of gender and personality on the perception of leadership behaviors were not investigated in this study, but they would influence the relationships between leadership styles and organizational innovation performance. Investigating the influence of gender differences on these variables may provide additional information for leaders to adjust leadership behaviors in the work processes to meet the needs of different demographic groups. So a recommendation is to investigate the influence of demographic differences on the perception of leadership behaviors.

And finally, this study examined that how different leadership styles affected organizational innovation performance, the high level of innovation performance was due to supervisor's leadership style, but there are still other factors that would affect organizational innovation performance at Pagatech limited. Future research could focus on other factors that might also affect organizational innovation performance and not only the few leadership styles.

1.7 Organization of the paper

This thesis is organized in to five chapters. It begins with an introduction chapter which includes background of the study, objectives, scope, significance and limitations and organization of the thesis. Chapter two reviews relevant theoretical and empirical literature on the issues associated with leadership styles and how they affect organizational innovation. Further, kit also presents conceptual framework to be used in the research. Chapter three focuses on research methodology which articulates approach of the research, research design , sampling design and technique, data sources and collection instruments , method of data presentation , analysis and interpretation as well as ethical issues to be considered in the research. In the fourth chapter, the collected data will be presented, analyzed and interpreted aimed at addressing the basic research question. Chapter five presents summary of the major findings, conclusion and recommendations on the basis of research findings.

CHAPTER 2: LITERATURE REVIEW

This chapter discusses leadership, leadership styles, innovation and organizational innovations. It then delves into four types leadership styles: transformational, transactional, autocratic, and laissez-faire leadership. The present discussion will culminate with an account of how these four leadership styles affect organizational innovation performance.

2.1 Overview

In this chapter literature about leadership, leadership styles, and innovation will be covered to give the reader a basic understanding of the role of leadership in general and transformational leadership in particular on organizational innovation.

Publications on leadership indicate that there is no generally agreed on definition of the notion of leadership. According to (Okyere, 2015) and (Hayton, 2015), there is still considerable controversy in the conceptualization of leadership in terms of meaning, categorization of leadership and measure.

2.2 Leadership

Literature on leadership shows the inconsistencies and ambiguities in defining the concept (Winston & Patterson, 2006). This has led to a plethora of theories, approaches and styles (Timizi, 2002; Ammeter et al. 2002; Bolden, 2004; Franco & Mates, 2013; Mgeni, 2015). Bass (1999) points out that the definition of leadership is related to the purpose associated with the attempt to define it, and so presents a wide range of possibilities. The very mention of the word “leadership” suggests that there are followers. For this reason, Robbins & Coulter, (2005) and Northouse, (2007) see leadership as a process of how to influence people and guide them to achieve organizational goals. Ensley et al. (2003) are of the view that what leaders do is to influence the behavior, beliefs and feelings of group members in an intended direction. Uchenwamgbe, (2013) argue that leadership concerns the ability to influence the behavior of others to move in accord with the desire of the leader and pursuit of goals. Weihrich and Koontz (2005) assert that leadership is an art of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals. Peretomode and Peretomode (2001) and Yukl (2006) define leadership as the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individuals and collective efforts to accomplish shared objectives.

The above definitions suggest several components central to the phenomenon of leadership. In line with Northouse’s (2007) observation, some of these components are: (i) leadership is a process; (ii) leadership involves influencing others; (iii) leadership happens within the context of a group; (iv) leadership involves goal attainments; and (v) these goals are shared by both leaders and followers. Therefore, for the purpose of this paper, leadership is defined as a process whereby a person influences other to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent. This definition captures the five components of

leadership listed above. It can also be deduced from the above discussion that leaders carry out this process by applying their leadership attributes, such as beliefs, values, ethics, character, knowledge and skills. This leads us to examine leadership styles in the next section.

1.1 Theories of Leadership

Globally, leadership has become the most widely studied aspect of organizational behavior and a number of theories have emerged focusing on the strategies, traits, styles and the situational approach to leadership. As a result of ever-growing interest in the field of leadership, behavioral scientists and sociologists began to analyze the possible consequences of leadership behaviors and the variables that are used to predict the leader's behaviors.

1.1.1 Great-Man Theory

The effort toward explorations for common traits of leadership is protracted over centuries as most cultures need heroes to define their successes and to justify their failures. In 1847, Thomas Carlyle stated in the best interests of the heroes that “universal history, the history of what man has accomplished in this world, is at the bottom of the history of the great men who have worked here”. Carlyle claimed in his “great man theory” that leaders are born and that only those men who are endowed with heroic potentials could ever become the leaders. He opined that great men were born, not made. An American philosopher, Sidney Hook, further expanded Carlyle perspective highlighting the impact which could be made by the eventful man vs. the event making man (Dobbins & Platz, 1986). He proposed that the eventful man remained complex in a historic situation, but did not really determine its course. On the other hand, he maintained that the actions of the event-making man influenced the course of events, which could have been much different, had he not been involved in the process. The event making man's role based on “the consequences of outstanding capacities of intelligence, will and character rather than the actions of distinction”. However, subsequent events unfolded that this concept of leadership was morally flawed, as was the case with Hitler, Napoleon, and the like, thereby challenging the credibility of the Great Man theory. These great men became irrelevant and consequently growth of the organizations, stifled (MacGregor, 2003). Leadership theory then progressed from dogma that leaders are born or are destined by nature to be in their role at a particular time to a reflection of certain traits that envisage a potential for leadership.

1.1.2 Trait Theory

The early theorists opined that born leaders were endowed with certain physical traits and personality characteristics which distinguished them from non-leaders. Trait theories ignored the assumptions about whether leadership traits were genetic or acquired. Jenkins identified two

traits; emergent traits (those which are heavily dependent upon heredity) as height, intelligence, attractiveness, and self-confidence and effectiveness traits (based on experience or learning), including charisma, as fundamental component of leadership (Ekvall & Arvonen, 1991).

Max Weber termed charisma as “the greatest revolutionary force, capable of producing a completely new orientation through followers and complete personal devotion to leaders they perceived as endowed with almost magical supernatural, superhuman qualities and powers”. This initial focus on intellectual, physical and personality traits that distinguished non-leaders from leaders portended a research that maintained that only minor variances exist between followers and leaders (Burns, 2003). The failure in detecting the traits which every single effective leader had in common, resulted in development of trait theory, as an inaccessible component, falling into disfavor. In the late 1940s, scholars studied the traits of military and non-military leaders respectively and exposed the significance of certain traits developing at certain times.

1.1.3 Contingency Theories (Situational)

The theories of contingency recommends that no leadership style is precise as a stand-alone as the leadership style used is reliant upon the factors such as the quality, situation of the followers or a number of other variables. “According to this theory, there is no single right way to lead because the internal and external dimensions of the environment require the leader to adapt to that particular situation”. In most cases, leaders do not change only the dynamics and environment, employees within the organization change. In a common sense, the theories of contingency are a category of behavioral theory that challenges that there is no one finest way of leading/organizing and that the style of leadership that is operative in some circumstances may not be effective in others (Greenleaf, 1977).

Contingency theorists assumed that the leader was the focus of leader-subordinate relationship; situational theorists opined that the subordinates played a pivotal role in defining the relationship. Though, the situational leadership stays to emphasis mostly upon the leader, it creates the significance of the focus into group dynamic. “These studies of the relationships between groups and their leaders have led to some of our modern theories of group dynamics and leadership”. The theory of situational leadership proposes that style of leadership should be accorded with the maturity of the (Bass, Does the Transactional-Transformational Leadership Paradigm Transcend Organizational and National boundaries, 1997). “The situational leadership model, first introduced in 1969, theorized that there was no unsurpassed way to lead and those

leaders, to be effective, must be able to adapt to the situation and transform their leadership style between task-oriented and relationship-oriented”.

1.1.4 Style and Behavior Theory

The style theory acknowledges the significance of certain necessary leadership skills that serve as enablers for a leader who performs an act while drawing its parallel with previous capacity of the leader, prior to that particular act while suggesting that each individual has a distinct style of leadership with which he/she feels most contented. Like one that does not fit all heads, similarly one style cannot be effective in all situations. Yukl (1989) introduced three different leadership styles. The employees serving with democratic leaders displayed high degree of satisfaction, creativity, and motivation; working with great enthusiasm and energy irrespective of the presence or absence of the leader; maintaining better connections with the leader, in terms of productivity whereas, autocratic leaders mainly focused on greater quantity of output. Laissez faire leadership was only considered relevant while leading a team of highly skilled and motivated people who excellent track-record, in the past.

Feidler & House (1994) identified two additional leadership styles focusing effectiveness of the leadership. These researchers opined that consideration (concern for people and relationship behaviors) and commencing structure (concern for production and task behaviors) were very vital variables. The consideration is referred to the amount of confidence and rapport, a leader engenders in his subordinates. Whereas, initiating structure, on the other hand, reflects the extent, to which the leader structures, directs and defines his/her own and the subordinates’ roles as they have the participatory role toward organizational performance, profit and accomplishment of the mission. Different researchers proposed that three types of leaders, they were; autocratic, democratic and laissez-faire. Without involving subordinates, the autocratic leader makes decisions, laissez-faire leader lets subordinates make the decision and hence takes no real leadership role other than assuming the position and the democratic leader accesses his subordinates then takes his decision. “He further assumed that all leaders could fit into one of these three categories”.

1.1.5 Process Leadership Theory

Additional leadership theories with a process focus include servant leadership, principal centered leadership and charismatic leadership, with others emerging every year. Greenleaf introduced servant leadership in the early 1970s. A resurgence of the discussion of servant leadership was noted in the early 1990s.

Servant leaders were encouraged to be focused to the anxieties of the followers and the leader should sympathize with them take-care of and nurture them. The leadership was imparted on a person who was by nature a servant. “The servant leader focuses on the needs of the follower and helps them to become more autonomous freer and knowledgeable”. The servant leader is also more concerned with the “have-nots” and recognizes them as equal (Greenleaf, 1977). The leaders in leading organizations are to be the steward (servant) of the vision of the organization and not a servant of the people within the organization. Leaders in learning organizations clarify and nurture the vision and consider it to be greater than one-self. The leader aligns themselves or their vision with others in the organization or community at large.

These process leadership theories and others that have emerged often suggest that the work of leaders is to contribute to the well-being of others with a focus on some form of social responsibility. There appears to be a clear evolution in the study of leadership. Leadership theory has moved from birth traits and rights, to acquired traits and styles, to situational and relationship types of leadership, to the function of groups and group processes and, currently, to the interaction of the group members with an emphasis on personal and organizational functions of groups and group processes and, currently, to the interaction of the group members with an emphasis on personal and organizational moral improvements (Dionne, Yammarino, Atwater, & Spangler, 2004).

1.1.6 Transactional Theory

The leadership theories, by the late 1970s and early 1980s, activated to diverge from the specific perspectives of the leader, leadership context and the follower and toward practices that concentrated further on the exchanges between the followers and leaders. The transactional leadership was described as that in which leader-follower associations were grounded upon a series of agreements between followers and leaders (Shamir, House, & Arthur, 1993). The transactional theory was “based on reciprocity where leaders not only influence followers but are under their influence as well”. Some studies revealed that transactional leadership show a discrepancy with regard to the level of leaders’ action and the nature of the relations with the followers.

Bass and Avolio (1994) observed transactional leadership “as a type of contingent-reward leadership that had active and positive exchange between leaders and followers whereby followers were rewarded or recognized for accomplishing agreed upon objectives”. From the leader, these rewards might implicate gratitude for merit increases, bonuses and work achievement. For good work, positive support could be exchanged, merit pay for promotions,

increased performance and cooperation for collegiality. The leaders could instead focus on errors, avoid responses and delay decisions. This attitude is stated as the “management-by-exception” and could be categorized as passive or active transactions. The difference between these two types of transactions is predicated on the timing of the leaders’ involvement. In the active form, the leader continuously monitors performance and attempts to intervene proactively (Avolio & Bass, 2002).

1.1.7 Transformational Theory

Transformational leadership distinguishes itself from the rest of the previous and contemporary theories, on the basis of its alignment to a greater good as it entails involvement of the followers in processes or activities related to personal factor towards the organization and a course that will yield certain superior social dividend. The transformational leaders raise the motivation and morality of both the follower and the leader (Shamir, House, Arthur, & Michael., 1993). It is considered that the transformational leaders “engage in interactions with followers based on common values, beliefs and goals”. This impacts the performance leading to the attainment of goal. As per Bass, transformational leader, “attempts to induce followers to reorder their needs by transcending self-interests and strive for higher order needs”. This theory conform the Maslow (1954) higher order needs theory. Transformational leadership is a course that changes and approach targets on beliefs, values and attitudes that enlighten leaders’ practices and the capacity to lead change.

The literature suggests that followers and leaders set aside personal interests for the benefit of the group. The leader is then asked to focus on followers’ needs and input in order to transform everyone into a leader by empowering and motivating them (House, Wright, & R.N, 1997). Emphasis from the previously defined leadership theories, the ethical extents of leadership further differentiates the transformational leadership. The transformational leaders are considered by their capability to identify the need for change, gain the agreement and commitment of others, create a vision that guides change and embed the change (MacGregor, 2003). These types of leaders treat subordinates individually and pursue to develop their consciousness, morals and skills by providing significance to their work and challenge. These leaders produce an appearance of convincing and encouraged vision of the future. They are “visionary leaders who seek to appeal to their followers” better nature and move them toward higher and more universal needs and purposes” (MacGregor, 2003)

2.3 Creativity and Innovation

In an organization, employees' innovation begins with creative ideas. This also leads to successful implementation of new programs, new product introductions, or new services depends on a person or a team having a good idea and developing that idea beyond its initial state (Amabile, Barsade, Mueller, & Staw, 2005). (Mumford M. D., Scott, Gaddis, & Strange, 2002) Argue that although typically there is association between creative work and artists and scientists, creative work is not defined with respect to a particular occupation. Navigating away from the traditional psychological approach to creativity, which focuses on the characteristics of creative persons, Amabile, et al.,(2004) assume that the social environment can influence both the level and the frequency of creative behavior.

Creative work occurs on jobs, any job, that involves certain types of tasks (Mumford M. D., Scott, Gaddis, & Strange, 2002). Furthermore, creative work can occur when the tasks presented involve complex, ill-defined problems where performance requires the generation of novel, useful solutions (Mumford M. D., Scott, Gaddis, & Strange, 2002). Based on that, creative work can occur in advertising, engineering, finance, and management, and involves not just idea generation but subsequent idea implementation as idea implementation may call for as much creativity as initial idea generation (Mumford M. D., Scott, Gaddis, & Strange, 2002).

Creativity is defined by Amabile, et al.,(2004) as “the production of novel and useful ideas in any domain”. Furthermore, creativity happens at the individual level as stated by (Oldham & Cummings, 1996).In addition, Amabile, et al., (2004) argues that the starting point for innovation is the creativity by teams and individuals. Within this context, creative performance is commonly appraised with respect to the products being produced (Mumford M. D., Scott, Gaddis, & Strange, 2002). A creative product is one where a successful solution has been implemented to a novel, ill-defined problem (Mumford M. D., Scott, Gaddis, & Strange, 2002). The focus of most studies, however, has been on the processes people apply in generating these products (Mumford M. D., Scott, Gaddis, & Strange, 2002). Therefore, Amabile et al. (1996, p.1155) argue that “creativity is the seed of all innovation”. In addition, psychological perceptions of innovation (the implementation of people's ideas) within an organization are likely to influence the motivation to generate new ideas (Amabile, et al., 2004). Mumford et al. (2002) distinguish between two key sets of processes that appear to be involved in creative work: creative processes or the activities underlying initial idea generation, and innovation processes or the activities underlying the implementation of new ideas.

