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Perceptions of incentives and leadership styles in innovative cultures: A study of South Africa's financial services and insurance industries

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management specialising in Entrepreneurship and New Venture Creation

Johannesburg, 2016

ABSTRACT

South Africa's business environment is very competitive. Organisations find themselves operating in environments where the rate of change is quite rapid. This study aimed to determine the perceptions of how incentives and leadership styles amplify or limit the effectiveness of employees in innovative cultures within South Africa. The study focused on a spectrum of leadership styles: autocratic leadership, democratic leadership and liberal leadership. An online cross-sectional questionnaire was used to test the hypotheses of this nature and to collect primary data for this study. The most dominant leadership style among the nine organisations surveyed appeared to be democratic leadership. The financial incentives that are perceived to be the most attractive to the employees surveyed were bonuses, followed by an increased basic salary, which is similar to their perceptions about what they actually receive from the organisation. The most attractive non-financial incentive is perceived to be promotion, which is not aligned to what they actually perceive to receive the most from the organisation, which is public honour (e.g. public praise, compliment, crowd cheering). It was found that none of the independent variables, with the exception of non-financial incentives, was correlated with an innovative culture. The study intends to add to the body of knowledge of corporate entrepreneurship by offering a theoretical framework and empirical evidence on the perceptions of incentives and leadership styles on an innovative culture so that companies can understand how these factors influence employees that work within an innovative culture and therefore, give these organisations a competitive advantage. The results of this study could provide insight to senior managers and executives into the potential benefits and attractiveness of certain incentives and the presence of certain of leadership styles within the organisation.

DECLARATION

I, Mothusi Matema, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Mothusi Matema

Signed at .....

On the 24th day of February 2016

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TABLE OF CONTENTS

ABSTRACT II

DECLARATION III

ACKNOWLEDGEMENTS IV

LIST OF TABLES VIII

LIST OF FIGURES X

CHAPTER 1: INTRODUCTION 1

1.1 PURPOSE OF THE STUDY 1
1.2 CONTEXT OF THE STUDY 1
1.3 PROBLEM STATEMENT 3
1.3.1 MAIN PROBLEM 3
1.3.2 RESEARCH QUESTIONS 3
1.4 SIGNIFICANCE OF THE STUDY 3
1.5 DELIMITATIONS OF THE STUDY 4
1.6 ASSUMPTIONS 4

CHAPTER 2: LITERATURE REVIEW 5

2.1 INTRODUCTION 5
2.2 DEFINITION OF TOPIC 5
2.3 LEADERSHIP STYLES 6
2.3.1 AUTOCRATIC LEADERSHIP 9
2.3.2 DEMOCRATIC LEADERSHIP 10
2.3.3 LIBERAL LEADERSHIP 11
2.3.4 LEADERSHIP AND INNOVATION 12
2.4 INCENTIVES 13
2.4.1 FINANCIAL INCENTIVES 18
2.4.2 NON-FINANCIAL INCENTIVES 20
2.4.3 INCENTIVES AND INNOVATION 21
2.5 INNOVATIVE CULTURE 22
2.5.1 INCREMENTAL INNOVATION 23
2.5.2 RADICAL INNOVATION 23
2.5.3 INNOVATION AND SUSTAINED CORPORATE ENTREPRENEURSHIP 27
2.6 HYPOTHESES AND CONCEPTUAL MODEL 29
2.7 CONCLUSION OF LITERATURE REVIEW 30

CHAPTER 3: RESEARCH METHODOLOGY 35

3.1 RESEARCH METHODOLOGY / PARADIGM 35
3.2 RESEARCH DESIGN 35
3.3 POPULATION AND SAMPLE 37
3.3.1 POPULATION 37
3.3.2 SAMPLE AND SAMPLING METHOD 37
3.4 THE RESEARCH INSTRUMENT 39
3.5 PROCEDURE FOR DATA COLLECTION 40
3.6 DATA ANALYSIS AND INTERPRETATION 40
3.7 VALIDITY AND RELIABILITY OF RESEARCH 41
3.7.1 EXTERNAL VALIDITY 41
3.7.2 INTERNAL AND CONSTRUCT VALIDITY 41
3.7.3 RELIABILITY 41

CHAPTER 4: PRESENTATION AND DISCUSSION OF THE RESULTS 43

4.1 INTRODUCTION 43
4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS 43
4.3 RESULTS PERTAINING TO LEADERSHIP STYLES 50
4.3.1. LEADERSHIP STYLE MEASUREMENT SCALE 50
4.4 RESULTS PERTAINING TO INCENTIVES 52
4.4.1 INCENTIVES MEASUREMENT SCALE 52
4.4.2 FINANCIAL INCENTIVES 54
4.4.3 NON-FINANCIAL INCENTIVES 57
4.4.4 SATISFACTION WITH INCENTIVES 61
4.5 RESULTS PERTAINING TO INNOVATIVE CULTURE 62
4.5.1 INNOVATIVE CULTURE MEASUREMENT SCALE 62
4.6 RESULTS PERTAINING TO LEADERSHIP STYLES AND AN INNOVATIVE CULTURE 63
4.6.1 PEARSON'S CORRELATION 63
4.6.2 MULTIPLE LINEAR REGRESSION 63
4.6.3 ANALYSIS OF VARIANCE (ANOVA) 64
4.7 RESULTS PERTAINING TO INCENTIVES AND AN INNOVATIVE CULTURE 66
4.7.1 FACTOR ANALYSIS 66
4.7.2 PEARSON'S CORRELATION 67
4.7.3 MULTIPLE LINEAR REGRESSION 68
4.7.4 ANALYSIS OF VARIANCE (ANOVA) 68
4.8 SUMMARY OF THE RESULTS 70

CHAPTER 5: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS 71

5.1 INTRODUCTION 71
5.2 CONCLUSIONS OF THE STUDY 71
5.3 IMPLICATIONS AND RECOMMENDATIONS 73
5.4 SUGGESTIONS FOR FURTHER RESEARCH 73

REFERENCES **74**

APPENDIX A **79**

INTRODUCTORY LETTER 79

APPENDIX B **81**

QUESTIONNAIRE 81

APPENDIX C **90**

CONSISTENCY MATRIX 90

LIST OF TABLES

Table 1: Review of leadership styles and innovative culture 31

Table 2: Review of Incentives and innovative culture 33

Table 3: Nine innovative companies included in this study 38

Table 4: Sample demographics (n=120) 47

Table 5: Reliability of the leadership style measurement scale 50

Table 6: Descriptive statistics of the leadership styles 51

Table 7: Reliability of financial and non-financial incentives measurement scales 53

Table 8: Descriptive statistics of financial and non-financial incentives 53

Table 9: Attractiveness vs. receiving financial incentives 55

Table 10: Attractiveness vs. the actual receipt of non-financial incentives 58

Table 11: Descriptive statistics regarding satisfaction with incentives 61

Table 12: Reliability of the innovative culture measurement scale 62

Table 13: Descriptive statistics of innovative culture 63

Table 14: Pearson's correlation of leadership style and innovative culture 63

Table 15: Regression model summary – Innovative culture against leadership style 64

Table 16: ANOVA – Innovative culture against leadership style 64

Table 17: Coefficients – Innovative culture against leadership style 65

Table 18: Incentives and innovative culture factor loading 67

Table 19: Pearson's correlation of incentives and innovative culture 67

Table 20: Regression model summary – Innovative culture against incentives 68

Table 21: ANOVA – Innovative culture against incentives 69

Table 22: Coefficients – Innovative culture against incentives 69

LIST OF FIGURES

Figure 1: Autocratic, democratic and liberal leadership styles 8

Figure 2: A model of motivation for entrepreneurial behaviour..... 15

Figure 3: A model of sustained corporate entrepreneurship 28

Figure 4: Conceptual framework 30

Figure 5: Frequency distribution of the age profile of the employees..... 43

Figure 6: Frequency of distribution of the highest level of education..... 44

Figure 7: Frequency distribution of the employer 45

Figure 8: Frequency distribution of the department..... 45

Figure 9: Frequency distribution of the job level..... 46

Figure 10: Frequency distribution of the job tenure 46

Figure 11: Attractiveness vs. receipt of financial incentives 57

Figure 12: Attractiveness vs. actually receiving the non-financial incentives ... 60

CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

This study intended to determine the perceptions of incentives and leadership styles in innovative cultures, specifically in the financial services and insurance industries.

1.2 Context of the study

Leadership and its correlates have sparked the interest of many researchers and as a result have had a long history of investigation. Such research has largely taken place in industrialised countries, mainly North America and Europe with limited interest and investigation in other cultures and other countries (Mohamad, 2012). The studies that relate to the efficiency of different leadership styles in enabling innovation in companies have been scarce and have yielded contradictory results. Some scholars have found that certain leadership styles have a negative effect on innovation, whereas others have found a positive effect (Chen, C. Lin, H. Lin, & McDonough III, 2012). According to Chen et al. (2012), leadership behaviours exist within organisations and play a pivotal role in creating an environment for innovation to blossom.

Previous research has shown that incentives are effective in encouraging increased productivity and creativity among employees. On the contrary, other researchers have argued that creativity and innovation are hindered by performance-based financial incentives (Ederer & Manso, 2012). Some questions remain regarding how compensation should be structured in order to prompt employees to pursue innovation. It has been established that different types of incentives have dissimilar effects on an innovative culture. However, existing literature on innovation and leadership focuses significantly on the compensation of chief executives or top managers. There is limited empirical research on the incentive compensation of non-executive employees in the enhancement of an innovative culture (Chen et al., 2012).

There is inadequate research pertaining to the phenomenon of an innovative culture. Certain researchers have studied innovative culture in general while others have studied the characteristics and elements of innovative culture (Janiunaite & Petraite, 2010).

South Africa's business environment is very competitive. Changes in business and technology threaten the sustainability of organisations, which causes many challenges for modern management (Sharifirad & Ataei, 2012). Times of uncertainty and the recession present unusual opportunities. This results in organisations seeking to be innovative (Shani & Divyapriya, 2011).

Fostering an innovative culture is a key requirement for organisations nowadays. Leaders in successful, high-growth companies recognise that growth is driven by innovation. They understand that innovation is achieved by employees that have a shared attitude of persistent growth and a joint desire for solving problems and turning ideas into reality. Furthermore, they appreciate the fact that their organisation's ability to recognise opportunities in the market and respond to these is as a result of their knowledge base and innovative efforts. Therefore, the best way to guarantee growth is to build an organisation that has innovation that is sustainable (Babaita, Sipos, Ispas, & Nagy, 2013).

Currently, the role of incentive schemes in organisations and the importance of these in nurturing innovation have sparked the attention of many researchers. Leadership is considered to be the main weapon of organisations in their quest to increase productivity and achieve their goals (Chaudry & Javed, 2012). Evidence suggests that incentives and leadership styles affect the performance of employees, which ultimately affects the innovativeness of an organisation (Barros & Lazzarini, 2012).

This study aimed to extend the debate and clarify how incentives and leadership styles amplify or limit the effectiveness of employees in innovative cultures within the South African context. More specifically, this study was carried out on nine innovative companies in South Africa, operating in the financial services and insurance industries.

1.3 Problem statement

1.3.1 Main problem

Determine the perceptions of incentives and leadership styles in innovative cultures.

1.3.2 Research questions

Research question 1: What is the perceived association between incentives, leadership styles and an innovative culture?

Research question 2: To what extent are incentives and leadership styles perceived to have an association with an innovative culture?

1.4 Significance of the study

This study has important implications for both academics and managers or executives in organisations. The study aimed to offer a theoretical framework and empirical evidence on the perceptions of incentives and leadership styles on an innovative culture so that companies can understand how these factors influence employees that work within an innovative culture. This will in turn give these organisations a competitive advantage. The results of this study could provide insight to senior managers and executives about the potential benefits of certain incentives and types of leadership style. The findings could assist organisations to develop strategies that will improve their organisational leadership, and have inferences on the recruitment, promotion, development and training of their leaders (both current and future). This study is crucial for leaders of organisations to know where and how to invest their efforts so that they can build their organisation's competitive advantage.

The findings added to the study of entrepreneurship and the factors that influence innovative culture. Furthermore, it provided practical information to assist management in making decisions and enable companies to improve their incentive/reward system in order to retain their valuable employees. The study

aimed to provide insight into an effective incentive/reward system that can have a positive impact on organisations' innovative culture, which is a critical lever of an organisation. The findings could help companies realise that even small investments in their incentive/reward system can result in higher levels of innovation than before and ultimately improve the organisation's performance.

1.5 Delimitations of the study

This study focused on the financial services and insurance industries in South Africa. It included nine innovative organisations in these industries. Future researchers should consider including other innovative organisations in the same industries, or other organisations that have an innovative culture in different industries from the ones in this study. In addition, future researchers should consider the moderating or mediating factors of incentives, leadership styles and an innovative culture.

Furthermore, the fact that the study used a convenience sample imposed some limitations on the study in that the findings could not be generalised, unless a random sample was used.

1.6 Assumptions

The assumption in this study was that all the respondents understood the intention of the research and could comprehend the questions posed to them. It was also assumed that the innovative organisations in this study do offer incentives; financial and non-financial; however, no analysis was performed to ascertain whether all the non-financial and financial incentives mentioned are actually offered in the organisations.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The relevant literature is reviewed in this chapter, from which the hypotheses are drawn. The independent variables, incentives and leadership styles, are defined from the literature, as is their association with the dependent variable, innovative culture. These core constructs are analysed in detail in this research report.

2.2 Definition of topic

Leadership style is defined by Nanjundeswaraswamy and Swamy (2014) as the reasonably consistent pattern of behaviour that personifies a leader. In modern leadership theory, a variety of leadership styles have been presented, including charismatic, transactional, transformational, visionary, culture-based, democratic, autocratic and laissez-faire leadership. There have been many studies on leadership, yet there remains a slight disagreement regarding what the best strategies are in developing leadership (Ojokuku, Odetayo & Sajuyigbe, 2012).

Incentives are defined by San, Theen and Heng (2012), as both financial and non-financial incentives, which the employer perceives to be of value and that are made available to employees.

Innovative culture is defined as the orientation of an organisation towards trying new approaches by exploring new resources, creating new products and processes, and breaking through existing ways of doing things to improve its performance (Wei, O'Neill, Lee & Zhou, 2012). Innovative culture forms part of the organisational culture and determines if an organisation will have innovativeness that is sustainable, which will ultimately result in the effective performance of the organisation (Janiunaite & Petraite, 2010).

2.3 Leadership styles

The main driver of organisational competitiveness and economic improvement across the world is innovation. The ability of employees to innovate depends on their individualities and work situation, within which their leader plays a prominent part. It is recognised globally that leaders have a role to fulfil in developing innovation, and some leadership styles are identified as enabling the creativity of individuals and the innovativeness of teams (Zheng, Khoury & Grobmeier, 2010).

Leadership plays a crucial role in organisations in that it creates a synergy between employees and the organisational values. In order for management to be effective and successful, they are required to be customer focused, take care of their employees' needs and try to satisfy them so that a positive organisational behaviour is fostered. It is deemed impossible to execute strategic plans without effective leadership (Rauf, 2014).

The success or failure of organisations can be determined by the leadership style/s present within those organisations. Leaders are focused on accomplishing the clearly defined objectives of the organisation and do so by inspiring, directing and influencing their subordinates to perform efficiently. Leadership style refers to how the leader provides motivation and direction for subordinates to implement the business plans (Ojokuku et al., 2012). Leadership style greatly influences perceptions, attitudes and behaviours of employees (Lopez & Ensari, 2014).

According to Chen et al. (2012), in order for sustained growth to take place, leaders should adopt the appropriate leadership styles and facilitate innovation and competitiveness. The performance of organisations is enabled by effective leaders who compete in the turbulent business environment. This is because leaders have a direct cause and effect relationship on the success of organisations. Leaders shape the strategies of organisations and are involved in the execution and effectiveness of these strategies. Due to their prominent role within organisations, leaders set the tone and culture in the organisation. Leaders are not exclusively in management but can appear in any level of the

organisation (Ojokuku et al., 2012). They play a variety of roles, which include team builders, supervisors, commanders, mentors, promoters and motivators (Lopez & Ensari, 2014).

Leadership is a vital management skill, which involves having the expertise in encouraging individuals towards a common goal. Leadership also centres on developing subordinates. The nature of organisations has evolved and in recent years, there have been changes regarding leadership. Individuals at present are more expressive and cannot be directed in a similar way as previously. The current society is dynamic so leadership styles that were effective before are no longer so. Likewise, leadership styles that are quite relevant today are unlikely to be relevant in the future. The type of industry in which leaders operate has an impact on the effectiveness of any leadership style (Rauf, 2014).

According to Rauf (2014), organisations need to portray different leadership styles across the various departments in order to be effective. Behavioural leadership theories suggest that in some areas, leaders that dictate to others regarding what needs to be done are important, while there could be instances within the same organisation that require leaders to work with their subordinates as a team, valuing their input and involving them in making decisions.

Previous researchers have identified management support as one of the key factors in an organisation that influences intrapreneurship. Management support denotes the readiness of managers to encourage and facilitate intrapreneurship, which includes backing ideas that are innovative and making available the necessary resources that are required by employees to be intrapreneurial. Therefore, it is reasonable to say that a manager's leadership style plays a crucial role in encouraging intrapreneurship among their subordinates (Moriano & Molero, 2014).

