



Leadership vision, organizational culture, and support for innovation in not-for-profit and for-profit organizations

Innovation
in NFP and FP
organizations

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James C. Sarros and Brian K. Cooper

Department of Management, Monash University, Melbourne, Australia, and

Joseph C. Santora

*Department of Management, Monash University, Melbourne, Australia and
School of International Management, Ecole des Ponts ParisTech, Paris, France*

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Abstract

Purpose – The purpose of this paper is to investigate the relationships among leadership vision, organizational culture, and support for innovation in not-for-profit (NFP) and FP organizations. It hypothesizes that in NFPs, a socially responsible cultural orientation mediates the relationship between leadership vision and organizational support for innovation, whereas in FPs, a competitive cultural orientation mediates this relationship.

Design/methodology/approach – This is an empirical study that draws upon a large survey of 1,448 managers and senior executives who are members of the Australian Institute of Management.

Findings – Path analytic modelling provides partial support for the hypotheses. Although the predicted mediation effects occurred in NFPs and FPs, the strength of relationship between leadership vision and the two dimensions of organizational culture did not differ between the sectors. This was despite the observation that NFPs scored higher on a socially responsible cultural orientation than FPs, whereas FPs scored higher on a competitive cultural orientation.

Practical implications – Strategies for building innovative and sustainable organizations in the NFP sector are discussed on the basis of these findings.

Originality/value – The paper describes the first study in Australia that compares the responses of NFP and FP managers on leadership and related constructs, and provides evidence of the impact of organizational culture on leadership and innovation in these two sectors.

Keywords Leadership, Organizational culture, Australia, Managers, Non-profit organizations, Private sector organizations

Paper type Research paper

Introduction

Research indicates that organizations need to be more flexible, adaptive, entrepreneurial and innovative in order to effectively meet the changing demands of today's environment (Orchard, 1998; Parker and Bradley, 2000; Valle, 1999). Appropriate leadership to effect such change has equally been called for (Bass, 1998a, b; Brown, 1992; Kotter and Heskett, 1992; Prajogo and Ahmed, 2006; Schein, 1992). However, despite



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this attention, there has been little empirical analysis of the theoretical relationships among the key components that comprise such change strategy, including transformational leadership, organizational culture, and organizational innovation. Much of the research undertaken, although valuable, is conceptual in nature (Miner, 2000; Shane and Venkataraman, 2000), although recent studies are now exploring these relationships in more detail (Damanpour and Schneider, 2006; Kavanagh and Ashkanasy, 2006; Mumford and Licuanan, 2004).

Leadership and culture are fundamental components of the change process (Afsaneh, 1993; Kotter, 1998; Schein, 1984). Kotter (1998, p. 166) states that "only through leadership can one truly develop and nurture culture that is adaptive to change." Nonetheless, while research indicates that transformational leadership and innovation are related (Waldman and Bass, 1991) through the change process (Dess and Picken, 2000), the inclusion of organizational culture as an intervening variable in these relationships is yet to be examined comprehensively. Accordingly, our study examines these linkages in more detail, and specifically in terms of their relationships with organizational support for innovation in not-for-profit (NFPs) and FP organizations. We focus on the transformational leadership dimension of vision, which is a major component of transformational leadership (Antonakis and House, 2002; Kim *et al.*, 2002) and drives much of the change in organizational culture (Deal and Kennedy, 1982; Trice and Beyer, 1993).

NFP organizations

Generally, NFPs are organized around a social mission (Quarter and Richmond, 2001) and embrace values such as philanthropy, voluntarism, and their independence to act as advocates and obtainers of services for their clients or members (Alexander and Weiner, 1998; Salamon *et al.*, 2004). Hudson (1999, p. 37) asserts that NFP organizations "are at their most effective when the people involved share common values and assumptions about the organization's purpose and its style of operation." Salamon and Anheier (1998, p. 245) emphasize the social origins of NFPs, and suggest that the NFP sector is not an isolated phenomenon but an integral part of a social system and its historical forces. Acar *et al.* (2001) explored the ways in which NFP and FP organizations viewed their social responsibilities, ethically, legally and philanthropically, and beyond the values attached to their mission or purpose. Acar *et al.* (2001) found that NFP organizations placed a significantly greater emphasis on their social responsibilities than did FP organizations. Similarly, Alexander and Weiner (1998, p. 223) identified values such as participation, due process, and serving their community as prominent in NFPs, and maintained these organizations tend to have a very strong "collective conscience" which ensures that their values are sustained.

