

# JOURNAL OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP

*Special Issue on*

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# **JOURNAL OF INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP**

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## PREFACE

Prof. Dr. Ichiro Shiobara

Guest Editor

*Special Issue on "Entrepreneurship Around The World"*

It gives me an immense pleasure to place this special issue of the JOURNAL OF INTERNATIONAL BUSINESS & ENTREPRENEURSHIP into the hands of our esteemed readers. I am grateful to the leadership of the JIBE for providing me this enriching opportunity of acting as a guest editor for this special issue devoted to "ENTREPRENEURSHIP AROUND THE WORLD". I am pretty sure that the readers will find lot of food for thought in the articles that have been carefully selected for this special issue, after a thorough peer reviewing process. I decided to be very selective in accepting articles based on the recommendations of the reviewers, as I intended to provide quality articles representing divergent perspectives on different dimensions of entrepreneurship around the world . It could be possible for me to carry it out only with the help of the colleagues, associates and peers from different parts of the world. I would especially like to record a deep sense of appreciation for the help and support that I got from Professor Dr. Zafar U. Ahmed at all stages of the editing process. My sincere thanks are due to my peers who willingly agreed to act as reviewers.

Most of the books, articles, and research studies in the area of entrepreneurship around the world are confined to the scholarly analysis of the entrepreneurial process, of the traits and characteristics of successful entrepreneurs, guidance on business plans, raising capital, financial projections, venture capital, legal and tax matters, etc. There is another category of scholars and researchers who, out of their excitement, end up confining the discipline of entrepreneurship to motivation and leadership styles, traits, and theories. I don't see a problem either with them or even with those who are churning out literature on "History of Entrepreneurs". But, I hold and support the view that there is a need of concerted efforts on the part of the scholars in the area to examine the multi-dimensional issues of entrepreneurship development from divergent perspectives in order to provide an integrated picture of the discipline rather than



casting reflections, projecting stray thoughts, and coming out with their isolated views, without taking cognizance of strategic implications of entrepreneurial issues.

The success story of Silicon Valley in the United States reveals how universities, governmental agencies, venture capitalists, head hunters and entrepreneurs have joined hands together to create a “unique habitat”, an envy of the globe, that offers an environment fostering the development of new ventures, new industries, new business cultures, and unparalleled growth. It calls for an examination of strategic issues as to how everyone has responded to internal as well as external opportunities and threats.

It is high time for breaking the ground in the area of entrepreneurship research, as there is a great need for a profound research base in order to provide support to the budding entrepreneurs when they strive to enter into business internationally, and to the successful entrepreneurs as they explore virgin and untapped markets. We need research studies to cover the sophisticated topics such as navigating the world of venture capital funding and turning technological innovations into successful market realities, and also at the time to address the political, legal, social, psychological, cultural, and economic dimensions of entrepreneurship problems pertaining to marketing, production & operations, research & development, human resources and finance.

I wish and hope that our business schools and our scholars will respond to the needs of our times, and will play a proactive role in creating an entrepreneurial culture across the globe, for the welfare of the mankind.



**PLACING THE ENTREPRENEUR IN CONTEXT:  
LESSONS FROM THE LEADERSHIP LITERATURE FOR  
ASIA PACIFIC REGION**

Peruvemba S. Jaya  
Matthew H. Roy

**Abstract**

Traditional approaches to the study of entrepreneurship have viewed the entrepreneur in isolation – largely focusing on the traits necessary for success in these endeavors. This paper argues for a more contextual approach to defining and conceptually understanding the dynamics of entrepreneurship. Learning from the rich history of the leadership literature may prove invaluable to understanding the field of entrepreneurship. Specifically, insights from transformational leadership are used to broaden our understanding of entrepreneurship. Lessons for entrepreneurship scholars are highlighted in an attempt to move the field forward efficiently with particular attention given to Asian Pacific entrepreneurs and scholars.

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## INTRODUCTION

The development of the field of entrepreneurship is strikingly close to that of the richly studied field of leadership. Both fields have moved from a search for traits to an understanding of the behavioral aspects of the participants. The leadership field has the benefit of many more years of study and as such is further along in its development. One of the premises of this paper is that we can learn from the successes and failures of leadership scholars to more efficiently develop a comprehensive understanding of entrepreneurship.

