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Leadership and Innovation - How Can Leaders Create Innovation-Promoting Environments in Their Organizations?

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Abstract

Innovation is considered to be among the most relevant success factors for companies in the contemporary business environment. Thus, finding strategies and approaches to foster innovation becomes a crucial challenge for managers and leaders alike. The present paper aims to showcase, how the working environment shaped by the present Covid-19 crisis with its enforced work-from-home-setting influences innovation processes. Therefore, an extensive literature review is conducted, where in a first step the challenges of leadership within a telework-environment are established. The author therein explains the differences between classic approaches towards this mode of virtual collaboration and the pandemic-induced, often mandatory approach to telework utilized throughout the pandemic. This leads to a description of how – especially in times of the Covid-19 pandemic – innovation becomes even more crucial for organizations not only in the medical field, as they need to react to a changing environment and, accordingly, changing customer needs. Leadership challenges of finding ways to create and shape innovation-friendly work environments and organizational cultures given the limitations of the situation, are presented and critically discussed.

Keywords: leadership, organizational culture, openness and creativity, promoting innovation

Introduction

1. Problem Statement

The COVID-19 crisis led to significant changes both within the business environment and the societal life (Singh & Singh, 2020; Verma & Prakash, 2020). Working

conditions shifted towards telework-models, as this research paper aims to showcase and explain, with this shift implying new challenges for leaders and employees alike (Bartsch, Weber, Büttgen & Huber, 2020; Caringal et al., 2021). Telework and work from home, as Belzunegui-Eraso and Erro-Garces (2020) describe it as an adequate and governmentally mandated response to the pandemic, with extensive consequences. „The organization of work was profoundly disrupted during the COVID-19 pandemic, especially when the authorities decided to confine the population in order to contain the coronavirus "(Dolce, Vayre, Molino & Ghislieri, 2020, S. 1). This situation is also intended to form the fundamental starting point for the present research work: The situation described by Waizenegger, McKenna, Cai and Bendz (2020) not only represents a challenge for employees themselves, but can also be perceived as correspondingly difficult for managers in this context. The implementation of these new working conditions, which are partly based on legal requirements, thus seems to require appropriate management approaches on the one hand and technical and digital prerequisites on the other, which have already been described as relevant by Kwon and Jeon (2020) with regard to the use of teleworking models per se.

The present work seeks to apply the findings in regard to leadership within the context of enforced telework to the topic of innovation. As the pandemic continues and subsequently working conditions remain influenced by the crisis and its countermeasures, innovation pressure on most organizations stays a competitive challenge (Argüelles et al., 2021; Iivari, Sharma & Ventä-Olkkonen, 2020). While authors such as Woolliscroft (2020) or Abi Younes et al. (2020) explain, that especially for the medical field innovation became imperative throughout the crisis, it can also be argued that the general necessity of innovation and of innovative business models remained unchanged or even strengthened over the course of the crisis (Lee & Trimi, 2021). Rather, with a gaze towards the increasing shift towards digitalized business approaches, not only in regard to collaboration but also to customer interaction (Karpen & Conduit, 2020), it can be argued, that the crisis led to a distinct increase in the need for innovation for most companies. This, however, seems complicated by the new working conditions, which require strong adaptive capabilities. The present work therefore seeks to foster understanding, how leaders can foster innovation not only within their general strategic approach, but also within the contemporary work environment shaped by a global health crisis and the subsequent *enforced work from home* (Waizenegger et al., 2020).

2. Leadership and Telework

Along with the general effects of the COVID-19 crisis on working life summarized in the introduction to this research paper, it is worth noting that the disruptions mentioned at the beginning of this article also compelled the use of home office and teleworking models: „Companies had to accelerate something they knew was

imminent in the future, but not immediate and extremely humongous. This situation poses a huge challenge for companies to survive and thrive in this complex business environment and for employees, who must adapt to this new way of working" (Contreras, Baykal & Abid, 2020, S. 1).

