

LEADERSHIP, INNOVATION AND COMPETITIVE ADVANTAGE IN CONTEMPORARY ORGANIZATIONS

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ABSTRACT

In contemporary organizations operating under conditions of rapid technological change, intensified competition, and growing demands for innovation, leadership has emerged as a critical factor of sustainable competitive advantage. The purpose of this study is to examine the relationship between leadership styles, employee innovativeness, and organizational competitive advantage, with a particular focus on transformational and adaptive leadership. The research was conducted using a quantitative methodology on a sample of 97 employees working in organizations in Serbia. Data were collected through a structured questionnaire measuring perceptions of leadership behavior, innovative work behavior, and organizational competitiveness. The findings indicate a strong and positive relationship between effective leadership and employee innovativeness, as well as a significant contribution of adaptive leadership to organizational competitive advantage. Furthermore, the results confirm the important role of innovation in the relationship between leadership and competitive advantage. The study contributes to a deeper understanding of leadership as a strategic resource in modern organizations and provides practical implications for managers aiming to strengthen innovation capacity and long-term competitiveness.

Keywords: *leadership, innovation, competitive advantage, transformational leadership, adaptive leadership*

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INTRODUCTION

The contemporary business environment is characterized by accelerated and often unpredictable changes arising from market globalization, intensive technological development, digitalization of business processes, and increasing competition. Today's organizations operate under conditions marked by high uncertainty, short product and service life cycles, and constant pressure to innovate and improve performance. Traditional sources of competitive advantage such as ownership of physical resources, access to capital, or economies of scale are increasingly losing importance (Porter, 1985), while the focus is shifting toward intangible resources, knowledge, organizational capabilities, and the quality of human capital, among which leadership occupies a central position.

Numerous studies in the fields of strategic management and organizational behavior indicate that organizations' ability to generate innovation, adapt to change, and achieve sustainable competitive advantage largely depends on the quality of leadership (Barney, 1991; Teece, 2018). Leaders play a crucial role in shaping organizational culture, defining strategic priorities, and creating conditions in which employees can express creativity, initiative, and readiness for change. Leadership is no longer viewed merely as a function of formal hierarchy, but rather as a dynamic process of influence that permeates all levels of the organization.

Contemporary organizations face the paradox of stability and change. On the one hand, it is necessary to maintain the efficiency of existing processes and structures; on the other hand, continuous experimentation, innovation, and adaptation to new market and technological conditions are required. This highlights the importance of leadership capable of balancing these opposing demands. Traditional authoritarian and transactional leadership models, based on control and formal rewards, often prove insufficient for encouraging innovative employee behavior (Yukl, 2013). Consequently, increasing attention in contemporary literature is devoted to transformational and adaptive leadership.

Transformational leadership, conceptually developed by Bass and Avolio, is based on the assumption that leaders can significantly influence employees' motivation, values, and behavior through an inspiring vision, intellectual stimulation, and individualized support (Bass & Riggio, 2006). This leadership style is associated with higher levels of employee engagement, organizational learning, and innovativeness. Empirical research confirms that transformational leaders create psychologically safe environments in which employees feel free

to propose new ideas, question existing practices, and take moderate risks (Edmondson, 1999; Jung et al., 2009).

In addition to transformational leadership, contemporary theory and practice increasingly emphasize the importance of adaptive leadership. Heifetz (1994) defines adaptive leadership as the ability of leaders to help organizations cope with challenges for which no predefined solutions exist. Unlike technical problems, which can be resolved using existing knowledge and procedures, adaptive challenges require changes in thinking patterns, behaviors, and values. Adaptive leaders do not offer ready-made solutions; instead, they encourage collective learning, experimentation, and employee participation in problem-solving processes (Uhl-Bien & Arena, 2018).

The role of leadership becomes particularly significant in the context of innovation. Innovation is widely recognized in the modern economy as a key driver of growth, productivity, and competitive advantage (Schumpeter, 1934; Porter, 1990). However, innovation is not exclusively the result of technological development; rather, it is a complex process involving human resources, organizational culture, and management practices. Amabile (1996) emphasizes that employee creativity and innovative behavior depend on a combination of individual abilities, motivation, and the organizational environment. Leaders play a decisive role in shaping this environment, as their behavior, values, and decisions directly influence employees' willingness to engage in innovation activities. Leadership can therefore be viewed as an indirect mechanism through which organizations achieve competitive advantage. Contemporary research further highlights the importance of organizational dynamic capabilities, defined as the ability to integrate, build, and reconfigure resources in response to environmental changes (Teece, 2018). Leadership plays a key role in developing these capabilities by enabling organizations to recognize new opportunities, experiment with innovative solutions, and timely adjust their strategies.

