Linking Leadership and Innovation: A Qualitative Study of Climate for Innovation in Tourism SMEs

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

ABSTRACT

Innovation is ever more critical for sustainable business performance in a globally changing economic and social context. Small to medium enterprises (SMEs) are arguably enabled to innovate through their potential for rapid adjustment and therefore make substantial contribution to the wealth of nations. Though leadership and organizational climate have been identified as playing a key role in innovation, little is known about whethersuch influence plays out in SMEs in Vietnam. The paper presents findings from semi- structured interviews conducted with 20 CEOs of SMEs in the tourism sector in Vietnam. The aim of the study was to explore how leaders and staff experience the organizational climate to enhance innovation in their firms. All interviews were transcribed and thematic analysis of the interview data undertaken. The findings show that SMEs leaders in thetourism sector tend to shape an organizational climate that provides autonomy and supports innovation. They also tend to use daily interaction-based practices to manage innovative behaviours of employees and develop reward systems to foster innovation in their organizations. The results have theoretical and applied implications for developing and managing innovative SME firms in Vietnam.

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

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INTRODUCTION

Innovation has been linked to organizational effectiveness, competitive advantage and the economy in general (Slåtten & Mehmetoglu 2014). Organizations seek to be competitive through innovation and continuous improvement of products, processes or services in a competitive market (De Dreu & West 2001). According to Hart et al. (2002), innovation is a form of prosocial behaviour that has an essential impact on the success of an organization. Typically, innovation is prioritised in organizational strategy to build competitive advantage and guarantee sustained economic survival (Cozijnsen, Vrakking & IJzerloo 2000; Hyland & Beckett 2004). Researchers have identified a range of factors affecting the innovation capability of firms; amongst these are leadership (Chan, Liu & Fellows 2014; Matzler et al. 2008) and organizational climate (Shanker et al. 2017).

Recent studies show that different forms of leadership are related to innovation (Amabile et al. 2004; George & Zhou 2007). Scholars suggest a positive relationship between supportive leadership and innovation, and a negative relationship between controlling leadership and innovation (Amabile et al. 2004; Madjar, Oldham & Pratt 2002). Similarly, to encourage innovation, leaders have to build an organizational climate that promotes the generation and implementation of new ideas (Isaken & Akkermans 2011). Scott and Bruce (1994) observed that employees' perception about a positive climate, which provides easy accessibility of organizational resources, mediates the effects of leadership on employee creative performance. The existence of such a climate at the group level adds a facilitating edge to leaders in promoting staff performance (Charbonnier-Voirin, El Akremi & Vandenberghe 2010; Jaiswal & Dhar 2015).

Previous studies have mainly investigated innovation in large enterprises in developed economies (Kim & Lim 1988; Salavou, Baltas & Lioukas 2004). Many scholars acknowledge however that SMEs, especially from developing economies, not only contribute to (Allocca & Kessler 2006) but also result in innovation in terms of social advances (Salavou, Baltas & Lioukas 2004). Although smaller firms have fewer resources, they are considered key engines for innovation and technological development (Mulhern 1995).

There is a call among scholars for further studies on the relationship between leadership, organizational climate and innovation in SMEs which are considered the backbone of economies worldwide (Laforet 2013; Matzler et al. 2008; Ratam & Mazzarol 2003). More importantly, most studies have been conducted in advanced industrial economies (Dwivedi 1995; Goethals, Sorenson & Bruns 2004), and little research attention has been paid to the impacts 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 rate and economic importance (Phan et al. 2015). Consequently, this study aims to seek the views of leaders of SMEs in tourism companies in Vietnam and ask how they generate innovation and an innovative work climate.

LITERATURE REVIEW

Innovation

The concept of innovation has a long history and has been conceptualized in several ways by scholars. Economists (Romer 1990; Solow 1957) described innovation as fundamental technological development that leads to important changes in the cost-quantity relationship and was measured through research and development capability. The management literature goes beyond this position and considers the meaning of innovation as more than just technology development by defining it as a set of outcomes or activities recognized to be new by the innovating unit (Gopalakrishnan & Damanpour 1997; Rogers 1995; Zaltman, Duncan & Holbek 1973). One of the early definitions was provided by Zaltman, Duncan and Holbek (1973) stating that innovation is "any idea, practice, or materialartefact perceived to be new by the relevant unit of adoption." Summarising innovation theories, Borins (2008) described four themes: (1) What is happening at the leading edge of governance and public service, (2) Sustainability of innovations and the innovation life cycle,
(3) Diffusion of innovations, and (4) Innovation and organizational performance.

Innovation has long been recognised as important for the development of firms of all sizes (Tucker 2002). Innovation motivates firms to implement better business solutions and brings the potential for more success in the future (Hult, Hurley & Knight 2004). Scholars (Barney 1991; Porter 1980) have indicated that innovation has a significant impact on the sustainability of firms' competitive advantage. Innovation, therefore, reflects the firms' capability for searching and applying new and better ideas, practices or material artefacts to achieve better performance and adaptability to market changes (Blumentritt & Danis 2006; North & Smallbone 2000).

