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Ultimately Contingent: Leveraging the Power-Web of Culture, Leadership, & Organization Design for Effective Innovation

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Today's business world is fast-paced, and successful organizations must innovate, especially as technologies become ever more crucial to securing market success. Research in the fields of leadership and organization design illustrates that innovativeness is a competency advanced by particular kinds of leadership and through specific organization designs. Similarly, research displays how cultural differences play a role in the success of particular kinds of leadership, which also affects organization design. And, culture figures into the innovation equation directly, as some cultural characteristics are more conducive to innovation than others. The following article, therefore, argues that organization design and leadership, when combined and based upon studied cultural awareness, optimized for unique industry and environment alignment, leads to greater innovation effectiveness. Effective organizational innovation depends on the alignment of culture, leadership, and organization design.

The various factors affecting how business is conducted today are different from even a decade ago; and business, a decade from now, if we have learned anything, will likely be much different from business today – where it takes place, how it takes place, and with whom it takes place, as well as the drivers of these changes. Thus, if any paradigm is to elucidate and guide modern business theory development and practice, then it must account for the far-reaching factors of societal culture, leadership, and innovation.

Organizations are unequal, facing different degrees of environmental change and differing in the organizational aspects experiencing change. This inequality increases amid the shifting market landscape. Adjusting to meet the demands of the market while also meeting the requirements of the environment suggests that a contingency perspective is most appropriate. As research shows, contingency is also relevant to organizational leadership.[1] Certain leadership attributes are similarly desired and disdained across cultures. Dickson et al. (2012) declare, "culture does matter, and not in a small way. It matters in how leaders emerge, are selected, developed, and seen (or not seen) as role models to be emulated, and it matters in ways that are predictable, and

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that organizations can respond to strategically."[2] But, the jury is out on whether attributes are desired for the same reasons across cultures.[3]

Regarding innovation, it is one of the modern organization's most prized competencies.[4] Contemporary literature argues for organization design's role in an organization's tendency to innovate by promoting and sustaining an innovative culture. Leadership is another driver that organization design theory takes into account. Culture, too, significantly affects innovativeness, as leaders must consider the regional as well as organizational cultures in which they lead. How the organization is designed, and whether that design works may also hinge upon cultural fit, i.e. a culturally-contingent design.

Such amounts to a web of relationships between cultures, leadership, and organization design which affect innovativeness (Figure 1). This article supports the argument for a reassembly of these relationships into the more comprehensible structure presented in Figure 2, where leaders and organization design, grounded in awareness and tending to social culture, yield culturally-aligned innovation.[5] Also, this diagram illustrates how culture is simultaneously nourished (to an unknown degree) by leadership, organization design, and innovation developments.

