

# The Impact of Organisational Culture on Innovation in Nepalese Star Hotels: *The Mediating Effect of Strategic Leadership*

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## Abstract

Organisational culture drives innovation by cultivating values, behaviours, and mindsets that encourage creativity, collaboration, and risk-taking, thereby enhancing the organisation's ability to generate and implement new ideas. Strategic leadership strengthens this relationship by aligning cultural values with innovation objectives, empowering teams, and guiding organisations towards embracing change and creative solutions. This study aims to examine the impact of strategic leadership on the relationship between organisational culture and innovation in three-star hotels located in Kathmandu. To achieve this objective, data were collected from 272 managerial, assistant, officer, and junior-level employees using a structured questionnaire administered through a convenience sampling method. Data analysis was conducted using Process Macro 4, applying a 95% confidence interval and 5,000 bootstrapping samples. This study reveals that organisational culture enhances innovation by creating a supportive environment that promotes creativity, collaboration, and openness to embracing new ideas and approaches among the employees. This study also highlighted the vital role of strategic leadership in bridging organisational culture with innovation.

**Keywords:** organisational culture, organisational innovation, strategic leadership, three-star hotels

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## INTRODUCTION AND STUDY OBJECTIVES

Organisational culture and innovation are pivotal to achieving success in today's fast-paced and competitive business landscape. Organisational culture refers to the collective values, beliefs, and behaviours

that define how a company operates and interacts both internally and externally. It sets the foundation for the company's identity and influences its decision-making processes. Innovation, meanwhile, involves the development and implementation of new ideas, products, services, or processes that generate value and boost a company's

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competitive edge in the market. The studies have explored the drivers of organisational innovation, examining the factors such as individual, environmental, and structural elements (Bendak et al., 2020; Chang et al., 2021; Limaj & Bernroider, 2019; Tian et al., 2018). A significant limitation of these models is their narrow emphasis on innovation, often overlooking the pivotal role of organisational culture in shaping human factors that drive innovation. Many of these studies prioritise structural elements, overlooking how culture shapes innovative processes. The studies highlighted the critical role of organisational culture and how employees' perceptions of their organisation's values and goals contribute to promoting innovation (Giannopoulou et al., 2019; Hogan & Coote, 2014; Jaskyte & Dressler, 2005). Understanding this cultural dimension, it is essential for forming a comprehensive view about how innovation can be effectively fostered within organisations.

Innovation management is difficult because of its inherent uncertainty and unpredictability. Consequently, nurturing the culture of innovation presents a more adaptable option compared to inflexible structural frameworks (Langer & LeRoux, 2017). Organisational innovation is shaped by a variety of interconnected internal and external factors. The previous research concludes that some cultural values are more conducive to fostering innovation than others (Acosta-Prado et al., 2020; Detert et al., 2000). Cultural values that promote risk-taking, creativity, and the questioning of traditional norms along with independence, autonomy, flexibility,

adaptability, and a willingness to learn from failures are particularly effective in fostering innovation (Zeinab, 2021). The influence of culture on innovation is widely recognised in international management and organisational development, largely because of its critical role in driving commercial success and economic growth (Parveen et al., 2015; Rohlfer & Zhang, 2016). However, the discussion continues about whether strong organisational cultures facilitate or obstruct innovation. The key issue is to prioritise cultural values to promote innovation. Weak organisational cultures allow for greater flexibility in adapting to new and evolving circumstances, while strong cultures offer stability and consistency in dealing with established conditions (Legge, 1989). Strategic leadership plays a crucial role in shaping an innovation-driven culture. Leaders who support autonomy, empower employees, and encourage experimentation are more likely to see innovation flourish in Nepalese businesses, particularly in the service sector (Bhattarai, 2023). This study aims to explore the intricate dynamics between organisational culture and innovation. It posits that while culture is a significant factor, strategic leadership is equally vital in influencing innovation outcomes. Strategic leaders play a key role in aligning the organisation's vision, objectives, and strategies with evolving external conditions. They also offer the essential guidance, support, and resources that foster an innovative culture. As a result, this research suggests that strategic leadership could serve as a mediating factor in the relationship between organisational culture and innovation.

