TRANSFORMATIONAL LEADERSHIP TOWARDS ENCOURAGING INNOVATIVE WORKFORCE BEHAVIOR AMONG ENTERPRISE 50 AWARD COMPANIES

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Enterprise 50 Award (E50s) is an award program introduced by SME Corporation to recognize companies that have achieved excellence through their initiatives. The issues in this study are how the winners can survive and sustain in the E50s and how they differentiate themselves from other winners. Transformational leadership plays an important role in encouraging innovative workforce behaviour in an organization. The objective of this study is to determine the four dimensions of transformational leadership towards innovative work behavior. This study also aims to determine the relationship between transformational leadership and innovative workforce behaviour among the E50 companies. Therefore, the implementation of the four dimensions of transformational leadership can influence the innovative work behaviour of the employees in the workplace through its specific characteristics. A quantitative approach was conducted through the mail questionnaires to the companies that listed in the E50s. The data collected were analyzed using SPSS software. The data obtained was first analyzed the descriptive analysis and followed by correlation analysis. The findings show that the overall of the transformational leadership has a medium central tendency level. There was a strong relationship between transformational leadership and innovative work behavior. All the companies in SMEs should always make the winners of E50s as a role model and encourage the top management to help their employees to reveal their purpose, values and norms as well understand their needs in order to enhance the innovative performance to gain sustainable competitive advantages with other companies.
ABSTRAK

Enterprise 50 Award (E50s) adalah satu program anugerah yang diperkenalkan oleh SME Corporation untuk mengiktiraf syarikat-syarikat yang telah mencapai kecemerlangan melalui inisiatif mereka. Isu dalam kajian ini adalah bagaimana pemenang boleh mengekalkan kedudukan mereka dalam E50s dan bagaimana mereka membezakan diri mereka daripada pemenang-pemenang lain. Kepimpinan transformasi memainkan peranan yang penting dalam menggalakkan aktiviti tenaga kerja inovatif dalam sesebuah organisasi. Objektif kajian ini adalah untuk mengenalpasti empat dimensi kepimpinan transformasi ke arah tingkah laku tenaga kerja yang inovatif. Kajian ini juga bertujuan untuk mengenalpasti hubungan antara kepimpinan transformasi dan tingkah laku tenaga kerja yang inovatif di kalangan syarikat-syarikat E50s. Justeru, pelaksanaan empat dimensi kepimpinan transformasi dapat mempengaruhi tingkah laku kerja yang inovatif di kalangan pekerja melalui ciri-ciri yang khusus. Pendekatan kuantitatif telah dijalankan dengan menggunakan borang soal selidik melalui melihat dan kepada syarikat-syarikat yang disenaraikan dalam E50s. Data yang dikumpul dianalisis dengan menggunakan SPSS. Data yang diperolehi telah dianalisis secara deskriptif dan korelasi. Dapatkan kajian menunjukkan bahawa keseluruhan kepimpinan transformasi mempunyai tahap kecenderungan memusat yang sederhana. Selain itu, terdapat hubungan yang kuat antara kepimpinan transformasi dan kelakuan kerja yang inovatif dalam sesebuah syarikat. Semua syarikat dalam SMEs harus sentiasa menjadikan pemenang E50s sebagai model peranan dan menggalakkan pengurusan atasan untuk membantu pekerja mereka mendedahkan tujuan, nilai dan norma mereka dan juga memahami keperluan mereka supaya dapat meningkatkan prestasi inovatif untuk mendapatkan kelebihan daya saing yang manpan dengan syarikat-syarikat lain.
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CHAPTER 1

INTRODUCTION

1.0 Introduction

SMEs Malaysia plays an important role in the country’s growth, employment and economic development. It has been recognized by many quarters that SMEs is central to the transformation of economic in the country as they form the foundation of activity in the private sector and stimulate innovation and play a role as a growth stabilizers during an economic slowdown.

SME Corporation Malaysia has introduced an award program to recognize companies that have achieved excellence through their initiatives. One of the award programs is Enterprise 50 Award (E50s). The aim of Enterprise 50 Award is to recognize the achievements of the top 50 domestic companies. In this new competitive economic global environment, to survive and sustain at the Enterprise 50 award, companies have to adapt to the change and unpredictable situation. Therefore, the companies or the winners of the Enterprise 50 Award have to improve their operation through encouraging innovation among their workforce. The winners shall move from their existing situation to something new as in developing skillful workforce, adapting new technology and creating a conducive environment in order to be innovative. The role of leader and its leadership in implementing or encouraging innovative workforce is much expected.

To achieve success and maintain a competitive advantage which outstand other companies, the winners of the Enterprise 50 Award must be able to develop the best leadership styles for cultivating an innovative workforce. This study focus on the transformational leadership style that developed by the leader as its potential to cultivate innovation of the followers or employees in the organization. The behaviors of the transformational leader are closely matched with the determinants of innovation such as recognition, encouragement and challenge in the workplace. The transformational leader can establish the right culture that fosters the kind of innovation that the company needs. If the
top management does not know how to establish the transformational leadership styles for the innovation among their workforce, then the company will not succeed.

