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Innovation and organizational development: the role of organizational leadership

Abstract

Purpose: This study assesses the moderation effect of organizational leadership on the relationship between service firm's innovation strategy and organizational development. The study argues that in Ghana where power distance is high, organizational leadership provides the needed impetus for strategies such as innovation to achieve enhanced firm performance.

Design/methodology/approach: Data was collected from different service firms across Ghana for this study. A confirmatory factor analysis was used for construct reliability and validity checks. Robust regression estimations were then performed to test the hypothesized relationships.

Findings: The results show that both product innovation as strategy and organizational leadership are positively related to organizational development (i.e. financial and non-financial performance). It was also found that organizational leadership does not only serve as a predictor of strategy formulation but provides the necessary strategic fit between a firm's strategy and business environment to achieve organizational development.

Implication/Originality: This study has shown that in high power distance cultures, firms that are able to align their leadership orientation with their institutional environment are able to create a better fit between their strategic orientation and business environment in order to enhance organizational development.

Keywords: Organizational Development, Innovation, Organizational Leadership, High Power Distance, Africa, Ghana

Introduction

Organizational leadership is exercised through top management influence over the effective distribution and utilization of resources to achieve organizational development, thus, financial and non-financial improvement. Leadership offers the needed strategic direction that gives traction to strategy implementation and the subsequent success on the market. The level of significance of leadership in organizational development accounts for the depth of study on leadership impact on firm performance over the past decades (see Awamleh, 1999; Rowe et al., 2005; Jung, et al., 2008; Chung and Luo, 2013; Eisenbeiss, et al., 2015). Leadership has largely been seen and assessed as a significant predictor of firm success through strategy formulation. Upper Echelons Theory posits that "organizational outcomes – both strategies and effectiveness – are...reflections of the values and cognitive bases of powerful actors in the organization" (Hambrick & Mason, 1984, p. 193.) In other words, leaders in the upper echelons of an organization influence organizational performance directly through their characteristics and behaviors and indirectly through the strategic choices they make. In spite of this, the effectiveness of leadership in organizational outcomes can be influenced by contextual factors (Anning-

Dorson, 2017). As per Hofstede's, (1984, 1991) studies of culture on organizational performance, it is found that in contexts where power distance is high, employees are dependent on the boss or the power holder for direction. Jung et al. (2008) assert that leaders usually play key roles in determining organizational policies/processes as well as resource allocations, yet relatively few studies have examined how they affect strategic implementation at the organizational level in different contexts. Organisational leadership is important in fostering the strategic fit of firm and its environment to create the needed competitive advantage. Organisational leadership must be considered as an internal-firm capability for strategy implementation (Anning-Dorson, 2017). Leadership creates the fit between the innovation implementation and the environment. An observed deficiency in literature seem to be the inattentive consideration on the intermediate role played by leaders in certain cultural contexts with regard to shaping organizational success during strategy implementation. This study therefore assesses the moderation role of organizational leadership on innovation-performance relationship. The study argues that in Ghana where power distance is high, organizational leadership provides the needed impetus for strategies such as innovation to achieve organizational development i.e. enhanced firm performance.

The intensity of today's dynamic markets comes along with innovation-based competition, price/performance rivalry, decreasing returns, and the creative destruction of existing competencies (Santora et al., 1999; Venkataraman, 1997). Scholars suggest that effective organizational leadership can facilitate strategic implementation (Carmeli, et al., 2010) and performance improvement when organizations face these challenges times (McGrath and MacMillan, 2000; Teece, et al., 1997). Some researchers have investigated the strategic role of organizational leadership, as well as how organizational leadership orientations improve organizational performance (e.g. Chan and Luo, 2013; García-Morales et al., 2012; Purcell et al., 2004). This has been informed by the fact that intangible assets such as leadership orientation, culture, skill and competence are increasingly seen as key sources of strength in firms that can combine people and processes for organizational development (Purcell et al., 2004).

