

# Contextual Understanding and Utilisation of Entrepreneurial Leadership in Business Development

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*Research on entrepreneurship and leadership have tended to view both terms as separate issues. However, recent perceptions have moved in favour of a combination of both terms in entrepreneurial leadership. This study has tried to examine the different roles of entrepreneurial leaders in the development of business entity in terms of its continuity and succession planning, business expansion and team building. The research discovered that majority of small business entrepreneurs fail to plan their succession and even tend to impede business growth when they refuse to change their role as the business treads the growth path.*

*Keywords: Entrepreneurs, Leaders, Entrepreneurial leadership, Entrepreneurial leadership and contexts, Leadership and authoritarianism, Leadership transfer Succession planning, Sustainability, Team Building, Change management, Opportunity and Risks*

## INTRODUCTION

The early 19th century French economist J.B. Say gave a broad definition of entrepreneurship as "shifts of economic resources out of an area of lower productivity and into an area of higher productivity and greater yield." (Drucker, 1985). Entrepreneurs create something new, something different; they change or transmute values. Regardless of the firm size, big or small, they can partake in entrepreneurship opportunities which is described as a disturbance of "the circular flow of economic life." in the world of Schumpeter (Sledzik, 2013) Thus, a central role of entrepreneurial activity is "creative destruction," a process accomplished by the entrepreneur through carrying out new combinations of productive endeavors to replace in whole or in part inferior innovations across markets and industries, simultaneously creating new products including new business models (Drucker, 1985). In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. Therefore, an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. This is not achieved without paying the price. The entrepreneur must imbibe strong leadership traits to be able to scale through the hurdles of competition, internal complications and sustainability.

Challenges inherent in entrepreneurship coupled with the pressure to succeed are so immense that personal vision, persistence and resilience are essential traits to withstand these pressures and excel in business. All these traits are qualities of leadership. Also, vision determines the aspiration, plans and actualizations of business goals. Entrepreneurship without some basic leadership traits cannot stand the test of time. Business sustainability as well as succession planning which are paramount to business continuity are functions of visionary leadership, team motivation and development. In entrepreneurship practice, the entrepreneur is always driven by pressure to succeed and to do that efficiently. This challenge has been traced to competition and profitability. Consequently, most organizations have been involved in some unethical practices that violate effective corporate governance. Ethical leadership will ensure that the organization achieves profitability efficiently and effectively. Thus, this paper will address how to harness both leadership and entrepreneurship functions in the management of sustainable organizations.

## BACKGROUND

The new paradigm of entrepreneurial leadership came to the attention of scholars in the earlier 1970s (Lippitt, 1987). Two authors (McGrath and MacMillan, 2000) proposed that a new type of business leaders must emerge and be ready to lead organizations that face increased competitiveness and uncertainty in dynamic markets. They defined these new types of business leaders as “entrepreneurial leaders.” Interestingly, entrepreneurship and leadership passed the same type of historical evolution. At the very early stage, both disciplines focused on personality traits and demographic characteristics to differentiate between entrepreneurs and leaders from other people. Some sources look at entrepreneurship and at leadership as separate constructs, and then identify areas of “conceptual overlap” later elaborated in schematic detail and point to four specific areas that are most relevant to both: vision, influence (on both followers and a larger constituency), leadership of innovative/creative people, and planning (Cogliser and Brigham, 2004). Entrepreneurship is a special skill set. Some great entrepreneurs are not-so-great leaders or managers, but successful leaders need to master some of the entrepreneurship skill set. Most businesses would be better off if leaders learn and adapt a bit of entrepreneurial focus as a part of being successful and enduring in business. The above traits are evident in notable entrepreneurs behind the success of major corporations and these traits are the complementary strengths that provide the conduit for an entrepreneur to succeed in business. Entrepreneurship, in itself, can be defined as “the process by which individuals, teams, or organizations identify and pursue entrepreneurial opportunities without being immediately constrained by the resources they currently control. This leads us to see that an entrepreneur must have leadership skills or qualities in order to see potential opportunities and act upon them. An entrepreneur, at the core, is a decision maker. Such decisions often have an impact on an organization as a whole, which is representative of their leadership amongst the organization, thus projecting a set of similar “characteristics” common to both leaders and entrepreneurs: vision, problem-solving, decision-making, risk-taking, and strategic initiatives (Fernald et al., 2005).