According to the Bass theory of leadership, there are three ways to explain how individuals become leaders. These theories are explained as follows:

i. *Trait theory* – People are led naturally into leadership roles due to some personality traits;

ii. *Great events theory* – Extra ordinary leadership qualities in an ordinary person can be brought out by a crisis or key event which may cause a person to rise to the occasion; and

iii. *Transformational leadership theory* – People can choose to become leaders and therefore can learn leadership skills (Bhatti, Maitlo, N. Shaikh, Hashmi & F. Shaikh, 2012).

The three main leadership styles have been identified as:

i. Autocratic leadership;

ii. Democratic leadership; and

iii. Liberal or laissez-faire leadership (Nemaei, 2012).

The autocratic and liberal leadership styles are considered to be extreme leadership behaviours, while the democratic leadership is considered to be a moderate style of leadership (Nemaei, 2012).

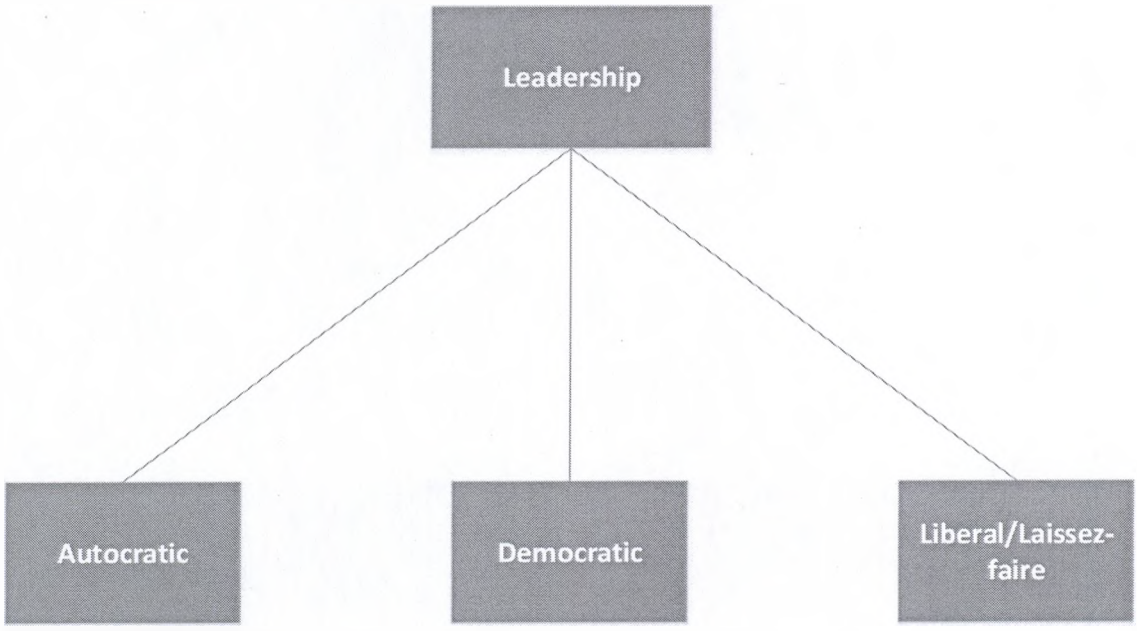


Figure 1: Autocratic, democratic and liberal leadership styles

The focus of this study was on the spectrum of leadership styles displayed in Figure 1, which are discussed in the sections that follow.

2.3.1 Autocratic leadership

This leadership style is extreme in that the leader upholds a master-servant type of relationship with their sub-ordinates (Nemaei, 2012). Autocratic leaders are typically the 'do as I say' type. Usually, these leaders are largely inexperienced and have been thrown into a new leadership position that involves people management. They retain decision-making rights for themselves and tend to force their followers to execute services and strategy in a narrow way, which is mainly based on their biased view of what success looks like (Ojokuku et al., 2012). Autocratic leaders are more concerned with getting the job done and closely monitor their subordinates until the job has been completed. They are hardly concerned in the wellbeing and emotional responses of their subordinates (Lopez & Ensari, 2014). These leaders do not provide a shared vision and there is little motivation beyond coercion. Autocratic leadership typically eliminates creativity and innovation (Ojokuku, et al., 2012).

Autocratic leaders are described as being controlling, arbitrary, coercive, power-oriented, closed-minded and punitive. They are said to be manipulative, goal achievement oriented, decision and production centred, formal and distant (Lopez & Ensari, 2014). Autocratic leaders are usually self-confident and charismatic. They use their position to pursue visionary and aggressive goals. The key benefit of the autocratic style of leadership is that it gets tasks done rapidly. However, this type of leadership style has a number of disadvantages and therefore considered as a destructive leadership style (Nemaei, 2012).

Autocratic leaders use their power to gain compliance with their subordinates. Although these leaders create the rules, provide the required information to complete a task, offer incentives for compliance, they also threaten to discipline their subordinates for disobedience. The autocratic leader affects employee outcomes negatively and usually constrain creativity, self-determination and autonomy, which results in a decline in the sense of control and determination of their subordinates. There is minimal mutual trust between employees and leaders that exhibit this leadership style (Lopez & Ensari, 2014).

Usually, this leadership style is effective in the beginning and achieves good results, but if this leadership behaviour is applied in the long-term, it can limit the growth of its subordinates due to their lack of independence (Bosiok & Sad, 2013). Autocratic leaders do not allow their employees to think for themselves and thus limit employee participation and innovation (Nemaei, 2012).

When an organisation is facing a crisis that requires immediate response due to the urgency of the situation, then autocratic leaders would be ideal. However, if in the same organisation the creative department needs to work on a project, then a leader with a democratic or liberal leadership style would be better suited for this position since they can give the employees the freedom they require to tackle their job as they see fit (Rauf, 2014). These leadership styles are discussed next.

2.3.2 Democratic leadership

Even though democratic leaders will make the final decision, this leadership style is described as one that has decentralised decision-making; therefore, subordinates share decision-making. This enables employees to be involved in current activities and assists in developing their skills. This results in employees feeling in control of their own destiny (Bhatti et al., 2012). Democratic leaders work with their teams to make sure that decisions are made sensibly and fairly. The intervention of the leader is mainly to ensure that everyone is heard and that decisions are actually made. Democratic leadership has a number of advantages: since everyone has a say in making decisions, the final decision is likely to have the support of the majority of employees. Democratic leaders can increase motivation levels, trust, job satisfaction and innovation since leaders transfer the power to their employees.

However, a huge drawback is that it can be difficult and time consuming to get the majority of employees on board (Nemaei, 2012). In addition, democratic leaders have huge potential for making poor decisions and the weak execution of these decisions. The biggest downside with this type of leadership is that it is assumed that everyone has an equal say with regard to decisions (Ojokuku et al., 2012). Democratic leaders encourage teamwork, participation in goal

setting, idea generation and problem solving. This type of leadership gives their subordinates the freedom to do their own work planning and includes the exchange of feedback with employees (Bosiok & Sad, 2013). In theory, democratic leadership is sound; however, it is usually inhibited by its sluggish process and significant amounts of effort are required to achieve effective results (Ojokuku et al., 2012).

2.3.3 Liberal leadership

This leadership style is in essence a lack of leadership, which comes across as non-leadership; leaders' behaviour tends to escape responsibilities (Ryan & Tipu, 2013). The liberal leadership style includes non-interference, which allows their employees complete freedom and has no specific way of achieving goals (Nemaei, 2012). This leadership style provides the necessary information, oversees working conditions and maintains good working conditions. Their subordinates are allowed to make decisions with very little supervision (Bosiok & Sad, 2013). This type of leader expects that the team will make the correct decisions. A benefit of this style of leadership is that it allows the team members to bond, thereby resulting in successful decision-making if the group members own and are responsible for the task (Nemaei, 2012).

According to Khan and Aslam (2012), actions are delayed for this leadership style. The responsibilities of the leaders are unnoticed and authority is not consulted. A disadvantage of this leadership style is that employees will observe that their leader is indifferent to them and the organisation and inadvertently make wrong decisions. This can result in devastating effects on the organisation since there is no guidance and control with this style of leadership (Nemaei, 2012).

The liberal leader displays passive indifference to tasks and to their subordinates. These passive leaders avoid clarifying expectations, specifying agreements and providing goals and standards that need to be achieved by their subordinates. Managers who exhibit this leadership style are unlikely to inspire innovation, ideas or willingness to promote change (Moriano & Molero, 2014).

Liberal leaders tend to produce good results, particularly as their subordinates are a well-established group of professionals and creative experts that have developed self-control and require the freedom to express their intellectual potential and creativity (Bosiok & Sad, 2013).

2.3.4 Leadership and innovation

Organisations have to be innovative and creative, given today's highly competitive and dynamic context. The work environment is fast-paced and managers have realised that they need to motivate their employees to generate novel processes and products in order to remain competitive. Innovation is critical in the 21st century and the growth of organisations depends heavily on the capacity of the organisation to be creative and innovative. Since innovation is so important, scholars and managers have focused their attention on factors that have an impact on innovation, such as leadership. As leadership is considered one the most critical factors for innovation, the relationship between leadership and innovation has gained much attention in the literature. Some scholars have suggested that leadership is the most influential predictor of innovation. This is because scholars believe that leaders need to be active in encouraging, fostering, supporting and setting an innovative culture. Leaders need to make sure that the work environment structure and culture are positioned in a way that results in creative outcomes (Nemaei, 2012).

Some scholars have argued that democratic decision-making is the most appropriate for managers since numerous people take part in the decision-making process and because of this participation, a great number of employees feel committed to these decisions. As a result, this can lead to an emergence of new ideas, followed by the necessary support during implementation. Broader participation makes sure that fewer things are overlooked. Democratic decision-making and employee involvement is therefore necessary for innovation as it is a prerequisite for innovation and increased productivity and shapes team innovation. The democratic leadership style is used by some modern technological companies (e.g. Google Inc.) as the base for their innovation process. This is because democratic leadership is the only leadership style that

really involves employees in the decision-making process, and supports employees to participate without fear of judgement or ridicule (Nemaei, 2012).

According to Nemaei (2012), democratic leadership is not widely used in organisations because some managers resist a move towards this method of decision-making since they believe that it will diminish their position of power and associated respect. This problem needs to be addressed as the benefits of this style of leadership outweigh the assumed loss of power.

Despite the fact that democratic leadership focuses on the intrinsic needs of the employee, democratic leaders should realise that the extrinsic needs of the employees are equally important (Nemaei, 2012).

According to Rosing, Frese and Baussch (2011), leadership behaviour needs to match the pace and complexity of innovation. The appropriate leadership behaviour in any situation depends on the specifics of the situation, the individual follower and the timing within the innovation cycle.

2.4 Incentives

The work environment is continually changing, therefore it is crucial for the organisation's top management to implement new ways of developing robust and long-lasting relationships between employees and the organisation so that the goals of the organisation can be met and the needs of both parties, which are continually changing, can be fulfilled. A growing number of organisations have managed to meet their strategic business goals through implementing a balanced reward and recognition programme for their employees (Aktar, Sachu, & Ali, 2012). The literature shows that academics, managers and practitioners highlight how important rewards are (Galanou, Georgakopoulos, Sotiropoulos, & Dimitris, 2010).

One of the most important components to motivate employees for their best contributions in generating innovative ideas that lead to better business functionality and improve the organisation's performance, are rewards or incentives. Employees do not automatically come to work, continue to work

hard, and innovate for the organisation. Employees need motivation in order to realise the vision of the organisation. Without a doubt, a reward strategy and system are the instruments that enable this (San et al., 2012).

The expectancy model (Kuratko, Morris & Covin, 2011) explains how a motivated employee will be able to innovate on the job, be proactive and take calculated risks. This model, illustrated in Figure 2, suggests that motivation is determined by how much individuals perceives the direct relationship, between the effort they put into a behaviour or task and the successful performance on their employee appraisal, to affect their incentives or rewards. The model also suggests that motivation is determined by individuals' perceptions of the rewards offered and if the organisation is offering the correct rewards (Kuratko et al., 2011).

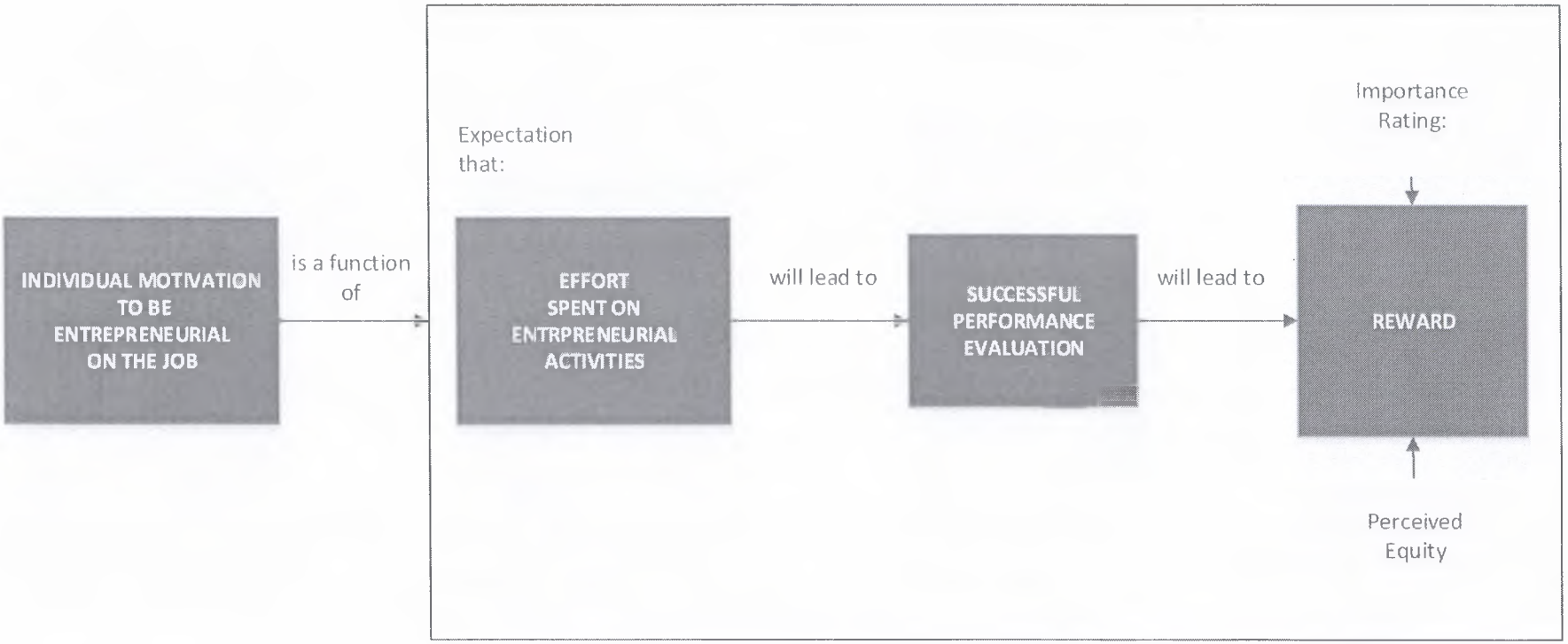


Figure 2: A model of motivation for entrepreneurial behaviour

(Kuratko et al., 2011:188)

Employees can be motivated to perform and suggest innovative ideas through effective recognition, which ultimately leads to the improved performance of organisations. A large part of the organisations' success is dependent on how organisations keep its employees motivated and in what way their innovative contributions are evaluated. Therefore, the perceptions that employees have regarding organisations' reward climate influences their attitude towards their organisation (Aktar et al., 2012).

The organisations' strategy and business needs usually determine their compensation practices. Individuals may prefer different incentives in accordance with their needs, circumstances, education or social status. Therefore, organisations have a challenge in trying to cater to the individual preferences in order to align the efforts of their employees with the business objectives (Markova & Ford, 2011).

There are a few important elements that companies can do to motivate employees to contribute their best efforts in generating innovative ideas that lead to improved functionality of the business and therefore improved company performance (non-financially or financially). Rewards or incentives are one of these important elements (Aktar et al., 2012). Innovative companies usually pay financial incentives based on performance in order to stimulate creative and innovative activities. These companies require a motivated and highly skilled workforce. The innovative companies must use technologies in order to compete with other companies and therefore must continue to develop new products and services. In order to achieve this, employees in these innovative companies need to acquire the relevant knowledge and skills related to new services and products. The innovative activities of employees are emphasised in innovative companies and employees are encouraged to be creative in the problem solving process (Park & Kruse, 2014).

Rewarding employees does not mean a singular focus on financial compensation. There are other ways to reward employees, including managers praising employees for their innovative contributions. If employees trust or feel that management will reward them for their innovative efforts, they are likely to give their best (Aktar et al., 2012).