1.1 Background of study

This research was carried out among the 50 companies that won the Enterprise 50 Award. Enterprise 50 is an annual award organized by the SME Corporation Malaysia (SME Corp.) and Deloitte Malaysia, with supporting sponsorship by RHB Bank Berhad and Telekom Malaysia Berhad (TM) to underline the success of small and medium companies that are well positioned in the market.

The winners of the Enterprise 50 Award were evaluated on various parameters including business performance, financial, management and technical capabilities, quality systems, production capacity and innovation. The winners were chosen from 50 shortlisted nominees selected from the 274 small and medium enterprise (SMEs) entries. Beginning in 2008, only companies that fulfill the definition of SMEs are qualified for nomination for the Enterprise 50 Award and this is an effort to encourage larger SME participation. 50 winners will be selected among the nominations received. According to Tan Theng Hooi, Country Managing Partner of Deloitte Consulting Malaysia Sdn Bhd, E50 winners in Year 2013 has showed that they have a thorough understanding of their company, opportunities, market trends, challenges, as well as their competitors. He added that all the winners, especially the top 10s have leveraged widely on innovation and technology to withstand themselves from competitors.

To achieve success and maintain a competitive advantage compare to other companies, the winners of the Enterprise 50 winners must focus on the most important resource at which the skills of the innovative workforce. With the increasing richness of diversity in the workforce, the leaders should cultivate transformational leadership to wider their innovative strategies in order to success and maintain the competitive advantages in the market. Transformational leaders articulate a strong vision of innovation and display a sense of power and confidence. They try hard to ensure the market success of the innovation. Transformational leaders as parts of its characteristics to motivate their followers and promote their knowledge, intelligence and experience so that they can be innovative in their approach to problem solving. Therefore, the transformational leader plays an important role in implementing and encouraging innovative workforce among the winners of Enterprise 50 Award.
1.2 Problem Statement

In this competitive environment, it is challenging to choose the winners of Enterprise 50 Award among all the nominated companies in SMEs. The issues we can see are how the winners can survive and sustain in the Enterprise 50 Award and how they differentiate themselves from other winners and be the example for other companies in SMEs. According to Hamel (2009), most of the organizations today are lack of specific behaviors that relate to a leader’s role in fostering innovation. Most of the employees do not know how well the leaders are performing on key behaviors, making it more challenging to focus on the development areas. So, the role and behaviors of transformational leaders in implementing innovative workforce are the key for the winners of Enterprise 50 Award for success.

1.3 Research Questions

This research is intended to study on what are the relationship between the transformational leadership and innovative workforce behavior among the winners of the Enterprise 50 Award.

1.4 Research Objective

Based on the research question mentioned, the objective of this study was:

i. To determine the four dimensions of transformational leadership towards innovative work behavior among the Enterprise 50 Award Companies.

ii. To determine the relationship between the transformational leadership and innovative workforce behavior among the Enterprise 50 Award Companies.

1.5 Research Scope

The scope of this research is the winners of Enterprise 50 Award from year 2011 to 2013. A total of 130 winners of Enterprise 50 Award in these three years as there are twenty companies are repeat winner. The following companies are the top 10 winners in Year 2013 which is Dewina Food Industries Sdn Bhd, Exis Tech Sdn Bhd, Furutec Electrical Sdn Bhd, Gading Kencana Sdn Bhd, Indkom Engineering Sdn Bhd, Lybase Sdn Bhd, My CO2 Sdn Bhd, Natural Health Farm Marketing (M) Sdn Bhd, Penchem Technologies Sdn Bhd and SYM World Innovation Sdn Bhd.
1.6 Significance of Study

This research is important in identifying the transformational leadership towards fostering innovative workforce behavior among the winners of Enterprise 50 Award. The significances of this research can be divided into three categories, namely significance towards the SMEs, significance towards employees of the Enterprise 50 Award companies and significance towards future researcher.

i. Significance towards SMEs

This research will bring beneficial influence to all organizations under SMEs Corporation Malaysia. SMEs play a crucial role in the process of economic growth and have the potential to contribute substantially to the economy. SMEs are now able to adapt to the challenges and transform their businesses into innovative and competitive entities through the transformational leadership which will be further discussed in this research. Once the transformational leadership is identified, development of skills and innovative workers can be carried out to meet the economic challenges. The transformational leadership styles can be the example for other companies in SMEs Corporation, thus it is eventually an essential element in stimulating the growth of our economy.

ii. Significance towards the Enterprise 50 Award Companies

This research is also beneficial to both the employees and employers of the Enterprise 50 Award winners. The growth of innovation among the workers can be advantageous to the development of the business in a company. An innovative worker is potential to come up with new product design, cost down in raw material, new production flow and efficient solutions for troubleshooting. Innovative workers will not have only one solution to a need, but they will have several ideas for a problem. With the application of transformational leadership in an organization, a company can be successful as it is a motivation for the employees to come up with better products or services compare to their competitors. This shall definitely a competitive advantage towards others companies and thus the winners of the Enterprise 50 Awards can maintain excellence and win the award for the following year.

iii. Significant Towards Future Researcher

This study will not end here as the future researchers will ensure the continuity of progression in this research of transformational leadership. With this research, innovative workforce will not only exist among the winners of Enterprise 50 Award, but also in other companies that under SMEs Corporation. Therefore, this research
can help the future researchers have a more effective approach to encourage innovation in a company. The transformational leadership that has been identified can be the model for other companies to learn and gain knowledge from it in order to survive in this competitive global environment.
CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the theories of two primary variables regarding Transformational Leadership dimension and Innovative work behaviors. Each of the theory is clearly explained to cater a comprehensive understanding for this study. Previous findings on relationship of these two primary variables are also conferred together for empirical evidence thus led to the deduction of hypotheses. Finally, theoretical framework has been developed towards the end of this chapter.

