Entrepreneurial Leadership

What specific leadership behaviors encourage risk taking in employees?

Julia Alshut
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands
j.d.alshut@student.utwente.nl

ABSTRACT

Entrepreneurial leadership is a prevalent leadership style in today´s fast changing market. The challenge for the entrepreneurial leader hereby is to encourage his employees to act in his interest by thinking ahead, acting innovative and especially by taking risks. As employees do often show a rather risk averse behavior the entrepreneurial leader needs to find a way to stimulate his employees´ willingness to take risks. The existing literature combined and extended with results from interviews with diverse managers help to conceptualize a new model that illustrates managers´ possibilities to influence their employees´ behavior by stimulating their risk propensity. Various motivational factors as well as taking the employees´ fear for risks are hereby crucial to get their support and foster their risk disposition when facing a risky venture.

Supervisors: Mr. Ehrenhard and Mr. Frederiks

Keywords:
Entrepreneurial leadership, entrepreneurial orientation, risk propensity, risk aversion, motivation, risk culture

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1. INTRODUCTION

Bill Gates, Mark Zuckerberg and Steve Jobs – all three appeared out of the blue, achieved industry domination and can thus be considered as examples of the most successful entrepreneurial leaders worldwide.

Their success is only partly based on their innovative ideas or qualified professional expertise. The special challenge for them is to adapt and react to today´s fast changing market (Kuratko and Hodgetts, 2007). These changes can depict uncertainties and risks for an organization which are necessary to overcome as soon and effective as possible. Managers can respond to changes in different ways, depending on their knowledge, resources and previous experiences for example by launching a new product, adapting processes or changing strategies.

A successful leader has constantly to be proactive and innovative by outcompeting competitors (Miller, 1983) and this again requires him to show a relative high degree of risk propensity. Managers have to take risks to show rapid adaptation to external demand and especially foresighted thinking to exploit new markets and improve processes (Miller, 1983). Hereby, the crucial thing is the manager´s leadership style as he needs support of his employees in nearly all daily situations. A risk taking manager therefore requires employees that are also willing and able to face risks. Many risks are worth taking and a lot of uncertainties are finally good for the success of the business (Kuratko, 2007).

However, employees do often show a risk-averse behavior that has to be changed by the leadership of their manager as otherwise for him it is not possible to act in an effective entrepreneurial leadership.

The existing literature deals extensively with personality-related subjects of an entrepreneurial leader, the personal competences however as well as distinct necessary leadership behaviors are only covered superficially. This paper therefore aims to close the existing research gap by discovering leadership behaviors that encourage risk taking in employees. Within the paper several possibilities for managers have been identified to convince their employees to accept and take risks as this is an essential foundation for enabling the organization to be innovative and to stay competitive.

The paper is further structured as follows: first, a literature review about entrepreneurial leadership as a particular leadership style and the well-known entrepreneurial dimensions is conducted. Next, risk taking as one important entrepreneurial orientation is elaborated in detail and the essential risk taking propensity of an entrepreneurial leader is analyzed. Afterwards, the importance of employees is depicted to act on behalf of their manager´s interest by also taking risks in necessary situations. Possible reasons for employees to be risk averse represent the transition to the research-based part of this paper. To close the existing research gap of the possibilities for an entrepreneurial leader to encourage risk taking in his employees several interviews with managers have been conducted. Their answers give useful hints and reveal various possibilities for managers to encourage risk taking in their employees and will also lead to a new conceptual model that closes the gap for managers to affect their employees´ openness towards risks. An extensive discussion as well as recommendations for further research and a short conclusion will finally round off this paper.

2. LITERATURE REVIEW

2.1 Entrepreneurial Leadership

In the last 30 years, entrepreneurial activity has become more and more prevalent and the world economy has achieved its highest economic performance as a result of fostering and promoting entrepreneurial activity (Kuratko, 2007). The whole business sector has experienced an "Entrepreneurial Revolution" which becomes more powerful to the twenty-first century than the Industrial Revolution was to the twentieth century (Kuratko and Hodgetts, 2007). The world of business is moving forward as the passion and drives of entrepreneurs challenge the unknown and continuously create the future (Kuratko, 2002). Due to the influence of entrepreneurial leadership the world economy has become a dynamic organic entity, revealing the process of development (Kuratko, 2007).

Nowadays, entrepreneurship can be seen as the symbol of business tenacity and achievement. Entrepreneurs contribute positively to the recent economic growth through their management, innovation, research and development effectiveness, job creation, competitiveness, productivity, formation of new industry and especially by using an effective leadership style (Kuratko and Hodgetts, 2007).

Entrepreneurial leadership as a distinctive leadership style does not only face the challenges and crises of leading a new venture but also entrepreneurial activities in established organizations (Bagheri et al., 2013). Strategies of larger established organizations have changed by the influence of entrepreneurial leadership, making the organization more competitive due to the companies´ redefined markets, restructured operations, modified business models and its generally improved skills to think and act in an entrepreneurial way (Ireland and Webb, 2007).

This certain leadership style strives for defining and creating an entrepreneurial vision and inspiring employees to enact the vision (Gupta, MacMillan and Surie, 2004). The dynamic of the entrepreneurial leadership style can also be characterized by a process of change and creation. Frequent and extensive technological and product innovation and an aggressive competitive orientation are as common as a strong risk-taking propensity by the top management (Covin and Slevin 1989) as managers need to recognize opportunities where others see chaos, contradiction and confusion (Kuratko, 2007).

Miller (1983) has a similar definition for an entrepreneurial firm, emphasizing its engagement in product market innovation, the organizations´ willingness to undertake somewhat risky ventures and its promptness to come up with proactive innovations by beating competitors.

