Entrepreneurial Orientation and Leadership: A Review, Model and Research Agenda

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Abstract:

Although the extant literature indicates that both entrepreneurial orientation and transformational leadership influence firm performance, there is limited literature examining how these two important organisational variables relate to each other, and how they interact to influence firm performance within the context of small businesses. Therefore, the purpose of this paper is to review the extant literature on entrepreneurial orientation, transformational leadership and firm performance and then build a logical framework depicting the interrelationships between transformational leadership, entrepreneurial orientation and organisational effectiveness within the context of small businesses. Specifically, the paper advances a conceptual research framework which explicates some pathways through which leader behaviours influence the firm entrepreneurial orientation and overall firm effectiveness. Finally, the paper outlines a future research agenda for effectively leading entrepreneurial organisations within the small business sector.

Keywords: Leadership, Entrepreneurial Orientation, Small Business, Performance

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Introduction

There has been a growing body of literature on entrepreneurship and leadership with many studies indicating that entrepreneurial behaviour and subsequent performance within firms was a consequence of carefully implemented strategies by managers and employees (Cao, Simsek, & Jansen, 2012; Cogliser & Brigham, 2004; Daily, McDougall, Covin, & Dalton, 2002; Moreno & Cassilass, 2008; Ren & Guo, 2011; Vecchio, 2003). Moreover, there has been a great focus on firms’ entrepreneurial behaviour and how firms leverage policies and practices that provide the basis for their strategic decisions and entrepreneurial actions to attain high performance (Lumpkin & Dess, 1996; Miller, 1983, 2011; Rauch, Wiklund, Lumpkin, & Freese, 2009; Wales, Monsen, & McKelvie, 2011). Indeed, studies investigating this entrepreneurial behaviour, a phenomenon known as entrepreneurial orientation (EO), have found that EO influences learning, information acquisition and utilisation, satisfaction with the firm, global success ratings made by owners or business managers, sales growth and return on investments (Covin, Green, & Slevin, 2006; Keh, Nguyen, & Ng, 2007; Miller, 2011; Rauch et al., 2009; Sapienza, De Clercq, & Sandberg, 2005). Furthermore, firms that have a strong entrepreneurial orientation, where they direct their strategic decisions and practices toward pursuing new opportunities, perform much better when compared to firms that do not adopt an EO (Lumpkin & Dess, 1996; Rauch et al., 2009).

Related to the discussion above, some recent studies indicate that the magnitude of the relationship between EO and performance seems to vary across studies (Rauch et al., 2009). Consequently, several researchers suggest that while EO provides the direction for firms to pursue new opportunities in the marketplace, it was vital to examine the impact of effective leadership on the implementation of EO (Engelen, Gupta, Strenger, & Brette, 2012; Hmieleski, Cole, & Baron, 2012). Further, while the extant literature indicates that EO influences firm performance, there was a need to establish how some organisational antecedents influence EO, and how organisational internal behaviours would act as moderators of the relationship between EO and firm performance (Covin et al., 2006; De Clercq, Dimov, & Thongpapanl, 2010; Green, Covin, & Slevin, 2008; Rutherford & Holt, 2007). Moreover, the recent literature on EO indicated a need to elaborate on various internal influencers of EO (Miller, 2011), especially on the relationship between the managerial resource or leadership and EO (Miller, 2011; Wales et al., 2011).

Since EO provides directions for organisations to pursue new opportunities, it is vital to explore the role of organisational leaders as they implement EO policies and procedures. Surprisingly, only limited literature explains the relationship between leadership and EO, even though the conceptualisation of EO makes it plausible that leadership would impact on the EO of small firms (Bouchard & Basso, 2011; Engelen et al., 2012; Hmieleski et al., 2012).

