

# **The intersection of entrepreneurship and small business management with leadership: a review of extant contexts**

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## **Debating points for Rencontres 2014:**

1. What needs to be done to ensure entrepreneurial leadership is given greater attention by researchers in both fields?
2. How do we overcome the possibly natural inclination of business owners to resist changes to their leadership approach?
3. Can we overcome the definitional issues that occur in many fields by at least encouraging authors to provide the definition they use in their research?

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<sup>1</sup> As a semi retired academic, I am no longer driven by the “publish or perish” mantra nor am I interested in engaging in detailed research projects that collect and analyse data to prove or disprove hypotheses (although I still maintain an interest in the outcomes of such projects conducted by others). Consequently this paper is written as a “thought piece” – a consideration of ideas presented in an ad hoc selection from a hopefully relevant literature that might help further discourse around the question it examines. In that context it may be useful for readers to understand that I have a limited experience in considering leadership issues and that in the entrepreneurship and small business research domain, my proclivity is toward small business management (especially financial management). Notwithstanding that bias, I attempt in this paper to recognise the fundamental constructs of all disciplines in my considerations.

## **Introduction**

In this paper I explore issues associated with one of the questions posed in the call for papers for the 2014 Rencontres de St-Gall – to what extent can existing leadership models and principles be applied in the field of entrepreneurship and small business management? My interpretation of how to answer this question is to start by attempting to understand the focus of each field and how they might intersect. It is not difficult to conceptualise an intersection between leadership, entrepreneurship and small business management as all are about harnessing and managing resources in organisations. What is difficult to conceptualise, and what is consequently the focus of this paper, is what the nature of the intersection is, especially how embracing is it, and in which direction do influences flow. So rather than deal with the question as put, I have taken a step back and focused on what is and has been happening rather than what can happen and have also made an attempt to look at the other side of the question and the possible application of entrepreneurship models and principles in the leadership field.

To address these issues, the paper starts by setting out a basis for consideration by providing a summary of the current direction of research in the disciplines. I then seek to bring together the findings from these macro level summaries to assess the above questions before also considering the questions by again summarising some of the research that explicitly implies an intersection – the sub discipline of entrepreneurial leadership.

## **Current directions of theory and research in the fields**

### *Entrepreneurship and/or Small Business Management*

An initial consideration before proceeding to evaluate research under this heading is to continue to raise the question that asks if entrepreneurship and small business management is a single discipline or if it constitute two separate disciplines.

Conceptually it can be argued that entrepreneurship and small business management is not a single field. While there are many definitions of the separate fields we can use two examples to highlight the differences. At one extreme, Shane and Venkataraman (2000) depict entrepreneurship in terms of: sources of opportunities; processes of opportunity discovery, evaluation, and exploitation; and the individuals who discover, evaluate, and exploit

opportunities. At the other extreme small business is presented by Wiklund, Patzelt and Shepherd (2009) as a series of hierarchical ontological layers incorporating: mental models and individual capabilities; attitudes of owners; internal functional activities and relationships; the business model (concept/strategy/vision); business to business relationships; and external networks. While there may be an implication of management in the evaluation and exploitation of opportunities associated with entrepreneurship, and while there is an indication that some layers of small business involve consideration of opportunities associated with entrepreneurship these extremes suggest very little overlap. The argument that the fields are separate is supported by Meyer (2011) when he suggests “the SME processes are seldom creative in the same mode as are the most successful and society-changing entrepreneurs” (p.4). At face value it would appear that entrepreneurship and small business management are not the same because they have a different focus and explore different processes although there is some overlap.

However this separation between entrepreneurship and small business management does not seem to be recognised in a significant portion of the academic discourse in the fields. As Gibson and Weaver (2012) note:

... there is still a major confusion in terminology. For example, sometimes when we talk about entrepreneurs we mean the innovative creative drivers of economies and at other times we mean those that own and operate their own business. Sometimes when we talk about entrepreneurship we mean the process by which entrepreneurs bring their identified opportunities to market and at other times we mean the way business owners manage their businesses.