This issue may be handled from a broad business viewpoint through the lens of economic statistics, but also via the lens of leadership conduct. As Contreras, Baykal, and Abid (2020) suggest, the widespread adoption of such work models needs the development of appropriate leadership techniques capable of upholding modern leadership ideals even in the event of solely digital communication. Telework may thus be viewed as an opportunity or an advantage for businesses who successfully use such a management strategy, even in light of the current economic crisis. Kirchner, Ipsen, and Hansen (2021) underline the need of businesses adapting to this new normal and establishing appropriate communication and cooperation forms capable of sustaining employee motivation and loyalty in this environment.

As a challenge, in addition to changing leadership roles, infrastructural aspects of telework should also be pointed out. Bouziri, Smith, Descatha, Dab & Jean (2020), for example, explain that health concerns need to be considered in the context of the crisis, which should be emphasized, for example, by referring to the health-promoting design of the workplace. In this regard, in many situations, especially at the beginning of the crisis, the necessary equipment at the home workplace was not always available, which would have enabled employees to continue working in an ergonomic way that was not harmful to their health. The health context, which must be taken into account in the context of the COVID-19 crisis, is also reflected with regard to mental health, the authors further argue: The crisis situation with its strong social and financial consequences for individuals also represented an increased stress experience for them in many cases, which can lead to corresponding stress-related consequences with regard to mental and physical health, as can be emphasized, for example, with reference to the job-demands-resources model. Within the framework of this model, Demerouti, Bakker, Nachreiner, and Schaufeli (2001) explain that the stress experience of a working person depends on the relationship between the available resources (e.g., support) and the demands. In this respect, the COVID-19 crisis seems to have had an unfavorable impact on both aspects of this model, since in many places the stress caused by the changeover to a new form of work is increasing, while some of the existing resources are disappearing. Managers must therefore succeed in taking these aspects into account as well.

Infrastructure, as mentioned in the introduction to this section, also refers to the necessary IT infrastructure that enables digital collaboration. In addition to the need for a fundamental technical infrastructure that permits such working models (see also the comments by Butcher-Powell, 2006, or Bélanger & Allport, 2008, with regard to the basic technological conditions of digital collaboration), the debate on cyber

security and data security in particular becomes relevant in this context (Katsabian, 2020). Companies as well as their employees must ensure that data access to necessary information is also possible in principle from the home office, although the security of the data to be transferred must not be jeopardized here. Older reports such as the Absolute 2019 Global Endpoint Security Trend Report (Ahmad, 2020) show that this is a difficulty, suggesting that a significant proportion of endpoints do not meet the necessary security standards, which seems to apply in particular to mobile devices and users' private endpoints. This only partially available and secure IT infrastructure represents an additional challenge for many companies and their personnel in dealing with the crisis, as Ollo-López, Goñi-Legaz, and Erro-Garcés (2020) also note, pointing out that the necessary environmental conditions must also be created when teleworking is introduced abruptly.

3. Innovation and its Precursors

3.1 New Business Models and Their Relevance

Innovation is often regarded as a critical engine of modern economies – and not only for start-ups (Atkinson & Mayo, 2010). Additionally, innovation is regarded as the most essential predictor of corporate success: inventive businesses are more successful on average, are more successful in the eyes of the public, and are more sustainably successful (Van der Panne, Van Beers & Kleinknecht, 2003).

Highly creative businesses are attractive not just to investors (Kochhar & David, 1996), but also to potential consumers and partners (Albrech, 2011). Tian and Wang (2011) begin their study article on innovation and fault tolerance by claiming that "innovation is vital for the long-run comparative advantage of firms" (p. 211). At the same time, the authors stress that innovation is difficult for the majority of organizations since it requires an innovation-friendly atmosphere and culture.

