

# Team innovation capability: How 'organizational-level leadership' impacts research teams in India

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## Keywords

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## Abstract

*In today's complex organizational environments, the creative talents possessed by individual members in research teams, can be considered as a latent 'strategic asset' of an organization. This latent 'strategic asset' can be a potential source of 'sustainable competitive advantage' for organizations, which invest in building 'long-term innovation capabilities'. Working in teams is the most efficient way for an organization to explore and exploit the creative potential of their employees and transform it into innovative products (services). The capability aspect of 'team innovation' demands a detailed enquiry which is why this paper highlights the role played by 'organizational leadership' while building innovation capabilities in academic and industrial research teams. 'Organizational Leadership' constitutes three aspects – 'Vision', 'Resource allocation' and 'Support for innovation'.*

*An online questionnaire was used to collect a research team member's perception on the above three sub-dimensions of leadership. A five-point 'Likert' scale was used to grade responses from academic and industrial research teams belonging to some of the most 'elite' government-funded research labs in India. Independent sample t-test was performed to compare responses from 80 academic research teams (363 respondents) and 56 industrial research teams (265 respondents). Results reveal that Academic and Industrial research teams differ on 'organizational leadership-related' aspects such as (1) Existence of the word "Innovation" in their organization's vision statement or core values and (2) Allocation of a separate "innovation fund" for innovative ventures by the top leaders. Research teams belonging to big-sized and small-sized organizations also differ on leadership-related aspects such as (1) Leaders promptly fulfilling their employee's "infrastructure-related" requirements (2) Leaders "executing their promises" on all major issues (3) Leaders are "open to listen" to the voices of the employees. Young researchers also differ from experienced ones on aspects such as (1) Leaders in their organization "empower them to innovate", despite past failures. Important theoretical and practical implications of these aspects have been discussed in the subsequent sections.*

## Introduction

Technology-driven organizations which operate in high-velocity environments have to constantly compete against each other through their products or services. Such organizations need a 'strategic capability' to continuously come up with new innovations within a quick deadline. This ability (of the organizations) to continuously transform knowledge into products (Lawson & Samson, 2001) which are going to be commercially successful within a quick time limit is called innovation capability. This 'innovation capability' has a strategic aspect to it because these 'innovative' products have to be successful commercially and help the organization to achieve a desired market share. Superior market share translates into a major 'source of competitive advantage'. It is the responsibility of the Top Management Teams (TMTs) in an organization to orient their R&D teams around these aspects related to customer, market and strategy.

This paper attempts to highlight the importance of organizational leadership in building team-level innovation capabilities in R&D teams operating in academic or industrial research organizations. It compares different R&D teams operating in various organizations based on their (1) nature of research work – academic or industrial (2) size of the organization – big or small (3) age of the researcher – young or experienced. It further elaborates upon how these R&D teams vary from

each other with respect to the key aspects associated with the above three dimensions. Interesting insights emerge when we delve into these point of differences which lead us to important theoretical and practical implications as discussed in the subsequent sections.

### **Innovation Capability**

Existing literature on innovation is rich with empirical as well as conceptual studies which can be broadly classified into two domains (1) Political domain (2) Organizational domain. Within each domain, past researchers have attempted to analyze the concept at following levels (1) Political domain – global, national, regional & cluster level (2) Organizational domain – firm level, team level & individual level. In this paper, we would like to explore the concept in the organizational domain and present some gaps in this emerging body of literature on innovation capability.

