

INNOVATIONS

The effect of open leadership on employees' creativity: the mediating role of innovation orientation (a study on textile factories in Amhara region)

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Abstract : In the dynamic business environments the survival and growth of enterprises would depend largely on their ability to promote entrepreneurial orientation among employees within their organizations. The main aim of this study is to investigate the mediating role of innovation orientation between open leadership and employees' creativity. The study employed quantitative research approach through a cross sectional survey design. The target population of the study was employees of the textile factories chosen by using simple random sampling technique. Data were collected using a five point Likert scale questionnaire, descriptive and inferential statistics were used to analyze. The direct and indirect effects are tested by using structural equation modeling. The finding revealed that innovation orientation has a partial mediation positive effect between the relationship of open leadership and employee's creativity in factories and the firms should have open leaders that can foster innovation orientation, employee's creativity that flourish significant innovative organizational culture to survive and expand in today's volatile business environment.

Key words: 1. Open Leadership 2. Innovation Orientation 3. Employees Creativity 4. Textile
Factory

1. Problem

Now day's the society is experiencing an era of changes and a competitive business environment. Hence, today's, continuous innovation is crucial source for organizational survival in market oriented economies. In this sense, change is triggering a new order and environment for organizations. Surviving and running a business organizations in such complex and new environment requires more and more changes for organisations to create, innovate, adapt and implement.

Because as a fundamental feature of today's modern organisations, it is accepted that no one has complete autonomy, that all employees are connected to each other with the technology, management systems and hierarchy connection in the organisation and they have created a culture of mutual dependency (Kotter, 2011).

According to Anand et al, (2009) continuous improvement, creativity, and organisations must explore a common approach to discover and implement new ways of improving operations. The importance of open leadership and a focus on innovation is critical for the long-term viability of an organisation's activities. Because being successful in a competitive environment requires sustaining innovation and having a leadership perspective that promotes innovation.

One of the determinants of how things work in the organisation is leadership and there are different leadership styles such as transformational or transactional, production oriented or employee oriented have different effects on organisational outcomes. Definitely, in small institutions, the leadership style of company owner has a direct effect on employee attitudes and organizational outcomes. In large enterprises, leadership styles and organisational culture are constantly correlating each other and thereby affecting employee attitudes and related organisational results (Uslu et.al, 2015).

The leadership style in the command and control, the leader was set apart by his position and was the sole authority for decision-making, while the group members just followed the orders with no specific authority or responsibility. Although, in the new age of technology this resulted in lack of innovation, creativity and accountability. Businesses slowly started leaning towards leaders who saw themselves more as partners, supporters, coaches and facilitators. This facilitated the group members to make decisions along with the top management about how to do their jobs, helping these companies to perform better than their rivals on

employee retention and morale, and other measures like innovation, profitability and market leadership (Varghese, 2008).

Open leadership, as suggested by Li, (2010), offers a new approach to leadership by focusing on the shared aspects of leadership roles. Open leadership is defined as “having the confidence and humbleness to give up the need to be in control while inspiring commitment from people to accomplish goals”. Open leadership requires employees to share leadership roles with the leader. Therefore, we can believe to see empowered employees where this leadership approach is adopted by the management. Therefore it is a practice of embracing change as constant, inspiring individual thought, relying on intuition more than data, flexibility more than hierarchy, trust more than fear, and putting the common good ahead of profit.

Today in a way, social technology has opened and changed just about everything, including leadership styles. Li, (2010) argues that leaders must adopt to the fact that our personal lives have become much more open and this is creeping over into the business world. In such changing business world being open in an effective way takes more structure than being closed. Social technology such as twitter, Facebook amplifies both the good and bad traits of leadership and gives leaders a great set of tools to extend their leadership impact. Leaders can't make social technology something that resides in marketing or business.

