

## USING EFFECTIVE LEADERSHIP TO ENHANCE CREATIVITY

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### **Abstract:**

*The purpose of this paper is to examine, from an empirical point of view, the relations between leadership and the formation and implementation of a creativity supportive organizational environment. Employee creativity has proven to be, in recent years, extremely important when it comes to organizational efficiency and performance and, also, when it comes to gaining sustainable competitive advantages. Furthermore, employee creativity produces solutions to different organizational problems, solutions that have the ability to transform the organization into a highly innovative one. The goal of this paper is to seek out relevant correlations between different variables related to organizational leadership, especially transformational leadership and organizational creativity. The findings presented in this paper are generated by the answers provided by over 200 questionnaires gathered from companies located in North – Western Romania and contribute to the creation of an organizational model focused on the active support of creativity by revealing a series of characteristics and activities that leaders need to present and perform in order to encourage employee creativity. It is paramount that leaders provide employees with sufficient liberty and maneuvering space so that they can better put into practice their creative abilities and generate innovative solutions, but also it is important for leaders to offer their support and guidance when the situation asks for this. Furthermore, as you will be able to see in this paper, leaders need to create an organizational settlement that will motivate employees to set their own standards and to make constant efforts to surpass these standards, in other words, to become more efficient and to always seek new ways of improving their work. The findings of this paper allow managers and leaders to better understand some elements that influence employee creativity and provide them with the knowledge necessary to implements an organizational environments focused on creativity.*

**Keywords:** leadership; creativity; organizational culture; strategy; competitive advantage.

**JEL classification:** M10; M12; M14

### **1. Leadership. Where to?**

Recent years have witnessed major changes in the global business environment, changes that have generated a major impact on how organizations do their business and how managers lead the employees. Such changes refer to the globalization process that forces managers to become more flexible and to take into consideration the cultural perspective in relation to how they manage individuals and, also, this cultural perspective becomes ever more important due to another major change, namely the information age. The wide spread and comprehensive access to information means that managers are no longer

valued, only, by their knowledge and expertise, but more by their ability to create an organizational culture able to maximize the employees' true potential. Not last, managers need to take into consideration the ever more rapid economic and technological changes which create new problems and thus force organizations to become more flexible and adaptable and also require the production of new solutions to different problems.

Leadership represents the process of motivating individuals to act in a desired manner in order to actively participate to the achievement of specific goals. Starting from this definition, strategic leadership is focused on motivating employees to move in a particular direction in order to achieve particular objectives (Hannagan, 2002: 164). Of course we must distinguish between managers and leaders and their role within the organization. According to Warren Bennis "*leaders are people who do the right things and managers are people who do the things right. Leaders are interested in direction, vision, goals, objectives, intention, purpose and effectiveness – the right things. Managers are interested in efficiency, the how – to, the day-to-day, the short run of doing things right*" (Morden, 2007: 331).

Leaders determine others to achieve the desired goals by using their influence and power, which are derived from sources such as (Morden, 2007: 332):

- *Tradition* – from a historical point of view traditional leaders inherit the authority from their predecessors (kings, queens, etc.). Similar to this, it is possible to have similar leadership expectations when offspring inherit from their parents or predecessors the assets of a family business.
- *Office* – in this case leaders derive their authority from the offices they hold. These offices or positions can be associated with political and economic power which in term may offer the legitimacy to act or decide in the name of others. In countries where we can see a long term history of absolute power, the power of leadership derives from the hierarchical position someone hold, position that enables that person to expect compliance from his or hers subordinates.
- *Legitimate power*- which is very much related to office and derives from the formal authority that someone is invested with.
- *Reward power* - which derives from the rewards that one makes to others. These rewards may be subject to tangible incentives (pay increase, bonuses, promotion, etc.), but also may refer to an intangible form of recognition (congratulations or praise).
- *Coercive power* – derives from the use of punishment, and might take form of criticism, denial or withdraw of optional conditions or rewards.
- *Expert power* – derives from the leader's special knowledge or skill. The individuals will follow the leader because they perceive him as being better and more qualified in taking decisions and to manage risky or never seen before situations.
- *Referent power or personal charisma* – derives from the leader's ability to become a model for others and to gain their respect. Individuals will follow the leader because they wish to become like that person.

According to Colin White (White, 2004: 38-39) successful business leaders are often of the charismatic type, but they need to have the support of those leaders that derive their power from formal authority, especially in terms of skills or knowledge. The traditional look over what a leader should be is defined by its characteristics, such as confidence, intelligence and being an expert. Recent researches and thinking have changed this traditional view and state that efficient leaders are not defined mainly by their characteristics, but rather by their behavior in certain situations. Thus, considering that

leaders are leaders of people, they must develop strong fellowship amongst others, meaning an emotional commitment to the people they lead (Williams, 2009: 53 - 54).

