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Corporate Social Responsibility, Innovation and Leadership: Exploring the Compatible Territories

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Abstract

Purpose – The objective of this study is to provide insights into the role of leadership in promoting creativity and innovation at the level of the firm, and how these may translate into improving firms' own context of competitiveness in their respective markets through CSR initiatives.

Method/approach – This paper employs literature study, which is descriptive in nature, to explore the relationships between leadership, creativity/innovation, and CSR. We sought to describe the relationships between the three concepts: leadership, creativity/innovation, and CSR, as practically as possible. In employing exploratory research strategy, we draw insights from extant literature, drawn from the management sciences to describe leadership, creativity/innovation and CSR in organizations. In doing so, we explore, by arguing, how leadership can stimulate creativity/innovation in employees and how firm-level innovation-directed activities can connect to CSR activities.

Findings - The model suggests that leaders can stimulate employees' creativity/innovative behaviour and this in turn may influence the rate at which innovation manifest in the products and processes of the organization. These, in turn, may be closely related to the CSR initiatives that the organization pursues. The study has argued that for creativity/innovation to be embedded in the organization's product and processes, leadership of organization remains a key factor in terms of either enabling or inhibiting individual employees' innovative behaviour. Leadership of organizations and individual employees' innovative behaviour appear to influence the nature of CSR initiatives that is undertaken and may contribute in defining organization's own competitiveness. Organization's CSR initiatives can connect with efforts at improving its own competitiveness through, leadership of organization and stakeholder partnerships.

Keywords: creativity; innovation; leadership; corporate social responsibility; CSR

1. Introduction

Creativity and innovation are crucial competences that organizations require in order to survive and succeed in a competitive environment (see Amabile, 1988; Woodman *et al*., 1993).While creativity refers to the generation of ideas that results in products that are novel and imaginative (Hemlin *et al*., 2008), innovation reflects the implementation of value-added novelty in economic and social spheres that results in the renewal and enlargement of products and the establishment of new management systems (Crossan and Apaydin, 2010). Organizations may achieve their purpose by adhering to conventional practices, policies, and procedures that prescribe how work is to be accomplished (Amabile, 1988). As Hemlin *et al*. (2008) noted, the environment in which work is performed can play a significant role by exerting a positive influence on individuals and groups engaged in creative activities to produce new knowledge and innovations. Similarly, Birkinshaw *et al*. (2008) suggest that specific actions by individual and groups within and/or outside the firm could lead to the emergence of innovation, and that, it is important to capture the potentially critical role of human agency in the process of innovation.

A stream of research within the creativity literature – the *Creative Knowledge Environment* (CKE) – attempts to identify the specific environmental factors that may be conducive to creativity in research and innovation. Hemlin *et al*. (2008) argue that environmental factors, such as, existing relationships, facilitate and/or hinder creativity at different levels of organization. This suggests that the presence of supportive environment for creativity is crucial for the inspiration of employees to generate new ideas, including novel concepts, and new applications of existing concepts. Evidence points to individual's creativity as an essential input for organizational innovation (see Amabile, 1988; Hemlin, *et al*., 2008; Woodman *et al*., 1993). This implies the need for organizations to support individual creativity in the workplace (Amabile, 1988; Cummings *et al*., 1975; Hemlin *et al*., 2008), which in turn, can facilitate the long-term survival and success of organizations (Tushman, and O'Reilly, 1977; Utterback, 1996).

Following the extant literature, individual innovation has been posited in different contexts. Some studies have

emphasized it in relation to personality characteristic (Roehrich, 2004), output (West, 1987), and behavioural perspective (Janssen, 2000). Moreover, the literature on the behavioural perspective has focused on the direction of creativity, with emphasis placed on dominant themes, such as, *how* leaders stimulate idea generation among individuals. Surprisingly, equally crucial parts of individual innovation research, such as, the *processes* of idea screening and acceptability, how and when to implement creative ideas, as well as other aspects of the innovation process remain under-explored in the individual innovation literature (see de Jong and Den Hartog, 2007).

