

# **Conceptualizing Employee's Creativity And Innovation For Effective Leadership**

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## **ABSTRACT**

Employee's creativity is fundamental in producing valuable product and innovative service and giving idea to the organization. Creativity results in innovation which both plays role in organizational effectiveness either organizational excellence. In order to gain both creativity and innovation in the organization, effective leadership is an important factor. Study shown the most effective leadership in gaining employee's creativity and innovation is transformational leadership. The purpose if this study is to analyze and review the latest research on employee's creativity and innovation. This interpretive review will generate items of measurement for the employee's creativity and innovation variable in order to measure the level of effective leadership. Ten articles were selected from the year 2010 to 2014 and analyses were done consistently on the research methodology, research questions, hypotheses and findings.

**Key Words:** Creativity, Innovation, Effective Leadership, Transformational Leadership

## **INTRODUCTION**

Creativity and innovation are the factors that assist organizations to achieve it excellence. However, in gaining organizational excellence, the existence of a good leader with effective leadership in the organization is necessary. Past studies show that the relationship between leadership and creativity and innovation (Wang, Tsai & Tsai, 2014; Wang et al, 2013; Sarros, J. C., Cooper, B. K., & Santora, J. C. 2011.; Nusair, N., Ababneh, R., & Bae, Y. K., 2012). Most of the studies show that transformational leadership is the most effective leadership trait in generating the employee's creativity and innovation. Transformational leadership has a significant relationship with organizational innovation, including in terms of support for conditions and as a direct contributor for organizational outcomes (Sarros, J. C., Cooper, B. K., & Santora, J. C., 2011). Creativity and innovation was widely used globally. Especially in a developing country like Malaysia, innovation is important to improve income level and income competition (Seen, Sigh & Jayasingam, 2012).

On the other hand, transformational leadership was positively related with employee creativity in hospitality industry in Taiwan (Wang, C. J., Tsai, H. T., & Tsai, M. T., 2014) In addition, study done by Nusair, N., Ababneh, R., &

Bae, Y. K. (2012) shown that there is positive significant correlation between transformational leadership and the practice of innovation in the Jordanian public sector. Meanwhile in China, transformational leadership was positively related with innovation climate from various industries including health care, automobile, and electronic and information technology industries (Wang, P., Rode, J. C., Shi, K., Luo, Z., & Chen, W., 2013). Thus, past studies shows how important transformational leadership which was used globally to achieve creativity and innovation in various industries.

## **BACKGROUND OF THE STUDY**

Since transformational leadership was been used around the world, Malaysia also do not losing it. Transformational leadership is very important as transformational leaders help in change Malaysia in many ways such as economy. For example, Dato's Seri Idris Jala is one of the transformational leaders who turn organizational loses to profit. When he took over Malaysia Airlines in 2005, he able to made profit of 851 million after two years (Amirul. S. R & Daud.N, 2012). Furthermore, another transformational leader who is Datuk Tony Fernandes showed a new way of leadership. He is the one who believes in employee's talent and inspiring employee's to achieve their dream, promoting a good relationship with his employees by treating at his best and encouraging transparency and openness in the organization (King, 2013).

The uniqueness of transformational is recognized all around the world. As shown by many research, leaders with transformational leadership manage to engage employee's innovation and creativity by many ways. There are many factors that could help in routing to achieve employee's creativity and innovation. Based on the analyses of ten articles, there are seven variables which could give impact on the relationship between leadership and employee's creativity and innovation. The variables are organizational climate, humorous work climate, roles of leader's creativity, regulatory focus, organizational culture, empowerment and leader membership exchange (LMX). All these were supported in their study. This study will review what an effective leader would do in achieving organizational excellence due to these influences. The influences of all these variables towards effective leadership and employee creativity and innovation will be used to build items to measure the employee creativity and innovation for effective transformational leadership.

## **OBJECTIVE**

The purpose of this paper is to analyze and review the latest research on employee's creativity and innovation. This interpretive review will generate items of measurement for the employee's creativity and innovation variable in order to measure the level of effective leadership.

