THE INFLUENCE OF A LEADER’S TRAITS AND BEHAVIOUR ON STRATEGY.

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Abstract

The objective of this exploratory study is to determine the influence of a leader’s traits and behaviours on strategy management of a firm. The variables are observed through semi-structured interviews for this case study. There has been research regarding the topics of traits and behaviours of a leader, strategy and performance as separate streams. Few studies examine the relations between all three schools of thought. The primary focus of literature on behaviour has been to observe performance, however if a leader’s strategy was not intentionally chosen, then it is difficult to prove the connection between the observed behaviour and resulting performance. An intermediary step may analyze behaviour that motivates specific strategies to attain certain outcomes. This study observes traits and behaviours of the leader and their effects on strategic decisions. Findings for this study narrow the list of traits and behaviours to:

- Entrepreneurial Exposure;
- Innovativeness;
- Need for Achievement;
- Tolerance for Ambiguity;
- Locus of control; and
- Competitiveness

The outcome of the study found these factors show patterns of influencing strategy that is leading, innovative, controlled, highly competitive, with a focus on high quality products/services, and instilling values and strong work ethic in the corporate culture.
Acknowledgements

I would like to thank my thesis advisor, Kurt Pedersen, for his recommendations about my topic. I extend my gratitude to the leaders of the companies I interviewed who graciously gave their time, letting me get inside their heads to pick their brains, helping with the core of my research and industry knowledge. I would also like to thank my parents, family and friends for their support through this demanding and lengthy process. I thank the readers and Aarhus School of Business professors and staff.

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1. Introduction

Some regard private enterprise as if it were a predatory tiger to be shot. Others look upon it as a cow that they can milk. Only a handful see it for what it really is - the strong horse that pulls the whole cart.

Winston Churchill

1.1. Background

How do a leader’s traits and behaviours influence strategy? There is much to say about linking a leader to the firm they manage. Studies have tied the entrepreneur to performance of an organization, as well as associating certain traits and behaviours to successful entrepreneurial performance. Behavioural research creates a stream of study with a psychological aspect as a basis. The theoretical debate shows differing behaviours and traits that make a successful entrepreneur. The research offers little practical guidance on behaviours that influence successful strategic development practices for smaller firms.

Strategy is another stream of study using business planning as a basis. Strategy is an extensively researched area within business, and difficulties exist to link behavioural tendencies to specific strategies that result in desired outcomes. Growing research over the past 20 years illustrates some trends in the relationship between strategic decisions and the effects on company performance which may have a more direct relationship. These trends offer some direction for small to medium sized enterprises (SMEs) in hopes to successfully operate a firm. The primary focus of literature on behaviour has been to observe performance as shown in Figure 1; however, the argument here is if the outcomes were a result of unintended behaviour, then causality can not be proven between the behaviour and the observed performance. In other words, if a leader’s strategy was not intentionally chosen, then it is difficult to prove the connection between the observed behaviour and resulting performance. An intermediary step may analyze behaviour that motivates specific strategies to attain certain outcomes and there is a need for these relationships to be observed (Figure 2). This provides a point of departure in helping to clarify the understanding of how a
leader can behave to make small businesses interact with their complex environment successfully.

1.2. **Problem, Purpose, and Central Question**

Existing research mainly uncovers two aspects of strategy: describing the link between performance of a firm and psychological traits of an entrepreneur, illustrating their effectiveness, and secondly observing the effect of strategic planning on firm performance. A review of these two areas will be discussed further in Chapter 2. There has been little research to observe these two differing areas and find the relationship between them, discovering how the psychological aspects of an entrepreneur affect planning in a company. The main goal of this research is to contribute to the body of knowledge about the influence of entrepreneurial traits and behaviour on strategy development. This relationship affects the internationalization process of every firm and was also observed as a minor objective. The implications of this research affect the ways in which we view strategy development in every
company based on character traits and behaviours possessed by the leader. This research will suggest a model linking the relationship between a leader’s traits and behaviours to strategy management, and may have some effect on the internationalizing of firms. The original idea behind this suggested framework was that parallels could be drawn between common traits and behaviours of entrepreneurs and the common strategic intentions of successful firms.

Central Question

How do a leader’s traits and behaviour influence strategy?

Traits and Behaviours to be Analyzed

The literature review discusses in detail the significance of particular traits and behaviours used in this study. The particular traits and behaviours used in this study include:

- Experience
- Professional and Social Network
- Entrepreneurial Exposure
- Educational Background
- Risk Aversion
- Innovation and Creativity
- Competitiveness
- Uncertainty (Tolerance for Ambiguity)
- Locus of Control
- Need for Achievement

Influence on Strategy

Observing behaviours and traits to determine influence on strategy development relating to organizational positioning in the following ways:

- Risk associated with the internationalization strategy
- Leading strategy rather than imitation strategy
- Length of planning horizon
- Dynamic environment created by the leader
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- Heterogeneous rather than homogeneous environment
- Degree of commitment to strategy
- Inward focus (structure oriented) or outward focus (market/product development) of strategy
- Goal orientation of strategy

These strategic aspects were selected based on past research which found them to be significant factors in classifying leadership decisions into strategic typologies, facilitating research comparisons.

1.3. **Limitations and Key Terms Defined**

Definitions of key variables are a bridge between what often seems to be vague ideas presented in a theory and the actuality of conducting research on a specific group of individuals. Limitations further aid to narrow the research on a specific group. Following are the limitations and key definitions of the leader, traits and behaviours, strategy, and internationalization that are used throughout the research.

*Leader*

A leader refers to the individual in a position of authority who guides or inspires others with a purpose, as defined by Merriam-Webster’s dictionary, which will be used in this study. There are many ways to interpret a leader, with various terms being used in the business environment to classify different forms of leaders. Terms used to classify different forms of a leader include: entrepreneur, leader, and founder which are discussed in greater depth in the literature review. These classifications incorporate the definition of a leader in some form or another. Other terms used to title a leader, such as Chief Executive Officer and President, are not inclusive to definitions in this study as they have entrepreneurial aspects but are not considered entrepreneurial positions and this study is limited to the entrepreneurial nature of small firms.

*Strategy*

The analysis of strategy has produced many streams of research from mission statements to elaborate definitions involving key capabilities accessed through alliances. This report will concentrate on the strategy involved in describing strategic
management and as a minor concentration strategic management toward internationalization objectives. The concepts of the intuitive-learning model and planning model applicable to small firms is a reference point for this report, using both deliberate and emergent planning process, the combination of which depends on the interplay between the leader, the industry context and the ancestry of decisions within the firm. These do not require the strategy to be explicitly stated, but may be in the mind of the leader and expressed to upper management.

**Internationalization**

According to the stage theory of internationalization, discussed in the literature review, there is a set of steps a company progresses through to successfully internationalize. The decision to expand and internationalize is usually the first step in the process. Following the decision to internationalize is analysis of the international environment to gather relevant information. The third step involves analysis of the different entry mode alternatives. In the fourth step, and decisions are made for entry mode and where to internationalize. In the final step, actions are taken on how to implement the decisions made for internationalization. This report will concentrate on the third, fourth and fifth stages within this internationalization process.

**Leadership and Firm Size**

For the purpose of this study, the size of the firms being analyzed will be described as a small to medium sized enterprise, defined by employing less than 500 workers. The SMEs will be privately held firms that already have less than 10% of revenue in export experience and are still advancing their internationalization agenda as they continue to expand to new international regions.

Setting limitations and providing definitions of key terms provides the reader with a clear sense of the study’s specific research focus. Furthermore, convincing and insightful comparisons among studies are more likely to be made when there is no confusion over ambiguous definitions.
1.4. **Structure of the Report**

This report will be conducted with in-depth exploratory analysis containing five parts. Chapter one introduces the area of research, Chapter two is the methodology of the research conducted, and goes further to outline how data was collected. Chapter three of the report, focuses on a review of past literature of various theories. This chapter will present a systematic analysis on the founder, the leader, the entrepreneur, strategy, internationalization and the leader with a discussion of their interrelations, comparing and contrasting theories that make up the body of knowledge. Chapter four presents the data collected and an analysis of the data for each company that was researched. Finally, chapter five concludes the report by pulling together the results of the analysis suggesting real world application of the findings from this study followed by suggestions for further research. A number of appendices support specific aspects of the report where the reader may require more detail.

1.5. **Data Resources**

The examination of the case study was based largely upon qualitative fieldwork involving semi-structured interviewing of the industry participant. Moreover, the report draws on research undertaken as part of a broader project on entrepreneurial behaviour and strategy theory. Furthermore, a variety of literature, such as professional journals, academic papers, and articles, were used with statistical material obtained from statistical agencies, national and international industry bodies.
1.6. Disposition

Table 1: Disposition

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>This introductory chapter provides readers with background information about the research topic, with the purpose and central question following the inherent real world problem of the topic. Limitations that guide the research are outlined, the thesis structure is presented, a description of data sources is given, and finally a disposition chart is exhibited.</td>
</tr>
<tr>
<td>2. Methodology</td>
<td>This chapter will outline the methodology of the research beginning with a description of the purpose of research, research approach, research strategy, data collection method, sample selection, data analysis techniques, and credibility of data.</td>
</tr>
<tr>
<td>3. Literature Review</td>
<td>This chapter provides a literature review and discussion of the existing theories covered by this research, including: leader, entrepreneur, and founder, followed by strategy, internationalization, and the leader. Analysis on supporting research and subtopics are discussed.</td>
</tr>
<tr>
<td>4. Data and Analysis</td>
<td>This chapter will display, analyze, and discuss the data collected, followed by a description of the company background, the industry, and the founder traits and behaviours influencing strategy.</td>
</tr>
<tr>
<td>5. Findings and Conclusion</td>
<td>This chapter will highlight the findings of the research and discuss practical implications of the findings. Areas for further research will also be discussed.</td>
</tr>
</tbody>
</table>
2. Methodology

2.1. Research Purpose

In reviewing existing research, there is a lack of study fully explaining the link between entrepreneurial traits and behaviours and strategy pursued. Consequently, a research design was needed for this study. The central problem of this study is not easily narrowed and variable relationships are vague and exploratory research can clarify the understanding of the problem and variables (Saunders, Lewis & Thornhill, 2003). The purpose behind exploratory research is in gathering as much information as possible and this report will be conducted in an exploratory manner, illustrating the entrepreneurial traits and behaviours that influence strategy development. The purpose here is not to make generalizations, rather, to expand the body of knowledge to increase understanding of the topic area.

2.2. Research Approach

Data lies at the center of research, a key in supporting or opposing the topic of study. This study used the qualitative approach and this alternative dictates how data will be analyzed and treated. The choice of approach is also influenced by the purpose of study and the central question of the research (Yin, 2003).

Qualitative

It is widely debated that qualitative research is considered a polar opposite to quantitative research, whereby qualitative research is inductive, data is collected and a theory is developed as a result of data analysis, and a hypothesis is not needed to begin research.

This type of research also involves data based on meanings and is expressed in words, pictures, and objects adding “richness” in context, but lack consistency and require subjective classification into categories through conceptualization (Saunders et al., 2003). The researcher is regarded as the tool in collecting data, because the data is field based (Lee, 1999). At times, researchers impose substantial flexibility or improvisation in the research procedures to gain better understanding of the data.
which is not quantifiable. They have the freedom to make adjustments, alter the objectives, and add questions during the data collection process (Eisenhardt, 1989). This process can be described as iterative, instead of linear, requiring a steady movement between the literature, interview data and analysis. In contrast to the quantitative approach, in the qualitative approach, there is a thought that the researcher can learn the most by participating and/or being immersed in a research situation.