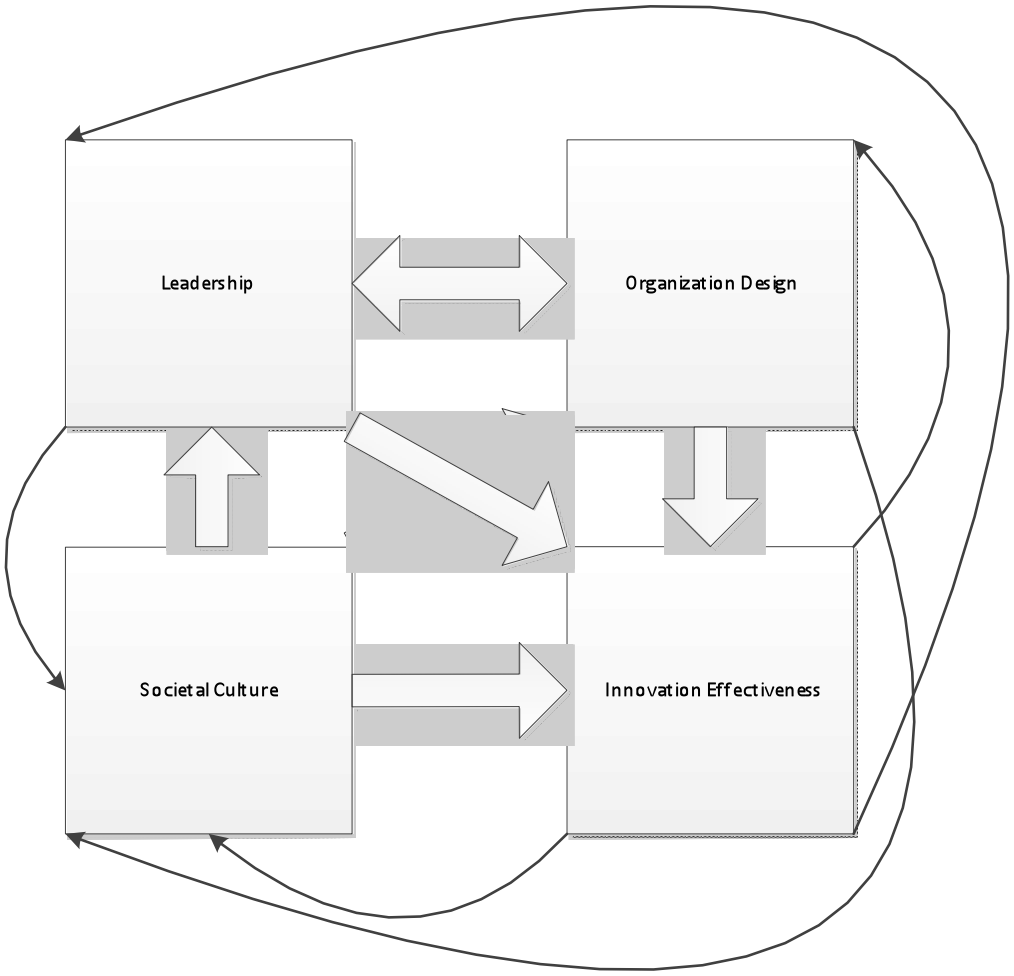

Figure 1: The Tangled Web of Innovation's Relations

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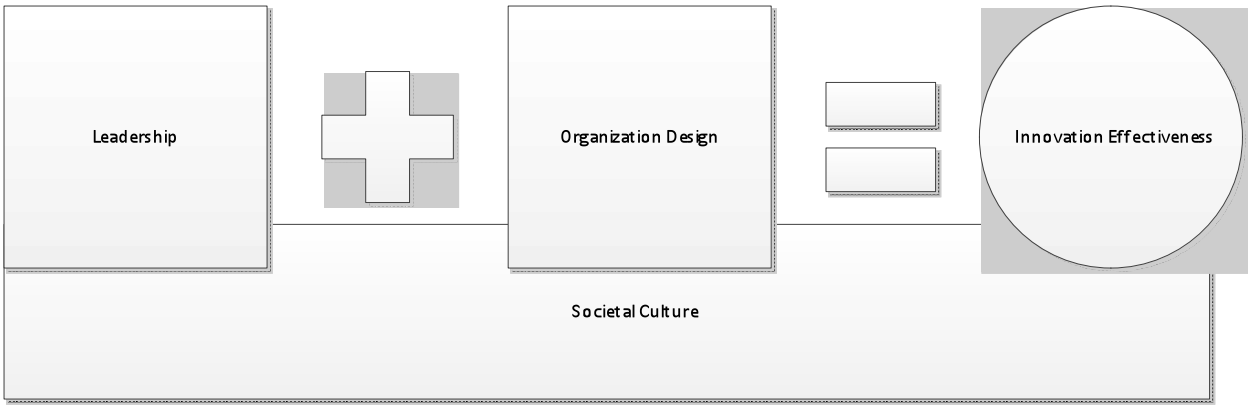

Figure 2: The Seedbed Model of Innovation Effectiveness

Laying the Foundation and Starting Well: Culture and Leadership

According to Service (2012), while researchers assert that international experience is necessary for modern leaders, what they really need is wisdom: the ability to understand cross-cultural events and develop the capacity to appropriately handle like or parallel future situations.[6] Globalization, "the increased interdependence…between nations," is forcing this change in the leadership requirement. It has resulted in increased competition for all firms.[7] For instance, when globalization affects one's local competitor in such a way that the competitor changes for improvement's sake, then the other firm experiences globalization's indirect effect and will be forced to change to remain competitive. Leaders and managers of larger firms that exercise an explicit international presence should immediately recognize wisdom's usefulness, especially as it pertains to cultural differences. Northouse (2013) posits, "Globalization has *created* a need to understand how cultural differences affect leadership performance."[8]

