

Understanding the Influence of Leadership Styles on Employee Innovation and Creativity in Knowledge-Based Industries

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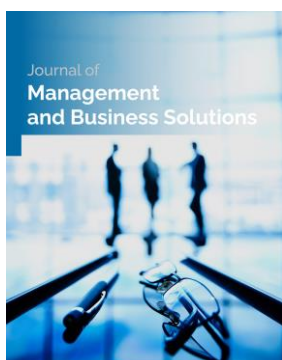
ABSTRACT

This study aims to explore how different leadership styles influence employee innovation and creativity within knowledge-based industries (KBIs), focusing on the perceptions and experiences of employees in Tehran-based organizations. A qualitative research design was employed, using a phenomenological approach to capture the lived experiences of knowledge workers. Data were collected through semi-structured interviews with 24 participants from various KBIs in Tehran, selected through purposive sampling. Interviews were conducted until theoretical saturation was reached. Each session lasted between 45 and 70 minutes. All interviews were transcribed verbatim and analyzed thematically using NVivo 12 software. The analysis involved open coding, grouping into subthemes, and development of major themes to identify patterns in how leadership behavior influences innovation and creative engagement. Three overarching themes were identified: (1) Leadership Approaches and Perceived Impact, (2) Fostering Employee Innovation and Creativity, and (3) Barriers to Creativity in Leadership Context. Transformational and adaptive leadership styles were reported as strong enablers of creativity, associated with psychological safety, autonomy, and motivation. Conversely, authoritarian, laissez-faire, and fear-based leadership styles were linked with reduced innovation due to rigidity, ambiguity, and punitive responses to failure. Key mediators such as recognition, communication, resource allocation, and risk tolerance significantly shaped the influence of leadership on innovation. Barriers included micromanagement, bureaucratic hurdles, and inconsistent feedback. Leadership styles play a critical role in enabling or inhibiting innovation in knowledge-based environments. Organizations should foster adaptive and transformational leadership capacities while minimizing rigid or passive managerial behaviors. Cultivating a supportive, communicative, and resource-rich climate is essential to unlocking employee creativity and sustaining innovation in knowledge-driven sectors.

Keywords: Leadership styles; employee creativity; knowledge-based industries; transformational leadership; innovation climate; qualitative research; Tehran.

Introduction

In the rapidly evolving global economy, knowledge-based industries (KBIs) have emerged as the central pillar of innovation, productivity, and sustainable growth. These industries—defined by their reliance on intellectual capital and technological advancement—thrive not merely through physical assets but by cultivating environments conducive to creativity and innovation (Powell & Snellman, 2004). As such, the role of leadership in these contexts has become increasingly crucial, with organizational outcomes such as innovation and creative performance being tightly interwoven with the leadership styles practiced within firms (Amabile & Pratt, 2016; Mumford & Licuanan,



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2004). Understanding how different leadership approaches shape the innovation potential of employees in KBIs is therefore both a theoretical imperative and a practical necessity.

Leadership, broadly defined as the process of influencing others to achieve shared goals, manifests through various styles—ranging from transformational and transactional to more emergent forms like adaptive and servant leadership (Bass & Riggio, 2006; Northouse, 2021). Among these, transformational leadership has received significant attention for its capacity to stimulate creativity through vision articulation, intellectual stimulation, and individualized support (Eisenbeiss, van Knippenberg, & Boerner, 2008). Transformational leaders are known to foster psychological safety and autonomy—two critical antecedents of innovative behavior—by encouraging followers to question the status quo and pursue novel solutions (Zhang & Bartol, 2010). In contrast, transactional leadership, which emphasizes structured roles and performance-based rewards, has been critiqued for its limited potential in fostering radical innovation, although it may support incremental improvements (Wang, Tsai, & Tsai, 2014).

