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Visionary and empowering leadership in SMEs

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ABSTRACT



With the growth of start-ups and small- and medium-sized enterprises, technological developments, and accompanying changes in work processes and organizational structures, leadership approaches that are effective in the context of flatter hierarchies, expanded responsibilities, and increased task complexity among employees are being sought. Recent reviews of the leadership literature show a significant shift in the focus of leadership. Heroic approaches to leadership that focus on the “Great Man” or the charismatic leader are shifting to postheroic perspectives of leadership that focus more on the followers. In this changing research environment, empowering leadership has emerged as a distinct concept in which individual motivation is fostered by sharing power and granting autonomy at the lowest organizational level.

KEYWORDS

Visionary leadership;
empowering leadership;
commitment

In the academic literature, two primary constructs deal with empowerment within the work context. The first is a psychological perspective based on employees’ perceptions of “psychological empowerment” (Spreitzer, 1995, p. 1444). This motivational construct consists of four dimensions: meaningfulness, competence, self-determination, and efficacy. The second construct is about “structural empowerment,” which involves the actions of leaders and the organization actively empowering their followers through empowering leadership (Amundsen & Martinsen, 2015). The two constructs are obviously linked, as empowering leadership should lead to higher perceived psychological empowerment in its process.

Because this leadership approach is not focused on the leader, it is not about influencing the followers, but rather about making employees willing and able to assume autonomy and showing them how to use it effectively (Amundsen & Martinsen, 2014). Empowering leadership is therefore often characterized as sharing power (Vecchio et al., 2010) or “getting others to lead themselves” (Manz & Sims, 2001, p. 128). The latter is closely related to the construct of self-leadership in the context of superleadership, based on the work of Manz and Sims (Manz, 1986; Manz & Sims, 2001), referring to the development of employees who exhibit strong self-leadership skills. It is defined as a process by

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which individuals can control their behavior by using specific sets of strategies and techniques (Neck & Houghton, 2006).

Structural and psychological empowerment focus on the autonomy and development of the followers and aim to bring a postheroic perspective to research. In contrast, visionary leadership operates at the organizational level and integrates constructs of heroic leadership. Closely associated with charismatic and transformational leadership, a vision encompasses the long-term goals of the organization and visualizes its idealized future state (Stam et al., 2014; Yukl & Gardner, 2020). The vision communicated by the entrepreneur and the leadership team functions like an umbrella or an ultimate goal (Carton et al., 2014), allowing clear and challenging objectives to be derived and thereby placing everyday requirements in a larger context of meaning (Filion, 1991). The entrepreneur and leadership team inspire their employees to embrace the visually articulated vision and clear, challenging goals and support them in achieving them. Empirical studies confirm that visionary leadership has an impact on entrepreneurial success; for example, on organizational commitment (Ateş et al., 2018; Felfe, 2020; Yu et al., 2019), individual employee performance (Berson et al., 2015; Kearney et al., 2019), or the growth of start-ups and small- and medium-sized enterprises (SMEs) (Baum & Locke, 2004; Baum et al., 2001).

Empowering leadership in start-ups and SMEs has been a neglected topic in empirical research, although this topic in particular has received much attention among practitioners (Cheong et al., 2019; Zupic & Giudici, 2017). In growing organizations, however, it seems useful to study empowering leadership, where the transfer of autonomy and responsibilities and the development of employees become more relevant (Cope et al., 2011; Phelps et al., 2007).

A dilemma exists between organizational visionary leadership and employee empowerment, which can be described as “having control” or “letting go.” A dilemma (or paradox) involves contradictory but interconnected elements that exist simultaneously and persist over time (Zhang et al., 2015). This dilemma is found in many models built on the life cycle (Levie & Lichtenstein, 2010; Phelps et al., 2007), and is described in terms of alternating “having control” or “letting go” of the development of a start-up or SME. Greiner (1989, p. 37), for example, defined a “crisis of leadership” in the second phase of his prominent model.

Based on this dilemma, the research question is whether visionary leadership can achieve an additive effect beyond empowering leadership. This question leads through the study and includes the following hypotheses:

H1.1: Empowering leadership leads to higher organizational commitment on the part of the followers.

H1.2: Empowering leadership leads to higher goal achievement by the followers.

H2.1: Visionary leadership explains an additional significant proportion of variance in the commitment of the followers.

H2.2: Visionary leadership explains an additional significant proportion of variance in the goal achievement of the followers.

Methodology

To test our hypotheses empirically and quantitatively, we developed a questionnaire based on existing scales. Data were collected using the survey software Qualtrics and distributed online via a link to all respondents. Since the companies were not uniformly German-speaking, the platform offered the possibility to switch between various languages. For the correct translation of the scales, either (a) the original scale or (b) a validated further development of the scale was used. The link to the survey was sent centrally by the University of Liechtenstein to emphasize anonymity and independence. All items were measured with a Likert scale ranging from 1 = “strongly disagree” to 5 = “strongly agree.”

