

# LEADERSHIP AS A DRIVER FOR INNOVATIVE PROJECTS – KEY CHALLENGES AND WINNING

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## ABSTRACT

Project management is a discipline widely described in the management science. In the context of the growing importance of an innovative approach to business models, it is a key issue to create long-term value for shareholders. There is a niche for a broader range of issues to be taken into account beyond standardized project management methodology. In particular, the relationship between leadership and innovative orientation of companies involved in project management remains a key factor to be examined. Although the literature on the topic of project management is rather extensive, the phenomenon of leadership in project management in the context of innovative projects is rather restricted. The studies published in scholarly and managerial literature, as well as analysis of the author's own experiences are examined in this paper. The key challenges and area of potential solutions are identified and listed in the context of leadership's attitude as a driver for innovative projects. The findings indicate a large cognitive gap in which it will be possible to conduct research on a broad sample of Polish enterprises, all the while taking into account the evolution of the business model and organizational cultures within companies resulting from attitudes of strong leadership.

## KEY WORDS

Project management, leadership, enterprise 2.0, social media, innovation, knowledge management, collective intelligence, shareholder, value based management.

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## Introduction

The development of the science of management, with a particular focus on the discipline of project management, is inherently related to the roles and attitudes of leaders. Based on extensive research, it may be asserted that standardized methodology of project management, strongly focusing on tactic operations, no longer provides the expected results in the chal-

lenges of innovative projects with their dynamically changing requirements. In recent scholarly papers, there is considerable evidence that innovation is essential in creating long-term values. Such an understanding results in a multi-faceted exploration of innovative determinants. One of the major factors repeatedly suggested to affect innovation is leadership (King 1990;

Osborne 1998; Schein 2004). The role of the leader in companies is often defined by shareholders, responsible for creating long-term values, defined as the value of intellectual capital implemented through human resources and structural capital (Edvinson, Malone 2001).

Damanpour and Schneider (2006) asserted that strategic leadership research indicates that leaders influence organizational outcome by establishing organizational culture, influencing organizational climate, and building the capacity for change and innovation. Such an approach and understanding of the role of leadership might well become part of the process of company transformation through the introduction of innovative projects.

It is asserted that innovative projects are ranked with a higher risk rating compared to traditional projects. It encourages the modern organization to permanently search for the optimal enterprise infrastructure and corporate culture, as well as changing its managerial approach to pave the way for innovative culture. One of the most important factors in project management is the ability to guarantee the cooperation of the best possible people, for whom exciting projects provide a strong motivating factor (Gadomska-Lila 2010).

The aim of the paper is to provide an initial review of the concept of innovative project management in the relation between leadership and innovative companies verified on recent scholarly publications and managerial literature, with the addition of the author's own experience. Based on this review, a number of key factors influencing management processes in innovative projects are thus proposed. The key determinants are classified through how they contribute to the organization's transformation through innovative projects indicating the role of leadership in project

management. Evidence is to be found in a number of papers published in the following subjects: the transformation of management models (Hammer, Stanton 1999), the paradigm of work arrangement (Ryan, Tipu 2013), natural barriers to change (Rabiej 2013), the value model (Imran, Anis 2011) and collective intelligence (McAfee 2009).

The research methodology includes an analysis of selected scholarship sources in the field of science and the practice of management, with a particular emphasis on case studies. The criterion for selection was based on the author's own experiences in the area of carrying out innovative projects. Research analysis was limited to selected research methodology without a clear definition of the business sector with the goal of creating general findings. The extended aim is to confirm the established hypothesis of the stated goal of extended research onto the selected enterprise market and group of leaders and their influence on business development through innovation.

## 1. Enterprise infrastructure – transformation from hierarchy structure to the process owner

Reengineering as a method for transformation of enterprise infrastructure has proved to be the best solution in companies where business processes have taken over the paradigm of flexibility. In practice, this means a transfer of decision-making to lower levels of organizational structures and those working closer to the process. The expected result is to improve the efficiency of operational activities, with a clearer picture emerging of the impact of employee's commitment on the results achieved by the company. In turn, customers receive a more tailored service to

meet their requirements and shareholders achieve higher return on investment.

