Evidence-Based Innovation Leadership

CREATING ENTREPRENEURSHIP AND INNOVATION IN ORGANIZATIONS

JON-ARILD JOHANNESSEN
HANNE STOKVIK

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BY

JON-ARILD JOHANNESSEN
Nord University, Norway, and
Kristiania University College, Norway

HANNE STOKVIK
Nord University, Norway

United Kingdom – North America – Japan – India – Malaysia – China

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Foreword

This book provides an introduction to entrepreneurship and innovation-management. In this book we have developed 50 reflection tasks preceded by some case letters[1] to help readers understand the material in the book and hopefully become better innovation leaders. The reflection tasks are based on process-pedagogy.[2] This means here that the readers would ideally learn by working with others on the reflection tasks in the book and present some of the results in plenum in order to develop their communication skills. In order to help the readers to be creative when solving the reader reflection tasks we have developed 10 strategies for thinking creatively, 20 methods for stimulating creativity, and 40 creative techniques, shown in the appendix.

The case letters within the reflection tasks are based on evidence from research. The case letters should be studied, even if the reader tasks are not handled by the readers.

One of the problems we face in the transition from an industrial society to a global knowledge economy is the need for a new breed of leaders and a new understanding of leadership. Creativity in organizations is traditionally considered to be the domain of the research and development (R&D) department, and design and marketing functions. The consequences of this way of thinking are that creativity, innovation, and the implementation of innovation have not been a part of everyday life throughout an organization, but rather things that are the responsibility of a few people often located in departments far away from the "front line." It is the front line that is in daily contact with users/customers, and which, in the knowledge society, will become increasingly important.

The question we discuss in the book is: How can we develop a new type of leadership in the global knowledge economy?

We suggest that the necessary conditions for this new type of leadership, which we refer to here as "innovation leadership," are developed in a holistic model which includes the following elements: entrepreneurial action, innovative leadership, creative energy fields within the organization, high-tech wealth creation and innovation as a business process.

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[1]See the glossary.

[2]For more on process-pedagogy and for suggestions for course structures and assignments, visit my webpage:

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Chapter 1

Prologue: Innovation Management

Learning goals

- In this chapter, you will learn how to develop a new type of leadership in the knowledge economy, the innovation leader.
- The objective of the chapter is to develop the elements necessary for creating innovation leadership in organizations.
- Evaluation: The learning goals are evaluated through the reader tasks 1–13.

Introduction

The literature on leadership has traditionally viewed a leader as a person who has a formal leadership position, and who, by the authority of his/her leadership position, leads an organization toward goals that have been set. However, in the global knowledge economy, leadership has become more and more a question of promoting entrepreneurial actions in order to create creative energy fields that can generate enthusiasm and motivate the front line in relation to creativity and action (see Hamel, 2007; Taylor & Labarre, 2007; Westland, 2016). This requires a different type of leadership than before, which we will call "innovation leadership." Innovation leaders are the people in organizations who rouse enthusiasm and generate creative energy fields. These innovation leaders focus on organizations being able to create their own markets and future, without having to adapt to situations created by others (Ackoff & Emery, 2007; Kim & Mauborgne, 2005). This development of new leaders is described by Isaksen and Tidd (2006, p. xvi) as follows: "leadership needs to be conceived of as something that happens across functions and levels."

Organizations are increasingly required to use all the creative diversity that exists throughout the organization (see Jensen, 2017; Westland, 2016). In our view, organizations need innovation leaders who can generate creative energy fields and set off the spark that ignites the flame of innovation, in turn generating a creative new element capable of taking an organization into areas where competition does not always drain its organization's resources (see Kim & Mauborgne, 2005). These innovation leaders focus on new products and services that are both unique and temporally outside the competitive zone. The reason

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they are outside the competitive zone is because the innovations in question are difficult to imitate. This may be regarded as a form of temporary competition-free zones, where an organization can profit from creative interaction. When referring to these competition-free zones Kim and Mauborgne (2005) use the expression "blue ocean strategy."

