

# **The Role of Competencies in Shaping the Leadership Style of Female Entrepreneurs: The case of North West of England, Yorkshire and North Wales**

## ***Introduction***

As the business environment becomes more turbulent, complex and dynamic, effective entrepreneurial leadership is increasingly viewed as a source of competitive advantage (Küpers, and Weibler 2008), particularly critical in small business development (Thorpe, Cope, Ram, and Pedler 2009). Yet, in contemporary leadership research, leadership in the context of smaller entrepreneurial businesses, and specifically female owned ones, is a terra incognita (Bruin, Brush and Welter 2007; Jensen, and Luthans 2006).

Past research has mainly concentrated on the role of leadership in large corporations, ignoring the small enterprise context (Vecchio, 2003). Similarly, despite the literature attributing female entrepreneurs 'different' attitudes on areas such as leadership, profit and growth (Marlow, and McAdam 2013; Sexton, and Bowman-Upton 1990), little research has particularly focused on females as an explicit research group (Bruin, et al. 2007). Whilst prior research has indicated that management and leadership style is shaped according to a leader's personal traits and characteristics, few empirical studies have provided concrete linkages between personal competencies and leadership style.

The current study bridges these gaps by specifically investigating the role of competencies in shaping the leadership style of female leaders. Acknowledging that

comparisons between groups of women would allow for a fuller understanding of the gendered processes within this context (Bruin, et al. 2007), our study explores a group of female leaders of micro and small enterprises in three distinct regions of the UK; the North West of England, Yorkshire and North Wales, and offers a detailed leadership profile of their leadership styles and competencies, whilst controlling for the role of age and prior experience in the industry. We particularly ask:

“What are the specific leadership styles exhibited by female leaders of micro and small businesses”

“To what extent are these styles influenced by the specific competencies exhibited by these female leaders?”

In doing so, we make two distinct contributions to the literature. First, we provide new insights into the leadership styles adopted by female entrepreneurs of small and micro enterprises. For the purpose of this study, we define a female entrepreneur as leading a business that is wholly or majority female-owned and managed (Carter, and Shaw 2006).

Second, we specifically investigate the role of owners' competencies in shaping leadership style. Due to the limited extant research on the topic in the small business and gender literatures, we draw inferences from the general bodies of leadership research, the newly established entrepreneurial leadership research and the gender psychology literature to inform our knowledge and arguments. Synthesizing these different strands of the literature, we offer a more holistic view of entrepreneurial leadership within small businesses owned and led by females.

The paper is structured as follows: Firstly, theoretical foundations are explored followed by our research methodology. The analysis of the data is described next, followed by a presentation of the research findings. Finally, we discuss our findings, their theoretical contributions and practical/policy implications, and provide suggestions for further research.

## ***Theoretical Framework***

### **Entrepreneurs as Leaders**

Entrepreneurial leadership, from the perspective of the leadership role performed in entrepreneurial ventures, is emerging as a critical issue in our understanding of economic development (Leitch, McMullan, and Harrison 2013). This approach is viewed as a ‘new paradigm’, as the literature to date has focused on larger organizations and corporate entrepreneurship behaviors of middle management (Gupta, MacMillan, and Surie 2004). While our understanding of the strong relationship between quality of leadership and the management of SMEs is becoming clearer (Thorpe, et al. 2009), there is considerably less focus on the analysis of leadership and leadership development (Leitch, et al. 2013).

Leadership capabilities are crucial for organizational success and sustainable competitive advantage (Luthans, and Youssef 2007). In SMEs the leadership role is arguably even more important than in a larger organizational context, where the line that separates leadership and management responsibilities is blurred (Storey, Keasey, Watson and Wynarezyk, 1994). Indeed, the few studies on SME leadership

suggest that the impact of the leader and leadership role is crucial for success or failure (Küpers, and Weibler 2008).

Undoubtedly, the personal competencies of the leader will be influential on the performance and success of the enterprise. Yet to date minimal empirical research exists on the intersection of micro and small business leadership and leader competencies (Jensen, and Luthans 2006), although it is recognized that the range of competencies required to run smaller ventures are qualitatively and quantitatively different from those needed in larger organizations (Johnson, and Winterton 1999).

McGrath and MacMillan (2000) were among the few to concentrate on the topic. They claimed that an ever-changing and dynamic business environment, with increasing uncertainty and competition, requires a different type of leader; an “entrepreneurial leader”. Although McGrath and MacMillan’s research was not limited to small companies, and focused upon growth orientation, they ultimately defined the entrepreneurial leader as one who creates “an organization that does things...as a matter of course” and achieves success through “continual search for new opportunities” (2000, p. 301).

Other studies have looked specifically at the human element of leadership. For example, Baum, Locke, and Kirkpatrick (1998) demonstrated the importance of the business founder's ability to convey a clear vision to employees. Ireland, Hitt, and Sirmon (2003) talked about the role of human capital in nourishing strategic entrepreneurial behavior and entrepreneurial leadership. More recently, continuing this discussion, Roomi and Harrison (2011) defined entrepreneurial leadership as “having and communicating the vision to engage teams to identify, develop and take advantage of opportunity in order to gain competitive advantage.” (2011, p. 2).

The ability and skill in attracting other key management members and then building the team is one of the most valued capabilities for lead entrepreneurs as the quality of the entrepreneurial team is strongly connected with the growth potential of a new venture (Watson, Ponthieu, and Critelli 1995). Finally, some attention has also been placed on the different leadership styles and practices employed by small business leaders in general. Initial studies by Ardichvili, Cardozo, and Gasparishvili (1998) showed that small business leaders involve peers in decision making, but not subordinates. They also exhibit few authoritarian and more situational styles of leadership.