The word innovation is derived from the Latin word *novus*, or new, and is alternatively defined by Gopalakrishnan & Damanpour, (1994, p. 94) as “a new idea, method or device or the process of introducing something new”. As mentioned above, Amabile, et al., (2004) define creativity as the production of novel and useful ideas in any domain, and define innovation as the successful implementation of creative ideas within an organization. Based on that, (Amabile, Barsade, Mueller, & Staw, 2005) argue that creativity by individuals and teams is a starting point for innovation. The first is a necessary but not sufficient condition for the second. De Jong (2006) argues that the concept of innovation was for the first time considered by Schumpeter, (1934) who viewed innovation as a process that involves creation of new brand, products, services, and processes and recognition of its impact on economic development. Many scholars have examined innovation as a concept from different point of view. Mezias & Glynn, (1993, p. 78) define innovation as “non routine, significant, and discontinuous organizational change that embodies a new idea that is not consistent with the current concept of the organization’s business”. Organizational innovation is viewed as formation of novel, important, and useful products or services in organizational environment (Gumusluoglu & Ilsev, 2009). Suranyi-Unger, (1994) defines organizational innovation as the introduction of any new product, process, or system into an organization (Sarros, Cooper, & Santora, 2008). Abbasi & Zamani-Miandashti(2013) view innovation as an outcome of various antecedent organizational factors or determinants, namely, transformational leadership and organizational culture. Based on above discussion, researchers found the factors i.e. followers’ creativity, organizational innovation, empowerment, support for innovation, intrinsic motivation have one or other way supportive relations with transformational leadership.

2.3.1 Organizational Innovation

Organizational innovation can be defined as the introduction of something new (an idea, product, service, technology, process, and strategy) to an organization. Lam (2006, 115) defines organizational innovation as “to the creation or adoption of an idea or behavior new to the organization.” Likewise, Damanpour (1991, 556) defines innovation as “adoption of an internally generated or purchased device, system, policy, program, process, product, or service that is new to the adopting organization.” Even though the aim for innovations is making something better, not all innovations are successful. Innovation is different from invention because the latter refers to something entirely new product, service, technology, or process (e.g., patents). Innovation, on the other hand, can be small adoptions or changes. In addition, organizational innovations are mostly at the organizational level. On the other hand, innovation at the individual level mostly refers to an employee’s creativity or her or his innovative

behavior. Finally, organizational change may not necessarily involve innovations as many organizations change their structure or strategy without being innovative. While innovation is typically a small adaptation, organizational changes refer to larger-scale changes particularly related to changing organizational structure and design.

2.4 Leadership and Organizational Innovation

As explained above leadership can be defined in several different ways by different authors and intellectuals. Different styles of leadership can be exercised based on the various organizational factors and environmental requirements.

A number of researchers claim that leadership is not relevant at all; this statement relies on the supposition of the existence of substitutes for leadership. An example of such a substitute would be strongly knit teams of highly trained employees. Such a group could be considered to be so self-propelled and have so strong focus on the goal that they would not require leadership at all. But despite this fact, self-managing a group would seem they will require delegation by a higher authority (DuBrin, 2010).

One can therefore conclude that leadership is indeed needed, although to different extent for different groups. According to Jung et al (2003) leadership is the factor that has been identified by many researchers as being one of the most important enhancers of organizational innovation. Previous research in the area has shown that leaders affect followers in both indirect and direct ways. An example of a direct effect is leaders catering to follower's intrinsic motivation and higher level needs, which are known to be important sources of creativity. Indirectly, leaders support creativity by establishing a work environment that encourages employees to try out different approaches without worrying about being punished (Jung, Chow, & Wu, 2003).

By creating an environment where experimentation and making mistakes is allowed, the leader can contribute to improved creativity. The leader's act therefore becomes a significant contributor towards the organization and innovation work within the organization. When it comes to sustaining high creativity Jung et al. specifically stresses the importance of leadership. According to them, leaders' action should lend a hand in "creating and sustaining an organizational climate and culture that nurtures creative efforts and facilitates diffusion of learning" (Jung, Chow, & Wu, 2003, p. 527) and "when leaders supported constructive problem solving and followers' self-efficacy, followers displayed higher levels of creativity" (Jung, Chow, & Wu, 2003, p. 528). In today's competitive market there is a special challenge for leadership to act and coordinate creative behaviors. "Unless the creative behaviors of individual employees can

be coordinated and their creative outputs and ideas are harnessed to yield such organizational-level outcomes, the company still would be left without effective responses to the challenges of competitive marketplace” (Jung et al. 2003 p.526). It is also known “that employee produced more creative work when they were supervised in a supportive, non controlling manner” (Jung, Chow, & Wu, 2003, p. 528).

2.5 Leadership Styles and Innovation

Riggio, Chaleff, & Lipman-Blumen, (2008) and Yusuf et al. (2014) contend that much as leaders share the various leadership functions of planning, directing, reviewing, and coordinating, circumstances may cause changes in leadership pattern, thus leading to classification of leadership, based on how it is performed. Collins, (2001) cited in Lawal, Rotter, & Kinsman, (2014) states that apart from the manager’s personal leadership styles, some research evidences suggest that leadership styles also vary among countries and culture. The author noted that there is evidence to support the claim that European managers tend to be more humanistic or people oriented than both Japanese and American managers. Various forms of leadership styles have been mentioned by different authors in their works. For instance, Chang et al. (2003) Weihrich and Koontz (2005) and Uchenwangbe (2013) mention participative, democratic and authoritative leadership styles in their studies. Robbins (2009) categorizes leadership styles into classical and contemporary. Likert (1961) classifies leadership styles as dictatorial, unitary, bureaucratic, benevolent, charismatic, consultative, abdication and participative. (Hashim, Mohd Ishar, Wan Rashid, & Masodi, 2012) , identified supportive, logical, commanding and inspirational leadership styles in their study, while Hambrick and Pettigrew (2001) and Akeke (2016) aligned with strategic leadership style. Entrepreneurial and managerial leadership styles also featured in the works of Zyl and Mathur-Helm (2007), (Chandrakumara, De Zoysa, & Manawaduge, 2009) and Mgeni (2015). Studies by Avolio and Bass (2002), Rafferty and Griffin (2004), Bass (2008), Rowold and Schlotz (2008), Shibru and Darshan (2011) and Yusuf (2014) have all studied transformational and transactional leadership styles, and hypothesize that the two concepts have gained prominence over the past several years in leadership literature.

2.5.1 Transformational Leadership

Transformational leadership is defined as a leadership approach that causes transformation in individuals and social systems. In its ideal form, it creates valuable and positive change in the followers with the end goal of developing followers into leaders. Enacted in its authentic form, transformational leadership enhances the motivation, morale and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and

self to the mission and the collective identity of the organization; being a role model for followers that inspires them; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that optimize their performance.

Now after more than 30 years of research and a number of meta-analyses have shown that transformational leadership positively predicts a wide variety of performance outcomes including individual, group and organizational level variables (Bass & Bass, *The Bass Handbook of Leadership: Theory, Research, and Managerial Applications*, 2008)

The full range of leadership introduces four elements of transformational leadership: individual consideration, intellectual stimulation, inspirational motivation and idealized influence.

Individualized Consideration – deals with the extent to which the leader attends to each follower's needs, acts as a mentor or coach to the follower and listens to the follower's concerns and needs. The leader gives empathy and support, keeps communication open and places challenges before the followers. This also encompasses the need for respect and celebrates the individual contribution that each follower can make to the team. The followers have a will and aspirations for self development and have intrinsic motivation for their tasks. The degree to which the leader meets the follower's need and listen to the followers' problems and concerns; it is also related to the degree to which the leader interested in follower's skill developments and growth. (Shahin & Wright, 2004)

Intellectual Stimulation – refers to the degree, to which the leader challenges assumptions, takes risks and solicits followers' ideas. Leaders with this style stimulate and encourage creativity in their followers. They foster and develop people who think independently. For such a leader, learning is a value and unexpected situations are seen as opportunities to learn. The followers ask questions, think deeply about things and figure out better ways to execute their tasks. It means the leader ability to motivate his followers to think and to be creative (Fauji & Utami, 2013). Accordingly, the leader will challenge assumptions, and solicits follower's ideas by giving them enough freedom to make creatively overcome. (Farmer, 2007)

Inspirational Motivation – deals with the extent to which the leader articulates a vision that is appealing and inspiring to followers. Leaders with inspirational motivation challenge followers with high standards, communicate optimism about future goals, and provide meaning for the task at hand. Followers need to have a strong sense of purpose

if they are to be motivated to act. The visionary aspects of leadership are supported by communication skills that make the vision understandable, precise, powerful and engaging. The followers are willing to invest more effort in their tasks; they are encouraged and optimistic about the future and believe in their abilities. Inspirational motivation describes the degree to which the leadership has a vision that inspiring followers and instill hope for the future (Bernard, 1997), in away to make that happen, the leader needs to motivate, communicate, and challenge his followers and provide meaning for the task. (Rumley, 2011)

Idealized Influence – Provides a role model for high ethical behavior, instills pride, gains respect and trust. As a development tool, transformational leadership has spread already in all sectors of western societies, including governmental organizations. Before naming this dimension "Idealized influence", (Bass B. , 1998) used the term charisma to describe idealized influence, but when developing the model he discovered that the term idealized influence is better than charisma several reasons; first, charisma represents several meanings in the media. Second, some researchers use the term charisma to as all-inclusive term for transformational leadership. Third, the term charisma associated with dictatorship leaders (Bass B. , Current developments in transformational leadership: Research and applications, 1999). Max Weber was the first scholar who discussed charisma , he defined charisma at 1947 as a divine gift Allows the leaders to lead in novel ways .They are different from ordinary leaders ,because they have unique abilities that rouse and influence their followers.

2.5.1.1 Transformational Leadership and Followers' Creativity

Literature of organizational behavior shows an increasing interest to examine factors that promote employees creativity, which involves creation of new and useful ideas concerning products, services, processes, and procedures in organizations (Amabile, 1988; Amabile et al., 1996; Oldham and Cummings, 1996; Zhou, 1998). One of the significant factors that play a major role in enhancing employees' creativity is the style of leadership (Scott & Bruce, 1998) .That is because, according to Redmond, et al. (1993), leaders play the most central role in the workplace.

There are different ways that leaders can affect their followers' creativity as identified by many studies. For instance, leaders can articulate a vision demonstrating long-term rather than over short-term goals for organization and through that, they lead individual and joint efforts of their followers in the direction of innovative work processes and outcomes (Amabile, Barsade, Mueller,

& Staw, 2005). Moreover, leaders are the main determinant of organizational culture (Abbasi & Zamani-Miandashti, 2013).

Furthermore, transformational leadership is the style of leadership that has been proved its relation to creativity (Sosik, J.J., Avolio, & Kahai, 1997). In this specific style of leadership, the behavior of leaders is usually described as a driving force for creativity for the following three reasons (García-Morales, Jiménez-Barrionuevo, & Gutierrez, 2012) (1) Individualized consideration will act as a reward for followers through recognizing and motivating them. (2) Intellectual stimulation will improve followers' exploratory thinking through supporting innovation, autonomy, and challenge. (3) Inspirational motivation will stimulate the followers' process of idea generation through encouraging followers to work in consistence with the vision of the organization. Moreover, Bass (1990) explains that transformational leaders enhancing their followers' self-efficacy can make a positive impact on their creativity. That is because followers feeling of self-efficacy increase their creative (García-Morales, Jiménez-Barrionuevo, & Gutierrez, 2012). There is another force for encouraging creativity of followers that is used by transformational leaders, which is the emotional relationships. According to Bass (1990), one of the main characteristics of transformational leaders is that they build emotional relationships with their followers. Those relationships as argued by Hunt et al. (2004) are expected to lead to a higher level of creativity. Bain, (2001) asserts that by providing intellectual stimulation transformational leaders encourage followers to think out of the box and to adopt generative and exploratory thinking processes. Transformational leaders stimulate their followers to think about old problems in new ways and encourage them to challenge their own values, traditions, and beliefs. Oftentimes, transformational leaders are able to accomplish this shift in perspective by serving as role models. By showing high expectations and confidence in followers' capabilities, transformational leaders also help to develop followers' commitment to long-term goals, missions, and vision and to shift their focus from short-term and immediate solutions and objectives to long-term and fundamental solutions and objectives.

Transformational leadership style has been highlighted in literatures as an important strategic factor affecting innovation and creativity (García-Morales, Jiménez-Barrionuevo, & Gutierrez, 2012). More specifically, transformational leadership achieved high levels of attention in the field of leadership lately (Lowe, 2015). That is due for being a different approach for stimulating followers comparing to other leadership styles (Gardner, 1998). According to Noruzy(2013), transformational leadership encourages innovation and creativity and creates advantages for organizational performance. It also has a positive impact on learning, organizational innovation

and performance (García-Morales, Jiménez-Barrionuevo, & Gutierrez, 2012). According to Bass (1999), transformational leadership reflects a kind of leadership in which leaders move their followers beyond immediate self-interests through idealized influence (charisma), inspiration, intellectual stimulation, or individualized consideration.

Indeed, in a study of Austrian branch bank managers, Dess and Picken, (2000) reported a stronger positive relationship between these managers' extent of transformational leadership and long-term as compared with short-term performance. Because creativity in organizations often requires trade-offs across time, this finding provides a basis for expecting that transformational leadership would enhance creativity. Several studies have examined this relationship more directly and found positive results.

Dess and Picken, (2000) found that transformational leadership increased followers' creativity in a computer-mediated brainstorming exercise. In this study, the followers' performance was assessed in part based on the number of creative ideas generated. In a study of 78 managers, Dess and Picken, (2000) found a positive relationship between the intellectual stimulation provided by the leader and unit performance when there was a climate of support for innovation within the leader's unit. However, when support for innovation was absent, the positive relationship became insignificant. This pair of findings provides indirect support for the leader's role in inducing creativity.

The positive connection between the transformational leader and innovations is shown empirically by both (Jung, Chow, & Wu, 2003) and (Lale & Arzu, 2009). The later conducted their study on micro- and small-sized entrepreneurial software development companies unlike Jung et al., who studied bigger companies. Lale and Arzu found that the relationship also existed during incremental innovation related to developmental work in smaller businesses. Their definition of organizational innovation did not only include the firm's tendency to innovate but also paid attention to how successful the innovations became. By this they found support not only for the transformational leader to promote innovative activities but also for the innovations to become a market success.

Mumford et al. (2002) also found that transformational leadership positively influenced performance of research and development (R&D) project teams in a large R&D organization. Performance was measured based on superiors' ratings of subordinate innovativeness and the extent to which their innovative orientation added unique value to the projects that they finished. Taken as a whole, these prior studies have provided a strong theoretical basis for expecting that

transformational leadership would enhance creativity among followers. However, as can be inferred from our summaries of prior empirical research, these have tended to focus on the role of leadership at the individual level and mainly with subjective performance measures such as self-reported and supervisory ratings of creativity.

