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Entrepreneurial Leadership in Start-up Businesses

Abstract

The purpose of this paper is to analyse the entrepreneurial leadership as one of the modern styles of leadership in organizations. The concept of entrepreneurship constantly increases in business organizations and in educational systems. Large and strong businesses around the globe today are borne out of the creativity and effort of start-ups. Analysing the profile of the entrepreneur and the role in organizations as entrepreneurial leaders show that there is a close relationship between the concept of entrepreneurship and the exploration of opportunities which the entrepreneurial leader bases on innovation, risk-taking and adaptability to change. To run successful organizations, managers must have both leadership and entrepreneurial skills. The main motivation of entrepreneurial leaders is in their strive to create and explore social, environmental and economic opportunities. The concept of entrepreneurial leadership is relevant to academic knowledge in that, it is a new stream being developed and written literature on this topic is increasing per year. The work will aim to employ quantitative and qualitative research methods, firstly, to gain prior knowledge and secondly, to ascertain the views of the participants on their entrepreneurial leadership styles and impact on the success of their business ventures. The findings of the research will form the basis for future research for the aspiring doctorate degree in the field.

Keywords: entrepreneurship, start-ups, leadership, economy, management

Introduction

Entrepreneurial leadership is one of the modern styles of leadership in organizations. The concept of entrepreneurship constantly increases in business organizations and in educational systems. Large and strong businesses around the globe today are borne out of the creativity and effort of start-ups. Analysing the profile of the entrepreneur and the role in organizations as entrepreneurial leaders show that there is a close relationship between the concept of entrepreneurship and the exploration of opportunities which the entrepreneurial leader bases on innovation, risk-taking and adaptability to change. To run successful organizations, managers must have both leadership and entrepreneurship skills. The main motivation of entrepreneurial leaders is in their strive to create and explore social, environmental and economic opportunities.

The concept of entrepreneurial leadership is relevant to academic knowledge in that, it is a new stream being developed and written literature on this topic is increasing per year. Entrepreneurial leadership is relevant to job creation and economic development. It is also relevant to developing new competencies, dealing with the changing business environment and ensuring the sustained survival of the businesses (Kuratko, 2007).

Leadership and management

For organizations to deal with competition and achieve business growth, they must invest in leadership and management development. Leaders and managers have a significant role to play in ensuring high performance of organizations. A distinction has been made by Day (2000) between the context of the leader, management and leadership development. According to the author, leader development focuses on self-awareness and seeing oneself as a leader; management development focuses on the manager achieving tasks through control, planning and execution; and leadership development focuses on the different dimensions of leadership using team building, interpersonal skills and commitment. Although leadership and management are both used interchangeably to focus on organizational effectiveness, management deals with organizing and planning; leadership focuses on innovation, coping with change and making sure the business adapts to unstable events. Focusing on the context of leadership and management, two dimensions exist to explain these broad terms:

- **Knowledge-based economy.** Managers and leaders are affected by the growth in the knowledge-based economy. To create an organization culture that accepts knowledge development and sharing, the managers have an important role to play. They focus on building their ideas and capital and that of the employees through learning, skills acquiring and reflexivity (Garvey & Williamson, 2002). Distinctive HR practices are also important and require managers/leaders to motivate and retain knowledge workers, provide interesting job tasks and opportunities for self-development.
- **Organization structure.** Downsizing brings significant demands on the managers. The organization structure also changes as a result of advances in information technology. Leaders and managers are expected to ensure that customer expectations are met while rewarding employee labour. This is done by responding rapidly to the changing business conditions.

Entrepreneurship, intrapreneurship and the entrepreneur

A definition given by Schumpeter (1934, p. 250) says an entrepreneur is “an agent of change, who shakes the conventional way of doing things and, when successful, causes a generalized imitation”. Another definition by Acúrcio (2005) describes an entrepreneur as one who is able to manage risk and exploits opportunities created by changes in the business environment. Some observable characteristics in an entrepreneur’s profile are the need for achievement, sociability, propensity for risk, persistence, locus of control, the need for autonomy, planning, innovation, and self-efficacy.

Being an entrepreneur means using one’s initiative to turn ideas into actions through creativity, risk-taking, managing projects to attain specified objectives. Entrepreneurship is geared towards social achievement and personal fulfilment not only competitiveness and growth. In the process of value creation, the entrepreneur must take note of the business and social environment, and political culture. However, according to Cadar and Budulescu (2015), the entrepreneurial ability manifests in large organizations. Those with the entrepreneurial ability are generally known as intrapreneurs because they are equipped with the necessary training to use

their knowledge and experience to turn innovation into success. Therefore, intrapreneurship is a business practice that acknowledges people with entrepreneurial personality in order to serve the interest of large businesses and that of the customers.