2.1 Leadership

Leadership approach has been discussed from several viewpoints including individual traits, behaviors, contextual perspectives and combinations of these viewpoints. The earliest theory of leadership was derived from Plato 428-347 before centuries (Taormina, 2008). Since that, loads of leadership definitions emerged as people attempt to understand the phenomenon of leadership. Nowadays, the term leadership is ubiquitous in any discourse (Vroom & Jago, 2007). One common problem of this numerous definitions is; the isolating of variables as there is no perfect definition that includes the whole variables in leadership.

Posner and Kouzes (1993) theory of transformational leadership defines leadership as a set of five observable and learnable practices which consists of challenge familiar organizational processes, inspire a shared vision among employees, enable employees to act in an innovative way and encourage employees through recognition of success vision among employees.

Burns (1978) believed that leadership is based on interaction between leaders and followers in which both learn from each and collaborate. As the interaction does
influence, hence, Rost (2000) defines leadership as an influential relationship among leaders and followers who intend real changes and outcomes that reflect their shared purpose. Leadership is also believed 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 individual and collective efforts to accomplish shared objectives and being defined in terms of traits, behaviors, influence, interaction, patterns, role relationships and occupation of an administrative position (Taormina, 2008; Yukl, 2006). Basically, the terms and definition of leadership encompass process of interaction between two people (leader and follower) and situation to reach certain objectives. For the sake of clarity on how the interaction process occurred, Raelin (2004) reviewed four critical processes that are mobilized by leadership:

1. Leadership is concerned with setting the mission or direction of an enterprise. At the same point, whether in the beginning of an activity evolves, the Community needs to know where it is going.

2. Accompanying the mission is the need to actualize the goals of the enterprise. A host of activities and tasks need to be accomplished to get the work done.

3. There is also a need to sustain the commitment and cohesiveness of the working unit. Community members want to feel that they are part of something.

4. While members need to feel cohesive, they also need to be adaptable to respond to changes that may require a shift in direction as member entertain alternatives, the mission may become redefined, hence the process begins a new.

In brief, the process as explained by Raelin (2004) portrays how the interaction occur between leader and follower. It is critical for the leader to convey his/her mission and actualize the goals they set for the members to respond. The interaction also needs a commitment from both sides (leader and follower) which in turns will produce a great performance in doing the work.

Northouse (2010) defines leadership as same as the previous scholars, saying the leadership as a process whereby an individual influences a group of individuals to achieve a common goal. However, the other of angles of leadership term have been proposed as about managing energy that consisted in the individuals and then in those around them (Clawson, 1999). All the definitions stated above defined leadership in many ways of construct although we find it a bit complicated. The differences on all those definitions are discussing a greater disagreement about identification of leaders.
and leadership process. As the result, it reflects a disagreement on the definition based on narrowed perspective they had obtained from the research they had done.

In conclusion, leadership in an organization is such an important factor to functionlize employees in many circumstances to work in a team and it is related to organization performance. At organizational level, leadership concerns building cohesive and goal-oriented teams, for it has a causal and definitional link between leadership and team performance (Hogan, Curphy, & Hogan, 1994).

2.2 Transformational Leadership

Bass and Avolio (1999) stated transformational leadership encomposes of idealized influence (charisma), inspirational motivation, intellectual stimulation, and individualized consideration. They also defined the leadership as a set of learnable and observable practices employed to build the commitment of the employees and influence the attitudes of employees towards the organization's mission. Transformational leaders provide a vision and motivate employees, as well as transfuse a sense of follower self-confidence (Bass and Avolio, 1993). Transformational leadership is one of the most outstanding theoretical views in present leadership research (Imran and Noreen, 2011).

According to Rosenstein et.al., (2002), transformational leadership can be defined as "influencing followers by expanding and elevating followers' goals and providing them with confidence to perform beyond the expectations prescribe in the implicit or explicit exchange agreement". Elkins and Keller (2003) state that transformational leadership behaviors closely match the determinants of innovation and creativity among the employees at the workplace and also support for innovation, recognition, autonomy, encouragement, and challenge.

Barsh et al., (2006) transformational leadership is applicable to a set of adaptive and effective leadership behaviors than other leadership styles because it can enhance organizational creativity and innovation, similar to the previous research of Shin and Zhou (2003) in Korea which found that transformational leadership was positively related to employee creativity and innovative.

2.2.1 The Contribution of Transformational Leadership

Bass and Avolio (2000) state that leaders who display transformational leadership behaviors are able to restructuring their followers' value and norms, promote both
organizational and personal changes, and help followers to exceed their initial performance expectations.

