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Innovation and Leadership Style in Polish Companies

1. Introduction

For Polish companies, the most crucial change entailed by the change in the system has been that of having to survive market competition (Bayer, 1991; Binger, 1994). One of the key determinants of a company's competitiveness is its innovativeness (Anderson/King, 1993, pp. 2-3). This observation applies to Poland in two ways. In the first phase of the country's process of transforming from a planned economy to a market economy, each company had to restructure in a way that would allow it to survive; in the present phase, the focus is on innovations that enable the company to assert itself as an actor under the market conditions.

The question of how the company's innovativeness can be generally enhanced is treated in the literature under the term *innovation management* (Hauschildt, 1997; Staudt/Mühlenmeyer, 1995). Organisational, technical, and leadership-related measures for stimulating innovativeness are among the aspects discussed.

In this article we ask what kind of leadership is suited to fostering innovativeness in a company. The focus is less on the organisational aspects of the question than on the interactive and personal prerequisites of innovation, particularly the willingness of the employees to engage in it. We do not study specific types or areas of innovation (Dougherty, 1996, pp. 427-427) but rather all types of what are called *everyday innovations*. By that expression, we mean the innovations that develop out of the employees' daily work activities and that coalesce into higher-order product and procedural innovations.

We begin with a model of leadership that fosters innovation (Gebert, 1987). This conceptualisation is based on a sociopsychological model (Lazarus/Launier, 1978) according to which the innovativeness of employees is particularly great if they believe that the reality of the organisation in which they work *needs* to be changed and that it *can* be changed. This viewpoint directs more to the cognitive aspects of the employees' willingness to innovate than to the motivational side. As we address the question of how employees can be managed so that the reality in their company both *needs and* permits change, two things must be kept in mind about Poland's case. First, such an appraisal by the employees was probably the exception rather than the rule before the process of transformation began. Second, the prerequisites for behaviour that promotes innovation were probably less pronounced than, say, in western companies. We assume that the leadership style before the onset of the transition process (Hentze/Lindert, 1992; Domsch et al., 1992) gave workers the experience that their work reality could not be changed much, if at all, and that they were especially likely to tend toward resignation and work alienation. This assumption suggests that work alienation, in particular, makes it difficult in Polish companies to nurture the willingness to innovate. Hence the assertion that management must make additional or special efforts to support the employees' willingness to contribute to the innovativeness of their company. In the following pages we therefore look into three questions:

1. To what degree and in which way did resignation and work alienation of the employees in Polish companies work to limit innovation in the mid-1990s?
2. Which style of leadership is suited to reducing employees' propensity for work alienation and, hence, to improving corporate innovativeness?
3. What are the likely undesired side-effects of a leadership style that cultivates innovation?

We have studied these questions empirically by surveying 484 respondents from 12 Polish companies of different sizes in Poland in 1995 (the first group) and 1997 (the second group¹). During that period, three quarters (378) of these companies had been privatised, whereas the others were still publicly owned. Employees of companies in industry, trade, and services were interviewed, so the results reported in the following pages span all three sectors. To increase the relevance of the study further, all the interviewees were requested to base each of their appraisals not on the company as a whole but on the division, department, branch or other unit in which they worked. In this manner, data from 33 different subsystems were gathered for analysis.

¹ We thank Ms. Beata Groblewska, Mr. Andrzej Ogrodowczyk and Mr. Robert Kaminski for their help in surveying the samples.

2. Work Alienation as an Obstacle to Innovativeness

Work alienation has been discussed in western management literature for some time (Krystek et al., 1995; Hilb, 1992; Raidt, 1989). It therefore appeared advisable first to ascertain the extent of this phenomenon in the companies of our sample. Experience has shown that work alienation is difficult to measure by means of special indicators (Löhnert, 1990; Hilb, 1992, pp. 53-64). The interviewees were therefore questioned directly about how widespread they estimated work alienation to be in their company. We suspected a connection between work alienation and resignation (see below), and because work alienation might not have been a concept familiar to all the interviewees, an item clarifying their understanding of it was included. Moreover, the item is formulated in a way that makes it possible to answer anonymously: „Resignation, alienation, and disengagement are commonplace in this company”². It is true that only about one fifth (21%) of our total sample accepted this statement (response: *agree* or *slightly agree*)³, but only one fifth of the employees clearly rejected it (response: *disagree*). For the moment, one can conclude from this result that very prevalent resignation and work alienation was not perceived as a problem by the majority of the subjects and that approximately 80% of the respondents did not preclude at least a small extent of work alienation. If one allows for the fact that such responses are usually subject to a tendency toward palliation, then work alienation and resignation may well constitute a problem in the day-to-day reality in Polish companies.

Moreover, a salient fact bearing on any recommendation for managers is that employees agreed with the statement significantly more often than did managers⁴. Among the employees, 38% agreed with the statement above, whereas only 17% of them clearly rejected it⁵. It seems, at least for the sample in this study, that the issue of work alienation is problematic for employees in particular and that leaders tend to underestimate their employees' proclivity for work alienation.