Entrepreneurial leadership

Entrepreneurial leadership is one of the effective skills of leadership as one of the core determinants of the success of any business. It merges the leadership potential with the entrepreneurial spirit. Entrepreneurial leadership is a type of leadership that combines actions taken towards the start-up of a business at the individual level, actions towards creative abilities at the organizational level and actions taken to benefit from recognized opportunities at the market level (Altuntas, 2014). Another definition by Renko et al. (2015) implies that entrepreneurial leadership seeks to achieve the organization's goals which involves cashing in on business opportunities by affecting the performance of the employees. The motivation of the employees in their attitude to work has a big effect on the growth of the organization.

Entrepreneurship education is an important aspect of business management. This is to ensure that leaders of organizations especially start-ups and small-scale businesses have the necessary qualities for self-development, business competition, success and sustainability. Seizing business opportunities and risk taking has also been known to be important for the future growth of a business (Phaneuf et al., 2016). Entrepreneurial leaders must have the skills of entrepreneurship to identify and create value opportunities for the business; protecting and dealing with innovations which pose as a threat to the business. To achieve quality entrepreneurial leadership skills, the leader must have a vision and effectively pass this vision to the employees; the leader must focus on time, energy and effective decisions in ensuring the growth and success of the business; the leader must have marketing skills to be able to convince potential clients to buy products; entrepreneurial leaders must be flexible to the changes in the progress of work; must be a good listener to get feedback and ideas from the employees and other stakeholders. Also, the entrepreneurial leader must build trust in stakeholders and customers never compromising their business vision. A reason why entrepreneurs less often do not use entrepreneurial leadership skills is because they see themselves as employees to judge their ability to behave entrepreneurial. A manager only seeks to achieve specific behaviours like risk-taking, creativity, autonomy, proactiveness to be more effective in the business environment and performance of the business. However, the entrepreneurial leader is more inside-out driven, seeking the educational attainment of the employees and their type of work-load.

Discovering an entrepreneurial leader

Studies have considered the traits of entrepreneurial leaders that differentiate them from the general business managers and make them successful (Astebro et al., 2014). These studies have focused more on high-growth settings and less on the monetary, time and individual investments made into the business. According to Kerr, Kerr and Xu (2017), discovering an entrepreneurial leader will target three

core themes: (a) the personality traits of entrepreneurial leaders as compared to other categories of leaders; (b) the entrepreneurial leader's attitude towards risk; and (c) goals and aspirations of entrepreneurs in their business pursuits.

Personality trait of the entrepreneurial leader

The personality trait of an entrepreneur provides answers to the questions: Who is an entrepreneur? What drives the entrepreneur? What trait predicts the probability of an individual to become an entrepreneur and attain success?

The Big-5 model

It measures openness, conscientiousness, extraversion, agreeableness, and neuroticism. Comparing managers and entrepreneurial leaders, both groups of individuals direct workers and are able to multi-task. Entrepreneurial leaders are more likely attracted to a dynamic, changing and challenging business environment (Kerr, Kerr & Xu, 2017) by providing creative solutions, business models and products. Managers on the other hand, with directions are only able to provide high-quality but low-variance results rather than seek lasting solutions to business problems. Entrepreneurial leaders are more achievement-oriented than managers. Therefore, they are drawn to business environments where success is attributed to the level of their efforts.

Innovativeness

Entrepreneurial leaders are able to identify new products and markets. Utsch and Rauch (2000) have examined initiative and innovativeness as mediators for achievement orientation.

Locus of control

According to Kerr, Kerr and Xu (2017), entrepreneurial leaders with internal locus of control believe that their effort, skills and ability are able to achieve outcomes rather than external forces controlling these outcomes. Individuals who are self-employed usually display a strong internal locus of control than those who are employed by others (Levine & Rubenstein, 2017). Internal locus of control has a strong relationship with business creation and venture growth because skills and experience are of more importance than personal traits.

Need for achievement

The concept of need for achievement explains that entrepreneurial leaders must have a high need for achievement in building a business venture from scratch as it demonstrates an individual's abilities to thrive in a challenging business world (Kerr, Kerr & Xu, 2017). Relationships between these variables are necessary to achieve venture success. Entrepreneurship cannot exist alone as personality traits, human capital, and environment are necessary contexts to start and operate a new business. Despite the complex and integrated nature of entrepreneurship, start-ups must be set up and operated within a favourable environment with necessary skills and experience for its sustainability.

The entrepreneurial leader's attitude to risk

For those seeking high-growth opportunities, the world of business is generally risky (Astebro et al., 2014). A clear distinction between risk and uncertainty defines the former as having less control of the already known future; and the later as being totally unaware of what the future might be. Despite the emergence of both risk and

uncertainty, entrepreneurial leaders are those who are able to properly manage their businesses.

