The Impact of Organizational Culture and Leadership on Organizational Innovation

Ruzlin Akter
Shashiprabha Rathnayaka

2019

Student Thesis, Master Degree (One Year), 15 Credits
Business Administration
Master Programme in Business Administration (MBA): Business Management 60 Credits
Master Thesis in Business Administration 15 Credits

Supervisor: Zahra Ahmadi, PhD
Examiner: Maria Fregidou-Malama, PhD
Abstract

Title: The Impact of Organizational Culture and Leadership on Organizational Innovation

Level: Final assignment for Master Degree in Business Administration

Authors: Ruzlin Akter and Shashiprabha Rathnayaka

Supervisor: Zahra Ahmadi, PhD

Examiner: Maria Fregidou-Malama, PhD

Date: 2019 – January

Aim: The aim of the study is to explore the impact of organizational culture and leadership in the development of organizational innovation.

Method: The study is based on twelve qualitative interviews from six different organizations. The organizations have been selected randomly but with consideration of innovativeness. Two of the organizations have been selected from Sri Lanka and four organizations from Sweden. This study has been conducted by following an inductive qualitative research method using structured and semi-structured interview. Inductive approach has been followed to analyze the data.

Result & Conclusion: Organization culture and leadership together have an influence for developing innovation. The findings of the study suggest that process and job oriented culture, and transactional leadership has both positive and negative impact in developing innovation. Our findings suggest that result oriented culture, employee oriented culture, pragmatic culture, open system and transformational leadership are more effective than process oriented, job oriented, normative culture and transactional leadership for developing innovation.

Suggestion for Future Research: Though this study has used six organizations, the numbers of participants is low for each organization. This study has not focused on any specific industry and national culture. Therefore the suggestion for further study is to use more participants and to be industry specific. Researcher can also go in depth to identify which factors are particularly the reasons for the failure and success of innovativeness to this particular industry through comparing the national culture.

Contribution: This study has made a theoretical contribution by connecting organizational culture and leadership with innovation and provides a new reflection regarding the impact of
process oriented culture and job oriented culture. This study contributes to the implication to managers where managers can serve best for the culture while knowing about the influential result of the culture and leadership on innovation. With the help of this study, organizations will be able to identify the factors that may help them to be innovative and competitive in market. Ultimately the organization will be able contribute to the national economy of its country.

**Key words:** Organizational Innovation, Leadership, Organizational Culture.
Acknowledgement

This thesis is the result of a fruitful effort of all the people who have kindly contributed with an enormous eagerness in our research. First of all we would like express our gratefulness to our supervisor Zahra Ahmadi for her continuous support and guidance throughout the whole study. We especially want to express our gratitude to our examiner Maria Fregidou-Malama for her critical and constructive advice about our study which helped us to make our study more understandable and to write the thesis in a correct way.

We would also like to thank all the respondents from the companies in Sweden and Sri Lanka for their willingness to participate and to provide us with essential information. They supported us with the honest and details answers that we needed. Furthermore we are grateful to the all HR departments of each organization who helped us to get contact with the respondents.

We are thankful to everyone by our heart and soul who encouraged, guided and helped us to accomplish this study.

Ruzlin Akter & Shashiprabha Rathnayaka
Table of Contents

1.0 Introduction ............................................................................................................. 1
  1.1 Background of the study ......................................................................................... 1
  1.2 Research Problem ................................................................................................... 3
  1.3 Research Aim and Questions of the study ............................................................. 4
  1.4 Disposition of Chapters ......................................................................................... 5

2.0 Literature Review .................................................................................................... 6
  2.1 Innovation .............................................................................................................. 6
  2.2 Impact of Organizational Culture on innovation .................................................. 7
    2.2.1 Organizational Culture ...................................................................................... 7
    2.2.2 Organizational Culture and Innovation .............................................................. 8
    2.2.3 Organizational Cultural Dimensions ................................................................. 9
    2.2.4 Organizational Cultural Dimensions and Innovation ....................................... 10
  2.3 Impact of Leadership on innovation ..................................................................... 12
    2.3.1 Leadership ........................................................................................................ 12
    2.3.2 Leadership and Innovation .............................................................................. 13
    2.3.3 Types of leadership .......................................................................................... 13
    2.3.4 Leadership styles and innovation ................................................................... 16
  2.4 Influence of Organizational Culture and Leadership on innovation .................... 18
  2.5 Theoretical Framework to understand the impact of organizational culture and leadership styles on innovation ................................................................. 19

3.0 Methodology .......................................................................................................... 21
  3.1 Research Approach ............................................................................................... 21
  3.2 Data Collection ..................................................................................................... 22
  3.3 Interview Structure ............................................................................................... 22
  3.4 Sampling Method .................................................................................................. 23
  3.5 Operationalization of Interview Questions ......................................................... 26
  3.6 Data Presentation and Analysis ............................................................................ 27
  3.7 Validity and Reliability ........................................................................................ 29
  3.8 Ethical Concern ..................................................................................................... 30

4.0 Empirical Findings ................................................................................................. 32
  4.1 Overview of the Organizations ............................................................................ 32
  4.2 Organizational Culture and Innovation ................................................................. 34
    4.2.1 Process oriented versus Result oriented ............................................................ 34
    4.2.2 Employee oriented versus Job oriented ........................................................... 36
    4.2.3 Open system versus Closed system ................................................................ 38
    4.2.4 Normative versus Pragmatic .......................................................................... 40
  4.3 Leadership styles and Innovation ......................................................................... 42
  4.4 Influence of Organizational Culture and Leadership on Innovation .................. 48
  4.5 Summary of the Findings ...................................................................................... 51

5.0 Analysis .................................................................................................................. 55
  5.1 Organizational Culture and Innovation ................................................................. 55
  5.2 Leadership Styles and Innovation ......................................................................... 58
  5.3 Influence of Organizational Culture and Leadership on Innovation .................. 61
5.4 Revised theoretical framework to understand the impact of organizational culture and leadership styles on innovation ........................................................................................................... 62

6.0 Conclusion ................................................................................................................................. 63
6.1 Fulfillment of Purpose of the Study ......................................................................................... 63
6.2 Discussion of the Research Questions ....................................................................................... 64
6.3 Implication of the Study ............................................................................................................. 66
   6.3.1 Theoretical implication ......................................................................................................... 66
   6.3.2 Societal implication ............................................................................................................. 67
6.4 Critical reflection of the study .................................................................................................. 67
6.5 Limitations .................................................................................................................................. 67
6.6 Suggestion for future research ................................................................................................... 68

References ......................................................................................................................................... 69

Appendix 1: Interview questions ...................................................................................................... 80
List of Tables
Table 1. Disposition of Chapters, Own .................................................................5
Table 2. Cultural aspects which support innovation, Own ......................................9
Table 3: Sampling, Own .........................................................................................25
Table 4: Operationalization of Interview Questions, Own ........................................27
Table 5: The Impact of Process oriented versus Result oriented culture on Innovation, own.36
Table 6: The impact of Employee oriented versus Job oriented culture on innovation, own.38
Table 7: The impact of Open system versus Closed system on innovation, own ..........40
Table 8: The impact Normative versus Pragmatic culture on innovation, own ..........41
Table 9: Impact of Leadership Styles on Innovation, own .........................................48
Table 10: Summary of the findings of Swedish organizations, own ..........................51
Table 11: Summary of the findings of Sri Lankan organizations, own ......................54

List of Figures
Figure 1: Theoretical Framework: Impact of Organizational Culture and Leadership Styles on Organizational Innovation, own ..............................................................20
Figure 2: Revised Theoretical Framework: Impact of Organizational Culture and Leadership Styles on Organizational Innovation, own .........................................................62
1.0 Introduction

This chapter provides information about the background of the research which includes the general view of the topic explaining the importance of the study. It also encompasses with research aim, questions and the disposition for the next chapters.

1.1 Background of the study

In recent years innovation has become a burning topic in professional and academic field (Vila & Kuster, 2007). Innovation is reflected in firm’s activity when it shows its tendency to engage in new idea generation, experimentation and research and development activities that results new product and process (Lumpkin & Dess, 1996). Researchers believe innovation as a medium to stimulate growth and development (Johnson, 2001). As a major impact of globalization, access to information of consumers’ has been increased. Consumer’s demand on product features, high quality, good service and reasonable price has been increased due to the product availability in the market (Jung, Chow & Wu, 2003). To overcome from this massive competition suppliers have to put more effort in improving their innovativeness in an effective and efficient manner (Andriopoulos & Lowe, 2000). The organizations in emerging economies, found innovation as the best solution to survive and grow within the competition due to rapid technological changes (Gumusluoğlu & Ilsev, 2009). Improvement of innovations make continuous growth of the organization and enhance people’s living conditions while contributing to increase their income generating job opportunities and providing quality products and services to consume (Ahlstrom, 2010).

Today’s organizations are considered as knowledge-based organizations whose success and survival are depended on creativity, innovation and discovery (Martin & Terblanche, 2003). To survive in global competition, maintain competitiveness, improve economic performance, and contribute to national economic development, innovation is an essential element for the companies (Dereli, 2015).

Organizations innovative performance can be affected by various factors such as environment, climate, culture, organization structure, networks, resources, internal capabilities, governmental support and knowledge (Kimberly & Evanisko, 1981; Zhou & Li, 2012). Although there are many factors that may affect innovation, this study focuses on the effect of organizational culture and leadership on innovation. In order to meeting up the changing demand of today’s environment, organization need to be more flexible, adaptive,
entrepreneurial and innovative and there must be also appropriate leadership that is needed for meeting up those changes (Parker & Bradley, 2000; Pajogo & Ahmed, 2006).

*Organizational culture* is defined as a complex set of values, convictions, assumptions and symbols that expose the way in which an organization conduct its business (Barney, 1986). Nacinovic, Galetic & Cavlek (2009) suggest that successful organizations had just a few basic beliefs or values where one of those beliefs is that most members of the organization should be innovators. To attain innovation firms may invest in different sectors but this is not the only way since the desire for innovation at all levels of an organization is often founded in a firm’s organizational culture (Nacinovic et al., 2009). Moreover, organizational culture has multifaceted dimensions including result oriented versus process oriented, job oriented versus employee oriented, open system versus closed system, tightly versus loosely controlled, parochial versus professional and pragmatic versus normative (Hofstede, Hofstede, & Minkov, 2010) rather than a single framework (Fey & Denison, 2003). At the same time, innovativeness of a firm is highly dependent on its culture (Nacinovic et al., 2009). Therefore, it is essential to understand what culture for an organization is appropriate and how it can encourage its leaders and employees in developing organizational innovation (Alvesson, 2012).

*Leadership* is the process of influencing a group of people towards the achievement of a common goal (Holten & Brenner, 2015). Leadership is a set of beliefs and values which influence people to cooperate in achieving specific goals and gradually those beliefs and values will be absorbed by the organizational culture, therefore the most important characteristic of leadership is the ability of influencing others (Pamfilie, Petcu & Draghici, 2012). Influence occurs by the leaders’ personality & behaviour and the recognition within followers (Antonakis, Cianciolo & Sternberg, 2004). Effective leadership drives the organization for continuous growth, encouraging innovativeness towards the global competition (Chen, Lin, Lin & McDonough, 2012).

Leadership plays an important role in influencing employees’ creative behaviour which is the main factor of the improvement of innovation (Tierney, Farmer & Graen, 1999). There are three leadership styles practising by organizations; transactional, transformational and Laissez-faire (Aragón-Correa, García-Morales & Cordón-Pozo, 2007). Following particular leadership styles, leaders influence and facilitate employees with relevant resources for innovations since leaders have good knowledge about the processes and the problems
experienced by the employees (Redmond, Mumford & Teach, 1993). According to Dong, Bartol, Zhang, & Li (2017) transformational leadership identified as an influential leadership style of employee creativity for innovation where these leaders become a facilitator for followers’ creativity (Mainemelis, Kark & Epitropaki, 2015). Transactional leaders present as supervisors who more concern about reward structures and recognition of the leaders while being task-oriented and therefore under this type of leadership innovations come out from leaders who have ability to direct followers (Ricard, Klijn, Lewis & Ysa, 2017). Therefore it is important to identify the most influential leadership style in developing organizational innovation.

In meeting up the changing demands of today’s environment, research has called for organization to be flexible, adaptive, entrepreneurial, and innovative (Sarros, Cooper & Santora, 2008). For affecting all the changes appropriate leadership is required (Sarros et al., 2008, Prajogo & Ahmed, 2006). On the other hand a leader’s actions are also shaped by an organizational culture (Ogbonna & Harris, 2000). Therefore, it is essential to understand how these two factors can influence organizational innovation while depending on each other.

1.2 Research Problem

To understand the impact of organizational culture on innovation, most of the studies (eg. Hogan & Coote, 2014; Naranjo-Valencia, Jiménez-Jiménez, & Sanz-Valle, 2011;) have used Schein's model (1992) and Cameron & Quinn model (1999). To date, few studies (eg. Chang & Lin, 2015) have been conducted to discuss the impact of Organizational Culture based on Hofstede’s organizational cultural dimensions in developing organizational innovation. Most of the studies have been conducted to recognize the impact of leadership in developing innovation mainly based on transformational leadership style (eg. Bass, 1985; Howell & Avolio, 1993; Bass & Riggio, 2006; Gumusluoglu & Ilsev, 2009; Ricard et al., 2017). Though studies (eg. Basu & Green, 1997; Vera & Crossan, 2004; Boerner, Eisenbeiss & Griesser, 2007; Moss & Ritossa, 2007) have been conducted to find the impact of transactional leadership in developing organizational innovation, their findings are contradictory as some studies show positive impact (eg: Damanpour, 1996; Elenkov & Manev, 2005; Oke, Munshi & Walumbwa, 2009; Vaccaro, Jansen, Van Den Bosch & Volberda, 2012), some shows negative impact (eg: Pieterse, Van Knippenberg, Schippers & Stam 2010; Basu & Green, 1997) and some studies showed no relationship between transactional leadership in developing organizational innovation (eg:Boerner et al., 2007;
Moss & Ritossa, 2007). In the light of the limited studies conducted on how organizational culture impact on innovation and the contradictory results of transactional leadership lead for further research. Therefore this study focuses to explore the impacts of organizational culture (based on Hofstede’s organizational cultural dimensions) and leadership in the development of organizational innovation. However, all these above studies have been conducted to explore the influence of organizational culture and leadership on innovation independently. Therefore, we want to understand how both leadership and organizational culture together influence organizational innovation since these two factors are connected to each other for any kind of organizational performance.

This study is based on six organizations from two countries; Gästrike Återvinnare, BillerudKorsnäs, Telia Company and Scandic Hotels from Sweden; ZION Holdings and MAS Holdings from Sri Lanka. Four of them are service providers and two are product manufacturers who focus to improve their organizational performances in the market through innovations.

1.3 Research Aim and Questions of the study

The aim of the study is to explore the impact of organizational culture and leadership in the development of organizational innovation. According to the Global Innovation Index (GII) (2018), Sweden is considered as a country of higher income group whereas Sri Lanka is considered as a country of lower-middle income group. Sweden ranked 3rd in terms of innovation whereas Sri Lanka ranked very low at 88th. The Innovation Efficiency Ratio of Sweden is 20 and Sri Lanka is 78, which shows how much these countries are getting innovation outputs for their inputs. According to GII (2018), richer economies contribute more on innovation.

Stock & Schnarr (2016) suggest that culture and leadership are two important commonly applied predictors for developing innovation. Therefore, notwithstanding the differences between these two countries in terms of innovation, we want to understand whether the impact of organizational culture and leadership can be applied generally because we believe that if the impact of organizational culture and leadership could be studied without considering the economic factors, the impact could be visible.
We formulated the following research questions for the purpose of the study:

1. How does organizational culture impact to develop organizational innovation?
2. How does leadership impact to develop organizational innovation?
3. How do organizational culture and leadership together impact on organizational innovation?

