

# CHAPTER 1

## INTRODUCTION

### 1.1 Background of the Study

The recent wave of globalization has resulted in some positive and negative outcomes. Resources are moving freely across the nations and the scarcity of them creates pressure among firms. Without geographical boundaries, the internet has enabled organisations to operate virtually and customers to have more options in meeting their unlimited wants. That means more opportunities are available for business expansion, which attract more firms to enter the global market.

With so many competitors offering the same products and services, existing firms will have to distinguish themselves to survive. They would also have to find ways to be sustainable in the turbulent and complex business environment. Rapid changes in the external environment have triggered the need for more creativity and innovation. As mentioned by DiLiello and Houghton (2006), an organisation is likely to have '*significant untapped resources*' if there is resistance towards innovative and creative working environment. Eventually, firms may not be able to sustain their business in the extremely competitive market and dynamic environment without the ability to respond instantly as others. In other words,

organisational innovativeness is more than just an opportunity for growth – it empowers organisations to respond promptly to the changing trend within the market. Therefore, measuring organisational innovativeness is timely for organisations to be equipped with knowledge on key enablers of innovation and the conditions of the business environment that explained the variance in outcome.

Pierce and Delbecq (1977) noted that the differentiation within the organisation is conducive to initiate innovation. Some studies have found that creative individuals are the engines of organisations' innovation processes (e.g., DiLiello & Houghton, 2006). Organisations generally depend on human intelligence to generate novel ideas. Conversely, employees need organisations to facilitate in the promotion and implementation of the idea. DiLiello and Houghton (2006) found that strong support from the workplace will encourage individuals to practice innovation and creativity. Continuous support in the process of change will promote innovative behavior among individuals. Hence, internal factors such as people and processes are the assets that need to be continuously revisited to meet the business requirements.

However, little attention was given to predict innovation outcomes through employee's behaviour (Scott & Bruce, 1994). As mentioned by Pundt, Martins, and Nerdinger (2010), bridging the gap between employees' expectation and organisational interest is essential to cultivate innovative behavior. Therefore,

investigating the relationship between innovative behavior and organisational innovativeness may be a significant addition to the existing research. The study is well-timed as researchers have noted that innovative behavior is interrelated to innovation processes (e.g., Messmann & Mulder, 2011; Janssen, 2004; Scott & Bruce, 1994). Generally, it explained the set of activities that were involved at every stage of the innovation processes (An-Shih & Susanto, 2011). The recent leader-member relationship theory suggests that subordinates require greater autonomy and empowerment to develop innovative behaviors (Scott & Bruce, 1994) and self-leadership seems to fit well with this requirement (Kawondera, 2007).

Self-leadership can be trained so that individuals can manage their own behaviors and work outcomes. Generally, it consists of a set of strategies that will help individuals to influence and lead themselves (Kawondera, 2007). In the absence of self-leadership behavioral and cognitive strategies, individuals may not be able to display innovative behaviors (Carmeli, Meitar, & Weisberg, 2006). Hence, self-leadership deserves an in-depth investigation to depict innovativeness as the outcome at individual and organisational level (Carmeli et al., 2006).

Recent literatures suggest self-leadership as the mechanism to enhance team performance (Neck, Neck, Manz, & Godwin, 1999). It is one of the important drivers of performance other than organisational innovativeness (Kawondera,

2007; Politis, 2006). Overall performance of an organisation will likely be affected if the benefits of implicit assets such as knowledge and creativity were disregarded. As such, firms must strongly support and facilitate employees throughout the innovation process in order to cultivate innovative behavior and strengthen self-leadership among its workforce.

Since there are limited literature on organisational innovativeness and self-leadership conducted in Malaysia, this study is timely. Theoretically, it explores the relationship between self-leadership and organisational innovativeness and examines the potential mediating role of innovative behavior between them. It also explores the possible moderating role of environmental dynamism in the relationship between self-leadership and innovative behavior. The research findings could address the existing gaps in literature on factors that drive organisational innovativeness as well as the predictors and condition to achieve the outcome.

## **1.2 Purpose & Significance of the Study**

Organisations today are frantically searching for innovative ways to differentiate themselves from their competitors. The intensity of competition increases the complexity of businesses. Firms are turning towards innovation for survival and for competitive advantage. Smart partnerships, collaboration and global networking are becoming the main agenda for organisations to acquire the latest

technology and for new invention to facilitate the innovation processes (Lin, Peng, & Kao, 2008).

