Leadership Style: A Driving Force for Entrepreneurial Orientation in Contemporary Business Management

WOBODO, Chinonye Chris

Doctoral Student, Department of Management, Faculty of Management Sciences, Rivers State University

Abstract: Building a sustainable entrepreneurial posture within an organization is a necessary shortcut to business prosperity and perpetuation even in a constantly changing environment of business. It particularly promotes business functionality through its creative and innovative tendency needed to meet and surpass the ever changing customers’ expectations from service providers. Given this understanding, it is the purpose of this study to theoretically review the role of leadership styles in the advancement of entrepreneurial orientation strategy in business operation. In order to achieve this purpose, the study was divided into the following slants: the meaning and nature of leadership styles, taxonomies of leadership, the concept of entrepreneurial orientation, key components of entrepreneurial orientation, and nexus between leadership styles and entrepreneurial orientation. Finally, the study concluded that the concept of leadership styles has a positive influence on organizational behavior such as entrepreneurial orientation which has the ability to position a business competitively better and well ahead of their rivals in both large and small organizations. Based on this, we recommend that: i) in order to achieve organizational goal, quality leadership should be given top priority ii) that the adoption of leadership style should be based on situation and not based on what worked in the past iii) that through good leadership style such democratic, charismatic, transformational and transactional style, entrepreneurial orientation posture can be developed and sustained.

Keywords: Leadership, leadership styles, leadership theories, entrepreneurial orientation, business management

1. Introduction

Building a sustainable entrepreneurial posture within an organization is a necessary shortcut to business prosperity and perpetuation even in a constantly changing environment of business. It particularly promotes business functionality through its creative and innovative tendency needed to meet and surpass the ever changing customers’ expectations from service providers. Given this understanding, it is the purpose of this study to theoretically review the role of leadership styles in the advancement of entrepreneurial orientation strategy in business operation. In order to achieve this purpose, the study was divided into the following slants: the meaning and nature of leadership styles, taxonomies of leadership, the concept of entrepreneurial orientation, key components of entrepreneurial orientation, and nexus between leadership styles and entrepreneurial orientation. Finally, the study concluded that the concept of leadership styles has a positive influence on organizational behavior such as entrepreneurial orientation which has the ability to position a business competitively better and well ahead of their rivals in both large and small organizations. Based on this, we recommend that: i) in order to achieve organizational goal, quality leadership should be given top priority ii) that the adoption of leadership style should be based on situation and not based on what worked in the past iii) that through good leadership style such democratic, charismatic, transformational, transactional style, entrepreneurial orientation posture can be developed and sustained.

In view of today’s highly dynamic and competitive business operating atmosphere, every business concern whether for profit or not-for-profit/public or private is considered to be purpose driven (teleology) in nature and as a result must chat appropriate ideologies and strategies to help it achieve its goals in the most effective and efficient manner while remaining competitively vibrant over its present and potential competitors. Consequent upon this fact, organizations adopt the concept of equifinality to remain competitively advantaged over their competitors in the industry (Wobodo, Asawo & Asawo, 2018). In their view, this concept gives organizations the capacity to explore different strategies to achieve their goals. Extant literature shows that learning organizations have amongst other strategic decisions identified entrepreneurial orientation as an indispensable strategy towards advancing organizational success and survival. Azlin, Amran, Afiza & Zahariah (2013) buttress this in their assertion that entrepreneurial orientation is a necessary strategy to ensure the survival of a business. This is as it encourages organizations to seek out latent opportunities. Additionally, Muenjohn& Armstrong (2008) observed that entrepreneurial orientation is a reflection of the qualities of an entrepreneur namely: innovation, proactive and risk taking. In the same vein, organizations wishing to remain operationally viable have to be innovative and proactive in all ramifications.

