

# **Influence of entrepreneurial orientation on leadership styles**

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**ABSTRACT**, the context of this study is the link between entrepreneurial orientation dimensions and leadership qualities and the effect on the perceived performance of organizations. The dimensions of Entrepreneurial Orientation (Lumpkin & Dess, 1996) are risk-taking, autonomy, innovativeness, competitive aggressiveness, and proactiveness towards opportunities. The aim of this research is to investigate the entrepreneurial orientation in an organizational context. Using a combination of qualitative research and quantitative approach, the research data is gathered by 44 interviews with managers from organizations in The Netherlands and Germany. The theory shows that the transformational leadership style with a high focus on proactiveness and innovativeness contributes to higher overall business performance. The conclusion of my research is that almost all of the managers that were interviewed believe that their leadership style contributes to the economic performance of their organizations, but only less than half of the managers that were interviewed have the right combination of transformational leadership with a high focus on proactiveness and innovativeness. Better educating managers about the theory about entrepreneurial leadership is recommended.

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## **Keywords**

Entrepreneurial leadership, transformational leadership, entrepreneurial orientation, interviews, innovativeness

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*“A good manager does things right. A leader does the right things.”* Unknown

# 1. INTRODUCTION

Entrepreneurial attitudes and entrepreneurial behaviors are high on the agenda of contemporary organizations. Yet, we know little about how such attitudes and behaviors are developed in employees other than via training. In day-to-day work situations, leaders have a strong effect on employees' behavior. Hence, it is interesting to research what specific leadership behaviors encourage the entrepreneurial orientation.

The context of this study is the link between entrepreneurial orientation dimensions and leadership qualities. The Entrepreneurial Orientation dimensions (Lumpkin & Dess, 1996) are risk-taking, autonomy, innovativeness, competitive aggressiveness, and proactiveness towards opportunities.

In order to answer the research question a literature review of related studies will be given in the first part of the thesis. This will be followed by an explanation of the methodology used, analyses, then there will be some room for discussion & the limitations and finally I will draw some conclusions.

Managers have a big influence on the employees and thus on the overall organization. The goal is to look at the dimensions within the theory of Lumpkin & Dess, the Entrepreneurial Orientation Dimensions, and then compare the practice by means of a qualitative study; a number of interviews with managers.

The research question is: *How do entrepreneurial orientation and the leadership style of managers influence the perceived performance of the organization?* This research question will be answered by explaining and describing the entrepreneurial orientation dimensions and entrepreneurial leadership style, looking at empirical results from a small sample of managers, and comparing the theory with the empirical results.

This thesis paper seeks to investigate how the entrepreneurial orientations and leadership are related to each other in organizations and how they affect the perceived organization's performance. The aim of the thesis is to shed light on entrepreneurial orientation in organizations and contribute to the overall academic work, but also to inform organizations. The purpose is to make a qualitative review of the leadership and the entrepreneurial orientation dimensions. The area of research is interesting and the results can be used for further development.

## 2. LITERATURE REVIEW

This literature review sheds some light on entrepreneurship, the different leadership styles and the entrepreneurial orientation dimensions.

### 2.1 Entrepreneurship

Cunningham (1991) made an attempt to define entrepreneurship, but it was clear that much of the reviewed materials were fragmented and not reliable. For example, are small business owners that are self-employed, like the local butcher, the local restaurant and so on, really entrepreneurs? Or is the definition of an entrepreneur only the success story of an individual that started a company and made it so big that he became a multinational? There is no generally accepted definition of what an entrepreneur is. Gartner (1985) explained the term "entrepreneur" as the founder of a new business, or a person who started a new business where there was none before.

But also within an existing organization there can be entrepreneurs. These are the so called intrapreneurs. An intrapreneur is a person within an organization who takes direct

responsibility for an idea and turns this into a finished product through autonomy, risk-taking, innovation, proactiveness and competitive aggressiveness.

Intrapreneurship can take place at both the organizational and individual level (Krauss et al. 2005). More important to my research, is the concept of intrapreneurship at the organizational level; it was conceptualized as "entrepreneurial orientation" by Covin and Slevin (1991) first and further developed by Lumpkin and Dess (1996).

Lumpkin and Dess (1996) explore and refine the dimensions of entrepreneurial orientation. In their paper "Clarifying the entrepreneurial orientation construct and linking it to performance", they define the essential act of entrepreneurship in new entry. New entry is the act of beginning a new venture, either by a start-up firm or through an existing firm (Burgelman, 1983). They wrote their paper on the basis of the aforementioned theory of Covin and Slevin, but also their own research to make a distinction between the concepts of entrepreneurship and entrepreneurial orientation. I will explain more about entrepreneurial orientation later on; first I will explore the concept of leadership.