Carmeli et al. (2010) argue that organizational leadership and its relationship with strategy has largely been studied as a predictor in strategy formulation. In the field of innovation, leadership has been studied as having influence on the level and frequency of innovative activities within an organization (Schneider et al., 2005). Leadership has been limited and largely conceptualized as an antecedent to innovation activities within firms (Jung, et al., 2008; Mumford, et al, 2002). Nevertheless, the strategic leadership literature and the upper echelon theory have suggested that leadership is not only critical to strategy development, but also to implementation and success on the marketplace (Boal and Hooijberg, 2001). This therefore emphasizes the point that studying the influence of leadership on strategy should not be limited at the predictor level but must be extended as a driver that shapes the context for implementation success within the marketplace. Hence, this paper agrees with Carmeli et al (2010) that organizational leadership orientation is important at cultivating strategic fit between organizational innovation activities and the marketplace to enhance firm performance. However, our point of departure concerns the heterogeneity that this organizational leadership offers to the relation between

innovation as a firm level strategy and organizational development in terms of financial and non-financial performance.

The organizational leadership role played in the strategic success of innovation can further be explained by contextual factors such as the culture within which leadership power is exercised. The institutional theory suggests that organizational actions are considered socially accepted and approved if they are consistent with widely held norms, rules and beliefs (Sonpar et al., 2009; DiMaggio and Powell, 1983). The cognitive structure within a cultural setting explains what is culturally supported and conceptually correct and therefore determines how organizations are managed and led. Kuada (2010) asserts that strong leadership might be more appropriate for societies whose members have a high regard for hierarchy and are reluctant to bypass the chain of command. In Ghana, our study context, where power distance is considered very high (Hofstede et al., 1997), the role of organizational leadership is anticipated to be critical in strategy development and implementation success. This study therefore posits that in Ghana, organizational leadership orientation regarding innovation will provide the needed strategic fit for innovation strategy to positively influence firm performance.

This study makes contribution to knowledge by examining the role played by organizational leadership in shaping the context for successful strategy implementation for organizational development. Organizations operate open systems where there is the need to fit business operations with environmental conditions (Tang and Zhou, 2012). Leadership plays an important role in this regard, by balancing internal strengths with the environmental conditions within which firms operate (Van Dierendonck, et al., 2014). Organizational leadership therefore creates the boundary condition for strategic actions to thrive. However, leadership as a moderating factor between innovation strategy and firm performance has not received enough attention in both leadership and innovation management literature. Carmeli et al. (2010) have called for attention to be paid to organizational leadership as a boundary condition for strategy effectiveness. As a contribution to literature, we respond to such a call by arguing that organizational leadership will not only drive the innovation development but will provide the needed strategic fit for successful implementation. Data from Ghana, where leadership is considered important in strategy implementation, is used to explain the moderating influence of leadership on the innovation-firm performance relationship within service firms setting.

Theoretical Background and Hypotheses Development

Innovation and firm performance

A number of studies have established positive relationship between innovation and performance. Innovation activities and output are shown to be important correlates or determinants of firm performance (Gronum, et al., 2012; Mansury and Love 2008). Some empirical evidence about the causality of this relationship also shows that innovators are persistently more profitable than non-innovators (Yeh-Yun Lin and Yi-Ching Chen, 2007; Love, et al., 2009). Anning-Dorson (2016) found that innovation is empirically linked with competitiveness and is a necessary strategic tool for service firms wanting to remain competitive and relevant. It is also advocated that firms

increase their performance through their innovation, which requires flexibility, adaptation and responsiveness (Anning-Dorson, et al., 2015). The key argument made for innovation leading to firm performance is that these firms are able to constantly leapfrog the competition. Two key variables for assessing firm performance and organizational development are financial and non-financial performance (Anning-Dorson, 2016; Jaworski and Kohli 1993).

Cainelli et al. (2006) found a two-way relationship between innovation and performance of service firms. They indicated that innovative firms perform better than non-innovators, but superior performing firms are also going to innovate, and commit an increased amount of their resources to innovation. Some scholars (e.g. Crossan and Apaydin, 2010) have considered innovation capability as the most important determinant of overall firm performance. Argument is made that innovation is paramount in a modern environment characterized by hypercompetition (Otero-Neira, et al., 2009; Grawe, et al, 2009) and intense and rapid competitive moves require firms to continuously innovate to create new advantages that will enhance their performance (Dess and Picken, 2000). This study based on previous findings advance the argument that service firms will increase their performance through their innovation activities. It is subsequently posited that product innovation of service firms operating in Ghana will enhance organizational development in terms of financial and non-financial performance. Based on the above, this study hypothesizes that;

H1: Innovation will be significantly and positively related to (a) financial performance and (b) non-financial performance