1.4 Disposition of Chapters

The structure of the work is as follows:

<table>
<thead>
<tr>
<th>Chapter 1: Introduction</th>
<th>This chapter encompasses the background of the study, research problem, aim of the study, research question and the constitution of all the chapters.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 2: Literature Review</td>
<td>This chapter includes the explanation existing theories and literatures necessary to understand the area of the study. This chapter also includes a theoretical framework developed on the basis of the discussion from the theories and literature.</td>
</tr>
<tr>
<td>Chapter 3: Methodology</td>
<td>This chapter provides better understanding about the research approach, the interview structure, how data have been collected and analyzed, how interview questions are related with the research questions, how valid and reliable this study is and concerns about ethics.</td>
</tr>
<tr>
<td>Chapter 4: Empirical Findings</td>
<td>In this chapter, the findings of the research have been presented with brief introduction of the organizations this study is based on.</td>
</tr>
<tr>
<td>Chapter 5: Analysis</td>
<td>This chapter analyzes the findings of the study and provides a framework based on results of the study.</td>
</tr>
<tr>
<td>Chapter 6: Conclusion</td>
<td>This chapter provides answers to the research questions with suggestion for further researchers and contribution to the society while mentioning the limitations of the study.</td>
</tr>
</tbody>
</table>

Table 1. Disposition of Chapters, Own
2.0 Literature Review

This chapter contains an analysis of literatures, which seek to address the theoretical aim of the study of; Organizational Innovation: Impact of Organizational Culture & Leadership. This chapter discusses the findings of previous researches based on the above concepts and the theoretical framework developed based on them.

2.1 Innovation

Competition among the companies has changed nowadays compared to many years before and now they compete in “nicety” that are so small but very significant because there is a vast availability in the market for similar products and services with smaller variations (Ramadani & Gerguri, 2011a). Innovation is a main influence in organizations to create a sustainable competitive advantage (Kim, Min & Cha, 1999). Companies are endeavoring to achieve competitive advantage with the end goal to enable them to get a superior and stable position in the marketplace and they select innovation as the most ideal path to achieve competitive advantage (Ramadani & Gerguri, 2011a). Ramadani & Gerguri (2011b:102) provide the concept of innovation from several aspects. From the aspect of customer, innovation implies products with better quality and better services, which together mean a superior lifestyle. From aspect of business, innovation means sustainable growth and development, realization of great profit. For the employees innovation means new and interesting activity, which requires mental faculty, which results in higher compensations and from the aspect of whole economy, innovation represents a bigger productivity and development of all.

Innovation is defined as the “...The implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organization or external relations” (Denti & Hemlin, 2012:2). Innovative activities include an inventive step where new knowledge or idea are processed, whereas an innovation step tends to the utilization of or commercialization of an invention (Lhuillery, Raffo & Livramento, 2016). In an organizational environment, innovation is often expressed through exercises or practices that are ultimately connected to a tangible action or outcome (Dobni, 2008). For example, it incorporates the execution of thoughts or ideas surrounding new product/services or modification to existing ones, restructuring or cost saving initiatives, new technologies (technology/ research and development based), unique employee behaviors such as new ideas
and initiatives generated by employees, and organizational responses to opportunities (Dobni, 2008).

According to Barsh, Capozzi & Davidson (2008), organizations received the real value of being innovative when globalization breaks the geographical boundaries and market barriers which is the main leading factor for organizational growth and continuous performances. Innovations are popular when organization is performing well but hidden when there are poor performances because innovation is a large investment for organization.

2.2 Impact of Organizational Culture on innovation

2.2.1 Organizational Culture

Culture is the inferred social order of an organization through which attitude and behavior are moulded in wide-ranging and durable ways (Groysberg, Lee, Price & Cheng, 2018). Massive amount of energy toward a shared purpose is released and flourishment of organizational capacity is fostered by culture when there is a proper lined up with personal values, drives, and needs (Groysberg et. al., 2018). The common values, belief and hidden assumption among organizational members is defined as organization culture (Miron, Erez & Naveh, 2004). An organization’s entrepreneurial founders often create organizational culture. Typically, the founders’ and his or her successors’ leadership helps shape a culture of shared values and assumptions guided and restricted by the founder’s personal beliefs (Bass & Avolio, 1994).

Ke & Wei (2008) suggest that organizational culture is usually comprehended as the social glue that binds organizational members together and expresses the values, social ideas, and convictions that members share. Hyder & Osarenkhoe (2018) point out that in a more extensive view organizational culture is unique since it differentiates one firm from other as well as portrays the whole organization including human resource management, decision making, technology, competitiveness and customer relationship. Organizational culture is significant as a way of understanding organizational life in all its richness and variations (Alvesson, 2012). Organizational culture reflects the way people think, which affects the manners in which they behave and it is also known to be imperative for the success of projects involving organizational change (Ke & Wei, 2008). Organizational culture can be defined as “the collective programming of the mind that distinguishes the members of one organization from others” (Hofstede et al., 2010:344). Hofstede et al. (2010) explains that organizational culture is maintained not only in the mind of its members but also in the minds
of everybody who interacts with the organization such as customers, suppliers, neighbors, authorities and press. Alvesson (2012) points out that the culture within the organization facilitates the organizational practitioner to act wisely and it also helps to sort out problems arise within the organizations and offers framing and reduction of uncertainty in the specific relation between individual managers and employees.

**2.2.2 Organizational Culture and Innovation**

Organizations are social as well physical construction and therefore an understanding of organizational culture can help to shape the procedure of innovation and organizational performance (Hogan & Coote, 2014). Organizational culture is viewed as one of the key components in both enhancing and inhibiting innovation and it invigorates the innovative behavior among the members of the organization (Naranjo, Sanz & Jiménez, 2010). Since organizational culture influences employees behavior, it can lead them to accept innovation as a fundamental value of the organization and can foster commitment to it (Hartmann, 2006).

Lin & McDonough (2011) argue that organizational culture can be a mechanism that can infuse values such as uncertainty tolerance, openness to challenge and trust that can foster innovation ambidexterity. According to Martins & Terblanche (2003), the determinants of organizational culture that support innovation include flexible authority structure with fewer level in the hierarchy, free exchange of information, readiness for competitive situation, and risk taking behavior. Risk taking climate of the firm influence employees innovative performance (García-Granero, Llopic, Fernández-Mesa, Alegre, 2015). Khazanchi, Lewis & Boyer, (2007) argue that flexibility in organizational practices encourages empowerment and creativity.

Jimenez-Jimenez, Sanz Valle & Hernandez-Espallardo (2008) argue that the market oriented behavior of an organization enables it to be more responsiveness to competitive situation and also favors the organizations’ access to new ideas which increases the organization motivation to respond to its demands. Chandler, Keller & Lyon (2000) found that organizational cultural factor such as supervisory support and reward system have positive impact on innovation.

In an organization culture where employees are given opportunity to participate in making decisions about innovation related issue, can get better result since employees have hidden
abilities for innovation (Kesting & Parmi, 2010). Favorable outcomes are driven by the participation of employees with new perspectives in organizational decision-making, which enhances the variety of viewpoints considered (Harrison & Klein, 2007). Though employee involvement is necessary in innovation-related activities and decision, the majority of the ordinary employees are still excluded from such activity (Kesting & Parmi, 2010).

<table>
<thead>
<tr>
<th>Organizational cultural aspects which support innovation</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing orientation</td>
<td>Jimenez-Jimenez et al. (2008).</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Martins &amp; Terblanche (2003), Khazanchi et al. (2007).</td>
</tr>
<tr>
<td>Supervisory support and reward system support</td>
<td>Chandler et al. (2000).</td>
</tr>
<tr>
<td>Employee participation</td>
<td>Kesting &amp; Parmi (2010)</td>
</tr>
</tbody>
</table>

Table 2. Cultural aspects which support innovation, Own

2.2.3 Organizational Cultural Dimensions

The organizational cultural dimensions provided by Hofstede’s et al. (2010), are insightful to understand an organizational culture deeply. The dimension can be helpful to give insight about how organizational culture impacts on innovation. The dimensions are:

1. Process oriented versus Result oriented
2. Employee oriented versus Job oriented
3. Open system versus Closed system
4. Normative versus Pragmatic

*Process oriented versus Result oriented*: In the process-oriented culture, people tend to be risk averse, put limited effort in the job and take everyday as pretty much same whereas individuals in result oriented culture are comfortable in unfamiliar situation and embrace challenging situation (Hofstede et al., 2010). In process-oriented culture individuals focus on the “methods” and “processes” of their work for improving their goal being emphasized (Ajmal & Koskinen, 2008). A result-oriented culture emphasizes the importance of individuals accomplishing their goals rather than the process (Ajmal & Koskinen, 2008).
**Employee oriented versus Job oriented:** The organization with employee oriented culture provides a concern for the employees whereas job oriented culture concern for getting job done. Employee oriented culture assumes a broad responsibility for the well being of their member and in this culture the important decisions are usually made by the group or committee members. In job oriented culture employees feel strong pressure to complete their task and the organizational concern for the welfare of the employees is limited (Hofstede et al., 2010).

**Open system versus Closed system:** This dimension refers to the basic style of internal and external communication, and to the ease with which outsiders and newcomers are conceded (Hofstede, 1994). In open system culture, organization and its people are open to newcomers and outsiders and these newcomers and outsiders feel the organization as home (Hofstede et al., 2010). In close system organization, new employee takes more than one year to fit in the organization since organization and its people remain secretive and closed, even among the insiders (Hofstede et al., 2010).

**Pragmatic versus Normative:** Pragmatic organizations are market oriented, they emphasize on meeting the customers’ need and on the results than correct procedures. In normative organization major emphasis is given on correctly following organizational procedures, which are important than results. Since pragmatic organizations are market oriented they do not need to adapt with the competitive situations as much as normative organizations need (Hofstede et al., 2010).

### 2.2.4 Organizational Cultural Dimensions and Innovation

In result-oriented culture, individuals are willing to be innovative and to face challenges (Chang & Lin, 2015). According to Hofstede et al. (2010), in result oriented culture people tend to embrace challenges and take risk. It is shown in the Table 2 that the organizational culture with risk taking and open for challenge foster innovation. An organization with high propensity to take risk has strong willingness for innovativeness (Chrisman, Chua, De Massis, Frattini & Wright, 2015). On the other hand process-oriented organization are risk averse which is the fundamental hindrance to retrain leadership, funding and experimentation necessary to generate, select, implement and diffuse ideas (Hofstede et al., 2010; Bommert, 2010). Chang & Lin (2015), state that due to the presence of considerable risk aversion in process oriented culture, individuals avoid innovative method for resolving problem. A
negative relation is expected to exist between risk aversion organization and innovation (Nieto, Santamaria & Fernandez 2015).

According to Hofstede et al. (2010), *job oriented culture* centers around employees work performance with emphasis being placed on work flow optimization and employee productivity. Due to the focus on work performance in a *job-oriented culture*, employees have a greater commitment to their organization, being more willing to share their own knowledge to create new knowledge (Chang & Lin, 2015 after Woodman and Zadee, 2011). *Employee oriented culture* focuses on the employees’ well being and welfare. Zhang (2010) found that employee orientation has a significant and positive relationship with innovation. The researcher also suggest that companies could reap success in new product development while being socially responsible toward their employees, in addition a warm and supporting working environment is by all accounts more conductive to fast innovation.

According to Hofstede et al. (2010) *open system culture* is flexible and there is easiness of adaptation for newcomers. Organizational culture encourages innovation by way of co-operation, flexibility, and adaptation (Parthasarathy & Sethi, 1993). Chenhall, Kallunki & Silvola (2011) argue that employees are likely to respond to strategies related to innovation if the workforce is encouraged to engage in debate on ideas and cooperate with each other and management. An organization can achieve this best if there are few barriers to communicate, there is sharing of ideas, and management is supportive and tolerant of mistakes (Chenhall et al., 2011). On the other hand organizational culture with *closed system* has negative impact in knowledge development which limits the room for innovation (Chang & Lin, 2015).

According to Hofstede et al. (2010) *Pragmatic culture* is external driven or market oriented whereas *Normative culture* is internal driven. Narver & Slater (1990) explain that market orientation reflects the culture of an organization which supports to create superior value for the buyers and, thus superior performance for the business. Market orientation is integral to a firm’s ability to compete to gain superior value (Sundström, Ahmadi & Hyder, 2016). According to Hofstede et al. (2010) pragmatic culture emphasizes on meeting the customers needs. Sundström et al. (2016) argue that understanding customers need is essential for innovation to be successful. (Naranjo, Jiménez & Sanz, 2016) found that externally oriented culture is expected to foster innovation more than internally oriented culture. Ogbonna & Harris (2000) suggest that internal oriented culture weakly and indirectly linked with organizational performance.
2.3 Impact of Leadership on innovation

2.3.1 Leadership

According to Mayo, Likert, McGregor & Schein (1989:131), organization can be defined as a system made out of human beings who work towards achieving the organizational goals and the constitutions developed by them and therefore human behaviour (attitudes, expectations and values) has a greater impact on their own productivity, adaptability, cohesion and morale which naturally impact on organizational performances. Traditionally leadership recognized as the most important influential human factor in organizations (Aragón-Correa et al., 2007). According to Peter Drucker leader is who has followers, Warren Bennis defines the ability to make vision into the reality is leadership, Bill Gates recognizes leaders will empower other in next century and John Maxwell says leadership is all about influencing others (Kruse, 2013).

Through employees, extraordinary performers obtain the opportunities to influence their coworkers to achieve organizational goals taking the leadership within their job roles (Goleman, 2004). But leadership is not only influencing coworkers to perform but also lead them to perform productively to achieve organizational goals (Vroom & Jago, 2007). Social perspectives showed leadership containing the arrangement or the negotiation between followers and leaders which inspire followers by responding to their concerns as a group (Kanter, 1993:184). According to Forsyth (2010:247), leadership can be defined as a structure of power with people and a relationship between leader and followers with mutual understanding.

Leaders can motivate employees by empowering them with responsibilities which provides a recognition for them within the organization showing they are important and their ideas are valuable and this increases employee self confidence; giving feedbacks, open communication and teamwork is important to motivate empowerment (Fregidou-Malama, 2017). Leadership is a managerial quality which is most important to interact with employees and influence in labor turnover and it is impossible to develop task and achieve them without leadership (Chaudhry & Javed, 2012). Leadership is not all about power and authority, or seniority of the designation and higher grade in the organizational hierarchy, or reaching top managerial position with higher pay grade, but about legal authority that facilitates leader to make decisions and take actions within the organizational procedures (Kruse, 2013).
2.3.2 Leadership and Innovation

Rosing, Frese & Bausch (2011) define innovative leadership behaviour allowing followers to think independently, do experiments and take challenges. Rapid development of technology has made the choice between being innovative or fail in management for private sector managers (Borins, 2002). Making leaders responsible for innovative behaviour by the management, increases the organizational growth and drives towards organizational objectives while communicating a strong indication of the value of leadership to followers (Barsh et al., 2008). Leadership is the influencing factor for innovative performance by encouraging, protecting, managing and directing employees effectively (De Jong & Den Hartog, 2007). It is important to set performance targets for innovation which effects for the revenue of the organization which encourage managers towards leadership to influence employee innovative performance and employees towards effective innovative performance (Barsh et al., 2008).

To succeed in innovation, not only the strategic resources and commitment of the organizational leadership is essential but also leaders thoughts improve employee attitudes and innovative behaviours, examples; The Betamax (videocassette recorder) invented by the direction and focus of the late Chairman of Sony Corp., Akio Morita (Oke et al., 2009). Commitment of leadership is very important to develop and maintain innovative organization and even it is important to consider leadership issues to make changes within the organization which is a risk, cost and hard to control (Prajogo & Ahmed, 2006). There are mainly two reasons identified for importance of leadership in innovative organizational performances; leaders encourage innovative thinking by problem solving and making positive environment for effective teamwork and secondly leaders set goals and achieve them by maintaining resources, time and other facilities (Denti & Hemlin, 2012).

