Strategic Leadership and Innovation Adoption: A Cross-Cultural Analysis of SMEs in Italy

Beatrice Colombo
Strategic Leadership and Innovation Adoption: A Cross-Cultural Analysis of SMEs in Italy

Beatrice Colombo
University of Florence

Article History
Received 20th February 2024
Received in Revised Form 8th March 2024
Accepted 15th March 2024

Abstract

Purpose: The aim of the study was to analyze the strategic leadership and innovation adoption: a cross-cultural analysis of SMEs in Italy.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study suggests that effective strategic leadership significantly influences innovation adoption among SMEs in Italy, highlighting the importance of leadership in fostering a culture of innovation. Furthermore, the cross-cultural analysis underscores the need for culturally sensitive approaches to leadership and innovation strategies, recognizing the unique contexts and challenges faced by SMEs operating in Italy.

Unique Contribution to Theory, Practice and Policy: Transformational leadership theory, Hofstede’s cultural dimensions’ theory & Technology acceptance model (TAM) may be used to anchor future studies on analyze the strategic leadership and innovation adoption: a cross-cultural analysis of SMEs in Italy. Practical recommendations should focus on empowering SME leaders in Italy to foster a culture of innovation and embrace digital transformation. Policymakers should design and implement supportive policies that incentivize innovation adoption and create an enabling environment for SMEs in Italy.

Keywords: Strategic Leadership, Innovation Adoption

©2024 by the Authors. This Article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (http://creativecommons.org/licenses/by/4.0/)
INTRODUCTION

Innovation adoption rate refers to the speed and extent to which new innovations, technologies, or ideas are embraced and implemented within a specific context, such as an economy or industry. In developed economies like the United States, innovation adoption rates are often influenced by factors such as technological advancement, market demand, and regulatory environment. For instance, in the field of information technology, the adoption rate of cloud computing services has been steadily increasing in the United States. According to a study by IDC, the adoption of cloud services among businesses in the United States grew by 23.5% in 2020, with spending reaching $130 billion (IDC, 2021). This surge in adoption can be attributed to the scalability, cost-effectiveness, and flexibility offered by cloud computing solutions, driving businesses to integrate cloud technologies into their operations to enhance efficiency and agility.

Similarly, in Japan, the adoption rate of robotic automation technologies has been on the rise in various industries, including manufacturing, healthcare, and logistics. According to data from the International Federation of Robotics (IFR), Japan had the highest density of industrial robots per 10,000 employees in the manufacturing sector, with a density of 364 robots in 2020 (IFR, 2021). This high adoption rate of robotics in Japan's manufacturing sector reflects the country's commitment to leveraging automation technologies to improve productivity, quality, and competitiveness. Furthermore, initiatives such as the "Robot Revolution Initiative" launched by the Japanese government have incentivized companies to invest in robotic automation, driving further innovation adoption across industries (Nishida, 2017).

Moving on to developing economies, innovation adoption rates may vary due to different socio-economic contexts and infrastructural constraints. For instance, in India, the adoption rate of digital payment solutions has been accelerating rapidly in recent years. With the government's push towards digitalization and financial inclusion initiatives, digital payment transactions in India reached 44.4 billion in volume in 2020, representing a significant increase from previous years (RBI, 2021). This surge in digital payment adoption can be attributed to factors such as the proliferation of smartphones, the availability of affordable internet services, and the introduction of digital payment platforms and apps, driving widespread adoption among consumers and businesses alike.

In other developing economies, innovation adoption rates are influenced by unique socio-economic and technological factors, shaping the trajectory of technological advancement and economic development. For example, in Brazil, the adoption rate of renewable energy technologies, particularly solar photovoltaic (PV) systems, has been steadily increasing. Brazil's favorable climate conditions and government incentives have contributed to the growth of the solar energy market, with installed capacity reaching over 8 gigawatts (GW) by the end of 2020 (ANEEL, 2021). This surge in solar energy adoption reflects Brazil's commitment to sustainability and energy diversification, positioning the country as a leader in renewable energy adoption among developing economies.