Organizational Leadership and Firm Performance

The strategic management literature sees organizational leadership as the executives who have overall responsibility for an organization (Westley and Mintzberg, 2009; Hambrick and Mason, 1984), based on the principle that “ultimately, they account for what happens to the organization” (Hambrick, 1989, p.5). Leadership is viewed by some researchers (e.g. Zhu et al., 2005) as one of the key driving forces for improving a firm’s performance. Effective leadership is also seen as a potent source of management development and sustained competitive advantage for organizational performance improvement (Rowe et al., 2005). According to Mehra et al. (2006), when organizations seek efficient ways to enable them to outperform others, a longstanding approach is to focus on the complimentary effects of leadership. Top managers influence organizational development through the development and maintenance of value systems that increase productivity throughout the firm. A number of studies (e.g. Carter and Greer, 2013; García-Morales et al. 2012; Judge and Piccolo, 2004) have found that leadership creates the vital link between organizational effectiveness and people’s performance at an organizational level.

Organizational growth is driven partly by a combination of external and internal factors. Kuada (2012) asserts that leadership is an internal determinant of organizational performance and that some leadership styles are considered to be more performance enhancing. Leadership orientation is an important element for organizational development in societies such as Ghana where there is respect for hierarchy and strict adherence to the chain of command (Kuada, 2010). Generally, the leadership-followership literature have argued that followers believe that they are

obligated to behave or perform in a certain way and also believe that their leaders have certain obligations towards them, these beliefs constitute a psychological contract (see Foti and Boyd; 2016; Epitropaki, et al., 2013). In contexts where the expectations of the followers are very strong due to high-power distance, the effect of leadership on organizational development is expected to be strong. Our argument in this study is that Ghana has a high power distance culture and therefore the effect of organizational leadership on firm performance is expected to be strongly positive and significant. Thus, the study posits that;

H2: Organizational leadership is significantly and positively related to (a) financial performance and (b) non-financial performance

Organizational leadership as a Moderator

From the upper echelon theory, organizational outcomes, strategic choices and performance levels are partially predicted by top managerial conduct and background characteristics (Hambrick and Mason, 1984). Leadership studies such as Barling et al. (2002) and Schneider et al. (2005) have shown that leaders shape their contexts and to a large extent explain the strategic performance of firms. Carmeli et al. (2010) emphasize that organizational leadership does not only promote firm performance but also provides the necessary precondition for change and adaptation (strategic fit). The strategic fit provided for by organizational leaders come in the form of ensuring that the strategic choices of the firm are well align with the prevailing environmental conditions to ensure strategic success. This is reinforced by Hambrick's (2007) assertion that in order to understand why organizations do the things they do, or why they perform the way they do, there is the need to consider the biases and dispositions of their most powerful actors — their top executives. Top managers have discretion in determining the future directions of the firm and therefore play a principal role in strategy implementation and success (Child, 1972).

Burgess and Steenkamp (2006) emphasize the importance of leadership in strategy implementation in any organization, but even more so in emerging markets, due to socioeconomic and cultural (high embeddedness and hierarchy) factors. Management scholars generally endorse the view that organizations are embedded in social, cultural, economic and political contexts (see Kuada, 2012). Cultural issues such as collectivism, embeddedness and power distance are thus expected to shape how African firms are managed and led. In cultural contexts where power distance is high, the role of leadership on effective implementation of strategy is expected to be high (Anning-Dorson, 2016). In high power distance contexts, power is centralized at the top, and employees are dependent on the power holder for direction as social institutions mandate. Implementation of strategies in such contexts will require organizational leadership to provide the necessary condition for strategy success. In the context of Ghana's high power distance culture, firms are likely to have a centralized structure to emphasize the chain of authority and assign well-defined roles in a hierarchical structure, and demand compliance in the service of goals set from the top. Due to centralized structure and authority centering at the top, organizational leadership becomes the most powerful catalyst for successful strategy implementation. Employees look up to leaders to provide the direction and motivation during strategy implementation. Organizational leadership thus creates and sustains an organizational climate that facilitates successful implementation of strategies such as innovation to enhance organizational development (Yukl, 2008). Top management

is expected to provide the impetus for effective product innovation strategy implementation. Consequently, firms that have leaders with strong innovation tendencies are more likely to experience higher performance outcomes relative to those firms with weaker innovation leadership. We therefore hypothesize that;