According to Aktar et al. (2012), rewards can be either extrinsic or intrinsic. Extrinsic rewards are tangible and are in the form of bonuses and salary; intrinsic rewards are intangible and include recognition, appreciation, and a positive and caring attitude from employers, as well as improved career prospects like promotion. These two types of rewards, also known as financial and non-financial, can be used to augment the innovative contributions of employees. Some researchers have argued that once an employee's salary exceeds a subsistence level, intrinsic factors tend to be stronger motivators, which require intrinsic rewards like a sense of doing something worthwhile and satisfaction at doing a great job. There are mixed findings in the literature in determining which type of rewards is more effective in increasing the performance and innovative contributions of employees. Other researchers argue that financial rewards are not necessarily the most motivating factor for employees and as a result can have a demotivating effect among employees. Rewards that are non-monetary can also be very important to employees and thus quite motivating for innovative efforts.

In order to stimulate the creativity and innovation of their employees, many managers have utilised extrinsic rewards to motivate employees. This is because some researchers have shown that if skilled employees are not motivated then their effectiveness is likely to be limited. Providing a reward and compensation system is based on the expectancy theory, which proposes that employees are more likely to perform and be innovative when they perceive that there is a solid link between their performance or innovative contributions and the reward they receive (Aktar et al., 2012).

In order to develop an innovative culture, organisations should put an appropriate incentive system in place. This is a powerful way to influence the organisational corporate culture (Nacinovic, Galetic & Cavlek, 2009).

Chen et al. (2012) cited that the fundamental objective of an incentive system is to influence how employees in an organisation act and behave. Innovative cultures in organisations can be achieved, among other things, by easily implementing reward systems. However, some preconditions must be satisfied i.e. communication of the availability of the rewards, full and open transparency

regarding these rewards, such as the criteria to qualify for the rewards and the identification of the reward participants (Nacinovic et al., 2009).

Financial incentives pressure employees to perform better while non-financial incentives motivate the performance of employees. In fact, greater work outcomes are obtained from both these types of incentives. Therefore, in order to foster an innovative culture and effective performance, organisations should offer extrinsic and intrinsic rewards (Chen et al., 2012).

2.4.1 Financial incentives

There are a number of theories on human motivation that have been utilised to try to explain the role of financial incentives. Four theories are highlighted, which explain the positive effects of financial incentives:

i. *Expectancy theory* – This theory suggests that incentives enhance the attractiveness of a performance goal and subsequently motivate individuals to choose performance related goals. Furthermore, due to its perceived relationship to status and prestige, money has a symbolic value. Therefore, if the connection between effort, performance and outcome is obvious then individuals will be motivated.

ii. *Agency theory* – This theory suggests that individuals are rational and choose actions that require minimal effort, but that have maximal output. This theory's main assumption is that unless their efforts contribute to their economic well-being, then individual's efforts will be minimised. So financial incentives that are dependent on performance will foster performance.

iii. *Goal-setting theory* – This theory predicts that incentives influence performance by increasing the obligation to incentivise goals. In other words, because of financial incentives, employees will accept achievement goals, thereby leading to higher performance.

iv. *Self-efficacy theory* – This theory expands on goal-setting theory and expectancy theory and includes cognitive factors. Individuals regulate

their cognitions, emotions, behaviours and self-concepts and compare these with their goals. Financial incentives affect the expectancies of individuals and lead to higher commitment and goal levels (Garbers & Konradt, 2014).

According to Burton (2012), employees find that financial incentives are generally short-term motivators and forget about them later in their career. This method of compensation may not take very long to implement, but it does not seem to have long-lasting effects on employees.

The most common financial incentive is found to be either an increase in salary or a cash bonus. A cash bonus is essentially and extra payment over and above the employee's regular salary. Bonuses are mutually beneficial for the employee as well as the employer. The employer gets the employee to put in their best efforts, while the employee receives money that they would not ordinarily have had. An increase in the employee's salary is usually a percentage of the current salary, which may motivate the employee to perform at their best level. A commission is another way to improve the effectiveness of employees. Some employees have their pay based purely on commission or as an addition to their monthly salary (Burton, 2012).

Another way that the organisations provide incentives is offering their employees the opportunity to participate in a profit sharing programme. Profit sharing implies that, over and above their regular salary, employees receive a certain proportion of the profit. This financial incentive gives employees the feeling that they are part of the organisation and may motivate them to make their best efforts (Burton, 2012). This method of long-term payment (i.e. stock options or equity compensation), has been found to be effective in fostering innovation. Long-term pay can incentivise employees to take more risk in innovative activities and to focus on the organisation's long-term success. Since innovation projects are characteristically long-term, this requires that the employees taking part in these projects will remain longer with the organisation. Stock options that have a long vesting period can potentially keep innovative employees in the organisation until their stock options are exercisable (Lotfi, 2015).

2.4.2 Non-financial incentives

Non-financial incentives play a crucial role in motivating employees. These involve job autonomy and job enrichment. Employees are said to be more likely to be motivated through the provision of non-financial incentives (Tausif, 2012). An employee's attitude can change and performance can be enhanced by the use of effective non-monetary incentives. Material things, money included, cannot fully satisfy employees. All employees have to fulfil their own psychological needs. Apart from receiving bonuses and other materialistic incentives, employees would be content to receive any of the top non-monetary incentives. In order to show sincere appreciation, incentives do not necessarily have to be expensive. Employees are sometimes satisfied and motivated by just the mere fact that their manager recognises their efforts. As long as non-monetary rewards are sincere, they can be in any form (Bari, Arif & Shoaib, 2013).

According to Burton (2012), non-financial incentives can bring out the creativity of employees. Unlike financial incentives, these are more plentiful; even if this requires more time from the manager, it can have longer-lasting effects. Managers that want to motivate their employees need to reflect on the particular employee and decide which non-financial reward/s can be given to that individual. In some surveys, it is found that non-financial incentives i.e. attention from leaders, praise from managers and the opportunity to lead projects are more effective than financial incentives. Non-financial incentives tend to focus more on the emotional needs of the employee. They are based on the concept of recognition, which is found to drive motivation in most employees. One of the most important rewards for an employee is recognition. Recognition is defined by how much appreciation is afforded the individual and the manner in which the organisation gives its employees rewards. It illustrates how the work of the employee is assessed and how their manager gives appreciation (Tausif, 2012).

If done correctly, with meaning behind it, then recognition is effective. The non-financial incentives needs to be meaningful, and if so will resonate with employees if they are aware of the thought that was put into the gesture of recognition. The most basic way to conduct effective recognition is to give the

employee a verbal compliment. This can be done publicly (in the office, at a meeting or presentation) or in private (Burton, 2012).

2.4.3 Incentives and innovation

Previous studies have revealed mixed results with regard to the effectiveness of incentive payments on innovation (Lotfi, 2015). According to Wang (2013), previous studies have proposed that an organisation should embrace practices that encourage its employees to be innovative, if that is its intention. Organisations should offer an environment where employees feel motivated and committed to being innovative. Management should aim to increase the incentives of their employees so that they can engage in innovative activities. Employees tend to be more willing to make suggestions, experiment with new ways of doing their job and reciprocate by making more effort when they perceive that the organisation values them. Therefore, one of the effective strategies that can affect innovation by employees is a reward system. A reward system can spawn motivation within employees in order for them to assist in achieving the different goals of the organisation, one of them being innovation (Lotfi, 2015).

Monetary rewards are expected to be positively associated with the innovativeness of employees. Some scholars have suggested that since the behaviour of employees is driveable and changeable, monetary reward can bring about the expected behaviour and performance. Empirical studies have provided support for the link between monetary reward and innovative behaviour, and monetary rewards have been viewed as being necessary to encourage the creativity of employees (Wang, 2013).

Several scholars have suggested that non-monetary recognition is positively associated with the innovativeness of employees. This is because intrinsic motivators, freedom and autonomy, are seen as being effective in improving creativity and innovative performance. Therefore, management can enable the self-motivation of employees by recognising them with praise since this is favourable for innovative behaviour and can result in employees being more innovative in their daily work (Wang, 2013). Some researchers have suggested

that when people who are intrinsically motivated are paid bonuses or stock options for being innovative, they can potentially lose interest in what they are doing and focus only on the reward, i.e. focusing their attention on monetary compensation instead of innovation (Lotfi, 2015).

This study examines the perceptions of incentives (non-financial and financial) systems in innovative cultures.

2.5 Innovative culture

Creativity and innovation are the intangible assets of an organisation that are vital in the transformation of the organisation and society. Increasing competition and globalisation create a threat for organisations' competitiveness (Shani & Divyapriya, 2011). Innovation involves different mechanisms of the organisation such as creativity, experimentation, novelty and an organisation's tendency to support new ideas so that it can be competitive (Ryan & Tipu, 2013). Innovation is important for the success and competitiveness of organisations. There have been claims that innovation has valuable influences on the organisation's effectiveness and long-term survival. It has also been seen as one of the important sources of competitive advantage for organisations that desire to prosper and grow. The concept of novelty, potential usefulness to the organisation and implementation are common features that underlie innovation. If ideas are unique, relative to other ideas, that are currently available, then these ideas are considered to be novel. Ideas are considered as potentially useful if there is potential value (direct or indirect) to the organisation (Wang, 2013).

Innovation starts with problem recognition and the generation of novel or adopted ideas or solutions. The next stage of the process involves the seeking of sponsorship for the idea and attempting to build support for it. The final stage of innovation entails the completion of the idea by creating a prototype of the innovation so that it can be touched or experienced before mass-production (Damirch, Rahimi & Seyyedi, 2011).

Innovation is a long and cumulative process that entails the intentional introduction of ideas, products, processes or services, which are designed to benefit individuals, organisations or the wider society significantly (Sharifirad & Ataei, 2012). The degree of innovation varies, some are purely 'incremental', which just involve enhancements to existing products or processes, while others are 'radical', comprising the conception of products or processes, which are entirely new (Curran & Walsworth, 2014).

2.5.1 Incremental innovation

Incremental innovation entails changes that primarily underpin the organisation's existing capabilities. In contrast to radical innovations, incremental innovation involves incremental modifications to procedures at work, and tends to be developed within cross-functional teams (Wang, 2013). It is continuous improvement in the product or process. Incremental innovation has been defined as the development of products or processes that have a few changes, and from the customer's perspective, the benefits of these changes are minimal. Routine work is involved in incremental innovation and very little risk is involved (Yadav, 2013).

Incremental innovation is generally present in organisations that usually have some market share and require improvements in products and processes that are small but continuous (Yadav, 2013).

2.5.2 Radical innovation

Radical innovation entails major changes that epitomise revolutionary changes. They represent distinct departures from existing practice. These changes represent discontinuous events that emanate from deliberate research and development activity. New technology or a combination of technologies that are made commercially to meet the needs of users or the market can be considered as radical innovation. Radical innovation usually involves technological uncertainty, the creation of new markets and the cannibalisation of current products (Wang, 2013).

According to Yadav (2013), radical innovations are thought to offer a significantly higher value to customers than incremental innovations. Radical innovation is usually risky, high in cost, takes longer and is unpredictable in nature. It is inferred that radical innovation takes place in organisations where the senior leadership promotes risk taking and continuously motivates the employees, thereby maintaining the momentum within the team members.

In order for organisations to have a competitive advantage and to survive and grow, it is vital that they develop an innovative culture (Kalyani, 2011). Wei et al. (2012:1027) define an innovative culture as "an organisation's orientation toward experimenting with new alternatives or approaches by exploring new resources, breaking through existing norms, and creating new products to improve its performance".

Innovative culture is a unique, rare and valuable resource for both employees and organisations. Employees that perceive that their working environment has a high innovative culture may be more inclined to feel the energy in the organisation and therefore expect organisational performance that is positive (Wei et al., 2012).

Kalyani (2011) states that in the current competitive climate, organisations should plant the seeds of innovation, and destroy old ways of doing business. Organisations that are able to adapt to changes in the environment usually have the capability and capacity to innovate. When organisations are innovative, they encourage employees to think creatively and independently when applying their minds to challenges faced by the organisation. Innovative cultures support new ways of doing business, new ideas and new processes. Organisations should create the right foundation, initiate any required operational changes and manage the ongoing change in order to foster innovative culture.

Organisations that have an innovative culture place high importance on empowering employees in a manner that will enable them to be creative and fulfil their potential. Employees implement the organisation's strategic objectives, so the organisation's success depends largely on the efforts of its

employees. Therefore, it is important to look at the effects of innovation at the employee level (Wei et al., 2012).

The innovative behaviour of employees has been widely suggested to be important for organisations to function effectively and survive in the long-term. It is vital for organisations to have innovative employees. Researchers want to understand how innovation can be encouraged in the workplace. They have aimed to do so by identifying the personal and contextual elements that influence the innovation of employees (Wang, 2013).

Organisations have to be able to adjust to changes in their environment and therefore, must have the capacity to innovate. This requires employees to think independently and come up with new ideas to solve the challenges of the organisation. As a result, organisations need to have an innovative culture that is open to new ideas and novel ways of conducting business. Organisations need an internal environment that has creativity and innovation as one of their core values, thereby institutionalising the innovation process. By promoting innovation, a framework of innovative culture should be fostered in the organisation (Kalyani, 2011).

According to Shani and Divyapriya (2011), highly innovative organisations are distinguished by seven key dimensions of culture:

i. *Risk taking* – The establishment of an organisational climate that makes people feel that they are able to explore new ideas, while judging risks appropriately.

ii. *Resources* – An innovation climate is enhanced if people are aware that they have the autonomy and authority to act on their innovative ideas. This includes having the financial resources to support their new ideas.

iii. *Knowledge* – This is the fuel of innovation, since if information (internal and external) is widely accessible, communicated and rapidly transmitted; then better conditions for innovation are created.

iv. *Goals* – By setting inspirational goals and challenging teams to find innovative ways to realise the vision, the leaders in the organisation will indicate that innovation is highly desired.

v. *Rewards* – The main purpose of rewards is to recognise innovative behaviour. In order to encourage this kind of behaviour, the rewards offered should appeal to most people's individualised intrinsic motivation.

vi. *Tools* – Building capability in idea management, creative thinking and implementation should be considered by leaders in organisations.

vii. *Relationships* – This refers to the interactions within the organisation. Innovative ideas are not usually the product of one individual, therefore staff should be working in an environment that consistently exposes them to a wide range of people in the organisation who think differently and have different backgrounds and opinions.

In order for innovation to take place in organisations, it is important that management support and promote it, since they have great influence over the context where the generation of ideas can occur. Researchers are starting to study the effects of contextual factors on the innovative performance of employees. Intrinsic motivation is influenced by the context in which an employee performs a task, which in turn affects innovative achievement (Wang, 2013).

Employees might be willing to be innovative if they expected to gain from some of the profits that their ideas generate for the company. However, without proper compensation, they might be less motivated to pursue innovative ideas. Even more detrimental to organisations are innovative employees that are not rewarded for their contributions, who might end up leaving the organisation and instead pursue their own entrepreneurial ventures outside of the organisation. Therefore, there is a case for incentivising employees since this will increase the efforts of the organisation in building an innovative culture (Barros & Lazzarini, 2012).

Creating an innovative culture cannot be effectively promoted by a single leadership style (Felfe & Herrmann, 2014). Leaders have an influential role in aiding employees to innovate. This role of leadership is recognised across the globe and some leadership styles have been acknowledged as enabling the innovativeness of individuals and teams (Zheng, Khoury & Grobmeier, 2010).

2.5.3 Innovation and sustained corporate entrepreneurship

Kuratko, Morris and Covin (2011:50) developed a framework that focuses on an organisation's ability to sustain entrepreneurship on an ongoing basis. This framework illustrates that the sustainability of corporate entrepreneurship is dependent on individuals participating in innovative activities in organisations. Executive management should allocate the necessary resources and organisational support to encourage innovation. This model also looks at the fundamental relationships that together produce ongoing entrepreneurship. The need for strategic change is initiated by a transformational trigger i.e. an external or internal trigger to the organisation that creates either a threat or opportunity. Entrepreneurial activity, whether it is a new product, service or process, is one way to achieve this change and is driven by the employees.

The proposed model is predominantly centred on the employee's decision to behave in an entrepreneurial manner. The perception that a number of antecedents (rewards, management support, autonomy, resources and flexible organisational structures) exist in the organisation results in sustained entrepreneurial activity. The entrepreneurial activity outcomes are then compared at the organisational and individual level to what was previously expected. Therefore, when both the company's leadership and the individual employees perceive that the outcomes are reasonable (meet or exceed expectations), then this would result in entrepreneurial behaviour. Since the employees are the agents of strategic change, they need to be satisfied with the extrinsic and intrinsic outcomes that they receive for exhibiting entrepreneurial behaviour. The model thus suggests that organisational strategy and individual employee's behaviour are instrumental in making strategic change successful (Kuratko et al., 2011). Figure 4 illustrates this model.