Nepal is undergoing a period of substantial economic growth and transformation, with a growing emphasis on innovation as a key driver for economic diversification and reducing dependency on traditional sectors. In this context, understanding the role of organisational culture in fostering innovation is crucial. This study aims to explore the relationship between organisational culture and innovation within Nepalese organisations, specifically focusing on three-star hotels in the Thamel area of Kathmandu. Additionally, it examines the mediating role of strategic leadership in shaping this relationship, providing insights into how leadership can enhance innovation through cultural alignment in the hospitality sector.

## LITERATURE REVIEW

This section discusses theoretical and empirical review of literature.

### *Theoretical Review*

The Resource-Based View (RBV) offers an essential framework for examining the interconnection between organisational culture, strategic leadership, and innovation. By focusing on the unique resources and capabilities of an organisation, the RBV emphasises the importance of fostering a culture that supports strategic leadership to drive innovation effectively (Wernerfelt, 1984). According to RBV, a firm's competitive advantage arises from its unique combination of resources and capabilities. In this context, organisational culture is seen as a critical intangible resource that shapes employee behaviour, decision-making, and overall performance. Hoopes et al. (2003) emphasised on organisation's capacity to

thrive in competitive environments for its long-term success. This evaluation not only highlights the organisation's strengths and weaknesses but also informs strategic decisions that enhance its resilience and adaptability in the face of market challenges. Priem and Butler (2001) analysed the essential components like products, services, and scalability to illustrate how a strong organisational culture contributes to sustained competitive advantage. It emphasises that a positive culture can shape employee behaviours to align with the company's strategic objectives, driving long-term success and adaptability in the market. Additionally, Porter (1981) emphasised the importance of leveraging resources to strengthen an organisation's competitive position and achieve its mission and vision.

Organisational culture refers to the collective values, beliefs, and norms that guide employees' behaviour and interactions (Mikalef & Gupta, 2021). A culture that encourages innovation and positivity can significantly boost collaboration, creativity, and adaptability, ultimately improving overall organisational performance. This supportive environment empowers employees to contribute their best ideas and work effectively together, leading to enhance outcomes. Organisations that emphasise continuous learning and improvement are more effectively equipped to cultivate a culture of innovation and experimentation. By prioritising these values, companies create an environment that encourages new ideas and adaptive practices, enhancing their overall capacity for growth and development. Such culture promotes knowledge sharing, encourages risk-taking, and embraces new ideas, allowing

employees to offer their unique perspectives and engage in effective problem-solving. This collaborative environment enhances creativity and empowers individuals to tackle challenges more effectively (Asbari et al., 2020). In this context, strategic leadership is crucial for aligning an organisation's resources and capabilities with its overarching goals. Competent leaders articulate a compelling vision and direction, fostering an environment where the organisation's culture, processes, and structures are tailored to support its strategic aims. By nurturing a culture that embraces innovation, strategic leaders empower employees to pursue creative solutions and drive the organisation's success (Fatima & Mohammed, 2022). They are key in identifying and utilising the firm's resources to create a sustainable competitive advantage. Additionally, strategic leaders foster an environment that encourages creativity, and knowledge sharing, which are essential for innovation (Connor, 2002). Strategic leadership significantly influences innovation within Nepalese hotels by fostering an environment of creative thinking and collaboration. Additionally, organisational culture plays a crucial mediating role in this relationship, enhancing the effectiveness of strategic

leadership in promoting innovation (Rai & Yadav, 2023). Figure 1 illustrates the research model for this study.

### *Empirical Review*

Organisational innovation involves adopting new methods, structures, or practices to improve a company's performance and efficiency (OECD, 2005). This innovation typically focuses on enhancing management systems, workplace organisation, and business processes, aiming to streamline operations and boost overall effectiveness. It is often considered alongside other forms of innovation, such as product, process, and marketing innovations. Organisational innovation can manifest in various ways. This may entail the adoption of innovative management practices, including performance-driven incentive programs and the implementation of more effective leadership styles (Kahn, 2018). In addition, it may include redesigning work processes to improve productivity, like optimising workflows or implementing advanced quality control systems. Businesses may also drive innovation by transforming their business models from a product-centric approach to a service-oriented approach or adopting platform-based strategies.

