An Entrepreneur and a Leader! A Framework Conceptualizing the Influence of Leader Style on a Firm’s Entrepreneurial Orientation-Performance Relationship

WHAT IS THIS RESEARCH ABOUT?

As the world economic environment grows more dynamic, changing at an accelerated rate, today’s companies must become more flexible, adaptive, and entrepreneurial. Entrepreneurial firms operate in a dynamic and often hostile environment and continually strive to be innovative and competitive. In order to succeed in such an environment, they must rely on strong managerial leadership and employee commitment.

Previous research has demonstrated a relationship between entrepreneurial orientation (EO) and organizational performance. In this research, utilizing the resource-based theoretical paradigm, past empirical and theoretical research is synthesized towards a common conceptual framework, which examines the role of charismatic leadership in the EO-Performance relationship. Incorporating previous leadership research on charisma and Machiavellianism, it is proposed that either self-enhancing organizational value of the individuals working at the organization will influence the EO-Performance relationship.

Ultimately this research asks: what role does leadership play in the EO-performance relationship? What role does a charismatic leader promote in employee organizational citizenship behaviour?

WHAT DID THE RESEARCHERS DO?

In this research, Francine Schlosser from the University of Windsor and William Todorovic from Indiana-Purdue University present a conceptual framework that elaborates on the role charismatic (or Machiavellian) leadership styles have on the EO-Performance relationship.

The researchers developed this framework through due process of previous research analysis. Review of previous theory and research suggests a need for a re-conceptualization of EO that considers individual level leader and follower characteristics. They were able to develop a conceptual framework, which demonstrates individual factors shaping the influence of organizational EO-Performance relationships. This framework explains the moderating role of managerial leadership styles and employee outcomes on the EO-Performance relationship.

The researchers were able to combine two levels of analysis and different fields of research to arrive at a more holistic understanding of the entrepreneurial environment.

WHAT DID THE RESEARCHERS FIND?

This paper finds that both leadership and follower behaviour impact amplitude of the EO-Performance relationship. Entrepreneurs are a critical element in the development of Entrepreneurial Orientation, in that their leadership affects and models the individual follower behaviour within the organization.
• The more charismatic managers are perceived to be, the stronger the relationship between entrepreneurial orientation and organizational performance.
• The more charismatic managers are perceived to be, the more employees engage in organizational citizenship behaviours.
• The more employees engage in organizational citizenship behaviours, the stronger the relationship between entrepreneurial orientation and organizational performance.
• The more Machiavellian leaders are perceived to be, the weaker the relationship between entrepreneurial orientation and organizational performance.
• The more employees engage in impression-management tactics, the weaker the relationship between entrepreneurial orientation and organizational performance.

In summary, this paper proposes that leader values, often expressed as charisma and Machiavellianism, and follower characteristics are built upon similar bases of influence tactics. It indicates that a charismatic leader will stimulate positive employee organizational citizenship behaviour, often towards collective and idealistic goals. However, a Machiavellian leader will stimulate negative employee impression management practices, often towards selfish and potentially questionable objectives. Both of these actions further amplify the overall effect of leadership style on the EO-Performance relationship.

HOW CAN YOU USE THIS RESEARCH?

This research can be used by entrepreneurial leaders. Specifically, by understanding the role leadership plays in today’s environment, entrepreneurs will be better able to equip their human resource to achieve their vision of tomorrow.

Entrepreneurs must identify the need to show themselves genuine with their employees and build the leader-follower relationship. By focusing on the significance of the leader-follower relationship, this paper serves to strengthen a proper alignment between the entrepreneur, the employee and the environment.

CITATION


KEYWORDS

Entrepreneur, Framework, Leadership Style, Entrepreneurial Orientation, Performance-Relationship

WHAT YOU NEED TO KNOW

A charismatic leadership style (with resulting organizational citizenship behaviour by the followers) will amplify the EO-Performance relationship, while the Machiavellian leadership style (with corresponding follower behaviour) will reduce the EO-Performance relationship.