2.3.3 Types of leadership

Leaders set specific goals, introduce new ideas and motivate employee creative ideas and their leadership style has been recognized as important factor for organizational innovation (Harborne & Johne, 2003). The main three leadership styles are; transactional, transformational and Laissez-faire (Aragón-Correa et al., 2007).

Transformational leadership

Bass (1985) describes a set of Transformational leadership behaviors to present the role of leader in four dimensions; *intellectual stimulation* describes transformational leaders
motivate their followers to solve problem and reach the situation through new approaches by challenging the current beliefs and methods, *idealized influence* explains the charismatic behavior of strong characteristic of transformational leaders by inspiring and attracting their followers, *inspirational motivation* means this type of leaders encourage followers to perform by engaging and communicating the organizational vision and *individualized consideration* dimension expresses the mentoring and coaching behavior of transformational leaders to support and develop followers’ performances (Eisenbeiss, van Knippenberg & Boerner, 2008). Researchers argue that transformational leadership closely impact on individual performances (e.g. Judge & Piccolo, 2004; Liu, Siu & Shi, 2010) as well as team performances (e.g. Bass, Avolio, Jung & Berson, 2003; Schaubroeck, Lam & Cha, 2007).

Bass & Riggio (2006) mention that from three leadership styles transformational leadership more focuses for change and innovation. Transformational leaders play a role model for innovation providing different and creative behavior (Howell & Higgins, 1990) and this type of leaders encourage followers to think out of the box taking challenges to do things in new ways (Jung et al., 2003). Transformational leaders increase followers’ interest and excitement towards achieving organizational vision through these leaders’ enthusiasm and inspiration and therefore these leader are really good at promoting change management within the organization (Vera & Crossan, 2004). Transformational leaders are effective in communication; they explain things and keep followers update with sufficient information so, it leads for achievement of organizational goals through their ability to influence and guide followers to follow them (Egri & Herman, 2000). Transformational leaders encourage followers to accept change and adopt in the change environment effectively (Vera & Crossan, 2004). Generally these types of leaders concern about change and establishment of change within the organization while taking risks (Bass, 1998). Transformational leaders create organizational environment to share employees ideas among top management and employees by sharing the value of others opinions (Goleman, Boyatzis & McKee, 2001).

**Transactional leadership**

“...Transactional Leaders are the leaders who lead primarily by using social exchanges for transactions...” (Robbins, Judge & Sanghi, 2007:475). Transactional leaders make followers to do what the leaders want (Kühnert & Lewis, 1987). Transactional leaders try to strengthen the organization’s culture, strategy and structure (Vera & Crossan, 2004) and they considerably put effort into control, standardization, formalization and efficiency which is task oriented (Bass, 1985). These leaders refresh the existing practices in the organization
rather than thinking of doing those practices in new and more efficient way (Vera & Crossan, 2004). Transactional leaders encourage employees to use and be efficient through existing organizational culture, structure, strategy, procedures, and systems rather establishing new behaviors (Waldman et al., 2001). This type of leaders uses to see employee report frequently where they believe it helps to track or streamline employee performances (Bass, 1997).

Transactional leadership is systematic, individualistic and this leadership style offers rewards for employees’ good achievement and punish for their lower commitments (Aragón-Correa et al., 2007). This leadership style develops strong expectations within employees providing clear idea about the rewards of achievement they receive for their good performances (Barbuto, 2005; Blanchard & Johnson, 1985). Transactional leaders use social behavior exchanges to have higher benefits under minimum cost by making employees understand their responsibilities and the goals to achieve with the rewards and the punishments they receive (Chaudhry & Javed, 2012). In transactional leadership there are three dimensions; contingent reward, management by exception- active (leaders identify problems and take actions before employee behavior creates issues) and management by exception- passive (leaders take actions after issue occurs) (Judge & Piccolo, 2004).

**Laissez-faire**

Laissez-faire leadership style describes as “...Abdicates responsibilities avoid making decisions...” (Robbins et al., 2007:475). Laissez-faire leaders allow employees to work independently according to their own methods by making relevant decisions by their own while making sure to achieve the goals and to have this kind of leadership style employees have to be experts (Chaudhry & Javed, 2012). In Laissez-faire leadership, there are no any agreements between followers, when there is a need of involvement of leaders in decision making process usually they delayed, laissez-faire leaders do not try to encourage followers by rewarding or giving feedbacks neither they try to identify a need of employee job satisfaction (Bass & Stogdill, 1990). In this leadership style, leaders are appointed by the top management nominating only to occupy the leadership position physically with less duties and responsibilities (Skogstad, Einarsen, STorsheim, Aasland & Hetland, 2007).

This type of poor leadership can be cause for workplace stress for employee and that can be result of job role conflicts, ambiguity and able to establish job dissatisfaction by understanding of unfair treatment among the employees by the leader. This occurs aggressive behaviours of employees within the organization (Kelloway, Sivanathan, Francis & Barling,
The findings of empirical study conducted by Judge & Piccolo (2004) show that Laissez-faire leadership behavior negatively affects employee job satisfaction. Bass & Avolio (1994) conclude that this leadership behavior reduces leader’s effectiveness and negatively impacts employee perception towards leaders.

2.3.4 Leadership styles and innovation

Transformational leadership and innovation

Researchers have mentioned that relationship between innovation and transformational leadership is a vital theme in conceptual analyses (e.g. Bass, 1985; Bass & Riggio, 2006) (Eisenbeiss et al., 2008). Researchers (e.g. Howell & Avolio, 1993, Jung et al., 2003, Aragón-Correa et al., 2007, and Gumusluoglu & Ilsev, 2009) have explained the positive connection of transformational leadership for innovations. Transformational leaders participate to develop good internal environment for their employees (Aragón-Correa et al., 2007). Transformational leadership has strategic influence for change and adaptation of the organization while creating communicative culture, concern about employee development and accept mistakes while understanding the perceptions of the job role, therefore organizations encourage the capabilities of this type of leadership styles (Dess & Picken, 2000). Researchers (eg. Howell & Higgins, 1990) show that transformational leaders put greater effort on innovation than transactional leaders and compared to transactional leaders’ followers, transformational leaders’ followers are creative in idea generation for experimental studies (Pieterse et al., 2010).

Aragón-Correa et al. (2007) use few items to assess the aspect of transformational leadership from the leadership scale developed by Podsakoff, MacKenzie & Bommer (1996); managers have been given priorities for seeking new opportunities for the company, develop organizational aim rather than developing short term objectives, motivate employees than controlling, leading the organization than controlling and coordinate employees on job performance. Transformational leaders work for long term goals, try to develop vision and motivate employees to achieve the vision, pursue to achieve them through different processes rather working in existing processes and try to make followers to have responsibilities for their own development as well as other employees (Howell & Avolio, 1993). Transformational leaders concern about sharing values, proper communication, organizational learnings, trust between leaders and followers and productive environment for organizational innovations (Aragón-Correa et al., 2007). Transformational leaders give directions and energy for their followers to follow the process of innovation (Blackler &
Therefore transformation leaders have focus, motivation and links to promote and succeed with organizational innovations (Dess & Picken, 2000). Compared to transactional leadership, transformational leaders effectively contribute to increase employee innovative behavior (Basu & Green, 1997). According to the empirical findings of Pieterse, et. al., (2010) transformational leaders’ behavior increases followers’ innovative behavior mainly by empowering them psychologically.

**Transactional leadership and innovation**

Research findings of eg. Basu & Green, 1997; Shin & Zhou, 2003 provide limited and inconsistent evidence to identify the impact of transformational and transactional leaderships in innovation, some shows positive impact and some shows negative impact (Pieterse et al., 2010). Transactional leadership role has identified as controlling, motivating individual ideas and prefer to direct followers to achieve leaders ideas so these characteristics have been not cause for innovative behaviour. Boerner et al. (2007) and Moss & Ritossa (2007) argue that transactional leadership is not associated to follower innovative behavior. It can be argued that transactional leadership negatively impact on organizational innovations since transactional leadership more focus for followers’ performances than encouraging them for innovative activities (Pieterse et al., 2010).

To maintain effective organizational culture transactional leadership is also needed because they closely improve institutionalized learning, therefore transformational and transactional leadership depends on each other (Vera & Crossan, 2004). Both transformational and transactional leadership styles on innovation process impact organizational culture and transformational leadership is effective to encourage innovations and transactional leadership is more effective for implementation of innovation (Oke et al., 2009). Since transactional leadership actively participate for lowering the complexity of the organization through setting goals with rewards and develop processes and structures, it may help to establish innovative behavior within the organization (Jung, 2001). The influence of contingent reward system can establish a positive relationship between transactional leaders and innovation (Elenkov & Manev, 2005). Finding of the study of Vaccaro et al., (2012) shows that transactional leadership contributes more in innovation in small organizations recognizing management innovations and transformational leadership contributes more in innovation in large organizations solving the management issues and develop their innovativeness.
2.4 Influence of Organizational Culture and Leadership on innovation

Bass & Avolio (1993) argue that organizational culture may influence the leadership as much as the leadership influences the organizational culture. With the passing time of the development of organization, the formed culture of the organization exerts an influence on the leader and moulds the actions and style of the leader. Though this ongoing process, the leader creates and is in turn carved by the organizational culture (Ogbonna & Harris, 2000). The culture of an organization can affect the development of its leadership, for instance, transactional leaders who work within their organizational culture following existing rules, procedures and norms; transformational leaders change their culture by first understanding it and afterward realigning organization’s culture with a new vision and an amendment of its common assumptions, values, and norms (Bass & Avolio, 1993). The researchers also state that a strong organizational culture which has values and internal guide for more autonomy at lower level, prevents the higher level management from increasing its personal power at the expense of middle-level administration and it also can affect how decisions are taken with respect to such areas as recruitment, selection, and placement within the organization.

Madu (2012) argues that when culture is established and acknowledged, they turn into a strong leadership tool to communicate the leaders’ beliefs and values to the member of the organization. To achieve competitive advantage the industry needs visionary leadership in a business and the more leaders understand the cultural environment, the more effective they can be in changing it as per the requirement (Sharma & Sharma, 2010). Angelle (2010) stated that organizational culture affect the success of leadership in a business.

Findings of the study of Ke & Wei (2008) motivate that leadership is the most important factor to influence organizational culture and to have the proper fit between culture and adopted innovation. Studies suggest that leadership is important for organizational cultural behaviors and change (eg. Vera & Crossan, 2004; Waldman et al., 2001). In effective organizational culture transformational and transactional leadership depends on each other because transactional leadership is effective in working existing procedures and routines while transformational leadership is effective to continue with new structures and processes with new learning (Vera & Crossan, 2004).

Oke et. al., (2009) conclude that transformational leadership is more effective to encourage innovations and transactional leadership is more effective for implementation of innovation. Transformational leadership moderates the organizational culture to take risks, concerns
about employees and focus for goal achievement to encourage innovation (Vaccaro et al., 2012). Transactional leadership moderate organizational culture by designing systems and structures for the implementation of innovation and by influencing employees through rewards and punishments (Chaudhry & Javed, 2012). Sarros et. al., (2008) proposed that organizational culture build the relationship between transformational leadership and innovation of the organization.

2.5 Theoretical Framework to understand the impact of organizational culture and leadership styles on innovation

Figure 1 presents the theoretical framework that has been developed based on the theoretical discussion in this chapter. The framework reflects that organizational culture and leadership both influence each other. Job oriented culture (Chang & Lin, 2015), Employee oriented culture (Zhang, 2010). Result oriented culture (Chrisman et al., 2015; Chang & Lin, 2015) Open system (Parthasarathy & Sethi, 1993; Chenhall et al., 2011; Chang & Lin, 2015), and Pragmatic culture (Narver & Slater, 1990; Sundström et al., 2016; Naranjo et al., 2016) have positive influence on innovation since. Process oriented culture (Chang & Lin, 2015, Nieto et al., 2015) and Closed system culture (Chang & Lin, 2015) have negative influence on innovation. Normative culture (Ogbonna & Harris, 2000) is less effective than pragmatic culture for developing innovation. Transformational leadership has positive influence on innovation according to eg: Bass, 1985; Jung et al., 2003; Bass & Riggio, 2006; Eisenbeiss et al., 2008; Aragón-Correa et al. 2007 whereas transactional leadership has both positive impact (Bass, 1985; Waldman et al., 2001; Vera & Crossan, 2004; Elenkov & Manev, 2005; Vaccaro et al., 2012) and negative impacts (Vera & Crossan, 2004; Pieterse et al., 2010; Chaudhry & Javed, 2012) on innovation. According to the literatures discussed above, transformational leadership is more influential leadership for developing innovation.
Figure 1: Theoretical Framework: Impact of Organizational Culture and Leadership Styles on Organizational Innovation, own
3.0 Methodology

This chapter contains the method that has been followed to conduct the study. The details about the research approach, data collection, interview structure, operationalization of interview questions, data analysis, validity and reliability, and ethical concern is presented and explained.

3.1 Research Approach

Inductive approach and Qualitative research

According to Thomas (2006) inductive approach basically use detailed reading of raw data to infer concepts, themes, or a model through interpretations made from the raw data. We have followed the inductive approach due to the nature of the study (Håkansson, 2013). This study formulates theories with alternative explanation from observation and patterns (Bryman & Bell, 2012). The theoretical explanations and findings from different researchers have been used as raw data to connect the concepts (Cresswell & Plan Clark (2007:23) mention that inductive researcher “work from the ‘bottom-up’ using the participant’s views to build broader themes and generate a theory interconnecting the themes”.

In inductive approach, information is gathered commonly with qualitative methods, analysed to gain an understanding of phenomenon and setting up various perspectives of the phenomenon (Håkansson, 2013). Our study follows a research strategy that generally emphasizes in words rather than quantification in the gathering and analysis of data (Bryman, 2016). Our study shares certain characteristics to be a qualitative research. For example, our study seeks answer certain questions, systematically uses a predefined set of procedures to answer the questions, produces findings that were not determined in advance, produces findings that are applicable beyond the immediate boundaries of the study (Mack, 2005).

The aim of this qualitative research is directed at providing an in-depth and interpreted understanding of the social world (culture, leadership and innovation) of the research participants by finding out the sense that makes their social and material conditions, their experience, viewpoints and histories (Ormston, Spencer, Barnard, Snape, 2014). A qualitative research concerns about answering what, why and how questions rather than how many (Ormston, et. al., 2014). Our study concerns about answering “how” question. As a qualitative study the strength of our study is its ability to provide complex textual description of how people experience a given research issue (Mack, 2005).
3.2 Data Collection

The data collection strategy in a qualitative research includes collecting a large number of data through small, purposive sample using techniques such as in-depth interview, participant observation or focus group (Hox & Boeije, 2005). Researchers collect data in form of primary and secondary data (Wahyuni, 2012).

In this study we have used both primary and secondary data. The primary data is the data which is collected through interview (Bryman & Bell, 2012). For collecting primary data through interview we have used open-ended questions (Covell, Sidani & Ritchi, 2012). Open-ended questions are clear to understand, impartial and sensitive in nature (Doody & Noonan, 2013). Our study used open-ended questions to access the view of the persons being interviewed (Greene, 1998) and this was possible because with an open-ended question (See appendix 1) respondents were able to reply however they wish (Bryman, 2016). We collected the primary data through face to face interview, conference call and email. The different interview methods have been used to collect the data based on our and respondent’s convenience.