This is consistent with the claim by Wiklund *et al.* (2010) that “anything related to small, young and/or owner-managed firms can be found under the rubric of entrepreneurship” (p.5). Part of this merging of the fields may be simply evolutionary. Tan *et al.* (2009) indicate “the field of small business research has played a unique role in the development of entrepreneurship research” and observe that “emphasis has shifted toward the attributes and strategies that enable small businesses to grow, to contribute to economic value creation, and to flourish at the center of the innovation and technology-based calculus” (p.234). Entrepreneurship (or at least the innovation and opportunity recognition activities associated with the field) has always been included in small business research. Perhaps all that has

happened is that the interest in entrepreneurship has overpowered the interest in other aspects of small business.

So, while there is an apparent difference between the focus of entrepreneurship and the focus of small business management it has become increasingly difficult, and possibly inappropriate, to keep them separate. As an example of this difficulty, Meyer *et al.* (2014) in analysing the entrepreneurship field felt it necessary to use a search strategy that included:

- all papers in the Journal of Business Venturing and journals that carry the string 'entrepren' in their title,
- all papers that have the truncated strings 'entrepren' or 'new venture' in their title, and
- all papers that have as a topic 'entrepreneurship' or a combination of the truncated string 'entrepren' with either spin off, spin out, start up, venture, new firm, NTBF (new technology based firms), SME (small and medium sized enterprises), technology transfer and university-industry (allowing for spelling variations) (p.475).

The latter category clearly subsumes many small business management issues into this conception of entrepreneurship. It would appear that making a distinction between entrepreneurship and small business management is becoming more difficult and less attention is being devoted to any distinction.

Accordingly, for the purpose of the further evaluation in this paper, I take the view that entrepreneurship and small business management need to be considered as a single field of study.

What is clear is that the field of research that encompasses entrepreneurship and small business management has experienced considerable growth over recent decades. As Meyer *et al.* (2014) conclude (using their conception of entrepreneurship to include small business management as indicated above), entrepreneurship was a comparatively small area of research in the early 1990's with less than 100 papers published in the first year of that decade but that level of activity had reached 1,500 by the year 2000 and exceeded 5,000 by the year 2010 (an average annual growth rate of around 12 %). Original publications in the small business management area, while perhaps not voluminous, of course pre-dated the papers Meyer *et al.* (2014) considered by several decades.

Meyer *et al.* (2014) then analyse the papers they identified and suggest the following clusters of entrepreneurship research:

- Cluster A: Cognitive aspects of entrepreneurship (n = 615) that comprises papers that deal primarily with the cognitive aspects of entrepreneurship. These include:
  - how entrepreneurs discern and identify attractive market opportunities;
  - the antecedents of opportunity recognition;
  - probing the motivations to engage in entrepreneurial behaviour;
  - how entrepreneurs make decisions (including considerations of entrepreneurial orientation); and,
  - how researchers measure opportunities and opportunity recognition.

Also considered are issues such as education and start-ups, entrepreneurial society and Universities as entrepreneurial actors.

- Cluster B: Demographic and personality determinants of entrepreneurship (n = 1,027) that comprises papers that deal primarily with the demographic (human capital, social capital) and personality-related determinants of entrepreneurship (gender, psychological perspectives, ethnicity) and explores the role of entrepreneurship in the macro economy, especially from the viewpoint of labor economists. As well, issues of politics, society and entrepreneurship (including social entrepreneurship) are considered.
- Cluster C: Theoretical perspectives on entrepreneurship (n = 715) that comprises primarily conceptual papers that propose different theoretical lenses to study the origins, process and impacts of entrepreneurship. In addition, review papers are included here that address different aspects of entrepreneurship research. This cluster also contains the emergent strand of institutional entrepreneurship research.
- Cluster D: Entrepreneurial and innovation finance (n = 469) that comprises papers that make contributions in entrepreneurial finance (venture capital, business angels, exit strategies, financing instruments), governance issues with regards to new ventures and SMEs, and public policies to support the initiation, nurturing and growth of new ventures and SMEs.
- Cluster E: Eclectic approaches on entrepreneurship (n = 1,188) that comprises papers that deal with a variety of issues, such as the importance of networks, alliances, partnerships for the survival and growth of new ventures and for innovative and financial performance. The cluster also comprises strategy papers that explain how resources and different tactics or strategies might explain superior performance. Furthermore, a number of papers are

included that focus on regional development and internationalization patterns and strategies of new and small ventures. A few governance- related papers are also to be found. Also incorporated are issues associated with entrepreneurial Universities, technology transfer and academic innovation and family firms.