The change in social technology and openness is causing a shift in organisational structure and hiring for a mindset of collaboration and curiosity. So, firms must be comfortable with trial and error and allowing leaders to fail in a much deeper level of sharing. Firms in this competitive world that try to sit social technology out will eventually fail. Leadership is changing. In today's fast-changing environment, modern businesses are learning that the command-and-control leadership approaches of the previous century are ineffective. Compared to the earlier closed leadership model focusing on the talents of a single leader, today's work environment must focus on motivating employees' potential in a much more open manner in order to attract and retain people (Li, 2010).

Organizational innovativeness is defined by Wang & Ahmed, (2004) as "an organisation's total innovative capability of presenting new products to the market,

or opening up new markets, by integrating strategic direction with innovative behavior and process."

According to Dobni, (2010), an innovation orientation indicates how innovative a company is, and the findings imply that such an orientation provides a backdrop for proactive growth-based initiatives to be implemented. Market segmentation, producing new products/services for new markets, and product or service customization are examples of value creation techniques used by businesses with strong innovation orientations. Furthermore, as management realizes that innovation creates long-term advantages and results in dramatic shifts in competitive positioning, the role of innovation is becoming increasingly vital.

Employee creativity, which is an important component of human capital, entails coming up with new and innovative ideas. Individuals working together in a complex social system can create valuable and helpful new products, services, ideas, procedures, or processes through creativity. As a result, taking a holistic view of numerous elements that drive creativity is beneficial to both theory and practice, and it adds great value to the body of knowledge (Jain & Jain, 2016).

Ethiopia, the world's newest development frontier, is Africa's oldest independent country and fastest-developing African republic. Although the country may be a latecomer to the manufacturing sector in Sub-Saharan Africa (SSA), recent advances in the value chain qualifies it as a "Rising star" in the textile and apparel export sector, as well as Africa's largest raw material supplier for the leather industry (Khurana, 2018).

Several approaches to leadership are tested and modeled in order to investigate their effects on organizational innovativeness, employees' job satisfaction, motivation, commitment and corporate entrepreneurship as well as knowledge management and with different dependent variables.

A substantial number of garment factories were established in the past few years to produce different products both for export and local market. With regard to export sales the forward and backward linkage to the producers of woven and knitted fabrics as well as basic accessories were not in place to make garment factories competitive in the world market and as a result many of them have been working on a cut, make and trim (CMT) basis (Yared, 2010).

The government of Ethiopia remained far off- track to meet its plan of advancing textile industries for various reasons. These industries are not profitable as they were expected to be. Moreover, it is not surprising to observe that customers are becoming relatively dissatisfied with the high market prices and relative poor quality of the products supplied by some Ethiopian garment and textile manufacturers (Abdella, 2008).

The primary question of this study is how open leader behavior affect innovation orientation, employee creativity by taking innovation orientation as a mediating variable. While a number of leadership behaviors and styles have been proposed under different studies (Zhang & Bartol, 2010), little efforts have been made to compare and integrate the effect of open leadership behaviors on innovation orientation which is the capability of firms to introduce new products, employee creativity that is the ability to generate novel ideas to solve different organisational problems.

The relationship between leadership, creativity, and innovation was investigated by Jain & Jain, (2016), an investigation of the effects of open leadership to organisational innovativeness and corporate entrepreneurship was investigated by (Uslu et al., 2015) and other researchers such as Anderson, Potočnik, & Zhou, (2014) studied innovation and creativity in organisations, but as the best of the researcher's knowledge there are few studies on the relationship between open leadership, innovation orientation with employees creativity. As the literature reviewed there is a limited researches that investigates the influence of open leadership with different variables and this is the reason behind the researcher to see the effect of open leadership, innovation orientation on employees' creativity in the textile factories found in Amhara regional state, Ethiopia by considering innovation orientation as a mediating variable.

The main objective of this study is to evaluate the effect of open leadership on innovation orientation and employees' creativity in textile factories in Amhara regional state innovation orientation as a mediating variable which constitutes the following hypotheses; Open leadership has positive and significant effect on employees' creativity, Open leadership has positive and significant effect on innovation orientation, Innovation orientation has positive and significant effect on employees' creativity and Innovation orientation has a mediation effect on positive the relationship between open leadership and employees' creativity.