However, Hollister (1993) suggests that leadership research has been a neglected area in NFP studies. A review of the more recent NFP literature shows that this situation has not changed significantly (Hudson, 1999). In light of these observations, we undertake a sector-wide study as suggested by Steinberg and Young (1998), and give it more robustness by comparing the findings with those from the private sector. Additionally, there has been very little research on leadership and innovation in the NFP sector, which we redress to some extent in this paper. This study of leadership and associated variables in a NFP context reiterates Rousseau and Fried's (2001) belief that contextual factors such as organizational, worker-job, and external environment factors should

be considered in organizational studies. Accordingly, our study examines the relationship between leadership and innovation mediated by organizational culture in non-profit organizations, as few studies have explored these relationships in this sector (Jaskyte, 2004, p. 154).

Leadership in NFP organizations

Lord *et al.* (2001, p. 311) conclude that there is no universal leadership definition or style because of “innumerable situational and contextual factors.” Recent leadership research, while recognising the emerging importance of NFP organizations as major contributors to social and economic well-being, nonetheless remains focused on traditional frames of reference and methodological approaches. Leadership research may be “new” (Bryman, 1992), but it remains focused on top-level leadership of entire organizations. A major development however is that new leadership research moves the emphasis to leadership of organizations rather than leadership in organizations (Hunt, 1999, p. 134). This approach is supported by the latest research of Alban-Metcalfe and Alimo-Metcalfe (2007, p. 116) who claim that leadership is a relational process that needs to go beyond the “out-dated notions of “heroic” models of leadership that encourage adulation of a few gifted individuals at the top of organizations.” Conger (1999, p. 148) suggests that this attention on senior leadership of organizations occurs because it is these leaders who have “the power and resources to more effectively implement significant organizational transformations in contrast to junior managers.” The new leadership approach focuses on studies of transformational, charismatic, visionary or inspirational leadership (Hunt, 1999) as the qualities of top-level leaders, and emphasises the leader’s role in the management of meaning and the formation of organizational culture (Bryman, 1996; Schein, 1992). These factors of meaning and organizational culture require leadership studies to be context-specific, and are of particular relevance in the leadership of NFP organizations, the context of this study.

Additionally, modern leadership research emphasises team structures, participative management, and increasing individual empowerment, with leadership now being distributed among members of the organization (Edmonstone and Western, 2002). Yukl (1999, p. 292) suggests that “an alternative perspective would be to describe leadership as a shared process of enhancing the collective and individual capacity of people to accomplish their work roles effectively.” This definition essentially sees leadership as facilitating others’ performance, and thus relates well to the view that leadership is found throughout all levels of an organization – not just among senior executives (O’Reilly *et al.*, 2010). This view of leadership is particularly pertinent to the NFP sector, where concepts of leadership are problematic and require further examination, as we indicate below.

The literature is divided on who has the major responsibility for NFP organizations, although Howe (2004, p. xiii) asserts that while “the board leads,” organizational success “hinges significantly on the effectiveness of the chair as leader” and equally on the senior staff member who “indisputably, leads.” However, the lack of empirical evidence on the characteristics of NFP leaders limits understanding of the leadership, and management, of NFP organizations as a whole, and voluntary associations in particular (Golensky, 1993; Harris, 1998). Accordingly, in this paper we examine specific components of leadership among NFP and FP leaders as indicators of their relationship to innovative organizations.

Leadership and organizational culture

Denison (1996, p. 654) asserts that culture is "the deep structure of organizations, which is rooted in the values, beliefs and assumptions held by organizational members." In other words, when we speak of organizational culture, we refer to the meanings inherent in the actions, procedures, and protocols of organizational commerce and discourse. According to Beugelsdijk *et al.* (2006), organizational culture is specific to an organization (Smircich, 1983), is relatively constant (Christensen and Gordon, 1999), and can influence inter-organizational relations. This definition is pertinent to our discussion, as we propose that the underlying cultures of private enterprises are sufficiently different to those in NFP organizations to warrant different paths of association between leadership and innovation in those organizations. Fishman and Kavanaugh (1989) suggested that the behaviors of leaders shape how people respond to change and innovation in organizational cultures. Similarly, Schein (1992) and Kavanagh and Ashkanasy (2006, p. S82) claim that organizational leaders are a key source of influence on organizational culture. It follows that different organizational cultures respond to and are the result of different leadership approaches. For instance, research by Alimo-Metcalfe and Alban-Metcalfe (2001, 2002, 2005) and Alban-Metcalfe and Alimo-Metcalfe (2007) found that public sector leadership was more akin to Greenleaf's (1970) servant leadership model compared with the heroic leadership of CEOs in large contemporary American multinational corporations. In other words, this leadership was more about the leadership of others than about leadership *per se*.

