

# Employee Autonomy and Psychological Safety Driven by Innovation: How to Break through in Enterprises?

Xinyi Zhou\*, Xin Song

Business School, University of Shanghai for Science and Technology, Shanghai, China

\*Corresponding author: Xinyi Zhou (Email: 1259426386@qq.com)

**Abstract:** With the advent of the digital age, the application of advanced intelligent technologies has become one of the powerful driving forces behind today's corporate development, and companies are generally facing significant pressure to innovate. Employee autonomy and psychological safety, as important factors in promoting corporate innovation, play a crucial role in innovation-driven corporate development strategies. In recent years, the "Z Generation" has been entering the workforce, advocating for a free and open organizational culture, autonomy in tasks and decision-making, and a focus on mental health, which has once again drawn public attention. Based on this research background, this paper employs qualitative research methods, combining relevant domestic and international literature, to explore how employee autonomy and psychological safety synergistically promote corporate innovation in the context of innovation-driven development. Ultimately, this article recommends that companies prioritize employee autonomy and foster an inclusive and supportive environment for innovation. They should encourage employees to dare to innovate and enjoy innovation, bringing new momentum and direction to help companies break through challenges. This provides certain references and suggestions for relevant companies today.

**Keywords:** Employee Autonomy; Psychological Safety; Corporate Innovation

## 1. Introduction

In 2017, the Ministry of Industry and Information Technology, in its "Guiding Opinions on Further Promoting the Informatization of Small and Medium-sized Enterprises," clearly stated the need to focus on advancing supply-side structural reforms, fully utilizing information technology to enhance R&D capabilities, continuously innovating production and manufacturing models, improving enterprise management efficiency, and optimizing marketing strategies. As important participants in the market, enterprises can enhance their core competitiveness and guide coordinated industrial development through the application of the internet and information technology. Therefore, it is particularly important for enterprises to accelerate technological innovation. The "Special Action Plan for Empowering SMEs through Digitalization," issued in 2020, emphasizes the need to "explore new paradigms and new forms of the digital economy, accelerate the digital transformation of industrial clusters, and strengthen the supporting services of digital resources such as networks, computing power, and security." In the current environment that emphasizes innovation, strengthening research and development is crucial for a company's long-term planning and sustainable growth. However, in the actual process of promoting technological innovation, companies often face issues such as employees lacking motivation for innovation and rigidity in thinking, as well as limitations in business models and organizational structures. Therefore, in the current highly autonomous and digital environment, maximizing employees' innovative potential has become one of the main concerns for enterprises. Corporate innovation not only relies on technology and resources but is also closely related to employees' autonomy and psychological safety. In 2004, Google introduced the "20% time" policy, which allowed employees to dedicate 20% of their work time to free innovation. This initiative provided a valuable reference and experience for other companies seeking to pursue innovation. Netflix, on the other hand, fosters a culture of freedom and responsibility, highly trusting its employees and providing psychological safety. This encourages them to express diverse ideas and offers a continuous and powerful source of motivation for corporate innovation. The successful implementation of relevant policies underscores the crucial role of employee autonomy and psychological safety in driving corporate innovation. Although scholars have already explored the relationship between innovation incentive mechanisms and employee autonomy, as well as the impact of employee autonomy on corporate innovation, there remains a significant gap in research on how employee autonomy and psychological safety synergistically influence corporate innovation. Especially

in today's era centered around digital transformation, how companies can create an innovative organizational environment that balances autonomy and psychological safety remains a topic worth discussing. Therefore, this paper examines the mechanisms of employee autonomy and psychological safety, exploring how to maximize their innovative potential by promoting both autonomy and psychological safety. This aims to provide certain references and insights for enterprises to overcome current challenges, sustain innovation, and drive long-term development.

## **2. Literature Review**

This article is based on two key factors that enable today's enterprises to break through the shackles of innovation: employee autonomy and psychological safety. It conducts research on the relationship between these two factors and corporate innovation. Foreign scholars have more commonly studied these three aspects. Existing research mainly focuses on employee autonomy on corporate performance and employee well-being, psychological safety on innovative behavior, and the factors affecting corporate innovation.

