Leaders Influencing Innovation: A Qualitative Study Exploring the Role of Leadership and Organizational Climate in Tourism SMEs

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Abstract

Purpose: Innovation is ever more critical for sustainable business performance in the contemporary, global economic and social context. Small to medium enterprises (SMEs) are arguably well positioned to innovate through their potential for rapid adjustment. Although leadership and organizational climate have been identified as playing a key role in innovation, little is known about whether such influences play out in SMEs. The aim of this study is to explore how leaders shape the organizational climate of their firms to enhance innovation.

Design/methodology/approach: The article presents findings from semi-structured interviews conducted with 20 CEOs of SMEs in the Vietnamese tourism sector.

Findings: The findings indicate that SME leaders in the tourism sector influenced an organizational climate that provided for autonomy and supported innovation through a number of leadership approaches. They also used daily interaction-based practices to drive the innovative behaviors of employees and developed reward systems to encourage innovation in their organizations.

Research limitations/implications: This study explored leaders' approaches towards developing an organizational climate to stimulate innovation in tourism SMEs. Where leaders share frequent communication and knowledge with their subordinates, they perceive a climate for innovation develops which stimulates innovation in tourism SMEs.

Practical implications: The study provides implications for managers to improve creativity and innovation in firms through the development of reward and incentive systems along with leadership and team development programs.

Originality/value: This study describes how different leader approaches affect innovation though orientating the organizational climate and business processes within their firms towards encouraging staff to initiate and try out new ideas.

Keywords: innovation, leadership, organizational climate, tourism SMEs, Vietnam

Introduction

Innovation is considered an important factor affecting organizational effectiveness and competitive advantage (Slåtten and Mehmetoglu, 2014). Organizations seek to be competitive through innovation and continuous improvement of products, processes or services in a competitive market (De Dreu and West, 2001). Innovation is a form of prosocial behavior that has an essential impact on the success of an organization (Hart et al., 2002). Typically, innovation is prioritized in organizational strategy to build competitive advantage and guarantee sustained economic survival (Cozijnsen et al., 2000; Hyland and Beckett, 2004). Researchers have identified a range of factors affecting the innovation capability of firms; amongst these are leadership (Chan et al., 2014; Matzler et al., 2008) and organizational climate (West et al., 2003).

Study findings demonstrate that different forms of leadership are related to innovation (Bagheri, 2017). To secure continuous improvement, leaders should build an organizational climate that promotes the generation and implementation of new ideas (Isaken and Akkermans, 2011). Employees' perceptions about a positive climate, which facilitates accessibility to organizational resources, has been shown to influence the way in which leadership shapes employee innovative performance (Scott and Bruce, 1994; Wikhamn and Selart, 2019). The existence of such a climate arguably adds a facilitating edge to leaders in promoting staff innovative performance (Jaiswal and Dhar, 2015). Leadership has been recognized for its contribution to the success of work teams (Kozlowski et al., 2009) and highlighted as critical for innovation (Hughes et al., 2018). Previous studies have demonstrated organizational climate influences innovation processes in the workplace and contributes to general organizational performance (Wilson-Evered et al., 2004). Given the extant evidence linking innovation and leadership, this study focuses on the role of leadership in stimulating organizational climate for innovation.

Leadership studies have mainly investigated innovation in large enterprises in developed economies using quantitative methods (Salavou et al., 2004). Authors acknowledge, however, that small to medium enterprises (SMEs), especially in developing economies, not only contribute to but also result in innovation in terms of social advances (Allocca and Kessler, 2006). Although smaller firms have fewer resources, they are considered key engines for innovation and technological development (Curado et al., 2018; Van de Vrande et al., 2009). Further studies are warranted to examine the interplay between leadership, organizational climate and innovation in SMEs; as the backbone of economies worldwide (Laforet, 2013).

Little research attention has been paid to the influence of leadership and organizational climate on innovation in an Asian context in general and in Vietnam in particular (Trung et al., 2014), despite their fast growth rates and emerging economic importance (Phan et al., 2015). Critically, given the concepts of leadership and innovation may be experienced differently in growing Asian economies compared to the Western context (House and Javidan, 2004), it is important to understand the way in which these concepts are construed and experienced from a qualitative perspective. Consequently, this study aimed to canvass the views of leaders of SMEs in tourism, a fast-paced industry in Vietnam (World Travel and Tourism Council, 2018), to explore how they encourage innovation and an innovative work climate. In pursuit of this aim, two research questions were formulated as follows:

RQ1. What role does leadership play in influencing innovation in the SME context?

RQ2. What role does leadership play in developing a climate for innovation in the SME context?

By examining these questions, this study makes significant contributions to the management literature, in three ways. First, our findings offer a theoretical contribution by examining the critical role of leadership and organizational climate in encouraging innovation at the individual level. Second, by exploring senior leaders' perception on their roles in developing a climate for innovation and stimulating their employees' innovative behaviors, contribute new empirical knowledge. Specifically, we respond to scholarly calls to investigate the effect of leaders' behavior on both the business unit context and followers to create the conditions conducive to innovation in SMEs (Jaiswal and Dhar, 2015; Kang et al., 2015). Finally, our study opens new awareness of the nuanced processes occurring between leaders and followers which encourage innovation in tourism SMEs in Vietnam.

This article is structured as follows; first, we provide an overview of existing conceptualizations of leadership, innovation, organizational climate and the context of tourism SMEs in Vietnam. Next, we present the research design, data collection procedure, data analysis and empirical findings of the qualitative, interview-based study of 20 Chief executive officers (CEOs) from Vietnamese tourism SMEs. Finally, we suggest theoretical and managerial implications and offer directions for future studies.