There are two schools of thought about leaders and culture. The functionalist school claims that leaders are the architects of culture change (Schein, 1992; Trice and Beyer, 1993) either through substantive, visible actions or through the symbolic roles they play (Meindl *et al.*, 1985). On the other hand, the anthropological view questions the capacity of leaders being able to create culture (Meek, 1988; Smircich, 1983); that is, leaders are part of culture, not apart from it. Nonetheless, the body of evidence is heavily weighted in favour of the functionalist perspective, where leaders are in a strategic position better able to shape organization culture (Denison and Mishra, 1995; Schein, 1992). Schneider *et al.* (1995, p. 751) state that organizational managers and executives "make" the environment. Although the relationship between leadership and organizational culture is assumed to be bi-directional (Bass and Avolio, 1997; Schein, 1992), we propose that the top echelons of leaders are in a position to significantly influence cultural identity and change (Barlow *et al.*, 2003; Katz and Kahn, 1978).

In many instances, the type of leadership required to change culture is transformational, because culture change needs enormous energy and commitment to achieve outcomes. Bass (1999, p. 16) has stated that "for an organizational culture to become more transformational, top management must articulate the changes that are required [...] The behaviors of top level leaders become symbols of the organization's new culture." Through transformational leadership we believe managers can help build a strong organizational culture and thereby contribute to a positive climate for organizational innovation and subsequently influence innovative behavior (Elenkov and Manev, 2005; Jung *et al.*, 2003).

Accordingly, the focus of this study is delimited to an examination of organizational culture and transformational leadership from an individual or functionalist perspective (Kristof, 1996; van Vianen, 2000). Although the level of analysis is the organization, we draw upon the perspectives of managers and senior executives as key informants,

an approach used by some other studies (Ogbonna and Harris, 2006). This approach is consistent with the proposition that the top echelons of leaders are in a position to significantly influence cultural identity and change (Barlow *et al.*, 2003; Katz and Kahn, 1978). It is also consistent with Mumford *et al.*'s (2002) assertion that organizational climate and culture represent collective social constructions over which leaders have substantial influence.

Leadership and organizational innovation

Organizational innovation is encouraged through appropriate cultural norms and support systems. Ahmed (1998, p. 31) claims that "innovation is the engine of change [...] [and] culture is a primary determinant of innovation." Organizational innovation refers to the introduction of any new product, process or system into the organization (Suranyi-Unger, 1994). The word "innovation" is derived from the Latin word *novus* or "new," and is alternatively defined as "a new idea, method or device" or "the process of introducing something new" (Gopalakrishnan and Damanpour, 1994, p. 95). The first definition views innovation as an outcome (Damanpour, 1991, 1992; Damanpour and Evan, 1984; Kimberly and Evanisko, 1981), and the second as a process (Cooper and Zmud, 1990; Ettlie, 1980; Rogers, 1983). Consistent with Wolfe (1994) and for the purpose of our study, we examine innovation as an outcome of various antecedent organizational factors or determinants, namely transformational leadership and organizational culture. These determinants also feature in the meta-analyses of innovation determinants conducted by Damanpour (1991) and King (1990), and in Scott and Bruce's (1994, p. 583) model of innovative behavior.

The leaders of organizations help define and shape work contexts that contribute to organizational innovation (Amabile, 1998). The leadership style of these top leaders has become an important determinant of innovation (Dess and Picken, 2000). In particular, transformational leadership has been shown to support and promote innovation, which in turn ensures the long-term survival of an organization (Ancona and Caldwell, 1987). In fact, Zahra (1999, p. 38) states that "participation in the emerging global economy requires – in fact, demands – innovation and entrepreneurial risk taking." According to Jung *et al.* (2003), transformational leadership enhances innovation by:

- engaging employees' personal value systems (Bass, 1985; Gardner and Avolio, 1998) and thereby heightening levels of motivation toward higher levels of performance (Shamir *et al.*, 1993); and
- encouraging employees to think creatively (Sosik *et al.*, 1997).