In general, entrepreneurial leaders have been frequently linked to transformational leadership styles. Acknowledging that transformational leaders are driven by the need “to transform individuals, teams and firms by going beyond the status quo and (affecting) their firms ability to innovate and adapt”, ‘transformationally’ led firms are expected to be more entrepreneurial in nature (Ling, Simsek, Lubatkin, and Veiga 2008, p. 557). Indeed, Visser, De Coning and Smit (2005) revealed positive links between transformational leadership and entrepreneurial leaders, with a particular impact on strategy, communication, and interpersonal relationships.

### **Gender and Entrepreneurial Leadership**

Leadership research has long considered the role of gender in leadership styles and characteristics, with leader stereotypes generally considered to be masculine (Koenig, Eagly, Mitchell, and Ristikari 2011). The literature has traditionally posited certain traits and capabilities for entrepreneurial success (and indeed successful

leadership) as being typically associated with men (Jones 2014; Marlow, and Strange 1994). However, the empirical evidence so far is inconclusive.

Brush (1992) identified four major areas of research on female entrepreneurs centered on individual characteristics, organizational characteristics, process of business creation and acquisition and environmental factors, suggesting that there are “more differences than similarities between male- and female-owned business” (1992, p. 12). Brush also emphasized the assumed homogeneity of female entrepreneurs, with little research across groups of females, effectively masking wider, gendered complexities of business ownership and differing approaches to entrepreneurship and leadership.

Since the 1980s, many studies in the small business and entrepreneurship literature have been conducted upon the premise that female entrepreneurs adopt different leadership styles (Ahl 2006). For example, Alimo-Metcalf (1995) showed that female constructs of leadership are transformational and interactive and prioritize team management and service delivery. Eagly, Johannesen-Schmidt, and van Engen’s (2003) meta-analysis of 45 studies of transformational, transactional and laissez-faire leadership styles also found that females were more transformational and “engaged in more of the contingent reward behaviors that are a component of transactional leadership” (2003, p. 569). Other research has shown that female managers perceive themselves to be more transformational than males (Carless 1998). Indeed, Eagly and Carli (2003) suggest that female leaders are more likely to lead in a style that is better suited to contemporary economic and organizational conditions than their male counterparts. Different approaches to leadership practice have also been observed – for example, effective communication and people skills, consensus building and communication, with females having more

social capital than their male counterparts (Runyan, Huddleston, and Swinney 2006).

Furthermore, it is suggested that female entrepreneurs perceive their lack of management experience and business skills as a major constraint (Heilbrunn 2004), and hence tend to bring in human capital that complements their competencies and are able to recognize the weaknesses in their own human capital abilities (Lerner and Almor, 2002). Emphasizing the importance of perceptions, Langowitz and Minniti (2007) suggest that females across many nations and cultures perceive themselves and the entrepreneurial environment in a less favorable light than males. Indeed in the same study, the authors found that subjective issues have a greater influence on female entrepreneurial propensity.

On the contrary, other studies indicate that today female entrepreneurs are perceived as being tougher than other females (Ahl 2006), suggesting that female entrepreneurs of the 21st century may not conform to the traditional feminine stereotypes of leadership or that wider cultural perceptions may not reflect the lived experience of female leaders. In addition, scholars argue that it is not a question of 'if' gender is an issue but 'how' gender affects women's perceptions and experiences of entrepreneurship (Ahl, 2006; Hughes, Jennings, Brush, Carter, and Welter 2012; Marlow, and McAdam 2013; Ahl, and Marlow 2012) and that this is not the same for all females (De Bruin, Brush, and Welter 2006; Hughes, et al. 2012). To challenge homogenous accounts, there are calls to focus on females as an explicit research group.

In fact, as Gundry and Welsch (2001) suggest, differences between female entrepreneurs are of specific interest, and might be linked to factors other than

gender (Eagly and Johannesen-Schmidt 2003). For example, factors such as age and education are increasingly suggested as being an important aspect of leadership style and perceptions of leadership style (Barbuto Jr, Fritz, Matkin, and Marx 2007). Older leaders are considered to be more transformational in their leadership style, as are those with an advanced degree (Barbuto Jr, et al. 2007). However, the importance of examining both the personal *and* the organizational dimensions of leadership style is also recognized (Galanou, 2010); the current study seeks to address this issue through its focus on micro and small businesses.

### **Entrepreneurial Competencies and the Role of Gender**

Research and practice related to competence is motivated by aspirations to achieve superior performance, thus achieving business success (Spencer, and Spencer 2008). However, one of the key challenges in the competence literature is that there are many definitions of competence (Hayton, and McEvoy 2006). The terms ‘skills’, ‘expertise’, ‘acumen’ and ‘competency’ are interrelated and are often used interchangeably in the literature (Smith, and Morse 2005).

Typically, competencies of entrepreneurs are divided into two major categories, managerial and entrepreneurial, both equally required, to survive and succeed (Chandler, and Hanks 1994). Managerial competencies are the competencies required to run a business successfully. For example, Smith and Morse (2005) identified two broad themes of managerial competencies: functional competencies, - marketing and finance-, and organizational competencies, - organizing and motivating skills. Entrepreneurial competencies have been identified as a specific group of competencies relevant to the exercise of successful entrepreneurship and the development of small and new businesses. Opportunity recognition, opportunity

development, strategic and decision-making skills are some of the recognized entrepreneurial competencies (Herron and Robinson, 1993; Man, Lau, and Chan, 2002)

Despite the interest in entrepreneurial competencies, studies on female entrepreneurs are rare. Prior studies have mainly examined only *specific* aspects of their competencies, and many are comparative to male business owners. Female entrepreneurs are typically stronger in social adroitness and interpersonal skills (Birley, Moss, and Saunders 1987; Hisrich, and Brush 1984), but weaker in financial skills than males (Collerette, and Aubry 1990; Stevenson 1986). They tend to focus more on their teams' development, empowering their employees and encouraging their achievements and perseverance (Gundry, Miriam, and Posig 2002), as well as on networking, strategic planning (Lerner, Brush, and Hisrich 1997; Morris, Miyasaki, Watters, and Coombes 2006) and innovation (Hisrich, and Brush 1984; Sexton, and Bowman-Upton 1990).