In congruence with this line of thought Wickham (1998) contends that entrepreneurship is an essential strategy required in dealing with challenges and opportunities presented by change. He further maintained that entrepreneurship as a style of management is geared toward pursuing opportunities and driving change; thereby making it a strategic concern since it concerns the entire organization. Given this circumstance, entrepreneurial orientation has gained a considerable theoretical and empirical attention (Covin, Green & Slevin, 2006); for instance Schindelhutte, Morris & Kocak (2008), Tajeddini (2010), Hoq&Chauhan (2011) and Gabriel & Kpakol
Accordingly, Rodrigues and Raposo (2011) indicates that organizations deeply rooted in entrepreneurial orientation strategy have a superior performance outcome where the market share showed improvements and the number of new products, services and processes has shown significant growth. Again Teece (2007) confirmed that every organization needs to be entrepreneurially driven in order to survive and successfully compete, especially in fast-changing industries.

However, drawing from the potency of entrepreneurial orientation in positioning an organization a step ahead of its competitors, the question before us now is, can organization be successfully immersed entrepreneurially without the commitment of the organizational leaders through the adoption of appropriate leadership styles? The answer is an emphatic no because entrepreneurial orientation is strategic in nature (Gabriel & Kpakol, 2015); and this simply means that entrepreneurship orientation culture within an organization can only be birthed and advanced in an atmosphere of effective top management leadership commitment. Just as Wang, Chich-Jen & Mei-Ling (2010) succinctly revealed that if an organization desires to improve its performance expectation, the leadership style of its managers has a major role to play in every facet of its overall operational performance. In the same manner, Obiwuru, Okwu, Akpa & Nwank were (2011) stated that the degree to which individuals in an organization are committed in the utilization of the organization’s resources is a function of how well its leaders or managers understand and adopt motivating leadership styles in pursuit of set goals. As a result, efficiency in resources mobilization, distribution, application and improvement of corporate performance depends largely on leadership style in use amongst other strategies.

Therefore in view of the foregoing observations, it is the interest of this paper to theoretically explore how entrepreneurial orientation strategy can be initiated, advanced and sustained in an ever changing business operational dynamics through the lens of appropriate leadership styles. To achieve this, the study is divided into the following slants: the meaning and nature of leadership styles, elements of a leader, taxonomies of leadership, the concept of entrepreneurial orientation, measures of entrepreneurial orientation, and relationship between leadership styles and entrepreneurial orientation.

The Meaning and Nature of Leadership Style
The concept of leadership is considered as the life blood of organizational success and survival especially in an intensely competitive environment of business where ones’ action or inaction can make or mar set objectives. Hence in management literature, it has been acknowledged as an important subject in the field of organizational behavior (Obiwuru et al., 2011). Therefore, no organization can be effective and efficient without the manifestation of a formidable leaders-manager. For instance, Mintzberg (1980) in his role theory opined that one of the critical roles of a manager is to the provision of quality leadership while Jaja (2003) in a nutshell asserted that leadership is an essential managerial task. This is probably so because every manager operating in this era of globalization will always have to deal with different kinds of people from different backgrounds in the area of culture, education, values system, religion, gender etc. which can only be harmonized through a potent leadership behavior. No wonder Ukaidi (2016) stated that today’s organizations are keenly interested in managers who can manage effectively and efficiently.

Given this observations, several scholars in different studies at different time have bared their minds on the true meaning of leadership. According to Stogdill (1957) leadership is viewed as an individual’s behavior targeted at directing a group toward the achievement of a common goal. Moshane & Vanglino (2000) in their conceptualization emphasized that leadership is the process of influencing people and creating a stable atmosphere for them to realize the goals of the organization as planned. Mosadeqhrad (2003) holds that it is the capacity of a manager to influence his subjects by making them more satisfied, committed and in the long run upsurges productivity. Furthermore, Yukl (2005) added that leadership is the process of influence and as well as the ability to motivate between leaders and subjects where a leader attempts to influence the performance of subordinates to achieve organizational purpose. Again, Robbins, David & Mary (2011) posited that it is concerned with the process of leading a group and influencing them to achieve predetermined goals while on the other hand Ukaidi (2016) contends that it is a social influence process under which a manager exerts influence deliberately over others to structure the behavior and relationships within a given organization.