### 2.2 Leadership

Northouse (2010) and Yukl (2005) define leadership as a process of influence and the ability to inspire between leaders and followers where a leader attempts to influence and or inspire the behavior of subordinates to achieve organizational goals.

The prominent leadership styles in the academic field are the styles from Burns (1978):

1. Transactional leadership
2. Transformational leadership
3. Laissez-faire leadership

The transactional and transformational theories of leadership are developed by Burns (1978) and Bass (1985). Burns identified two types of political leaderships and Bass applied Burns ideas to organizational management. Transactional leadership is mainly focused on rewarding and punishing employees for job and team performance and the bargaining about tasks, targets and responsibilities. So it is often related to direct supervision. Transformational leadership is all about listening to employees, motivating and encouraging your subordinates. And laissez-faire leadership represents the lack of leadership (Boselie 2010).

#### 2.2.1 Transactional leadership

Avolio and Bass (1995) stated that transactional leadership consists of three dimensions. First, the contingent rewards, second, management by active exception and third, management by passive exception. The contingent rewards pertain to leaders clarifying the work that must be done and use of rewards in exchange for good performance. Management by passive exception pertains to leaders intervening only when problems arise and management by active exception pertains to leaders actively monitoring the work of subordinates and making sure that targets are met (Antonakis et al 2003).

Transactional leaders are not looking to change the future process; they are merely keeping order and direct supervision. Keeping the process the same and controlling their subordinates.

#### 2.2.2 Transformational leadership

Avolio and Bass (1997) identified four dimensions for this leadership style. They consist of idealized influence, inspirational motivation, intellectual stimulation and

individualized consideration. Idealized influence; in this dimension the leaders act as role models who are admired, respected and trusted by their subordinates. Leaders with great idealized influence are very likely to take risks. Inspirational motivation pertains to the way leaders motivate and inspire their subordinates to commit to the vision of the organization. Intellectual stimulation pertains to the role of leaders in stimulating innovation and creativity in their subordinates by questioning assumptions and approaching old situations in new ways. Lastly, individualized consideration pertains to leaders paying special attention to each individual subordinate's need for achievement and growth by acting as a coach (Bass & Riggio, 2006).

Transformational leadership focuses on the subordinate's motivation and personal development. With this leadership style it is important to have a clear vision about your teams and the organization. It is important to set challenging goals for your subordinates. At the same time, it is vital to be an example to your followers: having integrity, being committed and hard-working.

### 2.2.3 Laissez-faire leadership

Ronald Goodnight (2004) defined this leadership style quite nicely; laissez-faire leadership may be the best or the worst of the different leadership styles. The French words laissez-faire originally were used for an economic system that functions best when there is no interference by government. This leadership style believes in freedom of choice for the subordinates, leaving them alone so they can do what they want. Boselie (2010) states that laissez-faire leaders have a lack of leadership. They have a lack of vision and control of the daily work. This can potentially have a negative impact on organizational performance.

## 2.3 Entrepreneurial Orientation

Entrepreneurial orientation (EO) is defined by Lumpkin and Dess as "the strategy-making processes, structures and behaviors of organizations characterized by autonomy, risk-taking, innovation, proactiveness and competitive aggressiveness, facilitating the pursuit of opportunities" (Lumpkin and Dess, 1996).

The definitions of the dimensions are given to us first by Covin & Slevin (1991) and in a later stadium Lumpkin & Dess (1996) added two extra dimensions. Covin and Slevin concluded that the entrepreneurial orientations effectively are related to the performance of an organization. Thus this makes it a useful concept to explore.

Dimension	Definition
<b>Autonomy</b>	Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion.
<b>Innovativeness</b>	A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes
<b>Proactiveness</b>	A forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand.
<b>Competitive aggressiveness</b>	An intense effort to outperform industry rivals. It is characterized by a combative posture or an aggressive response aimed at

	improving position or overcoming a threat in a competitive marketplace.
<b>Risk-taking</b>	Making decisions and taking action without certain knowledge of probable outcomes; some undertakings may also involve making substantial resource commitments in the process of venturing forward.

Sources: Covin, J. G., & Slevin, D. P. 1991. A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1): 7-24; Lumpkin, G. T., & Dess, G. G. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1): 135-172; Miller, D. 1983. The correlates of entrepreneurship in three types of firms. *Management Science*, 29: 770-791.

