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The Impact of Leadership Style on Corporate Innovation: Survey from Telecommunication Industry in Somalia

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Abstract

Corporate Innovation has become a prime source of succeeding and sustaining a competitive advantage in the telecommunication industry. While a large research body addresses the question of corporate innovation projects, a firm's overall innovation with relation to the corporate leadership has received much less attention. Should innovations be driven by corporate directors and a close relation to leadership style? The purpose of this study was to investigate the impact of leadership styles on corporate innovation in telecommunication industry in Somalia. The main objective of this paper was to investigate the relationship between leadership styles and corporate innovation dimensions among Telecommunication companies in Mogadishu-Somalia. Particularly, the study investigates the effect of 1) Transactional Leadership Style, 2) Transformational leadership Style; and 3) Laissez-faire leadership style on corporate innovation. By using purposive sampling, 142 top and supervisory level managers from telecommunication industry in Somalia participated in the study. The findings indicate that Transformational leadership ($\beta = .485$, $t = 6.571$, $p < .001$), transactional leadership style ($\beta = .262$, $t = 3.263$, $p < .001$) and Laissez-Faire leadership styles ($\beta = .463$, $t = 6.211$, $p < .001$) were found to have statistically significant and positive effect on firm innovation.

Key Words

Corporate Innovation, Leadership Style, Somalia, Telecommunication Industry.

I. INTRODUCTION

It is the leadership style that creates the appropriate climate for innovation in organizations also Managers with a strong influence on innovation processes in organizations has substantial leadership competence; Leadership in innovative projects is often seen as an important management function, based on human capabilities like: entrepreneurship, championship and strategic vision, Managers driving innovation perform distinctive leadership styles. The effects of these styles on the processes and the outcomes of innovative communication projects is the subject of this paper.

Leaders are an essential element in the promotion of corporate innovation (Hemlin, 2006a) innovation in corporations as an outcome of individual, team, and organizational efforts joined to produce a new product, process, or service that is potentially attractive to a market.

Corporate innovation is defined "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations" (OECD, 2005:46). According to Denti & Hemlin (2012), "A leader supports teams and individuals as they turn their creative efforts into innovations (leader as facilitator) and manages the organization's goals and activities aimed at innovation (leader as manager)".

Leadership is an integral part of innovative corporate performance for at least two reasons. First, leaders construct the environments that favour creativity and ultimately innovation (Hemlin et al., 2008; Shalley and Gilson, 2004). Second, in a top-down process, leaders manage the strategic innovation goals and activities of their organizations. Leaders may set these goals and direct these activities by managing time, facilities, money, and knowledge resources by setting and managing individual and team goals, by defining expectations for creative performance (Shalley and Gilson, 2004), by managing rewards (Mumford and Gustafson, 1988), and by granting autonomy to individuals and teams (Hemlin, 2006; Hunter et al., 2007).

In the context of Somalia, telecommunication industry has been considered as one of the most important industry in Somalia's economy. The industry has full contribution in terms of technological innovation, unemployment reduction, and acting as a source of public contribution to the society. Every telecommunication company attempts to popularize its services, renew its products, and make innovations in order to become well known and gain the major part of the market.

Some telecommunication organizations in Somalia brought new services to the market by enhancing their business performance, growth, and innovation strategies to succeed their competitors and some are not. Despite the fact that innovation is a perfect aspect in telecommunication sector in Somalia, there is a little understanding of how the leadership in these companies supports innovations and creativity of their employees, In addition, little integration of leadership and innovation research is found in the country literature. Therefore,

the main purpose of this study is to examine the influence of leadership style on corporate innovation telecommunication industry in Mogadishu. The essential objective of this paper is to investigate the relationship between leadership styles and corporate innovation among Telecommunication companies in Mogadishu.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Based on Burns (1978) many scholars as well as practitioners argue that Leadership is one of the most observed and least understood phenomena on earth. If not the most important, factor influencing the ethics and integrity of employees, the role modeling of managers through setting a good example for employees, strictness of managers in applying clear norms and sanctioning misbehavior of employees and openness of managers to discuss integrity problems and dilemmas (Huberts, Kaptein, & Lasthuizen, 2007).