### ***2.1 Literature Review on Employee Autonomy***

Employee autonomy refers to the freedom employees have in choosing, deciding, and executing their work, allowing them to work according to their own intentions and preferences. Theories related to employee autonomy can be traced back to the self-determination theory (SDT) proposed by Deci and Ryan (1985)<sup>[1]</sup>. This theory emphasizes that the driving force behind human behavior comes from intrinsic motivation. Employee autonomy stimulates intrinsic motivation by satisfying basic psychological needs such as autonomy, competence, and relatedness, thereby improving work efficiency, innovation capability, and job satisfaction levels. In the context of digitalization and innovation as the primary driving forces, employee autonomy is utilized to stimulate employees' innovative thinking abilities, becoming one of the key factors in promoting corporate innovation. Currently, most scholars mainly focus on the impact of employee autonomy on corporate performance and employee well-being. From the perspective of corporate performance, employee autonomy has a certain positive impact on innovation<sup>[2]</sup>. Chiu et al. (2023) pointed out that corporate spiritual leadership is significantly related to employee autonomy and can enhance employees' creative service performance<sup>[3]</sup>; Echebiri (2020) noted that the need for autonomy is indirectly related to employee-driven innovation through self-leadership, and that self-leadership can effectively promote employee-driven innovation<sup>[4]</sup>. Furthermore, Spiegelare et al. (2016) divided work autonomy into different dimensions and found that all dimensions of work autonomy are related to work engagement and innovative work behavior. Additionally, management's attention to aspects such as autonomy in work hours helps improve employees' work involvement and innovative work behavior<sup>[5]</sup>. In addition to research on individual employee autonomy, Li et al. (2022) conducted related studies on team autonomy, highlighting that team autonomy facilitates information exchange between teams. Through this information exchange, team autonomy promotes the improvement of team innovation performance<sup>[6]</sup>. These studies suggest that employees in organizations with high levels of autonomy can exercise their subjective initiative, enhance their self-efficacy, and stimulate intrinsic work motivation, thereby actively contributing to corporate innovation.

From the perspective of employee well-being, a small number of scholars have also studied the relationship between employee autonomy and well-being. Autonomy is an important indicator of employee well-being in the West. When work engagement is used as a measure of happiness, the need for autonomy among employees becomes particularly important<sup>[7]</sup>. Additionally, Li (2019) found that advocating for work autonomy is an effective way to reduce employee depression and enhance well-being levels<sup>[8]</sup>.

### ***2.2 Literature Review on Psychological Safety***

Psychological safety refers to employees feeling free to express their opinions, propose creative ideas, or make mistakes without facing blame, exclusion, or punishment within the team<sup>[9]</sup>. Psychological safety provides employees and teams with an open, inclusive, and harmonious environment, helping them actively voice their opinions and enhance their problem-solving abilities<sup>[10]</sup>. Currently, scholars have conducted related research on the impact of psychological safety on innovative behavior. Liu et al. (2024) pointed out that creativity, self-efficacy, and psychological safety can promote the occurrence of employees' deviant innovative behavior<sup>[11]</sup>. Moreover, Wang et al. (2024) concluded that open management facilitates employee deviant innovation, with psychological safety acting as a mediating

factor. This suggests that, in the context of open management, the psychological safety provided by the organizational environment can encourage employees to engage in deviant innovation, and the outcomes of such innovation can, to some extent, drive the enterprise's innovative development<sup>[12]</sup>.

In addition to the research on the impact of psychological safety on deviant innovation, some scholars have pointed out that employee empowerment or the leader's own positive humor traits can enhance employees' psychological safety, thereby boosting their creativity and having a positive effect on corporate innovation management<sup>[13][14]</sup>.

### ***2.3 Literature Review on Corporate Innovation***

Regarding corporate innovation, a vast amount of literature has already been conducted in-depth research from multiple dimensions. In recent years, many scholars have combined the characteristics of the times to study aspects such as corporate green innovation, digital transformation, and organizational resilience, drawing important conclusions. From the perspective of digital transformation, enterprises can promote disruptive technological innovation through the dual effects of market reshaping and governance integration<sup>[15]</sup>, and can also achieve low-carbon production through technological innovation and improvements in the business environment<sup>[16]</sup>. From the perspective of organizational resilience, it drives technological innovation and optimizes internal control within enterprises, promoting the high-quality development of manufacturing enterprises<sup>[17]</sup>.