### 2.3.1 Autonomy

To the word autonomy, independent decision-making is adjunct. The stories of the entrepreneurs who had an idea and made a successful business out of it are plentiful. Just to name a few; Bill Gates and Steve Jobs. The concept of autonomy is one of the most important dimensions of entrepreneurial orientation. In an organizational setting this refers to the freedom that an employee of an organization has to take action without bureaucratic constraints. The freedom granted to individuals and teams is needed to stimulate creativity and develop new ideas. Often, the most important employees with a high function within the organization have the most entrepreneurial roles. And by using resources, going outside the normal line of authority, and promoting risk-taking for new ideas they can make promising breakthroughs (Kanter, 1983).

### 2.3.2 Innovativeness

One of the first scholars that emphasized the role of innovation in the entrepreneurial process is Schumpeter (1934). In his paper "Capitalism, socialism and democracy" (1942), he introduced the concept of an economic process of creative destruction: this means that wealth is created when the existing market structures are disrupted by the introduction of new products or services that shift the resources away from existing organizations and cause new organizations to grow. The most important part of this cycle of activity is entrepreneurship; the competitive entry of innovative new organizations that drive the dynamic evolution of the economy (Schumpeter 1942). This way innovativeness became a dimension used to characterize entrepreneurship and one of the most important dimensions of entrepreneurial orientation. Innovations that result from new combinations of production factors are critical to organizations' wealth creating efforts. That means that innovation is linked to successful performance for organizations in all economies (Kluge, Meffert & Stein, 2000) Organizations must be creative to make innovation happen.

### 2.3.3 Risk-taking

Chen (2007) stated that risk taking is the readiness of entrepreneurial leaders to take in uncertainty and take the burden of responsibility for the future. Taking a calculated risk is one of the characteristics of entrepreneurs, especially in the early stages of the entrepreneurship process (Robinson et al. 2006; Zhao et al. 2005). On an organizational level, risk taking pertains to an organization's willingness to seize a venture opportunity even without knowing whether it will fail or succeeds. To get high returns on investments, organizations take such risks like getting high debts, introducing new products into the new found markets and investing in unexplored technologies. There are three types of risk that organizations can face; business risk, financial risk and personal risk. Business risk-taking is about venturing into something

unknown, without knowing the chance of success. Financial risk-taking is about the financial side of risk; money borrowed and return on investments. Personal risk pertains to the risks that managers and executives take for choosing a strategic course of action. (Lumpkin & Dess 2005)

#### 2.3.4 Proactiveness

Proactiveness means acting in advance to deal with things that might cause problems in the future, but also to identify future opportunities and to act upon this. To be one step ahead. For the entrepreneurial dimension it means that one is active in creating new opportunities and anticipating possible threats. Many scholars since Schumpeter have pointed out the importance of initiative in the entrepreneurial process. In some literature, proactiveness and competitive aggressiveness are used interchangeably. This can be explained by the pervasiveness of Covin and Slevin's theory (1991); competitive aggressiveness was later introduced to the orientation dimensions by Lumpkin and Dess in 1996. It is indeed closely related to competitive aggressiveness; the distinction is that proactiveness pertains to how an organization relates to new market opportunities. By showing initiative and acting with opportune influence on trends, demand can be created. Competitive aggressiveness pertains to how organizations relate to competitors and how they respond to trends and demand that are already on the market.

#### 2.3.5 Competitive aggressiveness

Competitive aggressiveness is the organization's tendency to directly challenge its competitors in order to improve their share of the market or to enter the market. As stated before, this dimension is linked to proactiveness, but is not the same. Competitive aggressiveness has several forms. One of the most used forms is lowering prices so the competitors lose market share, but this has a bad effect on the profit of the organization (Venkatraman 1989). The second form is the so called Fast-Follower approach, in which the organization aggressively brings new products to the market. This approach is possible by speeding up the product cycle time (MacMillan & Day 1987).

