

# DRIVING ECONOMIC GROWTH: EXAMINING THE ROLE OF LEADERSHIP WITHIN SME INNOVATION

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**Abstract:** Small and medium-sized enterprises (SMEs) make a significant contribution to the UK economy, accounting for 60% of all private sector jobs and 47% of revenue. Whilst previous research has highlighted the importance of innovation for economic growth, productivity and success within larger organisations, this has been largely under-explored within smaller organisations. This is arguably more important than ever before as there is a distinct need for SMEs in the UK to innovate to recover from the COVID-19 pandemic and the associated economic crisis. However, without a leadership presence, there is little or no focus for an organisation to innovate, nor is there an individual or group to lead the way forward, and to motivate fellow employees to innovate. This paper investigates the role of leadership as a means of cultivating innovation within SMEs in the UK. Certain behaviours and leadership attributes are found more likely to support and encourage innovation in a variety of different types of leaders, regardless of their actual leadership style. However, we suggest that authentic, entrepreneurial, transformational and ambidextrous leadership approaches, have the potential to be particularly valuable in cultivating innovation within SMEs, and that this could be particularly pertinent for business recovery post-pandemic.

**Keywords:** leadership, innovation, SMEs, business, management, growth.

## 1 Introduction

Throughout history, there have been a small number of key developments which have pushed people through to the next stage of humanity and cultural development. These innovations are well-known throughout the globe as turning points in human history for their disruptive power. Ideas such as the wheel, the compass and the printing press have caused a shift in the thinking and habits of humans, and have enabled us to move forward by essentially making our lives easier so that we can explore further, create new things, and understand more about the world we live in.

As a recent example of innovation that changed consumer habits and industry, thus affecting millions of people, is the arrival of the online streaming services. Companies such as Netflix and Spotify changed the way that consumers accessed films, television shows and music, enabling streaming customers to “feel that they potentially can listen to a lot of music while paying relatively less money” (Wagner *et al.*, 2015, p.35). These are large scale ideas that have transformed industry, and our day-to-day life, for millions of people, and it is these kinds of ideas that transform the future of what is, or will be, possible.

The common factor behind these developments is the inherent “innovation”. Innovation in this context is used to describe an idea or invention that acts as a catapult to quickly advance understanding, by creating a step change in the product, and or process, of a respective field or industry. How this form of innovation works within a business setting (Manville *et al.*, 2019), and thus where the role of a leader lies (if anywhere) in leading a business to be more innovative, or to influence the development of an innovative company culture, now requires further consideration so that we can understand the drivers, challenges, and motivations. This paper focuses on research which explores leadership and innovation within the United Kingdom (UK) workplace, specifically applying it to small and medium-sized enterprises (SMEs). In this context, SMEs are classified as being businesses that have a headcount of fewer than 250 employees, and have a turnover equal to or under of €50m, and a balance of sheet of equal to or under €43M (ec.europa.eu). Interestingly, 99% of businesses in the UK fall into the category of SME (<https://www.ons.gov.uk/businessindustryandtrade/business/>) account for 60% of jobs and 47% of revenue (Goldman Sachs, 2015, p.6) which is why Hayden (2015) states that SMEs are key to developing prosperity.

## **2 Research Approach and Method**

This paper is a review of the available literature and forms part of a larger study to address the UK innovation gap, taking a leadership perspective, and specifically researching innovation within smaller companies and their associated leadership style. Secondary research was undertaken with public domain and Government publications being reviewed. Priority was applied to papers and reports published since 2016. The database archives utilised included Scopus, Directory of Open Access Journals, Science Direct and Web of Science. This research has been undertaken in accordance with Bournemouth University's ethical guidelines.

### **2.1 Defining Innovation**

An early definition of innovation from over 85 years ago, Schumpeter (1935, p.4) notes innovation to be a “historic and irreversible change in the way of doing things”, Therefore, successful innovation relates to something that is novel and works better, and is more efficient or effective, compared to how things were previously delivered.