However, apart from the corporate perspective, employees are an important source of motivation for corporate innovation. Currently, some scholars are also conducting research on the impact of employees on corporate innovation. Sun and Anwar (2024) noted that in state-owned enterprises, employees' emotional and loyalty investments can promote exploitative innovation, and employees' long-term adherence to norms can significantly enhance the company's ability to explore and innovate in new fields and technologies<sup>[18]</sup>. Moreover, Zhao and Yan (2024) conducted an in-depth study on the "double-edged sword" effect of employees' innovative identity, discovering that the psychological sense of privilege generated by employees with an innovative identity can skew their work outcomes<sup>[19]</sup>.

### ***2.4 Literature Review Summary***

Through a review of the literature related to employee autonomy, existing research primarily focuses on the impact of employee autonomy on corporate performance and employee well-being, encompassing aspects such as service performance, corporate innovation behavior, and employee satisfaction. It is evident that the economic outcomes brought by employee autonomy are often directly linked to various aspects of the enterprise. Therefore, studying the impact of employee autonomy on corporate innovation is of great significance. By summarizing the literature related to psychological safety, existing research mainly focuses on the impact of psychological safety on innovative behavior, primarily involving aspects such as employee creativity, self-efficacy, and leader characteristics. These studies indicate that psychological safety is a crucial factor in unlocking employees' innovative potential within a company, playing a vital role in promoting innovation at both the employee and organizational levels. Therefore, researching the impact of psychological safety on corporate innovation is of significant importance.

Through the research and summary of employee autonomy, psychological safety, and corporate innovation, it is found that the current literature mostly focuses on the single-factor impact of employee autonomy or psychological safety on corporate innovation, with little research exploring the interaction between the two and its impact on corporate innovation. Currently, existing literature and theoretical frameworks have not integrated the two factors of employee autonomy and psychological safety in their research. Therefore, this paper aims to conduct a theoretical analysis, based on existing literature, to study whether employee autonomy and psychological safety can synergistically promote corporate innovation, providing new ideas and management perspectives for related enterprises.

## **3. Theoretical Analysis**

### ***3.1 Employee autonomy is the intrinsic driving force behind corporate innovation***

By continuously investing in research and development and promoting technological and product upgrades, companies embody the core of innovation. However, compared to past innovations, today's companies face greater risks of technological failure and market uncertainty during the innovation process. Therefore, modern enterprise innovation requires companies to optimize research and

development, as well as decision-making, enhance market insight capabilities, implement more flexible technology adjustment strategies, and establish rapid market feedback mechanisms. This is to avoid potential risks of decision-making errors caused by technical failures and market uncertainties due to poor communication. Improving internal communication within the organization and enhancing team collaboration and execution are effective measures to prevent technological failures and market uncertainty risks. From the perspective of enhancing internal communication, corporate innovation often necessitates cross-departmental collaboration. However, the common issues of insufficient departmental collaboration and untimely communication within the organization increase the difficulty for the company to manage project progress, provide feedback on issues, and make strategy adjustments.

According to the Self-Determination Theory (SDT) proposed by Deci and Ryan (1985), employees' intrinsic motivation is influenced by three basic psychological needs: autonomy, competence, and relatedness. Specifically, SDT posits that when employees can choose and control their work relatively freely, their intrinsic motivation can be stimulated, leading to more positive and creative performance at work. Within this framework, the application of employee autonomy brings the greatest advantage to corporate innovation by improving internal collaboration efficiency and effectively alleviating cross-departmental communication and cooperation issues within the organization. Specifically, the use of employee autonomy impacts both employees and the company. By enabling employees to make independent decisions and identify and solve problems, the company simultaneously enhances its operational efficiency and innovation capability, thereby optimizing internal work processes. Overall, the advantages of employee autonomy for corporate innovation impact various aspects, including selection, decision-making, and execution. By relying on employees' rapid adaptability and their ability to drive technological iteration and upgrades, companies can quickly respond to market and technological changes, efficiently carry out technological innovation, and reduce the risk of technological failures caused by communication breakdowns. At the same time, timely identification and collection of market trends or cutting-edge technologies lay the foundation for an effective market feedback mechanism, thereby reducing the potential risk of decision-making errors caused by market uncertainties.