### 2.4 Entrepreneurial orientations implemented

In his study *"The Relationships Among Leadership styles, Entrepreneurial Orientation, and Business Performance"* Yang (2008) explores the relationships between leadership styles, entrepreneurial orientation, and business performance. The conclusions from this study are that the different leadership styles truly affect the business performance. This study shows that transformational leadership is more related to business performance than transactional leadership and laissez-faire leadership. Furthermore, the study shows that entrepreneurial orientation is positively related to performance and that transformational leadership with higher entrepreneurial orientation can also contribute to higher overall business performance. Also, in a literature review about the relationship between entrepreneurial orientations and firm performance from Xu & Xu (2012) it becomes clear that the entrepreneurial orientation leads to higher performance of organizations. The innovations keep organizations ahead of their competition, enabling them to gain a competitive advantage, which can lead to better financial results. The proactiveness dimension gives the organization the ability to produce new products or services for their market. The higher the readiness of an organization to take risk, the more likely that they will be technologically superior. Hughes and Morgan (2004) concluded in their study that from the five entrepreneurial orientation dimensions only proactiveness and innovativeness have a positive relationship

with the performance of an organization. Risk taking has a negative relationship and competitive aggressiveness & autonomy have no worthwhile value in the performance factor. Thus, looking at the five dimensions that are given for entrepreneurial orientations, we can draw conclusions about the influence of managers on the entrepreneurial leadership at their respective organizations and compare this with their perceived performance of the organization.

The literature (Lumpkin and Dess 1996, Covin and Slevin 1989, Xu and Xu 2012, Yang 2008) suggests that a high degree of entrepreneurial orientation affects the business performance in a positive way. The dimensions of entrepreneurial orientation that appear to contribute the most to high business performance are proactiveness and innovativeness. Risk taking, competitive aggressiveness and autonomy also have some effect but not as significant as the first two. For example, the relationship between risk taking and the performance of an organization is more likely to be affected by other factors such as environmental and industry factors (Krauss 2005). That is why I will focus on proactiveness and innovativeness in my analysis of the entrepreneurial orientation of the interviewed managers.

## 3. METHODOLOGY

### 3.1 Purpose

The purpose of the methodology section of this thesis is to give my fellow colleagues enough information to replicate this study. The research design is used to structure the study and to show how all the parts of this thesis, including type of research, data sample and methods of collection fall together to answer the main research question in the thesis. This thesis paper seeks to investigate how the entrepreneurial orientations and leadership style affect the perceived organization's performance. The aim of the thesis is to shed light on manager's leadership styles related to their perceived organization performance and how this corresponds with the theory. The purpose is to make a qualitative review of the leadership style and the entrepreneurial orientation dimensions and then test it with a statistical test. The area of research is very interesting and can be used for further development.

### 3.2 Research design

For this thesis literature review and empirical research is used; a qualitative approach with interviews to answer the main research question. The qualitative approach is used to gain understanding, to prove insights into the problem and to uncover the why and how. The main reason for choosing the qualitative approach and also the quantitative approach is the limited ability to probe answers given by the participants in a quantitative approach. Qualitative research allows exploring the topic of entrepreneurship more in depth and in detail. With this mixed combination of both methods we can get a deeper analysis and the qualitative data can be tested in a quantitative way. The empirical data is gathered from forty-four participants by means of interviews. Forty-four gives a big N to statistically look at the data. And more than fifteen participants can prove to be sufficient in a qualitative research to understand the experiences and perceptions of the participants.

### 3.3 Data collection

The number of participants and the diversity of the organizations they work for seem to be sufficient for this study's purpose. The units of analysis are entrepreneurs; managers with at least one year of experience in this role and a minimum of three subordinates. The data is collected through face to face interviews with managers of organizations in The Netherlands and Germany. I have interviewed five of the

managers face to face in The Netherlands. The other thirty-nine managers have been interviewed by colleagues that are conducting the same study about entrepreneurial leadership but focus on other aspects of this broad topic. Some of these managers work in Germany. The duration of the conversations varied from thirty minutes to one hour. The interviews were very interesting; the results are discussed in the next section of the thesis.

### 3.4 Measurement

The methodology that is used for this thesis is the critical incident technique for interviews. The critical incident technique consists of a set of procedures for collecting direct observations of human behavior in such a way as to facilitate their potential usefulness in solving practical problems and developing broad psychological principles (Flanagan 1954). The seven stages from Kvale (1996) are used for the interview process. The interview protocol has been created by Dr. M. Ehrenhard and can be found in the appendix. The analysis of the interviews will be done by coding and indexing. I used an online software tool named CATMA 4.1 for this purpose, a tool which is used for fast and clear coding of large amounts of transcript data. After that a Manova test is used to statistically check the data for the variance-covariance between the variables. The variables will be the leadership styles and the different entrepreneurial dimensions. First, the findings will be discussed, and then I will describe the different categories and how they are connected to each other. After this discussion I will interpret the overall results.

