Integrating strategic thinking and transformational leadership for NPD idea support process

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Abstract

Contemporary businesses implement tactical approaches to support their corporate interests. Based on such logic, the current study presents an attempt to connect the concept of transformational leadership with strategic thinking capability to formulate a diagnostic approach to harness new product idea generation potential in industrial work teams. The idea behind formulating such a research framework is to offer industrial leaders, a mechanism for connectivity among various aspects of operations linked to leadership, corporate strategy and new product idea generation process, of their teams for corporate harmony and effectiveness. The research survey is conducted on 30 team member’s representing new product development (NPD) operations at three selected work locations of a European multinational company (Finland, Norway and the UK). The results of our study identified scientifically, the proposed theoretical connection among three industrial operational areas i.e., transformational leadership, strategy thinking and new product idea generation process.

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Peer-review under responsibility of the International Conference on Leadership, Technology, Innovation and Business Management

Keywords: Contemporary businesses, corporate interests, transformational leadership, strategic thinking, diagnostic approach, multinational company, new product development

1. Introduction

The quest to implement lean, rapid and profitable new product development processes has never been greater. To deal better with shorter product life cycles (Griffin, 1997), intense market competition and more demanding customers, companies are struggling to innovate knowing that market failure is not an option and winning with new products is not easy. According to surveys conducted in 1997 (Griffin, 1997; Ozer, 1997), new products introduced during the period of five years from 1992 to 1997, contributed as much as 50% of the total revenues and profits, though at the same time, the new product failure rate remained high. To be more specific, an estimated 46% of the...
resources that companies devote to the conception, development and launch of new products go to projects that do not succeed and either fail in the market place or never make it to the market (Ottum, and Moore, 1997).

The search for new product ideas to design and manufacture unique products initiates with an in-depth understanding about the customers’ needs and wishes. In addition, the traditional NPD framework, in which companies are exclusively responsible for coming up with new product ideas or manufacturing decisions linked to product innovativeness, is gradually being challenged by innovation management academics and practitioners (Fuchs and Schreier, 2011; Cone, 2006; Lakhani, 2006; Pitt et al., 1996; Chesbrough, 2003; Von Hippel and Katz, 2002). It is strongly desired that a new product or service must hold a “wow” factor or ‘aha moment’ (Dorst, and Cross 2001) by proposing something which is currently missing from the range of available products in the market. The above necessitates the involvement of the entire new product development teams - technical, marketing, in addition to the organization’s operational workforce to strategically collaborate, design and lead the new product development strategic plan internally while additionally interacting with real customers/users, and learn their desires, problem areas, needs as well as challenges, instead of merely relying on sales and marketing teams’ output.

Keeping in view of above, this study holds evaluative information on a research survey that attempted to explore the significance of transformational leadership and strategic thinking capacity building initiatives in a Finnish energy sector multinational company. This transformational process was evaluated through the feedback received from the subject company’s product development teams or associated operational workforce with reference to new product development idea generation process.

The current research study is an effort to formulate the interconnection between the concepts of transformational leadership and strategic thinking to harnessing new product idea generation capability of the workforce in modern enterprises.

Following the research theme of developing a diagnostic framework on strategic transformational leadership to support NPD idea generations capability in work teams, our study commences by a literature review of strategic thinking, transformational leadership style, new product development, then will proceed to the development of study hypotheses. Later, the paper will through light on selected research methodology and proposed theoretical model. The study will be concluded with an in-depth analyses and discussion on the study results, in addition to the recommendations for industrial managers and researchers.

2. Literature Review And Hypotheses

2.1. Strategic thinking and new product idea generation

Several theorists consider strategic thinking as an umbrella term (Bonn, 2001). Employing strategic thinking enables analysis, exploration, understanding and defining a complex situation and then developing planning actions to achieve the greatest possible positive impact towards a pre-defined goal. According to Bonn (2005), strategy theorists have consensus on the notion that strategic thinking is needed at multiple organizational levels.