However, the comparison of the competencies of female and male leaders can lead to males and females being judged to different standards, limiting our understandings of the particular competencies of different leaders in different contexts (Biernat and Fuegen, 2001). Acknowledging the increasing interest in female entrepreneurship and the role of women in the global economic environment in the current study, we specifically focus on the role of competencies in shaping the leadership style of female leaders, addressing these important gaps in the literature.

## ***Methodology***

### **Study Sample**

We focus on three regions of the United Kingdom, which are in close approximation to each other, and exhibit great dynamism and growth: the North West of England, Yorkshire, and North Wales<sup>1</sup>. Accounting cumulatively for 20 percent of all the companies registered in England and Wales, and for 21 percent of all the start-ups respectively, the three regions have significantly increased their contribution to the ‘entrepreneurial force’ of the country, exceeding in growth rates even the most traditionally entrepreneurial regions, such as London and the South East<sup>2</sup>.

Our target population is micro and small<sup>3</sup> female-led businesses, which have been operating for at least two years in their respective industries. The first two years of an enterprise are the most crucial for survival, since 40 percent of all start-ups tend to fail within the first year (Shepherd, Douglas, and Shanley 2000). Hence, we excluded newly established companies to enable comparability among the results. We focused on female-owned micro (less than £1.6 million turnover) and small businesses (up to £8 million turnover), which account for the vast majority of female-owned enterprises<sup>4</sup>.

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<sup>1</sup> According to 2013 national statistics, from 4.46 million enterprises registered in England and Wales, approximately 890 thousand were registered in the examined three regions. (BIS, Business Population Estimates, 2013 & Size Analysis of Welsh Businesses, 2013)

<sup>2</sup> The three regions exhibited an 11 percent increase in the number of enterprises in 2013, whereas the relevant increase in London was 4 percent and for England and Wales together was 2 percent (BIS, Business Population Estimates)

<sup>3</sup> Size classification is defined with respect to firm total turnover according to the EU regulation 2003/Act 361

<sup>4</sup> According to the 2010 BIS Small Business Survey on Female owned enterprises, only 2 percent of the population is of medium size and even less than 1 percent are large.

Due to the special nature of the research questions, and the characteristics of the study sample, it was decided that the self-administered survey questionnaire would be the most appropriate research instrument. Firstly, the exploratory nature of the study constructs required the use of well-established instruments to proxy for the study variables. Second, surveys can produce reliable quantitative data, which are appropriate for inferences and provide a good degree of external validity (Churchill Jr, and Iacobucci, 2009).

We used a combination of judgment and snowballing sampling to draw an appropriate study sample (Goodman 1961). This technique is most suitable for sampling special populations, which are either difficult to estimate or not easily identifiable from secondary databases (Churchill Jr, and Iacobucci, 2009). We identified respondents initially through different women's business networks and entrepreneurs support programmes, such as Forward Ladies in Yorkshire and Chwarae Teg in Wales. Acknowledging that not all female entrepreneurs are members of a network, we also used the directory of regional entrepreneurs to disseminate the questionnaire more widely in all three regions of interest.

### **Survey Design and Methods**

The survey questionnaire (see extract in the appendix) was split into three sections. The first section focused on the profile of the entrepreneur (age, years of business experience, qualifications, family history of entrepreneurship) and the profile of their business (annual sales, number of employees, business sector, legal status, stage of business development).

The second section measured leadership attributes as identified by the relevant literature (Bass, and Bass 2009). We employed the Multifactor Leadership

Questionnaire (MLQ) designed by Bass and Avolio (1997), augmented with detailed questions on the decision making approach adopted (autocratic vs. democratic leadership style). The MLQ is a widely employed tool, used to diagnose the behavioral aspects of leaders. It is based on seven factors, measuring transformational vs. transactional leadership attributes, namely idealized influence, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management-by-exception, and laissez-faire<sup>5</sup>. The tool comprises 21 randomly deployed five likert-scale items. To measure the level of autocratic vs. democratic leadership style, and decision-making style, we use another set of 10 scalar items.

The third and final section of the questionnaire focused on entrepreneurial competencies. We adopted the Female Entrepreneur Competence (FEC) Framework developed by Mitchelmore and Rowley (2010; 2013), which embraces both entrepreneurial and managerial competencies. Four such types were surveyed, namely Personal and Relationship, Business and Management, Entrepreneurial, and Human Relations competencies.

An early pilot-test of the instrument with a small sample of ten female entrepreneurs revealed no specific problems resulting in only slight adjustments to the survey instrument. The final questionnaire was sent out to prospective respondents either through email (SurveyMonkey link) or by post. A reminder letter and a second wave of questionnaires followed within one month of the initial contact. Overall, 66 questionnaires were completed in both waves, yielding a final sample of 58 usable responses. No significant differences were observed between early and late respondents.

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<sup>5</sup> Detailed definitions for the variables are provided in Table 2

To validate the findings and allow further insights, we also conducted ten face-to-face interviews, four in the area of Yorkshire, three in North Wales and three in the North West. All interviews lasted for approximately one hour, while a similar questionnaire was completed in full in order to have a common reference point. This data was excluded from the empirical analysis to avoid contaminating the original data.