Mumford et al. (2002) have argued that the use of a vision-based motivational process by transformational leaders should enhance creativity at the organizational level. This is because by framing vision in terms of work goals and articulating this vision through project selection and project evaluation rather than overt affective appeals, a work-focused vision or mission may be promulgated that will enhance people's creative efforts. They also have suggested that by influencing the nature of the work environment and organizational culture, leaders can affect organizational members' work attitudes and motivation in their interactions, thereby affecting their collective organizational achievement. Despite the reasonableness of expecting that transformational leadership would enhance organizational innovation, little empirical research has investigated the existence and nature of this link (Mumford M. D., Scott, Gaddis, & Strange, 2002). Jaussi & Dionne, (2003), did an experiment to test the direct relation between transformational leadership and employee creativity and found no correlation. In their experiment, 364 subjects were randomly assigned to four conditions and were asked to develop and present arguments in groups about a social relevant topic in one hour. Individuals kept their own idea logs of their own thoughts and arguments, which were used as creativity measures rated by two trained graders. They used a two-by-two experimental design i.e., high transformational vs. low transformational leadership and conventionally behaving leader vs. unconventionally behaving leader. The manipulations of transformational leadership were based on the MLQ 5X (Jaussi & Dionne, 2003). First, individuals with a high transformational leader were rated slightly less creative than individuals with a low transformational leader and this effect was found regardless of conventionality. Second, role modeling behavior was highly correlated with transformational leadership and was positively related to creative performance. Si and Wei (2011) showed that the relationship between transformational leadership and subordinates' creative performance was moderated by team empowerment climate, in such a way that the relationship is stronger when empowerment climate is low than when it is high. Thus, when empowering climate was low, transformational leadership enhanced employee creative performance and when empowering climate was high transformational leadership reduced employee creative performance.

2.5.1.2 Transformational Leadership and Organizational Innovation

Innovation is defined by Amabile et al. (1996, p.1155) as “the successful implementation of creative ideas within an organization”. Thus, innovation is the total creative processes and outcomes of an organization as whole. According to Oldham and Cummings (1996), innovation is at the organizational level. Consequently, innovation is based on individuals’ creativity. According to Amabile et al. (1996), the starting point for innovation is the creativity by teams and individuals.

Reviewing the literature on the relationship between leadership style and organizational innovation reveals that there is a positive relationship between them. Redmond et al. (1993) examined this relationship and found that followers showed a higher level of creativity when their leaders encouraged constructive problem solving and boosted their followers’ self-efficacy. In the same context, Scott & Bruce, (1994) found a positive effect of the role expectations of a supervisor on his/her followers’ innovative behavior. Oldham and Cummings (1996) also found that followers supervised in a supportive, non- controlling way, achieved a higher creative performance. Furthermore, based on the theory of leader–member exchange, Tierney et al. (1999) examining the ‘quality of leader– follower relationship’ found that it has a positive impact on their followers’ creative performance. In addition, Amabile (1998) also argues that leaders can influence their followers’ motivation and attitudes in their exchanges, at the same time, their total achievement at the organizational level through affecting the workplace context and organizational culture.

Based on different studies that proved the relation between transformational leadership and organizational innovation and on the above definition and elements of transformational leadership, transformational leadership promotes higher level of creativity and organizational innovation. This argument has been supported by many studies providing different explanations. One of those explanations is that transformational leaders engage their followers in personal value systems to reward them for required performance so they do not stick to exchanging contractual agreements (Bass B. M., Avolio, Jung, & Berson, 2003). In addition, transformational leaders increase the enthusiasm of their followers to exceed self-interests for the sake of the organization; raise the followers’ awareness to the values and significance related to required outcomes; and heightened followers’ expectations about their performance through articulating important vision and mission for the organization as whole (House et al., 1991; Hsiao and Chang, 2011; Denti, 2012; Gracia-Morales et al., 2012; Noruzy et al., 2013). What is more, transformational leaders with their intellectual stimulation abilities, motivate their followers to

think freely and adopt exploratory and generative thinking approaches (Sosik, J.J., Avolio, & Kahai, 1997). According to Mumford et al. (2002), when transformational leaders apply a vision-based motivational process, this will improve organizational innovation. The reason behind this is that when transformational leaders adopt a vision demonstrating work aims and promoting this vision through project selection and evaluation and not through overt affective appeals, they will have a promulgated work-focused vision and that will improve followers' creative efforts (Mumford M. D., Scott, Gaddis, & Strange, 2002).

2.5.2 Transactional Leadership

Transactional leadership style comprises three components; contingent reward, management-by-exception (active) and management-by-exception (passive). A transactional leader follows the scheme of contingent rewards to explain performance expectation to the followers and appreciates good performance. Transactional leaders believe in contractual agreements as principal motivators Bass B. , (1990) and use extrinsic rewards toward enhancing followers' motivation. The literature revealed that the transactional style retards creativity and can adversely influence employees job satisfaction. Management-by-exception explains leaders' behavior with regards apt detection of deviations from expected followers' behavior.

The application of both styles varies from situation to situation and context to context. The situations entailing high degree of precision, technical expertise, time-constraints, particularly in technological intensive environment, we shall prefer transactional leadership whereas, in human-intensive environment, where focus is on influencing the followers through motivation and respecting their emotions on the basis of common goals, beliefs and values, preferable option is transformational leadership style (MacGregor, 2003).

Contingent Reward- focuses on achieving results. As humans appreciate concrete, tangible, material rewards in exchange of their efforts, thus, this behavior surfaced. “Where transformational leadership acknowledges individual talents and builds enthusiasm through emotional appeals, values, and belief systems, transactional leadership engenders compliance by appealing to the wants and needs of individuals” (Bass B. M., Avolio, Jung, & Berson, 2003). Manager leaders who use contingent reward are expected to show direction to the employees so the job gets done. In nutshell, key indicators of contingent reward encompass performance- based material rewards, direction- setting, reciprocity, and confidence-building in the team.

Management by Exception (Active) – this is not the relinquishment of leadership, characterized by a laissez-faire leadership. Leaders who follow management by exception (active) have an inherent trust in their workers to end the job to a satisfactory standard, and avoid rocking the boat. “This type of leadership does not inspire workers to achieve beyond expected outcomes, however, if target is achieved, that means the system has worked, everyone is satisfied, and the business continues as usual,” (Bass B. M., Avolio, Jung, & Berson, 2003). There is a little sense of adventure or risk-taking, new perspectives, or white water strategies in case of management by exception leaders. It correspond need-driven change culture. To sum it up, management by exception (active) includes trust in workers, poor communication, maintenance of the status quo, and lack of confidence.

Management by Exception (Passive) - this is a style of transactional Leadership in which the leaders avoid specifying agreement, and fail to provide goals and standards to be achieved by staff. Sometimes, a leader waits for things to go wrong before taking action (Bass B. M., Avolio, Jung, & Berson, 2003).

2.5.2.1 Transactional leadership and organizational Innovation

The transactional leadership behavior constructs the foundation for specifying expectations, negotiating contracts, clarifying responsibilities and providing the rewards and recognitions to achieve the set objectives and expected performance between leaders and followers (Bass B. , Leadership and performance beyond expectations, 1985). The transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders (Bass B. M., 1993). This kind of leadership style emphasizes on swap or exchange among leaders and employees. The leaders having transactional behavior may foster the commitment of employees to new ideation by having the tangible recognition or rewards for thriving initiatives and the development of new ideas, thus the value is communicated directly to the followers about leader attachment in the program participation. To understand the organization focused ideation importance to the followers, the transactional behavior leader may be good in explaining about the target to reach. This will make the followers realize the importance of self-efficacy when they achieve the goals. The study of Jansen, Vera, & Crossan, (2009) states that, transactional leadership style is suitable for followers’ motivation to contribute and participate in the organizational ideation programs. The transactional leadership behavior drives for excellence and efficient to encourage the followers to an ideation program, such kind of programs encourage the suggestions from

employees for improving the existing firm services, procedures or products etc. Additionally, in institutionalized setting the leader having transactional behavior may be appropriate for ideation programs, where instead of managing old ideas, new ideas are managed by focusing on efficiency and standardization most effective in refining, reinforcing, or getting the benefits of the current routines and memory assets of firms (Vera,D; Crossan,M, 2004);so like transformational behavior leaders, the transactional leadership can affect the creativity ideation with the help of employee's ideation programs. A study has departed from habitual investigation of creativity and assumes the organizational environment may influence the frequency and level of creative behaviors; hence anyone can generate a creative idea that is useful for organization Amabile, Conti, Coon, Lazenby, & Herron,(1996) and initiate the vision for organizational creativity, which comprises the supervisory encouragement in workplace creativity; this supports the employees and communicate clear objectives and goals to create such environment; where workers experience minimum fear of criticism and are able to make supportive suggestions for the organizational functions and several empirical studies focused the importance of leadership style in creating the encouraging environment for employee's creativity by supportive (recognition and rewards) supervision (Oldham & Cummings, 1996) and consistency of supervision by supervisors with employees was found in different studies of (Amabile, Schatzel, Moneta, & Kramer, 2004) , and (Redmond, Mumford, & Teach, 1993).

The leader's task-oriented behavior was perceived for subordinate's expertise and skills in tasks aid eventual task accomplishment (Amabile, Schatzel, Moneta, & Kramer, 2004). The sharing knowledge behavior having recognitions and rewards and transactional leadership style may be appropriate for bringing a deeper understanding for organizational creativity, because the componential theory of creativity explains the individual's relevant domain expertise, creative thinking expertise or skills and task motivation. The study of Mumford, Scott, Gaddi, (2002) found that crucial variable for creativity and innovation is the leadership behavior in organization, so the dynamic interaction must be produced between leadership style and creativity for encouraging, supporting, and energizing the behaviors and perceptions of employees.

2.5.3 Autocratic Leadership

The autocratic leadership style means that a leader communicates to his followers what tasks should be performed in order to achieve a goal. This type of leader does not need to motivate followers, as it is predicted that they are motivated to get the job done. In this type of leadership, which is similar to directive leadership, followers are motivated, but they do not

know the job, so they are willing to get instructions and learn how to do the job efficiently (Northouse, 2007). These leaders are considered to be controllers. Followers have to do the tasks in the way that the leader has specified. Leaders have clear expectations on how and when the job needs to be done. Usually, the decision making of authoritarian leader is not very creative. This type of leadership reduces follower's dedication toward a task (Lazar, 2006).

Followers are not allowed to participate in the process of decision-making. They have to carry out the instructions from the leader to get the job done. These followers have little opportunity to develop their creativity. Sometimes they fear to be fired and that is why they perform certain tasks. Authoritarian leadership style is present in many organizations. Followers know only a small amount of information depending on how much trust the leader has created with them, and leader is the one who knows everything. Leaders tend to strictly supervise their followers. Authoritarian leadership is considered useful mainly in the military and prisons, as people must follow the rules in very strict manner. Therefore, authoritarian leaders do not create channels of communication. This leadership is strict, where leaders want from followers to obey to rules without argumentation. It has centralized control, where only the leader makes the decision (Mind Tools Ltd, 2012).

Their formal position allows authoritarian leaders to use legitimate, reward and coercive power over followers (Northouse, 2007). They maintain their position by limiting the participation of followers in the decisions of the organization. All these leaders want to hear is *yes-man*; they want to have followers that are not competent, and cannot have better ideas than them. That is why many followers tend to leave these organizations, as they go there only of extrinsic satisfaction, which is money (Masebo, 2008). Also, authoritarian leadership tends to be effective only when the leader watches followers closely, so they can perform efficiently. (Antonakis, Cianciolo, & Stenberg, 2004).

Authoritarian leadership is considered to be similar to transactional leadership. This means that followers obey the influential leader in order to get compensated. In this way, followers are limited to enhance their knowledge in the organizations, as they only perform the tasks required. These tasks are usually in short terms and there is no need for deep analysis and creativity. Passive management, which by exception is a factor in transactional leadership, is linked to authoritarian style (Northouse, 2007).

2.5.3.1 Autocratic leadership and Organizational Innovation

According to Lorinkova, Pearsall, & Sims, (2013) autocratic leadership “is associated with a leader’s positional power and is characterized by behaviors aimed at actively structuring subordinates’ work by providing clear directions and expectations regarding compliance with instructions.”

Research offers a few insights into the means, i.e. how autocratic leadership is executed in innovation projects. In her case study, Kanter (1982) finds that autocratic leaders drive innovation processes by controlling, monitoring, instructing, and hierarchical influence. Somech (2006: 140) specifies that authoritarian leaders provide “team members with a framework for decision making and action in alignment with the superior’s vision”. Research on innovation provides evidence on the specific benefits of authoritarian leadership with regard to different innovation-related goals. Research shows that authoritarian leadership is particularly beneficial for establishing clear rules (Somech, 2006).

2.5.4 Laissez – Fair style

Robbins (2007) explained the laissez-fair style as “Abdicates responsibilities avoid making decisions” (p.475). Similarly (Luthans, 2005), defined laissez- fair style as “Abdicates responsibilities avoids making decisions” (p.562).Laissez- Fair is uninvolved in the work of the unit. It’s difficult to defend this leadership style unless the leader’s subordinates are expert and well-motivated specialists, such as Scientists. “Leaders let group members make all decision” (Mondy & Premeaux, 1995, p. 347). “Behavioral style of leaders who generally give the group complete freedom, Provide necessary materials, participate only to answer questions, and avoided giving feedback” (Bartol&Martin, 1994) .The concept of laissez was also given by Osborn as “Abdicates responsibilities and avoiding decisions” (Osborn, 2008, p.258). Above All the Authors defines the Laissez – Fair Leadership with their own words according to their given definitions the idea of this type of leadership is same. Authors defines that in this style the Leaders normally don’t want their interference in decision making process. They normally allowed to their subordinates that they have power to get their personal decisions about the work. They are free to do work in their own way and they are also responsible for their decision. Normally Leaders avoids to making decision and don’t involve in working units because the leaders gives to subordinates to completely freedom to do decisions. Sometimes the leaders provide them to important material and they just involve the answer & question but avoiding feedback.

2.6 Leadership and Business Model

Transformational leaders are admired, respected, and trusted. Followers identify with and want to emulate their leaders. Among the things a transformational leader does to earn credit with followers is to consider followers' needs over his/her own needs. The leader shares risks with followers and is consistent in conduct with underlying ethics, principles, and values. (Bass B. M., Avolio, Jung, & Berson, 2003) . Leaders behave in ways that motivate those around them by providing meaning and challenge to their followers' work. Individual and team spirit is aroused. Enthusiasm and optimism are displayed. The leader encourages followers to envision attractive future states, which they can ultimately envision for themselves. (Bass B. M., Avolio, Jung, & Berson, 2003). Michaelis et.al argues that when leaders show idealized influence and inspirational motivation it can serve as an important means of teaching new behaviors and modifying attitudes. These processes are likely to enhance identification with the goals of the change-initiative and to develop followers' capabilities to deal with it effectively. This increased identification with change-initiative goals and followers' capabilities are likely to be associated with high levels of commitment to change, which in turn leads to innovation implementation behavior. Michaelis et.al 2009. Leaders stimulate their followers' effort to be innovative and creative by questioning assumptions, re-framing problems, and approaching old situations in new ways. There is no ridicule or public criticism of individual members' mistakes. New ideas and creative solutions to problems are solicited from followers, who are included in the process of addressing problems and finding solutions (Bass B. M., Avolio, Jung, & Berson, 2003) . Michaelis et.al argues that under the above circumstances, followers are more likely to identify and to concentrate on the positive outcomes of change-initiatives instead of on worries and concerns (Michaelis et.al 2009). Vrande, Jong, Vanhaverbeke, & Rochemont,(2009) conducted a survey in order to analyze the trends, motives and management challenges of SMEs with regards to open innovation. They found out that external networking (to acquire new or missing knowledge) and user innovation, where the customer is involved in the process, is of great importance for SMEs. Since small firms often lack the necessary resources for developing and commercializing new products themselves, they are more often inclined or forced to collaborate with other organizations to overcome these difficulties.