Thomas and Carroll (1979) stressed the significance of human cognition and linked their definition of product design thinking to the mental approach or the intent of the product designer, supporting the notion that design occurs when a problem-solver tries to solve the problem or acts as there is some indecision in the aims, initial conditions or allowable transformation. To utilize corporate opportunities, offered by challenging external forces, it is essential for organizational leaders to comprehend and interpret the future goals by using a systematic and cognitive approach to enforce strategic thinking by relying less on mere experience and intuitive guesswork (Oelkers, Elsey, 2004) while perusing new product idea generation process. In addition, corporate planning is a mere segment of the comprehensive process of strategic thinking (Goldman and Casey 2010). It does not come as expected since most of us are static thinkers who tend to make decisions merely for a known or particular period, while strategic thinking (Kazmi, Naraanoja, 2015) skills have to be learnt, cultivated, practiced, and then applied (Bonn, 2005).
Figure 1 displays a simplified cycle involving systematic thinking, creativity and vision which progresses to a relatively focused strategic thinking approach based on planning and implementation, problem solving and decision making approach (Goldman, 2007). Whether one takes the simplified approach or the focused one, the aim in selecting either of them is usually to utilize the core functionality of strategic thinking i.e. recognizing assumptions, to evaluate argument and finally to draw conclusions. Batty and Quinn (2010) define strategic thinking as a process that involves collection, combination and filtration of information to generate new, relevant, focused and feasible ideas and strategies. Corporate planning is defined as simply the tip of the iceberg or the part of the greater process of strategic thinking (Essery, 2002). According to Wheatley (2006), the requirement for information and thinking skills which were once considered the key skills for top leaders is now moving deeper into organizations, since currently it is the requirement of every employee to be able to interpret complex information and explore their own realities. In fact, the cognitive mechanisms connected to the (i.e. product idea related) design process are usually considered a precedent-based type of reasoning (Oxman and Oxman, 1992), where knowledge is continuously transformed to generate new knowledge.

During the product idea generation process, designers refer to their background experiences and skills, in addition to connecting such exposures with different types of internal and external stimuli they might have access to. For instance, in the process of inspiration, designers tend to combine physical and/or mental visual samples to support inspirational purposes (Keller et al., 2009).

Modern theorists emphasize the significance of (Pisapia et al. 2005) three main cognitive processes, namely systems thinking (Senge, 1990), reframing (Morgan, 1986; Bolman and Deal, 1994), and reflection (Dewey 1933; Argyris and Schöns, 1978; Schöns, 1983) as the success factors for organizational leaders in dealing with situational complexity. Information gathered through the process of system thinking and reframing is used as a significant tool by management leaders during the process of reflection to make sense of the situation (Pisapia et al., 2005).

These three processes support leaders in (a) understanding the situation through the process of reframing; (b) formulating theories of practice to guide actions through the process of reflecting and; (c) using systems thinking in a holistic manner (Parsons, 1960; Senge, 1990; Capra, 2002; Pisapia et al., 2005).

These three processes support leaders in visualizing events and understanding problems in terms of concepts to combat them effectively (Pisapia et al., 2005).

