UNIT 7: TRANSFORMATIONAL LEADERSHIP AND ENTREPRENEURS - ENTREPRENEURIAL LEADERSHIP

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Entrepreneurial leadership is based on developing a vision and values by which the organisation stands. The vision and values are communicated to stakeholders, leadership is delegated to a management team and self drafted teams. An appropriate culture then sets the scene for the spiritual leader who displays sensitivity for immediate stakeholders as well as the community at large in a spirit of social responsibility.

7.1 LEARNING OBJECTIVES

By the end of this Unit, you should be able to do the following:

1. Explain the concept of entrepreneurial leadership.
2. Assess the importance of Vision and Mission as communicated by the leader.
3. Distinguish between organisational, cognitive and behavioural processes in culture creation.
4. Evaluate the four dimensions of spiritual leadership.
5. Analyse the causes of business failures.
6. Identify the signals of weak entrepreneurial leadership.

7.2 INTRODUCTION

To describe entrepreneurial leadership, Francis Huffman makes the difference between leadership and management in the following ways:

- Leadership deals with people, management deals with things.
- Leadership deals with vision, management deals with logistics towards this vision.
- Leadership deals with doing the right things, management focuses on doing things right.
- Leadership comes first, then management, but both are necessary.
All the above roles of the entrepreneurial leader can be summarised in five elements, that is, having vision and ideas, being able to communicate effectively, creating an appropriate culture, building the management team and achieving spiritual leadership. The above five elements capture both the management and leadership functions of the entrepreneurial leader.

7.3 ENTREPRENEURIAL LEADERSHIP

Holt (2001) describes leaders thus: “leaders are involved emotionally in a venture, think strategically to create opportunities and resolve conceptual, long term problems, and provide the inspiration necessary for sustained momentum”. This profile of behaviour suggests emotion inspiration, intuition, dedication, persistence and vision although management responsibilities cannot be set aside.

Although most authors describe entrepreneurial leaders as team players, one cannot ignore the “heroic” entrepreneur as described by Stokes (1995): “individuals who master the odds stacked against them, single-handedly overcoming traditional barriers until by sheer force of personality, they manage to change what exists and offer the customer the something different that they really wanted all along”. According to the same author, “many will cease after only a few years, as the heroic vision fades”, whereby the importance for leaders to build teams.

7.3.1 Leaders Developing Vision and Mission

A vision is a shared ideal of a desired future state. Vision is that natural leadership quality that is inspirational and charismatic. In general, it is difficult to argue against someone who claims that such an exceptional personal quality is other than inborn. Good visions motivate people. They can be intrinsic, for example, to continuously innovate or they can be extrinsic, for instance, to consistently beat the competition.
While Vision refers to an end, Mission refers to the means to that end, that is, what steps to take to achieve the Vision. Very often the Vision and the Mission are combined in a Mission Statement.

**easyJet Mission Statement**

“To provide our customers with safe, good value, point-to-point air services. To effect and to offer a consistent and reliable product and fares to leisure and business markets on a range of European routes. To achieve this, we will develop our people and establish lasting relationships with our suppliers”.

**Activity 1**

Analyse easyJet’s Mission Statement and identify elements of Vision and Mission. How does the Mission support the Vision?

A Mission Statement normally includes reference to the product/service, customer groups and customer benefits. A generic format has been proposed by Wickham (2001).

*(The company)* aims to use its *(competitive advantage)* to achieve/maintain *(aspirations)* in providing *(product scope)* which offers *(benefits)* to satisfy the *(needs)* of customer scope. In doing this the company will at all times strive to uphold *(values)*.
Activity 2

Attempt to write the Mission Statement of an organisation of your choice using the above generic format.

Having a vision is not sufficient. Leaders must communicate that vision to stakeholders. When they spell the vision, they generate a gap between current reality and the vision which in turn results in a “creative tension” in the whole organisation. Senge (1992) describes how creative tension empowers people to resolve that tension: “Mastering creative tension throughout an organisation leads to a profoundly different view of reality. People literally start to see more and more aspects of reality as something that they collectively, can influence”, that is, bridging the gap between vision and reality.

Birley & Muzyka (2000) on Colin Marshall of British Airways who “never lost sight of the vision and never got dismayed by the gap between where he wanted the company to be and where it really was”.