The importance of studying leadership and innovation is particularly pronounced in transitional and developing economies, such as Serbia. Organizations in these economies often face additional challenges, including institutional instability, limited resources, and underdeveloped innovation support systems. Under such conditions, the role of leaders becomes even more critical, as individual managerial and leadership competencies can have a decisive impact on organizational success or failure. Empirical studies in the region indicate that leadership and organizational culture significantly influence organizational innovativeness and resilience, especially during periods of crisis and market disruption.

Despite the extensive literature on leadership, innovation, and competitive advantage, there remains a need for further research in this field. A large proportion of existing studies focus on developed economies and large corporations, while empirical research on small and medium-sized enterprises and transitional economies remains relatively limited. Moreover, leadership is often examined in isolation, without a deeper analysis of the mechanisms through which it affects organizational performance.

Building on these considerations, the aim of this study is to contribute to a better understanding of the role of leadership in contemporary organizations, with a particular focus on transformational and adaptive leadership as key leadership styles in dynamic environments. The study seeks to empirically examine how these leadership styles influence employee innovative behavior and organizational competitive advantage, as well as to analyze the mediating role of innovation in this relationship.

LITERATURE REVIEW

Leadership represents one of the most significant and extensively studied concepts in the fields of management and organizational sciences, given its direct and indirect impact on employee behavior, organizational performance, and long-term competitiveness. In its broadest sense, leadership is defined as a process of influence through which an individual or a group directs the behavior of others toward the achievement of shared goals (Northouse, 2021). Contemporary organizations operate in an environment characterized by accelerated technological change, global competition, digitalization of business processes, and increasing uncertainty. Under such conditions, traditional leadership models based on control, authority, and hierarchy have proven insufficient for managing complex organizational challenges (Yukl, 2013). Instead, flexible, participative, and development-oriented leadership styles are gaining increasing importance, as they foster innovation, learning, and employee adaptability.

Northouse (2021) emphasizes that leadership is a multidimensional phenomenon that depends on the interaction among leaders, followers, and situational factors. This perspective highlights that there is no universal leadership style that is effective in all circumstances; rather, successful leaders must be capable of adapting their behavior to the specific demands of the organization. This adaptive capacity becomes particularly crucial in contemporary organizations striving for innovation and sustainable competitive advantage.

The literature places special emphasis on the role of leadership in managing change. Kotter (1996) argues that leaders play a decisive role in creating a vision for change, motivating employees, and overcoming resistance that arises during organizational transformations. Leaders who effectively implement goals and involve employees in decision-making processes contribute to higher levels of engagement and readiness for innovation. Transformational leadership represents one of the most influential contemporary theoretical approaches to leadership. Developed by Bass and Avolio (1994), this concept is based on the assumption that leaders can transform employees' values, attitudes, and behaviors by elevating them beyond self-interest in favor of organizational goals. Transformational leadership consists of four key dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

Empirical research consistently confirms a strong relationship between transformational leadership and employees' innovative behavior. Amabile (1996) emphasizes that employee creativity depends on a combination of individual abilities, intrinsic motivation, and the organizational environment. Transformational leaders directly influence all of these elements by creating a supportive climate for creativity through encouragement, recognition, and clear communication of goals. Studies by Jung et al. (2009) confirm that organizations characterized by strong transformational leadership achieve higher levels of innovative performance. Further research indicates that transformational leadership contributes to the development of an organizational culture that promotes learning, knowledge sharing, and collaboration (García-Morales et al., 2012). Such a culture provides a foundation for long-term innovativeness and organizational resilience, particularly in conditions of rapid market change.

In addition to transformational leadership, contemporary literature increasingly focuses on the concept of adaptive leadership. Unlike technical problems, which can be addressed using existing knowledge and procedures, adaptive challenges require changes in thinking patterns, behaviors, and values. Adaptive leaders do not offer ready-made solutions; instead, they encourage employees to engage in learning processes, experimentation, and collective problem-solving (Uhl-Bien & Arena, 2018). This leadership approach is particularly relevant for innovation, as innovation processes inherently involve risk, uncertainty, and the possibility of failure. Leaders who promote experimentation and learning from mistakes create an organizational environment in which innovation becomes an integral part of everyday operations rather than an exception.