Entrepreneurship has been largely examined by detailing the personal characteristics of the entrepreneur (eg. Brockhaus Sr,1980; McClelland,1965),or as a way to understand small business (Hornaday,1990; Filley and Aldag,1980; among others). Most of these approaches have tended to view the entrepreneur as a “lone wolf” without reference to the contextual influences operating. The setting tends to be ignored in the exercise of detailing the personality characteristics of the individual entrepreneur. Earlier, the leadership literature developed along the same lines. Now, scholars studying leadership have redefined the concept taking into consideration the individual’s strengths and weaknesses and the environmental influences operating, through the construct of transformational leadership (Avolio and Bass,1988; Bryman,1992; Pawar and Eastman,1997).

An argument can be made that an entrepreneur is a leader. The strength of this argument lies in an understanding of the context in which an entrepreneur “leads.” Certainly, not all entrepreneurs would be leaders in the maturity or decline stages of a business. Steve Jobs of Apple and Pixar is a good example of an individual who has demonstrated leadership skills in the start-up phase of a business, but has experienced less success once that business has an established means of operation. The central purpose of this paper is to further our understanding of entrepreneurship through the development of a conceptual link between situational leadership and entrepreneurship.

The complexity of the organizational environment, especially in the turbulent settings of the start up phase of the firm, makes it essential that the entrepreneur be in tune with his/her immediate setting. Scholars of transformational leadership have concluded that this style of leadership is suitable in times of turbulence and uncertainty. The

uncertainty of these organizational stages makes re-inventing or transforming the business a necessity. Thus, transformational leadership as an analytical construct may be of great significance in understanding the entrepreneur and his/her context.

In redefining the entrepreneur to include aspects of transformational leadership, we first outline lessons learned from the leadership literature. Next, we review the traditional definitions and approaches to studying entrepreneurship. We then develop a conceptual link between the two and thereby underscore the importance of situational variables in the definition of entrepreneurship. Finally, suggestions for the advancement of entrepreneurship research are discussed.

### **LESSONS FROM ANOTHER FIELD: THE WHO, WHAT, AND WHY OF LEADERSHIP?**

*"Always, it seems, the concept of leadership eludes us or turns up in another form to taunt us again with its slipperiness and complexity. So, we have invented an endless proliferation of terms to deal with it... and still the concept is not sufficiently defined."* [Bennis, 1959, p. 259].

Unfortunately, the assertions of Warren Bennis [1959] made over four decades ago are still accurate today. Leadership as a phenomenon has been defined and redefined in many ways by scholars. Fortunately, there appears to be a consensus forming today – not on the definition, but on the fact that we should halt our quest for definitions and simply study the phenomenon. We will briefly outline approaches to studying leadership as a means of placing the insights from transformational leadership in context.

#### **Trait Approach**

One of the oldest approaches to studying leadership is the trait approach. This approach aims at differentiating leaders from non-leaders on the basis of certain traits that leaders ostensibly possess and non-leaders do not. In his review of 70 years of leadership research, Stodgill (1948, 1974) found that leadership consistently correlated with certain traits, such as intelligence, dominance, self-confidence, energy, activity, and task relevant knowledge. Even aspects of physical appearance were sought to be identified as characteristics of leaders.

In their rather extensive and comprehensive summary of the leadership literature, House and Baetz (1979), called for an approach that aims at looking at cross situational consistent traits:

“While we agree that traits or personality variables alone account for a small amount of behavioral variance, and that the interaction of personality variables and situational variables is a more promising approach to leadership, we speculate that there are certain properties of *all* leadership situations that are present to a significant degree and that there are likely to be somewhat specific traits required in most if not all leadership situations.”(1979, p 352).