Literature Review

Leadership in SMEs

The importance of leadership in SMEs is unequivocal (Yukl, 2010). There are many ways to define leadership and a multitude of methodologies to explore leadership in different contexts. Yukl (2010) defined leadership as the process of facilitating personal and mutual efforts to achieve common objectives. To further develop understanding of the construct, Gardner et al. (2010) provided a detailed description of the development of a leadership theory classification scheme. This scheme consisted of 29 categories of leadership theories. Some examples are the complexity theory of leadership, cross-cultural leadership, behavioral approaches, and leadership traits and attributes. Dinh et al. (2014), based on the work of Gardner et al. (2010), conducted a systematic review of trends in leadership theorization. The authors identified the extent of development in leadership field in recent decades by categorizing 66 leadership theory domains.

According to Hughes et al. (2018), different leadership approaches provide distinct theoretical explanations of the processes through which leaders affect subordinates' innovative behaviors. As the fields of leadership and innovation research continue to expand, and in times of major change and transformation, understanding the specific approaches of leaders that empower others in particular contexts is pertinent. In this study, we adapt the theoretical framework proposed by Scott and Bruce (1994), in which leadership (leader-member interaction) and climate for innovation (support for innovation and resource supply) were identified as antecedents of innovative behaviors. Leader-member exchange theory (LMX) (Graen and Uhl-Bien, 1995) suggests that leaders differentiate the way they treat subordinates through individual exchanges, resulting to different quality relationships. In leader-subordinate relationships characterized by high levels of LMX quality, leaders are able to promote innovative performance by providing subordinates with high levels of autonomy (Pan et al., 2012), distributing organizational resources (Gu et al., 2015), and developing subordinates' confidence (Liao et al., 2010).

In SMEs, the entrepreneur, business owner or executive manager is usually the most influential decision-maker within the firm (Yan and Yan, 2013). SMEs, particularly those led by owner-managers, usually have uncomplicated operational structures, a small number of staff, and bounded business activities (Mintzberg, 1979). The business strategies of SMEs mostly reflects the objectives and ambitions of the owner (Covin and Slevinm, 1989; Newman et al., 2018). This observation had been noted previously by Miller (1983) such that the leadership style of the entrepreneur, including characteristics and decision making style, often determines the innovation practices of SMEs.

Leadership and its influences on innovation have been examined from the perspective of senior managers in several qualitative studies of Western societies and societies which promote individualism (Mehra et al., 2006; Wallis et al., 2011). However, less attention has been focused on investigating leadership behaviors and their consequences in collectivist and socialist business contexts, and particularly in emerging economies in the Asia-Pacific region (Nguyen and Bryant, 2004; Vo and Hannif, 2013). Understanding what shapes senior managers' perceptions of leadership can assist the development of leader practices and support leaders' self-evaluations, which can result in more effective leadership and enhance firm innovativeness.

Tran et al. (2016) conducted interviews with stakeholders from Vietnamese state-owned companies and identified that leadership in the context of Vietnam is a multifaceted, complex, cultural phenomenon, which is significantly different to Western leadership practice in terms of decision-making, extent of responsibility and opportunities for promotion and appointments. One of the reasons for these differences was found to be the collectivist culture of Vietnam in which individualism amongst the leaders was found to be low (Tran et al., 2019). However, Tran et al. (2016) noted that this result may vary between state-owned enterprises and the private sector because of differences between the traditional socialist and rationality-based approaches of the two sectors in the country. These authors also call for further studies to explore the consequences and antecedents of leadership in the private sector, particularly in SMEs, to deepen understanding of this important area. The present study addresses this call.

Innovation in SMEs

Innovation has long been recognized as important for the development of firms of all sizes (Tucker, 2002). Scholars have indicated that innovation has a significant impact on the sustainability of firms' competitive advantage (Barney, 1991). Innovation, therefore, reflects the firms' ability to search and apply new and better ideas, practices or material artefacts to achieve improved performance and adaptability to create new market opportunities (Blumentritt and Danis, 2006).

A useful framework by Scott and Bruce (1994) views innovation as a multistage process, with various activities and different individual behaviors necessary at each stage. Specifically, innovation comprises three interrelated activities: idea formation, related to the generation of new ideas and the seeking of new methods, techniques, or instruments to advance knowledge and practice; idea promotion that seeks to support innovative ideas and acquire

approval for them; and idea realization, consisting of transforming innovative ideas into realizable applications (Scott and Bruce, 1994).

Based on different aspects of organizational innovation (i.e., type, magnitude, and form), innovation can be classified as either: (1) technological and administrative innovation; (2) radical exploratory and incremental exploitative innovation; or (3) product/service, process and business model innovation (Rosenkopf and Nerkar, 2001). The term innovation in this article relates to product and process innovations in tourism SMEs. Research evidence suggests that a tourism firm's competitive advantage depends on both product and process innovations (Chang et al., 2015). Product innovation is seen in new outputs or services that are introduced for the benefit of customers and is considered the most critical factor contributing to a firm's competitive advantage (Casadesus-Masanell and Zhu, 2012; Paladino, 2008). Process innovation includes new tools, devices, and knowledge inputs that enable production and management operations (Chang et al., 2015).

SMEs, particularly in developing markets, not only contribute to (Allocca and Kessler, 2006) but also drive innovation outcomes in terms of social advances (Salavou et al., 2004). Notwithstanding being disadvantaged due to economies of scale, scarcer resources, smaller market size and more vulnerability to market changes compared to large companies (Tether, 1998), many SMEs embrace innovation as central to their business model (Hadjimanolis, 1999). SMEs are advantaged in terms of quicker processes to translate innovative ideas to practices and products given their flexible, flatter structures, entrepreneurial focus and less bureaucratic decision making procedures (Al-Ansari et al., 2014). In addition, SMEs with good innovation performance are more dynamic and open to new ideas; they are receptive and agile especially in terms of viewing challenges as learning opportunities rather than obstacles (Gil et al., 2018).

Both theoretical and empirical studies have identified the link between leadership and innovation in large enterprises - though surprisingly little published work has drawn on the SME context (Muenjohn and McMurray, 2016). Al-Ansari et al. (2014) confirmed the importance of leadership and organizational climate on innovative practice in SMEs in emerging economies, including Vietnam. Much is known about the drivers of innovation; however, there is limited understanding of the ways leaders in SMEs encourage innovation. Such research requires a qualitative orientation to examine managers' views of how they approach and stimulate the context or climate for innovation among their employees (Herrera, 2016).

