

A case study of telenor management essay



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1. Introduction

This study endeavors to develop comprehension of how transformational leadership style of top management affects innovation at the organizational level. The topic is of paramount importance because of the ever increasing pressures of modernization and innovation on today's global economy. It has become indispensable to practice a leadership style that makes firms innovative and adaptive to change. Firms are shifting their focus from knowledge economy to creative economy, where corporations will compete on the basis of imagination, innovation and creativity (Oke, Munshi & Walumbwa, 2009)

Boston Consulting Group Inc surveyed over 900 senior executives and identified innovation as the key driver of top-line revenue. Analysis of firms transforming due to innovation provides evidence for this statement. For example, the highly successful iPod of Apple Inc.'s, that earned devastating revenues for the company; the role of Blackberry's success in the transformation and emergence of Research in Motion; process innovation at Southwest Airlines Co. that transformed it as an economical and triumphant airline; and Procter & Gamble Co. outperforming its competitors by focusing on design innovation.

Innovation aims at bringing about change in the status quo. It can be defined as discovering (creative thinking & ideas) and commercializing those discoveries (implementing the creative ideas). Creativity & new idea generation alone are insufficient for innovation; implementation is also a cornerstone of the innovation process. (Oke, Munshi, Walumbwa, 2009)

Plentiful studies have led to the identification of factors that can stimulate innovation at the organizational level. In broad terms, innovation is the adoption or execution of unaccustomed and convenient ideas by individuals in organizations (Amabile & Conti 1999) p. 360). Factors that are known to have an influence on innovation include leadership (Mumford & Gustafson, 1998; Amabile, 1998), a work environment that is conducive for innovation (Amabile, 1998; Oke, Munshi & Walumbwa, 2009), CEO salary (Markman, Balkin and Gomez-Mejia, 2000), organizational culture and climate (Mumford & Gustafson, 1998; Jung, Wu & Chow, 2008; Oke, Munshi & Walumbwa, 2009), environmental attributes (Jung, Wu & Chow, 2008), learning capability and intra-organizational networks (Tsai, 2001) and job complexity & type of supervision (Oldham & Cummings, 1996). Among these abundant factors, the leadership behavior of managers has been spotted as one of the most important of all (Amabile, 1998; Jung, 2001; Mumford, Scott, Gaddis & Strange, 2002).

Leadership was merely a concept before the 19th century and it was in the start of the 19th century that it emerged as a word in English language (Davis & Cushing). Over the years, leaders and leadership have been distinctly defined by various scholars. Leadership is a process whereby a leader changes the course of action of another group, due to the interaction of his personality characteristics and those of the group (Bogardus, 1934). Leadership is the direction of human collaborators for the accomplishment of a goal. A leader successfully guides his human assistants for the achievement of particular ends. (Prentice, W. C. H. 1961). Leadership is a goal directed endeavor with the aim to influence the activities of followers

through communication process. (Donnelly, J. H. & Ivancevich, J. M. & Gibson, J. L. 1985 Leadership is the situational effort towards goal achievement by the process of influencing the individual or group activities. (Hersey, P. & Blanchard, K, 1988). Leadership is the formulation of a transparent and complete system of expectations for the purpose of identification, arousal and utilization of strengths of all the resources of an organization, the most important of which is human resource (Batten, J. D. 1989). Leadership is the art of influencing individuals to yield their best output/ performance for the accomplishment of a goal, project or objective. (Cohen, W. A. 1990). Leaders are the people who obtain commitment from a working group of individuals and then motivate them to accomplish the outcomes of a pre-planned direction. (Conger, J. A. 1992). Leadership is a process in which a leader sets the goal for an individual or group of individuals and takes all of them together with him or her with proficiency and devotion (Jacques E. & Clement, S. D. 1994). Leadership is an unrealizable trait that cannot be distinctly defined. This in fact is a good phenomenon, because if the followers were aware of the definition of leadership, they would probably overrun their leaders. (Scott Adams, 1996). Effective leadership is about enabling ordinary people to deliver extraordinary results in the face of challenge and change and to constantly turn in superior performance to the long-term benefit of all concerned (Charlton, 1993). The more recent definitions conceive leadership in terms of influence relationships, power differentials, persuasion, influence on goal achievement, reinforcement, role differentiation, initiation of structure, and perceived attributions of behavior that are consistent with what the perceivers spotted leadership to be.

Recently, many management scholars and gurus have identified adaptive leadership as the key enabler to cope with the ever increasing challenges of the corporate world. (Bass, Avolio, Jung & Berson, 2003). So the adaptive leadership behaviors that have proved to be more effective than other leadership styles in organizational innovation have been labeled as “transformational”. (Lowe, Kroek, & Sivasubramaniam, 1996; Gardner & Avolio, 1998; Howell & Avolio, 1993). Transformational leadership capabilities continue to be the hallmark of innovative firms. Successful leaders like J. R. Immelt, CEO of General Electric; A. G. Lafley, CEO of P&G; Ratan Tata, chairman of Tata Motors & Tata Group and Steve Jobs of Apple are the prominent figures who have fostered innovation by their adaptive behaviors.