Prior research has established that employees' innovative behaviour depends, to a large extent, on their interaction with others in the workplace (Anderson *et al*., 2004; Zhou and Shalley, 2003). From both theoretical and practical perspectives, leaders constitute a major source of influence on employees' work behaviours (Yukl *et al*., 2002), and by implication, their innovative behaviours. Moreover, as Basadur (2004) noted, in the twenty-first century, the most effective leaders will be those who can lead others in their organization to think in innovative ways, and thus, drive change in the organization (Basadur, 2004). He noted further that:

… effective organization - those that enjoy sustained competitive edge - display two specific characteristics simultaneously: efficiency and adaptability [and that] adaptability allows an effective organization to master the process of changing its routines deliberately and continually [thereby] anticipating new […] ideas […] for sustained competitive edge (ibid, p. 104).

Despite the hypothesized influence of leaders in furthering individual innovation at the organizational level, surprisingly, there is limited research attempt at integrating leadership with innovation in the literature. For instance, Crossan and Apaydin (2010, p. 1156), point out that "… although leadership for innovation has been a subject of research, the mechanisms for its connection with the rest of the innovation process have not been explicit". So far, some studies have explored the influence of leadership behaviours on performance-related outcomes, including effectiveness and efficiency; leaving innovation-directed outcomes largely under-explored (see Basadur, 2004; de Jong and Den Hartog, 2007; Mumford and Licuanan, 2004).

In a special issue of *Leadership Quarterly,* Mumford and Licuanan (2004, pp. 169-170) concluded that as researchers:

… we cannot expect that extant models, […] developed to account for leadership performance in more routine, or more normative, settings can be arbitrarily extended to account for the leadership of creative ventures [...] what is needed is a new wave of research expressly intended to account for leadership in settings where creative people are working on significant innovations.

Moreover, evidence suggests, to a large extent, the fit between innovation and corporate social responsibility (CSR) in the literature (see Gugler and Shi, 2008; Midttun, 2007). Additionally, there is paucity of research directed at integrating innovation and CSR (Midttun, 2007). This view is, perhaps, confirmed by what Gugler and Shi (2008, p. 7) noted that:

… many opportunities to pioneer innovations that will benefit both society and firm's own competitiveness can arise in the product offering and the value chain.

Altogether, creativity, innovation, leadership, and CSR may be related to one another in important ways that could, synergistically improve firm's own competitiveness.

Informed by the above, the objective of this paper is to improve our understanding of the role of leadership in promoting creativity and innovation in organizations, and how this, in turn, may contribute to improving firm's own competitiveness, through CSR practices. In line with this, the research questions that this paper seeks to answer are:

1. How do firm's leadership stimulate creativity and innovation behaviour among individuals?

2. How do firm's leadership, through creativity and innovation behaviour, impact CSR practices?

The remainder of the paper is structured as follows: In the next section, the extant literature on creativity/innovation, leadership and CSR are reviewed. Next, we explain the methodology adopted by the present study. Thereafter, we present the theoretical framework that guides our discussions. This is followed by discussions and development of propositions. Finally, we conclude our paper by discussing the implications of our

study.

2.0 Literature Review

2.1 *Creativity and innovation*

The creativity and innovation literatures point to common themes such as *novel*, *appropriate*, *usefulness* and *acceptable* in the definitions of creativity. For instance, Sternberg and Lubart (1999, p. 3) see creativity as "the ability to produce work that is both novel (i.e. original, unexpected) and appropriate (i.e. useful, adaptive concerning task constraints)". Martindale (1989, p. 211), on the other hand, notes that, creativity "must be original, it must be useful or appropriate for the situation […] and it must actually be put to some use". Innovation, on the contrary, reflects the implementation of creative ideas within a firm (Amabile, *et al*., 1996). These imply that creativity at the individual and group levels comprise the building blocks of innovation at the firm's level (Amabile *et al*., 1996).

As Crossan and Apaydin (2010) noted, the challenge with the meaning of *innovation* is due, in part, to the different definitions, found on the innovation literature, with each definition, emphasizing different aspect of the term. However, innovation theorists, on their part, see the innovation process as comprised of two key activities: *initiation* and *implementation* (Axtell *et al*., 2000). Whilst the first activity, *initiation,* ends at the stage where ideas are produced, the second activity, *implementation,* comes to a close, when the ideas are implemented by the firm (King and Anderson, 2002). Moreover, as noted elsewhere, the dominant practice in innovation research has been to focus on the idea generation stage of innovation (Mumford, 2000; McAdam and McClelland, 2002). De Jong and Den Hartog (2007), point out the relevance of 'innovative behaviour' in the innovation process. They argue that 'innovative behaviour' represents behaviour directed towards the *initiation* and *application* of new and importantly, useful ideas, products, and processes. In effect, 'innovative behaviour' comprises all relevant behaviour through which employees can contribute to firm's innovation process.

