The impact of innovative leadership on organisational culture within South African small and medium enterprises in the Western Cape, South Africa

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Numerous studies indicated a tremendous need of a competent leadership to lead transformation process within the South African small and medium enterprises (SMEs), especially after 1994. Over the past years, a number of SMEs failed in innovation due to lack of innovative culture. Leadership has been proven as a critical factor to create an innovative culture within organisations. Thus, this paper proposes a theoretical model to emphasize the impact of innovative leadership on organisational culture. Data were collected through a semi-structured questionnaire from a group of SMEs (n = 15) within the manufacturing sector from the Western Cape. A descriptive analysis was carried out through the SPSS 19 program. Both alternative (H₁) and null (H₀) hypothesis were used to test the relationship between leadership characteristics and organisational culture. The results revealed that the key factors such as lack of business management skills, knowledge of leadership transition, education and training, market and technological know-how, entrepreneurial drive, and resistance of changes remained the primary determinants for leaders to manage innovation successfully in SMEs. The model provided a guideline for leaders to influence employees to be creative and innovative to ensure the success of innovation within their organisations.

Key words: Leadership, South African small and medium enterprises (SMEs), creativity, innovative culture, descriptive analysis.

INTRODUCTION

Small and medium enterprises (SMEs) contribute to the world economy significantly (Reddy, 2007). However, there are considerable factors that affect the creation of innovation in the SMEs, both internally and externally. These factors were identified by a number of researchers such as McMullen and Adobor (2011), Olawale and David (2010), Lindegaard (2009) and Mosia and Veldsman (2004) in the respective areas of new product development, creativity and innovation, and leadership in both SMEs and large enterprises. Rosing et al. (2011) reveal that there are positive relationships between leadership and innovation. Indeed, leaders with a strong influence on innovation processes in organisations have substantial leadership competence (Bossink, 2004).

SMEs require an innovative leadership to spearhead new developments and change to remain competitive. According to Sloane (2006), innovative leadership first get people excited, then committed, and finally move swiftly to foresee to the organisational goals in order to maintain customer’s satisfaction.

McDonough and Leifer (1986) added that innovative leaders establish and use goals and measures for the
innovative organisational systems and processes. These leaders are able to tap into secret chambers of the minds, hearts, and souls of people and know which “buttons to push” to activate their staff’s pride, faith, hope, drive, and perseverance. However, Mosia and Veldsman (2004) believe that South African SMEs lack competent and transformation focused leadership when dealing with organisational changes in this dynamic and diverse environment. In addition, numerous studies conducted in South Africa and abroad, highlighted further that leaders fail to manage these SMEs due to the following factors: lack of business management skills (Olawale and David, 2010), resistance to changes (Grant, 2007), lack of marketing know-how (Cooper, 1999), lack of entrepreneurial drive (Herrington et al., 2009); low technological know-how (Tesfom and Lutz, 2006), lack of education and training (Herrington et al., 2009).

Based on the above studies, there is no doubt that leadership contributes significantly to the success of innovation within organisations. However, the results of these studies indicate positive results where competent leaders are in control. The negative results on the other hand show the incompetency of the leadership (Martins and Terblanche, 2003; Alves et al., 2007; Craig and Hart, 1992; Anderson and Gerbing, 1988).

This shows how important it is for any organisation to have the right leadership with the capability to lead the organisation in order to reach all the anticipated goals ahead. As a result, in order to ensure the success of innovation, SMEs need a framework guiding them to achieve success innovation in their organisations. In this regard, this paper aims to indentify the impact of leadership on innovative culture within the SMEs in the Western Cape, South Africa.

Theoretical background of the proposed model

Culture defines the core values, assumptions, interpretations and approaches that characterize an organisation (Cameron, 2004). Culture is also considered as glue that holds things together and as a base for risk taking and ideas generation within the organisation (Hatch, 2004). In fact, innovation culture is not just an organisational culture, because it puts expression of employees’ past their current beliefs, ideas, and behaviours (Langdon, 2007). Azman et al. (2007) concluded that innovation management involves the creation of a culture where new ideas are generated, valued, and supported. However, the phenomenon of innovation cannot be not easily achieved, but requires hard work and commitment (Gundling, 2000). It is the task of leaders to provide the culture and climate that nurtures and acknowledges innovation at every level in the organisation (Ahmed, 1998). Thus, it is vital for leaders to have the ability to direct all resources including employees toward the strategic objectives of the organisation and ensure that organisational functions are aligned with the external environment (Zaccaro and Klimoski, 2001). In essence, the effective leaders are able to predict the future probabilities and design strategic choice to satisfy uncertainties (Riaz and Haider, 2010).

