

# Chapter 17

## Leading Innovation to Endure COVID-19

Sulaiman Olusegun Atiku

 <https://orcid.org/0000-0001-9364-3774>

*Namibia University of Science and Technology, Namibia*

### ABSTRACT

*Many SMEs have failed due to loss of sales revenue and regulatory disruption associated with the pandemic. The surviving SMEs and new entrepreneurs still face the challenge of adapting to the new normal and meeting expectations in the post-pandemic period. This chapter examines the role of innovative leadership in enduring the COVID-19 impact on SMEs. This chapter adopted a literature review approach to establish the relationship between innovative leadership and sustainability through workforce creativity and business process innovation. Leading innovation to endure COVID-19's impact on SMEs has to do with being conscious of the business opportunities and developing internal capabilities for innovative performance. Capabilities such as emotional intelligence, management innovations, innovative organisation, and excellent interactions with the stakeholders are essential for entrepreneurs in leading innovation in the post-pandemic period.*

### INTRODUCTION

Many studies have examined the effects of transformational and ambidextrous leadership styles on innovative performance of Small and Medium-Sized Enterprises (SMEs) in both developing and developed economies (Alcalde-Heras, Iturrioz-Landart & Aragon-Amonarriz, 2019; Ng, & kee, 2018; Oluwafemi, Mitchelmore & Nikolopoulos, 2019; Partanen, Kohtamäki, Patel & Parida, 2020; Sahi, 2020; Tajasom, Hung, Nikbin, & Hyun, 2015). Accordingly, transformational and ambidextrous leadership exert a positive influence on workforce creativity and innovative performance of SMEs. Transformational and ambidextrous leaders exhibit innovative capabilities in influencing workforce creativity and transforming the internal process to meet both current and future expectations. The top-level management could address the eminent obstacles to innovation in SMEs through strategic and innovative capabilities (Atiku & Abatan, 2020; Strobel & Kratzer, 2017). The golden thread of this chapter is the fact that limited studies

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have investigated the influence of innovative leadership on performance of SMEs during a pandemic in both developing and developed countries.

Innovative leadership is a process of fostering innovation by developing innovation-friendly culture and setting a strategic direction that guides and builds trust among the employees to innovate (Sultana & Rahman, 2012, p.40). Innovative leadership consists of components such as emotional intelligence, management innovations, innovative organisation, and interaction with stakeholders. Hence, leadership development intervention should focus on enhancing emotional intelligence, strategic and creative capabilities, and relational skills of top management for the innovative performance of SMEs in the post-pandemic period. These skills are essential for top management to endure Covid-19 impact on SMEs. The topmost priority of innovative leaders is to create an enabling environment for workforce creativity and cultivating innovation through collaboration (Aschbacher & Sablik, 2019).

Leading innovation in SMEs is a necessity in turning the Covid-19 crisis into an opportunity. Business leaders and entrepreneurs need to innovate to endure compliance and regulatory disruption associated with Covid-19 to curtail the spread of the pandemic in the business environment. The innovative leadership style could be adopted to innovate and transform the business into the next level (Centre for Creative Leadership, 2020). Innovative leadership is valuable in influencing workforce creativity and developing innovative products and services (Tajasom, et al. 2015). Rather than concentrating on the dark side of Covid-19, the top management team could capitalise on the new normal to formulate competitive strategy and leading innovation to transform the business process for sustainability in the post-pandemic period. Leading innovation to endure Covid-19 impact on the sustainability of SMEs involves opening behaviours and creating an enabling environment for workforce creativity.

The objective of this chapter is to examine the usefulness of innovative leadership in enduring the Covid-19 impact on SMEs. The chapter seeks to establish the relationship between innovative leadership behaviour and workforce creativity, as well as its influence in developing innovative products and services by medium-sized businesses. The chapter will explore the approaches towards creating a culture of creativity and innovation by top management in SMEs. The essence of promoting a culture of innovation and motivation for continuous improvement are emphasised in this chapter.

## **METHODOLOGY**

A literature approach was adopted in this chapter to examine the place of innovative leadership in enduring Covid-19 impact on SMEs in the post-pandemic period. A thorough analysis of recent literature was conducted to establish business opportunities in the post-pandemic period and provide insights on the need to develop internal capabilities for innovation performance in SMEs. Through this approach, the challenges of SMEs were highlighted and explained. This approach provides a set of stages in leading innovation to endure covid-19 impact on SMEs through innovation initiatives and adequate implementation strategies. The next section provides insights into the background of innovative leadership.

## **BACKGROUND**

The evolution of innovative leadership can be traced to the inspirational aspect of transformational leadership and the opening behaviours of ambidextrous leadership (Alcalde-Heras et al., 2019; Oluwafemi

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