H3: the relationship between innovation and (a) financial performance and (b) non-financial performance will be moderated by organizational leadership

Methodology

Sample and data collection

The data of this study was collected from the service sector of Ghana. To develop a sampling frame, the study used an online database - Ghana Business Directory (GBD)(ghanaweb.com) to identify services firms across different sub-sectors. This database has been used in similar studies such as Anning-Dorson, (2016) and Acquaaah (2007). The GBD provided detailed information about the firms that made it easy to contact them in person and via other means of communication. A total of 27 Universal Banks and 390 Micro Finance Institutions (the two extremes of banking service providers); and 106 Insurance Firms constituted by 18 Life, 26 General and 61 Brokerage firms were obtained. The list from the GBD had 558 business and management consultancy firms, 354 lodges and guesthouses, 741 media and communication firms and 204 general merchants. The total of all the eligible firms stood at 2,380. Questionnaire comprising the constructs' items on a seven-point Likert scale (1=strongly disagree; 7=strongly agree) were delivered to these firms. After two reminders and follow-ups, a total of 702 were received. After excluding those who significantly could not complete the questionnaire and those who were not in a management position, the final number came down to 508 which was used for the analysis of which 170 were from banking, insurance 62, consulting 47, media and communication 99, hospitality 51 and retailing 79. We followed Armstrong and Overton (1977) to test for non-response bias. The responses collected within the first week were compared with that of the fourth week. The means of these two groups were not significantly different hence non-response bias was not considered a problem for this study.

Measures

Firm performance: Previous studies have identified financial and non-financial performance as major outcomes of innovation and important measure for organizational development (Otero-Neira, et al., 2009; Grawe et al., 2009). Accordingly, this research focused on financial and non-financial performance measures as key dependent variables. Measures of financial and non-financial performance are taken from existing scales (e.g. Akimova, 2000; Anning-Dorson et al., 2015). The financial measures tapped into the service firms' managers' evaluation of company's profit, market share, sales volume, return on investment and cash flow relative to their competitors. The non-financial performance tapped into service quality, customer satisfaction and employee satisfaction relative to their competitors. Such perceptual response approaches have been shown to be reliable and proven to produce results consistent with objective measures of performance (e.g. Boso et al., 2013).

Organizational Leadership: Organizational leadership was measured in relation to innovation. We assessed organizational leadership in respect of how top management creates the atmosphere for innovation activities to thrive within the service firm. It was used in this study to reflect the role of management in ensuring that innovation development and implementation is promoted by providing the needed support. High-level organizational leadership means that management creates the institutional structures and provides adequate resources and motivation to deliver a successful innovation implementation. We measured organizational leadership by relying on the works of Ko and Lu (2010), Souitaris (2002) and West et al. (2003).

Product Innovation: Product innovation reflects service firm offering an important new core benefit (service product) and by breathing new life into existing products as well as come up with entirely new service offerings that are either new to the firm, customers or the market. We measured product innovation by following the works of Sundbo (2003) and Anning-Dorson (2016). Five items were used to measure product innovation.

Control variables: Although the interest was in developing a parsimonious model, other alternative factors may also influence firms' performance. Control variables were included to ensure results are not unjustifiably influenced by these factors. As in the literature, (e.g. Wang, 2008; Anning-Dorson, 2016) the study controlled for firm size, type of service, firm age, number of owners and form of ownership as having potential influence on the competitive advantage of a service firm. Larger and older firms may possess a superior pool of resources and the capacity, as well as the scale necessary, to invest in innovation. Size was measured by total number of full time employees and firm age by the number of years the firm had been in business. The study also controlled for the number of owners and the form of business ownership in terms of private or public to partial out their potential effect on firm performance.

Analysis and Results

The study used a two-stage approach in analyzing the data. The first stage was for measurement model assessment through a confirmatory factor analysis (CFA) to assess construct and discriminant validity and reliability, which is in line with the literature (see Anderson and Gerbing, 1988; Bagozzi and Yi, 2012). The CFA results provided evidence of convergent validity of measures through the positive-significant loadings of measures and satisfactory levels of composite reliability and discriminant validity. Tables 1 and 2 give details of the results of the first stage. A Lindell and Whitney's (2001) test was first conducted through the marker variable approach before Harman one-factor test. The analysis identified a marker variable and tested for CMB. The results showed that correlation between the marker variable item and performance was not significant ($r=.013$; $p>.10$). The study also shows low non-significant correlations between the marker variable item and other constructs, ranging between .013 and .076 indicating that CMB does not affect this study. Subsequently, a single factor analysis as per Herman through EFA also showed that common method bias was not a problem for this study though data on both dependent and independent variables were collected from a single source. The EFA showed that no single constructs largely explained the variance. The results showed that out of the 78% of the variance explained non of the constructs explained more than 23%.