In knowledge-based industries, employee innovation is not merely desirable—it is essential. These sectors operate in environments marked by constant technological disruption, short innovation cycles, and global knowledge spillovers (Huggins & Thompson, 2015). Employees in such industries are often expected to contribute to product development, process refinement, and business model evolution. Consequently, leadership styles that either enable or inhibit such creative contributions play a decisive role in organizational survival and competitive positioning (Anderson, Potocnik, & Zhou, 2014). However, the very nature of knowledge-intensive work—characterized by high task complexity, interdependence, and ambiguity—poses unique challenges for leadership. Traditional command-and-control models may stifle creativity, while overly laissez-faire styles risk creating disorientation and lack of cohesion (Birasnav, 2014).

Several empirical studies have highlighted the association between leadership and innovation outcomes, yet much of this research has been conducted in Western, corporate, and manufacturing settings, often using quantitative methodologies (Rosing, Frese, & Bausch, 2011). There remains a scarcity of qualitative research that explores this dynamic within the context of KBIs, particularly in non-Western, knowledge-intensive economies such as Iran. Moreover, existing frameworks may inadequately capture how leadership is perceived and experienced by employees navigating complex, evolving projects in knowledge-driven environments. Leadership does not operate in a vacuum—it is interpreted, mediated, and often co-constructed through organizational culture, communication patterns, and employee expectations (Denti & Hemlin, 2012).

Iran presents an especially compelling case for such inquiry. In recent years, the Iranian government has prioritized the growth of knowledge-based companies through national strategies like the Science and Technology Development Plan, leading to the proliferation of startups and research-intensive firms in urban hubs such as Tehran (Ramezani & Dehkordi, 2019). These firms, often operating under economic uncertainty and institutional constraints, rely heavily on human capital and innovation capacity to remain viable. In such settings, leadership becomes not only a functional role but a transformative force capable of bridging strategic intent with operational creativity.

Within this context, understanding how leadership styles influence the creative behaviors of employees offers valuable insights. For example, does transformational leadership resonate differently with employees in Iranian KBIs than in Western firms? Do transactional or authoritative leadership styles retain value in environments marked by regulatory unpredictability and risk aversion? And how do adaptive and supportive leadership approaches

contribute to fostering psychological safety, a known precursor of creative engagement (Edmondson, 1999)? These are questions that warrant nuanced, context-sensitive exploration.

In addition to style-specific inquiries, it is essential to examine the mechanisms through which leadership affects creativity and innovation. Prior research suggests that this relationship is often mediated by factors such as employee autonomy, intrinsic motivation, trust in leadership, and organizational learning culture (Shin & Zhou, 2003; Gumusluoglu & Ilsev, 2009). For instance, leaders who provide meaningful recognition and resources tend to enable risk-taking and experimentation, whereas those who rely on hierarchical control may inadvertently suppress dissent and divergent thinking (Carmeli, Gelbard, & Reiter-Palmon, 2013). Thus, leadership is not merely about intent but about shaping an ecosystem that either promotes or inhibits innovation.

Given these complexities, this study aims to explore the influence of leadership styles on employee innovation and creativity in Tehran-based knowledge-intensive organizations. Through a qualitative approach centered on semi-structured interviews, the study captures the lived experiences of employees and leaders operating in dynamic, high-knowledge environments. This method allows for the emergence of themes that may not be fully accessible through standardized survey instruments, thereby contributing to theory-building and practical understanding.

Furthermore, the study adopts a grounded interpretive stance, emphasizing how leadership is experienced rather than prescribed. This perspective is particularly relevant in knowledge-based contexts where employees often engage in self-directed work and are likely to form individualized interpretations of leadership effectiveness (Bryant, 2003). By focusing on participant narratives, the study seeks to illuminate how different leadership styles shape, enable, or hinder the creative potential of knowledge workers.

