

Leadership in a Small Enterprise

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Abstract

Leadership is often seen as the premier force behind the success and the failure of enterprises and the well-being of their personnel. This study aims to deepen our understanding of leadership in small, entrepreneurial enterprises by examining leadership as experienced by the managers of one small, entrepreneurial firm. A case study adopting a constructivist-interpretative approach was conducted in a small enterprise operating in internationalization service business in 7 countries. The data consisted of the life-story of the company told by the owner-CEO and 15 interviews of the eight company managers generated during a one-year development project. The data was analysed using a phenomenographic-contextual analysis. The results demonstrated how leadership is attributed to and expected from those in position of power, to provide structure and order to the instabilities of organizational life and to support feelings of belongingness and safety. Neglecting these expectations may have unintended consequences. Entrepreneurs should recognize and be sensitive to expectations concerning their leadership.

Key words:

Small enterprises, leadership, owner-managers, entrepreneurs, small firm personnel

Introduction

Attempts to understand leadership in small companies are particularly timely now, when the significance of small firms to local and global economies is increasing. Small companies are seen to

play an important role as providers of new employment opportunities as well as being potential sources of innovations. They support economic growth and competitiveness of local areas as well as whole nations (Daily et al 2002, 402; Curran & Blackburn 2001, 2-3; Rouvinen & Ylä-Anttila 2004).

As the success and the failure as well as the well-being of the personnel of the companies are often attributed to leadership, this trend raises questions about the role and practice of leadership in small enterprises. The view that small companies differ substantially from their larger counterparts emphasizes the importance of scientific knowledge about leadership in small enterprises based on empirical research and theoretical analysis (cf. Burns 1997, 5; Curran & Blackburn 2001, 5-7, 15; Deakins 1996, 3, 16; Levy & Wilson 1994; Massey 2004, Smallbone et al 1997, 2; Ram 1999, 2001; Shamir 1999, 59, 67).

Leadership in small companies has seldom been the subject of empirical leadership research even though the need for scientific knowledge about leadership has not been overlooked in organizational studies. On the contrary, leadership has been claimed to be one of the most observed phenomena on earth (Burns 1978, 2). Still, there are different views about how much is known about it.

Many leadership scholars conclude that after centuries of leadership research the solution of the problem of effective leadership is still wanting (Alvesson 1996, 457; Bass 1990, 11; Burns 1978, 2 - 3; Ferris & Rowland 1981, 1069), and disaccords concerning the mainstream leadership research can be heard (Alvesson & Sveningsson 2003a, 359; Barker 1997, 356; Mintzberg 1989, 51).

This study provides an alternative perspective to leadership by separating “leadership” from “effective leadership” and examining leadership from the constructivist-interpretative research

perspective. Constructivist-interpretative leadership research aims to increase our understanding of leadership by examining leadership in particular settings. It produces local knowledge with the option of that localness to be shared among other 'locals' - individuals, groups and organizations. (cf. Darmer 2000, 350; Guba & Lincoln 1994, 114.)

In this study, certain organizational context, a situation and perceptions of the participants is taken as the point of the departure: leadership is explored in one small, entrepreneurial enterprise through the leadership conceptions of the company managers by using a phenomenographic framework. Phenomenography is a study of conceptions, which aims to describe things as they appear to people (Marton & Booth 1997, 111.) In leadership studies phenomenographic framework provides a novel perspective into current research.

Former research on leadership in small firms has mainly explored the characteristics and behaviour of CEOs, owner-managers or entrepreneurs - emphasized also in the field of small firm research and entrepreneurship. Furthermore, there has been overreliance upon the owner-managers as the only sources of information concerning small firms (cf. Ainsworth & Cox 2003, 1480). That is why this study gives voice not only to the owner-manager but also to other organizational members whose role and agency have been neglected in the former studies of leadership and organizational life in small enterprises.

Subjects and methods

In this study the phenomenographic framework was utilized as a constructivist-interpretative research approach to leadership that seeks to gain understanding of the world of lived experience from the point of view of those who live it. The data was generated during a one-year development project that aimed to improve managerial and leadership practices in the company in order to enhance the functioning of the company and the well-being of the managers. The data consisted of

15 interviews of the eight company managers, a life-story of the company by the owner-CEO and 6 interviews of the CEO, and the company documents. The managers' interviews functioned as the primary data that was analysed using a phenomenographic-contextual analysis.