The secondary data we obtained from articles, literature and official websites of the organizations (Bryman & Bell, 2012). For writing the background, research problem, literature review and methodology chapter of this study we have used secondary data which has been collected using the course books and relevant articles from the library of University of Gävle. The articles have been found through the discovery page of University of Gävle and using Google Scholar. We have used data from company’s websites to provide brief introduction about the companies used for the study.

3.3 Interview Structure

There are three types of interview structures: unstructured, semi-structured and structured (DiCicco-Bloom & Crabtree, 2006). Structured interviews are carefully planned to investigate the aim of the research conduct with pre-prepared questions, semi structured interviews have pre-prepared interview questions but interviewers allowed to seek for clarifications of the answers while unstructured interviews conduct only based on a theme without any pre preparation (Doody & Noonan, 2013).

To obtain thick and rich data in this qualitative study we followed semi-structured interview (Irvine, Drew & Sainsbury, 2013). This study carried out based on mainly the semi-structured
interview because this structure enabled to ask further questions apart from the preplanned question. For the purpose of the study we asked further questions to some participants at the time of the conversation depending on their reaction for a particular question and these further questions have given the participants opportunity to clarify their answers. This structure of the interview followed only for the conference and face to face interview. The answers what have been obtained through email followed a structured interview. According to Hawkins (2018), email can be utilized to conduct semi-structured interview if there is iterative email exchange between interviewees and interviewers. In our study, in terms of email interview, we have not followed any period for iterative email exchange for any questions, so we have not utilized the emails to conduct a semi-structured interview.

**Method Limitation**

The main problem that we faced is getting contact with the participants. It took long time to get response from most of the participants. Among all the interview methods we found that face to face interview was more effective because here we get opportunity to clarify about answers and we can observe participants expression but we could manage only few face to face interviews. Few answers that we got from email lacks detail explanations about what we wanted to know.

**3.4 Sampling Method**

The study has been conducted by following the Non-probability sampling technique. We conducted this study by taking interviews from 12 participants of 6 different organizations in 2 countries. 4 organizations are from Sweden and 2 organizations are from Sri Lanka.

**3.4.1 Non-probability sampling**

Researchers use non-probability sampling when researcher does not have access to the target population and therefore this method has limitation of not having good representation from the population and researchers use probability sampling technique when there is a large population where the selection is based on probability (Allen, 2017). According to Etikan, Musa & Alkassim (2016) non-probability sampling is important; when we cannot select the target population randomly and with limited resources and time. We used this sampling method because our target population is large; almost every organization is innovative in their own ways of providing their product and service or internal organizational activities. We have conducted this study with limited time period of 10 weeks and limited availabilities of
the participants. There are mainly two types of non-probability sampling method; purposive sampling technique and convenience sampling technique (Etikan et al., 2016).

**Purposive Sampling**

We selected the countries and the interviewees according to the purposive sampling technique. The purposive sampling technique is known as judgment sampling where participants are sampled due to the characteristics or qualities the participants possess (Etikan et al., 2016). In this sample technique researcher makes decision about what should be known and embarks to find people who can and are willing to give the information by virtue of knowledge and experience (Bernard, 2002).

In this study the participants are selected with the help of HR (Human Resource) department of each organization. First of all we send detail information about our study to the responsible person for Thesis studies in each HR departments through email and requested to help us to find interviewees who can provide us relevant information through their experience and knowledge.

**Convenience sampling**

In convenience sampling technique target population meet certain practical criteria such as easy accessibility and geographical proximity (Etikan et al., 2016). We select these 6 companies according to convenience sampling method and these 6 organizations are convenient for us to conduct interviews with the accessibility. Though organizations were selected based on accessibility we kept that in mind whether they are innovative in their respective field or not.
Table 3 provides a picture of how the interviews have been conducted.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Interviewee Designation</th>
<th>Experience (Years)</th>
<th>Interview Method</th>
<th>Duration of Interview</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gästrike Återvinnare (Gävle-Sweden)</td>
<td>International Relations Manager</td>
<td>18 years</td>
<td>Face to face</td>
<td>45 Minutes</td>
<td>30/11/18</td>
</tr>
<tr>
<td></td>
<td>Marketing Trainee</td>
<td>3 years</td>
<td>Face to face</td>
<td>35 Minutes</td>
<td>30/11/18</td>
</tr>
<tr>
<td>BillerudKorsnäs (Solna- Sweden)</td>
<td>Venture Manager</td>
<td>2 years</td>
<td>Email</td>
<td>-</td>
<td>03/12/18</td>
</tr>
<tr>
<td></td>
<td>Venture Manager</td>
<td>3 years</td>
<td>Email</td>
<td>-</td>
<td>06/12/18</td>
</tr>
<tr>
<td>Scandic Hotel (Sweden)</td>
<td>General Manager - Linköping City</td>
<td>17 years</td>
<td>Conference Call</td>
<td>45 minutes</td>
<td>05/12/18</td>
</tr>
<tr>
<td></td>
<td>Frukostvärd/Brreakfast Host-Uplandia Hotel</td>
<td>1 year</td>
<td>Face to face</td>
<td>40 minutes</td>
<td>07/12/18</td>
</tr>
<tr>
<td>Telia Company (Solna- Sweden)</td>
<td>Head of Collaboration &amp; Workplace Services (HCWS)</td>
<td>20 years</td>
<td>Face to face</td>
<td>1 hour</td>
<td>06/12/18</td>
</tr>
<tr>
<td>ZION Holdings (Colombo - Sri Lanka)</td>
<td>Group Managing Director(GMD)</td>
<td>2.5 years</td>
<td>Conference Call</td>
<td>30 minutes</td>
<td>07/12/18</td>
</tr>
<tr>
<td></td>
<td>Consultant-Human Resource Management</td>
<td>1.5 years</td>
<td>Conference Call</td>
<td>40 minutes</td>
<td>07/12/18</td>
</tr>
<tr>
<td>MAS Holding (Intimates) - Sri Lanka</td>
<td>Assistant Manager-Planning</td>
<td>5 years</td>
<td>Conference call</td>
<td>40 minutes</td>
<td>10/12/18</td>
</tr>
<tr>
<td></td>
<td>Executive - HR</td>
<td>2.5 years</td>
<td>Email</td>
<td>-</td>
<td>10/12/18</td>
</tr>
<tr>
<td></td>
<td>Executive - Planning</td>
<td>2 years</td>
<td>Email</td>
<td>-</td>
<td>10/12/18</td>
</tr>
</tbody>
</table>

Table 3: Sampling, Own
### 3.5 Operationalization of Interview Questions

Table 4 shows how interview questions are related to the theories with the aim of answering research questions.

<table>
<thead>
<tr>
<th>Questions</th>
<th>Theory</th>
<th>Purpose of the Questions</th>
<th>Research Question(RQ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How do you describe innovation in your organization and how do you measure it here? 18. What are your suggestions to develop innovativeness of your organization in the future?</td>
<td>(Lhuillery et al. 2016; Dobni, 2008; Ramadani &amp; Gerguri, 2011; Chang &amp; Lin, 2015; Naranjo et al., 2016; Kesting &amp; Parmi, 2010; Sarros et. al., 2008)</td>
<td>To understand how each organizations describe and measure innovation and to understands what factor can be important to increase innovativeness in a company.</td>
<td>RQ1,RQ2 &amp; RQ3</td>
</tr>
<tr>
<td>2. Does your organization strict with following processes and procedures or encouraging achievements through risk taking and embracing challenges? 3. If you give focus on processes, how do you think it can support innovation?</td>
<td>(Hofstede et al., 2010; Ajmal &amp; Koskinen, 2008; Chrisman et al. 2015; Bommert, 2010; Chang &amp; Lin, 2015; Bass, 1985; Howell &amp; Higgins, 1990;(Oke et. al., 2009).</td>
<td>To understand how process oriented, result oriented, transformational and transactional leadership impact on innovation.</td>
<td>RQ1, RQ2</td>
</tr>
<tr>
<td>4. Do the management concern mainly about employee performances or their well being the most? 5. How do you behave with newcomers or outsiders? Do you think your organization is adaptable and flexible for newcomers and outsiders? How? 6. Do you think your management is supportive and tolerate mistakes? 7. What kind of factors your organization research to contribute for innovation? Do you focus on external factors? For example customers needs? Or do you focus on internal procedure more? 17. What cultural fact(s) in your organization do you think is or are barriers for developing innovation in your organization?</td>
<td>(Hofstede et al., 2010; Zhang, 2010; Parthasarathy &amp; Sethi, 1993; Chenhall et al. 2011; Dess &amp; Picken, 2000; Narver &amp; Slater,1990; Sundström et al. 2016; Naranjo et al. 2016; Chang &amp; Lin, 2015).</td>
<td>To understand how job oriented, process oriented,open system, closed system, normative and pragmatic culture impact on innovation and also to understand if any cultural factor within the organization has negative impact in developing innovation.</td>
<td>RQ1</td>
</tr>
</tbody>
</table>
8. Are you supposed to provide many reports to the senior very frequently based on every task you do?  
9. When making organizational decisions does the management welcome other employees ideas as well or only the management makes decisions for organizational innovations?  
10. How do you evaluate the results of employees innovative performance?  
11. How this evaluation process support for the development of innovation?  
12. How leaders react when there is a need for change in processes to develop innovations?  
13. How does your managers provide guidance and allocate authority for making decisions in the process of development of innovations?  
14. How the management encourage employees to be innovative?  
15. How managers influence the culture of your organization for developing innovation?  
16. How the culture of your organization supports the manager to create room for innovation?  


To understand the combined effect of organizational and leadership on innovation.  

Table 4: Operationalization of Interview Questions, Own.

3.6 Data Presentation and Analysis

Collected data have been presented in Empirical findings under chapter 4. Under the heading of “4.2 organizational culture and innovation”, the findings about the impact of each cultural dimension on innovation for each organization have been presented. Table 5, 6, 7, 8 shows the summary of the discussion of each section (4.2.1, 4.2.2, 4.2.3, 4.2.4) simultaneously.  

Under the heading of “4.3 Leadership Styles and innovation”, for each organization, the impact of leadership styles on innovation has been presented. Table 9 shows the summary of
this section (4.3). Under section 4.4, the findings for the combined impact of organizational culture and leadership on innovation are presented. Those small tables enabled us to formulate the tables for the summary of findings of each country. At the end of the chapter a description about our findings has been presented.

Data analysis is concerned about reducing data from large body of information that gathered by the researchers so that he or she can make sense of it (Bryman, 2016). For analyzing data first we went through all the primary data have been collected and put the necessary data in the empirical findings which are relevant for the research questions and purpose of the study. Thus we have reduced data from the large body of information. We have analyzed the data through comparing the findings from the literature review with the findings which are the result of the interviews. This analysis enables us to explore a new theoretical framework.

To analyze the data we have followed an inductive approach. Inductive analysis refers to approaches that primarily use detailed readings of raw data to derive concepts, themes, or a model through interpretation made from the raw data by an evaluator or researcher (Thomas, 2006). The primary purpose of the inductive approach is to allow research finding to emerge from frequent, dominant or significant themes inherent in raw data (Thomas, 2006). There are three purpose of inductive analysis; To condense extensive and varied raw text data into a brief summary format, to establish clear links between the research objectives and the summary findings derived from the raw data and to develop a model or theory about the underlying structure of experiences or processes that are evident in the text data (Thomas, 2006).

To condense the extensive data into a brief summary format we have seperated the favorable answers (supportive/motivates/ encourages to improve organizational innovation) regarding a concept from the unfavorable answers (de-motivate/discourage organizational innovation). After that we labeled the favorable answers as positive non-favorable answers as negative and the answers that claim concepts as only supportive but not directly influencing innovation, we level them as weakly positive. If there are both favorable and unfavorable answers for a particular concept we labeled that as both positive and negative impact. We have separated the answers in according to the countries which enables us to compare the answers from the different countries.

Then we established clear links between the research objective and the summary findings derived from the raw data. The objective of this study is to explore the impact of
organizational culture and leadership in developing innovation. We explored the impact (positive/negative/weakly positive) for each cultural dimension and each leadership styles.

To fulfill the third objective of inductive analysis we have derived the revised theoretical model through our interpretation made from the raw data. We interpreted the data through comparing the findings with the theories used in literature review part. If our findings suggest that a particular concept has positive impact on innovation and previous studies suggest a negative impact of that particular concept, we considered the impact of the concept as both positive and negative. Thus we compared the theories with the findings and derived the revised theoretical model through making the relationships. To find out the more effective and influential cultural dimensions and leadership style, we compared the impact of each cultural dimensions and leadership style. If the theories and all the answers suggest a positive impact of a particular concept we considered that concept as more effective for developing innovation.

3.7 Validity and Reliability

Validity and reliability are two essential concepts to take into consideration while doing a qualitative research since they help to determine the objectivity of the research. Validity is concerned with the integrity of the conclusion that is generated from a piece of research (Bryman, 2016). Reliability is concerned with the question of whether the results of the study are repeatable (Bryman, 2016). Bryman & Bell (2012) state that reliability and validity are divided into internal and external concepts; internal and external validity, and internal and external reliability.

Validity

Internal validity mainly concern with the congruence of the research findings with the reality (Zohrabi, 2013). To make the study internally valid firstly the interview questions have been developed based on existing literature which enables authors to obtain answers which are congruence with real life situation. All the questions are open ended which helps to obtain proper explanation of the real organizational situations from the answers given by interviewees. In order to increase the internal validity and decrease our own elucidation of the data we have recorded the interview answers and transcribed all the interview answers properly. All the participants were allowed to speak the language they prefer which was efficient to collect their honest answers for the questions. The transcription of the answers is not presented in this work since few of the respondents said not to record their answers but
transcription are provided to the supervisor and examiner to ensure the impartiality of the study.

External Validity is concerned with the applicability of findings in other settings or with other subject (Zohrabi, 2013; Bryman, 2016). This study is based on six organizations from Sweden and Sri Lanka. We have found that, despite having a huge difference in innovation ranking, the organizations of these two countries provide a similar opinion regarding developing innovation. However, we cannot fully confirm the external validity of the study since some results are new to those from previous studies.

Reliability

Internal reliability refers the consistency of collecting, analyzing and interpreting the data (Zohrabi, 2013) and it also refers to whether there is more than one researcher within the study group and member of the group agree about what they see and hear (Bryman, 2016). To maintain consistency within the study we have collected data through interviews and then analyzed the data to obtain the conclusion based on interpretation. To conduct this study two researchers were involved in every step and agreed on the results found.

External reliability refers to the extent a research can be replicated (Zohra, 2013; Bryman, 2016). It might be difficult to achieve external reliability since the scene and the setting is likely to change from the time of the original research to the time of a second one (Bryman, 2016). However, if qualitative researcher conduct the research in similar way as the original researcher, then it is possible to replicate the initial research (Bryman, 2016). The external reliability of this study is enhanced by developing questions based on existing theories and involving employees from different hierarchical levels in every organization. To achieve external reliability in the study this chapter describes in detail the process of gathering data as well as how interviews have been conducted, in addition all the interview questions are given in Appendix 1. This detailed description builds the capacity for other researchers to replicate this study under same condition with comparable results.

3.8 Ethical Concern

While thinking about ethics most people think of rules for distinguishing right and wrong and thus ethic can be defined as norms for conduct that distinguish between acceptable and unacceptable behavior (Rensik, 2011). In research, adhering to ethical norms is essential for promoting the aim of the research such as knowledge, truth and avoidance of error and
misinterpretation (Rensik, 2011). Confidentiality and privacy are center ethical issues in all forms of research (Klenke, 2016). To ensure the confidentiality, we agreed not to report private data such as the name of participants (Klenke, 2016). Before conducting the interviews participants have been asked whether their names can be published. Some of the participants were reluctant to publish their name but not the designation. Therefore this work has provided the designations and year of experience of the participants. Some of the participants did not allow recording the conversation. In this case we had to rely on only taking notes.