A key element of the process of transformation is a customer-oriented process approach, around which optimal workflows, communication principles and characteristics of the product and service are to be build. A visible symptom of the change is the process owner with genuine impact on the project budget, human resources and direct contacts with the recipient of the services. It's said that successful transformation involves three important skills from the process owners: interaction, interaction, interaction (Hammer, Stanton 1999).

For large enterprises, it is hardly possible to wind up the hierarchical structures but the key value is the ability to negotiate the terms of cooperation between process owners and managers of business units (Eisenbeiss et al. 2008). The role of business unit managers combines developing capacity building and searching for operational efficiency. Service delivery is the main area of responsibilities of process owners, while endeavouring to remain in touch with the customer's individual expectations.

Such an approach improves the possibility of performance measurement. In a global economy with innovative projects, the success or failure criteria should be defined and measured not only within the organization but also outside it (Gumusluoglu, Ilsev 2009).

## 2. The new paradigm of projects – consolidation, collective work, the strength of the recipient

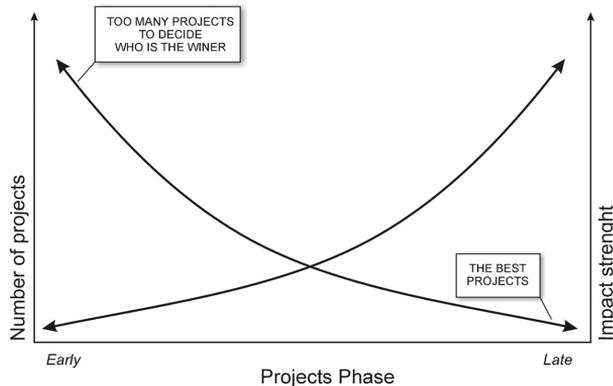
The leader is to operate in a deficit of human resources, time and money. This forces the leaders to decide on granting priority in accordance with strategic objectives (Ryan, Tipu 2013). Searching for

decision-making attributes which would decide whether projects should be implemented or not is to act in three areas:

- the impact of the new product, based on effective selection of activities and consolidation of operations,
- the strength of external resources following the courage to share the risks and potential future benefits,
- the strength of recipients as active reviewers of functional and technical requirements of new products.

The impact analysis shows the workflow from design to product described in Figure 1. It may be observed that many small projects in the enterprise make process management complicated, where the key challenges is, in fact, to achieve the impact of final effects understood as sales performance or operational performance. As shown by numerous observations, too many projects lead to a degradation effect and have direct influence on the omission of further initiatives. This phenomenon takes place through the lack of practical application in previous initiatives and a lack of visible benefits. From the perspective of the enterprise, the next consequence is the motivation and courage to take on more risky challenges is strongly reduced.

A more effective approach is a method of transformation from many small projects into several larger ones, aligned and consistent with the strategic objectives allowing for product development, with higher impact strength. As shown in Figure 1 (Połczyński 2006), the impact in the final phase of implementation has a rising tendency for a smaller number of projects. This indicates that leaders must continuously make choices and eliminate projects with low impact on operational and strategic performance – even if the case should be that these actions are abandoned for projects in progress.

**Figure 1. Phases of the project's impact as a function of the number of projects**


Source: Polczyński 2006.

In addition to promoting projects with high impact, leaders should concentrate on sources of competitive advantage through the implementation of innovative projects. One such perspective is the "Model of Open Innovation" (Detert et al. 2000) which defines the selection criteria based on three key phases: concept, development and commercialization.

Innovative projects are associated with high level of risk acceptance and support from the entire organization in the process of experimentation. Enterprise infrastructure with decision-making and continuous improvement culture is an absolute priority.