The originality of this research lies not only in its focus on KBIs in an under-researched national context but also in its methodological design, which foregrounds the voices of those directly engaged in creative work. It addresses a key gap in the literature by linking leadership styles to employee creativity within a qualitative framework and offers context-specific insights that may inform leadership development programs, innovation policies, and organizational design in similar settings. In doing so, it contributes to the broader discourse on how organizations can cultivate leadership practices that sustain innovation in an increasingly knowledge-driven world.

Methods and Materials

Study Design and Participants

This study employed a qualitative research design to explore how different leadership styles influence employee innovation and creativity within knowledge-based industries. A phenomenological approach was adopted to gain in-depth insights into the lived experiences of employees and leaders in such environments. The research sample consisted of 24 participants, including middle and senior-level employees from various knowledge-based companies located in Tehran. Participants were selected using purposive sampling based on their experience with leadership practices and their involvement in creative or innovative projects. Inclusion criteria required participants to have a minimum of three years of professional experience within a knowledge-based firm and familiarity with leadership dynamics in their workplace.

Data Collection

Data were collected through semi-structured, in-depth interviews to allow participants the flexibility to share their experiences and perspectives while maintaining a focus on the research objectives. An interview guide was developed, covering key topics such as perceptions of leadership styles (e.g., transformational, transactional, laissez-faire), the encouragement or inhibition of creativity, and organizational factors influencing innovation. Each interview lasted between 45 and 70 minutes and was conducted face-to-face at the participants' workplaces or via secure online platforms when necessary. The interviews continued until theoretical saturation was achieved—that is, when no new themes or significant insights were emerging from the data.

Data analysis

All interviews were audio-recorded with consent and transcribed verbatim. Thematic analysis was conducted using NVivo software (version 12) to manage and systematically analyze the qualitative data. The coding process followed an inductive approach, allowing patterns and themes to emerge directly from the data rather than being pre-imposed. The data analysis included several stages: initial open coding, grouping of codes into subthemes, and the development of broader thematic categories. Constant comparison methods were used to ensure internal consistency and to refine the coding framework as the analysis progressed. To enhance trustworthiness, member checking was conducted with selected participants, and peer debriefing was employed during the coding phase to validate interpretations.

Findings and Results

1. Leadership Approaches and Perceived Impact

Transformational Leadership

Participants widely associated transformational leadership with innovation-stimulating environments. They emphasized the importance of vision, inspiration, and intellectual stimulation. A respondent stated, "Our CEO always talks about the bigger picture—it's not just about sales, it's about shaping the future. That inspires me to think more creatively." Empowerment and idealized influence were also repeatedly mentioned as drivers of motivation.

Transactional Leadership

Some employees described transactional leadership as functional but limiting. Performance was closely monitored, and rewards were clearly linked to output. One interviewee remarked, "Everything is measured here. If you innovate and it works, you get a bonus. If it fails, well, that's on you." While this clarity helped some, others felt it discouraged risky or unconventional ideas.

Laissez-faire Leadership

Several participants mentioned laissez-faire leaders as disengaged. This style resulted in high autonomy but also confusion and inefficiency. As one employee shared, "My manager doesn't interfere at all, which sounds great. But sometimes, we need direction and feedback—without it, ideas float without impact."

Adaptive Leadership

Adaptive leadership was praised for its responsiveness and contextual awareness. Participants described leaders who adjusted their style based on individual and situational needs. A team leader noted, "When we hit

obstacles, my manager doesn't panic—she just listens, reflects, and pivots.” This adaptability fostered resilience and creative problem-solving.

Authoritative Leadership

Authoritative leadership was described as clear but rigid. While structure and control were evident, creativity often suffered. One participant said, “There's no room for experimentation. We follow orders, meet targets, and that's it. Creative ideas are seen as distractions.”

2. Fostering Employee Innovation and Creativity

Autonomy and Freedom

Employees strongly linked innovation to autonomy. When allowed to make decisions and manage their tasks, they felt more invested and creative. One participant stated, “When I have the freedom to experiment, I produce my best work. Micromanagement kills that spirit.”

