

The impact of leadership and innovation in conjunction with profile oriented Marketing for a sustainable urban regional development

Rebecca Reschreiter¹

¹ University of Latvia; Raina bulvaris 19, Riga, LV-1586, Lettland;
r.reschreiter@gmx.at

Grant: M15 HS Fulda, Fulda University, Faculty of Business: Quantitative Methods of Business and Economics Research
Name of the Grant: Empirical Investigation of Decision Making Behaviour in a Public and Professional Context
Subject: AH - Economics

© GRANT Journal, MAGNANIMITAS Assn.

Abstract The main purpose of this paper is to provide an empirical evidence and theoretical background on the importance of the organizational theory, resp. in the further step the research method, of market-oriented innovation management for a structured, future and profile oriented, competitiveness urban regional development concept in order to provide a secure economic and social environment for their inhabitants to live and work in. This future oriented development, create a challenging situation for the diverse districts. With the help of systematic, dynamic development processes the goal can be achieved. Firstly you have to figure out, how you can connect and implement innovation in to this field. Therefore you have to clear the question, is leadership important to innovation? The answer is: Yes, it is! Leadership skills are significantly correlated with innovation. The question is: How? In this paper this question will be approached from a leadership perspective, an environmental perspective. as well as from the perspective of the creative process. In this context, we must also bear in mind that today innovation, diversity and networked thinking, are significant. Therefore the leader/organizations serves as a role model for her/his team members/inhabitants. This model has to be consistent across all levels of management. However, the leadership style needs to be adapted to the teams/inhabitants needs at every step. Tribal leadership provides a model for such adaptations by focusing on culture, which provides the soil for innovative ideas.

Keywords Leadership, innovation, environment, organization, creativity, management, tribal leadership

1. INTRODUCTION

The themes and content of innovation and sustainable urban and regional development cannot easily be separated from each other, as they are often both overlapping and interrelated. Also, innovation and leadership are closely related. Some focus of leadership has always on bringing about a better future. This mean, leaders are necessarily innovators. However, Selman explain that the term "innovation" like "leadership" seems to defy a commonly accepted definition. (Selman, 2015)

Innovation is „intentionally ‘bringing into existence’ something new that can be sustained and repeated and which has some value or

utility.“ Selman (2015) Thus, innovation is about creating something new that is valuable.

In this context, it is important to translate and describe the term and aspects of innovation in an easily, clearly and comprehensible way to put it in practice, to ensure that innovation remains not just an empty phrase, but becomes reality and are systematically integrated into daily actions that are oriented towards the specific needs.

Leadership has been found to be the best predictor of innovation (Barsh et al., 2008). “Those who described their own organization as more innovative than other companies in its industry rated its leadership capabilities as “strong” or “very strong.” Conversely, those who believed that the ability of their own organization to innovate was below average rated its leadership capabilities as significantly lower and, in some cases, as poor.” (Barsh et al., 2008).

Therefore, to foster innovation in an organization, it is necessary to enhance leadership capabilities. Not all leaders are born, i.e. charismatic leaders. Quite a lot of leaders are commissioned leaders, i.e. assigned as leaders via a “normative power”. The aim is, to make them expert leaders by learning how to promote innovation in their company.

Therefore, this paper deals with the question, what leaders can do to create an organizational climate, where others apply innovative thinking to solve problems and develop new concepts products and services.

Business representatives at a recent Wharton round-table discussion named the following factors as critical to innovation (Wharton, 2006): Culture, passion, technology, open-mindedness & hard work. Culture and technology are important organizational characteristics, while openness to experience and conscientiousness have been listed as two main personality characteristics of a born leader (e.g. Judge et al., 2002).

At the same time, the demographic change shows a significant, unambiguous direction. Over the coming years cities substantially continue with strong growth. On the other side, it is likely that many peripheral and structurally weak regions are currently standing at a watershed in terms of their regional orientation and in particular are affected by struggle with massive declining population levels and an increasing number of elderly people. (Kern, 2015) However, in this

connection, we must also bear in mind that today innovation, diversity and networked thinking, are significant and even more important aspects in a sustainable urban and competitiveness regional development and go hand in hand. Moreover, the basis of an efficient communication strategy, focus in particular on developing long-term, innovative and interlinked thinking.