Leaders pay attention to each individuals need for achievement and growth by acting as a coach or mentor. Followers are developed to successively higher levels of potential. New learning opportunities are created along with a supportive climate in which to grow. Individual differences in terms of needs and desires are recognized (Bass B. M., Avolio, Jung, & Berson, 2003).

Michaelis et.al states that as a consequence, “followers may be encouraged to stay focused on the goals of the change-initiative and to keep trying when they suffer a setback. Taken together, leaders’ personal support and encouragement is likely to enhance followers’ commitment to change, which in turn results in heightened innovation implementation behavior” (Michaelis et.al 2009 p. 413).

As stated above, a number of studies have been conducted that shows a positive relationship between transformational leadership and organizational innovation. Jung et.al argues that there are several reasons to expect that a transformational leadership would enhance creativity and innovation among employees. First, the transformational leader goes beyond the exchanging contractual agreements for desired performance by actively engaging followers’ personal value system. Followers’ identity is linked to the collective identity of the organization which increases the followers’ intrinsic motivation to perform their job. The transformational leader is also increasing the followers’ motivation by articulating a vision for the organization which in turn raises their willingness to perform. Another effect given by this is that it increases the willingness to go beyond the followers’ self-interests for the sake of the collective identity. Second, through providing intellectual stimulation the transformational leader encourages the followers to “think outside the box” to see problems with new eyes and encourage them to challenge their values, traditions and beliefs. To achieve this it is an important task for the transformational leader to serve as a role model. (Jung, Chow, & Wu, 2003). This is in line with DuBrin that has identified that “Transformational leaders encourage their staff to think innovatively as well and give them challenging assignments” (DuBrin, 2010, p. 86) as an important trait.

The transformational leader encourages the employees to deal with problems in new ways and to think in wider perspectives could lead to company spin-offs. This is due to the fact that this type of leader will not immediately stop the employee from inventing a new product, even though it won’t fit the current model of the business.

The transformational leader ought to act on both sides of an organization. The leader has to pay attention to the personnel as well as the business model of the organization. The business model has to support the work with innovations and this could be achieved by transforming from a closed model of innovation to an open approach.

A precise understanding is decisive when working with innovations. Knowledge is far more widely distributed today than ever before due to increased mobility among employees.

Chesbrough,(2011) describes that this increased mobility has led to “the end of the knowledge monopoly” and further describes in his open innovation approach that companies should take advantage of this knowledge diffusion. To win, your company must make the best use of internal as well as external knowledge. (Chesbrough, Open Services Innovation - Rethinking your business to grow and compete in a new era, 2011)

In the paper “The role of transformational leadership in enhancing organizational innovation” (Jung, Chow, & Wu, 2003) the authors find some preliminary findings of the effect of transformational leadership on innovation. In the paper the authors state “that the link between empowerment and organizational innovation was negative rather than positive. This finding implies that companies, which delegate more autonomy to employees, are less rather than more innovative” (Jung, Chow, & Wu, 2003, p. 539). In other words empowerment is not in general good for innovation. There need to be a unity of direction regarding innovation as the mean for company success. Jung et al puts it forward that “Unless the leader plays an active role in providing guidance, coordinating and supporting these activities, employees or organizational units might wind up working at cross-purposes” (Jung, Chow, & Wu, 2003, p. 539). This may seem like contradicting old research where “a negative relationship between centralization and organizational innovation, where centralization was defined as the concentration of decision-making authority in the hands of higher management and may be seen as an opposite construct to autonomy and empowerment”. Jung, Chow, & Wu,(2003, p. 530) was found. As stated above transformational leadership aims at transforming the followers so that their goal goes in line with company goals. Jung et al. underlines that it may be “a general need for transformational leaders to maintain a balance between letting people feel empowered and providing guidance via defining goals and agenda” (Jung, Chow, & Wu, 2003, p. 539).This finding shows the important of a transformational leadership or similar functions in industries with high innovation rates. This is also strengthened by the findings that Jung et al. found a “positive and significant relationships between transformational leadership and empowerment as well as support for innovation and a positive relationship between support for innovation and organizational innovation” (Jung, Chow, & Wu, 2003, p. 538).

One more important factor affecting organizational innovation is the existing organizational climate. In a culture built on proficient and consistent operations with no mistakes, innovation might not be highly valued. Employees operating in such a culture avoid risky decisions in fear of potentially negative consequences. Jung et al. argues that “when an organizational culture values initiative and innovative approaches, employees are more likely to take calculated risks,

accept challenging assignments, and derive intrinsic enjoyment from their work” (Jung, Chow, & Wu, 2003, p. 531).

By stimulating the employees to think in new ways and questioning their assumptions, the transformational leader stimulates them to be innovative and creative. When this organizational climate well is established, it provides guiding for the employees that could lead to enhancing innovations.

2.7 Innovation in Small Medium Enterprises (SME's)

Small medium enterprises are believed to have certain advantages over big firms on the rate of innovations. Big firms usually avoid risks and do not engage in high risk activities to the same extent that smaller firms do. Big companies tend to produce incremental innovations relying on current technologies while the smaller firms more often come up with radical innovations. This risk aversion usually leads to conservative decision making, resulting in limited probability to explore radical and uncertain innovations. (Teece, 2002)

Decisions are made slowly in large, hierarchical organizations due to bureaucratic features where “[...] a formal expenditure process involving submissions and approvals is characteristic” (Teece, 2002, p. 70). In technological innovation, it is significant to lessen the time from product development to market because the pace of change in the technology sector. To lessen this time, organizations will have to reorganize and look into their decision making processes to assist their innovative behavior, arrangements around this could be to create special business units or new ventures department with the aim of creating flatter and more specialized units where decision making and responsiveness becomes quicker. In this way of organizing, there is a need for cross-functional teams over the units. In this organizational hierarchy “[...] authority flows as much from knowledge as position”. (Teece, 2002, p. 71). The structure of the organization will have to be designed to enable cooperation among universities, public sector and commercial interests to find the needed information and knowledge. (Nowak & Grantham, 2000)

Small firms tend to engage far lesser in training than bigger firms, have higher level of entrants and early exits and can to a lesser extent let the employees participate in education and development activities. Because of their small size they cannot afford to let the employees take time off for education and development. (Grey & Mabey, 2005)

Finding and retaining skilled staff is a growing problem for SMEs across developing countries and the fact that they in many cases can't participate in educational activities limits the economic

role of many small firms. The personal independence that many employees hope to find in a small company may have the effect of inhibiting cooperation with other companies making the external support hard to find when it's needed. Despite the fact that smaller firms seems to be more restricted when it comes to training, they do possess other advantages, like higher degree of flexibility. Also the managers in small companies are more all-round then managers in large companies which can be of advantage. (Grey & Mabey, 2005)

The size of the firm has a direct relation to the extent at which employees participate in internal and external training and also in the relation between firm size and ability to give the employees time for their own development. (Grey & Mabey, 2005)

Research findings suggest that SMEs innovative work is becoming more open. An explanation to this could be that small firms don't have the necessary resources needed to develop new products and get them to the market. To access these resources, they are often forced to collaborate with other organizations that are more incumbent (Vrande, Jong, Vanhaverbeke, & Rochemont, 2009).

SMEs are mainly adopting to open innovation for market-related reasons. They use this approach to effectively serve customers needs or by the means of opening up new markets to get secure revenues and maintain their growth.

There are also problems encountered with open innovation for SMEs. When they start to collaborate with external partners there may rise cultural and organizational issues in the innovation activities, which spans over several areas such as external networking and customer involvement (Vrande, Jong, Vanhaverbeke, & Rochemont, 2009). From their performed study conclusions were drawn that "innovation in SMEs is hampered by lack of financial resources, scant opportunities to recruit specialized workers, and small innovation portfolios so that risks associated with innovation cannot be spread" (Vrande, Jong, Vanhaverbeke, & Rochemont, 2009). Another main finding was that a lot of obstacles that arise are related to the corporate organization and the company's culture. (Vrande, Jong, Vanhaverbeke, & Rochemont, 2009) .

2.8 Empirical Literature Review

2.8.1 Transformational Leadership and Organizational Innovation Performance

Transformational leaders are defined as leaders, who positively envision the future scenarios for the organizations, engage primarily in improving employees' self-confidence by helping them to realize their potential, communicate an achievable mission and vision of the organizations to

employees, and participate with employees to identify their needs and working out collaboratively to satisfy their needs (Peterson, Walumbwa, Byron, & Kris & Carey, 2009).

Several reasons support the expectation that transformational leadership would enhance employee creativity and innovation. First, transformational leaders go beyond exchanging contractual agreements for desired performance by actively engaging followers' personal value systems (Bass, Avolio, Jung, Berson, & Yair, 2003). They provide ideological explanations that link followers' identities to the collective identity of their organization, thereby increasing followers' intrinsic motivation rather than just providing extrinsic motivation to perform their job. By articulating an important vision and mission for the organization, transformational leaders increase followers' understanding of the importance and values associated with desired outcomes, raise their performance expectations, and increase their willingness to transcend their self-interests for the sake of the collective entity. A number of studies have found that intrinsic motivation leads to creativity because intrinsically motivated people tend to prefer novel approaches to problem solving. Followers' identification with the organization's vision, mission, and culture also has been linked to heightened levels of motivation toward higher levels of performance.

(Bain & Samuelowicz, 2001) asserts that by providing intellectual stimulation transformational leaders encourage followers to think „out of the box and to adopt generative and exploratory thinking processes. Transformational leaders stimulate their followers to think about old problems in new ways and encourage them to challenge their own values, traditions, and beliefs. Oftentimes, transformational leaders are able to accomplish this shift in perspective by serving as role models. By showing high expectations and confidence in followers' capabilities, transformational leaders also help to develop followers' commitment to long-term goals, missions, and vision and to shift their focus from short-term and immediate solutions and objectives to long-term and fundamental solutions and objectives.

Indeed, in a study of Austrian branch bank managers, (Dess & Picken, 2000) reported a stronger positive relationship between this managers' extent of transformational leadership and long term as compared with short-term performance. Because creativity in organizations often requires trade-offs across time, this finding provides a basis for expecting that transformational leadership would enhance creativity

Several studies have examined this relationship more directly and found positive results. Dess and Picken, (2000) found that transformational leadership increased followers' creativity in a

computer-mediated brainstorming exercise. In this study, the followers' performance was assessed in part based on the number of creative ideas generated. In a study of 78 managers, Dess and Picken, (2000) found a positive relationship between the intellectual stimulation provided by the leader and unit performance when there was a climate of support for innovation within the leader's unit. However, when support for innovation was absent, the positive relationship became insignificant. This pair of findings provides indirect support for the leader's role in inducing creativity.

Mumford et al. (2002) also found that transformational leadership positively influenced performance of research and development (R&D) project teams in a large R&D organization. Performance was measured based on superiors' ratings of subordinate innovativeness and the extent to which their innovative orientation added unique value to the projects that they finished. Taken as a whole, these prior studies have provided a strong theoretical basis for expecting that transformational leadership would enhance creativity among followers. However, as can be inferred from our summaries of prior empirical research, these have tended to focus on the role of leadership at the individual level and mainly with subjective performance measures such as self-reported and supervisory ratings of creativity.

Mumford et al. (2002) have argued that the use of a vision-based motivational process by transformational leaders should enhance creativity at the organizational level. This is because „„by framing vision in terms of work goals and articulating this vision through project selection and project evaluation rather than overt affective appeals, a work-focused vision or mission may be promulgated that will enhance people's creative efforts. They also have suggested that by influencing the nature of the work environment and organizational culture, leaders can affect Organizational members' work attitudes and motivation in their interactions, thereby affecting their collective organizational achievement. Despite the reasonableness of expecting that transformational leadership would enhance organizational innovation, little empirical research has investigated the existence and nature of this link (Mumford, Scott, Gaddi, & and, 2002).

Jaussi and Dionne (2003), did an experiment to test the direct relation between transformational leadership and employee creativity and found no correlation. In their experiment, 364 subjects were randomly assigned to four conditions and were asked to develop and present arguments in groups about a social relevant topic in one hour. Individuals kept their own idea logs of their own thoughts and arguments, which were used as creativity measures rated by two trained graders. They used a two-by-two experimental design i.e., high transformational vs. low transformational leadership and conventionally behaving leader vs. unconventionally behaving

leader. The manipulations of transformational leadership were based on the MLQ 5X (Jausi & Dionne, 2003). First, individuals with a high transformational leader were rated slightly less creative than individuals with a low transformational leader and this effect was found regardless of conventionality. Second, role modeling behavior was highly correlated with transformational leadership and was positively related to creative performance.

Si and Wei (2011) showed that the relationship between transformational leadership and subordinates' creative performance was moderated by team empowerment climate, in such a way that the relationship is stronger when empowerment climate is low than when it is high. Thus, when empowering climate was low, transformational leadership enhanced employee creative performance and when empowering climate was high transformational leadership reduced employee creative performance.

2.8.2 Transactional Leadership and Organizational Innovation Performance

Two of the four studies discussed in this section show a direct negative relation between transactional leadership and innovation (Si & Wei, 2011). This is in line with the transactional leadership theory. In his study, Lee (2008) used 201 research and development (R&D) professionals from two organizations. Innovation was measured with (Kirton, 1976) Adaptive Innovation inventory (KAI), which distinguishes two cognitive styles i.e. adaptive and innovative in problem solving on a continuum ranging from adaptive to innovative. With the negative relation found, Lee (2008) concluded that transactional leadership has a negative impact on innovation.

Whereas Lee (2008) investigated transactional leadership as a whole construct, (Moss & Ritossa, 2007) focused on transactional leadership's different facets separately. For their study, they used 263 leader-follower dyads from 38 governmental organizations in Australia. To measure employee innovativeness, leaders completed the 13-item measure that was developed by (George & Jing, 2001), which is a general measure of creative behavior in the workplace and assesses the extent to which employees suggest and implement novel and effective solutions, processes, and procedures. Interestingly, they found no significant relation between transactional leadership and employee creativity. This is contrary to the expectations of transactional leadership theory and prior research. However, the results of all different facets pointed in the negative direction, which indicate that there was a small decrease in employee innovativeness when transactional leadership was present

Although all research findings pointing in the negative direction, (Moss & Ritossa, 2007) findings failed to show a significant relation. Hence, there might be factors that influence the relation between transactional leadership and employee innovativeness. Two moderators that affect this relationship are psychological empowerment and empowering climate, both related to empowerment theory. Empowerment theory states that psychologically empowered individuals see themselves as self-determined and competent and that their work has organizational impact and is meaningful (Si & Wei, 2011). This would enhance employees' motivation and results in an energized state to engage in innovative behavior. (Pieterse, Knippenberg, Schippers, & Stam, 2010) studied the effect of psychological empowerment in the relation between transactional leadership and employee innovativeness. They used 230 employees and their immediate supervisors of a government agency in The Netherlands combining multisource ratings for innovativeness. Innovative behavior was measured by supervisor ratings on a creativity scale used by (Jansen, Vera, & Crossan, 2009). Psychological empowerment was found to have an interaction effect in the transactional leadership-employee creativity relationship. Psychological empowerment moderated the relationship such that the relationship is negative with high psychological empowerment and weaker with low psychological empowerment. Thus, transactional leadership is more detrimental for employees high in psychological empowerment than for employees low in psychological empowerment. In practical terms this could mean that in contrast to low empowered employees, highly empowered employees might view transactional leadership as restrictive, controlling and demotivating and therefore causing less innovative behavior (Pieterse, Knippenberg, Schippers, & Stam, 2010).