Although the trait approach to leadership had its usefulness in providing certain attributes that could be identified with leaders, it nevertheless suffered from the limitation that there were no links provided to the behaviors of leaders and in conjunction with the other actors in the setting. The other problem was the proliferation of identified traits because of the myriad of situations. So, scholars uncovered an almost infinite number of traits, many of which were not generalizable to other situations. Realizing the flaws with this approach, leadership scholars shifted their focus to behavioral and contingency approaches.

### **Behavioral and Contingency Approaches**

In a move away from the trait approaches to understanding leadership, researchers began exploring the behaviors of leaders. Research teams at Ohio State University (Fleishman, 1953; Halpin & Winer, 1957; Hemphill & Coons, 1957) and The University of Michigan (Katz, Maccoby & Morse, 1950; Katz & Kahn, 1952; Katz, Maccoby, Gurin, & Floor, 1951; Likert, 1961, 1967) focused on the identification of relationships among leader behavior, group processes, and measures of group performance. These studies were ground breaking in that they opened the door to thinking of leaders not just as bundles of attributes, but as actors in a social setting. Nevertheless, they still fell short in that they failed to adequately explain the specific behaviors relevant in a particular situation.

The contingency approach to leadership attempts to understand the leader in the context of the situation. Changing behaviors to meet the requirements of the situation is

prescribed. Various conceptual frameworks such as the path goal theory (House, 1971; Evans, 1974), the multiple linkage model (Yukl, 1971, 1981, 1989), and the LPC model (Fiedler, 1964, 1967) were developed. Again, this approach to leadership moved the field forward, but did not answer the sought after questions. In general these theories are limited in their scope because they consider the immediate dyad of leader/follower, or the group, and implications for the organization as such are not discussed.

### **Transactional and Transformational Leadership**

*"The basic question is, what vision do you aspire to?"* (Abraham Maslow, as cited in Hoffmann, 1988: p. 280)

Crucial to the theoretical framework of this paper are the concepts of transactional and transformational leadership. These two constructs emphasize leadership styles, and hence are broader based in their scope than either the situational or contingency approaches. By stressing style, these concepts lend themselves in a powerful manner to being applied to specific contexts in the organization. At the same time, the concepts of transactional and transformational leadership did not emerge in a vacuum. Hence situating these theories in the historical and evolutionary path out of which they grew is necessary to fully comprehend their impact. That is to say, any appreciation for these concepts requires an understanding of the trait and behavioral as well as contingency approaches that preceded them. That being said, one of the premises of this paper is that entrepreneurship scholars need not proceed up the same time consuming learning curve but will be more efficiently guided through a knowledge of the leadership literature.

Transactional leadership has been defined as an exchange of rewards for compliance (Bass, 1985; Burns, 1978). The major components of transactional behavior are contingent reward, and active management by exception. Active management by exception involves monitoring of subordinates and taking corrective action. Another dimension was later added, called passive management by exception (Bass & Avolio, 1990; Yammarino & Bass, 1990). The focus is on the deployment of contingent punishment and corrective action to maintain acceptable performance standards. Bass [1985] considers transactional leadership to be a necessary but not sufficient leadership

condition. Implicit in Bass' [1985] argument is the idea that transformational leadership has immense possibilities, more so than transactional leadership.

In general, a transformational leader is defined as a person who is charismatic and inspirational, as well as one who provides intellectual stimulation and individualized consideration to those being led (Burns, 1978; Bass, 1985). Some scholars have sought to define charisma (1st defined by Weber in 1947) as a separate element, and to distinguish it from the other aspects of transformational leadership. Since this argument is very much undecided, we view charisma as one of the elements of transformational leadership.

Empirical evidence exists for the effectiveness of transformational leadership (Deluga, 1988; Yammarino & Bass, 1990). One study focusing on employees of a manufacturing firm supported the predictions that transformational leadership would be more closely associated with leader effectiveness and employee satisfaction with the leader than transactional leadership (Deluga, 1988). In another study, conducted among US Navy officers, transformational leadership was related more strongly to subordinates' extra effort, satisfaction, and perceptions of officer effectiveness (Yammarino & Bass, 1990).