Actually most of the definitions in the existing literature contain various combinations of always the same entrepreneurial attributes. These attributes can be summarized as the capabilities of entrepreneurial leaders to recognize and act on opportunities, marshalling resources and adding value, taking risks, articulating a compelling vision, initiating ventures and modifying strategic and tactical plans to adapt to changing circumstances (Kourilsky and Walstad, 2003).

Hentschke (2005) further ascribes three characteristics for entrepreneurial leaders. First, he stresses their unique idea as a solution to an actual problem, a possibility to meet a heretofore large and still unmet need or an improvement to an already established product or ongoing process. As the second characteristic Hentschke (2005) identified the entrepreneurial leaders´ willingness to go his own way as a means to transform his idea into reality by fighting for the necessary social and financial capabilities. The third characteristic is the entrepreneurial leaders´ endeavor to grow the business as a manifestation of having realized a unique idea that has more and more growth and improvement potential (Hentschke 2005).

All the previously mentioned entrepreneurial characteristics and competencies play a significant role in dealing with a highly turbulent and competitive organizational environment (Cogliser and Brigham, 2004; Fernald, Solomon and Tarabishy, 2005). It has therefore been one of the main focuses of entrepreneurship researchers to identify distinctive capabilities that enable individuals to lead an organization in an entrepreneurial way (Alstete, 2002; Dvir, Sadeh and Malach-Pines, 2010).

The positive relationship between entrepreneurial leadership and firm performance outcomes measured by survival, growth and profitability (Baum et al., 2007) is approved by both, the popular press and the scholarly literature (Lumpkin and Dess 1996). Thus, entrepreneurial leadership is prevalent in the society, in most organizations and in individuals due to its innovative manner.

It can generally be said that corporate performance in the twenty-first century is strongly shaped by continuous innovation and the ability to compete proactively in global markets. Entrepreneurial leadership has revolutionized the business life worldwide and requires individuals to think and act ahead (Kuratko and Hodgetts, 2007). Therefore, an entrepreneurial organization has to reveal certain processes and styles to expose its entrepreneurial focus which will be reflected in the next paragraph.

2.2 Entrepreneurial Orientation

Entrepreneurial orientation can be seen as a distinct type of strategic orientation. Miller (1983) operationalized strategic orientation by stressing innovativeness, proactiveness and risk taking as three dimensions that constitute and form the entrepreneurial focus of a firm. In addition to this, numerous scholars describe a fairly consistent set of related activities or processes by using the term entrepreneurial orientation (Miles and Arnold 1991; Smart and Conant 1994).

Lumpkin and Dess (1996) differentiate entrepreneurship and entrepreneurial orientation by constraining the term entrepreneurship to the content of entrepreneurial decisions. Hereby, it is only relevant to focus on what kind of decisions are undertaken whereas entrepreneurial orientation represents key processes answering the question of how new projects are undertaken. Several processes considered by the entrepreneurial orientation therefore depict the actual strategy of a company and reflect the prevalent style and procedures (Lumpkin and Dess, 1996). Stevenson and Jarillo (1990) share this view and define entrepreneurial management by reflecting the organizational processes, methods and styles.

Lumpkin and Dess (1996) further extended the already three dimensions identified by Miller by adding autonomy and competitive aggressiveness as two further entrepreneurial orientations.

According to Covin and Slevin (1991), the underlying dimensions of entrepreneurship do determine the degree of how entrepreneurial a certain event or individual is. Therefore, it is difficult to characterize an individual as entrepreneurial as these characteristics are variable and can therefore change from one situation to another. This means, that an organization or a manager could act highly entrepreneurial at some times and less entrepreneurial at other times. Further, it is helpful to consider and evaluate these dimensions as separate but still related units (Lyon et al., 2000). This statement supports the opinion of being impossible to constitute entrepreneurial orientation as one unifying characteristic due to the variational factor of firms or managers in these dimensions.

However, there is a common positive correlation of these orientations, as innovation is mostly a result out of high risk taking and proactive thinking and acting (Lumpkin and Dess, 1996). This fact has been validated empirically (Rauch et al., 2009) and the entrepreneurial degree of an organization is often defined as the sum of the degrees of all entrepreneurial dimensions. Kuratko (2007) describes the entrepreneurial degree as an additive function of the event´s or manager´s score on the individual entrepreneurial dimensions.

Another term used by Morris, Kuratko and Covin (2008) is the frequency of entrepreneurship. They talk about a high frequency if companies often or regularly produce new products, services and processes. In contrast the frequency would be low for organizations rarely changing their products, services and processes. Degree and frequency of entrepreneurial orientation combined indicate the entrepreneurial intensity of an organization´s operation. (Morris et al., 2008)

2.3 The importance of risk-taking propensity

It has already been found that risk taking belongs to the entrepreneurial dimensions and that there is a prevalent positive association with proactiveness and innovation (Naldi et al., 2007). These three attributes are further positive related to the performance of an organization. Business growth in the long term is not possible without a willingness to take risks (Ward, 1997) although risk taking has been identified as having a significant smaller relation to performance than the other dimensions of entrepreneurial orientation (Rauch et al., 2009).

Risks can have various origins. Risks in terms of time or equity do only give an idea about possible sources of risk. For the sake of simplicity the entrepreneurial dimension can be depicted by business risks and financial risks as two components (Lumpkin et al., 1996). Business risks are prevalent when entering new markets or implementing new products or services whereas financial risks refer to high financial investments in untested or new implemented processes. (Lumpkin and Dess, 1996). The latter example refers to uncertain outcomes and financing activities by spending last reserves or borrowing heavily.

Risk propensity refers to the willingness of managers to pursue decisions or courses of actions that have not proven to be successful and beneficial for the company. These decisions or actions are still uncertain regarding their outcomes, which can be successful or even a failure (Jackson, 1994). The willingness to take these risks is the basic idea for identifying an entrepreneur (Knight, 1921).