Our sample consisted of 399 participants whose ages ranged from 16 to 75 years, $M = 45.95$, $SD = 12.21$, distributed across 11 small- and medium-sized companies throughout Europe and across different industries. Industries represented included insurance, retail, energy, manufacturing, engineering, chemicals, and various other types of services, with 52 percent of respondents working in Germany and 33 percent in Switzerland and Austria. The remaining 15 percent were spread across other countries, including Eastern Europe, as that is where the SMEs have production facilities.

Findings

To test our hypotheses, we analyzed our data in three steps. First, the relationships between visionary leadership, empowering leadership, commitment, and goal achievement were considered by calculating Pearson product-moment correlations. Subsequently, linear least squares regressions were calculated before stepwise multiple hierarchical regressions were analyzed. All calculations were performed using SPSS 26 (Field, 2017).

Structural empowerment leads to higher goal achievement and affective organizational commitment in small- and medium-sized enterprises (H1.1 and 1.2). It explains 16 percent and 6 percent of the variance, respectively, as shown in Table 1. Differentiating structural empowerment into the two dimensions of autonomy and development support, it becomes clear in both cases that the addition of the factor, development support, leads to a significant increase in variance elucidation. This underscores the importance of considering empowering leadership in light of both factors and not focusing

Table 1. Regression analysis.

	Commitment			Goal achievement		
	R2	ΔR2	p	R2 ΔR2		p
Controls	.01		.447	.02		.046
Empowering—Autonomy	.16***	.16	.000	.06***	.04	.001
Empowering—Development	.28***	.12	.000	.08***	.02	.027
Visionary leadership	.34***	.07	.000	.08***	.01	.774

N = 399; * $p < .05$; ** $p < .01$; *** $p \leq .001$.

solely on the autonomy factor, as is often found in the literature (Cheong et al., 2019).

Visionary leadership has a significant influence on affective organizational commitment (H2.1), but not on goal achievement (H2.2). Considering the operationalization of the variables, this seems quite understandable. Employees who are granted autonomy for decision making and action are guided by their leaders through vision communication. Thereby, they perform their work effectively and are proud to work for the organization. This is due to the fact that they become aware of their role in the company, triggered by the corresponding leadership behaviors. Goal achievement, on the other hand, is positively influenced by granting autonomy and development support. However, communicating the vision alone cannot explain an additional share of variance, as it is presumably more related to development support, which is also indicated by the strong correlation ($r = .67^*$).

Because the marginal effects on goal achievement may also be methodological, the operationalization of this dependent variable based on Walumbwa et al. (2008) needs to be critically reflected for future surveys and possibly adapted to the scaling of the other factors. Due to the cross-sectional design, causal relationships need to be considered with caution, as there could still be bias due to common-method variance (Podsakoff et al., 2003). Further research should also analyze interaction effects in structural equation modeling. Before doing so, it is recommended to consider additional control variables. In order to reduce the data protection restrictions and concerns that exist in this context, the anonymity of the survey should be increased.

Implications for theory and practice

Heroic and postheroic leadership complement each other in the growth of start-ups and SMEs. Visionary leadership and empowering leadership influence employee commitment positively, with visionary leadership showing the strongest significant relationship to affective commitment. Compared to empowering, the effect is additive. Employees feel a strong sense of belonging to the company, are proud to belong to their company, and believe that their values match those of the company. The affective kit holds the growing company together. Despite the distribution of power down to the base, the

emotional foundation remains remarkably homogeneous. Visionary leadership seeks to balance the autonomy gained through empowerment with a shared vision, resolving the dilemma between “letting go” and “having control” in terms of a “both/and strategy” (Zhang et al., 2015, p. 539) and leading into a long-term goal space.

Increased autonomy can only have its effect if several antecedents are in place. The entrepreneur and the management team in SMEs must be willing to share power with those they lead. This prerequisite may not always be present, especially in family-run SMEs, as shown, for example, in the study by Martin et al. (2016). At the next level, “direct” superiors must consciously transfer autonomy to employees and, in the spirit of *laissez-faire*, not leave it up to those managed to decide how to deal with the freedom. Finally, employees must be prepared to accept the autonomy granted to them and actively use it in everyday business. Development support and the formulation of strategically relevant output targets help to ensure that autonomy can unfold and is lived in line with the organization’s vision.

The results of this study encourage more intensive research into visionary leadership and empowering in SMEs. The influencing variables mentioned as prerequisites open up a wide field of research. These include, to name just a few examples, the influence of structural autonomy on psychological empowerment or the role of self-leadership for leaders and followers in the process of granting autonomy. The field of research can also be extended to the organizational context; for example, complementing developmental support with collegial coaching in terms of communities of practice (Wenger et al., 2002) or the interplay between empowering leadership and organizational culture.

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