At the time the managers took part in this study five of them were district managers or heads of subsidiaries. They had each one to ten subordinates. Three of them were located in subsidiaries abroad. The rest three managers had no subordinates. Seven of the eight managers had graduated from university, and one from a vocational high school. The ages of the managers varied between 24 and 60. All except one were male. The median of the managers' tenures in the company was 1, 5 years.

Results

Opposite to the findings of Alvesson and Svenningsson (2003ab) and Svenningsson and Larsson (2006) in larger knowledge intensive companies, where all the managers were actively encouraged to identify as (visionary, strategic) leaders, in this small company no such strong emphasis on leadership prevailed.

The CEO did not bring leadership forth as something important in relation to the Company or his personnel, nor did he identify as a leader. Mostly he encouraged his managers to take the challenge of entrepreneurship - not leadership. Identification as a leader was not popular among the managers either; this kind of identity construction was rejected by most of them.

In the managers' reflections on leadership the most recent views and leadership 'fads' were seldom audible; the more traditional ways of conceiving leadership dominated. The managers commonly addressed leadership in terms of the problems they experienced in their work and life in the small firm. At the time the managers were interviewed the small firm was struggling with severe

difficulties; it was enduring a crisis. Under such conditions and in the context of the development project with its practical aim to improve leadership practices and the functioning of the Company, it may have been natural to focus on issues in need of improvement, which - in the language of phenomenography - were in their focal awareness.

The managers addressed leadership most often in terms of *what would be good leadership* and how they perceived the leadership of the CEO. The CEO's personal characteristics and skills compared to those required from a good leader; his behaviours towards his subordinates compared to those the managers would have preferred and his relationships with the managers and other employees were evaluated. The CEO's commitment and moral obligation to his managers and other employees, how he managed human resources and made decisions, his way of leading the Company in the stage of expansion and crises, and the way in which he exercised his ownership power were reflected in relation to what the managers perceived to be good leadership of the small enterprise.

The problems of the Company were often attributed to the lack of leadership of the CEO. This provides support to the Romance of Leadership notion suggesting that leadership is used as a means to make sense of organizational life, to account for organizational activities and outcomes and to provide order and clarity to the complexities of organizations (Meindl et al 1985, 78-79; Calder 1977, Pfeffer 1977, 104). Also for the managers, 'leadership' provided a way to make sense about what was happening in their company. The cause for the difficulties in the small enterprise was that the CEO did not possess the qualities of a good leader, nor did he act as one.

For the managers there seemed to be no rationale to speak about leadership without referring to leaders (cf. Biggart & Hamilton 1987, 437). Leaders were those who had a legitimate right to lead others and exercise power (cf. Gabriel 1997; also Janda 1960, 358). In the small enterprise, power based on ownership provided the most fundamental base for the right to exercise leadership.

Leadership in the small enterprise can be understood as a power-based reality construction; the organizational reality that the managers had to adapt to was dictated by the CEO (cf. Smircich & Morgan 1982). The managers did not believe in their possibilities to have any impact on the situation in the Company for example through the ongoing development project and did not avoid saying so. Many of them felt powerless, many of them wanted to leave, and many of them left.

The findings of this study provide support to the conclusions of previous studies that especially the way power is used and shared – decision-making, distribution and delegation of power - is critical in leading a small enterprise. In line with the views of the managers of this study, the problems of the owner-leaders have been suggested to be related to their difficulties to give up control and share power in their organizations (cf. Osborne 1988, Scase & Goffee 1987). This is especially important at the time of expansion, which is claimed to be determined by the extent to which the owner is prepared to delegate her/his supervisory functions and how competent s/he feels her/himself with the management of the firm's personnel (cf. Scase & Goffee 1987; 72, 162-163).

The managers craved for an ideal leader-subordinate relationship based on trust and mutual obligation but their difficulties to influence on the CEO's decisions and participate in decision-making of any fundamental issues reminded them about the relationship between the CEO as an employer and themselves as employees (cf. Ram 1999, also Marlow & Patton 2002). This may be the situation also in other owner-run businesses, where the proprietor views her/himself as an entrepreneur, not a leader, finds it difficult to trust people s/he does not know well, and feels her/himself incompetent in leading and managing people.