Modern scholars emphasize the importance of having a proclivity to take risks as a specific trait for entrepreneurial leaders (Baron, 2007; Markman and Baron, 2003; Stewart and Roth, 2001). Without this trait proactive innovation would not be executable, opportunities would not be recognized and chances of competition would not be used. Begley & Boyd (1987) therefore identified risk-taking propensity as a “hallmark of the entrepreneurial personality”. People´s stereotype of an entrepreneurial leader is a person with a high risk propensity (Baron, 1999; Chen et al., 1998). Based on the process of person–environment matching, a manager fearing risks could never be an entrepreneurial leader (Seibert et al., 2009) and will therefore never experience the advantages of leading an organization in an entrepreneurial way.

Miner et al (2004) share a slightly different opinion regarding risk-propensity of entrepreneurs. They are pointing out the danger for entrepreneurs after the initial stage of a new venture founding and stress the importance of managing risk carefully to maximize profitability and to preserve the new venture´s limited resources in such a situation. Miner (1993) agrees that entrepreneurs do also have the task to manage, minimize and reduce a risk if appropriate. This assigns two different roles for entrepreneurs, one as a risk taker and the other as a risk reducer (Chen et al., 1998).

An interesting fact to understand the willingness of managers to face the challenge of taking risks is to focus on the organizational context. Existing corporate entrepreneurship literature explains that in innovative and highly competitive and proactive companies risk taking plays a significant role whereas there are still a lot of existing organizations fearing risks and uncertainties (Naldi et al., 2007). The entrepreneurial orientation of a company is hereby crucial to determine its acceptance and attitude towards risks (Lumpkin and Dess, 1996; Lyon, Lumpkin and Dess, 2000).

Agency theorists use a slightly different approach when determining the degree of risk-taking. They justify a firm´s openness to risks as being influenced by its ownership and governance structure (Fama, 1980; Fama and Jensen, 1983). According to several agency theorists a manager becomes more and more risk averse as his ownership in the firm increases (Beatty and Zajac, 1994; Denis, Denis and Sarin, 1997).

Risk propensity is further discussed in another context. Scientists do not agree if risk propensity is a compound personality trait reflecting a specific combination of scores on all five personality dimensions (namely, high extraversion, openness and emotional stability combined with low agreeableness and low conscientiousness) (Nicholson, Fenton-O´Creevy, Soane and Willman, 2005) or if it rather forms a separate sixth personality dimension (Ashton, 1999; Paunonen and Jackson 1996).

Other scientists do more rely on the personality characteristics of a manager when explaining his risk propensity. They think that people sharing the same characteristics as an entrepreneur do generally act more entrepreneurially and lead their employees in an entrepreneurial way (Lachman, 1980). These scientists do not only compare the risk-taking propensity of managers and entrepreneurs but also their personal values such as honesty, duty, responsibility and ethical behavior as well as their need for achievement (Cunningham et al., 1991). Here it becomes obvious, that not only personality characteristics are of high importance when entrepreneurial leaders are identified but also a lot of more personal competencies which lead to a distinct behavior and task performance that is used for leading people in an entrepreneurial way (Cunningham and Lischeron, 1991; Man et al., 2002). These competencies and behavioral patterns will be referred to in the next paragraph.

2.4 Entrepreneurial leader effect on employees

Entrepreneurial leadership is identified as a necessary leadership style to ensure growth and longevity of a company. Firms using this specific leadership style have best opportunities to prosper and flourish also in the long term (Kuratko 2007). The challenge for a leader is to encourage employees to share his ideas and opinions and to ensure an uninterrupted and continuous information exchange (Kuratko, 2007).

One main goal of entrepreneurial leaders is to bring forth creative ideas independently of the kind of organization. Employees are desired to develop an entrepreneurial perspective both in profit or nonprofit organizations and regarding business or non business activities (Kuratko, 2007). Not only the leader is responsible for identifying opportunities for innovation, the employees are needed to support growth and development of the organization as well. This assumes, that the employees are integrated in the communication system of the organization and that they are encouraged to disclose and contribute their ideas.

Besides risk taking an entrepreneurial leader does also have the responsibility to supervise and control his employees by providing a clear direction to the firm (Cunningham et al., 1991). Thereby, he has to rely on people to accomplish purposes and objectives (Kao, 1989). As employees do only show highest commitment when they are totally convinced by the importance and the outcome of their action, an entrepreneurial leader needs to be skilled in appealing to them and in being capable in empathizing with his employees (Kao, 1989). Hence, not only the concern for getting a task accomplished is necessary when managing an enterprise but also a concern for the employees doing the work.

An entrepreneurial leader depends on his employees as an organization cannot survive without staff pulling in the same direction and working as one entity. To illustrate this statement, an entrepreneur can be seen as embedded in a complex social network. This social network as one entity can either inhibit or enhance the venture development (Bennis and Nanus, 1985). The aim of an entrepreneurial leader is to be part of a network that provides ideas, has access to needed resources, shows constantly commitment, is willing to carry out all kind of tasks and is highly skilled to work successfully and efficiently in its function (Bennis and Nanus, 1985).

Concerning the already extensively discussed entrepreneurial orientation of risk taking an entrepreneurial leader has to transfer part of his risk propensity to his employees. As he cannot always overlook all business transactions and all activities of his employees, he has to transfer more and more responsibility to his employees (Block, 1987). Risk taking as an important trait for an entrepreneurial leader has also to be taken over by the employees as these need to act and decide independently and autonomously in several situations. In this case it is important for the manager that he can rely on his employees and that he can be sure that they would never do anything to harm the organization intentionally or that they behave careless or act recklessly. (Spreitzer and Misha, 1999).

