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Chapter

Innovation Leadership in the 21st Century

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Abstract

It is a well-known fact that innovation is hard to execute without convincing people of new ideas. It is not something that can come about without collaborations. How then do we create an atmosphere where creativity and ideas lead to innovations within the organizations? The answer lies in innovation leadership. Innovation leadership is a conception and manner that consolidates different leadership styles to motivate people to generate creative ideas, outcomes, and services. This chapter will assist you in understanding who an innovation leader is. It will help you explore different theories of innovation leadership like the Path-Goal theory and Leader-Member Exchange theory, followed by different strategies that innovation leaders have adopted over the years. This will shed light on some of the leadership styles that have emerged commonly in entrepreneurs and how it has helped them build their empire, for instance, directive, supportive, and participative leadership. The chapter will end on the best practice recommendations that research has proven are the most effective for being an effective leader and bringing about innovation in your organization.

Keywords: leadership, innovation, model, creativity, strategy, 21st century

1. Introduction and need for innovation leaders

Since time immemorial, people have steered clear of change because of its complexity and the need to adapt to completely different mindsets. Any kind of change is difficult to accept because it demands that people leave behind the ideas and concepts, they trust and substitute them for something that is new but uncomfortable to them. The question then is not about turning up with something novel, but about persuading people to accept that change. This requires building trust and collaboration, as no change or innovation would be successful without joint action or collusion. The present century is one of adventure, excitement, and many challenges. Financial insecurities, social embarrassments, and a need to jump out of comfort zones are major factors driving a need for change and have decreased the adoption time for people. This has major implications on society because now more than ever, consumers are willing to put a premium on innovation. And innovation is the starting point for a revolution. Thus, it is essential to understand what exactly is meant by innovation?

Before moving on further, let us explore what innovative thinking is. One way it can be defined is as a “potentially powerful influence on organizational performance”. More importantly, to introduce innovation within an organization, there
is a need to look for people who believe in something, who are willing to cooperate, and who are passionate. Innovation leadership is thus the ability to inspire productive action in yourself and others during times of creation, invention, uncertainty, ambiguity, and risk [1]. It is a necessary competency for organizations that hope to develop truly innovative products and services [2]. Often, innovation is confused with invention and the generation of new ideas. Like invention is the conception of a new product, innovation is about making the existing product function better. Like they teach you in design strategy classes in MBA, the invention is the first boat ever pushed out to sea: it may be profound or fill a significant void in history. However, is it consequential? Can it be easily accessed by people in day-to-day life? Even though a prodigious new discovery in a lab might be a wonderful invention, yet if it does not create value in the market, if people do not trust it, it is not an innovation. Coming up with advanced tech products every year to gain profit is of no use if its usefulness to society is nil. Innovation is thinking out of the box. And how do you know if something you created is of use to someone? How do you stay relevant as an organization? That is where innovation leadership comes into play. Because as they say, “From the idea to the invention, concept to creation...... Execution is the key”. Ever wanted to augment your creative potential to tackle the escalating technological as well as social challenges that we are facing today? Ever wanted to equip your team or employees to take “leaps of faith” that would enable them to overcome these complex obstacles and create a better product for society? That is what innovative leaders’ practice. Even though innumerable definitions of innovation leadership exist, still one that explains it all is the fact that innovation leaders help people translate their ideas into reality. Innovation is not just doing something new for the sake of it, but to add value or solve a problem within an existing system or organization. George Cuoros defines innovation as a way of thinking to create new and better things. Innovation can result from either “invention” (all new) or “repetition” (change of what already exists), but if it does not correspond to the idea of “new and better”, it is not innovative [3]. The words that come to your mind when you hear about the word “leadership” include mentor, vision, support, manager, ethics, influence, etc. “A leader is someone who builds their team, mentors them, and then advocates for them,” [4]. What then is meant by innovation in leadership? Innovation leadership involves synthesizing different leadership styles in organizations to influence employees to produce creative ideas, products, services, and solutions. These innovators who use their creative capacity enough to advance, help us to make big strides and lead us to a new age of betterment. One of the things that every great innovator has is that not one of them accepts the status quo. Innovative leaders cultivate an environment where ideas can be developed, and better yet where they can blossom. They are visionaries who lead by example and more importantly foster collaboration, creating a culture of trust and venturousness where those under them are not afraid of trying out new ideas, as they know the leader has their back. In his memoir, “The Long Walk to Freedom,” Nelson Mandela compared the roles of leader and shepherd as follows: “I piloted from behind.” [5]. Innovation leaders basically commit to making organizations work for the greater good and innovation leadership takes its inspiration from a vast array of sources. This chapter will explore the various theories that have dictated innovation leaders over the years, how creativity begets conception of new ideas, look at case studies to understand strategies that have helped in the evolution of certain companies, and sum it all up with the best practices that should be promoted to create innovative leaders.
1.1 Innovation leadership theory

