Leadership And Creativity: Does Organizational Culture Matter?

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ABSTRACT

This study examined the mediating role played by organizational culture between leadership styles and organizational creativity. Three of leadership styles transformational leadership, transactional leadership and laissez-faire leadership were assessed with organizational creativity while organizational culture mediates. A purposive sample of 293 employees of advertising agencies of Islamabad was selected for the study. The results revealed partial mediation of organizational culture between transactional leadership and organizational creativity and transformational leadership and organizational creativity. However organizational culture negatively and partially mediates the relationship of laissez-faire leadership and organizational creativity. Research implication and suggestions for further studies are also discussed.

KEY WORDS: leadership styles, organizational creativity, organizational culture, creative organizations, advertising agencies

INTRODUCTION

The vibrant business environment demands the organizations to be creative in-order to sustain. In this regard, the creative and innovative human potential becomes essential. Organizations have learned that without creative human capital, the success of business cannot be anticipated [1, 2, 3]. This situation requires employees to turn into creative individuals. Creativity is not only important to produce a creative product but it is also essential for the daily routine problem solving and generation of novel ideas [3, 4]. Conventionally, creativity had been part of psychological researches and was associated with personal characteristics and mental abilities of an individual. Later this individual concept of creativity was gradually replaced with contextual factors approach and then the integrative approach [5].

An individual’s creativity is associated with personal characteristics, individual’s mental abilities and organizational contextual factors. Among these factors of organizational context, leadership styles are essential factors that can manage creativity [6]. Leadership is an important component of organizational environment. It is also evident that diverse styles of leaders have different impact on employee performance, organizational success and level of creativity in subordinates. Research on leadership has identified three leadership styles that are transactional, transformational and laissez-faire leadership [7].

Collective creative behaviour of employees is also a response towards environmental dynamics of the organization such as organizational culture [8, 9]. Creativity is long been studied by psychological and management researchers, thus the emerging role of culture as an antecedent of creativity is also being investigated [10]. Many scholars suggested that leaders can form such organizational culture which encourages creativity in the organization. Therefore organizational culture can be a mediating factor between leadership and creativity of the organization. In this study, the role of all three leadership styles is empirically tested in determining organizational creativity while mediation of organizational culture. Literature emphasized to conduct study on all these three factors; creativity, leadership and culture, in a comprehensive way. It is of the great importance for organizations which are entirely dependent upon employee output in creative ideas.

Majority of the previous studies of leadership and creativity, have been conducted in western context [1, 2, 11]. Therefore it is not sufficiently apparent what would be the impact of leadership on organizational creativity in non-western cultures like Asia [12]. The present study is being conducted on advertising agencies. Many authors suggested the need to conduct study on an actual creative organization [19, 20]. Such organizations use intangible creative and artistic skills of employees to produce creative ideas, which are used to develop creative and intangible products resulting in economic benefits [21].

Leadership and Organizational Culture

Organizations are not formed on their own instead leaders form them. Leaders are those who guide organizational members to carry out tasks in a particular process and action and develop basic common assumptions in the form of culture [22, 23]. Cultures in the organizations begin when leaders formulate group like an organization and their personality influence the way of doing things resulting in shared assumptions to perform the task and behave in a definite way [22].

The functionalist perspective describes the relationship between leadership and culture, and recommends that leader behaviour is instrumental in developing organizational values in the form of culture. Next, attribution approach suggested that employees overestimate the role of leader in organizational performance and culture building. Then, the
most important approach as described by the literature is contingency approach, which identified that the situation is the main aspect that can define the impact of leader’s behaviour on the culture. Organizational researches also suggest that certain special type of culture depict certain leadership style that works in that culture [27]. According to leaders’ behaviour, employees perceive cultural values and understand them. Eventually leader becomes a key component of the system as he or she owns the culture [28].

