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Entrepreneurial Leadership: A Study of Black Minority Ethnic SMEs in the UK

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Entrepreneurial Leadership: A Study of Black Minority Ethnic (BME) SMEs in the UK
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Summary

Leadership is a field of study in management, but it remains elusive (Harrison, 2018). This justifies the need for further research in the area. Entrepreneurial leadership has been identified as the form of leadership style for small and medium enterprises (SMEs) because it is suited to address the situational environment of SMEs. Scholars have researched entrepreneurial leadership; however, it has not been examined in Black Minority Ethnic (BME) SMEs in the UK. This study would examine leadership and small and medium enterprises independently and further explore the entrepreneurial leadership phenomenon. In this paper, entrepreneurial leadership is assessed from the small and medium enterprises context, and the most effective entrepreneurial competencies suitable for SMEs. The researcher aims to develop this study addressing entrepreneurial leadership from BME SME perspectives in the UK.

Introduction

The leadership process involves influencing people with the same set of ideas to achieve objectives (Northouse, 2021). It is an essential component of an organisation because it influences followers and organisation performance and is critical to SMEs' survival (Borins, 2000). Entrepreneurial leadership has been identified as a leadership style suited to address SMEs' situational environment (Harrison et al., 2015). In a rapidly changing business

environment, SMEs must put a measure in place to give them a competitive edge. Entrepreneurial leaders can identify opportunities to create value, which is crucial for firm development (Hejazi et al., 2012), leading to creativity and innovation (Fernald et al., 2005). Entrepreneurial leaders understand the complexity of business and the behaviour of their followers, placing them in the position to develop the abilities of their followers. Sustaining SMEs requires entrepreneurial competencies. A leader must demonstrate these competencies to improve a firm's performance and competitiveness.

There are works of literature on entrepreneurial leadership (Gupta et al., 2015, Harrison et al., 2016b, Bagheri et al., 2011); however, they have not been examined in BME SMEs in the UK, leaving a noticeable knowledge gap. The paper aims to investigate entrepreneurial leadership in Black minority ethnic SMEs in the UK.

Leadership

Leadership study is a prominent research field spanning decades. Harrison (2018) defines it as a process of influence. Likewise, Northouse (2021) defines leadership as a process whereby an individual influences a group of individuals to achieve a common goal. Harrison (2018) researched leadership theories and explored different theories' definitions. Despite the rich array of definitions of leadership, it remains an elusive concept (Harrison, 2018).

The leadership concept began with an assertion embedded in leaders, not followers (Harrison et al., 2020) and subsequently transitioned to behaviours and attributes of leaders (Bass & Bass, 2009, Harrison, 2018, Northouse, 2021). However, other dimensions have emerged in leadership, focusing on leaders and followers – how a leader can create vision and direction for followers (Northouse, 2021). The leadership concept includes a leader's ability to influence followers through communication to achieve a common goal. Thus, the relationship between a leader and followers is the ability of a leader to influence people with a set of ideas in achieving an aim and objectives.

Leadership attributes are critical to the survival of a firm. Leadership in business and management focuses on the characteristics of a leader and their influence and values on followers (Borins, 2000). Leadership study focuses on leadership's influence on organisation performance in the business environment. McCann (2008) conducted research examining leadership and employee relationships. It found leadership styles to positively impact employees in the US manufacturing industry and the financial sector in a developing economy like India, justifying the significance of leadership in an organisation.

Boal & Schultz (2007) referred to how a leader can exploit opportunities and the resources available to revamp the performance of an organisation, leading to creativity and innovation. This demonstrates leadership influence and the ability to manage a business in a complex environment. Similarly, Hamel & Prahalad (1994) connected leadership styles and resource exploitation, emphasising leadership traits combined with creativity, giving a leader the leverage for resource control. Leadership is vital in motivating and inspiring followers and

improving the business environment to benefit a firm (Moriano et al., 2007). Therefore, the objective of a leader is to influence subordinates to achieve a common goal.

Leadership encompasses engaging people with stated objectives to get things done (Mullins, 1996). An organisation's success is associated with a leader's leadership style, as the style is intricately connected to the behaviour and attitudes of the leader (Schwenk & Shrader, 1993). Conversely, leadership styles have become the most sought-after index in the competitive environment (Schwenk & Shrader, 1993). Leadership is a vital component of the study which will be examined from the de facto of entrepreneurial leadership and small and medium enterprises (SMEs).