We believe innovation leadership provides particularly powerful lessons to those wanting to address the big challenges of developmental reforms within their organizations. We can define leadership as the ability to influence a group towards the achievement of its goals. In management terms, if you achieve the aim of an organization, through its members by the use of your authority, then that is called leadership. There are various theories prevalent today that dictate how leadership should look like. It is essential to really understand these theories to meet our organizational goals and groom leaders within organizations.

1.1.1 Path-goal theory

This theory has been around since 1970 when Martin Evans developed it while Robert House improved it in 1971. The Path-Goal model emphasizes the importance of the leader's ability to interpret followers' needs accurately and to respond flexibly to the requirements of a situation [6].

The basic argument that this theory offers is that it is the chief responsibility of the leader to motivate the followers to conclude their tasks, and the leader does that by removing any obstacles in their path. To reiterate it, if the followers are motivated enough to attain a sense of fulfillment after they accomplish a task, and if all the negating factors in their way get cleared, they could take these tasks to completion. In the most simplistic terms, Path-Goal theory is about “how leaders motivate their followers to accomplish goals” [7].

Why is it called the Path-Goal Theory? Because it emphasizes the fact that leaders should change their leadership styles to their subordinates or adopt a path based on the situations, they face to achieve a goal. It is molded on the Expectancy Theory of Motivation. Breaking it down for the layman, when will your employees or your team be motivated enough to work towards a task? First, when they believe that the goals, they have received are attainable (Expectancy). Second, when there is a promise of a reward (Instrumentality). And third, if that reward holds any value for them (Valence).

Therefore, in the Path-Goal theory, leaders go about looking for ways to motivate their teams to achieve their objectives, eliminate any roadblocks or ambiguities in their way and make sure that the fruit these efforts bear is desirable. It is similar to the way a parent removes obstacles from a child's path so that he can attain excellence in the best environment possible.

Now, depending on the situation a leader faces and the kind of employee or teammate he has under him, there are four kinds of behaviors that he may need to adapt to increase productivity and thus the possibility of innovation within his organization. It would also improve job satisfaction and performance. According to (House and Mitchell 1974, p. 83), this approach has focused on “directive, supportive, participative, and achievement-oriented leadership behaviors” [8].

- Directive- Like old-fashioned management, this includes planning, organizing, specifying standard protocols, or making policies based on the task.
- Supportive- When there is a warm and friendly surrounding, it enables open communication between team members and the leader.
- Participative- Like one-on-one peer sessions in classrooms, this behavior style asks for inputs from subordinates, enables an open discussion between them,
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and juggles ideas in a way that each member has an active involvement in the decision-making process.

• Achievement-oriented- A style where the main focus is on the attainment of the goal.

Thus Path-Goal theory is instrumental in dictating the responsibility that a leader has towards the organization and the users [9]. But how do leaders then decide which style to follow?

For example, if your followers have known how to approach a situation and are skilled, but they are not confident about their approach, then in this state you adopt a participative style, engage in an open discussion with them, get them to talk, discuss ideas and guide them on a clear path.

On the other hand, if your followers are unskilled, not in control of the situation, completely naive, then it’s time to adapt the directive leadership style. Apple’s culture of fairness to the employee was nurtured by Steve Jobs. As the leader, he adopted the participative style and understood that he needed to work with highly motivated employees. He did not only act as a leader but he offered guidance to the employees giving them a sense of direction [10].