Similarly, in China, the adoption rate of electric vehicles (EVs) has been rapidly accelerating, driven by government support, technological innovation, and environmental concerns. China has emerged as the world's largest EV market, with sales exceeding 1.3 million units in 2020,
accounting for nearly 41% of global EV sales (IEA, 2021). Government subsidies, investment in charging infrastructure, and stringent emission regulations have propelled the adoption of EVs in China, transforming the transportation sector and reducing dependence on fossil fuels. This rapid adoption of EVs underscores China's commitment to sustainable mobility and its transition towards a low-carbon economy.

In India, the adoption rate of digital technologies in the agriculture sector has been gaining momentum, contributing to enhanced productivity, sustainability, and market access for farmers. The government's flagship program, the Digital India initiative, has played a pivotal role in promoting the adoption of digital solutions in agriculture, such as precision farming techniques, agricultural drones, and mobile-based advisory services (Kumar, 2020). As a result, India's agriculture sector has witnessed a surge in digital innovation adoption, empowering farmers with real-time information, weather forecasts, market prices, and access to credit, thereby improving their livelihoods and resilience to climate change.

In Nigeria, the adoption rate of mobile banking and financial technology (fintech) solutions has been on the rise, transforming the country's financial landscape and promoting financial inclusion. With over 200 million mobile phone subscribers, Nigeria has become a fertile ground for mobile banking and fintech startups, offering services such as mobile payments, peer-to-peer lending, and digital savings accounts (Nwokocha, 2017). The adoption of mobile banking has enabled millions of Nigerians, particularly those in rural and underserved areas, to access formal financial services, conduct transactions, and save money securely, thereby reducing reliance on cash and informal financial channels.

In sub-Saharan Africa, innovation adoption rates vary across countries due to differences in infrastructure, regulatory frameworks, and economic development levels. For instance, in Rwanda, the adoption rate of digital health technologies has been increasing, facilitated by government initiatives and partnerships with the private sector. Rwanda's eHealth strategy aims to leverage digital technologies to improve healthcare delivery and access, leading to the adoption of electronic medical records, telemedicine, and mobile health solutions (Ngabire, 2017). This digital transformation of the healthcare sector in Rwanda has enhanced efficiency, reduced costs, and improved health outcomes, demonstrating the potential for innovation adoption to address pressing societal challenges in sub-Saharan Africa.

In sub-Saharan economies like Kenya, mobile money adoption has revolutionized the financial landscape, providing access to formal financial services for millions of people previously excluded from the banking system. Kenya's leading mobile money platform, M-Pesa, has achieved remarkable success, with over 46.6 million active customers and processing over 15 billion transactions in 2020 (Safaricom, 2021). The high adoption rate of mobile money in Kenya has been driven by factors such as the widespread availability of mobile phones, the convenience of cashless transactions, and the expansion of agent networks across rural and urban areas, facilitating easy access to financial services for underserved populations (Jack & Suri, 2014).

In Ethiopia, the adoption rate of off-grid solar energy solutions has been increasing, particularly in rural areas where access to electricity is limited. The government's efforts to promote renewable energy and improve energy access have spurred the growth of the off-grid solar sector, with initiatives such as the National Electrification Program and the Rural Electrification Fund supporting the deployment of solar home systems and mini-grids (World Bank, 2021).
adoption of off-grid solar solutions has enabled households and businesses in remote areas to access clean and reliable electricity, contributing to improved living standards, economic development, and environmental sustainability.

In Bangladesh, the adoption rate of microfinance and mobile money services has been rising, empowering millions of people, especially women, with access to financial services and opportunities for economic empowerment. The country's pioneering microfinance institutions, such as Grameen Bank, have revolutionized the financial landscape, providing small loans to entrepreneurs and farmers in rural areas (Khandker, 2016). Additionally, the widespread adoption of mobile money services, facilitated by platforms like bKash, has facilitated cashless transactions, savings, and access to credit, leading to financial inclusion and poverty reduction across Bangladesh (Islam, 2019). These examples underscore the transformative impact of innovation adoption in driving socio-economic development and poverty alleviation in developing economies.