The strength of external teams is visible on the example of Innocentive business model (Jeppesen, Lakhani 2010). NASA, with its considerable funds (McAfee 2009) decided to engage Innocentive in hope of finding the solution. The challenge was to predict solar flares - an important issue in terms of communication strategies, which affects both defence policy and space research, additionally creating a hazard for every inhabitant of planet Earth. The results which NASA obtained in their working model, limited to its own scientific resources, allow the prediction of solar flares

up to 4 hours prior to their eruption, with a probability factor of occurrence reaching 15%. The results did not provide a basis for practical applications in crisis management. Therefore, NASA decided to engage a number of external teams. The next phase involved describing the problem as such and subsequently releasing Innocentive. A retired engineer whose solution was later recognized by NASA and is now the official solution proved to be the most helpful. The results predict the sun flares up to 8 hours in advance and the probability of occurrence has reached 75%. Better results stem from a different approach, mostly available in case of external teams. The limited capacity of the enterprise and easily available experience worldwide indicates that the appropriate team to find the most effective solution is not to be found inside but outside the company.

The strength of the recipient is best described by comparison of two cooperation models: classic versus collaboration. In the classic model, implemented in accordance with the message "If we make it here, they (the clients) come to us", projects and products are created within the framework of the organization, which significantly

hinders the ability to benefit from great market experience and specific customer requirements. In the final phase of implementation, the product requires high marketing expenditure and validation. In addition, the lack of a reference list and the possibility of continuous improvement delays the effective implementation of corrective actions. In the collaboration the model implemented in accordance with the message "If we create it together with them, they (customers) will already be there" implies collective intelligence. This approach strongly minimizes project risks and decreases return on investment (ROI).

### 3. Natural barriers – the leader determination in change management

Transformation of enterprises covers a change in employee attitude – from natural protection of a status quo, to finding all the benefits of the new model. The task of the leader is to reduce the resistance of workers to change. Violation of the comfort zone reduces motivation and courage. The four phases of change (Rabiej 2015) are as follows: denial of change, resistance to change, trying the new and, finally - acceptance, all occur according to an individual scale of intensity. Employees do not like change, but appreciate the challenge. Effective change management is characterized by inner motivation (employee), patience (leader) and leadership with a strong impact.

The study of Rabiej (2015) shows that leaders have a major influence on performance of change following the four key areas: skilful evaluation of the potential for change, defining the reason to change, appealing to emotions as a source of inner motivation – and simple communication.

### 4. Changing the value model – the transition from financial capital into knowledge capital

Project management methodology as described in methodologies like PMI (Majczyk 2016) or PRINCE 2 (Murray 2009) mainly indicates the resources in projects and outlines the arrangements for their cooperation. It combines the aspects of project financing, workflows associated with human resources and reporting mechanisms. Even proper implementation of the principles set out in methodologies does not guarantee operational effectiveness. Therefore, businesses are looking for a new approach with a clearly growing role of leaders and engaged employees. This observation shows how great knowledge capital is still not involved in projects that might contribute to the success of the initiative.

In innovative projects that are still heavily dependent on financial capital it has been noted that there is growing participation of knowledge capital represented by organizational capital, including experience and accessible knowledge database, along with human capital. This is also noted in the recruitment process, promoting the most experienced and open-minded employees – a trend which is fast becoming a major challenge (Imran, Anis 2011). As the involvement of local governments in development strategy of countries or regions arises 'the delves of competence' appears, similar to the model of Silicon Valley as areas of knowledge map capital.

Changing the value model also implies competition strategies. In the 80's, competitive advantage used to rely on financial capital and the ability to defend your market. In the era of new competitive advantage, know-how including organizational

and human resources, experience and intellectual property, abilities to create teamwork and continuous remodelling business model are prevailing.

Implementation of projects with the key objective of building a strong impact of new products reduces the risk of losing market positions as a result of the mechanism "shortened period of competitive advantage" (Motyl 2015: 25-50). The period of competitive advantage was reduced from years (in the 80s) to months (current status) which fueled the impact of new model – collaboration with customers.