Further, Elenkov and Manev's (2005) study of 270 top managers' influence on innovation in 12 European countries found the sociocultural context was important in the leadership-innovation relationship, and confirmed that leaders and top managers positively influence innovation processes in organizations, consistent with other research findings (Henry, 2001; Howell and Higgins, 1990; West *et al.*, 2003). Taken together, these empirical studies indicate that transformational leadership has a significant relationship with organizational innovation, both in terms of creating the conditions required for innovation (i.e. support for innovation) and as a direct contributor to innovation as an organizational outcome.

As noted above, we focused on the transformational leadership dimension of vision. Strange and Mumford (2005, p. 122) define vision as "a set of beliefs about how people should act, and interact, to make manifest some idealized future state," based on their

earlier research (Mumford and Strange, 2002). Vision is a major component of transformational leadership (Antonakis and House, 2002; Kim *et al.*, 2002), and drives much of the change in organizational culture (Deal and Kennedy, 1982; Trice and Beyer, 1993). Vision also helps direct employee efforts toward innovative work practices and outcomes (Amabile, 1996, 1998; Mumford *et al.*, 2002; Yukl, 2002). Kavanagh and Ashkanasy (2006, p. S81) state that "change is accomplished through the leader's implementation of a unique vision of the organization [...] designed to change internal organizational cultural forms." It is appropriate, therefore, that vision as a key component of transformational leadership and organizational culture and innovation be further examined in this study.

We examine support for innovation rather than organizational innovation *per se*. In other words, the degree of support and encouragement an organization provides its employees to take initiative and explore innovative approaches, is predicted to strongly influence the degree of actual innovation in that organization (Martins and Terblanche, 2003, pp. 67-8; Mumford and Gustafson, 1988, p. 37). This is consistent with Barrett and Sexton's (2006, p. 333) view that innovation is both an "end" and a "means" in achieving sustainable competitiveness. We also believe support for innovation is a useful proxy where it is difficult to get direct behavioral measures of innovation across diverse organizations and industry sectors (Forbes, 1998). Non-profit organizations are often reluctant to be concerned with issues such as the bottom line and evaluation of outcomes (Poole *et al.*, 2001), making their performance hard to monitor (Anheier, 2000; Hudson, 1999). As Herman and Renz (1998) found, judgements of non-profit effectiveness are seldom related to objective indicators and are the source of substantial conflict. Their view is supported by Forbes' (1998) meta-analysis of empirical studies of non-profit measurement from 1977 to 1997, which failed to show any consistent, useful way of measuring performance in non-profit organizations.

Accordingly, recalling the socially responsible missions of many NFPs (Acar *et al.*, 2001; Alexander and Weiner, 1998; Salamon and Anheier, 1998) and the widely acknowledged cultures of competition and performance in private sector organizations, we specify the following hypotheses:

H1. NFPs will have higher levels of a socially responsible cultural orientation than FPs.

H2. FPs will have higher levels of a competitive cultural orientation than NFPs.

In addition, we hypothesize that organizational culture will mediate the relationship between leadership vision and support for innovation based on our review of the centrality of vision to transformational leadership, and its capacity as noted above to stimulate change through organizational culture. Because the mediating role of organizational culture in NFPs may be different to that in FPs due to differing bottom lines (i.e. social responsibility in NFPs compared to profit, competition and performance in FPs) (Hater and Bass, 1988; Howell and Avolio, 1993; McColl-Kennedy and Anderson, 2002), we specify the following hypotheses:

H3. Leadership vision will have a stronger positive relationship with a socially responsible organizational cultural orientation in NFPs compared with FPs.

H4. Leadership vision will have a stronger positive relationship with a competitive organizational cultural orientation in FPs compared with NFPs.

- H5. A socially responsible organizational cultural orientation mediates the relationship between leadership vision and support for innovation in NFPs.
- H6. A competitive organizational cultural orientation mediates the relationship between leadership vision and support for innovation in FPs.