Organizational Climate

Organizational climate has been of interest to academics and practitioners since 1970s (Ekvall, 1996; Isaksen and Akkermans, 2011; Schneider et al., 2013). The concept can be viewed from different theoretical perspectives and at diverse levels of analysis (James et al., 2007). Schneider et al. (2013, p. 362) described organizational climate as "the shared perceptions of and the meaning attached to the policies, practices, and procedures employees experience and the behaviors they observe getting rewarded and that are supported and expected". In line with the conceptual framework proposed by Scott and Bruce (1994), we adopt the approach proposed by Schneider and his colleagues (Schneider, 1975; Schneider et al., 2013) and focus on the organizational climate that affects the operation and strategies of SMEs.

Theory and research on organizational climates for innovation is growing and a link between an organizational climate and innovation has been established (Shanker et al., 2017; Wilson-Evered and Härtel, 2001). Hence, climate becomes a significant aspect in the study of innovation and organizational performance (Schneider et al., 2013).

Similar to organizational culture, organizational climate is also affected by leadership and can be instrumental in shaping innovation (Ekvall, 1996). The crucial distinction between organizational culture and organizational climate is that the latter can be a measurable and observable indicator of the former through the assessment of employee perceptions of procedures, policies and practices (Ahmed, 1998; Schneider et al., 2013; Zohar and Hofmann, 2012). While culture is implicitly evaluated through values, aspects of climate are assessed in terms of both behavioral and attitudinal characteristics (Wallace et al., 1999). Organizational climate is the focus of the current study, seeking to empirically examine the role of employee experience of climate for innovation, rather than culture, by understanding their perceptions of the work context and associated observable behaviors rather than values.

The current study focused on innovation in SMEs, therefore, the specific organizational climate under examination was climate for innovation. Climate for innovation refers to "practices and norms supported by an organization that encourage employees to take initiatives, and explore and develop new ideas, processes, or products that benefit the organization" (Charbonnier-Voirin et al., 2010, p.701). According to psychological climate theory (Schneider et al., 1996; Schneider et al., 2013; Schneider and Reichers, 1983), employees tend to respond to the cognition of the environment rather than to an objective environment. Therefore, employees' innovative behaviors are dependent on their perceptions of the environment. A

climate for innovation is predicted to facilitate employees to adapt to changes and adopt innovative behaviors (Ekvall, 1996; West et al., 2003; Wilson-Evered and Härtel, 2001).

Previous studies have identified that a climate for innovation enhances the innovation capacity of SMEs, as the climate facilitates innovation activities within SMEs (Dabić et al., 2018). To create this organizational climate in SMEs, the contribution of the senior leaders is deemed pivotal in enabling the conditions for idea sharing, trust, creativity stimulation, support for innovation, and openness to change (Scott and Bruce, 1994). Therefore, qualitative studies can be useful for exploring the deep insights of SME leaders about the actions they take to shape the organizational climate.

Methods

Context of the study: Tourism SMEs in Vietnam

SMEs play an important role in the economy of Vietnam due in part to their rapid development both in quantity and quality (Tran et al., 2008). SMEs make a significant contribution in representing 97% of companies, employing 51% of the labor workforce and producing about 40% of Gross Domestic Product (GDP) every year (Phan et al., 2015). Vietnam is intensely focused on integrating with the global economy resulting in one of the highest rates of economic growth and poverty reduction worldwide (Phan et al., 2015). Consequently, domestic SMEs in Vietnam face increasing competition from foreign direct investment (FDI) companies and multinational corporations operating in Vietnam, which have demonstrated success through innovation (Nguyen et al., 2016; Nguyen and Le, 2019). Following this trend, the significance of innovation has been increasing, demanding that SMEs in Vietnam create and sustain their competitive advantage by improving their innovation capability (Muenjohn and McMurray, 2017).

The tourism sector substantially contributes to the Vietnamese economy. The direct contribution of tourism to the Vietnamese economy was 9.4% of GDP and 4.6% of total employment in 2017 and was forecast to grow in both the short and long term (World Travel and Tourism Council, 2018). In the tourism sector of Vietnam, SMEs account for over 80% of tourism firms (Ministry of Culture Sports and Tourism, 2014). In this study, the current Vietnamese Government criteria for classifying a tourism firm as a SME is adopted, which provides that SMEs have up to 200 employees (Government of Vietnam, 2017).

Design

Because the interplay between leadership, organizational climate and innovation is a relatively unexplored topic in the SME context, a methodological approach that facilitates the discovery of these relationships based on empirical inquiry was justified (Blumenthal and Jensen, 2019). In-depth interviews were chosen as the tool of enquiry as they enable a clear picture of respondents' position or behavior (Ghauri and Gronhaug, 2002) and also provide the opportunity for participants to clarify and elaborate on their answers. Following ethical approval, semi-structured interviews were used to access participants' perceptions regarding their leadership style, how they formed and developed the organization climate of their company and how they managed and encouraged innovation. The interviews were guided by an interview protocol, which included open-ended questions. These questions were designed on the basis of the theoretical framework proposed by Scott and Bruce (1994). Example questions accessed CEO insights in a number of categories, including innovation in the organizations, leadership approach, leadership impact of innovation and leadership impact on organizational climate. The interviews took place at the CEO's place of work, at a time convenient to them and lasted on average of 30 and 45 minutes. All interviews were recorded with participant consent.

Because Vietnamese was the first language of the participants and the lead researcher, all the interviews were undertaken in Vietnamese. All the correspondence, consent forms, and information sheets were translated into Vietnamese, and attached to the original English documents. The conversion of the interview questions from English to Vietnamese and then again back to English was done by two different bilingual experts to secure the conversion quality using the back-translation procedure (Brislin, 1970).