Successful CEO’s have a clear strategic vision, a strong passion for their organisation and an ability to communicate with others. “They have many of the characteristics of transformational leaders – that is, leaders who provide change and movement in an organisation by providing vision for that change”. (Burns & Bass, 1990).

7.3.2 Building an Entrepreneurial Team

Although investors put tremendous weight on the leadership abilities of an entrepreneur, they will prefer to bet their money on a skilled team rather than an individual working alone. They believe that an exceptional new product positioned in the best possible market segment would not be successful unless the drive of an entrepreneur and the strength of his/her team breathe life into the business.
“Entrepreneurs must meet three important criteria if they want to establish a successful entrepreneurial team”. (Kaplan, 2003).

1. The founder must have the drive, passion and commitment to lead the business.
2. The founder must either have a team or be able to create a team to launch the business.
3. The team must be committed to succeed. The entrepreneur needs a motivated team that can share in his/her vision and complement one another’s skills.

In building a powerful team, the entrepreneur may start by recognising his or her own weakness areas. These can be made for by other team members’ skills sets, for example, an engineer for technology. The leader’s role is to select the team, then to build team cohesion and motivation through consensus building and sharing success. The team shares the same values and is committed to the same goals.

**Mini Case Study**

Management is about communication and listening to people. I believe the people on the ground have the answer. If you can find what the answer is you’ll get a much better solution for the business…. Leadership to me is picking good teams and putting them together. And also putting yourself out for those people in terms of helping them when they’re stuck, finding out what their concerns are, navigating them when they’re stuck, finding out what their concerns are, navigating them through problems. That, to me, is what leadership is about – not doing it yourself, but putting in place people who can do it for you.

(Source: Burns, 2007).

**Activity 3**

Identify the leadership roles in the above Case Study.
7.3.2.1 Organisational Evolution to Team Based Management

In presence of growth opportunities, the founder accepts that size and complexity require delegating authority and empowering employees, drawing on the talents and skills of the entire organisation in a transformation initiative.

In a team environment, managers coach people around them, empowering them to make decisions affecting their work while sharing information. They act as facilitators, providing support and serving the teams while at the same time ensuring they produce results.

The transition from a traditional structure to a team structure is not an easy one. Sometimes both structures have to coexist in a flexible mode. One example is the self-directed team, grouping managers/employees from different functional areas who work together in a unit (e.g. new product development) without outer supervision, performing tasks that once were performed only by managers. They manage themselves, setting their own work schedules, manage their own budgets, hire and fire team members and solve their own problems. The goal is to harness group creativity and synergy to serve customers better.

To ensure team’s success, Scarborough & Zimmerer (2006) prescribe the following for entrepreneurial leaders to accomplish:

- Make sure that teams are appropriate for the company and the nature of the work. For example, the independent and competitive nature of the work of salespersons in Real Estate does not warrant a team approach.
- Give teams specific tasks to accomplish. Teams are effective in challenging tasks where objectives are set and measured.
- Provide adequate support and training to team leaders. Skills required include communications, team building, conflict resolution, negotiation and so on.
- Involve team members in determining how and when their performances will be measured. This gives a sense of direction, ownership and pride in what they are doing.
- Link at least part of pay with team performance so as to motivate team performance
7.3.3 Communicating Effectively

Another major component of transformational leadership is about effectively communicating. It was seen early that it is not sufficient to develop a vision, but also to communicate it to stakeholders. The most formidable task is however to walk the fine line between the chaos involved in encouraging creativity (freedom and empowerment) and maintaining control over the company. Also the daily challenge of balancing profit maximisation with ethical conduct (as seen under ‘spiritual leadership’ later in this unit) by communicating values, beliefs and principles for which the business stands.

Visionary leaders overcome barriers to communication in a number of ways:

- Clarify the message so that the receiver gets to think and do exactly as you wish.
- Face to face communication reduces misunderstanding because it gives non-verbal clues and immediate feedback is possible.
- Being empathetic, that is, putting yourself in the place of the receiver.
- Matching message to audience, for example, avoid technical jargon when communicating with lay-people.
- Encouraging feedback to ensure the right meaning is conveyed.
- Telling the truth about the business, its performance and the factors influencing same build credibility and enhance sense of belonging.