Drawing from the foregoing views of scholars on the meaning of leadership, we can say that almost all the definitions raised shared similar views with two discernable elements (i.e. influence and goal achievement) encapsulated in all. This therefore implies that the degree of influence a leader carries or exerts on his subordinates will go a long way to determine the extent to which a determinable goal can be achieved. Batista-Taran, Shuck, Gutierrez & Baralt (2009) further buttressed this point in their assertion that only effective leaders are able to influence their followers to achieve the goals of the organization. However, due to unpredictable nature of the workplace environment, leaders must be prepared at all times to adequately adapt by proactively adopting strategies and leadership styles that suit each specific situation; thus Glantz (2002) recognized and emphasized the need for a manager to adopt suitable leadership styles. According to Ukaidi (2016) leadership style is a way of thinking, feeling and behavior that a leader adopts in dealing with people and situation at a given time within a group or organization. Thus, Tarabishy, Solomon, Fernald & Sashkin (2005) stated that through appropriate leadership style, leaders are able to determine both their followers and organizational outcomes. It is therefore imperative that leaders in the cause of leading identify those required styles and behaviors that will yield the best result given the circumstance.

Leadership Theories
Over the years a number of theories bordering on leadership have been developed to provide a practical and theoretical guide to scholars and managers in practice alike. Amongst
the theories that have evolved over time include the trait, behavioral, contingency and contemporary theories (Robbins, David & Mary, 2011). Given the superfluity of these theories, for the purpose this study, we reviewed some aspect of each paradigm.

**Trait Theories of Leadership**

Trait theories of leadership are considered as the oldest amongst the leadership theories (Sapru, 2013). According to Jaja (2003) the focus of this paradigm was to study effective leadership in order to establish their characteristics. They however, perceive such individuals as great men and women with innate capacities that propel them to greater heights and as such attributed those individual characteristics as the prime factor that determines the extent to which they can be effective and successful as leaders. Given its ideals, Stogdill (1974) carried out an investigation on several studies in this direction and found that various scholars have identified specific characteristics that define a leader such as height, appearance, energy, intelligence, ability, adaptability, aggressiveness, self-confidence, achievement driven, persistence, interpersonal competence, cooperativeness etc; while later attempt by Kirkpatrick and Locke (1991) stressed that drive, desire to lead, honesty and integrity, self-confidence, intelligence, job-relevant and extraversion knowledge are crucial traits innate in every successful leader.

But today, scholars and managers in practice have all come to acknowledge that traits alone is not enough to determine the effectiveness of a leader in a contemporary world of today since it did not factor in the extent of interaction between leaders and their followers and the situational forces in the environment (Robbins et al., 2011).To further substantiate this claim, Funk (2016) contends that even some of the notable and successful leaders both now and in the past never had these qualities yet were able to effectively lead and achieve their goals.

**Behavioral Theories**

These theories emanated as a result of the inadequacies of traits to consistently relate with leadership. In order to achieve such consistency of measurement, researchers have adopted other variables to explain leadership success. Consequently, behavioral theories instead of bordering itself with what kind of traits leaders should possess, they concentrated on what good leaders do by instilling certain behavioral patterns in individuals (Sapru, 2013). These behaviors can be observed and measured (Jaja, 2003). Accordingly, literature reveals that there are three landmark studies carried out under this theory to identify behavior determinants such as the Kurt Lewin’s study at the University of Iowa, the Ohio State University Studies and the University of Michigan Studies. But in this study, we only dwelled on the Kurt Lewin’s approach as discussed below.

**Kurt Lewin’s Studies**

According to Robbins et al., (2011) this study was carried out in Iowa University as a pioneer study in the determination of leadership. However, after a frantic exploration, three key leadership behavioral patterns were established in the form of autocratic, democratic and laissez-faire.

**Autocratic Leadership Styles**

Given this discovery, an autocratic leadership style is considered as one in which the leader tends to centralize authority as well as makes unilateral decision. Chou, Cheng & Jen (2004) in their view asserted that an authoritarian leadership style is a pattern in which a leader stresses their unquestionable and absolute authority and as such takes absolute control over his followers. Thus, we can say that under this kind of leadership style, subordinates are denied the privilege to express constructive opinions and participation in decision making process; thereby given them the impression that they are just a mere tool in the hand of their master that have no say. Furthermore, we believe that if this style of leaderships is allowed over time may lead to chaos, absence of innovative ideas and possible irreparable damage to the organization’s cohesive force through the manifestation of dysfunctional conflict where people may engage in the sabotage of one another’s efforts.