In an organizational set-up, the dynamics of building ‘innovation capability’ depend on the level-of-analysis: individual-level, team-level and organizational-level. Among these levels, innovation capability has already been explored at ‘organizational-level’ and individual level. This is quite evident from the studies done in Finland (Saunila & Ukko 2012), Sweden (Börjesson & Elmquist 2011), China (Zhu et al, 2016; Yam et al, 2011) Russia (Gurkov 2011), Spain (Camisón & Villar-López 2014), France (Boly et al, 2014), Turkey (Türker 2012), Iran (Rahmani & Mousavi 2011), Brazil (Zawislak et al, 2012), European Union (Dervitsiotis 2010) and India (Parasher & Singh, 2005). Past studies on individual-level innovation capability have studied factors like entrepreneurial skills, interpersonal skills, negotiating skills, motivation skills (Ritala et al, 2009); leadership style, group relations and problem-solving (Scott & Bruce 2011); motivation and task-characteristics, individual-differences and contextual-influences (Hammond et al, 2011); idea and opportunity exploration, conceptualization and idea-championing (Jonget al, 2008).

Interestingly, ‘team-level’ innovation capability hasn’t been awarded sufficient attention that it deserves (Burning ham and West, 1995) even though a lot of academicians and practitioners believe that ‘teams’ are one of the most efficient ways to explore and exploit employee talent. Existing literature merely covers the relationship between factors such as team-innovation effectiveness and task-characteristics (West 2002), ‘group potency’ and ‘group motivation’ (Wong et al, 2009); team creativity and innovation (Somech & Drach-Zahavy 2011); ‘risk-taking’ and ‘constructive-controversy’ (Tjosvold 2001); identity-integration and ‘team-diversity’ (Cheng et al, 2008), ‘minority dissent’ (De Dreu & West 2001).

The literature on ‘team-level’ innovation capability is still evolving and suffers from several lacunas like lack of sufficient fundamentals, proper conceptualization and conceptual models comprehensive enough to explain the core concept. It also does not discuss aspects such as multi-level or cross-level impact, multivariate conceptual models and effect of mediators or moderators. Thus, major factors impacting ‘team-level’ innovation capability deserve to be studied more rigorously. The conceptual model (figure 1) attempts to understand the impact of ‘organizational leadership’ related factors on ‘team-level’ innovation capability. ‘Organizational Leadership’ constitutes three aspects – ‘Vision’, ‘Resource allocation’ and ‘Support for innovation’ whereas Team innovation capability constitutes aspects such as ‘Manifestation’ and ‘Customer-focus’ during the product development.

### **Team-level Innovation Capability**

Team-level innovation capability has been conceptualized from a capability-perspective, which helps an organization to achieve a long-term sustainable competitive advantage over the competitors. The paper proposes that when top leaders in an organization start perceiving ‘teams’ as a potential source of competitive advantage, they will be in a better position to orient and restructure their research ‘team’ towards innovation. A conceptual model (figure 1) explains this concept and the major dimensions related to organization leadership such as ‘Vision’, ‘Resource allocation’ and ‘Support for innovation’.

Team-level innovation capability, for this paper, has been defined as the research team's ability to transform its collective knowledge, skill and resources into new products or services for the progress of the innovating organization through proper customer-orientation and manifestation of its capabilities. Kandampully (2002b) even suggested that market success can be ensured through 'continuous' innovation in close association with target customers. Gressgård (2011) believes that success of innovative product hinges on "efficient" exploration and exploitation of customer insights. A careful customer-orientation enables research teams to understand the real pain-points of the consumers and helps in conceptualizing new innovations according to those needs. Customizing innovations according to 'target' customer's pain-points improves an organization's chances of commercial success and market leadership.

Manifestation (of capabilities) can also be a tactic used by organizations to demonstrate 'power' or 'superiority' over competitors; eventually leading to long-term market dominance. Predominantly, it helps research teams in commercializing their research from labs to the market. Manifestation enables R&D teams to exhibit their creative talents and capabilities to the outer world, which usually, stay hidden inside the laboratories. Teams can be positively benefited by communicating their innovations to the comments, feedbacks and suggestions from their 'target' customers, collaborators and even competitors which has huge potential to transform the way 'innovative' activities can be done. In short, manifestation provides a platform for R&D teams to interact with their future customers, collaborators or competitors.