Drawbacks
The debate exists between researchers because there are legitimate drawbacks to using one approach alternative over the other. Quantitative research may, to some extent, “force” observations into categories that may not “fit” to make meaning of the observation. Focusing too closely on individual results and failing to make connections to larger situations, not necessarily leading to generalizations, are one of the drawbacks for qualitative research. The main point is that the research design should effectively incorporate factors of both approaches to ensure accuracy and thoroughness, as opposed to disregarding either approach for its drawbacks.

This research will use a qualitative approach and this design was incorporated since the aim of the research was to gain deeper understanding of the entrepreneurial factors that influence strategy formulation. There are no goals to generalize with this research, instead the goals are to obtain better understanding between the relationships described in the research. The data required is expressed in terms of traits, behaviours, and perceptions, such data is difficult to analyze with the quantitative approach.

2.3. Research Strategy
To attain an answer to the central question in a study, research strategy illustrates the method that best suits the needs of the researcher in the design. Three conditions of the research questions help determine which strategy alternative to select. According to Yin (2003), the first condition determines the form of the research question, the second condition determines whether the research question requires control over behavioural events, and the third condition determines whether the research question focuses on contemporary events. A researcher establishes the conditions that are
needed by the central question and selects the suitable alternative (Yin, 2003). Based on the conditional requirements, the research strategy alternatives include: experiment, survey, archival analysis, history, and case study. The following table summarizes research strategy alternative.

Table 2

<table>
<thead>
<tr>
<th>Research Strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioural events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, What, Where, How Many, How Much</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Archival Analysis</td>
<td>Who, What, Where, How Many, How Much</td>
<td>NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>History</td>
<td>How, Why</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Case Study</td>
<td>How, Why</td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>

Source: Yin, 2003, pg. 5.

The central question in this research intends to answer how and why, yet does not require control of behavioural events, arriving at a choice between history and case study. The final conditional intention of the central question is a focus on contemporary events, leaving the case study alternative satisfying all conditions. Case studies allow a researcher to observe in substantial depth and provide a rich contextual description (Saunders et al., 2003). According to Yin (1993), the confidence in the robustness of the theory and pattern matching can be improved through a set of multiple diversified cases. Furthermore, this research will conduct multiple case studies to enrich the contextual descriptions and increase pattern matching possibilities.

2.4. Data Collection Method

Two alternatives, documentation and interviews, were selected to be used as sources, in that they collect information in an effective manner and achieve the aims for the research.

This research used a focused interview style; questions were developed by expanding upon the literature review. Permitting flexibility in the interview process was pertinent
to achieving the aims of this exploratory research, allowing the opportunity for new insights to arise through open dialogue.

The interview process was conducted in person and over the telephone. The richest descriptions were achieved through a one-to-one, face-to-face setting. Lending well to complex questions, and over a longer duration, interviews in person allow a researcher to collect more information to dissect. This study used one-to-one, face-to-face interviews since the companies were in close proximity to the researcher, and used telephone interviews for reinforcing interviews of co-workers.

Two semi-structured interviews were conducted in this study with the entrepreneurs. Two interviews were conducted per case company, one with the founder to obtain an in-depth description of their character and behavioural tendencies as they relate to strategy development. The second interview was with a peer working closely with the leader, to substantiate the founder’s self-perception of their own traits and behaviours. An environmental analysis was performed to determine any environmental forces that may have influenced any strategy development. Topics covered in the interview questions included strategic development, behavioural patterns in the business environment affecting these strategies, internationalization strategies and key decision moments that greatly affected the performance of the firm. These topics were probed using open-ended questions; the interviews were recorded and transcribed. Complimenting the interviews were articles and reports adding to the rich description.

2.5. Selecting the Sample

The sample was selected using a combination of strategies from purposive sampling and self-selection sampling. The research topic has characteristics of being exploratory, yet possesses some key themes, consequently, the case choices were self-selected by the author from a set of firms in a state of internationalization, and led by a founder managing in an entrepreneurial fashion. The firms were small, with less than twenty employees and chosen from 2 industries, as the literature suggests that effective strategic decision-making is dependent on the nature of the environment. The chosen firms were characterized by a certain degree of innovation, risk-taking, creativity and growth.
2.6. **Analysis of Data**

Describing how the author of this study analyzed the data it is best said in the words of Huberman and Miles (1984, pg16) “One cannot ordinarily follow how a researcher got from 3600 pages of field notes to the final conclusions, sprinkled with vivid quotes though they may be.” Understanding this, contributing factors which help illustrate the methods used for data analysis are the tactics described earlier. One regularly used approach was a constant comparison of theory and data to evaluate the fit that the field data had with the theory, either reinforcing or opposing the theory. As mentioned in section 3.4, the interviews conducted for this study were transcribed, which was beneficial due to the fact that they could be reassessed in their entirety, while still retaining all the subtleties that each interview had, rather than analyzing notes of the interview.

The transcribed interviews were analyzed for evidence to:

1. categorize the entrepreneur’s traits and behaviours
2. determine which strategies were relating to specific traits and behaviours

2.7. **Credibility of Data**

In any research undertaking, there are many opportunities for error to find a way into the research design. The credibility of findings from all research relies solely on the reliability and validity of the research design and data collected.

Having an understanding of the threats to reliability and the dimensions of reliability that exist, research design was carefully thought out by the author and outside sources to take steps to increase the degree of validity throughout the research process. Prior to data collection, the interview questions were built from stable existing theory in this topic area. The wording of questions was kept very simple to ensure the clarity in the interview process, and that the interviewee would understand the essence of the question. Selecting the head of the company as an interviewee was important, as they possessed the most knowledge about the internationalization strategy of the firm, and the character reinforcing interview was held with a close subordinate of the interviewee to confirm the traits and behaviours of the leader. Throughout the data
collection process, open dialogue with interviewees regarding threats and dimensions of reliability were discussed to make the interviewee aware of these issues. The respondent could have been affected by their own attitudes and perceptions, opening the door for weakness in reliability, although, attempts were made to discuss these issues. The interviews were recorded, and transcribed to avoid analysis from notes which would leave opportunity for observer error. Leading questions were completely avoided to ensure the observation was not influenced by the wording of questions. The recordings were revisited when any observations seemed unclear. Finally, the opportunity to consult the leaders after the initial interview was left open to allow for further clarification of any issues.

In reference to this research, reinforcing the correct interpretation of data by the author, the interviewees were asked about any ambiguous answers to clarify the meaning and increase the degree of validity. Complimenting the interviews, secondary data sources were used to provide additional information. The interviewees were sent analysis and conclusions of the observations to providing an opportunity to review the results of the research, and increasing the degree of validity. This research study does not have aims for generalization, or establishing causal relationships, therefore, internal and external validity will be disregarded.
3. Literature Review

3.1. Owner, Entrepreneur and Founder

Many terms have been used interchangeably to describe the individual at the top of a small business, yet, they can differ in a few dimensions with respect to each other. Following is a discussion of the owner, the entrepreneur, and the founder, viewed through studies analyzing these terms with psychological, behavioural, and strategic schools of thought, and emerging with a clear description that this research will use of each.

Owner

A psychological description may aid in illustrating distinct elements of ownership. The construct of psychological ownership can be better understood by comparing and contrasting it to attitudes. Similar to attitudes, psychological ownership is believed to consist of many elements including, cognitive, affective and behavioural elements (Druskat & Pescosolido, 2002; Eagly & Chaiken, 1993; Pierce, Kostova, & Dirks, 2001). Psychological ownership and attitudes can be directed at a variety of objects, including a work project, a job, or an organization (Brief, 1998; Pierce et al., 2001). Despite these similarities, distinctions can be made between attitudes and psychological ownership. Whereas attitudes are considered to be an evaluative tendency toward an object that may range from favourable to unfavourable (Eagly & Chaiken, 1993), psychological ownership is considered to be a sense of possession of an object whereby the object becomes an extension of the self that is closely linked to the individual’s identity (Pierce et al., 2001). This concept will be discussed in further detail later in this chapter. For the context of this study, the cognitive behaviour components of psychological ownership are investigated with the object of possession being the organization, differing from a founder in that the leader is not involved in setting up/establishing the firm. Another distinction is made between an owner and an entrepreneur, as entrepreneurs plan in more depth than small business owners (Carland, Hoy, Boulton and Carland, 1984).
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**Founder**

Recently, it was illustrated that in research, “the construct of founder went undefined” and for some inexplicable reason, it was just assumed that “researchers and readers alike ‘know’ who and what founders are”, as reviewed by Nelson (1998: pg. 14, pg. 13). This research will use the definition, “the person or persons responsible for setting up/establishing the firm” to describe the founder of a company, as developed by Nelson (1998: pg. 15). Although there was little notion as to a formal definition of a founder, it is suggested that founding a business is one behaviour which certainly defines entrepreneurship (Stewart, Carland, and Carland, 1996).

**Entrepreneur**

In the first half of the eighteenth century, an early European economist, Richard Cantillon, understood markets as an entrepreneurial process where visionaries identified a need, coordinated its development, and bore the risk of uncertainty (Hébert & Link, 1982). Later, during the twentieth century, Schumpeter (1942), gave notion to entrepreneurs as certain people having the ability to see, and profitably act on, opportunities that other are unable to identify. Since then, many studies have conducted investigations in search for a clear definition of the entrepreneur; however, a universal definition of the entrepreneur remains elusive (Brockhaus & Horwitz, 1986; Wortman, 1987; Sexton & Bowman, 1983). The entrepreneur label has been applied to many facets of a leader, ranging from founders (Gartner, 1985; Begley & Boyd, 1987), leaders/managers (Cooper & Dunkelberg, 1987; Begley & Boyd, 1987), Chief Executive Officers (Hartmann, 1959), to middle-level managers (McClelland, 1961), and the debate still continues. From the early 1980s, studies were also conducted to relate certain psychological traits to entrepreneurial intention, entrepreneurial action and success. Traits under study include: high need for achievement (Cromie & Johns, 1983; Begley & Boyd, 1987; Bellu, 1988; Johnson, 1990); internal locus of control (Brockhaus, 1982; Begley & Boyd, 1987; Bonnett & Furnham, 1991); innovativeness (Carland et al., 1984; Sexton & Bowman, 1986); risk-taking propensity (Brockhaus, 1982; Begley & Boyd, 1987); and tolerance to ambiguity (Hull, Bosley, & Udell, 1985; Teoh & Foo, 1997). The entrepreneurial “traits” approach of study was criticized (Gartner, 1988) with several others scholars. These early studies failed in clear definitions between entrepreneurs and managers in terms of psychological profiles. Although valid issues were raised, Learned (1992)
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points out that the real question is not whether entrepreneurs are different from managers, but whether certain personal characteristics, in the right situation, increase the likelihood that one will form an intention to found an enterprise. In this respect, there has been a resurgence of interest in personal traits to determine if they affect the propensity to engage in entrepreneurial activity (Learned, 1992; Herron & Robinson, 1993; Crant, 1996; Brandstatter, 1997; Rauch & Frese, 2000; Utsch & Rauch, 2000; Mueller & Tomas, 2001). Despite the disagreement, common themes include being a leader, risk taker, innovator, and resource gatherer as some elements of an entrepreneur (Palmer, 1971). It should be clear that a well defined entrepreneurial population does not exist and research findings are often difficult to compare. Based on the loose definition of entrepreneur, a comparatively broad definition of an entrepreneur is used in this thesis. An individual establishing an enterprise is the definition that will be used for this study allowing for comparison to other research.