But, this has not gone unnoticed. The Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program, which began under Robert House and has included more than 200 researchers across the world, has been studying the relationship between culture and leadership for two decades.[9] And, leadership *is*, unequivocally, a global phenomenon.[10] The GLOBE study approaches global leadership from a contingency perspective, where universals for effective leadership are assumed nonexistent, as leadership is a, "culturally embedded process."[11] The other two approaches to global leadership are the universal and normative approaches, the former viewing leadership as an unchanging constant and the latter viewing it like Service (2012), who argues,

> Gaining the knowledge for leadership effectiveness requires an ability to learn, pay attention, recognize, imagine, and keep up to date on technologies as well as worldly directions…With these foundations one can improve adaptability, innovativeness, and continue to evolve….You must read, study and understand what level of knowledge is needed in your situation, industry, culture, etc. to develop appropriately useful skills.[12]

Thus, the focus in the normative approach is on prescribing a, "cluster of skills and abilities."[13]

Using nine cultural dimensions (*societal culture values*) which describe various leadership attributes, attitudes, values, and behaviors, GLOBE researchers created a model by which the

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study's 62 respondent countries' approaches to leadership could be discerned.[14] In their work, culture was defined as, "shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectivities that are transmitted across age generations."[15]

Because of commonalities displayed in earlier research in language, geography, religion, and historical accounts, GLOBE researchers grouped the respondent countries into ten regional clusters (Anglo, Germanic Europe, Latin Europe, Sub-Saharan Africa, Eastern Europe, Middle East, Confucian Asia, Southern Asia, Latin America, and Nordic Europe), having found the clusters, "a valid and reliable way to differentiate countries of the world."[16, 17] The three-phase project's goal went beyond just identifying cultural values; however, it sought to determine how differences in cultures relate to how the culture's approach leadership. The first two phases, which built on Lord and Maher's (1991) implicit leadership theory (ILT), describing leadership as *something recognized* based on observers' opinions, helped the GLOBE team develop the culturally endorsed implicit leadership theory (CLT).[18] The CLT consists of six global leadership dimensions (charismatic/value-based, team-oriented, participative, humane-oriented, autonomous, and self-protective), emerging from 112 attributes by which the cultures were surveyed, and 21 primary dimensions of leadership – bundled in the six global leadership dimensions.[19] Scoring these led to cluster profiles, displaying the, "relative importance and desirability that cultures ascribe to different leadership behaviors."[20] Dorfman, Javidan, Hanges, Dastmalchian, and House (2012) note that, "it is cultural *values* and not *practices* that are predictive of leadership attributes," as the surveys elicit idealized responses rather than record past or ongoing leadership activity.[21] Researchers also found that among primary attributes, "Performance orientation is an important cultural driver of *all* global leadership expectations."[22]

Regarding the universality or culturally-contingent nature of leadership, GLOBE research revealed 22 leadership *attributes* that verged on universal desirability and eight which were universally undesirable (Table 1). In contrast, 35 attributes were identified as culturally contingent. From the 21 primary leadership dimensions mentioned above, seven were found to be culturally contingent: status conscious, bureaucratic, autonomous, face saving, humane, self-sacrificial/risk taking, and internally competitive.[24]

TABLE 1: Universal Leadership Traits and Their Desirability

Universally Desirable[23]	Universally Undesirable
Trustworthy	Loner
Just	Asocial
Honest	Noncooperative
Encouraging	Irritable
Dynamic	Nonexplicit
Decisive	Egocentric
Coordinative	Ruthless
Team builder	Dictatorial

The third phase of the GLOBE project focused on tying together national culture, CLT, leadership behavior, and leadership effectiveness, relating the previously identified preferred leadership styles with separately surveyed CEO behavior. Researchers found: 1) "National culture does NOT predict leadership behavior," 2) CLT, "predicts leadership behavior," 3) "Leaders who behave according to expectations are effective," 4) there is "evidence for both cultural universality…as well as cultural differences regarding the *effectiveness* of specific kinds of leadership," and 5) evidence exists that specific

