Assessing the Relationship between Leadership and Innovation in the Public Sector

Submitted by

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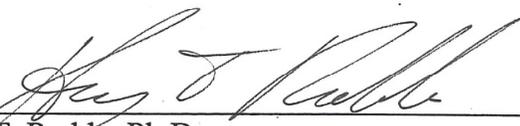has been approved

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**Abstract**

The primary purpose of this quantitative, correlational study was to assess to what degree a relationship existed between public sector leadership and the encouragement of innovative capabilities in the organization, with the ultimate goal of improving organizational performance. The study employed data retrieved from the 2012 Federal Employees Viewpoint survey (Fedview), which was provided to 1.6 million federal employees in the spring of 2012. The sample for the study consisted of approximately 687,000 employees, who were employed by the federal government worldwide. Correlation coefficients were calculated using Pearson's residuals in order to understand the data fit and accurately portray the strength of the linear relationships between the variables. Results of analysis confirmed three research hypotheses, regarding the variable relationships. Regression analysis was performed to describe the statistical relationships between the dependent variable organizational performance and the predictor variables of leadership and innovation, in order to discover the extent to which leadership in organizations facilitated the innovation in which their organization engaged. The analysis revealed a slight moderation effect of innovation on leadership and organizational performance. Additional inquiry of innovation in the public sector is justified because of the persistent dearth of research in the field as it relates to leadership and the potential influences of additional internal and external forces on organizational performance.

*Keywords*: Leadership, innovation, organizational performance

## Dedication

I dedicate this work to my family. My wife, Nicole, and son, James, have encouraged, distracted, inspired, and reminded me why it is all worth it. Without their constant love and support, it would not have been possible or even worthwhile to achieve. I would also like to dedicate this dissertation to the devoted memories of my father, James, my mother, Jacqueline, and my grandmother, Edna. This is my opportunity to thank them for instilling in me the tenets of faith, compassion, tenacity, curiosity, and a passion for learning. "And do not forget to do good and to share with others, for with such sacrifices God is pleased" (Hebrews 13:16).

**Acknowledgments**

First and foremost, I would like to thank my family for their everlasting encouragement and support. My wife, Nicole, and my son, James, have been a continuous source of inspiration. I also owe a small debt of gratitude to Lao Tzu, who observed, "A journey of a thousand miles begins with a single step" (Mair, 1990, p.34). They were inspirational words from an unlikely source.

My objectives for enrolling in the Doctor of Education in Organizational Leadership program at Grand Canyon University were twofold; I wanted to enhance my professional knowledge in leadership and organizational development, in order to apply it within the organization I worked for, while further strengthening my academic credentials for teaching and mentoring opportunities. Given the opportunity to complete the program, I have not only achieved my goals, but have become a more valuable asset to my community and my organization through the ability to teach, share knowledge, and mentor others.

I have always believed in the power of education to open new windows of opportunity in life. I understand that it is crucial to continually improve one's skills in order to advance personally and professionally. I have also discovered that each opportunity provides new challenges and renews the demand for enhanced skills and knowledge. It is a continual cycle of learning and practical application of that which was learned. In light of that, I would like to humbly express my gratitude to all of the learners and professors I have had the good fortune to meet during the course of my studies at Grand Canyon University; they challenged me to do more than I thought possible at times. I have grown to appreciate the broad spectrum of worldviews I encountered in

each course. I consider diversity to be a driving value for innovation to occur. Tetenbaum and Laurence (2011) observed that the two most important values for innovative leaders were a tolerance for new ideas and a high tolerance for conflict. If that is true, then I have experienced both ends of the spectrum, and I am a better person because of it.

In the martial sense of the term, a pathfinder is a specialist; one who navigates through foreign and dangerous terrain ahead of the main force and establishes safe landing zones for an assault. I would like to express my gratitude to my own personal pathfinders; my dissertation committee team, Dr. Stacy Garrett, Dr. Reginald Kimball, and Dr. Kathleen Shriver, who along with Dr. Trudy Kuo and Dr. Patricia Sachs Chess, provided meaningful insight, freely shared their own knowledge, and provided guidance and support during my excursion. Their concise feedback and encouragement made the tasks easier to achieve, and the challenges easier to overcome. I thank you all for lighting the path.

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## Chapter 1: Introduction to the Study

**Introduction**

It is not known whether leaders can facilitate innovation in a public sector organizational environment, and what the moderating effects are on leaders' abilities to improve organizational performance. Since innovation first became subject to empirical study, there has been insufficient research conducted with regard to the effects of innovative leadership and the resulting effect on improving organizational performance in the public sector. According to Vigoda-Gadot, Shoham, Schwabsky, and Ruvio (2008), comprehensive efforts to investigate innovation in public sector organizations have been infrequent. The prevailing literature has been limited in its scope and breadth on the topic; it is primarily concentrated on private sector activities (Vigoda-Gadot et al., 2008), while glossing over the effect on public organizations and organizational leaders.

There has been insufficient empirical evidence linking innovative leadership with organizational performance in the public sector (Paarlberg & Lavigna, 2010). The practice of promoting an environment where improvement, adaptation, and invention are encouraged and rewarded (Ailin & Lindgren, 2008) lends itself to comparative analysis by citing successes in private sector research as a baseline for further study within the framework of public organizations. The current study extended earlier empirical research on the theories of leadership and innovation.