## **Data Description**

In Table 1, we present summary statistics on the characteristics of our female entrepreneurs and their enterprises. We observe that the study sample is quite diverse with respect to the demographics of the participant female entrepreneurs. The majority of our respondents (91 percent) are between the age of 24 and 55, they hold either a professional or a bachelor (or above) degree in related or non-related subjects, and have at least five years' experience in their respective industry. With respect to the firm characteristics, most of the firms in the sample are at least four years old, with a very good representation (35 percent) of firms with more than 12 years in the industry and some very young businesses too. The majority of the firms focus on business services or wholesale/retail, with just a few concentrating on other services and even fewer on manufacturing. Finally, the sample includes firms at different stages of development.

----- Insert Table 1 here -----

In Table 2, we take a closer look at the surveyed female entrepreneurs and their leadership styles. In particular, we describe here the anatomy of the respondents' leadership style with respect to behavioral aspects (Panel A) and management aspects (Panel B). To derive the score for each style per respondent, we summed the

respective scores on individual items, as per the instructions of Bass and Avolio (1997). We observe that the investigated female entrepreneurs are described as transformational leaders in nature, scoring on average at the upper range of moderate (8+) and/or high levels in all factors included in the instrument. The highest average scores are observed in leaders' role in influencing (9.14) and developing the well-being of their subordinates (8.84). The only factor that does not follow the same pattern is the laissez-faire with a mean score of just 4.54 out of a maximum of 12. However,, it is important to note that the study population spans the entire range of the scale, with the minimum scores being zero -0- and the maximum 12 in almost all factors.

The data above suggests that, although our female entrepreneurs are mainly transformational leaders, they are not willing or ready to release control of their businesses to their employees. Indeed, the analysis in Panel B further corroborates the above. We observe here that on average the female entrepreneurs adopt a moderate to high autocratic and/or bureaucratic (5.12 and 5.26 respectively) approach rather a democratic style (4.8). In addition, the laissez-faire approach receives on average the lowest scores with just 3.96 out of a maximum of 8.

----- Insert Table 2 here -----

Finally, in Table 3 four major categories of competencies are examined, namely entrepreneurial, management, human relations and personal with multiple items measuring each one. All four categories are well defined in our sample, and all the items measure, with a high degree of reliability, different facets of each category. Indeed, inter-item correlations for each category are fairly strong with Cronbach's alphas ranging from 0.693 (for management competencies) up to 0.798 (for human

relations). In all cases, the factor means are above the scale midpoint, with personal competencies scoring the highest (3.234), and management competencies the lowest (2.698)<sup>6</sup>.

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### ***Data Analysis and Results***

To analyze the survey data, we employed a combination of univariate and multivariate tests. In Table 4, we present the t-test results for the comparison of mean differences in competencies across the seven factors of leadership behavior (Panel A) and the four factors of management style (Panel B). We split the sample based on the scores of each leadership factor using, as a cut-off point, the median of each individual factor as shown in Table 2 (low for scores below the median and high for scores equal to or above the median).

We observe that not all competencies shape leadership style to the same extent. It is clear that human relations and personal competencies are significantly different across the high and low groups for almost all factors related to transformational leadership (apart from the laissez-faire factor). This finding indicates that female entrepreneurs who perceive having high levels of human relations and personal competencies are more likely to adopt a transformational leadership style. However, the perceived level of management skills does not seem to impact on transformational leadership style adoption, whereas entrepreneurial competencies may positively affect some of the factors (such as motivation, simulation,

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<sup>6</sup> Exploratory Principal Components Analysis (not reported) corroborated the convergence and discriminant validity of the above factors, with all entrepreneurial, personal and human relations items loading on one dominant principal component. Meanwhile, although the management competencies items loaded on two components, they were seen as sufficient in measuring overall managerial competency.

consideration and management-by-exception) but not all. No specific competence seems to be directly related to the adoption of laissez-faire behavior.

The results in Panel B suggest no significant differences across the level of each competence against the management style groups (low-high). There are only two exceptions: personal competencies appear negatively related to the adoption of bureaucratic management styles, and human relations competencies are negatively related to the adoption of a laissez-faire style.

----- Insert Table 4 here -----

The above, however, need to be confirmed in a multivariate setting, which explores the combined effects of each competence on shaping leadership behavior and style, while controlling for external characteristics. In Table 5, the dependent variable in each of the seven models of Panel A and the four models of Panel B is the score of each entrepreneur on the different leadership and management styles accordingly. The independent variables are the respective scores on each competence factor and the respondent's age, qualifications and experience, and the firm age and stage of development are the control variables.

Although personal and human relations competencies were observed to univariately affect all factors, when examined jointly, some of the coefficients are no longer flagged as significant. Clearly, human relations and personal competencies affect mostly factors associated with the personal development and emotional support of subordinates. Entrepreneurial competencies have a positive effect on the development of the appropriate environment for a transformational leader to effectively lead. Management competencies relate to the support of subordinates so

they can promote themselves and the firm's goals. Yet, no competencies are directly related to the laissez-faire leadership style.

With respect to control variables, the age of the entrepreneur has a negative effect only on 'management-by-exception'. Entrepreneurs' qualifications negatively influence their 'laissez-faire' behavior, and are also negatively related to the adoption of a bureaucratic management style. Experience is positively related to the adoption of an autocratic management style and to 'management-by-exception', but negatively related to 'idealized influence' behavior. Firm age has a positive effect on both levels of autocratic and bureaucratic management styles adopted, whereas the stage of company development is only negatively related to the level of 'motivation' provided by the leader.

With the exception of just two models (*Reward* in Panel A and *Laissez-faire* in Panel B), all specifications present acceptable levels of goodness of fit and explanatory power. Finally, there are no concerns for collinearity, since mean variance inflation factors (VIF) (not reported here) are below 2 in all models.