## **METHODOLOGY**

The methodology of this study is document review. For the objective of this study, ten articles were selected from the year 2010 to 2014 on creativity, innovation and leadership. Analyses were done consistently on the research methodology, research questions, hypotheses and findings.

## **CREATIVITY AND INNOVATION**

Creativity and innovation are important in helping the organization to achieve organizational excellence as stated by researchers that it help in gaining competitive advantage and also organizational survival (Slåtten T, Svensson G & Sværi S, 2011). Most of the study used the same of definition of creativity and innovation. Creativity alludes to the important, helpful new product, service, idea, strategy or process by individual cooperating in a complex social framework (Hu, Gu & Chen, 2011; Cheung, M. F., & Wong, C. S., 2011). Meanwhile, organizational innovation may be defined as the adoption of new idea or behavior by the organization (Hu, Gu & Chen, 2011; Sarros, J. C., Cooper, B. K., & Santora, J. C., 2011).

Even though studies show that creativity often conceptualized as outcomes, but it is also a shown by studies that creativity also process which involved the generation, evaluation and selection of ideas (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012). Organizational creativity comes from individual creativity which comes from individual member's attributes and behavior. Task characteristics, team composition, organizational culture or climate, work processes, leadership, market environment, political environment or even legislation may influence organizational creativity (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012).

## **EFFECTIVE LEADERSHIP FOR CREATIVITY AND INNOVATION**

In achieving employee creativity and innovation, an effective leadership is very important. Many studies show that transformational leadership is positively related to employee's creativity and innovation (Wang et al, 2013). Transformational leadership helps the employees to broadening established goals which overall provide feedback to them and also encourage them to become creative (Wang, C. J., Tsai, H. T., & Tsai, M. T., 2014) Transformational leadership was made up by four dimensions which presented formally by Bass and Avolio (1990). These dimensions are idealized influenced, inspirational motivation, intellectual stimulation and individualized consideration. Idealized influenced refers to the behaviors of leaders who are act as role model (Wang, C. J., Tsai, H. T., & Tsai, M. T., 2014), gain respect and trust from subordinates (Wang et al, 2013) and they leading the organizational vision (Nusair, N., Ababneh, R., & Bae, Y. K., 2012). Inspirational motivation shows leaders who are inspire the employee to accomplish goal (Wang, Tsai & Tsai, 2014), communicate and help them to align organizational goals with personal goals (Nusair, N., Ababneh, R., & Bae, Y. K., 2012) and motivate their employees to generate more ideas in achieving organizational goals ( Wang, P., & Rode, J. C., 2010). Leaders with

intellectual stimulation arouse their follower by encourage to use their intelligence in solving problems (Wang, C. J., Tsai, H. T., & Tsai, M. T., 2014), encourage them to face challenge such as questioning status quo ( Wang, P., & Rode, J. C., 2010) and motivate them to use intuition to solve the problems (Nusair, Ababneh & Bae, 2012). Individualized consideration leader will focus on individual needs by encouraging and supporting those (Wang, C. J., Tsai, H. T., & Tsai, M. T., 2014; Wang et al, 2013) and also act as a role model to coach them (Nusair, N., Ababneh, R., & Bae, Y. K., 2012).

### PAST RESEARCH ON CREATIVITY AND INNOVATION

Table 1 shows the analyses of ten articles from the year of 2010 to 2014. It shows different studies on creativity and innovation and other variables which influence them. All of these study measured different variable and mostly in different setting. The only similarity of this study is all of them are quantitative study.