**Democratic Leadership Style**

This is a leadership behavior in which leaders incorporate the followers in their decision making processes (Sapru, 2013). For Jaja (2013) it is one that gives group members the prerogative to participate in decision making process. This allowance manifests in the form of delegation of authority, group decision making, deciding work methods and goal expectations, feedback etc. Nwachukwu (1988) argued that democratic leadership is indisputably the best approach to managing an organization system whether public or private. He further added that today’s workforce respond favorably to it in organization through increased performance, lower unit cost and improved labor management relation. Also, literature exploration shows that the adoption of democratic behavior is primarily to attain commitment and ownership of decisions democratically. Accordingly, Ukaidi (2016) stated that under democratic leadership approach, criticism and praise is factually given; thereby giving room for feedback and adjustment where necessary.

**Laissez-Faire Leadership Style**

This is considered as a leadership style that is characterized by complete freedom to group which enables them make decisions concerning their work as well as the strategies to achieve it. This is in agreement with the assertion made by Robbins et al., (2011) that a laissez-faire leader may only be interested in the provision of resources needed for the task while every other thing are left in the hands of the actors. Also, Bass (1990) maintained that laissez-faire leaders usually evade leading by circumventing supervisory duties and not setting clear goals for subordinates. Yet other scholars contend that it is a leadership style in the absence of leadership. This is possibly so because such leaders only occupy leadership position without excising control through effective communication with others while directing them. Consequently, this leads to the absence of emotional connections that are needed to facilitate organizational success (Macaleer& Shannon, 2000).
Contingency/Situational Leadership Theories

Drawing from scholars’ opinions, the contingency theories came into being as a result of the shortcomings associated with both the traits theories and behavioral theories in addressing leadership dynamics. According to Sapru (2013) there are different variants of contingency theories; for instance Fiedler’s contingency theory, path-goal theory, the Hersey –Blanchard situational theory and leader-participation theory. In view of this, our review only concentrated on that of Fiedler’s. The contingency theory is a leadership model of leader behavior (Baridam, 2002) and was developed by Fiedler. Here Robbins et al., (2011) defined contingency theory as one that depends on effective match between a leader’s style and the level of allowance he has to influence his followers. The theory was basically developed to balance and integrate the use of other theories and did not condemn any. In Jones & George (2003) they contend that the adoption of contingency approach in today’s decision making process benefit the system’s theory due to its capacity to identify contingencies in the environment, such as level of technological advancement. This implies that in order to thrive in business, managers of organization must identify each element in the organization to enable them proffer solution to complex situation. In our view, we believe that the contingency theorists have really influenced management practice hence, through their assumptions; contemporary managers have come to understand that no one particular theory can be used to solve all organizational problems rather should be adopted based on context and situation.

From Fiedler’s conceptualization, three elements that explain crucial situational determinants for effective leadership were found. First, is leader-member relations which is concerned with the extent of confidence and trust followers have on their leaders. Secondly, task structure which tries to establish the rate at which tasks are formalized; and finally position power which looks at the degree of leverage a leader has over power-based responsibilities such as hiring, promotions, discipline, firing etc.

Contemporary Leadership Theories

Under this paradigm, there are three key theories that emerged to further provide answers to the ongoing debate on leadership issues in the field of organizational behavior. Thus, we have the transaction, transformational and the charismatic leaders.

Transactional Leadership Style

Under this approach, the leader is said to adopt conventional reward and punishment to achieve total compliance from his subordinates. Robbins et al., (2011) observed that it allows a leader to achieve effective leadership through social exchange by inspiring subordinates to work tenaciously towards goal achievement while rewarding them for their performance. This style makes a leader to be action oriented and results focused (Batista-Taran et al., 2009); hence, minimizes the opportunity for exceptions by enforcing defensive management processes. However, Avolio& Bass (1995) disclosed that transactional leadership embodies three specific components such as the contingent rewards, management by exception and laissez-faire. In contingent reward leaders provide rewards only if they are convinced that their subordinates have performed well; where they are not convinced, no reward is given. On the other hand, management by exception is viewed to be conservative in nature in that resources are majorly applied in response to any event falling outside of established bounds. However, this exception may be passive or active. It is passive if the leader only interferes when there is problem and active if the leader is proactively monitoring the activities of his followers by ensuring that their action conforms to performance expectations. While in laissez-faire, the leader only gets involved when there is a problematic situation (Northouse, 2004).