² The response alternatives constituted the degree of agreement with this statement and were rated on a five-point scale (*agree*, *slightly agree*, *neither agree nor disagree*, *slightly disagree*, and *disagree*)

³ The response ($n=478$) broke down as follows: *agree*, 1,2%; *slightly agree*, 19,6%; *neither agree nor disagree*, 18,4%; *slightly disagree*, 28,3%; and *disagree*, 20,0%

⁴ A *t*-test conducted on the employee group ($n=286$) and the manager group ($n=192$) revealed a significant difference between the two. For the employees, $M=2,92$; for the managers, $M=2,25$ (whereby $t=-3,41$; $p=.001$).

⁵ In the subsample of employees ($n=289$), the interviewees responded as follows: *agree*, 13,8%; *slightly agree*, 23,9%; *neither agree nor disagree*, 18,0%; *slightly disagree*, 26,6%; and *disagree*, 16,6%

A look at a general psychological model (Gebert, 1987) will explain our assumptions that work alienation limits innovation (see Figure 1). Drawing on Lazarus and Launier (1978), this model is based on the assumption that innovativeness is part of an individual's problem-solving process (Bollinger/Greif 1983) and that the latitude which employees perceive for action within the organisation largely determines the extent of their innovativeness. In other words, this model emphasises cognitive rather than motivational aspects of innovativeness. By definition, innovations have to do with change, so a key determinant is the employees' appraisals of their chances to change their reality in the organisation. This assessment is made in two steps. First, it is asked how much *need* there is to change the reality in the organisation, then how much *opportunity* there is to change it.

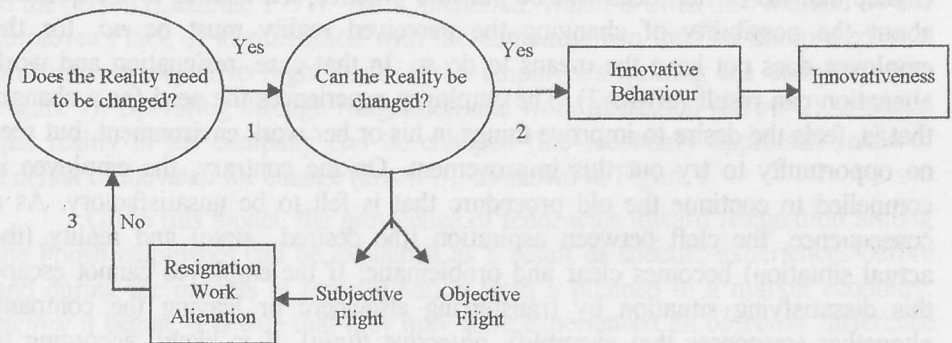


Figure 1: Resignation, work alienation, and innovativeness

In a primary appraisal of whether the reality in the company needs to be changed, the employees are oriented to what they individually think reality in the company should be and measure how closely their actual work environment corresponds to that imagined state. A perceived divergence between the employees' experienced reality (the actual state in the company) and the reality to which the employees aspire (the desired state) indicates initial cause to contemplate changes that could be made in the status quo (arrow 1).

To elicit behaviour that promotes innovation, a secondary appraisal is decisive. The employee who is of the opinion that change is needed then ponders how realistic the idea is of actually making relevant changes in his or her work environment. This secondary appraisal is thus aimed at gauging not just how much company reality needs changing but also how much the employee thinks such change is *possible*.

If the employee affirms that this possibility exists, then innovative behaviour is probable. In that case the employee experiences a certain freedom to act and sees a chance that his or her ideas will be put into practice. In the context of this change initiative, the unsatisfactory divergence that the employee believes to exist between the desired state and actual reality is closed, or at least partly bridged, in that he or she brings the actual state closer to the desired state. The greater this shift is, the more the employee's experience of it will tend to motivate their development of new ideas for bridging future gaps between the desired and the actual states. The prospect of being able to follow through, along with the associated success (e.g., pride as a self-reward, recognition by the company), increases the employee's expectation that this personal effort can achieve worthwhile results in the future as well (see Vroom, 1966; Staudt/Mühlmeier, 1995; Lazarus, 1991).

If the employee does not experience a certain freedom to act and sees no chance that his or her ideas will be put into practice, the answer to the question about the possibility of changing the perceived reality must be *no*, for the employee does not have the means to do so. In that case, resignation and work alienation can result (arrow 2). The employee experiences the need for a change, that is, feels the desire to improve things in his or her work environment, but sees no opportunity to try out this improvement. On the contrary, the employee is compelled to continue the old procedure that is felt to be unsatisfactory. As a consequence, the cleft between aspiration (the desired state) and reality (the actual situation) becomes clear and problematic. If the employee cannot escape this dissatisfying situation by transferring elsewhere or leaving the company altogether (responses that exemplify *objective flight*), it is likely, according to Lazarus and Launier (1978, p. 319), that he or she will decline to take initiative and will subjectively reinterpret the situation.