Thus, it is vital to identify some of the mechanisms through which managers owners maintain strong entrepreneurial orientation over time. Specifically, it is important to theorise the potential pathways through which leadership behaviours and styles of small firm managers would influence a small firm’s entrepreneurial orientation and subsequently, the employees’ entrepreneurial orientation. Having established that that the EO-performance relationship is contingent upon effective leadership (Eddleston, 2008; Engelen et al., 2012; Wales et al., 2011), this conceptual paper has three main goals. First, the current paper will review the existing literature to explicate possible relations between leadership and entrepreneurial orientation. Second, through a conceptual model,
the paper will integrate the literature on leadership and entrepreneurial orientation while proposing some feasible linkages between facets of transformational leadership behaviours and entrepreneurial orientation within small businesses. Subsequently, the paper puts forward several research propositions geared towards advancing our understanding of the linkages between transformational leadership, entrepreneurial orientation and firm performance and effectiveness. Finally, the paper will discuss some key issues and research implications related to the study of leadership, EO and firm performance. In the next section, the paper is situated within the general literature on how leadership and entrepreneurial orientation are vital for small businesses.

Leadership and entrepreneurial behaviour within small businesses

Clearly, the emerging studies recognise the importance of harnessing the existing human capital of a firm as well as developing effective leaders within small to medium-sized enterprises (SMEs) to enable them respond to the turbulent business environment within which they operate (Barrett & Mayson, 2006; Pajo, Coetzer, & Guenole, 2010). Further, as small businesses leverage their human resources to attain sustainable firm performance (Kotey & Folker, 2007; Pajo et al., 2010), more research findings link effective leadership to a firm’s strategic flexibility, firm performance and effectiveness (Engelen et al., 2012; Hmiesleski et al., 2012; Ling, Simsek, Lubatkin, & Veiga, 2008; Yukl, 2013; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008). For example, Eddleston (2008, p. 1055) postulated that a firm’s founder who exhibited transformational leader behaviours would establish a ‘common purpose, identity, and shared sense of destiny among family members that helps to create positive family cultures that embody commitment, stewardship, and strategic flexibility.’ Additionally, Zahra et al. (2008) proposed that a culture of family commitment to the business and a stewardship culture positively influenced strategic flexibility, and that the interaction of the family commitment culture and stewardship culture further enhanced a family firm’s strategic flexibility. Thus, various studies have highlighted the vital role played by leadership in successful entrepreneurial ventures (Cogliser & Brigham, 2004; Vecchio, 2003; Wales et al., 2011).

Notably, the ever-growing literature on EO and leadership seeks to uncover how leadership influences a firm’s innovation capability, risk taking, employees’ proactive behaviours, and how employees adopt entrepreneurial attitudes and behaviours (Engelen et al., 2012; Khan, Tang, & Zhu, 2013; Ling, Simsek, Lubatkin, & Veiga, 2008; Tang & Hull, 2012). Indeed, there is a need to meaningfully integrate existing research findings and then design systematic and extensive research to unpack leadership phenomena within small businesses. Building on from the studies by Eddleston (2008) and Engelen et al. (2012) which were based on larger organisations, this paper will focus on small business. With this in mind, this paper proposes a framework that draws on extant research findings to stimulate future research agenda on leadership and entrepreneurial orientation within small firms. Specifically and as shown in Figure 1, the paper identifies several psychological processes through which leadership and entrepreneurial orientation relate to influence firm performance within small firms. On the basis of Figure 1, this paper focuses on the relationships among leadership, entrepreneurial orientation and firm performance in a bid to provide broad potential research propositions to aid in a more future focused research.
Entrepreneurial orientation and firm performance within small businesses