3.2. Strategy

For more than 40 years, researchers have explored to define strategy. Beginning with an unsophisticated definition, strategy was characterized by outlining an organization’s long-term goals and objectives, taking a course of action, and allocating resources to meet those objectives (Chandler, 1962). Since Chandler (1962), strategy has morphed from a crude and elusive concept to a firmly situated, pivotal construct of the business planning process (Burke & Jarratt, 2004). The concept has evolved to account for intended (deliberate) or unintended (emergent) realized strategies (Mintzberg, 1978; Mintzberg & Waters, 1985), capabilities that can be accessed through alliances (Markides & Williamson, 1994), core competencies of the firm (Prahalad & Hamel, 1990) among other aspects of strategic theory. Mintzberg and Lampel (1999) reviewed extant literature to summarize at least ten widely known schools of thought on entrepreneurial strategy process, highlighting the differences between the intended message and realized message based on the school of thought. They further illustrates that the explorers in the area of strategy are investigating one aspect of strategy as though none other exists, dismissing them as irrelevant or denying their very existence. Their argument is to allow for blending and overlapping of the schools of thought in the modern business environment where managers are more creative and explore new ways of doing things (Mintzberg &
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Lampel, 1999). Regardless of the school of thought, strategy involves strategic thinking and strategic management as contributing processes.

**Strategic Thinking**

The cognitive process examining a firm’s position in the business environment is referred to as strategic thinking. It concentrates on an internal assessment of where an organization is and where it might be in the future. Hickman and Silva (1984) describe strategic thinking as a deep internal process with a long run focus, a kind of meditation on customers, the competition and the company’s strengths and weaknesses involving linear, analytic and creative thought. It readjusts thinking as a part of the process of evaluating strategic planning (Smircich & Stubbart, 1985). Strategic thinking precedes strategic planning and it provides the background for strategic planning to take place.

**Strategic Planning**

Strategic Planning is the process that produces plans and a means of implementing as well as controlling the plans (Jacobs, 1979). In theory, it should be a continuous process, analyzing and adapting to changing internal and external environments (Pfeiffer, Goodstein & Nolan, 1985). The motivating factors behind strategic planning may vary greatly from one company to the next, but Thieme (1979) suggest there are generally seven key goals of strategic planning:

1. Challenge the current statements about the role and purpose of the organization.
2. Identify needs that are not adequately met.
3. Develop a plan that recognizes both external and internal realities.
4. Achieve consensus among key organization members on future strategies.
5. Favourably influence the perspective of internal and external constituent groups.
6. Link strategic planning to operational management.
7. Educate key people as to the external and internal realities as well as to the values and aspirations of key groups.
Strategic formulation and strategic management are separate components contributing to the strategic planning process, focused first on positioning the organization, and then on implementation of the strategic plan and its control (Pfeiffer et al., 1985; Jacobs, 1979).

**Strategic Formulation**

Strategic formulation is the initial process in strategic planning and it involves environmental analysis, internal analysis, market analysis, development of the plan, and a mission statement. It is a process of analyzing circumstances to develop feasible objectives and goals for a firm.

**Strategic Management**

Strategic management is a process which determines and maintains a viable set of relationships between the organization and its environment. It is a process seeking to systematize the evaluation of firm performance and set directions for the organization’s long term development. Positioning an organization can be achieved through strategic management by adapting the firm to its environment, matching internal strengths and weaknesses to external opportunities and threats. It implements and controls the plan component of strategic planning by allocating resources necessary and using control tools to evaluate performance toward goals. A method to ensure control is to integrate control tools into the organization’s business plan to provide continuous feedback.

A leader has significant influence on the realized strategy of an organization. Strategic decision making is considered limited to upper management, either as an individual or as a group (Hambrick & Mason, 1984). Allocating resources, encouraging organizational culture to support a certain strategy, and creation of structures that facilitate desired outcomes and discouraging undesirable ones (Kets de Vries & Miller, 1986; Miller, 1986) which can be influenced by the leader.

### 3.3. Internationalization

For nearly a century, multinational corporations (MNCs) were dominant players in the global business arena. However, the past few decades have seen the evolution of a
new business environment with firms of all sizes competing globally. Expansion in international business can be attributed to changes in the institutional framework governing world trade and production, more specifically, liberalization of government policies, development of institutions facilitating international trade and increased global competition (Daniels and Radebaugh, 2001). A combination of these attributes with rapid advances in communications and information processing technologies form the instruments of change to a new era of global economic integration (Gankema, Snuif, and Zwarth, 2000; Biersteker, 1998). Consequently, small firms are increasingly operating with value chains supporting a global scope. When considering the demand of changing economies, they seek growth and profitability outside their local markets, finding it easier to expand internationally than in the past (McDougall, Shane & Oviatt, 1994). The international business environment is realizing the strength of small businesses in their contribution to global economy.

Recent literature brings to light a new strategy developed because of a converging global environment with exceedingly open and borderless international markets where firms begin their life with a global scope, omitting some of the stages involved in the models discussed above. These ‘born globals’ (Cavusgil, 1994), ‘international new ventures’ (Oviatt and McDougall, 1994; Zahra, Ireland, & Hitt, 2000), and ‘global start-ups’ (Oviatt and McDougall, 1995) are a new breed of firms and interact with the complex environment in their own unique ways and are characterized by innovation, proactive and risk-seeking behaviour across borders (Oviatt & McDougall, 1994). The characterized behaviour is closely linked to entrepreneurship in that they share some behavioural tendencies. For that reason, this stream of research is called international entrepreneurship.

A firm’s fundamental motivation for expanding into foreign markets is to increase profitability and therein increasing probability of survival (Smallbone & North, 1995). This process of expansion into foreign markets has been labelled internationalization, and it has been the subject of extensive theoretical and empirical research. The theory diverges into two schools of thought: the stage model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) and the innovations model (Cavusgil, 1980) with a firm’s involvement in foreign markets as a shared focus. The Stage Model suggests that a firm enters foreign markets in a systematic and sequential method,
progressing toward riskier means of market penetration once domestic sales have been established. It integrates the use of knowledge about foreign markets into operations and focuses on learning and experience throughout the process. In this model, internationalization is described as a gradual development taking place in distinct stages (Melin, 1992) ranging from three to six stages in the process depending on the author. The innovation model draws parallels to stages of product adoption based on Vernon’s (1966) product life cycle model. The innovation model considers each of the five stages in its model as an innovation for the firm and each stage is defined by an export to sales ratio representing the commitment to involvement in foreign markets. These stages also represent the strategic choices of firms which are influenced by many factors. Factors include forces facilitating and inhibiting exporting, market knowledge, and expansion and marketing strategies (Leonidou & Katsikeas, 1996).

Various strategies can guide a firm in implementing the internationalization process. However, as this study is analyzing the influence of a leader’s behaviour on strategic management, and will not analyze specific internationalization strategy constructs, the theories will not be reviewed and discussed.

### 3.4. The Leader Affect

Past literature suggests that the relationship between leadership and firm growth is significant for at least three reasons. First, research has discovered that the founder of the company greatly affects the culture and behaviour of a firm, to the extent that the company is an extension of the leader’s personality. Secondly, a link has connected the traits and ability of the founder to the success of a firm. Thirdly, the characteristics that each founder brings to the table affect the individual success of each firm.

#### 3.4.1. The Firm as an Extension of the Owner

To elaborate on ownership in a psychological perspective, the firm as an extension of the owner is an important motivating factor for entrepreneurs. In psychological terms, ownership or possession is an attitudinal state. The feeling of leadership is part of the human condition and people develop feelings of ownership toward a variety of
The Influence of a Leader’s Traits and Behaviour on Strategy

objects, both material and immaterial in nature (Pierce, Kostova, & Dirks, 2001). Belk (1988: pg. 139) states that “a key to understanding what possessions mean is recognizing that, knowingly or unknowingly, intentionally or unintentionally, we regards our possessions as part of ourselves”. It is common for people to psychologically experience the connection between self and various targets of possession, such as objects, experiences, and other people (Dittmar, 1992). The psychology researcher Sartre (1943) theorized that possession as an extension of self occurs resulting from at least three conditions. The first is controlling/mastering the possession. The second condition is creating the possession, buying can also be seen as a form of creation as money is used to buy, and people work to create wealth in the form of money. Knowing the possession is the third condition to possession as an extension of self. Feelings of ownership have important behavioural, emotional and psychological consequences

When these conditions exist, an individual can maintain a relationship with the organization with three motivating components distinct from psychological ownership which asks “What do I feel is mine?” Commitment asks, “Should I maintain my membership with the organization and why?” Identification deals with the question “Who am I?” Internalization inquires “What do I believe?” (Pierce et al., 2001). The characteristics of these relationships shift closer to psychological ownership as the target of possession becomes the whole organization or a central component of the organization. As the target of ownership moves closer to becoming the whole organization, the individual is increasingly motivated to maintain and improve their possession (Pierce et al., 2001).

3.4.2. Linking Leader to Firm Success

Regardless of the skills and abilities of employees in an organization, it is widely believed that a firm’s success or failure can be attributed to the decisions and actions of the leader. Scores of studies have attempted to associate the leader with firm performance through characteristics (Begley & Boyd, 1987; Sandberg, 1986; Brockhaus, 1980a). Despite the many attempts, extant literature between psychological aspects and financial performance are few, but suggestive. The research suggests that an increase in entrepreneurial characteristics is positively associated
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with financial performance, but tend to ignore Miller and Friesen’s (1978) warning that increased entrepreneurship beyond a particular threshold can harm a company’s financial performance (Zahra, 1993). Entrepreneurial characteristics that have been studied range from individual demographics to psychological behaviour and will be discussed in further detail.

3.4.3. Leader’s Traits

In social psychology, a plethora of traits can be observed, and with each trait spanning varying degrees on a continuum from overly dramatic to nonexistent. Looking more closely at business research, and the psychology of leaders, over forty distinct traits have been found affecting the interaction between entrepreneurs and the business environment. This report will narrow this list to four demographic traits as well as six psychological characteristics of an entrepreneur. These traits were chosen since they show a higher degree of influence in past studies which is discussed below. Following will be a discussion of the selected traits including: experience, entrepreneurial exposure, social and professional networks, and education.

3.4.3.1. Experience

An entrepreneur’s experience can be explained by three contributing aspects of experience: industry, managerial, and entrepreneurial. Gasse (1982) points out an entrepreneur’s experience can influence performance positively or negatively, however, it seems that existing evidence generally supports a positive relationship between an entrepreneur’s experience and performance.

Industry

Industrial experience refers to experience in the industry which the venture is in. Understanding subtleties of an industry, such as the communication between value chain components to accomplish a goal, greatly effects on the success of a firm. Relevant industry experience has been highlighted as an important leadership trait. Industrial experience had a good influence on overall performance (Jo & Lee, 1996; Dyke, Fischer & Reuber, 1992).
Managerial Experience is the total experience in management regardless of the industry.

Studies support both sides of the debate where managerial experience affected performance negatively (Jo & Lee, 1996) and managerial has shown a positive correlation to performance (Stuart & Abetti, 1990; Dyke et al., 1992)

Entrepreneurial
This type of experience is defined by “the number of previous new venture involvement and the level of the management role played in such ventures” (Stuart & Abetti, 1990: pg 151). Past entrepreneurial experience can be a nearly unfailing measure of future entrepreneurial endeavours. Entrepreneurs with start-up experience are more likely to avoid costly mistakes than entrepreneurs without start-up experience. Key to the complex nature of start-up experience, entrepreneurs learn the nature of commitment required from all aspects of a start-up firm.

These three aspects of experience contribute to the overall knowledge that an entrepreneur gains over their career. Both positive and negative experiences may change perceptions and future behaviours toward decision making and strategy development.