The crucial point in this train of thought is that such an outcome not only obstructs the action of employees but increasingly blocks their thinking as well (Lazarus/Launier, 1978, p. 306). To make the everyday environment subjectively tolerable to some extent, employees mentally try to reconcile the gap between desired and actual reality by lowering the level of expectation, by painting reality in more positive colours, or by doing both. If it is more efficient procedures that one desires, lowering the level of expectation would mean, for example, persuading oneself that more efficient procedures are not that valuable ("Efficiency is not the most important criterion"). Painting existing reality in more positive colours would mean focusing on the convenience of the current situation (the convenience of not having to adjust to change, not having to learn anything new, not having to take risks, and so forth). It could also mean emphasising the hazards that might be entailed by the proposed change initiative (e.g., rationalisation that would jeopardise one's own job). This response would make

the existing state of affairs seem more positive to the employee. Because the difference between the desired and the actual situation thereby dissolves, the employee will no longer see a need to act.

Operating via the employee's resignation and work alienation, this kind of subjective flight, which Lazarus and Launier (1978, p. 312) referred to as *intrapsychic coping*, retroacts on the primary appraisal of whether actual reality needs to be changed (arrow 3). Seen in this way, work alienation (Hilb, 1992; Höhn, 1984; Volk, 1992) can be regarded as both a consequence and escalation of resignation. If resignation is understood primarily to mean that the person no longer believes there is a need for change after intrapsychic coping and therefore does not affirm the question of whether the reality in the company needs to be changed, then work alienation does not prompt this question in the first place; the employee has already mentally withdrawn from that reality. The problem of the divergence between what is desired and what actually exists is no longer relevant to the person (Lazarus, 1991). Work alienation, which is often also marked by the employee's lack of identification with the company, can thus be interpreted as a precursor of objective flight, that is, the employee's quitting the company (see Figure 1). Operating through resignation and work alienation (arrow 2), a denial that reality in the company *can* be changed (the secondary appraisal) leads to a denial of the *need* for change (arrow 3), as shown in Figure 1.

Given this model, the prevalence of tendencies toward resignation among the Polish employees can be explained as a result of specific experiences before and during the process of transformation from a planned to a market economy. *Before* it began, it is true that they may have experienced an *objective* difference between the desired state and their reality. In a centrally administered economy, however, communicating this experience was a matter of politics. The difference between existing reality and the desired conditions became one of the main vehicles of propaganda aimed at motivating workers to boost output. In the comparatively closed society that existed before the collapse of socialism and in the organisational culture influenced by that society (Hentze/Lindert, 1992; Haferkemper et al., 1994; Boerner, 1999), the workers may nonetheless have largely shared the assumption that they could do little or nothing to control or change the social and working world (Aleksandrowicz, 1994; Boerner/Gebert, 1997). The management structures, which were usually autocratic (Domsch et al., 1992), led less to innovative initiatives by the employees than to resignation and work alienation, if not to outright flight from the organisation. Presumably, the employees dealt with the objective difference between what was aspired to and what was reality by merging it in their minds. Brought about by the system, this way of coping with reality was a normal feature that has become a kind of learned experience (and not only at work) (Seligmann, 1975; Boerner/Gebert, 1997).

Since the *beginning* of the transformation process, the experience of the work force may have partly changed. New management structures and styles have multiplied the opportunities for taking initiative and have thereby presumably increased the frequency with which members of an organisation affirm that the reality at work can be changed. Remember, however, that not all the experiences of the employees during the transformation process are going to have been positive in this sense. Perhaps the transition process is associated with disappointments that are coming to the surface clearly now that the first few years have passed (Gardawski, 1992).

For one thing, some members of the organisation had probably had overly optimistic ideas about what was achievable after the fall of socialism (primary appraisal in Figure 1). They may have expected the process of transformation to improve their conditions more rapidly and fundamentally than has been the case. Among these employees, the current disillusionment with what has been achieved is perhaps about as great as their earlier disillusionment with the elusiveness of the socialist utopia. In this sense, the earlier experience of disillusionment with unrealistic aspirations since the beginning of the transformation process has been confirmed, and the result is that only the substance of each member's desired state has changed.

Another source of disappointment is likely to be that the employees' range of opportunities to take initiative (secondary appraisal in Figure 1) has not yet expanded as much as expected, the result being that previous response patterns of resignation have not been fully overcome. After all, there is great uncertainty about future development in Poland - a condition under which the tendency for subjective reinterpretations basically grows (Lazarus and Launier, 1978, p. 319). Given past and present experience with the transformation process, it is clear why resignation and work alienation is common among employees in Polish companies.

The link between the work alienation of employees and the innovativeness of the company (see Figure 1) is manifested in the innovativeness of the employees. This behaviour is related to the stages known as seeking and testing ideas, which merge with the development of new products and processes and depend greatly on input from employees. Hence our hypothesis about the connection between work alienation and innovativeness:

Hypothesis 1: The resignation and work alienation of employees are negatively linked to the competitiveness of the company. That is, the greater the resignation and work alienation, the worse the company's innovativeness is judged to be.