Systems thinking propagates the logic that the unified whole is superior to its individual parts. Modern theorists emphasize that in systems thinking the whole is primary while the parts are secondary (Capra, 2002; Pisapia et al., 2005). However, the traditional approach to systems thinking (analytic/linear/reductionist thinking) proposes that the parts are crucial and primary while the whole is secondary (Senge, 1990; Capra, 2002; Pisapia et al., 2005). This reverse of the mindset from parts to whole is of great significance for modern theorists and management experts to understand living organisms (Parsons, 1960; Senge, 1990; Capra, 2002; Pisapia et al., 2005). Capra (2002) further defines that in order to understand an object or a phenomena one initiates the cognitive process by visualizing it from a larger context rather than dividing it into parts. In addition, modern systems thinkers agree that it is not viable to isolate the organization from its environment (Pisapia et al., 2005) to understand its processes. ‘Reframing’ is defined as a cognitive tool or skill to collect and arrange the information or knowledge set to define the situational realities
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between transactional and transformational leadership. Transformational leadership (Bass, 1985; Taylor, 2014; Kazmi, Naarananoja, 2014; Kazmi, Naaranaja, 2015; Kazmi, 2012; Kazmi, Takala, Naaranoja, 2014; Kazmi, Takala, Naaranaja, 2015; Kazmi, 2012; Kazmi, Naaranaja, Takala, 2013; Kazmi, Naaranaja, 2015; Kazmi, Takala, Naaranoja, 2013; Kazmi, Takala, Naaranaja, 2014; Kazmi, Takala, Naaranoja, 2015; Kazmi, 2012; Kazmi, Naaranaja, 2013; Kazmi, Naaranaja, 2015; Kazmi, Takala, 2011; Kazmi, Takala, 2012; Ozsahin, Zehir, Acar, 2011.) is considered the most suitable by organizational management theorists and researchers, who truly encourage (Judge and Piccolo, 2004) and develop their employees to perform beyond expectations. This leadership style stimulates (Bass 1985; Bass, Avolio, 1993) the process of thought (i.e. beliefs and values) and cognitive behavior (i.e. attitudes and attributes) of the followers. The transformational leadership model is superior to the transactional leadership model on the basis of several factors, namely intellectual stimulation, inspiration motivation and charisma (Judge, Piccolo, 2004; Gardner, Avolio, 1998; Conger and Kanungo, 1998) in contrast to mere dependence on contingent reinforcement and management-by-exception and exploitation (Howell, Avolio, 1992; O’Connor et al., 1995). According to (Bass and Avolio, 1990), transformational leadership is considered a potential source of team performance enhancement through several factors, namely intellectual stimulation, individualized consideration, inspirational motivation and idealized influence. This style of leadership requires spending one’s own capabilities (De Cremer, and Van Knippenberg, 2004; Van Knippenberg and Van Knippenberg, 2005) to foster leadership potential in others (Judge and Piccolo, 2004). This leadership style has emerged as a central model for understanding how leaders achieve effective and desired behavioral responses from their followers, namely due to the followers being highly satisfied with and respectful of their leaders (Bycio et al., 1995; Conger and Kanungo, 1998; Thompson, 2012). It combines four sub-categories commonly known as the four-I’s, to constitute a whole. The four I’s are detailed below;

The first ‘I’ is for idealized influence. It refers to the leader’s capacity to lead his or her followers by setting an example (Bono and Judge, 2003) based on high moral and ethical grounds (Podsakoff, Mackenzie and Bommer, 1996; Whitener, 1997; Bass and Steidlmeier, 1999; Dirks and Ferrin 2002). The second ‘I’ is for individualized consideration. It elucidates that a leader must achieve his or her followers’ maximum potential through coaching or mentoring, during a process of helping and refining their skill potential. The third ‘I’ is for inspirational motivation. It refers to the leader’s ability to install a desire in their followers for a cause. The fourth ‘I’ is for intellectual stimulation. It refers to the leader’s capacity to encourage his or her team members or followers to think out of the box and generate new ideas (Bono and Judge, 2003; Jung and Avolio, 1999; Kirkpatrick and Locke, 1996).

Furthermore, Raelin (2003) defined the concept of ‘team’ as the creation or development of ‘leaderful’ communities where leadership actually embraces the basis for followers to flourish. Explicitly, research studies (Bass, Avolio, 1994) have shown that transformational leadership is positively linked to: subordinate work attitudes (e.g. loyalty and commitment, job satisfaction); subordinate work performance (e.g. sales); employee creativity; employee well-being (mental and physical health, occupational safety); and financial performance.

### 2.2. Transformational leadership and corporate goals

In the research literature, transformational leadership refers to the desirable characteristics of an organization’s leadership support practices. In our survey, this concept refers to an organization’s capacity to offer its work teams a supportive leadership (Bass and Avolio, 1992: Zaccaro, 1996) environment to harness new product development idea generation.