### 3.5 Participants

The unit of analysis are the entrepreneurs, see table 1. Babbie (2007) states that a unit of analysis is the what or whom being studied. In this research, the units of analysis are individual managers from different organizations. The results from the interviews are empirical results that can be used to analyze and compare with the existing theories. The sample size was 44 participants with 77% male and 23% female. The age of the participants ranges from 27 to 63 with an average of 43. The total years of experience range from 3 to 44 with an average of 16 years.

### 3.6 Ethical considerations

In qualitative and quantitative studies the privacy of participants is important. In order to guarantee the privacy of the participants, the data collected from the interviews is anonymous.

## 4. FINDINGS

The findings from the interviews are categorized in a couple of concepts. All these variables are related to leadership styles and entrepreneurial orientations. For this qualitative research I will use different propositions to conceptualize the data gained from the interviews. I want to gather if the managers' beliefs about leadership, their actual behavior and its effect on the perceived performance of the organization corresponds with the theory.

The first step is to show the different leadership styles of the participants. The second step will be to look at the entrepreneurial orientation of the managers. The third step will be to link entrepreneurial orientations with the leadership styles and the last step is to link it with the managers' perceived performance of their respective organizations.

### 4.1 Leadership

The respondents have different views when it comes to entrepreneurial leadership. Before I zoom in on the different

leadership styles I want to illustrate the different views that come forward from the interviews.

Some view entrepreneurial leadership as "having a share in the company and with that receiving a part of the profit of the company". Also, being proactive toward your employees and giving them a lot of responsibility for the well-being of the company. Lastly, with entrepreneurial leadership you are in close contact with your employees; you try to motivate them and to treat them as equals. But it also means knowing when to act directive when there is a situation that needs to be dealt with.

Respondent 2 states that entrepreneurial leadership is giving his subordinates the idea that they are the owner of the company. This way he motivates his employees to see the performance of the company as very important, hence when the company makes a good profit, the employees profit. But he works in the social services sector and making a profit is not the most important aspect of this business. The care of his clients is the most important aspect. Yet, he feels that he can use this strategy to motivate his employees. Respondent 5 feels that entrepreneurial leadership is showing his subordinates that they have the responsibility to be proactive in their work. When problems occur the employees should try to solve it by themselves without calling on their managers. It means acting upon the responsibility that is given to them so that they can evolve as people. Respondent 6 has the motto "do what you want" towards his subordinates. This is important: to give people the choice to participate and to do their work in their own way. This way the subordinates can express their own authentic view on the work and be creative. Respondent 14 explains that you have to project your own entrepreneurial characteristics on to your employees; this is the meaning of entrepreneurial leadership according to him. He wants his subordinates to take risks so that they can be more responsible for their jobs and develop their skills in order to be better at their jobs. Most of the managers are familiar with the different leadership styles. They also know that leadership is a process of influence and the ability to inspire between leaders and followers where a leader attempts to influence and or inspire the behavior of subordinates to achieve the organizational goals.

#### 4.1.1 Leadership styles

The findings about the leadership style are divided in four sub categories. The first one is transactional leadership (TAL), the second one is transformational leadership (TRF), the third a combination of transactional & transformational leadership (TAL + TRF) and the last one is Laissez-Faire leadership (LFL).

#### 4.1.2 Transactional leadership (TAL)

The interviews show clearly how the different managers work and I have set criteria for each category and assigned all the 44 participants. The criteria for transactional leadership are: the contingent rewards, second management by active exception and third management by passive exception. Examples of TAL are participants 1 and 3: Respondent 1 is a small business owner in the catering industry; He has 2 years of experience in a managerial position and 18 subordinates. He is 27 years old. The interview shows that he controls his employees in time of crisis and has implemented a contingent's reward, like employee of the month. Respondent 3 is a mechanics manager at an installation company; she has 2 years of experience in a managerial position and 5 subordinates. She is 27 years old.

This mechanics manager acts transactional; intervening only when problems arise and monitoring the work of the subordinates.

#### 4.1.3 Transformational leadership (TRF)

The criteria for transformational leadership are: idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. Examples for TRF are participants 9 and 13: Respondent 9 is a team manager in the ICT sector. He has 23 years of experience in a managerial position and about 9 subordinates. He is 50 years old. This CMO gives advice to other team leaders and also gives them responsibility. Intellectual stimulation is found in the fact that he lets his subordinates free to be creative and gives them the resources to work on a project. Respondent 13 is a manager of a design department. He has 12 years of experience in a managerial position and about 9 subordinates. He is about 40 years old. This manager tries to motivate the subordinates and give them inspiration with his ideas and experience. An important part of his style is the communication with and the individual consideration for his subordinates.