**Table 1: Analyses of the articles**

Researcher	Methodology	Measurement	Findings
Wang, Tsai & Tsai (2014)	The number of 395 employees from 14 different Taiwan International hotels.	<ul style="list-style-type: none"> <li>→ Transformational leadership</li> <li>→ Employee creativity</li> <li>→ Employee creative self-efficacy</li> <li>→ Employee creative role identity</li> </ul>	All hypotheses were supported.
Wang et al (2013)	The number of 181 employees comprising 33 teams in nine Chinese organizations, representing the electronics, automobile, health care and information technology industries.	<ul style="list-style-type: none"> <li>→ Group demographic diversity</li> <li>→ Transformational leadership</li> <li>→ Employee creativity</li> <li>→ Innovation climate strength</li> <li>→ Innovation climate level</li> </ul>	Only group demographic was not significantly related to innovation climate strength.
Slåtten T, Svansson G & Svein S (2011)	The number of 72 of hotel frontline employees participated in the survey	<ul style="list-style-type: none"> <li>→ Empowering leadership</li> <li>→ Humorous work climate</li> <li>→ Service employee's creativity</li> <li>→ Innovative behavior in frontline service job</li> </ul>	All hypotheses were supported.
M.F. Mun'oz-Doyague & M. Nieto (2012)	The total of 53 employees of a firm from the automotive sector mainly dedicated to manufacturing two-wheeled vehicles.	<ul style="list-style-type: none"> <li>→ High quality of Leader-Member Exchange (LMX)</li> <li>→ Individual creativity</li> </ul>	All hypotheses were supported
Methisen, Einarsen & Mykletun (2012)	A total of 207 individuals in 70 restaurants completed the questionnaire.	<ul style="list-style-type: none"> <li>→ Leader's creative behavior</li> <li>→ Organizational creativity</li> <li>→ Leader's openness*</li> <li>→ Creative work climate</li> </ul>	All hypotheses were supported except for leader "openness".
Wallace et al (2013)	A total of 346 employees, comprising 75 work groups led by 75 unique supervisors, of two physical facilities organizations participated in the study.	<ul style="list-style-type: none"> <li>→ Thriving</li> <li>→ Promotion focus</li> <li>→ Prevention focus</li> <li>→ Employee involvement climate</li> <li>→ Innovation</li> </ul>	All hypotheses were supported.
Wang & Rode (2010)	A total of 212 employees from a diverse sample and their immediate supervisors from 71 workgroups representing 55	<ul style="list-style-type: none"> <li>→ Transformational leadership</li> <li>→ Employee identification with leader</li> <li>→ Innovative climate</li> <li>→ Employee creativity</li> </ul>	All hypotheses were not supported except for employee identification with leader which moderates the effect of innovative climate on

	organizations.		the relationship transformational leadership and employee creativity.
Nusair, Ababneh & Bee (2012)	A random samples of 400 employees with rank of vice manager, assistant manager, department head, division head, employees was selected to answer the questionnaire.	<ul style="list-style-type: none"> <li>→ Transformational leadership</li> <li>→ Innovative behavior</li> <li>→ Demographic background</li> <li>→ Place of work</li> </ul>	Only first hypothesis was supported which is transformational leadership is positively related with follower's innovative behavior and the other two hypotheses were partially supported.
Samos, Cooper & Santora (2012)	A total of 2380 of respondents which chosen randomly from the members of Australian Institute of Management (AIM)	<ul style="list-style-type: none"> <li>→ Leadership vision</li> <li>→ Organizational culture</li> <li>→ Support for innovation in not-for-profit (NFP) and for-profit (FP)</li> </ul>	Not all Hypotheses accepted. Socially responsible culture orientation is higher in NFP. Competitive organizational culture orientation is higher in FP. Leadership vision and organizational support is mediated by socially responsible organizational culture in NFPs and competitive organizational culture in FPs.
Cheung & Wong (2012)	A total of 182 matched supervisor & subordinates dyads from randomly selected a restaurant, a hotel, a bank and a travel agent in Hong Kong	<ul style="list-style-type: none"> <li>→ Leaders task</li> <li>→ Relations support</li> <li>→ Transformational leadership</li> <li>→ Follower's level of creativity</li> </ul>	All hypotheses were supported except for leaders task.