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## ***Discussion***

### **Profile of Female Entrepreneurs of Micro and Small Businesses in the North West of England, Yorkshire and North Wales**

The first goal of our paper was to provide a detailed leadership profile of the female entrepreneurs in our study. Taking into consideration their behavioral aspects, we show that in line with past studies (Alimo-Metcalfe 1995; Bass 1991), the female entrepreneurs studied are inclined to adopt a transformational leadership

approach. These leaders are particularly interested in achieving high levels of trust, faith and respect with their subordinates; they place significant emphasis on employee well-being and personal development, whilst providing them with inspiration and intellectual stimulus to develop their creativity and ideas, and this was also evident in our interviews.

*“...we do a lot of personal development with the teams, a lot of 1-1 sessions and we try to give people more responsibility to handle themselves...in difficult situations.” (Interview 4, Design Firm)*

At the same time, and contrary to past studies showing females to be participative and democratic in their management style (Brush 1992), we reveal that these female entrepreneurs are not willing or ready to release control to their employees. When it comes to management, they tend to follow a rather moderate to high autocratic approach, and in some cases even a high bureaucratic stance. Chaganti (1986) has long suggested that irrespective of gender, the ‘masculine’ style of decisiveness and goal-orientation are prerequisites for a successful leader. Indeed, when the respondents were asked to denote how they dealt with decision-making on operational and strategic level, 20 percent admitted making all operational decisions on their own, 45 percent suggested that they do consult their employees although the final decision is theirs, and only 8 percent suggested ‘blind’ trust in their employees. When it comes to strategic decisions, however, the message is even clearer; 39 percent admitted to making decisions without any consultation, whereas 49 percent do consult their employees, but make the final decision on their own.

*“I do normally ask people before making any serious decision; and we do have a system of how employees need to deal with operational, the mundane daily decisions. Yet when it comes to most significant ones, it is all*

*down to me...it is my company after all.” (Interview 7, Catering)*

Interestingly, we observe that management approach is positively influenced by leaders' experience and firm age. This finding can be interpreted in two ways: from one point of view, the more experienced the leader is, the more confident she will be in her ability and knowledge in managing the company.

*“...you do have to make decisions... and want to get them to a certain place before you'll actually engage with the staff, so I think the strategic planning - at that level - works better if it's kept at board level.” (Interview 8, Business Services)*

On the other hand, acknowledging that among the most prominent reasons for firm failure is poor management skills (Chaganti, and Chaganti 1983; Gaskill, Van Auken, and Manning 1993) or bad management practices (Acquino 1990; Jennings and Beaver 1997), when a company succeeds for many years this is typically attributed to good management. Hence, it is understandable that the older the company, the more confident the leader becomes in the success of her management practices, and she is therefore more reluctant to change (Kotter 1996).

Regarding the industrial segregation of the firms, our sample is mainly service oriented, with hospitality and education services taking the lead. Although our sample consists of firms at different development stages, the in-depth interview analysis revealed that all participants were interested in growing their businesses further. This finding is particularly interesting since it challenges past notions that female entrepreneurs are growth averse (Shane 2008).

Finally, with respect to competencies, in line with past studies, the female leaders in this study perceive themselves to be well equipped with entrepreneurial and

personal competencies, but not so much with managerial skills (Heilbrunn 2004). They indeed seem to highly trust their communication, human relations and interpersonal skills as well as their ability to be creative and take advantage of opportunities, but not their administrative, marketing, sales, and financial skills. What is particularly interesting is that most of our respondents are highly educated, with rich experience in related or non-related industries, and great support from their immediate-close environment (i.e. a business owner in the family). Hence, whereas in the past, the suggested weaknesses or lack of prominence in leadership roles were associated with objective barriers, such as lack of education, family and workplace restraints or gender-related discrimination stereotypes (Sexton, and Bowman-Upton 1990), these female leaders appear to be limited by their own perceived ability to successfully manage a company (Langowitz, and Minniti 2007).

### **Perceived Competencies and Leadership Style**

With respect to the role of competencies in shaping the leadership style of the examined female entrepreneurs, we make three main observations. Firstly, not all competencies have the same impact on leadership style formation. A clear connection of human relations (motivation of others, hiring the right people, monitoring performance) and personal competencies (decision making skills, interpersonal skills, perseverance, self-confidence, communication and self-management skills) to transformational leadership style is revealed (Table 4).

In addition, we reveal a positive connection between entrepreneurial skills and transformational leadership style. In fact, the female entrepreneurs in our sample, who believe they are well equipped with entrepreneurial skills, seem to place a lot of emphasis on providing the right stimulus to their employees for success, and the

necessary supportive environment as expected by entrepreneurial leaders (Roomi, and Harrison 2011). Interestingly though, no significant relationship is revealed between a certain leadership style and reward. In line with Eagly, et al. (2003), we would expect a transformational leadership style to be positively related to reward and recognition of accomplishments, whereas transactional leaders would be less inclined to these behaviors. However, our results depict a uniform attitude towards ‘reward’ between the two leadership styles, suggesting perhaps that our female leaders are all equally sensitive to recognition and reward. Still, further exploration is necessary before making any bold conjectures.

Secondly, no one competence seems to be directly related to the adoption of laissez-faire behavior. Perhaps this is due to the negative properties of the specific style. Indeed, laissez-faire has been described as a type of destructive leadership behavior (Skogstad, Einarsen, Torsheim, Aasland, and Hetland 2007) and as a general failure to take responsibility for managing (Eagly, et al. 2003). In fact, Skogstad, et al. (2007) found laissez-faire leadership style to be positively related with role conflict, role ambiguity, and conflicts with coworkers.

