

PROMOTING ENTREPRENEURSHIP AND INNOVATION WITHIN ORGANISATIONS: A LITERATURE REVIEW ON STRATEGIES FOR DEVELOPING AN INNOVATIVE CULTURE, TRANSFORMATIONAL LEADERSHIP, AND ORGANISATIONAL LEARNING DYNAMICS TOWARDS SUSTAINABLE COMPETITIVE ADVANTAGE

Wulandari

IBN Pringsewu

Seankokooo8@gmail.com

Hadenan Towpek

Universiti Teknologi Mara Cawangan Sarawak, Malaysia

hadenan298@uitm.edu.my

Abstract

This study aims to review the literature on strategies for developing entrepreneurship and innovation within organisations, focusing on three main aspects: innovative culture, transformational leadership, and organisational learning dynamics. Through a systematic literature review approach, this study identifies various best practices that organisations can implement to create a work environment that supports creativity, collaboration, and internal entrepreneurial initiatives. The results of the review show that the synergy between a strong innovative culture, inspirational transformational leadership, and a dynamic organisational learning process is the main foundation for achieving sustainable competitive advantage. The theoretical and practical implications of these findings are expected to assist in the development of innovation management models and organisational strategies that are adaptive to rapid and complex changes in the business environment.

Keywords: Internal entrepreneurship, Innovative culture, Transformational leadership, Organisational learning, Sustainable competitive advantage, Literature review.

Introduction

Entrepreneurship and innovation have become two main pillars that determine the success of organisations in facing the increasingly competitive and rapidly changing dynamics of the global market. Modern organisations are not only required to maintain business continuity, but must also be able to adapt and innovate continuously in order to survive and thrive amid competitive pressures (J . Therefore, the development of an innovative culture and internal entrepreneurship has become a crucial aspect that needs to be strengthened in order to create added value and strengthen the organisation's competitive position in the market.

An innovative culture is the main foundation for organisations that want to be pioneers of change and drivers of creativity in their work environment. A culture that supports innovation will encourage employees to dare to experiment, innovate continuously, and take calculated risks in achieving common goals (R Hutabarat, 2023) . Organisations with a strong innovative culture usually have a flexible structure, open

communication, and a reward system that encourages new ideas. In the context of internal entrepreneurship, this culture provides space for individuals to develop entrepreneurial ideas into real projects that can provide strategic value to the organisation (Bernard M. Bass, 2018) .

In addition to an innovative culture, transformational leadership plays a central role in driving innovation and entrepreneurship within an organisation. This type of leadership inspires and motivates members of the organisation to exceed conventional boundaries and contribute maximally to the achievement of an innovative vision. Transformational leaders not only act as guides, but also as drivers of change who are able to create a work environment that is enthusiastic, collaborative, and adaptive to change (Kesi Widjajanti, 2023) . With this leadership style, organisations can build strong emotional bonds and commitment from their team members in facing innovation challenges.

Furthermore, organisational learning dynamics are an important factor that strengthens innovation and entrepreneurship capabilities within an organisation. Organisational learning enables a continuous process of knowledge transformation, whether at the individual, group, or organisational level. Organisations that are able to manage learning effectively will have an advantage in refining products, processes, and developing innovative strategies that are adaptive to market changes. This dynamic also serves as a bridge connecting innovative culture and transformational leadership with the achievement of sustainable competitive advantage (F . Sustainable competitive advantage is the main strategic goal that organisations want to achieve in the current era of globalisation. This advantage is not only obtained through operational efficiency, but more than that, through the organisation's ability to continuously innovate and adapt to various external changes. Organisations that are able to implement the right innovation and entrepreneurship strategies will find it easier to create value that is difficult for competitors to imitate, thereby strengthening their position in the market. Therefore, it is important to understand how the synergy between innovative culture, transformational leadership, and organisational learning can generate sustainable competitive advantage (Michael J. Marquardt, 2019) .