3.4.3.2. Entrepreneurial Exposure
Indication in past studies reveals that being a child of an entrepreneur increases the chances of the child opting for self-employment (Cooper & Dunkelberg, 1987; Shapero & Sokol, 1982). There is further indication not only for the case of having entrepreneurial parents, but also relation to the status achieved or the degree of performance having influence on the child’s intention of becoming self-employed (Scherer, Brodzinski & Wiebe, 1990) providing favourable modeling and experience for the potential entrepreneur (Duchesneau & Gartner, 1988). Exposure to business leadership apparently provides an educational experience about the complexities of owning and managing a business.
3.4.3.3. Social and Professional Network

Due to lack of finances, equipment, and labour, a small business can have resource limitations that can hinder firm operations. Entrepreneurs can overcome some of the effects of these limitations through broad social and professional networks, indirectly gaining access to critical resources (Hansen, 1995; Birley, 1985) to the extent of social transactions (Starr & MacMillan, 1990). The positive influence of networks has been observed in circumstances where the leader had prior experience, proving their worth in a business environment. Then moving on to start new entrepreneurial ventures where these networks played some role in strategic decisions. It may be suggested that intangibles, such as social and professional networks, can influence the strategy and performance of an organization.

3.4.3.4. Education

Clearly, education provides a means to advance problem-solving, computational, and communication skills and abilities. Education is a common variable in research, testing the relationships between the education level of entrepreneur, success of the firm and individual. Entrepreneurs show a higher level of education than those, from the general population in the US (Cooper & Dunkelberg, 1987), in the waged and salaried sector, with positive relationships between the level of education to earnings from self-employment, and venture performance (Robinson & Sexton, 1994). Dyke, Fischer and Reuber (1992) observed an insignificant relationship between the business leader’s level of education and the performance variables, and concluded that findings in that specific study were simple due to the nature of industries observed. Jo and Lee (1996) performed a study of 48 new start-up firms in Korea, and education was found to be only positively correlated with profitability, but not with growth. Studies show education had a negative correlation to performance of technical firms (Stuart & Abetti, 1990), and sales growth in 151 Singaporean surveyed entrepreneurs in SMEs (Tan & Tay, 1994). Research shows a universal relationship does not exist between general educational background and firm success. In spite of the contradictory findings on both sides of the debate, it is general understood that education has a positive impact on the growth of a firm, because education equips an individual with analytical and technical skills, which are essential to managing the complexities of a business.
Business training contributes to education as well and interesting results are observed with this advanced education. Peters and Waterman (1982) describe the effects of business education as a “paralysis of analysis”, finding that formal business training may do some good up to a certain point, but beyond that it encourages a weakness for excessive data collection and analysis. Specifically, those with such training tend to over-commit to their projections and remain committed to unfortunate plans even when analysis recommends another alternative. Entrepreneurs with master’s degrees outperformed those with Ph.D. degrees in studies by Stuart and Abetti (1986) and Roberts (1972), reinforcing that training may only be helpful to a certain point, after which, becoming detrimental to the success of potential founders and leaders.

3.4.4. Leader’s Behaviour

Observation of psychological traits have been used a great deal in analyzing entrepreneurial behaviour and this direction has met criticism due to theoretical and methodological problems in clearly defining variables and characterizing the perspectives, which has resulted in findings that lack validity and reliability (Gartner, 1989). A more successful foundation involves the individual’s value system and cognitive mechanisms applied to a social context (Katz, 1992) to comprehend the decision making and strategy development processes involved in entrepreneurship. Ajzen’s (1991) theory of planned behaviour suggests an individual’s intention of certain behaviours within a social context, and this sets up the one of the founding concepts. Research on the theory of planned behaviour is driven by the second concept, Bandura’s (1986) theory of self-efficacy, which suggests an individual’s motivating factors toward a certain behaviour. Self-efficacy is closer to action than other traits; it can be used to predict an entrepreneur’s behaviour choice, persistence and effectiveness (Chen, Green, & Crick, 1998). These two theories realign research based on psychological traits by shifting the focus from traits to the notion of self in regards to demands of a situation, offering a perspective that falls between social psychological motivation theories to others such as strategic development. Selected psychological motivating behaviours that will be discussed and analyzed are: innovation, need for achievement, risk taking propensity, tolerance to ambiguity, locus of control, and competitiveness. These six behaviours were chosen because of
the high relation to entrepreneurship illustrated in past literature which is discussed below. Other behaviours were excluded from this study due to simplicity. Introducing more variables would take away from the concentration on specific behaviours and may obstruct findings.

### 3.4.4.1. Innovativeness

In the Merriam-Webster dictionary, innovation is defined as the introduction of something new, a new idea, method or device. The importance of innovation is stressed in the entrepreneurial process (Frese, 1995; Lumpkin & Dess, 1996; Drucker, 1985; Schumpeter, 1934, 1942), and an entrepreneur possessing a high level of innovation and creativity can hold a distinct advantage in solving problems. An innovation unfolds in two stages. The first stage is characterized by the creative generation of new and useful ideas (Amabile, Conti, Coon, Lazenby, & Herron, 1996). The second stage is the implementation of these ideas (Amabile et al., 1996). Literature points out that innovation and innovativeness are different concepts. The distinction develops from the active approach innovativeness has to innovation, which is recognized differently from Patchen’s (1965) notion of interest in innovation. Innovativeness is the daily effort to improve operations from process to products and services, which is more than just an interest in innovation. This behaviour may show influence in an entrepreneur’s strategy management.

### 3.4.4.2. Need for Achievement

Extensively studied and introduced by McClelland (1961), need for achievement is a key behavioural indicator when referring to entrepreneurs. The concept is characterized by an individual’s desire to do something better or faster than anybody else or faster than the person’s earlier accomplishments. The theory is implies that motives will be learnt and that motives could be seen as expectations (McClelland, 1990; Rotter, 1966). Research shows that the behaviour does change over time and can be developed (Hansemark, 1998; McClelland, 1990). This further suggests that an individual’s characteristics can change based on the social context experienced in entrepreneurial activity. The development of the motive occurs in how the individual’s existing frame of reference is put against the individual’s own desire to
achieve. Research supports the theory that achievement motivation influences entrepreneurial performance (Collins, Hanges & Locke, 2004) and it could be suggested that strategy development is an intermediary step to entrepreneurial performance in achieving individual goals.

3.4.4.3. Risk Taking Propensity

Risk is viewed as a function of the variation in the distribution of possible outcomes, the associated outcome likelihoods, and their subjective values in classic decision theory (March & Shapira, 1987). Propensity for risk has been central in the attributes of an entrepreneur (Schumpeter, 1934; McClelland, 1961) since Cantillon (1734) marked that an entrepreneur assumes the risk of profit or loss. However, literature is divided as to the degree of risk taking that an entrepreneur assumes. The conclusions vary based on the entrepreneur’s gender, age, cultural background, stage of business development and research methods applied according to Brockhaus (1980), further implying that it is based on context. The division in findings can be illustrated through research design in measurement techniques. In the case where objectivity in measurement is used to report general overall risk taking propensity, findings suggest that entrepreneurs are representative of the general business population (Sexton & Bowman, 1983). Yet, when measurement techniques are more specific and data collected reflects the individuals risk context, the findings lean towards entrepreneurs taking higher risk than general business population (Sexton & Bowman, 1983). Theory suggests that the risk can be a calculated function of skill when entrepreneurs show a high need for achievement (McClelland, 1961). Risk as a psychological trait is a motivating behaviour for an entrepreneur and this suggests some influence on strategy development. The association of risk to entrepreneurship remains a topic that is full of loopholes, however the debate continues on both sides. It is widely believed that risk has some type of association with entrepreneurship, and excluding it as a contributing factor may produce an inadequate definition. Further study is needed in this area to determine how risk fits into the entrepreneurship formula with strategy and performance.
3.4.4.4. Tolerance for Ambiguity

Entrepreneurs are often associated with tolerance to ambiguity, but ambiguity is not the only term explicitly used to describe this feature of an entrepreneur; economists also use the term uncertainty. However, in psychological literature, the two are related terms with distinctions. Budner (1962: pg. 30) defines an ambiguous situation as “…one which cannot be adequately structured or categorized by an individual because of the lack of sufficient cues”. Uncertainty is a state of mind resulting from ambiguity that derives from a situation, an event or an interaction. Ambiguity is also used as a term to represent the same state of mind, but psychologists speak of tolerance for ambiguity and define it as the ability to deal effectively (Norton, 1975). This would mean that tolerance for ambiguity is the ability to respond positively to ambiguous situations. Individuals with a high tolerance for ambiguity would hold a high level of confidence in decisions made in an ambiguous environment without attempting to seek more information (Norton, 1975). Tolerance for ambiguity is a key personality trait among most successful corporation presidents and union leaders, as concluded by Stogdill, Goode & Day (1965). Studies have found high tolerance for ambiguity to have a highly positive correlation to performance on a task (MacDonald, 1970), and to indicate individuals more likely to engage in creative and novel ways of doing things (Tushman & Nelson, 1990). To relate tolerance for ambiguity with entrepreneurship, many decisions involve some level of ambiguity resulting in decisions and actions that are innovative and original and several researchers establish that entrepreneurs have a significantly greater capacity to tolerate ambiguity than managers (Palmer, 1971; Schere, 1982; Sexton and Bowman, 1985; Ho and Koh, 1992; Cho, Choy & Lim, 1994). Schere (1982: pg. 404) goes so far as to refer to the role of entrepreneur as “an ambiguity-bearing role” in their ability to deal effectively with situations or information that may be vague, incomplete, unstructured, uncertain or unclear (Norton, 1975). Thus, it would be expected that tolerance for ambiguity will influence an entrepreneur to take more risk and be more innovative with their strategy.

3.4.4.5. Locus of Control

Developed by Rotter (1966), locus of control is a characteristic that has been associated with entrepreneurs through many studies. An internal – external scale that
Rotter used to describe locus of control, measured an individual's perception of how much control a person maintains over events in their life. At one end of the scale, an internal person believes their efforts result in the outcome of their life. An external person, at the other end of the scale, believes that their life is beyond their control, placing control in the hands of fate, luck, or destiny. An individual's behaviour will depend on their perception of measure on this scale, thus implying the degree of an individual’s locus of control can change and develop over time (Hansemann, 1998). Therefore, it would be reasonable to assume that social context could influence this perception and behaviour.

According to Rotter’s (1966) theory, the internal control expectation is related to learning, and thus motivates and supports active striving. The external control expectation, on the other hand, impedes learning and encourages passivity. Strategy and vision are translated to the organization through action. An entrepreneur achieves objectives through controlling action and an internal control expectation is usually associated with entrepreneurial characteristics. Relationships have been studied illustrating the distinction between internals and externals. One study indicates superior performance was achieved most often by internal leaders and by groups led by internals (Anderson & Schneier, 1978). Other findings suggest that internal managers were more task-oriented and functioned better in stress situations than did externals (Anderson, 1977; Anderson, Hellriegel, & Slocum, 1977).

Past research has suggested consequential trends in behaviour based on the internal or external individual. Internals are likely to exhibit more entrepreneurial qualities than are externals (Brockhaus, 1975; Shapero, 1975) and successful entrepreneurs are considered more internal than unsuccessful entrepreneurs (Brockhaus, 1980). Internals may more frequently introduce new products and services and invent production technologies or processes. They may also make very dramatic changes to product lines or services. The level of confidence an individual may perceive in the potential impact they can make influences their degree of commitment, and since internals are more convinced of their abilities to influence their environments, they tend to proceed with action. Conversely, external individuals are likely to be more passive because they believe events to be outside their control (Kets de Vries, Toulouse & Miller, 1982).
The interrelatedness of other entrepreneurial behaviours becomes evident in that an internals task orientation and ability to deal with stress may encourage them to adopt particular styles of strategy development (Kets de Vries, 1980; Miles & Snow, 1978). These include an increase in risk taking, tendency to be proactive in competitiveness, leading rather than imitating, and the use of more planning, as internals perceive control over their environment. Significant product and service innovations require that risk be taken which may lead to take firms into new and different markets. On the other hand, externals will operate with a low level of innovation linked to risk averse behaviour, and a sense of vulnerability due to their perception of events being controlled by their environment, resulting in a tendency to imitate competitors rather than lead them. This conservative behaviour can cause externals to remain with their older markets and a narrow industry niche (Miller & Friesen, 1978).