Hagedoorn (1996) discussed this early definition of innovation by Schumpeter and seeks to find a link to entrepreneurship. Disruption has since remained a central part of innovation (Hagedoorn 1996). Considering this, in addition to disruption, terms that the UK government uses to describe innovative ideas include step change and game changer. Many scholars cite West and Farr (1990, p.209) for their definition of innovation, i.e., that the innovation is the “intentional introduction and application within a role, group, or organisation of ideas, processes, products, or procedures, new to the relevant unit of adoption”. This definition presents two different aspects involved in the innovation process, these being creativity and implementation (West and Farr, 1990; Gerlach *et al.*, 2020b). Creativity in this sense is defined by Rosing *et al.* as being the “generation of original and useful ideas” (2011, p.956). It is recognised that there needs to be a level of creativity for innovation to occur, and as such, creativity is a pivotal part of the innovation process.

Perhaps in its simplest form, Baregheh *et al.* (2009 p.133) states that “innovation is the multi-stage process whereby organizations (sic) transform ideas into improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace.” Another aspect that makes this process complex is that innovation does not adhere to a linear timescale (Rosing *et al.*, 2011). This highlights the importance of having the right leadership in place to direct, monitor and inspire the innovation process.

### **3.2 Defining Leadership**

Bass states that leaders “can make the difference in whether their organizations (sic) succeed or fail” (1990, p.6). This notion is also supported in more recent studies including the work of Alrowwad *et al.* (2020). Hughes *et al.* states that we should consider leadership to be “a key predictor of employee, team, and organizational (sic) creativity and innovation” (2018 p549). This signifies a strong belief of the influence that leadership has on innovation. In terms of this study, the following definitions of leadership have been adopted, these being:

- Leadership “is an interaction between two or more members of a group that often involves a structuring or restructuring of the situation and the perceptions and expectations of the member” (Bass, 1990 p.19),
- Leadership is “a process of social influence through which one person is able to enlist the aid of others in reaching a goal” (Chemers, 1997 p.6).

Key parts of these definitions are the repetition of the word “influence”, and the interaction amongst people. Therefore, it could be stated that leadership is a people-orientated approach to achieving an activity, whereas in contrast, management is a task-orientated approach to completing an activity. Leadership also encompasses the relationship between the leader and the follower (Alrowwad *et al.*, 2020).

## **3 Innovation in the Context of Leadership**

There are different types of innovation within an SME context for organisation, processes, and management techniques, and the key differences of each will be identified for comparison with leadership styles in this paper. Across each type of innovation, certain key elements are constant, and these include the need to have both freedom and creativity to enable innovation to happen in a non-linear fashion which in turn can be confusing and unsettling for employees (Bledow *et al.*, 2009; Gerlach *et al.*, 2020a).

Lukowski (2017) notes that different innovation styles require different leadership approaches, and this can further relate to the stage of different leadership styles may be better suited to different stages in the innovation cycle. This is particularly important when we consider innovation within SMEs, in which the management team may be quite small, and so the options for leadership styles may be limited.

### **3.1 Strategic Innovation**

Strategic innovation is a “fundamentally different way of competing in an existing business” according to Charitou and Markides (2003, p.55). By creating a new business model for an industry, a business can implement different management practices and operations, and as a result, it is the business model that ensures the company remains competitive, opposed to continually seeking efficiency gains (Charitou and Markides, 2003). Value innovation works in a similar way, but with a focus upon delivering a step-change in added value for the customer.

### **3.2 Management Innovation**

Defined as the “invention and implementation of a management practice, process, structure, or technique, that is new to the state of the art, and is intended to further organisational goals” (Birkinshaw *et al.*, 2008 p.825), management innovation focuses on practices relating to structure, planning and routine tasks, i.e., those which are typically associated with management capabilities. An example of management innovation is where companies allow their employees to dictate their own annual leave allowance. Khanagha *et al.* (2013) note that managerial interventions are at the heart of the management innovations.