An effective leader influences follower in a desired manner to achieve desired goals. Some researchers have tried to combine the two concepts into entrepreneurial leadership to explore both leadership and entrepreneurship behavior (Gupta et al. 2004; Tarabishy et al. 2005). They have tried to combine entrepreneurship with leadership into a new form of leadership called entrepreneurial leadership. This new leadership model has been used to show both entrepreneurship and leadership behavior (Tarabishy et al. 2005). The qualities of both entrepreneurship and leadership will include discipline, persistency, resiliency, decision making, honesty and being knowledgeable thus, stressing the fact that a successful entrepreneur must be a very good leader.

Steve Jobs, the co-founder and chief executive of Apple Computer, more than anyone else, has brought digital technology to the masses. As a visionary, this entrepreneurial leader saw that computers could be much more than drab productivity tools. Instead, they could help unleash human creativity and sheer enjoyment. As a marketing genius, he conceived of innovative products that captured consumers' imaginations. As a relentless perfectionist, he came up with creations that actually delivered on their

promise--raising the bar for competitors and perhaps most of all, his people believed in him and his entrepreneurial leadership skills. In addition to his Apple Computer leadership, he has brought exciting entrepreneurial leadership to such innovative efforts as NeXT and Pixar, and then returned to Apple where he quickly breathed life back into the organization with the customer-oriented iMac, after which came the iPod and then the iTunes innovations (Burrows, 2004: page 20).

### **Entrepreneurial Leadership in Different Contexts**

The contextual approach looks more at factors in an environment that condition or favour a specific mode of leadership that can be called entrepreneurial. Within the high-tech context, a leader's effectiveness is very strongly determined by the ability to interact with a team's creativity: "when lead entrepreneurs have higher risk-taking, pro-activeness and innovativeness, they can stimulate their entrepreneurial teams to be more creative during the patent creation process" (Chen, 2007, p. 246).

### **Geographical Context**

The contextual or situational factors have been studied to show the effects of environmental elements in stepping into entrepreneurship and leadership activities (Bagheri & Pihie 2010). These factors vary from region to region. Some environmental factors that may motivate entrepreneurial leadership in Africa may be different from that of Europe and America. While poverty and unemployment may drive the entrepreneurial passion in some African states, the need for higher hierarchical needs of prestige may be the motivating force in Europe. In every geographical region, identification of opportunities is the major motivator for entrepreneurship. The needs identified in the region or the globe will drive the entrepreneur to move and work towards meeting the needs in order to achieve his major goal of profitability. In this context therefore, the leadership response strategy of entrepreneurs will differ from one region to another.

### **Economic Context**

The similarities between entrepreneurship and leadership are so many that they have inspired some scholars to define entrepreneurship as a type of leadership, though in an economic and dynamic context (Fernald, Solomon & Tarabishy, 2005). In the dynamic, complex, and uncertain competitive environment, a type of entrepreneurial leader who is distinct from the behavioral form of leaders is needed (Cohen 2004). This calls for caution in generalizing that an entrepreneurial leader would always succeed in every context. They need to develop the right leadership and entrepreneurship skills required to make sound business and economic decisions. Conditions in a dynamic marketplace have an impact on the strategic behavior of entrepreneurs, leaders and organizations. Individual and corporate entrepreneurs will assume a more powerful and prominent role in dynamic settings (Zahra, 1999). The uncertainty and the speed of change that intimidates many of today's leaders have long been central to the theory of entrepreneurship (McGrath & MacMillan, 2000).

### **Psychological Context**

Personality traits found in samples of entrepreneurs with leadership roles include single-minded, thick-skinned, dominating individuals ... unlike managers" (Brockhaus, 1982 and Nicholson, 1998: 529 & 538). Thus, entrepreneurial leaders are mostly single minded and domineering, although other scholars have looked at entrepreneurial leadership not as a collection of traits (i.e. who one is), but as a set of behaviours (i.e. what one does) (Gupta, MacMillan and Surie (2004). They suggest that entrepreneurial leaders are those who enact the challenges of communicating a vision and influencing others to help them realize it. Hence, entrepreneurs should have attitudes that promote cooperation within and among teams.

### **Leadership and Authoritarianism**

Delegation as a key tool in leadership development is sometimes difficult with entrepreneurs who have been described as single-minded and dominating individuals. (Brockhaus, 1982 and Nicholson, 1998: 529 & 538) They tend to make decisions with speed and precision, but sometimes make bad decision for lack of effective consultations. Entrepreneurs may also be reluctant to delegate key tasks

because they fear the consequences of handing over control; the survival of the firm may be at stake should these tasks be performed incorrectly (Matlay, 1999). Furthermore, entrepreneurs, faced with limited resources with which to recruit good people are even more reluctant to delegate (Hornsby & Kuratko, 1990; Atkinson & Storey, 1994). The fears of developing teams who are prone to the poaching effect as well as fear of losing control are major factors promoting authoritarianism among entrepreneurs most especially small business operators. Continuous authoritarianism will impede the leadership, development, and succession planning of the organization.