As originally conceptualised by Miller (1983), EO encompasses a firm’s propensity for risk taking, innovation and proactiveness. Lumpkin and Dess (1996) further refined the EO construct, and added the two components of competitive aggressiveness and autonomy. In explaining the construct, Covin and Slevin (1988, p. 218) describe EO as the extent to which “top managers are inclined to take business related risks, to favour change and innovation in order to obtain a competitive advantage for their firm, and to compete aggressively with other firms’. Dess and Lumpkin (2005, p. 147) conceptualised EO as ‘a frame of mind and perspective about entrepreneurship that are reflected in a firm’s ongoing processes and corporate culture’. Further, Miller (2011, p. 875) clarified that EO encompassed a process or ‘a way in which entrepreneurs behave in creating their “new entry”—be that entry a new firm, a new product or technology, or a new market’. Clearly, EO has its roots in the strategy-making process literature, and has been described as ‘the strategy making processes that provide organisations with a basis for entrepreneurial decisions and actions’ (Rauch et al., 2009, p. 762). Thus, EO encompasses those policies and practices that provide a basis for entrepreneurial decisions and actions, and comprises of strategy-making practices and processes aimed at developing venture opportunities for the firm (Rauch et al., 2009; Wales et al., 2011).

Rauch et al. (2009, p. 763) describe how the five dimensions of EO relate to entrepreneurial behaviour within a firm. The risk taking dimension explains the ability of a firm to take bold actions through ‘venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments’ (p. 763). Innovativeness encompasses the tendency ‘to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes’ (p. 763). The proactiveness dimension focuses on the ‘opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand’ (p. 763). Competitive aggressiveness refers to the ‘intensity of a firm’s effort to outperform rivals and is characterized by a strong offensive posture or aggressive responses to competitive threats’ (p. 763). Lumpkin and Dess (1996) differentiated between competitive aggressiveness (i.e., behaviour aimed at competitors) and proactiveness (i.e., behaviour oriented to taking the initiative towards clients). Finally, the autonomy dimension of EO relates to ‘independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition’ (Rauch et al., 2009, p. 763). This also refers to the entrepreneurial independence when developing and bringing into effect new ideas.

Conceptualised as an organisational construct, several studies have found a strong relationship between EO and firm performance (Rauch et al., 2009; Tang & Hull, 2012; Wales et al., 2011). Notably, initial studies treated EO as a unidimensional concept (Covin & Slevin, 1989), finding that different dimensions of EO related to performance in similar ways. However, recent literature conceptualises EO as multidimensional, countering that the different dimensions of EO could occur in different combinations (Covin et al., 2006), and that each dimension had different and independent impact on firm performance. Additionally, recent research suggests that firms that adapt to the ever changing, turbulent environment through risk taking, innovativeness, and proactiveness are more likely to enjoy sustained growth and profitability (Lumpkin & Dess, 1996). By adopting an EO, firms seek new opportunities and eventually benefit from risk taking, developing
innovative products, and proactively positioning their products that lead to strong firm performance. Indeed, firms that adopt a strong EO perform much better when compared to firms that do not adopt an EO (De Clercq et al., 2010; Kollmann & Stockmann, 2012; Lumpkin & Dess, 1996; Rauch et al., 2009). Thus, a strong EO influences several firm performance indicators including satisfaction with the firm, global success ratings made by owners or business managers, sales growth and return on investments. All in all, findings from recent studies indicate that the magnitude of the relationship between EO and performance seemed to vary across studies, signalling the need to examine the role of other organisational and internal variables.

**Figure 1: Proposed relationship between entrepreneurial orientation, leadership and firm performance**

To better understand the EO-performance relationship, this paper conceptualises EO within the resource dependency theory (Pfeffer & Salancik, 1978) and the resource-based view (Barney, 1991). As suggested in the past literature, examining EO within a framework of those two theories has the potential to help researchers unpack the resources required to sustain EO, the paths through which those resources would be obtained and identify the ‘resources critical to foster a robust entrepreneurial process’ (Miller, 2011, p. 884). Noting that the resources a firm has could influence decision making processes, Miller (2011) urges researchers to explicate the role of the “managerial resource” as a plausible trigger for the different aspects of EO (that is, risk taking, innovation, proactiveness, competitive aggressiveness and autonomy). Accordingly, the managerial resource is viewed as an especially appealing resource since it relates directly to human capital that could influence innovation capability, trigger proactiveness and motivate risk taking within small firms. In
line with earlier research findings that a strong EO was related to firm performance (Lumpkin & Dess, 1996; Runyan, Ge, Dong, & Swinney, 2008; Wiklund & Shepherd, 2003), this paper proposes that a strong EO will enhance various forms of firm performance. It is also plausible to assume that each specific dimension of EO, as depicted in Figure 1, will be positively related to firm performance within small businesses.