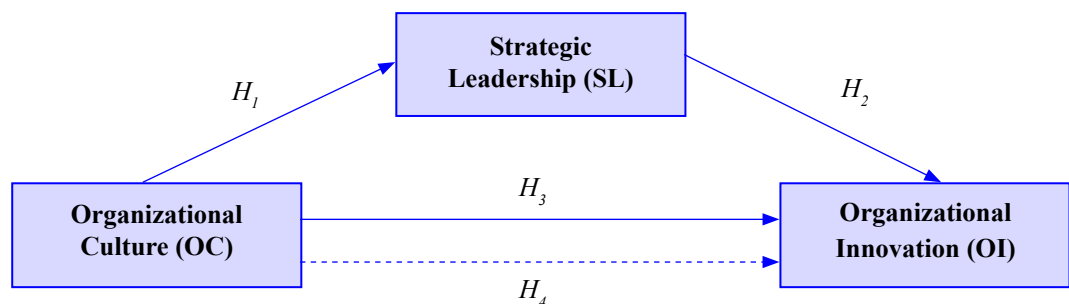


Figure 1. Model for Organisational Innovation

A key aspect of organisational innovation is enhancing knowledge management and learning within the organisation (Edwards-Schachter, 2018). To accomplish this, it is essential to create platforms for knowledge sharing, cultivate a culture of continuous learning, and implement systems that effectively capture and leverage internal expertise. Furthermore, organisational innovation often includes efforts aimed at increasing employee engagement and fostering empowerment. This may involve promoting collaborative decision-making, nurturing innovation through cross-functional teams, and implementing flexible work arrangements (Braa, 2023; Tidd & Bessant, 2020). These strategies contribute to an organisation's ability to adapt, evolve, and maintain competitiveness in a dynamic business environment.

Organisational culture includes collective values, beliefs, norms, and behaviours that influence how individuals perceive and behave in the workplace. It plays a crucial role in defining an organisation's environment and influences employee behaviour, decision-making, and interactions (Spicer, 2020; Wu et al., 2019). The organisational climate is shaped by various components, including shared values, symbols, rituals, and language. These elements collectively influence how an organisation's culture is developed and sustained, as highlighted by several theoretical frameworks such as functionalist, interpretive, and integrationist perspectives (Stojanovic et al., 2020). A supportive organisational culture is essential for enhancing employee engagement, motivation, and commitment.

When employees resonate with the core values of their organisation and feel a sense of belonging, they are more likely to experience job satisfaction and demonstrate higher levels of commitment (Coplan & Evans, 2021). Furthermore, organisational culture is crucial for fostering innovation. Cultures that promote risk-taking, open communication, and experimentation create an environment conducive to creativity, allowing organisations to remain competitive and adaptable in dynamic markets (Grover et al., 2022; Nurlina, 2022). However, managing and transforming organisational culture is a complex endeavour. It demands effective leadership, clear communication, active employee involvement, and continuous training. Cultural change is a long-term process that requires leadership alignment and persistent effort to achieve lasting success (Aisyah et al., 2022). Adhikari and Bhattarai (2019) found that a strong organisational culture positively impacts innovation in Nepalese hotels by fostering supportive and flexible cultures in implementing innovative practices and enhancing overall performance.

Strategic leadership is a comprehensive and adaptable approach that combines vision, analytical thinking, decision-making, effective communication, execution, innovation, team development, ethical practices, and a strong emphasis on continuous learning (Samimi et al., 2022). Fundamentally, strategic leadership aims to guide organisations towards long-term success by formulating and implementing strategies that effectively respond to dynamic environments, ultimately achieving a sustainable competitive