Table 1: Measurement model

Constructs/ Measurement Items	Factor loading	t-value
<i>Organizational Leadership CR= .909 α=.79</i>		
Senior executives have a demonstrative and risk-taking attitude towards innovations in order to achieve best results	.777	Fixed
Senior executives constantly seek unusual, novel solutions to problems	.818	12.391
Management actively respond to the adoption of “new ways of doing things” by main competitors	.759	11.015
Key executives of the firm are willing to take risks to seize and explore “chancy” growth opportunities	.841	12.431
Management is very cautious in adopting innovative ideas*	.755	11.226
We get lot of support from managers if we want to try new ways of doing things	.791	11.656
<i>Product Innovation; CR= .834 α=.77</i>		
Our company is always able to differentiate our products from the competition	.693	Fixed
In comparison with our competitors, our company has a high success rate in new product launch	.724	9.540
Our company is faster in bringing new service offerings into the market than any other	.817	10.422
Our company has introduced more innovative products during the past five years than any other	.666	8.398
New products in our company often take us up against new competitors	.634	7.263
<i>Financial performance CR= .916 α=.91</i>		
Better cash flow	.869	Fixed
Better return on investment	.859	17.440
Better market share	.770	14.405
Better return on investment	.865	17.660
Better cash flow	.774	14.530
<i>Non-financial performance CR= .874 α=.87</i>		
Employee satisfaction	.874	Fixed
Customer satisfaction	.860	16.943
Service quality	.771	14.189
<i>Note: CR=construct reliability *reverse coded</i>		

Table 2: Descriptive Statistics and Inter-Construct Correlation

	1	2	3	4	5	6	7	8	9	10
1. Firm Size	-									
2. Firm Age	.345**	-								
3. Service type	-.091*	-.031	-							
4. Foreignness	.046	-.065	-.005	-						
5. Number of owners	.284**	-.039	-.340**	.096*	-					
6. Private/Public	-.347**	-.135**	.131**	-.102*	-.162**	-				
7. Organizational leadership	-.007	-.045	.078	.051	.009	.045	(.625)			
8. Production innovation	.004	.000	.200**	.092*	-.094*	.026	.385**	(.503)		
9. Financial performance	.080	.076	.376**	-.014	-.123**	-.098*	.254**	.415**	(.687)	
10. Non Financial performance	.048	-.042	.357**	.086	-.086	-.057	.331**	.446**	.832**	(.699)
Means	-	-	-	-	-	-	4.773	4.444	4.895	4.968
Standard deviation	-	-	-	-	-	-	.9433	1.168	1.202	1.226

*Note: Correlation is significant at the 0.01** and 0.05* level*

Average Variance Extracted (AVE) in the diagonal (in parentheses)

In the second stage, a one-tail multivariate regression analyses were performed with robust estimation to assess the various hypotheses put forward. In the multivariate regression procedure, two dependent variables were used; thus, financial and non-financial performance in every model. Three models were specified as displayed in Table 3. In Model 1, only the controls were specified, while Model 2 specified the relationships stated in H1(a&b) and H2 (a&b) with the controls added. To test the last hypothesis, thus H3, the interactive term between organizational leadership and product innovation was added in Model 3. Prior to adding the interactive term, we followed recommended procedure (e.g., Aiken and West, 1991; Ping, 1995) by using the multiplication approach for moderation effect. Organizational leadership and product innovation were first mean-centered to reduce the potential of multicollinearity.

