



## EFFECT OF LEADERSHIP ON ORGANIZATION IMPROVEMENT AND INNOVATION

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**ABSTRACT:** *This research investigated effect of leadership on organizational improvement and innovation, specific objective is to examine the effect of leadership on organizational improvement and innovation to examine the influence of effective leadership on organizational improvement, find out the influence of effective leadership organization change and determine the influence of effective leadership on organizational innovation. Leadership is one of the main factors in bringing positive change to the organization; if there is no leadership in the organization, they will not be able to change in the direction they desire and could experience negative change instead. Conclusions were made that leadership is essential in managing change and change is the only method to sustain the organization in the current business environment. As usual, change is hard for people, people will feel uncomfortable because of change and even sometimes deny the change, continue as they are and be eliminated by the environment. The study recommended that leaders should embrace change when necessary to help organization grown and be stable and leaders should be innovative to move along with trends in the organization and uplift the product of the organization.*

**KEYWORDS:** Innovation, Improvement, Leadership Change, Leadership Influence.

### INTRODUCTION

Leadership is essential resource for creating and sustaining organizations, societies. Clear vision has to be established and share with others. Leadership cannot be taught though it can be learned and enhances through coaching and mentoring. Leaders stepped into crisis and act creatively in difficult situations. Leaders despite failure will continue with passion and innovation towards success. Leaders bring in change, leadership is a process that allows management to be proactive rather than reactive in shaping its own future. (Dim 2016). Leaders understands and appreciates dynamic nature of business environment, formulates responsive options to changes in business environment. Most organization theories agree that leadership and innovation determine the quality of the organization. Leadership will improve organizational performance by adopting team work. Organizational change and innovation are not only for performance of the single part or units of the organization but for improving the product and interactions taking place in the organization.

Organizational improvement and innovation show whether the organization growing or not coupled with leadership style adopted. One of the challenges in management is adopting an effective innovative strategy that will lead to team work. Lee and Chang (2009) asset that



excellent leader not only inspire innovation and change in any organization but subordinates working.

Fry (2003) defines leadership as use of leading strategy to offer the inspiring motive and enhance employees' potentials for growth and improvement.

The rapid growth of the economic environment as well as the emergence of the internet made it easier to communicate with countries around the world. This in turn changed the business environment in every country, causing a competitiveness in the market that increases with each passing year (Friedman, 2007). In order to keep their business afloat, business owners discovered they had to offer better quality products at a lower cost, employ strategies that were uniquely suited for the organization to adapt according to current business trends and also flexibility in facing the rapid change of the business environment. Effective leadership is one of most essential parts of the overall method for an organization to sustain their business in the face of problems caused by the rapid growth of the economic environment. (Cabeza Erikson, Edwards, and Van Brabant, 2008) Leaders are the one who control and take charge of the operation of an organization and good leaders are able to set optimistic goals and objectives while steering the operation of the company towards those goals through effective strategies. Other than that, good leaders can also influence their employees and motivate them by strengthening a positive organization culture and through generous employee benefits, for instance health care insurance, worker compensation, leave benefit and others.

Intelligent leaders also have the responsibility to use their skills and knowledge to effectively and efficiently guide their business forward in the face of an uncertain future also to decrease the feelings of insecurity in their employees caused by that uncertainty. A leader has the power to influence the success of the organization, due to his full power to control the direction of the organization, as well as through the influence they exert on their employees.

### **Objectives of the Study**

Specific objective is to examine the effect of leadership on organizational improvement and innovation. The specific objectives are-

1. Examine the influence of effective leadership on organizational improvement
2. Find out the influence of effective leadership on organizational change
3. Determine the influence of effective leadership on organizational innovation

## **LITERATURE REVIEW**

### **Leadership**

Leadership is a kind of power where one person has the ability to influence or change the values, beliefs, behavior and attitudes of others (Ganta, and Manukonda, 2014). A person with strong leadership ability will be a good example or role model to their employees because the leader who is able to effectively achieve some good result or achievement gains the trust and admiration of their employees, and inadvertently changes their values, beliefs, behaviour and attitudes, (Grint, 2007). This statement is also supported by Northhouse



(2009), who states that leaders who possess strong leadership have the strength to influence others to achieve the goals and objectives of the organization.