In line with previous research (Lerner and Almor, 2002) the entrepreneurs interviewed for this research suggest that they complement their own weaker competencies by drawing on the skills of their employees and/or hiring staff that have these competencies:

*“My financial skills are very poor so I pay someone a lot to do this for me... I have built a strong team around me” (Interview 3, Health Care Company)*

Finally, the management style classification of autocratic, bureaucratic, democratic and laissez-faire does not seem to be particularly influenced by competencies. As mentioned above, contrary to the belief that women's management style would be more 'feminine' and 'participative' in nature (Brush 1992; Chaganti 1986), the majority (88 percent) of the respondents were reluctant to release control of their firms, adopting a rather autocratic management style when it comes to strategic decision making. This was particularly obvious among the participants who considered themselves well equipped with personal skills and/or higher experience within the firm and the industry. Lerner and Almor (2002) showed indeed that past experience is positively related to female venture performance. Hence, the reluctance of the female entrepreneurs in our sample to release control of their companies can be attributed to their understanding of this underlying relationship.

Similarly, when we try to identify the relationship between managerial style and education, we find generally weak results. However, it is obvious that the relationship between educational background and managerial style is negative, especially with regards to autocratic and bureaucratic leading styles (the latter is actually strong and significant). This indicates that the more educated the leader is, the less autocratic and bureaucratic her management style will be.

### ***Conclusions, Practical Implications and Further Research***

The current study is one of very few to examine the connection between female entrepreneurs' adopted leadership and management styles. We reveal that female leaders of micro and small businesses in the North West of England, Yorkshire and North Wales tend to adopt a transformational leadership style; a style evidently

linked to their perceived human and personal competencies as well as their entrepreneurial competencies. In fact, the examined female leaders are clearly focused on developing a culture of trust, faith and respect within their organizations, and also place great emphasis on their employees' well-being and personal development. Meanwhile, being highly attuned to the constant changes in the market, they are also particularly sensitive in cultivating a climate of creativity and innovation within their enterprises.

We further reveal that these female leaders are quite autocratic in their management styles, and are not comfortable in releasing control over their businesses, particularly when strategic decisions are to be made. Leader's experience and company age seem to reinforce the latter behavior; the older and the more experienced the female leader is, the more autocratic her management style becomes. Finally, we observed how unsure these leaders were about some of their competencies; we specifically found that, while they thought highly of their entrepreneurial and personal competencies, they had little confidence in their managerial ones (e.g. marketing, financial, sales). As a result, many of the leaders admitted that they either try to draw on the competencies of others within their businesses or buy-in the skills they feel they lack. This finding is indeed surprising, especially when we consider that the majority of our respondents are rather well educated to begin with.

As in all studies, certain limitations are present. One limitation is the size of the study sample. Despite being quite diverse and well representative of the population, our sample size is still quite small to reveal causality between competencies and leadership style. Future research based on a large-scale survey would provide invaluable insights to the above. Another limitation of the study is its focus on

specific regions of the North of England and Wales, which limits the findings' generalizability to the rest of the country or even more so, globally. Along these lines, a similar large-scale survey, comparing female entrepreneurs in different parts of the world could significantly advance our understanding of the investigated topic and allow for new theory development.

Finally, our analysis revealed a large proportion of firms on a growth-oriented trajectory contrary to past notions positioning female entrepreneurs as growth averse (Shane 2008). Our survey instrument did not, however, allow for a clear measurement of intentions to grow and their implementation strategies. Future research on growth orientations among female entrepreneurs could shed further light on this, particularly on the link between firm growth and leadership style.

Our findings overall have important practical implications, particularly for policy makers. We clearly show here that perceptions regarding personal skills and competencies have a significant impact on the adopted leadership style. Hence, and if we assume that transformational leadership is the leadership style favored by many female entrepreneurs, policy makers could allocate resources to develop programmes for the enhancement of the competencies linked to transformational leadership styles, such as communication, employee empowerment, responsibility delegation etc.

Acknowledging how female leaders perceive some of their competencies, we recommend that policy makers should include support for programmes specifically targeting skills they find challenging. Programs in which general marketing, financial and basic supervisory management skills are taught will not only equip female entrepreneurs with the strengths they need to run their businesses successfully, but most importantly, will provide them with the confidence they feel they lack. Finally,

policymakers should also be wary of presumptions (see for example Shane 2008) that micro and small businesses led by female entrepreneurs do not have growth aspirations and should tailor and target support accordingly.

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## Tables and Figures

**Table 1.**  
**Sample Description and Demographic Characteristics**

<i>Demographics of the Leader</i>		Frequency	
Respondent's Age	N	(%)	
17 - 25	1	2%	
26 - 35	14	24%	
36 - 45	18	31%	
46 - 55	21	36%	
over 55	4	7%	
Highest Qualification	N	(%)	
GCSE	6	10%	
A-Level	1	2%	
Vocational	5	9%	
Professional	10	17%	
BA/ BSc	21	36%	
PG	15	26%	
Years of Experience prior to Establishing Enterprise	N	(%)	
No experience	9	16%	
Less than 5 years	19	33%	
6 to 10 Years	9	16%	
11 to 15 Years	9	16%	
More than 15 years	12	21%	
<i>Demographics of the Firm</i>		Frequency	
Firm Age	N	(%)	
Less than 3 Years in Operation	21	36%	
3 - 6 Years in Operation	7	12%	
6 - 10 Years in Operation	6	10%	
10 - 12 Years in Operation	4	7%	
over 12 Years in Operation	20	35%	