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leadership styles, "produce results beyond the typical attitudinal measures," i.e. leadership styles affect organizational performance.[25] This empirically illustrates how culture influences leadership in such a way that transformational, charismatic leadership is not only valued across the globe, but it also influences leaders to employ it in their organizations because it is culturally expected, effectively improving organizational performance.[26]

Where the GLOBE researchers found cultural differences in leadership more interesting and important than similarities (Dorfman, 2012), Choi, Howard, and Krig (2012) argue that, "the increasing convergence of these [leadership] practices and styles across the globe is inevitable as multinational businesses continue to expand their operations and as managerial talent increasingly migrates towards the best employment practices," suggesting that the similarities will increase, and are therefore more pertinent for future research and training.[27] They find supporting evidence in the research fields of commitment and values, leadership, emotional intelligence, and personality.[28] Randolph and Sashkin (2002) seem to split the difference between the two groups by putting forward a strong case for organizational empowerment as a key to leadership effectiveness in multinational settings. Empowerment is a leadership attribute of transformational leaders. Furthermore, they explain that while empowerment can help global companies face today's dynamic markets, citing positive return on sales figures and the improved performance of applied research engineering teams, they also advise that, "every culture dimension has both pluses and minuses for creating a culture of empowerment. No one set of culture dimensions is clearly the most favorable for empowerment."[29] The takeaway is that leadership and culture research, along with case study analysis, display the powerful interrelationship between these two dynamics of global business. Specific leadership styles and attributes are universally desirable and lead to greater organizational performance. The transformational style, in particular, which includes the charismatic leadership component and other global leadership dimensions as well as encourages follower empowerment, is a boon for organizational innovation.

Adding the Organizational Design Component

As McCann (2011) notes, today's organizations need to be capable of quickly redesigning."[30] Design is active, not static.[31] Organization design is planned and implemented so that a firm can effectively operate in its environment. With this contingency perspective, the strategy and goals, size, technology, culture, and environment of the organization are all considered alongside the firm's traditional structural dimensions.[32] When designing, "you are building and designing around capabilities that must be matched to strategies for seizing huge opportunities or countering major long-term threats, such as global economic instability and climate change."[33]

Contingency design means that there is no universally proper design.[34] "Fit" requires continual evaluation, shifting, and realignment of strategic operations. Organization design theory presupposes leaders who authorize design decisions. Certain designs will not coalesce with given structural dimensions or contingency factors – a reason transformational, charismatic leadership is especially desirable in both recognizing where design change is needed (vision), what kind of change will foster innovation, engaging the organizational culture to promote and sustain change.

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In the 1950s, Tom Burns and G. M. Stalker established the mechanistic-organic continuum.[35] The first descriptor refers to the "machine-like standard rules, procedures, and clear hierarchy of authority. Organizations are highly formalized and are also centralized, with most decisions made at the top."[36] The second entails a less rigid organization, "free-flowing, and adaptive."[37] With regard to leadership, the, "hierarchy of authority is looser," and, "decision-making authority is decentralized."[38] Morgan (2006) explains, "bureaucratic organizations tend to work most effectively in environments that are stable or protected in some way and that very different species are found in more competitive and turbulent regions."[39] Today's markets demand those *very different species*, for,

> When change in the environment becomes the order of the day, as when changing technological and market conditions pose new problems and challenges, open and flexible styles of organization and management are required.[40]

Burns and Stalker's initial study also stressed the importance of senior leaders being able to, "interpret the conditions facing the firm in an appropriate manner and to adopt relevant courses of action," illustrating leaders' influence in organization design is just as crucial as organization design's influence upon leadership behavior.[41]

Organic designs are the most conducive for developing the capacity to innovate in complex and changing global markets. A decentralized structure, empowered roles, informal systems, horizontal communication, and collaborative teamwork, therefore, are ideal. These organizations *tend* to be smaller in size, have adaptive cultures, and judge innovation as more necessary than efficiency.[42] Nevertheless, the juxtaposition of innovation with efficiency is misleading as innovative companies often seek efficiency through improvements.[43] Even Berkun (2010) agrees that nothing good is produced without a healthy flow of ideas throughout the organization, up and down any existing hierarchies.[44]