### **Characteristics of Effective Leader**

Effective leader is one that gives a clear direction to their employees, and also lead their employees to commit to their jobs and to work as a group to achieve the organization's goals and objectives (Wasim, and Imran, 2010). This also tells us that good leaders usually have a clear vision for the company and therefore can easily identify the problems and obstacles that currently stand between them and the aims of the organization. In this way they are able to effectively and efficiently bring about the necessary reforms that will bring the company into the future while keeping abreast with contemporary changes in the business world. According to Jackson and Parry (2008), leadership is a process where leaders use their skills and knowledge to lead and bring a group of employees in the desired direction that is relevant to their organization's goals and objectives. Additionally, an effective leader that has strong leadership skills should also be in possession of certain characteristic, such as, passion, consistency, trust and vision; for only leaders who own these characteristics are able to build trust in employees.

Leadership and management are two different aspects, management is more like the traditional way of managing business, which the owner of the business has complete control of the organization, and will singlehandedly establish a direction and direct their employees to do their work in accordance to the owner's instruction and plan. On the other hand, leadership is when the leader guides their employees towards the organizational goals, all the while trying to communicate and motivate their employees in order to make sure their employees are in the right position to use their talents and commit to their jobs. Leadership strategies also will change according to the current trends when necessary, unlike management that merely follows its old, traditional rules. (Graetz et al., 2010)

### **Change**

Change in an organization can be defined as an approach to deal with change in two different areas - the organization and the individual, with individuals and the overall organization adapting to change at their own pace and style (Rouse, 2014). Change allows the organization to catch an opportunity to gain a competitive advantage, if the organization effectively and efficiently implements and adapts to the change of the market (Du Plessis, 2007). There are three stages in change adapting to change, controlling the change and lastly effecting the change. The first stage, adapting to change, is determining the individual readiness to adapt to the changes and their willingness to commit to the change. The second stage involves controlling the change and implementing it in daily life. Lastly, effecting the change, is to sustain the change and to get used to it in life. (Hritz, 2008)

The time taken for the process of change in an organization is hard to determine, due to the difference in individual employees' ability to adapt, as some might rapidly embrace change, while others might take a longer time to engage in the change. Just like some employees will be happy with the change, and some might not. The leader should communicate and work together with the group of employees to sustain the long-term process changes (Wuestman and Casey, 2015).



## **Change Factor Lead by Leadership**

If there is no effective leadership in an organization no change will be made, because there are no leader that motivate and lead the organization's employees as well as provide a clear direction for the organization (Atkinson, 2015):

Trust is an essential issue for leaders, as gaining the trust of group members or employees could help to improve the overall performance and commitment of the group members (Lee, 2010). If the employees or the group members trust in their leaders, it reflects that they are good when the employees trust in their leader will change be brought about, because people will only follow a person that they trust to lead them to the correct path (Stacey , Paul and Alice, 2011). If the employees trust their leader, this relationship will bind them together and improve the overall performance and commitment of the employees; if it happens conversely, the performance and commitment of the employees will go downhill and could cause a high employee turnover rate in the organization.

Leadership can shape an organization. An organization is shaped within the trust between the employees and the leaders of an organization. Employees and leaders in the organization need to trust each other in order to shape a positive organization. Leaders with strong leadership skills are able to shape organization (Ionescu, 2014). How Effective Leadership Can Facilitate Change in Organizations through Improvement and Innovation, but also influences the behavior and attitude of the employees in the organization for the better. In addition, it motivates employees and give them a sense of belongingness, which inspires loyalty and commitment to the company (Schein, 2010). A good organization not only improves the performance and reduces the turnover rate of employees in organization; it also facilitates the solution of internal issues in the organization. It provides a pleasant environment to work in, thereby reducing internal conflict and encouraging discussion and cooperation in order to work through any inter employee issues that crop up. In addition, organization encourages a sense of healthy competition, motivating employees in the organization for innovation. Therefore, innovation in organization can change the overall performance of the organization.