Of course, employees need to evaluate risks carefully but in several cases they are obliged to take a risk and with this to act in the interest of the manager. The necessity of employees to take risks is of high importance for an entrepreneurial organization and is based on the required proactive actions and innovative impulses of employees to boost innovation and to provide the organization a competitive advantage (Kuratko and Hodgetts, 2007). The manager as an entrepreneurial leader leads his employees into the right direction and gives them enough leeway to be creative, innovative and to take risks - all for the objective of strengthening the organization´s market position. It becomes obvious that managing risks is more important than minimizing risks and that in specific situations employees are required to take a risk as a unique opportunity or to provide the organization a competitive advantage.

2.5. Reasons for employees to be risk averse

Before analyzing leadership behavior that helps to overcome risk aversion it is helpful to primarily focus on reasons that are crucial for employees to avoid risks. Economic theories assume that risk aversion is a typical human attitude towards uncertain outcomes or generally new or changed processes (Zaleskiewicz, 2001). This means that people are generally not always open towards new things because they fear not to be familiar with the new situation. However, risk aversion can be reinforced or reduced in specific situations by showing a certain behavior as an entrepreneurial leader.

Di Mauro et al. (2011) found out that employees in temporary jobs are more risk averse than employees that are permanently appointed. This points out that people holding insecure jobs fear negative consequences due to their risky behavior that could eventually have negative consequences for the organization. Employees in permanent jobs however cannot be dismissed so easily and are therefore more prone towards risk taking. Job instability does usually lead to insecurity for employees as these are afraid of getting punished due to their undesired, careless or self-determined behavior. Their pessimism about their future own economic situation fosters risk aversion and tempts them to avoid any risky ventures (Mauro et al., 2011).

However, not only the form of employment determines risk aversion of employees but also the form of payment they get for doing their job. Teachers or civil servants do have an employment with a fixed income, whereas other employees for example in the sales sector gain a variable salary. The latter are usually more inclined to exhibit more risk taking behavior as they are enticed by a performance-pay component (Di Mauro et al., 2011). As risk taking is an important factor for success and a unique opportunity for both, the employee and the organization, payment can be seen as an incentive for employees to take risks.

Though, payment is not the only possibility to encourage risk taking in employees. The literature gave some other hints to stimulate employees concerning this matter.

2.6 How to encourage employees to take risks?

The main requirement for leading employees in an entrepreneurial way is being a manager who shows a low risk aversion and who can communicate this attitude throughout the whole organization (Barsky et al., 1997; Cramer et al., 2002; Ekelund et al.; 2005).

As a successful entrepreneurial leader, a manager needs to have all his employees on his side, acting in his interest and simultaneously in the interest of the whole organization. It is therefore of high relevance for an entrepreneurial leader to communicate the company´s vision, mission and strategies clearly and in a way that inspires understanding and action in employees (Hentschke, 2005). Employees need a clear direction that is communicated in the whole organization. Employees will only show commitment to a vision, institutionalize it and transform it into reality when their leader is simultaneously able to motivate, direct and lead them (Kao, 1989).

The overall vision including several goals for the organization does also have to include opportunities for all individuals. An entrepreneurial leader needs to empower his employees to work autonomously, also in situations where they need to make a risky decision. Further, the intimacy of the organization has to be preserved (Kao, 1989) as employees need to feel comfortable and safe. The entrepreneurial leader has to take the role of a social architect (Bennis and Nanus, 1985), promoting and protecting the organizational values for a widely known mission and to pursue the predefined goals.

Several traits need to be learned and acquired by employees to ensure success of the entrepreneurial organization. These traits are for example adaptability to new and uncertain situations, cooperativeness, energy and willingness to take responsibility (Stogdill and Suttell, 1948).

One option that is constantly mentioned in the literature is to teach employees these traits, for example by providing them training. Training prepares employees to behave in unknown and changing circumstances, to act in the desired way and to react quickly and appropriate. According to Cunningham et al. (1991) training is one of the most promising possibilities that help to reduce a number of business failures for example due to inappropriate behavior and by not taking immediate actions. It is important to teach employees the motivation for the whole organization that requires changes to survive in the long run and to stay competitive on the market.

Employees have to know about their leeway for taking a risky venture and the manager has to ensure that employees do also now their operational limits when acting autonomously. Often, risks can also be eliminated by assessing it properly; again presuming a personal training for employees to get familiar with these kinds of challenges (Shane, 1994).

An internally-focused, risk-avoiding culture has to be changed to an externally-driven, risk-taking unit. Managers therefore have to adjust their behavior, for example by communicating a clear, single-minded purpose for the required behavior of every employee (Steward, 1998). A regular and continuous personal contact between the manager and his employees ensures that information exchange will not be neglected and that employees become more involved and empowered in the company performance (Steward, 1998).

3. METHODOLOGY

The preceding literature review introduced the overall subject entrepreneurial leadership and explained risk taking as one of the entrepreneurial orientations in detail. The importance for managers as an entrepreneurial leader to work together with employees that act autonomously, think proactively and behave innovative became clear. The literature gives a relatively rough idea about a manager´s possibility to convince his employees to act in his interest. General goals and strategies such as communicating a clear vision, mission and understandable strategies were mentioned as a concept for success when trying to get the employees´ support.

These theoretical behavioral patterns are indeed a valuable approach to understand the ways and means to gain support from the employees and they do also provide a basic idea of how a manager is able to foster his employees´ autonomous behavior and their proactive ideas. However, the literature lacks concrete behavioral examples of activities a manager can undertake to foster employees to act autonomously and to encourage them to behave in an entrepreneurial way. Especially with regard to risk taking it has not been investigated exactly how to encourage employees to take risks as an important and promising entrepreneurial action.

To get a deeper understanding of behavioral possibilities to encourage risk taking in employees, qualitative research has been conducted in form of several personal interviews.

3.1 Sample

Around 75 managers have been asked by 15 students to the overall topic of entrepreneurial leadership. Within a group of 15 students, every student was responsible for finding at least 5 managers to ask them several questions concerning the entrepreneurial leadership topic. Every student had afterwards access to all responses of these 75 managers and every student worked on a slightly different research question in his or her paper. The focus of this actual paper is set on the managers´ specific leadership behavior that encourages risk taking in employees.