Transformational Leadership Style

Over the years, transformational leadership style has also been shown to occupy a preeminent position in leadership research much more than that of transactional style (Lim & Ployhart, 2004). They have also been found to be more predictive of several key organizational outcomes (Seltzer & Bass, 1990). Leaders engrossed in transformational approach to leading are said to be inspiring and supportive in character. For instance, Robbins et al., (2011) describes transformational leader as those who stimulates and inspires their subordinates to achieve magnificent results. Thus, Harter (2000) contends that through transformational leadership approach, a leader can raise the level of awareness of his subordinates and influence them to contribute over and above what is expected of them at work. Given Avolio& Bass (1997) conceptualization, four taxonomies of transformation were developed such as idealized influence, inspirational motivation, intellectual stimulation and individualized consideration.

Charismatic Leadership Theory

As a contemporary approach to leadership, charismatic leadership was first espoused by Max Weber where he defined it to mean an individual’s quality through which he or she is set apart from other people hence, regarded as a superhuman (Sapru, 2013). It was subsequently developed by Robert House and eventually emerged as the first scholar to review charismatic leadership in relation to organizational
behavior. Therefore, in contemporary leadership debate, charismatic leaders are viewed as outstanding agents of organizational change. Robbins et al., (2011) defined a charismatic leader as a person with enthusiasm and self-confidence whose actions have the capacity to motivate others to act in a given way. They further identified that a charismatic leader is characterized by vision, risk taking, sensitive to happenings around their environment etc. Furthermore, Galvin, Waldman & Balthazard (2010) argued that charismatic leadership style is associated with leaders who are extraordinary, gifted and heroic in nature. For Conger & Kanungo (1998) charismatic leaders are usually viewed as organizational crusaders or entrepreneurs who identify the necessity for change, and incorporate it in a vision of a better future that they build for followers.

Entrepreneurial Orientation

With the constant changes been experienced in conducting business transactions, entrepreneurial orientation can be considered as an indispensable strategy to remain competitively balanced even when other competitors are sliding into early entropy. According to Gabriel & Kpakol (2015) perspective, entrepreneurship covers all activities within an operational business which re-vitalizes and re-invents it for the purpose of reclaiming the target market share. Given this stance, Lumpkin, Cogliser & Schneider (2009) defined entrepreneurial orientation as a strategy-making processes, structures and actions of organizations deeply associated with innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy which aid in identification of latent opportunities. For Avlonitis & Salavou (2007) entrepreneurial orientation encompasses an organizational action that reflects a managerial competency through which organization embark on proactive and aggressive activities to alter the competitive scene to their advantage. But to us, entrepreneurial orientations are those strategically thought out strategies that an organization sets out in other to achieve productivity and sustainability by been sensitive, proactive, innovative, creative and adaptive.

However, from studies conducted by Zulkifli & Rosli (2013) and Murimbika (2012) entrepreneurial orientation is found to be a crucial strategy for business survival and growth especially, Small and Medium Enterprises. This is because through entrepreneurial orientation posture, organization can consciously identify latent opportunities (problem) and tenaciously work towards providing solution to it in exchange for profit even when other competitors viewed it as suicide mission. In fact, it is safe to attribute entrepreneurial orientation effort as a blue-ocean strategy which is characterized by high level of risk taking behavior in the midst of uncertainty. For instance Palalic & Busatalic (2015) backed up this assertion when they stated that entrepreneurial orientation behavior exhibited in businesses revolves around proactiveness and risk tolerance. Furthermore, Roux & Couppey (2007) advocated that entrepreneurial orientation behavior within a business does not emanate only due to external environmental forces but also as a result of its internal factors like leadership style, culture and structure in uses.