### ***3.2 Strengthening psychological safety is the key link to stimulating employee autonomy and corporate innovation***

In recent decades, our country's economy has experienced rapid development. According to data from the National Bureau of Statistics, the Gross Domestic Product (GDP) for the entire year of 2023 reached 126,058.2 billion yuan, a 2.5-fold increase compared to 2014. Enterprises are the primary body of the market economy, and their development cannot be separated from the participation and contributions of their employees. With the changes in domestic and international situations, market competition has become increasingly fierce, making it more difficult for companies to maintain a stable foothold in the turbulent market. To ensure stable development and strive to enhance their market competitiveness, innovation has become the primary challenge that companies must tackle. Therefore, companies often implement relatively strict incentive measures and set high performance targets to push employees to continuously innovate, thereby neglecting employees' psychological needs and the balance between personal life and work. In this process, the "996" work system has emerged. Although this system clearly violates the provisions of the Labor Law, deviations still occur in its actual implementation within companies. From the perspective of Maslow's hierarchy of needs theory, human needs are primarily categorized into five levels: physiological needs, safety needs, belongingness needs, esteem needs, and self-actualization needs<sup>[20]</sup>. In a high-pressure work environment, employees often have to sacrifice their rest time to complete work tasks, and their physiological and safety needs may not be met, which can easily lead to burnout at work. According to Herzberg's two-factor theory, hygiene factors, such as working conditions and personal life, if not adequately ensured, can trigger negative work attitudes in employees<sup>[21]</sup>. This negative emotion not only has an adverse impact on employees' physical and mental well-being but also hinders the smooth progress of corporate innovation. Therefore, while stimulating employees' innovative capabilities, companies need to consider protecting employees' rights and improving their working conditions.

From a psychological perspective, psychological safety refers to employees feeling free to express their opinions, present their creative ideas, or make mistakes at work without facing blame, exclusion, or punishment (Edmondson, 1999)[9]. Providing employees with psychological safety is crucial for reducing their psychological stress, fostering their work autonomy, and promoting a positive mindset when facing innovation challenges. It encourages employees to express innovative ideas and opinions, creating an open and inclusive work environment that drives corporate innovation.

On the surface, enhancing employees' psychological safety can alleviate some of their work stress

and improve their job satisfaction levels. From a deeper perspective, psychological safety is also a link that stimulates employee autonomy and promotes corporate innovation. On one hand, psychological safety can strengthen employees' intrinsic motivation, making them more autonomous in their work; On the other hand, psychological safety can effectively alleviate the frustration employees may face from potential failures in technological innovation during the innovation process, as well as the phenomenon of stagnation due to fear of failure. It fosters an inclusive and trusting corporate work environment, enhancing employees' self-confidence. Therefore, by focusing on employees' psychological safety, companies can not only stimulate employee autonomy but also achieve long-term innovation advantages in fierce market competition, bringing a continuous source of innovation momentum to the enterprise.

#### 4. Conclusions

This article, through the review of domestic and international literature and theoretical analysis, ultimately concludes the following: Employee autonomy can stimulate their intrinsic motivation, drive employees to actively participate in research and development and innovation, inspire team creativity, enhance corporate operation and communication efficiency, help companies quickly identify market trends and establish efficient feedback mechanisms, reduce decision-making errors caused by market uncertainty, further improve the overall innovation capability of the company, and assist in continuous innovation and development. Additionally, psychological safety fosters an inclusive and open innovation environment for employees, effectively alleviating the frustration they may face due to potential failures in technological innovation during the innovation process. At the same time, psychological safety can stimulate employees' autonomy, encouraging them to take risks and enjoy innovation, thereby promoting the continuous vitality of corporate innovation. Under the synergistic effect of employee autonomy and psychological safety, employees are able to muster their energy and strive for progress, viewing innovation as a key way to enhance competitiveness. This helps the company gain a favorable position in the global digital wave and achieve its own sustainable development.