Burns (1978) was the first to introduce the concept of transformational leadership and highlighted the difference between transactional and transformational leadership. Transformational leadership (Bass, 1985; Taylor, 2014; Kazmi, Naarananoja, 2014; Kazmi, Naaranaja, 2015; Kazmi, Naaranaja, 2015; Kazmi, 2012; Kazmi, Takala, Naaranoja, 2015; Kazmi, 2012; Kazmi, Naaranaja, Takala, 2013; Kazmi, Naaranaja, 2015; Kazmi, Takala, Naaranaja, 2013; Kazmi, Takala, Naaranoja, 2014; Kazmi, Takala, Naaranaja, 2015; Kazmi, 2012; Kazmi, Naaranaja, 2013; Kazmi, Naaranaja, 2015; Kazmi, Takala, 2011; Kazmi, Takala, 2012; Ozsahin, Zehir, Acar, 2011.) is considered the most suitable by organizational management theorists and researchers, who truly encourage (Judge and Piccolo, 2004) and develop their employees to perform beyond expectations. This leadership style stimulates (Bass 1985; Bass, Avolio, 1993) the process of thought (i.e. beliefs and values) and cognitive behavior (i.e. attitudes and attributes) of the followers. The transformational leadership model is superior to the transactional leadership model on the basis of several factors, namely intellectual stimulation, inspiration motivation and charisma (Judge, Piccolo, 2004; Gardner, Avolio, 1998; Conger and Kanungo, 1998) in contrast to mere dependence on contingent reinforcement and management-by-exception and exploitation (Howell, Avolio, 1992; O’Connor et al., 1995). According to (Bass and Avolio, 1990), transformational leadership is considered a potential source of team performance enhancement through several factors, namely intellectual stimulation, individualized consideration, inspirational motivation and idealized influence. This style of leadership requires spending one’s own capabilities (De Cremer, and Van Knippenberg, 2004; Van Knippenberg and Van Knippenberg, 2005) to foster leadership potential in others (Judge and Piccolo, 2004). This leadership style has emerged as a central model for understanding how leaders achieve effective and desired behavioral responses from their followers, namely due to the followers being highly satisfied with and respectful of their leaders (Bycio et al., 1995; Conger and Kanungo, 1998; Thompson, 2012). It combines four sub-categories commonly known as the four-I’s, to constitute a whole. The four I’s are detailed below;

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### 2.3. Strategic transformational leadership verses strategic leadership to support idea generation potential

The strategic leader operates with a comprehensive plan, integrating short-term results in addition to the long-term focus. Furthermore, such a leader is generally considered driving force for organizational change. The influence of such leader’s effort cascades across the whole organization. Hence, the who, the what, and the how of strategic leadership mostly revolves around the position’s like CEOs, top executives or the middle management.

The above elucidates that in strategic leadership role, the process of strategic decision making or its implementation revolves around the initiatives of either the top management, the middle management or just a few critical lower
positions. Additionally, such process does not propose a hint whether there is any role of the elements like ‘idealized influence’ or ‘individualized consideration’ from the very top to the extreme bottom of the line and the followers’ (ordinary staff members) empowerment to suggest strategic ways and tactics to be incorporated in the overall corporate strategy. Moreover, there is no obvious support of elements like intellectual stimulation, inspirational motivation or charisma in building leadership capabilities and individual decision making capacity in the lower staff or followers (Bass, Avolio, 1990; 1992). This leaves a hole in the strategic leadership and makes the concept more of a technical process rather than a humanly act of power sharing till the very end of the loop (top management till the ordinary staff members) since anybody can come with a brilliant idea.

In the light of above, the fusion of transformational leadership with strategic thinking is proposed in the current research instead of any ordinary leadership style (i.e. that can be of any form or type of leadership- e.g. authoritative, transactional leadership or laissez-faire leadership) with strategy to build strategic leadership. Hence the crux of current research idea was to attempt for combining process of deeper level of ‘strategic thinking’, having the elements of reframing, system thinking, reflection (Pisapia, 2006; 2011) with the specialized form of ‘transformation leadership’ having the elements of idealized influence, intellectual stimulation, individual consideration and inspirational motivation (Bass, Avolio, 1985; 1993, Barling, Christie, and Turner, 2008; Sun et al. 2012). Following figure 3 presents the visual description.

Figure 3. Concept of strategic transformational leadership

By doing so, the author has actually tried to replace the earlier process of combining ‘strategy’ involving the elements of thinking, acting and influencing (having weaker theoretical grounding) and ‘leadership’, with no specific reference of the style or reflecting the ingredients resembling more to the authoritative, transactional or laissez-faire leadership. Following figure 4 presents the visual description.

Figure 4. Elements of strategic transformational leadership
Moreover, the authors would like to pinpoint the basic logic of initiating the current research, here. The authors have realized that whenever the text related to strategic leadership is explored, one usually finds the material revolving around the concepts supporting strategic management operations, with very little focus on NPD idea generation aspect.

