

# Effect of Leadership Styles on Corporate Entrepreneurship: A Critical Literature Review

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## Abstract

The purpose of this systematic literature review paper is to examine the effects of different leadership styles on corporate entrepreneurship and its components. The leadership styles taken into consideration are transformational, temporal, open, charismatic, and positive leadership styles. The present study integrates various theoretical and conceptual dimensions of leadership styles and their influence on corporate entrepreneurship in a new and fresh perspective in the form of critical review and analysis of the same. The findings of this study indicate that the various leadership styles have a substantial impact on corporate entrepreneurship and the factors promoting it. The more positive leadership traits present, the stronger the effect on corporate entrepreneurship.

*Keywords:* Leadership, leadership styles, corporate entrepreneurship (CE), transformational leadership, positive leadership, open leadership, temporal leadership, charismatic leadership.

Entrepreneurship, especially corporate entrepreneurship (CE), has gained tremendous importance in today's era. Due to fierce competition, innovation is irreplaceable. Firms are continuously looking for a change and thereby getting a competitive advantage (Blanka, 2018). In the age of innovation and creativity today, it is essential that companies continually innovate and continue to offer their clients a product that is new and more effective in meeting their ever-dynamic needs. The corporate entrepreneurship idea is currently a well-accepted approach to meet this need for entrepreneurial innovation. Effective leadership is one of the essential criteria for implementing this strategy. This literature review examines the impact of various leadership styles on CE.

Different leadership models have multiple traits that can incubate and promote the various components of corporate entrepreneurship. Knowledge about which qualities encourage CE the most can, in turn, help the organizations to benefit from its advantages.

Corporate entrepreneurship essentially means creating and incubating new ideas and strategies to enhance the profit of an organization, to maintain leadership in the market, or to renew a flat-lining business strategically. Corporate entrepreneurship means making new thoughts and methodologies to improve the profit of a firm, to keep up a leadership position in the market, or to recharge a flatlining business. It constitutes the innovation of existing or creation of a new organization within the existing firm by none other than its employees (Chrisman & Sharma, 1999). The concept of corporate entrepreneurship relates to innovative internal exercises in current companies (Javalgi et al., 2014). These company operations include innovation, new business ventures, self-renewal, proactivity, and risk-taking (Schmelter et al., 2010).

There is no perfect way for corporate entrepreneurship to be implemented. However, three elements allow CE to flourish; people, process, and location.

- People—leaders with a key set of action-oriented skills and behaviors
- Processes—systems and processes that promote business thinking and action
- Place—an atmosphere conducive to

entrepreneurship.

(Corporate Entrepreneurs, 2019, Welcome section, para 8)

Leadership can be defined as the ability to give direction, make the right moves to overcome a business' environmental challenges, to be decisive, and to motivate others to pursue the organizational goals, missions, and vision. Leadership can also be seen as the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion. It plays many essential roles in an organization, including goal setting, organizing, action initiation, coordination, direction, motivation, and linking managers and workers. CEO leadership practices affect vital exercises not just by how they are characterizing and imparting their necessary vision and objectives, yet also how they are preparing and organizing the activities of the top management team (Ling et al., 2008; Peterson et al., 2009; Resick et al., 2009; Waldman & Yammarino, 1999).

A leadership style is the leader's strategy to carry out the roles that leadership demands. Various leadership styles have a massive impact on corporate entrepreneurship (Felix et al., 2019). Some examples are: transformational, temporal, open, positive, and charismatic leadership styles.

The economic environment has become more dynamic than ever. Survival in such a situation depends on management that is flexible, rapid, and creative with their decisions and strategies. Entrepreneurship creates, incubates, and encourages these characteristics and, therefore, has become a widely accepted business practice in the present scenario. Successful and profitable survival of a firm in a financially aggressive environment can be achieved through the implementation and acceptance of entrepreneurship.