Based on different dimensions of organizational innovation (i.e., type, magnitude, and form), innovation can be classified as either technological and administrative innovation, radical exploratory and incremental exploitative innovation, or product/service, process and business model innovation (Rosenkopf & Nerkar 2001). This study categorizes innovation in relation to its form and focus on product and process innovations. Evidence from research suggests that a firm's competitive advantage depends on both product and process

innovations (Chang, Bai & Li 2015; Damanpour & Evan 1984). 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 & Zhu 2012; Paladino 2008). Process innovation includes new tools, devices, and knowledge inputs that enable production and management operations (Chang, Bai & Li 2015). Based on these differentiating characteristics, Gopalakrishnan, Bierly and Kessler (1999) suggestedthat knowledge related to process innovation is more tacit and complex and therefore more difficult to understand and imitate than knowledge related to product innovation. Meanwhile, product innovation is often easier to understand and can be seen from the external environment (Von Hippel 1988).

Scholars acknowledge that SMEs, particularly in developing markets, not only contribute to (Allocca & Kessler 2006) but also result in innovation in terms of social advances (Salavou, Baltas & Lioukas 2004). Although smaller firms have less resources than larger ones, they are considered key engines for innovation and technological development (Mulhern 1995). Notwithstanding being disadvantaged due to economies of scale, scarcer resources, small market size and more vulnerability to market changes compared to large companies (Cagliano, Blackmon & Voss 2000; Tether 1998), many SMEs embrace innovation as central to their business development strategies (Hadjimanolis 1999; Vossen 1998). SMEs are advantaged in terms of quicker processes to translate innovative ideas to practices and products given their flexible structures and entrepreneurial focus and uncomplicated decision making procedures (Al-Ansari, Xu & Pervan 2014). According to Mahemba and De Bruijn (2003), SMEs with good innovation performance are more dynamic and open to new ideas; they are receptive and flexible especially in terms of viewing challenges as learning opportunities rather than obstacles. McDermott and Prajogo (2012) used data collected from 180 managers in Australian SMEs in service industries and confirmed a relationship between innovation and business success. Importantly, when controlling for size, an ambidextrous approach to innovation, specifically drawing on both exploration and exploitation, significantly affected business performance.

Despite the challenges of measuring the impact of innovation on firm performance, a large number of predictors and correlates of innovation has received considerable attention - though surprising little published work has drawn on the SME context. Previous studies examined various factors that predicted innovation in organizations, including strategy (Naranjo-Gil 2009), organizational climate (Isaken & Akkermans 2011), organizational culture (Kenny & Reedy 2006), structure (Kimberly 1981), leadership (Eisenbeiss, Knippenberg & Boerner 2008; Wilson-Evered , Härtel & Neal 2001), and positive expectations of innovation from the team (Carlfjord et al. 2010). Al-Ansari, Xu and Pervan (2014) confirmed the importance of management orientation, technology orientation, allianceand cooperation and market orientation on innovation practice in SMEs in emerging economies. These scholars suggest that future research should examine the presence of established organizational determinants of innovation practice in varied markets to check whether different external factors (i.e. business environment, policy, and competition) would alter the results (Al-Ansari, Xu & Pervan 2014).

Leadership

Although there are many ways to define leadership (Yukl 2002) and a multitude of methodologies to explore leadership in different contexts (Antonakis, Avolio & Sivasubramaniam 2003; Mumford et al. 2008), the importance of leadership in organizations is unequivocal (Chen & Bliese 2002). Yukl (2010) defined leadership as the process of

facilitating personal and mutual efforts to achieve common objectives. De Jong and Den Hartog (2007) viewed leadership as "the process of influencing others towards achieving some kind of desired outcome." Leadership has been recognized for its contribution to the success of work teams (Kozlowski et al. 2009). In addition, leadership has been highlightedas critical for enterprise innovation. Matzler et al. (2008) concluded that leadership style hada strong influence on firm performance and innovation. Given the extant evidence linking innovation and leadership, the proposed study will focus on the role of leadership in stimulating climate and its effect on innovation.

Gardner et al. (2010) provided a detailed description of the development of a leadership theory classification scheme. This scheme included 29 categories of leadership theories. Some examples include the complexity theory of leadership, cross-cultural leadership, behavioural approaches, and leadership traits and attributes. Recently, Dinh et al. (2014), based on the work of Gardner et al. (2010), conducted a systematic review on leadership theories trends. Dinh et al. (2014) identified progress in the leadership field in recent decades and categorised 66 different leadership theory domains up to the present time. The classification showed that since the year 2000, the literature saw the development of emerging leadership theories such as neurological perspectives and the continued explosionof theories relating to leading for creativity and innovation, toxic/dark leadership, and strategic leadership (Dinh et al. 2014). Moreover, the process indicates that scholars remain interested in some established leadership theories comprising neo-charismatic, information processing, trait, and leader–follower exchange theories. Nevertheless, there currently appears to be less interest in other leadership theories such as behavioural approaches,contingency theory, and path-goal theory. Generally, Dinh et al. (2014) concluded that the expansion of the number of leadership theories shows the significance of developing and exploring this field of study.