Method

Sample

The sample for this study was drawn randomly from the 20,563 members of the Australian Institute of Management (AIM), the largest professional association of managers in Australia. A mail survey was used and prospective respondents were provided with a covering letter, a copy of the questionnaire, and a reply-paid envelope. Prospective respondents were informed that the survey was confidential. A number of mail-outs to the sample were conducted over a period of five months, with 2,380 questionnaires returned from the target sample size of 6,500. This final sample size represents a 37 percent return rate, which is an above average response rate for surveys with senior management or organizational-level representatives as respondents (Baruch, 1999; Cycyota and Harrison, 2006). This study was delimited to the 290 managers of NFPs, and 1,158 managers in FP organizations who formed a majority component ($n = 1,448$, 61 percent) of the 2,380 total respondents.

The majority of respondents were male (61.6 percent in NFPs vs 77.1 percent in FPs), aged between 40 and 59 years (73.5 percent in NFPs vs 66.7 percent in FPs). Most of the managers worked in organizations with fewer than 500 employees (86.6 percent in NFPs vs 80.1 percent in FPs). Owing to the anonymous nature of the survey, respondents could not be directly compared with non-respondents. However, the profile of the sample was able to be compared with 2001 Australian Census data (Australian Bureau of Statistics, 2006) and was found to represent a reasonable cross-section of managers in the Australian context.

Measures

Leadership vision. Leadership vision was measured using the five-item “articulates vision” subscale in the transformational leadership scale developed by Podsakoff *et al.* (1990). Each of the five items in the articulates vision scale is rated on a seven-point scale from 1 “strongly disagree” to 7 “strongly agree”. The articulates vision scale has been shown to have acceptable internal consistency reliability. Cronbach’s alpha coefficient for the present total sample was 0.76. The five items were averaged to form a composite scale (possible range of scores is 1 to 7), with higher scores indicating greater perceived leadership vision.

Organizational culture. Socially responsible and competitive organizational cultures were measured using the organizational culture profile (OCP) developed by O’Reilly *et al.* (1991) and amended by Cable and Judge (1997). A recently revised version of the OCP by Sarros *et al.* (2005) was used in this study. Each of the OCP items is rated on a five-point scale from 1 “not at all” to 5 “very much” characteristic of the organization. The socially responsible and competitive organizational culture subscales each consist of four items, and have been shown to have acceptable internal consistency reliability, construct, and criterion-related validity (Sarros *et al.*, 2005). Cronbach’s alpha coefficient for the present total sample was 0.71 and 0.93 for the socially responsible and competitive organizational culture subscales, respectively. Items were averaged to form two composite measures (possible range of scores is 1 to 5), with higher scores indicating greater socially

responsible and competitive organizational cultural orientations. Items comprising the socially responsible subscale are: “being reflective,” “having a good reputation,” “having a clear guiding philosophy,” and “being socially responsible.” Items comprising the competitiveness subscale are: “achievement orientation,” “an emphasis on quality,” “being distinctive–different from others,” and “being competitive.”

Support for innovation. Support for innovation was measured by Scott and Bruce’s (1994) 16-item measure. Support for innovation measures the degree to which individuals view the organization as open to change. Each of the 16 items is rated on a five-point scale from 1 “strongly disagree” to 5 “strongly agree”. Scott and Bruce (1994) report adequate factorial validity and internal consistency reliability for this measure ($\alpha = 0.92$). Cronbach’s alpha coefficient for the present total sample was 0.94. Items were averaged to form a composite measure (possible range of scores is 1 to 5), with higher scores indicating greater reported organizational support for innovation.

Method of analysis

The main method used to analyse the data was path analysis using the analysis of moment structure software package (Arbuckle and Wotke, 1999). Missing data at the item level were imputed using the expectation maximization (EM) procedure (Schafer and Graham, 2002). EM is an effective technique for handling missing data and generally outperforms conventional methods such as listwise deletion, yielding parameter estimates with less bias in large samples (Tabachnick and Fidell, 2001; Schafer and Graham, 2002).

Following Spector (2006), we considered each construct in terms of the potential factors that could bias the results. Social desirability is considered a potential source of bias in many self-report measures of attitudinal or subjective phenomena and hence could be a source of bias in self-ratings of leadership behaviour (Podsakoff *et al.*, 2003). Therefore, we controlled for social desirability in our analyses using a ten-item version of the social desirability scale (SDS; Crowne and Marlowe, 1960).