Corporate entrepreneurship is a field of interest for social scientists and analysts since the previous decade. Past research works have demonstrated that consistent execution of leadership and human asset management is vital for building and improving corporate entrepreneurship (Fong et al., 2013). From 2000 - 2018, it has been firmly settled that the kind of authority exercised significantly affects corporate entrepreneurship and its components (Reid et al., 2018). As per earlier research, leadership quality and adequacy impact

corporate entrepreneurship to a great extent (Bau & Wagner, 2015). Therefore, to incubate corporate entrepreneurship the focus should be on the type of leadership in the organization. If we know about the pros and cons of different leadership styles, then we can implement the positive techniques and try to curb the negative attributes of leadership and, in turn, enhance innovation and CE. This literature review examines the impact of various leadership styles on CE. Thus we can encourage the traits and activities which support CE and avoid the traits which damage it.

### **Methodology**

This is a critical literature review, and it follows a systematic process:

1. Formulating the research question: The research question and the objectives were formulated on the basis of increasing need for research in corporate entrepreneurship and leadership in the current, dynamic business environment.
2. Searching the extant literature: The search for literature is focused on the prior research works, which are pivotal to the field and the topic.
3. Screening for consideration: After collecting the literature, they were screened for their inclusion and consideration in this particular review. It was done on the basis of their relevance.
4. Analyzing and synthesizing the data: The papers selected for consideration were then finally used for drawing certain conclusions, which include the selection of parameters for further research and finding out research gaps.

### **Literature Review**

This review of the literature presents an overview of the variables involved and the relationship between them. Research gaps have been identified, leading to problem formulation and development of the conceptual framework. A critical approach to the literature review has been adopted to arrive at the research gaps. The research works taken into consideration are selected on the basis

of coverage of our research objective's keywords in the paper. Also, papers listed and published in Scopus, Emerald Insight, Online Wiley Library, and JSTOR are considered.

### **Conceptualization of Corporate Entrepreneurship**

The concept of corporate entrepreneurship was introduced by Peterson and Berger (1971) as a scheme and initiative style to adapt to the growing rate of market instability by big organizations. The research work by Burgelman (1983), and Miller (1983) introduced corporate entrepreneurship as a particular research topic. The concept gained popularity among researchers, especially when Pinchot (1985) coined the term "*intrapreneur*," in his book on intrapreneurship (Christensen, 2004). Data creation and collection on this subject have been happening at a quick pace, and numerous elements have now been recognized from the literature, which can form a basis to hypothetically shape a grounded theory of corporate entrepreneurship (Kuratko & Audretsch, 2013). Corporate entrepreneurship (CE) may contain the vital elements needed for the future sustainability and success of multinational corporations.

Significant components of CE may include Innovativeness, Proactivity, Risk Taking, and Aggressive Competitiveness (see Figure 1).