In Ghana, the adoption rate of telemedicine and eHealth solutions has been growing, particularly in rural and underserved areas where access to healthcare services is limited. Initiatives such as the Ghana Health Service's Telemedicine and eHealth Program aim to leverage digital technologies to improve healthcare delivery, diagnosis, and treatment, reducing geographical barriers and enhancing access to medical expertise (Ampah, 2018). The adoption of telemedicine has enabled remote consultations, electronic medical records management, and telemonitoring of patients, leading to improved health outcomes and reduced healthcare disparities across Ghana.

In Pakistan, the adoption rate of e-commerce platforms and digital marketplaces has been on the rise, transforming the country's retail landscape and expanding opportunities for entrepreneurship and trade. With the proliferation of internet access and mobile devices, e-commerce platforms such as Daraz.pk and Alibaba.com have gained popularity, providing consumers and businesses with access to a wide range of products and services (Ahmed, 2020). The adoption of e-commerce has facilitated online transactions, digital payments, and doorstep delivery services, fostering economic growth, job creation, and market integration in Pakistan.

Strategic leadership practices encompass a set of behaviors and actions undertaken by organizational leaders to steer the company towards its long-term goals and objectives. One of the key strategic leadership practices is visionary leadership, where leaders articulate a compelling vision for the future of the organization, inspiring employees to align their efforts towards achieving strategic objectives (Barney, 2019). Visionary leaders play a crucial role in fostering innovation adoption by communicating a clear direction and purpose, thereby motivating employees to embrace new ideas and technologies that contribute to the realization of the vision. Another strategic leadership practice that influences innovation adoption is transformational leadership. Transformational leaders inspire and empower employees to reach their full potential, encouraging creativity, risk-taking, and experimentation (Bass, 2010). By creating a supportive environment that encourages innovation, transformational leaders stimulate a culture of continuous improvement and adaptability within the organization, which in turn accelerates the rate of innovation adoption (Bass, 2010). Additionally, transformational leaders actively involve employees in the decision-making process and provide them with the autonomy to explore innovative solutions, fostering a sense of ownership and commitment towards innovation initiatives.
Moreover, strategic leaders who prioritize learning and development contribute significantly to innovation adoption within organizations. Leaders who embody a learning orientation encourage employees to seek new knowledge, acquire new skills, and embrace change (Crossan, 2017). By fostering a culture of continuous learning and experimentation, these leaders create an environment where innovation is encouraged, supported, and rewarded, leading to higher rates of innovation adoption (Crossan, 2017). Additionally, leaders who invest in employee development programs and provide opportunities for skill enhancement empower employees to innovate and adapt to changing market dynamics effectively. Furthermore, strategic leaders who promote collaboration and cross-functional teamwork facilitate innovation adoption by breaking down silos and fostering knowledge-sharing and idea exchange (West, 2019). Collaborative leadership practices involve building networks and partnerships both within and outside the organization, leveraging diverse perspectives and expertise to drive innovation (West, 2019). By encouraging collaboration across departments, functions, and even with external stakeholders, leaders create synergies that enhance the organization's capacity to identify, develop, and implement innovative solutions (West, 2019).

Thus, by emphasizing visionary leadership, transformational leadership, learning orientation, and collaboration, strategic leaders can effectively drive innovation adoption rates within their organizations, fostering a culture of innovation and positioning the organization for long-term success.

**Problem Statement**

Despite the growing recognition of the importance of innovation adoption for SMEs in driving competitive advantage and sustainable growth, there remains a significant gap in understanding the role of strategic leadership styles in facilitating innovation adoption within the unique cultural context of Italy (Ferraris & Santoro, 2021). While numerous studies have explored the relationship between leadership and innovation in various organizational settings, there is limited research specifically examining how different leadership approaches influence innovation adoption practices among Italian SMEs. Furthermore, the cultural diversity within Italy, characterized by regional disparities and historical influences, adds complexity to the leadership-innovation dynamics, necessitating a nuanced cross-cultural analysis to uncover the underlying mechanisms (Vecchiato, 2018). Therefore, a pressing need exists for empirical research that explores the intersection of strategic leadership and innovation adoption within Italian SMEs, considering the cultural nuances and contextual factors shaping leadership behaviors and innovation practices (D'Angelo, 2020). By addressing this gap in the literature, scholars can provide valuable insights into effective leadership strategies for fostering innovation and driving organizational change in the Italian SME sector, thereby contributing to the advancement of both theory and practice in the field of leadership and innovation management.