In SMEs, the entrepreneur or business person who owns and/or manages an SME usually is the most influential decision-maker within the firm (Yan & Yan 2013). SMEs, particularly those managed by owner-managers, usually have an uncomplicated operational structure, a small number of staff, and bounded business activities (Mintzberg 1979). The business strategies of SMEs mostly reflect objectives and ambitions of the owner (Covin & Slevinm 1989). This observation was also confirmed by Miller (1983) that the leadership style of the entrepreneur, including characteristics and decision making style, often determines the innovation practice of SMEs.

Organizational Climate

According to the historical overview of Schneider, Ehrhart and Macey (2011), organizational climate has been of interest to academia and practice since 1970s. The concept of climate can be looked at from different theoretical perspectives (Ekvall 1987; Kuenzi & Schminke 2009) and at diverse levels of analysis (James et al. 2007; James, James & Ashe 1990). A review of the literature reveals two streams of enquiry when determining the constructs that comprise organizational climate. First, James, Joyce and Slocum (1988) indicated that organizational climate is aggregated psychological climate because it shows how individuals perceive their organization generally. From this viewpoint, these authors defined psychological climate as a "set of perceptions that reflect how work environments, including organizational attributes, are cognitively appraised and represented in terms of theirmeaning to and significance for individuals" (James, Joyce & Slocum 1988). The researchers argued that when individuals share a common perception of a psychological climate, together they aggregated to collective organizational climate. However, Glick (1985) conversely

conceptualized climate as an organizational rather than individual attribute emerging from organizational as well as sociological processes. Organizational climate is referred as "a generic term for a broad class of organizational, rather than psychological, variables that describe the organizational context for individuals' actions" (Glick 1985). In support of the approaches of both Glick (1985) and James, Joyce and Slocum (1988), Schneider, Ehrhart and Macey (2013) described organizational climate as "the shared perceptions of and the meaning attached to the policies, practices, and procedures employees experience and the behaviours they observe getting rewarded and that are supported and expected". In doing so, Schneider, Ehrhart and Macey (2013) draws on collective perceptions of individuals inrelation to aspects of the organization. In previous work, Schneider and Reichers (1983) distinguished psychological climates and organizational climates by identifying that "psychological climates are the meanings an individual attaches to a work context, while organizational climates are the summated, averaged meanings that people attach to a particular feature of the setting". The variables in the organization mostly imply formal and informal interpersonal practices (Schneider 1985) and intersubjectively developed meanings as a consequence of organizational sense-making processes (Glick 1985), not as a basic aggregation of psychological climate. In this paper, the approach proposed by Glick (1985) and Schneider, Ehrhart and Macey (2013) is adopted by focusing on the climate for innovation that affects the operation and strategies of SMEs. This perspective adopts a wider meaning than psychological climates by James, Joyce and Slocum (1988). The effort of the whole organization is considered salient in creating an organizational climate which stimulates innovation and contributes to benefits realisation in terms of innovation in SMEs (Baer & Frese 2003).

Theorising and researching climate for innovation is growing and a link between an organizational climate and innovation has been established. Previous studies have demonstrated the role of climate as an intervening variable that influences innovation processes in organizations, to contribute to general organizational performance (Kuenzi & Schminke 2009). Hence, climate becomes a significant variable in the study of innovation and organizational performance (Koene, Vogelaar & Soeters 2002; Schneider, Brief & Guzzo 1996). Climate for innovation has been recognized as a valuable construct to use in initial and continued organizational diagnosis for development efforts (Ekvall 1996; Isaksen & Ekvall 2010). Isaken and Akkermans (2011) identified that organizational innovation is dependent on a climate that supports innovation. Although individuals could generate creative and innovative ideas by themselves, their willingness to innovate was contingent on the climate in which they worked (Mumford et al. 2008). Innovative organizations typically have climates that support innovation, based on the number of patents achieved, technology development, business strategies and success in introducing new products and services to the market(Ekvall 2002), which differentiates them from stagnant or complacent organizations.

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, Le & Nguyen 2008). Over the years, SMEs have made significant contributions to the country's economic development by representing 97% of the number of companies, employing 51% of the labour workforce and producing about 40% of Gross Domestic Product (GDP) every year (Phan et al. 2015). Vietnam has recently become intensely focussed on integrating with the global economy resulting in oneof the highest rates of economic growth and poverty reduction worldwide (Vandemoortele & Bird 2013). 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. Following this trend, the significance of innovation has been increasing, demanding that SMEs in Vietnam create and sustain their competitive advantage through improving their innovation capability.