2. Methodology

2.1 Research design and strategy

The type of research employed in this study was explanatory (causal) research design, because the purpose of this research is to exploit the relationship between independent and dependent variables or to investigate the direct effect of open leadership, on innovation orientation, employee's creativity at the selected study area. It also examine the indirect effect of open leadership on employee's creativity. The researcher has used a quantitative research approach, because, data which was collected from respondents through survey questionnaire was quantitatively analyzed and interpreted. This study employed Cross-sectional survey design, this implies that the data was collected at one point in time from sample-selected employees in the textile factories in Amhara regional state.

2.2 Target population

The target population of the study was permanent employees working in the production department of the textile factories excluding administrative staffs. The reason is that the role of production workers was engaged in the product innovation and creativity center that was directly related to the study variables. There are other textile factors in the region namely Debre Berhan, and Abay textile factory. The researcher excluded these two due to the fact that their strategic importance to this study was irrelevant and these are engaged only in garment business activity.

Hence, the total number of production employees in Bahir Dar textile factory was 1131 and nearly 1185 production employees were found in Kombolcha textile factory. The total population of the two sites was 2316.

2.3 Data type and source

The researcher used quantitative type of data. Quantitative data includes those data that was primarily collected from production employees through structured questionnaire. The researcher used primary data sources. The primary data was collected from respondents / production employees from Bahir Dar and Kombolcha textile Share companies through self-administered structured questionnaire. The questionnaire is a five point Likert scale begin from strongly disagree to strongly agree to maintain respondents' neutral position. The questionnaire has two parts. In the first part of the two-part questionnaire questions, questions about the participants' demographic information and work are included, the second part of the survey consists of scales related to Open Leadership, Innovation Orientation, and Employee creativity.

2.4 sampling design

The researcher is aimed to evaluate the relationship between open leadership, innovation orientation and employee's creativity at the selected textile factories found in Amhara regional state namely Bahir Dar and Kombolcha textile factories. However, eventually the researcher finds out the difficulty of conducting on the industry base in the country in general, because it requires great deal of time and money hence, the researcher judgmentally select two textile factories in the region; Namely Bahir Dar and Kombolcha textile factories that are closer to the researcher. Therefore, initially the study area is classified in to two strata called Bahir Dar and Kombolcha textile S.C.

The researcher used Yamane (1967:886) formula to calculate sample sizes.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the sample size, **N** is the population size (N=2316), and **e** is the level of precision. By using this formula at 95% confidence level and 5% level of precision the sample size will be:-

$$n = 2316 / 1 + 2316(0.05)^2$$

$$n = \underline{342}$$

Accordingly, the number of proportionate sample employees were selected from respective firms.

Then, the above determined sample size of employees of Bahir Dar and Kombolcha textile factories were selected using simple random sampling technique (population are given an equal probability of being selected) to fill the self-administered structured questionnaire prepared for the production workers.

2.5 Data analysis

The researcher used IBM SPSS version 20 and SEM (Structural Equation Model) Amos graphics version 21 as a data input and analysis. The researcher prefers SEM since it estimates various and interconnected dependences in a single analysis. Descriptive (mean and standard deviation) and inferential SEM (Amos Graphics software) statistics was used to measure the level of factors practice and to test the research hypotheses respectively.

3. Results and discussion

3.1 Descriptive analysis

To assess the level of employees' perception of the research variables, the following descriptive table shows open leadership (OL), innovation orientation (IO), and employees' creativity (EC).