What makes a good leader is the ability to sale new ideas and also to get support for implementing those ideas with the help of others. These managers display strong transformational skills that allows them to form an emotional link with those whose support they seek especially by communicating the vision with others and setting the goals that need to be reached (Macmillan & Tampoe, 200: 199, Vele *et. Al*, 2014). According to Hitt, Hoskisson and Ireland an effective strategic leadership has an active, positive contribution to the increase in performance. Thus, efficient leaders need to perform certain strategic actions that set the company in the desired direction, ensuring the necessary organizational controls and increasing the efficient use of resources, while paying great attention to the formation of a supportive organizational culture, based on ethical practices.

The companies' need to gain sustainable competitive advantages have influenced the role of leader, forcing them to become a part in the strategic process, thus requiring the implementation of a strategic leadership view. Strategic leadership represent the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary (Hitt *et. Al*, 2006: 375). Strategic leadership is based on the leader's ability to manage through others the entire company, not a single business unit. To efficiently achieve this, leaders need to learn how to influence human behavior and to set it in the desired direction, while finding them in uncertain environments. Considering this, we could state that today the most important skill a leader needs to have is the ability to effectively manage human capital, while paying great attention to the intellectual capital, including the ability to manage knowledge and create and commercialize innovation (Hitt *et. Al*, 2006: 376).

Figure 1, shows the necessary actions that leadership needs to implement in order to lead to superior performance:



**Figure 1:** Effective strategic leadership

Source: Hitt *et. Al*, 2006: 384

*Determining the strategic direction* is based on setting the image and character that the company wishes to develop over time. A strong image is set on two elements: a *core ideology and an envisioned future*. The core ideology has the purpose of motivating employees throughout the company's heritage and the envisioned future motivates employees to go beyond their expectations of accomplishment and needs to be based on change and progress in order to ensure its success. *Establishing balanced organizational controls* is important when leaders seek to change the direction of the company especially in environments where previous leaders performed exceptionally well and high performance was obtained. A possible solution to the successful implementation of a new strategic direction is to use the company's strengths to ensure continued positive performance and also to involve employees in the whole change process by empowering them with responsibilities in order to make them an active part of the entire process. *Managing the company's resources* probably represents the most important task a leader needs to perform in his activity. The reason behind this statement is that resources have the ability to transform into core competencies and later into competitive advantages. Human resources prove to be especially important. Also known as the human capital of the company, employees are directly involved in achieving the set objectives and are responsible to offering solutions to the problematic situations they face. In this particular instance it is very important for employees to implement the most efficient solutions that require the least resource consumption and generate high performance. In other words, employees need to present some degree of creativity in their work and this creativity needs to be supported by leaders.

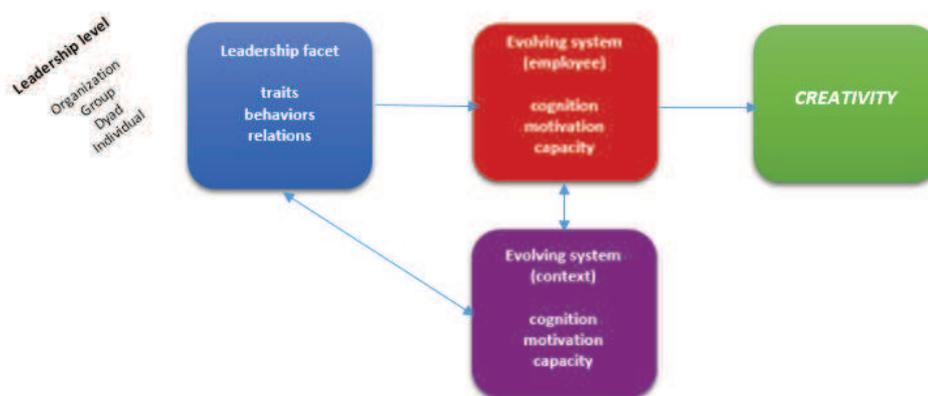
The leaders' support for creativity comes especially from the company's organizational culture, which can be defined as a complex set of ideologies, symbols and core values that are shared throughout the company. Organizational culture presents a great influence over the employees in terms of how they behave at the working place and how they interact with each other or solve different problems. One of the biggest challenges for managers represents the changing and restructuring of the organizational culture. Although changing the organizational culture is more difficult than maintaining it, the best chance leaders have in succeeding is to implement incremental changes and to make employees a part of the changing process. For this reason, shaping and reinforcing a new culture requires effective communication between all members of the organization as well as creative problem solving. Active support for those that present the desired values and have the capability to increase creativity and performance is required at this stage (Hitt *et. Al*, 2006: 384 – 390, Pop & Sabou, 2013). As stated before, the primary step in designing and transforming an organization is to clearly establish what the long term *vision* is. Also, it is imperative that the organization survives after it reaches the vision. Thus, a key element of organizational leadership is to state what are the leader's performance expectations for the organization (Pearce & Robinson, 2007:364, ).