Research revealed that transformational leadership is found to be highly correlated with certain cultural types like bureaucratic, innovative and supportive. This is because transactional leadership is more task oriented whereas transformational leadership is relationship-oriented, which bring these differences. On the other hand initiating structure was found to have positive relation with bureaucratic and slightly negative relationship with supportive and innovative cultures [23]. In order to examine these relationships in Pakistani context the following hypotheses are developed:

**Hypothesis 1:** Transactional Leadership is positively related with Organizational culture

**Hypothesis 2:** Transformational Leadership is positively related with Organizational culture

**Hypothesis 3:** Laissez-Faire leadership is negatively related with Organizational Culture

**Leadership and Organizational Creativity**

Leadership styles affect creative organizations’ success because of their direct impact on employees. Several studies regarding leadership and creativity [6, 7, 11, 30, 31, 32] found strong association between the two. Some studies found impact of leadership styles on individual creativity [31] and some on creativity in groups [13], some found creativity supporting leader as an important variable in sustaining competitive advantage [6].

Leadership behaviours like relationship-orientation or task-orientation define their extent of influencing creativity. Task oriented leaders do not encourage and promote creativity like relationship oriented leaders A study conducted by [30] proposed leadership role as a supervisory support to increase creativity. Among leadership styles transformational leadership styles encourage creativity and it has been identified many times through several researches [7, 32]. Existing literature provide basis for the current study and identified transformational leadership style and transactional leadership style among good predictors of organizational creativity.

**Hypothesis 4:** Transformational leadership is positively related with Organizational Creativity.

**Hypothesis 5:** Transactional leadership is positively related with Organizational creativity.

**Hypothesis 6:** Laissez-Faire leadership is negatively related with Organizational Creativity.

**Organizational Creativity and Organizational Culture**

Creativity is an important contributor towards organizational success [17]. It is not only carried out by individual minds but also reinforced by the environment and that is organizational culture [8]. Culture encourages and spread surroundings to foster creativity. It is also believed that creativity and its implementation (innovation) help organizational culture to get stronger state and vice versa [9]. The association of creativity and organizational culture is an important area of study for both academic and practical implementation [17]. Innovation oriented cultures value creativity. Such cultures prefer creativity than training employees and rewards are usually based on quality of ideas produced [23]. So it is evident that organizational creativity is affected by the culture of the firm [11, 33].

Each type of cultures has its own impacts on employee creativity. Researches suggest that bureaucratic type of cultures, which are driven by command and hierarchy, discourage creativity of employees, because such firms are not willing to take risk and solve their issues through well known procedures [17]. Creativity and learning culture go hand in hand. Consequently organizational learning culture improves creativity.

**Hypothesis 7:** Organizational culture is positively related with organizational creativity.

Previous researches depicted that organizational culture has a strong association with organizational creativity. Several studies suggested testing these associations in non-western culture.

**Leadership, Organizational Culture and Organizational Creativity**

Through previous studies and the available current literature, it is clear that several factors are main determinants of organizational creativity. Among these; leadership styles, organizational culture, organizational climate, resources and skills and structure and system of the organization are the major factors affecting creativity in organizations [11]. It is also said that those leaders who want their organizations to replenish try to develop those organizational cultures which are supportive for creativity and risk taking [35]. In this study, leadership styles, culture and creativity were the main variables of interest. The authors have found several empirical evidences regarding the phenomena in which leadership plays its role to develop a creative culture and thus creativity is enhanced.

Some scholars explained this relationship by identifying that transformational leader than other leaders establishes an encouraging environment; in which groups can create ideas [36]. The proposed model for our study contains leadership styles, organizational culture and organizational creativity where culture serves as a mediator. Therefore, following relationships among independent, dependent and mediator variables are anticipated.

**Hypothesis 8:** Organizational culture mediates between transformational leadership and Organizational creativity.

**Hypothesis 9:** Organizational culture mediates between transactional leadership and Organizational creativity.

**Hypothesis 10:** Organizational culture mediates between Laissez-faire leadership and Organizational creativity
Aims of the Study
The following are the aims of this study

- To examine the effect of leadership styles, transformational, transactional and Laissez-Faire on organizational creativity.
- To examine the effect of leadership styles, transformational, transactional and Laissez-Faire on organizational culture.
- To study the effect of organizational culture on organizational creativity.
- To explore the mediating role played by organizational culture in between three leadership styles and organizational creativity.