First, we postulate that researchers should examine the direct effects of EO on individual, team and organisational performance. Second, we urge researchers to examine how each dimension or facet of EO is related to indicators of firm performance. Thus:

**Propositions 1, 2 and 3: EO will have direct positive effects on firm performance at the individual-, team/work unit-, and organisational levels. Moreover, the individual facets of EO (that is, risk taking, innovativeness, proactiveness, competitive aggressiveness and autonomy) will have direct positive effects on firm performance at the individual-, team/work unit-, and organisational levels.**

In the next section we further integrate the literature on transformational leadership, entrepreneurial orientation and firm performance.

**Linking transformational leadership, entrepreneurial orientation and small firm performance**

Clearly, managerial activities such as information gathering and processing within small firms influence the processes, practices and decision making activities leading to the creation of new ventures (Bouchard & Basso, 2011; Lumpkin & Dess, 1996). Based on the extant literature which describes transformational leadership as an effective form of leadership (Avolio & Bass, 2002, 2004; Bass, 1985; Muchiri, Cooksey, & Walumbwa, 2012; Yukl, 2013), this paper proposes that transformational leaders is best suited to explain the EO-performance relationship within small businesses. Bass and colleagues (Avolio & Bass, 2002, 2004; Bass, 1985) describe transformational leaders as those leaders who behave in ways which achieve superior results by emphasising one or more of four dimensions of transformational leadership.

First, leadership is *idealised* when followers seek to identify with their leaders and emulate them. Indeed, when a leader in a small business displays strong personal values, coupled with infectious charisma, followers are more likely to integrate such characteristics into their own persona, and emulate this moral and ethical stance within inter-personal dealings with co-workers (Zhang et al., 2011). When a leader can be counted on to do the right thing in all situations, this fosters an environment where trust is more likely to be established between the leader, followers, and between dyadic follower relations (Yukl, 2013). Accordingly, transformational leaders will influence both the entrepreneurial attitude orientation and behaviours of their employees, as well as the overall effectiveness of their small business.

Second, leadership *inspires* followers with challenges and persuasion that provide meaning and understanding. Transformational leaders of small businesses would influence entrepreneurial orientation and behaviours of employees through inspiring followers to broaden and elevate their personal performance beyond expectations than what they thought possible. Further, leaders would encourage innovation, strive to create change and create high expectations. In addition, leaders
would arouse team spirit, display enthusiasm and optimism, and involve followers in envisioning attractive and collective future states. Finally, transformational leaders would foster a shared collective identity, encourage strong interpersonal bonds and then clearly communicate expectations that followers must meet to achieve futures states and goals.

Third, leadership is *intellectually stimulating*, expanding the followers’ use of their abilities. Transformational leaders of small businesses would influence entrepreneurial orientation and behaviours of employees through encouraging in-depth intellectual processing, questioning norms, concepts, practices and processes. Furthermore, leaders would encourage their followers to approach old problems in new ways by encouraging and leading change.

Finally, leadership is *individually considerate*, providing the followers with support, mentoring and coaching. Again, as proposed in the existing literature, transformational leaders do influence entrepreneurial orientation and behaviours of employees when they act as mentors, and personalise their interactions with followers by listening effectively, identifying different needs, desires and behaves in ways that demonstrates an acceptance of individual differences. Thus, the leader delegates tasks based on individual ability and qualities (Walumbwa & Hartnell, 2010). Transformational leaders motivate their associates, colleagues, followers, clients and even their bosses to go beyond their individual self-interests for the good of the group, organisation or society.