Managers of all kind of sectors, both of big companies and midsize or small companies have been interviewed. The only requirements for interviewing a manager were the facts that he needed at least one year work experience in a managerial position and that he had at least 3 direct respondents directly below him on the hierarchical level. The age of the manager or the location of his company did also not matter for conducting the interview. Managers with many years of work experience as well as younger managers with less leadership experience gave valuable answers to bring light into the darkness of the prevailing research gap.

Within the interview respondents a wide range of sectors has been covered comprising managers from the service sector and from the production sector. Beginning with consultancy firms and hospitals up to big and well known service providers or one of the largest mobile phone companies – all of them comprise a managerial board or at least one person mainly responsible for leading the respective companies´ employees. Therefore, all of them have been interesting interview partners when talking about their different leadership styles and leadership behaviors.

3.2 Materials used / structure of the interview schedule

The interview protocol was divided into the following parts: first some general information about the respondents' background was asked. The main interview part entailed questions about examples from the past when the manager has led his employees in an entrepreneurial way. He had to refer to a specific situation from the past and was asked to describe his behavior and actions to encourage his employees to act in an entrepreneurial way. It was especially inquired to find an example when the manager had to encourage his employees to think proactive, to act innovative or to take risks, what kind of behavior he demonstrated, what he said or did exactly, why he showed this kind of behavior and how his employees reacted. Furthermore, several contingency factors concerning the managers´ leadership style were asked, for example referring to the circumstances when it is most effective for managers to lead employees in an entrepreneurial way and with regard to the development of the own leadership style - if the leadership style has changed over the years and if so - why it has changed. Lastly, the outcomes of an entrepreneurial leadership style for the economic performance of the organization and the employees´ commitment have been asked.

Due to the specialization of the current research question however, the last two parts of the interview, the circumstances and the outcomes are not further discussed and analyzed in the context of this actual paper. Furthermore, not all of the respondents did really talk about risk-taking when they mentioned an example for leading their employees in an entrepreneurial way. Often, the focus was rather set on proactiveness and innovative behavior of employees. Therefore, the answers of managers mentioning risk-taking as a specific goal for their employees are analyzed in detail, whereas the answers of the other managers focusing on other entrepreneurial orientations such as proactiveness or innovativeness are only considered to supplement or complement the outcomes to answer the question of how to encourage employees to take risks.

3.3 Research design

The interviewed managers have been asked all interview questions one by one and each interview response has been recorded and written down afterwards. To avoid any kind of bias, managers were only informed that the actual research topic is about their leadership style and have been made familiar with the risk-taking topic only when answering the interrelated and consecutive interview questions during the interview.

3.4 The aim of the interviews

The aim of this qualitative research method was to analyze concrete behavioral patterns of managers to stimulate risk taking in employees. The interview questions were leading the respondents in a certain direction with regard to specific topics they were asked to talk about. Nevertheless, there was also enough leeway for the manager to explain further background-stories, circumstances and relevant influential factors that were important to understand a certain behavior. The diversity of the managers regarding their different industries, age and leadership experiences was helpful and necessary to gain a general comprehension that is applicable for every kind of manager when he asks for possibilities to encourage risk-taking in employees.

Depending on the business intention, the prevailing strategies and objectives and the personality of the leader not all of the following results are applicable for every manager. However, this general overview of behavioral patterns to encourage risk taking helps people to understand the possibilities a manager has and also the capability a manager requires to lead his employees in an entrepreneurial way and to encourage risk-taking in them.

4. ANALYSIS

After having conducted these 75 interviews with various managers, in the first step it will be interesting to find out how many managers generally make use of an entrepreneurial leadership style. Due to the fast changing and high competitive market nowadays it is not surprisingly that more than 90% of all managers confirmed the necessity and the advantages of leading employees in an entrepreneurial way. They declared that they lead their employees regularly in this leadership style, asking for their ideas, fostering their proactive thinking and encouraging them to take risks.

Entrepreneurial leadership can be found in all kind of industries. Especially in the marketing, automobile, media and technology sector this management style is applied with highest priority. Furthermore, a lot of interviewed managers of startups confirmed their reliance on this leadership style stressing its regular and consistent practice. Only some small enterprises in a less innovative sector or managers of organizations in the health-care sector such as hospitals or a pharmacy do still stick to the delegative or authoritarian leadership style, only looking for the entrepreneurial alternative in individual situations. Managers of these organizations share the opinion that in their daily routine the entrepreneurial leadership style is not advantageous as the organization has to deal with important financial aspects and their success depends on a coordinated, smooth-running and flawless daily routine that you can for example find in a hospital.

In the following, findings from the literature will be brought together and extended with the interview results.

4.1 Communicate as a key to success

Not only in theory but also in practice communication as the main requirement for an entrepreneurial organization is of high relevance to enable and facilitate information exchange within the organization. Around 80% of the interviewed managers talked extensively about the necessity of communication within an organization. Communication is important for communicating a clear vision, mission and strategy throughout the whole organization but it is also necessary in all daily routines. Without the right communication complications will occur and employees will feel left out from their managers´ decisions.

In theory it says that a clearly communicated vision, mission or strategy will inspire the understanding and action in employees (Hentschke, 2005) and this is exactly the point that several managers confirmed during the interviews. They stressed the importance of a clearly articulated vision and mission providing clarity for the whole organization and that it is therefore essential for managers to communicate extensively and continuously.

According to a manager of Vodafone GmbH and the CEO of a psychological business consultancy employees need to be informed about the intent and purpose of their behavior and about their leeway to act entrepreneurial by taking risks. The interview results have proven that not all managers expect their employees to face risks in the same way. Different organizations of diverse industries have various imaginations in how far their employees are desired and authorized to take risks. This requires managers to provide their employees clarity about the expected risk disposition of them and about the freedom they have to decide in risky situations.