According to current reports of the United Nations, half of the world's population is living in cities and it is expected that this number increase to two thirds of the world's population by 2050. Thus, cities are subject to constant change and diverse development trends (Ramsauer, 2012). Therefore, the importance of urban living space is constantly increasing, as cities are the housing-, work-, and life-centers of most people. In this context demands in reference to the usage, planning and design of urban places, spaces and cities are increasing (Welch Guerra, 2010) thus require an innovative thinking leader and the use of new profiling systems.

Therefore it is the task of the communal, city development and public manager to make sure that the short-, middle- and long-term requirements of the citizens are met as best as possible, so that a high, innovative and sustainable development quality can be achieved.

Thus, it appears to be important to address the question from an organizational perspective on the one hand and from a leadership perspective on the other hand. Therefore, this paper contains two sections, dealing with the questions how the environment needs to be organized and how the leader needs to act, respectively, to promote innovation. A third section addresses, how these two perspectives can be integrated.

2. INNOVATION AND THE ENVIRONMENT

According to Klemm (2001), innovation relies on creativity. But contrary to common belief, not only a small gifted number of people is capable of creativity, but anybody of average intelligence can be creative given the right environment. So in order to promote innovation, it is the responsibility of the leader to actively create such an environment, where people can fully unfold their creativity. From an analysis of the creative process, Klemm was able to derive several environmental factors that can stimulate creativity.

„The first and fundamental step in the creative process is to have a clear notion of what the problem is and to be able to state it clearly. The effective thinker begins by first focusing on the structure of the problem, rather than its technical detail.“ (Klemm, 2001)

In this case the problem is the demographic change and the paradigm shift in the understanding of urban living space. Normative goals are replaced by strategic guiding principles for the construction of competitive innovative and sustainable urban structures which also creates its own challenges.

Thereby the problem becomes accessible by all operations in working memory, which automatically leads to the second step in the creative process. This is the immediate retrieval of potential solutions from long-term memory. Consequently, the immediate ideas will differ between people of different backgrounds, because what is stored in long-term memory depends on each persons individual life time experiences.

The followings steps are the hardest ones, because now, all these potential solutions to the problem need to be analyzed, compared, shaped and re-analyzed in order to single out the best alternative. It is important at this step not to narrow the scope of solutions down too early or dismissing solutions without further analysis because

they might not seem reasonable. It is also important to not become distracted from the problem, but stay focused and immersed in order to not miss a step. Also, Klemm (2001) rightly states that all these operations need to take place in working-memory. Thus, the limited working memory capacity also limits the creative process.

So what the leader can do is to support the creative process at each step, that is

1. To enable a clear understanding of the problem structure in working memory,
2. To get access to as many initial ideas for the problem solution as possible,
3. To enable the consideration of unreasonable ideas,
4. To keep people immersed in the problem and,
5. To enhance working memory capacity.

These support measures translate into the following environmental factors for boosting creativity, which are stated by Klemm (2001).

Ad 1. It is important to already formulate the problem in a way that allows for creativity! If the scope is too narrow, no creativity will occur. Do not formulate the problem in a way that only allows for a given set of answers! This will impair the following steps of the creative process right away.

Ad 2. In order to get as many initial ideas as possible during the second step of the creative process, it is important to provide the environment for idea generation. It can be helpful for a team to work on the problem together. In order to access all their initial ideas stimulate discussion and increase communication among team members via e.g. symposia or brain storming. Concerning the team structure, it is important to prevent overspecialization! Less specialized, more diverse and interdisciplinary teams are more creative. Also, younger people tend to be more creative, if working from a less focused, broader angle. So in order to get a diverse set of initial ideas, team members should be from diverse backgrounds and different age groups.