#### 4.1.4 Transactional & Transformational leadership (TAL + TRF)

The criteria for a combination of transactional and transformational leadership are a combination of the aforementioned criteria: The contingent rewards, second management by active exception and third management by active exceptions. But also the idealized influence, inspirational motivation, intellectual stimulation and individualized consideration. This usually signifies a situational leader that acts upon the given situation. Examples from TAL + TRF are participant 10 and 27: Respondent 10 is a director of a small company. He explains his leadership as situational. The interview shows that he looks at what kind of guiding the subordinate in question needs and can switch between the different leadership styles. Respondent 27 is a CEO and has 30 years of experience in a managerial position. He states in the interview that he listens to this employees in a way that will include them in the decision making process. But he is also very stern when it comes to the sales numbers, hence the mixed leadership style.

#### 4.1.5 Laissez-faire leadership style (LFL)

The criteria for a laissez-faire leadership style are: freedom of choice for the subordinates, leaving them alone so they can do what they want. Examples of this leadership style are participants 8 and 33. Respondent 8 is a CEO of a company that works in the jewelry sector. She has 15 years of experience in a managerial position and 4 direct reports. She is 47 years old and the subordinates manage the different smaller teams and sections in the company. This CEO also follows a laissez-faire approach. Because of the structure of the organization, the subordinates bring in their own ideas and money to the projects. This means that they take the risk in the project and therefore are more focused on their work because it is their own project. Respondent 33 is 55 years old. This CEO follows a laissez-faire approach, because he feels that the subordinates are qualified enough to act on their own judgment and he only contributes if they ask his support or opinion.

#### 4.1.6 Results leadership styles

Descriptive statistics show that 11 participants have a transactional leadership style, that is 25 percent of the total (n=44), 20 participants have a transformational leadership style, that is 45 percent of the total, 7 participant have a combination leadership style that consists of transactional and transformational leadership, that is 16 percent of the total and

lastly, 6 participant have a laissez faire approach to the leadership, that is 14 percent of the total.

TAL	TRF	TAL+ TRF	LFL	Total
11 (25%)	20 (45%)	7 (16%)	6 (14%)	44 (100%)

Table 1: Leadership style participants n=44.

## 4.2 Entrepreneurial orientation

The Entrepreneurial orientation (EO) has five dimensions that are summarized in the following way:

- Autonomy (AU): independent actions for subordinations.
- Innovativeness (IN): actions that introduce newness and novelty through experimentation
- Proactiveness (PRO): actions that show forward-looking perspective to seize opportunities
- Competitive aggressiveness (CA): actions that effort to outperform the industry rivals.
- Risk-taking (RT): taking actions and decisions without certain knowledge of probable outcome.

The five dimensions of entrepreneurial orientation are clearly addressed in the interviews. For example, respondent 9 shows how autonomy and risk taking behavior is encouraged. Because of that the creativity of the subordinates will increase. When an employee has a completely new idea the respondent gives him the space and resources to follow this idea, the risk being that the customer does not like the idea and that the resources will be wasted. But if you give enough responsibility to employees, they will not let you down and get results. Respondent 4 gives a great example of competitive aggressiveness. He lets his call center agents contact the competitor to see how they deal with certain situations and afterwards let them analyze the conversation. This way the employee can learn something about the competitor and compete with them. Respondent 5 gives a great example of proactiveness; he gives the employees the chance to develop themselves. He had a project in which he had to set up a lunchroom for his clients. With his guiding, the employees are placed at the right step in the process and they get full responsibility for every aspect of the work. One employee gets the responsibility for is the kitchen, another is in charge of the staffing and so on. This way the employees have to take the opportunities that are given to them. Respondent 7 gives an example of innovation and autonomy. He lets his employees work on projects for themselves and have free reign so they are not bound by old results or his supervision. By doing this, he gets more creative ideas from them and enables them to come up with innovative products or services. Furthermore, his motto towards his subordinates is "be creative and innovative and take responsibility".

#### 4.2.1 Results entrepreneurial orientation

For each respondent all five dimensions have been checked on the basis of the above criteria. When we look at the total group, risk-taking scored the lowest with only 47,7% and proactiveness scored the highest with 75%. Autonomy and innovativeness both scored 65,9% and competitive aggressiveness 50%.

