

Exploring the Role of Leadership Styles in Fostering Organisational Innovation

Xutong Li^{1,a,*}

¹*University of Leeds, Leeds University Business School, Leeds, west yorkshire, ls2 9jt, UK*

a. 3351975302@qq.com

**corresponding author*

Abstract: This paper examines the impact of various leadership styles on the development of organizational innovation within an enterprise. A structured argument has been presented where the ability of different leadership styles and paradigms to impact and foster innovation within the company has been critically assessed. The analysis reveals that certain leadership styles are more conducive to innovation; however, this does not imply that a single leadership style is the most ideal framework for it. Based on this, it can be argued that ambidextrous leadership theory should be considered and introduced, as it focuses on the combination of different leadership styles. By doing so, it can effectively facilitate and foster innovation.

Keywords: Leadership, Organisational Innovation, Transformational Leadership, Transactional Leadership, Ambidextrous Leadership.

1. Introduction

Organisational innovation refers to the process of introducing novel ideas and processes within organisation with the purpose of bring radical and fundamental changes within processes [1]. This can facilitate the improvement of the quality of products and services offered by the organization. This is exceptionally important considering the higher level of disruption within the industries and sectors, and this has called for increased volatility among businesses, as well as a result of the rapidly changing technologies and economic instability. In order to effectively manage businesses in such circumstances, it is important for organisations to develop and deploy a certain level of innovation that can enable them to secure competitive advantages [2]. Organisational innovation has been determined to be a function of organisational culture and leadership. This indicates that leadership plays a critical role in shaping the level and type of innovation capabilities present within an organisation [1]. The specific style and orientation of leadership prevalent in a company can affect both, the culture and by extension, the level of innovation. It has been argued that that an effective leader is able to develop, invent and commercialise the resources and capacities at their disposal to develop human and social capital [3]. This indicates that a leader essentially acts as a catalyst for mobilisation of the talents within a company in a manner that develops creativity and innovation. However, different leadership styles possess different modes and ideologies for fulfilling their roles as a catalyst and mobilizing talents [4]. Therefore, this paper aims to examine the role of different leadership styles in fostering this organisational innovation.

2. Discussion

2.1. Link between Leadership Styles and Organisational Innovation in the Context of Business Management

Leaders within an organisation are responsible for effective business management via their ability to influence, delegate and mobilise their followers. They are tasked with implementing and effectuating new and novel ideas within the company, which in turn foster organizational innovation. For the direct impact of leadership on organizational leadership, leaders need to create a supportive culture, ensure open communication and the development of organizational learning to create a favourable environment for the development of innovation [5]. However, leadership can also impact other factors such as the central organisational strategy, the organisational climate and overall level of learning and orientation provided to the employees that can have an indirect impact on innovation [6]. Specifically, these factors contribute to enhancing employee creativity and their sensibility to innovation [7]. In essence, the mode of leadership prevalent within a business organisation, used for directing its managerial procedures can be a strong determinant of the values, beliefs and culture of the company [8]. Moreover, the style of leadership applied is also responsible for determining how that organisation differentiates itself in terms of its operation, products and services which can ultimately act as a measure of its innovation capacity.

Organisational innovation can be guided by the leader through the creation of specific goals and provision of resources which can allow the employees to achieve those goals [5]. There are numerous leadership styles and paradigms that exhibit varying levels of alignment and efficacy in different contexts. The specific leadership style that has received the highest level of research attention in the previous years is that of transformational leadership. This style emphasises on collective interests and collective goals by invoking and inspiring high levels of motivation and morale among employees. Transformational leaders are able to create an inspirational vision for their employees and provide them with the means, tools, and opportunities to grow and help achieve that vision [9]. This capability enables transformational leaders to effectively encourage the innovation capabilities of their employees, as it is associated with their ability to motivate employees to think in new ways and engage in creative problem-solving. These leaders are adept at providing the necessary support and confidence required for challenging existing organizational processes and routines and for innovating. Furthermore, due to their motivational and nurturing nature transformation leaders are good at encouraging employees to explore new and innovative ways of working [10].

