

# **EVALUATING THE CONNECTION BETWEEN NEW PRODUCT DEVELOPMENT (NPD) TEAM CLIMATE AND ORGANIZATIONAL TRUST; A CASE BASED ON TRANSFORMATIONAL LEADERSHIP.**

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## **Abstract**

This paper attempts to examine and evaluate an extended theoretical model which was devised by combining earlier theoretical frameworks developed by theorists on transformational leadership and new product development (NPD) team climate. The research sample represents three work teams representing different global work location of a European multinational company i.e., Finland, Norway and the UK. The process of hypotheses testing confirmed the validity and feasibility of the newly extended theoretical model. The study results demonstrated positive association among selected theoretical concepts and the related variables, e.g., transformational leadership's linked variables; leader's competence to empower and management initiatives, while NPD team climate's linked variables; work situation and collaboration. However, the study results disapproved the positive association between the variables; supportive leadership and organizational trust.

***Keywords:** Transformational leadership, management initiatives, new product development, supportive leadership, organizational trust*

## **1. Introduction**

The subject study evaluates data obtained through a research survey that has endeavored to confirm and disseminate the significance of transformational leadership and effective corporate management initiatives to establish suitable team climate in a selected energy sector multinational company. This transformational process was appraised on the basis of feedback obtained from the targeted company's product development and associated operational work teams with reference to the NPD team climate to ensure effective innovative capability of the overall organization. This research survey is an attempt to explore and analyze the interconnection among the selected concepts of transformational leadership, NPD team climate and organizational trust to support, and strengthen organizational innovative competency.

The current study commences with a brief literature review to introduce the concepts of transformational leadership and supportive organizational leadership linked to the phenomena of organizational trust as well as NPD team climate. This process will continue through the formulation of the study hypotheses. The methodology involved in this research will be discussed in the middle section of the paper. Finally, this study will be concluded with an in-depth analytical review and discussion on the study results, in addition to the recommendations for industrial managers and researchers.

## **2. Theoretical background**

### **2.1. Transformational leadership**

The concept of transformational leadership, is viewed as the leader's ability to encourage and promote shared vision of the future, intellectually stimulate employees, and attend to the phenomena of work force diversity (Lowe at al., 1996; Kazmi and Naaranoja, 2015a; Kazmi et al., 2014; Kazmi et al., 2015). The recent research work on transformational leadership by theorists have acknowledged a common assumption that leaders

belonging to this category have an efficacious influence and play a crucial role in organizational learning as well offering support to refine learning culture based on various vital elements such as, trust and commitment, creativity, critical thinking, problem solving, risk taking, open exchange of new knowledge and notions, valuing individuals' personal career development, view organizational tasks beyond their own self-interest, have challenging goals, and experimentation (Elshanti, 2017). Due to being alert and attentive of what is happening in the environment in the present, mindfulness offers employees with a source of intrinsic motivation that lies within the person, hence, making employees less dependent on their leaders (Kroon et al., 2017).

Numerous researchers and scholars have come to the conclusion that transformational leadership is mainly effective in harnessing employee's innovative work behavior, though, it is additionally suggested that the relationship between transformational leadership and creative outcomes is dependent on multiple factors and hence such area of research is more complicated than previously expected (Afsar et al., 2014; Saeed et al., 2019). Furthermore, a recent study have revealed that the transformational leadership style may be more effective at fostering innovative work behavior of employees having high levels of both intrinsic motivation and psychological empowerment (Saeed et al., 2019).

In the current survey, the concept of transformational leadership refers to the organization's capacity to offer its work teams supportive leadership based work environment to harness NPD idea generation potential. (Bass and Avolio, 1992; Kazmi, and Naaranoja, 2015b; Kazmi and Takala, 2011). Burns (1978) is acknowledged as being the initiator or the introducer of the concept of transformational leadership. He is additionally acknowledged as being the theorist who has significantly classified and established dividing line between the concepts of transactional and transformational leadership. Transformational leadership is considered one of the most suitable leadership style to run and manage modern organization by management theorists, researchers and management experts, who truly encourage (Judge and Piccolo, 2004) to empower organizational teams, to display performance beyond expectations (Bass, 1985; Kazmi and Naaranoja, 2015c; Kazmi et al., 2015; Kazmi et al., 2013; Kazmi and Takala, 2012; Ozsahin, et al., 2011). The referred leadership style stimulates the process of thought i.e., beliefs and values, and cognitive behavior i.e., attitudes and attributes, of the followers (Bass, 1985).