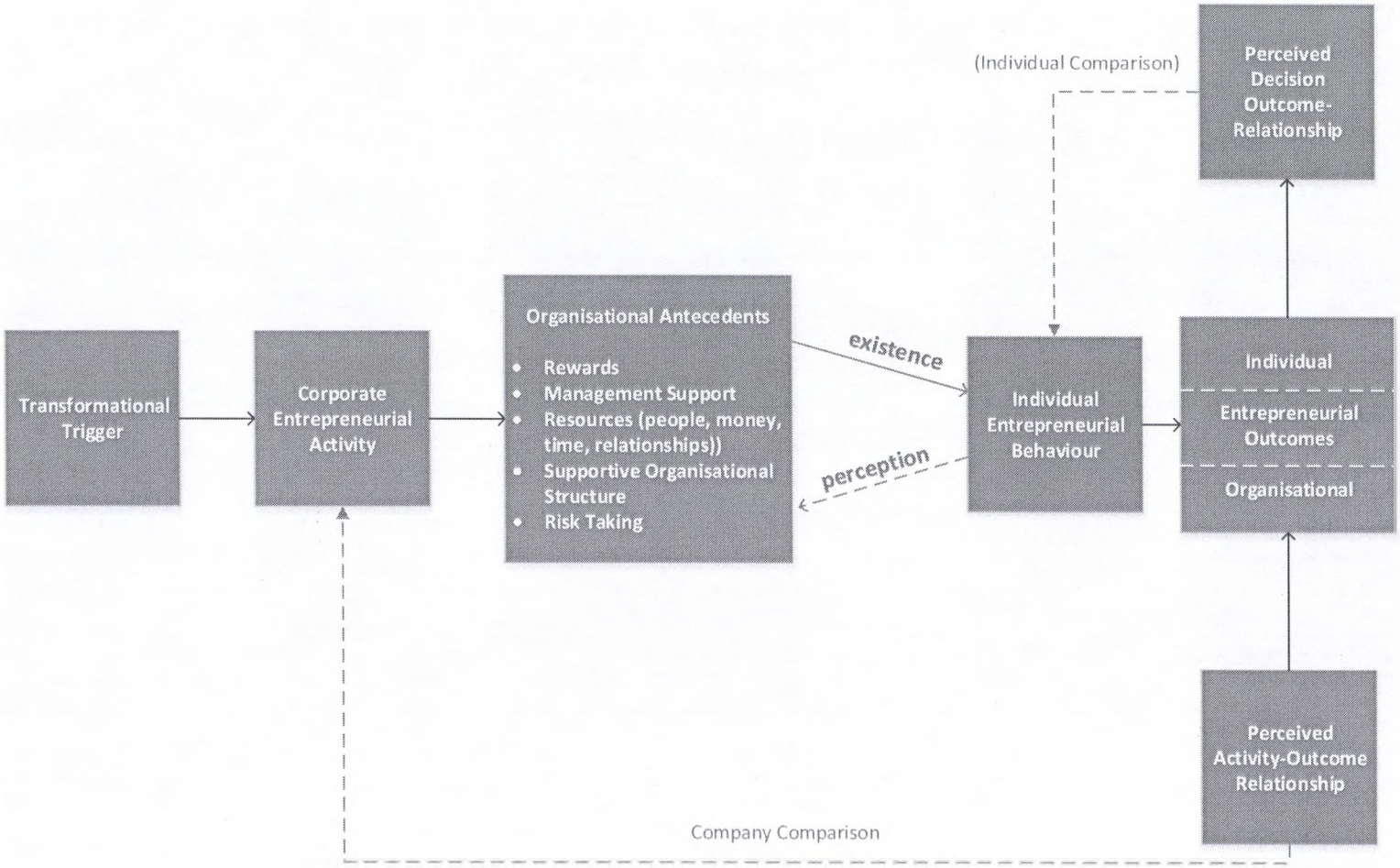


Figure 3: A model of sustained corporate entrepreneurship

(Kuratko et al., 2011:51)

2.6 Hypotheses and conceptual model

Based on the literature review, this study hypothesizes that:

H1: There is a perceived positive association between leadership styles and an innovative culture.

> **H1a**: There is a perceived negative association between autocratic leadership and an innovative culture.
>
> **H1b**: There is a perceived positive association between democratic leadership and an innovative culture.
>
> **H1c**: There is a perceived positive association between liberal leadership and an innovative culture.

H2: Incentives are perceived to be positively associated with an innovative culture.

> **H2a**: Financial incentives are perceived to be positively associated with an innovative culture.
>
> **H2b**: Non-financial incentives are perceived to be positively associated with an innovative culture.

Figure 2 represents the conceptual model highlighting the association between the leadership styles and incentives (both independent variables) with innovative culture (the dependent variable).

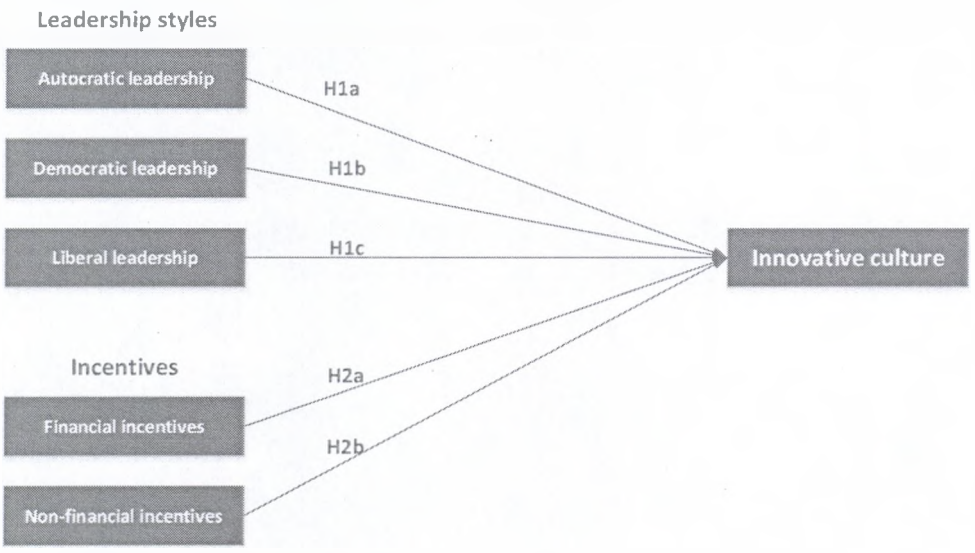


Figure 4: Conceptual framework

2.7 Conclusion of literature review

Leadership plays an important role in fostering an innovative culture. Certain leadership styles induce innovative employee behaviour, which results in the organisation gaining an advantage over their competitors.

Some authors found that democratic leadership is the most effective leadership style. Nonetheless, the fact that a leader is effective is dependent on the criteria being used to assess the effectiveness of a particular leadership style. Therefore, if the effectiveness of leadership is assessed in terms of productivity, then the most efficient leadership style is autocratic leadership. However, the democratic leadership style would be more effective if the role required a leader who maintains a steady level of work and good morale (Bhatti et al., 2012).

Innovation can be fostered by a reward system as long as this reward system provides employees with a long-term perspective, motivation and the autonomy for risk-taking (Lotfi, 2015). Financial and non-financial incentives are important in motivating employees, therefore management should consider awarding these in order to facilitate and maintain an innovative culture.

Tables 1 and 2 provide a summary of the concepts covered in this literature review chapter.

Table 1: Review of leadership styles and innovative culture

#	Authors	Titles & Publication Details	Research Questions/Hypotheses	Main Conceptual Framework/Models	Methodology	Findings	Comments
1	Abdolmaleki, J., Ashloublagh, M.A., Shahrabi, M.A., Ashlaghi, A.K., Safdari, S. (2013)	A study on effects of leadership style on innovation: A case study from automaker industry. *Management Science Letters* ***3*** *(1), 1977-1982.*	Study investigates the relationship between innovation and leadership style among middle level managers in the Middle Eastern context. **RQ:** What is the relationship between innovation and leadership style? Some of the leadership styles examined were democratic and transformational leadership.	This study conceptually explores the impact that leadership styles have on a firms' components such as innovation.	A questionnaire was distributed among 278 regular employees and 61 middle level managers. A Pearson correlation test was performed as well as an ANOVA test before doing linear regression.	Leadership style (independent variable) and innovation (dependent variable) indicate that leadership style has a significant and positive impact on innovation.	Leadership has a positive and meaningful impact on the innovation of employees.
2	Ojokuku, R.M., Odetayo, T.A., Sajuyigbe, A.S. (2012)	Impact of Leadership Style on Organisational Performance: A Case Study of Nigerian Banks. *American Journal of Business and Management* ***1*** *(4), 202-207.*	This study investigates the impact of leadership style on organisational performance in certain banks in Nigeria. **H0**: Leadership style dimensions have no significant effect on the organisational performance. The leadership styles that were examined in this study were charismatic, transactional, transformational, autocratic, bureaucratic and democratic leadership.	The main objective of this study was to identify the style/s of leadership that is/are adopted by managers and examine how this affects the performance of workers, which can be translated to organisational performance.	A structured questionnaire was used to obtain data from employees at 20 randomly selected banks. Pearson correlation and regression analysis were used to examine the relationship and significance respectively of the leadership style dimensions on followers and performance.	The democratic style of leadership has a positive effect on organisational performance, which means that this style of leadership induces employees to perform as expected. Surprisingly, the autocratic style of leadership has a positive effect although insignificant.	Transformational leadership was found to enhance employees to enhance organisational efficiency.

#	Authors	Titles & Publication Details	Research Questions/Hypotheses	Main Conceptual Framework/Models	Methodology	Findings	Comments
3	Khan, M.J., Aslam, N. (2012)	Leadership Styles as Predictors of Innovative Work Behaviour.	The study investigates the role of transactional, transformational and laissez-faire leadership styles in predicting the innovative work behaviour among bank managers in Pakistan. **H1:** Transformational leadership style would be positively correlated with innovative work behaviour. **H2:** Transactional leadership style would be negatively correlated with innovative behaviour. **H3:** Liberal/Laissez-faire leadership style would be negatively correlated with innovative work behaviour.	This study aims to determine the role of transformational, transactional and liberal/laissez-faire leadership style as per the Full Range Theory of Leadership by and (Bass & Avolio, 2002) in the prediction of work behaviour that is innovative.	Data was collected from both public and private bank managers using a purposive convenient sampling technique. In order to understand the influence of leadership styles on innovative work behaviour, stepwise regression analysis was applied.	The results showed that transactional and transformational leadership style were positive predictors of innovative work behaviour while the liberal/laissez-faire leadership style negatively predicted it.	The questionnaires used in the study were self-reported, potentially resulting in single-source bias since bank managers rated their own leadership as opposed to their sub-ordinates rating them. There is a need for future research to explore other corporate sectors and to examine the mediating and moderating factors of leadership styles and innovative work behaviour.

Table 2: Review of Incentives and innovative culture

#	Authors	Titles & Publication Details	Research Questions/Hypotheses	Main Conceptual Framework/Models	Methodology	Findings	Comments
1	Barros, H.M., Lazzarini, S.G. (2012)	Do Organisational Incentives Spur Innovation. *Brazilian Administration Review 9 (3), 308-328.*	The context of this study is Brazil. **H1:** Firms that adopt incentive systems that include higher performance-based pay will be more innovative. **H2:** Firms that adopt incentive systems associated with higher performance-based promotion will be more innovative.	This study examines whether organisational incentives have an impact on innovation and how this link is established. Agency theory is explored in this study, which shows that high levels of effort are elicited through compensation schemes that are appropriate.	370 firms (various sectors) in Brazil were randomly selected where managers were interviewed by phone. Simple regression was used to test the hypotheses.	The results show that promotion is a more valuable incentive mechanism for encouraging innovation than a salary.	This study has some limitations one of which is the fact that the effects of incentive mechanisms may differ depending on the type of innovation (incremental or radical).
2	Zhou, Y., Zhang, Y., Montoroz-Sanchez, A. (2011)	Utilitarianism or romanticism: the effect of rewards on employees' innovative behaviour. *International Journal of Manpower **32** (1), 81-98.*	This empirical study is based in China and focuses on Chinese companies since their provisional economy has a great chance to measure the value of various management practices. **H1:** Extrinsic rewards, which include salary increases and bonuses linked to performance, have an "inverse-U" effect on employee's innovative behaviour. **H2:** Intrinsic drivers (performance improvement feedback, assessing and recognising innovations) have a positive effect on the innovative behaviour of employees. **H3:** Extrinsic rewards and intrinsic drivers have positive effects on employee's innovative behaviour.	Consensus has not been reached among scholars if rewards can improve creativity and innovation in organisations i.e. utilitarianism and romanticism. Utilitarianism emphasises the innovative behaviour of employees through extrinsic incentives such as monetary compensation. On the contrary, romanticism sees creativity as self-motivated psychological behaviour that is usually generated by intrinsic spiritual rewards.	The data was collected using a survey and was collected through different channels i.e. face-to-face, email and traditional mail. The hypotheses were tested using Pearson correlation analysis and hierarchical regression.	There were 3 major findings. **1.** Innovative behaviour of employees is affected by tangible extrinsic rewards through an "inverse-U" shape. **2.** Intrinsic motivations have a significantly positive effect on employee's innovative behaviour. **3.** Intrinsic motivations and extrinsic rewards have positive interaction effects on individual creativity.	The author argues that extrinsic motivations are not only relevant in Chinese enterprises but also in western firms since most of the significant innovations in the western world were generated by intrinsically motivated individuals.

#	Authors	Titles & Publication Details	Research Questions/Hypotheses	Main Conceptual Framework/Models	Methodology	Findings	Comments
3	Wang, J. (2013)	The Effects of Organisational Factors on Employee Process Innovation: An Empirical Study of China. **PhD** Dissertation, University of Tasmania, China.	This study examines whether western theories relating to employee innovation can be used in the Chinese context and whether organisational factors can affect employee innovation. **H1a:** Monetary reward is positively associated with the opportunity exploration of employees. **H1b:** Monetary reward is positively associated with the idea generation and experimentation of employees. **H1c:** Monetary reward is positively associated with the idea promotion of employees. **H2a:** Non-monetary recognition is positively associated with the opportunity exploration of employees. **H2b:** Non-monetary recognition is positively associated with the idea generation and experimentation of employees. **H2c:** Non-monetary recognition is positively associated with the idea promotion of employees.	Based on work done by previous scholars, this study takes a step further to investigate the effects on stage-by-stage employee process innovation. The study proposes that monetary and non-monetary recognition are positively associated with the employee process innovation i.e. if employees receive monetary rewards and non-monetary recognition, they are more likely to suggest or generate new ideas for improvements in the workplace.	A self-administered questionnaire was used to obtain the necessary data for the study. The hypotheses of the study were tested using inferential tests such as Pearson correlation and multiple regression analysis.	By examining the incremental innovation of employees, the study finds that monetary reward and non-monetary recognition (among other organisational factors), is relevant to employee innovation. Non-monetary recognition is positively associated with the opportunity exploration stage, idea generation and experimentation stage. Monetary reward is positively associated with the idea promotion stage.	There are a number of limitations and future research directions pertaining to this study. Particularly, the research did not explore the causality of the variables. A direct comparison of the effects organisational factors such as monetary reward and non-monetary recognition on employees in other countries would assist in identifying how different cultures and contexts may have an impact on employee's innovative behaviour.

CHAPTER 3: RESEARCH METHODOLOGY

This section highlights the research approach/paradigm followed by the research design. The target population and sample are defined, followed by the research instrument that was used to conduct the study. The procedure for data collection is mentioned, and the techniques used for data analysis are discussed in this section. In conclusion, the validity and reliability of the research design are revealed.

3.1 Research methodology / paradigm

In order to test the hypothesis, a quantitative study was conducted using the post-positivism paradigmatic location. The quantitative study included testing the hypotheses, confirmation, standardised data collection and statistical analysis (Johnson & Onwuegbuzie, 2014). This is because the reality cannot be known with certainty, observations are inherently flawed and therefore the theory will need to be tested and revised where appropriate.

Online self-administered, closed questionnaires were used to elicit responses from employees. A cross-sectional survey was used to determine the perceptions of incentives and leadership styles in innovative cultures. This approach used predominantly post-positivist claims to develop knowledge, therefore objectivity is not determined by the researcher and predetermined instruments are used to yield statistical data (Creswell, 2003).

3.2 Research design

An online, cross-sectional questionnaire was used to test the hypotheses and to collect primary data. This methodological approach was appropriate for this study for the following reasons:

- Respondents were able to complete the questionnaire at their own pace;
- The online questionnaire allowed the respondents to be completely anonymous, resulting in authentic and confidential responses;

- Online questionnaires provided a quick method of collecting data, instead of interviewing each respondent, which would have been time consuming;
- The use of online questionnaires left little room for error since the data was exported automatically, as opposed to manually capturing the responses from all questionnaires; and
- The use of online questionnaires allowed the responses to be collected in a standardised manner, which avoids responses that are biased.

The questionnaires were sent via email, and responses were captured electronically and saved conveniently on a database. However, the shortcomings of online questionnaires are twofold, no clarity could be provided on any of the questions, and low response rates might have been experienced.

The advantages of quantitative research are:

- Previously constructed theories are tested and validated;
- Generalisation of the research findings is possible when the data that is used is based on random samples of an adequate size;
- Data collection is quick; and
- Useful for studying large numbers of individuals (Johnson & Onwuegbuzie, 2014).

The disadvantages of quantitative research are:

- An opportunity to generate hypotheses might be missed since the focus is on testing the theory or hypothesis instead;
- There may not be direct application to specific local contexts or individuals since the knowledge that is produced might be too general (Johnson & Onwuegbuzie, 2014).