What is evident in these clusters is that there is a diverse variety of areas of interest in the entrepreneurship (including small business management) domain, many of which reflect an increasing attention to context. The dimensions of entrepreneurial context have been identified by Zahra, Wright and Abdelgawad (2014) as:

- Temporal dimension (including issues associated with organizational emergence, evolution and life cycle; entrepreneurial orientation; and, organizational learning)
- Industry and market dimension (including issues associated with competitive strategies; and, sequencing)
- Spatial dimension (including issues associated with geography; physical distance in the digital economy; physical distance and organizational learning; and, regional advantages)
- Social dimension (including issues associated with clusters and industry parks)
- Organizational, ownership and governance dimensions (including issues associated with organizational context; ownership; teams; and, boards)

This contextualisation can, according to Zahra, Wright and Abdelgawad (2014), “improve the quality of future entrepreneurship research” (p.16). This occurs because: scholars become more familiar with the phenomena they are studying and become engrossed in the dynamics that shape context; instead of controlling for contextual variables context becomes part of the story being told as results and descriptions of the setting carry particular meaning and context-specific peculiarities that give events and issues a unique meaning; becoming connected to and engaged with context can lead to bounded propositions, rather than the familiar broad assertions about causal mechanisms; and, encourage researchers to address issues that are relevant while applying rigorous methods that enable the development of well-grounded findings. As Zahra, Wright and Abdelgawad (2014) conclude “phenomena and their explanations are situated in their context, adding richness to theory building” and “meanings and boundaries evolve as research progresses, instead of drawing such boundaries a priori as occurs frequently in current research” (p.16).

The preceding summary suggests several themes in respect of entrepreneurship and small business management research:

- The issue of defining the core concepts in the field is still unresolved although trending towards an acceptance of a common interpretation;
- The volume of research has experienced significant growth over the last two or three decades;
- Although able to be categorised into 5 clusters, the research covers an extremely diverse range of concepts processes and contexts; and,
- A recent emphasis in the research has been a focus on contextual dimensions.

### *Leadership*

Leadership is probably more beset by definitional and focus related problems than the entrepreneurship and small business management domain because it is even more diverse and extends into most aspects of human endeavour and not just organisation. Those that seek to define leadership generally follow one of two approaches (van Wart, 2013): they either use a simple definition that focuses on a single concept (such as innovation, change, charisma); or, adopt a list of concepts that apply in specific contexts (military leaders, sports leaders and perhaps entrepreneurial leaders). According to van Wart (2013) “the literature points out that leaders focus on results, followers, change, and leading systems, albeit with different emphases, as well as leading ethically with principles” (p.561). However, these simplistic approaches hide a significant diversity that is reflected in the attempts of Dinh *et al.* (2014) to categorise research in the area and the identification of around 60 leadership theories grouped into 17 thematic categories (based on an evaluation of 752 papers published in 10 top-tier journals in the field between 2000 and 2012).

Like entrepreneurship, studies of the various aspects of leadership have experienced a significant growth over the last few decades. Using publication in *The Leadership Quarterly* (an acknowledged leading journal in the field) as a guide, the volume of journal pages has grown 75 per cent over the last two decades and 88 per cent in the number of articles (Gardner *et al.*, 2010).

The work by Dinh *et al.* (2014) is informative in identifying the direction of this growing volume of research in the leadership domain and identifies as thematic categories within established theories:

- neo-charismatic theories (identified as associated with 39% of articles<sup>2</sup>);
- leadership and information processing (26%);
- social exchange / relational leadership theories (21%);
- dispositional / trait theories (20%);
- leadership and diversity (11%);
- follower-centric leadership theories (9%);
- behavioural theories (8%);
- contingency theories (7%); and,
- power and influence of leadership(7%).

In respect of emerging theories they identified the thematic categories of:

- strategic leadership (24%);
- team leadership (15%);
- contextual, complexity and systems perspective of leadership (15%);
- leader emergence and development (14%);
- ethical / moral leadership theories (11%);
- leading for creativity, innovation and change (9%);
- identity-based leadership theories (8%); and,
- other nascent approaches (13% including less than 1% identified as entrepreneurial leadership).