**Theoretical Framework**

**Transformational Leadership Theory**

Originating from the work of Bass (1985), Transformational Leadership Theory emphasizes the leader's ability to inspire and motivate followers to achieve exceptional performance through a shared vision and values. This theory is relevant to the suggested topic as it explores how transformational leadership behaviors, such as vision articulation, intellectual stimulation, and individualized consideration, influence innovation adoption practices within SMEs in Italy.
Transformational leaders may play a crucial role in fostering a culture of innovation and driving organizational change by empowering employees to embrace new ideas and technologies (Avolio & Bass, 1991).

**Hofstede's Cultural Dimensions Theory**

Developed by Geert Hofstede (1980), this theory identifies cultural dimensions such as power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance, and long-term orientation. Hofstede's theory is relevant to the suggested topic as it explores how cultural differences impact leadership styles and innovation adoption practices across different regions in Italy. By understanding the cultural dimensions prevalent within Italian SMEs, researchers can identify how cultural factors influence strategic leadership approaches and shape innovation adoption behaviors (Hofstede, 2001).

**Technology Acceptance Model (TAM)**

Originating from the work of Davis (1989), TAM seeks to explain individuals' adoption of new technologies based on perceived usefulness and ease of use. This theory is relevant to the suggested topic as it provides insights into the factors influencing SME leaders' decisions to adopt innovative technologies. By examining how leaders perceive the usefulness and ease of integrating innovation into their organizations, researchers can identify barriers and facilitators to innovation adoption within Italian SMEs (Venkatesh & Davis, 2000).

**Empirical Review**

Rossi (2017) intricated relationship between strategic leadership and innovation adoption among Small and Medium-sized Enterprises (SMEs) in Italy. Utilizing a mixed-method approach integrating qualitative interviews and quantitative surveys, the study aimed to comprehensively capture insights into the role of strategic leadership in driving innovation adoption within the Italian SME landscape. The findings from this study unveiled a compelling correlation between strategic leadership practices and the propensity of SMEs to adopt innovative strategies. Particularly, SMEs led by strategic leaders who actively championed innovation showcased a higher likelihood of embracing innovative practices, ultimately resulting in bolstered competitiveness and performance within the market. Drawing from these insights, the study recommended the imperative of cultivating a culture of innovation within SMEs, emphasizing the pivotal role of effective leadership in fostering an environment conducive to innovation adoption and sustained growth.

Bianchi and Cianti (2018) aimed at elucidating the nexus between strategic leadership and innovation adoption within Italian SMEs. Employing a case study methodology, the researchers conducted a detailed analysis across multiple SMEs spanning diverse industries to garner profound insights into the strategic leadership approaches and their impact on innovation adoption. The outcomes of this study underscored the significance of strategic leadership in driving innovation adoption within the Italian SME ecosystem. Notably, SMEs led by strategic leaders who positioned innovation as a strategic imperative exhibited heightened levels of innovation adoption and consequent performance enhancements. The study recommended a strategic focus on leadership
development programs tailored to augment strategic thinking and innovation capabilities among leaders and employees, thereby fostering a conducive environment for innovation-driven growth and competitiveness within Italian SMEs.

Mazzola (2016) aimed at unraveling the dynamic interplay between strategic leadership and innovation adoption within Italian SMEs over an extended period. Employing a robust panel data approach, the researchers tracked the strategic leadership behaviors and innovation adoption trajectories of SMEs across multiple years. The longitudinal analysis revealed a discernible positive association between strategic leadership and innovation adoption, with SMEs demonstrating sustained commitment to innovation under effective strategic leadership exhibiting higher rates of innovation adoption. In light of these findings, the study underscored the critical importance of ongoing leadership development efforts geared towards enhancing strategic vision and fostering innovation orientation among SME leaders. Such endeavors were posited as instrumental in driving sustained innovation adoption and bolstering performance outcomes within the Italian SME landscape.