Previous research has shown that there are various approaches and strategies that organisations have used to develop an innovative and entrepreneurial culture within them. However, differences in industry context, organisation size, and market characteristics often result in variations in the effectiveness of these strategies. This indicates the need for a comprehensive and systematic review of the current literature in order to identify best practices and the most relevant trends in the context of developing an internal culture of innovation and entrepreneurship (PS Olivia, 2024) . More specifically, transformational leadership, as one of the most widely studied leadership styles, has been shown to have a positive relationship with increased innovation and creativity within organisations. Transformational leaders can help

overcome resistance to change by building a shared vision, motivating organisational members, and encouraging cross-functional collaboration. However, understanding how this leadership interacts with organisational culture and learning processes still requires in-depth study to optimise its application in the context of organisational entrepreneurship (Clayton M. Christensen, 2016) .

In addition, dynamic organisational learning processes require systems and mechanisms that support the continuous transfer and creation of knowledge. This process involves not only formal aspects such as training and development, but also informal aspects that occur through social interaction and the exchange of experiences between members of the organisation. The organisation's ability to manage this learning is key to ensuring that the innovations produced have a long-term impact and benefits (S Alateeg, 2024) .

In today's digital age, the existence of information and communication technology has also become an important catalyst for the development of entrepreneurship and organisational innovation. This technology not only facilitates faster information exchange and collaboration but also enables the exploration of new business models and innovative approaches that were previously difficult to implement. Therefore, the integration of technology with an innovative culture and transformational leadership is an inseparable aspect of an organisation's journey towards competitive excellence.

Research Method

This study uses a systematic literature review method that aims to identify and analyse strategies for developing an innovative culture, transformational leadership, and organisational learning dynamics in the context of entrepreneurship and innovation towards sustainable competitive advantage. Data were collected from scientific articles, journals, and academic publications (Eliyah & Aslan, 2025) . The analysis was conducted thematically by comparing and synthesising various relevant findings to explore the relationships between variables and identify best practices and existing research gaps, thereby providing a comprehensive and in-depth overview of the topic under study (Kitchenham, 2020) .

Results and Discussion

Strategies for Building an Innovative and Entrepreneurial Internal Culture

Strategies for building an innovative culture and internal entrepreneurship within an organisation must begin with a deep understanding of the values, norms, and practices that can encourage creativity and the courage to innovate at all levels of the organisation. An innovative culture is not merely the creation of new products or services, but encompasses a collective mindset and behaviour that stimulates exploration, experimentation, and continuous learning. Organisations that wish to

foster this culture must instil an open mindset towards change and a strong drive to adapt and take calculated risks (Peter M. Senge, 2016) .

One of the main strategies is the formulation of an organisational vision and mission that emphasises the courage to innovate and entrepreneurship as the core of corporate values. A clear and inspiring vision can be a source of continuous motivation for employees and other stakeholders. By setting strategic goals directly related to innovation and entrepreneurship, organisational leaders can direct all aspects of operations and work culture to support innovative behaviour based on personal and collective initiatives (Michael D. Mumford, 2019) . In addition, leadership plays a crucial role in socialising an innovative culture through effective communication and the active involvement of leaders in supporting new ideas. Leaders who are open, supportive, and bold in making risky decisions will create a safe environment for employees to experiment and not be afraid of failure. This strategy requires training and development of transformational leadership that can inspire and motivate teams authentically (R Indriyani, 2014) .

Developing an appropriate reward system is also an important strategy in fostering an innovative and entrepreneurial internal culture. Rewards are not only financial, but also include social recognition, career development opportunities, and creative freedom given to employees who demonstrate creativity and entrepreneurial initiative. This will reinforce positive behaviour and increase employee loyalty and commitment to the organisation (L .

A flexible and decentralised organisational structure is another strategy to strengthen a culture of innovation. An overly bureaucratic structure tends to slow down decision-making processes and hinder the flow of creative ideas. Therefore, organisations need to implement a structural design that supports cross-functional collaboration and gives teams or individuals sufficient autonomy to try new things without excessive administrative barriers (P.E. Prasetyo, 2019) . Continuous learning strategies through training, workshops, and personal development programmes are important for sharpening employees' innovative and entrepreneurial skills. Organisations must provide access to knowledge resources and learning platforms that encourage exploration and understanding of the latest technologies and market trends. This will strengthen knowledge-based adaptation and innovation capabilities (Mark Easterby-Smith, 2020) .

Internal and external collaboration is also key to building an innovative culture. Organisations can facilitate interaction between departments and establish partnerships with research institutions, universities, and business partners to open up new opportunities for innovation. This collaborative strategy will enrich the source of ideas and accelerate the implementation of innovations that have a positive impact on organisational performance (CN Chen, 2023) .