Transformational leaders can stimulate followers to view problems in new methods and result in strengthen innovative and creativity of followers by develop their self-efficacy (Bass, 1995). In addition, transformational leaders can empower their followers (Jung and Sosik, 2002) and establish an innovative climate (Jung et al., 2003) in the organization. They raise the performance expectations of their followers (Bass, 1995) and “seek to transform followers' self-concepts and personal value and move them to a higher level of needs and aspirations.”

Again, transformational leaders expect employees to think beyond themselves and to become high performers and leaders themselves (Bass, 1996). They encouraged their followers to think “out of the box” and to adopt generative and exploratory thinking processes that produce more creative ideas and ways than people working under managers with a transactional leadership style.

Lastly, transformational leaders can improve the level of motivation and organizational innovation because they have a vision to motivate their followers, increases their willingness to perform beyond expectations, and challenges them to apply innovative approaches in their work (Mumford and Licuanan, 2004).

2.2.2 Role of Transformational Leader

According to Gumusluoglu (2010), leader is a member of a group, although it has specific possibilities to influence the group. The inspirational motivation and intellectual stimulation use by the leaders is critical for organizational innovation (Elkins and Keller, 2003).

Transformational leaders can affect and promote innovation at the organization level by creating and managing an organizational culture such as product creativity or powerful innovators who support innovation throughout the process of its implementation. They also can create organizational structure needed to support innovativeness (Gumusluoglu and Ilsev, 2009).

According to Jung et al., (2003), transformational leaders who articulate a strong vision of innovation and display a sense of power and confidence will try hard to ensure the market success of the innovation. The leader can establish a work environment to encourage creativity (Amabile et al., 2004), and create an organizational climate that serves as a leading principle for more creative work processes (Scott and Bruce, 2011).
2.2.3 Four Dimensions of Transformational Leadership

Bass and Avolio (1999) characterized transformational leadership as being composed of four dimensions which include intellectual stimulation, individualized consideration, idealized influence, and inspirational motivation.

2.2.3.1 Intellectual stimulation

According to Bass (1996), when a leader provides intellectual stimulation, followers are encouraged to reexamine some of their assumptions, the status quo, transform problems and deal with old situations in new ways. Creative solution and new idea are request from followers, and there is no public criticism of individuals' mistakes. The followers are encouraged to reformulate problems and to identify new approaches. These circumstances enhanced the concentration on the positive results of the change initiative that lead to high levels of commitment to change, which in turn is likely to lead the innovation implementation behavior (Gumusluoglu and Ilsev, 2009) among the worker in an organization.

A transformational leader's intellectual stimulation can promote creativity and innovative thinking and working processes that lead to new technology and knowledge which is essential to organization innovation (Colbert et al., 2008).

If leader in Enterprise 50 Award companies provides intellectual stimulation, they are ready to takes risks and request followers' ideas. They also can stimulate and encourage creativity and innovation among the employees by cultivates and develops them to think independently. The leader also can see unexpected situations as opportunities to learn. When the employees ask questions, the leader will think deeply about the problem and come out with better solutions to complete their tasks.

2.2.3.2 Individualized Consideration

According to Bass and Avolio (1994), individualized consideration is positively related to followers' innovation implementation behavior. When leaders apply individualized consideration, they respect followers and supervise their development with concern to their personal needs, feelings, initiative and viewpoint. The leaders will understanding, support, and
encourage followers to respond to change initiatives and accept the change (Purvanova and Bono, 2009). The leader also acting as an instructor and is creating learning opportunities as well as a supportive climate in an organization.

When leaders express individualized consideration, followers or employees are more likely to respond to their support and development because they believe that a leader will tolerate the failures or mistakes and top management also encourages the goals of leading the changes to higher levels of innovation implementation behavior.

If the leaders of the Enterprise 50 Award companies apply individualized consideration, they will give support, empathy and keeps an open communication and places challenges before their employees. They also reflect the need for respect individual contribution that each employee can make to the organization. As a result, the employees will desire for self-development and have intrinsic motivation when completing their tasks.

2.2.3.3 Idealized Influence

Bass and Avolio (1995) state idealized influence involves setting an example or role model for followers or employees to follow. Leaders with idealized influence tend to place followers' needs over their own needs, share risks with followers, and show persistence to a set of basic value and principles.

The transformational leaders with idealized influence act as a role model for high ethical behavior and acquire trust and respect from their followers. Because when followers respect and trust by their leader, they simulate this individual and internalize their ideas. With this kind of confidence in the leader, they can change, lead and motivate their followers. A leader who own idealizes influence will believe and appreciate their followers who perform their job well.

When the leader of the Enterprise 50 Award companies applied idealized influence reach a high level of confidence and appreciation with his followers, their followers will admire them, identify with them and begin to motivate them. The leaders also will do "the right things" and show their high ethical behavior and moral. They do not use their leaders' abilities and
position to achieve personal interests, but they use the potentials of their employees to achieve the purpose of the companies.

2.2.3.4 Inspirational Motivation

According to Bass and Avolio (1995), the leader with inspirational motivation will provide meaning for the task, challenge followers with high standard and communicate optimism about future goals developing to their followers. They also articulating, identifying new opportunities, and inspiring followers of a vision of the future.