advantage. A key element of strategic leadership is establishing a clear and compelling vision that aligns and motivates the entire organisation (DeChurch et al., 2010). This vision functions as a unifying force, directing efforts towards a common objective. They assess critical factors such as market trends, competitive landscapes, technological innovations, and customer needs (Samimi et al., 2022). These analyses enable leaders to identify opportunities and threats, craft strategies that build organisational strengths, mitigate weaknesses, and ultimately enhance overall performance (Ndalamba et al., 2018; Samimi et al., 2022). In addition to strategy development, strategic leaders prioritise operational excellence to achieve their goals. They establish robust systems to monitor performance metrics, evaluate progress, and identify areas for improvement. This focus on operational efficiency ensures that resources are allocated effectively, enabling timely adjustments in response to challenges (Ali & Anwar, 2021). An essential skill for strategic leaders is the ability to clearly articulate their vision and convey it to key stakeholders. By creating a compelling narrative of what the organisation can achieve, they inspire employees, partners, and other stakeholders to work together towards shared objectives (Dong et al., 2023; Samimi et al., 2022). Khanal and Shrestha (2022) found that organisational culture significantly influences innovation in Nepalese star hotels, with a strong emphasis on creativity, collaboration, and adaptability. The study also revealed that different leadership styles play a critical role in shaping this cultural environment,

thereby enhancing innovative outcomes within the hotels. Given the above considerations, this study proposes the following hypotheses:

- H<sub>1</sub>: Organisational culture positively influences strategic leadership.
- H<sub>2</sub>: Strategic leadership positively influences organisational innovation.
- H<sub>3</sub>: Organisational culture positively influences organisational innovation.
- H<sub>4</sub>: Strategic leadership mediates the relationship between organisational culture and innovation.

## RESEARCH METHOD

This study employs a causal-comparative research design to achieve its objectives. The population of this study is all the employees who are working in different capacities of three-star hotels in the Kathmandu Valley. The sample consisted of 272 respondents selected from a population that included managerial, assistant, officer, and junior-level employees. Using a convenience sampling method, a total of 310 questionnaires were distributed, yielding a high response rate of 90.32 percent, as 280 completed questionnaires were returned (Babbie, 2016). However, only 272 responses were included in the final analysis, with eight responses discarded due to incomplete information. Hoe (2008) argued that a sample size greater than 200 is optimal for multivariate data analysis, as it increases the statistical power needed to accurately

Table 1.  
Reliability Analysis

Variables	Cronbach Alpha	No. of items	Reliability
Strategic Leadership	0.85	5	Yes
Organisational Culture	0.75	5	Yes
Organisational Innovation	0.91	6	Yes

*Note. Field survey, 2024*

Table 2  
Number of Respondents and their Respective Hotels

S.N.	Name of Hotel	No. of Respond.	%	S.N.	Name of Hotel	No. of Respond.	%
1	Alpine Hotel	8	2.94	16	Hotel Moonlight	10	3.67
2	Hotel Himalaya Yoga	8	2.94	17	Hotel Mulberry	11	4.05
3	Heritage Home Hotel	9	3.31	18	Hotel Nepalaya	7	2.57
4	Holyland Guest House	10	3.67	19	Hotel Pleasure Home	8	2.94
5	Hotel Access Nepal	5	1.84	20	Hotel Thamel	9	3.31
6	Hotel Amaryllis	6	2.2	21	Hotel Vaishali	10	3.67
7	Hotel Arts Kathmandu	12	4.41	22	Kathmandu Eco Hotel	9	3.31
8	Hotel Discovery Inn	11	4.05	23	Kathmandu Garden Home	9	3.31
9	Hotel Everest Nepal	8	2.94	24	Kathmandu Grand Hotel	8	2.94
10	Hotel Family Home	12	4.41	25	Kathmandu Suite Home	9	3.31
11	Hotel Friends Home	10	3.67	26	Kumari Boutique Hotel	9	3.31
12	Hotel Happy Home	9	3.31	27	Oasis Kathmandu Hotel	11	4.05
13	Hotel Himalaya Yoga	13	4.81	28	Pilgrims Hotel	9	3.31
14	Hotel Holy Himalaya	10	3.67	29	Thamel Grand Hotel	6	2.2
15	Hotel Marshyangdi	9	3.31	30	Yatri Suites and Spa	7	2.57