1.1.2 Leader-member exchange theory (LMX)

The Leader–Member Exchange (LMX) literature is hardly at its infancy, but the field is still under progressive development [11]. This theory suggests that leaders automatically develop a relationship with each of their subordinates, and the strength of these relationships strongly influences the productivity within the organization. It encompasses two-way communication between the leader and the team member. The more trust, loyalty, and support present in this bond, the better the performance of the team members will be.

A study done in 2017 found that this theory fully mediates the relationship between abusive supervision and intrinsic motivation; intrinsic motivation partially mediates the relationship between LMX and creativity, and LMX and intrinsic motivation sequentially mediate the relationship between abusive supervision and individual creativity [12]. There are three stages through which this leader-subordinate relation passes-

• When a team member joins the group and the leader gauges how skilled he is, the manager is still forming an initial assessment of the team member, just like in real life when we meet someone new for the first time. This stage is called Role Taking.

• Based on his assessment of the team, he will divide them into two groups, one that forms his inner circle i.e., people close to him who proved their loyalty or trust. And another group is the outer circle, which has not formed as strong bonds as the inner group. This stage is called Role Making.

They based this theory on the assumption that each individual is different and thus has different communication needs. Or in other words, that every member of the team is unique and must be treated differently. The findings of a study published in the International Journal of Organizational Leadership demonstrated that there exists a significant and positive relationship between LMX and organizational change management [13].
A proper understanding of these theories thus helps foster the right environment for innovation by providing a general direction on necessary leadership functions.

And innovation climate (top management support, resource supply) mediates the relationship between transformational leadership and organizational innovation because effective leadership should build a supportive climate for innovation [14]. Organizational innovation is the implementation of a method that has not been used before in the organization, it results from the strategic decision that management has taken [15].

1.1.3 Creativity, leadership, and innovation- what is the connection?

Now that we clearly understand innovation, leadership, and the roots behind these concepts, let us ponder on the significance of “creativity” for promoting innovation.

Although almost identical on face value, creativity and innovation hold different connotations in real life. While every innovation involves creativity, not all forms of creativity lead to innovation. And understanding the clear distinction between these ideas helps leaders flourish in their organizations. One of my favorite analogies to make this easier to understand is the invention of pasta. Creativity involves coming up with an entirely new dish or recipe of the Italian pasta. Whereas innovation is modifying what is already known about pasta to make it more appealing to the market. Like changing the shape of the pasta, or making it more colorful to attract children.

It is safe to assume that there is truly a connection between creativity, leadership, and innovation? The use of Apple products has been rampant in the past few decades, and iPhone has emerged as one of the greatest inventions in recent years, especially among youth. He was a man who did not accept conventional wisdom about cell phones that existed and challenged it. He did not respect it and struggled to work around ways of turning that invention into innovation through his creative ideas. When thinking about tablets, smartphones, and laptops, it’s almost inevitable that Apple and its companion Steve Jobs will appear. But instead of seeing Jobs as the inventor, it’s better to see him differently because Walter Isaacson’s biography calls him a “tweeker.” [16, 17]. His creative flair led him to go out of his comfort zone, challenge the existing deficiencies and lead to the creation of a new innovative product.

Rajendra Prasad, who is a common name in the field of fashion and architecture, believes that the gap between being a fashion symbol and taking the entire fashion industry by storm lies in the realm of creativity. It lies in the ability of ordinary people to do extraordinary things and lies in the minds of the out-of-the-box thinkers who take the first courageous leap into the unknown and bring back something spectacular. These people are nothing short of leaders, who, through their creative mindsets, give birth to amazing innovations. In the process of creative entrepreneurship, apart from using creativity to build a business, these entrepreneurs also need to strike a balance between creative ideas, creativity, and entrepreneurship, which is achieved through the management and leadership behavior of creative entrepreneurs [18]. A creative leader hears something in one place, hears something else in another place, and somehow assembles it to come up with an innovation. That is how creativity, leadership, and innovation gel so well together.