Risk-Taking Encouragement

Innovation was also facilitated by tolerance for failure. Participants highlighted the importance of an experimental mindset. “We're encouraged to try—even if it fails. That's how we learn and grow,” said a product designer. The absence of punitive responses was seen as critical.

Supportive Environment

Supportive leadership emerged as a cornerstone of creativity. Psychological safety and open communication enabled risk-taking. One employee noted, “Even when my idea flopped, my manager said, ‘Good try, now let's refine it.’ That support means everything.”

Recognition and Rewards

Recognition motivated many participants to engage in innovation. Leaders who acknowledged creative efforts, both privately and publicly, boosted morale. “After presenting a new feature, my manager posted it on our internal channel—it made me feel seen,” recalled a developer.

Time and Resource Allocation

Without time and tools, creativity suffered. Participants emphasized the need for dedicated resources. As one engineer put it, “You can't expect innovation when people are overwhelmed with deadlines. We need time to breathe, think, and create.”

Learning Orientation

Continual learning opportunities, such as workshops and cross-functional collaboration, were seen as innovation enablers. “Our manager pairs us with people from other teams. I've learned more in those sessions than in any formal course,” said a senior analyst.

3. Barriers to Creativity in Leadership Context

Micromanagement

Micromanagement was viewed as stifling. Employees described excessive oversight as a major creativity killer. One respondent complained, “Every step needs approval. By the time I get the green light, the idea's gone cold.”

Fear-Based Leadership

Fear-based environments deterred innovation. Punitive responses to mistakes discouraged experimentation. “If something goes wrong, there's a blame game. So, we stick to what's safe,” a marketing associate shared.

Lack of Vision and Strategy

A recurring frustration was the absence of a long-term vision. Employees felt disconnected and demotivated when leadership failed to articulate strategic goals. “We don’t know where we’re heading. Without a roadmap, how can we innovate?” asked a project manager.

Communication Gaps

Breakdowns in communication between leadership and teams often hindered creativity. Participants cited hierarchical barriers and unclear messaging. One participant reflected, “We often hear things too late. By then, it’s too late to align ideas with company goals.”

Resistance to Change

Some leaders resisted new approaches due to routine-based mindsets. “They keep saying ‘we’ve always done it this way.’ It’s hard to push new ideas when change scares them,” noted a business strategist.

Bureaucratic Obstacles

Cumbersome procedures slowed down innovation. Approval bottlenecks and procedural rigidity were common complaints. One engineer remarked, “You have to fill out five forms just to try something new—it’s exhausting.”

Inconsistent Feedback

Finally, erratic or unclear feedback discouraged creative engagement. “One day, my manager loves the idea. Next day, he says it doesn’t align with our goals. It’s confusing,” said a UI designer.

Discussion and Conclusion

The findings of this study provide nuanced insights into how leadership styles influence employee innovation and creativity in knowledge-based industries (KBIs). In alignment with previous literature, transformational leadership emerged as a significant enabler of creativity, characterized by vision, empowerment, and intellectual stimulation. Participants consistently described transformational leaders as those who inspire trust and imagination by articulating a compelling vision, encouraging independent thought, and fostering a sense of purpose beyond routine tasks. These results echo earlier studies asserting that transformational leadership promotes psychological safety, an essential condition for creative engagement in high-pressure, knowledge-intensive environments (Zhang & Bartol, 2010; Eisenbeiss et al., 2008).

Transactional leadership, in contrast, showed a more ambivalent role. While some participants appreciated its clarity and reward-driven mechanisms, others felt constrained by its rigidity. This duality is consistent with the distinction drawn in the literature between exploitative and exploratory innovation (Rosing et al., 2011). Transactional approaches may support the former—incremental enhancements and efficiency gains—but are less effective for the latter, where risk-taking and divergent thinking are essential. Moreover, the study found that transactional leadership tends to create a “performance-for-reward” culture, which, though useful in some contexts, can suppress intrinsic motivation—one of the key drivers of creativity (Amabile & Pratt, 2016).