The tourism sector makes a significant contribution to Vietnamese economy. According to World Travel and Tourism Council (2015), the direct contribution of tourism to Vietnamese GDP in 2014 was 182,066.0bn Vietnam Dong (VND) (4.6% of GDP). Tourism also generated 1,963,500 jobs directly in 2014 (3.7% of total employment) in Vietnam (World Travel and Tourism Council 2015). The contribution of tourism to the economy and labour market of Vietnam is forecast to grow in both the short and longer term (Martínez- Román et al. 2015). In the tourism sector of Vietnam, SMEs account for over 80% number oftourism firms (Ministry of Culture Sports and Tourism 2014). In this study, the Vietnamese Government criteria for classifying a tourism firm as an SME will be adopted. Using these criteria, a SME is based on the size of their total capital or the average annual number of labourers, which provides that SMEs in the trade and service sectors have up to 100 labourersand less than VND 50 billion (DECREE No. 56/2009/ND-CP, Vietnamese Government).

In spite of the growing interest in empirical research on innovation, no model has been published in the empirical literature that explains the innovative behaviour of firms in tourism (Martínez-Román et al. 2015). Given the notable differences in innovations in services (Martinez-Ros & Orfila-Sintes 2012) and particularly in tourism (Hjalager 2010; Kriz˘aj, Brodnik & Bukovec 2014), a specific study on predictors of innovation is timely (Al-Ansari, Xu & Pervan 2014) especially determining the contribution of leadership and organizational climate in the context of Vietnamese tourism SMEs.

METHODS

Design

In the present study, we chose grounded theory as the methodological approach and design based on the assumptions and interpretations presented by Glaser and Strauss (1967). The aim of grounded theory is to generate a theory from qualitative data collected from the setting, while the process is guided by theoretical sampling and constant comparison of incidents and categories (Berthelsen, Frederiksen & Lindhardt 2016; Glaser & Strauss 1967). Grounded theory proposed by Glaser and Strauss (1967) is frequently used in management studies to find out 'what is going on' to discover the typical pattern of behaviour. Therefore, grounded theory was considered highly appropriate method for this study due to its inductive core. During the data collection process, the researchers first had an inductive view of typical behaviour that finally turns into a more deductive focus based on concepts and categories discovered during data collection, analysis and coding (Berthelsen, Frederiksen & Lindhardt 2016).

Procedure

The study adopted a qualitative approach as it aimed to explore perceptions and to understand the meanings that actions by individuals conveyed (McCracken 1988). Qualitative methods are considered most helpful to investigate situations where claimed attitudes and actual behaviour diverge (Belk, Devinney & Eckhardt 2005) and where a real-life context is essential (Sinkovics, Penz & Ghauri 2005).

Data collection was based on interviews with CEOs of tourism SMEs in Vietnam conducted late in 2016. In-depth interviews were chosen as the tool of enquiry as they enable ''a more accurate and clear picture of a respondents position or behavior'' (Ghauri & Gronhaug 2002). They also enable respondents to clarify and elaborate on their answers. The interviews took place the CEO's preferred location at work, at a time convenient to them.

Participants

Participants were 20 CEOs in charge of tourism SMEs in Vietnam. All the participants were both CEOs and founders/co-founders and at different stages of their careers.They were contacted to participate through their listed office phone number on their companywebsite. All companies were located in Hanoi, the capital city of Vietnam, where there is a high concentration of tourism companies (Ministry of Culture Sports and Tourism 2014). The selected companies ranged in size from 8 to 60 employees meeting the criteria for a SME according to the Vietnamese Government. The CEOs' ages ranged from 25 to 60 years. Of the 20 CEOs interviewed, six were women (30%) and 14 were men (70%).

Data Collection

Semi-structured interviews were used to collect data of participants' perceptions regarding their leadership style, and how they formed and developed the organization climate of their company and how they managed innovation. The interview was semi structured and guided by a 10-question interview protocol, which included open-ended questions such as: "What is innovation in respect of your organization?" "What do you think that makes your company innovative?," and "To what extent do you welcome new ideas and implement changes in your organization?." In terms of leadership approach, the interviews continued with questions such as: "How would you describe your leadership style?"; "How do you enable your staff to work well for your business?" and "How do you think your leadership affects others to be creative and innovative?" As for organizational climate, we asked the interviewees questions such as: "Could you describe the working environment here that encourages creativity and innovation?" "How does your leadership impact the workplace climate in your company?" "What encouragements do you offer to promote employee innovation? What works best?" The interviews lasted an average of 30 and 45 minutes and were all recorded with the consent of the participants.