Innovativeness was measured by an item that compares the estimated innovativeness of each company, or part of that company (division, department,

branch), to the estimated innovativeness of its competitors. For that reason this item was worded as follows:

In your opinion, does your company or the area that you have rated tend to be better than, as good as, or not as good as your competitors in terms of innovativeness (e.g., creativity, new services, new processes) as a criterion of success?

This item was formulated to relate to both product and process innovations. It therefore describes a consequence of this behaviour, not innovation-fostering behaviour itself. In addition, it elicits a subjective appraisal from the subjects. One could therefore object that the results may be distorted by the fact that no objective criteria (e.g., rate of patents or number of new products) were used to measure the innovativeness of the companies. However, the procedure is unexceptional because of the difficulty of collecting objective measurement criteria (Hauschildt, 1997; Brockhoff 1992) for the particular aggregates investigated in this study (subsystems of companies). The resulting limitations are taken into account in the interpretation of the data.

Our data show a significant negative correlation ($r = -.33$; $p = .000$; $n = 223$ ⁷; see Appendix 1) between the innovation item and the item measuring work alienation. In other words, the greater the perception of resignation and work alienation, the worse the rating of the innovativeness of the respondent's company in comparison to the innovativeness of the company's competitors.

In our model (see Figure 1) we regard innovativeness as a dependent variable, interpreting the above correlation to mean that the degree of resignation and work alienation affects the organisation's perceived innovativeness. However, because the direction of the relation is not specified by that above correlation, it could, in principle, be interpreted in the opposite direction. That is, an increase in resignation and work alienation would be described by the respondents in terms of a feedback effect - as the consequence of a decline in the company's perceived innovativeness. This interpretation, incidentally, would not preclude the first one. Indeed, it adds the dimension of a self-reinforcing circuit: the more resignation and work alienation, the less perceived innovativeness and the more resignation and work alienation. Our hypothesis that work alienation discourages innovation was confirmed.

3. Leadership by Encouragement as a Way to Counter Work Alienation and Spark Innovation

According to the model used in this study, the adverse effect that work alienation has on innovation is that it affects the thinking of the employees in

⁷ The sample diminished by the number of cases in which the alternative *unclear* was chosen as the response to the question about innovativeness.

a manner that ultimately dispels the perception that their reality needs change. What can the company management do to change this appraisal of that reality? The question touches on two issues.

1. In principle, it is probably not easy to change the way in which employees appraise their workaday reality. If the dissolution of the difference between the desired state and the actual state is explained as a consequence of resignation, as is the case in the model used in this study, then work alienation can indeed also be attractive from the employees' point of view. If one has come to terms with existing reality by palliating it, the original dissatisfaction with the status quo diminishes. Work satisfaction based on resignation sets in (Bruggemann/Groskurth/Ulich, 1975, pp. 134-135) and reduces stress and strain on the individual at first (Lazarus, 1991). It is therefore at least temporarily rewarding. Before the process of transformation from a planned economy to a market economy, this behaviour, as noted above, was probably especially characteristic of employees in Polish companies because it was an emotional necessity for coping with everyday life. Presumably, that is why this resignation became a kind of automatic response in many cases. From the company's perspective and for the reasons cited earlier, this kind of "solution" is not desirable. On the contrary, what the employee sees as mitigating the problem is regarded by the company as exacerbating it. To foster innovativeness, managers must try to keep employees from mentally resolving the difference between their desired state and existing reality. They must help employees persevere instead. But that goal creates another Achilles' heel.

2. Leadership that encourages the employees to cope with the difference between desired and existing reality could fall into a trap that actually ensures continued resignation and work alienation. For the reasons discussed above, it is true that the perception of a difference between a desired and an actual state (the primary appraisal) prompts innovations.

At the same time, though, there is the danger that an increasing disparity between the two states will be accompanied by increasing dissatisfaction among the employees if they perceive no chances to do anything about the situation (Gebert, 1987, p. 964). In western management literature, for example, discussions of proposals for improvement have indicated many times that failure to implement suggestions is one of the main obstacles to innovativeness.

As indicated above, the perception of manoeuvring room is problematic in two ways in Polish companies. First, it could be that the employees generalise from their earlier experiences of having little freedom to act and transfer them to their current situation (Seligmann, 1975). In that case even the genuinely new opportunities for action would not be perceived as such by them, and their resignation would continue. Moreover, it is conceivable that they do perceive the

existing freedoms for action but experience them as disappointing and persist in their resignation because of exaggerated, utopian expectations. The art of management that fosters innovation in the process of transition thus consists in not only building up initial dissatisfaction (as a discrepancy between a desired and an existing state) in order to tap the potential for innovation. It simultaneously means ensuring that this dissatisfaction can be used constructively and acted upon appropriately (the secondary appraisal). This kind of management succeeds only to the extent that the employees can be given a sense that they have sufficient freedom of action. Otherwise, resignation and work alienation will build again and hasten a relapse into previous patterns of behaviour. Leadership that vigorously fights work alienation must therefore be directed simultaneously at both the thinking and the action of the employees. Critical thinking and dissatisfaction must be cultivated, and this dissatisfaction must be channelled into innovative employee action and relieved so that it does not turn into resignation and work alienation. Leadership that encourages employees and strengthens their sense of self-reliance and independence seems to serve both purposes. It is this approach to management that we refer to hereafter as *leadership by encouragement* (see Figure 2).