Research conducted over the years concludes that transformational leadership has significant and positive relations with several important attitudinal and organisational outcomes. For example, transformational leadership has been positively associated with employees’ psychological well-being (Sparks, Faragher, & Cooper 2001; van Dierendonck, Haynes, Borrill, & Stride, 2004), follower work engagement (Zhu, Avolio, & Walumbwa, 2009), and both empowerment and an innovation-supporting climate (Makri & Scandura, 2010; Oke, Munshi, & Walumbwa, 2009; Sarros, Cooper, & Santora, 2008). Extant research also shows that transformational leadership is highly correlated with trust in the leader (Dirks & Skarlicki, 2009), and that several transformational behaviors such as inspirational motivation and individualised consideration have been shown to increase self-efficacy of individual subordinates as well as the collective efficacy of teams (Walumbwa, Avolio, & Zhu, 2008; Walumbwa, Wang, Lawler, & Shi, 2004). Furthermore, transformational leaders encourage followers not only to perform beyond expectations, but to take greater ownership of their work, while fostering a more salient sense of self-identity (Bass, 1985; Walumbwa et al., 2011). Indeed, transformational leadership expands follower aspirations, motivations, and goals and values by acting as idealised role models displaying high standards of moral and ethical behaviour.

In general, it is envisaged that transformational leaders within small businesses will articulate new visions to motivate their employees, and exhibit high passion and confidence in their beliefs. Moreover, transformational leaders within small businesses will give importance to ethics and values while setting accountable standards in the small firm. It is also anticipated that transformational leaders will inspire followers to transcend self-interest and focus on collective goals, promote their commitment, effort and performance to the organisation (Judge & Piccolo, 2004). Within the context of small businesses, transformational leaders will expand follower aspirations, motivations, and goals and values by acting as an idealized role model displaying high standards of moral and ethical behaviour. Finally, transformational leaders of small firms will encourage their followers not only to perform beyond expectations, but to take greater ownership of their work, and foster a more
salient sense of self-identity (Bass, 1985; Walumbwa, Mayer, Wang, Wang, Workman, & Christensen, 2011). Therefore, there is value in examining how each facet of transformational leadership, as depicted in Figure 1, will be related to firm performance within small businesses. First, it is postulate that researchers should examine the direct effects of transformational leadership on individual, team and organisational performance. Second, this paper urges researchers to examine how each dimension or facet of transformational leadership is related to indicators of firm performance. Thus,

Propositions 4, 5 and 6: Transformational leadership will have direct positive effects on firm performance at the individual-, team/work unit-, and organisational levels. Moreover, the individual facets of transformational leadership (that is, idealised leadership/charisma, inspirational motivation, intellectual stimulation and individualised consideration) will have direct positive effects on firm performance at the individual-, team/work unit-, and organisational levels.

Proposition 7: Transformational leadership will have direct positive effects on entrepreneurial orientation (EO). Moreover, the individual facets of transformational leadership (that is, idealised leadership/charisma, inspirational motivation, intellectual stimulation and individualised consideration) will have direct positive effects on the individual facets of EO (that is, risk taking, innovativeness, proactiveness, competitive aggressiveness and autonomy).

**Transformational leadership as a moderator of the EO-Performance relationship**

In line with the conceptualisation of the contingency theory (Fiedler, 1967) this paper proposes that small firms will attain optimal performance if key organisational variables like EO and effective forms of leadership were aligned correctly. Furthermore, recent studies indicate that the leader’s impact on a small firm’s performance can be direct or mediated by strategy making and other manager- and organisation- dependent variables like information processing activities, organic nature of the organisation, level of decentralisation and formality (Bouchard & Basso, 2011). In some instances, transformational leadership would act as an important moderator for the EO-performance relationship (Engelen et al., 2012), and that the various dimensions of transformational leadership would be related to EO and firm performance. Indeed, the study by Engelen et al. (2012) found that each of the four facets of transformational leadership (that is, articulating a vision, providing an appropriate model, having high performance expectations, and showing supportive leader behaviour) positively affected the relationship between EO and firm performance. Moreover, they found that performance consequences of EO were greater when top management exhibited the highest possible levels of transformational behaviour. In line with that study, the current paper also postulates that in instances of higher transformational leader behaviour, entrepreneurial orientation will have stronger, positive relationship with all indicators of high firm performance whereas the absence of transformational leader behaviour will weaken the relationship between EO and firm performance. Thus, based on the conceptual research framework described in Figure 1, this paper proposes that:

Propositions 8, 9 and 10: Transformational leadership will influence the EO-firm performance at the individual-, team/work unit-, and organisational levels such that the influence of EO on performance is strongest when firm leaders exhibit transformational leadership. On the other hand, the
relationship between EO and firm performance is weak in the absence of transformational leadership.

Conclusions and future research directions

Having examined the extant literature on EO, transformational leadership and firm performance, it is clear that leadership influences entrepreneurial behaviour and outcomes in both large and small firms (Cao et al., 2012; Daily et al., 2002; Gupta, MacMillan, & Surie, 2004; Jensen & Luthans, 2006; Miller, 2011; Ren & Guo, 2011; Wales et al., 2011). This article builds on the extant literature regarding how small business owners exhibiting a strong entrepreneurial orientation perform better than firms that do not (Covin & Slevin, 1991; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007; Zahra & Covin, 1995), and why effective leadership influences entrepreneurial behaviour (Kuratko & Hodgetts, 2007). In the case of small businesses, this paper proposes that commensurate with the size and /or structure of the business, transformational leaders have to exhibit the four dimensions of idealised leadership/ charisma, inspirational motivation, intellectual stimulation and individualised consideration for them to be able to influence EO and firm performance.

In order to unpack the complex relationship between leadership, entrepreneurial orientation and firm performance, this paper urges researchers to engage in a more in-depth conceptualisation of relationships among entrepreneurial orientation, leadership and firm performance. The current review of the extant literature on EO and leadership, and the subsequent conceptual research framework are all attempts to try and explain some potential pathways through which transformational leadership and entrepreneurial orientation influence firm performance within small businesses. The emerging research propositions are based on the conceptual framework and are geared towards explicating the role played by organisational leaders as they implement EO policies and procedures. In some ways, the conceptual research framework attempts to explain plausible direct and indirect pathways through which leadership influences both EO and firm performance. Indeed, the paper extends the extant literature by proposing some of the mechanisms through which managers owners maintain strong entrepreneurial orientation over time. In a sense, the paper provides a conceptual background for researchers of leadership and entrepreneurial orientation on which to build on when researching EO within small businesses. Thus, the paper theorises the potential pathways through which leadership behaviours and styles of small firm managers would influence a small firm’s entrepreneurial orientation and subsequently, the individual, team and overall firm performance.

This article brings together plausible arguments in relation to why it is vital to examine effective leadership, entrepreneurial orientation and small firm performance within future studies of small businesses. Theoretically, this paper extends our understanding of the possible linkages between transformational leadership, entrepreneurial orientation and small firm performance. Moreover, the paper proposes some pathways through which transformational leadership influences entrepreneurial orientation and small firm performance. Through a comprehensive conceptual model, the current paper proposes that effective leadership matters in the determination of small firm performance whether directly or indirectly. By discussing the moderating role of transformational leadership, the paper proposes some boundary conditions upon which entrepreneurial orientation could be effective or ineffective towards a small firm’s performance. Furthermore, it is imperative that researchers embark on more studies to consolidate the gains.
made in our understanding of how both EO and transformational leadership manifest in small businesses. To ensure the generalisation of findings to more small businesses, there is need for research into more small firms, located in multiple sectors, and with research samples drawn from small public and private sector organisations. Importantly, studies should include under-researched and previously unexplored leadership theories and models such as authentic leadership, ethical leadership and servant leadership within many small firms. Future research should also investigate several leadership theories simultaneously to determine the impact of context on the relationship between effective leadership behaviours, entrepreneurial orientation, and firm performance.