Entrepreneurial leaders know they have to teach and learn continuously. By developing listening skills, they can discover clues about customer needs and demands, both for internal customers (staff) and external customers.

One important aspect of leader-employee communications, which has a tremendous impact in workplace motivation, is the psychological contract. Apart from the formal employment contract, which stipulates hours of work, salary and conditions of service, the psychological contract covers the unwritten and almost subconscious elements of the relationship.
These include on the job issues like the opportunity to use certain “unofficial” skills, the companionship of colleagues, relationships with customers and suppliers and so on. It also includes off the job commitments, for example, family, church, sports club, social work.

Any change in the psychological contract is going to affect the working life of the individual and may result in resistance and demotivation.

It requires spiritual leadership capabilities in using trustful communications with people in order to obtain clues about the ‘subconscious’ issues governing the psychological contract. In the absence of such leadership capabilities, the psychological contract infringement may go unnoticed at the detriment of the organisation.
7.3.4 Culture Creation
Transformational leaders create culture grounded in their basic beliefs, values and assumptions. At the core of these, entrepreneurship values such as creativity, achievement, change and perseverance are fundamental for the success of the organisation.
Bowman & Faulkner (1997) refer to culture as being influenced by organisation processes, cognitive processes and behaviours.

### 7.3.4.1 Organisational Processes
These can influence culture in a number of ways. Hierarchical structures, being rigid, discourage initiative. Team structures encourage creativity and innovation.

Reward systems send the right signal on what is rewarded and what behaviours are pursued – and people behave accordingly.
Leadership and management styles also influence culture as they shape behaviour of people.

Rituals, for example, ‘open’ or ‘closed’ management offices, reserved parkings and so on, say a lot about the organisation.

7.3.4.2 Cognitive Processes
These refer to the shared beliefs, assumptions, values and attitudes of staff. In a view, entrepreneurial firm, they can be developed and later moulded by the distinctive personality of the founder. Training programmes can perpetuate the process.

7.3.4.3 Behaviour
This is what people actually do in an organisation. Culture of an organisation is reflected in behaviour and if such behaviour is rewarded, it is reinforced in others.

In small firms, it is easy to propagate culture ‘by example’ through the entrepreneur personally motivating people to do the right things. As the organisation grows, the founder has to devise other ways to communicate culture to people “Body Shop now sends out a monthly video to all employees giving news of what has been happening, new business initiatives as well as reinforcing the values the firm stands for”. (Burns, 2007).

7.3.5 Spiritual Leadership
In his book *Built to Last*, Jim Collins (1994) asserts that one of the biggest stressors in organisational life is role ambiguity, for example, when people don’t know how their jobs relate to the mission. Organisations go to great lengths to craft these statements, but then ignore them once they are created. Organisations will last only if they support a systematic process to implement and measure these objectives and values.

Making money is one, but not the only driving force of visionary companies. They are also ideology driven and live by their values. “These values are organised by their physical, intellectual, emotional and spiritual characteristics”. (Bellingham & Meek, 2004).
7.3.5.1 Shared Physical Values

- Productivity: Leaders value high performance and productivity, for example, higher speed to market, better quality and value to customers.

- Profitability as a necessary condition for growth. This is done through cost reduction and finding new sources of gain.

7.3.5.2 Shared Intellectual Values

- Employee involvement. Leaders involve people in decision-making, idea generation and problem solving.

- Commitment to excellence. Leaders inculcate a passion for quality and service through encouraging creativity and innovation.

- Learning - There is continuous learning and mistakes are seen as opportunities to learn. New, emerging technologies are sought for.

7.3.5.3 Shared Emotional Values

- Respect – Leaders value people and diversity is seen as a gift. People are treated with dignity and fairly.

- Open Communications – Discussions are honest and direct. Information is shared, confidentiality is respected and people are free to disagree.

- Fairness through an appropriate attribution of responsibility and allocation of resources. Schedules are realistic.

- Teamwork – Leaders promote collaboration among people, sharing common goals, supporting each other. A climate of trust prevails.