### **3.3 Operational Innovation**

Defined as “the creation and deployment of significant changes or new methods in a firm’s manufacturing operations and processes for producing the firm’s products” (Hammer 2004, cited by Oke and Kach, 2012 p.47), operational innovation is key for organisations seeking to maximise profits through cost and efficiency savings. Hammer notes that operational innovation is a disruption of an operation within a business, with potential impact upon product development, customer service and supply chain.

### **3.4 Organisational Innovation**

Organisational innovation reflects the fast-paced nature of certain business sectors, highlighting the crucial need for organisations to innovate to gain, and/or maintain, a competitive advantage within their markets (Prasad and Junni, 2016). This includes the ability for organisations to be agile and adapt to changing landscapes both internally within the organisation, and externally with suppliers (upstream supply chain) and customers (downstream supply chain). Prasad and Junni argue that transactional and transformational leadership styles together are vital in influencing organisational innovation, which can be defined as new structures, processes, or practices within an organisation. However, “organizational (sic) ambidexterity has been established as an important antecedent of organizational (sic) innovation and performance” (Rosing and Zacher, 2017 p.694), and so organisational ambidexterity is a precursor to organisational innovation.

### **3.5 Technological Innovation**

Kurzahls *et al.* (2020) argues that technological innovation is key if a business wants to generate competitive advantage. As we are currently in Industry 4.0, i.e., the fourth industrial revolution in which digital technology is prominent, technological innovation has become relevant. As noted by Tidd and Bessant (2018), companies need the ability to embrace technological advances, since they bring with them opportunities for potential exploitation.

### **3.6 Social Innovation**

Social innovation is a relatively new model with huge growth potential (Oeij *et al.*, 2019). Domanski *et al.* (2020) argue that technological innovation alone is not enough to combat societal challenges. Social innovation should always provide a positive impact upon society (Oeij *et al.*, 2019). This could include problems needing solutions relating to inclusivity and disability. If societal issues are in the spotlight, it could force an organisation to address them, especially if it is aligned to their values or corporate social responsibility.

### **3.7 Employee Innovation**

In its simplistic form, Janssen (2004) describes employee (individual) innovation as consisting of three aspects, these being 1) idea generation, 2) idea promotion and 3) idea implementation. Zhou *et al.* (2014) suggest that specific leadership styles such as ethical

leadership and transformational leadership have a positive effect on creativity, and that this creativity may lead to motivation and/or the capacity for employee innovation.

### **3.8 Ambidextrous Innovation**

The term ambidextrous means the ability to write with both hands. This term has been taken to be used as the ability to do two (or more?) conflicting actions simultaneously. There have been a series of recent studies stating that ambidextrous organisations, and thus ambidextrous innovation, has the potential to provide efficient and effective growth for a company through the exploration of new ideas and the exploitation of current ideas (Jansen *et al.*, 2008; O'Reilly and Tushman, 2011; Fu *et al.*, 2018; Berraies and Hamouda, 2018; Berraies and El Abidine, 2019).

In a study of knowledge-intensive organisations, Vrontis *et al.* (2017) investigated the relationship between ambidextrous organisations and their innovative performance. The study concluded that ambidextrous firms did have a greater performance from an innovation viewpoint. Gibson and Birkenshaw (2004) argue that if an organisation has the ability to balance a strategic alignment for short-term gain, and adaptability for long-term gain, then they will see performance enhancements, however if an organisation is unable to do this, and therefore only focusses on one element at a time, then it will cause performance problems.

### **3.9 Innovation Management**

Fontana and Musa (2017) identified different points within an 'idea' cycle which brings together the notion of innovation management, these being 1) idea generation, 2) idea selection, 3) idea development and 4) idea diffusion, and that there is a need for agility and rapid decision making (Tidd and Bessant, 2018).