Transformational leaders are adept at promoting innovation in the company because they are good managers of change. They are able to develop a high commitment towards change within their employees by encouraging them to embrace new and creative endeavours. This approach enhances the willingness of employees to adopt the necessary organizational changes associated with innovation [11]. The effectiveness of this leadership style is highly dependent on the leader's vision. However, if this vision is characterised by a certain level of rigidity and dominance, it can suppress and discourage the emergence of alternative ideas from employees which can stifle innovation [12]. Moreover, the emphasis of this leadership paradigm on collective goals and homogeneity can often foster a conformist culture that is not conducive towards the emergence of diverse perspectives. Hence it can be readily established that transformational style of leadership can be highly beneficial for developing high levels of organisational innovation [10].

Servant leadership is another prominent leadership paradigm characterized by the development of strong emotional bonds between leaders and their subordinates. This approach is marked by a strong focus on the needs of employees. Research has shown that trust is a critical component of servant leadership, where there is a high level of trust and regard between leaders and followers [13]. This trust fosters emotional security among employees with their leaders. The characteristics of servant

leadership have been found to enhance employees' motivation to commit to and initiate new ideas and positive change, reflecting high levels of organizational innovation. Servant leaders empower their employees and allow them to gain more confidence in their role identities which enhances their innovation implementation behaviour. This is supported by an empirical study of indicating that the ability of servant leaders to foster organisational innovation is further enhanced through their ability develop creative role identities for their employees [14].

The democratic or participative style of leadership is another prominent paradigm that has been found to facilitate high levels of organizational innovation. This non-hierarchical approach favours decentralized decision-making, leveraging the intelligence, knowledge, and experience of employees by involving them in the decision-making process [15]. Participative leadership effectively enhances absorptive capacity by enabling employees to share knowledge, information, and ideas related to their tasks. This is done of by allowing employees to share, knowledge, information and ideas with respect to their tasks. This accumulation and application of critical knowledge within key organisational operations fosters a high level of creativity and innovation within the company as elaborated by Hussain et al.[16].

Existing literature has also shown the effect of transactional leadership on organizational innovation. This leadership style is characterized by a transactional exchange between leaders and followers, where desired efforts and performances are rewarded, and inadequate performance is met with penalties. Transactional leaders set clear objectives and consistently monitor the progress of their employees. This approach is praised for creating a stable and structured environment for organizational learning, which facilitates effective knowledge refinement [17]. The advantage of this mode of leadership to enable employees to undertake a higher level of learning positively contributes towards enhancing their creativity and problem solving skills which are two critical requisites for effective innovation. However, this paradigm of leadership is often considered to be too restrictive to fostering high level of organisational innovation. This restrictive nature stems from the emphasis of transactional leaders to focus on set goals and structures. This aversion lowers the probability of effective changes emerging and being adopted within the organization [18]. Unlike transformational leaders, transactional leaders are not adept at implementing effective change management, which makes them risk-averse by nature. A core function of transactional leadership is based on the closely monitoring of the performance of employees to ensure the effective implementation of the organisational goals and objectives [19]. As transactional leaders would undertake corrective action punish their employees due to the deviation from the target [20], it systematically prevents the fostering of organisational innovation.

Autocratic leadership is considered to be a restrictive leadership style where the leaders hold the principle authority and all decision-making capabilities. These leaders direct their employees to work in accordance with a set and highly structured system which prioritises results. This mode of leadership has been considerably criticised due to its controlling and restrictive nature which is stifling towards creativity, new initiatives and innovation [21]. It confines the organization's operations and all key business management processes within a predefined system. Any deviations from this system results are reprimands and subjects employees to penalties and corrective actions. Consequently, this leadership style is highly averse to change, innovation, and the adoption of new initiatives, which has a significant negative impact on organizational innovation [22].

2.2. Ability of Ambidextrous Leadership to Effectuate High Levels of Organisational Innovation

Based on the above analysis, the relationship between different leadership styles and organizational innovation has been critically examined. To effectively nurture organizational innovation, relying on a single leadership style may not suffice, which has given rise to ambidextrous models and styles of

leadership. It is worth noting that developing organisational innovation is an inherently complex process as it requires managers to reach an effective equilibrium between critical processes of searching for and testing new ideas and implementing those ideas within the practical context of their organisation [23]. This has led to the emergence of ambidextrous leadership theory that is based on the application of a pragmatic approach that transcends beyond the restrictions of one single leadership style. Ambidextrous leaders engage in certain opening behaviours, such as encouraging employees to seek out and explore new ideas [24]. These behaviours also include granting employees the discretion to undertake new initiatives. Additionally, ambidextrous leaders must engage in certain closing behaviours necessary for the successful exploitation of new ideas, such as setting clear targets for innovation, establishing rules and restricted areas, monitoring employee progress, and taking corrective action when needed [25]. This reflects an integrated approach that exhibits elements of different leadership styles and paradigms.

