

## Chapter 19

# Developing a Unified Framework and a Causal Model of Transformational Leadership, Empowerment, Innovation Support, and Organizational Innovation

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### ABSTRACT

*The research objective in the study described in this chapter was to develop a unified framework and a causal model of transformational leadership, empowerment, innovation support, and organizational innovation for leather company employees in Thailand. The chapter argues that dimensions of transformational leadership, empowerment, and innovation support have mediated positive effect on organizational innovation. Innovation support positively mediates the relationships between transformational leadership and organizational innovation and between empowerment and organizational innovation. Transformational leadership is positively correlated with empowerment. Furthermore, the author hopes that understanding the theoretical constructs of transformational leadership, empowerment, innovation support, and organizational innovation through the use of this framework and causal model will not only inform researchers of a better design for studying transformational leadership, empowerment, innovation support, and organizational innovation, but also assist in the understanding of intricate relationships between different factors.*

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## INTRODUCTION

Organizational innovation is increasingly considered to be one of the key drivers of the long-term success of firms in today's competitive markets (Baker & Sinkula, 2002; Darroch & McNaughton, 2002; Lyon & Ferrier, 2002). Firms are increasingly recognizing the importance of organizational innovation as a principal capability that allows growth and wealth creation (Ireland, Hitt, Camp, & Sexton, 2001). The literature views innovation as a valuable instrument enabling the firm to obtain greater capability to respond and adapt to the changes in its environment (Damanpour, Walker, & Avellaneda, 2009) and thus to discover new opportunities on the market and exploit them to a greater extent than do its rivals. Furthermore, innovation contributes to better entrepreneurial performance (Alipour & Karimi, 2011; Camison & Lopez, 2010; Rubera & Kirca, 2012). The role of innovation is one of the elements with the greatest impact on organizations' performance (Camison & Lopez, 2010; Rubera & Kirca, 2012). Researchers and firms are becoming increasingly interested in understanding how to stimulate innovation in organizations (Rubera & Kirca, 2012). A meta-analysis by Rubera and Kirca (2012) shows that innovation affects the firm's performance indirectly through its effects on the firm's market and financial position and indicates that this relationship is particularly strong in high-tech industrial firms. Innovation is thus an important factor in explaining business efficiency and entrepreneurial success (Alipour & Karimi, 2011).

In today's globalized economic environment, customers' vastly increased access to information and suppliers has empowered them to demand ever-increasingly arrays of product features, higher quality, better service, and favorable price/cost ratios (Yukl, 2001). In contemporary views on economy, innovativeness is perceived as one of the most important factors that enables the survival, growth and competitiveness of firms (Simon, 2009). Moreover, innovativeness may be the only effective way to be competitive in the marketplace (Simon, 2009). These realities of the marketplace have put tremendous pressures on companies to increase their efficiency and effectiveness and, even more fundamentally, the creativity that they bring to product/process improvements and development (Andriopoulos & Lowe, 2000). Research indicated that organizations need to be more flexible, adaptive, entrepreneurial and innovative in order to effectively meet the changing demands of today's environment (Parker & Bradley, 2000). Appropriate leadership to effect such change has equally been called for (Bass, 1998; Prajogo & Ahmed, 2006). Amabile (1998) identified three factors as being important: individuals' intellectual capacity (creative thinking skills), expertise based on past experience, and a creativity-conducive work environment. Oldham and Cummings (1996) identified creativity as well as characteristics of the organizational context like job complexity, supportive supervision, and controlling supervision as facilitating organizational innovation.

Leadership has generally been considered by various academicians and practitioners as the top most crucial topic in organization (Riaz, Akram, & Ijaz, 2011). The influence of leadership on organizational outcomes is now firmly acknowledged in the organizational literature, with evidence suggesting that effective leadership enhances individual, team and organizational outcomes across many contexts (Avolio, Walumbwa, & Weber, 2009; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Jackson & Parry, 2008; Sarros, 2009). Leadership positively influences follower performance and satisfaction (Bartram & Casimir, 2007), trust in leader (Casimir, Waldman, Bartram, & Yang, 2006), and empowerment and innovation-supporting climate (Sarros, Cooper, & Santora, 2008), empowerment (Jung & Sosik, 2002; Seibert, Wang, & Courtright, 2011), and organizational innovation (Henry, 2001). Among the factors

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