Table 3.1 Descriptive statistics

As a result, the level of open leadership practice in textile factories in the Amhara regional state is suitable, with leaders in the institutions embracing social technologies to communicate critical information with their staff and to make their jobs easier. Furthermore, such an open leadership practice is important to enhance or motivate their employees by allowing them to participate in various factory management decisions, which is critical to utilizing their employees' talents to keep their firms competitive and profitable in such a changing and volatile business environment. Therefore, based on the level and practice of open leadership in the textile factories, we can understand that social technologies such as Facebook, twitter, WhatsApp etc. are used to share information among organisational members and employees are empowered to participate in different organisational decisions.

The status or level of innovation orientation in the case area is good, implying that institutions are capable of introducing new methods, goods, and strategies that will help the firm win the textile industry competition and better meet customer demands and wants. Furthermore, such firm capability, openness, and readiness for the introduction and commercialization of new novel products encourages employees to participate in creating something new that benefits both the employees and the firms in general by fostering an innovative organizational culture that is critical in today's business, which is changing rapidly both domestically and internationally.

Similarly, there is a high level of employee creative practice in these factories, which indicates that employees are allowed to build something new and executable in order to maximize firm profitability and win industry rivalry. Therefore, such significant employee participation in creative works is used to leverage firms'

financial, personnel, and other resources to adopt new methods, strategies, and products that will keep them competitive in the textile sector, which is evolving owing to shifts in leadership and technology.

3.2 Inferential analysis

The direct effect of open leadership (OL) on employees' creativity (EC) was examined without inputting the mediating variable to compare the direct and indirect effects to classify the type of mediation. Amos graphics (SEM) was used to evaluate the direct and indirect effects of factors. As a result, the regression weights, the direct effect of open leadership on employees' creativity, and the mediating function of innovation orientation (IO) in the relationship between open leadership and employees' creativity are as follows:

The direct effect of open leadership on employees' creativity

H₀₁: Open leadership has positive and significant effect on employees' creativity.

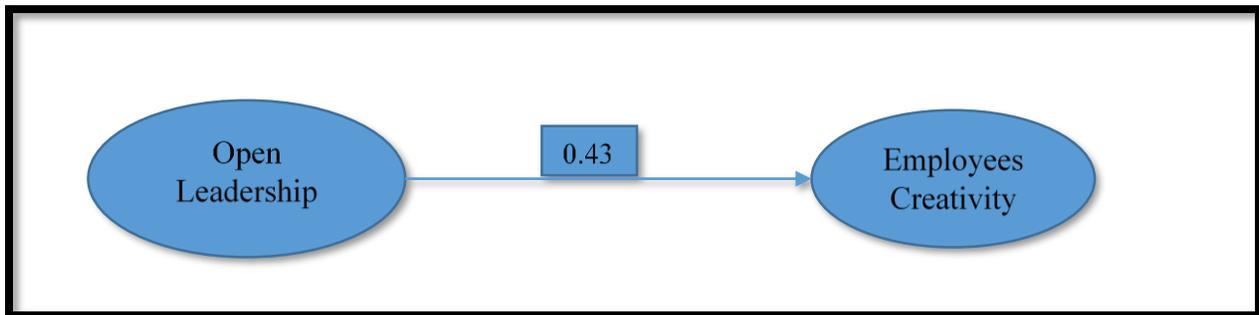


Figure 3.1 Relationship between Open Leadership and Employees Creativity

According to fig. 3.1 the study 1st research hypothesis is about the relationship between open leadership and employees creativity to investigate the effect of open leadership on employees creativity of the textile factories and the out of the SEM approach using Amos graphics reveals that open leadership affects employees creativity ($\beta=0.43$) and it is statistically significant and accepted ($P=0.00$). The result shows when organizational leaders become open or participates its employees in its organizational activities and decision making, employees are highly motivated to engage in new discoveries like products, technologies and devote their time to solve different organizational problems in different functional departments or in the organisation in general.

Here, we can understand that organizations should participate in development and modification of products through their employees and leaders are also expected to be open in sharing organizational information and participating its employees in

different organizational activities which increases the sense of ownership of employees and encourages employees to give what they have to their organizations which is also important in achieving both personal and organizational objectives by winning the competitive business environment both domestically and internationally. Therefore, according to the result open leadership affects employees creativity positively that is the open the leader is more employees to become creative.