Si and Wei (2011) conducted a study to test how transactional leadership influences employee creative performance when an empowering climate was present. In a high empowering climate there is a higher level of trust among employees, more frequent flow of information, more open team goals, and less supervisory control from the managers. The result is greater feelings of respect, 13 more self-determination, more sense of common values, and more harmonious work climate, leading to more intrinsic motivation and more innovative behavior (Si & Wei, 2011). For their study, they used 465 employees of a large multinational company in China, working together in 93 teams, with every team having a supervisor. Employee creative performance was measured by supervisor ratings on (George & Jing, 2001) 7-point scale for creativity. They found that an empowering climate moderates the relationship between transactional leadership and employee creative performance in such a way that the relationship is positive when empowerment climate is high, whereas it is negative when empowerment climate is low (see Figure 2). They concluded that transactional leadership has positive effects on employee

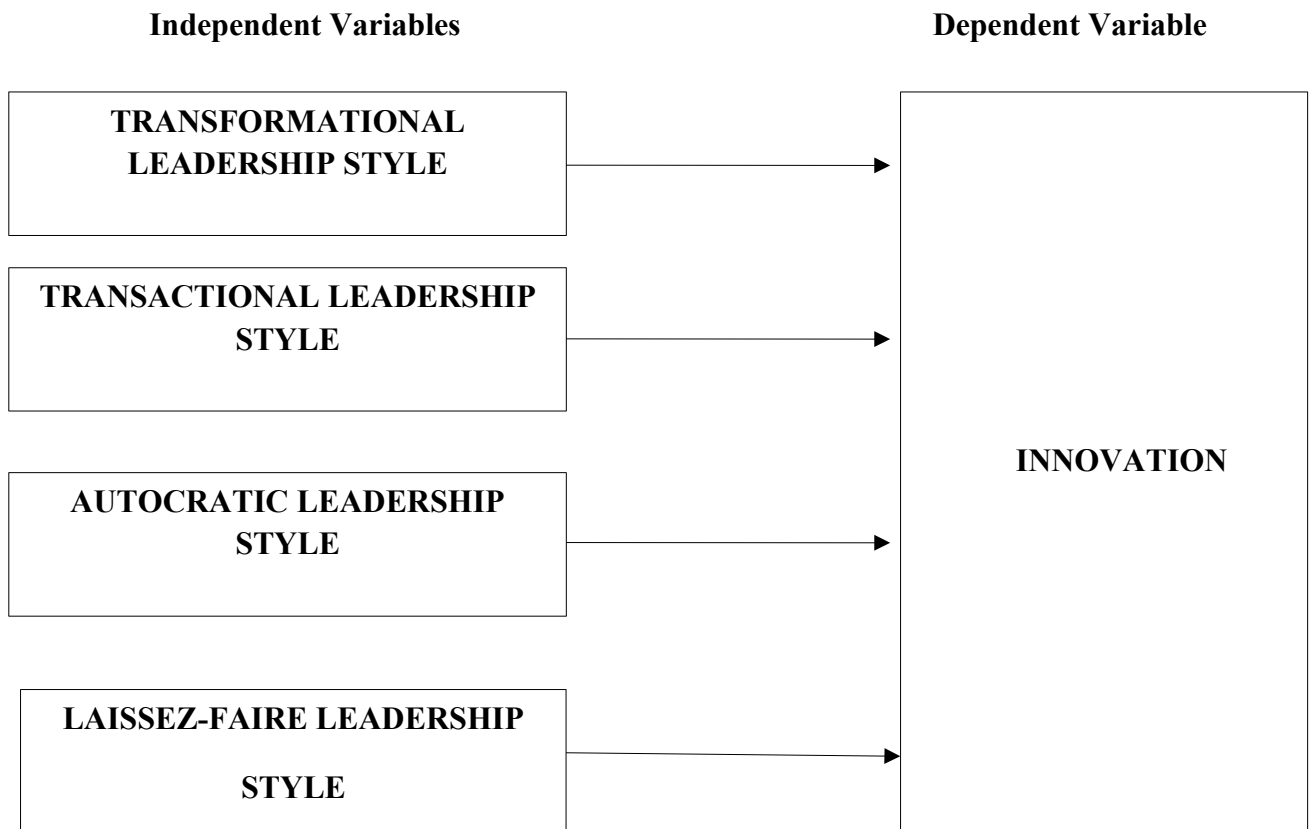
creativity when a high empowering climate is present, and has negative effects when a low empowering climate is present.

When comparing Si and Wei's (2011) findings to Pieterse's et al. (2010) findings they seem to contradict each other. Because in an high empowering climate it is likely for employees to feel psychologically empowered, according to the findings of Pieterse et al. (2010) one would expect that high transactional leadership would demotivate people because highly empowered employees would perceive it as controlling and demotivating. However, Si and Wei (2011) hypothesized and found the opposite; high transactional leadership has positive effects on employee innovativeness when empowering climate is high and negative effects when empowering climate is low. They argued that because of the high-level empowering climate, the enthusiasm and self-determination of employees will supply a gap or remedy to the negative effect of transactional leaders on the subordinates' creative performance. Although the findings seem to contradict each other, both hypotheses are plausible.

2.9 Conceptual Framework

The importance of leadership in an organization and the impact of leadership on innovation cannot be overemphasized as different scholars have given various definitions due to its complexity and importance. Leadership has been viewed as an exchange between a leader and his/her subordinates. It had also been defined as a process of influencing people towards a particular objective or goal. Whichever leadership style that is exhibited by a person is a combination of traits, characteristics, skills and behaviors.

Figure 2. 1 Conceptual Framework



Source: Developed from the literature reviewed

The research sought to identify the impact of Transactional leadership style , Transformational Leadership style , laissez faire leadership style and Autocratic leadership style (independent variables) exercised by leaders at Pagatech on the Innovation (depended variable) in the company. ,

The research also sought to understand how attributes of transactional, transformational, laissez faire and autocratic leaders impact the Organizational innovation at Pagatech and if indeed the leaders at paga exhibit the attributes to further innovation at the company.

The research also seek to understand the extent to which transactional leadership style, transformational leadership style, laissez faire leadership style and autocratic leadership style is practiced in the company and whether or not it impacted the Organizational innovation at Pagatech .

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. The chapter considers in detail the methods that will be used to collect the data required in the study. It includes the research design, source and type of data, target population and sampling method, method of data presentation, analysis and interpretation as well as ethical issues to consider in the study.

3.2 Research Design and Approach

The main objective of this study was to examine the effect of leadership on innovation in a small business in the software industry. To achieve this objective, the study adopted an explanatory type of research design. An explanatory study involves gathering data in order to identify the extent and nature of cause-and-effect relationships between variables. As the main aim of this study was to identify the extent and nature of the cause and effect relationship between leadership styles and innovation, the selection of explanatory research designs was supposed to fit the goal of the research. The study adopted a survey research design for data collection.

The study was a quantitative because quantitative researches show the relationship of variables involved in the research through cause-and-effect fashion and If and when a strong relationship between or among variables are found, it can be established that the cause-and-effect relationship is highly probable.

3.3 Source and Type of Data

Data collection was done from primary and secondary sources. Primary data sources were data collected from employees of the company through survey questionnaire. Secondary sources were internal documents from the company including but not limited to strategy documents, financial reports, and notes from monthly companywide meeting on performance of the business units, successes and short comings of the business.

3.4 Target population and Sampling Methods

The target population for this study was employees of a small business working in the software industry particularly employees of Pagatech limited. The study population was 460 employees. The study was conducted among product manager, project managers, customer care staff, business line managers, development operation managers, software development engineers, and software test staff at Pagatech Limited.

Stratified random sampling was used to classify the sample into different strata (managers and non-managers). The respondents from each stratum were identified using simple random sampling so that every respondent had an equal chance of being selected to participate in the study. The strata in this study were divided into two and it contained the management and non-management staff within Pagatech Limited.

Stratified random sampling was selected for the study since it had three main benefits: it increased the sample's statistical efficiency, provided adequate data for analyzing the various subpopulations, and enabled different research methods and procedures to be used in different strata (Cooper & Schindler, 2011).

Table 3. 1 Population Distribution

Population Characteristics	Total Population
Managers	74
Non-Managers	386
Total	460

Source (Pagatech Limited, 2019)

3.5 Sample Size

For the purpose of this study, the Yamane (1967) formula was used to select the sample size for the study which brought the sample size to 214 respondents, and it was calculated using the following formula,

$$n = \frac{N}{1 + N(e^2)}$$

Where

n is the sample size,

N is the population size, 1 was the constant and e^2 was the margin of error, which was 5% for 95% confidence level.

$$n = 460 / (1 + 0.05^2) = 214$$

Sample size of the strata was calculated using the proportionate stratification formula,

$$n_h = (N_h / N) * n$$

Where n_h is the sample size for stratum h , N_h is the population size for stratum h , N is total population size, and n is total sample size.

Table 3. 2 Sample Size distribution

Population Characteristics	Total Population	Sample
Managers	74	34
Non-Managers	386	180
Total	460	214

Source (Pagatech Limited, 2019)

3.6 Data Collection Techniques and Instrument

Since the target population was distributed across four countries (Ethiopia, Nigeria, United Kingdom and Mexico) and all employees were expected to be online as part of their daily duties (communication within the company happened through corporate communication tools like slack and email), a structured online questionnaire was used to collect the data. The data collection instrument for the study was developed based on literature from various scholars on the subject of leadership styles on innovation.

3.7 Method of Data Presentation, Analysis and Interpretation

Data editing and coding was done by the researcher to reduce error during the data entry stage and ensure that clean data was used for analysis. Descriptive analysis was done to check for the meaning of the data provided using percentages and summaries. A reliability as well as validity analysis was conducted to check for consistency of the responses and variables that best described the given responses respectively.

Correlation analysis was used to test for the association among the dependent variables and independent variables for the study. Thereafter, multi variable regression analysis was used to test for the effect of the independent variable of the transformational, transactional, laissez-faire and autocratic leadership styles on the dependent variable (innovation). The results were presented in form of tables and figures with brief descriptions.

3.8 Ethical Consideration

Everyone involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher.

CHAPTER 4: RESULTS, FINDINGS AND DISCUSSIONS

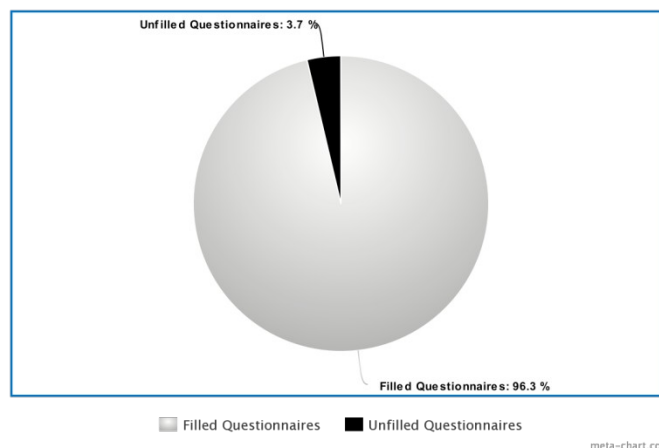
4.1 Introduction

This chapter presents the study results and findings. The results have been presented using figures and tables. The chapter includes response rate and demographic response, reliability and validity test results, position in the organization data, respondents gender results, age of respondents graph, duration in organization data, effect of transformational leadership style on innovation, rating of transformational leadership style on innovation, correlations for transformational leadership style on innovation, regression analysis for transformational leadership style on innovation, effect of transactional leadership style on innovation, rating of transactional leadership style on innovation, correlations for transactional leadership style on innovation, regression analysis for transactional leadership style, effect of autocratic leadership style on innovation, rating of autocratic leadership style on innovation, correlations for autocratic leadership style on innovation, regression analysis for autocratic leadership style, effect of laissez faire leadership style on innovation, rating of Laissez faire leadership style on innovation, correlations for laissez faire leadership style, regression analysis for laissez faire leadership style, rating of innovation factors, correlations for innovation factors, regression analysis for innovation factors, the effect of leadership style on innovation, correlation analysis, regression analysis for leadership style on innovation and chapter summary.

4.2 Response Rate and Demographic Response

4.2.1 Response Rate

Figure 4. 1 Study Response Rate



Source: Survey questionnaire result (2020)

214 questionnaires were sent out to the respondents. By using emails and in persona reminders to encourage respondents to fill the questionnaires and achieve a higher response rate, the researcher managed to receive 206 responses from the target population. These results gave the study a response rate of 96.3% which was above the required threshold as shown in Figure 4.1.

4.3 Reliability and Validity Test Results

The Cronbach Alpha test was carried out to test the various study variables. Table 4.1 show the result of the test.

Table 4. 1 Cronbach Reliability Test for Study Variables

Scale	N	Alpha
TRANSFORMATIONAL LEADERSHIP		
Idealized Influence (II)	7	0.962
Inspirational Motivation (IM)	7	0.813
Intellectual Simulation (IS)	8	0.705
Individual Consideration (IC)	3	0.822
TRANSACTIONAL LEADERSHIP		
Contingent Reward (CR)	4	0.792
Management by exception (MBE)	3	0.892
AUTHORITATIVE LEADERSHIP (AL)	3	0.831
LAISSEZ FAIRE LEADERSHIP (LF)	3	0.882
INNOVATION (IN)	23	0.984

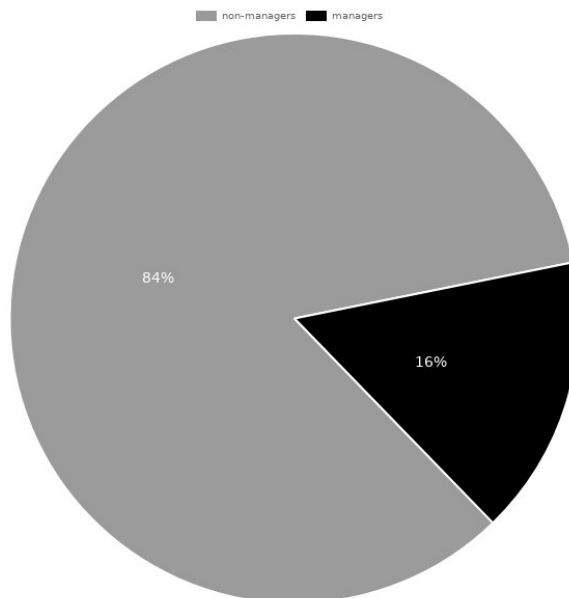
Source: Survey Questionnaire result (2020)

The study adopted scales which had been validated elsewhere. In measuring leadership styles the study adapted the Multi factor Leadership Questionnaire (MLQ) developed by Avolio and Bass (1995), modified to fit the context of the study. For reliability, the study used Cronbach alphas which were then compared to the conventional cut-off point of 0.7. According to (Field, 2005), (Pallan, 2013) a Cronbach alpha higher than 0.7 indicates internal consistency on the instrument. Cronbach alphas were produced for each sub scale and the results are presented in Table 4.1. The results show Cronbach alphas ranging from 0.705 to 0.984. These alpha coefficients are all higher than the conventional level of 0.7, suggesting that each subscale used in the study had acceptable internal consistency and hence reliable in measuring what they were designed to measure.

4.4 Position in the Organization

The respondents were asked to indicate the position they held in the organization and their response was as shown in Figure 4.2. The results showed that 84.1% were non-management staffs while 15.9% were management staff. There results show that both groups of employees were considered in the study and were significantly represented. The results had more respondents in non-management positions because of the composition of the employees in the organization where we have more non-management positions compared to management positions.

