Introduction

The importance of innovation for sustained national and firm competitiveness is widely acknowledged by scholars, practitioners and policymakers (Cho & Pucik, 2005; OECD, 2012). Firms with higher levels of innovation will be more successful in responding to changing environments of deepening globalisation, increased competitiveness, rapid technological change and shorter product life cycles (Manso, 2011; Rosenblatt, 2011) and in developing new capabilities that will allow them to achieve better performance (Montes et al., 2004). Highly innovative firms ensure that a broad range of employees are involved with innovation and recognise the importance of employee-driven innovation (Høyrup, 2012). Such firms are also likely to have leaders with behaviours that are conducive to enhancing employee-driven innovation, of which knowledge-sharing is likely to be critical (Mumford et al., 2002).

While innovation is a critical performance output for sustained competitive advantage, knowledge is a fundamental input to stimulate innovation in organisations (Foss, et al., 2010). The knowledge-based perspective depicts firms as repositories of knowledge and competencies (Grant, 1996; Spender, 1996). Knowledge sources are fundamental to enhancing innovation in organisations and enable the creation and appropriation of value (Grant, 1996; Nonaka & Takeuchi, 1995; Wang & Noe, 2010). Specifically, researchers have identified the importance of knowledge-sharing between key stakeholders within, across and external to the organisation (Foss, et al., 2010) and its role in
enhancing the capability of an organisation to innovate (Daellenbach & Davenport, 2004).

Knowledge-sharing, in this chapter, refers to the collective beliefs or behavioural routines related to the spread of learning among different individuals or units within an organisation (Moorman & Miner, 1998). Prior research has demonstrated that knowledge-sharing can lead to increased innovativeness of firms (Tsai, 2001). A growing body of research has examined knowledge management in general (Hansen, 2002; Lu et al., 2006; Teece, 1998), and factors that facilitate knowledge-sharing, in particular (Davenport & Prusak, 1998; Lu et al., 2006). Yet, little is known about the role of leadership in facilitating employee knowledge-sharing (Nonaka & Toyama, 2005). Leadership styles and leadership behaviours have increasingly been recognised as pivotal for encouraging – or constraining – employees to share knowledge.

While innovation and knowledge-sharing are generally recognised as being inherently related, the complex processes that contribute to this relationship are not well understood. The current study contributes to this gap by examining the role of leadership styles and behaviours in facilitating employee knowledge-sharing. The specific research questions examined in this chapter are as follows: (a) How do leadership styles and behaviours influence employee knowledge-sharing?; and (b) is employee knowledge-sharing positively associated with higher rates of innovation? A multi-respondent, longitudinal approach is used to reflect input from key stakeholders within the sample organisations (e.g., subsidiary managers; R&D specialists; and employees) (Sanders et al., 2014).

The region of Central and Eastern Europe (CEE) provides an excellent context in which to examine the relationships between leadership styles, behaviours, employee knowledge-sharing and innovation. Since the enlargement of the European Union (EU) in May 2004, the CEE region has been a significant recipient of foreign direct investment (FDI) flows and is an important emerging region on the global economic landscape (Jimboorean and Kelber, 2011).1 The three study countries – the Czech Republic, Hungary and Poland – have been the major regional destinations for FDI inflows since the mid-1990s and in 2012 received almost US$27.5 in FDI (compared to India’s US$25.5; and 23% of the size of China’s US$121,080 inward FDI in 2012) (UNCTAD, 2013). In the case of Poland and Hungary, the number of FDI projects rose 40% and 38% respectively from 2009 to 2010 (Allen & Overy, 2011). Despite the inward flows of FDI, an understanding of management practices, and especially employee behaviours, in CEE firms remains limited (Pocztwoski, 2011).