3.3 Population and sample

3.3.1 Population

The population comprised employees in nine organisations within the financial services and insurance industries with an innovative culture. These employees were represented at all levels (staff, management/specialist level and executive management). The targeted population included male and female employees that were permanently employed

3.3.2 Sample and sampling method

A non-probability convenience sample was used for this study. The advantage of using this sampling method is that it obtains responses from the most easily accessible and readily available individuals, thereby improving the chances of having a good response rate. A snowball sampling technique was used for the study due to the restricted access or permission to survey employees in the financial services and insurance industries.

The sample consisted of both male and female employees of varying ages, education levels, job levels and job tenure from the following companies operating in South Africa: Discovery, FNB, Absa, Hollard, Liberty, Standard Bank, Old Mutual, Outsurance and Investec. Table 3 describes these companies.

Questionnaires were sent out over a two-month period to employees in the above-mentioned companies. When viewing the responses, it was found that there were 120 completed questionnaires from 165 surveys that were started.

Table 3: Nine innovative companies included in this study

#	Company	Employees	Description
1	**Discovery**	8 221	Discovery has introduced many firsts to the industry and continent, including the medical savings account, the wellness programme and Vitality (Innovative Agency, 2014).
2	**FNB**	45 803	FNB has always been considered a highly innovative bank, due to their revolutionary improvements to the banking world, which includes their banking app for smartphones and e-wallet (Innovative Agency, 2014).
3	**Liberty**	10 801	Liberty has introduced digital innovations that aim to personalise the experience of users (Liberty, 2014)
4	**Hollard**	3 000	Hollard is one of the most innovative insurers in South Africa, with innovation around distribution channels like bank assurance (Innovative Agency, 2014).
5	**Absa**	31 922	Absa is one of the innovative banks that has won awards for some of their innovative products, which satisfy their client's needs (Innovative Agency, 2014).
6	**Standard Bank**	48 774	Standard Bank is considered a market leader and is committed to bringing innovative solutions to the market (Innovative Agency, 2014).
7	**Old Mutual**	18 063	Old Mutual offers new and innovative products designed to be more cost-effective and flexible (Innovative Agency, 2014).
8	**Outsurance**	2 519	Outsurance introduced innovative features like the 'Outbonus', which gives 10 percent of paid insurance premiums back to clients after they have had three consecutive claim-free years (Innovative Agency, 2014).
9	**Investec**	7 657	Investec have introduced innovations in the digital space for quick and secure banking (Innovative Agency, 2014).

3.4 The research instrument

The questionnaire for this study comprised four sections: Section A provided the background for each respondent. Section B collected the respondents' perceptions about the leadership style of their leaders in the workplace. Section C focused on their perceptions around incentives, while section D concentrated on the innovative culture.

Leadership styles were measured using the Leadership Styles Questionnaire (LSQ) by Northouse (2011). In section B, questions 8, 11, 14, 17, 20 and 23 collected data about the respondent's perceptions about the autocratic leadership style. Questions 12, 15, 18, 21 and 24 collected data about the respondent's perceptions about the democratic leadership style. Questions 10, 13, 16, 19, 22 and 25 collected data about the respondent's perceptions about the liberal leadership style. Respondents were requested to select a suitable point on a seven-point Likert scale, which ranged from one (strongly disagree) to seven (strongly agree). The reliability coefficient of the LSQ scale is said to be 0.887, which indicates that it is a reliable instrument.

Incentives were measured using a survey from Wang (2013), which was developed using insights from existing literature and modified for the purposes of this study to measure monetary (Cronbach's alpha = 0.811) and non-monetary rewards (Cronbach's alpha = 0.827). In section C, questions 26 to 35 collected data about the respondent's perceptions about financial incentives. Questions 36 to 43 collected data about the respondent's perceptions about non-financial incentives. Questions 44 to 47 collected data about the respondent's perceptions about their satisfaction with incentives. The respondents selected answers using a suitable point on a seven-point Likert scale, which ranges from one (never) to seven (always). A four item scale on the reward management system was used from Janssen (2000) with a Cronbach's alpha of 0.692 on a seven-point Likert scale ranging from 1 (never) to seven (always).

Innovative culture is measured using a seven-point Likert scale survey, which was developed by Dobni (2008) from the extant literature. Questions 48 to 56

collected data about the respondent's perceptions about the innovative culture of the organisation. A scale of nine questions pertaining to innovative propensity (alpha = 0.71) were used from this survey which ranges from one (strongly disagree) to seven (strongly agree).

3.5 Procedure for data collection

The data was gathered as follows:

- The questionnaire was created and captured on an online survey tool, wits.qualtrics.com;
- After obtaining consent, an email was sent out to employees at the nine innovative companies, specifying the purpose of the survey (see Appendix A for the introductory letter). The link to the survey tool was embedded in the email; and
- Respondents were given approximately eight weeks to respond to the online questionnaire (see Appendix B for the questionnaire). An email reminder was sent out every second week to remind the employees who had not yet completed the questionnaire to complete it.

3.6 Data analysis and interpretation

Descriptive statistics were tabulated, which highlighted the means and standard deviations for all the variables in this study. Their inter-correlation matrix was also presented (Eisenbeig & Boerner, 2010).

Data for this study was analysed using SAS. A factor analysis was conducted to confirm the validity. In order to test the hypotheses and thereby study the association between leadership styles, incentives and an innovative culture, a Pearson correlation test was performed. The outcome of this test determined if there was a positive and meaningful association between the independent variables, leadership style and incentives, and the dependent variable, an innovative culture.

Simple regression was carried out between the independent variable, both leadership styles and the dependent variable, innovative culture in order to confirm the association between these variables (Abdolmaleki et al., 2013).

3.7 Validity and reliability of research

3.7.1 External validity

External validity looks at the extent to which the results of the study can be generalised from the sample to the population. A sample should accurately represent a population since the total population would not be available to study (Slavec & Drnovsek, 2012). Due to the small sample size and the fact that the convenience sample method was used, the opportunity to generalise the results of this study across its population was limited.

3.7.2 Internal and construct validity

Scholars have identified construct validity as incorporating all categories of validity. It refers to the extent that an instrument measures what it was designed to measure (Slavec & Drnovsek, 2012). The compilation of the consistency matrix (Appendix C) ensured that the questions in the research instrument were aligned to the research questions of the study. In addition, a factor analysis was performed to check validity (results highlighted in Chapter 5).

3.7.3 Reliability

Scale reliability can be assessed using several methods, one of these being internal consistency. Internal consistency refers to the homogeneity of the items within the scale. Therefore, a scale is internally consistent if the items of the scale are strongly correlated. The commonly used measure for internal consistency is the Cronbach's coefficient alpha (Slavec & Drnovsek, 2012). In order to ensure reliability, Cronbach's alpha was used to test the alpha scores and establish reliability of the scales (results presented Chapter 5). The entire scale was tested in order to maximise the reliability and the aim was to have

overall scores of 0.6 and above. Items that have correlations below 0.5 should be eliminated (Slavec & Drnovsek, 2012).

CHAPTER 4: PRESENTATION AND DISCUSSION OF THE RESULTS

4.1 Introduction

This chapter highlights the results of the study and includes a discussion of these results. The demographic profile of the respondents is presented, followed by the results of statistical analysis and the relevant discussions. These statistical analyses include the measurement scales of each model, descriptive statistics, paired samples t-test, Pearson correlation, factor analysis, regression analysis and analysis of variance (ANOVA).

4.2 Demographic profile of respondents

Of the 165 respondents that started the survey, 45 respondents did not complete the survey; therefore, the final sample size consisted of 120 employees within the financial services and insurance industries. Of the sample, 64 percent were female and 36 percent were male. With regard to the age profile as can be seen in Figure 5, only 1 percent were younger than 20 years, 28 percent were 20 to 29 years of age, 50 percent were 30 to 39 years of age, 14 percent were 40 to 49 years of age and only eight percent were 50 years and older.

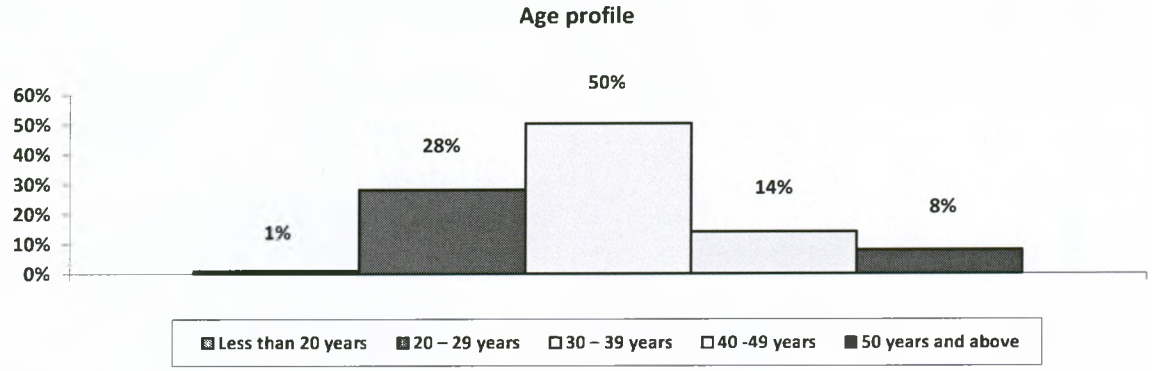


Figure 5: Frequency distribution of the age profile of the employees

There were 8 percent of employees with a Grade 12/Matric qualification as their highest level of education. Of the sample, 29 percent had a certificate/diploma, 32 percent had an undergraduate degree while 31 percent had a postgraduate degree as depicted in Figure 6.

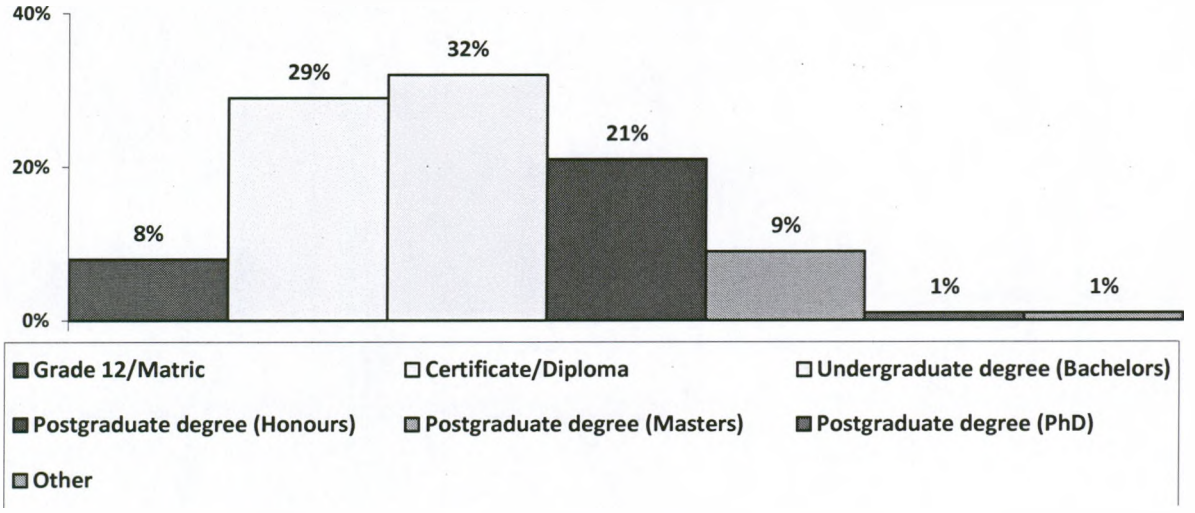


Figure 6: Frequency of distribution of the highest level of education

Among the companies that were surveyed, Discovery had the highest proportion of respondents (28 percent), followed by Liberty (15 percent) and Hollard (13 percent), while Outsurance had the least number of employees in the sample at only three percent as highlighted in Figure 7.

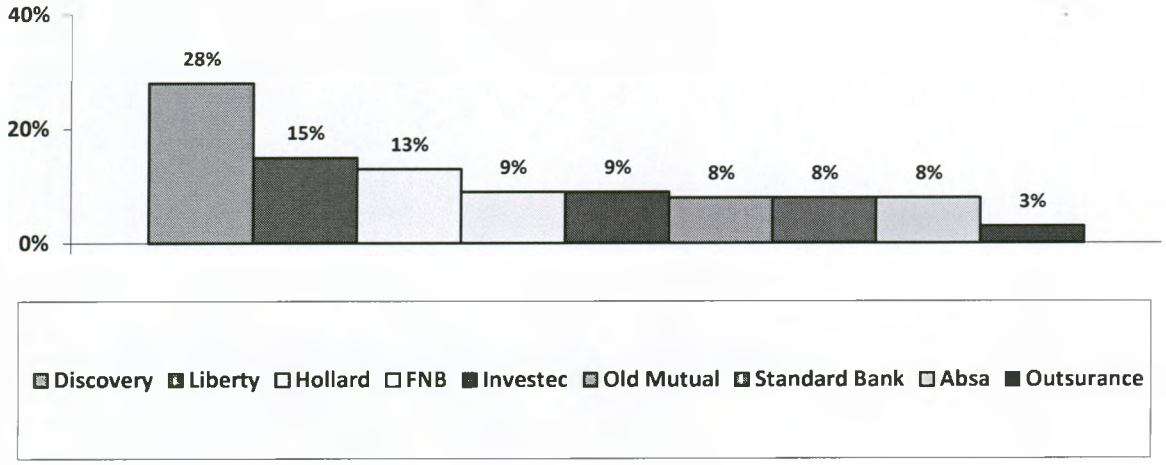


Figure 7: Frequency distribution of the employer

Figure 8 shows that 19 percent of the employees were from the accounting/finance department, 12 percent from the information technology department, 11 percent were from sales, 11 percent from research and development, while only one percent was from human resources and another one percent from customer services.

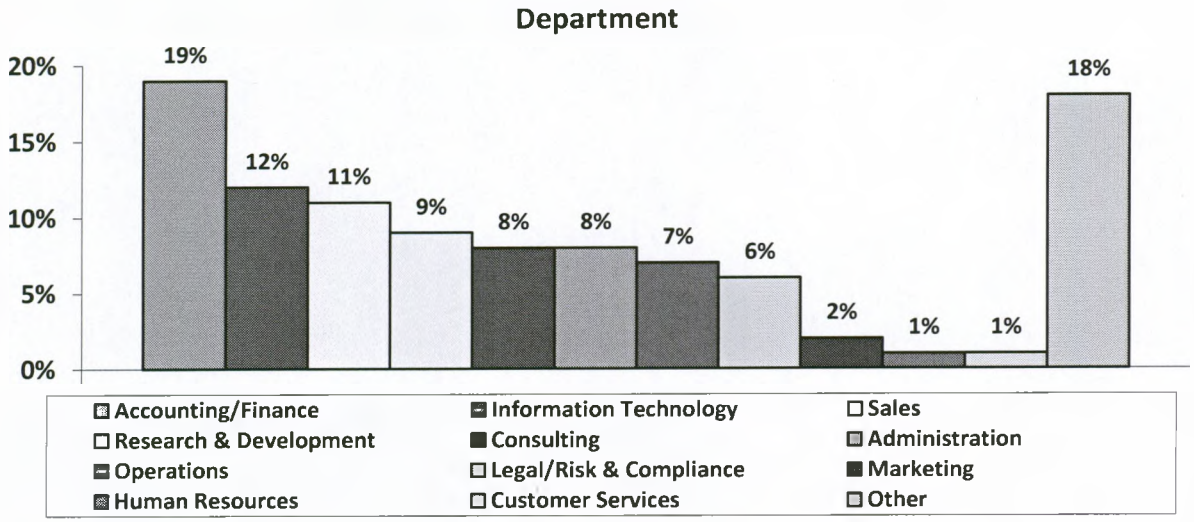


Figure 8: Frequency distribution of the department

The sample comprised employees from all job levels with 48 percent being administrative/clerical employees, 31 percent supervisor/team leader/junior

management, 23 percent middle management, eight percent senior management and two percent executive management, as seen in Figure 9.

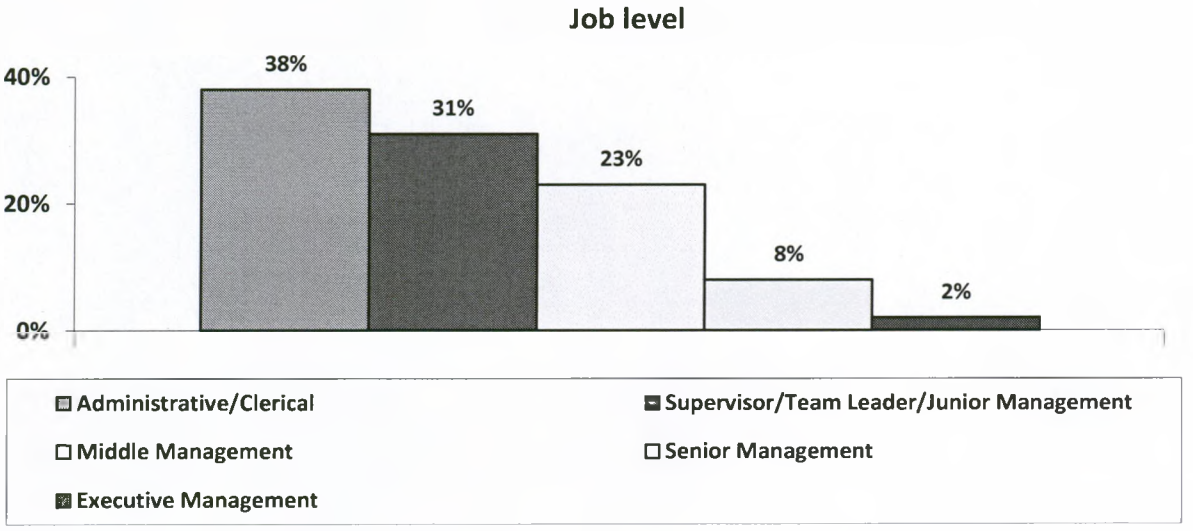


Figure 9: Frequency distribution of the job level

Of the employees in the sample, 42 percent had been with their organisation for at least five years and another 31 percent had been with their organisation for between two and five years, as illustrated in Figure 10.