### **Organizational Leadership**

Leadership has been defined as the ability (of an individual) to influence a group towards achievement of a larger vision or set of shared goals (Robbins & Judge, 2013 p. 368). Leadership has also been defined as a 'process' of social influence in which a person can garner the help and support of others in order to accomplish shared vision or a common task (Chemers, 1997). Kotter (1990) makes a distinction between 'management' and 'leadership', per say, by suggesting that leadership is about developing a vision for the future (of an organization) and aligning various organizational members towards achieving that vision. This can be accomplished by communicating this vision to as many organizational members as possible and inspiring them to overcome the hurdles involved in the process. House (1997) suggests that managers use 'authority' inherently present in their designations to seek compliance from organizational members. Thus, leadership and management may seem to be identical concepts but not that similar to be used interchangeably.

House and Aditya (1997) studied the socio-scientific aspects of leadership and identified some of the major contributions of the trait theory (Stogdill, 1948), contingency theory (Fiedler, 1967), behavioral theory (Stogdill and Coons, 1951), and the neo-charismatic paradigms. Literature also indicates the presence a toxic triangle between destructive leaders, conducive environments and susceptible followers (Padilla, Hogan, & Kaiser, 2007). Studies have also explored the dark side of leadership (Conger, 1990), antecedents of ethical leadership (Mayer et. al. 2012) and the implications of corporate psychopaths for society (Boddy, 2005).

Leaders, who wish to bring a positive change, can perform a variety of roles in an organization, right from conceptualization to execution and accomplishment of goals. Leadership plays a crucial role in overcoming obstacles, thus becoming role models for the younger members in the organization (Baruch & Walker, 2013). Leaders can also perform a gamut of roles like planner, trend-setter and an interface for coordinating various activities. Leaders also build a right organizational climate by providing proper guidance, inspiration and motivation to the work force (Bass, 1985).

The impact of leadership on innovation has been fairly studied to understand which factors play a moderating or mediating role (Denti & Hemlin, 2012). Isaksen & Akkermans (2011) explored the impact of organizational leadership on innovative productivity and organizational climate for creativity and innovation. Burpitt & Bigoness (1997) studied the effects of leader-empowering

behavior on innovation level among professional teams and identified behaviors which managers can use to foster innovation among teams. Understanding the nature of relationship between leadership and innovation capacity is crucial because innovation plays an important role in building firm, regional and national competitiveness (Holmgren, 2011).

LeStorti (2006) suggested some initiatives that leaders can undertake to encourage innovation in their organization and conceptualized organizational leadership for successful innovation on three levels: operational, tactical and strategic. Denti (2012) stated that leadership is an absolutely integral part of a high-performing innovative organization. Leaders develop an organizational climate that encourages creativity and innovation (Hemlin et al., 2008). Leaders align their organization's strategic innovation goals and actions that allow them to achieve these goals (Denti 2012). Tushman (1997) asserted the importance of "winning through innovation" by managing different streams of innovation. Jung et al. (2008) explored how transformational leadership style followed by CEOs can affect the innovativeness of their companies'.

### **Leadership: Vision**

Past researchers have tried to highlight the significance of leadership's vision for innovation. A well-thought vision, is so powerful that it can jump-start the future of the organization by aggregating the skills, talents, capabilities and resources to make that vision a reality. Researchers like Bass (1995), Amabile (1987), Elkins & Keller (2003), Le Storti (2006) and Denti (2013) have defined visionary leadership as the ability of the leader to create and articulate a credible, realistic and attractive vision of the organization's future that improves upon the present (Sashkin, 1997).

#### **Leadership: Support for Innovation**

Past researchers have emphasized upon the importance of leadership support for innovation related activities (Scott, 1994; Oldham and Cummings, 1996; Isaksen, 2011). A good leader orchestrates the process (a) supporting R&D teams in their efforts to turn their knowledge into innovations (the role of a leader as a facilitator) (b) managing an innovative organization's goals and actions towards innovation (the role of a leader as a manager) (see Hemlin, 2006). During the "development phase" for a particular initiative when organizational members and organizational resources are being assembled, the role of a leader is more of a resource provider. Leaders must garner and carefully allocate sufficient resources like people, funds, or time to complete a specific project (Le storti, 2006).

