

Research on the Relationship between Leadership and Innovation

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Abstract: The research aims to explore the relationship between leadership and employee innovation, team innovation, and organizational innovation by reviewing the previous literature so that it can provide a systematic understanding of the relationship. Most of the current researchers pay more attention to the relationship between one type of leadership and innovation, whereas this study reviews the literature on different leadership styles and innovations and provides concepts of them, and shows empirical findings.

Keywords: Innovation; Leadership; Employee innovation; Team innovation; Organizational innovation

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1. Introduction

This study systematically reviews the research that has explored the relationship between different leadership and employee innovation, team innovation, and organizational innovation. The aim was to gain a better understanding of the relationship in order to provide suggestions and implications for companies and managers. By utilizing the study's findings, companies can make more informed decisions and improve their competitive edge in the market.

2. Innovation

In the 1920 s, Schumpeter was among the first to define the concept of innovation^[1]. Although he has explained the definition of innovation from some aspects, there were still some debates about this topic. For example, there were inconsistent conclusions about the relationship between organizational size and innovation. To address this contradiction, Camison-Zornoza *et al.* (2004) conducted data analysis and discovered a positive correlation between organizational size and innovation^[2]. Furthermore, Lansisalmi *et al.* (2006) conducted a review of research on innovation and concluded that strong leadership, clear objectives, task orientation, and motivation positively influence innovation^[3]. Around 2005, the third edition of the Oslo Manual showed that innovation refers to the creation of new products or improvement of products, services, marketing methods, and organizational methods within or outside an organization^[4]. This definition gained recognition among various countries and researchers.

Innovation plays a crucial role in a company's development as it can enhance the competitiveness and positions the company as a strong contender in the market among numerous enterprises. By introducing new products and attracting customers, innovation allows companies to gain more market shares,

ultimately bolstering their competitiveness and leading them to an invincible position^[5]. Survival, long-term success, and overall growth of a company are heavily influenced by innovation^[6-9]. Thus, regardless of the company size or department, fostering innovative behavior is essential to gaining enough competitiveness and ensuring favorable development^[8]. Some researchers showed that innovation had a positive effect on a company's profit by improving its market share, which will improve the company's competitiveness^[10]. Moreover, companies that consistently embrace innovative practices over the long term can reap enduring benefits^[11-12].

Innovation is positively associated with company performance. Companies that possess innovative capabilities are often the first to produce innovative products and attract a large number of customers. A company's innovative products can foster strong relationships with existing customers while also attracting more potential customers, which improves product sales and market shares^[5]. In addition, a company's commitment to innovation not only promotes the research and development of new products but also enhances overall enterprise management, which contributes to the long-term development of the enterprise^[13]. Therefore, whether it's innovation in product development, management practices, or other aspects, such initiatives have a positive effect on overall enterprise performance^[14].

3. Leadership

Leadership is ever-changing and complex, so there is no consistent definition due to the diverse existing leadership theories. Each theory provides a specific and narrow perspective on leadership. For example, the definition of situational leadership theory is different from the definition of authentic leadership theory. The situational leadership theory means the leader adapts their behavior according to the employee's behavior, attitudes, and motivation^[15]. On the other hand, authentic leadership theory includes ethics, where leaders regulate themselves based on their moral judgments^[16-17]. Charismatic and visionary leaders play a significant role in guiding employees toward common goals, encouraging experimentation, allowing employees to innovate, and supporting significant organizational changes to improve performance. Even with so many definitions of leadership, it is still necessary to adopt a suitable definition of leadership. Antonakis and Day (2017, p. 5) stated that leadership is a formal or informal process that is contextually rooted and goal-influencing, occurs between a leader and a follower, groups of followers, or institutions^[18]. Leadership plays an important role in a company as it can facilitate innovation and contribute to the company's overall development. Leadership can also be seen as a group-based process in which all of the employees in an organization work together so that they can achieve a common goal^[19]. As the core and key person of an organization, a leader will promote enterprise innovation and transformation in order to create more beneficial resources for the organization^[20]. Research has shown that visionary leadership has positive effects on innovation. Crosby *et al.* (2017) stated that visionary leaders are more likely to foster cooperation and introduce innovative and novel ideas^[21].