Leaders are required to fulfil certain exploratory and exploitative functions to effectively foster and manage innovation. High-level organizational innovation is contingent upon leaders' ability to cultivate an organizational culture that inspires and motivates employees to pursue new ideas. This ability is strongly linked with the ability of transformational leaders to influence idealisation and intellectual stimulation [26]. However, effectively utilizing these ideas and exploiting them for the organization's benefit necessitates a more structured and transactional approach, reminiscent of transactional leadership style. This highlights ambidextrous nature of this approach and how it allows for effective management of organisational leadership. This ambidextrous and pragmatic approach allows leaders to effectively pursue both radical and incremental innovation within their organisation [23]. Ambidextrous leaders bear the critical responsibility of developing organizational flexibility that fosters high creativity while simultaneously sustaining and preserving the organization's efficiency and productivity. Unlike previously discussed leadership modes, ambidextrous leaders do not adhere to a set protocol or paradigm. Instead, their actions and approaches are dynamic and ever-evolving. This necessitates a strong sense of situational awareness, allowing them to adjust their opening and closing behaviours according to the needs, context, and criticality of their organizational situation. This enables such leaders to not only effectively mobilise innovation throughout their organisation but also utilise it to secure specific competitive advantages [27]. Hence it can be readily established that ambidextrous leadership style is highly effective when fostering and sustaining organisational innovation. This approach borrows specific elements and approaches from different leadership paradigms to develop an integrated approach that can effectively cater to the complexities of this process.

3. Conclusion

This paper qualitatively investigates the effect of leadership styles and paradigms on organizational innovation and suggests that different leaderships shows have different implications. It has been determined that certain leadership styles, such as transformational leaders, participative leadership and servant leadership are able to effectively manage employees and develop an organisational climate that is more conducive towards organisational innovation. Whereas certain leadership styles such as autocratic leadership and transactional leadership have been noted to be less effective in fostering organisational innovation due to their restrictive and ridged nature. This indicates that no single leadership style alone can effectuate high levels of organisational innovation. This realization has led to the emergence of ambidextrous leadership theory which is an integrated leadership approach that combines elements of different leadership styles to create a paradigm that is conducive towards both radical and incremental organisational innovation. Ambidextrous leaders have the ability to implement certain opening and closing behaviors that promote and encourage employees to

seek and develop new ideas, while ensuring that these ideas are implemented in a manner that not only retains organizational efficiency but further enhances it.