Most of the research shows that there is positive correlation between transformational leadership and employee's creativity and innovation. However, there are many variables that could mediate or moderate their relationship. In other word, many variables could influence the relationship between transformational leadership and employee's creativity and innovation. Following are the variables based on the analyses and supported in their study.

## 1. Organizational climate

Innovation climate positively related to employee's creativity especially in groups with high climate strength than those with low climate strength (Wang et al, 2013). Innovation climate strength was defined by Wang et al (2013) as the degree of perceptions among workgroup which concerns on the effectiveness of the policies, practice and procedures designed to support innovative change and the pursuit of the new ideas. Organizational climate gives cues to group members how to behave appropriately, it makes them believe in the workplace values and helps support and rewards more creative endeavors for those members who perceive their workplace expects (Wang et al, 2013). Thus, it helps to every individual to have general understanding of the value in the workplace. Motivation, support and rewards for innovation are vital to achieve organizational climate (Wang, P., & Rode, J. C., 2010). On the other hand, team member supports, interpersonal safety, shared objectives and exchange viewpoints are fundamental in generating creativity (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012).

## **2. Humorous work Climate**

Humorous work climate is determinant of employee's creativity and employee's innovative behavior. Study done by Slåtten, Svensson & Sværi (2011), showed that humorous work climate was positively related to service employees' creativity in frontline service jobs and had a direct effect on employee creativity, which in turn affected employee innovative behaviour (Slåtten T, Svensson G & Sværi S, 2011). This relationship was proven based on three suggestions proposed by Slatter T, Svensson G and Sværi S, (2011). They suggested that humorous work climate encourages people to have creative thinking which then leads to innovation, it is vital in for organizational innovation and it helps to promote positive emotional states. Literature also conceptualized that humor also leads to innovation. In addition, humorous climate focuses on two aspects which reflect of people perceptions towards their environment and relationship with other. These aspects include humor of oneself when communicating with other organizational members and how place of work can be characterized by humor (Slåtten T, Svensson G & Sværi S, 2011). Thus, innovation is generated because humor makes communication easier and gives positive emotional states.

## **3. Roles of leader's creativity**

Leader is the root to innovation. Follower's may acquire skills and work strategies from leader's thinking, preferences, work standardization and creative activities to improve follower's creativity (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012). Leaders are the best role model to achieve and improve organizational creativity and innovation. Leader creative behavior was significantly and positively related to organizational creative behavior. Creative leaders can be considered as models that may motivate and inspire followers, who may also learn creative behaviors and procedures by watching their creative leader. Studies show that ideas supported by the leader were positively related with creativity. Leaders with supportive, inspiration and non controlling leadership promote creativity (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012). Follower inspired by creative behavior exposed by the leader and this is how creativity could be promoted in the organization. Promoting a creative and innovative climate, organization members are inspired to act creatively, leading to the production of creative outcomes (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012). Even though leader's creativity is important in generating organizational creativity, many factors could hinder the process. For examples, legislations, regulations, economical aspects and customer aspects may influence creative outcomes (Mathisen, G. E., Einarsen, S., & Mykletun, R., 2012).

## **4. Regulatory Focus**

Regulatory focus represents two different forms of motivation which are promotion focus and prevention focus. Promotion focus refers to the needs for growth including striving for ideals, aspirations and rewards through accomplishment. Once goals for promotion focus, it is resulted in emotional

pleasure and it involves construal achievement goals such as aspirations. Meanwhile, prevention focus refers to the basic needs such as security and safety in fulfilling duties and obligations towards the works or task. The goal for prevention focus is more towards requirement of basic needs which could avoid in negative outcomes (Wallace, J. C., Butts, M. M., Johnson, P. D., Stevens, F. G., & Smith, M. B., 2013).