Entrepreneurial Leadership

The leadership process involves the leader influencing others toward achieving a shared goal (Yukl, 2013). Harrison (2018) researched leadership theories; however, more recent research on leadership by Northouse (2021) assessed different leadership theories and compared the leadership styles inclined to situational environment and circumstances. Similarly, Clark & Harrison (2018) researched the leadership field, which examines the “eleven era” of leadership and identified entrepreneurial leadership with research opportunities. As a result, the paper aims to examine scholarly literature on entrepreneurial leadership and how it best works for Small and Medium Enterprises (SMEs).

Entrepreneurial leadership has been conceptualised in several ways by scholars. Gupta et al. (2004, p.242) define it as a “type of leadership used to assemble and mobilise a supporting cast of participants committed to exploring strategic value creation”. More definitions of entrepreneurial leadership can be found in Table 1 (at the bottom page after the references). EL has emerged as a distinctive leadership style that focuses on new and small businesses, leading scholars to claim that it is the right style that addresses the situational environment of SMEs (Harrison et al., 2015). In a complex business environment with increased competition and rapid technological changes, a leader must adapt and make a contingency plan for sustaining a firm (Kuratko, 2007).

EL emerged from the leadership and entrepreneurship domain (Bygrave & Hoffer, 1991), and scholars like (Hejazi et al., 2012, and Renko et al., 2015) stress the significance of exploiting opportunities crucial for firm development. Likewise, Greenberg et al. (2013) emphasised EL and its impact on improving the performance of organisations in a complex environment. Entrepreneurs working in complex environments can explore new ideas leading to creativity and innovation, thus espousing a unique leadership style, as it differs from other leadership styles because of its ability to foresee the future (Fernald et al., 2005, p.1).

Entrepreneurial leadership is vital for SMEs because of its capability to exploit new opportunities in a complex environment for the betterment of a firm, and they are best suited to understand the functional areas in their business (Harrison, 2018). EL is positioned to understand the complexity of business, their behaviours and that of others, thereby placing them in a position to develop the abilities of their followers. Hence it is a type of leadership

that prioritises functionality while managing the risks to foster creativity and innovation (Harrison, 2018).

Harrison (2016, 2018) proposed different ways to research entrepreneurial leadership. The proposal examined EL from different perspectives, and one of the proposed ideas is vital to this paper – the psychological and behavioural profile of entrepreneurial leaders. It addresses behavioural competency, which is essential for the characteristics of a leader. These characteristics are crucial because it is a mechanism for entrepreneurial leaders' efficiency and performance. Competencies are the qualities a leader possesses to influence employee performance. Scholars have researched leadership competency (Bagheri et al., 2011, Gupta et al., 2015); there is a consensus that a leader must possess some characteristics essential for a firm's management (Darling & Beebe, 2007, Gupta et al., 2015, Bagheri et al., 2011).

Nieuwenhuizen (2009) examined entrepreneurial leaders' characteristics, identifying ingenuity, leadership, and calculated risk as vital attributes of an entrepreneur. Gupta et al. (2004) discuss the characteristics of entrepreneurial leaders; it found 19 attributes to be essential. Similarly, Karanian (2007) conducted research which concluded that vivid imagination, family and cultural background, and a character gift are vital to entrepreneurial leaders.

Harrison et al. (2016b) conducted semi-structured interviews to examine entrepreneurs' challenges in Nigeria's developing economy in the retail pharmacy sector. It found capital and poor infrastructure as obstacles to entrepreneurs in the developing economy. Despite these obstacles, entrepreneurial leaders were successful because of inherent attributes like vision, risk-taking, opportunity recognition and the exploitation they possess.

Small and Medium Enterprises (SMEs)

The Department of Foreign Commonwealth and Development Office (2022) defines SME as any organisation with fewer than 250 employees and a turnover of less than €50 million or a balance sheet total of less than €43 million. SMEs have contributed tremendously to the global economy through income output and employment, and the world has benefited substantially (Ogundana, 2020b). According to OECD (2018), SMEs account for 70% of global business and employment, generating a 60% range of value-added. SMEs have supported the African continent through job creation, improving the livelihood of citizens and reducing poverty (Ifekwere et al., 2016, Ogundana et al., 2018b).