Honesty is another principle of ethics which is maintained throughout this study by not fabricating, falsifying or misrepresenting the data (Rensik, 2011). To maintain integrity we have maintained promises with the supervisor by actively participate in the meetings on time and following deadlines and acted with sincerity throughout the study (Rensik, 2011).
4.0 Empirical Findings

This chapter highlights the findings of the empirical data collected from the primary and secondary sources. The first part of the chapter provides a presentation including the innovativeness of each sample company. Thereafter, the findings related to the theories have been presented.

Notes: In the summary tables, N/A (Not Applicable) implies that organizations are not practicing the culture or no comments or the comments made by the interviewees are not strong regarding the concept in developing innovation. Positive and negative impacts have been identified on the basis of the interviewees’ answers. For example, if there is positive and negative essence found in for the same topic we have written both impacts.

4.1 Overview of the Organizations

Gästrike Återvinnare

Gästrike Återvinnare is a development-oriented government organization and responsible for municipal waste management. They provide services for 162,000 people and are responsible for collecting, processing, planning and information regarding household waste (Gästrike Återvinnare, 2018). According to the International Relation Manager (IRM) this is a very innovative and environmental friendly organization. This organization ensures that the household waste is taken care of in a way that benefits both human and environment. They have established new activity based building which enables them to work more smoothly than before. Being an innovative company, they also create idea for digitized vehicle (automated) that enables drivers to manage waste in short time.

BillerudKorsnäs

BillerudKorsnäs is a leading supplier of renewable packaging materials. Their offer is based on three pillars: first class packaging materials, innovative packaging solutions and a network of like-minded partners. This organization has identified a number of trends that will create business opportunity for the packaging industry and enable to make profit for the innovative players. For example, the replacement of plastic sacks with QuickFill Clean cement sack made from paper, which not only reduces the use of plastics, but also creates major opportunities for the construction industry to improve working condition. Their intelligent packaging is used as a strategic communication and dialogue tool from production to aftermarket. (Billerudkorsnas.com, 2018)
Telia Company

Telia Company is the fifth largest telecom operator in Europe today. Telia Company has its roots in Sweden and Finland. Nowadays they stand firmly in all Nordic and Baltic countries. Telia Company creates their shared value through enhancing quality of life and through enhancing innovation and growth. Telia mainly focus on securing network that can transport massive data volume with high quality. The innovation department of Nobina (the largest bus transport group in the Nordics), cooperates Telia in Sweden to test how aggregated mobile network data can be used to better understand travel patterns. Telia’s “Sense” is a cloud-based connected car solution that enables customers to keep a close eye on greenhouse gas emission value after every single trip. According the HCWS, Telia mainly buy startup to contribute in innovation.

Scandic Hotels

Scandic is the largest Nordic hotel chain founded in 1963, providing hospitality services with 280 hotels and after changing their partnership four times in 1983, 1996, 2001 and 2007 now Scandic belongs to Swedish private equity firm EQT (Scandic Hotels Group, 2018.). Scandic practices award winning sustainability programs having the main focus for healthy environment (Scandic Hotels Group, 2018.). According to the General Manager - Linköping City, they educate employees to be creative and develop new practices to be more environmental friendly. According to Bohdanowicz, Simanic & Martinac (2005) study also Scandic is ecologically sustainable business.

ZION Holdings

Zion Holdings is a group of companies founded in 2016. There are six companies under ZION Holdings; Business Management Consultancy firm, Audit firm, Advertising company, interior company, franchise of French pastry shop and fine dine restaurant. We interviewed the Group Managing Director and the HR Consultant (Head of HR) who involves in all the companies. All of these companies focus mainly providing professional services with Quality, Excellence and Uniqueness. As a group of companies their mission is to provide new and customized products and services with high quality at the best price to achieve their vision of being the leader of the market encouraging organizational transformation (Zion.lk, 2018.). According to the Founder/ the Group Managing Director, every business unit values the concept of innovation because they try to develop and design their service to address the new trends in the market.
MAS Holdings
MAS Holdings is the largest lingerie manufacturer in South Asia founded in 1987 by Mahesh, Sharad and Ajay Amalean and now they have diversified into sportswear, performance wear and swimwear by establishing themselves as one of the best designer in apparel and textile manufacturing, operating globally in 16 countries with 95,000 employees. MAS inspired the globe by women empowerment and sustainable ecosystems. MAS has separate research and development division called “Twinery-Innovations” where they develop their own products by in-house team. MAS corporate with international and local universities to conduct researches on; wearable technology, health, wellness, digitization, and customization. MAS has given a new aspect for innovation with the concept of new thinking; re-engineering, re-thinking and resource utility. MAS Holdings mission is to Inspire Innovation and Sustainability, Build Talent and Strategic Relationships and Achieve Excellence and Ambitious Profitable with a culture of; entrepreneurial & Innovative, Collaborative Teamwork, Cautiously Aggressive and Participative Management. (Masholdings.com, 2018)

4.2 Organizational Culture and Innovation
4.2.1 Process oriented versus Result oriented

Gästrike Återvinnare
IRM explained that Gästrike Återvinnare follows a process-oriented culture. Results are also essential for this company but they focus on the process mainly. They avoid to take higher risks. The Marketing trainee stated that following processes make things easier for the people to do the right things. IRM mentioned that processes help them to look on every steps and lower the gap which is essential for innovation. Both of the interviewees provided the same opinion regarding their organizational culture in terms of process orientation and result orientation. According to their answers it is clear that Gästrike Återvinnare maintains a process-oriented culture which supports innovation.

BillerudKorsnäs
In case of BillerudKorsnäs both of the venture managers acknowledged that the company is not good at risk taking and addressing challenging as they used to do. The organization is now working on internal changes. One of the Venture Managers stated that they are using old process which is hindering or impacting negatively to the development of innovation and making them slow in the market. One manager stated process orientation may support
innovation if there is set up of proper KPI (Key Performance Indicator) but risk taking attitude is necessary since market pull is an important factor which cannot be ignored. According to the interviewees, BillerudKorsnäs is following a process oriented culture which negatively impacts on innovation.

_Telia Company_
According to the Head of Collaboration and Workplace Service, Telia is a company which is open for challenges because their competitors (e.g., Tele2, Telenor) are really active but at the same time they are not taking higher risk. According to him this company maintains a process oriented culture and this is not good for innovation because it restricts to go out of the box and this is the problem of all telecom company since all of them practice a process oriented culture.

_Scandic Hotels_
The General Manager stated that one of the cultural values that Scandic Hotel is following is to “be bold” which normally implies that they encourage achievement through risk taking. There is less fear of failure and if they fail they take it as learning point. Scandic follows both process oriented and result oriented. In the process and procedures, Scandic tries to ensure quality and encourage staff to present new ideas (eg. new dishes). According to the employee answer, employees are strictly advised to follow processes which discourage innovation since they do always the same thing.

_ZION Holdings_
ZION Holding’s Group Managing Director asserted that this company focuses on results and goal achievements. Therefore by nature they maintain a risk taking culture. According to him process orientation may support to implement the innovation but not to be innovative. He mentioned that focusing on process cannot be effective in building innovation as taking risk can be. The Consultant stated that certain process and procedures are essential for proper management but ZION’s leaders always encourage getting ready for taking challenges that creates opportunity for them to think differently which can be a positive sign for developing innovation.

_MAS Holdings_
The planning executive mentioned that they focus on goal and try to achieve that through maintaining proper process. Their focus is on result and process equally. They take risks and address challenges when it is necessary. The HR executive also provided the same opinion by
saying that if one focus on process and know about the process well, then he can see the opportunities through which the process can be improved or developed, which is an innovation.

Their answers suggest that following processes can be important for innovation but there should be mindset to accept and do the changes in the process where it is necessary for supporting innovation.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Practiced Culture</th>
<th>Impact of Process Orientation on Developing Innovation</th>
<th>Impact of Result orientation on Developing Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gästrike Återvinnare</td>
<td>Process Oriented</td>
<td>Positive</td>
<td>N/A</td>
</tr>
<tr>
<td>BillerudKorsnäs</td>
<td>Process Oriented</td>
<td>Negative</td>
<td>Positive</td>
</tr>
<tr>
<td>Telia Company</td>
<td>Process Oriented</td>
<td>Negative</td>
<td>N/A</td>
</tr>
<tr>
<td>Scandic Hotels</td>
<td>Both</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>ZION Holdings</td>
<td>Result Oriented</td>
<td>Negative</td>
<td>Positive</td>
</tr>
<tr>
<td>MAS Holdings</td>
<td>Both</td>
<td>Positive</td>
<td>Positive</td>
</tr>
</tbody>
</table>

Table 5: The Impact of Process oriented versus Result oriented culture on Innovation, own.

4.2.2 Employee oriented versus Job oriented

_Gästrike Återvinnare_

According to the IRM, Gästrike Återvinnare maintains both Employee oriented and Job oriented culture. This organization concerns about performance and the wellbeing of their employees equally. They try to satisfy their existing employees in different ways, such as by taking care about their health through providing gym facilities for the employees, by cheering up in the working time, by caring about their family and so on. The Marketing Trainee also provided the same opinion about this. They asserted that these behaviors motivate them to be more involved in their work and motivate them to generate new ideas.

_BillerudKorsnäs_

Both of the Venture Managers provided a similar opinion regarding this behavioral perspective of the organization. According to them, BillerudKorsnäs mainly concern about employees’ performance. So according to their answer it can be said that Billerud maintains a job oriented culture. But according to them this job-oriented culture carries a negative impact.
for innovation. One Venture Manager claimed that job-orientation culture enhances the fear of making mistakes, here management get impatient for the result which may force employee to tell lie or go with shortcut to reach the result just to show the management and thus organizational innovativeness is hindered by focusing on performance only.

*Telia Company*

The HCWS of the company pointed out that they care about both the performance and wellbeing of their employees which implies that have both job oriented and employee oriented culture. He clarified that employee’s sickness and their absence increases cost for the company which ultimately impact negatively to their performance. That is why they need to care about both. He mentioned that giving concern for both performance and employees well being are essential for innovative performance because giving less focus on performance makes employee lagged behind. He also added that concerning for performance and employees well being both help to reduce organizational cost which enable the organization to be financially stable which further help organization to invest in more creative project.

*Scandic Hotels*

The GM stated that Scandic ensures better performance from the staff through concerning about their health and their happiness at the workplace. The employee mentioned that Scandic prioritize their performance mainly. The GM stated that “*I believe to contribute to the innovation, good health is important of course, when you are healthy and happy you can generate more ideas*”. Thus we can say Scandic Hotels maintain both employee oriented and job oriented culture.

*ZION Holdings*

ZION Holdings prioritizes the wellbeing of their staffs. GMD stated that employees are very sensitive fact which they need to take care of most. The consultant asserted that to have a balance between employee performance and organizational performance they first take care of employees’ well being. From the beginning ZION is practicing this behavior. Based on their answer it can be said ZION holding maintains a employee oriented culture mainly. Their answers suggest that employee oriented culture highly motivate them to explore their shining sides in better way which are essential for developing innovation in an organization.

*MAS Holdings*

The interviewees’ answers confirmed that MAS holdings mainly follows a job-oriented culture since they mainly focus on employee performance. According to the Assistant
Manager, for performing in a better way this organization provide the employees with required resources (financial, technological, infrastructure) which he believes is enough factor to drive the employees towards innovation. According to the HR Executive this organization maintain a win-win situation where employees’ well being by the organization depends on their performance and thus both parties stay satisfy with performance and benefits which further increases employees trust, confidence and commitment towards work that may help them to be more innovative.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Practiced Culture</th>
<th>Impact of Employee orientation in developing Innovation</th>
<th>Impact of Job orientation in developing Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gästrike Återvinnare</td>
<td>Both</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>BillerudKorsnäs</td>
<td>Job oriented</td>
<td>N/A</td>
<td>Negative</td>
</tr>
<tr>
<td>Telia Company</td>
<td>Both</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Scandic Hotels</td>
<td>Both</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>ZION Holdings</td>
<td>Employee oriented</td>
<td>Positive</td>
<td>N/A</td>
</tr>
<tr>
<td>MAS Holdings</td>
<td>Job oriented</td>
<td>N/A</td>
<td>Positive</td>
</tr>
</tbody>
</table>

Table 6: The impact of Employee oriented versus Job oriented culture on innovation, own.

4.2.3 Open system versus Closed system

Gästrike Återvinnare

In Gästrike Återvinnare, new employees find it very easy to adjust with the organization. Both of interviewees mentioned that this organization is flexible and maintains a friendly work environment. IRM mentioned that they have high tolerance for the mistakes made by the employee but they expect the mistakes to be less. The Marketing Trainee found his management to be very supportive in accomplishing his job. While making decision related to innovation they use the ideas of the drivers as well because they believe drivers have more knowledge regarding vehicle status and some drivers are very well educated to make a perfect decision. Based on their answers it can be said that Gästrike Återvinnare’s culture is more open. According to them an open system culture provides employees with a working environment that decreases employees’ stress level and increases the freedom to exchange
ideas and produce more ideas, in addition make them feel that their ideas are being valued to the organization.

BillerudKorsnäs
Both of the Venture Managers stated that the culture of BillerudKorsnäs is not so flexible for the newcomers. This organization is very skeptic and maintains a high caution to deal with newcomers and outsiders. The tolerance level to the employee mistake is very low. Employee participation is very low while making decision. So it can be said the organizational culture of BillerudKorsnäs is not open. One Venture Manager stated that they have few cultural barriers that hinder the development of innovation such as lack of sharing information and knowledge, and lack of open communication system.

Telia Company
According to the HCWS, Telia’s culture is very flexible and adaptable for the newcomers and outsiders. Tolerance level to the mistake is also high. To make involve the employee to the working environment as soon as possible Telia maintains an open system culture. According to him, innovation is a part of organizational performance and as soon as employee will involve with their working environment, they will able to start thinking about innovation.

Scandic Hotels
The GM asserted that since new generation adapt very fast and bring very good ideas, Scandic tries to prioritize their preferences and provide them the opportunity to get ease with the working environment. The employee points out that flexibility also depends on the nature of the leaders but the team members also help newcomers to adapt fast to the environment and the culture of the organization. Since this open system culture appreciates the employees’ ideas, it drives them towards innovation.

ZION Holdings
According to the answers of the GMD and the Consultant, it is clear that they maintain a open system culture. Employees get a flexible work environment and their ideas are respected and valued by the top management since they are close to their clients. The GMD assured that practicing bottom up way leads them for success. He added that a culture which does not provide employees with flexible working environment cannot taste the flavor of innovation. According to their statement easy adaptation, flexibility, fearless of sharing new ideas are positive matters to get success in innovation.
**MAS Holdings**

HR Executive and the Assistant Manager pointed out that MAS holding with a supportive management follows a open system culture. There is different opinion found from the Planning executives. He mentioned that the organization is not so flexible, since it’s a big company, newcomers need take time to adjust with the company. According to the Assistant Manager open system culture encourages innovation since information are not remained secretive and the flow of sharing information creates a room for innovation.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Practiced Culture</th>
<th>Impact of Open system on Innovation</th>
<th>Impact of Closed system on Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gästrike Återvinnare</td>
<td>Open System</td>
<td>Positive</td>
<td>N/A</td>
</tr>
<tr>
<td>BillerudKorsnäs</td>
<td>Closed System</td>
<td>N/A</td>
<td>Negative</td>
</tr>
<tr>
<td>Telia Company</td>
<td>Open System</td>
<td>Positive</td>
<td>N/A</td>
</tr>
<tr>
<td>Scandic Hotels</td>
<td>Open System</td>
<td>Positive</td>
<td>N/A</td>
</tr>
<tr>
<td>ZION Holdings</td>
<td>Open System</td>
<td>Positive</td>
<td>N/A</td>
</tr>
<tr>
<td>MAS Holdings</td>
<td>Open system</td>
<td>Positive</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Table 7: The impact of Open system versus Closed system on innovation, own.