Figure 4. 2 Position in the organization

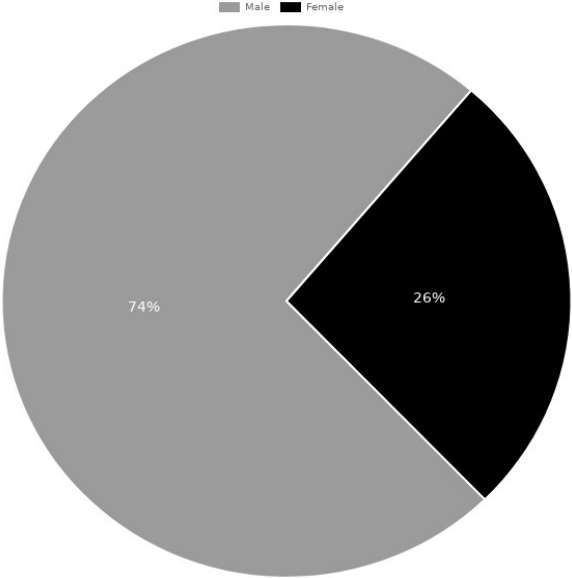


Source: Survey questionnaire result (2020)

4.5 Respondents Gender

The respondents were asked to indicate their gender and their response was as shown in Figure 4.3. The results showed that 73.5% were male while 26.5% were female. The results show that all genders within the organization were considered in the study and were significantly represented, and it also shows that male respondents were more in the organization. The male respondents were more and this could be explained by the nature of the organizations business and the overall experienced workforce availability with the required experience in the market place.

Figure 4. 3 Respondents gender

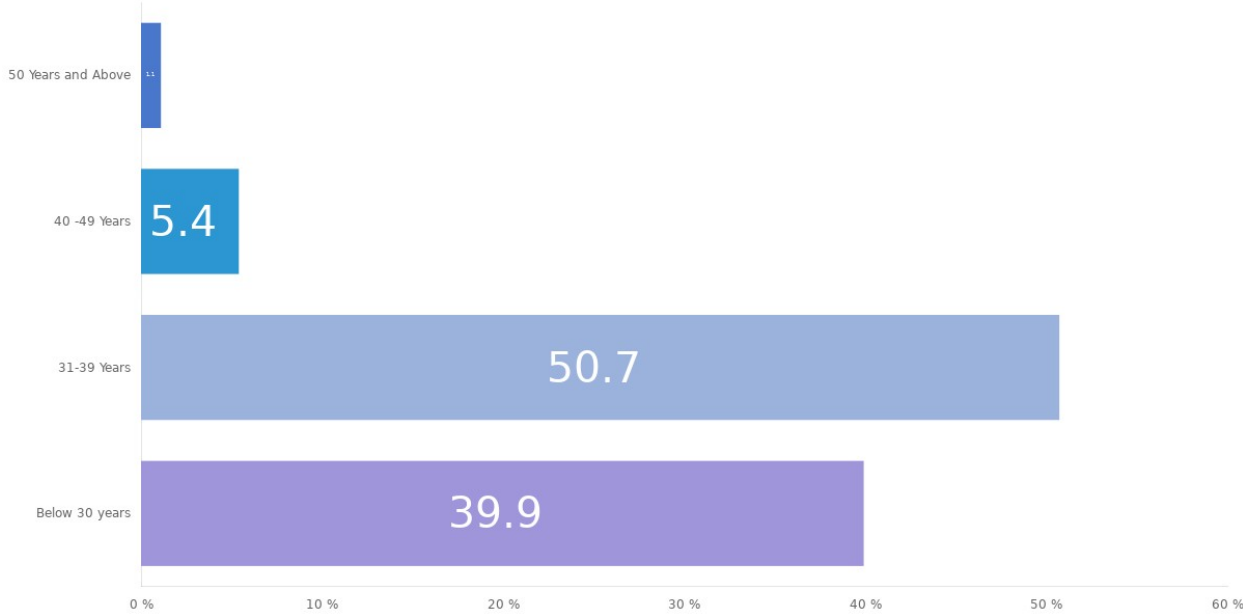


Source: Survey questionnaire result (2020)

4.6 Age of Respondents

The respondents were asked to indicate their age and their response was as shown in Figure 4.4. The results showed that 39.9% were below the age of 30 years, 50.7% were aged between 31-39 years, 5.4% were aged between 40-49 years, and 1.1% was above the age of 50 years. The results show that all age groups within the organization were considered in the study. The majority of the respondents who took part in the study were aged between 31-39 years, and this could be explained by the fact that the organization is focused on bringing on board employees who have experience, due to the nature of the business and the organizations focus o building the capacity of business units. The least represented age range was the above 50 years old. The result shows that above 90% of the respondents were below the age 40 years.

Figure 4. 4 Respondents Age

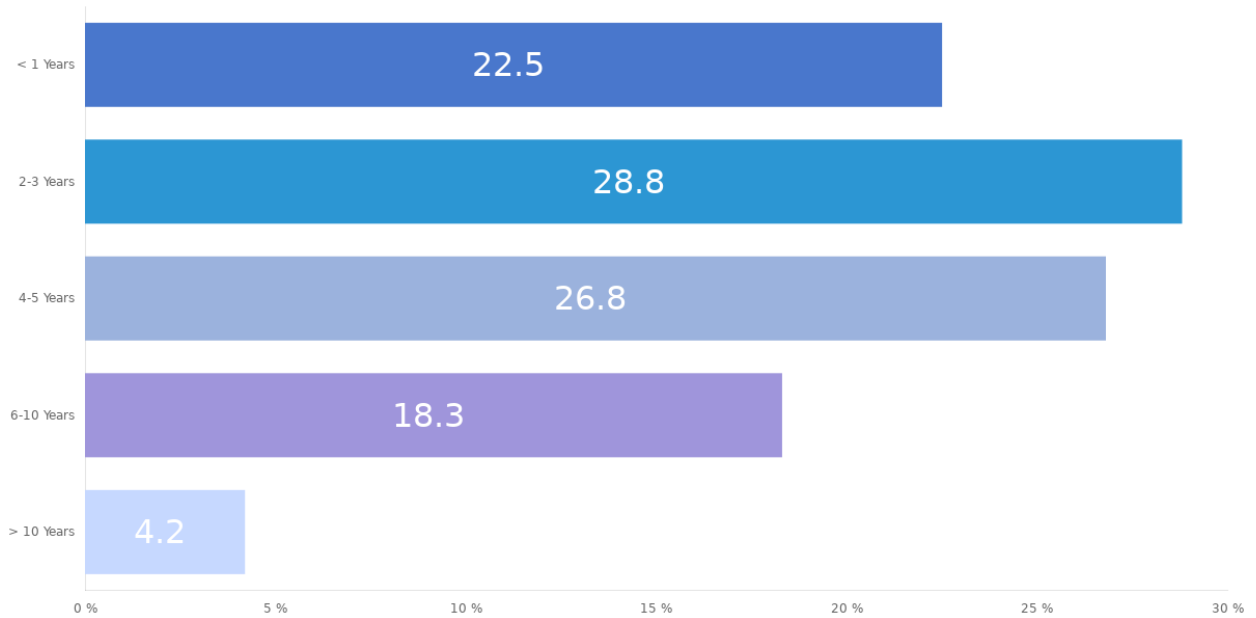


Source: Survey questionnaire result (2020)

4.7 Service years within Organization

The respondents were asked to indicate the duration they had been with Pagatech and their response was as shown in Figure 4.5. The results showed that 22.5% had been with the organization for less than a year, 28.2% had been with the organization for 2-3 years, 26.8% had been with the organization for 4-5 years, 18.3% had been with the organization for 6-10 years, and 4.2% had been with the organization for 11 years and above. The result shows that all employees regardless of the number of years with the organization were considered in the study and were significantly represented. The result also shows that the majority of the respondents had been with the organization for more than two years which shows they were best placed to respond to the questions.

Figure 4. 5 Service years within organization



Source: Survey questionnaire result (2020)

4.8 Descriptive statistics of the dependent and independent variables

The statistical description of the table below shows the mean, median, maximum, minimum, standard deviation, Skewness, Kurtosis value and number of observations for the dependent variable Innovation and independent variables: Transformational Leadership Styles, Transactional Leadership Styles, Autocratic leadership Styles, and Laissez-faire leadership Style. Mean is a measure of central tendency used to describe the most typical value in a set of values. Standard deviation shows how far the distribution is from the mean; or the dispersion of the variables from their average. A small standard deviation implies that most of the sample means will be near the center population means thus the sample mean has a good chance of being close to the population mean and a good estimator of the population mean. On the other hand, a large standard deviation illustrates that the given sample mean will be a poor estimator of the population mean. Skewness and kurtosis were also taken into account. Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is

symmetric if it looks the same to the left and right of the center point. Kurtosis is a measure of whether the data are peaked or flat relative to a normal distribution.

Table 4. 2 Descriptive Statistics of the Study Variables

Descriptive Statistics										
	n	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Transformational	206	2.73	5.00	3.9503	.52869	.280	-.445	.169	-.363	.337
Transactional	206	2.54	4.83	3.4199	.48170	.232	.688	.169	.839	.337
Autocratic	206	1.00	4.67	2.4822	.91210	.832	.325	.169	-.657	.337
Laissez-faire	206	1.00	5.00	2.8706	1.15679	1.338	-.127	.169	-1.037	.337
Innovation	206	2.41	4.50	3.6834	.71778	.515	-.352	.169	-1.458	.337
Valid n (listwise)	206									

Source: Survey questionnaire result (2020)

The statistical description of the table above shows transformational leadership styles ranges from 2.73 to 5.00 with the mean value of 3.95 and standard deviation was 0.523% shows lower dispersion from its mean value. The result of the study shows that most leaders’ exercise the same level of transformational leadership styles.

The statistical description of the table above shows transactional leadership styles ranges from 2.54 to 4.83 with the mean value of 3.42 and standard deviation was 0.482% shows lower dispersion from its mean value. The result of the study shows that most leaders’ exercise the same level of transformational leadership styles.

The statistical description of the table above shows autocratic leadership styles ranges from 1.00 to 4.67 with the mean value of 2.482 and standard deviation was 0.912% shows lower dispersion from its mean value. The result of the study shows that most leaders’ do not exercise the same level of transformational leadership styles.

The statistical description of the table above shows laissez-faire leadership styles ranges

from 1.00 to 5.00 with the mean value of 2.87 and standard deviation was 1.153% shows higher dispersion from its mean value. The result of the study shows that most leaders' do not exercise the same level of transformational leadership styles.

Skewness of the independent variables transactional leadership styles and autocratic leadership style are positive, indicating that the distributions are skewed to the right. Skewness of the independent variables transformational leadership styles , laissez-faire leadership styles and the dependent variable innovation are negative , indicating that the distributions are skewed to the left.

The Kurtosis of all the independent variables (transformational leadership style, transactional leadership styles , autocratic leadership style and laissez-faire leadership styles and the dependent variable (innovation) is less than 3, indicating that the distribution is thin and long tailed.

4.9 Classical Linear Regression Model (CLRM) Assumptions Tests

After performing the descriptive analysis of the collected data the researcher performed classical regression model assumptions. The objective of the multifactor linear regression model is to predict the strength and direction of association among the independent variables (transformational, transactional, autocratic and laissez-faire leadership styles) and the dependent variables (innovation). In order to maintain the validity and robustness of the regression result of the research in classical linear regression model, it is required to satisfy the basic assumption of classical linear regression model. As noted by Brooks (2008), when these assumptions are satisfied, it is considered as all available information is used in the model. However, if these assumptions are violated, there will be data that left out of the model. Accordingly, before applying the model for testing the significance of the slopes and analyzing the regressed result, the errors equal zero mean tests, normality, heteroscedasticity, autocorrelation and multicollinearity tests are made for identifying misspecification of data if any so as to fulfill research quality.

4.9.1 Test for the Average Value of the Error-term is Zero Assumption

The first Classical Linear Regression Model assumption is ,the average value of the errors term should be zero. As per Brooks (2008), if a constant term is included in the regression equation, this assumption will never be violated. Therefore, since the constant term was

included in the regression equation, this assumption is expected to be not violated.

4.9.2 Test for Heteroskedasticity Assumption

In the classical linear regression model assumptions, the other basic assumption is homoscedasticity assumption that states as the probability distribution of the disturbance term remains same for all observations. That is the variance of each u_i is the same for all values of the explanatory variable. However, if the disturbance terms do not have the same variance, this condition of non-constant variance or non-homogeneity of variance is known as heteroscedasticity (Bedru and Seid, 2005). To check this, ARCH test was applied. The ARCH tests of the null hypothesis that the error variances are all equal versus the alternative that the error variance are a multiplicative function of one or more variables.

Table 4. 3 Heteroskedasticity Test

Heteroskedasticity Test: ARCH test

Heteroskedasticity Test: ARCH			
F-statistic	0.416539	Prob. F	0.6280
Obs*R-squared	0.423957	Prob. Chi-Square	0.6205

Source: Survey questionnaire result (2020)

As the above table shows heteroskedasticity test ARCH concluded that there is no significant evidence for the presence of heteroskedasticity. Since the p-values were above 0.05, the null hypothesis of homoscedasticity is failed to reject at 5 percent of significant level. This implying that there is no significant evidence for the presence of heteroskedasticity in these research models.

4.9.3 Testing the Absence of Autocorrelation Assumption

In this section, the researcher checked if there exists autocorrelation problem with the data. If there exists covariance between the residuals and it is nonzero, this phenomenon is called autocorrelation (Brooks, 2008). To test for Autocorrelation, the study used Breusch-Godfrey Serial Correlation LM Test.