Innovation is widely recognized in contemporary economic theory as a key driver of growth, productivity, and competitive advantage. Schumpeter (1934) was among the first to highlight the role of innovation as a process of “creative destruction,” through which new ideas and technologies replace existing structures. In the modern context, innovation encompasses not only technological innovations but also organizational, process, and market innovations. Porter (1990) argues that competitive advantage stems from an organization’s ability to create value in a unique way, with innovation serving as a central mechanism of this process. However, innovations do not arise spontaneously; they require appropriate organizational conditions, resources, and leadership styles.

Research shows that employee innovativeness represents a key micro-foundation of organizational innovation. Employees who are given the freedom to express ideas, participate in decision-making, and learn from experience make a significant contribution to an organization’s innovative capacity (Edmondson, 1999). Competitive advantage remains a central concept in strategic management and refers to an organization’s ability to achieve superior performance relative to its competitors. Empirical studies confirm that organizations that successfully integrate leadership and innovation achieve higher levels of competitiveness, particularly in dynamic and uncertain environments (Jung et al., 2009; García-Morales et al., 2012).

Building on these insights, this study seeks to contribute to the development of an integrated approach that links transformational and adaptive leadership, employee innovative behavior, and organizational competitive advantage in the context of Serbia.

METHODOLOGY

Based on the established theoretical framework and a review of relevant literature, the methodology of this study was designed to empirically examine the relationships between leadership styles, employee innovative behavior, and organizational competitive advantage. Particular emphasis was placed on transformational and adaptive leadership as contemporary leadership styles that are recognized in both theory and practice as key factors for successful organizational functioning in a dynamic and uncertain business environment.

The primary objective of the empirical research was to determine:

- whether transformational leadership has a significant impact on employees’ innovative behavior;

- whether adaptive leadership contributes to strengthening organizational competitive advantage; and
- the overall importance of leadership as a strategic resource in contemporary organizations.

The study is based on a quantitative research approach, which enables systematic data collection, statistical analysis, and empirical testing of relationships among the defined variables.

The empirical research was conducted on a sample of 97 respondents employed in organizations operating in the Republic of Serbia. The sample includes employees from various sectors, encompassing both manufacturing and service industries, as well as organizations of different sizes (micro, small, medium-sized, and large enterprises).

Regarding gender structure, the sample consists of 45 women (46.4%) and 52 men (53.6%), indicating a relatively balanced gender distribution. In terms of age structure, the largest proportion of respondents belongs to the 31–40 age group, followed by respondents aged 41–50, while a smaller share of the sample comprises respondents younger than 30 and older than 50. This distribution enables the inclusion of participants with varying levels of work experience and professional maturity. With respect to educational attainment, the majority of respondents hold higher education degrees (undergraduate and master's level), while a smaller proportion have completed secondary education.

A structured questionnaire was used as the research instrument, developed on the basis of theoretical foundations and previous empirical studies in the fields of leadership, innovation, and strategic management. The questionnaire was designed to enable quantitative measurement of the key research variables and their subsequent statistical analysis.

The questionnaire consists of four sections. The first section covers the respondents' sociodemographic characteristics (gender, age, level of education, and employment status). The second section is intended to measure transformational leadership through statements related to inspirational motivation, intellectual stimulation, individualized consideration, and a clearly articulated vision of organizational development.

The third section includes statements measuring adaptive leadership, observed through leaders' ability to adapt to change, encourage flexibility, enable learning, and motivate employees to actively participate in solving complex organizational challenges.

The fourth section focuses on employees' innovative behavior and organizational competitive advantage. Innovative behavior includes employees' willingness to propose new ideas, improve existing processes, and participate in innovation-related activities. Competitive advantage is examined through perceptions of the organization's market position, adaptability, efficiency, and long-term performance relative to competitors.

All questionnaire items were measured using a five-point Likert scale, where a value of 1 indicated complete disagreement and a value of 5 indicated complete agreement with the given statement. Data were collected through an anonymous survey, using both direct contact and online questionnaires.

Data analysis was conducted using descriptive and statistical analytical procedures with the support of appropriate statistical software. Descriptive statistics were applied to examine the basic characteristics of the sample and the overall distribution of respondents' answers. The reliability of the measurement scales was assessed using Cronbach's alpha coefficient, which confirmed the internal consistency of the instruments used.