To sum it up, creativity leads to innovation, and innovation gives birth to leadership. There is a basic formula to becoming a leader or starting entrepreneurship. It is a function of two major things- an initial idea and a willingness and creativity to
engage in and sell that idea. Also, heroic creativity and leadership feature strongly in the careers of creative workers, optimizing well-being, satisfaction, and career coping strategies.

2. **Strategic model for innovation leadership**

Having come to this point in the discussion, let us rewind to what we started this discussion with. The notion that it is the people and their cooperation that leads to the best kinds of innovations. Combine that with a creative mindset and the right direction, and you get innovative leaders to lead the team forward. Ever then wondered why some companies or organizations succeed at doing this while others fail. From research over countless years and by many researchers, it all boils down to having the right strategy. And not only that but also being able to implement that strategy.

Many models of promoting innovation leadership in organizations have come into play in recent times. There are varied opinions regarding the same. Some believe in implementing an innovation culture by motivating your teammates to seek advancement. But this wastes resources and is based on a dependence on skillful people who can leave the team anytime. Another model that some companies use is of hiring what they call an “inventor” or innovation consultant, who propose ideas that are then taken to realization. This again means relying on external sources for the successful leadership of your organization. To give a better frame of reference, some corporations use mixed tactics that include open and closed innovation approaches.

The most important question to ask for the leaders while devising an appropriate strategy is related to their expectations from their organization and themselves in the future. How do they want to reinvent their team? Is the plan of action they have aligned with their goals for the company? If yes, a strategic model for innovation leadership is then nothing more than a roadmap for a team’s coveted future. Strategic innovation takes the road less traveled – it challenges an organization to look beyond its established business boundaries and mental models and to participate in an open-minded, creative exploration of the realm of possibilities [19, 20].

Here, I will give you a basic structure on how organizations should choose the best strategy. First of all, start with making sure you are selecting the leadership styles or practices that you are more equipped to execute than your counterparts. One relatively solid framework for making those strategic choices and choosing those behaviors is the strategy choice cascade [21]. It is described in the strategy book titled Playing to Win by. Former P & G CEO Lafley and Roger L. Martin, Dean of the Rotman School of Management at the University of Toronto.

One of AG Lafley’s specific suggestions is that organizations build and develop an entire list of strategic decision-makers who know what it takes to attract and connect with participation and a more conscious structure. Innovation is one of the most difficult to align with strategy. It’s chaotic in nature, and its team-oriented approach sometimes pushes the boundaries, challenging a variety of established positions and becoming seemingly contradictory. Achieving alignment requires some better options that repeatedly trace back to innovation activities and strategic needs [22].

This requires a selection cascade model. In this model, understanding flows through coordinated cascade decisions. Its purpose is first to give the “decision-maker” the opportunity to make individual decisions so that they can move it upstream again by stimulating and facilitating different levels of common sense or best judgment. Roger Martin and Hillary Clinton proposed “the art of integrated
thinking [23]. To sum it all up, just as in battles, businesses or governments, similarly a good strategy put to work is what separates a successful innovation leadership from a poor one. This makes strategic leadership one of the most important components of innovation in the 21st century.

3. Innovation leadership in a digital environment

The days of brainstorming on whiteboards and sticky notes are long gone. Innovation in leadership looks slightly different in this century, especially when we talk about digitalization. But what exactly is digital transformation? “It is the integration of digital technology into all areas of a business, fundamentally changing how you operate and deliver value to the customer”. This transformation has also come about as a cultural change that requires companies to constantly challenge the present state of affairs, and observe and gracefully accept failure. Since users are now at the center of every digital experience, it has now become all the more important to develop leaders that cultivate a work culture that rewards innovation which in turn drives efficiency and thus better delivery of services to the users. Rapid growth in mobile connectivity and remarkable strides in the cloud has reduced the costs incurred in establishing global platforms since it has become simpler to dismantle technological barriers. In fact, as research by the MIT Sloan School of Management shows, 14 out of the top 30 brands by market capitalization in 2013 were platform-oriented companies. These organizations thrive on digitalization in innovation leadership [24].