All the above has been treated earlier under leadership and management, although not in a holistic approach. Visionary companies should comprise all the above for the organisation to pursue profit and growth motives. However, a fourth dimension should complement the above three dimensions so as to give spiritual leadership (Bellingham & Meek, 2004).
7.3.5.4 **Shared Spiritual Values**

- **Stewardship:** “Healthy” organisations show a sense of responsibility for the environment and make effective use of resources.
  - Budgets are managed thoughtfully.
  - Organisations are mindful of the effect of their actions on the environment.
  - The organisation supports the larger community in which they operate.
  - There is in place a rewards and recognition system, which is congruent with stated values.

- **Interdependence:** There is a “grow and let grow” mentality. Organisations actively look for ways to help stakeholders succeed. These include employees, customers, suppliers and partners and the community at large.

- **Integrity:** The emphasis is on ethical leadership based on honesty, reliability and openness.

**Case Study: Innovation in the Midst of Crisis**

Dr Barry Cohen is the Chief Executive vice President in Charge of Marketing at Parametric Technology (PTC). His experience at Computervision (CV) before it was merged with PTC was particularly soulful because CV suffered inordinate trauma over a 10-year difficult period. Barry had to deliver cold messages in a caring way. Even though the context of the message would be devastating at times, the process was humane and the context respectful. He could never be accused of sugar coating messages.

When PTC bought CV, Barry was the only senior executive to hold a meeting with his employees to tell them the truth.... that the likelihood of being laid off was significant and that they should spend the merger time thinking about what was right for themselves; they should prepare themselves by writing resumés and exploring opportunities. The employee appreciation of Barry’s candor was overblowing. At a time when people were feeling the most fear, they were also feeling a sense of dignity and respect. In the midst of all
Restructuring and downsizing, he innovated by introducing a Health and Healing Program for all employees. The Program included Orientation, Education and Support component.

(Source: Bellingham & Meek, 2004).

**Activity 4**

Analyse the above Case for the four dimensions pertaining to visionary organisations mentioned earlier. Is Cohen a spiritual leader?

### 7.4 BUSINESS FAILURES AND SIGNALS OF WEAK ENTREPRENEURIAL LEADERSHIP

Business failures arising from leadership errors are not uncommon. Bolton & Thompson (2000) give the following reasons:

- Complacency – the entrepreneur loses the important urgency, which once characterised the business.
- A lack of current awareness and strategic thinking.
- Inflexibility and reluctance to abandon the past.
- A focus on growth rather than profitability, for example, acquisitions to increase size instead of shareholder value – too high ambition.
- Inadequate investment to build new core competencies (or failure to innovate continuously).

Common leadership errors, related to the above include the entrepreneur who ‘knows it all’ and fails to look for advice or fails to build a strong team of support managers. Some would-be entrepreneurs begin businesses only with the aim of supporting a particular lifestyle, where immediate status and power may be more important than achievement.
7. 4.1 Signals of Weak Entrepreneurial Leadership

A number of warning signals exist which signify failing entrepreneurship. Bolton & Thompson (2000) mention the following:

1. The single dimension paradox. There is inability to grow the business beyond the initial stages, the initiative running out of steam. The clear focus and drive that got the initiative moving in the first place could be what brings it down – through lack of flexibility in face of change.

2. The business is a so-called “half way house”. An example is a franchise (or something conceptually similar), which is critically dependent upon the engagement of others who may operate outside the business and have shared commitment.

3. The business is impoverished. The business may be run by an ‘incomplete’ team with certain skills missing or the business fails to cope with succession – no succession planning in place.

4. The business is blinkered. There may be too much production orientation (produce more of a standard product at a low cost) instead of a customer orientation (refer to Vision Statement relating to customer).

5. The business is technology-shy. The company cannot make technology related investment decision. When and how much to spend. Investment or expense?

6. The business has become bureaucratic. The company has become bigger and over-reliant on rules and procedures, losing is creative spark.

7. The business has started making too many mistakes. For example ignoring cash shortages, misjudged acquisition or diversification.

7.5 SUMMARY

Entrepreneurial leadership is of the transformational type. Leaders develop vision, communicate effectively, build a management team, create an appropriate culture and display spiritual leadership with marked sensitivity towards immediate stakeholders, the community at large and the natural environment.
7.6 REFERENCES