Entrepreneurial Leadership at a Crossroads

Abstract

There is confusion in the extant literature over the connection of entrepreneurial leadership and leadership. Is entrepreneurial leadership a theory or a style? Is its focus on setting direction, gaining commitment and achieving results? Or, is it focused on influencing others or recognizing and exploiting opportunities? This paper attempts to answer those questions and to position entrepreneurial leadership as an adaptable, creative, and innovative leadership style that matches the dynamism of today's organizational environments.

The paper is structured as follows. First, we situate entrepreneurial leadership within the extant theoretical leadership literature. Then, we present the definitional confusion within the literature and describe two paths. One road leads to an independent style of leadership. The other leads to an integrated leadership theory that melds it with other forms of leadership. We end by suggestion that entrepreneurial leadership research return to its roots and refocus on the entrepreneur – someone who sees, recognizes, and exploits opportunities without regard to resources - as a leader of ideas, projects, individuals, teams, and perhaps organizations.

Key words: Vertical and Horizontal Leadership, entrepreneurial leadership, entrepreneurship, 2201/3505 words

---

Introduction

Leadership is generally viewed as a social influence process whereby a "leader" attempts to influence the activities of individuals and groups. The leader's work focuses on three core tasks: establishing direction (e.g., clarifying the big picture, crafting a vision, and creating strategies); connecting with people (e. g., creating conditions that support seeking commitment, building teams and coalitions); and focusing on results (Pisapia 2009). On the surface these tasks are uncomplicated but complexity comes when people, interests, and context enter the equation.

Vertical and horizontal leadership

The extant leadership literature bifurcates around notions of vertical and horizontal leadership influence actions and strategies. Vertical theory frames leadership tasks as the relationship between leaders, followers, and common goals (Bass 1990; Blake and Mouton 1964; Burns 1978; Fiedler 1967; House 1971; Triandis 1995). Vertical

forms of leadership use discipline and control in the form of rules, procedures, or values to reduce complexity. Command, control, and persuasion tactics are the levers of change. There is little, if any, focus on external organizational context (Boal and Hooijberg 2000; House and Aditya 1997). As seen in Figure 1, vertical leadership theory focuses on the Superordinate-Subordinate continuum. Since these leadership forms focus less on external contingencies and more on internal needs for efficiency and effectiveness, they thrive in stable environments and are attenuated in complex environments.

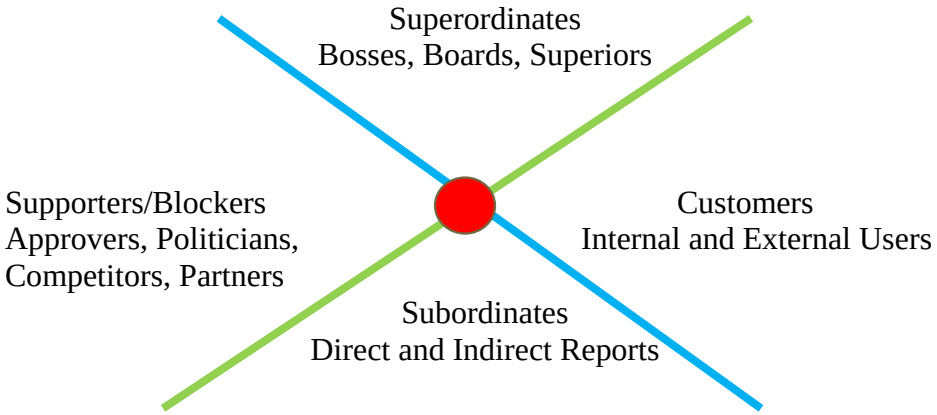

Figure 1: The audiences for vertical and horizontal leadership styles

Horizontal theory suggests that when supporters, blockers, approvers, and customers are added to the vertical components as seen in Figure 1, new leadership skills are required since the power of positional leaders is diluted. These new skills are essential to create direction, alignment, and commitment, work in teams, and develop community in pluralistic environments. This move to new skills and forms are suggested by distributed leadership theory (Cox, Pearce and Perry 2003; Gronn 2002; Pearce and Conger 2003); complexity science (Goldstein, Hazy and Lichtenstein 2010; Lichtenstein, Uhl-Bien, Marion, Seers, Orton, and Schreiber 2006; Uhl-Bien, Marion and McKelvey 2007); and relational theories (Drath 2001; McNamee and Gergen 1999; Uhl- Bien

2006). Horizontal leadership theory exhibits the qualities that hold the promise for greater effectiveness in times of ambiguity and uncertainty. Horizontal leaders execute these coordination and collaborative influence actions by focusing on the process more than the content of the work. The key ideas supporting vertical and horizontal leadership approaches are depicted in Table 1.