Ad 3. In order to not rule out any ideas too early, get rid of conformity and tolerate non-conformity. During the whole process, be quick to recognize and use both error and new ideas! But do not restrict the teams during these stages, give them influence and autonomy and rather guide them through the process. Create an atmosphere of peer review to evaluate the quality of new ideas non-authoritarily.

Ad 4. To keep people focused on the problem, get them involved, immersed in problems. People need purpose, guidance and direction. Also, creativity should be rewarded.

Ad 5. In order to allow for people to use their full working memory capacity on the problem, it is important to optimally challenge people! Too little challenge does not provide enough stimulation to produce creativity. But too much challenge or an atmosphere of fear and threat inhibit creativity, also because it consumes working memory capacities. Also, the best ideas often occur during a time of leisure.

But above all and important at all steps: Expect creativity! *“Innovation correlates strongly with a person's perception of whether or not he is expected to be innovative.”* (Klemm, 2001).

3. INNOVATION AND THE LEADER

With respect to the expectancy of creativity, Barsh et al. (2008) pointed out the importance of the leader as a role model. If the

leader does not actively model and encourage innovative behavior, it is unlikely for innovation to occur. Therefore, besides providing all the environmental factors listed above, we can also relate innovation and creativity to a leader's personality and leadership style.

Openness to experience and ideas on the one hand and conscientiousness on the other hand have been listed as two very important personality characteristics of charismatic, visionary leaders (e.g. Judge et al., 2002). We can see that they relate directly to the behaviors that create a stimulating environment. It is important for the leader to not dismiss ideas, that may seem unreasonable at an early stage, which requires a certain openness to experience. If the leader is open to new ideas, the group members will most likely also have more faith in their own thoughts, even if they appear crazy at first. In this context, Selman (2015) means this openness of the leader is not only to choose a circumstance that is already occurring, but also a beginning to relate to the world as if creating the circumstances themselves. In this conjunction the point is, that this insight into the nature of a circumstance or situation have formulated what seem to be original, genuinely solutions or ideas. This require a different order of creative thinking outside conventional and reasonable frames of reference, what is usually ment by thinking "outside the box". (Selman, 2015). Those leaders are often seen as gifted in their capacity to keep moving forward and creating openings for action regardless of the circumstances and new possibilities for others to innovate and explore. (Selman, 2015) It is also important to carefully consider, compare and analyze all possible solutions to a problem, which requires a certain amount of conscientiousness. Conscientiousness is also important for the leader himself to stay immersed into the problem. If the team members see the leader focused on the problem, they will most likely also keep up their hard work to come up with the best solution.

According to Barsh et al. (2008) role modelling of innovative behavior pervades every level of management. Managers or executives, who are themselves not rewarded for the innovative performance of their team or are not expected to be creative, are less likely to model innovative behavior to the team members below them.

In addition, executives can fine-tune the goals by identifying the balance of employees and the appropriate mix. This Innovation networks, like cross-functional teams require different skills and attitudes. To design, implement and manage an innovation network four critical steps. Barsh et al. (2008).

Over the years, different types of leaders/styles of leadership have been distinguished (e.g. Martindale, 2011). A leadership style is a leader's style of guiding and organizing people. Leadership styles can be characterized by the style of decision making on the one hand and by the leaders focus on the other hand.

By decision making we distinguish:

- Autocratic/authoritarian leadership: leaders make all decisions by themselves.
- Participative/democratic leadership: leaders let the team decide.
- Laissez-faire/free-rein leadership: leaders leave to group to themselves.
- By focus we distinguish:
- Task-oriented leadership: leaders focus on the goal to be achieved.
- Relationship-oriented leadership: leaders focus on the relationships between team members.

According to Klemm (2001) it is important to give teams influence and autonomy in order to gather as many initial ideas as possible. If

all decisions are made by a single person, i.e. the leader, there is the risk of overspecialization. Thus, we can conclude, that authoritarian leadership styles do not foster creativity. They may also create an atmosphere of threat that inhibits creative thought. For Chemers (2002), leadership can be defined as the 'process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task', whereas Ogbonnia (2007) argues that 'effective leadership is the ability to successfully integrate and maximize available resources within the internal and external environment for the attainment of organizational or societal goals.' Both definitions posit a slightly different understanding of leadership.