## 5. Sources of innovation – collective intelligence

The strength of ambitious engineers, shareholders or visionaries often leads to the misperception of innovation as the creation of a new product or service that has not yet been recognized on the market. As shown on numerous examples, successful innovative implementations are firmly rooted in another practical implementation of well-recognized solutions. This makes the potential of innovative implementation practically unlimited. Efficient leadership enables innovation to run through the processes of building and supporting the concept of "Enterprise 2.0" (McAfee 2009). The concept of Enterprise 2.0 introduced by Andrew McAfee in the article "Enterprise 2.0: The Dawn of Emergent Collaboration" as a term denoting the use of Web 2.0 technology by enterprises to achieve their business objectives and cooperation between enterprises, customers and partners. Effective implementation of projects is based on team motivation. Every opportunity to promote and share experiences in the project within the international community builds confidence in employees and creates possibilities to promote one's own personal brand.

Operational implementation of such an approach is made possible through the use of intuitive-to-use platforms for sharing ideas, experiences and contacts. A well-managed platform supported by a genuine commitment of TOP Management contributes to a more cost-effective model of project management, improves the quality of services through gathering of user experience to address the needs of continuous improvement.

As shown by studies performed on the international market (Bughin 2009), new technology in management processes takes time and demands a lot of endurance on the part of Top Management and employees. It's shown that even in cases when implementation of new technology did not produce the desired results, it, in fact, provided the organization with intellectual capital. The most beneficial trials are those involving the customer engagement, unlocking the potential to competitive advantage.

The key result achieved by the concept of Enterprise 2.0 is the collective intelligence understood as the „wisdom of the crowd“. As (Bughin 2009) claims, a great and tacit knowledge lies in each employee and it becomes available only when it is requested in an encouraging way, promoting personal brand building.

In order to examine the possibilities of new technology, publishing simple inquiries using social media platforms is a good igniter. As was presented by McAfee (2009), less than 2 minutes are required to publish an inquiry on the Twitter platform and distribute it to a broad audience. This resulted in both hints as well as ready-made solution being received. It is worth analyzing the sources of those answers that come both from strong ties, weak links and potential links. Moreover, a conducted conversation could be found useful for other users of

a given open community in further development. It's said that assuming in advance who knows the answer is bad strategy. It is better to unleash the potential and search for the solution in the model of collective intelligence.

Another study of Janner and Schroth (2007) proves that companies using col-

lective intelligence are gaining higher market share and improving their profitability. As shown in Table 1, improvement is more than 20% – which strongly contributes to enterprise performance and increases abilities to take on innovative projects (Bughin et al. 2009).

**Table 1. How companies are benefiting from Web 2.0**

	% of respondents	Median improvement
<b>1. Internal use</b>		
Access to knowledge	68 %	30 %
Access to internal experts	68 %	35 %
Employee satisfaction	68 %	20 %
Increasing innovation	68 %	20 %
<b>2. External use</b>		
Increasing customer satisfaction	43 %	20 %
Increasing innovation	22 %	20 %

**Source: Bughin et al. 2009.**

Project management relies on experience gathered in databases including documentations, plans and other supporting materials. It's observed that most practical knowledge is tacit. It comes from the simple fact that people know more than they can tell. The task of the leader is conducting the transformation of tacit knowledge into explicit knowledge (Nonaka 1994). It requires a dialogue between members of the community through sharing their experiences, which might constitute a primary source of tacit knowledge. Inviting owners of tacit knowledge into open discussion supports their personal brand – for many providing inner motivation and strengthening their recruitment position. Leaders should pay attention to encouraging original experience into open discussion. As observed, the pivotal motivator of project team members for such openness can be confidence in the leadership and a platform for promoting personal brand (Hülsheger et al. 2009).