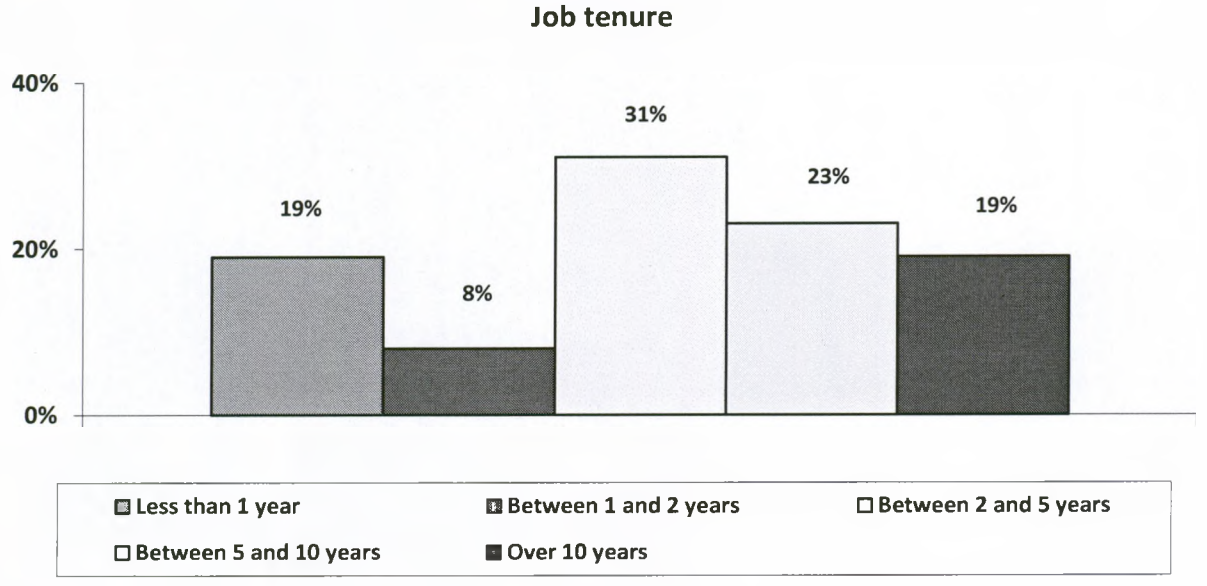


Figure 10: Frequency distribution of the job tenure

Table 4: Sample demographics (n=120)

Demographic	Detail	Frequency	Percent
Gender	Male	43	36%
	Female	77	64%
Age	Less than 20 years	1	1%
	20 – 29 years	33	28%
	30 – 39 years	60	50%
	40 – 49 years	17	14%
	50 years and above	9	8%
Highest level of education	Grade 12/Matric	9	8%
	Certificate/Diploma	35	29%
	Undergraduate degree (Bachelors)	38	32%
	Postgraduate degree (Honours)	25	21%
	Postgraduate degree (Masters)	11	9%
	Postgraduate degree (PhD)	1	1%
	Other	1	1%
Employer	Discovery	33	28%
	Liberty	18	15%
	Hollard	15	13%
	FNB	11	9%
	Investec	11	9%
	Old Mutual	10	8%
	Standard Bank	10	8%
	Absa	9	8%
	Outsurance	3	3%
Department	Accounting/Finance	23	19%
	Information technology	14	12%
	Sales	13	11%
	Research & development	11	9%
	Consulting	10	8%
	Administration	9	8%
	Operations	8	7%
	Legal/Risk & compliance	7	6%
	Marketing	2	2%
	Human resources	1	1%
	Customer services	1	1%
	Other	21	18%
Job level	Administrative/Clerical	45	38%
	Supervisor/Team leader/Junior management	37	31%
	Middle management	27	23%
	Senior management	9	8%
	Executive management	2	2%
Tenure	Less than 1 year	23	19%
	Between 1 and 2 years	10	8%
	Between 2 and 5 years	37	31%
	Between 5 and 10 years	27	23%
	Over 10 years	23	19%

Table 4 shows a summary of the sample demographics. It is expected that the majority (50 percent) of the respondents in these innovative companies would be among the 30 to 39 year age range. The Global Entrepreneurship Monitor results, which are documented annually, reveal how many citizens of a country are involved in early-stage entrepreneurial activity. The results show that middle-aged individuals are more likely to be involved in early-stage entrepreneurial activity. This is because age supposedly incorporates the positivity of growing experience and the negative effects of the decline in uncertainty tolerance in the aspiration to start a business. In organisational entrepreneurship, both motivation and perceived capability to engage in intrapreneurial behaviour are commissioned by age. As age increases, motivation for intrapreneurship decreases. Studies have shown that when people age, they are not as readily open to new experiences and change as they were when they were younger, which also applies to the working environment. Perceived capability is expected to increase with age (i.e. experience in the working environment). An individual's experience in the workplace strengthens their capabilities and prior knowledge to obtain skills, knowledge and missing resources (De Jong, Parker, Wennekers & Wu, 2011).

This is in line with what was expected regarding the job/organisational tenure of the employees in the sample, where 31 percent of respondents have been employed by their companies for between two and five years, and 23 percent have been employed for between five and 10 years by their companies. Literature suggests that organisational tenure is positively related to intrapreneurial behaviour. As highlighted above, this can be attributed to accumulated experience and the relevant human capital. Entrepreneurship studies indicate that people that have longer tenure, have accumulated domain-specific knowledge, experiences and skills and are more likely to exploit opportunities (De Jong et al., 2011).

It is quite interesting that the majority of the sample were female (64 percent) and 36 percent were male. The literature on entrepreneurship has found mixed results, with some studies reporting no relationship between gender and intrapreneurial behaviour. Other studies found that males are more likely to be

intrapreneurial. An important factor to note is that gender usually correlates with educational attainment (De Jong et al., 2011).

Regarding job level, it was expected that the sample would consist of employees that are mainly in middle and senior management, since employees at this level are more likely to be innovative and intrapreneurial due to their position in the hierarchy and/or their network reach. Of the sample, 23 percent were in middle management while only eight percent were in senior management. On the contrary, 38 percent of the sample were administrative/clerical and 31 percent were at the supervisor/team leader/junior management level. This expectation was because of the corporate entrepreneurial literature that mainly sees middle managers as a source of entrepreneurial activity. Recent literature suggests empirically that managers face better opportunities to identify and exploit entrepreneurial ideas because of their upper hierarchical level and different organisational roles. Middle managers are identified in the literature as masters of change who generate, champion and realise ideas that are innovative. In addition, hierarchical position has been correlated with proactive behaviour, meaning that an individual's hierarchical position influences their desire for constructive change and being central in risk taking behaviours (De Jong et al., 2011).

The top job types in the sample (apart from the category 'other'), were accounting/finance (19 percent), information technology (12 percent), sales (11 percent) and research and development (9 percent). It was expected that there would have been more employees in research and development, and sales than those within finance and information technology since the former are more exposed to non-redundant information, which would help facilitate deviant behaviours such as championing ideas and exploring opportunities. Furthermore, research and development, and sales employees are generally more persistent and accept losses with regard to their time and resources in order to succeed; they can be expected to be more proactive and willing to take more risks (De Jong et al., 2011).

4.3 Results pertaining to leadership styles

4.3.1. Leadership style measurement scale

The respondents' perceptions about the leadership style of their managers in the workplace were measured using the Leadership Styles Questionnaire (LSQ) (Northouse, 2011). This questionnaire consisted of 18 questions on a seven-point Likert scale. Of the 18 questions, six were for autocratic leadership, six for democratic leadership and six for liberal leadership. The internal consistency of each set of leadership multi-item scale answers were assessed using Cronbach alpha, which optimally should be greater than 0.65. The reliability coefficient for each of the leadership styles was conducted and the results are shown in Table 5.

Table 5: Reliability of the leadership style measurement scale

Construct	Item	Cronbach's Alpha
Autocratic Leadership	Employees need to be supervised closely, or they are not likely to do their work	0.534
	It is fair to say that most employees in the general population are lazy	
	As a rule, employees must be given rewards or punishments in order to motivate them to achieve organisational objectives	
	Most employees feel insecure about their work and need direction	
	The leader is the chief judge of the achievements of the members of the group	
	Effective leaders give orders and clarify procedures	
Democratic Leadership	Employees want to be a part of the decision-making process	0.608
	Providing guidance without pressure is the key to being a good leader	
	Most workers want frequent and supportive communication from their leaders	
	Leaders need to help subordinates accept responsibility for completing their work	
	It is the leader's job to help subordinates find their "passion"	
	People are basically competent and if given a task will do a good job	

Construct	Item	Cronbach's Alpha
Liberal Leadership	In complex situations, leaders should let subordinates work problems out on their own	0.692
	Leadership requires staying out of the way of subordinates as they do their work	
	As a rule, leaders should allow subordinates to appraise their own work	
	Leaders should give subordinates complete freedom to solve problems on their own	
	In most situations, workers prefer little input from the leader	
	In general, it is best to leave subordinates alone	

Autocratic leadership had a Cronbach alpha coefficient of 0.534, democratic leadership 0.608, and liberal leadership 0.692. Although the coefficients for autocratic and democratic leadership are not as high as required (>0.7), they are still acceptable since their values are greater than 0.5, which is the minimum acceptable limit according to Slavec and Drnovsek (2012). Subsequently, a summated scale for each of the three leadership styles was computed by calculating the sum of the items within each construct. A higher value indicates a strong alignment to that leadership style and a low value is an indication of a lesser alignment to that leadership style. Descriptive statistics were carried out in order to assess and understand the data. The descriptive statistics for each leadership style is shown in Table 6.

Table 6: Descriptive statistics of the leadership styles

Leadership Style	N	Minimum	Maximum	Mean	Std. Deviation
Autocratic Leadership	120	10.00	40.00	23.29	5.492
Democratic Leadership	120	13.00	41.00	31.33	5.196
Liberal Leadership	120	9.00	37.00	26.23	6.123

The questionnaire, designed by Northouse (2011), measures the three common leadership styles, autocratic, democratic and liberal leadership. When comparing the scores (by summing up the relevant items relating to that leadership style), the dominant leadership styles were determined. The dominance scale is as follows:

- If the score is 26 to 30, then the leaders are in the very high range;
- If the score is 21 to 25, then the leaders are in the high range;
- If the score is 16 to 20, then the leaders are in the moderate range;
- If the score is 11 to 15, then the leaders are in the low range; and
- If the score is 6 to 10, then the leaders are in the very low range.

The democratic style of leadership had a mean of 31.33, which is the highest mean and therefore the most prevalent leadership style, followed by liberal leadership (mean = 26.23), and then autocratic leadership (mean = 23.29). This result was expected given the nature of the democratic style of leadership and the fact that some authors have found democratic leadership to be the most effective leadership style. Given the fact that the organisations surveyed in this study were innovative companies within the financial services and insurance industries, it was expected that democratic leadership would be the most prevalent leadership style and autocratic leadership the least prevalent. This leadership style has been identified as an enabler for the creativity of individuals and the innovativeness of teams. The success of the organisations in the study was due to the most dominant leadership that is present within the organisations. These organisations have managed to execute their strategic plans because of the effective leadership that exists within the organisations. These organisations were highly innovative since their democratic leaders encourage teamwork, provide ideas, and participate in setting goals and solving problems.

4.4 Results pertaining to incentives

4.4.1 Incentives measurement scale

The perceptions of employees regarding the receipt of financial and non-financial incentives were measured on a seven-point Likert scale. The reliability coefficients of these two constructs were determined. Financial incentives had a Cronbach's alpha value of 0.672, while non-financial incentives had a value of

0.763. The Cronbach alpha for non-financial incentives was very good and that of financial incentives was acceptable.

Table 7: Reliability of financial and non-financial incentives measurement scales

Construct	Item	Cronbach's Alpha
Financial Incentives	Increased basic salary (your fixed monthly cash payment)	0.672
	Company performance-related compensation (e.g. shares or share options)	
	Bonuses	
	Various allowances (e.g. commission or overtime payment)	
	Symbolic support (e.g. gift)	
Non-financial Incentives	Promotion	0.763
	Public honour (e.g. public praise, compliment, crowd cheering)	
	Recognition (special awards, trophies, dinners)	
	Time-off (e.g. sabbatical leave, time off based on overtime worked)	

A summated scale of both constructs was computed by calculating the sum of the items within each construct. A higher value indicates that the respondents believe there is a high presence within their organisation and a low value indicates an absence within their organisation. The descriptive statistics for the financial and non-financial incentives constructs are shown in Table 8.

Table 8: Descriptive statistics of financial and non-financial incentives

Incentive	N	Minimum	Maximum	Mean	Std. Deviation
Financial Incentives	120	1.00	6.20	2.90	1.236
Non-financial Incentives	120	1.00	7.00	2.43	1.243

The results show that the mean for financial incentives was 2.90 and non-financial incentives was 2.43 meaning that the average scores for both constructs were very low, since the respondents answered 'sometimes' and 'seldom' for questions regarding financial incentives and non-financial incentives respectively.

4.4.2 Financial Incentives

A paired samples t-test was conducted to assess whether there is a difference between the attractiveness of financial incentives compared to the financial incentives that the employees are actually receiving. Both the attractiveness and receipt of financial incentives were measured on a seven-point Likert scale. The results are shown in Table 9.

Table 9: Attractiveness vs. receiving financial incentives

Financial Incentive		Paired Samples Statistics			Paired Samples Test			
		Mean	N	Std. Deviation	Mean Difference	t	df	Sig. (2-tailed)
Increased basic salary (your fixed monthly cash payment)	Attractiveness	5.33	120	1.902	1.767	8.209	119	0.000
	Receive	3.56	120	1.999				
Company performance-related compensation (e.g. shares or share options)	Attractiveness	4.74	120	2.277	2.342	9.850	119	0.000
	Receive	2.40	120	1.955				
Bonuses	Attractiveness	5.66	120	1.727	1.600	8.132	119	0.000
	Receive	4.06	120	1.946				
Various allowances (e.g. commission or overtime payment)	Attractiveness	4.33	120	2.388	2.258	9.732	119	0.000
	Receive	2.07	120	1.877				
Symbolic support (e.g. gift)	Attractiveness	3.86	120	2.079	1.458	7.326	119	0.000
	Receive	2.40	120	1.585				

Never = 1, Seldom = 2, Sometimes, = 3, Often = 4, Fairly often = 5, Very often = 6, Always = 7

The results reveal that for all five financial incentives that were assessed, the employees perceive that they are attractive but they do not receive enough of those financial incentives i.e. attractiveness is rated significantly higher than what they actually receive in financial incentives. The five financial incentives and their respective scores are as follows:

- *Increased basic salary (fixed monthly cash payment)* – Mean attractiveness = 5.33, mean receive = 3.56, p-value = 0.000;
- *Company performance-related compensation (e.g. shares or share options)* – Mean attractiveness = 4.74, mean receive = 2.4, p-value = 0.000;
- *Bonuses* – Mean attractiveness = 5.66, mean receive = 4.06, p-value = 0.000;
- *Various allowances (e.g. commission or overtime payment)* – Mean attractiveness = 4.33, mean receive = 2.07, p-value = 0.000; and
- *Symbolic support (e.g. gift)* – Mean attractiveness = 3.86, mean receive = 2.4, p-value = 0.000.

The results suggest that the employees within these innovative organisations perceive bonuses as the most attractive financial incentive (mean = 5.66), while symbolic support (e.g. gift) as the least attractive (mean = 3.86). Bonuses are followed by an increased basic salary (mean = 5.33).

With regard to the financial incentives that they actually receive, the employees perceive that out of all the financial incentives presented, they receive various allowances (e.g. commission/overtime payment) the least (mean = 2.07). On the other hand, the financial incentive that is perceived to be received the most is bonuses. Therefore, the attractiveness of bonuses and the receipt thereof seem to be aligned, although the perceived attractiveness is bigger.

These results are to be expected since they are aligned with the literature, which postulates that the most common financial incentive is either a cash bonus or an increase in the basic salary.

The results are presented visually in Figure 11.