2.4. Development of Hypotheses

The study endeavoured to examine NPD practices in an organization from the perspectives of strategic transformational leadership, keeping in view the competitive nature of multinational businesses of today, combating against social, economic and cultural factors. Thus to evaluate the success of an organization’s new product development efforts through innovation will present limitations in a scenario where various work teams as well as work systems are operating together while either being controlled from different hierarchal levels or being operated upon by individuals having entirely different skill sets. To support such limitations and to equip the theoretical framework of new product development with strategic maneuvering capability, the researchers proposed the integration of the findings of various research studies done in the field of transformational leadership (Bass and Avolio, 1990; 1992) and strategic thinking (Pisapia, et. al., 2005; 2006; 2009; 2011). The framework of the subject case study is a combination of two established models (i.e. transformational leadership and strategic thinking) developed in relation to the new product idea generation capability of an organization by harnessing NPD teams on the basis of transformational leadership and strategic thinking.

On the basis of above, following study variables were selected for empirical investigation;

Table 1. The study variables along with their theoretical base

<table>
<thead>
<tr>
<th>Theoretical origin</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational leadership</td>
<td>Affiliation with leader</td>
</tr>
<tr>
<td>NPD idea support</td>
<td>Management initiatives</td>
</tr>
<tr>
<td>Transformational leadership</td>
<td>Leader’s competence to empower</td>
</tr>
<tr>
<td>Strategic thinking</td>
<td>Work situation</td>
</tr>
<tr>
<td>NPD idea support,</td>
<td>Customer value</td>
</tr>
<tr>
<td>Strategic thinking</td>
<td>Communication</td>
</tr>
</tbody>
</table>

In the light of the literature and the selected study variables, we have proposed following hypotheses:

H1: “Management initiatives” (NPD idea support) is significantly linked to the team’s sense of “Affiliation with leader” (Transformational leadership).
H2: “Customer value” (NPD idea support) is significantly linked to effective “Communication” (Strategic thinking).
H3: “Leader’s competence to empower” (Transformational leadership) is significantly linked to “Work situation” (Strategic thinking).

3. Methodology

3.1. Sample and Data Collection

The scope of this study takes into account specialized groups of total 30 professionals (i.e. representing new product development related work operations and roles) from three international locations of a European multinational company: Finland, the UK and Norway on the basis of their professional expertise and operational relevance. A specialized feature of the selected work locations is that each one of the unit is engaged in different types of product manufacturing i.e., Finland – Power engines, The United Kingdom – Green energy solutions, Norway- Marine products and service solutions. The selected quantitative approach is the survey methodology which is performed through an email based questionnaire having 50 fixed ended items. Evaluation of the subject company’s new product development culture is carried out by combining quantitative and qualitative research methodologies. The qualitative approach, on the other hand, is involved with putting together an organizational case study through in person and
email based interview questionnaire. Feedback obtained from those 30 respondents were analyzed by using statistical analyses.

3.2. Results and analysis

The chosen theoretical framework use prior studies that are as below:

i. To study the concept of ‘strategic thinking’, the researchers have focused on the theoretical framework by Pisapia, et. al., (2011) involving three cognitive factors, i.e. system thinking (Pisapia, et al., 2009; Senge, 1990), reflecting (Pisapia, et. al., 2009; Argyris and Schön, 1978) and reframing (Pisapia, et al., 2009; Bolman and Deal, 1994).

ii. In addition, ‘transformational leadership’, the model introduced by Bass and Avolio (1992) was adopted wherein the concept of transformational leadership is measured through seven factors i.e. idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management -by-exception and laissez-faire leadership. However, we have adopted only four factors in our study which are idealized influence, inspirational motivation and intellectual stimulation in order to judge the level of transformational leadership.

Overall, 50 items using 5 Likert-type scale are used to measure transformational leadership style, and strategic thinking to support new product idea generation potential. 100 % of feedback was achieved to support the survey findings. Furthermore, the Cronbach’s Alpha values for each question item exceeds 0.70, which indicates the reliability of the study scale used formulated and implemented in the survey.