### 4.2.4 Normative versus Pragmatic

**Gästrike Återvinnare**

According to the Marketing Trainee and IRM this organization maintains a balance in focusing on internal and external factors both to contribute to the innovation. IRM mentioned that, this organization focuses on maintaining internal procedures but also focus on the international market and relation to gather ideas about their policies and procedures which enables them to generate new systems for drivers and for customer service.

**BillerudKorsnäs**

Both the Venture Managers asserted that BillerudKorsnäs follows a pragmatic culture and take internal factors and procedure as supportive for developing innovation.
**Telia Company**

According to HCWS, Telia Company focuses more on customers’ needs and external factors to contribute to the innovation. The internal reorganization depends on the external factors.

**Scandic Hotels**

The GM and the employee stated that customers’ needs are the main concern for Scandic. In this case it can be said that for developing new ideas regarding customer service, Scandic follows a pragmatic culture.

**ZION Holdings**

ZION Holdings follows a market driving culture since new concepts and ideas are generated based on customer needs and demand. According to both of the interview they adjust internal factors according to what is coming in the market.

**MAS Holdings**

For MAS Holdings all the interviewees have same opinion regarding this cultural perspective. In this organization consumers demands, market trends and environmental factor are always given more focus while making new design for the apparels.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Practiced Culture</th>
<th>Impact of Normative Culture in developing Innovation</th>
<th>Impact of Pragmatic Culture in developing Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gästrikå Återvinnare</td>
<td>Both</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>BillerudKorsnäs</td>
<td>Pragmatic</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Telia Company</td>
<td>Pragmatic</td>
<td>N/A</td>
<td>Positive</td>
</tr>
<tr>
<td>Scandic Hotels</td>
<td>Pragmatic</td>
<td>N/A</td>
<td>Positive</td>
</tr>
<tr>
<td>ZION Holdings</td>
<td>Pragmatic</td>
<td>N/A</td>
<td>Positive</td>
</tr>
<tr>
<td>MAS Holdings</td>
<td>Pragmatic</td>
<td>N/A</td>
<td>Positive</td>
</tr>
</tbody>
</table>

Table 8: The impact Normative versus Pragmatic culture on innovation, own.
4.3 Leadership styles and Innovation

Gästrike Återvinnare

Gästrike Återvinnare is practicing mix of both transformational and transactional leadership but they are more encouraged by transformational leadership. According to the IRM and the Marketing Trainee, management encourages achievements through risk taking and accepting challenges while pushing employees to follow relevant processes. Because management need employees to see how processes are important within the organization. But they do not encourage employees to take higher risks. They say that having processes make it easy to see the steps in between specially in developing innovation. Because every action of employee is linked with other employees’ duties and responsibilities and ultimately it can impact for organizational performance. Therefore, having processes lower the gap of performance between employees.

As an employee, Marketing Trainee believes that they have opportunity to think how to push the boundaries and go beyond and achieve. As transactional leaders expect, Gästrike Återvinnare management does not expect frequent reports on employee tasks. As IRM said they allocate tasks among their team members with trust and confident. Unless there is anything important managers do not follow for employees for daily reporting systems. From employee point of view also the same; they receive sufficient guidance at the initial meeting and then they meet their managers again with results by the deadline. Not as transactional leaders, Gästrike Återvinnare management welcomes employees’ ideas in the process of decision making in organizational innovation. As an example IRM mentioned that Annual Waste Management manual is one of the important reports of the organization. For that management collect all employee ideas through managers then review all the ideas and add suitable ones. Digitalization of vehicles is one of the ideas which came through an employee, Marketing trainee said.

As in transactional leadership Gästrike Återvinnare does not practice any reward or punishment for employee innovative performance. They use to provide positive feedback on whatever the performance received by the management. As IRM said it will be good to have reward system which encourage employees, show their mistakes and help them to limit their mistakes and appreciate their good work while encourage them to perform better. Marketing Trainee also mentioned the same as it will be good to have negative feedbacks which important to maintaining organizational economy and encourage employee performance.
This organization do best practices with transformational leadership while making sure everything is in correct direction because transformational leaders provide more space for employees perform independently. Gästrike Återvinnare concerns about both employee performance and their well being which leads employee for better performances. As mentioned earlier the management is flexible with allocating authorities because they believe on employee competencies. As transformational leaders managers provide opportunities for employees to think out of the box and value their idea by educating them and try to improve their behaviors. Overall Gästrike Återvinnare practices both transformational and transactional leadership pushing to be more transformational leaders.

**BillerudKorsnäs**

According to both venture managers BillerudKorsnäs mainly focus on processes in organizational performance rather taking risks. They follow the traditional processes they used to follow because they fear of making mistakes. According to them in organizational innovation, they focus on processes which directs correct thing to do, allocate necessary resources and make the actions speed which is easy to identify solutions in between. They mainly concern about employee performances. With these characteristics we can identify BillerudKorsnäs practices the transactional leadership specifically because they encourage developing new things taking risks while being in their traditional processes.

Being transactional leaders the management of this organization expect strong and very formal reporting system from employees very frequently and do not welcome employee ideas in the process of decision making in innovation. Both the Venture Managers mentioned that it is not happening the way it should be. As transactional leadership has, BillerudKorsnäs does not have any reward or punishment system to evaluate employee performances. One of the Venture Managers said that if they have a performance evaluation system it can support to follow up employee performance. The second Venture Manager directly said such evaluation system does not encourage innovation or innovative culture today. They have two different views about how performance evaluation system impact in innovation as negative and positive.

According to both Venture Managers, management of the BillerudKorsnäs was flexible with developing new ideas, products and services till few years back but that culture does not exist there anymore. When there is a need for a change they always being specific and though they decide to do the change actions are very slow. This has been driven them away from
innovative behavior. BillerudKorsnäs managers guide employees having meetings with them and checking their work status. This seems they are maintaining close relationship with guiding and allocating resources. According to the interviewees BillerudKorsnäs management provides poor encouragement to improve employee innovative behavior and make sure to follow their traditional ways having the influence of transactional leadership.

**Scandic Hotels**

Scandic practices transformational leadership in terms of management perspective but in terms of employee perspective, they experience transactional leadership style. Because according to the General Manager (GM) Scandic is a very structural organization where they encourage employees to do new thing taking risks. He said they learn from mistakes and do practice processes to make sure our service quality. But according to the Breakfast host, below level of the employees advised to follow processes and perform their job with minimum risk. She said it can be due to the nature of the service they provide. Therefore influence of leadership style can vary according to the nature of the business. Scandic concern both employee performance and their wellbeing but performance is the main concern. Though they have very structural organization they do not require unnecessary reporting system rather than monthly reports.

GM said that they welcome employee ideas for making innovative decision and have different seminars for that but according to the Breakfast Host she has not involved in any. Scandic also does not have any specific performance evaluation system for innovation. Both interviewees agreed that having a rewarding system can motivate employee towards effective innovative behavior. According to the view of both interviewees from Scandic, it seems change management is possible and flexible in the management’s levels. When practicing with below employees it becomes flexible but specific. Authorities allocate according to the position and the competency levels in Scandic and managers are always there to guide employees for better performances. Scandic management practices more transformational leadership style to encourage employees towards innovation by giving opportunity for employees to present their new ideas and implementing possible ideas.

**Telia Company**

According to HCWS, they respect for communication within the organization which makes them to follow processes. By nature they do not take risks but they are open for challenges with less risk due to the market competition they have. Being a telecommunication company
Telia practices transactional leadership which keeps employees within the boundaries and that limits their innovative behavior. Telia mainly concern employee performances. As usual in every company Telia management use to have meetings with their teams once a month. Managers believe that being less hierarchical improves employees’ productivity. Telia employees have opportunities to share their ideas towards innovative decisions because the management believes employees know the better.

Telia has a employee performance system align with KPIs and they take monthly meetings with every employee to evaluate and make comments on their performance but not any punishment system as in transactional leadership. The HCWS stated that their rewarding system encourage employee innovative behavior toward better performance with the bonus system. In Telia change management practices by the management but since it is a large company there are some specific processes to follow. They have to measure the change before take actions. This can be identified as transformational leadership styles. Telia managers always guide their employees for better performance and allocate authority with suitable positions and skills. According to the interviewee Telia is lacking in providing encouragement for employees towards innovative behavior because they do not provide any brand new services. When they want to do something new they buy startup business that have already develop new services or product.

**ZION Holdings**

The study found that ZION practices transformational leadership. Because take risks to provide new services and provide current services in new ways are been allowed from the top management itself. (GMD) mentioned the young culture of the organization focus to do things in new ways mostly and for that confident and competency is important. In ZION, processes streamline the implementation of innovation not establishing new ideas. Same idea came up from the Consultant HR and they see the organizational performance through the processes. Since ZION consider employees as a sensitive fact and they work with more blue collar employees their concern employee well being the first. GMD said ZION has not practiced much strict reporting system at the startup of the company but now the management follow the reporting system since top management micro manage the business. Therefore to make decisions they need factors and figures. But they do not expect daily reporting system based on each and every task. As Consultant HR mentioned they have very strong communicative culture, because of that formal reporting systems are not effective among
employees. They have monthly meetings where they discuss success and failures while solving problems and helping others. This is more transformational behavioural culture.

ZION practices collective decision making process. They value every employee ideas. GMD said, since ZION is into management consultancy services, interior and advertising they most make decision for new ideas. Consultant HR confirmed this mentioning that they have opportunity to communicate employees’ view all the time. ZION practice employee performance evaluation system based on KPIs. The management and employee both believe it gives opportunities for employee to think and develop new things. According to GMD change management is possible and flexible in management side but implementation is hard from employees’ perception. Management always educates and motivates them for the needs of change. According to the Consultant, ZION management is very open minded for changes. Specially when they develop new service line, designs, business models and etc. Management encourages employees to think new ways of doing them. They follow certain processes to maintain some disciplines within the company but management is flexible to do changes within processes if the need of change relates to job performance.

Both interviewees said ZION management always guide employees for their achievements and put them in “deep end” (allowing employees to perform and make decisions independently under minimum supervision) by allocating authorities which improves employee capabilities towards innovative behavior. By the nature ZION is an innovative company with the services they provide. ZION practices the transformational leadership with limited influence of transactional leadership.

**MAS Holdings**

As a multinational company MAS practices both the transformational and transactional leadership styles because they have to develop new designs and use new materials and methods to compete in the market. On the other hand they have to make sure the resource allocation, meeting deadlines within productive productions. All interviewees said they are innovative while following processes. MAS has well established programs to improve employee well being but generally performance is the main concern. They provide welfare to enhance employee performances. MAS practices standard reporting system which are providing necessary information to make daily business decisions. None of interviewees said that as strict reporting culture, all the interviewees said it required with their nature of the business. According to the Assistant Manager depends on the level and the weightage of the
decision they take employees’ involvement in decision making process is decided. But according to other two executives management makes the decision because due to the size of the company its hard get everybody involved in every level.

MAS also practices Key Performance Indicators (KPIs) based performance evaluation system which evaluates employee innovative behaviour. All three interviewees think that employees will encourage being innovative if they have reward system for innovation. Change management is possible within MAS under certain measurements, analysis and processes because they are a large company and responsible for many employees and huge financial assets. In terms of providing guidance and allocation of authority, both Executives interviewed mentioned that managers first identify employee capabilities to allocate authority and they guide employees all the time when they need their manager’s direction. In Assistant Manager-Plannings’ point of view also, managers allow employees to communicate with them and that makes easy for managers to identify the need of guidance because some employees do not know what they need to go forward. Therefore not as Laissez faire leaders MAS managers are always there for employees. According to the Asst. Manager, they encourage employees for innovative behavior through the recognition, motivation and rewards; Executives add processes in to this list. According to both Executives, management mainly encourage their innovative behavior through rewards and educating them about the organizational goals align with innovations through training programs and allocating resources.
### 4.4 Influence of Organizational Culture and Leadership on Innovation

**Gästrike Återvinnare**

IRM explained that managers play a very important role to make an open organization through following up, providing feedback, focusing on work and home situation. Here Managers create a short distance between the departments that is a positive sign for innovation. He also mentioned that leaders make the culture of their organization when new leaders enter they also follow the same culture and they get inspired to extend their ability towards innovation. Further he asserted that political involvement in the organization may restrict manager for doing things freely which is a barrier for innovation in this organization. So it can be said that a supportive culture for innovation always influence the leaders to do something new.

**BillerudKorsnäs**

One of the Venture managers mentioned that in general managers are responsible for encouraging employees, creating opportunities for openness and taking risk within the organization that is necessary for innovation. Lack of encouragement, fear of making mistake, risk aversion attitude of the managers are the facts which are discouraging innovative performance in this organization. According to the Venture Manager their organizational culture does not encourage them to be innovative. Hierarchical structure, non
transparent information, lacking of sharing information are the main cultural barriers of this organization for developing innovation.

**Telia Company**

HCWS stated that managers are focusing on cost and productivity; they are not giving much focus on innovation. The culture of this organization does not bother about innovation, following traditional processes, when there is need of doing something new, managers focus on buying new startup. He also mentioned that their organizational culture is not very supportive for innovation. Following the same process is hindering managers to establish brand new service in the organization.

**Scandic Hotels**

As General Manager explained the culture of Scandic facilitates managers to be innovative and encourage them to motivate their team members towards innovative behaviour. Scandic consider mistakes as new learnings. Since they have a culture which allows to break rules they have more space to be innovative. In other way, through the leadership compass managers have ability to influence and change the Scandic culture. Employee has the same view. The level of influence that managers have, can be different from department to department due to the nature of the business. As observed by the Breakfast Host, she has seen manager do their best to be creative within their limits and always they encourage team members. In this situation employee empowerment, flexible procedures and open communication are important. Fear of leaders has been identified as barrier which limites culture towards innovativeness. Scandic organizational culture influence managers to be innovative and managers also have opportunity to drive or motivate the organizational culture towards innovative behavior.

**ZION Holdings**

According to the GMD and the Consultant, managers of ZION play an important role within the organizational culture. Managers as leaders drive the organization towards the innovativeness while being open minded, empowering team members and establishing the confident among all to face for challenges in the innovation process. From the culture of the organization manager have given the freedom and by the management has given the authority to develop new ideas and implement the productively. Therefore by the culture itself has created a room for managers to be innovative and improved within the organization and managers do the necessary adjustment of the culture to have a room for them to be
innovative. Both interviewees see the limited time the workload single employee has as cultural barrier for innovation which the solution is within the control of the leaders or the top management.