### **Leadership: Resource Allocation**

Past research (Rubin & Brockner, 1975; Lewicki, 1980; Staw, 1981; Fox & Staw, 1979) has explained some of the behavior-related aspects of organizational leaders and decision-makers when resource-allocation decisions like decreased revenues or increased costs result in unfavorable long-term outcomes. Top leaders have to decide whether to continue bearing the losses or give up the previously chosen action. Northcraft and Neale(1986) tested the information-driven approach to understanding the behavior of organizational decision-makers in such tricky situations. Taylor et. al, 2008 emphasized on the importance of strong visionary leadership along with organizational strategic planning as the major forces driving a realistic resource allocation process. Hence, the role of resource allocation in determining the success of an innovation related activity is worth taking a serious look at.

### **Methodology and Analysis**

An online questionnaire with 19 items was conceptualized and distributed all over India to seek responses from R&D teams belonging to academic as well as industrial labs completely funded by the government in India. Responses from 136 R&D teams out of which 80 academic research teams (363 respondents) and 56 industrial research teams (265 respondents) were collected. Each team consisted of one team-leader and approximately 4 or 5 team-members were requested to complete the survey. The questionnaire assessed the respondent's "opinion" about his/her "R&D

team" on several parameters related to leadership's impact on innovation. 'Likert' scale was utilized to grade the responses on a scale of 1 to 5 by the respondents.

An independent sample t-test was performed on the data-set made up of 628 responses from 80 academic R&D teams (363 respondents) and 56 industrial R&D teams (265 respondents). Table 1 compares the two groups based on the nature of research work carried out by the research teams (academic or industrial) on various aspects of organizational leadership. Table 2 compares the two groups on the basis of size of the organization (large-sized or small-sized) on various aspects of organizational leadership. Table 3 compares the two groups on the basis of the age of the respondents (young or experienced researchers) on various aspects of organizational leadership.

Descriptive statistics like sample mean and standard deviation was calculated and values were reported in a tabulated form. SPSS V21 was employed to calculate the descriptive statistics and the computation of t-statistic. The t-test is a statistical test which allows you to infer about the significant difference between the group means from the two unrelated groups. For this paper, we tried to understand the way in which teams belonging to various groups differ from each other, especially on 'leadership-aspects' towards innovation.

### **Findings**

Results reveal that Academic and Industrial research teams differ on 'organizational leadership-related' aspects such as (1) Existence of the word "Innovation" in their organization's vision statement or core values and (2) Allocation of a separate "innovation fund" for innovative ventures by the top leaders. Research teams belonging to big-sized and small-sized organizations also differ on leadership-related' aspects such as (1) Leaders promptly fulfilling their employee's "infrastructure-related" requirements (2) Leaders "executing their promises" on all major issues (3) Leaders are "open to listen" to the voices of the employees. Young researchers also differ from experienced ones on aspects such as (1) Leaders in their organization "empower them to innovate", despite past failures. Important theoretical and practical implications of these aspects have been discussed in the subsequent sections.

### **Implications**

*The conceptual model proposed to capture the impact of 'organizational leadership' on team innovation capability can have far-reaching theoretical and practical implications. Top Management Teams (TMT) responsible for setting up the vision and achieving those visions can use this model to set up innovation-oriented policies for better market performance. The tables also show the aspects on which the two groups agree as well as disagree leading us to important insights as shown below:-*

- *Top Management Teams (TMT) at academic or industrial research-driven organizations should ensure that their R&D teams are well aware of the existence of the word "Innovation" in their organization's vision statement or core values which inspires them to work with clarity towards achieving organizational goals.*
- *Top Management Teams (TMT) at academic or industrial research-driven must also ensure that allocation of a separate "innovation fund" for supporting financial requirements of innovative ventures is managed properly so that research teams can perform better*
- *Top Management Teams (TMT) at the big-sized and small-sized organizations should promptly fulfill their employee's "infrastructure-related" requirements*
- *Top Management Teams (TMT) should ensure that "executing their promises" on all major issues can help their research teams to perform better.*
- *Top Management Teams (TMT) should be "open to listen" to the voices of the employees*
- *Top Management Teams (TMT) should "empower them to innovate", despite past failures. This has tremendous potential to stimulate entrepreneurial and innovative work in an organizational setting.*

