

## Chapter 2

# Organizational Leadership and Resources in Driving Creativity and Innovation

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### ABSTRACT

*Organizational leadership and resources are the critical drivers of creativity and innovation. The extent to which a firm can embody creative ideas in its products in such a way that meets customer requirements largely determines its profitability and growth. Such creative ideas, which are manifested in a firm's products and practices, are an integral part of organizational innovation. Prior studies related to creativity have mostly examined the stages of idea generation, whereas those related to innovation have largely investigated the latter implementation phase of idea generation. To extend this line of research, this chapter discusses several theories and concepts of creativity and innovation and then applies a multi-level analysis including individual, team, organizational, and industry level to provide a guiding research framework for academics and a set of drivers for managers to optimize creativity and innovation in the organization.*

### INTRODUCTION

In the globalization era, firms in the fashion industry are faced with rapidly increasing competition. With the frequent and rapid introduction of new technologies, executives are required not only to strengthen their firm's efficiency and productivity, but also to increase levels of creativity and innovation in their firm's products and services. In a highly competitive and fragmented apparel industry, for example, intense competition exists among designers, manufacturers, distributors, and retailers. Executives of firms in this industry are required to quickly adapt to seasonal changes in consumer demands while devoting greater resources to establishing brand recognition and adopting aggressive pricing policies. The fashion industry is thus subject to frequently and rapidly evolving fashion trends that impose great pressure on firms to continuously offer creative and innovative products and services to defend and grow their market shares and to strengthen the brand name.

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Creativity and innovation across organizational domains, which are reflected in products and services, are a critical element of a firm's competitive advantage (Amabile et al., 1996). In the creative industry, a firm's profitability and sustainability are largely determined by the extent to which the firm can embody creative ideas and manifest them as innovation in products and services in such a way that meets changing customer demands (Amabile, 1988). To achieve organizational competitiveness, executives are required to possess not only sufficient resources but also leadership to effectively drive creativity and innovation in their organization. This chapter discusses several emerging issues related with creativity and innovation in organizations from the aspect of leadership and resources, which executives need to consider in optimizing their firm's competitiveness.

In particular, prior studies related to creativity have mostly examined the stages of idea generation, whereas those related to innovation have largely investigated the latter implementation phase of idea generation (Anderson, Potočník, & Zhou, 2014). To extend this line of research, we discuss several theories and concepts of creativity and innovation and then apply a multi-level analysis including individual, team, organizational, and industry level to provide a guiding research framework for academics and a set of drivers for managers to optimize creativity and innovation in the organization.

Firms in the fashion industry have increasingly used visible creative design to communicate functional, aesthetic, and symbolic information of their innovative products to the market (Rindova & Petkova, 2007). Especially, aesthetic information associated with such visible attributes can trigger the sensory reactions of customers, while symbolic information can attribute the product beyond its basic functionalities (Eisenman, 2013). Given that levels of competition in the context of creativity and innovation are contingent upon stages of industry evolution, we first discuss the extent to which a firm should emphasize such visible attributes in response to competition in each of these industry stages to differentiate its products and to increase the likelihood of market adoption and retention.

A product's designs have increasingly played an important role in determining its competitiveness. Creativity and innovativeness in the design of products can strengthen a firm's competitive position regardless of stages of such industry evolution (Gemser & Leenders, 2001). The increasingly important role of a product's designs has thus called for greater integration with the firm's marketing functions (Ulrich & Eppinger, 2004). However, market orientation emphasizes that the needs of buyer be in a higher priority than the needs of the firm's creative designer (Narver, Slater, & Tietje, 1998). Given that leadership is the powerful driver of organizational creativity and successful innovation (Hemlin et al., 2013), we then discuss how leadership can resolve such tension to effectively build synergistic relationships between the designer and the marketer and thus to ensure creativity and innovation in organizations (Beverland, 2005).

Because creative innovation is mostly achieved through product development teams (Im et al., 2013), we discuss next the important role of leadership in influencing the team's dynamics during the product innovation processes. In particular, executives are required to create an organizational environment that shapes risk taking, incentives, formalities, social relation, and social identity of these teams and their members in such a way that increases the novelty and usefulness of products and services in the view of customers (Im et al., 2012).

While leadership plays the critical role in organizational creativity and innovation, its tangible benefits may not be realized unless organizations also have sufficient resources. Most organizations are faced with the challenge of securing sufficient resources to generate desired levels of creativity and innovation. These resources are identified to mainly include broader international experience (Godart et al., 2015) as well as financial and other input (e.g., labor and machine) resources (Scopelliti et al., 2014).

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