**MAS Holdings**

To influence the organizational culture managers of the organization allow employees to communicate their new ideas and give them recognition with feedbacks for their ideas and actions. Managers help employees to maintain their work life balance and practice MOS lean culture but managers have very limited space to change the culture. By the culture itself MAS is a innovative company and top management has already developed processor to maintain productive innovation systems. Though managers try to influence culture there is not much effect for the culture. But culture of the MAS grooms managers to follow and be innovative with their team members. In this situation culture influence managers more than manager influence the culture for innovation. Employee would like to have change of the decision making process of the top management which encourage whole company as a team not as different departments. They believe more specific rewarding system and allocation of authority and tasks based on capabilities will make a difference in employee innovative behavior. Managers think traditional thinking patterns and resistance to change as barriers for organizational innovation this can improve through following KPIs.
## 4.5 Summary of the Findings

<table>
<thead>
<tr>
<th>Themes</th>
<th>Findings of Swedish Organizations</th>
<th>Impact on innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Organizational Culture</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process oriented</td>
<td>• Following processes make things easier and lower the gap which is necessary for innovation.</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>• Process orientation forces employees to do the same thing which may hinder innovation.</td>
<td></td>
</tr>
<tr>
<td>Result oriented</td>
<td>• Result oriented culture enable leaders to think out of the boundary which is the crucial to develop innovation.</td>
<td>X</td>
</tr>
<tr>
<td>Job oriented</td>
<td>• Job oriented culture enhances the fear of making mistakes which restrict to do something new.</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>• Focusing on performance may enable to perform in a better way which can help to make an organization financially stable, thus it can increase the chances to invest more on new project which is essential to do something new.</td>
<td></td>
</tr>
<tr>
<td>Employee oriented</td>
<td>• The behavior of concerning for employees’ wellbeing, motivate employees to generate new ideas.</td>
<td>X</td>
</tr>
<tr>
<td>Open System</td>
<td>• Open system culture provides employees with a working environment that decreases employees’ stress level and increases the freedom to exchange ideas and produce more ideas.</td>
<td>X</td>
</tr>
<tr>
<td>Closed system</td>
<td>• Closed system culture restricts employees to share knowledge and information which hamper innovation</td>
<td>X</td>
</tr>
<tr>
<td>Normative Culture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● A normative culture can be supportive for developing innovation but for developing innovation a pragmatic culture contribute more.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pragmatic Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>● For developing innovation market orientation is an effective culture.</td>
</tr>
</tbody>
</table>

### Types of Leadership

<table>
<thead>
<tr>
<th>Transformational Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Encourage employee towards innovativeness while following organizational processes.</td>
</tr>
<tr>
<td>● Make room for followers to share innovative ideas.</td>
</tr>
<tr>
<td>● Allow followers to be independent in their innovative behavior.</td>
</tr>
<tr>
<td>● Flexibility of leaders for change the process according to the situation is very important for innovations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transactional Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Following processes show steps of the innovation process clearly.</td>
</tr>
<tr>
<td>● Proper performance evaluation system encourages employees’ innovative behavior.</td>
</tr>
<tr>
<td>● Frequent work reporting system for the management discourages employees towards the innovativeness.</td>
</tr>
<tr>
<td>● Refuse to consider employee opinions in the development of innovations de-motivate employee behavior towards innovativeness.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Laissez-faire Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Did not find as they practice this leadership style</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Combined impact of organizational culture and leadership in developing innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Leaders make the culture and the culture of the organization shapes leader’s action.</td>
</tr>
</tbody>
</table>

Organizational culture and leadership after affecting each other impact on innovation.

<p>| Table 10: Summary of the findings of Swedish organizations, own. |</p>
<table>
<thead>
<tr>
<th>Themes</th>
<th>Findings of Sri Lankan Organizations</th>
<th>Impact on innovations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td><strong>Organizational Culture</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process oriented</td>
<td>● Process orientation provides the opportunity to develop a new process which is a innovation.</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>● Process orientation cannot be effective in building innovation as result orientation.</td>
<td></td>
</tr>
<tr>
<td>Result oriented</td>
<td>● Mindset for taking challenges provides opportunity to think differently which is a good sign for innovation.</td>
<td>X</td>
</tr>
<tr>
<td>Job oriented</td>
<td>● A job oriented culture increases employees confidence and commitment towards work and organization which is necessary for innovation.</td>
<td>X</td>
</tr>
<tr>
<td>Employee oriented</td>
<td>● Concerning for employees’ wellbeing motivate employees to explore their shining side.</td>
<td>X</td>
</tr>
<tr>
<td>Open System</td>
<td>● Flexible working environment enables employees to share their knowledge fearlessly.</td>
<td>X</td>
</tr>
<tr>
<td>Closed System</td>
<td>● An inflexible working environment restricts innovation.</td>
<td></td>
</tr>
<tr>
<td>Normative</td>
<td>● A normative culture can be supportive for developing innovation but for developing innovation a pragmatic culture contribute more.</td>
<td></td>
</tr>
<tr>
<td>Pragmatic</td>
<td>● For developing innovation market orientation is an effective culture.</td>
<td>X</td>
</tr>
<tr>
<td><strong>Types of Leadership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>● Encourage employee towards innovativeness taking risks and challenges.</td>
<td>X</td>
</tr>
</tbody>
</table>
- Open communication allows followers to share innovative ideas and make them in action.
- Make followers independent in their innovative behaviour while allocating authorities.
- Flexibility of leaders for changes in processes and innovative ideas of them according to the situation drive organizations towards innovations.

<table>
<thead>
<tr>
<th>Transactional Leadership</th>
<th>Following processes make it easy to see organizational performances and to solve problem in the innovation process.</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proper performance evaluation system encourages employees’ innovative behaviour.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Frequent work reporting system is necessary for large organizations to see daily organizational performances.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not practical to consider all employee opinions, therefore collect ideas departmental wise through managers.</td>
<td></td>
</tr>
</tbody>
</table>

| Laissez-faire Leadership | Do not find as they practice this leadership style                                                                 | X |

| Combined impact of organizational culture and leadership in developing innovation | Leaders influence to make the organizational culture and the culture of the organization shapes leader’s action. | Organizational culture and leadership combinedly has a greater influence in organizational innovation. |

**Table 11: Summary of the findings of Sri Lankan organizations, own.**

By summarizing our findings we can say that that result oriented, employee oriented, open system and pragmatic culture and transformational leadership have positive impact in developing innovation. Closed system culture is negatively related with innovation. Normative culture is playing a supportive role. Transactional leadership, job oriented and process oriented culture have both positive and negative impact in developing innovation.
5.0 Analysis

This chapter analyzes the results from the empirical investigation with the support of theoretical stance. This chapter presents an integrated analysis that provides a discussion which helps to draw the conclusion in the next chapter.

5.1 Organizational Culture and Innovation

Process oriented versus Result oriented

Chang & Lin (2015) point out that in result oriented culture, the individuals are willing to be innovative. This study found that the result oriented culture creates more opportunity for the employees to take challenges which may force them to think something new. According to Hofstede et al. (2010) in result oriented culture individuals are open for taking challenges and risks. Taking risk and embracing challenges have positive impact in the development of innovation. Lin & McDonough (2011) and Chrisman et al. (2015) suggest that the organizational culture with risk taking and open for challenge foster innovation. The study found that one of the organizations is fully practicing a result oriented culture and two of the organizations are practicing both process and result oriented culture. Four of the organizations (including both Swedish and Sri Lankan organizations) have suggested that result oriented culture has positive impact in developing innovation. Though BillerudKorsnäs is not practicing result oriented culture, they have asserted that fear of taking risk and making mistake, hinders the development of innovation. So it can be said that the finding confirms the theory by exploring that result oriented culture have positive impact in developing innovation.

Hofstede et al. (2010) explores that process oriented culture provides more focus on regular process and avoid risk taking behavior. Supporting the finding of Hofstede et al. (2010), Chang & Ling (2015) state that process oriented culture avoids innovative method of resolving problem due to the presence of considerable risk aversion propensity and Bommert (2010) mentions process oriented culture hinders diffuse ideas. In this case it can be said all the theories suggest that process oriented culture carries a negative impact in developing innovation. This study found that three of the organizations are fully practicing process oriented culture and two organizations are following both cultures. Three of them (one from Sri Lanka and two from Sweden) have suggested that process oriented culture has negative impact in developing innovation. For example, in process oriented culture, everyday employees do the same thing which hinders them to think out of the boundaries. Three of the
organizations have confirmed that the process oriented culture has positive impact on innovation. For example following the same processes provides the opportunity to develop the process which is a innovation. In this case the finding of the study added a new cue of process oriented culture.

**Employee Oriented versus Job Oriented**

In the study of Chang & Lin (2015) it has been found that job oriented culture has positive impact in developing innovation since in this culture employees show greater commitment to the work and greater willingness to share knowledge. This study found that three of the organizations are practicing both cultures and two organizations are fully practicing job-oriented culture. Among them four (one from Sri Lanka and three from Sweden) of the organizations confirmed that the job-oriented culture has positive impact on innovation. Only one organization asserted about the negative impact of job-oriented culture on innovation. The statement of the venture manager from BillerudKorsnäs which is practicing job-oriented culture strongly goes against to this culture in developing innovation. He stated “focusing on performance may hinder innovation because you scared for doing mistakes; you start to focus on things that you can measure like patents. You also loss long vision and management get impatient, wants result here and now. You then start to lie or shortcuts to reach the result only to show management and the organization's innovation gets filled with air (nothing really good)”. This statement suggests that that job orientation culture restricts innovative performance. So the findings are not fully supporting the theory since the study found both positive and negative impact of this culture.

The study found that one organization is following fully employee oriented culture. Including this organization and other organizations which are following both cultures, assured that employee culture has positive impact in developing innovation. So the findings related to the impact of employee oriented culture entirely support the theory provided by Zhang (2010) where he explores that for obtaining fast innovation, employees have to be confirmed that their organization is socially responsible for them.

**Open system versus Closed System**

In terms of open versus closed system it is found that except one organization all the organizations maintain an open system culture. There is no theory that supports closed system culture for developing innovation. All the organizations have same view that open system culture is crucial for developing innovation. The study of Parthasarathy & Sethi (1993);
Chenhall et al. (2011); Martins & Terblanche (2003); Khazanchi et. al., (2007); and Chandler et al. (2000) suggest that for developing innovation, an open system culture is necessary since it is flexible, has supportive management, and also sharing ideas and information are transparent here and employee are encouraged to debate on ideas. Kesting & Parmi (2010) and Chenhall et. al., (2011) suggest that employee participation is necessary for innovation. This study found that for developing innovation most of the interviewees suggested a culture, where there is more opportunity for the employees to engage with innovative project, less communication barriers and short distances between management and employee. Chang & Lin (2015) find that closed system culture has negative impact in developing of innovation. BillerudKorsnäs is practicing a more closed system culture and according to the statement of the venture managers it is confirmed that following this culture is one of the reasons that is negatively impacting the development of innovation in their organization. So it can be said that the findings of the study support all the theories related to the impact of open versus closed system in developing innovation.

**Normative versus Pragmatic culture**

This study finds that only one organization is practicing both normative and pragmatic culture and others organizations are following mainly pragmatic culture. Naranjo et. al., (2016) suggests that pragmatic culture is expected to foster innovation more than normative culture. Sundström et al. (2016) explores in developing innovation understanding customers’ need is imperative. For developing innovation all of the six organizations stretch themselves towards market. One of the interviewees of Gästrike Återvinnare suggested external factor such as making international relationship, growing more network are essential for developing innovation since this actions help to understand others views, perspective, ideas about innovation and to assimilate others’ innovative ideas to develop the innovation. For example, Gästrike Återvinnare uses the biogas in the recycle vehicle though they do not produce biogas they assimilated the ideas from their international partner for using this in the vehicle. Thus they develop innovation by being pragmatic. They also use ideas from their customers in term of developing their service system. This study suggests that developing innovation is depend on pragmatic culture where normative culture plays just a supportive role. So it can be said that the findings of the study in all respect confirm the theory related to the impact of normative versus pragmatic culture in developing innovation.
5.2 Leadership Styles and Innovation

Transformational leadership
The findings of this study identify that all other companies have more influence of transformational leadership except BillerudKorsnäs which has strong ability to motivate employees towards organizational innovation. The four transformational leadership roles introduced by Bass (1985) are practicing by all five companies except BillerudKorsnäs. Intellectual stimulation role, Idealized influence role and the role of individualized consideration are practicing by the managers of all other five companies except BillerudKorsnäs. Findings show that Inspirational motivation role is practicing only by the managers of Gästrike Återvinnare, ZION Holdings and MAS Holdings’ while encourage their performance aligning the organizational vision.

Jung et al. (2003) mention transformational leaders encourage followers to think out of the box taking challenges to do things in new ways as confirmed by the findings of Vera & Crossan (2004) and Bass & Riggio (2006) stating that transformational leadership is effective in promoting change and focusing for innovation within the organization. This literature confirmed by the finding of the study as the interviewees of Gästrike Återvinnare, ZION Holdings and MAS Holdings’ said their managers are flexible and positive towards change management in developing innovation. The interviewees of BillerudKorsnäs experience the opposite of this and Scandic hotel and Telia interviewees raised the size of the company affects highly to the innovation process and innovative leadership behavior. Therefore the level of acceptance of change can vary according to the reasons of the change.

Dess & Picken (2000) mention transformational leaders accept mistakes while understanding the perceptions of the job role. Findings of Gästrike Återvinnare, BillerudKorsnäs, Scandic hotels and ZION Holdings confirmed this theory explaining that they learn new things through the mistakes occur in developing innovation. MAS holdings and Telia interviewees said that the level of acceptance and tolerance of mistake can be subjected to how serious the impact and person who made the mistake. Howell & Avolio (1993) argue this type of leaders always try to allocate responsibilities among followers for the development of their performance and empirical findings of Pieterse, Van Knippenberg, Schippers & Stam (2010) confirm that transformational leadership behavior increases followers’ innovative behaviour mainly through empowering them. According to the findings of Gästrike Återvinnare, Scandic Hotels and ZION Holdings are strongly practice this in developing innovation while BillerudKorsnäs following limitedly. Telia interviewee said allocation of the responsibilities
depends on the project and MAS Holdings interviewees said mainly this depends on the capabilities of employees. Therefore, the employees of three companies confirm the theory by their experience with the management.

**Transactional leadership**

Findings of the study confirmed that BillerudKorsnäs management practice transactional leadership which has negative impact for innovation. Gästrike Återvinnare, Telia Company, Scandic Hotels and MAS Holdings’ interviewees showed positive impact of using transactional leadership for innovation while and ZION findings showed very limited positive impact in developing innovation.

According to Waldman et al. (2001) and Vera & Crossan (2004) transactional leaders attempt to strengthen the existing organizational culture, strategies and structures as by refreshing them rather than making any change. Findings of BillerudKorsnäs confirmed this factors explaining as they are not taking risk to do new things rather than in a very special project. Employees have been advised and encouraged to follow the old processes which has a negative effect on innovation and speed to the market growth. They identify the reason behind this is the fear of making mistakes. Findings of all the other three companies excluding Telia and BillerudKorsnäs confirmed that following processes make easy to see the steps in between all the performance, connection between processes, establish open communication and enhance the service quality but processes keep employee ideas inside the box. ZION interviewees raised a new finding as focusing processes do not encourage innovative ideas but effective in implementation of innovative ideas.

Bass (1985) concludes transactional leaders are task oriented being very much into control, standardization, formalization and efficiency. BillerudKorsnäs and MAS interviewees provided information supporting to this statement mentioning they practice this and this behaviour discourage employee innovative ideas. Gästrike Återvinnare, Telia Company, Scandic Hotels and ZION Holdings interviewees mentioned they concern both performance and employee well being which positively impact on employee innovative behaviour. ZION and Telia interviewees specially mentioned being more task oriented can be negatively impact on innovation and Gästrike Återvinnare and Scandic Hotels mentioned leaders need to maintain the balance between performance and employee well being to gain effective results from innovations. Therefore findings of these two companies confirm the theory as they practice task oriented leadership style. Bass (1997) mention transactional leaders expect
to practice frequent reporting systems to see how employee perform and streamline their performances. Findings of BillerudKorsnäs confirmed they have this characteristic since they have frequent formal reporting system rather than actions which do not encourage innovativeness. All other five companies have formal reporting systems but flexible and not frequent, basically monthly reporting system.

As Elenkov & Manev (2005), Aragón-Correa et al. (2007) and Chaudhry & Javed (2012) explain transactional leadership offers rewards for good achievement and punishments for mistakes of employees, to make them understand their responsibilities and goals to be achieved. None of the companies are practicing any punishment system rather than providing negative feedbacks. But from Gästrike Återvinnare found that they do not practice negative feedbacks either. They encourage employees providing positive feedbacks and guiding them to overcome from mistakes. According to Elenkov & Manev (2005) contingent reward system can establish a positive relationship between transactional leaders and innovation. All six companies confirmed to this fact that performance evaluation system based on effective KPIs improves employee performance and ideas towards innovative behavior.