The leader with inspiration motivation can act as an important means of qualify attitudes and teaching new behaviors. These processes are likely to strengthen identification with the goals of the change-initiative and associated followers’ capabilities with a high level of commitment to change effectively which in turn leads to innovation implementation behavior.

Transformational leaders in the Enterprise 50 Award companies will have a clear vision that they are able to motivate their followers to have a strong sense of purpose to act and experience the same passion to fulfill the organizational goals. This purpose and meaning can provide the energy that drives a group forward. These aspects of leadership are supported by communication skills that make the vision powerful, understandable and precise. The followers and employees are willing to put more effort to complete their tasks when they are encouraged and optimistic about the future and their abilities are believed by the leaders.

2.2.4 The Effects of Transformational Leadership

Transformational Leadership contribute effects towards influencing followers in achieving organizational performance as such:

Intrinsic Motivation

According to Bass (1990), intrinsic motivation refers to the employees’ motivation when they are interested in a task for its own purpose, rather than for the external outcomes or rewards related to the task. Jaussi and Dionne (2003) have argued that intrinsic motivation is an important reason toward employee creativity and firm innovation. Employees are intrinsically motivated when they exhibit more creative performance.
The studies of Shin and Zhou (2003) have tested the mediating role of intrinsic motivation and they find that intrinsic motivation partially mediated the influence of transformational leadership on followers' creativity. They also suggest that followers' creativity and innovative can affect by the transformational leadership through intrinsic motivation.

When an employee is intrinsically attracted to a task, he or she is more likely to focus on it and explore with it, hence exhibit more creative behavior. In line with this, transformational leaders who concern for their employees' needs and feeling will facilitate their skill development and show them the creative and effective ways to achieve the purpose in the organization (Bass, 1990). This can express confidence among the employees and likely to strengthen their interest when completing their tasks.

Psychological Empowerment

According to Bass and Avolio (1995), psychological empowerment is another source of creativity. People who are empowered are more likely to exhibit innovative behavior (Jung et al., 2003). Transformational leaders can enhance followers' empowerment by providing challenge and meaning to their work. The transformational leader with individualized consideration can lead followers to the empowerment through building up the followers self-confidence and enhance their personal development (Avolio et al., 2004).

Besides that, Mumford and Licuanan (2004) also argues that empowerment can control over the work to be demonstrated and creates a sense of ownership, and it have identified as an important determinant of organizational creativity because individuals produce more creative and innovative work when they become more aware on personal control over how to accomplish given tasks. Consistent with this view, Jung and Sosik (2002) also argued that employees who are empowered are more likely to be intrinsically motivated and promotes more innovative efforts.

Thus, the SMEs company, especially who are the winners of Enterprise 50 Award can create an organizational culture that has a high level of empowerment, or working within this culture. It is because the transformational leaders' have the positive impact on the company's innovative potential that could be materialized. Consequently, employees under the transformational leadership will feel empowered and they are likely to look for creative and innovative approaches in their jobs.
Perception of Support for Innovation

According to Amabile et al., (2004), organizational climate is an important factor for creativity. The leader can establish a work environment to encouraging creativity and innovative among the workers. So, the perception of the employees on the creativity that encouraged in the workplace and the allocated organizational resources to supporting creativity can influence the creative performance of the employees.

Balkin and Markman (2005) argued, innovation requires long term investments and risk taking. Therefore, employees need to be aware that the organization can support innovation by working with a more risky ideas and products rather than focusing on short-term profit and immediate financial results. Jung et al., (2003) reported that transformational leadership is positively related to innovative organizational climate. The effort of transformational leaders to promote innovation may not resonate well among employees when there is not a climate that supports innovative behaviors and work approaches (Mumford et al., 2004).

Thus, the leader in the organization of Enterprise 50 Award can establish a work environment to encouraging innovative workforce through its influence on the employee’s perceptions of a climate supportive of innovation. It will encourage risk taking, and the challenge to use creative approaches at work place among the employees.

2.3 Transactional Leadership

Apart from transformational leadership, a leader who applied transactional leadership also can encourage innovative workforce behavior among the followers. According to Bass (1996), transactional leadership has an effect on employees’ innovativeness through contingent rewards, passive management by exception and active management by exception. Nowadays, the reward plays an important role in an organization to achieve the goal and purpose. A transactional leader will give rewards to the employees when the employees have completing or implementing their tasks and achieve the specific goals. Thus, the employees will go beyond their initial expectation and try to act in a creative and innovative way to engage in the innovative work behavior.

2.4 Innovation

Saminah Samad (2012) argued that innovation is a change in a product offering, service, business model or operations, which meaningfully improves the experiences of a large number of stakeholders. There are numerous creative researchers also defined innovation as
the successful implementation of ideas that are useful and provides a competitive advantage to those businesses that are able to consistently generate and implement new products and processes (Janssen, Vliert, and West, 2004).

According to Leekpai and Jaroenwisan (2013), innovation means the successful application of creative ideas if the organization looks from the perspective of an organization. In other words, it can be defined innovation as a new method. They also argue that innovation is the precondition and the success of an organization to survive and shows itself in the form of the market orientation, learning orientation and entrepreneurship.