This study's finding about the relationship between open leadership and employee creativity is backed up by a previous study west, (2002), which found that when management or leaders support employees' creative activities, they grow positively.

We can deduce from this that when management or leaders become more open and involve their employees in various organisational decisions, their employees become more engaged in creating something new that benefits their respective institutions or better meets the needs and wants of their customers, thereby outperforming their competitors in the textile industry.

Open leadership, innovation orientation and employees creativity

The following table (3.2) path estimates shows the relationship between open leadership and employees creativity with innovation orientation as a mediating variable, the effect of open leadership on innovation orientation and the relationship between innovation orientation and employees creativity.

Table 3.2 The Regression Weights for Every Path Estimate

The effect of open leadership on innovation orientation

Ho2: Open leadership has positive and significant effect on innovation orientation.

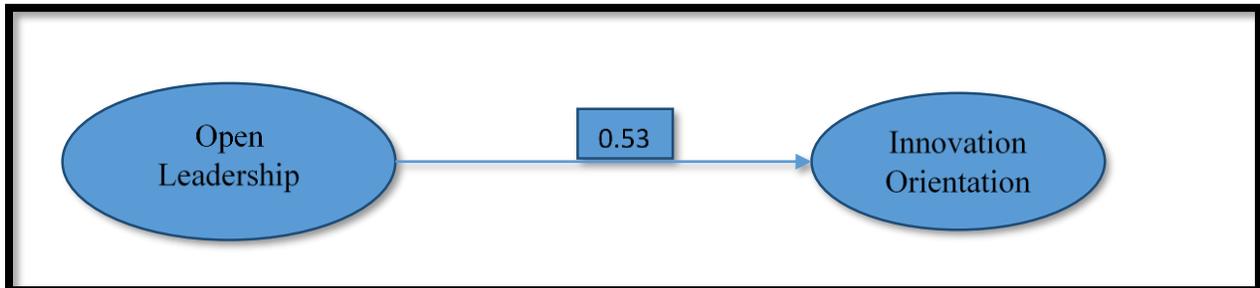


Figure 3.2 Relationship between Open Leadership and Innovation Orientation

As depicted at fig. 3.2 and according to the study the 3rd research hypothesis is about the relationship between open leadership and innovation orientation to investigate the effect of open leadership on innovation orientation of the textile factories and the out of the SEM approach using Amos graphics revealed that open leadership affects innovation orientation ($\beta=0.53$) and it is statistically significant and accepted ($P=0.00$). It is important to investigate how much open leaders encourage or support the existence of innovating new goods, services, methods or procedures to enable their firm competitive enough both in domestic and international markets by providing the necessary inputs to increase their ability to introduce new products to their new and potential customers.

This shows when leaders become more open the firm's capability of innovating new products enhances which can be considered as a competitive advantage to organisations to win the competition in the textile industry. Hence, according to the result above open leadership influences innovation orientation positively that is the openness of leaders in organisations increases the innovative capability of institutions that enables them more preferred by their customers by their new value adding products in relation to their competitors in the industry.

Previous research has also demonstrated that there is a strong association between open leadership and innovation orientation, which has a good impact on employee creativity. Other researchers also discovered that if companies want to encourage people to be creative, they should focus on innovation (Gupta & Banerjee, 2016).

In a recent study Uslu et al., (2015), open leadership was found to have stronger linkages with organizational outcomes such as organizational innovativeness and corporate entrepreneurship when compared to transactional and transformational leadership styles.

Therefore, the result shows as there is positive relationship between open leadership and innovation orientation that is when leaders become more open it increases the capability and the openness of firms to innovate products, strategy, market, behavioral, and technology.

The effect of innovation orientation on employee's creativity

Ho3: Innovation orientation has positive and significant effect on employees' creativity.