According to Deci & Ryan (1987), Boerner et al. (2007), Moss & Ritossa (2007) and Pieterse et al. (2010) find transactional leaders have negative impact in developing innovation in organization, the findings of the study confirmed this with the information gathered from BillerudKorsnäs and Telia. As Damanpour (1996) says transactional leaders actively participate for lowering the complexity of the organization through setting goals with rewards and develop processes and structures, all six companies agreed to this fact as positively encourage their innovative behavior. Oke et al. (2009) states transformational leadership is more effective to encourage innovations and transactional leadership is more effective for implementation of innovation, this confirmed by the findings of ZION Holdings’ interviews. Vaccaro et al. (2012) concludes that transformational leadership contributes more in innovation in large organizations and transactional leadership contributes more in innovation in small organization but finding of the study through MAS Holdings and Telia interviews showed transactional leadership contributes more in innovation within larger organization.

**Laissez-faire leadership**

As Chaudhry & Javed (2012) say Laissez-faire leaders allows employees to work independently according to their own methods making their own decisions without any interruption. Bass & Stogdill (1990) mention when there is a need of involvement of leaders
in decision making process usually they delayed, laissez-faire leaders do not try to encourage followers by rewarding or giving feedbacks neither they put effort to identify the need of employee job satisfaction. BillerudKorsnäs interviewees said they have limited freedom to make decisions by their own but managers attend when they need any help in decision making. Though they do not have specific rewarding system, managers use to provide feedbacks. All other five companies have opportunity to make decisions while managers making sure employees are working towards correct direction. Managers of Gästrike Återvinnare, Telia Company, Scandic Hotels, MAS Holdings and ZION Holdings are encouraging their employees to perform better in the organization than the management of BillerudKorsnäs. Therefore according to the findings, this study did not identify any organization practicing Laissez-faire leadership.

5.3 Influence of Organizational Culture and Leadership on Innovation

Badu & Avolio (1993) argue that organizational culture can impact the development of its leadership. This study found that a supportive culture for innovation enables leaders to be innovative. For example, in Gästrike Återvinnare, there is a short distance within the department which enables the leaders of the department to share their ideas with other leaders. So here a culture of open communication system creates an opportunity for the leaders to contribute for innovation through sharing ideas. Our findings suggest that the culture that allows to make mistake and to break rules inspires the leader to be innovative.

According to Ke & Wei (2008) leadership is the most important factor to develop a strong connection between the adaptability of organizational culture to innovation and according to Vaccaro et al. (2012) and Sarros et al. (2008), transformational leadership moderate the organizational culture to take risks, concerns about employees and focus for goal achievement to encourage innovation. Findings from Gästrike Återvinnare, Scandic Hotels and ZION Holdings supported for both these statements mentioning their managers have strong ability to influence the organizational culture towards innovation. MAS Holdings and Telia Company found as their managers have limited possibility to influence the culture of the organization due to the size of the company. Though BillerudKorsnäs practice transactional leadership interviewees proposed having transformational leadership characteristics can encourage the organizational culture towards innovation.
5.4 Revised theoretical framework to understand the impact of organizational culture and leadership styles on innovation

This Figure 3 explains that employee oriented (Zhang, 2010), result oriented (Chang & Lin, 2015; Lin & McDonough, 2011; Chrisman et al., 2015), open system (Parthasarathy & Sethi, 1993; Chenhall et al., 2011; Martins & Terblanche, 2003; Khazanchi et al., 2007; Chandler et al., 2000) and pragmatic culture (Naranjo et al., 2016; Sundström et al., 2016) have positive impact on organizational innovation. Job oriented and process oriented culture has both positive and negative impact on organizational innovation. Closed system cultures (Chang & Lin, 2015) negatively impact the development of innovation. Normative culture (Ogbonna & Harris, 2000) is considered as only supportive culture but does not strongly impact the development of innovation. Thus it is considered as having weakly positive impact on innovation. Transactional leadership has both positive (Bass, 1985; Bass, 1997; Waldman et al., 2001; Vera & Crossan, 2004; Elenkov & Manev, 2005) and negative impact (Aragón-Correa et al., 2007; Chaudhry & Javed, 2012; Deci & Ryan, 1987; Boerner et al., 2007; Moss & Ritossa, 2007; Pieterse et al., 2010) on innovation whereas transformational leadership positively impact (Bass, 1985; Dess & Picken 2000; Jung et al., 2003; Vera & Crossan, 2004; Bass & Riggio, 2006) innovation. On the other, Laissez-faire leadership is not associated with innovation.

Figure 2: Revised Theoretical Framework: Impact of Organizational Culture and Leadership Styles on Organizational Innovation, own.
6.0 Conclusion

The answers of the research questions have been addressed in this chapter. Conclusion is drawn based on the analysis from the previous chapter. Further theoretical, managerial and societal implications are given. Lastly the limitations of the study exhibited and suggestions are provided for the future research.

6.1 Fulfilment of Purpose of the Study

The aim of the study is to explore the impact of organizational culture and leadership in the development of organizational innovation. This study illustrates that organizational culture and leadership have vice versa effect and together they have influence in developing innovation. Previous studies (Bommert, 2010; Chang & Lee, 2015; Nieto et al., 2015) suggest that process oriented culture has negative impact on innovation. This study found both positive and negative impact of this dimension in developing innovation. In terms of job oriented culture, previous studies suggest it has positive impact but for this dimension this study also found both positive and negative impact. For the impact of transactional leadership, researchers provide a contradictory results, some researches suggest positive relationship, and some suggest negative relationship and some suggest these leadership styles do not associate with innovation. Because of these contradictory results we thought these results could have been changed, specially due to the rapid change of the business practices (eg; technology, management styles and motivational factors of employees’ etc.) in every industry. Therefore we found it is interesting to find out what is the real or actual impact of transactional leadership in innovation. Through this study we also found that transactional leadership has both positive and negative impact on innovation. Our finding suggests that transformational leadership is more effective than the transactional leadership for developing innovation. Laissez-faire leadership is not associated with innovation. Though Sweden and Sri Lanka both are two different countries in term of economy and culture, the opinions are similar when it comes to develop innovation and both of the country mostly prefer to practice result oriented, employee oriented, open system, pragmatic culture and transformational leadership.

Since we have found both positive and negative impact of other cultures and leadership (process oriented, job oriented and transactional leadership) and weakly positive impact of normative culture we cannot suggest managers to follow these cultures and leadership style to
develop innovation rather we suggest managers to follow result oriented, open system, employee oriented and pragmatic culture with transformational leadership since these organizational culture and leadership are more favourable and effective to develop organizational innovation.

In this study we found that BillerudKorsnäs is practicing the culture and leadership style, which are different from those of other companies. This differentiation that we found, suggests that the culture and leadership style what BillerudKorsnäs is following has negative impact on innovation.

While all other companies move forward in the industry developing their organizational strategies, cultures and leadership styles focusing effective employee performances towards innovation, BillerudKorsnäs maintain their own traditional way of doing business and managing employees, which negatively impact for their organizational innovative behaviour.

6.2 Discussion of the Research Questions

RQ1: How does organizational culture impact to develop organizational innovation?
The study illustrates that result oriented culture, open system culture, pragmatic culture and employee oriented culture positively impact in developing organizational innovation. In organizations which focus to develop innovation, follow these cultural dimensions within the organizations. Risk and challenges, cipher communications barriers, market orientation and caring for employees influence innovation positively. Barriers of communication, less opportunities to share ideas mostly seen mostly seen in the closed system culture have negative impact on innovation.

The positive impact of process oriented culture is a new contribution of the study which shows that this culture can be positive for innovation if there is right allocation of resources, right KPI system, easiness of getting answer and opportunity to change processes and developing processes. It can have negative impact if there is strictness to maintain the process only. Job orientation culture can have positive impact on innovation if employees are committed to their job and willing to diffuse ideas. The negative impact of job oriented culture is another new finding of the study which suggest shows that if employees are not motivated to do something new with their performance and if there is fear of making mistake while doing job. Normative culture is found as a supportive culture for innovation but it does not have direct impact on innovation. A pragmatic culture which is market driven gives
organizations more opportunities to contribute for innovation because a market oriented culture opens the path to understand the outside world and get new ideas from it.

**RQ2: How does leadership impact to develop organizational innovation?**

Leadership of the managers have a greater impact on employee behaviour in every organizations as we identified through both managers and employees involved in the study from all organizations. Previous researchers have found the impact of transactional leadership for innovation as negative mainly because they are task oriented, they closely monitor employee performances, strict in following traditional processes and less flexible to change them and they also practice punishment system for poor performances. Previous researches found these characteristics demotivate employee behaviour towards the development of innovation. But some studies find this leadership style motivate the innovation (positively impact) by guiding employee through closely monitoring them, reward system for good performances some have valued focusing and pushing employees towards the achievements of tasks make organizational performances efficient while some studies conclude no relationship of this leadership style with innovation (no influence). Findings of this study show there are impacts of transactional leadership in innovation as positive mainly because of following processes, follow up for employee performances, close guidance for employees, effective evaluation system (rewards for good performance) of transactional leaders. Findings show a negative impact of this leadership towards innovation because employees demotivate with punishment systems, strict reporting systems and processes and limited space for employees to share their new ideas and action under this type of leaders. According to our study we found transactional leadership has an influence for innovation in negatively, positively or both.

We found two new factors of transactional leadership through the findings that this leadership style can impact effectively in the process of implementation of the innovation rather than establishing/ building innovations and more effective in large/multinational organizations (size of the organization). Findings of this study can add more empirical to the literature as previous researchers have concluded transformational leadership encourage innovation through; concern both employee wellbeing and performance, allocate authority among employees with trust, less formal reporting systems, provide opportunities to be creative, respect for employee ideas and flexible with change management. Important fact found in this study is; transformational leaders working closely with employees and believing on the competencies of each other which help to increase the confident of employees to perform in
innovative way. This study did not find any organization practice Laissez-Faire leadership style as; they do not have managers only physically represent the positions and who are delayed to attend for need of decision making by employees.

**RQ3: How do organizational culture and leadership together impact on organizational innovation?**

Organizational cultures can be created by the leaders of the organization (Ogbonna & Harries, 2000). Changing a culture is a long term process, so new leaders follow the same culture mostly. If an organization has innovative oriented culture it may influence the leadership style of new leaders to drive the employees for innovation. For example, a culture which is more employees oriented, meaning that the leaders of this organization care about the well being of their employee. When the culture is practiced for a long term, the new leaders come and follow the same culture, thus the leaders get influenced by the culture to be more employee oriented. The culture of sharing ideas with other leaders and employees of another department also enable leaders to create room for innovation.

Through the discussions conducted with employees and managers, we identified managers as leaders have influence in employee innovative behavior through creating open communication and flexibility with understanding within the organization culture. According to previous researchers and as our study found, the organizations which practice transformational leadership has greater influence on organizational culture towards innovation compared to the organizations practice transactional leadership. Organizations which practice transactional leadership style also influence their organizational culture to be innovative effectively when they are large companies because they value employee innovative behaviors through appreciating and providing recognition through proper evaluation systems and lowering complications and mistakes.

**6.3 Implication of the Study**

**6.3.1 Theoretical implication**

This study has made a theoretical contribution in connecting the concept of the four cross dimensions of organizational culture and three leadership styles with innovation. This study confirms that the organizational cultural dimensions of Hofstede’s; process oriented versus result oriented, employee oriented versus job oriented, open system versus closed system, normative versus pragmatic are essential for understanding the way of developing innovation. This study adds a new reflection for process oriented and job oriented culture. The study also
provides an understanding about how transactional and transformational leadership work in developing innovation.

This study contributes to managerial practice in several respects. The study illustrates that there are several aspect of organizational culture (eg. openness, flexibility and appreciation of ideas) and leadership (eg. encouraging employee creativity and empowerment) that impact positively to build organizational innovation. Managers must serve as role model to identify the positive facts and negative facts, and also the extent of this positivity and negativity of the organizational culture and leadership in developing innovation. Managers must lead in the way that motivates employees to produce their ideas that helps to foster innovation. This study have discovered the areas (eg. flexible management, employee participation in making decision, continuous follow up KPIs, reward system etc.) where the managers can seek their focus to understand what is necessary for a firm if they want to make a innovative oriented culture.

6.3.2 Societal implication

An organization can highly impact the national economy of a country. Since survival of an organization is often depended on innovation, understanding about the influential factors of innovation is necessary. With the help of this study an organization will be able to identify what factors (eg. strict process, communication barriers, non-transparent information, fear of change and mistakes) need to be changed within the organization to foster innovation. This identification can enable them to be innovative and to be competitive in the market. Ultimately the organization will be able to contribute to the national economy of its country.

6.4 Critical reflection of the study

In this study we have used a wide source of literature in order to develop a theoretical framework and to present as a revised theoretical framework in analysis. Though we have confirmed the theory for all the dimensions of organizational culture and leadership except (process oriented and job oriented culture), we cannot fully generalize the whole study. But we believe that the result for employee oriented, result oriented, open system, pragmatic culture and transformational leadership, can be generalized since we got similar results from two different countries and the results confirm the theories.
6.5 Limitation

There are few limitations we identify during conducting the study. Firstly we uses only four organizational culture dimensions from six dimensions and there are limited numbers of articles have been found based on the relationship of organizational culture and innovations. Secondly, no theory found to analyze the impact of laissez-faire leadership in developing innovation and did not identify these organizations practice this leadership style. Thirdly, the numbers of participants are low for each company because of the unavailability of participation by the managers and employees. Next, we believe that focusing of specific industry could have given more insights to the innovation since it leads to investigate more about innovativeness of particular industry and organization and enables researchers to collect more deep information from interviewees since they will be from one industry. Lastly, though we have used two different countries, the national culture is ignored in this

6.6 Suggestion for future research

For future research we suggest to include more participants and to be more industry specific which will enable the researchers to obtain more answers for comparison and to explore about innovativeness of particular industry. Researcher can also go in depth to identify which factors are particularly the reasons for the failure and success of innovativeness to this particular industry through comparing the national culture. Since our study found that BillerudKorsnäs from manufacturing industry, following the cultures and leadership style which is negatively related to innovation, we would like suggest to research on particularly manufacturing industry to understand how companies in manufacturing industry deal with culture and leadership style to develop innovation.
References


Appendix 1: Interview questions

1. What is your position in this organization and for how long you are working with this organization?
2. How do you describe innovation in your organization and how do you measure it here? (Any example of innovation that you did or do?)
3. Does your organization strict with following processes and procedures or encouraging achievements through risk taking and embracing challenges?
4. If you give fo on processes, how do you think it can support innovation?
5. Do the management concern mainly about employee performances or their well being most? How this behavior can impact innovation?
6. How do you behave with newcomers/ outsiders? Do you think your organization is adaptable and flexible for newcomers and outsiders? How this can impact innovation?
7. Do you think your management is supportive and tolerate mistakes?
8. What kind of factors your organization research to contribute for innovation? Do you focus on external factors? For example customers needs? Or do you focus on internal procedure more?
9. Are you supposed to provide many reports to the senior very frequently based on every task you do?
10. When making organizational decisions does the management welcome other employees ideas as well or only the management makes decisions in organizational innovations?
11. How do you evaluate the results of employees innovative performance? Is there any reward or punishment system?
12. How this evaluation process support for the development of innovation?
13. How leaders react when there is a need for change in processes to develop innovations?
14. How does your managers provide guidance and allocate authority for making decisions in the process of development of innovations?
15. How the management encourage employees to be innovative?
16. How managers influence the culture of your organization for developing innovation?
17. How the culture of your organization supports the manager to create room for innovation?
18. What cultural fact(s) in your organization do you think is or are barriers for developing innovation in your organization? If nothing existing may be from past experience you can add something.

19. What are your suggestions to develop innovativeness of your organization in the future?