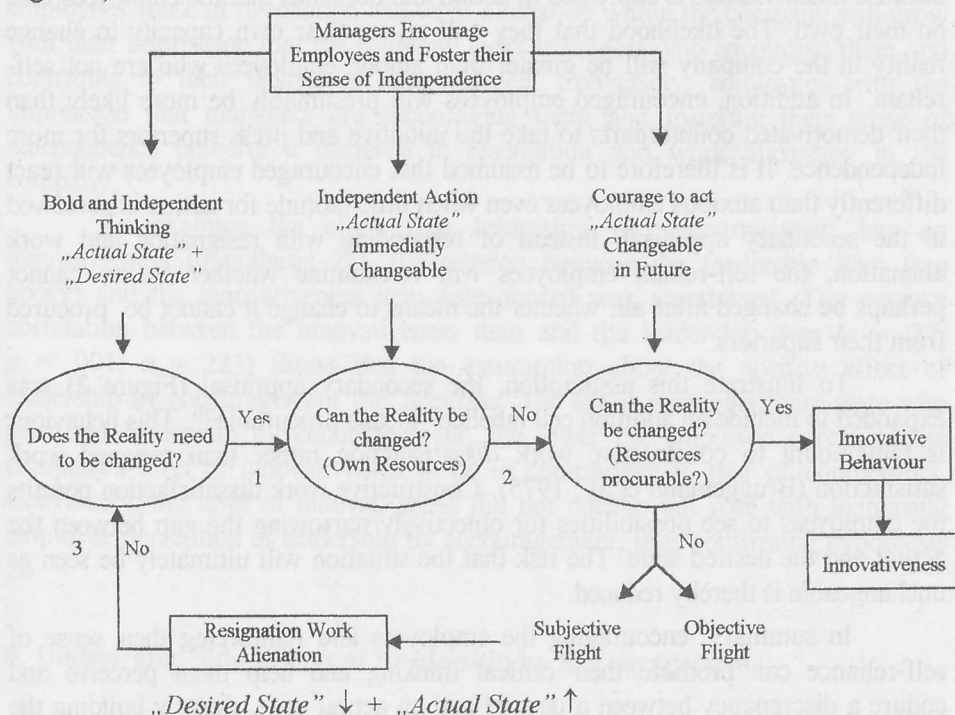


Figure 2: Leadership by encouragement as a way to prevent resignation and work alienation

Employee courage and self-reliance promote independent thinking and increase the probability that the difference between reality and what is desired will not be palliated but endured. Among bold and self-reliant employees the differences between the desired and the given tend to be greater than among anxious employees who lack independence. The more employees there are who think independently, the less they will tend to gloss over the actual state. They will instead appraise it critically and communicate this assessment. By the same token, employees who think independently will tend to develop their own sense of the conditions they wish to strive for and will state them as suggestions (Berthoin Antal, 1992; Volk, 1993). It thus seems plausible that such employees will find the difference between a desired state and reality greater and that they will have more courage to endure the disparity. The chance that reality can be changed ought therefore to be seen affirmatively more often by self-reliant employees in the primary appraisal than by anxious employees who lack self-reliance.

As for the secondary appraisal, it can be assumed that employees whose independence has been encouraged have greater freedom of action to begin with because independence is expressed in action and decisions that the employees take on their own. The likelihood that they will affirm their own capacity to change reality in the company will be greater than among employees who are not self-reliant. In addition, encouraged employees will presumably be more likely than their demotivated counterparts to take the initiative and press superiors for more independence. It is therefore to be assumed that encouraged employees will react differently than anxious employees even when little latitude for action is perceived in the secondary appraisal. Instead of responding with resignation and work alienation, the self-reliant employees will re-examine whether reality cannot perhaps be changed after all, whether the means to change it cannot be procured from their superiors.

To illustrate this assumption, the secondary appraisal (Figure 2) was expanded to include an addition cell labelled "means procurable?". This behaviour is tantamount to constructive work dissatisfaction rather than resigned work satisfaction (Bruggemann et al., 1975). Constructive work dissatisfaction permits the employees to see possibilities for objectively narrowing the gap between the actual and the desired state. The risk that the situation will ultimately be seen as unchangeable is thereby reduced.

In summary, encouraging the employees and reinforcing their sense of self-reliance can promote their critical thinking and help them perceive and endure a discrepancy between a desired and an actual state, thereby building the potential for dissatisfaction that is essential for triggering innovations. It is also likely that sufficient independence of action will constructively channel this dissatisfaction into innovative behaviour and prevent it from devolving into

resigned work satisfaction or work alienation resulting from an elimination of the difference between a desired condition and reality.

