Effect of Inspirational and Motivational Leadership on Creativity and Innovation in SMEs

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Abstract - The purpose of this study is to identify the effects of inspirational and motivational leadership on creativity and innovation in South African Small and Medium Enterprises (SMEs) within the manufacturing engineering sector. The leadership issues have been of major concern since the inception of democracy in 1994. Recent years, the spirit of creativity and innovation is suppressed and innovation culture is greatly affected among SMEs. It is critical for leaders to inspire and motivate employees to contribute new ideas and become more productive. A survey research was conducted from a group of employees (n=366) and leaders (n=57) within 50 SMEs in the Western Cape. A hypothetical model with the emphasis on inspirational and motivational leadership characteristics is developed. The findings indicated that the leaders did not fully show their inspirational and motivational capabilities and they disagreed with employees on empowerment, rewards for creativity, and support mechanism.

Keywords - Leadership, employees, creativity, innovation, empowerment

I. INTRODUCTION

Numerous studies showed a significant relationship between leadership and employees’ innovative behavior [1-8] and creativity [9-19]. Small and medium enterprises (SMEs) are forced to make innovations, because they are under permanent pressure of competitors at the market. From this point of view the ability to compete in innovations plays very important role as a factor of their competitiveness [2]. Innovation and global competition has organizations to exercise creativity to improve the quality of their products, increase efficiency and effectiveness of their operations [3]. Thus, innovation and creativity are regarded as the key success factors for organisational competitive advantage [4]. The existence of creativity and innovative culture in the workplace encourages employees to willingly generate value adding ideas, particularly in SMEs. However, the culture of creativity and innovation in the South African workplace is gradually advancing due to the transformation process after the era of apartheid in 1994. Leadership faces various challenges for organisations in the New South Africa [5] and lack of inspirational leadership contributed negatively to the success of companies undergoing transformational phases in this global technological era [6,7]. In support for rewarding employees for creativity, various monetary rewards were found to be more attractive among Asian countries (i.e. Korea, China, and Japan) [8], South Africa [6] others [1, 2].

Rewards mechanism is also seen as the engine to drive employees to double their efforts [9,10]. Furthermore, rewards in group pay were found to be an effective way of empowering employees to perform more than expected [11]. It is important to note that, managers have a responsibility to make sure that their employees take ownership of their organisations so that they can have a positive perception about their organisational responsibilities [12]. Literature also found that leaders of other organisations see their employees as just individuals only responding to their communications and practices [13]. Indeed, empowerment process allows leaders to train and develop their employees to take charge of their organisational operations to be ahead of their competitors [14]. Communications is also seen as a vehicle for both employees and their leaders to share information within the innovation environment [15].

Employees hold the key to innovation [16] and they are seen as cornerstones for generating new business ideas in any company that needs to remain innovative [17]. However, employees’ creativity is primarily achieved by their degrees of psychological involvement in creative processes [18, 19]. Leaders with their skills and abilities of coaching and facilitating are able to empower and inspire their employees to add value for creativity and innovation.

Based on the literature above, employee’s creativity and innovativeness become critical measuring parameters to determine the effect of inspirational and motivational leadership (IML) within organisations.

A. A Proposed Conceptual Model

Based on the relevant literature that was explored in this study, a proposed model comprised of ten parameters (P₁-P₁₀) was developed as showed below. These parameters further categorised into different variables as showed in Fig. 1.

P₁: IML channels employees through training programmes for skills development.
P₂: IML freely interact with employees in different levels of the organisation.
P₃: IML creates an environment where all creative ideas are welcomed and rewarded.
P₄: IML gives attention to employees and communicate with them at all times.
P₅: IML have the capability to invest time to develop and mentor employees.
P2: IML provides learning opportunities to spark new ideas.

P3: IML creates an environment that enhances employees’ morale at all times.

P4: IML encourages openness amongst management and employees.

P5: IML puts more emphasis on the culture of knowledge transfer.

**B. Sampling and procedure**

Samples were selected randomly include a group of both employees (n_e=366) and leaders (n_l=57) from 50 SMEs in the Western Cape Province were participated in the research. The description of the SMEs indicated that employees should range from 20 to 200. According to the Department of Trade and Industry (DTI, 1996), the National Small Business Act of South Africa of 1996, as amended in 2003, the number of employees of a small enterprise is generally from 1 to 49, where medium enterprises is from 50 to 200. The annual turnover of small enterprises is from R2 million to R25 million; and the medium enterprises stand from R4 million to R50 million [22]. Thus, the size and the annual turnover of these samples meet with the SMEs categories.

The companies which participated in the study are situated in the industrial area just around the institution and are all in engineering and manufacturing. The collected data was used to establish if these leaders possess inspirational and motivational characters to create creativity and innovation environment.

