

An Analysis of Entrepreneurial Leadership Based on Schumpeter's Theory of Innovation

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Abstract: *Against the background of economic globalization, enterprises begin to focus on improving quality and ability of enterprise leaders while exploring sound development. According to innovation theory by Schumpeter, innovation activities are produced by innovative spirit of entrepreneurs. Entrepreneurs are different from ordinary businessmen and speculators who are just interested in making money. The most prominent motivation is "personal realization", that is "entrepreneurship". Facing uncertain innovation, successful entrepreneurs must be equipped with leadership, including prediction ability, organizational ability, and persuasion ability, in order to achieve new team innovations. Based on Schumpeter's innovation theory, this study describes connotation of leadership, and then analyzes strategies on how to improve leadership in accordance with components of enterprise leadership.*

Keywords: *Management Science; Innovation Theory; Entrepreneur; Leadership*

1. Introduction

Leadership is an ability that influences others, and it specifically includes cohesion, willpower, foresight, appeal and other. After hundreds of years of development, connotation of leadership conveys new development idea in new historical period. With development and change of the times, leadership theory develops basically from quality thought theory, behavior thought theory, contingency thought theory to leadership attribution management theory. When the connotation is getting perfect gradually, people also raise higher requirements for capabilities of enterprise leaders.

2. Overview of Schumpeter's innovation theory and entrepreneur leadership

Table 1: The five types of innovation proposed by Schumpeter

Types	Contents
New Products	Development of a new product (i.e., one that consumers are not yet familiar with) or a new feature of a product
New Methods	Adopting a new production method, manufacturing is an economic activity that is the basis of the basic activities of human society, and the new production method will advance the changes in manufacturing.
New Markets	Open up a new market, providing access to products or services that were previously unaffordable or inaccessible to many people, thus having a profound impact on the growth of an entrepreneur's wealth
New Supply Sources	The goal of resource allocation innovation is to maximize the sustainable and effective output of innovation results through the effective integration of resources
New Industries	Achieving a new organization of any kind of industry, such as creating a monopoly (e.g. through "trustization"), or breaking up a monopoly

As "originator of innovation theory", Schumpeter is one of the most outstanding political economists in the first half of the 20th century. Over a hundred years ago, he proposed five types of innovation, such as products, new methods, new markets, new supply sources and new industries (as shown in table1). Schumpeter holds that "innovation" is to introduce new combination of production factors and conditions into production system. In other words, this is to "establish a new production

function”, so as to obtain potential profits. He created a phrase to describe essence of capitalism in his mind. Therefore, “Creative destruction” has become a most familiar term in economic dictionary[1].

According to Schumpeter, if there is no innovation, economy can only be in a balanced state of what he calls “circular circulation”. Economic growth is only reflected in amount change. No matter how the quantitative relation is accumulated, it cannot trigger a qualitative leap in “economic development”. There will be no economic development unless entrepreneurs achieve innovation, and “creatively destroy” habitual track of economic cycle, to promote internal revolutionary destruction of economic structure. He also states innovation leads to imitation that breaks monopoly, thus stimulating large-scale investment and promoting economic prosperity. When innovation is made in numerous enterprises, profit opportunities tend to disappear, and economy falls in recession, so enterprises expect new innovation behaviors. The whole economic system will advance in a cyclical movement composed of four stages - prosperity, recession, depression and recovery.