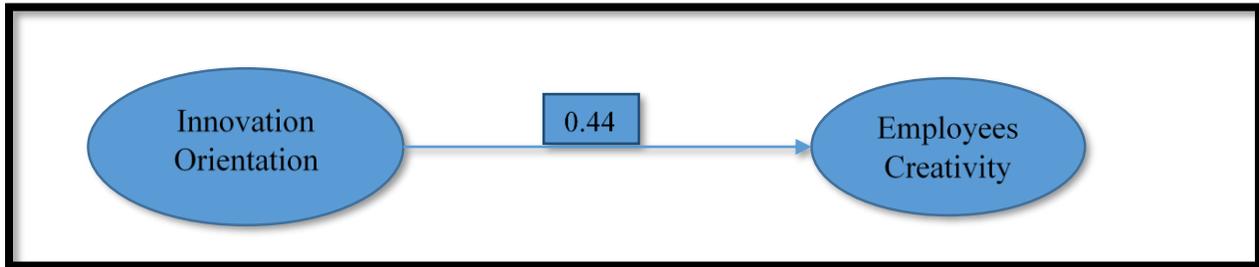


Figure 3.3 Relationship between Innovation Orientation and Employees Creativity

According to (fig. 3.3 the study the 4th research hypothesis is about the relationship between innovation orientation and employees creativity to investigate the effect of innovation orientation on the employees creativity of the textile factories and the output of the SEM approach using Amos graphics revealed that innovation orientation affects employees creativity ($\beta=0.44$) and it is statistically significant and accepted ($P=0.00$). The result shows when firms has the capability to introduce new products motivates employees to participate in creative work because such capabilities like finance and other resources guarantees employees to discover something new and important to the company that is helpful in introducing their creative work to the market and benefits both themselves and their esteemed organisation.

Then, we can understand that innovation orientation is a good predictor of employees' creativity in organizations because innovative capability of firms motivates employees to solve problems and innovate good things to their company. Generally, the research result indicated that innovation orientation affects employees' creativity in organisations positively.