Of course, innovation is also connected with increased risk. As Albrech (2011) points out, the situation is particularly complicated for small and medium-sized firms (SMEs) (and consequently start-ups). On the one hand, as previously indicated, innovation is inextricably linked to success. On the other side, innovation is inextricably linked to financial risks, since new product creation is costly and continues to be so throughout the development process (Clark, Chew, & Fujimoto, 1987) – an insight that leads to Müller and Thoring's (2012) recommendation to fail early. This signifies early development failure, i.e. when less money is committed initially than afterwards. This also suggests the importance of current innovation procedures capable of providing developers with critical feedback early on. This is also demonstrated by the study of Hultink, Hart, Robben, and Griffin (2000), who discovered that for every successfully generated creative product or service, an additional 10 ideas or alternative concepts must be sorted out in advance. The vast number of failures necessary to achieve success demonstrates the vital nature of early

failure: Only by early weeding out concepts that are highly improbable to succeed will a business be able to sustain these numbers.

3.2 Leadership and Innovation

According to authors such as Vullaluz and Hechanova, a company's inventive strength may be bolstered in particular by its prevalent leadership culture and corporate culture. Corporate culture may be impacted by a variety of factors, with writers such as Bolton, Brunnermeier, and Veldkamp (2013, p. 513 ff.) emphasizing the manager's conduct and arguing that managers may significantly contribute to establishing an organization's culture through their communication and value communication.

Corporate culture, in any case, is critical for managers, as demonstrated by Syafii, Thoyib, and Nimran (2015, p. 1142), who demonstrate that corporate culture is a critical variable that both reflects and impacts manager behavior. Transformational leadership may be defined as leading in this way (Bass & Riggio, 2010, p. 76). This leadership strategy tries to provide the best possible match between company values, ambitions, and objectives with the needs and motivations of people.

The establishment and maintenance of a complementary corporate culture is regarded in this context as a mediating factor between leadership and entrepreneurial outcomes, as demonstrated by the element of inventive strength (Shafie, Siti-Nabiha & Tan, 2014, p. 10 f.). Thus, the manager has a unique role to perform in terms of innovativeness: On the one hand, leadership conduct can have a direct impact on innovativeness; on the other hand, it may also affect the essential corporate culture, which may be regarded as a driving force in this context.

3.3 Innovation and The New Normal

As within the introduction of this research paper it was argued, working conditions have changes with the onset of the COVID-19 crisis. However, as Bailey and Kurland (2002) argue, telework or telecommuting is not necessarily a new phenomenon, which allows to draw from existing research on the relationship between telework usage and innovative capabilities. However, with a notion towards results such as the ones presented by Waizenegger et al. (2020) it can be noted, that the enforced usage of telework differs significantly from classical approaches.

According to Statista (2017), IBM has chosen to discontinue its campaign for telecommuting after several decades. According to Statista (2017), IBM's marketing manager explained this decision by arguing that teleworking and a lack of social interaction among employees will result in a loss of creativity and consequently innovation. According to a Statista (2017) report, this anxiety is likewise held by a large number of German businesses: 46 % of firms that do not already utilize telework express concern that implementing this work paradigm might result in a decline in creativity and innovation.

This is also backed by research such as Raghuram's (1996), which indicates that telework reduces the physical distance between employees, hence eliminating a significant portion of the opportunity for social interaction. According to the study, this is followed by two basic changes: on the one hand, this, together with the ease with which information can be accessed online, raises the need for explicit knowledge. Simultaneously, the accessibility of implicit and tacit information, which is acquired through (informal) conversation in particular, declines.

Contrary to these perceptions, Standen (2000) shows that organizations that rely on telework have an above-average emphasis on creativity and innovation. Additionally, Vega, Anderson, and Kaplan (2014) note that telework often results in an increase in creativity: The authors demonstrated through an actual study that employees who shifted from standard working circumstances to teleworking were able to boost their creative output. This was notably obvious in objective measures of creative problem-solving skills, but not in the examined employees' subjective self-assessments.