This categorization led Dinh *et al.* (2014) to conclude that “leadership researchers are continuing to advance the study of leadership” (p.41). However they also believe the focus has been more about the outcomes of leadership rather than the processes that affect the emergence of these outcomes, identifying in particular, the lack of attention to contextual, team, and overall organizational effects of leadership. Issues the authors raise around these contextual effects include:

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<sup>2</sup> Percentage calculated by frequency of articles categorised divided by total number. Note the categories are not discrete as many articles employ multiple theoretical approaches.



- Processes that are influenced by leaders (including followers, momentary structures such as active identities, and more enduring structures such as goal orientation climate and ethical culture).
- Organizational systems that are continually evolving, creating a more complex picture for understanding how individuals think, feel, and behave in response to changing events.
- Involvement of collaborative team processes, bottom-up follower-based processes, as well as more typical hierarchical, top-down influences (Dinh *et al.*, 2014, p.55).

This process based view challenges the stability and certainty that is typically found within the dominant leader-centric, global, trait-oriented thematic categories that have defined the field (Dinh *et al.*, 2014, p.55). Adopting this contextual and process view will enable, according to Dinh *et al.* (2014), leadership theory to move closer to the outcomes it seeks to explain, a view supported by the suggestion of van Wart (2013) that “although the broad principles of leadership may be relatively timeless, the specific and practical challenges of leadership evolve and change significantly over time” (p.561).

As was the case in the entrepreneurship field, the preceding summary suggests several themes in respect of leadership research:

- There are still unresolved definition issues;
- The volume of research has experienced significant growth over the last two or three decades;
- The research covers an extremely diverse range of concepts processes and contexts (able to be grouped into 17 themes); and,
- A recent emphasis in the research has been a focus on process and contextual dimensions.

### **Intersections of the fields**

#### *General*

There are four common themes in the preceding outline of developments in the entrepreneurship (including small business management) and leadership fields. First, both fields have unresolved definitional issues around core concepts. Second, both fields continue to exhibit significant growth in respect of academic attention to understanding the structures

and processes that explain each phenomenon. Third, both fields cover an extremely diverse range of concepts processes and contexts. Finally, both fields are turning the focus of their attention to consider contextual and process based understandings that incorporate time and space, competitive strategies, and social and organizational dimensions.

Despite these common trends in the way research is conducted, there is, at a macro level of analysis, a seemingly limited intersection of the core activities of the fields. In the Meyer *et al.* (2014) clusters of research in entrepreneurship there is no direct mention of leadership. At best, leadership may be one of the personality determinants identified in Cluster B, or one of the strategy based eclectic approaches grouped in Cluster E. In neither cluster is leadership specifically identified, nor is it identified in the dimensions of entrepreneurial context identified by Zahra, Wright and Abdelgawad (2014). Similarly, of the 17 categories of leadership research identified by Dinh *et al.* (2014), only one mentions concepts that are close to the constructs and processes that define entrepreneurship (the emerging theories of leading for creativity, innovation and change).

At a macro research level, it is therefore difficult to suggest there is any real intersection of the fields that would facilitate in one field the use of models and principles from the other field. In deed Cope, Kempster and Parry (2011) noted “a dearth of research that explores leadership in context generally and in particular within the SME context” (p.271). However, macro perspectives often disguise or hide real activity observable only upon finer investigation. A very crude search in Google Scholar in May 2014 using the search strings “entrep\*” and “leader\*” identifies around 2,500 articles of which around 1,000 are post 2010. Without exploring all of these articles for content and quality, these numbers indicate that there is a growing body of research, often described or defined as entrepreneurial leadership, which may provide greater insight into the potential intersection of the entrepreneurship and leadership fields.

### *Entrepreneurial Leadership*

Entrepreneurial leadership research is “concentrated on exploring the leadership functions of entrepreneurs as well as entrepreneurial functions of organizational leaders based on the common threads and linkages between entrepreneurship and leadership” (Bagheri and Pihie, 2011, p.447) and is characterised by three limiting features (Leitch, McMullan and Harrison, 2013, pp.347-348):

- First, it is atheoretical, drawing variously on the leadership and entrepreneurship literatures, but not using these to articulate a theory of entrepreneurial leadership.
- Second, it does not formally define the concept itself [although it tends to focus on the leadership role performed in entrepreneurial ventures as well as the more general sense of an ‘entrepreneurial’ style of leadership].
- Third, it does not specifically address the implications of organizational scale, that is, the institutional context, on its practice and development. Indeed, much of this research takes as its focus the larger organization.