### **Summary and Conclusion**

In this current study, we have emphasized on some of the key aspects associated with 'team-level innovation capability', and 'organizational leadership' which have not been sufficiently studied at organizational-level or individual-level. There is a growing demand from academicians and practitioners to study and understand the dynamics of 'team-level innovation capability'. Due to the emerging importance of teams in organizations, success or failure of its products or services would majorly depend upon the efficiency and effectiveness of its R&D teams in terms of developing innovations. The conceptual model explains the unidirectional top-down impact of dimensions related to organizational leadership on 'innovation capability' of R&D teams.

Data collection was done through an online-questionnaire seeking responses from academic and industrial research team members working in India's most 'elite' research-driven organizations and funded by the government. Independent sample t-test was performed on the data consisting of responses from 80 academic teams (363 respondents) and 56 industrial teams (265 respondents). Results show that Academic and Industrial research teams differ on 'organizational leadership' aspects such as (1) Existence of the word "Innovation" in their organization's vision statement or core values and (2) Allocation of a separate "innovation fund" for innovative ventures by the top leaders. Research teams belonging to big-sized and small-sized organizations also differ on leadership-related aspects such as (1) Leaders promptly fulfilling their employee's "infrastructure-related" requirements (2) Leaders "executing their promises" on all major issues (3) Leaders are "open to listen" to the voices of the employees. Young researchers also differ from experienced ones on aspects such as (1) Leaders in their organization "empower them to innovate", despite past failures.

These findings emerge as our 'original contribution' towards the literature on 'innovation capability' and many of the innovation-driven organizations can explore and exploit these findings to design their internal innovation processes and people practices. Interventions can be designed to enhance the 'innovation output' of their respective organizations. *Top Management Teams (TMT)* of technology-driven organizations can work on developing the right workplace climate which empowers and facilitates innovation in the organization. Developing innovations from target customer's perspective and manifesting such capabilities by research teams operating in research-driven organizations can be a game-changer. Thus, organizational leadership related aspects such as vision, resource allocation and support for innovation can help to build long-term 'innovation capabilities'.

Towards the end of this paper, theoretical and practical implications for *Top Management Teams at innovation-driven organizations have been presented*. TMTs can focus on aspects such as (1) ensuring that the word "Innovation" clearly existing in their organization's vision statement or core values and (2) Allocation of a separate "innovation fund" for innovative ventures by the top leaders. Research teams belonging to big-sized and small-sized organizations also differ on leadership-related aspects such as (1) Leaders promptly fulfilling their employee's "infrastructure-related" requirements (2) Leaders "executing their promises" on all major issues (3) Leaders are "open to listen" to the voices of the employees. Young researchers also differ from experienced ones on aspects such as (1) Leaders in their organization "empower them to innovate", despite past failures.

### **Research limitations and direction for further research**

*This paper attempts to highlight the univariate cross-level impact of a single organizational-level factor (leadership) on a team-level innovation capability, which is a much more complex phenomenon. According to experts, team-level innovation capability can be dependent on many more organizational-level factors (such as organizational culture, organizational networks or organizational structure) or individual-level factors (like personality traits, individual brilliance, personality types etc.) which have not been included in this particular paper. We have restricted ourselves to studying a cross-level impact of organizational-level 'leadership' on team-level innovation capability. Future studies may involve a deeper understanding of multi-level*

*impact of 'higher-level' (organizational-level) factors on 'lower-level' (team-level and individual-level) factors.*