Theoretical Model

METHODOLOGY

Population
This study is conducted on advertising agencies of Pakistan. Population used for this study is made up of middle level employees of advertising agencies of Islamabad Pakistan.

Sample & Procedure
A sample of 293 employees was used for this study. The sample was selected through non probability sampling method using purposive sampling to select the advertising agencies. All the concerned persons including management and employees were informed regarding objective of the study and they were assured of data confidentiality. Survey questionnaires were circulated and sufficient time, required to fill the survey, was given. Total number of circulated questionnaires was 450. A set of 293 questionnaires was found completed in all aspects and so included in the study.

Instruments
Multifactor Leadership Questionnaire
The Multifactor Leadership Questionnaire (MLQ) is extensively employed leadership questionnaire. The Questionnaire used for this study is Form 5X-Rater version of MLQ [37]. All items of MLQ are tapped on a likert scale of 5 points. The values range from Not at all as 1 to frequently if not always as 5.

Organizational Culture Survey
The Organizational culture Survey was developed by [38]. According to it, four organizational cultural traits are there including Involvement, consistency, Mission and Adaptability. Each trait has three indexes and each index has three statements. There were collectively 36 items. These items were tapped on a five-point likert scale, which states strongly disagree as 1 to strongly agree 5.

Organizational Creativity
Organizational creativity is measured by ten statements developed by [39]. The construct of organizational creativity is presented as one-dimensional. It is also tapped on a five-point likert scale, which states strongly disagree as 1 to strongly agree 5.

RESULTS

Data Analysis
The study was intended to examine the function of organizational culture as mediator in relationship of leadership styles and organizational creativity. Analysis of the study is done by SPSS 18 Software. Descriptive statistics and correlations among variables are analysed by SPSS.

Pilot Study
Pilot study is conducted to ensure model fitness. It is conducted on a sample of 110 and Confirmatory Factor Analysis is done by using SPSS AMOS 18 software. CFA included the goodness-of-fit indices (GFI). Through CFA the values of GFI, CMIN/DF, adjusted GFI, CFI, TLI, and RMSEA were obtained. Previous studies advised that model is satisfactory with GFI, CFI, and TLI ≥ 0.95, ≥0.90 for AGFI, ≤ 0.05 for RMSEA and ≤ 3.0 for CMIN/DF [40, 41, 42, 47]. CFA results revealed that all the items of Laissez-faire leadership and organizational creativity met criteria of CFA.
However some of the items of transactional leadership, transformational leadership and organizational culture didn’t fall in the acceptable range, therefore deleted in rest of analysis.

### Table 1. Descriptive Statistics (N=293)

<table>
<thead>
<tr>
<th></th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional Leadership</td>
<td>2</td>
<td>5</td>
<td>3.41</td>
<td>.542</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>2</td>
<td>5</td>
<td>3.57</td>
<td>.623</td>
</tr>
<tr>
<td>Laissez-Faire Leadership</td>
<td>1</td>
<td>5</td>
<td>2.64</td>
<td>.908</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td>2</td>
<td>5</td>
<td>3.54</td>
<td>.599</td>
</tr>
<tr>
<td>Organizational Creativity</td>
<td>2</td>
<td>5</td>
<td>3.84</td>
<td>.676</td>
</tr>
</tbody>
</table>

### Table 2. Correlations (Pearson, N=293)

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Transactional Leadership</td>
<td>(0.771)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. Transformational Leadership</td>
<td>0.697*</td>
<td>(0.904)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>III. Laissez-Faire Leadership</td>
<td>-0.024</td>
<td>-0.058</td>
<td>(0.763)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV. Organizational Culture</td>
<td>.438*</td>
<td>.517*</td>
<td>-1.01</td>
<td>(0.952)</td>
<td></td>
</tr>
<tr>
<td>V. Organizational Creativity</td>
<td>.511*</td>
<td>.585*</td>
<td>-1.62**</td>
<td>.582*</td>
<td>(0.897)</td>
</tr>
</tbody>
</table>