## **4 Exploring Leadership in the Context of Innovation**

Bledow *et al.* (2011) state the importance of leadership in stimulating innovation yet note the lack of specifics on which leadership style is the most effective. However, an increasing number of discussions and studies relating leadership to innovation are taking place with suggestions of leadership being a key player in innovation (Mumford *et al.*, 2002; Rosing *et al.*, 2011; Li *et al.*, 2015; Gerlach *et al.*, 2020a) and the progression of organisations (Bagheri, 2017). Evidence suggests that certain different leadership styles can be effective to stimulate an innovative workplace, but unsurprisingly, as it relates to people, context is an important factor (Bledow *et al.*, 2011). Rosing *et al.* (2011) argue that a specific leadership style on its own cannot lead to effective innovation, but however propose that a combination of set behaviours may have this effect. This is an interesting concept as may be linked to the shift of leaders having set behaviours and styles, to a more flexible set of behaviours, that could change depending on the goal, team and/or environment.

### **4.1 Authentic Leadership**

Authentic leadership is a niche that has roots within positive approaches such as ethical and transformational leadership (Avolio and Gardner, 2005; Zhou *et al.*, 2014). As this style focuses on being authentic to oneself, and is about being consistent with your own values and beliefs (Zhou *et al.*, 2014), there is a strong 'human' element to it relating to feelings, emotions and motivations. To be an authentic leader, one needs to have a deep self-awareness, and know how others perceive them, and leading by example, authentic leaders demonstrate transparent "decision making, confidence, optimism, hope and resilience, and consistency between their words and deeds" (Avolio and Gardner, 2005, p326). A leader reflecting these behaviours onto others may create an effective innovative environment.

In a Chinese study, Zhou *et al.* (2014) studied the relationship between employee innovation and authentic leadership, and tested to see if authentic leadership would have a positive effect on employee innovation, and also if this leadership style would positively impact upon employee positive emotions, and negatively impact upon employee negative emotions. The outcomes of this study were interesting because their data confirmed that leaders who used this leadership style to encourage employee innovation, by inspiring positive emotions within their workforce, were successful. As this is related to authentic leadership, the intentions will be genuine, however this inception-style emotional influence was found to encourage employee's enthusiasm and related positive emotions when considering employee motivation.

As a contrast, yet still using authentic leadership, Todt *et al.* (2019) created a study in Germany to test the resilience of a workforce being led by authentic leadership, though setbacks. Using the learnings from the Zhou *et al.* (2014) study regarding positivity, and this being enhanced by a leader, it would be interesting to explore this further to better understand how potential negativity from a work-based setback is tackled via an authentic leadership style. A large percentage of innovation projects are deemed unsuccessful or are dismissed before they are completed (Todt *et al.*, 2019), so it is pragmatic to conduct studies relating to the resilience of employees in the face of adversity, and how a leadership style can influence behaviours. As Todt *et al.* (2019) notes, project setbacks can be a large drain of energy for innovators, and they argue that many managers move onto the next project without addressing the setback, and the emotional toll it may have on their innovators. Also, the lessons are not learnt, meaning that if they were to tackle this problem again with their team, there is a lack of guidance on how to do this more effectively. The study outcomes demonstrated that there is not only a relationship, but a positive relationship between authentic leaders and innovator resilience.

#### **4.2 Innovation Leadership**

Innovation leadership aims to develop and lead companies through turbulent environments by ensuring a company is agile and adaptable, and thus is linked to strategic leadership and entrepreneurial qualities. Burton *et al.* (2004) argues that when a company fosters a culture of trust and problem solving amongst colleagues at all levels, this can be a key differentiator in ensuring business success. Innovation leadership refers to tasks such as encouraging new ideas, taking responsibility, and setting clear performance measures (Mumford *et al.*, 2002; Carmeli *et al.*, 2010).