### **The Leadership Transfer in the Process of Succession in the Family Business**

Succession planning focuses on three main areas. First, it addresses the needs of the entity as senior leadership ages and retires. Second, it helps the entity prepare for an unexpected event such as the sudden illness or death of a person in a key leadership role in the organization. Finally, succession planning ensures that an organization has the right personnel in place to function at peak efficiency both presently and in the future. Thus, succession planning can serve as a means to take an organizational inventory of human capital and better identify existing or future gaps. Activities included in succession planning vary both with the breadth of perspective and in formality. A basic technique entails identifying in advance the specific subordinate best suited to serve as the next successor; a similar but somewhat more involved method is maintaining a ranking of several individuals within the organization. Evidence suggests inadequate succession planning in many organizations (Ip & Jacobs, 2006).

Impediments to succession planning cover a wide range of issues, from other work/time demands and a need for performance management, to reluctance to provoke organizational politics, to inadequate awareness or even basic foot dragging on the part of top management and/or board of directors. Smaller organizations especially may perceive a lack of resources (monetary, time, expertise) to devote to succession planning, as well as thin ranks of internal talent and limited opportunity for grooming a successor (Ip & Jacobs, 2006). Three general factors are associated with effective transitions (Morris, William and Nel (1996). First, preparation of heirs in terms of formal education, training, work experience, and motivation is essential. Secondly, relationships among family and business members include communication, commitment, trust, loyalty, conflict, shared values, traditions, and sibling rivalry must be resolved Thirdly, planning and control activities include succession planning and creation of a family council. This calls for effective corporate governance even in family businesses.

The challenging part of succession is that no one likes thinking about their mortality and some business founders so closely identify with their ventures that they cannot imagine their business continuing without them. One of the greatest challenges facing many SMEs in the 21<sup>st</sup> century is how to deliberately plan for a well-designed change of leadership while maintaining organizational continuity and meeting or exceeding organizational goals (Ganu and Boateng, 2012). Recent research data showed that about 53% (SA+A) of respondents said that they will allow successors to take over their businesses after the business has reached maturity while 52% said their businesses will not be managed properly in their absence (Ganu and Boateng, 2012). This buttresses the fact that succession, though a necessity for business continuity, is always very difficult.

**TABLE 1**  
**ATTITUDE TOWARDS SUCCESSION PLANNING (N=62)**

<b>Attitudes/Perception</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
1. Succession is surrendering power over the business and a first step toward losing control over life	8	4	42	8	0
2. Letting go of business control means losing an important part of one's identity	15	1	7	29	10
3. Succession involves making hard choices that affect both the business and the family, and it is preferable to avoid the inevitable conflict involved	1	21	8	13	19
4. I am not comfortable leaving my business in the hands of a successor	6	11	16	14	15
5. I believe my business will not survive without my leadership	6	27	12	8	9
6. When my business matures, I shall be willing to allow a successor to take over my business	22	11	0	20	9
7. In my absence I believe my business will not be managed properly	9	23	15	15	0

Source: field data, 2011. Ganu and Boateng (2012)

Code: SA=Strongly Agreed, A=Agreed, U=Undecided, D=Disagreed, SD=Strongly Disagreed

## **RECOMMENDED FUNCTIONS OF ENTREPRENEURIAL LEADERS IN VARIOUS CONTEXTS**

### **Opportunity Versus Risks**

The entrepreneurial leader must manage the business such a way as to maximize opportunities and minimize risks. He cannot escape risks; otherwise he will be taking the greatest and least rational risks of all: the risk of doing nothing (Drucker, 1985). He must consider the three types of opportunities which are additive (additional opportunities), complementary and breakthrough opportunities vis-à-vis risks embedded in the business, risks he must take, risks he cannot afford to take and the ones he cannot afford not to take. Taking this decision at the introductory stage of the business is the sole decision of the entrepreneurs and this tends to be devoid of written feasibility and group brainstorming. As the organization grows, leadership requires that the entrepreneur engage professional knowledge, skills and experience in taking this decision. A small business owner, without capacity to employ professionals may sometimes need to outsource these professional services or set up professionally constituted advisory boards.

