Promoting Continuous Improvement—Empirical Impacts of Leadership Style in German Companies

Sabine Boerner

Institute of Economics and Management
Department of Human Resource Management
Technical University Berlin
10623 Berlin, Germany
e-mail: Boerner@perform.ww.tu-berlin.de

Abstract
The author examines managerial implications of striving for continuous improvement in companies. On the basis of the psychological viewpoint adopted in this article, it is argued and empirically confirmed that a style of leadership that fosters innovation must function at both the emotional level (the communication of confidence) and the cognitive level (the communication of orientation). Conclusions for the management of continuous improvement are discussed.

Keywords
continuous improvement, innovative behavior, leadership, work alienation

1. INTRODUCTION

This article is an investigation of how continuous improvement in plants can be stimulated through the style of leadership that is practiced. The issue is examined primarily from a specific psychological point of view according to which continuous improvement depends on initiatives that members of the organization undertake to make improvements in their fields of daily work. The question posed in these pages is what significance leadership-by-encouragement has for promoting innovativeness. It is argued that encouragement plays an important role in the process because the psychological conditions necessary for innovative initiatives by employees cannot necessarily be assumed to exist otherwise.

2. LEADERSHIP-BY-ENCOURAGEMENT, CLIMATE OF INNOVATION, AND CONTINUOUS IMPROVEMENT

2.1 Theoretical Considerations

Leadership-by-encouragement may be differentiated more or less into an emotional level and a cognitive level. With respect to the key aspect to be nurtured through leadership-by-encouragement—a climate of innovation—the emotional level has to do with confidence and hope (as opposed to resignation). At the cognitive level the issue is orientation, that is, direction (as opposed to a lack thereof). Confidence and hope are expressed in the employees' feeling that changes are possible, that the conditions they are experiencing can be shaped. By contrast, orientation refers to the question of

whether someone recognizes *how* something can be shaped differently. For the resulting innovative behavior of the employees, and hence for continuous improvement, both categories are central, both confidence *and* orientation. If employees know or recognize what could be done to move the company forward, but if, say, highly autocratic structures make them feel more or less powerless to do anything about it, change initiatives will not result. Conversely, an employee's impression of having rights that grant sufficient potential to exert influence is not enough if he or she does not simultaneously recognize how to bring that potential to bear.

Which kind of leadership style is required in order to support the development of confidence and orientation? At the emotional level of leadership-by-encouragement, it is essential to instill the feeling among employees that they are originators of action and decisions (i.e., that they are doers). Leadership-by-encouragement stresses that the individual is not an executor of immutable laws and constraints. It teaches that individuals have at least some contingency control over negatively perceived conditions and that they can engage with the world in that sense as people who take initiative (Boerner, 1994; Boerner *et al.*, in press). Employees who experience this capacity develop confidence that the world can, in principle, be shaped. Accordingly, the task of leadership-by-encouragement is to enable employees to feel themselves to be a center of power. They will thereby gain confidence that they can shape their environment, especially in the work-related sphere.

If employees are unable to experience themselves in this role, resignation and work alienation may develop (Krystek *et al.*, 1995) and block continuous improvement. In this case, the employees conclude that the reality of the organization in which they work needs to be changed but that it can*not* be changed (Gebert, 1987). If an employee cannot cope with this situation by "fleeing," that is, by leaving the company, the only remaining recourse is "subjective flight," which can be described as resignation or work alienation (Lazarus and Launier, 1978). These processes of adaptation-by-resignation make it unlikely that innovative behavior will ever result (Boerner and Gebert, 1997).

Paradoxically, this kind of work satisfaction born of resignation (Bruggemann *et al.*, 1975) is a problem-*solving* strategy for the employee in that it eliminates (or at least mitigates) the aversiveness that he or she associates with the undesired situation. Moreover, the employee need no longer fear the unpleasant tasks usually entailed by innovative actions (such as having to win the political backing of superiors, a step that often involves tedious, time-consuming, energy-draining effort). Though this strategy may be a way of solving problems for the individual, it exacerbates problems for the company, for the company *needs* innovative ideas from the employees.

At the cognitive level of leadership-by-encouragement, it is important to give employees an orientation for their innovativeness. It must be made clear that their innovative ideas (e.g., suggestions for improvement) are crucial to the company, and ways for employees to formulate and submit suggestions must be pointed out without excessively restricting their latitude for developing their innovative ideas. Instead, it is necessary to communicate a unanimous stance on basic issues by illuminating, for instance, the corporate strategy or corporate vision and the individual's specific role in it. Continuous improvement also means that accustomed procedures and processes are increasingly called into question by corporate management. Anxiety and uncertainty that may arise among the employees in the course of such continual organizational change can intensify insecurity they may already feel when formulating new

suggestions. Giving the desired orientation can help reduce this insecurity. A style of leadership that endorses employees' efforts and contributes to their sense of independence therefore seems appropriate for conveying a sense of orientation *and* confidence.