Transformational leadership holds four theoretically discrete dimensions: charisma or idealized influence, inspirational motivation, intellectual stimulation and individual consideration. Idealized influence reflects the degree to which followers admire and hold their leaders as role models. Leaders exhibiting idealized influence are ethical, consistent, share risks with followers and prefer the needs of their followers above their own needs. Inspirational motivation points to the degree motivation of followers by delineating new opportunities, providing meaning and challenge to followers' work and articulating a strong, realistic and shared vision of the future. Intellectual stimulation refers to the ability of a leader to question the assumptions and thinking of followers, reframe problems, stimulate intellectual curiosity, approaching problems in new ways, soliciting creativity and innovation from followers through novel approaches and avoiding open

criticism for individual errors. Finally, leaders who provide individualized consideration pay attention to individual needs for growth, development, support and achievement. They act as coaches or mentors and establish a favorable environment for innovation; where values are diversified and learning opportunities are created (Bass & Avolio, 1993) (Some versions of Bass' Full-Range Leadership Theory identify 5 components of transformational leadership by breaking down idealized influence/ charisma into idealized influence or attributed charisma. For the sake of simplifying this research, idealized influence and charisma have been grouped together in this study).

2. Research Design

2.1 Main Objectives

The aim of this study is to probe the following objectives:

To discuss the philosophy, attributes and elements of transformational leadership and innovation

To spot the existence of transformational leadership style at Telenor Pakistan

To assess the level of organizational innovation Telenor Pakistan

To identify the effect transformational leadership style on organizational innovation

2.2 Hypotheses to be tested

The objective of this study is to spot the presence of attributes of transformational leadership i. e. idealized influence, inspirational motivation, individualized consideration and intellectual stimulation, estimate the level
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of organizational innovation and examine the effect of transformational leadership on organizational innovation. The working hypothesis within this context will be as under:

H0: Transformational leadership has no effect on organizational innovation.

H1: Transformational leadership has strong effect on organizational innovation.

2. 3 Scope of the study

The range of application of this study is limited to the telecommunication sector in Pakistan with specific focus on Telenor (Peshawar).

Transformational leadership style will be judged on the basis of four dimensions, that is, charisma or idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Furthermore, the effect of transformational leadership on organizational innovation will be analyzed.

3. Review of Literature

(Burns, 1978) stated that transformational leaders stand above the common place. They indulge in a mutual interaction with their followers that raises the understanding, goals and mission that results in the ultimate arousal and transformation of both the leader and the followers.

(Bass, 1985) At the other end to transformational leadership lies transactional leadership; where the leaders try to maintain the status quo. Followers are motivated on the base of extrinsic rewards, such as promotion and monetary benefits. It is an everyday terrestrial transaction of value,

where leaders only provide needed value to individuals in exchange for their services.

(Jane. M. Howell, Christopher A. Higgins, 1990) The most successful leaders are gifted with qualities of transformational leadership and charisma. They are far more influential and innovative than the leaders having style other than transformational.

(David A. Waldman, Bernard M. Bass, 1991) linked the themes of nurturant and persistent leadership with transformational leadership theory.

Furthermore, the role of transformational leadership behavior in various stages of successful innovations was clarified and implications were presented regarding the proposed model.

(Dougherty & Hardy, 1996) Transformational leaders intellectually stimulate their followers. This fosters unaccustomed and creative thinking and working processes that pave the way for new technology and knowledge, which are necessary for organizational innovation.

Amabile, Conti, Coon, Lazenby, and Herron (1996) have spotted the damaging effects of transactional leadership on creativity. Bono & Judge (2004) have supported this proposition in their recent meta-analysis.

(Sosik, Avolio & Kahali, 1997) Transformational leaders easily adapt to exploitative and exploratory thinking processes which in turn yield creative ideas and effective solutions to problems. The effectiveness of transformational leadership at stimulating unconventional and innovative thinking of followers is far greater than that of other leadership styles.

(Bass, 1985; Gardner & Avolio, 1998) proposed that transformational leaders have the ability to create personal and professional commitment from their followers towards satisfying upper-level needs like self-actualization and self esteem. (Oldham & Cummings, 1996; Amabile, 1998; Zhou, 2003) added to this research finding by suggesting that this commitment boosts the inherent motivation of followers, which is considered to be an essential driver of individual creativity and organizational innovation.

(House & Shamir, 1993; Jung & Avolio, 2000; Mumford et. al, 2000) Leaders possessing transformational attributes have the ability to regroup the values and norms of their followers in a better way. They encourage the progress of personal and organizational changes and facilitate their followers to go beyond their initial performance expectations.

