

## INNOVATION LEADERSHIP AS A KEY SKILL IN BUSINESS

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### **Abstract**

*Innovation leadership is a key concept in modern business world. It consists of different leadership styles which are useful to influence people to be more creative, productive and to work better in teams. Innovation leadership can be properly used to support organization vision and mission. The leaders need innovation leadership for themselves as they are managing in unpredictable and uncertain circumstances. The current paper underlies the importance of innovation leadership and innovative thinking in challenging modern business world.*

**Key words:** *innovation, leadership, management, business, effective leadership*

In today's fast moving and complex global business environment the ability to innovate and deploy faster and more profitability than competitors is now a requisite for growth and success. For many companies moving to dynamic-innovation is more difficult for many reasons which include customer base, a complex mix of products and services, and a focus on minimizing risks and a traditional static-control culture.

Innovation leadership is still new concept in business and the modern society. It consists of different leadership styles which can be used in organizations to influence people to be more creative, productive, to find better solutions and to work better in work groups as a team. The major role in this concept is leadership role. The future of business and leadership is innovation leadership because if the organization is managed well, the success will follow.

As a part of organization behavior and development, innovation leadership can be properly use to support organization vision and mission. It is not only to have great structured organization or business unit; it is needed more for organizations to survive in a new technological society. The leaders need innovation leadership for themselves as they try to operate in challenging, uncertain and unpredictable circumstances. They should also support an organizational climate for innovation within organizations.

To clarify the meaning and concept of innovation leadership first we should clarify what the innovation is? Some researchers explained innovation as the application of new solutions that meet new requirements. The term "innovation" can be explained as something original and new that "jump in to" the market or into society (Frankelius, 2009). Sirett and Lammiman, pointed that innovation is a process of mixing incomparable things in order to find new practices of using them. Innovation includes three different stages: idea generation, evaluation, implementation (Cushenbery, 2011).

As a result innovation leadership is a complex concept and we cannot find a way or formula how dramatically to increase innovation. Innovation leadership consists of different roles, activities, actions and behaviors which interact to produce an innovative product. The managers in organizations know that they have to change the way they work and manage the work teams. It is needed more than just driving results at a tactical level, the innovative leaders search and invents new rules, strategies and decisions and that give them a competitive advantage for developing a new industries, markets, services and products.

Innovation leadership theories are connected to huge amount of theories in the field of psychology, sociology, management and organizational behavior. Innovation leadership roots can be found in well-known Path-Goal theory (House, 1996). The main point of the theory is usage of different types of leadership styles (e.g. participative, supportive) such as innovative leader does, but also put emphasis on environmental factors, employees and organization culture for more effective leadership. The

innovative leader allows innovative thinking and that process helps creation of specific work climate which support the cognitive process of generating novel and useful ideas. To prolong this type of leadership and to establish supportive work climate the innovation leader should encourage the creative team to invent and generate as many novel ideas as possible and to continue to evaluate and implement the ideas.

Leader-member exchange theory is one of the most important theories that explain innovation leadership. It follows the idea that different leadership styles are important to manage the employees but involves adopting a unique management style for each person. Some studies indicate that leader-member exchange theory can predict some variables such as higher job satisfaction and higher work team efficiency and have an effect on innovation leadership (Green, 1997).

Organizational culture is also mediator of the relationship between leadership and organizational innovation. Transformational leadership has an effect on organizational innovation and the organization should have an innovative work climate and culture to help the leader to show innovative behavior (Simosi, 2006).

Emotional intelligence is the ability to identify, assess and control the emotions of oneself of others, and of groups (Crede, 2010). Very important for innovative leader is to be sensitive and to identify and encourage the creativity. Encouragement of creativity has three major levels. The first level is organizational encouragement. This involves encouragement of taking risk and generating ideas of all levels of management. The next level is supervisory encouragement which explains the roles of managers in goal clarifying and goal reaching and put emphasis on close interaction between leaders and employees. Work group encouragement is the third level of encouragement. Innovation leadership style is the manner to support the diversity of work teams and openness to different ideas. Exposures of variety of novel and unusual ideas have a positive effect on creative thinking (Parnes, 1972).