Participants

Purposeful sampling strategy were used in choosing and contacting the interviewees (Palinkas et al., 2015). Participants were 20 CEOs in charge of tourism SMEs in Vietnam and were contacted using an online public business list of innovative firms in tourism sector. All were both CEOs and founders or co-founders and they were at different stages of their careers. They were contacted to participate through their listed office phone number on their company website. Contact was made initially through a phone call with those agreeing to participate the study recruited and provided further information. All companies were located in Hanoi, the capital city of Vietnam, where there is a high concentration of innovative SMEs (Tuan et al., 2016) and tourism companies (Ministry of Culture Sports and Tourism, 2014). The selected companies ranged in size from eight to 60 employees. All participants were university

graduates and had been working in the sector for at least three years. The CEOs' ages ranged from 25 to 60 years. Of the 20 CEOs interviewed, six were female (30%) and 14 were male (70%) (see Table 1).

Table 1. Summary of Participants

Code name	Age	Gender	Education	Firm age	Number of employees	Business type
CEO 1	45-50	Male	Bachelor Degree	8	12	Tour operation
CEO 2	30-35	Female	Bachelor Degree	10	50	Hospitality
CEO 3	40-45	Male	Bachelor Degree	5	11	Airline agency and tour operation
CEO 4	35-40	Female	Bachelor Degree	7	10	Tour operation
CEO 5	35-40	Male	Bachelor Degree	10	23	Event planning and tour operation
CEO 6	30-35	Male	Bachelor Degree	13	20	Tour operation
CEO 7	45-50	Male	Bachelor Degree	3	14	Tour operation
CEO 8	45-50	Male	Bachelor Degree	15	60	Transportation and tour operation
CEO 9	55-60	Male	Bachelor Degree	5	13	Tour operation
CEO 10	40-45	Female	Bachelor Degree	4	11	Event planning
CEO 11	25-30	Male	MBA	5	46	Tour operation
CEO 12	30-35	Female	Bachelor Degree	12	12	Tour operation
CEO 13	45-50	Male	Bachelor Degree	9	15	Event planning and tour operation
CEO 14	35-40	Male	Bachelor Degree	11	15	Tour operation
CEO 15	35-40	Male	Bachelor Degree	6	31	Tour operation
CEO 16	30-35	Male	Bachelor Degree	4	18	Tour operation
CEO 17	35-40	Female	Bachelor Degree	13	50	Event planning and transportation
CEO 18	35-40	Female	MBA	6	40	Tour operation, transportation and restaurant

			Bachelor Degree	4	8	Tour operation
CEO 19	30-35	Male	Bachelor Degree	4	8	Tour operation
CEO 20	25-30	Male	Bachelor Degree	3	50	Tour operation

Data analysis

The interview recordings were transcribed in preparation for coding and analysis. The procedure for coding followed Creswell (2014) and continued until saturation was reached (Spiegel et al., 2016). Initial manual coding was followed by the use of NVivo (Version 11). After importing all transcripts into NVivo, the lead author manually coded the data (Creswell and Dana, 2000); firstly, for initial themes then for higher order themes. Subsequently, a blank transcript with each sentence numbered was sent to the research team and co-authors. Each researcher coded for initial themes and then created higher order themes as above. The group met and compared themes and code-naming. After deciding together on the second stage coding, each author did one more blank-coding and compared the coding strategy and resolved any differences. Final coding was determined and then the lead researcher coded the remaining files. This procedure was used to ensure the integrity of the coding scheme (Jackson et al., 2013).

Findings

The analysis of qualitative data resulted in the themes and sub-themes outlined in Table 2. Six main themes emerged: providing autonomy and freedom for subordinates; welcoming and supportive of new ideas; communication, inspiration and knowledge sharing; teamwork and collective decision-making; developing rewards and incentive systems; and comfortable working conditions. These main themes were subdivided into two or more sub-themes. Additionally, included in Table 2 are the number of comments and respondents categorized into each sub-theme and their exemplary comments. Next, the main themes are discussed in turn.

Table 2. Themes, sub-themes, number of comments and number of respondents

			N = 20	
Theme	Sub-theme	Number of comments	Number of respondents	Exemplary comments
Providing autonomy and freedom for subordinates	Providing autonomy	53	18	*sense of autonomy, freedom, work independently, reach in their own way, empower*

	Results-oriented	16	12	*results-oriented, reach the goal, achieve the overall goal, control the results*
	Stimulating employees' intrinsic motivation for innovation	54	10	*give employees enough motivation to work better, voice their opinions, believe in their potential success*
	Trust in staff ability	12	8	*laying the groundwork for employees, promote their abilities, believe in their potential*
Welcoming and supportive of new ideas	Welcoming new ideas	37	17	*welcome new ideas, willing to welcome, confident in the chance of success, ideas are welcomed prior to being approved*
	Leader's motivation in implementing innovative ideas	40	11	*willing to change, desire to change, interested in change*
	Facilitating idea implementation procedures	25	12	*encouraged to request or raise their voices, be implemented without any obstacles, no limit on ideas or work implementation*
	Coping with difficulties in implementing innovation	38	14	*have an open discussion as to difficulties they are facing, be implemented without any obstacles*
	Supporting subordinates in realizing ideas	45	8	*encourage, providing financial support and opportunities, provide training for employees*
Communication, inspiration and knowledge sharing	Explaining the meaningfulness of work	6	5	*If there is anything unclear, I will have a private discussion with the employee, explain the meaning of work, value the moving-forward working style*
	Sharing knowledge	18	11	*pave the way for sharing knowledge*
	Inspiring subordinates	32	15	*inspire and encourage*
	Thirst for knowledge	18	7	*welcome the opinions of people on sharing knowledge*