Effective leader can encourage employees in the organization to learn through certain types of motivators, such as rewards or position (Azzam, 2014). Continuously improvement is one of the ways to improve the overall performance of the organization, it is not only the employees that need to improve but even all segments of the leadership levels of an organization, if only to set a good example to the bottom line to motivate them to learn. Leaders should join leadership improvement programs in order to strengthen their skills and knowledge, making them more effective in their strategies and execution (Freifeld, 2013). The same goes for employees, as sending employees for further training will improve their ability to do their job as well as help to facilitate the effective implementation of the desired changes. This helps the organization to increase the productivity and performance of the employees (Abou-Moghli, 2015). Since learning does not have an end, leaders need continuous improvement of their leadership skills and knowledge to be competitive in the business market nowadays (Park, et al., 2014). If an organization or leader stops improving and as a result find that their skills and knowledge are insufficient, their organization will surely find itself deteriorating.



Besides strengthening their leadership skills, leaders also need to encourage the employees of the organization to be innovative and cooperative. Teamwork and communication are the best way to create innovative ideas in order to produce the best outcome for the organization (Maxwell, 2009).

To achieve the kind of teamwork and rapport that is necessary for the birth of innovative ideas, leaders need to cultivate a positive culture where the employees trust each other, are allowed to do their own jobs without too much interference and have the freedom to establish a dialogue with one another (Malloch and Melnyk, 2013). Leaders that wish to facilitate effective change in the organization should encourage employees to collaborate and communicate with each other, for this is how people are able to create and discover new ways to think (Gilley & Dixon 2008), which produces a greater outcome for the organization also encourages them to learn from different people the ways to improve themselves. Even high-ranking management can learn from the strong points of their employees, which they might find themselves lacking.

Innovation could help to create more new ideas by sharing opinions with each other. It is also one of the best ways to gain each other's trust and bond the whole employees in the organization together. Leadership not only influence the employees in the organization, but also provides a clear direction to the employees according to the organization's vision and mission. Effective leaders set strategies to help the employees to achieve the company's target and objectives. Leader also play a role in monitoring the direction of the employees to make sure the employees are on the right path to achieve the goals according to the strategies. This is only possible with effective leadership that inspires employee trust, as employees are unwilling to follow someone who has little or no idea of what they are doing and who wastes too much time and resources unnecessarily.

### **Three Ways We Can View Leadership**

- (a) Achieving goals through others – leaders know to involve every member of the team before success can be achieved. Leaders embrace the theory of management by objective so that things will work out easy for them, involvement of subordinate in the achievement of object this will bring in trust, team spirit and commitment toward achieving these objectives. Here you rule out position and accept informal just like laise affair
- (b) Dominating power of leadership – This type of leadership explains that an individual stand out and dominate the group or tribe and will be termed to be the leader, that the leader will have power over his people by people by holding top(2) position for certain duration of time, and people must be available to obey the rules. In this type of leadership, one doesn't need to be a good motivator rather just there because he wants to rule them.
- (c) Positive change for better journey – here challenges are accepted for better result. Leader have courage to stand out in any condition. In this type of leadership, no need for formal apartment as long as you think that change is needed you challenge the status quo this also give room for employees to become leader though they don't have the right skill or the authority to do so. Hart & Quinn (1993)



Leadership is one of the key driving forces for improving firm performance, leaders as the key decision makers determine the acquisition, development and deployment of organizational resources, the conversion of these resources into valuable products and services and delivery of value to organizational stakeholders they are potent sources of managerial rents and hence sustained competitive advantage (Avolio 1999 and Rome 2001) it is to be clear that in order for a firm to succeed, the business strategies and management practices have to match the owner/CEO's leadership style. Meaning that certain types of business strategies and management system are more appropriate than others for particular types of leadership styles and success is likely when there is an internal consistency; (Bass 1990, Yukawa 1988)

### **Qualities of a Good Leader**

Leadership quality does matter mostly when you have a team of employees who have to work together and only then they can benefit the company.