Some studies indicate that innovation leadership has two components: an innovative approach to leadership and leadership for innovation. An innovative approach to leadership means that for innovation leader is important to represent a new thinking and adaptive leadership style. The innovative leaders should learn how to support and create innovation organizational climate which stimulate new approach in solving problems and developing new products.

For innovative leader is important to establish creative work place. Creative work can occur at any time but often occur in jobs that required innovative solutions (Quin, 1999). Creative workplace is needed for innovation leadership to be successful. Creative workers are often characterized as highly valuing their autonomy and have behavior characteristics as openness, flexibility, self-confidence and introversion (Fiest, 1999).

Various leadership styles play an important role in innovation behavior and leadership. Usually associated which innovation leadership styles are transactional leadership, transformational leadership, and ambidextrous leadership. The transformational leadership is most strongly associated with innovation leadership and behavior.

Value-added innovation (PwC, 2010) involves revising existing product or service and required minimal risk-taking and it is more appropriate for a leader for innovation to adopt a transactional form of leadership (Qke, 2009). Transactional leadership use closed leadership behavior which does not remit or reward risk-taking. Companies as Toyota, General-Motors and Ford use transactional leadership for value-added innovation purposes. Value-added leadership proposes a new way of behavior, thinking and taking risk. The innovative leader should involve creative thinking in order to resolve complicated situations and reach new goals.

Exploratory innovation means generations of novel ideas, strategies. Exploratory innovation is connected to innovative leadership-It is connected with searching, discovering and implementing the new ideas and processes in work life. Different leadership styles are appropriate in various situations. Some researches support the idea that brainstorming session or in idea generation processes the innovative leader should use the transformational style of leadership (Anderson, 1990). Open leadership style helps to unconventional ideas to be encouraged and accepted.

Innovative leadership supposes creative suggestions and ideas implemented in daily work life. The clear and concrete goals and different organizational resources are important part of innovative leadership. Some other principles of innovative climate in organizations are establishing a supportive climate for novel and unconventional ideas, providing a reward to employees for innovative ideas, trainings and brainstorming sessions.

The model of direct and indirect leadership influences on the processes of innovation is considered to be connected with innovative leadership (Cushenbery, 2011). Indirect leadership style influences the individual creativity and original thinking (idea generation phase) and work team creativity (evaluation phase). Direct leadership influence affect work team creativity (evaluation phase) and the organizational innovation process (implementation phase). The individual creativity (generation phase) represents the process of individual generating ideas and proposing them to the work team. The team creativity (evaluation phase) represents the process of team taking the idea, discuss the alternatives ways and simulate some possible situations. On the other side, the organizational innovation represents taking prototypes, simulations and tests and mixing them.

This model tried to explain how important factor is organizational structure and culture for innovation but put two important key points. All of these stages and factor (idea generation, evaluation and implementing) are not independent of one another. The stages in the model should not be viewed as a permanent factors or activities, there are other backward and forward activities affecting these three stages.

When we discuss innovative leadership we should discuss also the advantages and disadvantages of being innovative. This type of leadership requires high level of emotional intelligence in order to “feel” the changes. On the other hand, the leader have to preserves a delicate balance to two opposite positions-to encourage and corroborate innovation ideas and to limit and include only the most useful and beneficial for the organization ideas. The innovative leader should poise between different interest, work groups, department managers and individuals. The opposite roles which the leader should meet arise in the specific process of evaluating ideas-the leader establish creative work climate and in the same time to realize that not every creative ideas are useful for the organization.

Juggling with team work conflicts in organization is other challenge. Researches based on creative personality cohesion find that creative employees generally prefer autonomy or to work alone (Fiest, Gorman, 1998). This situation illustrates the great challenge that leaders should deal to submit autonomy to creative works while in the same time try to keep them in work groups and save group norms and group cohesion. Vision autonomy paradox in innovation leadership explains the need of the leader to delegate enough time, autonomy and rights to a team and individuals, while and the same time keep the work team structure and organizational culture. To keep the regular organizational structure can affect negatively to those workers who feel that working in this structure destroy their creativity and freedom. This situation creates restriction freedom paradox described in some studies.