	Effective communication with staff	58	17	*warm communication style, friendly style, good social cognition*
Teamwork and collective decision-making	Teamwork and collective decision-making	23	12	*ideas can be analyzed mutually, frequent meetings, encourage meetings, discussed openly*
	Directing staff in completing tasks	35	15	*ask them to apply immediately, show how better it is*
Developing rewards and incentive systems	Monetary rewards	45	14	*bonus to their salary, cash, various financial rewards*
	Non-monetary rewards	31	7	*praise from me or from middle managers*
	Combination of monetary and non-monetary rewards	19	10	*necessary to have both mental and financial reward*
Comfortable working conditions	Building up organizational culture	25	9	*create comfortable workplace climate*
	Comfortable working environment	29	13	*flexible working time, well-balanced*
	Mental (psychological) supports	59	15	*help them to refresh themselves, both physically and mentally, enable people to work more comfortably*
	Equipment, facilities and other supplies	14	6	*spacious office, the office must have sufficient facilities*

Providing autonomy and freedom for subordinates

In the present study, 18 out of 20 leaders used the words "autonomy", "freedom", or "work independently" to explain their strategy for motivating employees to take control of their own decision-making. Participants noted they were tending to use less direction and provide greater freedom for their subordinates. They exhibited an approach to stimulating innovation and creativity so that employees could work in their own ways with limited control from supervisors. Eight participants used "autonomy" or "freedom" as a preliminary tool for motivating employee creativity and innovative behaviors. The following statements illustrate the strategies used by leaders to promote autonomy among their employees to stimulate their innovative behaviors.

"*My leadership style allows employees to bring into play their sense of autonomy to the best of their abilities. I stay away from forcing them to do every single thing. However,*

the end purpose is to achieve the overall goal with the successful contribution of each employee." (CEO 15)

"*In order for employees to perform better and be more innovative, the leader should empower them. Not only does this reduce the workload of managers, but it also increases their sense of autonomy in every assignment.*" (CEO 4)

"*In my opinion, I am responsible for laying the ground for employees, enabling them to promote their abilities, instead of micro-managing them. That is, I do not force them to imitate servilely everything. By contrast, they are encouraged to foster their creativity and voice their opinions, rather than following a specific working style.*" (CEO 16)

While many participants had tried to develop autonomy among their staff, simultaneously, they sought to improve organizational productivity by encouraging their staff to complete work activities with a view to recognizing errors and opportunities for improvement. They provided employees with the ability to engage in difficult but potentially rewarding innovative processes. Twelve out of 20 participants were results-oriented, meaning they paid greater attention to the work performance outcomes of their employees rather than the method by which they completed tasks. For example:

"*I set goals for [employees] to reach in their own way. I am results-oriented, which means I do not pay attention to how each of them manages to attain it. That is, whether they can reach the goal or not is what I care about.*" (CEO 20)

However, some participants noted that while autonomy was provided, they still supervised subordinates using technology or reporting systems to ensure that their staff used their time wisely. For example, CEO 16 stated:

"*As aforementioned, I require daily reports, for instance, one is responsible for this task and how it has progressed so far. I provide full autonomy for him/her, but still control the result every day. If he/she is encountered with any difficulties, he/she should discuss directly with me, so that we can come up with a solution.*"

Welcoming and supportive of new ideas

A prominent theme to emerge from the interviews was the role played by the leaders in welcoming employees' new ideas and providing support to implement them. The leaders mentioned numerous types of innovative ideas that were proposed by the employees. The most frequent ones were creating a new tour that was not available in the market (mentioned 40

times), enhancing the marketing strategies of used by the firms (mentioned 21 times), and suggested improvements to management and administrative processes (mentioned 30 times).

The leader's attitude in appreciating subordinates' new ideas played an important part in determining their creativity and innovative behaviors. The leaders acknowledged that the implementation of new ideas into practice might be risky and costly, but they also stated that when new ideas were raised, their first action was to recognize staff effort. Subsequently, the leader and subordinate could work together to evaluate the feasibility of realizing the idea. The leaders were aware that if they did not recognize the new idea, the subordinates' motivation for innovation would be diminished. Typically, ideas were welcomed and discussed before deciding on their implementation. This orientation is evidenced by the statements below.

> "*I highly welcome new ideas and believe in their potential success. Based on my expectation and pursuit of excellence, plus my sense of commitment, I am confident in the chance of success.*" (CEO 1)

> "*In terms of new ideas, I am willing to welcome all, and then I filter those that are best-suited to our operational model to put into practice. These ideas can vary, from product advertising to customer approach or marketing tools to support sales activities.*" (CEO 15)

> "*I encourage all of my employees to generate new ideas to improve their work continually. They are fostered to request or raise their voices on any new project, even non-related to travel and tourism. All of these ideas can be analyzed mutually later in the company.*" (CEO 20)

The process from idea formation to idea realization and innovation appeared to require much support from the CEO. This requirement was clearly evident in the following participant quotes.

> "*I think providing financial support and opportunities for employees to attend training and development courses will enable them to enhance their creativity and build their expertise.*" (CEO 7)

> "*I believe it's best to provide training for employees so that they have sufficient knowledge to realize their ideas creatively.*" (CEO 4)

> "*Despite the small size of my company, new ideas are welcomed prior to being approved by the director. If the ideas are great, they will be implemented without any obstacles.*" (CEO 17)

Communication, inspiration and knowledge sharing

Interactionist and interpersonal practices, including inspiring, communicating and sharing knowledge, were included in participants' responses when referring to their strategies for managing innovative behaviors among subordinates. The analysis showed that most of the leaders were not directly involved in their employees' work; however, they wanted to communicate with their subordinates to listen to and understand their difficulties. In such cases, the leaders showed understanding and inspired staff with motivational talks. For example, the participants stated:

> "*When I put forward, discuss or implement the decisions, I will inspire and encourage all the subordinates in my company to do their best.*" (CEO 1)

> "*If the leader is just interested in change but not willing to or has no desire to change, he/she will not be suited to the entire organization and able to inspire employees. Employees can feel whether the change is positive or not to the organization, not just for the leader only.*" (CEO 11)