Moreover, other streams of innovation research (e.g. Scott and Bruce, 1994), have pointed to, and discussed the distinction between innovative behaviour and creativity. They argue that innovative behaviour, unlike creativity, is meant to yield some kind of benefit. Thus, innovative behaviour entails a clearer applied component, as it is expected to result in innovation output. Innovative behaviour then comprises not only the application aspect, but also employees' behaviour directed towards the production of novel products, services and work processes (Scott and Bruce, 1994). Thus, as argued by Nicolini (2010), innovation is seen to proceed in accordance with a certain 'fuzzy' logic, that is, it is based on multiple tracks that generate many ideas, involving a number of actors playing distinct roles. Scott and Bruce (1994, p. 580) point out the role of innovation in organization's survival and the need for continued interest in this stream of research emphasizing that "since the foundation of innovation is ideas, and it is people who develop, carry, react to, and modify ideas, the study of what motivates or enables individual innovative behaviour is critical". As Birkinshaw *et al*., (2008) noted, one stream of innovation research that is relatively under-explored is 'management innovation', which is characterized by the "invention and implementation of a management practice, process, structure, or technique that is new to the state of the art and is intended to further organizational goals" (Birkinshaw *et al*., 2008, p. 825).

2.2 *Leadership*

The majority of definitions of leadership focus on some basic elements such as influence and goal attainment. At a general level, leadership has responsibility for providing frames, rules and trust along with a wider culture, that enable individuals and groups to be creative (Hemlin *et al*., 2008). As de Jong and Den Hartog (2007) noted, the literature on leadership research touches on different perspectives of leadership theory: e.g. traits approach, behavioural approach, and situational and contingency approaches and how each impact on leaders' effectiveness. However, the relationship between leadership behaviour and individual innovation at the organizational level has largely been researched from the perspective of transformational leadership, participative leadership, and leader-member exchange (LMX) theory (de Jong and Den Hartog, 2007).

Transformational leadership, it has been argued, encourages creativity, based on the assertion that transformational leaders stimulate followers to approach challenges in new ways. Following this process, followers are equipped to develop their full potential, and ultimately, their creativity is enhanced (Kahai *et al*., 2003; Shin and Zhou, 2003). Prior research on the effect of transformational leadership on creativity is largely inconclusive. For instance, while Shin and Zhou (2003) found that transformational leadership was positively related to follower creativity, Jaussi and Dionne (2003), established little effect of transformational leadership on

creativity. Kahai *et al*., (2003), on the contrary, investigated and concluded that there is a positive impact of transformational leadership on parameters deemed relevant to creativity processes and outcomes.

Participative leadership "has been identified as an antecedent of individual innovation" (de Jong and Den Hartog, 2007, p. 45), and involves adopting varying decision-making procedures to determine how leader's decision can be influenced by others. This is necessary to allow others to have the autonomy to design and perform their own tasks (de Jong and Den Hartog, 2007). The manifestations of participative leadership include consultation, joint decision-making, and delegation. For instance, Axtell *et al*. (2000), in their study of the impact of individual perceptions on individual, group and organizational factors, found that there is a positive relationship between participation and employees' innovative behaviour. Similarly, Judge *et al*. (1997) sought to understand how firms manage their R&D units to optimize their innovation capabilities. They suggested that innovative R&D units function more like goal-directed communities for innovation that preserves individual creativity that allows employees operational autonomy necessary for innovative culture. And again, Frischer (1993) identified that when product-development managers ceded some authority to subordinates, and gave them some sense of responsibility, it resulted in subordinates' awareness of the creation of a positive innovation climate in the organization.