Leadership is about setting a direction or developing a vision of the future together with the necessary strategies for producing the changes needed to achieve a vision (Long, & Thean, 2011). Leadership is one of the most observed and least understood phenomena on earth (Burns, 1978). Leadership styles are defined as the pattern of behaviors that leaders display during their work with and through others (Hersey and Blanchard, 1993). Miller et al. (2002) view leadership style as the pattern of interactions between leaders and subordinates.

According to Hersey et al. (2000) both the transformational and transactional leaders are described as leaders who actively intervene and try to prevent problems, although they use different approaches. When researching these two active forms of leadership, one finds that they are often contrasted with the third style of leadership, called laissez-faire leadership (Bass, 1990 as cited in Bučiūnienė & Škudienė, 2008).

James and Collins (2008) describe the laissez-faire leader as an extreme passive leader who is reluctant to influence subordinates' considerable freedom, to the point of handing over his/her responsibilities. In a sense, this extremely passive type of leadership indicates the absence of leadership. However; Technological innovation is a key factor in a firm's competitiveness. Technological innovation is unavoidable for firms which want to develop and maintain a competitive advantage and/or gain entry in to new markets (Becheikh et al. 2006).

Among firms of different sizes, SMEs are generally more flexible, adapt themselves better, and are better placed to develop and implement new ideas.

Technical innovation is the another component of organizational innovation and it is defined as an adoption of new ideas pertaining to new products or services, and an introduction of new elements in an organization's production process or service operations (Subramanian & Nilakanta, 1996). It occurs in the operating component and affects the technical system of an organization through the equipment and methods of operations used to transform raw materials or information into products or services.

Theories on leadership generally argue that when leaders are able to exhibit appropriate leadership style to the situation or context they are in, they make high performance and employees satisfied in their job. Recently there has been a renewed interest in leadership.

Meindl (1990) notes that recent resurgence of interest in studying the topic of leadership appears to be accompanied by an acceptance of the distinction between transactional and transformational leadership, with an emphasis on the latter. Quinn (1988) compares transactional and transformational leadership with other differentiations in leadership such as relations oriented-task oriented leadership (Fiedler, 1967), consideration-initiating structure (Korman, 1966), and directive-participative or autocratic-democratic leadership (Heller & Yukl, 1969).

In Africa, According to Brandura (1997) effective leadership is critical success factor in future growth in South Africa. In South Taiwan transformational and visionary of the leadership style are positively related to the corporate innovation, The development, motivational and transfer strategy of the human resource strategy are positively related to the leadership style, both development and motivational strategies are positively related to the corporate innovation, and The interaction of the leadership style and the human resource management strategy significantly contributes to the corporate innovation (Wang, Jen, & Ling, 2010). From the discussion of literature we draw the following conceptual framework and were positioned three hypotheses:

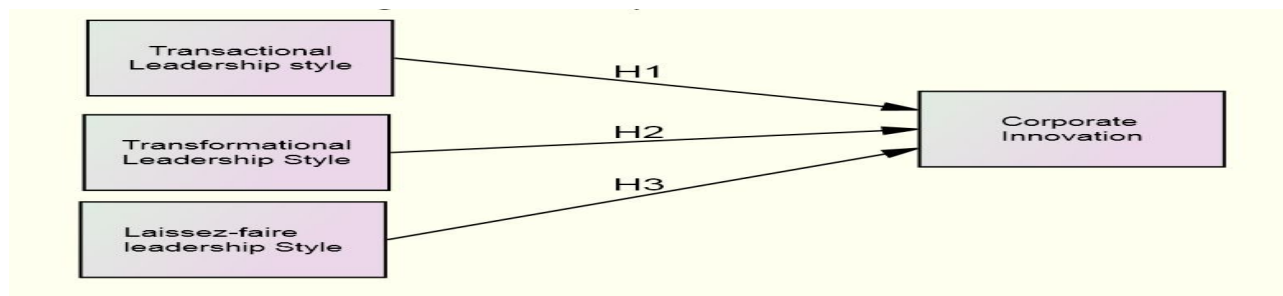


FIGURE 1: CONCEPTUAL FRAMEWORK

H1: Transactional Leadership Style has positive influence on corporate innovation in telecommunication industry.

H2: Transformational leadership Style has positive influence on corporate innovation in telecommunication industry.