Sloane (2006) developed the building blocks of success as an essential foundation on which to build an entrepreneurial enterprise. In these blocks of success, an atmosphere where ideas are criticized will crush creativity spirit and deter people from coming forward with good ideas. The building blocks clearly indicate how organisations achieve successful innovation through the innovation engine. However, the building blocks of success did not include leadership characteristics and its influence in innovation.

Since leadership characteristics impact on capabilities to create innovation culture within organisations, innovative minded leadership becomes critical to the success of innovation. Therefore, this study proposes a leadership model (Figure 1) by involving innovative leadership characteristics to influence on innovation engine that derived from Sloane’s building blocks to achieve better outputs of innovation.

According to Sloane (2006), innovation engine includes organisation for prototyping (as innovation incubator), idea review process through innovation panel, ideas generation techniques, a questioning culture, a culture of welcome, encourages new ideas, empowerment of employees, shared vision to be consistently, communicated and reinforced. Through the innovation engine, prototypes will be tested; most promising ideas will be selected, strong flow of ideas, people take ownership of challenges and projects through cross functional teams, and finally, a common understanding of the corporate purpose and culture will be formed. The functionality of the model emphasises the impact of leadership on innovation engine, and achieve a better result within organisations. An innovative leader is perceived as an innovative minded person always looks for opportunities to create a culture where employees become creative (Sloane, 2006). The model depicts that employees working under an innovation culture are empowered by the innovative minded leader to strive for common organisational purpose.

Leadership characteristics

Based on the proposed model, leadership characteristics include ability to ascertain external factors, fast action orientated, high gain risk taker, immersed in progressive change, inspirational and motivation, charismatic, passionate, and visionary leaders.

Ability to ascertain external factors

Agbor (2008) inserted that the leadership must have the ability to convince the employees to participate in organisational activities and take ownership of what they do as long as is about innovation. This will ascertain external factors. Meurling (2004) said that leadership themselves must be committed, passionate and enthusiastic about new developments that resemble creativity and innovation. Ahmed (1998) after a numerous experiences suggested that in order to build a successful and sustainable innovation culture, leadership needs to accomplish two broad tasks:
First leaders need to be intensely sensitive to their environment and extremely aware of the impact that they themselves have on those around them.

The second factor is the ability of leaders to accept and deal with uncertainty.

Both Ahmed (1998) and Sloane (2006) concluded that tolerance of uncertainty allows space for risk taking, and exploration of alternative solution spaces which do not always produce business results.

**Fast action orientated leadership**

Speed, responsiveness, and agility are everything to innovative leaders who analyze situations, make decisions and act on opportunities (Anthony, 1998). It is in the blood of an innovative leader to want to use the available resources to bring positive changes and would rather make a wrong decision than ‘blow’ a potential opportunity by just sitting and hoping that something will happen (Barczak and Wilemon, 1989). Furthermore, a knowledgeable industrial leader must be able to respond to any given situation with the bravery to solve problem of the day (Blanchard, 1985).

**High gain risk taker**

Innovation culture does not just happen, but it requires traits such as pro-activeness, openness to ideas, openness to actions, and risk-taking propensity (Amabile et al., 2004). Indeed, innovation is risky. This requires an innovative leader to be brave in facing various challenges within organisations. Sloane (2003) aptly describes the conducive environment for innovations: “If you give people freedom to innovate, the freedom to experiment, the freedom to succeed, then you must also give them the freedom to fail”. Thus, failures that arise from risk-taking should not be criticized, but the effort should be recognized and acknowledged.

**Immersed in progressive change**

Anthony (1998) believes that innovative leaders build organisations and foster a culture of on-going, never-ending change. Deming (1986) also mention that the main objective of the innovative leader is to deal with turbulent change within the organisation mainly that has to do with innovation activities, and then become master of that change. In the adaptation of progressive change an inquiry culture becomes second nature to everyone involved within the innovation activities (Rogers, 2003). Sloane (2006) highlights that innovative leader is also capable effortlessly unleashing hidden potentials within the followers by thoroughly observing them and giving them opportunities to bring new ideas. It has become a norm and the responsibility of leaders to stimulate their followers to be innovative by questioning assumptions, reframing problems, and approaching old situations in new ways (Avolio and Bass, 2002).

**Inspirational and motivational leadership**

Sloane (2006), and McDonough and Leifer (1986) believe that innovation minded leaders have the capability tap into the secret chambers of the minds, hearts, and souls of people and know which “buttons to push” to activate their staff’s pride, faith, hope, drive, and perseverance to commit into organisational activities to boost organisational performance. Leaders must be able inspire others with a purpose and a greater sense of mission (Agbor, 2008). These leaders inspire and motivate others by “providing meaning and challenge to their followers’ work” (Bass, 1998). In return, workers take ownership and work without constant supervision since they are inspired by leaders. This enables leaders to build relationships with employees through interactive communication (Stone et al., 2003).