Communication further facilitates the smooth cooperation between a manager and his employees. As the literature says, managers have to inform their employees regularly about all important processes and events within the organization by ensuring a continuous information exchange (Kuratko, 2007) and the interviews shed also light on the importance for managers that employees do also regularly inform their managers about recent situations. Regular team meetings are an apparently common tool for managers and employees to come together and to exchange information. Around 30% of the respondents emphasized the simplicity for successful communication during regular team meetings that are necessary for both, sharing of information between the manager and his employees as well as giving feedback for both parties.

Feedback is essential in an entrepreneurial organization. Besides of assessing employees, around 20% of the respondents did especially stress the importance of employees who provide valuable feedback concerning the recent strategies and processes for their manager. The Sales Director of a paper processing company mentioned that employees are often closer to a specific action than their manager and are therefore highly valuable for expressing their opinion and suggestions concerning this specific action.

Constant communication ensures employees as well as managers being kept up to date. It further helps employees to be able to calculate and estimate a risky situation independently. Being up-to-date and well informed about all important daily and future operations gives employees the confidence of having the capability to cope with specific situations, to take the right decision and to take the one or other risk.

4.2 Motivate by extending the employees´ range of tasks

A completely new idea that has not been discussed in literature so far is to assign the employees new tasks or to extend their area of responsibility. A high scope for action and a high degree of responsibility will motivate employees to show highest commitment and engagement when fulfilling their tasks. Delegating responsibility is an effective means to encourage employees to give 100 percent while working on this is a special chance for employees to demonstrate their skills and knowledge. One CEO in the graphical industry and the CEO of BS Energy stress the importance of involving employees whenever it is possible as this makes them feel that they are valuable for the organization and that they are taken seriously. The CEO of a well-known service provider confirmed that employees knowing their importance for the organization are more willing to take risks as they can have greater self-confidence. Objectives and strategies that have been developed together are more convincing for employees as they know the importance of them and have a more accurate idea about how the desired results can be reached and what kind of behavior is therefore necessary.

The Chief Representative of a financial institute mentioned collective thinking for further fostering team spirit within the organization. Team spirit encourages employees to think ahead and to share creative ideas. Different managers asserted that their employees are obliged to think and act proactive and that they are expected to react autonomously or to implement their creative ideas if these seem to be promising for the organization. The already mentioned CEO of a psychological business consultancy knows about the fact that eventually negative consequences are not always calculable and risky behavior can sometimes lead to negative outcomes. However, managers want their employees to take these unique opportunities and do therefore try to involve them in both, daily operations and long-term planning processes.

The importance for managers to show their employees respect and appreciation has been confirmed repeatedly by the respondents. A manager of VW Financial Services talks about his employees as “key to success”. A manager of the mobile phone company Vodafone as well as the CEO in the graphical industry added that a manager has to value his employees for their work. The manager alone is not capable to bear the responsibility for all decisions and actions within the firm. The best way according to the Sales Director of a paper processing firm is therefore to define objectives and to ultimately leave it up to the employees to take the right steps to reach these predefined goals.

An extended area of responsibility or new defined tasks will depict one of the best possibilities to motivate employees and to provide them the necessary self-confident to include risks if needed.

4.3 Provide training

Training as a method to encourage risk-taking in employees has already been discussed in the literature. During the interviews this method has proven to be a valuable method in practice to develop autonomous and proactive thinking as well as risk taking in employees. Around 10% of the interviewed managers mentioned training as an appropriate way to develop the own employees. Employees can participate in internal workshops to develop their professional knowledge and their soft skills.

In addition to this, training will qualify them to recognize risks, to evaluate them and to decide and to react appropriately. Employees need to realize the challenge for themselves and for the whole organizations when facing a risk or when a risky decision has to be taken. Managers should therefore release employees for participating in workshops or training sessions and invest in their capabilities to react adequately in unfamiliar or unpredictable situations. Not all people possess the necessary traits that are needed to overcome risky situations. The manager of VW Financial Services and also other managers have confirmed that employees vary considerably in their handling and behavior in unfamiliar situations. Therefore, the training content and process by which these traits and behaviors have to be learned and acquired depends on the learning process, the personality and the level of desired risk-taking propensity of every employee.

4.4 Financial incentives will stimulate the employees´ effort

Financial incentives in different forms do constitute an alternative action to stimulate employees´ risk propensity. Di Mauro et al (2011) already mentioned employees gaining a variable salary being more open towards risks as they are enticed by a performance-pay component. In practice, a variable compensation system is indeed a prevailing option that encourages employees to deal with unknown or risky situations.

Financial rewards do guarantee and stimulate the employees´ support and inspire them to think ahead and take challenges. According to the Junior CEO of a medium-sized firm near to Düsseldorf, performance related payment is not only applicable for employees in the sales sector but also for employees in various other areas. Employees can be rewarded for increased revenue, for gaining new customers or for innovative ideas. The general prospect of rewards leads employees to take risks and to solve the unknown situation in the best possible way.

Another CEO gave insight into his successful strategy to give his employees a share in the companies´ profit. According to him, profit-sharing means that employees do not only share the profit but also the risks. Employees therefore will consider advantages and disadvantages of their actions beforehand and will take the necessary steps to ensure the short term and long time success of the organization.

Compensation in terms of other benefits will also stimulate the employees´ support. Regardless of whether they have the chance of getting a company car, desired equipment or a bonus in terms of an additional day of vacation – employees will act more autonomously and are highly motivated to fulfill the expectations of the organization.

4.5 Accept risks as a chance for learning

The crucial point for employees being risk averse is obviously their fear of making mistakes or of not being capable to meet the expectations of someone else. Uncertain outcomes or changed processes have already been discussed in literature as main reasons for employees for being reluctant to take risks (Zaleskiewicz, 2001). They normally fear punishment or their own uncertainty in dealing with changed or new situations. The most convenient way for these employees is to stick to old and well-known procedures and processes as things will be under control then.