2.2 Empirical Findings

The sample consisted of 176 interviewees from 40 German companies of different sizes. Employees of companies in industry, trade, and services were interviewed in 1995 (first group) and 1996 (second group). The results reported in the following pages therefore span all three sectors. To add further to the relevance of the study, all the interviewees were requested to base each of their assessments not on the company as a whole but on the division, department, branch, or other unit in which they worked.

In this standardized questionnaire we operationalized the constructs of leadership-by-encouragement, confidence, orientation, and corporate innovativeness by asking for written responses to the following items:[1]

Leadership-by-encouragement: "This company lacks managers who encourage employees and foster their sense of independence." (Score reflects reversed polarity.)
Confidence/hope (as opposed to resignation): "Resignation and work alienation are commonplace in this company." (Score reflects reverse polarity.)
Orientation (as opposed to lack of orientation): "No one loses direction in this company. Everyone is sure about what to think and do." "Many people here notice a lack of a committed stance on basic issues." (Score reflects reversed polarity.) "In this company everyone pulls together. We don't have fights that seriously jeopardize our cohesion." "Basic issues are precisely what people often can't agree on here." (Score reflects reversed polarity.)

The scores of the responses to all four questions relating to orientation were summed. (These final four items were presented to only 76 subjects, a smaller sample for analysis than was the case with the other items.)
Corporate innovativeness: "In your opinion, does your company or the area you that have rated tend to be better than, as good as, or not as good as your competitors in terms of innovativeness?"

As shown in Figure 1, the sample that was studied confirmed the assumed relationships. (All correlation coefficients are significant on a .01-level.) A style of leadership that strengthens the employees' sense of independence and encourages them primarily bolsters confidence (instead of resignation), gives them direction, and thereby cultivates an atmosphere conducive to innovation. Because confidence and orientation were found to have a significant positive correlation with corporate innovativeness, it follows that both confidence and orientation can be called building blocks for a climate of *innovation.*

---

[1]Each response was marked on a five-point scale: *agree, slightly agree, neither agree nor disagree, slightly disagree,* and *disagree.*
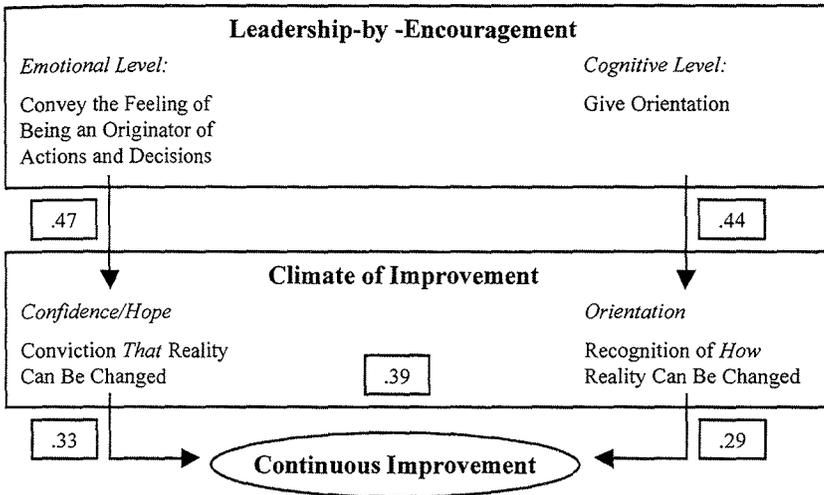
Figure 1. Leadership-by-encouragement and continuous improvement

Of course, a look at the dynamics of these relationships reveal other conceivable feedback loops as well. For example, a company's heightened innovativeness can both reinforce the willingness of the managers to practice leadership-by-encouragement and directly enhance the climate of innovation (Gebert *et al.*, 1998). Such links complement rather than contradict the assumptions of the underlying model. In summary, one can thus recognize which emotional and cognitive factors are important to a climate of innovation and which kind of leadership style stimulates continuous improvement in the company.

The data from this investigation also permit statements about the relevance of the relationships examined. Resignation, work alienation, and lack of orientation were not rare phenomena in the companies studied. Fully 21.4% of the employees and 12.5% of the managers who were interviewed responded that resignation and work alienation was very prevalent where they worked. Just under half of the employees (44%) and managers (41%) complained about a lack of orientation in the operationalized sense presented above. (These percentages are based on the summation of the *agree* and *slightly agree* responses.)