> "*I embrace a warm communication style with subordinates. I think with the present size of the company, my leadership style will be adjusted to be more suitable for the environment. Employees also agree that I have a friendly style, have a good social cognition and take into consideration the situation of each person to support their development.*" (CEO 19)

The leaders also shared their experience and knowledge to help employees solve problems creatively. The participants emphasized that sharing knowledge and experience was more like suggesting or advising, which was different from directing employees. The purpose of these interactions was to help employees find a creative solution, underlined by a sense of subordinate creativity and innovation. In some cases, when the subordinates did not have the ability to find solutions for difficult issues, the leader became involved or formed a team to support them. For example:

> "*I really encourage meetings where sales staff and I can have an open discussion as to difficulties they are facing, the degree of difficulties, opportunities and challenges of approaching clients and so on. This will pave the way for sharing knowledge among leaders and employees and training each other, which proves to be beneficial for all.*" (CEO 3)

Teamwork and collective decision-making

The analysis revealed that teamwork, discussion and collective decision-making with the participation of leaders and subordinates emerged as prominent themes in relation to stimulating innovative behaviors and improving innovation in SMEs. Thirteen out of 20 participants referred to the use of meetings and group discussions, and eight participants to the use of collective decision-making in difficult situations, as strategies for formulating new ideas and finding creative solutions. Four of these participants stated that they used all three strategies in their efforts to gather employees' new ideas and to decide on the implementation of such ideas. For instance, CEO 18 affirmed:

"*I would like to leverage the innovative behaviors of every member of the company as much as possible. In general, every person is entitled to voice his/her opinion, and there is no limit on ideas or work implementation. Everything is discussed openly and collective opinions are more than welcomed.*" (CEO 18)

Moreover, the CEOs explained that they could not control all the issues in their businesses themselves. Therefore, when an idea was offered, the leader often collected subordinate feedback prior to making a decision about its implementation. CEO 3 described this process as follows:

"*I really welcome the opinion of people on new ideas, putting forward a business solution, proposing changes to improve business efficiency and so on in any meetings. After selecting the ideas, I will conduct more research myself. Prior to putting them into practice, I will ask for collective ideas of employees again. If this receives unanimously positive feedback, I will go ahead. In my opinion, no leaders can cover every single aspect and handle everything on their own. Listening to other people of different functional expertise will contribute greatly to the final decision.*"

In addition, the participants emphasized the importance of teamwork when individuals faced challenges. The leaders played an important role in encouraging their employees to seek support from other team members, as evident in the following comment:

"*Whenever an employee faces a challenging situation, he/she is encouraged to share with his/her colleagues to receive any support possible. In case the situation proves to be out of reach for employee levels, the director will help solve the problem. This will enable everyone to discuss and share ideas on the problem, and the director will base on the collective ideas to make the final decision.*" (CEO 4)

Developing rewards and incentive systems

All participants used rewards and incentives to encourage innovation in their SME. Most confirmed that monetary rewards were vital to acknowledge the innovative contributions of subordinates. However, seven out of 20 CEOs indicated that while monetary incentives worked best in the short-term, non-monetary incentives (e.g., thank you emails, promotion opportunities, staff awards and/or share ownership) were more efficient over the long-term. In addition, 10 participants reported that a combination of monetary and non-monetary incentives was the most effective method for encouraging innovation. For example:

> "*Certainly, when employees put forward a good idea, I always have support. First, I can show direct support, such as praise from me or from middle managers. Second, I can introduce the employee and his or her ideas on the intranet. Besides that, I offer some financial reward for that employee. I think it is necessary to have both mental and financial reward, without one of which the encouragement is not efficient at all. The financial reward varies, from cash (500,000 – 1 million VND) or a special dinner.*" (CEO 11)

> "*Presently, I am using bonuses to their salary as the reward system. In the near future, I intend to offer a free holiday with their family members during their annual leave. This will help them to refresh themselves, both physically and mentally.*" (CEO 5)

According to the participants, a good reward and incentive system had spill-over effects. When an employee was praised for his or her innovative behavior, it was considered likely to encourage other employees to raise their own ideas. For instance, CEO 1 observed:

> "*If one puts so much innovation into work with a high level of efficiency plus few errors, his/her accomplishment is definitely recognized. I think the combination of both financial and non-monetary rewards will have the greatest impact on motivating employees to perform better. The rewarded person can be a role model for others to follow suit.*"

Comfortable working conditions

All participants described an ideal working environment that helped boost innovation and creativity. Twelve out of 20 participants suggested that the physical environment, for instance, working spaces, equipment, and technology, and the behavioral environment, such as rules, regulations, and relationships between subordinates and subordinates or subordinates and leaders, were important in developing a climate for innovation. In many cases, the leaders emphasized the importance of flexible working hours, reduced regulations and simplified

working procedures as ways of facilitating the process of bringing new ideas into practice. Exemplar comments are provided below.

> "*I try to create a comfortable workplace climate. [...] While people do not feel under strict control, they are actually well-managed.*" (CEO 20)

> "*In terms of space, I think it should be comfortable and inspiring to everyone, which I have not managed to do yet.*" (CEO 20)

> "*My company innovation may not be new in other countries. However, I think, the first change we can make is the working time to which employees pay a great deal of attention. This will be more flexible for employees and can create a more comfortable working environment for them. I believe everyone has been pretty satisfied about this change.*" (CEO 8)

> "*I think the working environment should be well-balanced. Firstly, it should be comfortable, where employees are able to work rather than feel forced to work. Therefore, we should focus on developing an enjoyable climate among top leaders, managers and other staff. A frustrated environment will not foster any creativity and innovation, I believe.*" (CEO 11)

The participants also highlighted the importance of organizing recreational activities (e.g., a company annual holiday and monthly parties), as such activities played a key role in strengthening the relationship between all company employees. Promoting social interaction assisted in making staff more comfortable and encouraged relationships that led to innovation. The leaders tended to create an atmosphere in which the individuals sensed connectedness to the leader and other staff as a family. For example:

> "'*Work hard, play hard' is the main theme of our company culture. Play hard means once we achieve our target or finish a large project successfully, we do relax by taking a trip or simply just hanging out together. This strengthens the special bond among each other, especially between the staff and managers. There we can exchange our honest feedback so that we can draw lessons for ourselves, which will make the whole company like a real family.*" (CEO 1)

Discussion

This study set out to explore SME leaders' approaches towards developing the organizational climate to stimulate innovation in their tourism firms. The qualitative findings suggest that communication between leaders and subordinates and knowledge sharing are

vitally important in stimulating innovation in this industry. When subordinates proposed new ideas, many of the leaders confirmed that they were open to discussing them further. In addition, the leaders in the study built close relationships with their subordinates to encourage opportunities for them to voice their opinions, with the potential to result in employee driven innovation. This finding is in line with LMX theory for which good communication and a positive relationship between leaders and employees contributes significantly to employee creativity and firm innovation (Graen and Uhl-Bien, 1995). As the structure of SMEs is simpler than in large firms, the senior executives may work and communicate directly with their staff. Hence, such proximity means their behaviors and attitudes are influential in guiding the innovation behaviors of subordinates; a finding supported by the current study.

Although leaders ideally take responsibility and are accountable for any decision making across cultures, teamwork and collective decision-making play an important part in the Vietnamese SMEs, which could be attributed to the collectivist culture of Vietnam (Tran et al., 2016). Tourism SME leaders have the most influence within their firm (Yan and Yan, 2013) however these Vietnamese leaders often do not show their power or strictly control their subordinates. The results of the current study suggest that the leaders of Vietnamese tourism SMEs tended to develop a comfortable and supportive family environment, organizing recreational and teambuilding activities with a view to increasing the morale and productivity of their employees (Nguyen and Bryant, 2004). They also gave their subordinates opportunities to voice their opinions about company issues and participate in decision making. Carrying the responsibility of being leaders, they were the final decision-maker and determined chosen strategies after discussions with staff. This observation is consistent with the work of Tran et al. (2016) on the leadership behaviors of Vietnamese leaders in large state-owned enterprises, which concluded that Vietnamese leaders prefer to rely on collective opinions rather than acting and leading the organization by themselves. Based on the foregoing, we suggest that leaders in tourism SMEs can play the role of a team member as well as a supporter in solving difficult issues, depending on the requirements of the situation.

Our analysis of the narratives of leaders shows their tendency to provide autonomy for their subordinates and pay more attention to their work outcomes rather than their work processes. Staff who work in an environment where freedom and support for innovation are perceived to exist are able to experience greater free-will and take more control of their own ideas and work processes, enhancing their innovativeness (Shanker et al., 2017). However, some participants raised an issue that more autonomy does not always result to better performance because some employees might not use their time productively.

Of note, most participants confirmed that they were results-oriented, that they focused on the work performance outcomes of their employees rather than the method by which they completed tasks. To achieve results, leaders established a supportive and rewarding system to stimulate the creativity and innovation of employees. Our study found that Vietnamese leaders tended to develop an organizational climate in which innovation was encouraged by providing support for subordinates and a focus on encouraging the employee to achieve collective and agreed goals without micro-managing how these goals were achieved. Notwithstanding their stated views, the leaders did focus on both outcomes and processes. Our findings identify that attention to processes such as reward and recognition systems, support for and openness to new ideas, incentives and goal setting along with goal congruence were clearly given attention by the CEOs.

With respect to the working conditions in the organizations, our results are largely in line with research recognizing the importance of working conditions as a predictor of motivation among team members (Scott and Bruce, 1994). Moreover, our study identified the importance of attentive leadership for improving perceptions of the physical environment and creating a comfortable working atmosphere for employees.

The conceptual diagram below (Figure 1) integrates the findings and suggests further areas for research. The crucial contribution is that the research offers a new approach for understanding how leadership shapes the working environment and the experience of employees, in this case, specifically in SMEs in Vietnamese tourism sector.
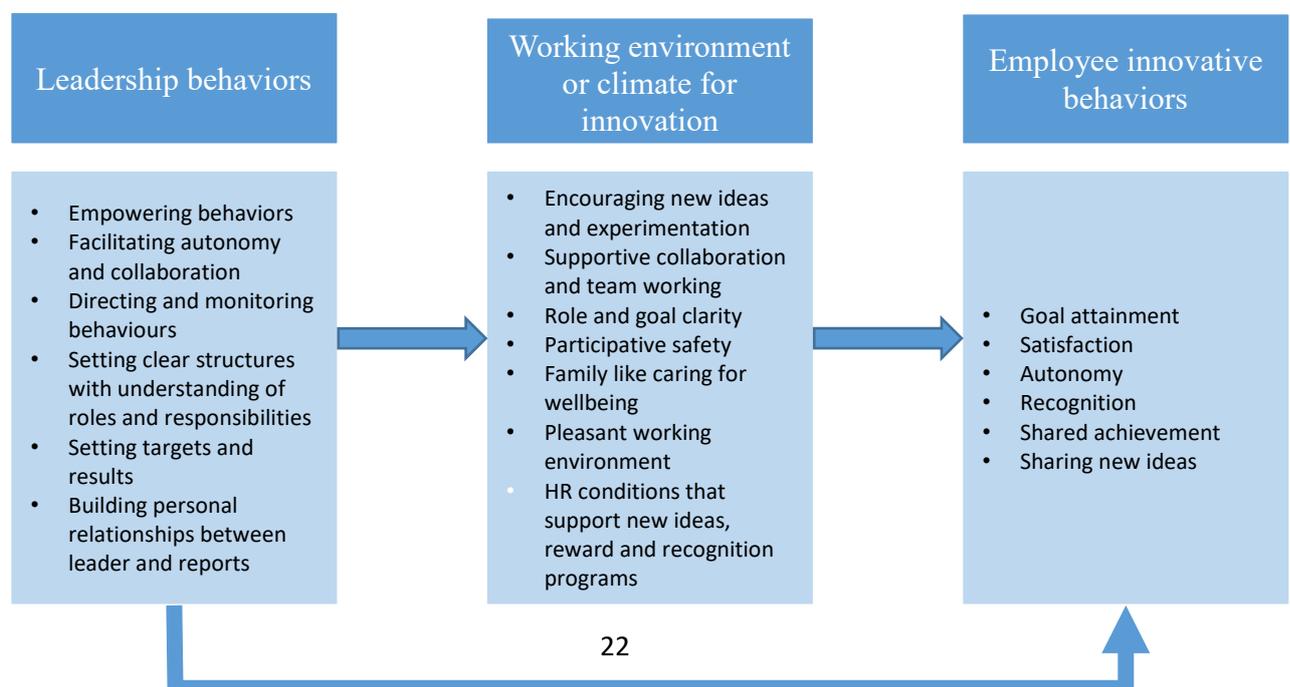
Leadership behaviors	Working environment or climate for innovation	Employee innovative behaviors
• Empowering behaviors • Facilitating autonomy and collaboration • Directing and monitoring behaviours • Setting clear structures with understanding of roles and responsibilities • Setting targets and results • Building personal relationships between leader and reports	• Encouraging new ideas and experimentation • Supportive collaboration and team working • Role and goal clarity • Participative safety • Family like caring for wellbeing • Pleasant working environment • HR conditions that support new ideas, reward and recognition programs	• Goal attainment • Satisfaction • Autonomy • Recognition • Shared achievement • Sharing new ideas