H1 argued broadly that product innovation would influence firm performance positively in Ghana. The study found support for this as product innovation was positively and significantly related to both financial thus, H1a ($\beta=.415$, $p < 0.01$) and non-financial performance, thus H1b ($\beta=.533$, $p < 0.01$). In H2, we argued broadly that organizational leadership would significantly influence organizational development in terms of (H2a) financial and (H2b) non-financial performance. Support was found for H2 as organizational leadership effect on both financial ($\beta=.109$, $p < 0.05$) and non-financial ($\beta=.141$, $p < 0.01$) performance were found to be both positive and significant. Lastly, H3 generally sought to assess the moderating effect of organizational leadership on the relationship between innovation and organizational development. The results confirm H3a and H3b, as significant and positive relationship were found between the interaction term of innovation and organizational leadership and financial ($\beta=.196$, $p < 0.01$) and non-financial ($\beta=.129$, $p < 0.01$) performance. This suggests that organizational leadership positively moderate the relationship between innovation strategy and organizational development to the extent of improving financial and non-financial measures of firm

performance. This means that as organizational leadership increases in relation to innovation implementation support, the effect of innovation on firm performance also increases.

Table 3: Regression Results

Variables	Model 1		Model 2		Model 3	
	Financial Performance	Non-Financial Performance	Financial Performance	Non-Financial Performance	Financial Performance	Non-Financial Performance
Controls						
Size	0.0971 (0.0732)	0.112 (0.0757)	0.0750 (0.0672)	0.0839 (0.0655)	0.0663 (0.0641)	0.0782 (0.0642)
Age	0.0931 (0.0884)	-0.126 (0.0914)	0.132 (0.0811)	-0.0756 (0.0791)	0.152* (0.0774)	-0.0627 (0.0775)
Service Type	0.233*** (0.0259)	0.226*** (0.0268)	0.204*** (0.0240)	0.188*** (0.0234)	0.184*** (0.0230)	0.175*** (0.0230)
Foreignness	-0.0656 (0.121)	0.216* (0.125)	-0.111 (0.111)	0.157 (0.108)	-0.130 (0.106)	0.144 (0.106)
No. of owners	-0.0597 (0.110)	-0.00687 (0.114)	-0.0961 (0.101)	-0.0542 (0.0986)	-0.0802 (0.0963)	-0.0437 (0.0966)
Private/Public	-0.734*** (0.253)	-0.484* (0.262)	-0.542** (0.235)	-0.241 (0.229)	-0.606*** (0.224)	-0.283 (0.224)
Hypothesized Effects						
Product Innovation (PI)	H1(a,b)		0.415*** (0.0549)	0.533*** (0.0535)	0.447*** (0.0525)	0.553*** (0.0526)
Org. Leadership (OL)	H2 (a,b)		0.109** (0.0545)	0.141*** (0.0532)	0.194*** (0.0535)	0.201*** (0.0536)
OL*PI	H3 (a,b)				0.196*** (0.0274)	0.129*** (0.0274)
Constant	5.426*** (0.678)	4.916*** (0.701)	2.748*** (0.679)	1.444** (0.662)	2.235*** (0.651)	1.106* (0.653)
Observations	508	508	508	508	508	508
R-squared	0.171	0.149	0.306	0.366	0.371	0.393

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

To better understand the nature of the fits between product innovations and organizational leadership; the study followed Aiken and West (1991) to plot the interaction effect using sub-group analyses. Product innovation is plotted against financial and non-financial performance outcomes for high and low values of organizational leadership. As figure 1 indicates, higher financial performance is associated with high values of product innovation and organizational leadership as opposed to smaller values. Figure 2 also shows that superior non-financial performance is associated with high values of product innovation and organizational leadership as opposed to smaller values. These two findings suggest that financial and non-financial performance outcomes are greater when service firms possess high levels of organizational leadership to improve on the effectiveness of product innovation.

Figure 1: Interaction effect of organizational leadership and product innovation on financial performance