A leader has to motivate his team every day to achieve target; if a leader is not fair then it will lead to failure of the company and affect the growth. A good leader never lets his subordinate down, he helps him/her in every way possible, he solves subordinates' problems as soon as possible, A good leader must have an excellent approach towards his subordinate and on customer service. Subordinates must be comfortable with him while working, with the help of these qualities a leader will be able to achieve his team target and it will benefit the company at the end, standard procedures have to be followed and there should be no negotiation on company policies.

### **Leadership Can Grow Though:**

1. Creativity: This is the beginning phase where there are very few people exist in the company. There are familiar to each other and share their ideas, views, knowledge and information
2. Direction: In this stage company gives task to certain people
3. Delegation: Management assigns tasks, functions and provides authorities to other people in the company. Departments perform and improve their own dynamics
4. Co-ordination: All the responsibilities and projects are matched between the departments of the company so that they cooperate with each other.
5. Collaboration: There is a smooth co-operation between the divisions of the company and is effectively organized so that they can function together effectively.

### **Crisis of Leadership**

1. Leadership: The larger the company it is difficult to manage it in efficient way. It is difficult to differentiate the problems which are important from the unimportant issues, since there are very less or no organizational structures that allow work to certain person. The company needs a competitive leader who can bring the team together and can establish suitable systems and structures.
2. Autonomy: If the company continues to grow steadily, this leads to extremely high work pressure for the leader and for the management team. They have to look after



the company very well. They are duly responsible for allocating tasks, guiding results, obtaining work, solving problems and motivating people. As the company growth, management will not be able to handle this way.

3. Control: If management now fails to perform the activities of these departments, they would begin to handle tasks more from their own vision than with the entire business in mind. In the difficult situation, the departments would work against each other.
4. Red Tape – Coordination can bring to a high level of bureaucracy adjustment requires high efforts that make it quite difficult for company to adjust to changes to the external environment
5. Nevertheless: Doing business is not so easy and crisis waiting for sure.

### **Contingency Theory**

A contingency theory is an organizational theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. A contingent leader effectively applies their own style of leadership to the right situation.

Historically, contingency theory has sought to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies. The perspective originated with the work of Joan Woodward (1958), who argued that technologies directly determine differences in such organizational attributes as span of control, centralization of authority, and the formalization of rules and procedures.

### **CONCLUSION**

Effective leadership is essential in managing change and change is the only method to sustain the organization in the current business environment. As usual, change is hard for people, people will feel uncomfortable because of change and even sometimes deny the change, continue as they are and be eliminated by the society. Therefore, leadership can be a factor to motivate and encourage people to continuously make change and push them to change. Leadership plays a role in an organization to motivate and encourage the employees to change in order for the organization to be able to sustain and adapt to the business environment, to make sure the organization will improve and be innovative. Effective leadership skills can help leaders to gain the trust of employees, making other tasks easier to operate because the employees trust their leaders. This could make other parts of business management easier too, such as shaping the culture in an organization. A positive organizational culture can bring lots of benefit to the organization, as the positive culture can encourage and motivate the employees in the organization to learn, innovate and work with each other.

Innovation and improvement in the organization not only provides a good working environment for their employees, but also gives a sense of belonging to the employees and increases the commitment of employees to continue working in the organization. Innovative ideas will be produced when leadership motivates the employees to communicate with each



other and share their thoughts with each other. Leadership skills also enable the leaders to lead their employees into the correct direction, in accordance to the organization vision and mission. When an organization's leader leads the employees in the correct direction and motivates them to continuously improve and innovate, the organization's performance will surely increase and be able to sustain the organization in the current complex business environment. Hence, effective leadership is the main factor that brings change to the organization, if there is no leadership in the organization there will be no chance at all (Atkinson, 2015).

## RECOMMENDATIONS

1. It is recommended that leaders should embrace change when necessary to help organization grown and be stable.
2. Leaders should be innovative to move along with trends in the organization and uplift the product of the organization.
3. Leaders should be current with environmental trends, culture of the organization in order to embrace improvement.

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