The innovation leader is not necessarily a person within a formal leadership role, but a person who incites enthusiasm and motivation in others (Johannessen and Stokvik, 2019). However, it is also argued that innovation leaders recognise a balance, where it's not just about the generation of new ideas, but also implementation of the ideas across the organisation where applicable.

Cultivating an environment of knowledge-sharing is important within this leadership style, not dissimilar to strategic leadership. A 2010 study by Carmeli *et al.* highlighted that innovation leadership has a positive impact on creating an adaptive environment, which in turn enhanced organisational performance.

#### **4.3 Distributed Leadership**

Shared and distributed leadership styles are usually paired together, however there is a distinction between the two. Shared leadership is empowering a workforce to take leadership opportunities within their areas of expertise, and thus one's title and role is irrelevant since the leadership is based on one's own knowledge and experience. This leadership is acknowledged, but potentially is not formalised (Liao *et al.*, 2019). However, distributed leadership has origins within education, and is based on core tasks in the running of

organisations. Fu *et al.* (2018) argues that distributed leadership differs from shared leadership by being based cross-institutionally, whereas the shared leadership model relates to a team where leadership roles are shared out amongst team members. Therefore, distributed leadership relates to leaders within those roles, but also different members of an organisation's staffing base (Liao *et al.*, 2019).

However, there are several studies within China which relate to distributed leadership and innovation. Interestingly, a study in 2018 by Fu *et al.* aimed to investigate whether distributed leadership drives ambidextrous innovation. This study remained inconclusive as to how and why distributed leadership has a positive effect on ambidextrous innovation.

To complement this study, other research by Liao *et al.* (2019) revealed that there was a direct positive relationship between distributed leadership and business model innovation (creating an innovative business model), though it was also noted that there are many factors involved in a successful business model innovation, including external factors such as new competitors and new markets.

#### **4.4 Entrepreneurial Leadership**

Entrepreneurial leadership is known for two attributes that separate it from other leadership styles. These are that the entrepreneurial leader has the ability to lead their team towards their vision in potentially turbulent environments, and also in building an effective community (Dabic *et al.*, 2021). Studies have shown that entrepreneurial leaders enhance the innovative capability and thus drives the performance of a business (Bagheri, 2017; Fontana and Musa, 2017) so this approach to leadership may very well be classed as the most effective in creating an innovative culture within businesses (Dabic *et al.*, 2021).

Fontana and Musa (2017) argue that there are key dimensions to this leadership style that encapsulate its essence. By a leader having a mix of strategic ability, communicative skills, the ability to motivate oneself and people, and personal creativity and stability, an organisation is more likely to be creative and innovative throughout.

Key studies have taken place regarding entrepreneurial leadership within areas such as intellectual agility, communication skills and employee motivation, suggesting that perhaps this style of leadership has the crucial flexibility needed when creating an innovative culture within the workplace. Research suggests that the entrepreneurial leadership style has a positive impact on innovative work behaviour (Akbari *et al.*, 2021). In this study by Akbari *et al.* (2021), the researchers wished to ascertain how entrepreneurial leadership improved the innovative work behaviours of employees in high technology SMEs with creative self-efficacy and support for innovation as mediating roles. The results of this study revealed that there is a positive link between entrepreneurial leadership and innovative work behaviour both directly and indirectly. By an entrepreneurial leadership style enhancing self-efficacy amongst employees, this study then demonstrated a positive impact based upon improved innovative work behaviour. Perhaps the most important part to note here is the self-belief increase from followers and how this change impacted innovative work behaviour.