To examine the relationships among the variables, correlation analysis was employed, while regression analyses were applied to test the effects of transformational and adaptive leadership on employee innovative behavior and organizational competitive advantage.

RESULTS

The results of the conducted empirical research provide a comprehensive insight into how employees in organizations in the Republic of Serbia perceive the role of leadership in fostering innovative behavior and strengthening competitive advantage. The analysis of the collected data indicates the presence of clear and relatively stable patterns in respondents' attitudes, as well as significant differences in the extent to which contemporary leadership styles are represented in organizational practice.

Overall findings suggest that respondents largely recognize leadership as an important strategic factor in modern business, one that goes beyond the traditional understanding of supervision and administrative management. According to respondents' perceptions, leaders are increasingly viewed as agents of change, creators of organizational vision, and key actors in the development of organizational innovative capacities.

An analysis of responses related to transformational leadership shows that the majority of respondents positively evaluate the behavior of leaders who inspire employees, articulate a clear development vision, and encourage creative thinking. Respondents emphasize that leaders who demonstrate trust in employees, recognize individual potential, and encourage initiative create more favorable conditions for employee engagement and innovative behavior.

Particularly high evaluations were given to the elements of transformational leadership related to inspirational motivation and intellectual stimulation. Employees who perceive their leaders as individuals who encourage “out-of-the-box” thinking and do not penalize mistakes exhibit a higher level of willingness to propose new ideas and participate in improving existing processes. These findings indicate that transformational leaders play a significant role in creating an organizational environment in which innovation is perceived as a desirable and legitimate activity.

On the other hand, a portion of respondents indicates that transformational leadership is not evenly represented across all organizations. In some cases, leaders are still perceived primarily as formal authorities, with limited employee involvement in decision-making. These results point to differences in the degree of implementation of contemporary leadership styles, which may stem from organizational culture, sectoral characteristics, or the level of development of managerial practices.

The research results clearly demonstrate a strong relationship between transformational leadership and employees’ innovative behavior. Respondents working in organizations where leaders encourage creativity, open communication, and the exchange of ideas are significantly more likely to express a willingness to initiate change, propose new solutions, and actively participate in innovation-related activities.

Employees’ innovative behavior is most often manifested through the improvement of existing work processes, the proposal of new ways of performing tasks, and participation in team initiatives aimed at developing new products or services. Respondents note that leadership support, particularly in the form of recognition, represents one of the key factors motivating them to engage in innovative activities.

The findings indicate that transformational leadership contributes to the creation of a psychologically safe environment in which employees do not fear negative consequences if their proposals are not immediately successful. Such an environment encourages experimentation and learning, which is consistent with

contemporary theoretical approaches that view innovation as a continuous and iterative process. Based on these findings, it can be concluded that transformational leadership has a significant and positive impact on employees' innovative behavior.

Results related to adaptive leadership indicate that respondents recognize the importance of leaders' ability to adapt to change and guide organizations through uncertain and complex situations. Respondents emphasize that leaders who demonstrate flexibility, a willingness to learn, and openness to new ideas contribute to strengthening organizational resilience in response to environmental changes. According to respondents, adaptive leadership is particularly evident in situations in which organizations undergo technological, market, or organizational changes. Employees in such organizations report that leaders do not offer predefined solutions, but instead involve them in the process of identifying problems and finding appropriate responses. This approach contributes to higher levels of employee engagement and strengthens collective responsibility for achieving organizational goals.

Nevertheless, some respondents indicate that adaptive leadership is not yet fully developed in all organizations. In certain cases, leaders rely on established procedures and hierarchical decision-making models, which may limit the organization's ability to respond quickly to change. These findings point to the need for further development of adaptive leadership competencies in contemporary organizations.

The analysis of the relationship between adaptive leadership and competitive advantage shows that organizations in which leaders encourage flexibility, learning, and adaptation achieve more favorable market positions and more stable business performance. Respondents from such organizations assess that their organizations respond more rapidly to environmental changes, use resources more efficiently, and adapt more successfully to market demands. The results indicate that adaptive leadership contributes to the development of organizational capabilities that are crucial for the long-term sustainability of competitive advantage. Employees in organizations characterized by strong adaptive leadership report that changes are perceived as opportunities for development rather than as threats, which positively affects overall organizational performance.