The data also highlighted the consequences of laissez-faire leadership, which was characterized by inattention, ambiguity, and absence of feedback. While this style allowed freedom, it often left employees directionless. This confirms previous findings that laissez-faire leaders may unintentionally undermine employee creativity by failing to provide necessary guidance and support (Skogstad et al., 2007). In KBIs, where tasks are complex and require cross-functional collaboration, such passivity can be particularly detrimental. Participants expressed the need for both autonomy and structured reflection—a balance that laissez-faire leadership struggles to achieve.

Notably, adaptive leadership was highly valued for its flexibility and responsiveness. In line with Carmeli et al. (2013), our findings suggest that adaptive leaders—those who adjust their strategies based on context and feedback—enable employees to navigate ambiguity while maintaining a sense of stability. Adaptive leadership was linked with open dialogue, rapid problem-solving, and resilience in the face of organizational change. These leaders were perceived as facilitators of innovation by recognizing team dynamics and individual needs, supporting the idea that innovation flourishes in dynamic, responsive leadership climates (Uhl-Bien & Arena, 2018).

On the contrary, authoritative leadership, which emphasized control and centralized decision-making, was frequently cited as a creativity barrier. Participants described how such leaders often ignored or discouraged new ideas, particularly if they deviated from established procedures. This supports previous assertions that authoritarian control can be counterproductive in creative environments by reducing psychological safety and encouraging conformity (Edmondson, 1999). In KBIs where success depends on questioning assumptions and proposing novel solutions, rigid leadership structures appear to suppress the cognitive flexibility necessary for innovation (Shalley et al., 2004).

Beyond leadership style, the findings identified organizational practices that either facilitate or hinder innovation. Autonomy, risk-taking, support, recognition, and resource allocation emerged as critical mediators between leadership behavior and employee creativity. These factors align closely with existing research on innovation climate (Anderson et al., 2014; Gumusluoglu & Ilsev, 2009). For example, participants described how leaders who provided psychological safety and support during failure encouraged greater experimentation. This reflects the literature emphasizing the role of error management and learning-oriented cultures in fostering innovation (Frese & Keith, 2015).

Conversely, the study revealed several barriers to innovation that mirrored broader structural and cultural issues. Micromanagement and fear-based leadership were particularly damaging. These conditions eroded trust, created anxiety, and discouraged creative risk-taking. These findings reinforce prior studies suggesting that organizational cultures driven by fear, punishment, or over-control inhibit the cognitive and emotional freedom needed for creativity (Martins & Terblanche, 2003). Similarly, resistance to change and bureaucratic bottlenecks were seen as manifestations of deeper institutional inertia—barriers long acknowledged in the innovation literature (Clegg et al., 2011).

Furthermore, the role of communication emerged as a pivotal, cross-cutting issue. Communication gaps—whether due to hierarchy, inconsistency, or lack of transparency—frequently disrupted innovation processes. These findings echo research that positions transparent, bidirectional communication as central to both effective leadership and innovative performance (Lee et al., 2017). In the absence of clear communication, participants described how feedback loops were delayed, and innovative ideas either lost momentum or failed to align with strategic goals.

Finally, the study illuminated the importance of consistent, meaningful feedback. Inconsistent leadership messages confused employees about the value of innovation, reducing motivation and increasing disengagement. This finding aligns with studies highlighting the importance of coherence between leadership messages and organizational priorities in fostering creative work climates (Hunter et al., 2011).

Together, these findings underscore that leadership styles in KBIs function not as isolated behaviors but as part of an interconnected system involving communication, culture, motivation, and structural support. Leaders who cultivate supportive climates, offer strategic clarity, and encourage experimentation can significantly enhance the

innovative capacity of their teams. Conversely, those who default to rigidity, passivity, or punitive control risk stifling the very creativity their organizations depend upon.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adhered in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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