Besides that, most of these definitions aim to share common themes that related to knowledge, which may be turned into new products, processes and services to improve competitive advantage and meet customers’ changing needs. According to Carmeli and Schaubroeck (2007), leadership is one of the major factors that repeatedly suggested affecting innovation. The outcome of the literature parallel to this research which aims to determine the relationship between transformational leadership and innovative behavior among the Enterprise 50 Award Companies.

2.4.1 Theory of Innovation

Innovation theorists often describe the innovation process as being include two main phases which is initiation and implementation (Axtell et al., 2007). The first stage ends with the production of an idea; while the second stage ends with the idea is implemented (Anderson, Drei and Bernard, 2004).

At the first stage of initiating the innovations, employees can generate new ideas by taking part in the behaviors to find opportunities, identify performance gaps or produce creative solutions to solve the problems. (Axtell et al., 2007). Opportunities to generate ideas depend on the things that do not fit expected patterns, such as problems in present working methods, demonstrates that trends may be unfulfilled or changing needs of customers (Purvanova and Bono, 2009).

In the implementation stage, employees have played an important role in the innovation process by demonstrating their behavior. For example, employees with a strong personal commitment to a specific idea may be able to convince others of its value. Employees can also put in suitable effort in developing, testing and commercializing an idea (Jong and Hartog, 2007).
2.5 Innovative workforce

The epistemology of innovative work behaviours was derived from the term innovation. A behavioural theory such as expectancy theory of motivation is the earlier model of Innovative work behaviours. The innovation as has been defined generally by scholars is comprised from both ideation and the application of new ideas, whereas the ideation is originated from creativity component (Mclean, 2005; Shalley& Zhou, 2008). In extent, Shalley& Zhou (2008) explain creativity as an iterative process that involve reflection and action, seeking feedback, experimenting, and discussing new ways to do things rather just relying on habit or automatic behaviour.

According to Mclean (2005) the terms of creativity and innovation are often used interchangeably in research studies. Creativity has to do with the production of novel and useful ideas meanwhile; innovation has to do with the production or adoption of useful ideas and idea implementation (Amabile, et.al., 2005; Khan, Rehman, & Fatima, 2009). Meanwhile, Amabile& Mueller (2008) found that in the componential theory, creativity is influenced by three components within the individual; 1) Domain relevant skills, 2) creativity relevant processes, 3) intrinsic motivation and one component outside the individual- the work environment.

Upon the diversification of judgment, scholars had agreed that creativity is closely related to innovative behaviour (Ayranci, 2011; De Jong & Den Hartog, 2007; García-Morales, Matías-Reche, &Hurtado-Torres, 2008). Creativity is intended to produce some kind of benefits and has clearer applied component since it is expected to result in innovative output (De Jong & Den Hartog, 2007). It can be concluded that innovative work behaviors require the generation of idea and also behaviors in order in achieving business performance.

However, the Innovative work behaviours measurement to date has focused on generation of new ideas (creativity) rather than the behaviors involved in implementing these creative ideas (Carmeli et al., 2006; Den Hartog& De Jong, 2008). Furthermore, previous researches only focus on Innovative work behaviors measurement which is mostly short and resort to one dimensional that only depending on single source data and yet has limited measure validity. Hence, De Jong & Den Hartog (2008) formulated four dimensions of innovative behavior; (1) Opportunity exploration, (2) Idea generation, (3) Championing, and (4) Application to measure innovative work behaviours to date.

According to Ofori-Dankwa and Julian (2008), innovative workforce can be defined as the individual that can ultimate source of any new or creative idea and provides the basic
knowledge for organizational innovation. The network structure, diversity and size are the characteristics of creative workforce and they are also critical factors of creative output (Paulus and Yang, 2008).

2.5.1 Importance of Innovative Workforce

Shalley and Gilson (2004) state that new idea from a creative employee can be transfer to other employees in the organization for their own use and development. This creativity at the individual level, through idea generation and implementation can lead to the development of innovative products at the organizational level.

Shalley and Gilson (2004) also argued that high density of creative workforce can provide abundant source of original ideas and experience that is positive and useful for innovation. Greater density of the creative workforce can aggregate to a richer knowledge structure to provide more learning opportunities and knowledge exchanges within the firm, thus contributes to organizational innovation outcomes.

Besides that, Paulus and Yang (2008) suggests that workforce at team level and group with adequate and different cognitive potential in terms of perspective, abilities, skills and knowledge is likely to be more creative and innovative.

In this research, innovative behaviors of the employees play an important role in an organization, especially for the companies that wins the Enterprise 50 Award in Small and Medium Enterprise. The winners should make sure that their companies have the innovative workforce to come up with new ideas or creative solution to solve the problems and implementing the new solution. Innovative employees will able to interact with others in the workplace and will come up with useful ideas about organizational product, practices and procedure.