Leadership should draw upon the creative potential that is spread throughout an organization, across functions and formal levels of leadership. Innovation leaders need to prepare organizations for changes that will come in the future, in part by generating creative energy fields that take the organization into temporary competition-free zones. To achieve this requires new ways of thinking and assumes that innovation leaders are able to act as independent entrepreneurs. Consequently, reflection concerning entrepreneurial action is vital. We also need the outlines of a theory on the development of creative energy fields in an organization, so that we can understand and act with a strategic compass for leadership, rather than relying too much on trial and error.

The distinction between leadership and administration related to innovation is not necessarily a fruitful one. We need creativity, both when we want to do things better and when we want to improve the way things are done. Making a distinction between leadership and administration can easily lead thoughts and acts to focus on the distinction between creativity and productivity. We not only need a creative organization but also a focus on productivity. One is not necessarily the cause of the other—they should rather be viewed as complementary. Consequently, our perspective here is that of a holistic integrated model where leadership and administration coordinate and balance each other, promoting creativity, innovation, productivity, and change.

In this way, a climate is created where entrepreneurial action promotes the development of creative energy fields. The following is the question we discuss here: How can we develop a new type of leadership in the knowledge economy, "innovation leadership"?

We have illustrated this explanation in Fig. 1, which also shows how the chapter is organized.

The entrepreneurial action

The entrepreneurial action is based on fundamental experiences and intuition that has been developed on the basis of these experiences. Entrepreneurial action is vision driven and follows a clear goal. The entrepreneurial strategy "is both deliberate and emergent, deliberate in its broad lines and sense of direction, emergent in its details so that these can be adapted en route" (Mintzberg, Ahlstrand, & Lampel, 1998, p. 125). The entrepreneurial action which constitutes and provides guidance for the entrepreneurial strategy is based upon the entrepreneur's fundamental experiences, perspectives, and ways of viewing things (Lewis & Malmgren, 2018).

Each entrepreneur's actions are largely based on the lack of information concerning all the possible outcomes. This creates uncertainty regarding an

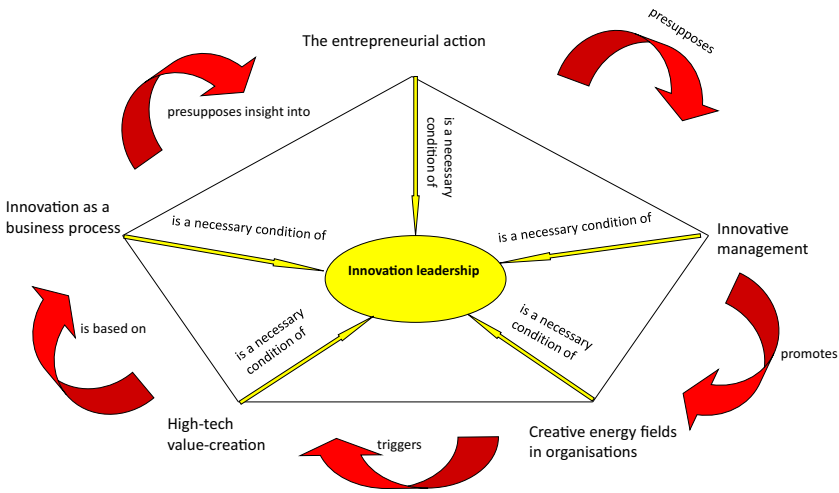

Fig. 1: Innovation Leadership: Strategies for Creativity and Innovation in Organizations.

individual entrepreneurial action. On the other hand, it also creates scope for the class of entrepreneurial actions. Risk can be calculated in relation to the class of entrepreneurial actions, not the individual entrepreneurial action. This distinction between the uncertainty concerning a particular entrepreneurial action and the risk concerning the class of entrepreneurial actions was first described by Frank Knight in 1921. In order to understand the entrepreneurial action in a strategic perspective, it is important to understand the distinction between risk and uncertainty. If this distinction is not made, then risk and uncertainty become synonymous concepts. This lack of distinction can then result in an organization setting limits on their willingness to transform strategy into innovation leadership based on the entrepreneurial actions.