How to induce the innovative ideas is typical question which appear every day. The answers when we discussing innovation are probably connected with motivation of people. Some researches pointed out the need of providing extrinsic motivation, which means that the innovative leader should provide external stimulus as bonuses and salary increase. On the other hand, extrinsic motivation is less stable than intrinsic motivation which generally comes within the employees. The great importance of motivation is based on findings that intrinsic motivation is a key factor in facilitating creativity while extrinsic motivation factors may even diminish innovation and have unclear correlation with creativity (Baem, Oldham, Cummings, 2003).

Some studies point out that there are some innovation leader characteristics. The first important rule for innovation leader is paying attention. Paying attention is the ability to see under visible things, consider different points of view and looking more deeply at the situations. The next important thing is personalizing. At work, managers tend to lessen the value of personal and individual experience. The ability to seem unrelated personal experience introduces fresh perspective on new challenges. The cognitive psychologists notice that imagining help the human brain to process information. Imagery is

a great way to take vast amounts of information. So, for the innovation leaders is important to try to generate knowledge through nontraditional ways.

Innovative thinking is not based on past experience or well known facts. It is consist of the ability to be emotional sensitive, to imagine a desired future and to find out a way to get there. It is intuitive and open way of thinking and it is a crucial addition to typical business thinking. The benefits of being innovative leader are inspiring employees to create, implement, and even evaluate novel ideas. The new solutions and decisions can be provided. Inspiring innovation leadership may ultimately lead the organization to the new horizons.

When people in organization faced with problem our instinct is to repair it with order. We examine and analyze the situation looking for logic and rational. Unfortunately the rapid analysis and typical decision-making that most managers use to manage and control their organizations has serious limitations. As situations and problems become more complex and complicated and don't resemble previous situations we don't recognize the situation. What worked before doesn't work today. To make effective sense of unfamiliar situations and changes we must have a view of a whole situation, including its variables, unknown and mysterious forces. This requires skills beyond everyday situations, it requires innovation leadership.

Business thinking is based on deep research, formulas and logical facts. A lot of managers use logical and deductive and inductive reasoning as most of us look for proof of precedent to inform decisions. Business orientated people are often quick to make decisions and looking for the right answer among the wrong answers. Business thinking is about removing ambiguity and driving results. But ambiguity cannot be managed away. Driving results is impossible when the situation is unstable, unpredictable or the challenge is complex or the direction is unclear. Many of today's leadership problems are pressing and demanding quick and decisive decisions. In the same time they are so complex that we can't just find the right solution. Because the managers or individual does not know how to act there is need to slow down, reflect and approach the situation in an unconventional way using innovative thinking.

Innovative thinking is not reliant on past experience or known and popular facts. It represents a desired future state and figures out how to get there. It is innovative and open to possibility. Rather than just identifying right or wrong answers, the goal is to find a better way and explore multiple possibilities and decisions. Innovative thinking is crucial addition to traditional business thinking. It allows managers to find and bring new ideas and energy to individual role in organizations as a leader and to solve different challenges. It also paves the way to bring more innovation into business.

<b>BUSINESS THINKING</b>	<b>INNOVATIVE THINKING</b>
Traditional business thinking	Innovative thinking
Logical	Intuitive
Deductive/inductive reasoning	Abductive reasoning
Requires proof to proceed	Asks what if
Looks for precedents	Unconstrained by the past
Quick to decide	Holds multiple possibilities
There is right and wrong	There is always a better way
Uncomfortable with ambiguity	Relishes ambiguity
Wants results	Wants meaning

Innovative leaders ask questions such as what they trying to achieve and how, how to accomplish their goals and what people and resources do they need to make it happen. By weaving together the

leadership process with the design process Center for Creative Leadership have identified six innovative thinking skills. Using these skills, organizations are able to create something that is useful and desirable- whether is a breakthrough technology, a valuable service or a fresh solution to an existing problem. Each of these skills shifts our understanding of situation and opens the door for new approaches and solutions.