## **2. Leadership and creativity**

One of the most imperative strategic goals of leadership today is to foster employee creativity. Creativity is defined as the production of novel and useful ideas and has the main purpose of offering high quality and elegant solutions to problems. A positive support from leaders helps in setting the appropriate goals, encourages team work inside the organization, while recognizing individual performance and fostering an organizational environment that is open and supportive of creative work and production of novel ideas (Amabile, 1998, Mumford, 2012; Cheung & Wong; 2011, Boca,2010). Creativity is not only

limited to brainstorming sessions, but rather is a way of doing things inside the organization. Thus, creativity becomes a major concern for leaders as they need to encourage the production of new, breakthrough ideas on which innovation can be built (Van Gelder, 2005). An individual's ability to generate creative work is influenced by at least two important characteristics: the ability to generate innovative, new ideas and the intrinsic motivation that drives creativity (Clapham, 2000).

Creativity, as stated before, can be seen in organizations where a strong transformational leadership is present (Zhou & Shalley, 2008, Egan, 2005: 160 - 181 ), but there are still questions to be answered about the detailed links between an effective leadership and fostering employee creativity. As we can see in figure 2, Zhou and Shalley (Zhou & Shalley, 2008: 96) propose a model intended to explain the link between leadership and creativity, model that it is unique in its ability to include an organizational framework that offers leaders numerous ways to enhance and promote creativity among employees.



**Figure 1:** Effective strategic leadership  
Source: Zhou & Shalley, 2008: 96

The above model suggest that there are multiple facets of creativity that influence employee creativity, first of all by shaping the evolving system in terms of cognition, motivation and capacity, will result in the transfer of these components both in the organizational context as well at the individual level. The link between transformational leadership can creativity can be explain by analyzing the particularities of this type of leadership. Transformational leaders have the ability to change the organization in terms of vision, mission, culture and, also, in terms of creativity and innovation. These leaders create a common sense of purpose that is powerful enough to encourage individuals to forget self-interest and to act in fulfilling the goals of the entire organization. Once the vision is established and communicated throughout the organization, transformational leaders are able to delegate responsibility and to encourage self-confidence, creativity and innovation (Morden 2007: 353, *Leadership and Management in Organizations*, 2007 : 18, Jyoti&Dev, 2014, Avram *et. al.*, 2015).

### 3. Empirical research on how leadership influences employee creativity

The main purpose of this paper is to analyze from an empirical point of view the impact of leadership and employee creativity. The research methodology used for this paper is

based on the answers provided by over 200 companies from the North – Western part of Romania. In order to analyze the links between leadership and creativity, several leadership variables were defined and correlated with items designed to evaluate the creativity within the organization. These variables refer to the degree of assistance and training the leaders provide for the employees, the availability to look at situations from different point of view, the clarity in which incentives are specified and also the performance expectations, the ability to motivate employees to surpass their expectations and become more efficient and finally the control exercise over employees. Thus, several hypotheses were formulated:

- Encouraging employees to seek different perspectives on situations stimulates creativity.
- Creativity requires the active guidance and support from leaders.
- Encouraging employees to overpass their limits and expectations encourages creativity.
- Creativity can be encouraged by using tangible incentives.
- Exercising control stimulates creativity.

The companies involved in our study provided a total number of 220 valid questionnaires, which were statistically analyzed. The normality test's values which were obtained showed that the data collected is very well modelled and has a normal distribution. Furthermore, the value of the Pearson's linear correlation coefficient ( $r$ ) which has to be above 0.29 and that of the significance of correlation coefficient ( $p$ ) which has to be below 0.05, revealed relevant correlations between the leadership variables selected in the study and the creativity within the analyzed organizations.

The descriptive statistics of the data analyzed in this study have shown, among others, some interesting findings. Firstly, none of the respondents have stated that they never check important data related to different work situations and also every one of the respondents have stated that they make enough time to offer support and guidance to those around. Also, the statistic variances of the answers provided in our research are relatively low, which shows that the dispersion of the provided answers is not particularly high.