#### **4.5 Strategic Leadership**

Cited by Fontana and Musa (2017 p.4), Rowe's 2001 study defined strategic leadership as "the ability to influence others to voluntarily make day-to-day decision that enhance the long-term viability of the organization (sic) while at the same time maintaining its short-term financial stability". However, Kurzhels *et al.* (2020) noted this leadership style as specifically relating to senior executives and thus people who had roles such as CEO, though this leadership style is also associated with the bigger picture and thus complete responsibilities of the leader, rather than a specific focus or behaviour (Boal and Hooijberg, 2000). Strategic leadership

shares similarities with entrepreneurial leadership, relating to influencing like other transformational styles, so it could be said that it is people focused, however from these definitions, and the subsequent review, it is apparent that this style actually has a strong task focus. Kurzhels *et al.* (2020) conducted a study to consider the relationship between strategic leadership and innovation. They attempted to ascertain this relationship and concluded that there needs to be more research conducted within this domain, especially when researching the role(s) of the board of directors and how innovation success is measured. The study found a strong link between strategic leadership and positive innovation, however, although strategic leadership can be used to enhance innovation within a company, it can only work if certain factors such as organisation, environment, or group/individual characteristics, are correctly in situ.

A 2011 study explored strategic leadership in relation to ambidextrous innovation. Lin and McDonough (2011) hypothesised that strategic leadership encouraged a knowledge-sharing culture which in turn encourages ambidextrous innovation. The team note that this was the first research of its kind to study leadership that creates an organisational culture which facilitates ambidextrous innovation. The results of this study demonstrate that there are positive outcomes relating to ambidextrous innovation when strategic leaders encourage a knowledge-sharing culture. This is a thought-provoking study because it recognises that for a specific organisational culture to develop, it needs to be a decision at a strategic level to foster this kind of environment. A key point from this study is that it suggests that organisational culture plays a much bigger part in fostering innovation, than leadership does. However, the appeal of this point, is because the culture has to be created from somewhere. If culture is created from the bottom-up rather than the top-down, then the issue of whom is leading innovation needs to be investigated further. Though, the study results also reveal that organisational culture has a mediating role in strategic leadership enhancing ambidextrous innovation within a company.

#### **4.6 Transactional Leadership**

Xenikou (2017) argues that a transactional leader sets the foundations of good employee performance, and a transformational leader then continues this progress by motivating and inspiring employees to achieve more. Barraies and El Abidine (2019) note studies by Bass and Avolio (2000), and Xenikou (2017), and believe these two leadership styles to be complementary despite being seemingly being opposites. To separate these two leadership styles, transactional leaders reward followers for performing tasks as per instruction (Bass *et al.*, 2003) and to the contrary, if a task is not completed, it is punishable (Barraies and El Abidine, 2019). Thus, is it very much a transaction approach as the name denotes. Whereas transformational leadership is more aligned to inspiring and motivating employees (Rosing *et al.* 2011).

As transactional leaders provide rewards for performance and achievement within the confinements of their instructions (Barraies and El Abidine, 2019), this gives no flexibility, nor motivation, for employees to undertake non-scripted work which could improve process, and thus be innovative. However, Jansen *et al.* (2008) provided the argument that typically, reward is associated with transactional leadership, though there is also a space for reward within transformational leadership where these leaders manage performance based on trust, rather than the typical transactional exchange (Goodwin *et al.*, 2001). This transactional style appears to have close links with autocratic leadership where the leader has full control over decisions and has little or no involvement from their employees. These styles may be useful on their own within certain environments, however no literature is available relating these leadership styles with innovation, as the style itself does not lend itself to creating an innovative or future-thinking environment.