However, according to Klemm (2001) it is also important to provide guidance, in order to keep people involved and immersed into the problem and to quickly recognize errors and new ideas. Consequently, the laissez-faire style provides too little direction in order to optimally foster creative thought.

So can conclude that innovation is most likely to occur with participative leadership styles. However, it has also been discussed that the leadership style needs to be chosen depending on the situation and no leadership style is per se favorable (Ogbonnia, 2007). For example, if a leader is confronted with a group of people who do not work well with each other or are not productive, more guidance, i.e. a more authoritarian leadership style may be necessary to get people immersed into the problem. On the other hand if a team is highly productive in itself, the leader needs to provide less guidance.

Also both task- and relationship orientation appear to be necessary for innovation to occur. On the one hand the leader needs people to become involved in the problem and needs to create an environment where the task-orientation of people can occur. On the other hand the leader needs to stimulate discussion among team members and needs to group people in a way to prevent overspecialization.

4. THE LEADER AND THE ENVIRONMENT FOR INNOVATION

Even though innovation has been recognized as a very important factor in the success of organizations, it is only recently starting to become an integral part of management models. Innovation is one of the distinguishing elements of the St. Galler management model (Rügg-Stürm & Grand, 2014), which integrates it as one development modus into the understanding of organization leadership.

The St. Galler management model includes 6 basic categories to which processes are central elements. The model distinguishes 3 management processes/levels in organizations:

- The normative management deals with the general principles, norms and rules for the survival and development of the organization.
- The strategic management develops procedures for the implementation of the principles set by the normative management.
- The operative management implements the procedures developed by the strategic management.

Following the considerations of Barsh et al. (2008) described before, innovation has to be set as one of the guiding principles for the development of the organization by the normative management and has to be modelled by the normative manager's behaviours. Only then can innovation be modelled by the strategic and operative

managers and thus be transferred into the teams at the bottom of the organization.

The processes are supported by the ordering elements of the organization and adapted or changed by developmental elements, i.e. optimization and innovation.

The model distinguishes 3 ordering elements of organization: management strategy, formal structure and culture as the informal structure. Culture is recently becoming increasingly recognized due to its high relevance for successful marketing on the one hand and employee commitment on the other hand. Culture is also a central element to my own doctoral thesis on innovative, sustainable regional development. At a first glance culture, often associated with tradition, appears to be contrary to the element of change involved in innovation. Nevertheless, culture was named as one organizational determinant of innovation at the Wharton round-table discussion. At a second glance we realize that culture and innovation have two things in common. On the one hand their importance for organizational success, on the other hand values. Values are an integral part of culture and per definition in the beginning of this paper, innovation is about creating something valuable. Creativity and innovation can in itself be values in an organizations culture and as the interactions between team members are central to the creative process, culture as the informal structure of an organization shapes the creative process. Consequently, culture should be taken into account by innovative leaders.

Culture is the central element of tribal leadership (Logan et al., 2008). Tribal Leadership is the way of leading organizations in analogy to natural groups by understanding how the members of the organization/group communicate. Logan et al. (2008) view culture as a product of the language people use (words create reality), and the behaviors that accompany that language.

They identify five stages of tribal culture.

- Stage One: Hostility between tribe members and of tribe members towards the organization.
- Stage Two: Members are passively antagonistic, sarcastic, and resistant to new management initiatives.
- Stage Three: Members are very productive, but highly competitive against each other.
- Stage Four: Members are excited to work together for the benefit of the entire organization.
- Stage Five: Members who have made substantial innovations want to make a global impact.

Tribal Leaders focus their efforts on upgrading the tribal culture. Their role is to move the group from one stage to the next. Thus, tribal leaders are situational leaders, since at different stages groups may require different leadership styles. Such changes in the communication structures between group members are vital to innovation as they foster creativity. In that sense, tribal leadership enable innovation by a focus on the relationship-structure between group members. Concretely, the role of a tribal leader includes:

- Alignment of daily actions of all group members towards a shared set of goals.
- Commitment towards followers
- Integration of information between group members.
- Change and redefine Culture when needed to achieve a shared purpose.