**Table 1: Leadership (Academic and Industrial Research Groups)**

ITEM	Academic Researchers (80 Teams) N1 = 363	Industrial Researchers (56 Teams) N2 = 265	Academic - Industrial Researchers
	Mean (SD)	Mean (SD)	95 % Confidence
L_Sup1: Leaders in our organization "execute their promises" on all major issues critical to the organization	3.56 (1.09)	3.70 (1.12)	0.10
L_Sup2: Leaders in our organization are "open to listen" to the voices of the employees	3.61 (1.16)	3.60 (1.13)	0.93
L_Vis2: Top Leaders in our organization inspire us to "give our best" to be innovative	3.87 (1.18)	3.85 (1.05)	0.80
L_Vis3: Top Leaders in our organization "empower us to innovate", despite past failures	3.65 (1.11)	3.73 (1.04)	0.38
L_alloc1: Our Leaders follow "best practices" available for "fair & transparent" resource allocation	3.57 (1.11)	3.55 (1.13)	0.86
L_Sup3: Our Leaders "reward & recognize" Champions of Innovation in our organization	3.59 (1.10)	3.63 (1.10)	0.846
L_alloc3: Our Leaders promptly fulfill all our "infrastructure-related" requirements	3.58 (1.11)	3.65 (1.13)	0.39
L_alloc2: Our Leaders have allocated a separate "innovation fund" for new & innovative ventures	2.84 (1.25)	3.09 (1.28)	0.01
L_Vis1: The word "Innovation" exists in our organization's vision statement or core values	3.71 (1.12)	4.01 (1.14)	0.00

Where \*:  $p < 0.05$ ; \*\*:  $p < 0.01$

**Table 2: Leadership (Size-wise)**

ITEM	Small Researchers (80 Teams) N1 = 363	Large Researchers (56 Teams) N2 = 265	Small - Large Researchers
	Mean (SD)	Mean (SD)	T - test 95 % Confidence
L_Sup1: Leaders in our organization "execute their promises" on all major issues critical to the organization	3.73 (1.12)	3.53 (1.12)	0.02
L_Sup2: Leaders in our organization are "open to listen" to the voices of the employees	3.75 (1.54)	3.48 (1.05)	0.00
L_Vis2: Top Leaders in our organization inspire us to "give our best" to be innovative	3.95 (1.18)	3.79 (1.10)	0.07
L_Vis3: Top Leaders in our organization "empower us to			

innovate" , despite past failures	3.56 (1.11)	3.70 (1.04)	0.21
L_alloc1: Our Leaders follow "best practices" available for "fair & transparent" resource allocation	3.75 (1.16)	3.64 (1.13)	0.08
L_Sup3: Our Leaders "reward & recognize" Champions of Innovation in our organization	3.69 (1.10)	3.53 (1.10)	0.06
L_alloc3: Our Leaders promptly fulfill all our " infrastructure-related" requirements	3.76 (1.11)	3.48 (1.13)	0.00
L_alloc2: Our Leaders have allocated a separate "innovation fund" for new & innovative ventures	2.90 (1.25)	2.92 (1.28)	0.48
L_Vis1: The word "Innovation" exists in our organization's vision statement or core values	3.55 (1.12)	3.65 (1.04)	0.03