The problem of fearful employees has also been addressed several times during the interviews. It was therefore interesting and insightful to understand the way how managers deal with the employees´ fear of making mistakes and of losing control in unknown situations. A majority of the interviewed managers admitted that they are aware of their employees´ fear of doing something wrong. However, a manager of DKV Mobility Services and the manager of Vodafone made clear that most of the entrepreneurial leaders do not at all want to blame their employees for not having reacted in a desired way. Quite contrary, in general managers accept mistakes as they are inevitable in a learning process.

This is the decisive point in leading employees in an entrepreneurial way. Managers have to tell and to show their employees that making mistakes is necessary to learn from them. It is the managers´ duty to dispel fear and to eliminate tiredness as this will inhibit proactive thinking and innovative acting. The principal of a service provider agreed that a manager has to be an example for the whole organization. CEO and Co-Founder of another organization supported this opinion by adding that a manager is needed who is willing to take risks and who does not fear any mistakes or uncertain situations.

A manager is responsible for showing this attitude to his employees and to encourage them to act and think in the same way. A manager setting an example for a risk-taking culture within the organization is best suitable to reach the employees´ support.

The already mentioned Sales Director of the paper processing company changed the focus when talking about potential failures due to risky behavior. He did not further talk about necessary precautions for doing anything to prevent any mistakes but instead he did rather focus on how he would behave and react as a manager when mistakes have been occurred. Causes as well as impacts have to be evaluated and discussed openly together without blaming anyone. He further emphasized the learning effect for his employees as well as for himself in the case that a mistake will occur. The Managing Director of an original Finnish company told that his employees should by no means have the feeling that they are left alone when facing a problematic situation.

Several interviewees indicated that they want to assign as much responsibility as possible but that they are nevertheless always present when needed by their employees. The Sales Director of the paper processing firm reinforced that he gives his best to make his employees clear that potential failure or mistakes are understood as an opportunity and that his employees therefore do not need to fear these failures. Managers should name it as their job being forbearing if mistakes occur as these provide chances for the whole organization to learn from them, to improve processes or to restructure operating cycles.

A helpful means for encouraging risk-taking in employees is thus accepting mistakes as a chance for learning. Due to this managerial entrepreneurial attitude employees will learn that it is worth to take risks and this will furthermore foster their motivation.

5. SYNTHESIS

The following conceptual model illustrates the necessary actions for managers to encourage risk-taking in their employees.

In the paragraph above, five main approaches or possible ways have been identified to affect the employees´ openness towards risks. The elaborated model does not only reveal the different possibilities of a manager to stimulate his employees´ risk propensity, it does also indicate why every action fosters risk-taking in employees.

The conceptual model shows five independent variables (the five approaches) connected by arrows and all of them linked to risk taking as the dependant variable (the outcome) placed in the middle of this model. The approaches are connected because they do not have to be seen separately. The best option for a manager would be to consider several or all approaches to ensure that his employees are really open towards taking risks.

A mixture of all approaches does also mean that these possibilities can be implemented at the same time. Depending on the industry and on the organization it can happen that some employees are rather stimulated by financial incentives whereas other managers do especially rely on demonstrating a risk culture. A combination of all approaches is the most reliable way to foster the employees´ willingness towards taking risks.

In the following, the conceptual model will be explained in detail. Hereby, specific actions belonging to the respective approach will be mentioned that depict possible ways to encourage risk-taking in employees.

Continuous communication:

This approach ensures a continuous information exchange between the manager and the employees. The manager provides clarity about the organization´s mission, vision and strategies as well as the goals and objectives for both, the organization and the employees in particular. Regular meetings need to take place to inform employees and to ask for their opinion, ideas, concerns or improvement suggestions. By implementing a meeting once a week for example, employees and manager will communicate regularly and are constantly up to date. Mutual feedback between employees and their manager is necessary to ensure understanding towards the other party's expectations and needs. Only if the communication within a firm is continuous, employees can understand coherences and are able to assess what specific behavior is appropriate and in what kind of situations it is worth to take risks.

Broaden the employees´ range of tasks:

The second way to encourage risk taking in employees is to motivate employees by extending their range of tasks or by delegating responsibility. Job enlargement and job enrichment make employees responsible for fulfilling more tasks and do often lead to more satisfied employees. Employees have to get projects that they like to do and that will challenge them. They have to be convinced by the meaning of the tasks they fulfill and need to recognize the sense of doing something. Job rotation will also be an alternative to prevent boredom and monotony for employees. An employment abroad as a specific form of job rotation further fosters the employees´ intercultural competences, their flexibility and their competences to understand the interrelationships and correlations within the company. A broader or changing range of tasks depicts a challenge for employees and shows them that they are appreciated by their manager. Therefore, they are motivated and self-confident as well as open towards new challenges by accepting and taking risks.

Providing training:

Training includes a variety of possibilities to develop employees. IT training, language courses, personal development or stress management are some motives to offer the employees a training possibility. Training on the job improves the employees´ skills to fulfill their actual tasks and with the help of workshops or individual training methods employees do also acquire the necessary capabilities that are needed to recognize and evaluate risks. Training is further useful to give employees an idea of how to decide and react appropriately when they face an unknown and eventually uncertain situation.

Give financial incentives:

Financial rewards and incentives motivate employees to fulfill their tasks as well as possible. Financial rewards such as bonuses, commissions, profit-sharing or stock options represent an influential motivational factor that often leads to the managers´ desired outcome by employees.

