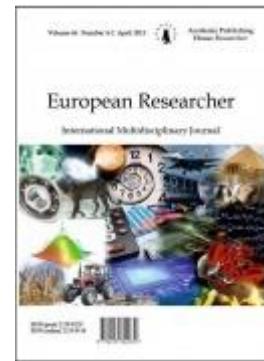


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Published in the Russian Federation
European Researcher. Series A
Has been issued since 2010.
ISSN 2219-8229
E-ISSN 2224-0136
2018, 9(1): 4-8

DOI: 10.13187/er.2018.1.4
www.erjournal.ru



Articles and Statements

Predictors of Novelty of Product Ideas: Proposition of Theoretical Model

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Abstract

This study investigates the predictors of novelty of product ideas. Conceptual approach based on the theory has been applied to provide better understanding of the relationship between transformational leadership and two knowledge creation modes (internalization, externalization), as well as the relationship between transformational leadership and novelty of product ideas. We conducted a systematic review of literature regarding the transformational leadership and novelty of product ideas and knowledge creation modes. In the previous literature authors explored the link between transformational leadership and knowledge creation without detailed focus on knowledge creation modes. Therefore, the main contribution of this research is that it is one of the first studies to explore link between transformational leadership and novelty of product ideas, having two important knowledge creation modes as mediators. The main finding of this paper is theoretical model which should be validated by future research in order to be confirmed. Considering nature of the model, it is recommended for future research to conduct validation of the model using structural equation modelling method as the one which will provide reliable conclusions. According to proposed model based on the literature, it is expected that internalization and externalization will be mediators of the relationship between transformational leadership and novelty of product ideas.

Keywords: transformational leadership, knowledge creation modes, novelty of product ideas.

1. Introduction

In this paper we focus on large manufacturing companies in Federation of Bosnia and Herzegovina as sample of exploring this study in the future.

Large companies have relatively greater financial and technological resources for innovation and their resources and capabilities mean that they are better placed for innovation that require large teams, specialised equipment, large scale investment in production facilities, extensive distribution networks or relatively long-time-to-value investments (James et al., 2014).

The reason why we will focus on large manufacturing companies are that some studies confirm that large companies can not innovate (Wessel, 2012; Donovan, 1994), and some say that transformational leadership help large companies working better and presented as a solution to

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large company's problems ([Laforet, 2008](#); [Sayyadi, 2017](#)). Therefore with our future investigation we would like to help large manufacturing companies in that way.

2. Literature review

In the literature review we provide review of transformational leadership and two knowledge creation modes of novelty of product ideas.

2.1 Transformational leadership

Zwingmann, Wegge, Wolf, Rudolf, Schmidt & Richter (2014) representing the transformational leaders that formulate a vision to followers to focus on higher order intrinsic needs and organizational goals. They inspire followers with an appealing vision, high standards and optimism about future goal attainment. Moreover, transformational leadership encourage creativity and follower's intellectual work. They found relationship between leader and employee which is characterized by trust, recognition and confidence.

Nemaei (2012) & Choudhary, Akhtar & Zaheer (2013) described transformational leaders as individuals who increase confidence, awareness, interest and motivation in the followers by moving the follower's interest from their personal existence to the existence of the organizational group. Chen & Chang (2013) believed that transformational leadership can facilitate the introduction of new ideas by providing vision, motivation and intellectual stimulation to follower. Therefore employees are motivated with this style of leadership. This kind of leadership is positively related with organizational innovation. They create teams of innovative people, promoting mutual trust and creating shared vision among followers.

Innovation requires implementation of the ideas, selling ideas within organization to other. In one top telecommunication organization in Pakistan showed that transformational leadership had a significant effect on organization innovation ([Khan et al., 2009](#)).

Transformational leadership motivates follower to accomplish more than the follower planned to accomplish. It can enhance innovation by motivating and encouraging employees to think creatively ([Givens, 2008](#); [Chen, Chang, 2013](#)).

Hypia & Parjanen (2013) found that generation of new ideas could be implemented by single or joint efforts (two or more) employees. In other hand transformational leadership promotes group creativity. Phipps, Prieto & Verma (2012) stated that group brainstorming is useful technique for generation of novel and innovative ideas. It can be useful for transformational leadership which may be more effective at creating and sharing knowledge at the individual and group levels ([Bryant ,2003](#)). Jaiswal & Dhar (2015) defined when everyone in an organization is creative, it helps them become a creative organization.

Zagoršek, Dimovski & Škerlavaj (2009) argue that the transformational leadership encourages communication between team members. They encourage the expression of different views and ideas. Transformational leadership has been shown to impact collective team outcomes, through collective within- team behaviors, include studies that have demonstrated transformational leadership behaviors increase work outcomes via motivation and goal commitment ([Hoch, 2013](#)).

2.1.1 Transformational leadership and knowledge creation

Previous work has indicated the relationship between transformational leadership and knowledge creation ([Mitchell, Boyle, 2009](#); [Tse, Mitchell, 2010](#); [Bryant, 2003](#); [Hayat et al., 2015](#); [Singh, 2008](#); [Zagoršek et al., 2009](#)). Findings of their studies showed that transformational leadership has positive significant effect on knowledge creation. Considering concepts claimed above the following hypotheses are proposed:

H1: Transformational leadership has significant impact on Internalization.

H2: Transformational leadership has significant impact on Externalization.

2.1.2 Transformational leadership and novelty of product ideas with knowledge modes

Biransnar, Albufalasa & Bader (2013) revealed the function of „Transformational leadership“ and „Knowledge management process“ on predicting product and process innovation. The results demonstrate that knowledge transfer and application partially mediated the relationship between transformational leadership and product innovation. Therefore the following hypotheses are presented:

H3: Internalization mediates relationship between transformational leadership and novelty of product ideas.

