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ENTREPRENEURIAL LEADERSHIP, CAPABILITIES AND GROWTH: A REVIEW OF EXISTING EVIDENCE

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SME growth depends upon substantive growth capabilities, which are shaped by the upstream issues of leadership and capability development. There are four main vectors of growth, which are supported by a large number of growth-oriented actions and processes. Management processes facilitating growth include those that support market penetration, innovation, new product development, new market development and internationalization. Growth is further supported by a foundation of solid general management processes without which, viable growth is less likely to occur. Management processes supporting alliances, joint ventures and M&A serve to further accelerate growth.

The key resources supporting growth capabilities include financial and intellectual capital. Financial slack allows for greater exploration, risk taking and pursuit of uncertain outcomes. Intellectual capital (intellectual property, organizational, human and social capital) is important as the acquisition and exploitation of new knowledge lie at the heart of growth.

Leader's prior knowledge of the domain (i.e. industry) and prior entrepreneurial experience exert a strong positive influence on the number of market opportunities identified. The nature and diversity of knowledge among the entrepreneurial leadership team has a positive bearing on growth, both directly and indirectly via opportunity identification.

Entrepreneurial cognition, in the absence of motivation, however, may result in knowledge not being put to the most productive use. The motivation to grow, reflected in leaders' growth intentions and goal setting, is an important determinant of growth. Fear of failure represents a potential barrier to growth.

Dynamic capabilities are central to the development of a sustainable growth path. Evidence suggests that dynamic capabilities have a positive effect on firm performance, both measured in terms of market and financial performance relative to firm's main competitors and industry averages. Qualitative evidence suggests that dynamic capabilities are positively linked to the substantive capability development, and that capability development is a mediator of the relationship between dynamic capabilities and firm performance.

Leaders need to be both willing and able to grow their firms. Therefore, policy should promote growth-oriented training programmes that develop leaders' entrepreneurial cognitions and motivations, as well as their knowledge and abilities. The programmes should disseminate best practice for opportunity identification, growth capabilities and goal setting. Leaders of SMEs, however, are often unable/unwilling to invest in growth. Therefore, additional support may be directed towards assisting SMEs in accumulating both the financial and intellectual capital required for growth. Also, since such investment is often motivated by important customers, policy should focus on supply chain development to indirectly promote capability building in SMEs.