#### **4.7 Transformational leadership**

Transformational leaders are perceived as having encouraging and inspiring attributes, e.g. charisma (Alrowwad *et al.*, 2020). Transformational Leadership, as a single style, has been linked with innovative environments within the workplace (Rosing *et al.*, 2011; Bagheri, 2017; Busola Oluwafemi *et al.*, 2020), yet there are no consistent conclusions across studies to confirm this (Rosing *et al.*, 2011; Li *et al.*, 2015). Leaders with a transformational style are well-positioned to inspire and encourage open thinking (Prasad and Junni, 2016), should this be their vision, though a 2008 study by Jansen *et al.* suggests that this leadership style is only successful when the right conditions are present, and thus a change in certain variables could change the outcome. However, some scholars including Chen *et al.*, (2014), Rosing *et al.* (2011) and Pieterse *et al.* (2009) take the opposing view, reporting instead that transformational leadership can rely on different factors to support its success. Rosing *et al.* (2011) also argue that transformational leadership can be effective in a leader sharing their vision and motivating employees to follow that vision, however innovative performance could be hindered in this practice by employees being too focused on the vision, instead of concentrating on their tasks.

Li *et al.* (2015) took a different approach in investigating this type of leadership style by noting previous studies on transformational leadership and innovation, leading to some positive and some negative outcomes, and thus inconclusive results, and as such proposed a different study to ascertain a more substantiated link between leadership and innovation. This particular study simultaneously explored the relationship between individual and group transformational leadership, and individual and group innovation. This is an interesting concept as it takes into consideration individual and group dynamics whilst investigating how they affect innovation, in potentially an ambidextrous study. Interestingly, the study concluded that there was a positive link between group-level transformational leadership and group-level innovation, but to the detriment of individual innovation.

Jansen *et al.* (2008) proposed attributes needed by senior leaders to enhance the ambidexterity of an organisation, and the development of transformational leadership to achieve this. Their study was on large organisations. Bass (1985) noted the link between transformational leadership and the outcomes of teams, and of the organisation as a whole. Though another behaviour identified by Bass (1985) was the ability to address individuals and pay attention to their needs. This is important for this particular leadership style due to the perceived charismatic presence and the inspiring nature of transformational leaders. Therefore, Jansen *et al.* (2008) argues that if senior teams lead with this style, and thus have a shared vision for employees to follow (arguably developing this culture), this could lead to enhanced organisational performance by encouraging cooperation across work schedules where usually conflicts may arise. Their study concluded that a transformational leadership style at senior management level does influence an organisation's ability to simultaneously explore new ideas and exploit existing ideas. A key part of their findings from the study is a shared vision amongst senior leaders and their employees.

#### **4.8 Ambidextrous Leadership**

Ambidextrous leadership appears to be an evolved mix of transactional and transformational leadership. This leadership style is an emerging field of research, as it appears to be only recently that ambidextrous leadership has been explored within an SME context (Busola Oluwafemi *et al.*, 2020), even though it has its roots 1970s (Duncan, 1976), and has been further developed from the 1990s onwards as ambidextrous organisations (Gibson and Birkenshaw, 2004) and only over the past two decades as ambidextrous leadership. The naming of this style is based upon the simultaneous nature of work, in that an organisation has the capability to both explore ideas and exploit ideas (Rosing *et al.*, 2011; Alghamdi, 2018). Scholars note that organisations that are successful in these activities simultaneously

are above their peers in terms of performance (Gibson and Birkinshaw, 2004; Rosing *et al.*, 2011) as these leaders, and as an extension their organisations, not only have the agility and flexibility to change their behaviours depending on the need of the process, but also the awareness of when to do this (Rosing *et al.*, 2011). O'Reilly and Tushman (2011) note that ambidextrous behaviours amongst senior managers within firms is crucial for firms to enhance their performance, arguably it could be said that these senior managers would therefore be acting in an ambidextrous leadership style.