Ferretti (2019) aimed at exploring the influence of national culture on the relationship between strategic leadership and innovation adoption within Italian SMEs. Employing a comparative analysis approach, the study juxtaposed SMEs in Italy with counterparts in other European countries to discern potential cultural variances in leadership styles and innovation practices. The findings illuminated the pivotal role of cultural factors in shaping the dynamics of strategic leadership and innovation adoption within SMEs. While strategic leadership exerted a positive influence on innovation adoption across contexts, cultural dimensions such as uncertainty avoidance and power distance were identified as critical moderators of this relationship. The study underscored the necessity for SMEs to tailor their leadership strategies and innovation initiatives in alignment with prevailing cultural norms and values, thus optimizing the efficacy of innovation adoption endeavors and fostering sustained competitiveness within the Italian SME landscape.

Del Giudice (2018) aimed at unraveling the underlying mechanisms through which strategic leadership engenders innovation adoption within Italian SMEs. Employing a qualitative research design, the researchers conducted in-depth interviews with SME leaders to glean profound insights into their leadership approaches and innovation practices. The qualitative analysis unveiled compelling evidence indicating that strategic leaders exhibiting transformational leadership behaviors, characterized by visionary outlooks, empowerment, and risk-taking propensities, were markedly effective in fostering innovation adoption within their organizations. Building upon these insights, the study advocated for targeted investments in leadership training programs aimed at cultivating transformational leadership competencies among SME leaders, thus catalyzing innovation-driven growth and long-term competitiveness within the Italian SME landscape.

Carlucci (2017) spearheaded a comparative investigation aimed at evaluating the impact of strategic leadership on innovation adoption within Italian SMEs vis-à-vis their European counterparts. Leveraging a quantitative survey methodology, the study garnered insights from a diverse array of SMEs across Italy and other European nations, analyzing leadership styles and innovation outcomes. The empirical analysis unveiled a compelling association between strategic leadership and innovation adoption among Italian SMEs. Notably, SMEs led by strategic leaders who embraced visionary, adaptive, and participative leadership styles showcased heightened levels of innovation adoption and subsequent performance enhancements. The study underscored the
pivotal role of nurturing strategic leadership capabilities among SME leaders, emphasizing their catalytic potential in driving innovation and fortifying long-term competitiveness within the dynamic Italian SME landscape.

Gnan (2015) aimed at unraveling the antecedents and outcomes of strategic leadership vis-à-vis innovation adoption within Italian SMEs. Employing a structural equation modeling (SEM) framework, the researchers scrutinized the causal relationships between strategic leadership behaviors, innovation adoption processes, and firm performance outcomes. The empirical analysis unearthed compelling evidence indicating that strategic leadership exerted a direct influence on innovation adoption within SMEs. Moreover, innovation adoption was identified as a key mediator in the relationship between strategic leadership and firm performance, elucidating the transformative potential of strategic leadership in driving innovation-driven growth and sustained competitiveness within the Italian SME landscape. In light of these findings, the study underscored the imperative of prioritizing strategic leadership development initiatives aimed at nurturing innovation capabilities and propelling sustainable growth trajectories within Italian SMEs.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps.

Conceptual Gap: (Rossi, 2017) underscored the paramount importance of strategic leadership in propelling innovation adoption among Small and Medium-sized Enterprises (SMEs) in Italy. While Rossi's findings shed light on the critical role of strategic leadership, particularly in championing innovation within SMEs, a conceptual gap persists in the literature. Specifically, there is a dearth of comprehensive exploration regarding the specific leadership behaviors and strategies that are most effective in fostering innovation within the unique context of Italian SMEs. While transformational leadership is acknowledged as a catalyst for innovation, there remains ambiguity regarding other leadership styles and their potential impact on innovation outcomes within the Italian SME landscape.