As internals show tendencies of innovation and risk oriented strategies, Kets de Vries et al. (1982) suggest that at least two strategic behaviours are directly influenced by locus of control: scanning, and differentiation.

**Scanning**

Daft, Sormunan and Parks (1988) describe environmental scanning as the managerial activity of collecting, analyzing, and interpreting data about the firm’s external environment and competition. Scanning is considered important because it informs decision makers about changes and trends in the business environment, which leads to opportunity recognition (Bluedorn, Johnson, Cartwright & Barringer, 1994). Scanning also addresses issues of uncertainty in the market by seeking information about the environment. Internals have been found to use information more in decision making (Phares, 1976). Although uncertainty will not be eliminated through scanning, decision makers must be aware that it may reduce uncertainty to their advantage. A study by Zahra (1991) finds scanning to be positively associated with corporate entrepreneurship, and information gathering is important in an internal entrepreneur promoting innovative, risk taking, and proactive behaviour.
Differentiation

Innovation displayed by an entrepreneur adds complexity and diversification, reducing uncertainty created by a dynamic environment and heterogeneity. Keats and Hitt (1988) observe differentiation also results in increased specialization among personnel in certain products or markets. These expert employees are positioned to examine new trends in their industry, evaluate their relevance to the firm’s goals and objectives, and develop creative solutions to take advantage of these trends. Increased differentiation has been positively associated with entrepreneurship and a strategy of new business creation (Zahra, 1991).

Although various relationships have been studied using the internal – external scale in a management context, research is lacking to relate locus of control to strategy. A few studies make a first step in this direction, associating entrepreneurial behaviour with locus of control, yet very little research can be found directly linking this relationship.

3.4.4.6. Competitiveness

The acknowledgement of rewards, status and even survival can motivate competitive behaviour. Goals are considered an important factor to competition as they are “directors of action” (Gollwitzer & Bargh, 1996: pg. 1), playing a role in determining intensity, direction and persistence of goal-directed behaviour (Austin & Vancouver, 1996; Locke & Latham, 1990). Research suggest that competition is a motivating force on people’s self-set goals (Locke & Latham, 1990) and the strong relationship between goal level and task performance (Locke & Latham, 1990; Mento, Steel, & Karren, 1987) illustrating importance of goals in an entrepreneur’s competitive behaviour toward strategy development.

A study by Kohn (1992) contrasts structural competition, competition inherent in situations, and intentional competitiveness, attributed to personal or attitudinal competitiveness. Their distinction is important, as both can stimulate an individual differently which can affect resultant strategy making behaviour.
**Structural Competition**

According to Kohn (1992), structural competition is explained by situations where two or more people contend for scarce rewards where some degree of mutually exclusive goal attainment is inherent. In other words, for one person to win and enjoy the greater share of rewards, another must lose and settle for fewer rewards. The amount of mutually exclusive goal attainment varies in situations that involve structural competition, but it is always present to some degree. Research on the topic of competition has suggested mixed results. Mueller (1983) finds that competition caused the test subjects to create higher self-set goals on a brainstorming task. Campbell and Furrer (1995) find that goals and competition affected performance in opposite directions; goals and performance had a positive relationship, and competition was negatively related to performance.

**Intentional Competitiveness**

The behaviour described by an individual’s internal desire to win and be better than others is Kohn’s (1992) definition of intentional competitiveness. Research has found that the intentional competitiveness is positively related to performance (Brown & Peterson, 1994; Carsrud & Olm, 1986).

In a competitive aspect, entrepreneurs can be motivated by rewards and goals, both through structural competition and intentional competitiveness, all of which have an influence on performance and strategy development in a firm.
4. Data and Analysis

4.1. The Companies

Company 1
Background
Company 1 is an independent film and television production company created in 1980 employing between five to eleven employees. They develop, finance, and exploit production of corporate production videos and distribute their own television shows. They have built a library of over 200 hours of documentary, arts, culture and children’s programming. They operate one of Ottawa’s largest post production facilities, providing all the video editing and audio post-production services to its own programs as well as to a select group of animation and film producers. In the past few years they have expanded into the world of film and television drama production, partnering and co-producing with some of the most prestigious productions firms in Canada. They are an active member of the Canadian Film and Television Production Association (CFTPA), working with industry and government leaders to ensure that a stable funding and working environment is available to producers across Canada.

Environmental Analysis
Company 1 has a very specific client base of a handful of Canadian broadcasters for television shows, and film production for American clients. They solely operate in Canada, but have exported a very small percentage in terms of revenue. They have recently started to attract U.S. companies to produce films for them. Their export market can be considered less than 10% of their $3 - 5 million dollar revenues. With reference to Porter’s 5 Forces analysis, a strong influencing factor would be the bargaining power of buyers; however, due to the highly creative nature of the industry, all the competitors rely on the quality of work they produce. An in-depth Porter’s 5 Forces analysis is included in Appendix 1. S.W.O.T. Analysis reveals that the major threat to the firm is their location forcing them to deal with a weak technical infrastructure and lack of skilled labour resources; however this is offset by the reputation and network the firm has developed over time. They had the opportunity to
move to a favourable location, but decided to operate in the location sacrificing business opportunities for a higher quality family life. An in-depth S.W.O.T. analysis is provided in Appendix 2. P.E.S.T. analysis shows the biggest influences come from regulations from the government and the Canadian Radio-television and Telecommunications Commission, and from advances in technology. An in-depth P.E.S.T. analysis is provided in Appendix 3. These influences affect all competitors within the industry and are not looked as significant influences on strategic management for the purposes of this study.

Company 2

Background

Company 2 is a multifaceted design service firm. The firm was created in 1995 employing approximately ten employees. They provide service for interior design, exhibit design, web design, product design, graphic design, and branding services for museums and commercial firms. They are based in Ottawa, and provide service mainly to eastern Canada with some work in western Canada and north-eastern US.

Environmental Analysis

Company 2 provide a focused, turnkey strategy for a short list of clients. In the past, they were dealing with high tech companies and then changed their focus to museums since 2002; most notably provided work for the National War Museum in Ottawa and the Royal Ontario Museum considered the 2 largest projects in Canada. Their exports are approximately 10% of their $1 million dollar revenues. Porter’s 5 Forces analysis shows a strong influencing factor would be the high degree of competitive rivalry with a few big players in the industry competing for a handful of clients, as with company 1 it is a highly creative industry, all the competitors rely on the quality of work they produce. An in-depth Porter’s 5 Forces analysis is included in Appendix 1. S.W.O.T. Analysis reveals that major threats to the firm are: the software the firm uses to create their product as there are difficulties in taking projects from one software platform to another, travelling involved with firm growth hindered by young families constrained by family time, and cash flow as their clients pay very slowly. An in-depth S.W.O.T. analysis is provided in Appendix 2. P.E.S.T. analysis shows the biggest influences come from constantly changing trends in socio-cultural aspect and continuous change in technology. An in-depth P.E.S.T. analysis is provided in
Appendix 3. Again, these influences affect all competitors within the industry and are not looked as significant influences on strategic management for the purposes of this study.

### 4.2. Data Collected and Analysis

The traits and behaviours that were observed are summarized in Table 3. The highlighted traits and behaviours that highly influenced strategy development in this case study are expanded upon below the table, followed by the strategic behaviour observed for each leader. An in-depth discussion of all the traits and behaviours occurs later in this chapter.

<table>
<thead>
<tr>
<th>Trait</th>
<th>Leader 1</th>
<th>Leader 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>This is the only job he has ever had</td>
<td>This is the only job he has ever had</td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td>No significant exposure but inherited the trait of rationality toward</td>
<td>Learned to be industrious, self motivated, hard working from parents</td>
</tr>
<tr>
<td>Exposure</td>
<td>business decisions from parents</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>No influence on career or strategy</td>
<td>No influence on career or strategy</td>
</tr>
<tr>
<td>Network</td>
<td>No help at the beginning, but currently a key factor</td>
<td>No help at the beginning, but a key factor, and people in his network</td>
</tr>
<tr>
<td>Innovation</td>
<td>Not a factor</td>
<td>He is still learning how to gain advantages through innovation as a</td>
</tr>
<tr>
<td></td>
<td></td>
<td>manager</td>
</tr>
<tr>
<td>Need for</td>
<td>Very high</td>
<td>Very high</td>
</tr>
<tr>
<td>Achievement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Aversion</td>
<td>Very highly risk averse, increased averseness over time</td>
<td>Has become more risk tolerant over time, highly averse</td>
</tr>
<tr>
<td>Ambiguity</td>
<td>Has learned to handle uncertainty with effectiveness now, deals with it</td>
<td>Deal with it right away, as oppose to earlier in his career, and is</td>
</tr>
<tr>
<td></td>
<td>at the beginning of projects</td>
<td>considered their biggest motivator</td>
</tr>
<tr>
<td>Locus of Control</td>
<td>Has become more and more internal over time, but still with a bit</td>
<td>Increase of internal aspect over time, but still a bit of external</td>
</tr>
<tr>
<td></td>
<td>external</td>
<td>playing a role</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>Highly competitive – always trying to offer better products and services</td>
<td>Highly competitive – leverage strengths in offensive strategy</td>
</tr>
<tr>
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How Do Traits and Behaviours Affect Strategy Management?

Both companies went through a period of uncontrollable high growth in the late 1990s, and in so doing, they lost sight of their core values and strengths. As the market downturn occurred in April 2000, both companies regrouped, scaled down and focused on core values and core competencies (Prahalad & Hamel, 1990). They were forced to change their strategies and moved from serving high tech companies as clients to targeting firms in other industries. These strategic adjustments were all conscious decisions on their part as they perceived a slow recovery of the high technology sector and were analytically researching beneficial opportunities. The following is a summary of the traits and behaviours that highly influenced strategy management followed by the resultant strategic effects.

Entrepreneurial Exposure
Affecting the individual leader’s values and work ethic was entrepreneurial exposure, which carries through everything from daily work tasks to long term strategic decisions, leading to a high quality product/service and a trust factor between customers.

Innovativeness
Creating innovative solutions was an internal firm strength that each of the companies exploited, helping to reduce resource demands, and creating a highly competitive product/service.

Need for achievement
Each leader’s high need for achievement was a motivating factor for creating a unique brand, high quality product/service, and developing an industry leading firm.

Tolerance for ambiguity
Information is a key to making small and big decisions. Any topics of ambiguity were immediately identified and clarified so there was understanding, in turn to better execute decisions and work.
Locus of control

The perception of a high degree of control in both leaders allowed the understanding that they were affecting the resulting direction of their respective companies. Drastic strategic changes were made which carried forth stable revenue streams, stabilizing the performance of the firms.

Competitiveness

Moderate to highly competitive behaviour motivates the leaders to offer a better product/service than their competition, resulting in industry leading brands, and high quality product/service.