*Note. Field survey, 2024*

identify true effects and relationships among variables. The research variables were assessed using a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The relationships among the constructs were assessed and analysed using PROCESS Macro 4. To evaluate the internal consistency of the variables, Cronbach's alpha test was performed

(Cronbach, 1951). Presented in Table 1, the Cronbach's alpha values for all three variables: strategic leadership (Items = 5,  $\alpha = 0.85$ ), organisational culture (Items = 5,  $\alpha = 0.75$ ), and organisational innovation (Items = 6,  $\alpha = 0.91$ ) exceed the acceptable threshold of 0.70. It indicates the items used to measure these constructs are internally consistent and reliable (Cronbach, 1951).

Table 3  
Demographic Profile of the Respondents (N=272)

Variables	Frequency	Percent
<i>Gender</i>		
Male	163	59.93
Female	109	40.07
<i>Marital Status</i>		
Married	201	73.90
Unmarried	71	26.10
<i>Age</i>		
Below 30	43	15.81
30-40	114	41.91
41-50	93	34.19
Above 50	22	8.09
<i>Academic Qualification</i>		
10+2 Level	59	21.69
Bachelor	119	43.75
Above Bachelor	94	34.56
<i>Job Position</i>		
Junior Level	38	13.97
Assistant Level	48	17.65
Officer Level	101	37.13
Manager Level	85	31.24
<i>Job Experience</i>		
Up to 5 Years	81	29.78
5-10 Years	125	45.95
Above 10 Years	66	24.26

*Note. Field survey, 2024*

This research examines the relationship between organisational culture and innovation, with the mediating role of strategic leadership. To achieve the aim of the research data was collected from a diverse range of respondents working in different roles in their organisations. Table 2 provides a detailed breakdown of the number of participants from each hotel.

## **DATA ANALYSIS AND DISCUSSION**

### *Demographic Profile of the Respondents*

The respondents in this study have a wide range of demographic and socio-economic backgrounds. Out of 272 respondents, 59.93% are male, and 40.07% are female. Out of them 73.90% of respondents are married,



Table 4  
Descriptive Analysis and Correlation Coefficients

Study Variables	Mean	SD	1	2	3
1. Strategic Leadership	3.67	0.72	1		
2. Organisational Culture	3.63	0.66	0.68**	1	
3. Organisational Innovation	3.74	0.74	0.64**	0.70**	1

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

*Note. From Field survey, 2024*

Table 5  
Regression Analysis for SL (Mediator)

Predictor	Coefficient	SE	t	p	95% CI [LL, UL]
Constant	0.95	0.20	4.71	<0.001	[0.55, 1.34]
OC	0.75	0.05	13.77	<0.001	[0.64, 0.86]

$R^2=0.47$ ,  $F(1,270)=189.48$   $p<0.001$

*Note. SL: Strategic Leadership, OC: Organisational Culture*

*Note. Field survey, 2024*

and 26.10% are unmarried. Of them, 15.81% of the respondents belongs to the age below 30 years, 41.91% to 30-40 years, 34.19% to 41-50 years and 8.09% to above 50 years. Regarding academic qualifications, 21.69% have passed school level, 43.75% have passed bachelor and remaining 34.56% have passed above bachelor's degree. Similarly, out of the total respondents, 13.97% respondents are holding junior level, 17.65% assistant level, 37.13% officer level and 31.24% are holding managerial level positions. Regarding work experience, 29.78% of respondents have up to 5 years' experience, 45.95% have 5-10 years' experience, and remaining 24.26% respondents have more than 10 years of working experience.

### **Descriptive Analysis**

Table 4 reveals that the mean scores were 3.67 (SD = 0.72) for strategic leadership, 3.63 (SD = 0.66) for organisational culture,

and 3.74 (SD = 0.74) for organisational innovation. Measured in a five-point Likert scale ranging 1 as strongly dissatisfactory to 5 as strongly satisfactory, all the scores are above the average value of 3. Hence, they were perceived at satisfactory state by the respondents. Furthermore, the Pearson correlation analysis indicates, strategic leadership was strongly linked with both organisational culture ( $r = 0.68$ ,  $p < 0.01$ ) and organisational innovation ( $r = 0.64$ ,  $p < .01$ ). Moreover, organisational culture also showed a significant positive correlation with organisational innovation ( $r = 0.70$ ,  $p < 0.01$ ). It implies that improved strategic leadership and a strong organisational culture are linked to enhanced organisational innovation.