**Charismatic leadership**

Charismatic leaders are perceived as trustworthy, highly competent and respectful to others, which enable employees to be equally open and contribute more to their organisations (Avolio and Bass, 2002). Subsequently, management is normally perceived to have the ability to create order in the unruly environment for employees to become productive
work as a unit than to work as individuals (Brown and Gioia, 2002). Employees speak the same language as they continue to organise.

Organisational vision enables both the leaders and employees to work as a unit, which is rooted into a perspective that became appealing to the whole organisation. Knippenberg and Hogg (2003) commented that when leaders use inspirational speeches and written messages that appeal to shared values (Bennis and Nanus, 1985). Van 2002). Leaders must communicate this vision to followers through inspirational speeches and written messages that appeal to shared values (Bennis and Nanus, 1985). Van Knippenberg and Hogg (2003) commented that when leaders communicated their ideas in a vision, their vision tend to be rooted into a perspective that became appealing to the whole organisation.

In addressing why a leader’s visionary behaviour, House and Shamir (1993) theorized that the vision has positive effects on followers’ self-concepts; followers become motivated to achieve the vision because they find it meaning-

## Table 1. Code of Innovative Leadership Categories.

<table>
<thead>
<tr>
<th>Innovative Leadership Characteristics</th>
<th>Code</th>
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<tbody>
<tr>
<td>1. Ability to Ascertained External Factors</td>
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(Collins, 2001). Therefore, Leavy (2005) supported that to turn ideas into commercial viability, much persistence and discipline is expected from top management.

Charismatic leadership quality is characterized by honesty and integrity, therefore without these qualities, leadership is undermined and seen as incompetent (Sloane, 2006). Since employees are inspired and motivated, they will be able to take high risk and generate more ideas in innovation. On the other hand, innovative leaders should have the ability to ascertain external factors, fast and action orientated in order to deal with various challenges.

### Passionate Leadership

According to Lindegaard (2009), passionate leaders have the tendency of expressing their emotions freely and showcase their excitement about new ideas and change. Consequently, the spirit within them enthusiast everyone in the organisation and get inspired to do more (McCauley and Velsor, 2004; Agbor, 2008). Once the passion within these leaders, it will enforce them to become role models who are admired, respected, and emulated by followers. Furthermore, leaders should be able to inspire and motivate employees to take ownership within organisations.

### Visionary Leadership

Organisational vision enables both the leaders and employees to speak the same language as they continue to work as a unit than to work as individuals (Brown and Gioia, 2002). Leaders must communicate this vision to followers through inspirational speeches and written messages that appeal to shared values (Bennis and Nanus, 1985). Van Knippenberg and Hogg (2003) commented that when leaders communicated their ideas in a vision, their vision tend to be rooted into a perspective that became appealing to the whole organisation.

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### Results and Discussion

The demographical data showed that nearly 70% participants were male, where 30% were female. Most participants were chosen from small and medium manufacturing companies. In South Africa, male employees are basically the dominate gender group in manufacturing sector. Figure 2 showed that nearly half (46%) shop floor employees participated in the study. Others include administrative staff and team leaders.

Figure 3 showed that only 14% participants had less two years working experience where rest of others have at least two years and more years working experience. According to Figure 4, educational level of participants was generally high, only 8% were at the level of primary or less. This indicates that most participants will be able to understand the questionnaire and provide appropriate opinions on innovative leadership style within the SMEs.

Figure 5 showed the statistical results of all the variables from the respondents are positive. Based on the results, it indicates that visionary leader (VIS=66%), passionate leader (PAS=65%), fast and action oriented (FAS=62%), and ability to ascertain external factors (ABI=65%) is relatively strong.

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RESEARCH DESIGN AND METHODS

A semi-structured questionnaire based on Likert scale was designed for the data collection. Convenience sampling as a method was utilized for choosing samples. The questionnaires were distributed to 15 SMEs in the Western Cape, South Africa as the convenience sample. The population of all these SMEs was from 20 to 200. According to the National Small Business Act of South Africa of 1996, as amended in 2003, the number of employees of a small enterprise is generally from 1 to 49, where medium enterprises is from 50 to 200. The annual turnover of small enterprises is from R2 million to R25 million; and the medium enterprises stand from R4 million to R50 million (DTI, 1996). Thus, the size and the annual turnover of these samples meet with the SMEs categories. In total, 224 participants answered the questionnaire. SPSS statistical software was employed to processing the data. All the innovative leadership quality categories as variables were coded (Table 1).

These variables were measured by analyzing the responses from participated employees based on their perceptions and honest opinions toward their leaders. This will determine how innovative leadership impact on organisational culture within these SMEs. Furthermore, Cronbach's Alpha was utilized to test the internal consistency amongst these variables of innovative leadership quality.