Data analysis

The content of interviews was transcribed in preparation for coding and analysis. The procedure for coding followed Creswell (2014) and continued until saturation was reached (Spiegel et al. 2016). Both initial manual coding followed by the use of NVivo (Version 11). After importing all transcripts into NVivo 11, the lead researcher manually coded the data using the abridged grounded theory approach (Creswell & Dana 2000) firstly for initial themes then for higher order themes. Subsequently, a blank transcript was sent to the rest of the research team with each sentence numbered. Each researcher coded for initial themes and then created higher order themes as above. All 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 resolve differences. Final coding was determined and then the lead researcher coded the rest. This procedure was used to ensure the integrity of the coding (Jackson et al. 2013).

The initial coding of the data using both in Nvivo codes (interviewees' terminology) and extant theory (academic terminology) informed the naming and attribution of codes (Hsieh & Shannon 2005). All interviews were re-read to identify relationships between expected and unexpected emergent themes and constructs related to leadership, climate and innovation. The higher and lower order themes were finalized and their links considered and any remaining ambiguities were resolved (Spiegel et al. 2016) to result in a conceptual modelillustrated and discussed in the following section.

Findings

In the following sections, the six main themes to emerge from our qualitative data are discussed: Providing autonomy and freedom for subordinates; Welcoming and supporting for new ideas; Communication, inspiration and knowledge sharing; Teamwork and collective decision making; Developing rewards and incentives systems; and Comfortable working conditions.

Providing autonomy and freedom for subordinates

Providing autonomy is the hallmark of effective innovation management. In thepresent study, 18 out of 20 leaders distinctly used the words "autonomy", "freedom", or "work independently" to explain their strategy of encourage employees to engage in decision-making discretion, and self-control. Leaders seek to enhance organizational productivity by motivating people to complete their work activities as well as monitor task performance to identify errors and opportunities for improvement. They provide employees with the abilityto engage in complex, time-consuming, but potentially rewarding innovative processes. 12out of 20 respondents were result-oriented, which meant they paid greater attention to the work performance of their employees rather than the method by which they completed tasks.

The data indicated that the participants in the present study were moving away from the mechanistic approach of leadership to providing more freedom at work for their subordinates. They seemed to exhibit an approach to stimulating innovation and creativity so that employees could do the work in their own ways with limited control from supervisors. Eight respondents used "autonomy" or "freedom" as a preliminary tool for motivating employee creativity and innovative behaviours. However, some respondents noted that they still supervise subordinates using technology or reporting systems to ensure that their staff used their time wisely.

The following statements show the strategies of the leaders in providing autonomy for employees to stimulate their creativity and innovative behaviours.

> "*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 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 don't force themto imitate servilely everything. Oppositely, they are encouraged to foster their creativity and voice their opinions, other than following a specific working style.*" (CEO 16)

"*Empowering is what I have done so far. Apart from it, I also set goals for them to reach in their own way. I am result-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 notis what I care about. [...] The staff has to find their own way to achieve the goals.*" (CEO 20)

"*Independent working is highly valued in my company. I don't need to track every little detail of employees' work every day to see if it is satisfactory enough to go on. People focus on their own work and ensure theirs to reach previously set criteria, which will enable the project to run smoothly*." (CEO 2)

"*When the company was initially established, I had to cover almost every aspect. Due to the small size of the company, the autonomy at work was underdeveloped. However, when different functional departments across the company gradually develop with respective line managers, I can empower them with corresponding rights and responsibilities. I only have to manage the number of tasks and the final result*." (CEO 3)

Welcoming and supporting for 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 implementing these ideas. The leader's attitude in welcoming subordinates' new ideas played an important role in determining subordinates' creativity and innovative behaviours. The leaders acknowledged that the implementation of new ideas into practice might be risky and costly, but when their staff raises a new idea, their first action should be to recognise their effort. After that the leader and subordinate can work together to evaluate the feasibility of realizing the idea. The leaders in the study were aware that if they immediately underestimated the new idea, the motivation of the subordinate would be diminished. Therefore, it is vital that all new ideas must be strongly welcomed and discussed carefully before deciding on their implementation.

"*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 really confide 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. As an SME, we would like to figure out the most cost-effective marketing solutions.*" (CEO 15)

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

"*I always appreciate and reward any new ideas from my subordinates immediately*." (CEO 10)

"*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 tourisms. All of these ideas can be analysed mutually*

later in the company. I also set a financial reward strategy of 1 million VND for those with bright ideas, with a view to stimulating their creativity even more in the future." (CEO 20)

"*As the founder and director of the company, I think new ideas are really important. Especially in the tourism sector, unique new ideas play an essential role. Therefore, we are always open to new ideas. However, we also have to pay attention to the balance of our resources to ensure its feasibility to execute*." (CEO 13)

"*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)

"*Regarding human resources, I believe it's best to provide training for employees so that they have sufficient knowledge to fulfil their tasks creatively*." (CEO 4)