Thus, coming back to Klemm's environmental measures to foster creativity, tribal leaders give the necessary guidance to get people

immersed into a problem, they stimulate discussion and increase communication between team members.

Thus, culture provides the link between the environment and the leadership style in the attempt to allow for innovation to occur.

5. CONCLUSION

In summary, leadership is an important predictor of innovation. Leaders need to understand the creative process underlying innovation in order to provide their team members with an environment that fosters creativity. Innovating is a primary element in the process of leading and can be seen as example of leadership results of outcome. In Selman words, "*Innovation takes place at different levels from modest improvements on an existing product or process to dramatic and even historically significant breakthroughs in how we relate to the world.*" The capacity to innovate will be a function of our commitments, our relationship and what we want to accomplish with the circumstances we perceive we are in. The most important elements of such an environment are diversity and communication. Most importantly however, leaders serve as a role model of innovation for their team members. This model has to be consistent across all levels of management. Therefore, the leadership style in general is important for innovation and has to be adapted to the needs of the team. Tribal leadership provides a model for such adaptations. Finally, the author consider that innovators and leaders as those who are concerned with and competent at bringing new realities into existence.

Main purpose of this paper is to give a short insight in the complex coherence of organizational theory and their important role in conjunction with an innovative, sustainable urban and regional development. The author will further specify and apply the findings to the specific field of research processing the doctoral thesis: Profile oriented marketing for an innovative and sustainable regional development.

Sources

1. Barsh, J., Capozzi, M.M., & Davidson, J. Leadership and innovation. *The McKinsey Quarterly*, 2008.1, 37-48 p.
2. Chemers, M. An integrative theory of leadership. Mahwah: Erlbaum. 1997.
3. Drucker, P. F. Lessons for successful nonprofit governance. *Nonprofit Management and Leadership*, 1990. 1: 7-14 p.
4. Gardner, J.W. On leadership. New York: Free Press. 1990.
5. Judge, T. A., Bono, J. E., Ilies, R., & Gerhardt, M. W. "Personality and leadership: A qualitative and quantitative review". *Journal of Applied Psychology*, 2002. 87, 765-780 p.
6. Kern, A. Public. *Communal Magazin*, PBMedia GmbH, Wien, Brüssel 2015. 3 p.
7. Klemm, W. Leadership: Creativity & Innovation. In: Lester, R. & Morton, G. (Eds). *AU-24: Concepts of Air Force Leadership*, 2001. 449-461 p.
8. Kotter, J.P. *The leadership factor*. New York: Free Press, 1988.
9. Logan, D. & King, J. *Tribal Leadership*. 2008.
10. Martindale, N "Leadership Styles: How to handle the different personas". *Strategic Communication Management* 15 (8): 2011. 32-35 p.
11. Ogbornia K. S., *Political Parties and Effective Leadership: A contingency Approach* 2007.
12. Ramsauer, P. *Stadt der Zukunft – Ideen, Konzepte, Chancen*, In/pact Media Verlag, Berlin. 2012. 2 p.
13. Rüegg-Stürm, J. & Grand, S.: *Das St. Galler Management-Modell: 4. Generation - Einführung*. Bern. 2014.

14. Selman, J. Leadership & Innovation: Relating to Circumstances and Change. Paracomm International: <http://www.innovation.cc/discussion-papers/selman.pdf> 2015. (last viewed: 9.2.2015)
15. Welch Guerra, M. "Städtebau" und „Stadtplanung“ in Intraurban. Stadt erfinden, erproben, erneuern. In: Sulzer, J. (Hrsg.) Berlin. 2010. 5 p.
16. Wharton Discussion. Connecting the Dots between Leadership and Innovation. <http://knowledge.wharton.upenn.edu/article/connecting-the-dots-between-innovation-and-leadership-2/> 2006. (last viewed: 9.2. 2015)