### **Regression Analysis and Test of Hypotheses**

The results obtained from Process Macro (See Table 5) analysis by Hayes (2022)

Table 6  
Regression Analysis for OI (Dependent Variable)

Predictor	Coefficient	SE	t	p	95% CI [LL, UL]
Constant	0.58	0.20	2.84	.005	[0.18, 0.97]
OC	0.55	0.07	7.66	<.001	[0.41, 0.69]
SL	0.32	0.07	4.89	<.001	[0.19, 0.45]
R <sup>2</sup> =0.54, F (2,269) =125.90, p<.001					

Note. OI: Organisational Innovation, SL: Strategic Leadership, OC: Organisational Culture

Note. Calculations based on data from field survey, 2024

Table 7  
Direct and Indirect Effects of OC on OI

Effect Type	Effect	BootSE	Boot LLCI	Boot ULCI
Direct Effect	0.55	0.07	0.41	0.69
Indirect Effect	0.24	0.06	0.14	0.37

indicated that OC was a significant predictor of SL [B = 0.75, SE = 0.05, t(215) = 13.77, p < 0.001, with a 95% confidence interval [0.64, 0.86]. Furthermore, the model is statistically significant and states that 47% of the variance in strategic leadership (SL) is explained by organisational culture (OC) [R<sup>2</sup> = 0.47, F (1, 215) = 189.48, p < 0.001]. Therefore, H<sub>1</sub> that states OC has a positive impact on SL is supported. Organisational culture promotes risk-taking, open communication, and experimental behaviour, creating an environment conducive to creativity that enables organisations to remain competitive and adaptable in dynamic markets (Grover et al., 2022; Nurlina, 2022).

Table 6 presents the regression outputs in which OC is an independent variable and OI a dependent variable. SL had a significant positive effect on OI ( $\beta = 0.32$ , t = 4.89, p < 0.001, LLCI = 0.19, ULCI = 0.45). This impact is significant since there is no zero between the LLCI and ULCI. Hence,

H<sub>2</sub> that states SL significantly affects OI is supported. Awan and Mian (2020) also found that strategic leadership significantly influences organisational innovation by fostering a culture that encourages creativity and collaboration. Furthermore, the table shows that OC has a significant effect ( $\beta = 0.55$ , t = 7.66, p < 0.001, LLCI = 0.41, ULCI = 0.69) on OI. It supports that OC has a positive and direct impact on OI. Hence H<sub>3</sub> is supported. Organisational culture significantly influences innovation by enhancing knowledge sharing practices among employees, which in turn boosts innovative outcomes (Zhou & Lee, 2019). OI is the dependent variable and SL a mediating variable. Additionally, the model is also statistically significant and reports that 54% of the variance in OI is explained by SL [R<sup>2</sup> = 0.54, F (2, 214) = 125.9, p < 0.001].

Furthermore, the indirect effect of OC on OI through SL (Table 6) is also significant

( $\beta = 0.24$ , bootstrapped 95% confidence interval: 0.06 boot LLCI = 0.14, boot ULCI = 0.37). This means OC affects OI both directly and indirectly. The results support a partial mediation model where SL partially mediates the relationship between OC and OI. Therefore,  $H_4$  is also supported.