Also, businesses are now being measured by the outcomes of the services they deliver which has increased the importance of selling results that appeal to the customer. A rising enterprising culture means that hundreds of start-ups have emerged that have overshadowed the traditional markets that could not keep up with digitalization [25]. Include a list of Uber, Twitch, Tesla, Hired, Clinkle, Beyond Verbal, Vayable, GitHub, WhatsApp, AirBnb, Matternet, Snapchat, Homejoy, Waze, and more. These startups can scale much faster than traditional analog companies. It took 20 years for Fortune 500 company to reach an average market capitalization of $1 billion, but Google achieved that in 8 years, and companies such as Uber, Snapchat, and Xiaomi achieved it within 3 years [26]. What is the reason behind this tremendous growth? Maybe because these enterprises have the foundational stability and the 360-degree vision to enter and dominate as-yet unidentified niche markets which will forever remain shut to the slower moving, more traditional stalwarts of the industry.

To put this concept into perspective, as Zeike et al. (2019) mention, we measure the holistic vision of digital leadership as an overlap between digital literacy (i.e., computer literacy, ICT literacy, digital competence, etc.) and digital leadership itself. In simpler terms, leadership capabilities are the ways in which managers are driving change [27].

I will end this on a case study of the leading aerospace company in the world and how it was transformed for the digital age. Boeing is sitting in the gold mine of the data. A single trip on one of the company’s 787 Dreamliners can generate up to 1 terabyte of data. It takes hundreds of planes and tens of thousands of trips a year ... well, you understand what’s important. However, to use all this data to improve features such as product development and value-added services for customers, a 102-year-old company needed to redefine its approach to software [28]. Bill Boeing created the company in 1916 with the clear philosophy “build something better “. Niki Allen, a 14-year veteran of the aerospace company lead the effort to transform Boeing’s approach towards digitalization. To execute this, Allen developed a “master plan"
that was based on the Three Es: Engagement, Excellence, and Enablement. Her approach is illuminating to other organizational executives embarking on digital transformation journeys at their enterprises and sheds light on how innovation leadership in a digital world looks like [29].

4. Innovation leadership- best practice recommendations

The radical transformation of 21st century organizations is nothing less than a modern-day industrial revolution wherein innovation now plays a critical role in determining organizational success (Cascio & Aguinis, 2008, 2019). Disney’s animation studio Pixar uses cutting-edge technology and creative collaboration to create a competitive advantage. Pixar movies (Finding Nemo, Finding Dory, Toy Story 3, etc.) are one of the top 50 movies to date, with Toy Story 3 recording $1.06 billion in 2010 sales (Mendelson, 2017), as it became the third-highest animated film in history. The secret to Pixar’s success is the founder’s innovation leadership. Edwin Catmull and Alvy Ray Smith inculcated an environment where creative ideas could be turned into innovations by following certain best practices [30].

So how do you become an innovator if you are not already that? Do these innovation leaders follow certain practices or show certain behaviors that make them different from their counterparts? Well yes, they do. To begin with, these leaders create a safe space for innovation by developing an environment that allows for the respectful sharing of ideas. If the subordinates are not afraid of being reprimanded for presenting their thoughts, they would be more open to sharing them. For instance, Toyota encourages innovation by removing some of the pressure for short-term returns. Toyota’s decade-long investment in its Prius sub-brand ultimately succeeded in strengthening the company’s reputation as a respected product innovator while allowing Toyota to capture a first-mover advantage in the fast-growing hybrid category [31]. Secondly, these leaders observe the world like an anthropologist and learn from their setbacks. They are not afraid of pushing their boundaries. An example of an employee’s performance assessment is “productive failure” if an employee tries something and fails, but learns valuable lessons or can adapt from what did not work to what worked [McKinsey Global Institute, 2014]. At Dow Chemical’s risk-taking is not only accepted, it is encouraged, which helps the company to stay agile and innovative. Dow sources said: “Empowerment really helps to stay agile. We encourage you to take the courage to lead and keep asking “what if” and “why?”. We recognize opportunities for our employees and challenge them to push the boundaries.”