LMX theory, on its part, dwells on the social exchanges that characterize leaders-employees relationships. It has also been suggested that the quality of the leader-subordinate relationship is related to, and produces innovativeness (Scott and Bruce, 1994). LMX theory proposes that the quality of the leader-subordinate relationships influences outcomes, including, supervisor satisfaction, subordinate satisfaction, commitment, turnover intentions, performance, role clarity and role conflict (de Jong and Den Hartog, 2007). However, there are suggestions that, "over time, some leader-subordinate relationships develop from interactions that are formal and impersonal (low-quality leader-member exchange) to mature interactions characterized by trust, mutual liking, and respect (high-quality leader-member exchange)" (Scott and Bruce, 1994, p. 584). Contrary to the former relationships, in the latter relationships, leaders allow subordinates decision latitudes and greater autonomy that have been noted to facilitate innovative behaviour (ibid). Similarly, in a study, Janssen et al. (2004) found that employees with stronger masterly orientations, including leader-rated innovative job performance, were more effective on the job because they tended to establish higher-quality exchanges with their supervisors. And again, Tierney *et al*. (1999) found that a positive relationship exists between creativity and high-quality relationships.

In sum, this brief review of the creativity/innovation and leadership literature has implications for the direction of future research on creativity/innovation and leadership in organizations. That, there is a need to apply a multi-level approach, where there is a clear distinction between leader effects on idea generation and idea implementation has long been noted (Mumford and Licuanan, 2004). Secondly, it has been suggested that extant models, typically those developed to account for leadership performance in more routine settings may not necessarily and/or generalize to account for leadership of creative ventures (Mumford and Licuanan, 2004).

2.3 *Corporate Social Responsibility (CSR)*

In recent times, researchers and practitioners have increasingly devoted attention to the strategic implications of CSR. Following McWilliams and Siegel (2001),CSR is understood to reflect situations where the firm goes beyond complying with applicable mandates and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001, p. 117). This is just one interpretation of CSR, as within the CSR literature, numerous definitions have been proposed - pointing to a situation where no clear definition exists - thus posing theoretical development and measurement difficulty (McWilliams and Siegel, 2001). For example, as noted by McWilliams *et al*. (2006), CSR activities have been posited to include: 1) social dimensions of products and production processes (e.g. providing convenience access for the physically-challenged in public places); 2) implementation of human resource management principles and practices (e.g. championing employee empowerment); 3) support for business-community relations (e.g. working closely with civil society organizations); and compliance to environmental standards (e.g. recycling and/or treating waste materials prior to disposal).

Within the extant literature, some studies have explored the relationships between CSR and leadership. For instance, Waldman *et al*. (2006), sought to explore the interplay between chief executive officers (CEOs) and the extent to which their firms tend to engage in CSR. The findings suggest that the intellectual stimulation of a CEO, contrary to CEO's charismatic leadership, is positively associated with the tendency of firms to engage in strategic CSR practices that may be related to the firm's organizational strategies. Hence, this suggests that, research that downplays the role of leadership in CSR is likely to draw conclusions that may not sufficiently

explain the antecedents and consequences of CSR activities (Waldman *et al*., 2006). In another study by McWilliams and Siegel (2001), the authors proposed a model that assumes that firms carefully analyse the strategic implications of their CSR activities. The study further asserts that, firms that pursue product differentiation and reputation building strategies have incentive to be socially responsible. Though, this framework is useful for CSR research, it does not consider the personal qualities (e.g. attributes of leaders) of key decision- makers in organisations such as the CEOs, and their potential impact on the extent to which firms engage in CSR activities. Instead, the researchers suggested an overlap between strategic variables (e.g. product differentiation) and personal qualities, using cases, including the 'Body Shop' to confirm the importance of CSR in marketing (McWilliams and Siegel, 2001, p. 119).

Similarly, House and Aditya (1997) reviewed the history of the social scientific study of leadership alongside theories of leadership that have been applied in empirical studies contexts. The results show that development of knowledge on the leadership phenomena is cumulative and that substantial knowledge has been accumulated about leadership. However, the authors assert that "leadership research has been primarily concerned with generic leadership functions, to the exclusion of specific behavioural manifestations of these functions [and that] much of our understanding about leadership is not easily operationalized in practical settings" (House and Aditya, 1997, p. 465). Moreover, the results suggest, among others, that diverse styles (leader behaviour), that are enacted, as well as context specific variables (e.g. organizational and environmental) that are crucial to effective leadership performance have received limited research attention (House and Aditya, 1997).