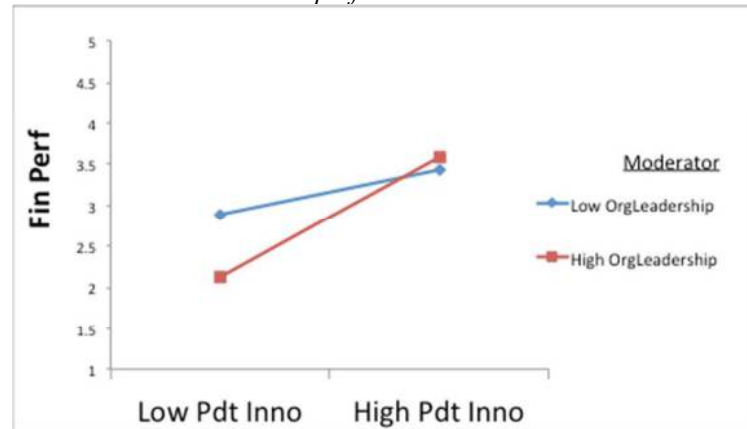
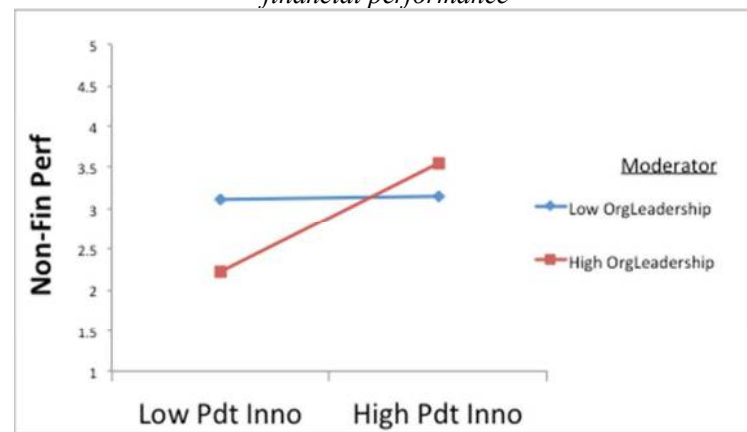


Figure 2: Interaction effect of organizational leadership and product innovation on non-financial performance



Conclusion and implications

We seek to assess the nature of the moderation effect of organizational leadership on the relationship between firms' strategy and organizational development. The study argues that in Africa and for that matter Ghana, where power distance is high (Hofstede et al., 1997), organizational leadership provides the needed incentive for strategies such as innovation to achieve firm performance enhancement. We posit that organizational leadership does not only serve as predictor of strategy formulation but provides the needed strategic fit for strategy implementation to achieve organizational development in the form of firm performance enhancement. The institutional structures of high power distance cultures should therefore guide leaders of organizations to cultivate a strategic fit between firms' strategic orientation and the business environment to improve on the firm performance.

The results from this study have significant theoretical and managerial implications for organizational development in Africa. Our results show that both innovation as a strategy and organizational leadership impact on organizational development in terms of financial and non-financial performance. The implications for these findings are that firms in Africa and specifically in Ghana's services sector can improve on their

financial and non-financial performance by investing in product innovations. The positive relationship found between innovation and performance is akin to previous studies (e.g. Anning-Dorson, et al., 2015; Gronum, et al., 2012; Crossan and Apaydin, 2010). By extension, African firms may seek performance improvement through differentiating their products from the competition, by going for first mover advantage from their new products and constantly introducing new services in their market of operations.

By way of theoretical implication, this study also confirms previous studies that have found positive significant relationship between organizational leadership and organizational development (e.g. Carter and Greer, 2013; García-Morales et al. 2012; Zhu et al., 2005). In agreement with Kuada (2012), this study found that organizational leadership is an important internal factor that can propel African firms to achieve high performance levels. This means that top management can influence organizational development through the development and maintenance of value systems and orientation the increase productivity throughout the firm. This can be achieved through supporting innovations that achieve best results, actively responding to the adoption of new ways of doing things and being willing to take risks that seize and explore growth opportunities.

The study offers some practical implications for businesses operating in cultures that support hierarchical structures. A major finding of this study is that organizational leadership plays an intermediate role between innovation strategy and organizational development in Africa, and more specifically in Ghana. The implication is that in contexts where the culture supports hierarchical structures, leadership of organizations must deliberately and purposely be involved in the implementation of innovation if they seek organizational development. Top management should not just create an atmosphere for such innovation development, but must be involved in the implementation in order to create a competitive advantage that enhances organizational development. Organizations operating in high power distance cultures similar to Ghana should have leadership orientation that drives employees' behaviour to generate performance benefits out of their innovation strategies. Top management in such contexts provides an internal firm condition during strategy implementation that enables strategies to succeed. Managers within the African context should seek to create the right culture and institutional structure and provide the needed energy to deliver a successful strategy implementation. The current study extends the institutional theory by stating that firms that are able to align their leadership orientation with their institutional environment are able to create a better fit between their strategic orientation and business environment.

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