#### References

- [1] Deci, Edward, L., et al. (1985). *Conceptualizations of Intrinsic Motivation and Self-Determination. Intrinsic Motivation and Self-Determination in Human Behavior*, 11-40.
- [2] Li, W. and Li, J. (2016). *Job Autonomy, Psychological Availability and Employees' Innovative Behavior: The Moderating Role of Error Management Culture. Enterprise Economy*, (9), 97-103.
- [3] Chiu, Y. W., Amin, M. W., Li, S. T. and Ali, M. (2023). *Spiritual Leadership Influence on Employee Creative Service Performance: A Moderated Mediation Analysis. BMC Psychology*, 11(1), 262.
- [4] Echebiri, C. K. (2020). *An empirical study into the individual-level antecedents to employee-driven innovation. Technology Innovation Management Review*, 10(6), 42-52.
- [5] NDe Spiegelaere, S., Van Gyes, G. and Van Hootegem, G. (2016). *Not All Autonomy Is the Same. Different Dimensions of Job Autonomy and Their Relation to Work Engagement & Innovative Work Behavior. Human Factors and Ergonomics in Manufacturing & Service Industries*, 26(4), 515-527.
- [6] Li, B., et al. (2022). *Team Autonomy, Information Exchange and Team Innovation Performance: The Moderating Role of Team Conflict. International Journal of Conflict Management*, 33(5), 860-881.
- [7] Gu, M. L., Liu, L. and Bolt, E. E. T. (2022). *Does Autonomy Support Matter for Intern Well-Being in Malaysia? A Self-Determination Theory Approach. Asia-Pacific Journal of Business Administration*, 14(4), 675-690.
- [8] Li, L. M. W. (2019). *Can Job Autonomy Attenuate the Effect of Depression on Employees' Well-Being? It May Depend on Culture. Journal of Mental Health*, 28(2), 181-188.
- [9] Edmondson, A. (1999). *Psychological Safety and Learning Behavior in Work Teams. Administrative Science Quarterly*, 44(2), 350-383.
- [10] Huang, D. and Wu, L. B. (2024). *The Impact of Psychological Safety on Postgraduates' Problem-Solving Ability: The Intervening Effect of Self-Reflection and Creative Self-Efficacy. Journal of Graduate Education*, (5), 41-52.
- [11] Liu, L. J., Long, J., Liu, R. H., et al. (2024). *Research on the Influence Mechanism of the Combination of Creative Self-Efficacy and Psychological Safety on Employees' Deviant Innovation Behavior. Management Review*, 36(4), 75-87.
- [12] Wang, H. Y., Yu, J. L. and Cui, Z. S. (2024). *Why Take Risks? The Impact of Management Openness on Deviant Innovation. Journal of Northeastern University (Social Sciences)*, 26(2), 27-36.
- [13] Wang, Y. W., Han, X. L. and Tian, Q. T. (2023). *How Leadership Empowerment Stimulates Employees' Creativity: Based on the Moderating Role of Positive Emotions. Economic Survey*, 40(2),

121-129.

[14] Li, Z. W., Dai, L. H., Wang, F. R., et al. (2021). *How Leaders' Positive Humor Influences Employees' Creativity: An Empirical Study from Zhejiang IT Enterprises*. *Journal of Zhejiang University (Humanities and Social Sciences)*, 51(5), 183-196.

[15] Huang, X. H., Sun, Y. M. and Chen, M. T. (2024). *Corporate Digital Transformation and Disruptive Technological Innovation: Micro-Evidence from Patent Networks and SBERT Model*. *China Industrial Economy*, (10), 137-154.

[16] Zhang, J. Q. and Zheng, Y. K. (2024). *Can Digital Transformation Reduce Corporate Carbon Emissions? Evidence from Chinese Listed Companies*. *Frontier of Engineering Management*, 1-13.

[17] Hou, M., Gong, J. Y. and Feng, H. L. (2024). *The Impact of Organizational Resilience and Corporate Competitiveness on High-Quality Development of Enterprises: Moderation Based on Environmental Uncertainty*. *Science and Technology Management Research*, 44(17), 168-179.

[18] Sun, Z. and Anwar. (2024). *Employees' Organizational Commitment and State-Owned Enterprise Innovation: The Dual Logic of Incentive and Constraint in Employee Stock Ownership Plans*. *Wuhan University Journal (Philosophy and Social Sciences)*, 77(6), 130-141.

[19] Zhao, J. H. and Yan, Q. Y. (2024). *Discussion on the Formation Mechanism of the "Double-Edged Sword" Effect of Employees' Innovative Identity in Enterprises from the Perspective of Social Comparison Theory: An Empirical Test Based on Valid Data from Follow-Up Questionnaires*. *Journal of Central University of Finance and Economics*, (9), 104-114.

[20] Maslow, A. H. (1943). *A Theory of Human Motivation*. *Psychological Review*, 2, 21-28.

[21] Herzberg, F., Mausner, B. and Snyderman, B. (2009). *Herzberg's Two-Factor Theory* (Zhang, Z., Trans.). Beijing: China Renmin University Press, 7.