Demonstrate a risk culture:

It has become obvious that fear inhibits entrepreneurial behavior of employees and prevents them to take risks in important situations. To overcome this problem, the manager has to spread and set an example for a risk-culture within the organization. Mistakes have to be seen as a chance for learning and employees have to be motivated to act confident by accepting challenges and taking risks. Employees should have nothing to fear as long as they behave conscientiously and trustworthily. Managers backing their employees in difficult situations will be remunerated with forward-looking employees, ready to take risks that are promising for the success of the organization.

The five approaches do partly overlap. A manager setting an example for a risk-culture within the organization needs simultaneously to communicate this appropriately. This will also often bring along an extended area of responsibility for employees. It further depends on the organization and the employees if it is necessary to provide the employees training opportunities or if it lasts out to offer them a financial incentive to achieve a certain behavior. It does probably occur frequently that within a single entrepreneurial organization some employees will be offered to participate in a training session whereas others are just empowered to fulfill an extended range of tasks. This means, that several or all approaches within an organization are applied but every employee group is treated differently. A manager has to find out on his own what leadership behaviors are the most effective in his company to stimulate his employees´ willingness to take risks.

6. DISCUSSION

In general, it is no excuse to say anymore that entrepreneurial leadership is ineffective as employees are totally risk averse. All approaches that have been discussed so far are useful and promising ways to encourage employees to take risks and all these possibilities have already been proven by managers of different industries to be successful in practice. Some of these approaches have already been discussed superficially in literature, others are new impulses given by managers during their interviews.

The existing literature has rather focused on the necessary personality traits that managers have to show for being a successful entrepreneurial leader. However, the specific leadership behaviors that do especially stimulate risk taking in employees have not been mentioned explicitly and analyzed thoroughly in literature so far and do therefore depict the added value of this paper.

Generally it can be said that managers should strive for two objectives that will ensure the effectiveness of their entrepreneurial leadership style. These two goals are to motivate employees to take risks and to take their fear of running a risky venture. The five approaches that have been identified and discussed with help of the conceptual model do represent some possibilities of how these two goals can be reached.

To start with the first goal of motivating employees to take risks: not only financial incentives do have a motivational character for employees to take risks but also a broader range of tasks that will depict a challenge for them and continuous communication between the employees and their manager. Demanding tasks prevent boredom and monotony in an employees´ task field and do therefore have the same purpose as financial incentives. Both give employees a greater motivation to make every effort to meet the managers´ expectations and to prove themselves to possess all valuable skills to manage a diversity of challenging situations. Communication is also often used for motivating. Managers encourage employees by selecting some proper words and take their time to discuss, explain or solve plans, situations and problems.

The remaining two approaches of providing training and setting an example for a risk culture within the firm do both ensure that the employees´ fear for risks will be eliminated. Training reveals employees the right way to deal with unknown situations, strengthens and develops their skills and capabilities and gives them confidence of having the power to master these situations. Managers living a risk culture have an exemplary function for their employees. Employees noticing the whole organization behaving in an entrepreneurial way are automatically tempted to behave in the same way as they do not fear to be left alone anymore.

Thus a combination of the five discussed approaches will lead to motivated employees that have no fear to take risks and are therefore highly valuable for an entrepreneurial organization.

Of course it is only possible to reveal some more or less general possibilities for encouraging risk taking in employees. Surely one can argue that performance related pay is not possible as outcomes are not measurable or that an extended range of tasks is not desired by some employees. In such a case it will be advisable to make use of at least one other approach that has been mentioned.

Just in case that an employee is definitely not willing to take a risk although this behavior is strongly needed in his specific position a manager should think about restructuring his workforce. Several respondents have argued that some employees wish to be taken on a rather short leash and are totally reluctant to think innovative and take risks. To guarantee the success of an entrepreneurial organization in the long term and to ensure the effectiveness of a consistent entrepreneurial leadership style these employees should take a position where proactivity and risk taking are not required. The crucial job positions where this explicit behavior is asked have to be reserved for employees who are generally open towards taking risks and who can be stimulated by the analyzed five approaches that encourage the employees´ risk-taking propensity even more.

7. LIMITATIONS AND FURTHER RESEARCH

The interviews have been very enlightening to understand the difficulties and possibilities to apply the entrepreneurial leadership style as a manager.

However, several managers talked about other entrepreneurial orientations such as proactive thinking or innovativeness by their employees and did not give a concrete example for encouraging risk taking in them. A lot of results of these entrepreneurial orientations merge into another and often an activity to encourage innovative thinking comes along with also encouraging employees to take risks. Nevertheless, it would have been more accurate only to analyze managers´ behaviors to stimulate risk taking in employees.

Furthermore, the main result of the interviews has been to motivate employees to overcome situations where a risky behavior is needed and just in case that a mistake will occur not to make the employees responsible for this failure. Different managers have agreed not to blame their employees but instead to work with them together and to seek for a solution collectively. However, it will be interesting to see how managers really react and behave in the case that a mistake has actually occurred. Do they really further encourage their employees to take risks and try to find a solution together with them although this mistake has eventually harmed the organization? Or will they maybe change their leadership style or at least their behavior towards these specific employees that are responsible for the mistake?

This would be an interesting point for further research and could also contribute positively to better understand the difficulties and negative consequences of the entrepreneurial leadership style.

8. CONCLUSION

To sum up the results of this current paper a manager has to achieve two goals that will foster his employees´ willingness to take risks: he has to motivate them to see this as a challenge and as a possibility to provide themselves and the whole organization an advantage and he has to take his employees´ fear to take a risky decision.

On the basis of the already existing literature and proven as well as extended by managers of different industries there have been 5 main approaches identified to stimulate the employees´ willingness to take risks. These approaches are to guarantee a continuous communication by regularly information exchange, to broaden the employees´ range of tasks by giving them more responsibility, to provide training by offering workshops or individual training session, to give financial incentives in terms of performance related pay or other benefits and to demonstrate a risk culture by setting an example to be open towards taking risks. A manager that implements a combination of these approaches will definitely have a good chance to encourage his employees to be open towards taking risks in the future.

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