2.5.2 Behavior of Innovative Workforce

Innovative behavior can be defined as the behavior directed towards the initiation and application of new and useful ideas, processes, products or procedures (Nguyen and Mohamed, 2011). Some previous studies served employees’ innovative behavior as one dimensional construct that involve both idea generation and application behavior (Janssen et al., 2004). Employees’ innovative behavior also depends greatly on their interaction with others in the workplace (Shalley et al., 2004).

In general, leaders have a powerful source of influence on employees’ work behaviors (Yukl, 2002). Innovative behavior can make the effective leader applied
creativity and innovative to help individuals to coordinate and confirm their differing styles in future business. It also includes continuously breakthrough and defining new problems, solving those problems and implementing the new solutions (Basadur, 2004).

This research focused on the innovative behavior of employees and the role of leaders played in enabling and enhancing such behavior. This is similar to the previous study conducted by Yukl (2002), who stated that leaders have a powerful source of influence on employees’ work behaviors.

2.5.3 Key Challenges in Cultivating Innovative Workforce

According to Paulsen et al., (2009) workers in an organization come from different backgrounds, experiences, and cultures, who communicate in different manner. Therefore, managing changes is always a challenge because people become complacent when they stay at a company for long periods (Paulsen et al., 2009).

Employees of an organization should understand the differences of working for a large or small company. Thus, leader should have the abilities to show their followers what they can learn from changes made within the company. Those changes can be developed through the following medium:

i. Communication

Leaders should communicate visions and values in short and direct to employees which can affect the classical principle of the organization. In contrast, the increasing of the hierarchy of communication can prolong the line of communicating values and might cause the separation of a decision from its operation (Katherine and Williams, 2004). Thus, poor communication among the leader and followers is the greatest weakness in many organizations. In addition, misunderstood and unclear corporate goals, vision, and direction are a leading cause of poor organizational performance which contribute to the lack innovative workforce among the companies (Gupta and Singh, 2013).

When the employees lacks of willingness and capability to discuss and resolve the disagreements, conflicts are likely to influence the further development and implementation of the creative ideas and to destroy the capability to innovate (Shapiro, 2005).
In conclusion, communication is the greatest challenge in cultivating innovative workforce in sustaining competitive advantage of an organization.

ii. Commitment to Change

According to Paulsen et al., (2009), change of relevant behavior towards innovation and its implementation behavior can be influence by transformational leadership. They also suggest that followers with high levels of commitment to change can exhibit more innovation implementation behavior.

Moreover, personal support and encouragement of the leaders personal can enhance followers’ commitment to change, which in turn results in improve innovation implementation behavior (Michaelis, Stegmaier, and Sonntag, 2010). Companies who is conscious in high levels of commitment to change are usually respond more successfully. The leader behaviors at top management can work effectively toward the goals of change initiatives (Crevani et al., 2010).

2.6 Previous Studies

Previous study found, encouraging innovation through leadership is an important factor in determining the success and competitive advantage of organizations. Gumusluogo and Ilsev (2009), transformational leadership has an important impact at both individual and organizational levels in creating innovative workforce. At the individual level, transformational leadership has a positive relationship with followers’ creativity and innovation, which has the tendency to innovate.

Secondly, the study above indicated there is a partial effect of psychological empowerment and intrinsic motivation. It showed contradiction with finding by Shin and Zhou (2003), that intrinsic motivation is not an important factor in creative relationship and transformational leadership. Where else, most studies showed that psychological empowerment is a crucial psychological mechanism that can affect the employees’ creativity and innovative in transformational leadership.

Thus, SMEs Research and Development employees (R & D) which already have the intrinsic motivation will be a stronger mediator for psychological empowerment, which may act as a substitute for the influence of a transformational leader in their creative performance. SMEs’ leaders’ effect through enabling them to make their own decisions and take initiatives
might be a more powerful creativity enhancing force for these employees than his or her effect through influencing their intrinsic motivation.

Past research resulted a close relationship between transformational leadership in supporting for innovation. In addition, the transformational leader's direct behavior of employees, such as individualized consideration, idealizes influence, inspirational motivation and intellectual stimulation affect their emotional well-being and provide direct and clear causes of the creative behavior.

The study entitled ‘Towards Understanding the Direct and Indirect Effects of Transformational Leadership on Firm Innovation’ by D. (Don) Jung, Wu, and Chow, 2008), supported a direct and positive effect of CEO transformational leadership on organizational innovation. The findings did not only emphasize the importance of managers fitting their leadership behaviors in the organizational context, they also identified the changes in attributes of the organizational context. In the case of high-level managers like CEOs, they may have adequate authority to affect some of the variables that control the link between their organizational innovation and leadership behavior thereby increased the effects of their leadership behaviors.

In the case of innovation in organizational, when top managers strengthen its significant by rewarding and recognizing creativity besides being tolerant of failures or mistakes. The employees are more likely to follow new ideas, new solutions and product innovation encouraged by leaders. The results of this research also argued that transformational leaders often underline crisis in order to bring about change, and suggested that when employees conscious a high level of competitions and uncertainty surrounding their organization, they may receive the change and innovation initiatives.

Previous research also found there was negative relationship between empowerment and innovation. This negative relationship could be due to the unique nature of a high-tech industry which faces rapid change in technology. They also argued that there is a redefined role of leaders as cultural guardians and architects, who need to go beyond the traditional managerial responsibilities by carefully controlling and monitoring organizational reconfiguration processes. As such, there may be a threshold past which additional empowerment would hamper managers’ ability to lead change.