**Table 2.**  
**Sample Leadership Characteristics**

<i>Panel A: Behavioral Taxonomy<sup>a</sup></i>								
	Mean	SD	Min	Median	Max	Low	Moderate	High
Influence <sup>c</sup>	9.140	2.148	0	9	12	2%	26%	72%
Motivation	8.360	2.048	0	9	12	4%	38%	58%
Stimulation	8.180	2.760	0	9	12	8%	40%	52%
Consideration	8.840	2.427	0	9	12	4%	34%	62%
Reward	8.060	2.535	3	8	12	8%	44%	48%
By-exception	7.780	2.359	0	8	12	10%	48%	42%
Laissez-Faire	4.540	2.636	0	4	12	52%	40%	8%
<i>Panel B: Management Style Taxonomy<sup>b</sup></i>								
	Mean	SD	Min	Median	Max	Low	Moderate	High
Autocratic	5.120	1.686	1	5	8	12%	42%	46%
Bureaucratic	5.260	1.651	1	5	8	4%	56%	40%
Democratic	4.800	1.604	1	5	8	10%	54%	36%
Laissez-Faire	3.960	1.456	1	4	8	12%	72%	16%

<sup>a</sup> Low=0-4; Moderate = 5-8; High = 9-12

<sup>b</sup> Low=0-2; Moderate = 3-5; High = 6-8

<sup>c</sup> *Influence* (idealized) indicates whether a leader holds subordinates' trust, shows dedication and overall acts as a role model; *Motivation* (inspiration) measures the degree to which a leader provides vision; *Stimulation* (intellectual) shows the degree of encouragement a leader provides to others by creating an environment that is tolerant of experimentation; *Consideration* (Individualized) indicates the degree to which interest in others' well-being and personal contribution in the group/team is shown; *Simulation* (intellectual) shows the degree of encouragement a leader provides to others by creating an environment that is tolerant of experimentation; *Reward* (Contingent) focuses on the degree to which a leader tells others what to do to be rewarded, emphasizes expectations and recognizes accomplishments; *Management-By-Exception* assesses how content a leader is with standard performance; and *Laissez-Faire* measures the extent to which a leader will let others do their own thing.

**Table 3.**  
**Competencies of Female Entrepreneurs in the Study Sample**

Survey Item	Mean	SD	Min	Max	Cronbach's $\alpha$	Competencies	Mean	SD
Creativity & Innovation skills	3.060	0.913	1	4	0.772	Entrepreneurial	2.935	0.638
Ability to envision/ taking advantage of opportunity	3.160	0.738	1	4				
Formulating and Implementing strategies	2.760	0.716	1	4				
Scanning environment for new opportunities	2.760	0.938	0	4				
Familiarity with the Market	3.120	0.689	2	4	0.693	Management	2.698	0.493
Acquisition of appropriate resources	2.780	0.737	1	4				
Planning Business Activities	2.760	0.771	1	4				
Marketing and Sales	2.640	1.005	0	4				
Managing the Financials	2.900	0.814	1	4				
Operational Systems Development	2.380	0.830	1	4				
Ability to use technology	2.480	1.092	0	4				
Business Administration	2.520	1.035	0	4				
Ability to Delegate authority and responsibility	2.980	0.869	1	4	0.715	Human Relations	2.928	0.575
Motivate others	3.120	0.689	1	4				
Hiring Skills	2.560	0.884	0	4				
Monitoring Employee Performance	2.740	0.944	0	4				
Human Relation Skills	3.240	0.822	1	4				
Decision Making Skills	3.400	0.606	2	4	0.798	Personal	3.234	0.479
Interpersonal Skills	3.180	0.691	2	4				
Perseverance	3.440	0.760	2	4				
Self-Confidence	3.220	0.679	1	4				
Communication Skills	3.240	0.687	2	4				
Negotiation Skills	2.980	0.820	1	4				
Self-Management	3.180	0.748	1	4				

**Table 4.**  
**Comparisons of Mean Competencies by Level of Leadership Style**

		Competencies			
		Entrepreneurial	Management	Human Relations	Personal
Influence <sup>a</sup>	Low <sup>b</sup>	2.714	2.688	2.529	2.867
	High	3.021	2.701	3.083	3.377
	Difference	0.307	0.014	0.555 ***	0.510 ***
	T-Test	(1.546)	(0.089)	(3.369)	(3.814)
Motivation	Low	2.655	2.673	2.648	2.952
	High	3.138	2.716	3.131	3.438
	Difference	0.483 ***	0.043	0.483 ***	0.486 ***
	T-Test	(2.822)	(0.301)	(3.196)	(4.060)
Stimulation	Low	2.729	2.609	2.700	3.030
	High	3.125	2.779	3.139	3.423
	Difference	0.396 ***	0.169	0.439 ***	0.393 ***
	T-Test	(2.282)	(1.220)	(2.887)	(3.152)
Consideration	Low	2.645	2.592	2.695	2.993
	High	3.113	2.762	3.071	3.383
	Difference	0.468 ***	0.170	0.376 ***	0.390 ***
	T-Test	(2.669)	(1.188)	(2.345)	(3.015)
Reward	Low	2.783	2.549	2.774	3.075
	High	3.065	2.824	3.059	3.370
	Difference	0.282	0.275 **	0.285 *	0.296 **
	T-Test	(1.581)	(2.029)	(1.786)	(2.265)
By-exception	Low	2.776	2.520	2.747	3.045
	High	3.032	2.807	3.039	3.350
	Difference	0.256 ***	0.287	0.291 ***	0.305 ***
	T-Test	(1.389)	(2.061)	(1.776)	(2.276)
Laissez - Faire	Low	3.000	2.688	2.922	3.270
	High	2.898	2.703	2.931	3.214
	Difference	-0.102	0.016	0.009	-0.055
	T-Test	(-0.536)	(0.106)	(0.053)	(-0.390)
<i>Panel B: Management Style Taxonomy</i>					
Autocratic	Low	3.000	2.714	2.800	3.102
	High	2.910	2.691	2.978	3.286
	Difference	-0.090	-0.023	0.178	0.184
	T-Test	(-0.445)	(-0.149)	(0.981)	(1.223)
Bureaucratic	Low	3.143	2.830	3.057	3.418
	High	2.854	2.646	2.878	3.163
	Difference	-0.289	-0.185	-0.179	-0.256 *
	T-Test	(-1.452)	(-1.193)	(-0.990)	(-1.728)
Democratic	Low	2.845	2.655	2.771	3.116
	High	3.000	2.728	3.041	3.320
	Difference	0.155	0.074	0.270	0.205
	T-Test	(0.843)	(0.518)	(1.667)	(1.509)
Laissez - Faire	Low	2.857	2.649	3.105	3.320
	High	2.991	2.733	2.800	3.172
	Difference	0.134	0.084	-0.305 *	-0.147
	T-Test	(0.730)	(0.590)	(-1.897)	(-1.074)