4.2.1. Strategy

Strategies that the leaders were observed include the following characteristics:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Leader 1</th>
<th>Leader 1</th>
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<tbody>
<tr>
<td>Leading</td>
<td>Unique - leading</td>
<td>Unique - leading Identifiable brand</td>
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<td></td>
<td>Diversified</td>
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<td>Multi-disciplinary</td>
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<td>Planning Horizon</td>
<td>Shorter</td>
<td>Longer</td>
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<td></td>
<td>Balancing work, family and leisure time</td>
<td>Larger contracts allowing stability in long-term planning</td>
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<tr>
<td>Competitive Strategy</td>
<td>Exploiting internal strengths (knowledge and resources)</td>
<td>Exploiting internal strengths Use brand strength</td>
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<td>Use brand strength</td>
<td>Scanning</td>
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<tr>
<td>Heterogeneous Environment</td>
<td>Diversified employees to bring creativity to the work produced</td>
<td>Highly dynamic and diversified group of employees</td>
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<tr>
<td>Goal Orientation</td>
<td>Pragmatic</td>
<td>Rationalist</td>
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<td></td>
<td>Realist</td>
<td>Survive and expand</td>
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<td></td>
<td></td>
<td>Keep goals, objectives and values in line</td>
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<tr>
<td>Goals of Growth</td>
<td>Slow organic growth</td>
<td>Penetrating existing markets in Ottawa, Toronto and Montreal</td>
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<tr>
<td></td>
<td>Using brand strength to grow through a pull strategy – without risk</td>
<td>Entering north-eastern US and western Canada</td>
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Leader 1

Leading strategy

He describes how he has to keep his company unique, “if everybody else is doing something, it is probably a good reason to do it a different way.” With a leading strategy, the firm has become unique and has received a high profile throughout the industry and a side effect has been to have a natural trust from clients.

Another aspect of the leading strategy that leader 1 has incorporated into his plan has been to diversify, illustrating that they are “not one-dimensional so that we are not vulnerable, we do several things [in terms of services], so we are always protected and so when one thing dries up, we are not dead. We have been able to exploit several different markets over time.”

Planning horizon

In terms of length of planning horizon, the reality is that his length of planning is getting shorter and shorter as his career moves forward. This is because he wants to be “a little lazy”, explaining that he wants a balance between family life and work life, as opposed to earlier in his career when there was an imbalance and his career received more time than his family did.

Competitive strategy

Leader 1 exploits the firm’s internal strengths and uses it as a competitive strategy explaining, “…because the product is unique it motivates us to keep our identity, and keep integrity, and exploit knowledge and resources, being true about our ideas is the competitive advantage.” Leader 1 also performed a high level of scanning and kept his ‘ear to the ground’ which kept a constant flow of information about the environment, industry trends and competitor’s actions. This proactive approach was a key behaviour in providing information to direct the company at all times so decisions could be made with confidence.

Heterogeneous environment

Leader 1 makes effort to have a heterogeneous environment by employing staff with skills and abilities from a diverse background. Having people specialize in specific aspects of the business which brings an increased level of creativity and quality into the work that is produced.
Goal orientation
The strategy here is realistic as the leader has a highly pragmatic view of goals; he sees the market and the need and sees a place to fit in. Some specific internal goals are to run a smaller, better, efficient business.

Goals of growth
They have implemented plans to become active in the areas that they are interesting in growing, but their goals of growth are mainly to maintain a good company profile and attain organic growth.

Leader 2
Leading Strategy
The strategic actions of the firm illustrate a leading strategy rather than flowing. Leader 2 wants to create a unique, identifiable brand.

Planning horizon
Converse to leader 1, leader 2 explains that his planning horizon has gotten longer and it brings stability to the company’s operations. He wants to stabilize the company with long term contracts from museums using the profits to invest in developing the other parts of the company. He describes that the firm has reached a plateau, and they want to maintain this stability and the residual profit will feed the other parts of the business to grow them.

Competitive Strategy
Similar to leader 1, leader 2 is looking internally to exploit strengths, “we are trying to work on what is unique, and using innovative ideas to have an advantage over competitors.” Like leader 1, leader 2 also performed a high level of scanning and kept his ‘ear to the ground’ which kept a constant flow of information about the environment, industry trends and competitor’s actions. Again, this proactive approach was a key behaviour in providing information to direct the company at all times so decisions could be made with confidence.
**Heterogeneous environment**

Leader 2 is developing a dynamic environment which lends well to innovative thinking and creative solutions through having almost all senior staff involved in strategic management of the firm.

**Goal orientation**

Like leader 1, leader 2 is rational and has goals to survive and expand. He explains, “we want to keep goals, objectives and values in line”. Leader 2 illustrates that his firm has “grown bigger than Ottawa can handle” and that he wants to tackle projects that are more prestigious by expanding into western Canada and south in to north-eastern US. He adds, “…the company needs to prove that they can operate solo again because of the fact that they have been partnering a lot recently on big projects.”

**Goal of growth**

Leader 2 plans to penetrate into existing markets. Penetrating Ottawa, Toronto, and Montreal for product markets and exhibit design. They are also implementing plans to enter the international marketplace in an organic way. Leader 2 also observes great opportunity in entering the north-eastern US market and western Canada.

On the whole, both leaders express their importance thinking of strategic management on a daily basis. Using every opportunity to effectively implement any strategic decisions they have been waiting apply and to take advantage of new opportunities that may arise.

Leader 1 “[Strategizing] continues in every decision, I am acting out long term strategy throughout all aspects [of managing and work]. It is a constant motivating factor.”

Leader 2 - “Always strategizing on how to position this company. I am moving towards getting everyone involved. The thought is that the more senior people we get involved, the more their livelihood will depend on the direction of the company, the more they want to be involved in the direction of the company.” They are trying to create a highly collaborative and dynamic environment.
4.2.2. Traits and Behaviours

Experience
In the observations for this specific thesis, experience had no influence in the careers of either of these particular leaders. Furthermore, experience did not affect the strategy of the company seeing that all the leaders started their respective companies immediately after finishing university.

Entrepreneurial Exposure
When asked about exposure to entrepreneurs, the leaders responded with:
Leader 1 - “My father was a mathematician and I ended up always being good with numbers, I liked numbers and money.” He adds, “You have to have some sense of caring about what you are creating – core values, strengths and interests.”
Leader 2 - “My mother was always doing something to earn a bit of money, she was always baking cakes and cookies for neighbours, my whole family is industrious and self motivated to always be working hard.” He also adds, “Our work ethic was to earn everything, it was demonstrated not told.”
It seems that the leaders found the values and work ethic toward life in general, and these were the key lessons learned that had a great affect on their entrepreneurial behaviours. Offering that the lessons were demonstrated through the actions of their parents instead of taught verbally. Observed throughout all the interviews was a sense that a foundation was created for all the leaders in terms of values and work ethic which they carried forward throughout their careers and built corporate culture around with those values in mind. A pattern emerges about values and work ethic attained through entrepreneurial exposure that influences strategy and entrepreneurship in a broad aspect. The values and work ethic appear to affect the behaviours of these leaders at their core and results of the behaviours are illustrated in a common thread throughout all the work they perform and in the decisions they make.

Network
At the beginning of their careers, the lack of experience in the leaders’ respective industries hindered the ability to access social and professional networks. Since the leaders did not have chance to build a reputation, their networks were not willing to
draw on the untested skills and abilities of the leaders. However, as the companies matured and took on prestigious contracts, their networks grew in a professional aspect and the networks are now considered a key to their businesses.

**Education**

As described in the literature review, education is not essential to becoming an entrepreneur and this sentiment was conveyed by the leaders.

Leader 1 - “The degree was not an end…I would still be doing what I am doing even without a degree.”

Leader 2 - “Education didn’t tell me anything about running a business or being in business.”

Although educational institutions did not impart any knowledge of entrepreneurship, they did offer the education of skills required in leaders’ respective fields, bringing them up to par with knowledge needed for the industry. One leader did mention, “…the accounting background was important in the first five years, I was able to deal with banks and cash flow.” The accounting background helped one leader in managing in an administrative aspect, gaining analytical and technical skills to accomplish the goals and objectives of the firm. Evidently, education as a trait provided no significant influence in strategy formulation for either of the leaders.

**Innovativeness**

In their opinion, both leaders described that they lacked a truly innovative and creative aspect to their entrepreneurial style.

Leader 1 - “I am not visionary, more pragmatic, stable, and grounded.”

Leader 2 - “I am innovative and creative as a manager in thinking about exploiting advantages and competencies, but I am still learning.”

However, as an objective observer, the author noted some degree of innovativeness in trying to introduce new ideas into the market they compete within to obtain a competitive advantage. Observing his competitors, leader 2 developed an electronic database that retrieves specific information on any item in an exhibit to facilitate design modeling, a feat which has not been achieved by any competitor to their knowledge. As an electronic database, the information can be located immediately. In contrast, the next closest solution that the company is aware of used by competitors is a paper record of each item displayed in the exhibit, which can accumulate to
thousands of sheets of information. He developed this as a means to perform work with a higher degree of efficiency than his competitors, and was done consciously to obtain a competitive advantage. This electronic database serves as a competitive advantage reducing time needed to complete work. The implemented database serves as an example of the innovativeness, illustrating a possible link between strategy development and innovativeness.

Need for Achievement
There was also a consensus in need for achievement with both leaders illustrating their high degree of need for achievement. This was also supported by their co-workers as leader 1’s co-worker commented, “any direction that this company has gone in, [our leader] knew we wanted to get into, sitting on boards figuring out how Ottawa can become a player. If there wasn’t a determined person like him, why would [major producers] come here from Hollywood.” The leader’s high level of need for achievement is not only shown in their entrepreneurial accomplishments. It is also reflected throughout all aspects of their career, as leader 2 remarks, “I have a super high need for achievement and you get the sense it is almost like a drug, where you have the power to create something that affects the world.” Leader 1 again mentioned how the maturity in his career has toned down the degree of need for achievement, though it remains high. As the leaders explained, there seems to be a pattern of need for achievement influencing strategy management in the careers for these leaders.

Risk Taking Propensity
At the time of the interviews, both of the leaders described themselves as highly risk averse toward accepting potential projects mentioning that they make sure their “clients are not risky from a financial standpoint” and “the projects do not stray away from the interest and values of the respective companies.” Both leaders displayed highly risk averse behaviour in a financial aspect, but also in a values aspect, insisting on pursuing projects that were closely aligned with the values and interests of each of the firms. However, each leader described how their tolerance for risk had increased greatly over their careers, accepting projects that demanded more resources from the companies seeing that it was necessary for growth, where growth was a primary objective for the firms.
Leader 1 - “I used to have a very high tolerance for risk when I was younger and goals were growth, building equity and library, but the turnaround happened when the market bottomed out at the end of the 90s and saw a few things happen.”

Leader 2 - “I am very risk averse, but my tolerance to risk has grown over time. Risk does not bother me anymore, things may go wrong, but you find a solution, and we are taking bigger, in one way riskier, projects, but we make sure that we avoid bad clients and projects.”

They have since scaled their companies down to streamline their operations, removing processes and services that are not considered core to the company, and aligning with values and interests of each of the firms. This growth and downsizing coincided with the tremendous expansions and growth of firms in the late 1990s, followed by the global economic downturn in April 2000. Every industry was affected by the economic downturn; companies that were successful in surviving the high technology bubble burst, did so through effective planning of strategic change. A possible variable that may affect the degree of risk associated with strategy in entrepreneurship is the particular stage that a company may be in during their business life cycle.

**Tolerance for Ambiguity**

Both leaders spoke of their tolerance for ambiguity and the importance they gave to this aspect of entrepreneurship, explaining that maturity had a great impact in how they deal with uncertainty. Ambiguity was described a significant interference to executing projects.

Leader 2 - “Uncertainty and ambiguity is what scares the team the most. In our experience, we are learning to tackle it right at the beginning instead of at the end when the company was younger. Exploration, and execution are the two parts of a project. Execution is hard work but it is linear. The exploration is where you can try to reinvent the wheel every time, but we have learned to explore until a certain point and then move on to execution.”