Lastly, we examine the two hypotheses underlying these considerations.

Hypothesis 2a: Leadership that encourages employees and fosters their independence coincides with a decline in resignation and work alienation.

Hypothesis 2b: Leadership that encourages employees and fosters their independence coincides with an increase in perceived innovativeness.

To test these hypotheses empirically, an item was formulated in the negative to ask respondents if the leadership behaviour spelled out above was absent ("This company lacks managers who encourage employees and foster their feeling of independence").

In terms of hypothesis 2a, the significant negative correlation ($r = -.60$; $p = .000$; $n = 220$) between this item and the item describing resignation and work alienation (see above) can be interpreted to mean that the prevalence of the employees' sense of resignation and work alienation within the company will grow with their impression that the company lacks managers who encourage them and contribute to their feeling of independence. Conversely, employees with the impression that managers are encouraging them and fostering their sense of independence perceive a decrease in resignation and work alienation in the company.

To examine the effect that leadership by encouragement has on innovativeness (hypothesis 2b), the relation between the leadership item (see above) and the innovativeness item (see above) was ascertained. The positive correlation between the innovativeness item and the leadership item ($r = .27$; $p = .001$; $n = 223$) shows that the assumption about the positive effect of leadership by encouragement was accurate. The fewer managers there were who practised leadership by encouragement, the lower the employee perceived the company's level of innovativeness to be in comparison to that of competitors. Conversely, the level of innovativeness did not decline but rose with increasing employee perception of leadership by encouragement, thus confirming hypothesis 2b.

4. Undesirable Side-Effects of Leadership by Encouragement

What negative secondary effects might be associated with leadership by encouragement? Only after exploring this question can one recommend leadership by encouragement during the process of Poland's transformation as a way of

avoiding resignation and work alienation and of stimulating innovativeness in the company. We proceed in two steps. First, we try to identify conceivable negative secondary effects of leadership by encouragement. Then we examine our data to see whether the presumed negative effects can be found.

1. In Polish companies, leadership by encouragement would, as previously mentioned, largely be something new for which neither the managers nor the employees are likely to have been sufficiently prepared. The employees, in particular, might well react ambiguously to this management style. It is conceivable that experience before the transformation process lends the liberating element of leadership by encouragement (i.e. increased autonomy for action and decision-making) a threatening aspect (increased pressure to act and decide). If managers come to count on their employees to show independence, they simultaneously call upon them to become more involved and demonstrate more "self management" than would otherwise be the case - changes that also mean more duties and responsibility. One cannot simply assume that all employees greet this management style with open arms. Under the pressure of increased demands for independence, there will be employees who will yearn for the time when they were simply told what to do and how to do it. Such tendencies are familiar from the transition process that has taken place in companies in the former Soviet Union (Boerner/Gebert, 1997) and Germany's new federal *Länder* (Frese/Erbe-Heinbokel, 1994), but are not confined to those spheres. In Germany's old federal *Länder*, too, independence won as part of decentralised self organisation is often redelegated by employees back to their superiors (Gebert/Boerner, 1999). In other words, if management calls for more independence than the employees believe they can deal with, the risk of asking too much of them could arise, thereby disconcerting them and causing them to lose their bearings (Gebert/Boerner, 1995).

2. In the context of decentralisation, leadership by encouragement could have further negative impacts known in western management literature as autonomy costs (Frese, 1993) and transaction costs (Drumm, 1996). The basic concern is that the co-ordination of activities in the company could become more and more difficult and costly as the independence of the employees increases. With authoritarian, disempowering, top-down leadership, directing all activities to a common objective is comparatively unproblematic because the lines of authority are sufficiently clear and compliance with directives is ensured through sanctioning mechanisms. But the more delegative or participatory kinds of leadership are practised, the more necessary it is for other mechanisms of co-ordination to supplant hierarchical directives (Boerner, 1994, pp. 156-164). With vertical co-ordination (the relation between the leader and the led), an increased sense of self-reliance among the employees could eventually begin to erode the legitimisation and authority of managers.

If the independence of employees grows and they increasingly develop their own ideas and the courage to present them and ask questions, coming to an agreement with them could become more problematic or at least require more effort.

Horizontal employee structures will likewise tend to increase the need for co-ordination because fewer areas of action are governed by a prescribed hierarchy. The self-organisation demanded by such an arrangement can indeed lead to problems because no one can tell for sure whether the employees have the necessary willingness or ability to co-operate. It is conceivable, for example, that the emboldened and more independent employees will be more apt to disagree among themselves because a kind of "informal pecking order" emerges as independence increases (Merton, 1957). Strife, such as conflicts over resources with which newly acquired independence can be exercised (Hartmann, 1993, pp. 124-125), can complicate co-ordination between employees and between departments. On the whole, then, management with a stake in increased independence of the employees requires all people involved to demonstrate an increased ability and willingness to practice self organisation. Because that ability and willingness cannot be presumed to exist from the outset in Polish companies, it is conceivable that complaints will be heard about uncertainty and lack of direction and that co-operation in the company will be experienced as more contentious, costly, and complicated. To examine these conjectures, we asked the subjects to appraise their organisation also for such lack of direction and co-ordination. Potential lack of direction and co-ordination was ascertained by means of two items, the responses to which were summed to give a single score for each. Table 1 shows that both cumulative scores had a significantly negative correlation with leadership by encouragement. This finding does *not* support the assumption that leadership by encouragement has negative secondary effects. Instead, it shows that the more managers encourage employees and strengthen their sense of independence, the less report there is of difficulties with co-ordination.