Goals and aspirations of the entrepreneurial leader

The success of businesses is measured mainly by its survival, exit, and growth. Goals and aspirations have different meanings to different entrepreneurs in starting and operating their firms. Hurst and Pugsley (2011) classify the reasons for start-ups into five categories: to generate income, realize a business idea, lack of employment opportunities, to realize self-fulfilment, and the desire to be independent, flexible and autonomous. Sadly, a good number of these start-ups prefer to stay at their current size without intentions of being creative or expanding operations. Two categories of entrepreneurs are: growth-driven entrepreneurs that seek innovation and opportunity and the necessity-driven entrepreneurs that go into business as a result of scarcity of other options.

Transformational leadership versus entrepreneurial leadership

Significant incidents occur in the business environments of the present century like changes in industry, customers, colleagues, products and services which affect organizational performance. Therefore, leaders are to be aware of these changes, the threats, opportunities and facilities which are needed in setting up new businesses (Singh, 2008). Leadership deals mainly with interactions between the leaders and followers, influence on followers and a participation of followers in the leadership process. Transformational leaders are known to focus on developing and motivating the followers for higher performance beyond their expectations. According to Shahraki and Bahraini (2013), these leaders use three behaviours in influencing their followers:

- i. Mental persuasion: Leadership process focuses more on innovation and creativity. The followers are challenged to rethink about old business problems in new ways.
- ii. Idealized influence: Leaders who have inbuilt pride, charisma and respect automatically influence their followers through their behaviour.
- iii. Inspirational motivation: Followers are motivated to believe that goals can only be achieved through effort and hard work.

Entrepreneurial leadership styles

Autocratic leadership

Research defines the autocratic leadership styles as not taking note of the socio-economic factors of the employees. These type of leaders force their ideas on the employees without them having a say in the organization's business strategy. This autocratic style has a negative influence on emotions and relationships and therefore, destroys bond between the leader and the employees (De Cremer, 2006). These type of entrepreneurial leaders are more result-oriented.

Situational leadership

In the business environment, some situations demand spontaneous actions especially in start-ups where quick decisions are needed without necessarily having wide knowledge background. Entrepreneurial leaders have a different way of working, therefore they are more intuitive and less analytic than non-entrepreneurial leaders (Armstrong & Hird, 2009). This is a prerequisite for a business start-up. These type of leaders create an organization culture where innovation and new ideas are expected, risk taking and learning is encouraged, failure is accepted, and continuous change is seen as a conveyor of opportunities.

Democratic leadership

A democratic entrepreneurial leader seeks the opinion of the employees by weighing them equally. By this way, the employees are able to share their ideas through effective communication and constructive conflict. In order to sustain democratic entrepreneurial leadership, the leaders must prevent the development of hierarchies by achieving healthy relationships and constructive involvement. As opposed to the autocratic entrepreneurial leaders, leaders become more democratic when the employees use their initiative to offer ideas and set goals.

Supportive leadership

The supportive entrepreneurial leader provides emotional and appraisal support to the employees considering their needs when making business decisions. The leaders plays more of a mentoring role to the employees. The supportive leadership records more outcomes in the organization because the socio-emotional support given to the employees through task-provided feedback motivates them to increase performance (Wofford & Liska, 1993).

Methodology

This research paper adopted the quantitative and qualitative research methods where random sampling was conducted. 20 people small-scale entrepreneurs were chosen representing owners of start-up business across the UK and Nigeria. Semi-structured interviews were conducted and questionnaires distributed to get information from the participants. Responses from this research confirm that entrepreneurial leaders have the responsibility of harnessing business opportunities in a bid to become a large business venture. In harsh and unstable economies like Nigeria, it is observed that entrepreneurial leaders have contributed to job creation and innovation across the country. This is a major determinant of national economic growth. The entrepreneurs also complained of the problem of sustainability. Because of inconsistency, the lack of basic entrepreneurship skills and the inability to take business risks, 80% of the entrepreneurs are not able to grow the business to exceed the level of just a start-up to a small or medium business enterprise.

Conclusion

The entrepreneurial ability of the leaders in an organization affect the growth, performance, sustainability and productivity of the organization to survive in the competitive business environment. Entrepreneurial leaders have the capacity to create new jobs by developing on the existing jobs in the business through new

ideas, innovations, and the right team to achieve the organization's goals. Uncertainties in the business environment does not discourage the entrepreneurial leader, rather he is motivated to search out possible solutions to overcome these uncertainties. The entrepreneurial leader has the responsibility to ensure that necessary infrastructure is put in place for every business project. The leader takes a background role and allows the employees to do their job, offering help when necessary. Entrepreneurial leadership has been discovered to be a step towards a more prosperous economic future. Although entrepreneurial leadership skills vary between organizations, it is assumed that the democratic style of entrepreneurial leadership leads to a higher commitment and engagement.

The need for entrepreneurial leaders is on the increase. Therefore, trainings, conferences, seminars, and work projects should be organized in companies to increase the number of entrepreneurial leaders. Before introducing a new business behaviour or idea, start-ups should adopt ideas from experienced and large organizations and learn from them in order to avoid the negative effects of business spontaneity.

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