Entrepreneurial action for creative destruction

The entrepreneurial action is fundamentally an action that aims to change something, to create something new (Bessant, 2017; Schumpeter, 1950, p. 84). This is a creative process which simultaneously destroys activities and processes in the economy. In this context, it is helpful to consider Schumpeter's concept of creative destruction which results from the creative entrepreneur's actions. However, there is a time lag between the creative entrepreneurial action and the destructive processes which it sets off. The destruction is made evident by the fact that the entrepreneurial action renders existing businesses superfluous, thus eliminating them. The entrepreneur is at greatest risk of failing during the time lag period.

The point here is that the class of creative entrepreneurial actions knocks out both existing businesses and many of the creative entrepreneurial initiatives. When the dust settles on the battlefield, many stalled creative initiatives and destroyed established businesses are revealed. This creative destruction devours not only its own children, like any revolution, but also those who were victims of the revolution. In this way, the entrepreneurial action also greatly affects society in general, rather than just the economy and the technology-driven parts of the system.

In Schumpeter's understanding, the entrepreneurial action that involves creative destruction constitutes the dynamics of the capitalist system. It is these dynamics which, according to Schumpeter, enables the capitalist system to move forward. From this perspective, sometimes it is necessary to take one step back in order to move two steps forward. The step back is represented by the time lag between the creative entrepreneurial action and the destructive consequences of these actions (Bessant, 2017). The two steps forward are represented by the new developments that emerge from the ashes, when the entrepreneurial actions have manifested themselves.

The entrepreneurial action may be understood as the engine of the economic system. It operates out of entrepreneurial ideas and burning ambitions that reveal themselves in commitment and creativity.

The strategic problem for established enterprises is that they have largely relegated entrepreneurial action to the dustbin of history and their own back corridors. Hamel (2007, p. 3) asks the following question: "How will tomorrow's most successful companies be organized and managed?" He answers, "[by] becoming a management innovator" (Hamel, 2007, p. 215); Hamel's answer, "management innovation," may be interpreted as one that involves substantial use of entrepreneurial actions. Hamel (2007, pp. 215–216) shows through practical examples that this is also possible with large, established companies such as GE, IBM, Procter & Gamble, and Whirlpool, to name a few.

Innovative leadership

To lead people who are expected to be creative and innovative requires a special type of leadership or leadership style, say Mumford, Scott, Goddis, and Strange (2002). We will call this style innovative management, as distinguished from creative leadership. Creative leadership is concerned with leading creative people, while innovative management is concerned with bringing out the creativity in everyone who works for an organization (Jensen, 2017; Westland, 2016).

As the pace of change has increased, complexity has also increased and turbulence in the world at large has also become the norm; in consequence, new models of leadership have emerged. These models refer back to the classical leadership models that were valid for another period (Blake & Mouton, 1985).

The central focus of the new leadership models is the following question: What factors promote the successful leader? Through their research, Bennis and Nanus

(1985) found up to four dimensions in response to this question: vision, purpose, confidence, and creativity. Kouzes and Posner (1995) conducted a major study and found five similar characteristics common to successful leaders:

- They challenge the process in the business.
- They develop a shared vision.
- They focus on cooperation.
- They plan and highlight small positive results on the road to a greater result.
- They provide feedback and encourage people who have achieved something positive, no matter how small it is.

Characteristics for skilled leadership

In his research, Collins (2001) found five levels characteristic of skilled leadership. The first level is the leader's talent, knowledge, skills, and good work habits; the second level is an effective team; the third level is competent project managers; the fourth level is the effective leader, who develops a common vision and stimulates the implementation of challenging standards. However, it is the fifth level that separates successful from unsuccessful organizations, according to Collins. Fifth level leaders demonstrate a high degree of humility combined with a strong will to achieve the goals they have set for themselves. Hamel (2007), Gratton (2007) and Taylor and Labarre (2007), Lewis and Malmgren (2018) together with Collins (2001), may be said to follow the tradition that interprets leadership as something that concerns everyone working in an organization.