Busola Oluwafemi *et al.* (2020) explored Opening Leadership Behaviours (OLB), and Closing Leadership Behaviours (CLB), with SME leaders being able to flexibly interchange between these behaviours. For the sake of clarity, OLBs are behaviours which encourage knowledge acquisition and questioning, whereas CLBs differ with behaviours which are more process orientated such as meeting deadlines and goal setting (Gerlach *et al.* 2020a). By using OLB and CLB behaviours, it was thought that this leads to highly motivated employees within an innovative context (Zacher and Rosing, 2015; Alghamdi, 2018; Gerlach *et al.*, 2020a). Busola Oluwafemi's 2020 study concluded that SMEs found growth and competitiveness when their respective leaders demonstrated both OLB and CLB behaviours, and were therefore able to flex the sets of behaviours where applicable to the contextual needs. In a similar study on OLB and CLB, Gerlach *et al.* (2020b) concluded that leaders demonstrating both behaviours by flexing their needs as regularly as needed, did improve innovation performance. Interestingly, these behaviours draw parallels with the contrasting yet effective transactional and transformational styles of leadership.

Regarding transactional and transformational leaders, in a specific study on ambidextrous leadership and ambidextrous innovation, Barraies and El Abidine (2019) concluded rather interestingly that a combination of transactional and transformational leadership was needed to enhance ambidextrous innovation. Gibson and Birkenshaw (2004) argue that specific leaders, a formal structure, or a strong culture, are not enough on their own for an effective increase in performance, but rather an ambidextrous organisation is the key factor which will set businesses apart from each other. This is due to their capability of being flexible, adaptable and working collaboratively. Arguably, specific leadership styles could cultivate this culture/type of organisation, though not necessarily just in an ambidextrous style.

In a 2020 longitudinal study set over a six-week period, Gerlach *et al.* (2020b) hypothesised that OLB would maximise creativity in the innovation process, but not aid the implementation and vice versa regarding CLB, and that these behaviours would maximise the implementation part of the process, but not the creativity. As part of this study, both transactional and transformational leadership styles were used, as appropriate, throughout. The results were intriguing as they did support the hypotheses, but also concluded that without the specifics of the task at hand, the leadership models did not improve performance.

## 5 Conclusion

This study has considered the role that leadership plays within SME innovation and considers how such innovation can therefore be cultivated. Whilst a range of different leadership styles have been identified, studies would suggest that only a few lend themselves to supporting the development of an innovative culture within an SME, these typically being authentic, entrepreneurial, transformational and ambidextrous leaders. However, it does appear that there are certain behaviours and leadership attributes that are more likely to support and encourage innovation, and these attributes may be found in a variety of different types of leaders regardless of their actual leadership style. Examples of these key behaviours and leadership attributes include being:

- Visionary,
- Skilled communicator,

- Inspirational,
- Setting clear boundaries.

Without a leadership presence, there is little or no focus for an organisation to innovate, nor is there an individual or a group to lead the way and motivate fellow employees to innovate. However, to complement an innovative leader, the employees also need to follow their example, and they themselves need to adopt innovative thinking. If a leader can develop an innovative culture in which employees have the freedom to create, innovate and exploit their ideas, there will be a need to establish appropriate rewards. Such awards may be financial in nature, and they may also be recognition based.

Of the various styles of leadership theory explored within this review, the transformational, authentic and entrepreneurial styles of leadership have a long history of completed research studies and have positive links with innovation culture, including enhancing employees' performance in an innovative setting. Also identified, is the place that transactional leadership has when partnered with transformational leadership. These two styles have been widely studied as complementary when applied together in different parts of the innovation process.

This study has also identified a significant rise in academic research relating to ambidextrous leadership. Research within this specific style has gained substantial momentum over the past decade, with the recognition of businesses operating in fast-paced environments with demanding customers, and a constant battle for survival. As technology has developed with such pace, so must businesses and their competitors evolve to keep up and maintain their competitive advantage. Ambidextrous leadership appears to be an evolution of the well-researched transactional and transformational leadership pairing which is proving to be effective in this scenario.

Much of the research reviewed in this paper not only recognises the different competencies required for successful innovation to occur, but also that these interjections are needed at different points within the innovation process. Agile leadership is therefore required to encourage optimal innovative return for employees. This seems to be where ambidextrous leadership shines most brightly and may be the way forward.

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