Thirdly, innovation leaders are known to be persuasive. They present their ideas with such eloquence that the team is forced to follow them at the drop of a hat. On top of that, they display their vision for the future with excellence and alacrity. Finally, innovation leaders are courageous and trust themselves enough to trust others in the team. They have full faith in their ideology and the expectations they have from their organizations. Along with being courageous, they exhibit intellectual humility which is the ability to listen to others and admit your own mistakes. In a recent op-ed piece, [for example, Thomas Friedman 2014] recounts the five attributes internet giant Google looks for in new employees. They include intellectual humility – an ability to recognize and admit mistakes to others. Gardner recognizes the environment and potential for change in the future and believes that there are five minds that must be cultivated for the success of the 21st century. These five spirits are a disciplined mind, a synthetic mind, a creative mind, a respectful mind, and an ethical mind. Gardner acknowledges that he could have broadened the use of the word mind and perhaps used more accurate perspectives and skills, but the
word mind is an individual action, thought, emotion, or action. It reminds me that it is created in my mind. Gardner pays no special attention to any one of these minds, emphasizing that their development is equally important.

5. Putting it all together

According to the Center for Creative Leadership creativity experts David Horth and Dan Buchner, creating an innovative organization “is about growing a culture of innovation, not just hiring a few creative outliers.” This chapter puts into perspective a host of possible ways in which innovative leaders have brought revolutions in the field of entrepreneurship. This chapter draws on the way some companies have achieved spectacular successes through behaviors to promote innovation and creativity. It distinguishes innovation and invention and sheds light on the various theories that have been put forward in recent years. It emphasizes the importance of providing enough autonomy to allow leaders with the development ideas to test innovative solutions in their teams. Innovative leaders have certain behaviors that set them apart from their counterparts and enable them to bring a change in their organizations. Entrepreneurs should be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience. They should be able to build a high trust environment that promotes and fosters innovation. The implications of not establishing a high-trust environment among team members are huge because trust is the gateway to candor – the honest and frank exchange of ideas vital for “getting to the best idea”. Professors and Ph.D. students in ecology and evolutionary biology, Iain Couzin and Albert Kao, respectively, have discovered that “popular wisdom” does not always lead to better decisions. Instead, the results of studies of individuals within the group, whether human or other animal species, suggest that small groups maximize decision-making accuracy in many situations. (Kao and Couzin, 2014, cited in Zimmer, 2014).

This chapter also brings to attention the connection between leadership, innovation, and creativity and how it all adds up to bring exponential growth in conglomerates. Innovative leaders like Steve Jobs and A.G Lafley lead by example and show the world how the correct choices in leadership and the perfect alignment of goals could yield massive results. They called it the Cascade of Choices. To put cherry on top, digitalization has made life easier. Although there are still certain ambiguities involved, yet with the crossing of technological barriers, traditional organizations have been left behind and new start-ups are starting to emerge and evolve. Advancement in digital technology has also enabled better access to remote areas and communities which has made it easier to cater to their user demands. As a result, small companies have flourished and gained momentum, which they would not have been able to do earlier. Going forward with the motto of creating something better, innovation leaders have started to evaluate the expectations they have from their teams and organizations and help these direct the course of action they want to take. Boeing is an example of such a conglomerate. In a review of great entrepreneurs like Steve Jobs of Apple, Bill Gates of Microsoft, Jeff Bezos of Amazon, Martha Stewart, Jack Bogle of Vanguard, and Howard Shultz of Starbucks, CNBC’s chief editor Eric Schurenberg (2014) notes “the thread that stands out, partly because it’s unexpected, is a failure. Or more precisely: the ability to absorb failure and – by determination, grit, pugnacity, whatever – turn it into success.” (for example, Myers et al., 2014).

The chapter ends meaningfully on the best practice recommendations that every leader should follow to bring about innovation in his sphere, whether it be through creating a safe culture for his subordinates that promotes discussion or be it through
pushing boundaries and challenging the status quo. His team members must be encouraged to show their vulnerabilities, to reveal what they know or think, and to accept their mistakes and willing to correct them. There should be elimination of a hierarchy system that leads to an atmosphere of fear within the organization. Inculcating these practices can bring about positive changes towards innovation.

Conflict of interest

The authors declare no conflict of interest.
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