In sum, there is growing interest among managers, as business leaders, in the antecedents and consequences of firm's CSR activities. This development, according to McWilliams *et al*. (2006), typifies the case of managers of multinational corporations (MNCs). Indeed, business leaders are conscious of the fact that stakeholder demands, business norms and practices, and regulatory frameworks differ across nations, regions, and industry contexts. Business leaders are equally aware of the constant pressure brought to bear on MNC subsidiaries managers by stakeholders, including, suppliers, employees, customers, and community groups with respect to their commitments to CSR activities. Furthermore, researchers and practitioners have asserted that the analysis of CSR still appears to be in an embryonic state (McWilliams *et al*., 2006). These imply that theoretical perspectives, measurement, and empirical foundations are not yet fully resolved, whilst the multifaceted orientation of CSR hints that an integrative perspective would appear to yield a better analysis, than "through the lens of a single disciplinary perspective" (McWilliams *et al*., 2006, p. 2). Finally, CSR as a body of research appears in a "continuing state of emergence [devoid of] a dominant paradigm, [hence reflecting] "an obvious call to action for concerned researchers" (McWilliams *et al*., 2006, p.16).

3.0 Method

This paper employs literature study, which is descriptive in nature, to explore the relationships between leadership, creativity/innovation, and CSR. We sought to describe the relationships between the three concepts: leadership, creativity/innovation, and CSR, as practically as possible. By employing an exploratory research strategy, we aim at drawing insights from extant literature on the management sciences to describe leadership, creativity/innovation and CSR in organizations. An exploratory research technique is also useful for the purpose of developing propositions on a particular subject. Moreover, this approach, is also suitable as a research technique for relatively unexplored fields (Eisenhardt, 1989), such as, an integrative approach to studying relationships and outcomes of multiple concepts. A key advantage of exploratory research is that it provides a means by which one acquires knowledge about the subject area being studied. Since this study attempt to acquire useful information from three separate fields, an integrative perspective was deemed appropriate in the information search and knowledge acquisition. In this respect, the demands that leadership and creativity/innovation place on CSR are derived from the literature study.

4.0 Theoretical framework

In **F**igure **1**, we show a model of the relationships between leadership, creativity/innovation and CSR together with environmental and/or institutional support for creativity and innovation.

In the following section, we will discuss the various parts of the model; pointing out the key relationships, in an attempt to clarify these, based on propositions that have been suggested to illuminate the model.

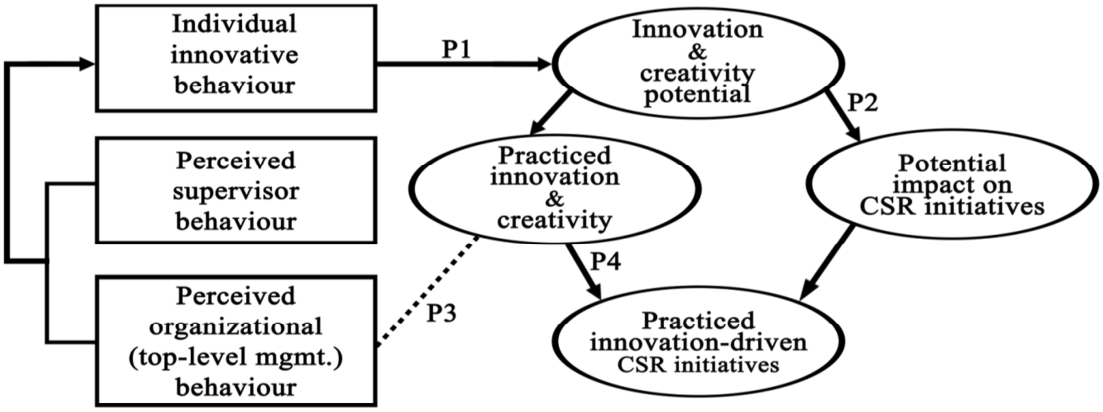

Figure 1: A model of the relationships between leadership, creativity/innovation and CSR