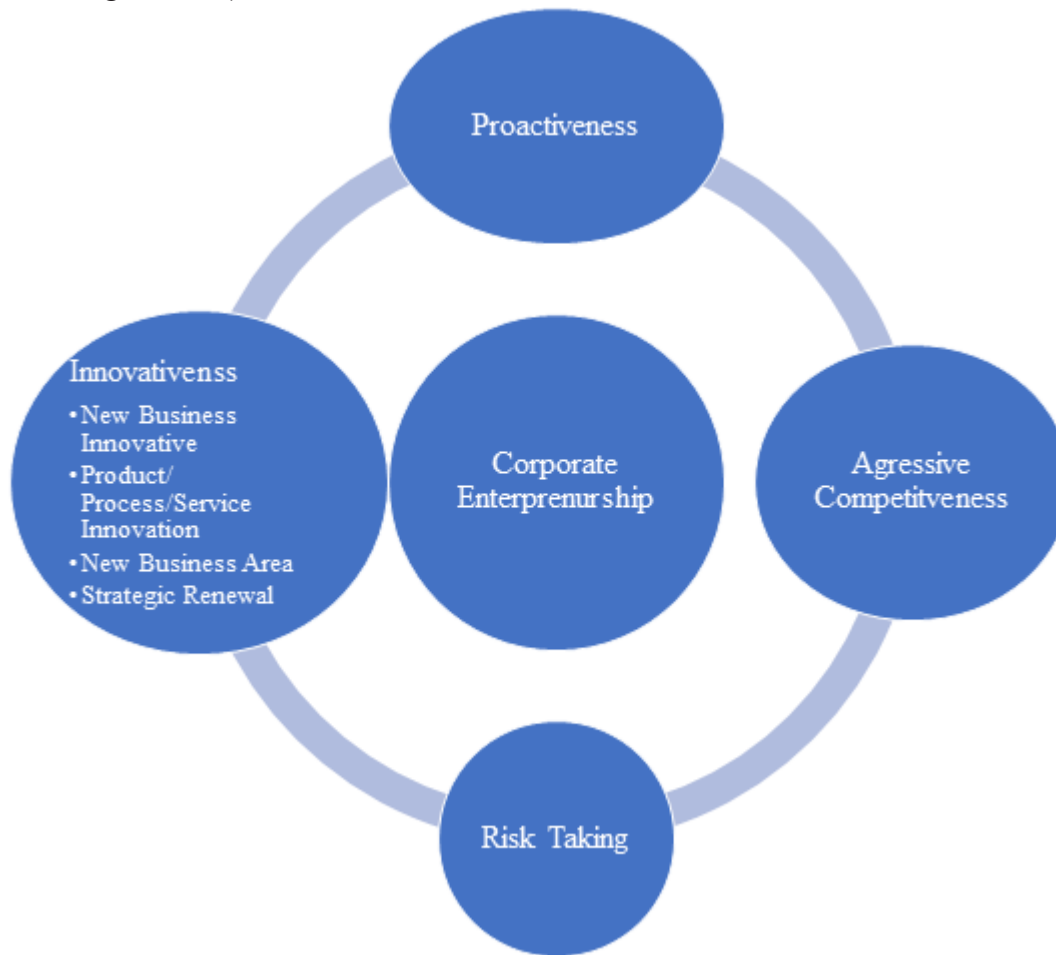
The components of CE, as defined by Ireland et al., (2009) are: 1) the predecessors of CE procedure, 2) the components of CE methodology, and 3) the results of CE strategy.

Corporate entrepreneurship is not just an inclination or intention to innovate but the visible (Sakhdari, 2016) and accountable, innovative acts that are based on the current market situation and competition (Simsek & Heavey, 2011; Dess & Lumpkin, 2005). More or less, the term "Corporate Entrepreneurship" depicts entrepreneurial conduct inside moderately-sized and large firms (Kuratko et al., 2011).

### **Conceptualization of Leadership**

Leadership is one of the most dynamic and complex phenomena which have been researched on an organizational and psychological level (Van Seters & Field, 1990). According to The Oxford English Dictionary (1933), the term "leader"

Figure 1. The Relationship between Corporate Wisdom and Corporate Entrepreneurship (adapted from Ortkepuz & Alagoz, 2017)



was coined in the 1300s. The term “leadership” appeared distinctly since the late 1700s (Stogdill, 1974). However, appropriate scientific research on the subject started after the twentieth century (Bass, 1985). According to Van Seters & Field (1990), the research on leadership has evolved through different eras, namely: The Personality Era, The Influence Era, The Behavior Era, The Situation Era, The Contingency Era, The Transactional Era, The Anti-Leadership Era, The Culture Era, and finally, The Transformational Era. In ascending order, these distinct eras constitute the cognition of leadership development. Each period had different theories of leadership, and all the theories were the enhanced versions of the theories of the past age.

These prior leadership models focused on a bureaucratic strategy appropriate for the economy of the Industrial era, e.g., a concrete production-based economy. Recent studies indicate that we are

moving forward as a knowledge-based (learning, innovation, and adaptability) economy (Uhl-Bien et al., 2007). While this movement toward the knowledge-based economy is already taking place, the leadership is still stuck at the older models that do no cater to the needs of the new dynamic business scene, which in turn suggests a drastic need for a new leadership model (Manville & Ober, 2003). According to Davenport (2001), while it has already been realized that the older leadership models have been constructed to cope with a very distinct set of circumstances and difficulties, and their significance to the modern, dynamic working setting is therefore dubious, no clear alternative has come in. Emerging leadership models like Complexity Leadership Theory, Agile Leadership Management, etc., should now be taken into consideration for future researches on their impact on the dynamic business environment and its recent

trends.