### **Change Management**

There are three identified phases of the business transition: introduction, growth and maturity. At introduction stage the organization is informal. Once some experience has been gained, the diagnosis or planning phase can begin (Talebi, 2007). During this phase the organization is usually managed by an entrepreneur whose vision and energy drives it. It can be characterized as ad hoc and infant with hardly any policies, systems, procedures or even budgets (Adzes, 1988). The administration systems might be 'on the back of an old envelope' in the founder's jacket pocket. Communication is face-to-face, there are few rules and regulations; decisions are made quickly and informally, and control is achieved by the direct personal action of the entrepreneur (Moore and Thusman, 1983).

At the growth phase, operational efficiency is enabled by the introduction of a functional organization structure to separate manufacturing from marketing activities, job assignments become more specialized

and accounting systems for inventory and purchasing are introduced (Greiner, 1972). The entrepreneur is still an essential part of the development process at this stage (Talebi, 2007). The developing style gradually loses its effectiveness as the task-oriented manager begins to take over. This phase builds on style that is intrinsically in conflict. Administrators seek stability, while entrepreneurs are change-oriented (Adzes, 1988).

Maturity stage is characterized by rules to handle repetitive procedures and decisions are made at senior levels of the hierarchy. Control is achieved through bureaucratic mechanisms. The unit's climate emphasizes greater formality, stability and business-as-usual orientation. (Talebi, 2007).

At each of these three stages, the role of the entrepreneur changes from sole decision maker, through management decision to board decision as corporate governance becomes more pronounced at the maturity stage. In fact, some change-resisting entrepreneurs tend to lead through the phases with same leadership styles and this calls for caution because the attitude that promoted the organization may impede its sustainability. Entrepreneurs must know when they are no longer needed by their business and exit when the ovation is loudest.

### **Sustainability and Succession Planning**

Business continuity is essential for growth. This requires drastic planning and continuous control. Planning to militate against identified business risks as well as developing future leaders to take over the affairs of the organization is primary to fulfillment of the sustainability goal. The practical approaches to succession management can range from processes aimed solely at CEO replacement to broader all-encompassing leadership development programs (Taylor, Watt and Bennett, 2004). Therefore, every entrepreneurial leader must make conscious effort at developing successor leaders, identify when they have reached their personal development peak and exit to hand over to successors.

### **Entrepreneurial Leadership and Team Building**

Entrepreneurial teams have high impacts on the success of new ventures, however, it is difficult to maintain the relationships on team members and to release team members' creativity in order to increase venture performance. Research has suggested that sole entrepreneurs can more easily fail than entrepreneurial teams in new venture creation (Watson, Ponthieu & Critrlli, 1995). Studies have also presented the evidence of the potential benefits from an entrepreneurial team. For example the application of the venture team, compromised by engineering, marketing and field sales, to new product development will reduce the risk in new product ventures, particularly in a dynamic environment. (Bingham and Quigley, 1989). Additionally, teams speed up product development and commercialization (Nevins, Summe, & Utal, 1990). Harnessing leadership and management functions can help in team motivation. The entrepreneurial leader must combine team effectiveness with team efficiency, team performance with team building and doing things right and doing the right thing at the right time. Some studies argued that entrepreneurial leadership displayed by the Top Management Team fundamentally drives innovation in firms (Greenberger & Sexton, 1988). An investigation of an international engineering industry research institute based in the U.S. identified factors that are associated with high or "breakthrough" performance in project teams (Ammeter and Dukerich, 2002). In this study, leader behaviors were found to be significant predictors of project cost performance. Creative and enabling environments where teams are empowered and inspired calls for a sound corporate culture engineered by good leadership practices.

### **CONCLUSION AND FUTURE RESEARCH**

This paper reviewed the various perceptions of entrepreneurship and leadership, identified the areas of consensus between the two terms and explained how the concept of entrepreneurial leadership can help entrepreneurs develop their teams, manage risks, plan their succession and promote business sustainability. It identified that for every context different leadership features are required and leadership motivation may vary from region to region with a unifying factor of opportunity seeking. Also, at every phase of business development, leadership function and attitude must change from self-seeking to team building

and then leadership development toward ensuring business growth and sustainability. It is obvious that there are research opportunities and the need to extend the frontier of knowledge in the area of motivating factors in entrepreneurial ventures, succession planning and business sustainability especially in African countries. There is a dearth of second generation enterprises in many African countries because successor planning and a business sustainability plan are entirely missing in the projection and future view of founding entrepreneurs. More contextual research, critical analysis and capacity building of entrepreneurial leaders will be required to make sustainability a permanent feature of the entrepreneurship landscape of Africa.

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