AU	IN	PRO	CA	RT
65,9%	65,9%	75%	50%	47,7%

Table 2: EO dimensions n=44

### 4.3 Entrepreneurial orientation link with leadership styles

A one-way multivariate analysis of variance (MANOVA) was conducted to test that there would be one or more mean differences between leadership styles (transactional, transformational, transactional + transformational, laissez-faire) and entrepreneurial orientations (autonomy, innovativeness, proactiveness, competitive aggressiveness, risk-taking).

There was a statistically significant difference in the leadership style of managers and the entrepreneurial orientation;  $F(15,99) = 3,67$ ,  $P < .0001$ ; Wilk's  $\Lambda = 0.298$ , partial  $\eta^2 .33$ .

	TAL	TRF	TAL+ TRF	LFL	Total
AU	0.27 (0.47)	0.95 (0.22)	0.43 (0.54)	0.67 (0.52)	0.66 (0.48)
IN	0.18 (0.41)	0.90 (0.31)	0.86 (0.38)	0.50 (0.55)	0.66 (0.48)
PRO	0.73 (0.47)	0.65 (0.49)	0.86 (0.38)	0.67 (0.52)	0.70 (0.46)
CA	0.64 (0.51)	0.45 (0.51)	0.57 (0.54)	0.33 (0.52)	0.50 (0.51)
RT	0.18 (0.41)	0.65 (0.49)	0.29 (0.49)	0.67 (0.52)	0.48 (0.51)

Table 3: Means and standard deviations leadership styles with the entrepreneurial dimensions. N=44

As shown in table 3 we can see that TRF scores highest on autonomy and innovativeness. And not necessary on proactiveness and risk-taking.

A series of post-hoc analyses (Fisher's LSD) were performed to examine individual mean difference comparisons across all four leadership styles and all 5 entrepreneurial dimensions. The results revealed that not all the post-hoc mean were statistically significant ( $p < .05$ ). In the case for autonomy with only TAL ( $p < .001$ ) and TRF ( $p < 0.001$ ) is found significant. For innovativeness TAL ( $p < .001$ ), TRF ( $p < .001$ ) and TAL + TRF ( $p < .005$ ) are significant. For risk taking TAL ( $p < .05$ ) and LF ( $p < .05$ ) were found significant. For the dimensions proactiveness and competitive aggressiveness there was no significant difference found. So this means that the dimensions innovativeness and autonomy are very dependent on the kind of leadership style of the managers. And proactiveness and competitive aggressiveness are not.

### 4.4 Entrepreneurial orientation link with perceived performance of managers

All the managers were asked about their opinion of the effect of their leadership on the economic performance of the organization. Probably not very surprising, almost everyone thought that their leadership has a positive effect. Also, it is a very important aspect to everyone. The managers that work in

the non-profit sector gave answers about the overall performance, like job satisfaction and the well-being of employees.

It is interesting to see to what extent the perceived performance of the organization truly corresponds with the right combination of transformational leadership and a high focus on proactiveness and innovativeness. The analysis shows that this is true for 14 of the managers. These managers state the following:

Respondent 4 states that it is positive. "All my input must be balanced by what the organization gets out of it economically. This is perhaps the most important aspect. So we need to make money on all of the different levels. And I notice that the effect is much stronger when I act in an entrepreneurial way" Respondent 6 states that it does have an effect. "Especially, since we introduced the entrepreneurial behavior in the company the performance improved. But there are certain other factors which do have their influence on it like the global economy". Respondent 7 states: "If I let people be independent they can grow as individuals and so they are more motivated to continue working. As soon as they see more rules they have to follow, the motivation decreases, you can directly see it. So yes, it does have an impact." Respondent 9 states it is a positive effect. "We need to allow people to bring in fresh, new ideas so we are not bound by what other companies do." Respondent 10 states: "Eventually, I want that my type of leadership contributes to the level of effectiveness in the way we do things in the organization. Effectiveness contributes to the economic performance of the firm. So you need to lead the employees in a way that realizes the highest level of effectiveness in performing their jobs."

From the 44 respondents 39 gave a positive answer, that is 88,63 % of the total n. Although these managers seem to understand the theory and put this into practice, the overall conclusion is that the majority of managers have a false perception of the effect of their leadership on the economic performance of their organization.

### 4.5 Outcomes

Some of the concepts of transformational leadership that came out of the coding process of the interviews were responsibility, respect and trust, creativity, flexibility, coaching, enabling and encouraging and innovation. These are the concepts that can make a difference in the managers' leadership towards their employees and with that increase the performance level.