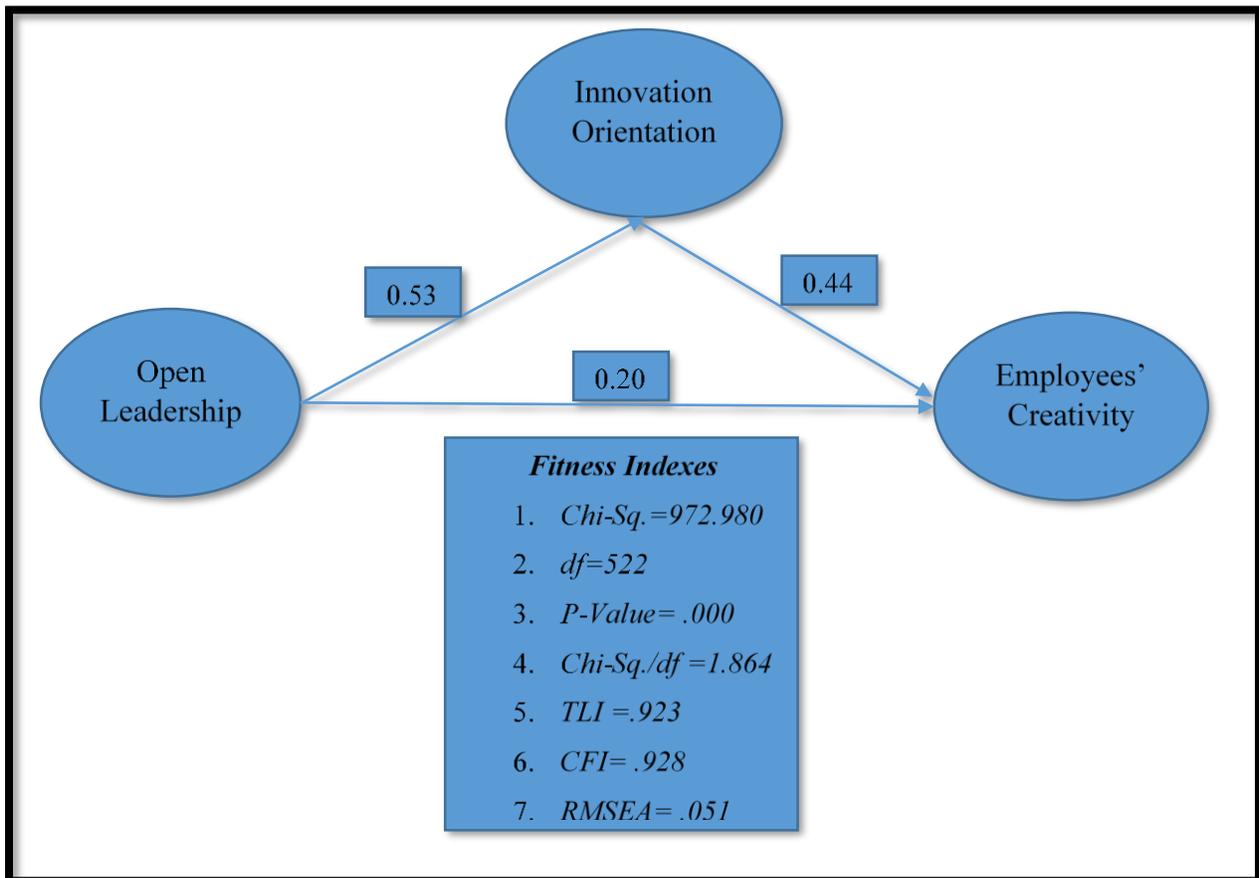
Employees' creativity has improved significantly in organizations with high innovation climates, according to Wang et al., (2013), Dragoni, (2005), and Jung et al. (2003), who found that employees' creativity has improved significantly in organisations with high innovation climates, that employees can develop and adopt the behaviors expected by the innovation climate, and that supportive innovation of an organisation can positively affect an employee's creative and innovative behavior. As a result, it is reasonable to assume that the organisation's innovation climate has a favorable association with employee creativity.

The findings are consistent with those of previous researchers in the field, indicating that innovation orientation has a favorable relationship with employee creativity. As

a result, businesses' innovation capability encourages employees to engage in creative work by assuring them that their innovative ideas, such as products and procedures, will be implemented and benefit their company and customers.

The mediating role of innovation orientation between open leadership and employees' creativity

Ho4: Innovation orientation has a mediation effect on positive relationship between open leadership and employees' creativity.



1. The indirect effect = $0.53 \times 0.44 = 0.23$
2. The direct effect = 0.20
3. Since indirect effect > direct effect: mediation occurs
4. Both indirect paths are significant
5. Type of mediation here is partial since the direct effect is still significant after mediator enters the model

Figure 3.4 The role of innovation orientation between open leadership and employees' creativity

It is obvious that a variable is considered as a mediator to the extent to which it carries the influence of a given independent variable to a given dependent variable. Mediation can be said to occur when the independent variable significantly affects the mediator, the independent variable significantly affects the dependent variable in the absence of the mediator, the mediator has a significant unique effect on the dependent variable, and the effect of the independent variable on the dependent variable shrinks upon the addition of the mediator to the model. Mediation is said to be exist when the indirect effect is greater than the direct effect between the research independent, mediating and dependent variables.

According to the study one of the research hypothesis is about the relationship between open leadership and employees creativity to investigate the mediating effect of innovation orientation between these variables of the textile factories and the output of the SEM approach using Amos graphics revealed that the direct effect of open leadership on employees creativity is ($\beta=0.20$) and the indirect effect of open leadership on employees creativity through innovation orientation is ($\beta=0.23$) which shows as the indirect effect is greater than the direct effect ($\beta=0.23 > \beta=0.20$) and it is statistically significant and accepted for both the direct and the indirect effect ($P=0.00$).