This study conforms to the view that leadership in organizations is based on legitimating principles and the dominant structures of authority. Even though they constrain they do not determine the

actions of leaders; for leaders there are possibilities for both authoritative and leadership actions (Biggart & Hamilton 1987; 430, 435-439). In this case the CEO was perceived as an authority and a legitimate leader but not such a *good* leader that the managers would have wanted; his actions were not perceived as leadership actions.

Taken the view that 'leadership' is important in organizations, being perceived as a leader may have important practical implications. If individuals are categorized as leaders, their social power would increase; they may be "causally important in producing good outcomes" (Cronshaw & Lord 1987, 104). This would also affect the quality of leader-subordinate relations. Consequently, being perceived as a non-leader - but still holding a formal position of authority - may have negative consequences for the organization and the relationships in it. (Lord et al 1986, 408.)

Organizational members need leaders to whom they can project their fears and wishes. This need derives from the desire to believe in the importance and effectiveness of individual action. The desire is based on the need to have control over things or to have a feeling of control. (Czarniawska-Joerges & Wolff 1991, Gabriel 1997, Gemmil & Oakley 1992, Pfeffer 1997.) The need for leadership has been suggested to derive from the feelings of insecurity and learned helplessness (Gemmil & Oakley 1992).

In the small enterprise, (good) leadership was expected and needed but the one holding the most salient power position did not answer to the expectations directed at him. The CEO emphasized his entrepreneurship and downplayed his leadership. Furthermore, it seems that in the same way as entrepreneurs hold stereotypical images of themselves; also other people may hold such images and categorize entrepreneurs as non-leaders.

The small enterprise's lack of formal structures and procedures was interpreted as the CEO's lack of leadership qualities and skills and to be due to his prejudices; he did not understand that they were needed. The managers wanted the Company affairs to be managed; they wanted strategies, planned activities, role descriptions, rules and formal procedures according which they could operate; they wanted more bureaucracy.

Hierarchical structures, rules and formal procedures and other bureaucratic systems are often seen as control mechanisms which make the leaders detached from the employees and discipline employees to their subordinated positions (Collinsson 2005). But why would those who felt themselves disempowered want to have more discipline?

For the managers rules and formal procedures provided a means to discipline not only them but also the CEO. They were needed to protect the managers - and the whole company as many of the managers thought - from the CEO's impulsive decisions and actions that were not always seen as sensitive to the needs and rights of the employees and that run risks over the future of the Company on which the continuity of the managers' work was dependent (cf. Keeley 2004, 161).

At the same time the managers craved for 'good leadership': a heroic leader who would be considerate and confident, righteous and strong; who would care for and be committed to his subordinates; who would manage the Company activities and operations, personnel, structure and change according to the changing situations and who would share his power to enable also the others to contribute to the organization.

Conclusions

The need for formal procedures and a heroic leader to provide structure and order, feeling of belongingness and safety may also be the situation in other small owner-run businesses. Particularly

so, when they grow and when the employees do not have other employment alternatives making them vulnerable and dependant on the owner-manager who wants to remain in control of everything and sees himself more as an entrepreneur than a leader.

When a small firm evolves and employs people, they hold expectations concerning leadership that they direct at the owner-manager of the firm. How these expectations are met by the organizational leader, may be of significance to the success of the company and the well-being of its members.

This requires that the proprietors become more conscious about the prerequisites of personnel management and personal leadership (cf. Sandberg 2001b). Instead of refusing to be leaders - as the CEO of the small firm in this study did - they should take leadership seriously and understand it to be a part of running the business. This does not mean that they should stick to the myth of a heroic leader. On the contrary, it would probably increase the power differentials in the small firm and support the attribution of difficulties to the one at the top.

Proprietors should enable their personnel to voice their concerns about the company matters, take initiative and participate in solving the problems experienced in small companies instead of retaining power to their own hands only. In growing firms, the need for jointly agreed practices and processes to provide structure and order to the activities of the organization is commonly seen as a prerequisite of successful growth. As this study suggests, they may also support feelings of safety and predictability to the members of the organization; they discipline both leaders and the led.

Moreover, they can offer possibilities for participation. Instead of relying on 'mutual adjustment' as in a small firm naturally occurring during the work, arenas for discussions are needed. They may help in diminishing communication barriers common in organizations with wide power differentials

that are likely to lead to conflicting perceptions and expectations between employees and organizational leaders (cf. Wolfe Morrison & Robinson 2004).

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