## **5. Organizational Culture**

Culture refers to the deep structure where values, beliefs and assumptions were been held by the every individual organization (Sarros, J. C., Cooper, B. K., & Santora, J. C., 2011). Sarros, J. C., Cooper, B. K., & Santora, J. C. (2011) stated that culture inherent in the actions, procedure and protocols of organizational commerce and discourse. Culture is vital for growing innovation. New product development is expected in the strong culture based on growth assumptions in their stock prices (Seen, Sigh & Jayasingam, 2012). Every organization owns a culture. For example, Not-For- Profit organization is more on socially responsible culture, meanwhile For-Profit organization is more on competitive orientation. Appropriate culture norms and support system will encourage organizational innovation (Sarros, J. C., Cooper, B. K., & Santora, J. C., 2011).

## **6. Empowerment**

Empowering leadership by the leaders will result empowerment of the follower. Empowerment of employees can be defined as the act of increasing the discretion of decision-making by employees (Robins, Decenzo & Coulter, 2011). Employee empowerment is hard to be differentiated by employee involvement by people because it is closely related. Empowered employee will have ownership in the process and responsible to the product of services (Goetsch and Davis, 2010). Ownership will initiate the urgency to continually improve process, product and services and endeavor for the customer wants. Furthermore, empowerment or empowering leadership is positively related to service employees' creativity in frontline service jobs, which in turn affected employee innovative behaviour (Slåtten T, Svensson G & Sværi S, 2011). Thus, empowerment will leads to positive influence on employees negative behavior.

## **7. Leader membership exchange (LMX)**

The relationship between leader and follower is very crucial in organization. Researches shows that Leader Member Exchange (LMX) shows the dyadic relationship of leaders and followers which developed overtime exchanges series between leader and member (Nahrgang, J. D., Morgeson, F. P., & Ilies, R., 2009). Low quality of LMX resulted in lack of trust and poor level support. On the other hand, high quality of LMX resulted in higher level of mutual trust, interaction, linkages, respect and support, the granting of high formal and informal rewards by cooperatives behavior (Mun˜oz-Doyague & Nieto, 2012). However, quality of relationship will positively change overtime (Nahrgang, J. D., Morgeson, F. P., &

Ilies, R., 2009). An employee perceives that they have a high-quality exchange with their work group, and to a lesser extent with their immediate superior, positively influences their creative performance. The employee’s social relationships with their immediate environment relate in a positive way with the creativity that they manifest (M.F. Mun˜oz-Doyague & M. Nieto (2012).

Table 2 shows items that build up to measure the effectiveness of transformational leadership for employee creativity and innovation. All these items were builds based on the variables that influence the relationship between transformational leadership and employee creativity and innovation.

**Table 2: Items for measuring the effectiveness of transformational leadership**

<b>Variables</b>	Build item for measuring the effectiveness of transformational leadership
<b>Organizational Climate</b>	Policies and standards procedures done by leaders support creativity and innovation in the organization.
<b>Humorous Work Climate</b>	Humorous communication with my leader reduces stress which could help my mind to be creative.
<b>Role’s of Leader’s Creativity</b>	My leader is the role model as they are the one who inspires creativity and innovation in the organization.
<b>Regulatory Focus</b>	My leaders guaranteed my regulatory focus by having rewards and aspirations without affecting security and safety in fulfilling my task.
<b>Organizational Culture</b>	The strong innovative culture made by my leaders helps me to think and solve problem creatively.
<b>Empowerment</b>	My leader gives freedom and ability to make decisions and commitments which helps me to grow my creativity.
<b>LMX</b>	The high quality of relationship between my leader and I was the key to innovation in the organization

**CONCLUSION**

Effective leadership is vital in developing employee’s creativity and innovation. Based on the analyses, there are many factors that could boost



employee's creativity and innovation which are organizational climate, humorous work climate, roles of leader's creativity, regulatory focus, organizational culture, empowerment and leader membership exchange (LMX). All of these factors are the platform in generating creativity and innovation of employees. There are seven items was build from based on the influenced variable towards transformational leadership and employee's creativity and innovation. These items may be used to measure the effectiveness of transformational leadership for employee creativity and innovation.

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