Moreover, entrepreneurs must possess leadership, entrepreneurial leadership consists of many elements, and this paper identifies 3 key elements (As shown in figure 1).[2]

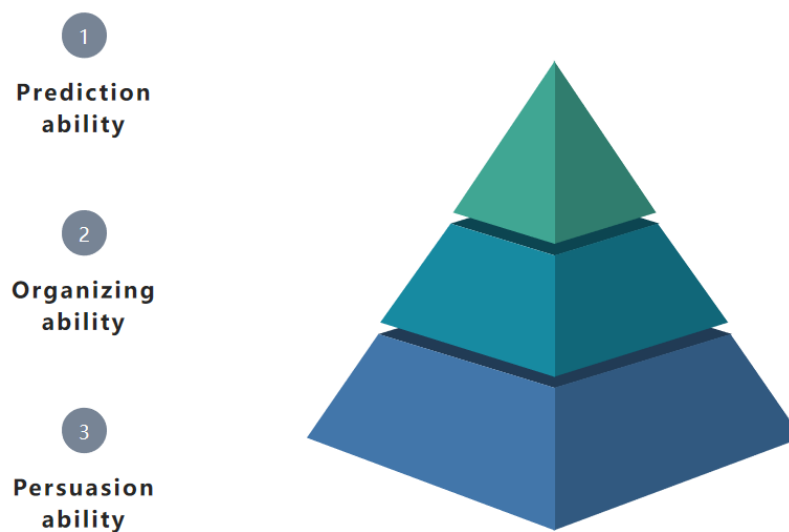


Figure 1: The three key elements of entrepreneurial leadership

Prediction ability. Entrepreneurs should be equipped with “the ability to observe things in correct ways even though these ways were uncertain at that time but proved to be right later; the ability to grasp main facts and discard minor facts even though they cannot explain principles on which to do so.” They should be able to seize immediate opportunity to dig out potential profits in market.

Organizing ability. Entrepreneurs should not only find or create new things, but also polish image of social group by new things, so as to drive social group to follow behind it.” They are adept in mobilizing and organizing social resources to realize new combination of production factors.

Persuasion ability. Entrepreneurs are good at persuading people to trust possibility that his plans are implemented. In addition, they focus on obtaining trust to persuade bankers to provide capital, so as to realize new combination of production methods.

3. Analysis of basic elements of entrepreneurial leadership

3.1 Advanced prediction ability

Under the background of economic globalization, great changes take place in social and commercial environment. In such a complex and changing market, it is important for entrepreneurs to possess prediction ability. An overview of enterprise development indicates strong foresight skills of entrepreneurs help leaders occupy more market space for enterprises. Meanwhile, they will constantly tap and utilize development opportunities in enterprise development. In this way, more social value is created for survival and development of enterprises.

3.2 Scientific and reasonable planning of enterprise team

After determining development direction of enterprise, leaders should take necessary measures to integrate existing resources, and then implement future development vision and direction. What's more, when future development vision of enterprises is formulated, leaders need to ensure that employees recognize the vision rather than averseness. In terms of comprehensive integration of resources and energies for enterprise development, leaders have to firm development direction, reasonably plan and arrange overall development process of enterprises.

3.3 Continuous learning and innovation ability

Enterprise leaders are required to persistently learn knowledge in daily work, including not only necessary knowledge and skills, but also self-reflection, self-thinking and self-mining in enterprise operation and development. Furthermore, leaders should innovate in thinking. It is necessary to abandon previous thinking modes on thinking about enterprise development; raise new mental framework; break thinking shackles; seek opportunities to solve problems from new angles and directions.[3]

4. Strategies to improve entrepreneurial leadership from perspective of Schumpeter's innovation theory

4.1 Entrepreneurs should improve innovation concept

Schumpeter declares entrepreneurs should first update their ideas before innovation. This is because "all knowledge and habits, once acquired, will be firmly rooted in us, just like embankment of a railway is rooted in the ground. It is, instead of continuously renewed and consciously reproduced, but sinks deeply into bottom of subconsciousness. It is passed on through heredity, education, cultivation and environmental pressure, almost without friction."