Table 4. 4 Autocorrelation Test: Breusch-Godfrey Serial Correlation LM Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.068538	Prob.	0.4561
Obs*R-squared	2.472698	Prob. Chi-Square	0.4086

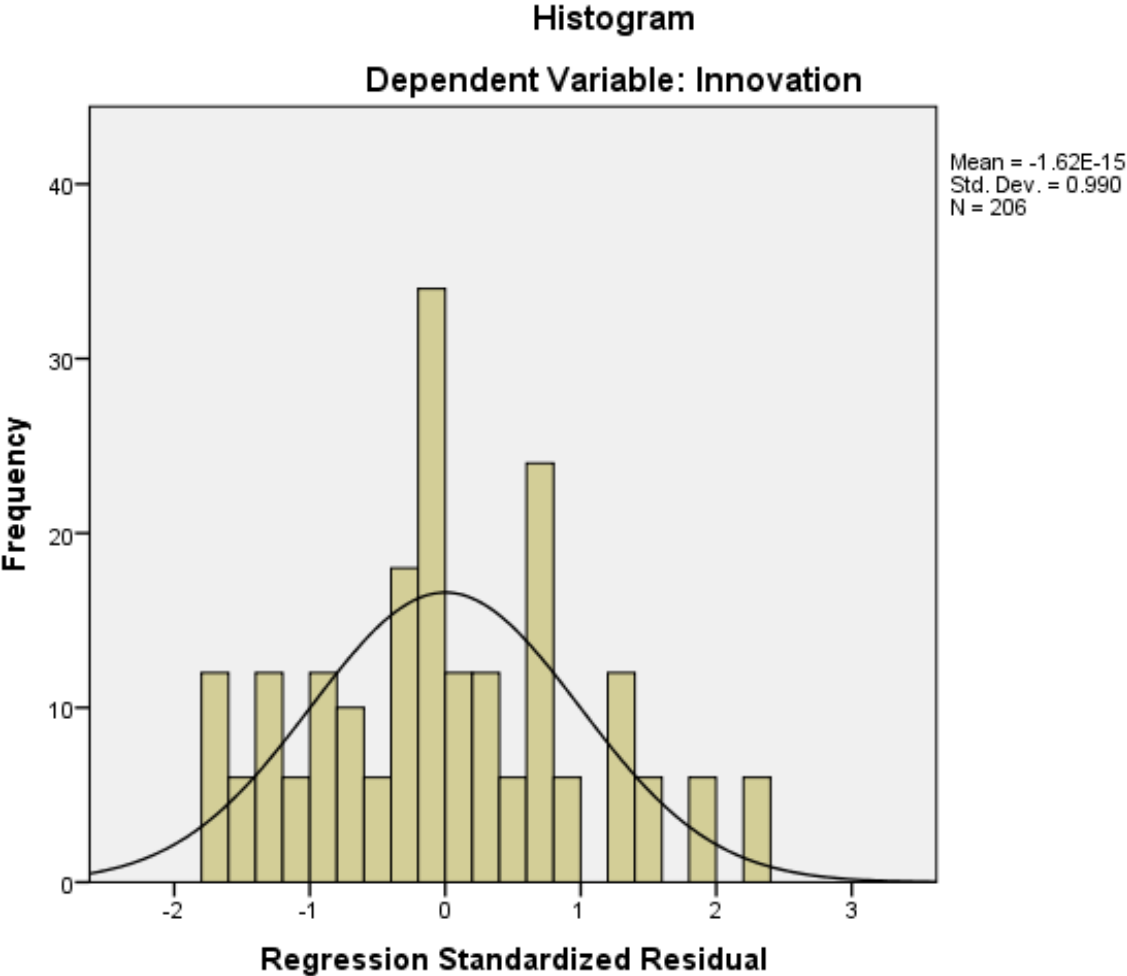
Source: Survey questionnaire result (2020)

As indicated in the above table 4.4 the P value of F-statistic Breusch-Godfrey Serial Correlation LM test was 0.4561 that was beyond the significance level of 5%. Hence, the null hypothesis of no autocorrelation is failed to reject at 5 percent of significance level. This implying that there is no significant evidence for the presence of autocorrelation in this model. Therefore, we can say that there is no autocorrelation problem in this study.

4.9.4 Testing of normality

A normal distribution is not skewed and is defined to have a kurtosis coefficient of 3. Bera-Jarque formalizes this by testing the residuals for normality and testing whether the coefficient of Skewness and kurtosis are zero and three respectively. Skewness refers to how symmetric the residuals are around zero. Perfectly symmetric residuals will have a skewness of zero. Skewness measures the extent to which a distribution is not symmetric about its mean value. Kurtosis refers to the "peakedness" of the distribution. For a normal distribution the kurtosis value is 3. Kurtosis measures how fat the tails of the distribution are, the Jarque–Bera test for normality is based on two measures, skewness and kurtosis. For normal distribution the JB statistic is expected to be statistically indifferent from zero. The Bera-Jarque probability statistics/P-value is also expected not to be significant even at 10% significant level (Brooks, 2008). According to (Gujarati, 2004), the BJ is a large sample test and our sample of 90 was equal to the frame was large; the study considered the BJ test also. If the residuals are normally distributed, the histogram should be bell-shaped and BJ statistic would not be significant. The p-value of the normality test should be bigger than 0.05 to not reject the null of normality at 5% level.

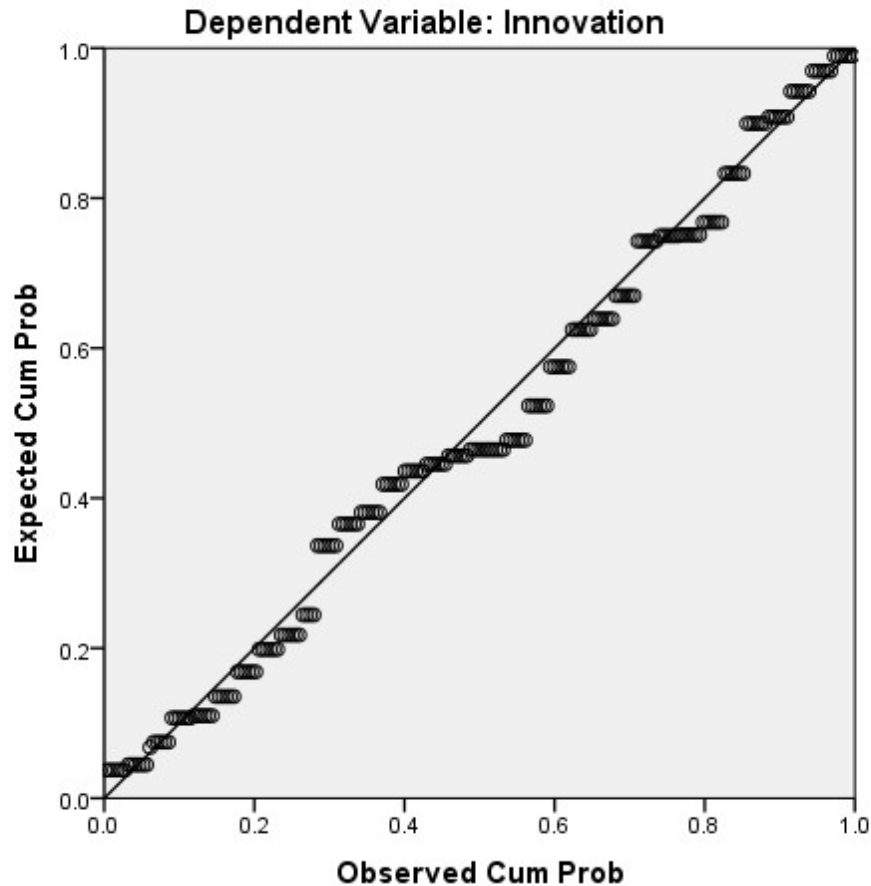
Figure 4. 6 Normality test for residuals



Source: Survey questionnaire result (2020)

Figure 4. 7 P-P Plot of regression Standardized Residual

Normal P-P Plot of Regression Standardized Residual



1.1.8 Multicollinearity Test

Multicollinearity is a phenomenon where the two or more of the explanatory variables used in a regression model are highly related to one another. Testing for multicollinearity simply involves looking at the matrix of correlations between the individual variables. (Brooks, 2014).

Multicollinearity is a test that evaluates whether the independent variables are highly correlated. Its condition exists where there is high, but not perfect, correlation between two or more explanatory variables leading to unreliable and unstable estimates of regression coefficients hence causing strange results when attempting to study how well individual independent variables constitute to an understanding of the dependent variable (Cameron and Trivedi 2009; Wooldridge 2006). The consequences of Multicollinearity are increased standard error of estimates of the Betas, meaning decreased reliability and often confusing and

misleading results. According the correlation results calculated all the variables have a tolerance level was above the 0.1 which shows there is not significance effect of the independent variables on each other.

4.10 Correlation Analysis

Table 4.22 presents the results of bivariate correlation based on Pearson correlation statistics. Transformational leadership strongly and positively correlated with organizational innovation performance $r(206) = .541, P < 0.05$. Transactional leadership positively correlated with organizational innovation performance $r(206) = .303, P < 0.05$. Autocratic leadership negatively correlated with organizational innovation performance $r(206) = -.397, P < 0.05$. Laissez-faire leadership negatively correlated with organizational innovation performance $r(206) = -.518, P < 0.05$.

The result shows that transformational leadership style, transactional leadership styles, laissez-faire leadership styles has a significant impact on innovation at Pagatech. The impact of Autocratic leadership style on innovation at Pagatech was not significant.

Table 4. 5 Correlations for Leadership Style Factors and innovation

Correlations

		Innovation	Transformational Leadership	Transactional Leadership	Authoritative Leadership	Laissez-faire Leadership
Innovation	Pearson Correlation	1				
	Sig. (2-tailed)					
	n	206				
Transformational Leadership	Pearson Correlation	.541**	1			
	Sig. (2-tailed)	.000				
	n	206	206			
Transactional Leadership	Pearson Correlation	.303**	.501**	1		
	Sig. (2-tailed)	.000	.000			
	n	206	206	206		
Autocratic Leadership	Pearson Correlation	-.397**	-.354**	.122	1	
	Sig. (2-tailed)	.000	.000	.080		
	n	206	206	206	206	
Laissez-faire Leadership	Pearson Correlation	-.518**	.060	.224**	.414**	1
	Sig. (2-tailed)	.000	.389	.001	.000	
	n	206	206	206	206	206

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey questionnaire result (2020)

4.11 Regression Analysis for Leadership style on Innovation

The variables for Leadership styles factors were transformed by computing means of the study variable into four main categories listed as: Transformational leadership, Transactional Leadership, authoritative leadership, and laissez-faire leadership. These variables were used to carry out the regression analysis, and the results were as follows:

Table 4.6 shows the results of the regression model summary for Transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership (independent variables), and the dependent variable which was Innovation. The adjusted R square value for the model showed that 61.7 % of the variance in the model (Innovation) can be explained by Transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership.

Table 4. 6 Model Summary of Leadership style on Innovation

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.790 ^a	.624	.617	.44450	.624	83.393	4	201	.000

a. Predictors: (Constant), Laissez-faire Leadership, Transformational Leadership, Transactional Leadership, Autocratic Leadership

b. Dependent Variable: Innovation

Source: Survey questionnaire result (2020)

Table 4.6 shows the results of the regression model summary for transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership styles (independent variables), and the dependent variable which was innovation. The adjusted R square value for the model showed that 61.7% of the variance in the model (innovation) can be explained by transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership styles.

As shows in the table above the regression result of random effect model that examines the determinant of innovation at Pagatech had an R-squared of 0.617 shows satisfactory levels,

which mean that nearly 61.7 percent of the volatilities in innovation, are explained by the volatilities of independent variables (transformational leadership, transactional leadership, autocratic leadership and Laissez-faire leadership styles.). The remaining 38.3 % of changes was explained by other determinants which are not included in this model. Therefore, an adjusted R-square having value of 0.617 shows that 61.7 percent of dependent variable is explained by the independent variables included in the model. Thus, the explanatory power of the dependent variable is high.

Table 4.7 Regression Coefficients of Leadership Styles

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	1.203	.301		3.995	.000	.609	1.797
Transformational Leadership	.641	.079	.472	8.157	.000	.486	.796
Transactional Leadership	.297	.080	.199	3.694	.000	.138	.455
Autocratic Leadership	-.009	.043	-.012	-.217	.828	-.095	.076
Laissez-faire Leadership	-.364	.030	-.586	-11.940	.000	-.424	-.304

a. Dependent Variable: Innovation

Source: Survey questionnaire result (2020)

Table 4.7 shows the regression coefficients for the model and it predicts the relationship between the independent variables Transformational leadership, transactional leadership, Autocratic leadership and Laissez-faire leadership and Innovation. The regression coefficient indicates that autocratic leadership style has a negative insignificant influence on innovation since its precision levels was less than the threshold of <0.05. Leaders at Pagatech practicing the autocratic leadership styles were not able to impact innovation significantly. Transformational leadership style has a positive and significant influence on innovation. The result showed that transformational leadership has an impact on the innovation levels at Pagatech. When Leaders exhibited the attributes of a transformational leader, innovation at Pagatech increases. The result

showed that business units where leaders exhibited transformational leadership improved innovation by up to 47 %. Transactional Leadership styles had a positive and significant influence on innovation. Laissez-faire leadership had a significant, negative influence on innovation. The result also showed that Transactional leadership has an impact on innovation at Pagatech. When managers exhibited transactional leaders attribute, innovation at the company improves by up to 20 %.

The result also showed that laissez faire leadership style had an impact on innovation at Pagatech. The more business leaders exhibited laissez faire leadership style, innovation decreases and vice versa. The results show that Laissez-faire had a dramatic negative effect on innovation at Pagatech. The result suggests that innovation of business units whose leaders exhibited laissez-faire leadership style decreases up to 56%.

Regression analysis is the statistical technique that identifies the relationship between two or more quantitative variables: a dependent variable, whose value is to be predicted, and an independent or explanatory variable (or variables), about which knowledge is available. The technique is used to find the equation that represents the relationship between the variables. Multiple regressions provide an equation that predicts one variable from two or more independent variables. The operational panel regression model used to find the impact of leadership styles on innovation at Pagatech was:

$$IN = \alpha_0 + \beta_1 TRML + \beta_2 TRNL + \beta_3 AL + \beta_4 LF + \varepsilon$$

Where: IN is the dependent variable (Innovation) α_0 is the regression constant

β_1 , β_2 , β_3 , and β_4 are the coefficients of independent variables,

TRML is Transformational Leadership style

TRNL is Transactional leadership style

AL is Autocratic leadership

LF is Laissez faire leadership

ε is the Error Term.

From table 2.24, the regression model therefore becomes:

$$IN = 1.203 + .641(TRML) + .297(TRNL) + -.009(AL) + -.364(LF) + \varepsilon$$

4.12 Discussions

1.1.9 Effect of Transformational Leadership Style on Innovation

The study showed that leaders at paga displayed a strong conviction in their beliefs and values of innovation. The study showed leaders at paga clarified the underlying purpose of the company's innovative endeavors. The study also showed that leaders at paga emphasized the importance of having a collective sense of mission. These results were in tandem with (Peterson, Byron, & Kris & Carey, 2009) state that, transformational leaders are defined as leaders, who positively envision the future scenarios for the organizations, engage primarily in improving employees' self-confidence by helping them to realize their potential, communicate an achievable mission and vision of the organizations to employees, and participate with employees to identify their needs and working out collaboratively to satisfy their needs. Several reasons support the expectation that transformational leadership would enhance employee creativity and innovation. First, transformational leaders go beyond exchanging contractual agreements for desired performance by actively engaging followers' personal value systems (Avolio & Jung, 2000). They provide ideological explanations that link followers' identities to the collective identity of their organization, thereby increasing followers' intrinsic motivation rather than just providing extrinsic motivation to perform their job. By articulating an important vision and mission for the organization, transformational leaders increase followers' understanding of the importance and values associated with desired outcomes, raise their performance expectations, and increase their willingness to transcend their self-interests for the sake of the collective entity.

In a summary, multiple regression analysis indicated that, transformational leadership positively predicted organizational innovation at Pagatech. If supervisors exhibited more transformational leadership style, the organization will have higher Organizational innovation performance. This result answers the research question "What is the effect of transformational leadership style on innovation in Pagatech limited? .Transactional leadership positively affects innovation at Pagatech. The results of transformational leadership were consistent with most of results on previous studies reviewed in chapter two.

1.1.10 Effect of Transactional Leadership Style on Innovation

The study showed that leaders at paga provided recognition and rewards when employees reach their goals. The study showed that leaders usually call attention to what one can get for their accomplishments. The study showed that leaders at paga specified who is responsible

for achieving a given performance target. The study showed that transactional leaders their style had a positive and significant effect on innovation. These findings were in tandem with (Jansen, Vera, & Crossan, 2009) states that, transactional leadership style is suitable for followers' motivation to contribute and participate in the organizational ideation programs. The transactional leadership behavior drives for excellence and efficient to encourage the followers to an ideation program, such kind of programs encourage the suggestions from employees for improving the existing firm services, procedures or products etc. Additionally, in institutionalized setting the leader having transactional behavior may be appropriate for ideation programs, where instead of managing old ideas, new ideas are managed by focusing on efficiency and standardization most effective in refining, reinforcing, or getting the benefits of the current routines and memory assets of firms (Vera & Crossan, 2004); so like transformational behavior leaders, the transactional leadership can affect the creativity ideation with the help of employee's ideation programs. The transactional leadership style satisfies the need of followers in the form of recognition or exchange or rewards after reaching the agreed task objectives and goals achieving the expectations of leaders (Podsakoff, MacKenzie, Moorman, & Fetter, 1990). This kind of leadership style emphasizes on swap or exchange among leaders and employees.