(A. Oke, 2002) was part of a study carried out on the organizational innovation of AXA insurance, Ireland. It was revealed that due to the transformational leadership style of John. O’Neil, the CEO, a non-innovative firm was transmuted into an innovative one. To achieve this level of creativity, the physical spaces were decorated with eye catching colors and employees from all levels and functions were made to work together in order to stimulate creativity. The results of this transformational behavior were soon evident in the form of 150 new business ideas during 6 months.

(Shin & Zhou 2003) found that positive relation was discovered between transformational leadership and creativity of subordinates on the basis of a study conducted on 290 employees and their supervisors belonging to 46 Korean companies.

(Jung, Wu, Chow, 2008) concluded in their research that a positive relation has existence between the transformational leadership of CEO and organizational innovation. This effect is moderated by variables such as organizational structure, culture and external environment. These results are agreed upon after testing multi-sourced data from 50 Taiwanese electronics and telecommunications companies.

(Oke, Munshi, Walumbwa, 2009) found that transformational style of leadership strongly enhances creativity and innovation regarding exploratory (creating something of a totally new and radical nature) and exploitative innovation activities (incremental improvements and refinements to something that already exists). These leaders have the ability to transform or change, which makes them the main drivers for innovative processes.

(Lale Gumusluoglu, Arzu Ilsev, 2009) suggested that transformational leadership style has strong influence on both the individual and organizational innovation. Individually, transformational leadership is positively related to the creativity of employees. Furthermore, transformational leadership and organizational innovation are spotted to have a positive association between them. These results are the outcome of a study conducted on 163 managers and R&D personnel from 43 Micro and small sized software development companies from Turkey.

(Khan, Rehman and Fatima, 2009) studied managers from telecommunication sector in Pakistan and explored the positive effects of transformational leadership on organizational innovation.

(Mariana Makri, Terri A. Scandura, 2010) identified the strong relation of operational leadership (the dimension of leadership which reflects the ability of a CEO to refine the existing paths to growth or tapping new paths by reframing and extending the boundaries of the firm to products and markets) and creative leadership (the ability of a leader to contribute to the social, human and knowledge capital of his firm) with the quantity and resonance of innovation. The hypothesis was tested over a sample of 77 high technology firms.

4. Research Methodology

4. 1 Sources of data

This research will make use of both primary and secondary data.

Transformational leadership style will be judged on the basis of primary data obtained through interview and questionnaire. The level of organizational innovation will be assessed by primary data obtained through questionnaire and secondary data gathered from the company's publicly disclosed financial statements.

4. 2 Research instruments

Questionnaires and structured interviews will serve as instruments of this research. The extent of transformational leadership will be measured using Multifactor Leadership Questionnaire (Bass and Avolio, 1995) (Annexure-A). MLQ is a well validated measure of transformational leadership and has been used extensively in prior research (Awamleh and Gardner, 1999). Each respondent will be asked to rate five aspects of his/her leaders/ top-manager's behavior related to each of the four dimensions of transformational leadership (idealized influence/charisma, inspirational <https://assignbuster.com/a-case-study-of-telenor-management-essay/>

motivation, individualized consideration, intellectual stimulation). The responses will be anchored by a 5-point response scale (1-not at all, 2-once in a while, 3-sometimes, 4-fairly often, 5-frequently, if not always).

While measuring organizational innovation, a composite measure will be used to capture the broad aspects of innovative activities (Balkin et al's, 2000). Two measures will be used to tap into different aspects of innovation. First is the annual R&D expenditure as a percentage of sales revenue over three years prior to this study (i. e. 2008-2010). This ratio indicates a firm's emphasis on innovation (Hitt, Hoskisson and Kim, 1997; Balkin et al, 2000). These figures will be obtained from the company's publicly disclosed financial statements. Second, different respondents actively following the telecommunication industry will be contacted. The reason is to include different fruits of innovation such as process and service improvements. Each respondent will be offered two sets of questions about the sample firm. The first set includes a single question regarding his/her familiarity with the company. The possible answers will be 1-not familiar with the company at all, 2-somewhat familiar with the company, 3-very familiar with the company. Only the respondents with responses 2 and 3 will be considered. The second set comprises of 20 questions (4 questions each for scanning five types of innovative activities i. e. product innovation, process innovation, marketing innovation, strategic innovation and organizational climate innovation) in order to rate the level of organizational innovation (Annexure B). The 5-point Likert's Scale (1-strongly disagree, 2-disagree, 3-neither agree nor disagree, 4-agree, 5-strongly agree) will be used to anchor the responses.

4. 3 Sampling design

(a) Universe / population

There are many national and multinational telecommunication companies operating in Pakistan. All these national and multinational firms collectively form the population/ universe of this research. Results will be generalized and recommendations will be forwarded considering all these firms.

(b) Sample size and selection

This research will adopt a case study approach by focusing on Telenor (Peshawar) as the sample firm. A simple random sample of 30 employees of low, middle and top-management of the company will be selected with the aim of assessing transformational leadership. Furthermore, organizational innovation will be judged by studying a random sample of 30 respondents that are directly or indirectly associated with the telecommunication industry in Pakistan.