The authors suggest, based on their study of government personnel, that the rather conservative culture of the company analyzed helped to demonstrate such creativity gains: While employees were more confined by bureaucracy and restrictions in the workplace, they were more equipped to handle problems creatively outside of this constricting setting. As a result, Vega, Anderson, and Kaplan (2015) conclude that managers would be wise to take advantage of the following telecommuting benefits: Allowing workers to work from home for some jobs, particularly when it comes to the creative processing of difficult problems, might be beneficial.

4. Critical Discussion

Teleworking models – as shown in section 2 – are generally not a novelty that have grown out of the context of the COVID-19 crisis. At the same time, however, as Kircher, Ipsen and Hansen (2021) point out, the abrupt spread of this model nevertheless posed a challenge for companies. It should also be noted that the necessary conditions for the successful implementation of such working models appear to be only partially in place. In this context, reference should be made to Snyder (2012), for example, who points out that the leadership of employees without physical contact with them is fundamentally to be distinguished from classic leadership and thus requires a corresponding set of conditions, which are needed to ensure the quality of leadership nonetheless. If this is not possible or if even destructive leadership approaches are utilized, telework cannot be established as a successful model of collaboration.

Different terminologies seem to have been established in the literature for the current use of telework as an aspect of crisis management in the COVID-19 context: Waizenegger, McKenna, Cai, and Bendz (2020), for example, speak of enforced work from home, while Dolce, Vayre, Molino, and Ghisliero (2020) choose the term emergency telework to describe current working conditions. Basically, this already shows the ad-hoc character of current use, although in this context a distinction

should be made between those companies that already had established telework structures (as described by Brumma, 2016, for example) and those that were only able to implement the prescribed use of telework as an emergency strategy in the context of the COVID-19 crisis. It also seems to depend on the extent to which the implementation can be described as successful - although authors such as Brumma (2016) or Mahler (2012) state that telework generally brings a number of benefits for companies and employees, it should also be noted that not every type of telework actually leads to such results. Synergy and savings effects, such as those typically found in the literature, seem to occur only when the right conditions are implemented (Miglioretti, Gragnano, Margheritti & Picco, 2021).

Regarding the further development of telework, two basic perspectives have to be adopted: On the one hand, by referring to the descriptions of societal developments presented in Section 2.1 (Brumma, 2016), which led to the emergence of non-emergency telework, it can be argued that this work model is likely to become increasingly relevant even independently of the development of the pandemic. On the other hand, with reference to research findings such as those of Belzunegui-Eraso and Erro-Garces (2020), it must of course also be noted that the context of the pandemic represented a significant disruption in the continued growth of this model. It thus remains unclear to what extent the further course of the pandemic and the economic crisis accompanying it will continue to shape the telework model. The current situation, which is characterized by an ongoing and persistent lockdown or by the continuing recommendation to avoid physical contact, seems to imply that companies must continue to succeed in implementing telework models and the management approaches that go hand in hand with them.

The results showcased throughout this article indicate, that telework does not only pose challenges towards general leadership, but also to innovation and innovation related practices. Telework, as this research paper showed, can both lead to favorable and less optimal results in regard to the innovation capabilities of companies, with the effect strongly depending on leadership approaches and the corporate culture created. While these results from *classic* telework approaches already paint a complex picture regarding the effect of such collaboration models on telework, the relationship seems even more complex in the light of enforced telework. As in many cases the necessary leadership and communication requirements for a successful and satisfying telework or work-from-home experience could not be created in time (Jesus, Landry & Jacobs, 2020), it can be assumed, that innovation capabilities might not always be fostered to a satisfactory degree. This seems especially problematic in the light of a disruptive situation, which in many fields requires a strengthened level of innovation: while this becomes most obvious within the medical field, where authors such as Woolliscroft (2020) point out the strongly increased relevance of the development of new products, services and approaches in order to combat the crisis itself, research such as the one conducted by Seetharaman (2020) points out, that the

societal and business related changes brought by the COVID-19 crisis require a majority of companies to re-think their business models and business approaches, thus requiring a strong focus on innovation and development. However, it becomes evident within the present analysis, that the working conditions resulting from the crisis can be a challenging factor in fostering innovation.

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