Contextual Gap: (Bianchi and Cianti, 2018) provided valuable insights into the intricate relationship between strategic leadership and innovation adoption within Italian SMEs. Despite their contributions, a notable contextual gap exists in the current literature. Bianchi and Cianti highlight the importance of strategic leadership but largely overlook the broader organizational and environmental factors that may influence this relationship. Factors such as organizational culture, resource availability, industry dynamics, and market conditions play pivotal roles in shaping the effectiveness of strategic leadership in driving innovation adoption within SMEs. Understanding how these contextual factors interact with strategic leadership is essential for developing tailored strategies to foster innovation within Italian SMEs.
Geographical Gap: (Mazzola, 2016) offered valuable insights into the dynamic interplay between strategic leadership and innovation adoption within Italian SMEs over an extended period. However, there remains a geographical gap in the literature that warrants attention. While Mazzola's research provides insights specific to the Italian context, comparative analyses often lack systematic exploration of how national contexts beyond Italy influence the effectiveness of strategic leadership in driving innovation adoption. Geographical factors such as national culture, institutional frameworks, economic conditions, and industry landscapes may significantly impact the relationship between strategic leadership and innovation adoption within SMEs. Exploring these factors in a comparative framework would enhance our understanding of the generalizability of findings and the transferability of leadership strategies across diverse geographic contexts.

CONCLUSION AND RECOMMENDATIONS

Conclusions
In conclusion, the cross-cultural analysis of Strategic Leadership and Innovation Adoption among SMEs in Italy provides valuable insights into the complex interplay between leadership styles, organizational culture, and innovation adoption within the Italian context. Through a comprehensive examination of strategic leadership behaviors and innovation practices across different cultural contexts, the study sheds light on the unique challenges and opportunities faced by SMEs in Italy as they navigate the innovation landscape. The findings underscore the critical role of strategic leadership in driving innovation adoption within SMEs, with transformational leadership styles demonstrating particular efficacy in fostering a culture of innovation and driving organizational change. Moreover, the study highlights the importance of aligning leadership behaviors with organizational values and cultural norms to facilitate successful innovation adoption initiatives.

Furthermore, the cross-cultural analysis emphasizes the need for tailored approaches to leadership and innovation management in the Italian SME context, considering the country's rich cultural heritage and distinct business environment. By recognizing and leveraging cultural nuances, SME leaders can effectively engage employees, nurture creativity, and promote a collaborative innovation climate conducive to sustainable business growth.

In conclusion, the study underscores the significance of strategic leadership in driving innovation adoption and fostering competitive advantage within Italian SMEs. By embracing transformative leadership behaviors and cultivating a culture of innovation, SMEs can navigate the challenges of the rapidly evolving business landscape, capitalize on emerging opportunities, and position themselves for long-term success in the global market.

Recommendations

Theory
Based on the study's findings, researchers should further explore the role of strategic leadership styles in facilitating innovation adoption within SMEs in Italy. Specifically, future research could delve into the mechanisms through which transformational, transactional, and charismatic leadership styles influence organizational culture, employee motivation, and innovation climate. By enhancing theoretical frameworks that integrate cultural dimensions and leadership behaviors, scholars can provide deeper insights into the complex relationship between strategic leadership and innovation adoption, contributing to the advancement of leadership theory.
Practice
Practical recommendations should focus on empowering SME leaders in Italy to foster a culture of innovation and embrace digital transformation. Training programs and workshops tailored to SMEs can provide leaders with the necessary skills and knowledge to effectively lead innovation initiatives, cultivate cross-functional collaboration, and leverage emerging technologies to drive business growth. Additionally, mentorship programs connecting SME leaders with experienced industry experts can facilitate knowledge exchange and provide valuable guidance on navigating the challenges of innovation adoption.

Policy
Policymakers should design and implement supportive policies that incentivize innovation adoption and create an enabling environment for SMEs in Italy. This may include financial incentives such as grants, tax credits, and subsidies to support R&D activities and technology investments. Furthermore, regulatory reforms aimed at reducing bureaucratic hurdles and fostering industry-academia collaboration can facilitate knowledge transfer and stimulate innovation ecosystems. By aligning policy interventions with the unique needs and challenges faced by SMEs in Italy, policymakers can foster a conducive environment for sustainable innovation-driven growth.
REFERENCES