4. Leadership in innovation

As the core and key person of an enterprise, a leader plays a vital role in achieving organizational goals and promoting organizational development. Leadership stands as a crucial factor in promoting employee innovation and organizational innovation. Leaders often identify emerging challenges and propose new ideas to encourage employees to come up with innovative solutions. Whether it's employee innovation, team innovation, or organizational innovation, the support of a leader is essential because leaders can provide new directions, new solutions, and resources needed throughout the innovation process. While leadership holds significance in fostering employee innovation, team innovation, and organizational innovation, other factors may also promote innovative behavior, such as organizational climate, colleague

support, intrinsic or extrinsic motivation, and so on. Effective leadership can adjust these factors to promote employee and organizational innovation. For example, Fernandez and Pitts (2011) found that if a company offers rewards for employees' work, extrinsic motivation will increase alongside the employees' willingness to innovate^[22]. Rewards are positively related to employee innovation, as employees will feel supported by the company to come up with new ideas. Samuel *et al.* (2017) also stated that an environment that supports innovation is conducive to employee development and effective utilization of resources^[23]. By encouraging innovation, leadership can enhance brand awareness, promote product development, promote enterprise management innovation, and promote the sound development of enterprises. Research has shown that leadership's influence on corporate performance and differentiation strategy is achieved through innovation^[23].

Leadership is an important factor for employee innovation and organizational innovation. That is because leaders will establish the development direction and strategic goals of the organization, providing a conducive environment for employees to propose innovative solutions aligned with these objectives. By setting clear organizational and individual performance goals, leaders motivate employees to achieve these targets, which builds trust and enhances job satisfaction among employees. For example, Fernandez and Pitts (2011) found that more communication between leaders and employees would stimulate employees' innovative behaviors^[22]. Through communication, employees would trust leaders more and have more confidence to complete the current task. They would also actively put forward good ideas and solutions. They also found that higher job satisfaction is more conducive to innovative behavior among employees^[22]. Different leadership types have direct or indirect effects on employee innovation. In another example, Van der Voet and Steijn (2021) stated that visionary leaders can enhance team cohesion and boundary management, thereby promoting team innovation^[24]. Lee *et al.* (2020) stated that supportive leadership has been found to have the most significant association with innovation, while authentic leadership, empowering leadership, and entrepreneurial leadership are also significantly related to innovation^[25].

Numerous researches have shown that leadership support is an important factor in promoting innovation within organizations. Yuan and Woodman (2010) stated that when employees perceive the organization's and the leadership's support for innovative behavior, they will become more confident in generating innovative ideas^[26]. This confidence will in turn positively impact the development of the organization. Engelen *et al.* (2015) stated that leaders or senior managers act as role models for employees within the organization, whereby employees will imitate their work style and attitude^[27]. Thus, when senior managers advocate innovation or engage in innovative behaviors, employees will also actively imitate these behaviors, which will promote innovation and ultimately improve corporate performance. Borins (2002) pointed out that leadership is related to innovation, the person in charge of an organization (the leader) can instill confidence in their employees, and encourage positive attitudes towards change, which contributes to improving performance^[28]. Negative employees will perceive the possibility of change, and with support from their leader, they will initiate efforts to change and improve performance. In addition, the author also proposed that leadership can create a supportive atmosphere that would encourage bottom-up innovation, so as to promote the generation of innovative behaviors within the organization. The authors stated that in the context of government institutions, supporting innovative behaviors requires the active involvement and encouragement of leaders. Only with leadership support can employees be motivated to carry out innovative actions^[29].

For front-line employees, leadership encompasses both direct supervisors and senior leaders, and support from both levels has a significant impact on employees and the organization as a whole. Some studies have found that direct supervisors have a comprehensive and clear understanding of employees and

specific tasks within the organization, while senior managers have more unique and professional insights into the overall development direction and strategic goals of the entire organization^[30-31]. However, both direct supervisors and senior managers play crucial roles in fostering employee and organizational innovation. For example, a study has found that middle managers can stimulate bottom-up innovation by implementing innovation rewards, organizing employee training, and supporting employees to participate in decision-making. On the other hand, senior managers can promote innovation by encouraging and fostering innovative ideas among their subordinates^[32]. Leaders who value team development and cohesion, seize opportunities, encourage innovative behaviors, and enhance team performance ultimately contribute to the overall development and success of the organization through their effective leadership in innovation efforts. Leadership at various levels creates an environment that nurtures innovation, leading to improved performance and continuous organizational development.

5. Conclusion

The global business environment is unstable; thus, companies face greater risks and challenges. Therefore, companies should focus on improving their core capabilities and competitiveness. Organizations can also improve their unfavorable conditions by promoting employee innovation, team innovation, and organizational innovation. Leader, as the pivotal figure of a company, should utilize their advantages to the fullest to promote employee innovation, team innovation, and organizational innovation. By doing so, corporate performance can be improved, and the corporation can be more adaptable in the ever-changing environment. This article reviews research on leadership and innovation to offer valuable advice and inspiration for enterprise decision-making.

Disclosure statement

The author declares no conflict of interest.

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