Results

As shown in Table I, *H1* and *H2* were supported by the findings. In other words, NFPs scored significantly higher on a socially responsible cultural orientation than FPs, $t(1,446) = 6.44, p < 0.05$ (*H1*). Despite the statistically significant difference, it is interesting to note that FPs also averaged above the mid-point of the five-point rating scale on a socially responsible cultural dimension. In support of *H2*, FPs scored significantly higher on a competitive organizational cultural orientation than NFPs, $t(1,446) = 6.70, p < 0.05$ (Table I). Again, despite the statistically significant difference, NFPs also averaged above the mid-point of the rating scale on a competitive cultural dimension. The findings for both hypotheses are consistent with some research showing

Table I.
 Means and standard deviations of leadership vision, socially responsible cultural orientation, competitive cultural orientation, and organizational support for innovation for NFPs and for-profits

	NFPs (<i>n</i> = 290)		FPs (<i>n</i> = 1,158)		<i>t</i> -value
	M	SD	M	SD	
Leadership vision	5.75	0.72	5.68	0.80	1.27
Socially responsible culture	4.11	0.69	3.82	0.69	6.44*
Competitive culture	3.71	0.67	4.00	0.64	6.70*
Support for innovation	3.63	0.61	3.69	0.66	1.46

Note: Significant at: **p* < 0.05

that most organizations are, to varying degrees, likely to display an economic or competitive/performance orientation (Acar *et al.*, 2001).

Table II reports correlations among the study variables by sector. Interestingly, SDS scores were significantly correlated with most of the variables, although the size of the coefficients was generally small (the largest being between SDS and support for innovation in NFP organizations). This finding supports the importance of including SDS as a control variable in the path analyses reported below.

To test *H3* and *H4*, we used multi-group path analytic comparisons. In this procedure, unstandardized (*B*) path coefficients are recommended for between-group comparisons (Kline, 2005). Although the size of the path from leadership vision to a socially responsible cultural orientation was somewhat stronger (as expected) in NFPs, compared with FPs, $B = 0.41$ vs $B = 0.33$, the difference was not statistically significant. Hence, *H3* was not supported.

In relation to *H4*, the size of the path from leadership vision to a competitive organizational cultural orientation was not significantly different in FPs compared with NFPs, $B = 0.30$ vs $B = 0.32$. Hence, *H4* was not supported.

There was a statistically significant indirect effect for a socially responsible cultural orientation in NFP organizations ($B = 0.11$, $p < 0.05$). The indirect effect supports *H5* that in NFP organizations, the relationship between leadership vision and organizational support for innovation is mediated by a socially responsible organizational cultural orientation. As recommended in testing for the presence of full mediation (Kline, 2005), we also examined if the direct path from leadership vision to support for innovation was statistically significant. As shown in Figure 1, the presence of a statistically significant direct effect indicates that leadership vision and support for innovation was partially mediated by a socially responsible culture in NFP organizations.

Similarly, we found a statistically significant indirect effect for a competitive cultural orientation in FP organizations ($B = 0.11$, $p < 0.05$). The indirect effect supports *H6* that in FPs, the relationship between leadership vision and organizational support for innovation is mediated by a competitive organizational cultural orientation. As shown in Figure 2, the presence of a statistically significant direct effect indicates that

Variable	1	2	3	4	5
1. Leadership vision		0.46*	0.36	0.44*	0.12*
2. Support for innovation	0.44*		0.58	0.58*	0.24*
3. Competitive culture	0.37*	0.59*		0.55*	0.12*
4. Socially responsible culture	0.38*	0.60*	0.63*		0.17*
5. SDS	0.12*	0.14*	0.09	0.13*	

Notes: Significant at: * $p < 0.05$; values below the diagonal represent correlations for the FP sample ($n = 1,158$), whereas values above represent those for the NFP sample ($n = 290$)

Table II.
Correlations among the
study variables by sector

leadership vision and support for innovation was partially mediated by a competitive culture in FP organizations.

Discussion

In this paper, we tested the relationships among transformational leadership vision, organizational culture, and organizational support for innovation in NFP and FP organizations. Our primary purpose was to examine if the relationships between leadership vision and support for innovation were mediated differently by organizational culture in FP compared with NFP organizations. Our study was delimited to an examination of leadership vision, which has been shown to be the main contributor to organizational culture and innovation (Amabile, 1996, 1998; Antonakis and House, 2002; Bass and Avolio, 1994; Dess and Picken, 2000; Mumford *et al.*, 2002; Jung *et al.*, 2003; Trice and Beyer, 1993). We took these relationships one step further to determine how they differed in NFPs compared with FPs.