### **Review of the relationship between Corporate Entrepreneurship and Leadership**

The safety offered by traditional leadership methods is becoming thinner every day in the face of pressing global financial issues, and organizational leaders are, therefore, pushing for innovation revolution (Kuratko et al., 2011). The leaders today are required to create, develop, and maintain innovation and creativity within their firms for it to thrive (Aidis et al., 2008). According to previous research works, effective leadership has a great impact on corporate entrepreneurship and its components. Many leadership styles have been studied, and it has generally been concluded that directly or indirectly, leadership affects the creation and survival of corporate entrepreneurship in an organization. The basic leadership styles which have been studied are:

1. Transformational leadership: It has been stated frequently that transformational leadership significantly and positively impacts corporate entrepreneurship (Chang et al., 2017; Ling et al., 2008; Shukri Bakar & Mahmood, 2014). It basically consists of four components, namely 1) idealized influence, 2) intellectual stimulation, 3) inspirational motivation, and 4) individualized consideration (Bass, 1985). Transformational leaders are motivated by the need to transform people, teams, and companies by performing every job regardless of their status, thereby affecting the capacity of their organization to innovate and adapt to change (Ling et al., 2008). Since innovation and change adaptability are major constituents of CE, we can infer that transformational leadership plays a major role in creating and promoting CE.
2. Temporal leadership: Temporal leadership is defined as the set of activities of a leader in managing the temporal elements of the tasks of a team (Chen & Nadkarni, 2017). It includes three interrelated activities: 1) scheduling, 2) temporal synchronization, and 3) the allocation of temporal resources (Mohammed & Nadkarni, 2011). Based on the personality-leadership behavior-

outcome framework, it is suggested that the temporal leadership of CEOs is the mechanism that intervenes in the impact of the temporal provisions of CEOs on corporate entrepreneurship. Corporate entrepreneurship is especially vulnerable to CEOs' temporal dispositions, as it poses major temporal difficulties for top managers (Chen & Nadkarni, 2017). Therefore, temporal leadership has a significant impact on the CE.

3. Open leadership: Open leadership, proposed by Li (2010) is described as having the trust and humility to give up the need to be in command while inspiring people's dedication to achieve objectives. Li identified that open leadership comprises of ten attitudinal and behavioral elements that fall into two categories, namely, information sharing and decision making. It is suggested that open leadership has greater connections to organizational consequences such as organizational innovation and corporate entrepreneurship compared to other leadership styles (Uslu et al., 2015).
4. Charismatic leadership: Charismatic leadership is mainly characterized by six attributes: 1) vision, 2) inspiration, 3) self-sacrifice, 4) integrity, 5) decisiveness and 6) being performance-oriented (Conger & Kanungo, 1987; House et al., 2004; Shamir et al., 1993; Yukl, 1994). As indicated by the comprehensive literature on entrepreneurship, these characteristics also define entrepreneurs. It is proposed that higher charismatic leadership levels create more entrepreneurial societies (van Hemmen, Urbano, & Alvarez, 2013).
5. Positive leadership: Cameron (2008) states that positive leadership relates to enabling positively deviant performance, to an affirmative bias, and to promoting the best of the human condition, or promoting virtue. Positive Leadership basically encompasses three approaches, namely, 1) Authentic Leadership, 2) Fundamental State of Leadership, and 3) Positive Deviance. (Zbierowski, 2016). All the above three concepts lead to corporate entrepreneurship



generation and its advancement (Zbierowski, 2016).

The conceptual model shown in Figure 2 represents the different attributes of leadership styles and how they have an impact on corporate entrepreneurship. Entrepreneurial skills are critical for success for any organization. Through this conceptual model, the researchers' intend to represent various attributes that different leadership styles have. These attributes have branched into several crucial attributes, namely, ability to innovate, adaptability to change, temporal disposition, innovation, improved performance, result-oriented, and resilience. These attributes are derived from the keywords/key phrases that describe the particular style of leadership. These key attributes have a direct impact on and are also vital for corporate entrepreneurship. Through this conceptual model, one can easily understand that there is an impact of leadership styles on corporate entrepreneurship concerning various leadership attributes.