The central issue is the relationship between transformational leadership and organizational context. The link justifying this theoretical leap of faith can be found with the thinking of the founders of the concept. They propose that this style of leadership is suitable in situations of turbulence and crisis (Conger, Kanungo et al, 1988; Bass, 1985). Transformational leadership has been linked to success in the turbulent environments of the start-up phase of the business. It can also be argued that entrepreneurs by their very nature transform organizational and industrial contexts.

In this paper we propose that a relationship can be seen between transformational leadership and entrepreneurship. In a study of women entrepreneurs, the findings indicated that women entrepreneurs did exhibit a transformational leadership style (Moore & Buttner, 1997). The transformational (Sashkin & Burke, 1990) role model/ visionary (Schein, 1983), and web (Helgesen, 1990) approaches to leadership were seen as inter-correlated leading the authors of the study to identify an interactive leadership style. This is exhibited as greater concern for employees, less attention to

formal power and more to personal power and empowering employees (Rhodes, 2000). *"The analogy of a wheel with a hub depicts the organizational structure of a leader positioned at the center, with the subordinates connected to her as spokes and to each other at the rim. This conveys a collaborative team approach that empowers both employees and clients. Women entrepreneurs often integrate multiple organizational roles and multiple dimensions of their lives, such as balancing home and work, into a leadership role".* (Brush, Wong-Mingji & Sullivan: 1999: 2).

In a discussion of corporate entrepreneurship, entrepreneurs are described as change agents, revolutionary, trying new things and contradicting existing paradigms (Dougherty & Heller, 1994). In the context of the same discussion, successful innovation champions have been compared to transformational leaders who mobilize resources through their network of contacts (Howell & Higgins, 1990).

One of the important aspects of leadership has been described as vision (Collins & Lazier, 1992). Studies of leading companies like IBM, Motorola, Federal Express, Nike, among others, tell stories of key leaders instilling a compelling vision into an organization while the company was still relatively small (Collins & Lazier, 1992). Vision is an aspect of transformational leadership as defined by the creators of the concept (Burns, 1978; Bass, 1985). In a practitioner oriented approach based on extensive experience and ideas from entrepreneurial companies and entrepreneurs, a significant attribute of the 'habitual entrepreneur' has been described as someone who engages the energies of everyone around, and also sustain and maintain networks of relationships, *rather than going it alone*. (McGrath & MacMillan, 2000). As leaders, entrepreneurs need to set an example by their values, beliefs, and behavior. This in turn helps to transform followers' beliefs and actions.

Now, we turn our attention to an examination of research in the field of entrepreneurship.

## **ENTREPRENEURSHIP RESEARCH: HAVE WE MOVED BEYOND THE HUNT FOR THE HEFFALUMP?**

*"The heffalump is a rather large and important animal. He has been hunted by many individuals using various ingenious trapping devices, but no one so far has*



*succeeded in capturing him. All who claim to have caught sight of him report that he is enormous, but they disagree on his particularities.*" (Kilby, p1, 1971).

This quote from one of the early scholars of entrepreneurship, describes the essence of the debate that is still ongoing today. The Hellafump is a character from the ever-popular A. A. Milne's *Winnie -the- Pooh*. The quote underscores the fact that scholarly research into the construct of entrepreneurship has been marked by a lack of consensus. Much like the leadership literature, entrepreneurship scholars are largely bogged down in definitional issues.

### **Definitional Debate**

It has been said that leadership has almost as many definitions as researchers studying the topic (Yulk, 1994). Unfortunately, this is becoming a reality for entrepreneurship too. Researchers define the concept differently which then affects research designs, results, and conclusions.

Hornaday (1990), in an attempt to move beyond the definitional debate, put forth a proposal to develop an alternative typology. Unfortunately, what occurred is a shift in focus to conceptualizing the entrepreneur as a small business owner. Some scholars have emphasized the importance of maintaining the distinction between the small business owner and the entrepreneur (Carland et al, 1984). They argue that this is necessary because, even though there is an overlap between entrepreneurial firms and small business firms, they are different entities. We agree that while the small business owner and the entrepreneur may have similar experiences, the two are not synonymous.