Communication, inspiration and knowledge sharing

Interaction-based practices, including inspiring, communicating, sharing knowledge, etc., were the expressions used by many of respondents while referring to their strategy for managing the innovative behaviour of their subordinates. The data showed that most of the leaders did not directly get involved in their employees' work; however, they wanted to communicate with their subordinates to listen and understand their difficulties. In such cases, the leaders showed their understandings and inspired staff by kind words. The leaders also shared their experience and knowledge to help employees to solve problems. The respondents also emphasized that sharing knowledge and experience was more like suggesting or advising, which is different from directing employees. The purpose of these interactions was to help employees find a creative solution, underlined by a sense of creativity and innovation by the subordinates. In some cases, when the subordinates did not have ability to find solutions for difficult issues, the leader got involved or formed a team to support the subordinates.

"*In my company, we embrace a friendly style, in which people are very confident about sharing their opinions at work. Whenever there is an offline event or team- building event, the welcoming environment is even more obvious.*" (CEO 3)

"*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 have no desire to change, he 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)

"*First, I have to be the role model. Second, I should inspire all subordinates*." (CEO 17)

"*I never shout at people, for example. And also, I try to communicate with others everywhere I go. I hardly sit still in my office all day, only when I have work to handle. Instead, I go to different departments to have talks, motivate, try to connect with staff and create a workplace climate*." (CEO 20)

"*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 second thing I would like to mention is the close bond between me and employees. This will create a friendly and understanding working environment, which will be beneficial for our collaboration*." (CEO 7)

"*In my daily routine, the first thing I want to do is to have an open discussion with employees. They can share any opinions, ideas or difficulties they face at work so that everyone can update the situation."* (CEO 7)

Teamwork and collective decision making

The analysis revealed that team-working, discussing and collective decision making with the participation of leaders and subordinates emerged as prominent theme in relation to stimulating innovative behaviours and improving innovation SMEs; 13 out of 20 respondents referred to the use of meeting and group discussions, and eight respondents to the use of collective decision making in difficult situations as strategies of formulating new ideas and finding creative solutions. Four of these respondents stated that they used all three strategies in their efforts to gather employees' new ideas and to decide the implementation of such ideas.

"*Whenever an employee faces a challenging situation, he is encouraged to share with his 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)

"*In any group meeting, we should allow everyone to voice their opinions, as well as appoint a leader to handle all the problems faced to complete the tasks*." (CEO 9)

"*I really welcome the opinions of people on sharing knowledge, 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 leaderscan 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*." (CEO 3)

"*Whenever one has any idea, he can propose to the company. Then we can discuss and put it into practice*." (CEO 15)

"*The team leaders often discussed his/her idea with me, which I totally welcomed and joined them to implement it. They were very excited as I was able to support them*." (CEO 12)

"*We value the moving-forward working style, where we always support each other during the most difficult time or whenever mistakes happen. We, instead of judging, all join hands to solve the problems, and draw key lessons learned from those experiences for personal and professional growth*." (CEO 13)

Developing rewards and incentives systems

In the present study, all respondents distinctly used rewards and incentives to encourage creativity and innovation in their SME. Many of the participants confirmed that monetary rewards were vital in appreciating subordinates' contribution and making them more innovative. However, seven out of 20 CEOs indicated that while monetary incentives work best in the short-term, non-monetary incentives, i.e., thank you emails, paid holidays, promotion opportunities, staff awards, share ownership, etc., were more efficient in the long-term. In addition, 10 respondents reported that a combination of monetary and non-monetary incentives was the most effective method for encouraging innovation and creativity.

"*When one has a creative idea, I will single out his accomplishment and give him a merit pay for this. At the end of the year, I will provide rewards for creative excellence of employees. Although the monetary value of this reward is not toosignificant, ranging from 1 to 2 million VND, I think its prominence in terms of employee recognition is more valuable*." (CEO 19)

"*If one puts so much creativity and passion into work with a high level of efficiency plus few errors, his accomplishment is definitely recognised. I think the combination of both financial and non-monetary rewards will have the greatest impacts on motivating employees to perform better. The rewarded person can be a role model for others to follow suit*." (CEO 1)

"*Presently, I am using bonus 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)

"*For the Vietnamese in general, both monetary and non-monetary rewards are necessary. In my opinion, it's best to provide them with financial support or a paid holiday*." (CEO 9)

"*I am always willing to provide rewards for any one coming up with practical new ideas. I will immediately give him praise on the company forum, as well as a small financial support as a way to motivate employees*." (CEO 10)

"*I can provide some monetary reward through wire transfer for one who works innovatively, which is one of the short-time incentives. If I can see how obviously effective one idea will be, I can provide support immediately. While the value is not too prominent, I hope it can give employees enough motivation to work better*." (CEO 15)