H3: Laissez-faire leadership style has positive influence on corporate innovation in telecommunication industry.

III. METHODOLOGY

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A: Research design and sample procedure

The study was used a cross-sectional survey design adopting quantitative research design, By adopting quantitative procedures, scientific and statistical approaches was applied to provide greater accuracy of the analysis.

The study employed probability sampling technique particularly sample random selection. It is preferred for this study because of its efficiency it reduce biases in the study and to ensure the study collects the most accurate and relevant data that reflects the population. The sample size of this study will consist of 142 respondents from managerial and non managerial staff of Telecommunication companies in Mogadishu.

B: Measurement of variable

This study is designed to explore the relationship between Leadership style and corporate innovation. For collecting date questionnaire was based on a modified version of leadership styles developed by Avoilio and Bass (1998).

In this questionnaire, the leadership style consists of three dimensions, including 19 questions. Each dimension followed by six questions. The three dimensions include Transformational, Transactional and Lassies faire. Fourth, with the five likert scale the researcher use corporate innovation questionnaire developed by Ali and Abdi (2013). These questions structured 5 questions each dimension in five likert scale.

C: Data analysis techniques

The Statistical Package for Social Science (SPSS Version 16.0) software was used to process and compute the collected data. Both descriptive statistics such as frequency, and inferential statistics such Cronbach's Alpha, Pearson correlation were used for analyzing the data and Regression analysis to test the hypothesis.

IV. DATA ANALYSIS

1. Demographic Profile

Table 1 shows that the respondent's age fewer than 25 year were 39 respondents, 57 respondents were between 26 and 30 years old, 35 respondents were between 31 and 35 while 36 respondents were more than 11. According to Gender of the respondent the table 1 below shows that (57.7%) of the telecommunication companies employees were male while (42.3%) of the employees telecommunication companies were Female.

Positions of respondents 18.3% of the respondents were CEO , 29.6% were CFO, 33.8% were middle managers while 18.3% were Officers.. According to experience of the respondents the

respondent's experience of under 2yrs were 54 respondents , 26 respondents were between 2- 4 years, 33 respondents were between 5 – 10 years while 25 respondents had more than 10 years of experience.

TABLE 1: DEMOGRAPHIC PROFILE

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------|-----------|---------|---------------|--------------------|
| Age | | | | |
| • less than 25 | 39 | 27.5 | 27.5 | 27.5 |
| • 26-30 | 57 | 40.1 | 40.1 | 67.6 |
| • 31-35 | 35 | 24.6 | 24.6 | 92.3 |
| • more than 36 | 11 | 7.7 | 7.7 | 100.0 |
| Total | 142 | 100.0 | 100.0 | |
| Gender | | | | |
| • Male | 82 | 57.7 | 57.7 | 57.7 |
| • Female | 60 | 42.3 | 42.3 | 100.0 |
| Total | 142 | 100.0 | 100.0 | |
| Position | | | | |
| • CEO | 26 | 18.3 | 18.3 | 18.3 |
| • CFO | 42 | 29.6 | 29.6 | 47.9 |
| • Middle Managers | 48 | 33.8 | 33.8 | 81.7 |
| • Officers | 26 | 18.3 | 18.3 | 100.0 |
| Total | 142 | 100.0 | 100.0 | |
| Experience | | | | |
| • less than 2 years | 54 | 38.0 | 38.0 | 38.0 |
| • 2-4 years | 26 | 18.3 | 18.3 | 56.3 |
| • 5-10 years | 33 | 23.2 | 23.2 | 79.6 |
| • more than 10 year | 25 | 17.6 | 17.6 | 97.2 |
| Total | 142 | 100.0 | 100.0 | |

2: Reliability test

Table 2 shows that all variable are internally consistent and the measurement deemed reliable for further analysis. Table below also shows the result of the inter correlations among the variables. The tables indicated that the mean value for both variables is above average, indicating that they are positively and sufficiently correlated with each other.

The Table shows that transformational leadership style had positively correlated with transactional leadership style ($r = .574, p < 0.01$), laissez faire leadership style ($r = .470, P < 0.01$) and dependent variable which is corporate innovation($r = .485, P < 0.01$). Also transactional leadership style had positive correlation with laissez faire leadership style ($r = .604, p < 0.01$) and corporate Innovativeness ($r = .609, P < 0.01$), laissez faire leadership style had positive relationship with corporate innovativeness ($r = .077, P < 0.01$).