Table 1.
Vertical and Horizontal Forms of Leadership

Vertical Forms of Leadership		Horizontal Forms of Leadership	
Supervisory (Traditional Leadership)	Transformational Leadership	All Echelons Strategic Leadership	Entrepreneurial Leadership
Hierarchical; command and control	Hierarchical; heroic , values based leadership	Horizontal; coordination and collaboration	Flattened leadership; empowerment and autonomy
Establishes vision and gains compliance	Establishes vision and seeks "buy in"	Establishes direction and aligns members and structures toward direction	"Spots opportunities and inspires others to 'join the cause"
Develops culture of limited empowerment	Develops culture of high expectations	Develops supportive culture focused on outcomes, tolerance for ambiguity	Develops culture of risk-taking; innovativeness; & proactiveness
All authority in central leadership	Authority centered in heroic leader	Authority dispersed	Authority centered in entrepreneur
Many rules, regulations, procedures, guidelines	Emphasis on trust, empowerment, & autonomy	Minimum specifications, autonomy & flexibility	Emphasis on autonomy and flexibility
Focus frame sustaining change	Focused frame breaking change	Focus frame sustaining and breaking change	Focus frame breaking change that creates value.
Focuses on internal – processes – procedures to ensure efficiency	Focuses on internal – improving individual performance	Focuses on internal and external changes and adaptation	Focuses on external demands, proactively seeks to create opportunity; first to market
Exploitation	Exploitation/Exploration	Exploration/Exploitation	Exploration/Exploitation
Managing dominant	Leading dominant	Leading/Managing co-dominant	Leading dominant

The elements at the center of leadership theory are vision and influence. Vertical theory, whether in the form of supervisory or transformational leadership, works less well in environments characterized by chaos, ambiguity, uncertainty, and change (Kotter 1996; Pisapia 2009; Quinn 1996). In the emerging new world, organizational leaders still have to deal with superordinates and subordinates (the vertical continuum), but also with customers, approvers, politicians, competitors, and partners who support or block initiatives (see horizontal continuum on Figure 1). Given this reality, many academics as well as practitioners have called for new leadership styles which are more adaptable,

creative, and innovative (Boal 2004; Drath 2001; Jamrog, Vickers and Bear 2006; Martins and Terblanche 2003; Senge 1992; Van Knippenberg and Sitkin 2013). Two such styles have been offered: strategic leadership (Burgelman 2014; Hitt and Ireland 2002; Pisapia 2009), and entrepreneurial leadership (Dess et al. 2003; Fernald, Salomon, and Tarabishy 2005; Ireland, Kuratko, and Covin 2002; Kuratko 2007; Gupta, MacMillan, and Surie 2004).

As seen on Table 1, entrepreneurial leadership shares many qualities with transformational and strategic leadership, emphasizing the development of a shared vision, promoting the empowerment and autonomy of followers, tolerance of ambiguity, and flattening the organization to allow leadership to permeate the organization at all levels. However, whereas strategic leadership focuses on environmental fit and competitive advantage, entrepreneurial leadership focuses on innovation and creating value.

Entrepreneurial Leadership

Entrepreneurial leadership (EL) exists at the crossroads of leadership and entrepreneurship. Some would define it just as another form of leadership. For example, many suggest that EL is the process of creating an entrepreneurial vision and inspiring a team to enact the vision in high velocity and uncertain environments (Chen 2007; Covin and Slevin 2002; Ireland and Hitt 1999; Kuratko 2007; Surie and Ashley 2008). There are other interpretations. For Ireland, Kuratko, and Covin (2002), and Sharma and Chrisman (1999:18), EL is seen as the process whereby an individual or group of individuals create a new organization, or instigate renewal or innovation within an existing organization (1999:18). For Dess et al. (2003), entrepreneurial leaders establish the conditions conducive to role performance and social exchange (p. 352). Gupta et al. (2004, p. 220)

suggest that building commitment by forging the capacity in the organization for innovation, risk-taking, and proactiveness are important cultural features. These definitions address the common components of leadership – vision, connecting, influencing, and persuading people – creating the conditions that lead to sustained, not random success. But do they describe EL?