As they matured, all the leaders felt the need to address issues of uncertainty earlier on in projects. This allowed them to explore creative avenues with a predefined construct and execute their projects in a more effective manner. Considering the importance both leaders placed in dealing with uncertainty, it might be assumed that uncertainty may influence strategic management in an entrepreneurial sense.
Locus of Control

In a similar explanation, both leaders described their sense of locus of control being comprised of highly internal behaviour, with some degree of external. They explain that as their careers progressed, they found they had greater control over events, and somehow they were always reminded that they were fortunate enough to have timing and opportunity fall in line with events in their business time lines, attributing the timing and opportunity to luck. They credit their success to hard work and determination. Leader 1 states, “I am a lot of internal, but with a bit of external. I do not believe in luck or fate, but if you are good and treat people well, the work is going to come. The other side is, you have to recognize the opportunities that come to you, if they are good or not.” Further more he adds, “The world forces where we live in it, we can control our own destiny, the more we can control it, the better off we will be, instead of battling big stuff like big debt etc.” Leader 1 also explains how the degree of external fits in, “I think I have good karma, whenever things are bleak, something comes around. I can’t explain it, but I feel like I may have earned it.” Leader 2 describes how he is finding more and more control as time has gone on, there are some elements of external. Leader 2 comments, “…the decision to change from high-tech companies to museums was a conscious decision, and we are starting to do more conscious thinking ahead of time to fill in needs.”

Scanning

Beyond having unique, innovative, competitive firms, they also show a level of scanning, a component of locus of control, observed to be very prominent. The structural variable of internal locus of control pointed out by Kets De Vries et al. (1982) was unmistakably apparent. Both leaders performed a high degree of scanning, which is described as a structural variable of internals. Each leader quoted the same sentence, “you have to keep your ear to the ground” explaining the importance of paying attention to what is happening in the business environment and adjusting their strategies to exploit strengths and opportunities and guard against weaknesses and threats. Both foresaw a fundamental fault in high technology companies with infinite growth models and insignificant production output in the late 1990s, making strategic changes in their organizations either before or at the stock market correction of April 2000. This pattern of scanning may illustrate the influences on successfully managing strategy as leader 2 commented, “it may be like natural selection” where
entrepreneurs who constantly scan can feel the pulse of the market, instinctively knowing when to make strategic decisions to change direction. Leader 1 “I saw no financial business model for convergence, I saw a dead end. My company was getting treated badly, so decided to get back to core values, get back to basics, get small, get smart, get focused, I didn’t need to chase stuff anymore.” Leader 2 “A turning point was a decision to switch to museums, and that happened because it just didn’t make sense to me how high tech companies were making tons of money and didn’t have anything to show for it. It was not sitting well with me and I knew that something was wrong, either it was something we were doing wrong, or something they were doing wrong. What we were doing was making sense, and what they were doing wasn’t, so I had the gut feeling that they were not going to last.” As illustrated, an internal perspective for locus of control and scanning display examples of influencing the entrepreneurial behaviour towards strategic management.

**Competitiveness**

There is a great difference in the level of competitiveness between the two leaders. Leader 1 can be considered highly competitive, but claims “my degree of competitiveness has gone down, a change in attitude, a bit egotistical, but it’s a good place to be” describing how his degree of competitiveness has reduced with maturity, as he is not fighting to beat his competitors anymore. Leader 2 also added that his level of competitiveness has decreased over the years as he “doesn’t have anything to prove to anyone” attributing it to maturity. He is attempting to maintain a steady level of work that is less demanding and more profitable, allowing for effective creativity and integrity in his work. On the other hand, leader 2 has a low degree of competitiveness in battling firms in the industry for contracts. Both leaders show a highly competitive attitude with respect to services offered to customers, as they are constantly making efforts to maintain an edge through exploiting unique strengths they possess, and using innovative ideas to obtain an advantage over competitors. This competitiveness arises due to the highly creative aspect in their respective industries. Leader 1 remarks, “Because the product is unique it motivates us to keep our identity, keep our integrity, and exploit knowledge and resources, being true about your ideas is the competitive advantage.” This might also be closely associated with a high need for achievement in that both leaders are continuously pushing to offer a highly identifiable service and creating a unique brand. It may be suggested that
The Influence of a Leader’s Traits and Behaviour on Strategy

competitiveness may induce certain behaviours in relation to strategic management in entrepreneurship.

Internationalization

The internationalization process of both leaders can be described as organic. There is not a high degree of pressure to expand very quickly. They both display a moderate to high degree of control in expansion choices, exploiting strengths to create opportunities taking advantage of opportunities when they present themselves. Both companies fall into the stage theory of internationalization and have built a stable national reputation that spills over into the international market. It seems apparent that they stay alert and gather information to learn about international markets which will inevitably aid in their strategic decisions concerning internationalization. Both leaders describe how they intend to remain within their means and avoid projects that will require borrowing financial resources. Leader 2 states a tone observed for both leaders. He explains, “let the market pull you in a certain direction as long as its not pulling you in the wrong place, there are going to be several different opportunities at different time, and you are going to have to chose them, but, it is a much more natural way of growing, put your ear to the ground and pay attention.”
5. Findings and Conclusion

Knowledge is of no value unless you put it into practice.

Anton Chekhov

5.1. Research Question

In attempts to understand how relationships between a leader’s traits, behaviours and a small business can be used to run a successful company, there have been pitfalls, but the body of knowledge has been in constant development. In this modest exploratory attempt to initiate study in this area, patterns have emerged that may show some promise in this field of study. The result of analysis suggests that not all of the selected traits and behaviours show patterns of influence on strategy management with reference to the case studies in this research. As illustrated above, the following factors show patterns of influencing strategy that is leading, innovative, controlled, highly competitive, with a focus on high quality products/services, and instilling values and strong work ethic in the corporate culture:

- Entrepreneurial Exposure;
- Innovativeness;
- Need for Achievement;
- Tolerance for Ambiguity;
- Locus of control; and
- Competitiveness

The other selected traits and behaviours (Experience, Professional and Social Network, Educational Background, and Risk Aversion) did not appear to affect strategy development in this study, although, they should still be regarded as variables that may affect strategy due to the limitations and exploratory nature of this study. A reason they may not have had influence could be attributed to contextual significance in the circumstances specific to this study. These relationships need to be researched and evaluated further through longitudinal studies and associated to strategy and organizational performance.
5.2. Practical Implications

This study showed that there are different approaches to strategy development based on the background and behaviour of an entrepreneur. To understand whether a leader’s behaviours have impact on strategy management for a firm is important in developing and realizing the goals, objectives, and performance of a firm. There are practical implications for lenders, policy advisors, educators, researchers and entrepreneurs themselves if traits and behaviours are found to be predictive of strategy development and resultant organization performance. The relevant types of traits and behaviours could be used in evaluating the entrepreneur during business plans, loan applications, project evaluation, and used as a basis for tailoring development, incubation, and educational programs aimed at business leaders. Trainers and advisors need to stress the importance of planning and control as an organization progresses through strategy development and internationalization processes. They could also be used as control variables in further research of factors that influence strategy. In addition, prospective and new business leaders would have some criteria against which to assess their own methods and tendencies in strategy development, where they might be lacking and/or behaviours that they might want to develop or adopt, as well as capitalizing on behavioural tendencies that they do exhibit.

In conclusion to this case study, a recommended approach is suggested in determining traits and behaviours a leader might exhibit in hopes for long-term organizational success. An individual could be observed and matched against characteristics of the following traits and behaviours helping to determine their likelihood of positive performance as a leader. Below is a recommended list of characteristics that this case study suggests. To reinforce the importance of each trait, a notable real world example of each trait and behaviour is given to illustrate effect on strategy and the benefit to performance that these characteristics can offer. These examples represent exceptional personalities of highly successful people where some lessons may appear but may not be a guaranteed approach. However, they exemplify some of the characteristics that are highlighted in this study and are used to emphasize these traits and behaviours at an extraordinarily high level to show outcomes that are possible when translated from theory into the real business environment.
The Influence of a Leader’s Traits and Behaviour on Strategy

- **Entrepreneurial Exposure**
  - Strong work ethic
  - Strong values
  - Care and interest in co-workers and work performed

James Houghton is a past Chairman and CEO of Corning Incorporation. He says, “No one knows how lonely being a CEO is until you get the job. And that’s even if your father and brother had the job before you. But I learned a lot from both of them. From the beginning, my father talked about taking the long view of technology and spending on R&D. And that’s sort of a religion with me and my brother Amo. Amo took the long view with optical wave-guides and supported it for 17 years before he saw any money. There aren’t many people who would do that.” He describes the dedication towards the greater good of the work being performed that his father instilled in him as well as his brother. What is also implied is the purpose of work to be done, not only to do the work for profit, but for moving knowledge and products forward from a research standpoint.

He further explains some lessons, “My brother and my father--they were great believers in people. Being in this small town means we’re all living together, whether you're sitting on top of the hill or you're the head of the union. I grew up with the notion that if you weren't involved with people in the community, you were making a huge mistake. My father just sort of drummed that into me. He was not a teacher, but someone who led by example. I didn't get very many lectures from him. He was more ‘This is the way I do it. Pick it up if you want.’” This shows the values passed on about concern for people around him. He illustrates that work is a collaboration of many people’s skills and abilities, and would not be possible to accomplish the work alone, so a sense of caring for everyone who is involved in the company is show. This affects the way in which he runs his company by having a dedication to research even if it results in financial losses. It also shows his concern for his employees through his day to day thinking of strategy, having the knowledge that results are achieved due to everyone’s contribution.
**Innovativeness**

- Constantly searching to improve internal processes
- Creative thinking

Jeff Bezos, founder of Amazon.com, observed dramatic increase in Internet usage worldwide and thought about the best way to use the new medium for commerce and profit. After much planning and research Bezos chose books as the initial product of choice, particularly because it was a neglected area in the mail order industry.

Amazon.com came into existence on July 16, 1995 named after the long winding river of South America, filled with an abundance of resources. By investigating a better way to sell books, Bezos developed a website where anyone could easily and securely make purchases from the comfort of their own home. Through his innovative and creative thinking, Bezos created a website design that changed shopping experience for everyone around the world. The site became popular almost immediately selling more than $20,000 each week after just a few short months online. Since the website’s inception, it has set a standard for all websites offering products for sale through websites. Through innovation and sheer business savvy, and with Bezos at the helm, Amazon.com weathered financial ups and downs and expanded from selling books and CDs to a wide variety of consumer goods such as electronics and clothing.

**Need for Achievement**

- Setting and attaining high personal goals in work and in life
- A superior performer in many aspects of work
- A self perception of high ambition

Donald Trump was brought up assisting his father with his business ventures. He worked with his father for five years and was extremely successful in making profitable deals. His father commented on his son's business success by stating that “everything he seems to touch turns to gold.” Donald set a goal to be involved in real estate in a larger scale than his father and decided it would be very important to make a name of himself. His highly ambitious nature pushes him to be the best at everything he does.
Trump can be described as a self confident and extravagant businessman and brands his properties, the finest hotels, casinos and building complexes in the world, with the Trump name displayed prominently. They all have the Trump name in their titles and often have large "T" symbols placed all over the important areas of the building representing an expression of high class. His business interests include real estate, entertainment, gaming, and sports. Donald Trump owns some of the most prestigious pieces of prime real estate in New York City, also owning part of the three largest beauty competitions in the world, consisting of Miss Universe, Miss USA and Miss Teen USA. He is also a successful author with several best selling business books published that include *The Art of the Deal, The Art of Survival* and *How to get Rich.* Among his many other pursuits, Donald Trump was briefly interested in running for President. Trump's billion-dollar empire included some of the most exclusive properties in the world: Trump Casino, Trump International Hotel, Trump Marina Hotel and Casino, Trump Taj Mahal Casino Resort, Trump Tower and Trump Parc are among his prestigious portfolio of real estate properties. Other acquisitions include: the New Jersey Generals, Trump Shuttle airline, casinos in Atlantic City, New Jersey, beautiful homes and now the riverboat casino in Indiana.