Results have shown correlations between leaders who encourage employees to have an open view on different situations and to look for different perspectives on problems and employee creativity (*the value of the Pearson's linear correlation is 0,370 and the value of the significance coefficient is 0*) and also between leaders that suggest new ways of getting things done and creativity (*the value of the Pearson's linear correlation is 0,403 and the value of the significance coefficient is 0*). These correlations allow me to conclude that leaders who offer liberty to employees to explore new ways of doing things contribute to the formation of a creative oriented environment within the organization and support innovation. Furthermore, it was assumed that managers besides encouraging employees to produce new ideas, need to actively offer their support in terms of training and guidance, both based on past experience that leaders have gathered. Thus, a link between creativity and the time spent by leaders to provide support and guidance was analyzed. The results have shown a relevant correlation between these two variables (*the value of the Pearson's linear correlation is 0,426 and the value of the significance coefficient is 0*) that comes to enforce the idea that leaders must not only suggest new ways of getting things done, but they also need to actively support and guide employees in performing their responsibilities.

Another part of the research was the focus on the leader's effort to get the employees to surpass their limits and to become more effective and efficient and the implications it has

over creativity. The result show that the is a relevant link between the leader's efforts to get employees to obtain superior results, beyond those expected and creativity (*the value of the Pearson's linear correlation is 0,404 and the value of the significance coefficient is 0*) and also between the leader's efforts to motivate employees to constantly endeavor themselves and creativity (*the value of the Pearson's linear correlation is 0,339 and the value of the significance coefficient is 0*).

When it comes to creating a creativity based organizational environment by using tangible incentives, results have not shown a relevant, but note very strong, correlation between the use of tangible incentives and the encouragement of employee creativity (*the value of the Pearson's linear correlation is 0,295 and the value of the significance coefficient is 0*). This allows me to conclude that creativity cannot be generated exclusively by the use of tangible incentives and that it must come from intrinsic motivation and, also, viewed not as a must – do activity, but rather as a free choice of getting things done.

The research is aimed, also, at seeking if the control exercised by leaders, control which is one of the main functions of management, can stimulate creativity. The findings have shown that checking important data by leaders to determine whether they are adequate or correct presents a relevant link with creativity (*the value of the significance coefficient is 0*), but this correlation is not very strong (*the value of the Pearson's linear correlation is 0,263*). Also, findings have shown that there is not valid correlation between the leader's involvement in problematic situations and creativity (*the value of the Pearson's linear correlation is 0,003 and the value of the significance coefficient is 0,962*). This makes me conclude that a high degree of control from the leaders does not have a positive impact over creativity, and it is preferable to allow employees to come up with solutions through their own efforts.

## **Conclusion**

Without a doubt employees represent the most valuable resource a company has, especially due to the fact that it possesses certain capabilities that none other resource has. One of these capabilities is represented by creativity, more specifically that human activity focused on producing new, innovative solutions to different problems with the intent of increasing efficiency and organizational performance. Creativity proves to be especially important in such areas where competition is fierce and progress is constant, but also in areas where is impossible to provide standardized solutions for every problematic situation encountered. Although, from a theoretical point of view and according to previous studies certain links were established between leadership, especially transformational leadership, and creativity, this paper is focused on analyzing the correlations between specific leadership variables, as stated in the research methodology and organizational creativity within companies located in the North – west part of Romania.

As it can be seen in the research hypotheses, the aim was to see what the elements that support creativity are and how managers should behave in order to encourage employee creativity. First of all, we can see that creativity is stimulated in organization where leaders encourage employees to constantly seek out new perspective on things and where they offer employees their support and guidance in order to find creative, innovative solutions to existing problems. Also, we can see that it is very important that leaders encourage employees to go beyond what they consider as being their limits and to surpass their own expectations and standards. In other words, creativity is encouraged by leaders who motivate employees to constantly ask and expect more from themselves.

Furthermore, leaders need to motivate employees to be creative not by using tangible

incentives, but by using intrinsic motivational factors that drive employees to consider creativity the normal way of performing their daily responsibilities. And, finally, we can see that exercising control over employees by the leaders does not stimulate creativity and it is preferable to allow them a relatively high liberty and space to encourage creativity.

The theoretical implications of the findings presented in this paper reside in the support they offer to a better understanding between the relations and links between leadership and creativity and to the formation of a model of leadership that is focused on creating and supporting creativity.

Also, this paper presents important managerial implications that will allow team leaders to better understand their role in relation with creating and encouraging an organizational climate that is based on creativity. The results of this research generate the following suggestions to organizations:

- Leaders need to encourage employees to seek different perspective over specific situations;
- Leaders need to offer their guidance and support to employees to encourage their creativity;
- Employees need to be stimulated to surpass their own expectations and have higher requirements for their work;
- Creativity cannot be exclusively stimulated with the use of tangible incentives and also exercising control over employees does not represent an effective manner to generate and support creativity.

As future recommendations to improve this study I consider that it would be appropriate to extend the research to a higher number of companies and to perform detailed analysis in the case of those companies that prove to have the most creative work environments in order to better identify the elements that have generated success in those cases.

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