Figure 1. Conceptual diagram

Future research focus

The foregoing analysis suggests some limitations in previous leadership models specifically in relation to innovation; where this research suggests divergent yet complementary behaviors are required, which include both empowering and structuring of the work place. Second, further research should unpack and test the mix of human resource systems and interpersonal mechanisms that create and support a climate for innovation. Future studies should examine these findings using quantitative methods to improve the generalizability of the results. Future research questions could include:

1. What mix of unique and generic leadership behaviors are best suited for Asian SMEs to encourage innovation?
2. What are the composite elements and constructs that would feature in a climate for innovation in SMEs in Asia?
3. What is the relative contribution and the nature of interaction among leadership behaviors, the working environment and employee preferences to create the context for innovation in Asian SMEs?

Managerial implications

Based on the empirical evidence, we recommend that leaders in tourism SMEs, who wish to develop an organizational climate for innovation, use daily interaction-based practices to manage the innovative behaviors of employees and enhance innovation in their organizations. Such interactions affect the processes by which climate is created. So while leaders in the current study said they did not focus on procedures and instead focused on the outcomes of innovation, in practice they did focus in a detailed way to encourage the processes that support an organizational climate for innovation (Isaken and Akkermans, 2011).

The findings of this study add empirical support to LMX theory by indicating that explicit consideration of the role of leadership, and particularly of daily leadership behaviors and interactions with employees to enhance innovative behaviors, may raise the awareness and visibility of these practices. This approach may result to new insights about leadership practices to provide autonomy for employees, enhancing teamwork efficiency, and providing appropriate support for applying new ideas. By fine-tuning leadership in tourism SMEs

context, it may be shown that adaptive leadership strategies have significant effects on the climate for innovation and subsequently, organizational innovation.

Human resource professionals can play an important part in improving creativity and innovation in smaller firms. By developing a reward and incentive system along with leadership and team development programs, they can establish the procedural and nurturing context where leadership stimulates innovation in tourism SMEs.

Limitations

The study has a number of limitations; first, as stated by Riessman (1993), qualitative studies may present subjective and individual perspectives. Furthermore, the inherent nature of the methodology opens the potential for researcher bias at various stages of data analysis. A concerted and deliberate effort was therefore made to minimize the potential biases by taking different measures to guarantee maximum objectivity while identifying themes and categories. Second, this study drew on the views of 20 tourism leaders in SMEs in Hanoi, Vietnam. Therefore, we cannot suggest wider generalization of the results beyond tourism industry and SME level in Vietnam. Future quantitative studies are recommended, which could provide a broader exploration of the influence of types of leadership on organizational climate and innovation in SMEs (Hoang et al., 2019). Finally, this study focused on the perspectives of the CEOs and founders about their own behavior. Potentially self-serving and confirmation biases could be operating (Kahneman, 2013), which would favorably shape their perceptions to a view of how they would like others to view themselves. To reduce bias in understanding, further research is warranted to contrast both leaders' and their subordinates' perceptions of the behavioral and contextual factors that lead to innovation.

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Interview protocol

Participant's Background

Question 1: To begin, can you please tell me about your background? (Employment; years of service; education level; size; type; sector, products, services)

Innovation in the Organization

Question 2: What is innovation in respect of your organization? Tell me about the last new thing or innovation your company developed.

Question 3: What do you think that makes your company innovative?

Question 4: To what extent do you welcome new ideas and implement changes in your organization? Can you give me an example please (what, when, how… and what was the result)?

Question 5: In your opinion, what are some benefits and challenges of leading innovative business practices?

Leadership Approach

Question 6: How would you describe you leadership style; what practices and behaviors do you use as a leader?

Question 7. How do you enable your staff to work well for your business?

Leadership Impact on Innovation and Creativity

Question 8: How do you think your leadership affects others to be creative and innovative? Please provide an example if you can.

Question 9: In your opinion, what characteristics of a leader make an organization more innovative?

Leadership Impact on Working Environment

Question 10: Could you describe the working environment here that encourages creativity and innovation?

Question 11. Are there particular groups or teams or departments that are more innovative? Please describe their workplace and what makes them innovative?

Question 12: How does your leadership impact the workplace climate/environment and culture in your company?

Question 13. What systems, rewards, incentives and encouragements do you offer to encourage employees' innovation? What works best?

Question 14. Is there something we have not asked you that we should?