As shown in the figure (3.1) above the direct effect of open leadership on employees creativity ($\beta=0.43$) is decreased to ($\beta=0.20$) because the effect goes through the mediating variable (innovation orientation) that shows the existence of partial mediation. The mediation above is also called partial mediation because still open leadership influences the employees' creativity without the existence of the mediating variable, but with a lower Beta value when compared with the mediating effect which is the product of open leadership to innovation orientation and innovation orientation to employees' creativity.

Hence, open leadership more affects employees creativity through innovation orientation than directly to employees' creativity. The innovation capability of firms more motivates employees to become creatives when there is open leaders who give autonomy to its employees and sharing information to its organisational members using social technology such as twitter, Facebook, WhatsApp etc.

Previous research, such as Narver et al., (2004), backs up this research finding by examining the intervening variable effect of the innovation orientation variable as an

interim variable, which is the intensive realization of innovation activities in the manufacturing sector, and thus the effects of open leadership on employee creativity. A business's innovation orientation also allows it to learn about and track customer needs, develop new products or services in response, and implement internal processes that improve customer understanding and product development, allowing it to achieve and maintain leadership in its target markets.

Furthermore, Cerne et al., (2013) also discovered that supporting innovation plays an essential mediating function in encouraging individuals in organizations to be more creative. As a result, people who value innovation and work in an environment that tolerates mistakes are more likely to be creative.

Generally, we can conclude that innovation orientation partially mediates the relationship between open leadership and employees' creativity because the indirect effect is greater than the direct effect and both values are valid and significant.

4. Conclusion

The reason behind this research was to investigate the effect of open leadership on employees' creativity with the role of innovation orientation as a mediating variable; therefore, based on the results of data processing, analysis and discussion that has been done, the researcher has concluded that the following major points about the effect of open leadership on employees' creativity.

Open leadership positively influences innovation orientation that is when institutional leaders become open leaders they can enhance the innovation capability, flexibility and openness to introduce new methods, products etc. which can enable firms more competitive in the textile industry. The openness of leaders in firm's leadership motivates employees to become creatives that could be used as a source of competitive advantage which enable organizations to provide better goods and services than competitors. The capability, openness and readiness of institutions for innovation is a critical variable to inspire every employee to create something new because the innovation flexibility like tolerating failures guarantees workers to innovate without fear of their leaders. As a result, innovation orientation that is firms readiness for innovation is a critical issue to compete in today's volatile business environment that needs creativity for better satisfying customers.

Innovation orientation has a partial mediation role between open leadership and employees' creativity. When the mediating or intervening variable innovation

orientation entered to the model the effect of open leadership on employees' creativity decreased due to the shift of influence through the mediating variable. The innovative capability of firms facilitates to participate in creative works when leaders are open to share and participate their staff through social technology such as Facebook, twitter, WhatsApp etc. Open leaders stimulate innovation flexibility, employees creative behavior and fostering organizational culture in the textile factories. In this time, the use of social technology is increasing day to day and involving or sharing leadership role to employees become mandatory for the purpose of maximizing profit or outfitting the competition in the textile industry.

The results and conclusions of this study pave the way for future scientific research in the area and increases empirical studies to the limited literature in the field. The results of the research may also broaden the knowledge on the roles of leaders in stimulating the organization's innovative activity, the employees' opinions on the leadership role in stimulating innovation in the organization and building and maintaining conducive organizational culture.

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Tables

Table 3.1 Descriptive statistics

	N	Mean	Std. Deviation
OL	327	3.5560	.54908
IO	327	3.7562	.58119
EC	327	3.8541	.45361

Source: own survey result, 2020/21

Table 3.2 the Regression Weights for Every Path Estimate

Construct	Path	Construct	Beta Estimate	S.E.	C.R.	P-value	Result
IO	←	OL	0.53	0.064	8.232	0.000	Significant
EC	←	OL	0.197	0.041	4.785	0.000	Significant
EC	←	IO	0.442	0.053	8.301	0.000	Significant

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