Respondent 10 states: To let my employees be independent, to see what it takes to start a business and to broaden the creative space. They should learn to make own decisions and to solve potential problems themselves. In the end I also wanted them to feel they contributed to the whole since we all developed the vision of the company. So with giving away responsibility as a leader you can receive respect and trust from your subordinates.

Respondent 23 states: I developed myself through a process of doing and learning. With the time, I gave my employees more and more freedom to act and decide on their own. With coaching you can develop yourself as leader but also pass you knowledge to you subordinates.

Respondent 27 states: I lead my employees in the way that they are able to lead themselves. I give them a lot of freedom to act. Of course, sometimes mistakes occur. In such a case, we discuss the mistakes together and are looking for a solution as a team. I don't want my employees to fear being left alone in difficult situations and I try to always being present and

available when they need my help. Together, we try to discover mistakes in time and try to find a suitable solution. This example shows enabling and encouraging of the employees.

Respondent 31 states: We had meetings where I described the advantages in detail. I showed how it could work. By giving the responsibility to the employee he could identify with the new product. Employees are more engaged when they think the way they do their work is developed by them. I try to lead employees in the way that I try to let them think they developed the way of working by themselves.

Respondent 36 states: You should provide your subordinates with flexibility. For example the sales workforce is free in developing their own as I am only giving the deadline. I look my employees up very frequently and ask how they are doing. Once in a week the team comes together and we have a meeting. This example shows the importance as a leader with flexibility and creativity.

Respondent 41 states: I give them time to connect with each other and to discuss valuable insights to work more effective and learn from one another. I give them time to connect with each other and to discuss valuable insights to work more effective and learn from one another. This example shows innovation and creativity are important concepts.

## 4.6 Limitations

The form of the study is rather small, only 44 participants. My ambition was to give the managers that have been interviewed feedback on their leadership style on the basis of the literature. There are also some other limitations about this study; there are some factors that are not further explored. For example, the different organizational sizes, some company are starts ups and only have a couple of employees. Some companies are multinationals and are very large and bureaucratic. This has to be taken into consideration. The second is the different kinds of industries these managers work in. They all have different objectives. For example, from earlier literature it has been concluded that the entrepreneurial orientation was more important with high tech industries than with other industries (Schillo 2011). Lastly, the relationship between the genders of the participants has not been explored in this study; the theory shows that this variable also can be a factor in the outcome.

## 4.7 Discussion & Conclusion

The theory (Yang 2008) shows that of the three different leadership styles, Transformational leadership is the best one for enhancing the economic performance of the company. From the five entrepreneurial orientations the dimensions proactiveness and innovativeness are the two most important factors for enhancing the economic performance of the organization (Hughes et al 2004). So, the transformational leadership style with a high focus on proactiveness and innovativeness contributes to higher overall business performance (Yang 2008, Hughes and Morgan 2004, Covin and Slevin 1989)

This formed the basis for the research question: *How do entrepreneurial orientation and the leadership style of managers influence the perceived performance of the organization?*

Contrary to the theory of Hughes et al (2004) this study shows that the entrepreneurial orientation proactiveness has no significant mean difference for the different leadership styles. The dimension innovativeness does have this statistically significant for all the leadership styles except laissez faire.

I can conclude that according to this study, only autonomy and innovativeness are influenced by the leadership styles of the

managers. Risk taking has only influence for TAL and LFL, and with proactiveness and competitive aggressiveness, no significant difference was found.

I can also conclude that 31,82 % percent of the respondents have a transformational leadership style as well as the two most important dimensions for improving business performance; namely proactiveness and innovativeness. These managers seem to have the right combination for success.

However, the majority of the managers that have been interviewed are not leading their organizations in the most effective way according to the theory, although they seem to think differently. The overall conclusion about the perceived performance is that the majority of managers seem to have a false perception of the effect of their leadership on the performance of their organization.

## 4.8 Recommendations

I would recommend investing in educating managers about the theory so they can truly put entrepreneurial leadership into practice. You can achieve this with managerial training, master classes or online courses and so on.

It is important that managers learn the importance of proactiveness and innovativeness in order to stimulate the performance of the company, and learn about transformational leadership that focuses on inspirational motivation, intellectual stimulation, idealized influence and individualized consideration.

This can be accomplished by focusing on the responsibility of the employees; giving respect and trust to the employees; exploring creativity with the employees; providing good coaching to the employees; and enabling and encouraging the innovation characteristics of the employees.

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