The search for an agreed upon definition may be less fruitful than simply studying the phenomenon. Technological, demographic, cultural, and political/legal forces (i.e. the environment) are changing so rapidly that the entrepreneurial experience may not be definable.

In the next part of the paper, we review the trait and life cycle approaches to studying entrepreneurship.

## **Trait Approach**

Much of the pioneering work has been concerned with defining the entrepreneur in terms of certain definite personality characteristics or traits. The multitude of traits uncovered include the risk-taking propensity (Brockhaus, 1980; Atkinson, 1957; Palmer, 1971; Liles, 1974; Sarachek, 1978), creativity (Sinetar et al, 1985; DeCarlo and Lyons, 1979), and the need for achievement (Cunningham and Lischeron, 1991). The relationship between personality characteristics such as internal locus of control, self-esteem, Machiavellianism, openness to innovation on the one hand and information processing on the other hand has also been the subject of research (Welsch & Young, 1982). The list of traits continues to grow.

In sum, the trait approach has had some limited utility in delimiting the domain of entrepreneur versus non-entrepreneur. It has done little beyond that. A common theme underscoring the trait approach to entrepreneurial research is the assumption of the entrepreneur as a lone wolf existing in a social wilderness. In other words, the emphasis on traits has ended in a portrayal of the entrepreneur as a person existing by himself, and interactions with other members of the enterprise are often ignored.

## **Life Cycle Approach**

Another stream of research attempts to integrate the concept of the life cycle of the firm with the construct of the entrepreneur. In one such endeavor, typologies of organizations are developed according to the patterns of leadership, organizational structure, and environmental adaptiveness (Filley & Aldag, 1980). The attempt is to discuss organizational growth and development as a process, that moves an organization from one generic type to another. An important characteristic in this dynamic is the size of the organization. This typology has been helpful in acknowledging the importance of environmental influences. However, there still remains a need to integrate these influences.

Filley and Aldag (1980) state that organizational leadership defines the domain of the organization, and further state that where standard organizational inputs are required, demands for efficiency are great, and where specified products or services are nonstandard, demands for flexibility are great. The idea of leadership while not

elaborated upon may provide a link to the entrepreneur as a leader. Van de Van, Hudson and Schroeder (1984) investigated the start-up phase in a more rounded manner by placing this phase of the firm's development in the context of the founder, the organization, and the entire industrial milieu. The attempt was to delineate the factors contributing to the successful start-up of a firm. While considering the firm's development in terms of the founder, they crystallize certain key characteristics that are crucial to the design of a start-up. They examine both the organizational and industry level effects, yet there is no attempt to integrate these levels of analysis.

Roy and Elango (2000) link thinking styles to life cycle stages of the firm. They conclude that certain thinking styles are most appropriate in different organizational context. To increase the probability of organizational success, entrepreneurs should become cognizant of their own and others thinking styles and flexibly move in and out of situations based on these.

The life cycle approach has gone a long way toward acknowledging the relationship between individual characteristics and situational constraints at least in terms of firms life cycle. Some studies have attempted to break out of the mold of the trait approach by postulating links to organizational effectiveness (Smith & Gannon, 1987) and management (Olson, 1987). Smith and Gannon conclude that the criteria for organizational effectiveness are likely to change with different stages of organizational growth and development. Olson too states that his focus is on the start up and growth phases of entrepreneurial businesses to identify desirable characteristics of key personnel and organizational design for both phases. Ultimately the attempts of these researchers fall short of their desired results because they use traits as the basis for comparison and analysis. Thus, they fall into the same reductionist trap that they so assiduously set out to avoid. They end up coming out with prescriptive advice on desirable traits for key personnel for each stage of the life-cycle of the firm.

## **CONCLUSIONS: LESSONS FOR ENTREPRENEUR SCHOLARS**

A central argument of this paper is that we can learn much from the long history of leadership research to more efficiently increase our understanding of entrepreneurship. First, there is a need to move beyond the definitional debate. In other words, what is imperative is the need to understand the behaviors that entrepreneurs may exhibit, or

may benefit from exhibiting. What is perhaps even more urgent is the need to situate the entrepreneur in the context in which s/he operates.