**TABLE I**

<table>
<thead>
<tr>
<th>IML</th>
<th>Description of performance</th>
<th>Code</th>
</tr>
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<tbody>
<tr>
<td>P1</td>
<td>People being channeled through training programmes for skills development</td>
<td>INS1</td>
</tr>
<tr>
<td>P2</td>
<td>Ability to freely interact with people in different levels of the organisation</td>
<td>INS2</td>
</tr>
<tr>
<td>P3</td>
<td>All creative ideas are welcomed and rewarded</td>
<td>INS3</td>
</tr>
<tr>
<td>P4</td>
<td>Ability to give attention and communicate with others</td>
<td>INS4</td>
</tr>
<tr>
<td>P5</td>
<td>Capability to invest time to develop and of mentorship</td>
<td>INS5</td>
</tr>
<tr>
<td>P6</td>
<td>Learning opportunities are provided to spark new ideas</td>
<td>INS6</td>
</tr>
<tr>
<td>P7</td>
<td>Ability to provide induction programme to welcome new employees in order to easily fit in</td>
<td>INS7</td>
</tr>
<tr>
<td>P8</td>
<td>Encouraging employees’ morale at all times</td>
<td>INS8</td>
</tr>
<tr>
<td>P9</td>
<td>Openness amongst management and employees</td>
<td>INS9</td>
</tr>
<tr>
<td>P10</td>
<td>Emphasises on the culture of knowledge transfer</td>
<td>INS10</td>
</tr>
</tbody>
</table>

Inferential statistics are normally based on the assumption of random selection of cases, and error rates derived estimates of population characteristics proportional to sample size. In addition, individual statistical techniques withhold particular assumptions which must be met for appropriate use of that specific technique. SPSS (Statistical Package for Social Sciences) version 21 to capture and analyse data was utilised. This study further made use of the following statistical descriptive methods, mean, range, standard deviation, correlations, factor analysis, and chi-square analysis.
III. RESULTS

A. Descriptive Statistics

The descriptive statistics of both employees (n₁) and leaders (n₂) included the range, difference of minimum and maximum of gender were the same, where years of work experience slightly differ from each other. Leaders had higher educational level than employees. The mean of the characteristics of IML (P₁-P₁₀) was at 2.6, where the standard deviation was from .995 to 1.28, and variances were between .99 and 1.27.

Based on the statistical results, ANOVA with Friedman’s test, sum of squares, mean squares as well as Chi-Square. The coefficient of concordance is found to be reliable at 0.75. The value of Cronbach’s alpha is at .953, which indicates that there is a high degree of internal consistency among variables. The mean scores of employees varied from 1.33 to 2.93, where leadership varied from 1.14 to 3.46. More categories of standard deviation scores were greater than 1.000 comparing to leaders. The Chi-square scores, all p values of both employees and management were lower than 0.05, and the majority was lower than 0.001 which indicates that all the tested variables were statistically significant. Thus, it is suggested that the null (H₀) hypotheses should be rejected.

B. Results from both Employees and Leaders

According to Figure 2 and 3, the responses indicated the following results:

P₁-Skills development: more than half of employees indicated that their leaders did not see the value of training and developing them (EINS1). On the other hand, the responses 75.5% of leaders confirmed that the training programmes they instituted for empowerment process assisted employees to take ownership (LINS1).

P₂-Interact with employees: 63% employees indicated that their leaders freely interacted with them in different levels (EINS2). Although, 82.4% leaders agreed that their interpersonal skills were spread around the employees and they got along with each other well (LINS2).

P₃-Empowerment process: 61% employees confirmed that their leaders rewarded them for bringing creative ideas (EINS3). While 78.5% leaders agreed to have welcomed and rewarded creative ideas (LINS3).

P₄-Rewards creativity: more than half employees indicated that their leaders did not encourage open communication and could not make time to listen to them (EINS4). Other than 76.8% leaders agreed that they spent more time developing and mentoring their employees (LINS4).

P₅-Discovers hidden talents: the results showed that 54.5% employees partially agreed that their leaders spent their time developing and mentoring them to do good at all times (EINS5). While, 80% confirmed to be concerned about coaching their staff to always want to bring out new ideas (LINS5).

P₆-Creates enthusiasm: the responses continued to reveal that 55.7% employees agreed that their leaders created platforms to spark new ideas from them (EINS6). Whereas, 87.5% leaders agreed that they created an environment to their employees to remain creative and offered more support (LINS6).

P₇-Concerned about new staff: more employees did not agree that their leaders introduced induction programmes for newly appointed staff except for 46.8% (EINS7). However, 92% leaders agreed that they have introduced induction programmes to orientate the new staff in order for employees to feel welcomed (LINS7).

P₈-Staff support mechanism: the majority of employees (69%) indicated that their leaders struggled to offer support and lift up their morale, with the exception of only 31% employees (EINS8).