### *Discussion*

This paper aimed to investigate how organisational culture and strategic leadership contribute to the promotion of innovation within organisations. Additionally, it explored how strategic leadership mediates the relationship between organisational culture and innovation. The findings revealed organisational culture significantly and positively contributes to innovation, with strategic leadership serving as a partial mediator in this relationship in three-star hotels located in Kathmandu. Organisational culture significantly influences the innovation processes within a company (Buschgens et al., 2013; Meng & Berger, 2019). An innovative culture cultivates an environment that empowers employees to generate and execute new ideas. Such a culture encourages risk-taking, open communication, and collaboration, creating an environment where employees feel empowered to explore innovative solutions and experiment with new ideas (Meng & Berger, 2019; Wu et al., 2019). Thus, a culture fosters a positive mindset towards change, encouraging employees to challenge conventional norms and pursue continuous improvement. In contrast, a conservative culture can hinder innovation by discouraging employees from taking risks or presenting unconventional ideas (Bendak et al., 2020; Tian et al., 2018). Thus, it is crucial for organisations to align

their culture with innovative practices to thrive in today's fast-paced and competitive landscape. Strategic leadership is essential for fostering innovation (Ndalamba et al., 2018). Strategic leaders establish a clear vision for innovation, cultivating a culture that encourages creativity and thoughtful risk-taking. They adeptly manage resources, build strong networks and partnerships, and prioritise continuous learning and adaptability (Pasaribu et al., 2021). Through their leadership, they create an environment that inspires employees to think creatively and pursue new ideas, ensuring that organisations remain competitive and responsive to evolving market demands.

Awan and Mian (2020) demonstrated that organisational culture significantly influences innovation, with strategic leadership enhancing this relationship by fostering a supportive environment for creativity. Similarly, Zhou and Lee (2019) found that a strong organisational culture promotes innovation, emphasising the crucial role of strategic leadership in facilitating knowledge sharing and collaboration. However, contrasting findings emerged from Hameed and Kadir (2016), who suggested that while organisational culture influences innovation, strategic leadership does not significantly mediate this relationship, implying that other contextual factors may play a more critical role. Additionally, Bock and Kim (2002) indicated that although organisational culture positively affects innovation, the mediating effect of strategic leadership is less pronounced, suggesting that elements like employee motivation and external pressures might also significantly influence innovation outcomes.

The study highlights the critical role of fostering a supportive organisational culture that encourages innovation and experimentation. It identifies strategic leaders as key facilitators, bridging the gap between culture and innovation. To foster innovation, leaders must cultivate a culture that values collaboration, embraces calculated risks, and prioritises continuous learning. By integrating these principles, organisations can formulate strategies that bolster their innovative capabilities while ensuring alignment with long-term strategic goals. Effective leaders demonstrate transformational leadership by energising and inspiring their teams, facilitating knowledge sharing, and promoting thoughtful risk-taking, all of which contribute to a vibrant culture of innovation. Furthermore, investing in a robust leadership pipeline is essential for sustaining innovation, achievable through targeted training programs, mentorship opportunities, and thorough succession planning initiatives.

## **CONCLUSION AND IMPLICATIONS**

This study investigates how organisational culture and strategic leadership impact innovation in three-star hotels located in Kathmandu emphasising the mediating role of strategic leadership. The research provides important insights into the drivers of organisational innovation in the Nepalese hospitality sector. The findings indicate that organisational culture significantly and positively affects innovation within the organisation. This finding suggests that the culture of creativity, openness to change, and

risk-taking plays a crucial role in fostering innovation. Such an environment motivates employees to develop and implement new ideas, resulting in enhanced organisational performance and improved competitiveness. Additionally, the studies indicate that strategic leadership plays a partial mediating role in the relationship between organisational culture and innovation. Leaders with a strong vision and strategic insight are crucial for aligning organisational objectives with cultural values, turning culture into a catalyst for innovation. These leaders empower employees by providing support, guidance, and resources, cultivating an organisational culture that stimulates innovation. The findings indicate that leaders who embody and promote an innovative culture foster an environment where creativity and new ideas can thrive, ultimately enhancing the hotel's competitive edge. By recognising the interdependence between culture, leadership, and innovation, hotel management can implement targeted strategies to cultivate a dynamic and adaptive organisational environment that drives sustained growth and success.

The implications of this research are significant for both theoretical and practical applications. Theoretically, it adds to the existing body of knowledge by illustrating how organisational culture and strategic leadership jointly influence innovation, particularly in the Nepalese context. Practically, it offers valuable recommendations for businesses in Nepal aiming to enhance their innovation capabilities and sustain competitive growth in a dynamic market environment.

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