4.1 *Relationship of creativity and innovation with organizational culture*

Following Martins and Terblanche, (2003), we see organizational culture "as the deeply seated (often subconscious) values and beliefs shared by personnel in an organization" (Martins and Terblanche, 2003, p. 65). This suggests that organizational culture is posited at the heart of organization and constitutes a critical determinant to the success of any organization. This implies further that successful organizations are those that have the capacity to absorb innovation into their organizational culture and management processes (Martins and Terblanche, 2003). The basic elements of organizational culture (beliefs, shared values, and behaviour expected of members of an organization) influence creativity and innovation in two major ways. In the first place, individuals learn what behaviour is expected and/or acceptable and how activities should function within the organization. This motivates individuals to make assumptions about whether creative and innovative behaviour are part of the ways in which the organization functions. Second, the beliefs, values, and assumptions that are formed, shape established forms of behaviours, and are reflected as management structures, procedures and practices. Organizational culture thus affects the extent to which creative and innovative solutions are encouraged, supported, and implemented (Martins and Terblanche, 2003).

4.2 *Behaviour that encourages innovation*

Innovation theorists posit that organizational values and norms that encourage innovation can be found in specific behavioural forms that may either facilitate or frustrate creativity and innovative efforts (Martins and Terblanche, 2003). For example, how individuals handle mistakes, send signals and determines to a large extent, whether such individuals would like to be creative and innovative (Martins and Terblanche, 2003). Other key factors that may determine the extent of creativity and innovativeness in organizations include, the presence of organizational culture that supports continuous learning, individuals' desire to embark on experimentation and risk taking, support for change across the organization's hierarchy. Also relevant are, the presence of competitiveness that encourages managers to reach out to internal and external knowledge sources; thereby encouraging idea generation, presence of organizational culture that is supportive of open and transparent communication. The rest are, how conflicts are handled, and how the outcome stimulates and/or inhibits creativity and innovation in the organization (Martins and Terblanche, 2003).

4.3 *Leadership roles in creativity and innovation*

The leadership and innovation literature suggest that a number of leadership roles appear relevant for innovation, especially in an R&D context (Elkins and Keller, 2003). These include idea generation and project leading roles.

The idea generation aspect of the leader's role calls on the leader to be involved in developing and testing new ideas and part-take in creative problem solving activities. Motivating team members, organizing projects and coordinating team members are equally important activities connected with the project-leading role (Elkins and Keller, 2003).

4.4 *Creating a climate for innovation*

Following the innovation literature, research that attempts to examine climate issues has essentially focused on two key questions: "What aspects of the organization's environment can influence innovation, and what is the role of leaders in this relationship"? (Elkins and Keller, 2003, p. 595). In an attempt to answer the first part of the question, the antecedents of innovation and creativity have been identified to include; participative safety, climate for excellence, operational autonomy, organizational resources, recognition, time, challenge, pressure, and encouragement (Elkins and Keller, 2003). In response to the second part, studies suggest that leaders may influence innovation by creating an innovative climate. It has further been noted that a climate of innovation may be created by relying on both structure and behaviours; including providing subordinates with multiple tasks, administrative and technical tasks, technical collaboration with colleagues, and the need to clarify the fit between work and organizational goals (Elkins and Keller, 2003).

4.5 *Leadership and CSR*

According to House and Aditya, (1997), various models of effective leadership have argued about values and related characteristics that may be applicable to strategic decision-making and implementation. These include decisions pertaining to CSR (Waldman *et al*., 2006). For example, in the leadership literature, transformational leadership theory has been posited as representing a paradigm that can provide new possibilities for understanding the interplay between leadership and CSR (Waldman *et al*., 2006). As Waldman *et al*. (2006, p. 1706) noted, there are suggestions that "components of transformational leadership are applicable to the larger community beyond a leader's organization, thus implying a potential connection to CSR". In addition, some studies have proposed that intellectually stimulating leaders have the capability to influence subordinates by questioning assumptions and reframing problems. Through this process, the ability of subordinates to understand issues from innovative contexts is improved (Waldman *et al*., 2006).

4.6 *Creativity/innovation, CSR, and stakeholder relationships*

The innovation literature suggests theoretical arguments that can be connected to CSR. For example, a basis for complementary relationship between innovation and CSR may be studied, drawing on a broad strand of literature that emphasizes the social and institutional dimensions of the innovation process (Midttun, 2007). Following this literature, the overlapping nature of the CSR and innovation literature may be linked to the emergence of concepts such as 'corporate social innovation' (Kanter, 1999). The thrust of 'corporate social innovation' is that firms should use social issues as a learning platform to produce to satisfy unmet needs and also for developing peculiar solutions. An important sub-theme of this concept is Prahalad's call for firms to devote some attention to satisfying low-income market in order to tap the potential social and economic benefits of those markets (Prahalad, 2009).