Transformational leadership style is considered more comprehensive than other leadership model on the basis of its elements; namely intellectual stimulation, inspirational motivation, individualized consideration and charisma etc. (Judge and Piccolo, 2004; Gardner and Avolio, 1998) in contrast to the limited approach e.g., contingent reinforcement, management-by-exception and exploitation etc. (Howell and Avolio, 1992). Recent studies have proved that the transformational leaders possess greater level of ability to facilitate organizational innovation process through effectively engaging their employees as well as supporting them to generate innovative behavior (Li et al., 2019). According to Bass and Avolio (1990), transformational leadership is acknowledged as being a potential team performance enhancer on the basis of its elements; namely, intellectual stimulation, individualized consideration, inspirational motivation and idealized influence. An example is that, through inspirational motivation, leaders encourage, support and direct their followers to confront difficulties and challenges, help them to realize their goals as well to meet high expectations and inspire followers through affective and energetic statements. Since the leaders having transformational capabilities are considered more sensitive, they can visualize environmental changes and handle team's individual needs as well as steering collaboration and partnerships in a global context (Kumar, 2019). This leadership style requires enforcing one's personal potential and capabilities to foster leadership potential in others (Judge and Piccolo, 2004).

## 2.2 Transformational Leadership and Organizational Trust

The concept of organizational trust is defined as an employee's degree of confidence and faith on the thought that his or her organization will perform and support actions which are either beneficial or at least not detrimental for him or her (Tan and Tan, 2000). Furthermore, to improving job performance it is considered significant to establish a healthy and positively conducive organizational culture to encourage organizational trust among employees (Mahfuz 2016; Dzimińska et al., 2018; Kim, 2019). In contrast, various studies have proved that job uncertainty triggers negativity and affect work behavior; also termed as organizational citizenship behavior, that eventually influence workforce's attitudes linked to the trust and organizational identification, (Dzimińska et al., 2018; Yu, et al., 2018; Kim, 2019). Kouzes and Posner (2003) defined set of fundamental practices of leadership that encourage extraordinary team performance through:



Challenging the process, by exploring new opportunities for their followers to innovate and grow;

- ✦ Inspiring a shared vision, through their inspirational skills leaders install collective behavior among the team members;
- ✦ Modelling the way, whereby the leaders set examples for their teams to follow;
- ✦ Enabling others to act, whereby the leaders help their followers to learn skills and groom them; and
- ✦ Encourage the hearts, by which the leaders win their followers' trust.

Transformational leadership is considered the primary leadership style to acknowledge the process of mutual trust among organizational teams as being one of the highly anticipated and dependable leadership quality (Whitener, 1997; Bass and Steidlmeier, 1999; Dirks and Ferrin, 2002). Furthermore, transformational leadership is positively linked with the subordinates' enhanced trust levels (Conger and Kanungo 1994).

Numerous research studies on the referred field have proved the positive role of Employee-Organization Relationship (EOR) to strengthen organizational trust and innovative behavior that further act as the major ingredient of trust-based quality culture (Dzimińska et al 2018; Lin et al, 2018; Yu, et al, 2018; Kazmi and Naaranoja, 2018). Individual's commitment toward their organization is built through mutual trust between organization and individuals (Martins et al., 2017). Moreover, trust and perceived support are both important to understand mental as well as physical health, job satisfaction and employee turnover intentions (Di Stefano et al., 2018). Furthermore, to lessen the fear of economic crisis and other work environment related changes, organizational leaders must transform their organizations and employees by refining their service-oriented climate that fosters employees' affective commitment and psychological empowerment. By doing this, transformational leaders can rise employees' service quality (Su et al., 2019) and harness environment of trust.