- **Tolerance for Ambiguity**
  - Seeking information where there is a lack of knowledge
  - Highly analytical and rational

In 1975 Bill Gates was the co-founder of Microsoft and went on to completely change the way people use computers. Microsoft helped to make the computer easier to use with its developed and purchased software, and made it a commercial success. The success of Microsoft began with the MS-DOS computer operating system that Gates licensed to IBM. Gates also set about protecting the royalties that he could acquire from computer software by aggressively fighting against all forms of software piracy, effectively creating the retail software market that now exists today.

Microsoft has been operating in the software industry where there is little knowledge of which product will be the next big trend, and this lack of knowledge makes it difficult for companies to operate with confidence. However, due to his highly
analytical nature when facing any type of issue, Gates has been able to successfully lead Microsoft through an industry where he is not only setting the standard, but creating the standard for the competition. He is also described as a person who gathers a great deal of information from many sources to aid in his decision making. This type of behaviour has helped him achieve a global powerhouse in Microsoft.

- **Locus of control**
  - A decisive nature towards alternatives and an attitude of making thing happen
  - High degree of scanning and gathering information, observing trends within an industry

Jack Welch, who sits atop General Electric (GE), a business empire with $304 billion in assets, $89.3 billion in sales, and 276,000 employees scattered in more than 100 countries around the globe. Believing in a high degree of control over events, Welch likes to call General Electric the "grocery store." The metaphor, allows Welch to mentally roll up his sleeves, slip into an apron, and get behind the counter. There, he can get to know every employee and serve every customer. "What's important at the grocery store is just as important in engines or medical systems," says Welch. "If the customer isn't satisfied, if the stuff is getting stale, if the shelf isn't right, or if the offerings aren't right, it's the same thing. You manage it like a small organization. You don't get hung up on zeros." With this attitude, Welch transformed what was an old-line American industrial giant into a keenly competitive global growth engine, how he has astutely moved the once-establishment maker of things into services. Welch has reshaped the company through more than 600 strategic acquisitions and a forceful push abroad into newly emerging markets. General Electric has consistently performed in the top 10 companies of the Fortune 500 numerous times credited to Welch’s leadership during his tenure as CEO.
• **Competitiveness**
  
  o Setting goals to be better than the competition
  o Searching for rewards by beating the competition

Sir Richard Branson first achieved notoriety with Virgin Records, a record label that started out with multi-instrumentalist Mike Oldfield and introduced bands like the Sex Pistols and Culture Club to the world music scene. Known for his outlandish exploits used to promote his businesses, Branson is keen on playful antagonisms, exemplified by his "Mine is bigger than yours" decals on the new Airbus A340-600 jets used by his airline. This competitive attitude in his ego pushes him to venture into any business he finds interest in, not only pursuing the interest, but offering the best available in the new industry. This attitude has lead Branson to own over 600 highly competitive ventures throughout the world under the Virgin umbrella, most notably Virgin’s music businesses, transcontinental airline, and pay-as-you-go mobile phone service.

A leader’s ability to illustrate the described characteristics through experiences lead may indicate a leader that may have the potential capabilities to be a successful entrepreneur. A leader that is currently in the process of self assessment can also use these findings to evaluate their tendencies in behaviour to readjust their characteristics to perform at a preferred level.

**5.3. Further Research**

Amidst the vast amounts of research in strategy, entrepreneurship and leadership traits and behaviours, there is a real lack of qualitative and quantitative study where these differing schools of thought cross paths. The methodology in this study has its limitations and the findings were not definitive or wholly exhaustive as it is an exploratory study and will need further investigation. This study investigated how entrepreneurial character had influence on strategy development and collecting more data in the same line of research will illustrate trends common to the group and within the group with more data.
A specific behaviour may vary in different contexts such as industries. This argument is supported by findings which indicate that different types of management practices are used in different industries (Covin, Slevin, & Covin, 1990). To develop a fuller understanding of the impact of behaviour on strategy, it is important to study a variety of types of behaviours and to investigate across industries. What is not understood is these relationships vary over different contextual settings, and which behaviours are considered critical to success. Longitudinal studies are needed in these to provide guidance for current and future entrepreneurs, as well as educators and consultants. Further studies could continue in this line of research.
6. References


Brockhaus, R.H. (1980a) Psychological and Environmental Factors which Distinguish the Successful Entrepreneur from the Unsuccessful Entrepreneur: A Longitudinal Study. Proceedings of the Academy of Management; pg. 368, 4 pgs.


Cho, W.Y., Choy, H.K., and Lim, W.K. (1994) A Study of Psychological, Personal and Demographic Characteristics of Students Taking the Subject ‘Entrepreneurship and Enterprise Development,’ Final Year Student Research Project, School of Accountancy and Business, Nanyang Technological University, Singapore


Jacobs, G.W. (1979) Strategic Planning for Organizational Effectiveness in Managing Relations with Critical Publics: A Comparison Across Profit/Non-Profit Lines, Ph. D. Dissertation, Georgia State University; pg 1, 197 pgs.


Appendix 1 – Porter’s 5 Forces Analysis

Company 1

Competitive Rivalry
- Very high, few big players, all competing for handful of clients (yet they are the biggest in Ottawa)
- Very capital intensive industry, high fixed cost of production
- Hit driven industry, great importance of differentiation
- Slow growth, mature market

Threat of New Entrants
- Low due to high barriers to entry
- Economies of scope and large size of existing players
- Competitors are integrated

Threat of Substitutes
- Medium/variable
- New technology a constant threat
- New entertainment forms, (Internet)
- Other leisure time activities (concerts, games, gambling, gardening, sports activities, restaurants)

Bargaining Power of Buyers
- High because few buyers have control over purchasing decision and distribution

Bargaining Power of Supplier
- Low as there are many suppliers to purchase from

Company 2

Competitive Rivalry
- Very high, few big players, all competing for handful of clients
- Hit driven industry, great importance of differentiation
- Slow growth, mature market

Threat of New Entrants
- High due to low barriers to entry
- Economies of scope and large size of existing players
- Competitors are integrated

Threat of Substitutes
- Medium/variable
- New technology a constant threat

Bargaining Power of Buyers
• High because buyers have control over purchasing decision and distribution

Bargaining Power of Supplier
• Low as there are many suppliers to purchase from
## Appendix 2 – S.W.O.T. Analysis

### Company 1

#### Internal

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Company image (High profile/ high quality)</td>
<td>• Location, resulted in weak technical infrastructure and lack of skilled labour resources</td>
</tr>
<tr>
<td>• Biggest player in Ottawa, most resources available and have the resources to complete a project without outsourcing</td>
<td></td>
</tr>
<tr>
<td>• Brand strength as a solo company</td>
<td></td>
</tr>
<tr>
<td>• Uncompromising company culture – good values translated directly into company culture</td>
<td></td>
</tr>
<tr>
<td>• Proactive and focused networking activity, helps to stay on top of trends and competitors</td>
<td></td>
</tr>
<tr>
<td>• Reducing external financing and trying to not borrow financial resources</td>
<td></td>
</tr>
<tr>
<td>• PR – is only word of mouth</td>
<td></td>
</tr>
<tr>
<td>• Lots of experience (have done work for the biggest contracts in Canada and have brought Hollywood film industry to Ottawa)</td>
<td></td>
</tr>
<tr>
<td>• Highly creative team</td>
<td></td>
</tr>
<tr>
<td>• Large library of content</td>
<td></td>
</tr>
<tr>
<td>• Flexibility in a larger company as strategy goes with the interests of the leader</td>
<td></td>
</tr>
</tbody>
</table>

#### External

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unfulfilled customer need</td>
<td>• Technology has reduced cost for production of high quality production – much cheaper for anyone to start a company with low overhead and high quality production.</td>
</tr>
<tr>
<td>• Untapped markets to improve profits (U.S.)</td>
<td>• Large multinational conglomerates with strong foothold on industry and hold keys to distribution networks globally</td>
</tr>
<tr>
<td></td>
<td>• Rapid changes and unpredictability in trends.</td>
</tr>
</tbody>
</table>
**Company 2**

**Internal**

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Company image (High profile/ high quality)</td>
<td>• Have been partnered for most of the recent contracts and need to build their solo reputation</td>
</tr>
<tr>
<td>• Increasing brand strength as a partnership company and as a solo company</td>
<td>• Size, in comparison to large firms, customers may associate firm size to size of project</td>
</tr>
<tr>
<td>• Uncompromising company culture – good values translated directly into company culture</td>
<td>• Software, the company uses apple computers and the majority of software is for PC based firms, so there are difficulties when taking projects from one software platform to another</td>
</tr>
<tr>
<td>• Dynamic environment leads to innovative solutions</td>
<td>• Travel – employees have kids and they have to travel for work, creates difficulties with young families</td>
</tr>
<tr>
<td>• Developed internal database to aid exhibit design modeling, something that no other design firm does, to their knowledge</td>
<td>• Cash flow – clients pay slowly so limits their resources</td>
</tr>
<tr>
<td>• No external financing</td>
<td></td>
</tr>
<tr>
<td>• PR – word of mouth is increasingly getting better resulting from high profile work</td>
<td></td>
</tr>
<tr>
<td>• Recent experience (have done work for the 2 biggest contracts in Canada)</td>
<td></td>
</tr>
<tr>
<td>• Design Team is strong, highly creative, innovative, flexible and adaptable to many aspects of a projects</td>
<td></td>
</tr>
<tr>
<td>• Lower overhead, as a smaller company, they can capitalize on lower overall expenses to the benefit of customers - Cost-effective (in comparison to the competition) and customizable based on clients needs.</td>
<td></td>
</tr>
<tr>
<td>• Bundled service, as a design service that offers service in an all-inclusive manner for customers, minimizing risk in contracting with numerous specialized firms incapable of developing synergies at each stage in a project.</td>
<td></td>
</tr>
</tbody>
</table>

**External**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unfulfilled customer need – customers see significant differences between brands, leads to high involvement and complex buying behavior – opportunity to show their high quality products and ability to communicate and meet customer needs.</td>
<td>• Large competitors with lots of resources that have consolidate, or acquired smaller firms, the intellectual capital and intangible resources with that</td>
</tr>
<tr>
<td>• Untapped markets to improve profits (Western Canada and Northeastern U.S.)</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3 – P.E.S.T. Analysis

Company 1
Political
- Government Regulation / Canadian Radio-television and Telecommunications Commission (CRTC) Regulations
- Monopolies and merger regulations
- Copyright/Intellectual Property laws
Economic
- High merger activities on an international level, hyper competition
- Global consolidation, Industry Concentration, Globalization
- Disposable income available of customers
- Exchange rates
Socio-cultural
- New Media, Internet as a new source/channel for entertainment, worldwide demand for film and television content.
Technology
- Continuous, rapid change, uncertainty
- Increased online broadcasting, television with internet expected
- Internet broadband,
- Satellite TV, higher custom demand of content
- Digitization of entertainment content

Company 2
Political
- The degree of regulation is changing as the Internet revolution progresses
- Nations (developed and developing) have either ignored or failed to develop an Internet legal-system
- Extent of regulation/deregulation of foreign contracts
- State-owned industries as potential clients
Economic
- Overall in a period of recession many companies have restricted cash flows and lower capital as a result of decreased market capitalizations
- High merger activities on an international level, hyper competition
- Exchange rates
Socio-cultural
- New Media and digital products.
- The socio-cultural environment is constantly changing.
Technology
- Environment that is highly dynamic
- Innovation spurring rapid change many companies being leap-frogged by the competition. Technology has steepened the learning curve in many industries. Technological advancement can and has rapidly changed cost structures in this industry.
- Information technology continues to become cheaper and have more practical applications
- Database technology allows organization of complex data and distribution of information
- Telecommunications technology and networks provide fast transmission of all sources of data: voice, written and video