## Research Gaps

After a critical literature review in this particular area, we find that the new and upcoming leadership styles like Complexity Leadership, Agile Leadership Management, etc. have not been deeply

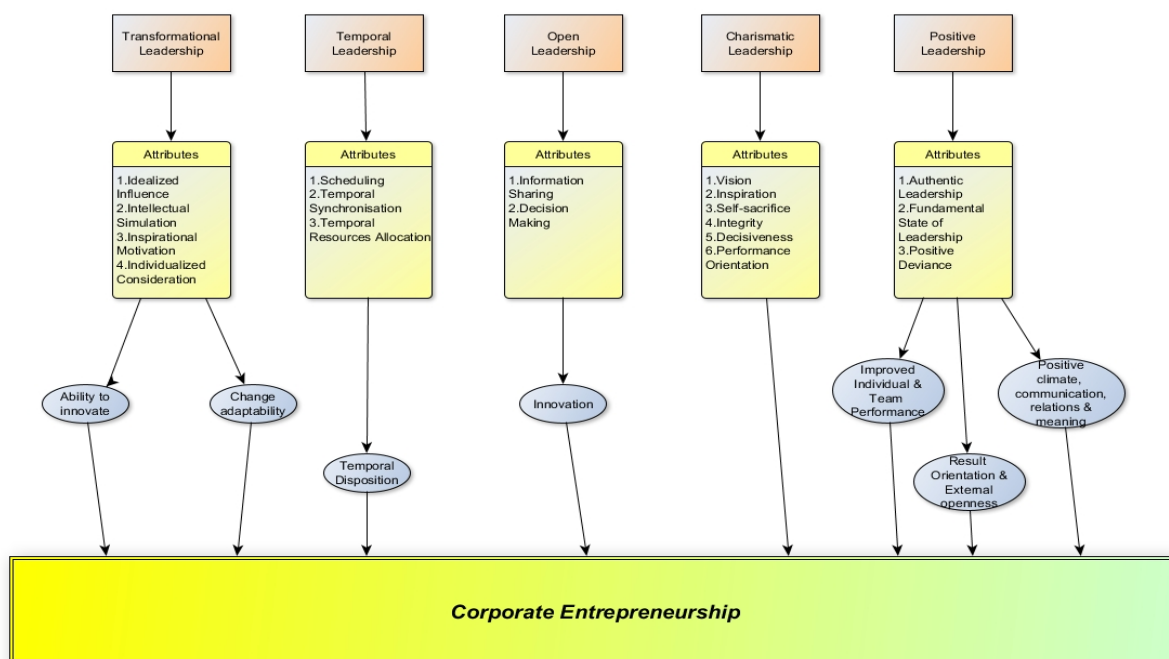
explored in terms of their effect on Corporate Entrepreneurship and its elements.

As we can see in Figure 3, the network visualization chart which was made from the data from various research works done in this field, corporate entrepreneurship is strongly related to leadership. But focus on specific leadership styles and their impact on CE is not very clearly available. This shows the need for research work revolving around specific leadership styles and their impact on factors affecting CE. Also, various different aspects like corporate culture, organizational structure, corporate internal venturing, and value creation have not been deeply studied (Figure 3). Upcoming research work areas like corporate social responsibility and green entrepreneurship also constitute research gaps.

## Conclusion and Scope for Future Research

This literature review focuses on the research works on leadership, corporate entrepreneurship, and the relationship between these variables and their components. Based on the systematic literature review, this paper presents the state of research on effect of leadership style on corporate entrepreneurship. Systematic literature reviews and potential gaps shown provided understandings

Figure 2. Conceptual Model



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Further research can be done to probe the specific leadership styles and effects on corporate entrepreneurship. Also, different industry sectors

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