"*The reward system will depend on the contribution to the company and its level of efficiency, which will be provided at the beginning or the end of the month. Financial support will be given to those deserve*." (CEO 16)

"*I don't think financial reward is the most effective one, as it only has influence on personal level rather than the whole group. More importantly, when there is positive news such as high monthly revenue from one department, I will organize a trip for everyone, not just the outstanding department. Of course, there will be reward for this department, but they will spend some on the trip, too. The company will be in charge of the remaining expenditure. Sometimes, for example, I hold similar events forpeople, maybe monthly or quarterly. I reward personal achievement too, but less frequently.*" (CEO 20)

Comfortable working conditions

A comfortable working environment is an essential factor in fostering innovation at work. In the present study, all the leaders distinctly described an ideal working environment, which helped to boost innovation and creativity. Twelve out of 20 respondents suggested that the physical environment, for instance, working spaces, equipment, and technology, and the mental environment such as rules, regulations, and relationships between subordinate-subordinate or subordinate-leader, were important for forming an innovative climate. In many cases, the leaders emphasized flexibility of working hours, reduction of regulations and simplification of working procedures as ways of facilitating the process of bringing new ideas into practice. The respondents also highlighted the importance of organizing recreational activities, for example, company annual holiday and monthly parties, as such activities play a key role in strengthening the relationship between all the members of the company and assist in making staff more comfortable as a means of fostering creativity and innovation. The leaders tended to create an atmosphere in which the individuals felt like they were connected to the leader and other staff as in a family.

"*I try to create comfortable workplace climate. So what I am doing now is to create a system to support the management, not only enable people to work more comfortably but also help me to control everything better. In other words, it assists in my management capabilities while ensuring that I can focus on creating a comfortable organizational climate for everyone. While people do not feel under strict control, they are actually well-managed.*" (CEO 20)

"*We adopt a modern working condition. Previously, we used to hire an office apartment or a detached house, where each of the department worked in a different room. Therefore, people were not sociable and close to each other. My presentworking model is that everyone working in a shared space, which fosters better communication, creates a closer environment and allows everyone to update each other's work progress.*" (CEO 15)

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

"*I think it 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 leaders, managers and other staff. A frustrated environment will not foster any creativity and innovation, I believe. For example, reducing administrative process is such a helpful way to make peoplecomfortable. I am never difficult to anyone who asks for me to sign a company document, as I feel there is no need to act that way. Furthermore, it is necessary to formulate regulations in order to keep everything under control. I think that these top-*

down and bottom-up approaches can make creativity and innovation more realistic. If we allow employees to be over-creative, sometimes it is not as effective as we expect." (CEO 11)

DISCUSSION

The goal of this research study was to get an understanding of leaders' approaches towards developing organizational climate to stimulate innovation in SMEs. The method of grounded theory was used to learn about the experiences and perspectives of senior executive leaders in Vietnamese tourism SMEs. The respondents were asked about their leadership style, their behaviours and their strategies for developing organizational climate to encourage the creativity and innovative behaviours of their staff. An analysis of the first-hand narratives of leaders shows that leaders in SMEs tend to provide autonomy for their subordinates, and pay more attention to their work outcomes rather than their work procedures. When the subordinates proposed a new idea, many of the leaders confirmed that they would show their appreciation and discuss the idea further.

The qualitative data revealed that organizational climate dimensions such as autonomy and freedom, as well as the support for innovation and communication between leaders and subordinates and knowledge sharing in organizations. Particularly, staff whowork in an environment where freedom and supports 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 (Amabile et al. 1996; Shanker et al. 2017).

Interestingly, the leaders in Vietnamese tourism SMEs tended to develop a comfortable environment as a family. Although SME leaders are the most influential decision-maker within the company (Yan & Yan 2013), they do not often show their power or strictly control the subordinates. Carrying the responsibility of being leaders, they acted as a final decision-maker and determined the strategies after discussion with staff. These findings suggest that leader in 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.

As the structure of SMEs is simpler than it is in large firms, the senior executive leaders often work and communicate directly with the staff. Therefore, their behaviours and attitudes are very important in affecting the innovation behaviours of staff. The communication between leaders and subordinates is even more important in tourism sector asit affects the service quality and the way of communication between staff and customers.

IMPLICATIONS, LIMITATIONS AND RECOMMENDATIONS

Theoretical implications

The role of leadership in developing organizational climate and enhancing innovation in SMEs are not fully reflected in the current literature due to a lack of empirical studies examining practices used by leaders to do this. A key theoretical contribution of this study is that we focus on how leaders develop organizational climate, including an autonomousclimate, support for innovation, rewarding systems, and working conditions, to stimulate innovation in the organization. While the leadership behaviours identified in this study arenot new in and of themselves, what is new is that we show how these leadership behaviours are used in concert with each other, sometimes as conflicting sets of simultaneous practices, and so enhance understanding of the role of leadership in creating organizational climate and

improving innovation. Most important, our study, although exploratory in nature, suggests that leaders in SMEs tend to provide freedom and autonomy for their subordinates rather than forcing them to follow rules and regulations.