Hence, the second line of thought suggests that EL refers to entrepreneurs who work in ambiguous and uncertain environments within a formalized organizational structure, but use the skills and approaches normally expected of an entrepreneur: identifying opportunities, assuming calculated risks, proactively seeking out and recognizing opportunities, and creatively pursuing innovations which create value (Tarabishy et al. 2005, p. 27). For instance, Ireland, Hitt, and Sirmon (2003) suggest that EL (which they call strategic entrepreneurship) is the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage seeking behaviors (p. 971), thus indicating those entrepreneurial leaders must be ambidextrous using both exploitation and exploration as their main strategic tools. This definition would enable entrepreneurs working in structured firms to be strategically entrepreneurial (Covin and Slevin 2002). However, this line of thought also presents difficulties. While most entrepreneurs work in ambiguous situations, not all work in formalized structures. They may be entrepreneurial but not entrepreneurial leaders.

The third line of thought attempts to come to grips with the key elements of entrepreneur theory. Shane and Venkataraman (2000, p.218) say entrepreneurship involves the nexus of three phenomena: the presence of an opportunity, the presence of enterprising individuals who can “see it” and who are capable enough to respond to it

irrespective of the existing resources. The weight of scholarly opinion (Busenitz and Barney 1997; Kaish and Gilad 1991; Rosenberg, 1994; Sarasvathy, Simon and Lave 1998; Shaver and Scott 1991; Stevenson, Roberts, and Grousbeck 1989; Venkataraman 1997) places the entrepreneur, that person who can spot and pursue opportunities without regard to existing resources, at the center of EL.

These three attempts to define entrepreneurial leadership indicate different understandings at the heart of entrepreneurial leadership theory as well as general leadership theory. One result has been a research agenda that is missing the mark. For instance, considerable effort has been used to study the entrepreneurial behaviors and attitudes of executives (Cogliser and Brigham 2004; Covin and Slevin 2002; Fernald, et al. 2005; Gupta et al. 2004; Ireland, Hitt, and Sirmon 2003; Lumpkin and Dess 1996); and comparisons of leaders and entrepreneurs (Baumol 1968; Vecchio 2003). What is missing is a research agenda focused on the entrepreneur – someone who sees, recognizes, and exploits opportunities - as a leader of individuals, teams, and organizations.

The Crossroads

The elements at the center of entrepreneurial theory are growth and wealth creation, and opportunity recognition and exploitation without regard to the resources. Given the confusing nature of the entrepreneurial leadership definitions explored in previous paragraphs in regard to these central elements, we lean toward Vecchio's (2003) earlier conclusion that leadership theories specific to entrepreneurship have yet to be empirically established; "entrepreneurship is simply a type of leadership that occurs in a specific setting" (p. 322) either inside or outside existing organizations (Kuratko 2007).

Hence, we believe that entrepreneurial leadership as a concept is at a crossroads. One uses the path of leadership and focuses on an indirect approach of vision, process, influence, and conditions to achieve organizational outcomes. The second path refocuses entrepreneurial leadership on its roots: the entrepreneur who makes a direct difference in growth and wealth creation by recognizing and exploiting opportunities without regard to resources available.

At the center of this controversy are the words entrepreneur and entrepreneurship. If one defines entrepreneurial leadership in terms of the entrepreneurial firm then entrepreneurial leadership's task are to inculcate organization wide reliance on entrepreneurial behaviors of risk-taking, innovativeness, and proactiveness that rejuvenates the organization. If, however, one defines entrepreneurial leadership in terms of entrepreneurial people then the tasks are to employ causal and effectual thinking skills and behavioral characteristics (risk-taking, innovativeness, and proactiveness) to take advantage of opportunities by innovating to create added value, wealth, or social benefits. If one defines entrepreneurship as entrepreneurial people, then they are talking about entrepreneurship not leadership. In either case, they are talking identifying and exploiting opportunities.