As an example, the social network organized by SAP can be used here, addressed to users and developers of the information system which has facilitated collaboration within the company and among the professional community covering partners and customers. Every user has the opportunity to build a certain level of authority within the international environment.

It is quite an open cluster, managed neither by hierarchy nor age. The fundamental rule is sharing experiences and opinions without any financial benefits. This formula is an alternative to the well-known concept of outsourcing, whereby communities operating on the principle of open-source software find it possible to obtain the required assistance.

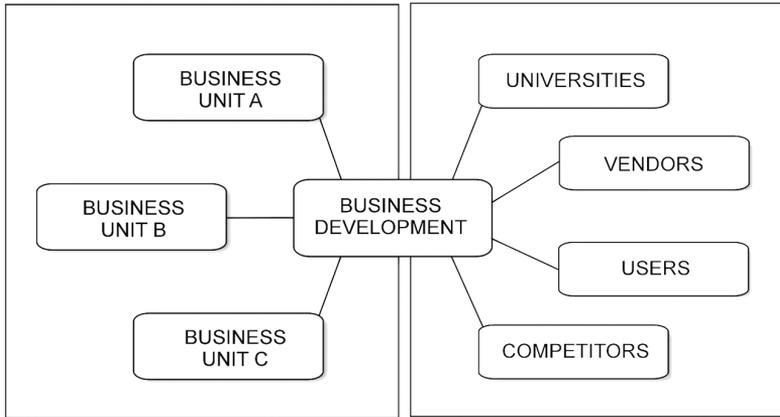
The concept also proved successful in companies producing boilers, which encouraged its servicemen to participate in a social project. Through the social platform, technicians were invited to venture questions – including an image of poor installation, together with a detailed description

of the problem. Others technicians were encouraged to comment on that like: “do it, turn so”. This approach significantly increased the efficiency of maintenance services and, as a result, had a positive effect on customer satisfaction.

The search for sources of innovation, as

shown in Figure 2 (Harryson et al. 2008), surrounded by internal and external components, improves opportunities for small businesses to compete with Big Enterprises, securing high operational flexibility and the ability to build the well-known synergy effect in international corporation.

Figure 2. Sources of innovation



Source: Harryson et al. 2008.

The prerequisite for unleashing tacit knowledge is openness and supporting such behaviour by top management. Corporate standards might be a trap if the concept of collective intelligence is published in the form of a 40-page instruction manual. It's been widely recognized that this approach simply fails. Implementation of the new framework for cooperation, sharing tacit knowledge supported by technology requires patience and consequence from leaders. It's worth mentioning that, even if some implementation did not produce the expected results, they ended up generating necessary capital associated with experimentation. Companies experimenting in engaging their employees in sharing tacit and explicit knowledge might notice the new possibilities in creating products for gaining competitive advantage.

## Conclusions

The paper presents theoretical reflections on the influence of leadership in project management in innovative projects verified by practical examples published both in scholarly and managerial literature in private companies. The findings of the review contribute to a better understanding of the relationship between leadership and innovation and key determinants for company transformation into innovative culture. The findings are consistent with research published by Amabile et al. (2004) on the role of a strong leadership, as well as in McAfee's 2009 thesis concerning collective intelligence in shaping Enterprise 2.0.

We see that new technology which promotes social networks has an authentic chance for generally improving operational performance and unleashing tacit knowledge as a tool for project managers.

The review of the scientific hypothesis "Leadership as a driver of innovative projects", confirmed by literature, draws up a number of recommendations for further research, applying both qualitative as well as longitudinal research in areas of extensive analysis of the attitudes of project managers and key shareholders in innovative initiative including permanent changes in organizational cultures and business models.

The findings leave a large cognitive gap to conduct research on a broader sample base of Polish enterprises – taking into account the evolution of the business model and organizational culture in companies resulting from the attitude of strong leadership. The recommended sector is IT (information technology) as a leader of global innovation. The author possesses strong individual motivation to conduct further research in the area of attitudes of leaders in creating value and co-workers leading innovative projects in business environment.

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