*Correlation is significant at 0.001 levels ** Correlation is significant at 0.05 levels
(Parenthesis Show Alpha Reliability Values of Variables)

### Table 3. Mediation of Organizational Culture

<table>
<thead>
<tr>
<th>Models</th>
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</thead>
<tbody>
<tr>
<td>Model 1</td>
<td></td>
</tr>
<tr>
<td>Transactional leadership * Organizational Creativity</td>
<td>0.16</td>
</tr>
<tr>
<td>Transformational Leadership * Organizational Creativity</td>
<td>0.21</td>
</tr>
<tr>
<td>Laissez-Faire Leadership* Organizational Creativity</td>
<td>-0.30</td>
</tr>
<tr>
<td>Model 2</td>
<td></td>
</tr>
<tr>
<td>Transactional leadership * Organizational Culture* Organizational Creativity*</td>
<td>0.21</td>
</tr>
<tr>
<td>Transformational Leadership* Organizational Culture* Organizational Creativity</td>
<td>0.04</td>
</tr>
<tr>
<td>Laissez-Faire Leadership* Organizational Culture* Organizational Creativity</td>
<td>-0.04</td>
</tr>
</tbody>
</table>

The descriptive statistics are shown in table 1. The values of means vary between maximum value of 3.84 and minimum value of 2.64 of Organizational Creativity and Laissez-Faire leadership. Table 2 shows positive and significant association between transactional and transformational leadership ($r=0.697$, $p<0.001$), transactional leadership and Laissez-Faire leadership has ($r=-0.024$) negative correlation. Transactional leadership and Organizational Culture has ($0.438<0.01$) significant and positive correlation.

Transactional leadership and organizational creativity are positively a significantly correlated ($r=0.511$, $p<0.001$). Transformational leadership and with Laissez-Faire leadership is negatively correlated ($r=-0.058$, $p<0.001$). Transformational leadership has positive and significant relation with organizational culture ($r=0.517$, $p<0.001$) and organizational creativity ($r=0.585$, $p<0.001$). Laissez-Faire leadership and organizational creativity are negatively and significantly correlated ($r=-0.162$, $p<0.05$).Organizational culture and organizational creativity are ($0.582<0.001$) positively and significantly correlated.

**Mediation Model**

The study uses mediation analysis. The four conditions provided by [43] are fulfilled to carry out mediation analysis. This study followed process explained in [44] and [45]. Here leadership styles make organizational culture which leads to creativity of organization.

**Figure 1:** Structural Equation Model showing relationship of Leadership Styles and organizational Creativity without mediation.
Figure 2: Structural Equation Model showing relationship of Leadership Styles and Organizational Creativity with mediation of Organizational culture.

Figure 1 reveals the relationship of Leadership Styles and Organizational Creativity without mediating variable. Transactional leadership has positive and significant relation with Organizational Creativity ($=0.16$, $p<0.01$). Transformational leadership also has positive and significant relation with Organizational Creativity ($=0.21$, $p<0.01$). Whereas relationship of Laissez-Faire Leadership and organizational Creativity is negative yet significant ($=0.30$, $p<0.01$). All three leadership styles explain 50% variance in organizational creativity.

Figure 2 shows the mediation of Organizational Culture between Leadership Styles and Organizational Creativity. Transactional leadership and organizational creativity are positively and significantly related ($=0.21$, $p<0.01$) with insertion of organizational culture as a mediator in the model. Organizational Culture has significant relation with transactional leadership and organizational creativity ($p<0.01$). Similarly, transformational leadership is also positively yet significantly related with organizational creativity ($=0.04$, $p<0.01$) with organizational culture as the mediating variable. Leadership styles explain 4% variance in organizational culture. Leadership styles and organizational culture explains 60% variance in organizational creativity. The positive and significant relationship indicates partial mediation of organizational culture between transactional leadership and organizational creativity and transformational leadership and organizational creativity. Conversely, Laissez-faire leadership style negatively but still significantly related to organizational creativity, therefore affirms partial and negative mediation of organizational culture between laissez-faire leadership and organizational creativity.