### 2.3 NPD Team Climate and NPD Idea Support

The organizational culture holds the key to determine that how innovative ideas linked to either the new products or the propositions associated with service operations are controlled and managed within any company. This standard or the mechanism is termed as NPD team climate (Cooper and Kleinschmidt, 1995). Organizational culture signifies beliefs, collective values, and principles accepted by the organizational members. Furthermore, it is considered as being the product of factors such as history, products and services, markets, technology as well as the operational strategies, type of employees, management style, as well as the impact of national culture (Needle, 2004). Organizational behavior is a key subject that has focused comprehensively on interpreting the concepts of organizational culture and team climate (Patterson et al., 2005; Schein, 1990; Sparrow, 2001). Organizational climate is referred or characterized as the recurring patterns of human behaviors, styles of personal interactions, attitudes and feelings which interpret life within an organizational setup. It is also described as the shared perception of the acceptable ways and trends, the things get managed at certain organizational environments (Isaksen and Ekvall, 2007).

The main difference between organizational culture and team climate is that the organizational culture connects the appropriate state of mind that shape the employees' behavioral patterns with their shared values and acceptable beliefs (Mohr and Nevin, 1990) and can be measured by using qualitative techniques (e.g. interactive interview sessions, case studies and observation methods etc.) since their outcomes are descriptive in nature (Deshpande and Webster, 1993; Sparrow, 2001). However, team climate, is linked to organizational work team's behavioral orientation, and can be qualitatively measured (Ouchi and Wilkins, 1985) by exploring the impact of human feelings and perceptions, linked to their organizations (Mohr and Nevin, 1990; Moorman, 1995). Employee green behavior, is a recent dimension added in the field of pro-environmental action at the workplace and showed positive linkage with green transformation leadership, consequently broadening the scope of the overall team culture. An organizational culture that stimulates ethical standards guarantees conducive team climate that resultantly transformation the work team members from ordinary beings into confident leaders (Kazmi, 2016), furthermore, the organizational culture in NPD organization supports how NPD ideas or propositions are handled within the company to support not only the creativity of team members but the overall innovative mechanism (Kazmi, 2017a). Intelligently formulated NPD frameworks and linked processes inspire organizational strategy to constantly align its NPD team dynamics through transformational leadership to harness new product innovation initiatives due to the supportive organizational team climate (Kazmi, 2017b).

Considering the role of contributors is significant, considering that the increasing integration of community functionalities support employees to participate not only by generating ideas, but also by offering different types

of knowledge and feedback to others' ideas, thus providing opportunity to new forms of online participation (Beretta, 2018).

Modern organizations, while working on NPD projects, cultivate new ideas by involving team members belonging to various work operations, hence often experience serious failures either due to unsuccessful new products or poor interpersonal relations among organizational operations specialists (Souder, 1981).

A recent research study has proved that innovative product ideas attract contributors from various functional domains and are more likely to be selected by managers, while geographic diversity does not have a significant effect on selection (Beretta, 2018). According to a research conducted by Banken et al., (2019), Smart Idea Allocation (SIA) provides decision support to the manager by offering several choices in designing the idea evaluation task, one is such option is that SIA allows automatic grouping or chunking of ideas into idea subsets for releasing the time load by facilitating idea selectors and evaluators. However, the other dimension is the content scarcity that restricts the idea evaluators' decision-making process by preventing them from intervening their initial intuitive decision (Krufta et al., 2019).

### **3. Research Methodology**

#### 3.1. Research Goal

The study was conducted to explore the relation between NPD Team Climate and Organizational Trust on the basis of transformational leadership trends in the work practices of the selected work locations.