P₉-Openness: except 52.6% employees partially agreed that their leaders practiced a philosophy of openness amongst management and employees to allow creative ideas to flow freely (EINS9).

P₁₀-Knowledge transfer: nearly 60% employees proved that their leaders emphasised the culture of knowledge sharing amongst them (EINS10).
IV. DISCUSSION

The discussion of these results are based on whether leaders of the SMEs participated on the study possess inspirational and motivational character in order for them to encourage their employees to be more creative and innovative. However, there are about ten variables that constituted this character as seen in Fig. 1. The results indicated that out of ten variables, empowerment process (INS1), rewards creativity (INS3), listening and communication (INS4) and concerned about new staff and support mechanism (INS8) were found to be negative.

According to innovation culture, these variables are deemed to be the core variables of innovation. If employees are not empowered, it becomes difficult for them to recognise each other as co-workers other than as competitors. The employees were very concerned that their leaders did not see value in creating an empowering environment, whereby the literature put more emphasis on it. This also met with the literature indicated that empowered employees do not feel threatened to work with other people from different departments [19].

The amazing part is that the leaders on the other hand were very pleased with their own evaluations which showed their ability to create an empowering environment. Empowerment process is one of the pillars of innovation activities, which needed to be more visible in any organisation aspiring to remain innovative in order to maintain its competitive advantage [14]. Nevertheless, the findings show that leaders of these organisations lacked an empowerment drive to lead their employees.

The results on this variable considered not being good on the side of employees. Rewards mechanism is always seen as a motivational tool for employees to go an extra mile; however, the employees of these SMEs were not convinced that their leaders motivated them in a way. The results indicated that more percentage of the leaders were happy with how they treated their employees. Employees were very concerned that they are not valued by the leaders instead of being resistant. Hence, the results of both leaders and their employees on issues such as empowerment process (INS1), rewards creativity (INS3), listening and communication (INS4), concerned about new staff and support mechanism (INS8) were not satisfactory. Employees were dissatisfied with the way their leaders managed them. On the other hand, leaders themselves were confidence that they have done a wonderful job in satisfying their employees. Both employees and their leaders were in agreement on the following: interpersonal skills, discover hidden talents, create enthusiasm, openness, and believe in knowledge transfer.

Communication skills make them to always become open and inspirational to gain confidence in handling organisational activities. The results reveal that employees disagreed with their leaders and show that there was no strong communication between them. Inspirational and motivational leaders use their characters to inspire and motivate their employees by providing meaning to their work. The employees without doubt confirmed that the spirit of openness in these companies was lacking. Interestingly, their leaders rated themselves very high to show their overwhelming communication skills. The relationship between employees and their leaders is fuelled by interactive communication.

The results also show that employees lacked support from their leaders, though these leaders indicated their non-stop support to their employees in order to enhance their performance. Organisations prosper when employees are given resources and information needed to execute their responsibilities.

V. CONCLUSION

In conclusion, without doubt, in order for these SMEs to be creative and innovative, leaders need to set free their employees’ instinctive creative potential. The success of organisations should be depended on employees’ ability to innovate and with the influence of the leadership. In essence, the implication of this study will contribute the proposed model to industry as a guide to assist SMEs in the whole country and possibly to other companies from worldwide.

All variables in this research paper were satisfactory tested for reliability and validity. The two questionnaires were directly focused on both employees and their leaders in order to clarify and verify the results. However, the results of both leaders and their employees on issues such as empowerment process (INS1), rewards creativity (INS3), listening and communication (INS4), concerned about new staff and support mechanism (INS8) were not satisfactory. Employees were dissatisfaction with the way their leaders managed them. On the other hand, leaders themselves were confidence that they have done a wonderful job in satisfying their employees. Both employees and their leaders were in agreement on the following: interpersonal skills, discover hidden talents, create enthusiasm, openness, and believe in knowledge transfer.

It is important to note that these leaders are able to create an innovative culture. However more emphasis needs to be on empowerment, rewards for creativity, communication and staff support. It shows that rewarding employees of different sorts do play a vital role in stimulating employees’ performance. In the current study, the findings show that leaders are struggling to make it happen. More importantly, leaders must create an environment that can enforce creativity amongst employees.

In most times, other employees care less of what happens in their organisations as long as they get paid at the end of the month. Therefore, these leaders require more training so that they can be mindful that an innovative environment should put employees’ needs ahead of their own. Employees should also be trained such that they can have positive attitude towards their leaders’ initiative as far as innovation activities are concerned. Leaders should learn to consult their employees in any issues that require organisational development for innovation. This will make employees to support their leaders instead of being resistant. Hence, many employees feel that they are not valued by the leadership. Similar perception is seen in the current study where leaders appeared to be very happy with how they treated their employees. Employees and their leaders should have an understanding on how things should be done. Furthermore, leaders should also create a platform.
where employees can freely share their dissatisfaction to improve their environment.

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