This study follows an exploratory research approach. Both alternative (H1) and null (H0) hypothesis of the study were formulated as:

H1: Innovative leadership has positive impact on the creation of innovative culture within the SMEs.

H0: Innovative leadership has no positive impact on the creation of innovative culture within the SMEs.

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Leaders within these SMEs shared organisational vision (VIS) and communicate with their followers. This enables both the leadership and employees to have a common understanding of cooperate purpose and culture. Indeed, once leaders have positive impact on an organisational vision, this will enable employees to have higher trust in the leader, high commitment to the leader, and ultimately higher levels of performance within the organisation.

Innovative leaders drive themselves to be incredibly determined and it eventually rubs off onto their followers (Lindegaard, 2009). Passionate leadership characteristics (PAS) within these SMEs generally empowered employees to take ownership challenges and work together as a team. This encourages employees to contribute their ideas toward innovation, and further involved in innovation actively. Ultimately, the organisational performance will be improved. The fast and action orientated (FAS) leadership style plays a vital role which leads employees to perform effectively and efficiently in SMEs. Employees feel at ease as any problems that they raised to leaders will be solved properly and in time. Due to lack of sufficient resources and financial support, SMEs often face various challenges outside of the organisation. It is extremely important to show employees that their leaders have the ability to ascertain these external factors.

The results showed that the leaders have the ability to ascertain external factors within these SMEs. These external factors often can be converted as ideas for new developments and innovation. In order to build up the ability, leaders themselves must be committed, passionate and enthusiastic about new developments that resemble creativity and innovation. This will generate more techniques for innovation within their organisations. Although the above results were relatively strong, however, inspirational and motivational to employees (INS=44%), immersed in progressive change (IMM=55%), high gain risk taker (HIG=58%), and charismatic (CHA=58%) leadership characteristics were not strongly visible and recognised by employees toward their leaders. Sloane (2006) stated that these leaders are as clear communicators and besides the ability to persuade and inspire employees who are reluctant to change. These communication abilities and skills allow inspirational and motivational leaders (INS) to embrace innovation culture and boost employees’ confidence to be innovative within their organisations.

Employees always perform extremely well when their ideas are acceptable. When employees are comfortable within the
environment, they tend to show their creative true colours by bringing new ideas (Agbor, 2008). This encourages employees to be immersed in progressive change (IMM) and become high gain risk takers (HGR). Charismatic leadership (CHA) quality is characterized by honesty and integrity, therefore without these qualities, leadership is undermined and seen as incompetent (Sloane, 2006). Once leaders are open to their followers, this will inspire employees to elevate them to a heightened level of motivation and performance in support of their organisational goals.

Based on the statistical results, the score range for each variable was 1 to 5. The mean scores were varied from 1.72 to 2.69. The average score of all the means was 2.05. Based on Chi-square scores, the p-values were generally lower than .001 ($P$.001) which indicates that all the tested variables were statistically significant. Thus, it is suggested that the null ($H_0$) hypothesis should be rejected. Cronbach’s Alpha based on standardized items was tested at 0.942, which meant that all the variables that derived from the leadership model are reliable. Kendall’s coefficient of concordance $W = 0.045$. Tukey’s estimate of power to which observations must be raised to achieve additivity $= 0.178$. This indicated that all the tested variables were highly internal consistent.

**Conclusion**

Based on the results, innovative leadership characteristics such as visionary, passionate, fast and action oriented, and ability to ascertain external factors have a positive impact on organisational culture. However, other leadership characteristics such as inspirational and motivational to employees, immersed in progressive change, high gain risk taker, and charismatic leadership were relatively low, which need to draw attention to management of these SMEs. These areas are vital in motivating employees to take ownership of what they do and stay focused on the organisational goals as suggested by the literature.

Innovation implementation requires a leader that understands every stage of innovation process must be followed right through from idea generation (Rogers, 2003). However, leaders in these SMEs constantly failed to manage effectively due to lack of business management skills, knowledge of leadership transition, education and training, market and technological know-how, entrepreneurial drive, and resistance of changes.

Therefore, in order for a leader to be innovative, we strongly suggest that these leaders should take serious consideration in participating necessary training programmes to improve their abilities for innovation. The results positively indicated that the innovative leader possessed the power to generate innovation culture for the SMEs to remain sustainable. The proposed model can be a useful guide for those leaders who are struggling in creating innovative culture within their organisation.

For further study, we recommend that an in-depth study can be done by testing the theoretical model with in the SMEs by looking into a large scope within the country to identify whether the same problems exist in other provinces. The success of this model will assist many SMEs to ensure the success of their innovation and subsequently their sustainability.

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