The outcomes of this research confirmed hypothesized connections between leadership styles and organizational culture. The study found positive relationship among transactional leadership and organizational culture and transformational leadership and organizational culture. Therefore Hypothesis 1 and Hypothesis 2 are proved true. Hypothesis 3 has also proved true and the negative association among laissez-faire leadership and organizational culture is found.

This study further confirmed the encouraging relationship between transactional leadership and organizational creativity and transformational leadership and organizational creativity. Hence Hypothesis 4 and Hypothesis 5 are asserted. Hypothesis 6 is also confirmed true as results revealed negative impact of laissez-faire leadership on organizational creativity. Hypothesis 7 stated that organizational culture is positively related to organizational creativity. Through results this hypothesis is also substantiated. Proposed Mediation model is also acceptable because Hypothesis 8, Hypothesis 9 and Hypothesis 10 are found true. Results revealed partial and positive mediating part played by organizational culture between transactional and transformational leadership and organizational creativity. However organizational culture negatively and partially mediates the relationship of laissez-faire leadership and organizational creativity.

DISCUSSION AND CONCLUSION

The aim of the study was to assess the mediating role played by organizational culture between leadership styles and organizational creativity. The study showed that organizational culture significantly and positively affects organizational creativity. These results are in line with researches of organizational culture and organizational creativity [11, 17, 33]. Therefore, organizational cultural attributes affect organizational creativity. In this study, positive impact of transactional leadership on organizational culture is also revealed, which shows that a transactional leader can effectively contribute to the organizational culture and expected to create a positive impact on organizational culture. These outcomes of study are like those realized by [23, 24, 25, 27]. It is also found that transactional leadership and organizational creativity is closely related having positive impact of this type of leadership on creativity of organizations. The results also reveal that transactional leadership affects organizational creativity positively and significantly. Literature [6, 7, 11, 30, 31, 32, 48] also suggested relationship among these variables the same as results of this study indicated.

Through analysis it is also found that transformational leadership have positive impact on organizational culture. These results are also consistent with the findings of [2], [22], [23], [24], [25]. These results mean that a transformational leader builds constructive and pleasant work environment in the organization. The study further
identified positive impact of transformational leadership on organizational creativity. Literature on transformational leadership and organizational creativity [7, 31, 32] also suggested positive impact of transformational leadership on organizational creativity. Hence it became evident that transformational leaders enhance the level of creativity in the organizations. Both transactional and transformational leadership styles effectively leads to organizational creativity, also founded by[48].

According to this study, Laissez-Faire leadership has negative affect on Organizational Culture. This is because this type of style is passive and avoidant leadership style [47]. The results of this study exposed a negative influence of laissez-faire leadership on organizational creativity. So, it is identified that these leaders are unable to develop constructive working environment and are ineffective in managing and boosting creativity in the organization. It was hypothesized that Organizational culture mediates between the relationship of transformational leadership and transactional leadership with Organizational creativity. This proposed statement is also supported by the results. Organizational culture serves as a mediating variable between transformational leadership and organizational creativity and mediation of culture between transactional leadership and organizational creativity is also revealed. These results follow the suggestions of available literature [11, 35, 36]. Results further exposed negative mediation of organizational culture between laissez-faire leadership and organizational creativity.

The proposed model is supported by our research findings. It is identified that organizational leader’s style is important in defining ways of doing things, values, beliefs and norms which are supportive for organizational creativity. The same idea was presented by [6].Particularly transformational leadership styles are most effective in fostering creativity in the organization, like identified by [13, 49]. Transactional leaders are also instrumental in building up the culture which is supportive of organizational creativity. On the other hand laissez-faire leaders negatively affect organizational culture and so indirectly affect organizational creativity. Therefore managers should adopt these leadership styles which are creativity encouraging, as suggested by [6] and our study. The study is unique in nature and despite sincere efforts some limitations of the study are; first study’s time horizon was cross-sectional .Future researches can examine the proposed model in longitudinal study design with other sampling techniques and business sectors. As organizational culture is the mediator in this study, future studies must see the role of leadership styles in organizational creativity in different cultures.

REFERENCES