The results on the three study hypothesis are as follows;

Hypothesis 1- Relationship between 2 variables – management initiatives (NPD idea support) and affiliation with leader (Transformational leadership)

The correlation calculation to assess the relationship between the above referred variables yielded the r value of 0.51. Therefore, technically proving a positive but weak correlation between the two study variables (i.e. management initiatives (NPD idea support) and affiliation with leader (transformational leadership), since the nearer the value is to zero, the weaker the relationship. Furthermore, the value of R², the coefficient of determination, is 0.25.

![Figure 5. Scatter plot to display regression trend of the variables of study’s H1](image)

According to Figure 5, the regression details reveal 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 (\( \bar{y} \)): 3.83
iv. Intercept (a): 2.38
v. Slope (b): 0.44
vi. Regression line equation: \( y=2.38+0.44x \)

The P-Value calculated on the basis of R value is 0.004 and significant at 5%. Therefore, the study hypothesis; H-1: “Management initiatives” (NPD idea support) is significantly linked to team’s sense of “affiliation with leader” (transformational leadership) is accepted.
Hypothesis II- Relationship between 2 variables – customer value (NPD idea support) and communication (Strategic thinking)
The correlation calculation to assess the relationship between the above variables yielded the r value of 0.39, therefore technically proving a positive but weak correlation between the two study variables (i.e. customer value (NPD idea support) and communication (Strategic thinking) since the nearer the value is to zero, the weaker the relationship. In addition, the value of R², the coefficient of determination, is 0.15.

According to Figure 6, the regression details reveal the following data facts with reference to the study variables of hypothesis (H2):

i. Sample size: 30
ii. Mean x (\(\bar{x}\)): 3.93
iii. Mean y (\(\bar{y}\)): 3.45
iv. Intercept (a): 2.2
v. Slope (b): 0.32
vi. Regression line equation: \(\hat{y}=2.19+0.32x\)

The P-Value calculated on the basis of R value is 0.039 proving the result as significant at 5%. Therefore, the study hypothesis; H-2: “Customer value” (NPD idea support) is significantly linked to “communication” (Strategic thinking) is accepted.

Hypothesis III - Relationship between 2 variables – Team empowerment (Transformational leadership) and work situation (Strategic thinking)
The correlation calculation to assess the relationship between the above variables yielded the r value of 0.02, thus, technically proving a positive but weak correlation between the two study variables (i.e. team empowerment (transformational leadership) and work situation (Strategic thinking) since the nearer the value is to zero, the weaker the relationship. In addition, the value of R², the coefficient of determination, is 0.0004.

Figure 6: Scatter plot to display regression trend of the variables of study’s H2

Figure 7. Scatter plot to display regression trend of the variables of study’s H3
According to Figure 7, the regression details reveal the following data facts 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: $\hat{y}=2.31+0.41x$

The P-Value calculated on the basis of R value is 0.04 and is significant at 5%. Therefore, the study hypothesis; H-3: “Leader’s competence to empower” (transformational leadership) is significantly linked to “work situation” (Strategic thinking) is accepted.

Hence the regression analysis results support H1, H2 and H3 hypotheses.

The study results confirms positive linking of all the theoretical concepts and support the proposed framework as displayed in the following Figure 8:

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**Figure 8. Formulated theoretical framework based on study results**

**4. Conclusion**

The study results confirmed the proposed theoretical extension of strategic thinking and transformational leadership to support new product idea generation potential of industrial teams. The subject study attempted to offer transformational leadership as the core management style in work utilizing the directional approach of strategic thinking to harness new product team dynamics in support of organizational innovative initiatives. The reason to fuse transformational leadership with the above constructs are the numerous research studies that have confirmed the positive role of this leadership style across samples and cultures (e.g., Birasnav, Rangnekar and Dalpati; 2010, Menguc, Auh and Shih, 2007; Bycio, Hackett, and Allen, 1995; Howell and Avolio, 1993; Koh, steers and Terborg, 1995; Wofford, Goodwin, and Whittington, 1998) and confirmed this leadership style’s universal theoretical support. Furthermore, a study conducted on 13 innovative companies by Zein and Buckler (1997), found that these companies valued their employees and had an environment that was conducive to high personal motivation.

**References**


O’Connor et al., 1995