As predicted, NFPs scored higher on a socially responsible cultural orientation, consistent with the literature (Alexander and Weiner, 1998; Hudson, 1999; Quarter and Richmond, 2001). In comparison, FPs scored more highly on a competitive culture orientation, as expected. Despite these predicted differences, it is interesting to note that managers in both types of organizations reported (albeit to varying degrees) economic and social orientations, a finding consistent with Acar *et al.* (2001). Our other findings that leadership vision and support for innovation were partially mediated by socially responsible cultures in NFPs and by a competitive culture in FPs again is consistent with theory and research which has looked at some of these relationships (Kavanagh and Ashkanasy, 2006; Mumford *et al.*, 2002; Tsui *et al.*, 2006; Wolfe, 1994).

The implications of these findings are significant in the development of leaders responsible for sustaining organizational growth and competitiveness during times of substantial social and economic turmoil. When times are problematic and workers feel

Figure 1.
Relationships among
leadership vision, socially
responsible culture, and
organizational support for
innovation in NFPs

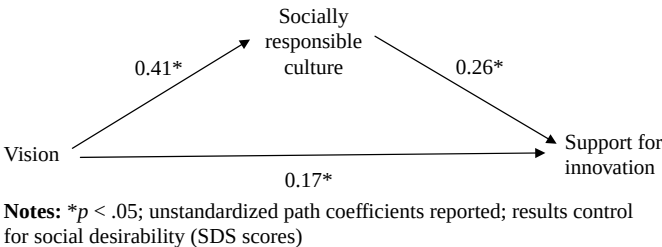
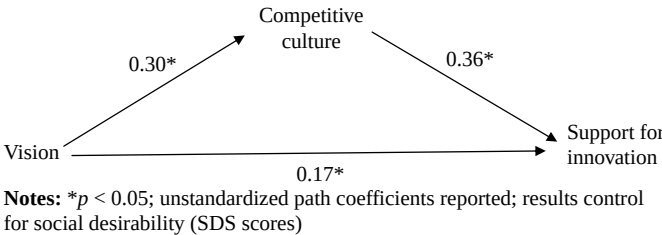


Figure 2.
Relationships among
leadership vision,
competitive culture, and
organizational support for
innovation in FPs



their job security threatened, transformational leaders able to articulate vision and engage workers in that vision also help build strong, creative, and competitive businesses, regardless of the organizational sector. Jung *et al.* (2003) claimed that “transformational leaders stimulate followers to think about old problems in new ways and encourage them to challenge their own values, traditions, and beliefs [...]” As a result, creativity and innovation are encouraged. So transformational leaders not only influence follower innovation by articulating visionary leadership that resonates with both socially responsible and competitive organizational cultures, they also are likely to be perceived as innovative themselves because they are inspirational and visionary (Jaussi and Dionne, 2003). These findings suggest that helping leaders better articulate their organizational visions is a worthwhile endeavour, because these leaders engage their workers in the strategic orientation of their organizations and build innovative and creative enterprises as a result. These findings confirm Tosi *et al.* (2004) claim that transformational leaders are better able to provide the necessary vision and direction that is especially crucial in times of uncertainty, and help subordinates develop creative solutions to ambiguous problems and respond appropriately to new environments (Vera and Crossan, 2004). Newmanich and Keller (2007, p. 64) assert that “transformational leaders would enable subordinates to understand the benefits of the business case for change by creating a climate that encourages new ideas and new ways to perform work.”

Through their influence on worker behavior and organizational creativity and innovation, transformational leaders become powerful agents of culture change (Antonakis and House, 2002; Deal and Kennedy, 1982; Kim *et al.*, 2002; Trice and Beyer, 1993). Damanpour and Schneider (2006) assert that a leader with vision creates a culture of change that facilitates the adoption of innovation. These findings suggest that an examination of leadership vision, as a component of transformational leadership, needs to be clearly articulated at either an individual or organizational level of analysis. The capacity of leaders to define a vision for their organization is one thing, but to have that vision accepted and acted upon as anticipated both individually and organizationally is quite another proposition. Additionally, on the basis of these findings, the formulation and then implementation of vision is a considerably different proposition in FP compared with NFP organizations. We propose that NFPs are more likely to benefit from leader vision that encourages “buy in” to a set of principles that have social as well as economic implications, and which run counter to the commercial imperatives of private enterprises. These examples illustrate that organizational cultures play a major role in determining the impact of leadership vision on organizational innovation.