Entrepreneurs need to mobilize all positive factors to enhance innovation ability. Firstly, they should strengthen innovative consciousness and actively cultivate innovative thinking in development. Secondly, during enterprise growth, they need to gradually improve knowledge, cultural level and physical quality. Thirdly, endurance should be cultivated constantly. In the end, entrepreneurs are required to boast of abilities to have an insight into social development trend and consider situation. Creation of a promising development vision is critical for entrepreneurs to implement sustainable innovation management. Under this way, all employees of enterprise organization can be effectively organized to build unique internal structures of enterprise.

4.2 Comprehensively improvement of entrepreneur quality

For entrepreneurs, personal quality serves as an essential basic force to enhance leadership ability. Therefore, targeted measures should be adopted to promote cultural literacy and physical skills of entrepreneurs, in order to enhance effectiveness of enterprise leadership. Leadership should not only be reflected at wealth level, which is because such leadership is unsustainable and will disappear easily. When relationship between enterprise and leaders loses, it will fade away too. However, personal charm, moral character and wisdom of entrepreneurs are more attractive than material wealth. Enterprise leaders can better stabilize leadership by virtue of their own quality, ability and attraction to subordinates, and enhance strong sense of belonging and identity of subordinates to leaders and enterprises.

4.3 Entrepreneurs should actively change leadership styles

Generally, entrepreneur leadership style refers to characteristics behind habitual leadership styles. These styles are acquired in long-term work experience and historical practices, and applied in leadership activities to guide practical operation. Leadership style reflects strong personal characteristics. In enterprise development, leaders usually make several decisions independently, to provide opinions and support for management and development of enterprises. Meanwhile, leaders should learn authorization management, and select appropriate leadership direction and style in light of enterprise development in different periods.

4.4 Large-scale realization of organizational leadership innovation

Organizational power refers to internal cohesion and driving force of an enterprise. It is reflected in selection of organizational and management dimensions such as organizational structure, business process, assessment and incentive, talent ability, and cultural value by enterprises. It acts on all aspects of enterprise from inside out. When organizational power is stronger, growth or transformation acceleration will be faster, so it will more easily lead enterprises to achieve strategic breakthrough and business improvement, and even surpass competitors. If an organization is larger, stronger organizational power is required. In case that number of employees of an enterprise grows from nearly ten thousand to tens of thousands, or even hundreds of thousands, will management structure and leadership style also change? Yes. For senior management teams, this signifies they need to refine and supervise more new areas beyond core expertise, which is undoubtedly a huge pressure and challenge.

To be specifically, Apple Inc shows how to organize large-scale leadership innovation. In 2006, it had about 17,000 employees. By 2019, the number reached 13,7000, with an eight-fold increase. Before 2008, Apple abandoned traditional management of business departments. Instead, it adopted “distribution by position” structure that facilitated company success in the past 20 years. However, with sharp increase of operating income and employees after 2008, management team attempts to develop and adjust leadership style, such as changing from expert leader focusing on details to “expert” who guides other experts. Time and energy are divided in view of priorities, in order to create maximum value for enterprise.[4]

Apart from highlighting leadership information, entrepreneurs need to pay close attention to development and construction of team. Aiming to create effective information in enterprise development, they should also concern and respect work skills and development needs of each employee. In other words, they comprehensively analyze work level and position of employees so that suitable talents can be selected in accordance with job demand analysis. Additionally, entrepreneurs have to expand personal development needs of employees and constantly stimulate their work potential through training.

5. Conclusion

Throughout history of mankind, innovation has always served as a key force in development of a country and a nation. Looking forward to the future, people realize digital technology is reshaping commercial civilization. Digital transformation will not transfer based on personal will. In digital wave, enterprise leaders should strengthen innovation leadership, follow trend of innovation and digitalization, and lead enterprises to develop innovatively with the spirit of struggling. In summary, practical value of this study aims to provide beneficial management enlightenment for senior managers to adopt effective leadership and drive reform and innovation of organization. It will help enterprises actively cope with entrepreneurship & innovation background and uncertain environment. At the same time, it is conducive to growth of employees and teams, as well as sustainable development of enterprises.

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