TABLE 2: RELIABILITY, MEAN, STD. DEVIATION AND CORRELATION ANALYSIS

| Variables | Reliability | Mean | Std. Deviation | 1 | 2 | 3 | 4 |
|-----------------------------|-------------|------|----------------|------|------|------|---|
| Transformational leadership | .677 | 3.22 | 1.41 | 1 | | | |
| Transactional leadership | .741 | 3.40 | 1.41 | .574 | 1 | | |
| Laizes Faire leadership | .743 | 3.55 | 1.37 | .470 | .604 | 1 | |
| Corporate innovation | .713 | 4.23 | 1.53 | .485 | .609 | .677 | 1 |

3: Hypothesis test

To test the research hypotheses stated previously in the literature, multiple regression analysis was used. The results of three independent variables against one dependent variable can be seen in Table 3, in the model summary, R .728 is the correlation of the three independent variables with the dependent variable. Over all variability of independent variables over dependent variable (R-Square) is observed as 0.530 or 53%. In other words these three independent variables Transactional leadership, Transformational leadership and Laizes Faire leadership style, together explain 53% of the variance in the corporate innovation.

Table 3 shows Coefficients which indicates that among the three independent variables which has most significant influence on corporate innovation. It can be stated that the highest number in the beta is .485 for the transformational leadership, which is significant at 0.000 levels. It may also be seen that the beta is .463 for Laizes faire leadership style, significant at 0.000 levels. The positive Beta weight indicates that if corporate innovation is to be improved, it is essential to enhance the level transformational leadership and Laizes faire leadership style while Transactional leadership style has also significance relationship with corporate innovation ($\beta=.262$, $t= 3.263$, $p=.001$). . At the end it is concluded that three independent variables, transformational, Laizes faire leadership and Transactional leadership have positive and significant influence on corporate innovation, then (H1, H2 and H3) was fully supported.

The below Table (3), revealed the multicollinearity diagnostic between dependent and independent variables. There is no multicollinearity among the variables. The size of the variance inflation factor (VIF) analyze the magnitude of multicollinearity problem. A common rule of thumb is that if $VIF > 5$ then multicollinearity is high, Also 10 has been proposed as a cut off value (Kutner ,Nachtsheim, Neter ,2004).

TABLE 3: LEADERSHIP STYLE ON CORPORATE INNOVATIVENESS

| Predictors | B | T | Sig | Collinearity statistics | |
|-----------------------------|------|-------|------|-------------------------|-------|
| | | | | Tolerance | VIF |
| Transformational leadership | .485 | 6.571 | .000 | .646 | 1.548 |
| Transactional leadership | .262 | 3.263 | .001 | .427 | 1.497 |
| Laizes Faire leadership | .463 | 6.211 | .000 | .513 | 1.432 |

R=.728, R2= .530, R2 adjusted= .520, $p<0.05$

V. DISCUSSION AND CONCLUSION

The objective of this study was to investigate the relationship between leadership style dimensions and corporate innovation. So the researchers found that there is a positive relationship between three independent variables (transactional leadership style, Transformational leadership and Laizes Faire leadership styles) on Corporate Innovation.

Transformational leadership was most influenced dimension on corporate innovation, this means more transformational leadership style applied in telecommunication companies will be more opportunity for innovativeness as we ass other leadership styles. The present findings supported by the literature existent and have been strongly indicated reliable and positive relationship between leadership styles (transactional, transformational leadership styles and Laizes Faire Leadership styles) and Corporate Innovation, such as (Hayward, Goss & Tolmay, 2004, Abdi, A. M., & Ali, A. Y. S. ,2013, Kent & Chelladurai, 2001 and Shalley & Gilson, 2004).

The limitations of this study must also be noted. The data has been collected on cross - sectional basis, longitudinal data may produce different results as level of employee may vary at certain period of time and with growing experience. Finally the technique of research used is survey design, if mix method could have been used with interviews and qualitative data gathering techniques the result could be more generalizability.

We recommend that the leaders of telecommunication companies have to spend more time in teaching and coaching, focus innovation capabilities of their employees and give more training on innovation strategies on leaders of telecommunication companies.

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