Table 1. Suspected Negative Secondary Effects of Leadership by Encouragement

Lack of direction	Lack of co-ordination
1. No one loses direction in this company. Everyone is sure about what to think and do.*	1. Basic issues are precisely what people often can't agree on here.
2. Many people here notice a lack of a committed stance on basic issues.	2. In this company everyone pulls together. We don't have fights that seriously jeopardise our cohesion.*
Correlation with the leadership item (encouragement is lacking)	
Cumulative score for lack of direction $r=.37$; $p=.000$; $n=219$	Cumulative score for lack of co-ordination $r=.39$; $p=.000$; $n=220$

* Polarity reversed

This result shows that leadership by encouragement as defined above is unlikely to be accompanied by the postulated secondary effects. Instead, there are even positive secondary effects for the corporate climate⁸. Given the preceding considerations, this finding is surprising. In closing, we advance two hypotheses as possible explanations.

One reason for the absence of negative secondary effects could be that lack of direction and co-ordination was no longer as great a problem at the time of our two surveys (1995 and 1997) as it might have been during the early stages of the transformation process in Poland. Learning processes (experience and specific kinds of employee training) that had taken place in the meantime could explain this change. Another reason could be the fact that many of the company's previous cadres had left the organisation. In that case, the hypothesis is that the feared problems no longer arise because the people involved have meanwhile had opportunity to learn how to deal with them. This hypothesis is supported by the fact that the companies we surveyed were only those that had successfully navigated the transformation process up to that point. Our sample was, in effect, an example of positive selection.

The second hypothesis we advance is based on the opposite assumption. In other words, the problems we have described are absent because the transformation process has not progressed to the point that they could become apparent. In this case, we would have studied the effects of leadership by encouragement against the background of corporate cultures modelled closely on the structures that existed before the transformation process. This hypothesis is supported by a fact discussed elsewhere (Boerner, 1999), namely, that the Polish companies have a much more closed organisational culture than the companies in the German sample.

On the basis of our study, it cannot be decided which of the two hypotheses is the most plausible. This question, like the issue of the extent to which one can generalise our findings, remains to be clarified through further empirical research. The empirical results of this article suggest, at least to us, that leadership by encouragement promotes a company's innovativeness in two respects. First, leadership by encouragement reduces the proclivity for work alienation (see the section 3). Second, the working environment improves in that

⁸ The correlation between the leadership item and the summed value for lack of direction and coordination was $r = .45$ ($p = .000$; $n = 218$).

the direction of the employees and the co-ordination of activities within the company improve. Because losses due to friction within the company thereby decline, innovativeness is further enhanced. This link, too, is demonstrated by the data from the study. The correlation between the score for innovativeness and the cumulative score for lack of orientation and direction is significantly negative ($r = -.31$; $n = 221$; $p = .000$). According to our data, the chances that leadership by encouragement will foster innovativeness are not offset by *any* risks jeopardising innovativeness. The key results of our study are summarised in Figure 3.

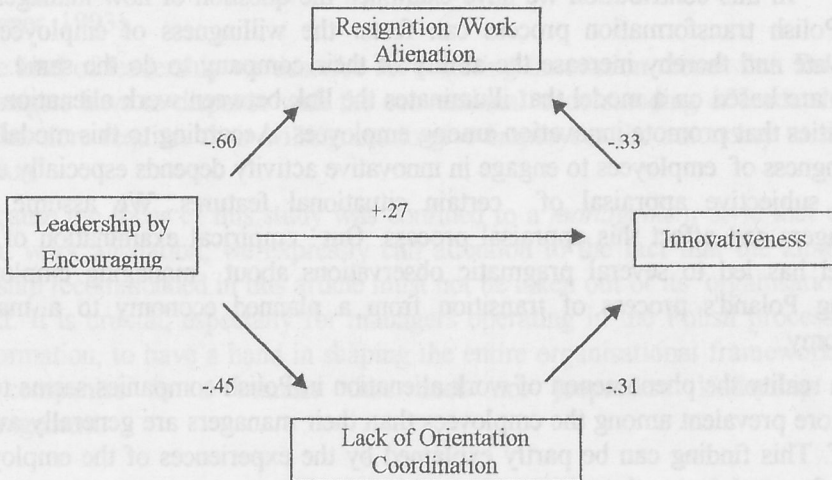


Figure 3: Correlations between various factors of innovativeness

Figure 3 also shows the values of the variables studied and thereby quantifies the effect that leadership by encouragement has on innovativeness. The direct link between leadership by encouragement and innovativeness is less than the indirect effect of leadership by encouragement on innovativeness. (The indirect effect is mediated by the work-alienation variable and the lack-of-direction-and-coordination variable.) This fact becomes clearer when the innovation-promoting effect of leadership by encouragement is ascertained without these effects. If the work-alienation variable and the lack-of direction-and-coordination variable are excluded from the calculations, the partial correlation between leadership by encouragement and innovativeness is no longer significant ($r = .06$, $p = .211$, $n = 423$).