On the other hand, the strength of relationship between leadership vision and the two dimensions of organizational culture, namely social responsibility and competition, did not differ in either FP or NFP organizations, but it was mediated by organizational culture. That is, while leadership vision can directly impact on organizational innovation, this effect is enhanced when mediated by organizational culture. And it is the type of organizational culture that counts in this relationship. Our results are consistent with the proposition that socially responsible cultures enhance the impact of visionary leaders on innovation in NFP organizations, while competitive cultures have the same impact in FP organizations, although these differences are not great. Nonetheless, recognizing the capacity of visionary leaders to influence innovation through cultural values sympathetic to the type of organization in which these cultures

reside is only the first step in examining if other forms of leadership are just as influential or indeed even more successful in building innovative organizations. Glynn and Raffaelli (2010, p. 389) claim that "enriching the conceptualization of "performance" beyond economics to values, creativity, innovation, or change, as well as their inter-relationships, would enrich the leadership literature." These leadership behaviors are far-reaching and ambitious, and they demand an enormous amount of time and energy from leaders and followers. But the results can be impressive, for when culture is sympathetic to the change process, then vision and its impact on innovation should be enhanced dramatically.

Limitations

We must acknowledge some limitations to the study. First, the use of a cross-sectional, non-experimental design limits causal inferences. Indeed, there is always the possibility of reverse causal relationships among the variables. For example, it is entirely possible that organizational culture influences leadership behaviors. The use of a longitudinal or experimental design in future research may help strengthen causal inferences. Nevertheless, it is important to note that the results are consistent with theoretical predictions based on extant research.

Next, this study used the perceptions of managers and senior executives as the data source. We believe that top managers are in a good position to observe the culture of an organization, consistent with the proposition that only the top echelons of leaders are in a position to significantly influence cultural identity and change (Bass, 1999; Katz and Kahn, 1978; Schein, 1992). Nevertheless, a limitation is that the data were gathered by a single organizational informant, which may have exposed the study to common method variance. Although Spector (2006) has argued it is incorrect to assume that the use of a single method automatically introduces systematic bias, it is recommended that future research should seek to gather measures of independent and dependent variables data from different data sources (e.g. subordinate ratings of transformational leadership behaviors and more objective measures of organizational outcomes) to minimise the effects of any common method bias (Podsakoff *et al.*, 2003).

Conclusion

This study hypothesized that in NFPs, a socially responsible cultural orientation mediates the relationship between leadership vision and support for innovation, whereas in FPs, a competitive cultural orientation mediates this relationship. It also predicted that leadership vision will be more strongly positively related to a socially responsible cultural orientation in NFPs, whereas in FPs, vision will be more strongly positively linked to competitive culture. Partial support was found for these hypotheses. Although the predicted mediation effects occurred in NFP and FP organizations, the strength of the relationship between leadership vision and the two dimensions of organizational culture did not differ significantly in these organizations. This was despite the observation that NFPs scored higher, as hypothesized, on a socially responsible cultural orientation than FPs, whereas FPs scored higher on a competitive cultural orientation. Overall, the findings point to some interesting differences and similarities between NFPs and FPs in Australia that we believe can inform future international research in the third-sector. In particular, while leadership vision was a key contributor to support for innovation through the lenses of two distinctly different OCPs,

it is only one facet of leadership impacting on a specific concept of innovation. The remaining aspects of leadership such as intellectual stimulation, role modelling, and caring and coaching, will likely make different contributions to innovation through different cultural constructs. There is much still to do in the examination of the leadership, culture, innovation puzzle.

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About the authors

James C. Sarros is a Professor in the Department of Management, Monash University, Caulfield East, Australia. James C. Sarros is the corresponding author and can be contacted at: james.sarros@monash.edu.au

Brian K. Cooper is a Senior Lecturer in the Department of Management, Monash University, Australia.

Joseph C. Santora is a Director of Research and Visiting Professor of Management, School of International Management, Ecole des Ponts ParisTech, Paris, France and Adjunct Senior Research Fellow, Department of Management, Monash University.

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