The success of a firm to a large extent is determined by its ability to maintain fruitful relations with stakeholders such as customers, employees, suppliers, and regulatory authorities. It is thus, incumbent on firms to strive to obtain legitimacy by getting 'approval' from stakeholders with respect to how they conduct their business. This implies that addressing the concerns of stakeholders remains paramount in a firm's pursuit competitiveness (Gugler and Shi, 2009). The challenge confronting organizations today is not simply the burden of retaining customers, but more importantly, how to deepen relationships with, especially influential stakeholders. More specifically, there is the need for firms to work towards building mutually-beneficial exchange relationships with stakeholders. Once this has been achieved, it reinforces firm level relationships and could, potentially boost firm's strategic directions, including the pursuit of competitiveness.

5.0 Discussion

Management support for innovation at the level of the firm could potentially energize employees to explore new ideas that may eventually be beneficial to the firm. Oldham and Cummings (1996) studied the impact of personal

and contextual factors at work on employee creativity. The results suggest that a supportive supervisory style is a major driver of excellent creative performance. It does follow that willingness on the part of leaders to recognize innovative contribution has the potential to trigger streams of idea generation and implementation. Recognition of creative performance of individual employees may take several forms including: giving compliment, increased autonomy, and instituting ceremonies for celebrating employees' performance (Yukl *et al*., 2002). This implies that recognition for innovative efforts can promote innovation campaigns that may serve as avenues for applying creative problem solving skills (Oldham and Cummings, 1996). Moreover, empirical support points to the positive link between supervisors' willingness to delegate task performance and idea generation and application behaviour shown by individual employees. For instance, Krause, (2004) sought to understand whether leaders can influence the innovation process by allowing their subordinates some level of autonomy. The results hint that granting autonomy to individuals was positively related to various dimensions of innovation behaviour, including, idea generation, testing, and implementation. Thus, it follows that, extending autonomy to employees to discuss prevailing challenges at work can result in innovative ideas that have the potential to offer solutions. This leads to the following suggestion:

Proposition 1: The perceived support individual employees receive from their superiors at work stimulates the willingness and efforts that individual employees are prepared to spend in the search for innovative ideas.

Competitiveness requires that convergence between the long-term maximization of the firm's value and maximization of social welfare is pursued (Quairel-Lanoizelee, 2011). Consequently, taking into account firm's stakeholders' expectations could be helpful and strategic in nature. For instance, opportunities exist to pioneer innovations to benefit society and the firm's competitiveness (Gugler and Shi, 2009). This implies that it is necessary for a new product to be evaluated by customers in order that meaningful feedback can be used to refine the original concept prior to commercialization. For instance, von Hippel (2009) has suggested that firms develop innovation in partnership with their customers. This, he argues, can lead to benefits such as opportunity to modify products which constitute part of the firm's innovation model.

Following von Hippel's proposal, one implication is that, individual employees whose job allow for external contacts may champion employees innovative behaviour as feedback from stakeholders may be applied to improve existing and/or new products and processes. Essentially, as proposed by Morsing and Schultz (2006), understanding how stakeholders, such as customers, can be informed, responded to, and involved in the firm's CSR strategy, product development and innovation model can potentially result in win-win situation. This enhances the firm's own competitiveness whilst stakeholders' concerns are also addressed. We thus, suggest the following:

Proposition 2: The extent of collaboration between a firm's leadership and stakeholders, bridges the gap between what external constituents (stakeholders) expect from the firm and what the firm actually delivers to them.