These findings confirm that the competitive advantage of modern organizations does not depend exclusively on material resources or technological investments, but largely on the quality of leadership and the organization's ability to adapt to a dynamic business environment. The research results also indicate that

innovation represents one of the key mechanisms through which organizations achieve and sustain competitive advantage. Respondents emphasize that organizations that continuously improve their products, services, and processes have greater opportunities to differentiate themselves in the market and respond effectively to changes in consumer needs.

According to respondents, innovation does not relate exclusively to technological changes, but also encompasses organizational and process innovations. The role of employees as key carriers of innovation is particularly emphasized, further confirming the importance of leadership in fostering innovative behavior. The results indicate that innovative organizations are characterized by higher levels of organizational flexibility, faster decision-making, and greater readiness for change, which positively reflects on their competitive position.

DISCUSSION

The results of the conducted research provide valuable insights into the role of leadership in fostering employee innovativeness and achieving competitive advantage in contemporary organizations. Above all, the findings clearly confirm the importance of transformational leadership as a key driver of innovative employee behavior. Respondents who perceive their leaders as inspirational, supportive, and open to new ideas demonstrate a higher willingness to engage in innovation-related activities. This finding is consistent with numerous empirical studies emphasizing that transformational leaders, through intellectual stimulation and inspirational motivation, create organizational environments conducive to creativity and learning. In this way, leadership transcends the function of formal management and becomes a mechanism for activating employees' innovative potential.

The obtained results further confirm that innovative employee behavior does not emerge spontaneously but depends on the quality of the organizational environment and leaders' behavior. Transformational leaders contribute to the creation of psychological safety, enabling employees to freely express ideas and experiment without fear of negative consequences. This finding aligns with contemporary theories that conceptualize innovation as a social and organizational process rather than solely as an outcome of individual creativity.

With regard to adaptive leadership, the research findings indicate that this leadership style plays a particularly important role in today's dynamic business environment. Organizations in which leaders encourage flexibility, learning, and adaptation to change achieve more favorable market positions and more

stable business performance. These findings are consistent with dynamic capability theories, which emphasize that long-term competitive advantage depends on an organization's ability to continuously adapt to environmental changes. In this context, adaptive leadership can be viewed as a key mechanism for developing organizational resilience and agility.

A significant contribution of this study lies in examining the relationship between leadership and competitive advantage through the lens of innovation. Leaders who promote creativity, learning, and collaboration create conditions in which innovation becomes an integral part of organizational functioning, which is subsequently reflected in market position and long-term organizational performance.

It is also important to acknowledge the limitations of the study, which primarily relate to the sample size and reliance on respondents' subjective perceptions. Future research could expand the analysis by including larger and more diverse samples, as well as by combining quantitative and qualitative methods, in order to further deepen the understanding of the mechanisms through which leadership influences innovation and competitive advantage.

Despite these limitations, the findings of this study clearly indicate that leadership represents one of the key success factors of contemporary organizations. Transformational and adaptive leadership styles, in particular, stand out as effective in fostering innovative employee behavior and strengthening organizational competitive positions. Consequently, this study contributes to the ongoing academic debate on the role of leadership in modern management and provides a foundation for further theoretical and empirical research in this field.

CONCLUSION

The contemporary business environment, characterized by accelerated technological change, global competition, and increasing demands for innovation, requires organizations to continuously develop their intangible resources in order to achieve long-term competitive advantage. Leadership stands out as one of the key factors influencing employee behavior, organizational culture, and an organization's ability to generate innovation. Based on these premises, the objective of this study was to examine the relationship between leadership styles, employee innovative behavior, and organizational competitive advantage, with a particular focus on transformational and adaptive leadership.

The results of the theoretical and empirical analyses confirm that transformational leadership has a significant positive impact on employees' innovative behavior. Leaders who inspire, provide support, and encourage creative thinking contribute to the creation of an organizational environment in which employees demonstrate a greater willingness to propose new ideas, improve existing processes, and actively participate in innovation-related activities. These findings are consistent with the relevant literature, which identifies leadership as a key driver of innovation in contemporary organizations.

At the same time, the study demonstrates that adaptive leadership plays an important role in strengthening organizational competitive advantage. Organizations in which leaders promote flexibility, learning, and adaptation to change exhibit a greater ability to respond to market challenges and achieve more stable business performance. This confirms that competitive advantage in modern business conditions does not depend solely on existing resources, but rather on an organization's capacity to continuously adapt to a dynamic environment.

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