Key Components of Entrepreneurial Orientation

Drawing from Miller (1983), entrepreneurial orientation scale consists of innovativeness, risk taking, and proactiveness. On the other hand Lumpkin & Dess (1996) developed five dimensions that illustrate the entrepreneurial orientation behavior of an organization as including innovativeness, proactiveness, risk taking, competitive aggressiveness and autonomy. However, given this study, Miller’s conceptualization was adopted hence it has been consistently used in the literature by various scholars at different times.

Innovativeness

According to Raslib, Arshad & Zainc (2014) innovativeness reflects a behavioral tendency that stimulates an organization to engage in and support new ideas, novelty, experimentation and creative processes resulting in newness. It is a supporting and encouraging strategy for development of new ideas as well as experimentation and creativity (Gudmundsson, 2014). This shows that innovation is a very salient aspect of an organizational life in a rapidly changing consumer behavior and expectations from service providers. To be innovative is to be dynamic and being dynamic as an organization can greatly position the organization ahead of their competitors; hence they respond and satisfy their customers need in line with their preferences and even surpass their expectations.

Proactiveness

Rauch, Wiklund, Lumpki & Frese (2009) asserted that Proactiveness is an opportunity-seeking, forward-looking behavior characterized by the manifestation of new products and services in anticipation of future needs of the customers. Been proactive affords the organization opportunity of enjoying the unimaginable benefits associated with first-mover advantage in a given target market before the synchronization of the analyzers. A proactive organization is resilient in nature as nothing takes them unawares. They respond and face adversity and change head-on (Wobodo, Asawo and Asawo, 2018).

Risk-Taking

Risk-taking is considered as the organization’s readiness and willingness to deploy its scarce resources in pursuit of a given cause in an atmosphere of uncertainty. Risk-taking measures the degree to which the organization is ready to carryout risk prone investment and acknowledges same as part of business dynamics (Gabriel & Kpakol, 2015). However, risk-taking despite its inherent potentials to turn the fortunes of the organization around must be thoroughly and effectively weighed in relation to its expected benefits and chances of breaking through before committing the organization’s scarce resource. Therefore proper environmental scanning must be carried out to enable appropriate decision making.

Nexus between Leadership Style and Entrepreneurial Orientation

Given extant literature review on both constructs, it is theoretically and empirically established that effective leadership style predisposes entrepreneurial orientation behavior in large, small and medium enterprises. Although
Muchiri and McMurray (2015) contend that leadership-entrepreneurial orientation studies have greatly anchored on large organizations than in small and medium enterprises. According to Fanagopoulos & Avlonitis (2010) leadership style is an essential ingredient if an organization wants to adopt an entrepreneurial orientation strategy productively. Yang (2008) undertook a study on the association between leadership styles, entrepreneurial orientation, and business performance and found that different leadership styles usually affect performance of an organization. Specifically, he revealed that transformational leadership is more associated with business performance than transactional and laissez-faire leadership style. Additionally, the study proves that entrepreneurial orientation is positively linked to performance while transactional leadership style with higher entrepreneurial orientation commitment can contribute to better overall organization outcome. Again, Nahavandi (2006) in his study concluded that a transactional leadership style driven leader stimulates an entrepreneurial orientation atmosphere among his subordinates in the organization through the concept of exchange. Cassillas & Moreno (2010) established that there is a positive association between innovativeness and business growth in the area of sales, assets and employment as a result of effective leadership style.

2. Conclusion

Drawing from diverse views of scholars on the role of appropriate leadership style in promoting entrepreneurial orientation behavior in an organization, we deduced that the concept of leadership has an important place in organizational behavior studies and as such one of the most researched topic in management as a whole. Therefore, has been theoretically and empirically proven to have a positive influence on organizational outcome such as entrepreneurial orientation which tends to position a business well and better ahead of their rivals be it large or small organization. Without the adoption of appropriate leadership style that fits each context specific issues within an organization, poor performance and entropic tendency is imminent even where all the needed resources are available. Hence, leadership is the bedrock of every organizational success amongst others things. Based on this, we recommend that: i) in order to achieve organizational goal, quality leadership should be given top priority ii) that the adoption of leadership style should be based on situation and not based on what worked in the past iii) that through good leadership style such democratic, charismatic, transformational, transactional style, entrepreneurial orientation posture can be developed and sustained.

References