In practical terms, this paper proposes that it is beneficial to develop founders, managers or other employees in positions of authority within small firms so that they exhibit more transformational characteristics (idealised influence, inspirational motivation, individualised consideration and intellectual stimulation) as these lead to better firm performance (Dvir, Eden, Avolio, & Shamir, 2002; Yukl, 2013). Further, the proposed model suggests that it is vital that human resource developers and trainers focus on developing those small business specific aspects of entrepreneurial orientation that would enable firm employees attain set organisational goals. Finally, the conceptual framework should help small business management developers design effective leadership development programs capable of helping leaders adjust their leadership styles to fit specific contextual factors relevant to small firms. This would lead to an optimal interaction of leader behaviours, firm entrepreneurial orientation and organisational context leading to high firm performance.

While this article has attempted to bring together two vital streams of small business research together, the paper proposes the need for a more methodical examination of how other effective leadership behaviours and EO influence the performance and effectiveness of small businesses. Besides examining transformational leadership, there is need to examine other variables that could mediate or moderate the relationship between EO and a firm’s performance, since some studies have proposed the need to explicate those conditions when transformational leadership may or may not be effective within a small firm (Eddleston, 2008). Certainly there is merit in examining how the newer conceptualisations of effective leadership (such as authentic leadership, servant leadership and ethical leadership) impact on the EO and performance of small businesses. For example, examining the relationship between EO and ethical leadership (Brown, Trevino, & Harrison, 2005) could help small firms understand some of the antecedents of ethically suspect behaviours (Kahn et al., 2013), and how entrepreneurs engage in moral reasoning (Teal & Caroll, 1999; Robinson, Davidsson, Mescht, & Court, 2007), ethical decision making and overall moral awareness (Dawson, Breen, & Satyen, 2002). On the other hand, exploring the relationship between EO and authentic leadership (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008) could help small firms understand the value of shared authentic leadership (Hmieleski et al., 2012), and how specific dimensions of authentic leadership impacts the facets that make up entrepreneurial orientation. Moreover, an examination of the relationship between servant leadership (Greenleaf, 1991) and EO would also lead to a better understanding of how these two variables are related.

Notably, the conceptual model that has been put forward in this paper assumes that there is a causal relationship between leadership and EO, where leadership influences EO and firm performance. However, some studies have found that EO mediates the relationship between task environment and performance (Rosenbusch, Rauch, & Bausch, 2013), EO enhances the positive
relationship between knowledge-based resources and performance (Wiklund & Shepherd, 2003) and that EO also explains some managerial processes that are related to how organisations utilise their resources to identify and respond to environmental cues earlier than competitors (Cockburn, Henderson, & Stern, 2000; Wiklund & Shepherd, 2003). Therefore, it is suggested that future research should also examine whether and how EO influences the leadership-performance relationship. Thus, this paper believes there is value in examining the moderating and mediating effects of EO on the relationship between leadership and performance (see also Li, Zhao, Tan, & Liu, 2008). Furthermore, it is important to examine whether every small firm is better off having a as-high-as-possible EO and a leader that is as transformational as possible. This should lead to important considerations in relation to potential trade-offs and conditions where the moderating effect of EO on the leadership-performance relationship might reverse or diminish the proposed consequences.

Related to the research approach, it is also vital that there is a greater use of mixed method approaches when examining the leadership-EO-performance relationship as they provide researchers with grounded basis for the development of new leadership theory while also allowing for the integration of phenomena operating at multiple levels (Creswell & Plano-Clark, 2007; Mumford, Friedrich, Caughron, & Antes, 2008). In conclusion, if one of the outcomes of this paper is to stimulate more methodologically diverse research on EO and various forms of leadership, especially the emerging conceptualisations of authentic leadership servant leadership and ethical leadership, then the paper will have attained a major goal.

References