1. **Paying attention** – first impression and assumptions are not the whole picture so they don't lead to an accurate assessment or best solution. Paying attention is the ability to notice what has gone unnoticed. It shows looking more deeply more deeply at a situation, being a clear-eye observer, perceiving details and seeing new patterns. Paying attention begins with slowing down in order to be more deliberate in grasping the situation. Considering different points of view and looking and listening for new alternatives.
2. **Personalizing** – we tend to undervalue individual and personal experience. The concept of personalizing elevates it, seeking insight from the human experience. For innovative thinking, personalizing is twofold process: tapping into our own broad scope of knowledge and experience and understanding our customer in deep, personal way. The ability to tap into personal experiences and passions introduces fresh perspective on challenges. Personalizing draws on our interests, hobbies or avocation and applies them to work. The customer side of personalizing is the ability to understand customers and employees in a full and real way.
3. **Imaging** – is a tool to help us process information. Words by themselves are usually not enough for making sense of complexity or vast amount of information. Imagery is a very good way to take it in and make sense of it. Pictures, stories, impressions and metaphors are powerful tools for describing situations, constructing ideas and communicating effectively. Using our imagination to answer the question “what if” can lead to extraordinary images and possibilities.
4. **Serious play** – business thinking and routine work can become a rigid process. Innovation requires bending some rules, going out, having some fun. When we generate knowledge and insight through nontraditional ways – free exploration, improvisation, experimentation work feel like play but the results and serious business.
5. **Collaborative inquiry** – innovations are rarely made by a “lone genius”. Insights come through thoughtful sharing of ideas. Collaborative inquiry is a process of sustained, effective dialogue with those who have a stake in the situation. Drawing on a variety of stakeholders and points of view can contribute to the complexity, but it is also the source of much opportunity. The focus involves asking searching questions and exercising critical thinking without always expecting immediate answers.
6. **Crafting** – innovation leadership inquires us to shed either or thinking and see the whole as inclusive of opposition and open to third solution. The practice of crafting allows us to live with and resolve paradox and contradiction. Unlike the traditional analysis of business thinking – which requires us to break down problems into separate pieces, known facts and current assumptions – crafting is about synthesis, integration and possibility. Through what is called abductive reasoning, we can make intuitive connections among seemingly unrelated information and begin to shape order out of chaos (CCL, 2009).

<b>TWO SIDES OF THE SAME COIN</b>		
Design	Innovative thinking skill	Innovative leadership
Interpretive: look for different perspectives	Paying attention	Perceive more deeply, beyond first impression
Personal : consider the customer point of view	Personalizing	Tap into personal experience to gain fresh perspective
Abductive: redefine the	Imaging	Bring information to life

problem, ask what if		through use of metaphor
Experimental: rapid prototyping, make solutions feel real	Serous play	Generate insights through exploration and experimentation
Collaborative: share insights and ideas	Collaborative inquiry	Foster productive dialogue by embracing diverse viewpoints
Integrative: consider the whole	Crafting	Synthesis, rather than analysis

In the modern business world people across the industries, business organizations, functions, experience and background a lot of studies underlie that everyone has the ability to develop and use innovative thinking skills. There are three ways to begin experimenting with innovation are to reframe the challenges, focus on the customer and create a prototype solution:

- **Reframe the challenge** – innovative thinking can be used to redefine or reframe the problem. This is not a cosmetic or semantic change; it is a process of re-examining the situation. Often the problem we are focused on isn't the most important problem. By looking at the problem in a different way, we gain clarity and insight. By reframing problems we uncover new places to innovate or new angles to take. To reframe the challenge, draw on several of the innovative thinking skills, ask powerful questions and change assumptions.
- **Focus on the customer experience** – for all the customer-focused efforts in today's organizations, very few starts with a really deep, empathetic understanding of the customers' needs. Even the most sophisticated market research operation does not replace first-hand understanding of what is going on in customer's life and how it is affected by your product, process or service. This is also an important perspective to take when your customers are employees, coworkers. The deeper understanding of customer's need comes from interacting with him in his real environment.
- **Practice rapid prototyping** – building and testing something new – jumps past information overload and endless analysis to provide feedback and knowledge that in traditional business processes can take months or years. Rapid is contextual. Some prototypes are put together in hours, others in months. The key is to create a small team to bring together their knowledge and work quickly. Rapid prototyping is common in product development and design but it can work or try out new services or even internal operations (Horth, 2002).