#### 3.2 Research methodology

The study aimed to obtain feedback from specialized groups of professionals on NPD and team climate related aspects. The respondents represent NPD related work operations and roles at three separate international work locations of a European multinational company. Furthermore, all the three selected work locations were involved in different types of product manufacturing and service offerings i.e., Finland – Power engines, The United Kingdom – Green energy solutions, Norway- Marine products and service solutions. The quantitative approach, as being the primary methodological source, was employed to undertake the survey. The research tool which was especially devised, included 50 fixed ended, dully validated question items. Evaluation of the subject company's NPD team climate in the backdrop of the company's real time leadership pattern is carried out by linking and combining both the quantitative and qualitative research methodologies. The feedback obtained from the selected respondents were analyzed and evaluated on the basis of various statistical methods.

#### 3.3 Development of Hypotheses

The study attempted to examine NPD practices in a multinational organization from the perspectives of strategic transformational leadership, struggling to survive within varied economic as well as cultural features. Thus, to evaluate the success of an organization's NPD efforts through innovation will present limitations in a scenario where various work teams as well as work systems are operating collectively while either being managed at different organizational hierarchal levels or being operated upon by team members having entirely different professional skill sets. To support such limitations linked to the organizational team climate and to strengthen the theoretical framework of NPD linked to the concept of strategic maneuvering competency, the researchers suggested the integration of the research findings of various studies previously conducted in the arena of transformational leadership (Bass and Avolio, 1990) and strategic thinking (Pisapia et al., 2009; 2011) focusing on NPD team climate aspect. The framework of the subject case study was established by combining the earlier theoretical models on transformational leadership and strategic thinking in relation to the NPD idea generation capability of an organization by harnessing NPD team climate

In the light of facts detailed above, following study variables were identified for empirical investigation;

**Table 1. The study variables along with their theoretical bases**

<i>Theoretical origin</i>	<i>Variables</i>
NPD idea support	Management initiatives
NPD idea support and team climate,	Collaboration
Transformational leadership	Supportive leadership
Transformational leadership	Organizational trust
Transformational leadership	Leader's competence to empower
Transformational leadership	Work situation
NPD team climate	

H1: Management initiatives (NPD idea support) are positively related to collaboration (NPD idea support and team climate).

H2: Supportive leadership (transformational leadership) is positively related to organizational trust (transformational leadership- idealized influence).

H3: Leader's competence to empower (transformational leadership- idealized influence) is positively related to work situation (NPD team climate).

### 3.4 Research setting data collection

The case study was conducted on 30 selected survey recipients. As already mentioned at section 3.2 above, the study sample represent three separate international work locations (i.e., Finland, the UK and Norway) of the multinational company. The participants belonged to various NPD related work roles (i.e. general management, product development and sales, design department, project management and R&D, technical engineering). The feedback obtained from the survey respondents through 30 fixed ended questionnaires dully supported by interview like open ended questionnaires. Finally, the feedback was analyzed by employing various statistical methods to evaluate the linkages among the tested theoretical concepts. The study hypotheses were analyzed by employing correlation and regression analyses as being the primary methods.

### 3.5 Results and Analyses

The selected theoretical framework is based on prior theoretical models and research studies which are modified and extended. Brief introduction of the foundational theoretical frameworks are as follows:

- ✚ Transformational leadership', the theoretical framework developed by Bass and Avolio (1992) was adopted. In its earlier form the concept of transformational leadership was analyzed and evaluated on the basis of seven factors i.e. idealized influence, intellectual stimulation, inspirational motivation, individualized consideration, management -by-exception, contingent reward, and laissez-faire leadership. However, in the current study, only four out of the total seven elements were adopted which are idealized influence, inspirational motivation and intellectual stimulation to study and explore the level impact and role of transformational leadership style of management.
- ✚ The concepts of NPD idea support and team climate reflects the desirable characteristics and the interconnections among the team leaders and their members, who are engaged in NPD operations while operating and responding to their specific work environment(s). In the referred study the research inventory was divided into two categories i.e. NPD idea support and NPD team climate (Sun et al., 2012). The survey evaluated the concept of organization's capacity to recommend supportive team practices to the work groups involved in NPD operations.

The specially devised research tool included fifty dully validated fixed ended question items, employing 5 level Likert-type scale. The Cronbach's Alpha values for each inventory item exceeded the level 0.70, confirming the reliability of the study scale which was especially formulated and implemented in the current survey.

