Chapter 8
SMEs’ Leaders: Building Collective Cognition and Competences to Trigger Positive Strategic Outcomes

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ABSTRACT
This chapter explores leadership processes within SMEs emphasized as a unique opportunity to observe the genesis of collective cognition and its transformation into collective competence. The authors argue that a close examination of SMEs’ interactions between leaders and employees reveals that these interactions strongly contribute to building collective cognition and competences that further impact strategic business outcomes (Kozlowski, 1998). Collective competences significantly contribute to strategic management in SMEs contexts. SME leaders build a strategy coordination system on the basis of collective cognition and competences that articulates three different phases: the communication of the leader’s vision and its evolution/transformation, the assessment of the structure, processes, business model and functioning of the enterprise, and the development of internal and external interpersonal and business interactions. The authors examine bricolage leaders, experimental leaders and entrepreneurial leaders in the context of this strategy coordination system.

INTRODUCTION
In business contexts, both internal and external observers tend to do a recurrent attribution error which consists in explaining success and failure as a function of individual leadership (Carland & Carland, 2012). A branch of studies in leadership has been focused on member-leader exchange theory (LMX) since 1970 (Graen & Uhl-Bien, 1995). However, leadership literature in management and social sciences has indirectly contributed to the strengthening of the view of leaders and enterprises emphasized as two autonomous
entities with specific pathways and distinct impacts (Cogliser & Brigham, 2004). Yet, recent entrepreneurship and group dynamics literature indicates that the two live and evolve through continuous interactions triggering together joint effects on SMEs’ performance (Kamm & Shuman, 1990; Yukl, 1999). One of the key missions of SMEs leaders is to systematically encourage and monitor the building of collective knowledge and memory, learning and shared practices to facilitate the emergence of collective cognition (Zaccaro, Rittman, & Marks, 2001). Without collective cognition, SMEs may not be able to build “collective competence(s),” described as “the ability of a group to work together to achieve common goals” (Ruuska & Teigland, 2009, p. 324). Still, we know little about the group dynamics that SMEs leaders initiate and coordinate from the very beginning of their business activity (Cooney, 2005; Kyrgidou & Hughes, 2010).

Our approach of SMEs’ leadership challenges the theory of transformational leadership (Bass, 1985; Riggio & Lee, 2007). The relationships between leaders and employees in large corporations illustrate the paradigm of transformational leadership that encompasses four dimensions: idealized influence (charisma), inspirational motivation, intellectual stimulation, and individualized consideration. Many scholars argued that transformational leadership is not fully relevant to SMEs because these enterprises do not have formalized or standardized procedures designed to organize the dialog between leaders and employees, as it is the case in many corporations (Kote & Slade, 2005). However, research dedicated to SMEs mainly focused on one of the four dimensions of transformational leadership, which is inspirational motivation, with the aim of exploring the development of organizational commitment in smaller enterprises (Eddleston, 2008; Pearson & Marler, 2010). These studies demonstrate that those SME leaders who are able to enhance their employees’ organizational commitment will positively increase work effectiveness and reduce the level of absenteeism. The present chapter argues that it is the SME leaders’ capacity to coordinating the genesis of collective cognition and competence that may help enhance organizational cohesiveness and involvement of all employees. This internal cohesion and commitment will consequently sustain the progressive emergence of one or several collective competence(s) that will help the enterprise to maintain its competitive advantage, while also being able to adapt to changes and chocks in the external environment. In SMEs settings, the employees’ group dynamics leading to the progressive development of collective cognition and competences may be a source of sometimes intense interpersonal negotiation and tension. But this is also a major trigger of competitive advantage and positive strategic outcomes at the SME’s level. We think SMEs’ leadership is about moderating employees’ collective cognition and action to help them manage resources strategically in pursuit of entrepreneurial opportunities (Ireland et al., 2003).

**CONVEYING AND SHARING ENTREPRENEURIAL VISION IN SMEs: A CHALLENGE FOR LEADERSHIP**

Most SME business owners rely on proximal leadership, which consists in idealized influence (charisma) and inspirational motivation in the context of a small organization (Riggio & Lee, 2007). Proximal leadership may be effective in facilitating the sharing of the leader’s entrepreneurial vision as well as in increasing employees’ commitment to concretely implement strategic decisions. In SMEs contexts, employees are thus encouraged to cooperate and combine their knowledge and skills to achieve the leader’s vision. Eddleston (2008), Pearson and Maller (2010) demonstrated that proximal leadership in SMEs enhances the employees’ feeling of belonging to “the same business family,” which consecutively contrib-