Applying innovation leadership and thinking is a step in creating an innovative organizational response to change and challenge. Developing a culture of innovation where others throughout the organization apply innovative thinking to solve problems and develop new products and services requires additional work. Some researchers believe that there are three tasks of leadership as setting directions, creating alignment and building commitment. When direction, alignment and commitment are created around innovation, organizations emerge as more productive and more innovative. Leadership for organizational innovation requires:

- **Organizational encouragement** – an innovative organizational culture has a shared vision for innovation, demonstrates fair, constructive judgment of ideas, rewards and recognizes innovative work and has mechanisms for encouraging and developing an active flow of ideas.
- **Lack of organizational impediments** – a culture that encourage innovation is one whose leaders actively remove organizational barrier to innovation. Internal political problems, harsh criticism of new ideas, destructive internal competition are minimized or eliminated. Other impediments to innovation include: an avoidance of risk, a fear of failure, an overemphasis on the status and existing processes that crush new ideas.
- **Leadership encouragement** – innovative leaders are show support and confidence in the work and value individual contributions. They nurture and promote creative people. Leaders encourage innovation when they protect and participate in the innovative process by neutralizing negative

people, watching out for corporate systems and responses that quash innovation and by using innovative thinking in their own work.

- **Sufficient resources** – innovation become a priority only when people are given access to appropriate resources, including funds, materials, facilities and information.
- **Realistic workload** – expectations for productivity should be realistic and free from extreme time pressures or distractions.
- **Freedom** – innovation expands as people feel a sense of freedom in deciding what work to do or how to do it.
- **Challenging work** – a sense of being challenged by work on important projects is conducive to both innovation and productive. Set big outrageous goals and assign difficult work – but be sure the systems and structures that support innovation surround the work.
- **Teamwork and collaboration** – people in innovative organizations communicate well are open to each other’s ideas and support each other in shared work. Set up space and processes that encourage interaction, easy exchange of ideas, fun and serious play (Buchner, 2009).

Research of Pennsylvania State University included a survey of the literature and interviews with leaders and innovation experts, retailers and manufacturers. In summary they found some common statement for innovation leaders:

- Take ownership to drive through the organizations with passion and dedication for the product and brand;
- Have the ability to alternate between the creative mind and the technical/operational;
- Are consumer-focused;
- Possess curiosity, intuition and flexible problem-solving;
- Provide technical competency and functional expertise;
- Can effectively manage the creative process, collaborate, simplify and inspire

Successful innovation leader employ a common set of best practices that allow them to navigate between generating creative, consumer –focused insights and making hard, analytical decisions about feasibility and strategic fit. The best innovation leaders know how to work with cross-functional teams to allow the process to happen as broadly as possible, pulling ideas from outside, protecting the “wild idea” and creating a safe environment to make mistakes and have innovative ideas. These best practices help to set project team expectations and provide a compass for each stage of the product development process (Hunter, 2012).

<b>BEST PRACTICES</b>	<b>WORST PRACTICES</b>
Ground idea in consumer need	Take consumer input a face value
Align strategically and operationally	Lack of portfolio management
Use the Stage-gate process	Change mind without rationale
Build strong cross functional team	Keep ideas secret
Experiment and cut losses early	Get stuck in the idea
Work within needed timeframe and prices	Lack insight into timing and price
Communication and project management	Negativity
Plan for risks, disasters and contingencies	No learning from mistakes

In addition to establish a climate for idea generation, innovation leadership also requires leaders to ensure that the process of idea generation does not overshadow the evaluation and implementation processes. During these phases of leadership, leaders should support some ideas while discarding other ideas and put the supported ideas into production. The role of the leader is to shift away from a transformational style to a more transactional style of leadership, which involves being more direct and critical toward the ideas generated. A modern leader should ensure that constructive discussions of innovative ideas are taking place among their subordinates. The leader needs to adopt what are known as closed leadership behaviors in order to achieve this; instead of stimulating idea generation, he or she must shift the focus away from generating new ideas toward fine-tuning existing ideas in the interest of achieving progress toward the goal at hand and ultimately implementing the idea.

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