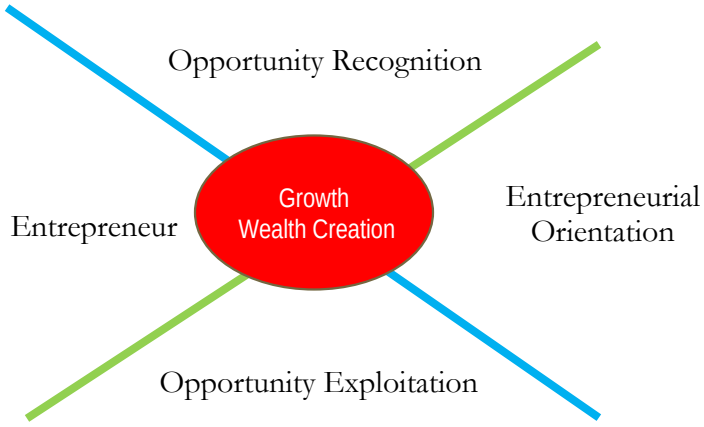

Figure 2
The key elements of entrepreneurial leadership

A central argument for entrepreneurial leadership is that once the future is created, it needs to be sustained. The problem is that the attributes of entrepreneurial leaders - calculated risk-taking, propensity for innovativeness, proactive behaviors - do not lend themselves to sustained innovation. Entrepreneurs are consistently reinventing the future by seizing opportunities and filling previously unknown niches by creating goods and services that add value to current markets. As integral as this role is to navigating the complexity and ambiguity of postmodern society, there remains a need for leadership qualities that allow organizations to adapt to changing environmental demands. Thus, if we take entrepreneurial leadership to mean proactive and risk-taking innovators, it is not substantial enough in and of itself to sustain success in an organization. Once the opportunity is captured and the innovation reframes the market, a truly entrepreneurial leader will be searching for the next opportunity to innovate and bring a new service or product to the market. However, while this opportunity is being sought, the organization still has to sustain itself and adapt, especially as previous innovations become commonplace. If Apple sat back and did not improve the iPhone while developing the iPad, or improve the iPhone while Androids became commonplace, they would have fallen behind emerging competitors.

The question we pose is this: Does a leader whose attributes allow him or her to effectively seek out and exploit previously unforeseen opportunities to create a new future have the leadership qualities required to sustain and grow an organization once the future is no longer new and the environment changes? Current entrepreneurial leadership theory does not address these issues. We would, however, agree that organizations and their leaders can adopt an entrepreneurial style much like servant leadership.

Entrepreneurial leadership as a style rather than a theory all its own fits nicely within an all echelons approach to strategic leadership. In this way the leader and their staff are working entrepreneurially some times, and at other times they are working strategically; adjusting the firm to its environment. They exploit and then explore.

We propose that at the center of entrepreneurial activity is an entrepreneur bringing a new venture into existence by starting with what they have, sharing the risk by finding likeminded individuals who pre-commit, determining what they can afford to lose, and co-creating the future (Sarasvathy 2001). Like the entrepreneur, the entrepreneurial leader identifies a new direction, builds a team, and brings a new idea, methods, or product to fruition… but they also must face changing internal and external conditions to which they must adapt their organizations, whether they be opportunities or threats. To understand entrepreneurial leadership one does not focus on adapting their organizations, they focus on using predispositions, behaviors, and skills that are used to spot opportunities and exploit them irrespective of existing resources and contexts. Hence, in order to create the future, and then sustain success by adapting the organization to meet changing environmental demands, we see the need to unite the entrepreneurial leadership style with strategic leadership theory.

References

Bass, B. (1985). 'Leadership: Good, better, best,' *Organizational Dynamics*, 13(3), 26-40.

Baumol, William J. (1968). 'Entrepreneurship in economic theory.' *American Economic Review*, 58 (2), 64–71

Blake, R., and Mouton, J. (1964). *The managerial grid: The key to leadership excellence.* Houston, TX: Gulf Publishing Co.

Boal, K., and Hooijberg, R. (2000). 'Strategic leadership research: Moving on.' *Leadership Quarterly, 11*, 415–549.