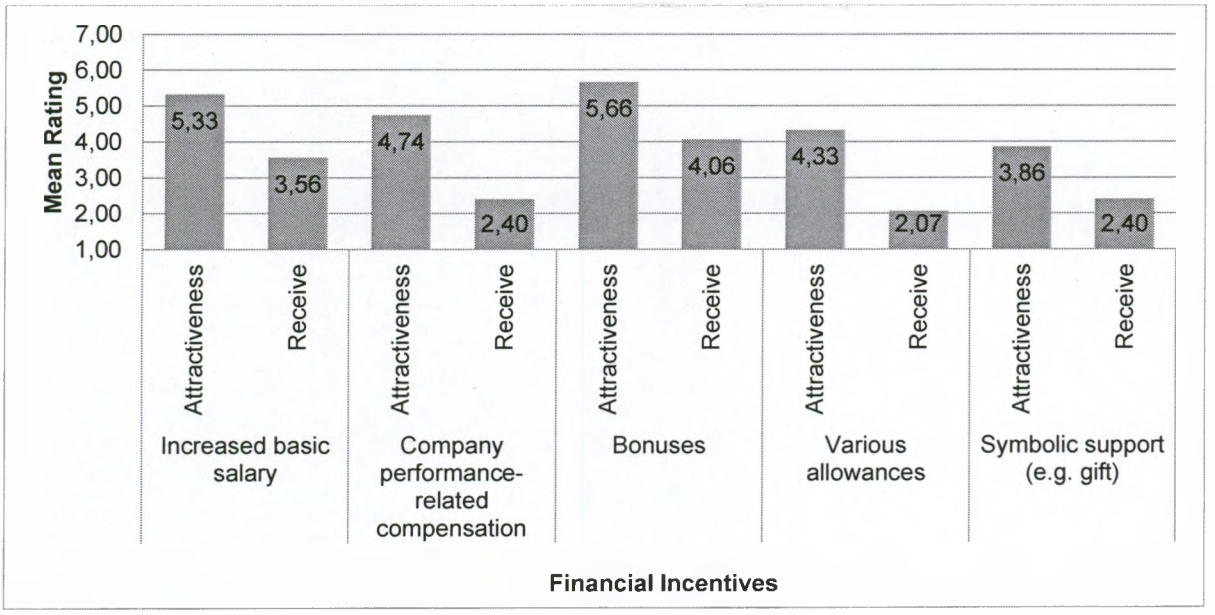


Figure 11: Attractiveness vs. receipt of financial incentives

4.4.3 Non-financial incentives

A paired samples t-test was conducted to assess whether there is a difference between the attractiveness of non-financial incentives and the non-financial incentives that they are actually receiving. The results are shown in Table 10.

Table 10: Attractiveness vs. the actual receipt of non-financial incentives

Non-financial incentives		Paired Samples Statistics			Paired Samples Test			
		Mean	N	Std. Deviation	Mean Difference	t	df	Sig. (2-tailed)
Promotion	Attractiveness	4.92	120	2.198	2.683	11.820	119	0.000
	Receive	2.23	120	1.521				
Public honour (e.g. public praise, compliment, crowd cheering)	Attractiveness	3.93	120	1.995	1.133	5.683	119	0.000
	Receive	2.80	120	1.757				
Recognition (special awards, trophies, dinners)	Attractiveness	4.15	120	2.097	1.575	7.539	119	0.000
	Receive	2.58	120	1.703				
Time-off (e.g. sabbatical leave, time off based on overtime worked)	Attractiveness	4.35	120	2.191	2.242	10.491	119	0.000
	Receive	2.11	120	1.511				

Never = 1, Seldom = 2, Sometimes, = 3, Often = 4, Fairly often = 5, Very often = 6, Always = 7

What can be noted is that for all the four non-financial incentives that were assessed, the employees believe that they are attractive yet they do not receive enough of those non-financial incentives. Therefore, the attractiveness of the non-financial incentives is rated significantly higher than the receipt of these non-financial incentives. The four non-financial incentives and their respective scores are as follows:

- *Promotion* – Mean attractiveness = 4.92, mean receive = 2.23, p-value = 0.000
- *Public honour (e.g. public praise, compliment, crowd cheering)* – Mean attractiveness = 3.93, mean receive = 2.8, p-value = 0.000
- *Recognition (special awards, trophies, dinners)* – Mean attractiveness = 4.15, mean receive = 2.58, p-value = 0.000
- *Time off (e.g. sabbatical leave, time off based on overtime worked)* – Mean attractiveness = 4.35, mean receipt = 2.11, p-value = 0.000

The results are presented visually in the bar graph in Figure 12.

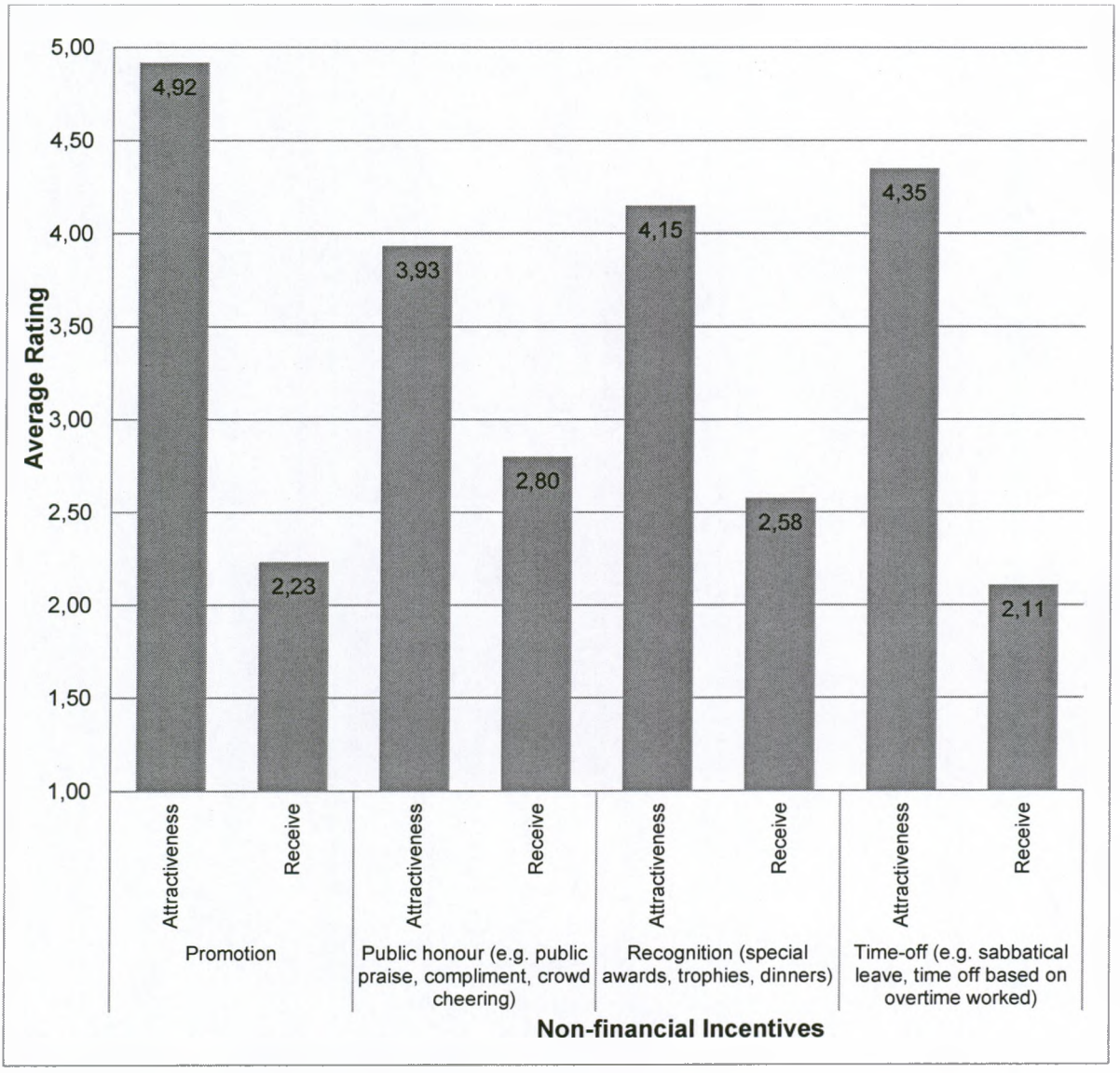


Figure 12: Attractiveness vs. actually receiving the non-financial incentives

The most attractive non-financial incentive is perceived to be a promotion (mean = 4.92), followed by time-off (mean = 4.35). The least attractive financial incentive is perceived by the employees to be public honour (mean = 3.93).

With regard to what they receive from the organisation, the employees receive public honour the most (mean = 3.93), followed by recognition (mean = 2.58). The non-financial incentive that they perceive to receive the least of is time-off (mean = 2.11), followed by a promotion (2.23).

There is a substantial gap between the attractiveness of a promotion (mean = 4.92) and actually receiving a promotion (mean = 2.23). This gap is also evident between the attractiveness of time-off (mean = 4.35) and actually receiving time off (mean = 2.11).

According to the literature, recognition is one of the most important non-financial rewards for employees. The results show that the employees in these nine innovative organisations clearly receive recognition, although not as much as they perceive it to be attractive.

4.4.4 Satisfaction with incentives

The employees' perceptions regarding incentives was measured on a seven-point Likert scale. Descriptive statistics were computed and the results are shown in Table 11.

Table 11: Descriptive statistics regarding satisfaction with incentives

Incentives	N	Mean	Std. Deviation
The salary increments given to employees who do their jobs very well motivates them to innovate	120	4.92	1.757
Financial incentives motivate me to innovate more than non-financial incentives	120	4.77	1.943
The reward management system will influence employees to innovate	120	4.58	1.960
I am satisfied with the incentives provided by the organisation to the employees	120	3.58	1.799

Never = 1, Seldom = 2, Sometimes, = 3, Often = 4, Fairly often = 5, Very often = 6, Always = 7

The results show that the respondents rated this statement the highest: 'salary increments given to employees who do their jobs very well motivates them to innovate' (mean = 4.92). This was followed by 'financial incentives motivate me to innovate more than non-financial incentives' (mean = 4.77), and 'the reward management system will influence employees to innovate' (mean = 4.58). The statement with the lowest rating was 'I am satisfied with the incentives provided by the organisation to the employees' (mean = 3.58).

4.5 Results pertaining to innovative culture

4.5.1 Innovative culture measurement scale

The perceptions of employees around the innovative culture of their organisation were measured on a seven-point Likert scale. The reliability coefficient of this construct is shown in Table 12.

Table 12: Reliability of the innovative culture measurement scale

Construct	Item	Cronbach's Alpha
Innovative Culture	Innovation is an underlying culture and not just a word	0.915
	Our business model is premised on the basis of strategic intent	
	Our senior managers are able to effectively cascade the innovation message throughout the organisation	
	Our organisation has an innovation vision that is aligned with projects, platforms, or initiatives	
	This organisation's management team is diverse in their thinking in that they have different views as to how things should be done	
	There is a coherent set of innovation goals and objectives that have been articulated	
	Innovation is a core value in this organisation	
	Our organisation has continuous strategic initiatives aimed at gaining a competitive advantage	
	Our organisation's strategic planning process is opportunity oriented as opposed to process oriented	

Innovative culture had a very good Cronbach alpha value. A summated scale for innovative culture was computed by calculating the sum of the items within this construct. The descriptive statistics for innovative culture are tabled in Table 13.

Table 13: Descriptive statistics of innovative culture

	N	Minimum	Maximum	Mean	Std. Deviation
Innovative culture	120	2.11	7.00	5.37	1.149

The results show that the mean for innovative culture is 5.37 meaning that the average response for this construct was that the employees generally responded that they 'somewhat agree' with the statements presented to them.

4.6 Results pertaining to leadership styles and an innovative culture

Section 4.6 and 4.7 deal with the hypotheses testing.

H1: There is a perceived positive association between leadership styles and an innovative culture

4.6.1 Pearson's correlation

Table 14: Pearson's correlation of leadership style and innovative culture

Variables	1. Innovative Culture	2. Autocratic Leadership	3. Democratic Leadership	4. Liberal Leadership
1. Innovative Culture	1.000			
2. Autocratic Leadership	-0.083	1.000		
3. Democratic Leadership	0.114	0.246**	1.000	
4. Liberal Leadership	-0.036	0.020	0.343**	1.000

**p-value < 0.01, *p-value < 0.05

The Pearson's correlation analysis indicated that none of the three leadership styles is significantly correlated with an innovative culture. Democratic leadership has a very small association (0.114) with an innovative culture.

4.6.2 Multiple linear regression

In order to test Hypothesis 1, a multiple linear regression model was fitted with innovative culture as the dependent variable and the three leadership styles as

the independent variables. The results of the model are summarised in Table 15 and show the amount of variation in innovative culture that is explained by the leadership styles.

Table 15: Regression model summary – Innovative culture against leadership style

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.184[a]	0.034	0.009	1.14404

a. Predictors: (Constant), Liberal Leadership, Autocratic Leadership, Democratic Leadership

It can be noted that only 3.4 percent of variation in innovative culture can be attributed to leadership style (R-square = 0.034). The adjusted R square is lower than raw R square, which often means that the sample size should be increased.

4.6.3 Analysis of variance (ANOVA)

Table 16 shows the results of the ANOVA testing of the hypotheses, which indicates that at least one of the leadership styles is associated with innovative culture against the alternative hypothesis, that none of the leadership styles is related to innovative culture.

Table 16: ANOVA – Innovative culture against leadership style

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.311	3	1.770	1.353	0.261[b]
	Residual	151.824	116	1.309		
	Total	157.135	119			

a. Dependent Variable: Innovative culture

b. Predictors: (Constant), Liberal Leadership, Autocratic Leadership, Democratic Leadership

The ANOVA F-statistic was used as a formal statistical significance test of fit. A low p-value would suggest a good fit. The p-value of the F-test in the ANOVA table is 0.261, which is greater than 0.05 (significance level), therefore there is

no significant relationship between leadership style and innovative culture. This may have been because of a small sample size.

The results of the assessment of each leadership style are shown in Table 17. For each leadership style, the null hypothesis is that there is no relationship between leadership style and innovative culture (the coefficient of the leadership style is equal to zero).

Table 17: Coefficients – Innovative culture against leadership style

Model		Unstandardized Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.214	0.757		6.893	0.000
	Autocratic Leadership	-0.026	0.020	-0.124	-1.316	0.191
	Democratic Leadership	0.039	0.022	0.177	1.759	0.081
	Liberal Leadership	-0.018	0.018	-0.095	-0.971	0.334

a. Dependent Variable: Innovative culture

H1a: There is a perceived negative association between autocratic leadership and an innovative culture

The results for this hypothesis indicated that although there was a negative association between autocratic leadership and innovative culture (B = -0.026) as expected, the relationship was not significant since the p-value was greater than 0.05 (significance = 0.191). This implied that the hypothesis was not supported and it could be concluded that there is no association between autocratic leadership and innovative culture.

H1b: There is a perceived positive association between democratic leadership and an innovative culture

The results of this hypothesis indicated that although there was a positive association between democratic leadership and innovative culture (B = 0.039), the relationship was not significant since the p-value was slightly greater than 0.05 (significance = 0.081). This implied that the hypothesis was not supported

and it could be concluded that there is no association between democratic leadership and an innovative culture.

H1c: **There is a perceived negative association between liberal leadership and an innovative culture**

It could be noted from the results that there was a negative association between liberal leadership and an innovative culture (B = -0.018 m). The relationship was however, not significant since the p-value was greater than 0.05 (significance = 0.334). This implied that the hypothesis was not supported and it can be concluded that there is no association between liberal leadership and an innovative culture.

4.7 Results pertaining to incentives and an innovative culture

Hypothesis 2 can be re-iterated as follows:

H2: **Incentives are perceived to be positively associated with an innovative culture**

4.7.1 Factor analysis

Table 18 highlights the results of confirmatory factor analysis, which indicated that all the variables within the financial incentives construct had a very high factor loading except 'Various allowances (e.g. commission or overtime payment)', which had a factor loading that was slightly below 0.5. The items in the construct explained at least 44 percent variation in the construct. For the non-financial incentives construct, all the items in the scale had high factor loading and explained 60 percent of variation in the construct. Innovative culture also had high factor loading and the items in the construct explained 60 percent of variation in the construct.

Table 18: Incentives and innovative culture factor loading

Construct	Item	Factor Loading	Total variance explained
Financial Incentives	Increased basic salary (your fixed monthly cash payment)	0.757	44%
	Company performance-related compensation (e.g. shares or share options)	0.624	
	Bonuses	0.791	
	Various allowances (e.g. commission or overtime payment)	0.466	
	Symbolic support (e.g. gift)	0.630	
Non-financial incentives	Promotion	0.748	59%
	Public honour (e.g. public praise, compliment, crowd cheering)	0.854	
	Recognition (special awards, trophies, dinners)	0.807	
	Time-off (e.g. sabbatical leave, time off based on overtime worked)	0.633	
Innovative Culture	Innovation is an underlying culture and not just a word	0.649	60%
	Our business model is premised on the basis of strategic intent	0.532	
	Our senior managers are able to effectively cascade the innovation message throughout the organisation	0.828	
	Our organisation has an innovation vision that is aligned with projects, platforms, or initiatives	0.822	
	This organisation's management team is diverse in their thinking in that they have different views as to how things should be done	0.795	
	There is a coherent set of innovation goals and objectives that have been articulated	0.844	
	Innovation is a core value in this organisation	0.841	
	Our organisation has continuous strategic initiatives aimed at gaining a competitive advantage	0.853	
	Our organisation's strategic planning process is opportunity oriented as opposed to process oriented	0.749	

4.7.2 Pearson's correlation

Table 19: Pearson's correlation of incentives and innovative culture

	1. Innovative Culture	2. Financial Incentives	3. Non-Financial Incentives
1. Innovative Culture	1.000		
2. Financial Incentives	0.222**	1.000	
3. Non-Financial Incentives	0.323**	0.492**	1.000

**p-value < 0.01, *p-value < 0.05

The Pearson's correlation analysis indicated that there was some evidence of association between financial incentives and innovative culture. The results show that the association was positive (R = 0.222, p-value < 0.001). There was evidence of association between non-financial incentives and innovative culture. The results showed that the correlation was moderate and positive (R = 0.323, p-value < 0.001).