Informed by the qualitative results, a conceptual model reflecting the process that leadership impacts on organizational climate and innovation in SMEs was formulated (Figure 1).

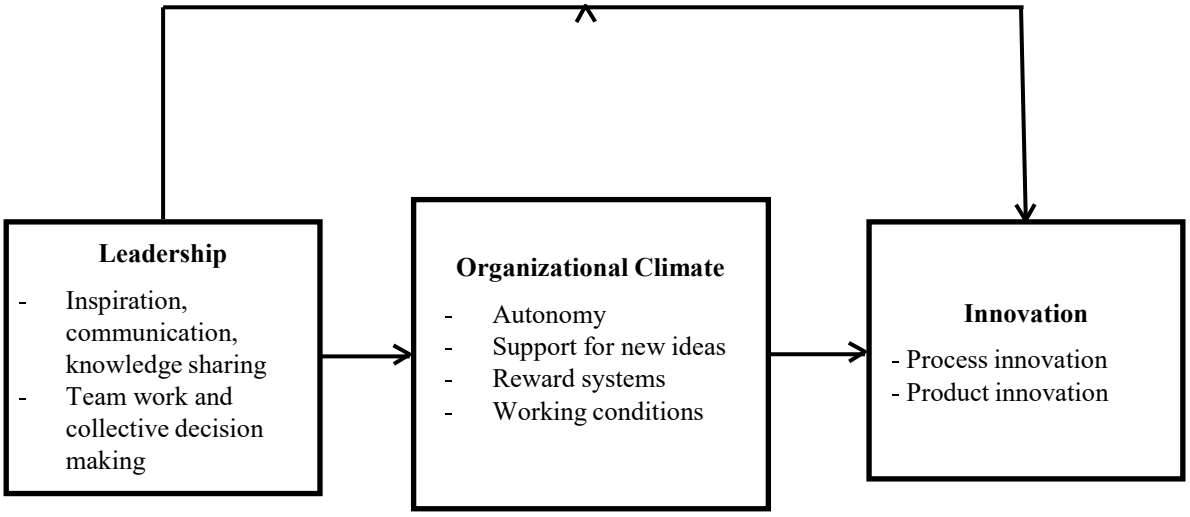

Figure 1. The association of leadership, organizational climate and innovation

Managerial implications

To enable contextual ambidexterity, leaders can enact an organizational climate that support for innovation. They can also continuously adapt these behaviours to achieve fit with climate that support for innovation. Our results suggest more broadly that leaders in SMEs, who can easily change the company structure and develop a climate for innovation, can use daily interaction-based practices to manage innovative behaviours of employees and to enhance innovation in the organization. Explicit consideration of the role of leadership, and specifically of daily leadership behaviours to enable innovative behaviours, can improve awareness and visibility of these practices. A move toward more systematic incorporation of leadership practices in research on organizational climate could be valuable for improving leadership practice. We therefore see implications from our study for how leaders can enable climate for innovation by reflecting more on whether and in what ways they seek to shape the climate for innovation and the innovative behaviours of others. This can perhaps lead to new insights on other daily leadership practices to provide autonomy for employees, enhancing teamwork efficiency, and providing appropriate support for applying new ideas. By fine- tuning leadership in SMEs context, it can be shown that adaptive leadership strategies would have significant effects on climate for innovation and organizational innovation.

This is also where human resource managers can play an important role. By developing a reward and incentive system, human resource specialists can create the appropriate context for leadership that stimulate innovation in SMEs. Their influence on both policy development and implementation of appropriate human resource practices and human resource systems can help build an organizational climate supportive of leadership for innovation as well as facilitate resource flexibility and intellectual capital essential for achieving and maintaining innovative behaviours. Moreover, human resource specialists can

play a key role through discussions, coaching, mentoring, or training in supporting employees to nurture new ideas and applying ideas successfully.

Limitations and recommendations

As stated by Riessman (1993), "stories are inherently multilayered and ambiguous, so narrative inquiry is bounded by the constructed nature of truth" and, hence, present subjective and individual perspectives. While this is a weakness, if we are able to decipher the commonalities in the aspects of perspective, it helps at generalization. Identification ofthemes from the narratives is actually a process of deciphering these commonalities. In a qualitative study, there is increased danger of researchers' bias at various stages of data analysis. A conscious effort was thus made to minimize the potential bias by taking various measures to ensure maximum objectivity while identifying themes and categories.

Future studies are recommended to enable the inclusion of data generated outside tourism sector and in other cultural context. In addition, a longitudinal or quantitative study is recommended in order to provide for a deeper exploration of the influence of leadership on organizational climate and innovation in SMEs.

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