At the level of the organization, prevalence of leadership vision that underscores creativity and innovation may be necessary to promote idea generation and application behaviour. Empirical evidence points to the existence of relationship between leadership vision and measures of idea generation and application behaviour. For instance, in a study, Sosik *et al*. (1998) found that when firms' leadership provided vision, it resulted in improved creativity on the part of the individual employees. Moreover, the capacity of firms' leadership to serve as innovative role models is equally appropriate in this discussion. Empirical evidence supports the proposition that when firms' leadership position themselves as innovative role models, it motivates innovative behaviours in subordinates. Thus, in a study by Jaussi and Dionne, (2003), they hinted that leaders who acted creatively succeeded in positioning themselves as creative models that subordinates, eventually, learnt from, and in turn, produced scores of creativity qualities in the firm. Following a review of the creativity and leadership literature, Mumford *et al*. (2000), posited that, the ability of employees to generate ideas, depends, partly, on their awareness of the needs, trends, and problems of the environment in which they operate. Thus, the leadership framework of a firm may play an important role in defining how creativity and innovation related issues are addressed. This leads us to propose as follows:

Proposition 3: The perceived organizational leadership framework reinforces how innovation is pursued and effectively defines how creativity and innovation are integrated into the organization's operations.

At the level of the organization, the manner leadership handles issues related to innovation can contribute in defining CSR activities that are pursued. As Chesbrough, (2010) noted, the effective design and implementation

of business models has to consider environmental and institutional contextual factors at work, alongside firm-stakeholder relationships. Kogut and Zander (1992, p. 383) note that, though, "knowledge is held by individuals, but is also expressed in regularities". This prompts cooperation in social community (e.g. group, organization, network), resulting in *combinative capabilities*, that the firm acquires and with which it succeeds in generating innovative solutions to evolving challenges. For instance, in a study by Kramer and Kania (2006), they hinted the prominent role of non-profit firms. They argue that non-profit firms have inherent capability required to understand the social context in which MNE foreign subsidiaries operate. Multinationals typically boast of capital and managerial capability that may blend with non-profit firms' expertise in local market strategies. Hence, the firms may, collectively, leverage their relative strengths through collaboration in the pursuit of their individual firm-level goals. Such collaboration can result in bundle of social and economic values that may be difficult to disaggregate (Hutter *et al*., 2011), and would thus, accrue mutual benefit to the firms involved in the partnership. This permits us to suggest that:

Proposition 4: When a proposed innovative activity is consistent with a defined CSR practices, both should be pursued simultaneously. Consequently, the acceptability and diffusion of innovation and CSR are enhanced through the active participation of the profit-oriented firm and the non-profit firm, with the latter, acting in the capacity of stakeholder.

6.0 Conclusions

The present study has sought, through literature study, to provide descriptive insights into the role of organizational leadership in promoting creativity and innovation and how these may translate into improving firm's own competitiveness through CSR practices. This study has argued that for creativity and innovation to be embedded in the organization's product and processes, leadership constitutes a major enabling and/or inhibiting factor to developing individual employees' innovative behaviour. Moreover, the tendency or absence thereof, on the part of leadership of organization to dialogue with internal and external stakeholders that impact on organizations' innovation processes, remain crucial in determining the relevance of innovative outcomes. Purposeful stakeholder relationships that underscore the need to explore stakeholders' potentials to constitute a pool of resources and capabilities that organizations can blend with in furtherance of their economic objectives have been highlighted. Leadership of organizations and individual employees' innovative behaviour can influence the CSR activities that may be pursued and thus, contribute in defining organization's own competitiveness. In essence, innovation and CSR initiatives of organizations can connect with efforts at improving their own competitiveness. This may be accomplished through partnerships, in what has been described as, 'co-innovating and co-creating novel business models'. Such a business model, it has been suggested, may result in concurrent delivery of economic value and social value that can be mutually reinforcing.

7.0 Implications from the study

The present study has implications for leaders and stakeholders of organizations. As the extant literature (e.g. Teegan *et al*., 2004) hints, firms, especially, multinationals, operate under increasing pressures from stakeholders. This requires, among others, that firms ensure social responsibility in the communities in which they operate. Following this, influential stakeholders, such as non-governmental organizations (Teegan *et al*., 2004), act as agent of civil society, and pressure firms to respond to demands for socially responsible behaviour.

It therefore follows that, in crafting and implementing CSR strategies, leadership of organizations need to consider environmental contextual factors affecting their work settings. In this respect, the support structures necessary for effective individual innovative behaviour remains crucial. In addition, the manner in which innovation processes and outcomes may be integrated into other parts of the organization to reap synergies, cannot be underestimated.

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