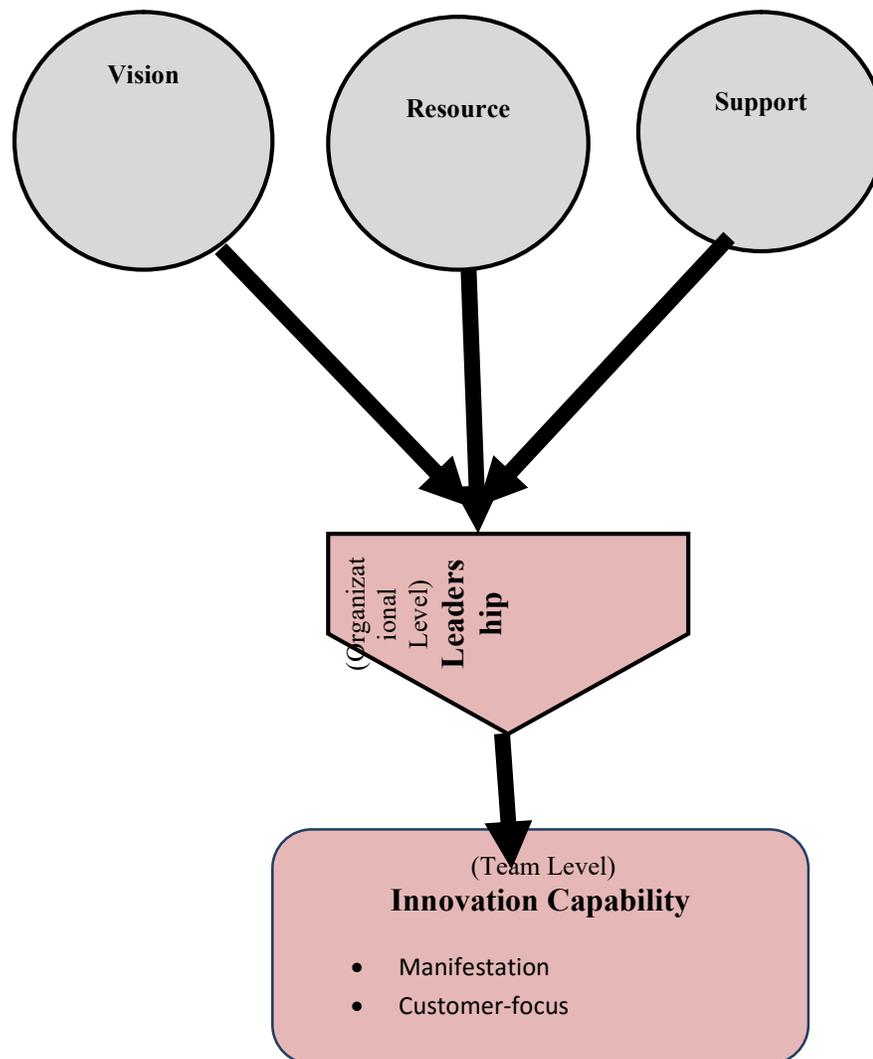
Where \*: p < 0.05; \*\*: p < 0.01

**Table 3: Leadership (Age-wise)**

Where \*: p < 0.05; \*\*: p < 0.01

ITEM	Young Researchers (80 Teams) N1 = 363	Old Researchers (56 Teams) N2 = 265	Young - old T-test
	Mean (SD)	Mean (SD)	95 % Confidence
L_Sup1: Leaders in our organization "execute their promises" on all major issues critical to the organization	3.56 (1.12)	3.72 (1.12)	0.08
L_Sup2: Leaders in our organization are "open to listen" to the voices of the employees	3.51 (1.54)	3.785 (1.05)	0.00
L_Vis2: Top Leaders in our organization inspire us to "give our best" to be innovative	3.81 (1.18)	3.973 (1.10)	0.09
L_Vis3: Top Leaders in our organization "empower us to innovate" , despite past failures	3.62 (1.11)	3.82 (1.04)	0.03
L_alloc1: Our Leaders follow "best practices" available for "fair & transparent" resource allocation	3.54 (1.16)	3.60 (1.13)	0.52
L_Sup3: Our Leaders "reward & recognize" Champions of Innovation in our organization	3.57 (1.10)	3.66 (1.10)	0.29
L_alloc3: Our Leaders promptly fulfill all our " infrastructure-related" requirements	3.60 (1.11)	3.63 (1.13)	0.68
L_alloc2: Our Leaders have allocated a separate "innovation fund" for new & innovative ventures	2.84 (1.25)	3.15 (1.28)	0.00
L_Vis1: The word "Innovation" exists in our organization's vision statement or core values	3.70 (1.12)	4.10 (1.04)	0.00

**Figure-1: Proposed conceptual Model**



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