Based on employees' sense of independence, leadership-by-encouragement was able to help overcome a lack of orientation (see Figure 1); but it was not an widely established feature in the companies included in this study. Nearly half of the employees who were interviewed (48.2%) were of the opinion that leadership-by-encouragement was not practiced in the companies they worked at. Even more problematic is that only one quarter of the interviewed managers expressed this opinion.

3. CONCLUSIONS FOR THE MANAGEMENT
OF CONTINUOUS IMPROVEMENT

This article has focused on cognitive and emotional processes in their relation to a climate of innovation. It has been shown in what way these processes play a salient role in the innovative behavior of employees and hence for continuous improvement in

companies. It has also been shown which style of leadership is conducive to the cognitive and emotional processes described. A number of additional conclusions can be drawn from this evidence.

In terms of leadership style, the question at the emotional level is how to instill in employees the feeling that they are originators of action and decisions (i.e., that they are doers) rather than mere recipients of others' actions and decisions (i.e., that they are victims). The principle of delegating responsibility and affording employees the latitude they need to make decisions is likely to be important in that context. Another key aspect is participation, that is, leadership based on dialogue rather than monologue (Boerner, 1994). The individual concerned must experience the possibility of influencing the thought and action of superiors and must come to realize that there is no need to see himself or herself as a victim of constraints or arbitrariness (Gebert, 1987). A difficulty with practicing such leadership-by-encouragement is that it requires enlightened managers—highly competent, perceptive, confident, and secure superiors who engage in dialogic processes and who do not immediately feel threatened by employees' efforts to exert influence.

As for the future, these observations point to the necessity of management development programs. However, development of the qualities demanded by leadership-by-encouragement can be taken only so far, so intelligent selection of young managers who seem promising by these criteria is essential. Moreover, the experience of being an originator of action and decisions can be fostered by organizational structures (e.g., through a consistent policy of decentralization), a possibility that calls attention to the holistic character of measures that promote leadership-by-encouragement (Gebert, 1997).

Similar considerations apply to the cognitive level. A superior can give employees the desired orientation only if the company has developed a medium- or long-term strategy or vision and has adequately communicated it to the managers at all levels. Given that nearly half of the managers interviewed in this study complained about lack of orientation in their companies, it can be assumed that many of the companies in this study's sample have not developed such strategy or vision.

Lastly, it appears that communicating confidence and direction is not enough. Beforehand, it is necessary for the employees to perceive that their reality *needs* to be changed in the first place. This realization certainly cannot be taken for granted, especially if the employees or the managers have changed the status quo themselves once already and thus regard it as positive. Under certain circumstances, constructive dissatisfaction, (i.e., the "pressure of suffering") must therefore be constantly abetted. Leadership-by-encouragement also means helping employees acquire the courage to look critically at their own routines and procedures in the first place. In other words, people need constructive dissatisfaction *and* confidence *and* orientation. For that reason, all three aspects must be kept in mind when practicing leadership-by-encouragement to ensure steady support for continuous improvement.

References

Boerner, S. (1994): The Organization between open and closed societies—Athens or Sparta? Berlin: Duncker& Humblot. [In German]

Boerner, S. and D. Gebert (1997): Companies between Resignation and Hope—Results of an Empirical Study in a Moscow Plant. *Journal for East European Management Studies*, 2, 305-336. [In German]

Boerner, S., D. Gebert, and S. Rudolf (in press). Innovation and Leadership-by-Encouragement—Results from Polish Companies. *Economics and Organization of Enterprise*. [In Polish]

Bruggemann, A., P. Groskurth, and U. Ulich (1975): *Work Satisfaction*. Bern: Haupt. [In German]

Gebert, D. (1987): Leadership Style and Innovation. *Zeitschrift für betriebswirtschaftliche Forschung*, 10(39), 941-951. [In German]

Gebert, D. (1997): Organization Development. In A. Sorge and M. Warner (Eds): *The IEBM Handbook of Organizational Behaviour*. London, Thomson Business Press, 552-569.

Gebert, D., S. Boerner, and W. Matiaske (1998): Openness and Closure in Organizations—Validating a Measuring Instrument (FOGO). *Zeitschrift für Arbeits- und Organisationspsychologie*, 42(1), 15-26. [In German]

Krystek, U., D. Becherer, and K.-H. Deichelmann (1995): *Work Alienation: Causes, Effects, and Approaches to Solutions on the Basis of an Empirical Study*. Munich: Hampp. [In German]

Lazarus, R.S. and R. Launier (1978): Stress-related Transaction between Person and Environment. In A. Pervin and M. Lewis (Eds): *Perspectives in International Psychology*. New York: Plenum, 287-327.