As an emerging paradigm it is not surprising that these limiting features exist although they have not been ignored as the following examples indicate:

- Fernald, Solomon and Tarabishy (2005) do not provide a formal definition but rather address the intersection of entrepreneurship and leadership from an individual characteristics or behaviours perspective and identify commonality in “vision, problem solving, decision making, risk taking and strategic initiatives (p.3).
- Bagheri and Pihie (2011) suggest such individual similarities can lead to a view of “entrepreneurship as a type of leadership” and the identification of “most of the entrepreneurs’ behaviours as leadership behaviours, though in a particular economic and complex context” (p.448).
- Gupta, MacMillan and Surie (2004) take a broader perspective when they define entrepreneurial leadership as “leadership that creates visionary scenarios that are used to assemble and mobilize a ‘supporting cast’ of participants who become committed by the vision to the discovery and exploitation of strategic value creation” (p.242).
- Jones and Crompton (2009) recognise that entrepreneurial leaders (presumably the practitioners of entrepreneurial leadership) can operate within the context of both large organizations as well as founder-driven organizations and suggest that “entrepreneurial leaders are driven by the desire for organizational excellence which is based on three criteria: constant innovation, care of customers and committed people” (p.232).

Another distinguishing feature is that most of the research has a practice development focus that Bagheri and Pihie (2011) suggest enables entrepreneurs to “take advantage of leadership competencies to cope with the various challenges of new venture creation and thereby increase the probability of their success” and leaders to also “benefit from entrepreneurial

competencies to deal with the highly turbulent and competitive environment of current organizations” (p.449). Cope, Kempster and Parry (2011) also conclude that “the development of a broader repertoire of leadership practice for entrepreneurs is a critical transition that they must be willing and able to embrace” (p.281).

Cope, Kempster and Parry (2011) also identify the barriers to developing improved practice, at least in the context of the use of leadership concepts in entrepreneurial contexts. They identify four reasons that the development of leadership (specifically from their perspective, distributed leadership) in an SME context is problematic:

- First, there has been a dearth of research on entrepreneurial leadership generally, and specifically we are not aware of any exploration of distributed leadership in the SME context.
- Second, leadership is conceived fundamentally as a relational construct and the close leader–follower relationship typical of SMEs has the effect of sustaining a heroic leader–led model.
- Third, within leader–follower relationships, follower expectations do not necessarily seek a distributed approach.
- Finally, in the SME context, the structural limitations of leadership learning restrain the development of the leadership practice of entrepreneurs (Cope, Kempster and Parry, 2011, p.280).

Based on this, admittedly selective, summation of some of the developments in entrepreneurial leadership research it is clear that there is a developing body of knowledge in this sub-discipline that, like both fields at the macro level, has ongoing definitional issues. While it draws on concepts from both fields and offers potential benefits to each field from the recognition of intersecting concepts, it appears to focus more on the application of leadership concepts in entrepreneurial contexts. There is also a strong focus on practical application of findings in entrepreneurial and small firm contexts despite the acknowledgement of problems that could inhibit such application.

## Conclusion

I set out in this paper to provide some points of discussion by attempting to understand the focus of the entrepreneurship and leadership fields and how they might intersect. It is not surprising given that both fields are concerned with management and enterprise that at the macro level there are similarities. Both fields have ongoing definitional problems, enjoy a rapid growth in level of research activity (as measured by publication output), cover an extremely diverse range of concepts and contexts, and are encompassing greater attention to context and processes in relevant research. While it is difficult to find evidence of an intersection incorporating concepts from both fields by taking a macro level overview, there is clearly an intersection when a finer analysis of literature in the entrepreneurial leadership area is taken. While it promises benefits for both fields, the primary direction of this intersection is the practical application of leadership principles in the field of entrepreneurship and small business management.

Apart from providing summaries of relevant aspects of research in the entrepreneurship and small business, leadership, and entrepreneurial leadership fields, this paper provides no answers. Hopefully the summaries are useful in helping researchers to better understand the fields and more importantly the similarities and differences that exist that might enhance or inhibit research that seeks to exploit their intersection. The questions and answers that emerge from this summation of the processes and focal points of the fields will, I hope, emerge in forums such as the Rencontres de St-Gall.

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