What a system is designed to do

To introduce changes without the organization following in step after the last change initiative leads to spasmodic organizations without a common purpose or focus. The only thing that happens in such organizations is that more and larger pockets of resistance to change develop (Lewis & Malmgren, 2018).

To force an organization to adopt new concepts that come sailing in from the consultant's drawing board does not lead to fundamental behavioral changes in an organization. Tidd, Bessant, and Pavitt (2005) have shown this for quality circles; benchmarking; BPR (business process reengineering); and lean-agile ERP (enterprise resource planning). To imitate may be a sensible strategy, but if the imitation does not lead to behavioral changes in an organization, then the probability of success is low, and the possibility that one develops pockets of resistance to change in the organization great (Jensen, 2017).

In addition to the above two explanations concerning why change and innovation programs are only successful to such a small extent, we will add two new explanations which also support and constitute part of what we term innovative leadership. One explanation is linked to the fact that there is often a lack of understanding concerning the purpose of changes that organizations attempt to

implement. We find support for this explanation in, among others, Beer (1985) and especially in Kanter (2006). Kanter argues that you have to create a "community of purpose" if you really want to implement lasting changes. Beer (1985) argues that you have to know what a system is designed to do and stick to this purpose until you eventually change the purpose of the entire system or parts of the system.

The second explanation is related to the idea of being unique. The idea of uniqueness has been argued from various perspectives (Bateson, 1972; Kim & Mauborgne, 2005; Lewis & Malmgren, 2018; Newton, 2000; Porter, 2004). Bateson (1972) describes uniqueness as being the difference that makes a difference. Creating an organization's future may be viewed in contrast to adapting to what others have already created. Plan or be planned for, wrote Ackoff as early as 1981. The creation of an organization's future is linked to the need to be proactive as to how you want to be perceived in the market and what you want to achieve in the market.

Creating your own future can take place at the individual, team, organizational, and societal levels. At the societal level, India offers a good example: India has given priority to the training of computer engineers, and today they are one of the world's leaders in this field, despite lagging behind on many other socioeconomic indicators. In other words, it is important to continually focus on what is perceived as being unique in the market or segments of the market. The creation of an organization's future may also be viewed in relation to what has not yet manifested itself in the market. For instance, this may manifest itself in the signals and signs regarding needs, desires, aspirations, interests, and priorities that suggest themselves in future market possibilities (Hawryszkiwycz, 2016).

Growing complexity, a substantial rate of change, and increasing turbulence are central features of the global knowledge economy, where the focus on costs, quality, expertise, and innovation drive a growing demand for innovative leadership (Hamel, 2007; Stacey, 1996). The global knowledge economy has one common denominator: increasing competition in all markets. This has led to an increasing demand to satisfy customers' wants, needs, interests, and preferences. In this way, customers have become the critically important resource for businesses, not employees (Mitra, 2018; Reich, 2017).

The expertise of employees in businesses is of course important; however, there has been a shift from internal expertise to global skills clusters. Businesses acquire the knowledge they need in these skills clusters to perform specific projects. An interesting perspective in this regard, as mentioned above, is the training of more engineers in India (and China) than is the case in the US and Europe (see Isacksen & Tidd, 2006, p. 6).

In order to survive in an era when fundamental experience seems to have become less relevant, continuous change and innovation have become prerequisites for success. However, as mentioned above, most change and innovation programs do not always lead to success (Hamel, 2000). Consequently, it is important to examine what triggers and sustains creative energy fields in organizations or what Gratton (2007) calls "hot spots."

Creative energy fields[3] in organizations

Creative energy fields are the places in an organization where creativity, commitment, initiative, and results flourish. As mentioned above, Gratton (2007) calls these places "hot spots." This is where you ask questions concerning the necessity and wisdom of existing structures, processes, and methods. There are continuous creative destruction processes in these creative energy fields. In many of these creative energy fields, intellectual creativity unfolds and emerges as value creation (see Lewis & Malmgren, 2018; Mumford & Licuanan, 2004).