4.7.3 Multiple linear regression

In order to test this hypothesis, a multiple linear regression model was fitted with innovative culture as the dependent variable and each of the financial incentives and non-financial incentives as independent variables. The summary of the model is summarised in Table 20 and shows the amount of variation in innovative culture that is explained by financial incentives and non-financial incentives.

Table 20: Regression model summary – Innovative culture against incentives

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.331[a]	.109	.094	1.09368

a. Predictors: (Constant), Non-Financial Incentives, Financial Incentives

The multiple regression model shows that 10.9 percent of variation in innovative culture is explained by financial and non-financial incentives (R-square = 0.109).

4.7.4 Analysis of variance (ANOVA)

Table 21 shows the results of the ANOVA testing of the hypothesis that at least one of the financial and non-financial incentives are associated with an innovative culture, against the alternative hypothesis that none of the incentives are associated with an innovative culture.

Table 21: ANOVA – Innovative culture against incentives

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.187	2	8.593	7.184	0.001[b]
	Residual	139.949	117	1.196		
	Total	157.135	119			

a. Dependent Variable: Innovative Culture

b. Predictors: (Constant), Non-Financial Incentives, Financial Incentives

The p-value of the F-test in the ANOVA table was 0.001, which is less than 0.05 (significance level); therefore, there is a significant relationship between incentives and an innovative culture. The results of this assessment for each variable are shown in Table 22. For each type of incentive, the null hypothesis was that there is no association between incentives and an innovative culture (the coefficient for each incentive is equal to zero).

Table 22: Coefficients – Innovative culture against incentives

Model		Unstandardized Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.511	0.272		16.614	0.000
	Financial Incentives	0.078	0.093	0.084	0.838	0.404
	Non-Financial Incentives	0.260	0.093	0.281	2.806	0.006

a. Dependent Variable: Innovative Culture

H2a: Financial incentives are perceived to be positively associated with an innovative culture

The results of this hypothesis indicated that although there was a positive association between financial incentives and an innovative culture (B = 0.078), the relationship was not significant since the p-value was greater than 0.05 (significance = 0.404). This implies that the hypothesis was not supported and it can be concluded that there was no association between financial incentives and an innovative culture.

H2b: **Non-financial incentives are perceived to be positively associated with an innovative culture**

The results of this hypothesis indicated that there was a positive association between financial incentives and an innovative culture (B = 0.260). The relationship was significant since the p-value was less than 0.05 (significance = 0.006). This implies that the hypothesis was supported and can be concluded that there was an association between non-financial incentives and an innovative culture.

4.8 Summary of the results

On the sample, consisting of 120 employees from the financial services and insurance industries, various statistical tests were done to examine the relationship mainly between the dependent and independent variables. The hypotheses were tested and it was found that for Hypothesis 1a, there was no association between autocratic leadership and innovative culture and for hypothesis 1b, there was no association between democratic leadership and an innovative culture. In addition, for hypothesis 1c, there was no association between liberal leadership and an innovative culture.

When testing hypothesis 2a, it was found that there was no association between financial incentives and an innovative culture. On the other hand, it was found that for hypothesis 2b, there was an association between non-financial incentives and an innovative culture.

CHAPTER 5: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the study based on the findings with some reference to the South African context and the literature that was reviewed in this study. Specific implications and recommendations for both academics and practitioners are presented, based on the outcome of this research. Suggestions for further research conclude this chapter.

5.2 Conclusions of the study

In the 21st century, employees at all levels in the organisation should play a critical role in the entrepreneurial initiatives of the organisation. Top leadership must fulfil a particular role in the entrepreneurial process (Kuratko et al., 2011).

Even though this study did not find an association between the leadership styles and an innovative culture, this does not imply that the role of leaders in organisations is not important. The democratic style of leadership and decision-making is the most appropriate since a number of people are involved in the decision-making process, making employees feel committed to their decisions. This can lead to the emergence of new ideas, which are fully supported during implementation. This leadership style has been identified as necessary for innovation since it is the only leadership style that involves employees in the decision-making process and allows them to participate without fearing judgement.

Although the liberal leadership style is not always effective in guiding employees, it is clearly effective in the innovative organisations in this study since these organisations provide good results despite having liberal leadership as the second most prevalent leadership style. This would imply that the liberal leaders' employees are a group of well-established professionals and creative

experts that need the freedom to express their creativity and intellectual potential.

The autocratic leadership style is the least dominant leadership style within these nine innovative organisations. Even though this leadership style constrains creativity, autonomy and self-determination of employees, it is effective in getting things done and closely monitoring employees until the job is complete. This is probably required in implementing the innovative ideas that emanate from these organisations, since the autocratic leadership style gets tasks done quickly, which assists these organisations to be the first to market with their innovative solutions.

According to Kuratko et al. (2011), the most influential and visible part of a company's human resource management system is the reward and compensation programme. Some employees seek financial rewards, while others strive for personal development, career enhancement and social rewards. Therefore, rewards or incentives are a powerful tool to influence the behaviour and entrepreneurial motivation of employees.

Employees need to see a link between their innovativeness and incentives. However, even if they do see this link, they may be unmotivated because leadership is offering the wrong rewards. This can include the fact that the incentives offered by management are too little, given the effort that is required for them to drive an entrepreneurial initiative. The type of incentive that is offered is not one in which the employee feels is attractive or important to them, or the reward is perceived to be unequitable compared to what they know other employees are receiving, particularly if they feel that those employees are performing at a lower standard (Kuratko et al., 2011). This disconnect was evident in the results of this study, especially with regard to the attractiveness versus the receipt of non-financial incentives. Particular focus should be given to non-financial incentives since the hypothesis that there is an association between non-financial incentives and an innovative culture was accepted.

5.3 Implications and recommendations

This study provides a basis for undertaking similar studies in other industries within South Africa or similar industries in a different context.

Management should ensure that employees see the direct linkage between the evaluation of their innovative efforts and the incentives that they will receive as a result.

Management needs to ensure that employees are offered the right rewards. This study provides insight to management into the attractiveness of financial and non-financial incentives among their employees, enabling them to implement rewards accordingly. This study should enable management to be flexible and at least to some degree cater for the preferences of the majority their employees.

5.4 Suggestions for further research

Future researchers should consider including other organisations that have an innovative culture in different industries from the ones in this study. There is an opportunity to investigate other organisational factors that have the potential to facilitate the employee innovation process, given that this is a key focus for organisations and a source of competitive advantage.

This study did not determine the moderating or mediating effects of incentives and leadership styles on innovative cultures. This is an area of consideration for future researchers.

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APPENDIX A

Introductory letter

Hello, I am Mothusi Matema. I am conducting research for the purpose of completing my Master of Management degree at Wits Business School.

What I am doing

I am conducting a quantitative study on the perceptions of incentives and leadership styles in innovative cultures.

Your participation

Please note that **your participation is voluntary** and you are not being forced to take part in this study. The choice of whether to participate or not, is yours alone. If you choose not take part, you will not be affected in any way whatsoever.

Confidentiality

Your participation and responses are completely anonymous and confidential. The records from your participation may be reviewed by people responsible for making sure that my research is done properly, including my academic supervisor. All study records will be destroyed after the completion and marking of my thesis. I will refer to you by a code number or pseudonym (another name) in the thesis and any further publication.

Risks/discomforts

At the present time, I do not see any risks in your participation. The risks associated with participation in this study are no greater than are those encountered in daily life.

Benefits

There are no immediate benefits to you from participating in this study. However, this study will be extremely helpful to us in understanding the perceptions of incentives and leadership styles in innovative cultures. If you would like to receive feedback on the study, I can send you the results of the study when it is completed sometime after February 2016.

Whom to contact if you have any concerns

This research has been approved by the Wits Business School. If you have any complaints about ethical aspects of the research or feel that you have been harmed in any way by participating in this study, please contact the Research Office Manager at the Wits Business School, Mmabatho Leeuw. Mmabatho.leeuw@wits.ac.za

If you have concerns or questions about the research, you may call my academic research supervisor, Dr Jose Barreira (011 907 1755/6).

APPENDIX B

Questionnaire

SECTION A: DEMOGRAPHICS

1. Which company are you employed by?
2. Gender Profile
    i. Male
    ii. Female
3. Age Profile
    i. 20 - 29
    ii. 30 – 39
    iii. 40 – 49
    iv. Over 50
4. Education Profile
    i. Grade 12/Matric
    ii. Certificate or Diploma
    iii. Undergraduate degree (Bachelors)
    iv. Postgraduate degree (Honours)
    v. Postgraduate degree (Masters)
    vi. Postgraduate degree (PhD)
5. Which department do you work in?
    i. Accounting/Finance
    ii. Administration
    iii. Marketing

iv. Corporate Affairs

v. Consulting

vi. Customer Services

vii. Human Resources

viii. Information Technology

ix. Legal/Risk & Compliance

x. Operations

xi. Procurement

xii. Research & Development

xiii. Sales

6. Job Level

i. Administrative/Clerical

ii. Supervisor/Team Leader/Junior Management

iii. Middle Management

iv. Senior Management

7. Job Tenure Profile

i. Less than 1 year

ii. Between 1 and 2 years

iii. Between 2 and 5 years

iv. Between 5 and 10 years

v. Over 10 years

SECTION B: LEADERSHIP STYLE

This section is to describe **your manager's leadership style,** as you perceive it. Please answer all questions. Judge how frequently each statement **fits your manager**.

	Strongly disagree	Disagree	Somewhat disagree	Neither agree or disagree	Somewhat agree	Agree	Strongly agree
8. Employees need to be supervised closely, or they are not likely to do their work	1	2	3	4	5	6	7
9. Employees want to be a part of the decision-making process	1	2	3	4	5	6	7
10. In complex situations, leaders should let subordinates work problems out on their own	1	2	3	4	5	6	7
11. It is fair to say that most employees in the general population are lazy	1	2	3	4	5	6	7
12. Providing guidance without pressure is the key to being a good leader	1	2	3	4	5	6	7
13. Leadership requires staying out of the way of subordinates as they do their work	1	2	3	4	5	6	7
14. As a rule, employees must be given rewards or punishments in order to motivate them to achieve organisational objectives	1	2	3	4	5	6	7
15. Most workers want frequent and supportive communication from their leaders	1	2	3	4	5	6	7
16. As a rule, leaders should allow subordinates to appraise their own work	1	2	3	4	5	6	7
17. Most employees feel insecure about their work and need direction	1	2	3	4	5	6	7
18. Leaders need to help subordinates accept responsibility for completing their work	1	2	3	4	5	6	7

	Strongly disagree	Disagree	Somewhat disagree	Neither agree or disagree	Somewhat agree	Agree	Strongly agree
19. Leaders should give subordinates complete freedom to solve problems on their own	1	2	3	4	5	6	7
20. The leader is the chief judge of the achievements of the members of the group	1	2	3	4	5	6	7
21. It is the leader's job to help subordinates find their "passion."	1	2	3	4	5	6	7
22. In most situations, workers prefer little input from the leader	1	2	3	4	5	6	7
23. Effective leaders give orders and clarify procedures	1	2	3	4	5	6	7
24. People are basically competent and if given a task will do a good job.	1	2	3	4	5	6	7
25. In general, it is best to leave subordinates alone	1	2	3	4	5	6	7

SECTION C: INCENTIVES

Please select the most appropriate answer for each question.

How often have you received any of the following financial rewards for your innovative contributions in the current organisation?

	Never	Seldom	Sometimes	Often	Fairly often	Very often	Always
26. Increased basic salary (your fixed monthly cash payment)	1	2	3	4	5	6	7
27. Company performance-related compensation (e.g. shares or share options)	1	2	3	4	5	6	7
28. Bonuses	1	2	3	4	5	6	7
29. Various allowances (e.g. commission or overtime payment)	1	2	3	4	5	6	7
30. Symbolic support (e.g. gift)	1	2	3	4	5	6	7

Please indicate how often you find the following financial rewards to be attractive to you?

	Never	Seldom	Sometimes	Often	Fairly often	Very often	Always
31. Increased basic salary (your fixed monthly cash payment)	1	2	3	4	5	6	7
32. Company performance-related compensation (e.g. shares or share options)	1	2	3	4	5	6	7
33. Bonuses	1	2	3	4	5	6	7
34. Various allowances (e.g. commission or overtime payment)	1	2	3	4	5	6	7
35. Symbolic support (e.g. gift)	1	2	3	4	5	6	7

How often have you received the following non-financial rewards for your innovative contribution in the current organisation?

	Never	Seldom	Sometimes	Often	Fairly often	Very often	Always
36. Promotion	1	2	3	4	5	6	7
37. Public honour (e.g. public praise, compliment, crowd cheering)	1	2	3	4	5	6	7
38. Recognition (special awards, trophies, dinners)	1	2	3	4	5	6	7
39. Time-off (e.g. sabbatical leave, time off based on overtime worked)	1	2	3	4	5	6	7

Please indicate how often you find the following non-financial rewards to be attractive to you?

	Never	Seldom	Sometimes	Often	Fairly often	Very often	Always
40. Promotion	1	2	3	4	5	6	7
41. Public honour (e.g. public praise, compliment, crowd cheering)	1	2	3	4	5	6	7
42. Recognition (special awards, trophies, dinners)	1	2	3	4	5	6	7
43. Time-off (e.g. sabbatical leave, time off based on overtime worked)	1	2	3	4	5	6	7

Please select the most appropriate option

	Never	Seldom	Sometimes	Often	Fairly often	Very often	Always
44. I am satisfied with the incentives provided by the organisation to the employees	1	2	3	4	5	6	7
45. The reward management system will influence employees to innovate	1	2	3	4	5	6	7
46. Financial incentives motivate me to innovate more than non-financial incentives	1	2	3	4	5	6	7
47. The salary increments given to employees who do their jobs very well motivates them to innovate	1	2	3	4	5	6	7

SECTION D: INNOVATIVE CULTURE

Please circle the most appropriate answer for each question as it applies for your organisation.

	Strongly disagree	Disagree	Somewhat disagree	Neither agree or disagree	Somewhat agree	Agree	Strongly agree
48. Innovation is an underlying culture and not just a word	1	2	3	4	5	6	7
49. Our business model is premised on the basis of strategic intent	1	2	3	4	5	6	7
50. Our senior managers are able to effectively cascade the innovation message throughout the organisation	1	2	3	4	5	6	7
51. Our organisation has an innovation vision that is aligned with projects, platforms, or initiatives	1	2	3	4	5	6	7
52. This organisation's management team is diverse in their thinking in that they have different views as to how things should be done	1	2	3	4	5	6	7
53. There is a coherent set of innovation goals and objectives that have been articulated	1	2	3	4	5	6	7
54. Innovation is a core value in this organisation	1	2	3	4	5	6	7
55. Our organisation has continuous strategic initiatives aimed at gaining a competitive advantage	1	2	3	4	5	6	7

	Strongly disagree	Disagree	Somewhat disagree	Neither agree or disagree	Somewhat agree	Agree	Strongly agree
56. Our organisation's strategic planning process is opportunity oriented as opposed to process oriented	1	2	3	4	5	6	7

APPENDIX C

Consistency matrix

Research Problem: Determine the perceptions of incentives and leadership styles in innovative cultures					
Sub-Problem	**Literature Review**	**Hypotheses**	**Source of data (Research instrument)**	**Type of data**	**Analysis**
Determine the perceptions of leadership styles in innovative cultures	(Abdolmaleki, et al., 2013) (Chen, et al., 2012) (Eisenbeig & Boerner, 2010) (Mohamad, 2012) (Zheng, et al., 2010)	**H1a**: There is a negative association between autocratic leadership and an innovative culture **H1b**: There is a positive association between democratic leadership and an innovative culture **H1c**: There is a positive association between liberal leadership and an innovative culture	**Section B:** Q8, 11, 14, 17, 20, 223 **Section B**: Q9, 12, 15, 18, 21, 24 **Section B**: Q10, 13, 16, 19, 22, 25	Ordinal data	Descriptive statistics Factor analysis Pearson correlation
Determine the perceptions of incentives in innovative cultures	(Barros & Lazzarini, 2012) (Chen, et al., 2012) (Ederer & Manso, 2012) (Nacinovic, et al., 2009)	**H2a**: Financial incentives are positively associated with an innovative culture **H2b**: Non-financial incentives are positively associated with an innovative culture	**Section C**: Q26-Q35 **Section C**: Q36-Q43	Ordinal data	Descriptive statistics Factor analysis Pearson correlation