The focus and the aim of the study was to measure transformational leadership potential as well as supportive team climate to reinforce NPD idea generation potential. The instance that the study saw 100 % feedback from the respondents has additionally supported, strengthened and authenticated survey findings.

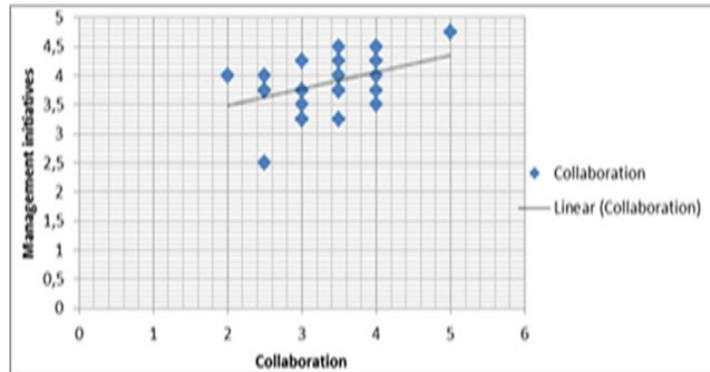
The statistical findings and analytical evaluation linked to the three-study hypothesis are detailed below;

***Hypothesis 1- Management initiatives (NPD idea support) are positively related to collaboration (NPD idea support and team climate).***

The correlation calculation to ascertain the connection between the above variables generated the r value of 0.42, thus, technically displaying a positive but weak correlation between the two study variables i.e. Management initiatives - NPD idea support and ‘collaboration’ - NPD idea support and team climate) since the nearer the value is to zero, the weaker the relationship. In addition, the value of R<sup>2</sup>, that reflects the coefficient of determination, appears as 0.18.

The Figure 1 reflects the following data facts with reference to the study variables of hypothesis (H1):

- i. Sample size: 30
- ii. Mean x ( $\bar{x}$ ): 3.28
- iii. Mean y ( $\bar{y}$ ): 3.86
- iv. Intercept (a): 2.92
- v. Slope (b): 0.29
- vi. Regression line equation:  
 $\hat{y}=2.91+0.29x$



**Figure 1. Regression trend of study’s H1**

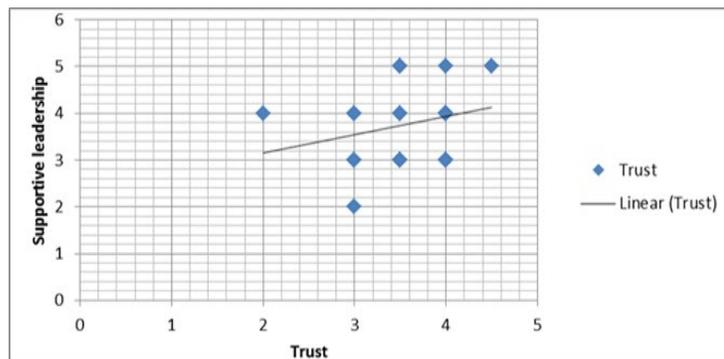
The P-Value calculated on the basis of R value appears as 0.02 and is a significant at 5%. Hence, the study hypothesis 1, “Management initiatives” (NPD idea support) are positively linked to “collaboration” (NPD idea support and team climate)” (NPD idea support) is accepted.

***Hypothesis II- Supportive leadership (transformational leadership) is positively related to organizational trust (transformational leadership- idealized influence).***

The correlation calculation to assess the relationship between the above variables yielded the r value of 0.28, thus, technically proving a positive but weak correlation between the two study variables (i.e. supportive leadership (transformational leadership) and trust (transformational leadership- Idealized influence) since the nearer the value is to zero, the weaker the relationship. In addition, the value of R<sup>2</sup>, the coefficient of determination, is 0.08.