In 1988, a lifetime ago for many businesses, Gartner [1988] stated that attempting to answer the question “who is an entrepreneur?” is the wrong approach. The philosophical basis behind answering this question led us to studying the traits of entrepreneurs. Just as the leadership literature made a shift from the trait approach to the behavior that leaders display as a more complete way of examining the complexities of the phenomenon, we too need to focus on entrepreneurial behaviors.

The situational and contingency approaches to entrepreneurship while helping us understand the phenomenon more than the trait approach still fall short. The problem lies in the myriad of situations and the failure of researchers to acknowledge the rapid changes in most entrepreneurial environments. Viewing the entrepreneur as a transformer of situations may be the best way to conceptualize and study the phenomenon of entrepreneurship. This approach not only takes into account individual strengths and situational variables (e.g. follower skills, resources, etc.) but the interaction between all these variables. Maybe most importantly, is the acknowledgement inherent in this approach of the entrepreneurs role in changing her/his context. So, we don't try to “match” the entrepreneur to the situation, but help would be entrepreneurs to understand how they may alter environments to meet their needs.

### **Prescriptions for Scholars – Do's and Don'ts**

Entrepreneurship research is relatively young, but in many ways parallels that of the richly studied field of leadership. There is much we could do to further our knowledge of the entrepreneurship phenomenon. Knowledge of the leadership literature could be useful to help us in avoiding some of the same black holes – years of research without significant insights. In other words, learning from our leadership colleagues may aid entrepreneurship scholars to more efficiently conquer the learning curve. The lessons are simple:

- Stop the quest to define entrepreneurship and focus our attentions on the phenomenon.

- Stop trying to identify traits of successful versus unsuccessful entrepreneurs or entrepreneurs versus non-entrepreneurs.
- Understand that small business ownership and entrepreneurship are not synonymous. The relationship is similar to that between leadership and management. While the two share some characteristics, they also differ on others.
- Study entrepreneurial styles and more specifically attempt to link those to organizational and industry contexts.
- Study the concept of transformational leadership as entrepreneurs by their very nature constantly reinvent situations and therefore the entrepreneurial phenomenon.

### **Implications for Asia-Pacific Region**

Much has been written about recent turbulence in the Asian-Pacific markets. For example, although China has experienced an average growth rate of 8 percent per year since 1978 (Bruton, Lan, Lu, and Yu, 2000), there is still a growing concern about economic volatility. Attitudes of both entrepreneurs and big corporations have changed over the past three or four years. Once viewed as a source of continuous growth, entrepreneurs and venture capitalists now treat Asian-Pacific economic scenarios with some caution. The Asian-Pacific crisis coupled with the dot.com failures has led many new ventures to seek older, and more experienced management heads and refocus their operations on business to business type transactions that tend to be less risky (Bickers, 2000).

Much has been written about the success of network organizations in comparison to larger hierarchical organizing forms across Asia Pacific. Most of this research suggest that entrepreneurs form network based organizations that are more flexible, specialized, and involve fewer resources. Alexander and Alexander (2000) argue that “flexible specialization” is endemic to the culture and will allow entrepreneurs to out compete most conglomerate type structures. Chen (1999) provides evidence of the successes of network based small firms in the Taiwanese textile industry.

One thing is certain – the market in the Asia-Pacific region is turbulent. It is also complex. Although, the macro-economic picture has recently been depressed, it still continues to hold more promise for growth than most of the world. Again, the key for success lies in the entrepreneurs’ ability to deal with confusion, develop a vision,

manage networks of relationships, and provide inspiration to others. This sounds very much like the definition of transformational leadership. Asia Pacific entrepreneurs and scholars of entrepreneurship will greatly benefit from an understanding of transformational entrepreneurship. The idea to only hire “more experienced” executives seems ludicrous. It takes us back to the trait approach to leadership. The idea to provide blanket advice of forming networks or embarking on less risky endeavors like business to business sales is equally as ludicrous. The successful entrepreneurs of the Asia Pacific region will be those who can continuously re-invent themselves and consistently inspire others to “buy” that new invention. They will be transformational leaders.

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