With the advancement of technology, the nature of innovation has evolved. Connectivity has made it possible for individuals to participate actively in the digital world, inviting independent innovators into the picture. Knowledge resides in the mind of individuals and is the key to innovativeness. However, extracting ideas from people is not an easy task. Not even a huge investment in high-technology equipment will be able to extort knowledge from individuals who are resisted to change.

Nevertheless, organisations have to find ways to foster innovative behavior among employees for long-term survival. Based on this argument, numerous studies were conducted to determine the antecedent of innovative behavior. Several literatures suggest self-leadership as important predictor to innovative behavior. While research on self-leadership has been quite popular, much of what is written is still anecdotal at the organisational level. Very few empirical studies have focused on organisational innovativeness as an outcome of self-leadership, although a handful of research found that self-leadership is positively related to innovative behavior (e.g., Carmeli et al., 2006; DiLiello & Houghton, 2006; Kawondera, 2007).

Although several studies recommended performance as the outcome of self-leadership, Politis (2006) found that literature has not examined how self-leadership strategies were translated into performance. Recognising the importance of innovation in driving organisational performance, an in-depth exploration is required to determine drivers of innovativeness and how they influence business performance (Peng, 2008). According to Tsai, Chuang, and Hsieh (2009), very few empirical works have studied in the context of organisational innovation. They added that future research on organisational innovativeness is necessary for theoretical foundation and business practice.

Based on the recommendations from previous studies, there is a research gap in determining the link between organisational innovativeness and self-leadership. Hence, the purpose of this study is to empirically examine the relationship of self-leadership and innovative behavior, by modifying and extending a research model developed by Carmeli et al. (2006). It will also investigate the intervention of environmental dynamism between innovative behavior and organisational innovativeness, as well as exploring the mediating effect of innovative behavior in the relationship of self-leadership and organisational innovativeness.

It is believed that the current study will be a significant addition to the self-leadership literatures and organisational innovativeness. Findings from this study will be a stepping stone for future research to further examine the relationship of the constructs and explore other possible determinants of organisational

innovativeness. On the other hand, deployment of the Revised Self-Leadership Questionnaire (RSLQ) in the context of Malaysia may help researchers across the globe to compare the results with other countries. Also, organisations may refer to this study for guidance in designing the best strategy to facilitate innovation in a dynamic environment.

### **1.3 Research Questions/Objectives of the Study**

This research identifies issues that are yet to be addressed in previous research. A survey was conducted among working adults in Malaysia to investigate the relationship between individual's self-leadership view and their perception on organisational innovativeness. In short, the empirical evidence from this study will be addressing the following questions:

- a) Do self-leaders display innovative behavior? If they do, will it contribute towards organisational innovativeness?
- b) Is there an indirect relationship between self-leadership and organisational innovativeness?
- c) Will innovative behavior mediate the relationship between self-leadership and organisational innovativeness?
- d) Will environmental dynamism moderate the relationship between innovative behavior and organisational innovativeness?

#### **1.4 Scope of the Study**

Due to financial and time constraint, the study was conducted among working adults in Malaysia specifically within the Klang Valley. Research was done through cross-sectional analysis for immediate result. Each construct is studied as one-dimension variable, following previous studies. Self-leadership and innovative behavior were evaluated at the individual level, while organisational innovativeness and environmental dynamism were measured at organisational level.

#### **1.5 Organisation of the Study**

Overall, this report consists of five chapters. Chapter 1 delineates the background, purpose and significance of the study. It also provides a list of the research questions that will be addressed in this research and briefly explains the scope and organisation of the whole study.

In Chapter 2, research from previous scholars on the related concepts are carefully reviewed and summarized. Findings from existing studies are important to the development of theories and application in business practice.



Chapter 3 describes the research measures used in each of the construct, the sampling design, data collection procedure and the data analysis techniques.

Chapter 4 presents the findings and analysis of this study. It contains the demographic profile of the respondents, the reliability of the measurement scales and a discussion on the acceptance of the research hypotheses.

Chapter 5 concludes the study by providing a summary of the overall findings. It also covers the implications and limitations of the study as well as some suggestions of future research.