According to Figure 2, the regression details reveal the following data facts with reference to the study variables of hypothesis (H2):

- i. Sample size: 30
- ii. Mean x ( $\bar{x}$ ): 3.7
- iii. Mean y ( $\bar{y}$ ): 3.8
- iv. Intercept (a): 2.36
- v. Slope (b): 0.39
- vi. Regression line equation:  
 $y=2.36+0.39x$



**Figure 2: Regression trend of study’s H2**

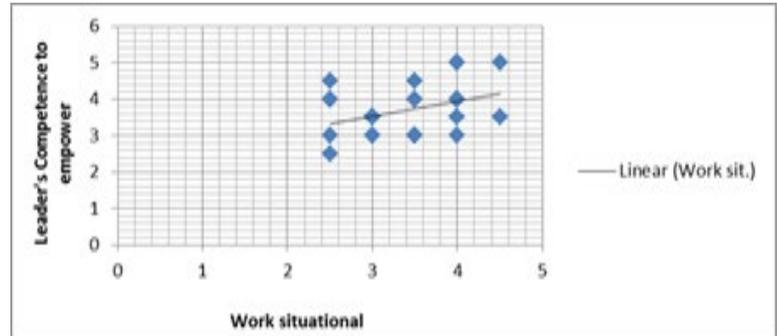
The P-Value calculated on the basis of R value is 0.13 and is not significant at 5%. Hence, the study hypothesis 2, “Supportive leadership” (transformational leadership) is positively linked to organizational “trust” (transformational leadership- idealized influence) is not accepted.

**Hypothesis III - Leader’s competence to empower (transformational leadership- idealized influence) is positively related to Work situation (NPD team climate)**

The correlation calculation to assess the relationship between the above variables yielded the r value of 0.38, thus, technically proving a positive but weak correlation between the two study variables i.e. leader’s competence to empower (transformational leadership) and work situation (NPD team climate) since the nearer the value is to zero, the weaker the relationship. In addition, the value of R<sup>2</sup>, the coefficient of determination, is 0.04.

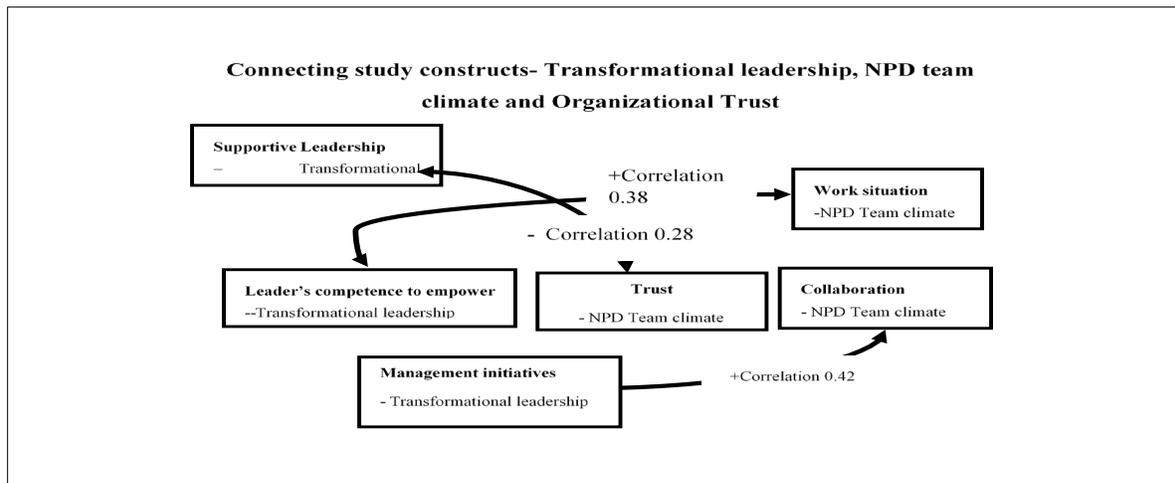
According to Figure 3, the regression details display the following data with reference to the study variables of hypothesis (H3):

- i. Sample size: 30
- ii. Mean x ( $\bar{x}$ ): 3.4
- iii. Mean y ( $\bar{y}$ ): 3.7
- iv. Intercept (a): 2.31
- v. Slope (b): 0.41
- vi. Regression line equation:  $\hat{y}=2.31+0.41x$