This does not mean that leadership by encouragement plays no role in fostering innovativeness. Instead, the finding spells out *how* leadership by encouragement translates into an increase in innovativeness.

5. Summary and Conclusions for Managing Employees During the Transition Process in Polish Companies

In this contribution we have examined the question of how managers in the Polish transformation process can foster the willingness of employees to innovate and thereby increase the ability of their company to do the same. Our ideas are based on a model that illuminates the link between work alienation and activities that promote innovation among employees. According to this model, the willingness of employees to engage in innovative activity depends especially upon their subjective appraisal of certain situational features. We assume that managers can affect this appraisal process. Our empirical examination of this model has led to several pragmatic observations about managing employees during Poland's process of transition from a planned economy to a market economy.

- ⇒ In reality the phenomenon of work alienation in Polish companies seems to be more prevalent among the employees than their managers are generally aware of. This finding can be partly explained by the experiences of the employees before and during the process of transition.
- ⇒ The employees' tendency toward work alienation can be explained by their subjective appraisal of reality in the company. Work alienation and subsequent resignation set in when the desire of employees to change that reality is frustrated by perceived constraints on their ability to act.
- ⇒ Work alienation of employees reduces the organisation's innovativeness.
- ⇒ Work alienation and resignation can be attractive from the employees' viewpoint because it temporarily relieves dissatisfaction. However, this reduction of the problem for the employees only exacerbates the problem for the company.
- ⇒ To sustain the struggle against work alienation, managers must influence what the employees think about their reality and the extent to which employees actually use opportunities to take action. A management style that encourages employees and fosters their independence (leadership by encouragement) proves suitable for reducing the proclivity for work alienation, sparking innovative behaviour, and improving the innovativeness of the company.

- ⇒ Leadership by encouragement can be recommended because no negative secondary effects have been revealed by this study. On the contrary, the working environment, at least as shown by the companies in our sample, appears to have improved in that both the employees' direction and the coordination of internal activities has been enhanced.
- ⇒ It could not be clarified in this study whether negative secondary effects may appear at a later point in the transformation process. Managers should therefore consider how they can promote the independence of their employees in a way that will avoid negative secondary effects and should try to perceive their appearance as early as possible, say, by personnel development measures (Pieper, 1993).
- ⇒ The kind of leadership we describe for fostering innovation means that Polish managers have to dispense with the conventional understanding of leadership. It therefore requires their willingness to give employees the autonomy to take action.
- ⇒ Because the focus of this study was confined to a *management* style that can combat work alienation, we expressly call attention to the fact that the kind of leadership recommended in this article must not be taken out of its organisational context. It is crucial, especially for managers operating in the Polish process of transformation, to have a hand in shaping the entire organisational framework of their companies in a manner that does not jeopardise leadership by encouragement.

Appendix 1
Correlation Coefficients

Variables	Cumulative Scores			Innovativeness	Work alienation	Leadership by encouragement
	Lack of direction	Lack of co-ordination	Lack of direction and co-ordination			
Direction	1.0000 (n=222) p=.000	.3855 (n=221) p=.000	.8321 (n=221) p=.000	.2992 (n=222) p=.000	.3587 (n=219) p=.000	.3689 (n=219) p=.000
Co-ordination	.3855 (n=221) p=.000	1.0000 (n=223) p=.000	.8325 (n=221) p=.000	.2213 (n=223) p=.001	.3050 (n=220) p=.000	.3864 (n=220) p=.000
Direction and co-ordination	.8321 (n=221) p=.000	.8325 (n=221) p=.000	1.0000 (n=221) p=.000	.3118 (n=221) p=.000	.3953 (n=218) p=.000	.4510 (n=218) p=.000
Innovativeness	.2992 (n=222) p=.000	.2213 (n=223) p=.001	.3118 (n=221) p=.000	1.0000 (n=226) p=.000	.3319 (n=223) p=.000	.2730 (n=223) p=.000
Work alienation	.3587 (n=219) p=.000	.3050 (n=220) p=.000	.3953 (n=218) p=.000	.3319 (n=223) p=.000	1.0000 (n=223) p=.000	.5970 (n=220) p=.000
Leadership by encouragement	.3689 (n=219) p=.000	.3864 (n=220) p=.000	.4510 (n=218) p=.000	.2730 (n=223) p=.000	.5970 (n=220) p=.000	1.0000 (n=223) p=.000

Note All probability values are two-tailed.

Note The signs (+/-) of the correlations will vary according to the formulation of the items.

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