References

- [1] Damanpour, F., 2017. *Organizational innovation. op. cit*, pp.555-590.
- [2] Azar, G. and Ciabuschi, F., 2017. *Organisational innovation, technological innovation, and export performance: The effects of innovation radicalness and extensiveness. International business review*, 26(2), pp.324-336.
- [3] Vargas, M.I.R., 2015. *Determinant factors for small business to achieve innovation, high performance and competitiveness: organisational learning and leadership style. Procedia-Social and Behavioral Sciences*, 169, pp.43-52.
- [4] Damanpour, F., 2018. *Organisational innovation: A meta-analysis of effects of determinants and moderators. In Organisational innovation*(pp. 127-162). Routledge.
- [5] Alblooshi, M., Shamsuzzaman, M. and Haridy, S., 2021. *The relationship between leadership styles and organisational innovation: A systematic literature review and narrative synthesis. European Journal of Innovation Management*, 24(2), pp.338-370.
- [6] Cortes, A.F. and Herrmann, P., 2021. *Strategic leadership of innovation: a framework for future research. International Journal of Management Reviews*, 23(2), pp.224-243.
- [7] Lee, A., Legood, A., Hughes, D., Tian, A.W., Newman, A. and Knight, C., 2020. *Leadership, creativity and innovation: A meta-analytic review. European Journal of Work and Organizational Psychology*, 29(1), pp.1-35.
- [8] Nanjundeswaraswamy, T.S., Nagesh, P., Bharath, S. and Vignesh, K.M., 2024. *Leadership theories and styles—A systematic literature review and the narrative synthesis. Human Resources Management and Services*, 6(3), pp.3477-3477.
- [9] Chen, L., Zheng, W., Yang, B. and Bai, S., 2016. *Transformational leadership, social capital and organisational innovation. Leadership & Organisation Development Journal*, 37(7), pp.843-859.
- [10] Alrowwad, A.A., Abualoush, S.H. and Masa'deh, R.E., 2020. *Innovation and intellectual capital as intermediary variables among transformational leadership, transactional leadership, and organisational performance. Journal of Management Development*, 39(2), pp.196-222.
- [11] Para-González, L., Jiménez-Jiménez, D. and Martínez-Lorente, A.R., 2018. *Exploring the mediating effects between transformational leadership and organisational performance. Employee Relations*, 40(2), pp.412-432.
- [12] Imran, M.K., Ilyas, M. and Aslam, U., 2016. *Organisational learning through transformational leadership. The learning organisation*, 23(4), pp.232-248.
- [13] Ekmekcioglu, E.B. and Öner, K., 2024. *Servant leadership, innovative work behavior and innovative organisational culture: the mediating role of perceived organisational support. European Journal of Management and Business Economics*, 33(3), pp.272-288.
- [14] Erkuğlu, H. and Chafra, J., 2015. *The effects of empowerment role identity and creative role identity on servant leadership and employees' innovation implementation behavior. Procedia-Social and Behavioral Sciences*, 181, pp.3-11.
- [15] Hilton, S.K., Arkorful, H. and Martins, A., 2021. *Democratic leadership and organisational performance: the moderating effect of contingent reward. Management Research Review*, 44(7), pp.1042-1058.
- [16] Chang, Y.Y., Hodgkinson, I., Hughes, P. and Chang, C.Y., 2019. *The mediation between participative leadership and employee exploratory innovation: Examining intermediate knowledge mechanisms. Leadership & Organisation Development Journal*, 40(3), pp.334-355.
- [17] Prasad, B. and Junni, P., 2016. *CEO transformational and transactional leadership and organisational innovation: The moderating role of environmental dynamism. Management Decision*, 54(7), pp.1542-1568.
- [18] Hussain, S.T., Abbas, J., Lei, S., Jamal Haider, M. and Akram, T., 2017. *Transactional leadership and organisational creativity: Examining the mediating role of knowledge sharing behavior. Cogent Business & Management*, 4(1), p.1361663.
- [19] Tavanti, M., 2008. *Transactional leadership. Leadership: The key concepts*, pp.166-170.
- [20] Supriadi, O., Musthan, Z., Sa'odah, R.N., Haryanti, Y.D., Marwal, M.R., Purwanto, A., Mufid, A., Yulianto, R.A., Farhan, M., Fitri, A.A. and Fahlevi, M., 2020. *Did transformational, transactional leadership style and organisational learning influence innovation capabilities of school teachers during covid-19 pandemic. Systematic Reviews in Pharmacy*, 11(9), pp.299-311.
- [21] Sacavém, A., Cruz, R.V., Sousa, M., Rosário, A. and Gomes, J.S., 2019. *An integrative literature review on leadership models for innovative organisations. An integrative literature review on leadership models for innovative organisations*, pp.1741-1751.
- [22] Costa, J., Pádua, M. and Moreira, A.C., 2023. *Leadership styles and innovation management: What is the role of human capital?. Administrative Sciences*, 13(2), p.47.

- [23] Berraies, S. and Zine El Abidine, S., 2019. Do leadership styles promote ambidextrous innovation? Case of knowledge-intensive firms. *Journal of Knowledge Management*, 23(5), pp.836-859.
- [24] Jia, X., Chen, J., Mei, L. and Wu, Q., 2018. How leadership matters in organisational innovation: a perspective of openness. *Management Decision*, 56(1), pp.6-25.
- [25] Gerlach, F., Hundeling, M. and Rosing, K., 2020. Ambidextrous leadership and innovation performance: a longitudinal study. *Leadership & Organisation Development Journal*, 41(3), pp.383-398.
- [26] Haider, S.A., Zubair, M., Tehseen, S., Iqbal, S. and Sohail, M., 2023. How does ambidextrous leadership promote innovation in project-based construction companies? Through mediating role of knowledge-sharing and moderating role of innovativeness. *European Journal of Innovation Management*, 26(1), pp.99-118.
- [27] Jia, R., Hu, W. and Li, S., 2022. Ambidextrous leadership and organisational innovation: The importance of knowledge search and strategic flexibility. *Journal of Knowledge Management*, 26(3), pp.781-801.