**Figure 3. Regression trend of study’s H3**

The P-Value calculated on the basis of R value is 0.04 and therefore significant at 5%. Hence, the study hypothesis 3, “Leader’s competence to empower” (transformational leadership) is positively linked to “work situation” (NPD team climate) is accepted. The study results confirm positive linking of all the theoretical concepts/ variables linked to H1 and H3 while do not support H2 and hence proposing framework as displayed in the following Figure 4:



**Figure 4. Formulated theoretical framework based on the study results**

**3.6 Discussion on results**

The study results were obtained, analyzed and evaluated by employing correlation analysis to test the study hypotheses. According to the study results, through hypothesis 1 testing, the correlation was calculated to evaluate the association between the two study variables i.e. ‘management initiatives’ (NPD idea support – Product Innovation) and ‘team collaboration’ (NPD team climate). The calculations generated R value of 0.42, thus, technically proving a positive though weak correlation between the two study variables. Furthermore, the value of R<sup>2</sup> reflected the coefficient of determination as 0.18. Hence the P-Value calculated on the basis of R value achieved as 0.02 and is significant at p < 0.05. Keeping in view of the above details, the study hypothesis-1, reflecting ‘the variable “management initiatives” (NPD idea support - Product innovation) is significantly linked to “team collaboration” (NPD team climate)” is accepted or proved. Hypothesis 2 was tested through the correlation calculation to assess the relationship between the two study variables i.e. supportive leadership (Transformational

leadership) and trust (NPD team climate) generated the R value of 0.28, hence proving a weak but positive correlation. Moreover, the value of R<sup>2</sup>, referred as coefficient of determination came out as 0.08. The P-Value calculated on the basis of R value appeared as 0.13 and hence considered not significant at  $p < 0.05$ . This further proved the study hypothesis 2 as not accepted or not proved. Finally, hypothesis 3, correlation coefficient to find out the relationship between two study variables (i.e. leader's competence to empower (transformational leadership) and work situation (NPD team climate) has generated the R value of 0.38, and hence again proved a weak but positive association. The P-Value calculated on the basis of R value appeared as 0.04 and therefore considered significant at  $p < 0.05$ . Hence, the study hypothesis 3, proved that the "Leader's competence to empower" (transformational leadership) is significantly linked to "work situation" (NPD idea support) is accepted or approved.

## 4. CONCLUSION

The current research study conducted to explore the linkages between the concepts of transformational leadership and NPD team climate was piloted at the three global work locations (The UK, Norway and Finland) of an energy sector multinational organization. The degree of association among the selected variables linked to the industrial management concepts; transformational leadership, NPD team's climate and organizational trust was investigated on the basis of correlation analysis. The highlight of the study was the statistical finding confirming that the element of supportive leadership is not effectively linked to the element of organizational trust. This confirms that numerous associated factors significantly contribute to the creation of organizational trust and simply employing the supportive leadership pattern cannot ensure the team's trust worthiness towards the organizational operations management. However, the management initiatives, especially linked to the variables namely "leader's competence to empower" is supported through "team collaboration" and creating ethically correct work situations within the organizational team climate proved highly effective. Hence, hypotheses 1 and 3 of the study are supported while hypothesis 2 is not accepted. The study results revealed enough room for improvement to harness effective team climate by introducing and employing supportive work practices within the subject organization to strengthen NPD related innovation processes. Furthermore, the survey has its own limitations (e.g., its focus mainly on three European industrial sites and dealt with small sample size etc.), hence it is suggested that the current study findings be authenticated by enhancing the sample size and involving more work locations either of the same organization or obtaining the feedback from the respondents representing similar organizations for cross comparative analysis to analyze and evaluate the adaptability of the study findings.

### 4.1 Future research

- i. An extended study can be conducted by taking the sample from companies operating in global locations outside Europe for cross comparative analysis.
- ii. The impact of organizational culture versus national culture on the NPD team climate can be explored through the similar studies.

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