The purpose of creative energy fields in organizations is to create something that is unique, and not necessarily to increase productivity and reduce costs. To achieve this, we need to change the way we think and work (Isaksen & Tidd, 2006, p. 53). The challenge for leaders is how to cultivate creativity at the various levels of an organization. However, creativity and creative energy fields are not an end in themselves—it is rather the innovations, and the wealth creation that results from them, which are the goal.

Creative energy fields in organizations consist of creative individuals, driven by an inner motivation, curiosity, or even the fear of inadequacy (Amabile, 1996; Hawryszkiwycz, 2016). However, the most powerful creative energy fields function best when they are systemically connected (Hamel, 2007). Regardless of what drives an individual, it is important that the group he/she belongs to receives support and attention in order to develop innovative and new products; these products may then be put on the market, resulting in wealth creation for the organization.

In practice, creative energy fields are concerned with creating uniqueness for enterprises. As mentioned above, that which is unique may be expressed as the difference that makes a difference (Bateson, 1972). In this context, as mentioned above, Kim and Mauborgne (2005) refer to something unique as a "blue ocean." In other words, this involves bypassing competitive fields and creating something new and different, i.e., something that did not exist in the world before it was created or, in the words of Ackoff (1981), "creating the corporate future." Creating your own future is the opposite of adapting to what others have already created. Weller (2004, p. 12) stresses the importance of uniqueness in what he terms "the innovation-driven economy." Weller (2004, p. 15) terms this a type II competition, "competition over unique value."

Isaksen and Tidd (2006, pp. 53–54) say innovation "has been concerned primarily with the organizational processes and tools necessary to translate ideas into new processes, products, services or businesses." However, it is the management of innovation processes which is crucial, Hamel (2007) argues. An important purpose of creating a creative energy field is, namely, to arrive at what Hamel (2007) proposes and to base this on individual and group levels, as has been pointed out by Gratton (2007).

However, responding to changes in the outside world by using strategies that have worked well before will not be sufficient. If this approach is adopted, even if

[3]Gratton uses the term "hot spot."

an enterprise has a solid reputation and is known for its productivity and efficiency, it may nevertheless easily fail. Miller (1990) has termed this the Icarus paradox.

In order for creative individuals to be able to promote innovation in groups and teams, so that this results in wealth creation for an organization, some simple principles need to be adopted. The first principle relates to the level of the individual and states that creativity is dependent on the organizational climate (Mauzy & Harriman, 2003, pp. 87–103). This climate is linked to behavioral changes and "communities of purpose" (Kanter, 2006). The second principle relates to the group level and states that leadership must promote systemic creativity (Mauzy & Harriman, 2003, pp. 117–177). This principle is directly related to uniqueness and systemic action. The third principle relates to the organizational level and states that at an overall level an organization must maintain its commitment to creativity (Hawryszkiwycz, 2016; Mauzy & Harriman, 2003, pp. 177–187). Fig. 2 illustrates the principles and strategies for creative energy fields.

To change the creative climate in established organizations is no easy matter. However, the first thing to be done is to clarify what types of behavior are and are not desired. Clear expectations must then be set concerning the creative results of the individual and the group. This follows directly from the research of Csikszentmihalyi (1996, pp. 330–331), who has shown that if creative results are expected, results will be significantly better.

When an enterprise focuses on creative processes, it may first undergo a period of disorientation and fragmentation (see Mauzy & Harriman, 2003, p. 101). During this period, say Mauzy and Harriman (2003, p. 101), the enterprise must adhere to the goal of the new desired behaviors and expectations. However, the

Dimensions / Level	Principle	Strategy
Individual	P1: Creativity is dependent on the organizational climate	• Behavioural changes • "Communities of purpose"
Group	P2: Leadership must promote systemic creativity	• Uniqueness • Systemic action
Organization	P3: The organization must maintain commitment to creativity on an overall level	• Innovative leadership

Fig. 2: The Principles and Strategies for Creative Energy Fields.