The use of digital technology as a tool to support innovation is also very strategic in this modern era. Digital platforms facilitate faster communication, transparency in the innovation process, and access to real-time data that can be used as a basis for innovative decision-making. With the right application of technology, organisations will find it easier to identify innovation opportunities and monitor their effectiveness (Edgar H. Schein, 2017) .

Effective risk management is an integral part of internal entrepreneurship development strategies. Organisations need to build systems that help identify, assess, and manage innovation risks so that failures can be minimised and turned into learning experiences. With this approach, failure is not a dead end, but a legitimate stage in the innovation creation process (Jason Colquitt, 2019) . Transparency and open communication are also important strategies in promoting a culture of innovation. When members of an organisation feel that information flows freely and there are no restrictions that hinder the expression of ideas or constructive criticism, innovation can flourish. This also involves a culture of constructive feedback to improve and refine innovative ideas(Titik Nurbiyati, 2025) .

Employee empowerment is central to driving internal entrepreneurship. This strategy involves giving employees greater authority and responsibility to take initiative and create innovative solutions without having to wait for instructions from their superiors. This empowerment strengthens a sense of ownership and commitment, which ultimately increases productivity and innovation (John P. Kotter, 2018) .

Strategic resource planning supports the sustainability of a culture of innovation and entrepreneurship. Organisations must ensure that sufficient time, funds, and manpower are allocated for employees to focus on innovation projects. A balanced distribution of resources will avoid conflicts of priority between routine tasks and innovative activities, which are usually experimental in nature (Gary Yukl, 2019) . Developing an innovation community within the organisation can be an effective strategy for fostering internal entrepreneurial spirit. This community can be a forum for employees to share ideas, learn from failures, and celebrate successes together. The existence of this community will strengthen social bonds and psychological support, which are very important in the innovation process (M Asbary, 2024) .

Regular evaluation and monitoring of the implementation of innovation strategies helps organisations measure the effectiveness of the innovative culture they have developed. Clear and measurable strategic performance indicators need to be formulated to monitor progress and identify areas that still need improvement. With systematic evaluation, decision-making can be adaptive and responsive to evolving innovation needs (Paul Trott, 2017) .

Finally, it is important for organisations to strike a balance between operational stability and innovation flexibility. Strategies for building an innovative culture and internal entrepreneurship must be able to maintain business continuity while driving the

transformation needed to face future challenges. This approach ensures that innovation does not become a separate activity, but is integrated into all aspects of the organisation as a source of sustainable competitive advantage.

Transformational Leadership and Organisational Learning Dynamics Towards Competitive Advantage

Transformational leadership has been identified as a leadership style that plays a very important role in driving positive change and innovation within an organisation. Transformational leaders not only function as operational managers, but also as inspirers and motivators who are able to build a shared vision and encourage their members to reach their full potential. In the context of competitive advantage, the presence of transformational leaders can create an environment conducive to the growth of new ideas and the development of sustainable innovative strategies (Peter F. Drucker, 2017).

One of the main aspects of transformational leadership is the ability to inspire through a clear and challenging vision. Leaders with this style are able to make members of the organisation feel a deeper meaning and purpose in their work, thereby generating a high level of emotional commitment to achieving these goals. This inspiring vision will spark a spirit of innovation, as employees feel that their contributions play a direct role in the change and progress of the organisation (S Sueb, 2023).

Transformational leaders also prioritise the empowerment and development of their team members. They provide the support needed for learning and developing individual competencies to be able to face complex challenges in the innovation process. This leadership approach, which pays attention to personal and professional growth needs, will foster high self-confidence and creativity, which in turn strengthens the organisation's competitiveness (Paul Burns, 2016). In addition, transformational leaders are known for their ability to build strong and positive interpersonal relationships. They use open and empathetic communication to create a harmonious and collaborative organisational climate. These strong relationships not only facilitate the flow of information and ideas, but also facilitate a continuous and adaptive organisational learning process (Cris Beswick, 2017).

Organisational learning is the next pillar in shaping sustainable competitive advantage. This learning process encompasses the organisation's ability to capture, internalise, and distribute knowledge effectively across all levels. Learning occurs not only at the individual level but also collectively through various mechanisms such as training, group dialogue, and joint reflection on experiences and failures (RI Wardana, 2024).