Organized for Innovation

Having established some basics of culture, leadership, and organization design above, this section will reveal their interrelationships and involvement in the innovation effectiveness equation. Aragón-Correa, García-Morales, and Cordón-Pozo (2007) highlight organizations' necessary pursuit of, "Market orientation and subsequent firm innovation," to survive and thrive, following the Product Development and Management Association's definition of innovation: "A new idea, method, or device. The act of creating a new product or process. The act includes invention as well as the work required to bring an idea or concept into final form."[45, 46]

Aragón-Correa et al.'s (2007) research shows the importance of leadership to firm innovation, specifically because of leaders' ability to, "introduce new ideas into an organization, set specific goals, and encourage innovation initiatives from subordinates."[47] They argue,

> Transformational leaders have an interactive vision, paying maximum attention to effective communication and sharing values…and encouraging an appropriate environment for innovative teams…They support collective processes of *organizational learning*…reciprocal trust between organization members and leaders…and favorable

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> attitudes toward proactivity and risk…Transformational leaders perceive their role more as coordination than as command and control.[48]

Their analysis of hundreds of firms across four sectors revealed one of the most crucial supports to the model in Figure 2: "a management style of transformational leadership and the collective capability of organizational learning both simultaneously influence innovation."[49] Major implications of this research then, include: 1) innovation-minded, transformational leaders value and develop people, 2) such leaders resource followers (read: empower) and are transparent in their behavior to earn followers' trust, and 3) they build up the organization's capacity for continuous learning through implementation (similar to scientific experimentation).[50] Service (2012) adds,

> Highly effective organizational leaders have shifted emphasis from management of stability and control to leadership directed toward speed, empowerment, flexibility, and continuous improvement, all directed at organizational innovation…Failure to innovate results in organizational decline and the only truly sustainable competitive advantage comes through continuous improvements.[51]

And, Gardner and Avolio (1998) expressed how transformational leaders embrace and promote innovation, writing,

> Charismatic leaders place a premium on being seen as innovative, entrepreneurial, adaptive, and unconventional persons who have a vision for radical and frame-breaking change. Moreover, in pursuing innovative ideas and in initiating change, they are willing to take substantial and often personal risks. Such creative, unconventional, and risky behavior sets them apart from their audience; it also contributes to their appeal, since the originality of their ideas and their willingness to take risks on followers' behalf strengthens followers' confidence that valued outcomes can be achieved.[52]

Nevertheless, the *degree* to which some of these leadership expressions (risk taking, ambitious, self-sacrificial, willful, and enthusiastic) are desirable is culturally-contingent.[53]

From the cultural perspective, through extensive literature review, Bogoviyeva and Mahmood (2011), using Hofstede's model of cultural dimensions and Edward T. Hall's cultural context continuum (also foundational for GLOBE research), put forward eleven pairs of inversely related propositions regarding how national culture impacts creative idea sourcing and innovation development models. Regarding how organizations' source their ideas, Bogoviyeva and Mahmood argue for an optimal cultural dimension mix of: high individualism, low power distance, low uncertainty avoidance, high femininity (for innovation focus, not speed of innovation), positive Confucian dynamism, and high context.[54] With regard to innovation development, the best mix is high individualism, low power distance, low uncertainty avoidance, high masculinity (for speed of innovation and variety of models employed), and positive Confucian dynamism.[55] According to this framework, eastern and western cultures fare differently. What follows, therefore, is a brief examination of leadership and organization design for innovation purposes in Chinese culture.