Burgelman, R. (2014). Built to become: Corporate longevity and strategic leadership. Working Paper Series #3115. Palo Alto: Stanford University.

Burns, J. (1978). *Leadership*. New York: The Free Press.

Busenitz, L., and Barney, J. (1997). Differences between entrepreneurs and managers in large organizations: Biases and heuristics in the strategic decision-making. *Journal of Business venturing*, 11, 9-30.

Chen, M.H. (2007). 'Entrepreneurial leadership and new ventures: Creativity in entrepreneurial teams.' *Creativity and Innovation Management*, 16(3), 239-249.

Cogliser, C. C., and Brigham, K. (2004). 'The intersection of leadership and entrepreneurship: Lessons to be learned.' *The Leadership Quarterly*, 15, 771−799.

Covin, J. G., and Slevin, D. P. (2002). 'The entrepreneurial imperatives of strategic leadership,' In *Strategic entrepreneurship: Creating a new mindset*: Ed. M. A. Hitt, R. D. Ireland, S. M. Camp, and D. L. Sexton Oxford: Blackwell Publishers, 309–327.

Cox, J., Pearce, C., and Perry, M. (2003). 'Toward a model of shared leadership and distributed influence in the innovation process: How shared leadership can enhance new product development team dynamics and effectiveness.' In *Shared leadership: Reframing the hows and whys*. Ed. C, Pearce and J. Conger. Thousand Oaks, CA: Sage.

Dess, G. G., Ireland, R. D., Zahra, S. A., Floyd, S. W., Janney, J. J., and Lane, P. J. (2003). 'Emerging issues in corporate entrepreneurship.' *Journal of management*, *29*(3), 351-378.

Drath, W. (2001). *The deep blue sea: Rethinking the source of leadership*. San Francisco: Jossey–Bass.

Fernald, L.W., Solomon, G.T., and Tarabishy, A. (2005). 'A new paradigm: Entrepreneurial leadership.' *Southern Business Review*, 30(2), 1-10.

Fiedler, F.E. (1967). *A theory of leadership effectiveness*. NY: McGraw-Hill.

Goldstein, J., Hazy, J., and Lichtenstein, B. (2010). *Complexity and the nexus of leadership:Leveraging nonlinear science to create ecologies of innovation.* Englewood Cliffs: Palgrave Macmillan.

Gronn, P. (2002). 'Distributed leadership as a unit of analysis.' *Leadership Quarterly*, *13*, 423−451.

Gupta, V., MacMillan, I.C., and Surie, G. (2004). 'Entrepreneurial leadership: Developing a cross-cultural construct.' *Journal of Business Venturing*, 19(2), 241-260.

Hitt, M. A., and Ireland, R. D. (2002). 'The essence of strategic leadership: Managing human and social capital.' *Journal of Leadership and Organization Studies*, 9(1): 3–14.

House, R. (1971). 'A path-goal theory of leader effectiveness.' *Administrative Science Quarterly*, *16*, 321-338.

House, R. J., and Aditya, R. (1997). 'The social scientific study of leadership: Quo vadis?'

Journal of Management, 23(3), 409–474.

Ireland, R. D., and Hitt, M. A. (1999). 'Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership.' *Academy of Management Executive*, 13(1): 43–57.

Ireland, R. D., Kuratko, D. F., and Covin, J. G. (2003). 'Antecedents, elements, and consequences of corporate entrepreneurship strategy.' In *Proceedings of the Sixty-third Annual Meeting of the Academy of Management (CD)*, Ed. D. H. Nagao (Ed.), ISSN 1543–8643.

Ireland, R. D., Hitt, M. A., and Sirmon, D. G. (2003). 'A model of strategic entrepreneurship: The construct and its dimensions.' *Journal of Management*, 29(6) 963-989.

Jamrog, J., Vickers, M., and Bear, D. (2006). 'Building and sustaining a culture that supports innovation.' *Human Resource Planning*, 29(3), 9-19.

Kaish, S., and Gilad, B. (1991). 'Characteristics of opportunities search of entrepreneurs versus executives: Sources, interests, and general alertness.' *Journal of Business Venturing*, 6, 45-61.