H4: Externalization mediates relationship between transformational leadership and novelty of product ideas.

2.1.3 Transformational leadership and novelty of product ideas

There are many researchers who elaborated the influence of transformational leadership and innovation ([Afsar, Badir and Saeed, 2014](#); [Jaiswal and Dhar, 2005](#); [Mokhber, Ismail & Vakilbashi, 2015](#); [Hyypia & Parjanen, 2013](#); [De Jong and Den Hartog, 2007](#); [Bryant, 2003](#)). Afsar, Badir and Saeed (2014) found that transformational leadership positively influence on the innovative work behavior (IWB) which includes idea generation. Jaiswal and Dhar (2005) investigated the link between innovation and creativity. Some researchers showed positive relationship between transformational leadership and employees ([De Jong and Den Hartog, 2007](#); [Bryant, 2003](#)). They defined employees as productive when they have the freedom to create new ideas. After creating their ideas, they share ideas with coworkers and test out their new ideas. The study of Mokhber, Ismail & Vakilbashi (2015) and Hyypia & Parjanen (2013) developed that transformational leadership positively related to the organizational innovation. Thus, based on the previous studies, the hypothesis of this study is as follows:

H5: Transformational leadership has significant impact on novelty of product ideas.

2.2 Internalization

Internalization is the process of explicit knowledge created and shared throughout organization and converted into tacit knowledge ([Nonaka, Toyama and Konno, 2000](#)). There are many authors who investigated relationship between internalization and novelty of product ideas ([Lee and Choi, 2003](#); [Schuzle and Hoegl, 2008](#)). Studies have shown that internalization positively influences on the novelty of product ideas. Hence, this study infers the following assumption:

H6: Internalization has significant impact on the novelty of product ideas

2.3 Externalization

Externalization is the process of converting tacit knowledge into explicit knowledge ([Nonaka et al., 2000](#)). Thomas (2003) realized open innovation that is use of external ideas as well as internal ideas. He stress that open innovation includes customer, suppliers, universities and so on. In that way open innovation has idea generation as a key step ([Vrgović et al., 2013](#)). There are many authors who investigated link between externalization and novelty of product ideas ([Lee, Choi, 2003](#); [Schuzle, Hoegl, 2008](#); [Kanapathy et al., 2014](#)). Lee and Choi found positive relationship, while Schuzle and Hoegl found negative relationship between externalization and novelty of product ideas. Authors such as Kanapathy, Khong and Dekkers (2014) found positive relationship between external source of ideas called supplier involvement practice and new product development. The study proposes the following hypothesis:

H7: Externalization has significant impact on the novelty of product ideas

Proposed theoretical model is presented in [Figure 1](#) below.

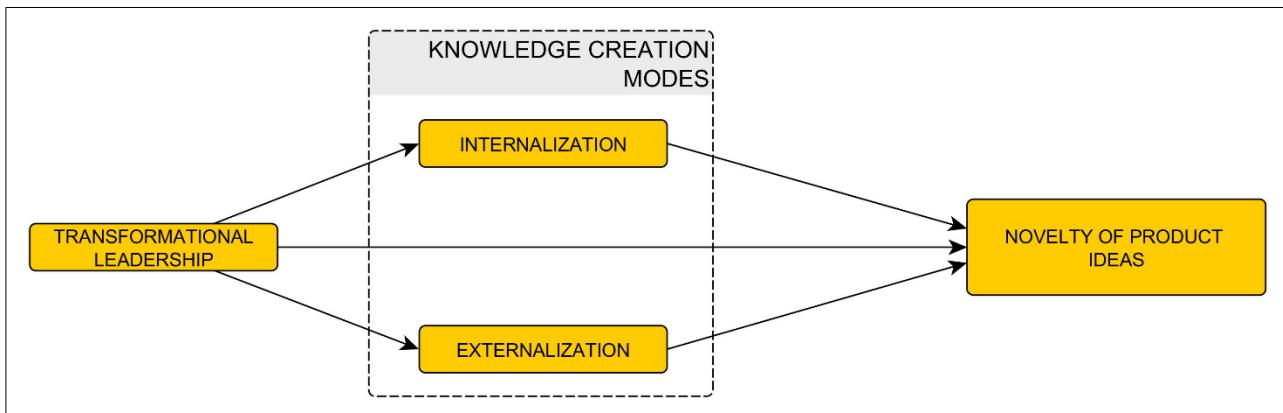


Fig. 1. Proposed theoretical model

3. Methodology

In this study we did not test the model, but we suggest and recommend using Structural Equation Modelling method. According to the literature our expectations are that hypotheses will

be accepted. Relevant suggestion for future researchers and practitioners will be given after processing model and explaining the results.

4. Conclusion

Based on the literature dealing with transformational leadership, knowledge creation modes (internalization, externalization) and generating ideas for new product development, one can conclude that transformational leadership and two knowledge creation modes may serve as important predictors of the dependent variable. In total, proposed theoretical model suggests seven hypotheses to be tested. Both direct and indirect effects can be expected to occur between Transformational leadership and novelty of product ideas, according to the model. Transformational leadership is expected to motivate followers by encouraging communication between them and facilitating the introduction of new ideas. Internalization and externalization are expected to be mediating the relationship between Transformational leadership and novelty of product ideas. Future studies should give efforts to provide empirical evidence for this model, and hereby all scientific researchers in this area are kindly encouraged to validate this model in different samples.

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