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Globalization and economic reform are changing Chinese management practices, according to Zhang, Tsui, and Wang (2011), whose research, identifying the missing elements of creativity and innovation among firms in China, which have primarily pursued economic growth through, "imitation an exploitation of learning," shows how Chinese group leaders, "promote or thwart group creativity."[56] The authors agree with Christensen (2011) that most companies fail because they fail to develop disruptive technologies, technologies that change an organization's value proposition.[57] Instead, they promote sustaining technologies which prop up existing products. China's firms have been doing just that, propping up the value propositions of non-Chinese organizations. Where a country like the United States would be expected to engage in, "higher order innovation," China is more likely to engage in the, "low order innovations," which characterize collectivistic countries.[58, 59] Given the uncertainty involved, making the jump from a sustaining to a disruptive technology mindset is difficult. And, especially in China, that fear of uncertainty is a disruptive technology development-killer. Combined with authoritarian leadership, it certainly harms group creativity.[60] Zhang et al. (2011) argued, therefore, for the importance of transformational leadership in group processes, concernedly pointing out,

> At the group level, the tendency for individual members to conform and align with the views of the majority of the members in the group (De Dreu & West, 2001) may discourage the creative thinking that is necessary for innovation.[61]

But, leaders can, according to empirical research, "enhance subordinate creativity by showing technical and creative problem-solving skills…providing support…building intrinsic motivation…or creating a positive mood."[62] Such efforts are needed to persuade followers that pursuing the disruptive technology route is best for them and the organization in the long run.

On the organization design side, innovation and organizational learning are related, offering up more support for organic constructions. Learning "supports creativity…inspires new knowledge and ideas…and increases ability to understand and apply them."[63, 64] Furthermore, an advanced form of organizational learning is a required feature of organizations attempting to innovate radically.[65] Mouzelis (1979) agrees, explaining, "The administrative apparatus under this mode of domination [charismatic] is very loose, unstructured, and unstable."[66] And, since humanity advances through connectedness, collaboration is required for successful cross-cultural leadership and organization design. Collaboration creates opportunities for idea mixing, and that is the essence of transdisciplinarity; and, transdisciplinarity that accounts for culture, leadership, and organization design is the foundation for effective organizational innovation.[67]

Conclusion and Cautions

An organization needs to be able to innovate in order to meet market challenges head on and be capable of aligning to the pace of its industry.[68] And, effective organizational innovation depends on the alignment of culture, leadership, and organization design. But, those are complex subjects, and they are not static for study. Brooks (2011) explains, "Cultures are emergent systems. There is no one person who embodies the traits of American or French or Chinese culture."[69] Sternberg (2003) offers an important caution, commenting on the potential folly of testing Western theories in the non-West.[70] That caution rings true, even though most of the literature cited herein came

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from or through researchers and practitioners of various countries and cultures. The case for culture, leadership, and organization design's interrelationships and impact upon innovation should be clear, for what is globalization the result of, but innovations which took root and altered how societies interacted over periods of time? Future research on this topic should consider the Global Innovation Index published by INSEAD.[71] One way to use that data could include mapping Forbes' "The World's Most Innovative Companies"[72] list onto INSEAD's country rankings, analyzing the organization designs of those companies frequently at the top of the list (and how design changes may or may not relate to historical rankings), and, if they are multinational organizations, the culture of the organizations' home-countries.

About the Author

David Stehlik is an adjunct professor for the University of Saint Francis' online MBA program and a strategy consultant located in Fort Wayne, Indiana. Concurrently, he is a student in Regent University's doctoral program in strategic leadership. His international experience is extensive, including travel through Africa, South America, and Southeastern Europe. Beyond the U.S., he has consulted for the national leaders of Christian ministries in Bulgaria, Macedonia, Romania, and Serbia as well as for Midwest businesses, youth camps, and various entrepreneurs. For inquiries regarding this article or further research and consulting inquiries (individual or collaborative prospects welcome), please contact him at dstehl@gmail.com.

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[13] Steers et al., (2012). p. 480.

[14] Dorfman et al., (2012). p. 505.

[15] Dickson et al., (2012). p. 484.

[16] Northouse. (2013). p. 390-391.

[17] Dickson, Castaño, Magomaeva, & Hartog (2012) argue that "the categorization of cultures into clusters is not consistent across researchers and is an area of disagreement in the cross-cultural research" (p. 486).

[18] Dorfman et al., (2012). p. 505.

[19] Ibid., pp. 505-506.

[20] Northouse. (2013). p. 396.

[21] Dorfman et al., (2012). p. 506.

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