The dynamics of effective organisational learning enable rapid and innovative adaptation to changes in the external environment. Organisations that are active in

learning will be more responsive in anticipating market trends, new technologies, and customer needs. This makes organisational learning an important strategic resource in maintaining a competitive advantage that is difficult for competitors to replicate (Endang Sarwiningsih Setyawulan, 2024).

Organisational learning supported by transformational leadership has greater leverage. Transformational leaders can facilitate the learning process by building a culture that supports exploration and experimentation without fear of failure. When failure is seen as an important part of the learning and innovation process, organisational members will be more willing to take the creative risks necessary to make new breakthroughs (T Breyer-Mayländer, 2022). Another equally important factor is the creation of a learning community within the organisation. This community functions as a collaborative space where knowledge and experiences are openly shared among members. Effective transformational leadership will encourage the formation of such communities to support the organic and sustainable transfer of knowledge and innovation.

Transformational leaders also play a role in overcoming resistance to change, which is often a major obstacle in the process of innovation and organisational learning. With persuasive communication skills and an empathetic approach, they can instil awareness of the importance of adaptation and continuous development, while eliminating the fear and anxiety felt by employees when facing change (R Hutabarat, 2023). To achieve competitive advantage, organisational learning dynamics must be integrated with structured innovation processes. Organisations need to develop formal systems or mechanisms to manage the process from idea generation, testing, implementation, to evaluation of innovation outcomes. This process must be supported by visionary leadership that is capable of maintaining the momentum of learning and innovation simultaneously and harmoniously (Bernard M. Bass, 2018).

Evaluating the results of learning and innovation is also an important aspect of sustaining competitive advantage. Organisations must be able to objectively assess the impact of innovation on their performance and competitiveness, and be able to adjust their learning strategies based on the results of these evaluations. Adaptive transformational leadership will use these evaluation results as feedback to guide continuous strategic change (Kesi Widjajanti, 2023).

Sustainable competitive advantage is not only measured by financial results, but also by the organisation's capacity to maintain relevance and flexibility in a changing business environment. Transformational leadership with the support of dynamic organisational learning helps organisations maintain a balance between short-term achievements and long-term development in order to remain superior in the market (F Achmad, 2025). Organisations led by transformational leaders and supported by effective learning processes will build a strong, collaborative, and results-oriented culture of innovation. This culture will drive the entire organisational structure to

continuously seek new opportunities, develop relevant products or services, and improve operational efficiency on an ongoing basis, thereby generating real competitive advantage (Michael J. Marquardt, 2019).

Furthermore, the integration of transformational leadership, organisational learning, and innovation produces synergies that strengthen the organisation's resilience to external shocks. These synergies are an important foundation for building dynamic capabilities that enable the organisation to transform in line with ever-changing market and technology needs (PS Olivia, 2024).

Overall, an organisation's success in achieving sustainable competitive advantage depends heavily on how transformational leadership can effectively manage and facilitate the organisational learning process. The combination of these two aspects creates a work environment that is not only productive but also innovative and adaptive, ultimately determining the organisation's position in the face of increasingly fierce global competition.

Conclusion

Promoting entrepreneurship and innovation within an organisation heavily relies on building an innovative culture that supports creativity, experimentation, and the courage to take risks. Effective strategies include establishing a clear vision, empowering employees, using appropriate reward systems, organisational structural flexibility, and utilising digital technology and internal-external collaboration. A strong innovative culture can foster an adaptive and proactive work environment in the face of increasingly complex business challenges.

Transformational leadership plays a central role in driving innovation and entrepreneurship through the ability to motivate, inspire, and empower members of the organisation. Leaders with this style build open communication, positive interpersonal relationships, and a culture of continuous learning. Effective organisational learning dynamics then become an important foundation for capturing and disseminating knowledge, accelerating the innovation process, and maintaining organisational resilience in the face of environmental change.

The overall synergy between innovative culture, transformational leadership, and organisational learning generates sustainable competitive advantage for organisations. This advantage is not only in the form of short-term performance improvements, but also the essential long-term adaptability and transformation capabilities in an era of dynamic global competition. Therefore, organisations need to consistently develop and integrate these three elements as key strategies to ensure the success of sustainable internal innovation and entrepreneurship.

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