Kazanjian, R. K. (1988).'Relation of dominant problems to stages of growth in technology-based new ventures.' *Academy of Management Journal*, 31, 257-279.

Kotter, J. (1996). *Leading change*. Boston, MA: Harvard Business Review Press.

Kuratko, D. (2007). 'Entrepreneurial leadership in the 21st Century.' *Journal of Leadership and Organizational Studies*, 13(4), 1-11.

Lichtenstein, B., Uhl-Bien, M., Marion, R., Seers, A., Orton, J., and Schreiber, C. (2006). 'Complexity leadership theory: An interactive perspective on leading in complex adaptive systems.' *Emergence: Complexity & Organization*, *8*, 2-12.

Lumpkin, G.T., and Dess, G. (1996). 'Clarifying the entrepreneurial orientation construct and linking it to performance.' *The Academy of Management Review*, 21(1), 135-172.

McNamee, S., and Gergen, K. (1999). *Relational responsibility: Resources for sustainable dialogue*. Thousand Oaks, California: Sage.

Martins, E.C., and Terblanche, F. (2003). 'Building organizational culture that stimulates creativity and innovation.' *European Journal of Innovation Management*, 6(1), 64-74.

Pearce, C., and Conger, J. (2003). All those years ago: The historical underpinnings of shared leadership. In *Shared leadership: Reframing the hows and whys of leadership*, Ed. C. Pearce and J. Conger. Thousand Oaks, CA: Sage Publications, 1−18.

Pisapia, J. (2009). *The strategic leader: New tactics for a globalizing world*. Charlotte, NC: Information Age Publishing.

Quinn, R. (1996). *Deep change: Discovering the leader within*. San Francisco, CA: Jossey-Bass.

Rosenberg, N. (1994). *Exploring the Black Box: Technology, Economics and History*. Cambridge: Cambridge University Press.

Sarasvathy, S. (2001). 'Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency.' *Academy of Management Review*, 26(2) 243-263.

Sarasvathy, S., Simon, H., and Lave I. (1998). 'Perceiving and managing business risks: Differences between entrepreneurs and bankers.' *Journal of economic behavior and Organization*, 33(2), 207-225.

Senge, (1992). 'Mental models.' *Planning Review*, 20 (2), 4 – 44.

Shane, S., and Venkataraman, S. (2000). 'The promise of entrepreneurship as a field of research.' *The Academy of Management Review*, 25(1), 217-228.

Sharma, P., and Chrisman, J. J. 1999. 'Toward a reconciliation of the definitional issues in the field of corporate entrepreneurship.' *Entrepreneurship Theory and Practice*, 23(3), 11–27.

Shaver, K., and Scott, L. (1991). 'Person, process, and choice: The psychology of new venture creation.' *Entrepreneurship Theory and Practice*, Winter: 23-42.

Stevenson, H., Roberts, M., Grousbeck, H. (1989). *Business ventures and the entrepreneur*. Homewood, IL, Richard D Irwin Publishing.

Surie, G., and Ashley, A. (2008). 'Integrating pragmatism and ethics in entrepreneurial leadership for sustainable value creation.' *Journal of Business Ethics*, *81*(1), 235-246.

Triandis, H. (1995). *Individualism and collectivism.* Boulder, CO: Westview.

Uhl-Bien, M., Marion, R., and McKelvey, B. (2007). 'Complexity leadership Theory: Shifting leadership from the industrial age to the knowledge era.' *The Leadership Quarterly. 18, 298-318.*

Uhl-Bien, M. (2006). 'Relational leadership theory: Exploring the social processes of leadership and organizing.' *Leadership Quarterly*, *17*, 654−676.

Van Knippenberg, D. and Sitkin, S. (2013). 'A critical assessment of charismatic—transformational leadership research: Back to the drawing board?' *The Academy of Management Annals,* 7(1), 1-60.

Vecchio, R. (2003). 'Entrepreneurship and leadership: common trends and common threads.' *Human Resource Management Review*, 13(2), 303−327

Venkataraman, S. (1997). Advances in entrepreneurship, firm emergence, and growth, in *The distinctive domain of entrepreneurship research: an editor's perspective. Ed. J. Katz and R. Brockhaus*. Greenwich, CT: JAI Press. 119-138.