The research published by Asian Development Bank Institute explains the significant role of SMEs in the Asian continent. SMEs account for 96% of Asian businesses, confirming that SMEs are the backbone of the global economy (Yoshino et al., 2018). Similarly, the research conducted by a think tank organisation in Europe (PWC, 2018) stated that SMEs contributed significantly to European development. It accounts for 99.8% of businesses in the European Union, which amounts to 66.6% of the total employment in the European Union.

SMEs played a significant role in the UK economy. The research published by Statista research development; SMEs account for 5.5 million businesses which have grown by 18% with a turnover of 25 million pounds (Clark, 2022). Establishing a business may be easy, but

sustaining the performance of these businesses is challenging. Dalberg (2021) recently researched SMEs, and it found that most businesses fail within 5yrs, and only a few survive the test of time to become bigger enterprises. The empirical research in Kenya confirms that SMEs fail within 3-5 years after it is established (Simeyo et al., 2011). The challenges faced by SMEs indicate that business owners must strategise to cope with the competitive business environment. Firms' sustainability relies on their capability to compete in a competitive environment (Zizile & Tenderi, 2018).

Sustaining SMEs requires entrepreneurial competencies. These competencies are capabilities entrepreneurs need to develop and implement as part of their cultural patterns of operations to improve the performance and competitiveness of an organisation. They are essential as they give firms a competitive advantage, strategically positioning them to manage relationships (Shehnaz & Ramayah, 2015). It is a starting point for entrepreneurs in identifying opportunities and a collaborative platform across sectors, leading to a firm's future success (Ibidunni et al., 2017a).

Zizile & Tenderi (2018) emphasise the importance of entrepreneurial competencies; it is vital to the survival of SMEs, as it serves as a positive aid for innovation and performance. Gumusay & Bohne (2018) affirms that entrepreneurial competencies serve as an avenue through which a leader can judiciously allocate scarce resources to achieve a firm's desired goal and objectives. Entrepreneurial competency enhances SMEs' innovativeness (Gwadabe & Amirah, 2017). Scholars have researched EL (Harrison et al. 2016b, Nieuwenhuizen, 2009), but it has not been examined in the Black minority ethnic SMEs in the UK.

Methodology

The paper aims at conducting a qualitative study through in-depth interviews with BME SMEs in the UK. The participant will randomly be selected, using purposive techniques, which will be used to determine the entrepreneurial leadership competency of BME SMEs in the UK. The methodology is crucial in achieving the outcome of the study. According to the UK National Office for Statistics (2022), BME is the second largest minority ethnicity in the UK, including Africans, Caribbeans, and mixed Blacks, accounting for 5.3% of the UK population. The figure demonstrates that BME is a force to be reckoned with, as they engage in different activities such as working and contributing taxes to the UK economy, creating jobs, and reducing poverty and unemployment. While they have engaged in these activities, it is fair to say that because they are SME owners places them as a leader, thus their leadership pattern would be examined.

Conclusion

Scholars have examined entrepreneurial leadership in a different context, it has not been examined in the BME SMEs in the UK, leaving an obvious knowledge gap. BME was chosen because it is an understudied community in the UK. SMEs are essential to the UK economy and have been the country's primary job provider. The lack of representation in literature covering entrepreneurial leadership in BME SMEs will be examined in the study.

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(Word count apart from references and table 1 – 2000)

Table 1: Definitions of Entrepreneurial Leadership	Author	Definition
1	Surie and Ashley, 2008	Entrepreneurial Leadership is creating an entrepreneurial vision and inspiring a team to enact a vision at high velocity.
2	Cunningham and Lischeron, 1991	Entrepreneurial leadership involves setting clear goals, creating opportunities, empowering people, preserving organisational intimacy, and developing a human resource system.
3	Hejazi et al., 2012	Entrepreneurial Leadership is an innovational dimension of strategic management.
4	Kuratko, 2007	Entrepreneurial leadership is a unique concept combining the identification of opportunities, risk-taking beyond security and being resolute enough to follow through.
5	Ireland and Sirmon, 2003	Entrepreneurial leadership is a leadership style that can influence and manage strategically to emphasise both opportunity-seeking and advantage-seeking behaviours.