In a summary, multiple regression analysis indicated that, transactional leadership positively predicted organizational innovation at Pagatech. If supervisors exhibited more transactional leadership style, the organization will have higher Organizational innovation performance. This result answers the research question "What is the effect of transactional leadership style on innovation in Pagatech limited? .Transactional leadership positively affects innovation at Pagatech. The results of transactional leadership were consistent with most of results on previous studies reviewed in chapter two.

1.1.11 Effect of Autocratic Leadership Style on Innovation

The study shows that managers at Paga did not believe employees needed to be supervised to do their innovative work. When and they do that had an adverse effect on the organizations innovation performance.

The study showed that, as a rule, manager at paga did not believe employees at paga must be given rewards or punishments to do their work. When this behavior is exercised by the managers it had a significant and negative effect on the innovation performance of the company.

The study showed that leaders at paga did not believe their subordinates to be lazy. The study showed that autocratic leadership style had a significant and negative effect on the organizations innovation performance. This finding goes against findings by Kanter (1982) who stated that autocratic leaders drive innovation processes by controlling, monitoring, instructing, and hierarchical influence. Somech (2006, p. 140) specifies that authoritarian leaders provide “team members with a framework for decision making and action in alignment with the superior’s vision”. Research on innovation provides evidence on the specific benefits of authoritarian leadership with regard to different innovation-related goals. Research shows that authoritarian leadership is particularly beneficial for establishing clear rules (Somech, 2006).

In a summary, multiple regression analysis indicated that, Autocratic leadership negatively predicted organizational innovation at Pagatech. If supervisors exhibited more Autocratic leadership style, innovation at Pagatech will not be affected significantly. This result answers the research question “What is the effect of autocratic leadership style on innovation in Pagatech limited? “

1.1.12 Effect of Laissez-faire Leadership Style on Innovation

The study showed that, as a rule, leaders at paga did not allow employees to appraise their own work. The study showed that leaders at paga did not give complete freedom to their employees to solve problems in their own way. The study also showed that leaders at paga did not believe it is a good thing to leave their subordinates alone during their work. The study showed that Laissez-faire leadership style had a significant and negative effect on the organizations innovation performance.

In a summary, multiple regression analysis indicated that, laissez-faire leadership negatively predicted organizational innovation at Pagatech. If supervisors exhibited more laissez-faire leadership style, the organization will have lower Organizational innovation performance. This result answers the research question “What is the effect of laissez-faire leadership style on innovation in Pagatech limited? .Laissez-faire leadership negatively affects innovation at Pagatech. The results of laissez-faire leadership were consistent with most of results on previous studies reviewed in chapter two.

1.2 Chapter Summary

The chapter has offered explanations for the response rate, reliability and validity tests, as well as the demographic information. The chapter has presented results for transformational leadership style factors, transactional leadership style factors, autocratic leadership style factors, and laissez-faire leadership style factors and their level of influence on innovation. Statistical measures have been used for presentations and the Pearson correlation and inferential statistics have been used to present the existing relationships between the various study variables. The next chapter offers the study discussion, conclusion and recommendations.

CHAPTER 2: CONCLUSIONS, AND RECOMMENDATIONS

2.1 Introduction

This chapter is divided into the following sections that include: section 5.1 introductions, section 5.2 summary of findings, section 5.3 conclusions, and section 5.4 recommendations for improvement, and for further studies.

2.2 Summary of Findings

The purpose of this study was to identify the effects of leadership styles on organizational innovation at Pagatech limited. The study was guided by the following key research questions focusing on the four styles of leadership as derived from the theoretical framework: What is the effect of transformational leadership style on innovation in Pagatech limited? What is the effect of transactional leadership style on innovation in Pagatech limited? What is the effect of laissez -faire leadership style on innovation in Pagatech limited? What is the effect of autocratic leadership style on innovation in Pagatech limited?

The target population for the study was made up of employees of Pagatech limited in Ethiopia , Nigeria, Mexico and United kingdom who were 460 in total. The sample frame consisted of a list of all employees that worked at Pagatech limited in those countries and was obtained from the HR Department. The sample size was 214 employees of Pagatech limited who were selected using a stratified sampling technique and were divided into managers and non-managers. Data was collected using structured online questionnaires and analyzed using the Statistical Package for Social Sciences (SPSS). The leadership styles were measured through the Multi factor Leadership Questionnaire developed by Avolio and Bass (1995), modified to fit the context of the study. Innovation was measured by the scale of (Holm & Sjolander, 2015). Descriptive and inferential statistical techniques were used for data analysis. In inferential statistics, Pearson's correlation and regression analysis were used to assess both relationships and effects as per the hypotheses of the study. The findings were presented using tables and charts.

The findings show that transformational leadership style is the most exhibited style at Pagatech Limited followed by the transactional leadership style. Overall, scores in transformational leadership style were found to be strongly correlated with Innovation except for the intellectual stimulation dimension, which had insignificant positive correlation with Innovation.

Transactional leadership style variables were found to be strongly correlated with Innovation. However, Management by exception had a negative and significant correlation with innovation while contingent reward had significant positive correlations.

Autocratic leadership style had an insignificant and negative relationship with innovation while laissez faire leadership style had a significant negative correlation with organization innovation.

4.13 Conclusions

2.2.1 Effect of Transformational Leadership Style on Innovation

The study concludes that Paga as an organization practices transformational leadership style effectively and efficiently since its leaders positively envision the future scenarios for the organizations, engage in improving employees self-confidence by helping them to realize their potential, communicate an achievable mission and vision of the organizations innovation goals to employees, and participate with employees to identify their needs and working out collaboratively to satisfy their needs. Leaders at paga provide ideological explanations that link follower's identities to the collective identity of their organization. The study also concludes that Transformational Leadership style has a significant and positive effect on the innovational performance of Pagatech.

2.2.2 Effect of Transactional Leadership Style on Innovation

The study concludes that paga as an organization practice transactional leadership style. The study concludes that Contingent reward had a positive and significant effect on innovation efforts at paga. Management by exception had a significant and negative effect on innovation. The study concludes that transactional leadership style had a significant and positive effect on innovation at Pagatech.

2.2.3 Effect of Autocratic Leadership Style on Innovation

The study found out that autocratic leadership was not a widely used style of leadership style at paga. And when it gets exercised it had an adverse effect on innovation. The study concludes autocratic leadership has a negative and insignificant effect on innovation at Pagatech.

2.2.4 Effect of Laissez-faire Leadership Style on Innovation

The study found out that laissez-faire leadership was not a widely used style of leadership style at paga. And when it gets exercised it had an adverse effect on innovation. The study concludes laissez faire leadership has a negative and significant effect on innovation at paga.

2.3 Recommendations and Limitations

2.3.1 Recommendations

2.3.1.1 Effect of Transformational Leadership Style on Innovation

Transformational leadership had strong and positive effect on organizational innovation performance. Therefore, leaders or supervisors should be aware of the importance of transformational leadership style and try to put it in practice to aid in improving and sustaining an innovative work environment.

2.3.1.2 Effect of Transactional Leadership Style on Innovation

The study recommends leaders at Pagatech limited to apply transactional leadership style since employees that are provided with rewards at the work place, feel acknowledged for their contribution, which in turn leads to a sense of shared purpose among them. This encourages them to offer their best innovative effort to the organization.

2.3.1.3 Effect of Autocratic Leadership Style on Innovation

Autocratic leadership had a negative correlation with organizational innovation performance. It was obvious to see that autocratic leadership style was not an effective leadership style. The study recommends leaders at paga to apply autocratic leadership style less since it has revealed that employees who perceive their managers as autocratic leadership behavior are less likely to be committed to the innovation work in their organizations.

2.3.1.4 Effect of Laissez faire Leadership Style on Innovation

The study recommends leaders at paga to apply laissez-faire leadership style less since it has revealed that employees who perceive their managers as hands off leaders are less likely to be committed to the innovation work in their organizations. Laissez-faire leadership style has an adverse effect on organizational innovation performance. The leaders of the company should come up with trainings and process that will make sure this leadership style is not practiced.

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APPENDICES

Dear Respondent,

I am **Abebe Abebaw**, a Masters student at Jimma University. I am carrying out a study on “**The Effect of Leadership Styles on Innovation: a Case Study of Pagatech Limited**” the Partial Fulfillment of the Requirements for the Award of the Degree of Masters of Business Administration (MBA).

To that end, I would like to request that you spend some of your valuable time to complete this questionnaire to the best of your knowledge. A guide is provided under each part of the questionnaire. Your timely completion of this questionnaire is highly appreciated. To maintain

anonymity, i have not included names on the questionnaire. Your responses will be treated with the confidentiality it deserves. All the data you provide will be strictly used for the stated purpose only. Furthermore, your responses will only be presented in aggregate and no single results will be traceable back to individual respondent.

Yours Sincerely,

Abebe Abebaw

For more information please contact me on:

Tel. +251922989904

Email- aamdework@gmail.com

PART A: DEMOGRAPHICS

Read all the questions first and choose the appropriate answer box by ticking **only one number** for each question. All information will remain confidential and to maintain anonymity, no names are required.

Q1 .What is your position in the organization?

Management	1
Non-Management	2

Q2. What is your gender?

Male	1
Female	2

Q3. What is your age?

50 years and above	1
40- 49 years	2
30-39 years	3
Below 30 years	4

Q4. How long (years) have you been working for Pagatech Limited?

Less than 1 year	1
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1-3 years	2
3-5 years	3
5-10 years	4
Above 10 years	5

PART B: LEADERSHIP STYLE

The sets of statements aimed at helping you assess your feelings or perceptions of the leadership style of your immediate manager. You are requested to rate yourself against each statement to indicate your level of agreement with what the statement is suggesting, where the following ratings are:

1 = Strongly Disagree 2 = Disagree 3 = Moderately Agree 4 = Agree 5 = Strongly Agree

Please place a tick (√) or a mark (x) in the box (cell) that represents your appropriate level of agreement

TRANSFORMATIONAL LEADERSHIP					
Idealized Influence (II)	1	2	3	4	5
Q5. My manager displays conviction in his/her ideals, beliefs, and values of innovation.					
Q6. My manager clarifies the central purpose underlying our Innovations.					
Q7. My manager talks about how trusting each other can help me overcome difficulties in innovation.					
Q8. My manager emphasizes the importance of having a collective sense of mission in our innovative work.					
Q9. My manager considers the moral and ethical consequences our innovations.					
Q10. My manager takes a stand on difficult innovation issues.					
Q11. My manager behaves in ways that are consistent with his/her expressed creative values.					
Inspirational Motivation (IM)	1	2	3	4	5
Q12. My manager sets high innovation standards.					
Q13. My manager envisions exciting new innovative possibilities.					
Q14. My manager makes me aware of essential innovation related issues.					
Q15. My manager shows determination to accomplish what he/she sets out to do.					
Q16. My manager expresses his/her confidence that we will achieve our innovative goals.					
Q17. My manager talks optimistically about the future of our innovation.					
Q18. My manager articulates a compelling and creative vision of the future.					
Intellectual Simulation (IS)	1	2	3	4	5
Q19. My manager encourages me to express my creative ideas and opinions.					
Q20. My manager questions the traditional ways of doing things.					
Q21. My manager emphasizes the value of questioning assumptions.					
Q22. My manager re-examines critical assumptions to question whether they are appropriate.					
Q23. My manager seeks differing perspectives when solving problems.					
Q24. My manager suggests new ways of looking at how we do our jobs.					

Q25. My manager gets me to look at problems from different angles.					
Q26. My manager encourages non-traditional thinking to deal with traditional problems.					
Individual Consideration (IC)	1	2	3	4	5
Q27. My manager treats me as an individual rather than just a member of a group					
Q28. My manager focuses me on developing my creative strengths					
Q29. My manager treats each of us as individuals with different needs, abilities and aspirations					
TRANSACTIONAL LEADERSHIP					
Contingent Reward (CR)	1	2	3	4	5
Q30. My manager provides recognition/rewards when others reach their innovative goals.					
Q31. My manager calls attention to what others can get for what they create.					
Q32. My manager provides me with assistance in exchange for my creative efforts.					
Q33. My manager discusses in specific terms who is responsible for achieving performance targets.					
Management by exception (MBE)	1	2	3	4	5
Q34. As long as things are working, my manager does not try to change how we go about our innovation.					
Q35. My manager tells me the standards we have to know to carry out our creative work					
Q36. My manager focuses attention on irregularities, mistakes, exceptions, and deviations from innovation standards.					
AUTHORITATIVE LEADERSHIP	1	2	3	4	5
Q37. My manager believes employees need to be supervised closely they are not likely to do their innovative work.					
Q38. As a rule, my manager believes that employees must be given rewards or punishments in order to motivate them to achieve innovation objectives.					
Q39. My manger believes most employees are too lazy creative.					
LAISSEZ FAIRE LEADERSHIP	1	2	3	4	5
Q40. As a rule, my manager allows me to appraise my own Innovations.					
Q41. My manager gives me complete freedom to solve problems on my own.					
Q42. In general my manager feels it's best to leave subordinates alone.					

Source: Developed based on Bass and Avolio (1992)

PART C: INNOVATION

RESOURCES	1	2	3	4	5
Q43. There is time to reflect on new ideas and solutions.					
Q44. When solving a given problem, the best solution is always sought after.					
Q45. Relevant tools are available to examine innovation performance within our company.					
Q46. There are guidelines or frameworks to guide and support work with innovation.					
Q47. Relevant measures are available to control innovation performance within our company.					

PROCESSES	1	2	3	4	5
Q48. There are continuous efforts to explore novel customer offerings and solutions.					
Q49. Ideas are shaped and explored without rigid control, before being formalized into a standardized product document.					
Q50. The company explores new business models when developing radical innovation.					
Q51. There are formalized ways for bringing ideas with innovation qualities to the market.					
Q52. There is a continuous effort to identify new competencies to keep up with changes in the market.					
VALUES	1	2	3	4	5
Q53. There are ongoing efforts from the company to create a creative and innovative environment.					
Q54. There are clear incentives for employees to conduct innovation in the company.					
Q55. Novel business opportunities and models, outside of the current customer offerings, are continuously explored.					
Q56. Innovative ideas are prioritized in product development.					
Q57. Decision-makers are able to identify novel value in ideas of a radical nature.					
ORGANIZATIONAL CULTURE	1	2	3	4	5
Q58. Employees with ability and desire to innovate have the room to do so.					
Q59. There is freedom in the development process to come up with novel solutions.					
Q60. Innovation is governed by management competencies.					
Q61. Innovation is governed by incentives to pursue it.					
Q62. The entire process from idea exploration to commercialization is clearly structured and allows innovation.					
INNOVATION COGNITION/OPERATIONAL INTELLIGENCE	1	2	3	4	5
Q63. The company is interested in innovation.					
Q64. Management understands their role in enabling innovation.					
Q65. Management uses relevant tools and measures to control and assess innovation efforts.					
Q66. The Company's alleged competitive advantages are derived from a proper perception of the market and what resources are competitive.					

Source: Developed based on Holm and Sjolander (2015)