There is a need for public sector leaders to address the current public outcry for more efficient and open government, while simultaneously balancing improved organizational performance within the constraints imposed by today's rapidly changing and uncertain economic environment. By positioning public sector organizations to

become more innovative and efficient, leaders can conquer the inherent challenges, and further meet the needs of the public that the organizations are designed to serve. There is also a broader need to examine the paradox that is innovation. Organizations must be creative, yet yield to conformity, and they must take risks in order to achieve security (Miron-Spektor, Erez, & Naveh, 2011), innovators must fit in with the organization but must also stand out (De Clercq & Voronov, 2009), and finally, perhaps the greatest paradox of all, innovation can occur in the public sector.

The current study employed secondary data from the 2012 Federal Employee Viewpoint survey (Fedview) to expand the incomplete foundation of knowledge of public sector leadership competencies at multiple levels, the encouragement of innovative capabilities in the organization by its leaders, and the ability of an organization to accomplish its mission and/or meet its organizational goals through the employees who perform high quality work and possess relevant job skills and experience. The relationship between employee innovation and leadership competency as it pertained to organizational performance was examined in a broad spectrum of federal executive agencies in the United States.

The following sections of Chapter 1 address the background of the study, and set the stage for the remainder of the study by illuminating the research problem and the primary research questions that guided the study. The discussion in this chapter also demonstrated the rationale for the study and reinforced the need for the research. Since innovation first became subject to empirical study, incomplete research has been conducted with regard to the effects of innovative leadership and the resulting effect on

improving public sector organizational performance (Paarlberg & Lavigna, 2010; Vigoda-Gadot, et al., 2008).

**Background of the Study**

Organizations are increasingly gaining an understanding of the value and overall significance of continual improvement activities (Anderson, Rungtusanatham & Schroeder, 1994). Organizational performance improvement is an inherently messy and complicated process (Nadler, 1998); one which stretches the capabilities of the finest leaders. The need to improve organizational performance is an inescapable and ongoing occurrence; while the outcomes can be quite unpredictable. Estimates have shown that between 40% and 70% of change initiatives are unsuccessful (Allen, Jimmieson, Bordia, & Irmer, 2007; Pellettiere, 2006), while Cope (2010) suggested that the failure rate for delivering sustainable improvement was as high as 80-90%.

Competitive advantage is gained through accomplishing what other organizations cannot. Yusr, Othman, and Mochtar (2011) pointed out that innovation is the key source of many organizations' competitive advantage in the global marketplace, through their ability to identify customer needs and realize them through offering new and novel products and services. Yusr, et al. also noted that an organization's *absorptive capacity,* or its ability to identify, assimilate, and exploit knowledge from the surrounding environment was a significant aspect of its ability to provide innovative productivity, quality, customer service, and satisfaction.

Forcadell and Guadamillas (2002) described one organization's strategy for managing knowledge, developing a continuous flow of innovation, and achieving a competitive advantage in their business sector by implementing change. Irizar is an

organization that builds and sells luxury motor coaches. The company undertook a massive reorganization in 1991, when new management decided to change the firm's strategy and focus (Forcadell & Guadamillas, 2002). The new strategy was reflected in three guiding principles: focus on the customer through continuously improving quality, service, and cost; shared leadership based on the premise that "the best organizations do not depend on great leaders" (Forcadell & Guadamillas, 2002, p. 165); adoption of a radical change model for implementing new knowledge. Irizar implemented their knowledge management strategy in phases, specifically designed to continuously generate innovation.

The cornerstone of Irizar's success was the establishment of a corporate culture based on continuous improvement and the generation and retention of new knowledge within the organization. The competitive advantage that organizations with strong corporate cultures have is based on the idea that positive outcomes will result when peoples' values are congruent with those of others in the organization (Meglino, Ravlin, & Adkins, 1989). Simply put, values congruence is the similarity between individual and organizational values (Edwards & Cable, 2009). The positive outcomes that occur from congruency of values are relevant to both employees and the organization; they allow employees to be more fulfilled in their work, while helping the organization to minimize costs (Edwards & Cable, 2009). Values congruence exists when individuals with similar personal values share aspects of the way they process information; thus fostering smoother communication. In turn, when followers' values are congruent with their leader's values, they are said to shift motivation from focusing on their own self-interests to considering the more collective interests of the organization (Jung & Avolio, 2000).

Adkins, Russell, and Werbel (1994) observed that congruence between employees' values and those of their supervisors was associated with higher levels of job satisfaction and organizational commitment.

Drucker (1994) declared innovation to be the one core competency needed by every prosperous organization. It is the responsibility of innovative leaders to create and communicate their vision to position the organization toward continual improvement; to provide the infrastructure and informal support to build and sustain efficient organizational systems. Successful innovation requires change. It means that leaders must be able to embrace novel solutions and champion them into specific results that build new opportunities, improve processes, and create value for customers (Harrington & Voehl, 2012). Change is thus implemented with the goal of improving organizational effectiveness and performance. One of the reasons change initiatives fail is due to employee resistance (Chiung-Hui, & Ing-Chung, 2009). Many organizations take that factor into consideration when planning for change, and will use training, behavior modeling, and motivation as interventional tools to mediate the effects of resistance on the desired change outcomes (Chiung-Hui, & Ing-Chung, 2009).

By anticipating initial resistance to change before it happens, leadership can reduce the potential negative effect by investing in training, communicating across the organization, and decrease the uncertainty that employees feel regarding the change by reducing the scope of change (Buono & Kerber, 2010). The disadvantage of anticipating and attempting to reduce resistance by modifying employee behavior through training, communication, and modularization of change implementation is that not every