The study entitled “The Influence of Innovation and Transformational Leadership on Organizational Performance” by Sarminah Samad (2012), transformational leadership and innovation were significantly influenced the organizational performance. The findings showed positive relationship between the aspects of transformational leadership and organizational performance regarding idealized influence, inspirational motivation,
intellectual stimulation and individual consideration. These aspects also significantly enhance the performance of the organization in Malaysian SMEs companies.

Among all of the four transformational leadership aspects, the respondents perceived charisma as the most important factors that affect organizational performance. The result of this research also shows that charismatic aspects of leadership emerged as the most significant factor to enhance and improve organizational performance. The findings of this research also highlight the importance of innovation and transformational leadership as the key component of internal resources in achieving organizational performance and securing competitive advantage in Malaysian logistics companies.

Next research regarding “Investigation of the Effects of Strategic Leadership on Strategic Change and Innovativeness of SMEs in a Perceived Environmental Uncertainty” by Sebnem Aslana, Ahmet Diken, and A. Aslan Sendogdu (2011), found positive relation between transformational leadership and perceived environmental uncertainty, strategic change and innovation. Thus the transactional leadership was not found to be meaningfully related to innovation. Where transactional approach to leadership is more appropriate management style and did not show a significant relationship in strategic leadership. Therefore, being transformational and visionary strategic change and innovation is significantly affected.

The overall findings showed a positive relationship between strategic transformational leadership and innovation which is parallel to this study. Besides that, the activities that enhance creative thinking in an organization also encourage the innovative behaviors among workers, thus support innovation in leadership.

Furthermore, strategy and culture of a company has had a positive effect on innovation and employees' creativity, in solving problems. The strategic transformational leadership behaviors have a positive relationship with strategic change, which contribute to the success of SMEs due to the result of psychological and human in strategic change.

In conclusion, the winners of the Enterprise 50 Award need to increase their creativity and innovative to survive, compete, grow, and to be competitive (Jung et al., 2003). Innovation require leaders to encourage employees to win over their hearts and minds (Barsh, Capozzi, and Davidson, 2006). So, the transformational leadership played an important role in encouraging the innovative workforce among the workers in the organizations.
2.7 Conceptual Framework

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<th>Dimensions of Transformational Leadership</th>
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<td>- Intellectual Stimulation</td>
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<td>- Individualized Consideration</td>
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<td>- Idealized Influence</td>
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<td>- Inspirational Motivation</td>
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| Employees’ Innovative Work Behavior |

Independent Variable  Dependent Variable

Figure 2.1 Theoretical Framework

The theoretical framework encompasses the four dimensions of transformational leadership include the intellectual stimulation, idealized consideration, idealized influence and inspirational motivation; while the dependent variable is the innovative work behavior of the employees.

Hypotheses, which include:

Hypothesis 1: Intellectual stimulation is positively correlated to employees’ innovative work behavior.

Hypothesis 2: Individualized consideration is positively correlated to employees’ innovative work behavior.

Hypothesis 3: Idealized influence is positively correlated to employees’ innovative work behavior.

Hypothesis 4: Inspirational motivation is positively correlated to employees’ innovative work behavior.
2.8 Conclusion

An organization's ability to continuously generate innovation is essential to achieve a sustainable competitive advantage in today's highly competitive business environment.

Research on transformational leadership has yielded great insight into the effect of leaders on organizations (Grant, 2012). Accordingly, establishing a creative and innovative workforce can effectively tap the individual ideas toward creative results is a challenge for the organization. Innovation through creativity is an important factor in the competitive advantage and success of organizations as well as for a strong economy (Woodman et al., 2005).

As a conclusion, the leaders and top management in the organizations, especially in the winners of Enterprise 50 Award in SMEs should implement the transformational leadership among their followers or employees to cultivate more creative and innovative workforce behavior. The implementation of this transformational leadership can lead the organization to survive, to compete, to grow, and to lead in today's highly competitive business environment.
CHAPTER 3

METHODOLOGY

3.0 Introduction

The research methodology is the instrument or method used to discuss the research objectives of this study. It includes the population to be surveyed, sample size, data collection methods, respondents, area of study, data instruments and data analysis. According to Salkind (2012), a well-structured development of a data collection can lead us to get a more accurate result.

A quantitative research approach was used in this research. In the following section, data collection method, quantitative data collection technique and data analysis method will be discussed. This research also constructed a flow chart at which to describe the flow of methodology to achieve the research objective.

3.1 Research Design

Burns and Grove (2003) define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. This research was conducted quantitatively to produce reliable and quantifiable data through the distribution of established questionnaires amongst Enterprise 50 Award companies. The established questionnaires were adopted from Kouzes, M. & Posner, B. (2002) regarding Transformational Leadership traits and De Jong & Den Hartog (2007) Developing Innovative Work Behavior. The analysis of the questionnaire was done to identify on how the transformational leadership affects the innovative workforce behavior among the Enterprise 50 Award Companies.
REFERENCES