<sup>a</sup> Variable definition as specified in Table 2 above.

<sup>b</sup> The cut-off point between Low and High is the median of each Leadership Style, as shown in Table 2 (i.e. for Influence: Median=9)

\*, \*\*, \*\*\* : Significant at 0.1, 0.05 and 0.01 respectively

**Table 5.**  
**Regression Models of Female Entrepreneurship Competencies and Leadership Styles**

*Panel A: Behavioral Taxonomy*

DV:	Influence <sup>a</sup>	Motivation	Stimulation	Consideration	Reward	By-exception	Laissez - Faire
Constant	3.102 (1.333)	-0.577 (-0.334)	-0.741 (-0.327)	-0.141 (-0.050)	2.219 (0.756)	2.790 (0.945)	8.097 ** (2.596)
Entrepreneurial	-0.276 (-0.704)	0.539 (1.401)	1.859 *** (3.492)	1.112 ** (2.062)	0.076 (0.119)	-0.244 (-0.432)	-0.710 (-1.185)
Management	-1.357 ** (-2.169)	-1.021 ** (-2.149)	-0.992 (-1.247)	-0.690 (-0.963)	0.418 (0.401)	0.797 (0.882)	0.938 (1.169)
Human Relations	1.693 *** (2.955)	1.247 *** (2.993)	1.181 (1.398)	1.436 * (1.718)	1.129 (1.257)	-0.888 (-1.138)	-0.692 (-0.812)
Personal	2.125 ** (2.497)	2.501 *** (3.603)	0.957 (0.861)	0.906 (0.803)	0.664 (0.603)	2.899 ** (2.513)	1.572 (1.495)
Age	0.055 (0.132)	0.163 (0.677)	0.541 (1.349)	0.104 (0.245)	-0.297 (-0.657)	-0.730 * (-1.863)	-0.633 (-1.335)
Qualifications	0.027 (0.149)	-0.006 (-0.037)	0.239 (0.939)	0.307 (1.255)	0.370 (1.286)	0.016 (0.078)	-0.939 *** (-4.022)
Experience	-0.494 ** (-2.291)	-0.215 (-1.333)	-0.045 (-0.190)	-0.150 (-0.537)	-0.065 (-0.232)	0.470 * (1.753)	0.154 (0.571)
Firm Age	0.104 (0.533)	0.109 (0.664)	-0.401 * (-1.871)	-0.127 (-0.606)	-0.037 (-0.121)	0.246 (0.936)	-0.100 (-0.313)
Stage of Dev.	-0.358 (-1.229)	-0.493 * (-1.859)	-0.353 (-0.980)	0.027 (0.065)	-0.050 (-0.108)	-0.580 (-1.437)	-0.175 (-0.499)
F	5.099	4.582	6.165	3.613	1.472	1.815	4.164
R <sup>2</sup>	0.503	0.629	0.496	0.395	0.199	0.297	0.432
Adj. R <sup>2</sup>	0.372	0.531	0.363	0.236	-0.012	0.111	0.283

*Panel B: Management Style Taxonomy*

DV:	Autocratic	Bureaucratic	Democratic	Laissez - Faire
Constant	1.847 (0.757)	6.928 *** (4.785)	-0.238 (-0.104)	2.321 (1.010)
Entrepreneurial	-0.247 (-0.460)	0.202 (0.507)	0.128 (0.219)	0.442 (1.037)
Management	-0.025 (-0.045)	-0.003 (-0.005)	0.177 (0.434)	0.675 (1.286)
Human Relations	-0.447 (-0.766)	0.118 (0.232)	0.427 (0.844)	-0.966 (-1.586)
Personal	1.553 ** (2.223)	-0.578 (-0.835)	0.773 (1.105)	0.313 (0.463)
Age	-0.192 (-0.579)	-0.349 (-1.256)	0.299 (1.053)	-0.051 (-0.172)
Qualifications	-0.138 (-1.032)	-0.252 * (-1.835)	-0.092 (-0.515)	-0.060 (-0.407)
Experience	0.328 * (1.983)	0.060 (0.366)	0.128 (0.825)	0.136 (0.711)
Firm Age	0.351 * (1.885)	0.440 ** (2.573)	0.050 (0.236)	0.259 (1.424)
Stage of Dev.	-0.245 (-1.161)	0.169 (0.891)	-0.012 (-0.040)	-0.194 (-1.246)
F	2.070	2.020	1.592	1.532
R <sup>2</sup>	0.291	0.369	0.243	0.199
Adj. R <sup>2</sup>	0.105	0.202	0.044	-0.012

<sup>a</sup> Variable definition as specified in Table 2 above

\*, \*\*, \*\*\* : Significant at 0.1, 0.05 and 0.01 respectively

T-Test in brackets (...)