

Upper Echelon Theory's Variables in SME Growth: A Systematic Review

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ABSTRACT

This study looks at how Upper Echelon Theory (UET) variables affect the growth of Small and Medium Enterprises (SMEs). It fills in knowledge gaps about how leadership works in simpler, limited-resource situations. Using a systematic literature review guided by the PRISMA framework, it synthesizes studies published between 2019 and 2024. Key findings show that psychological traits (such as an interest in starting your own business, trust in yourself, taking risks, and being open to new experiences), demographic traits (such as age, gender diversity, education, tenure, and international experience), and social capital (such as networks, board interlocks, and team trust) all have a big effect on the growth of small businesses. These variables drive innovation, adaptability, collaboration, and strategic decision-making. Recommendations include fostering diverse leadership teams, enhancing psychological traits like entrepreneurial orientation, and leveraging professional networks to overcome constraints. Policymakers are urged to promote leadership development and digital transformation. This study broadens UET's application, offering theoretical and practical insights to advance SME leadership and growth strategies in evolving global contexts. By integrating these insights into their frameworks, SMEs can better navigate challenges and seize opportunities in a rapidly changing market landscape. Ultimately, the emphasis on adaptive leadership and robust social networks will empower organizations to thrive and sustain competitive advantages in their respective industries.

Keywords: SME leadership; psychological traits; demographic variables; self-efficacy; entrepreneurial orientation; social capital; Leadership Traits; Gender Diversity; Risk-Taking Propensity

1. Introduction

Small and medium-sized enterprises (SMEs) are major contributors to employment generation worldwide; in developed economies, SMEs are equally vital. In the European Union (EU), SMEs constituted 99% of all businesses in 2021, employing around 100 million people and contributing to

over half of the EU's GDP [1]. Similarly, in the United States, SMEs accounted for 64% of net new private-sector jobs over the past decade [2]. This is especially true in economies where formal job opportunities for SMEs are scarce. For example, in sub-Saharan Africa, SMEs account for approximately 80% of employment [3]. They provide livelihood opportunities for millions, thereby reducing poverty and promoting social inclusion. This role is particularly significant in regions with high population growth and limited public sector employment. SMEs play a critical role in global economic development, contributing significantly to job creation, innovation, and GDP growth. According to the World Bank [4], SMEs represent about 90% of businesses and employ more than 50% of the global workforce. Their agility, adaptability, and innovative potential make them pivotal drivers of economic dynamism. SMEs are defined variably across countries based on metrics like workforce size and turnover, and they typically embody enterprises with fewer resources and lower output levels than larger firms. SMEs are characterized by flexible structures, which make them able to adapt quickly to changing market demands and technological advancements. In China, for instance, SMEs have been central to the rapid development of the tech industry, producing cutting-edge solutions in areas like e-commerce and renewable energy [5]. Their roles as innovators help sustain competitive markets and ensure economic resilience.

Despite their importance, SMEs face numerous challenges that threaten their sustainability and growth. Access to finance is a persistent issue, as many small businesses lack the collateral or credit history needed for formal loans [6]. In developing countries, approximately 40% of SMEs report financing constraints as a major barrier [4]. Additionally, SMEs often grapple with inadequate infrastructure, limited access to markets, and regulatory hurdles. But for SMEs, the digital revolution in global economies offers enormous opportunities. Technologies like cloud computing, artificial intelligence, and digital marketing enable small businesses to reach global markets, improve efficiency, and scale operations. For example, e-commerce platforms have allowed SMEs in India to access international buyers, significantly increasing export revenues [7]. The COVID-19 pandemic, for instance, underscored the importance of resilient SMEs. While many small businesses faced closures, others adapted by leveraging digital tools and rethinking supply chain strategies. Their recovery has been pivotal to restoring economic activity worldwide. In Japan, government-backed SME support programs facilitated the rebound of local economies by providing subsidies and training [8]. Governments and international organizations have also recognized the need to support SMEs, implementing programs and policies to bolster their growth. In Africa, initiatives such as the African Continental Free Trade Area (AfCFTA) aim to create larger markets and foster SME competitiveness.

Upper Echelon Theory (UET), introduced by Hambrick and Mason [7], posits that an organization's strategic choices and performance outcomes are significantly influenced by the characteristics of its top executives. These include demographic traits, psychological attributes, and social capital, which collectively shape leaders' perceptions and decision-making processes. While UET is often applied to large corporations, its relevance to small and medium-sized enterprises (SMEs) is particularly pronounced. In SMEs, where leadership structures are less complex and decision-making is more centralized, the traits and behaviors of leaders play an even more direct role

in shaping business strategies and growth trajectories. Understanding these dynamics through the lens of UET offers valuable insights into how leadership can drive innovation, resource allocation, and competitive advantage in SMEs. Despite the established relevance of Upper Echelon Theory (UET) in understanding how leadership characteristics influence organizational outcomes, there is a notable research gap in its application to SMEs. Existing studies predominantly focus on large corporations, leaving the unique dynamics of SMEs underexplored [9][10][11]. This gap necessitates a focused investigation to understand how leadership traits uniquely impact SME performance. SMEs differ significantly in structure, resource availability, and decision-making processes, which amplifies the direct impact of leadership traits on organizational performance and growth. For several reasons, a systematic investigation is necessary to close this gap. First, empirical studies examining the role of demographic traits, such as age, education, and gender of SME leaders, are limited and scattered. Research indicates that these variables influence strategic choices and innovation in SMEs, yet the findings are inconsistent [12][13]. For instance, while gender diversity among leadership has been linked to enhanced firm performance, its impact in the SME context remains under-investigated, particularly in emerging economies. Second, the psychological characteristics of leaders, including values, cognitive styles, and risk-taking propensity, play a pivotal role in shaping SME strategies. However, there is fragmented empirical evidence on how these variables influence SME growth [14][15]. Unlike large firms with established processes, SMEs rely heavily on leaders' psychological attributes for resilience and adaptability. Systematic investigation could clarify these variables' specific impacts on SME success. Third, social capital, encompassing both internal (trust within teams) and external (networking and partnerships) dimensions, is vital for resource mobilization in SMEs. While studies have highlighted its importance, there is a lack of comprehensive analysis connecting social capital to SME growth through the UET framework [16]. SMEs often depend on their leaders' networks for accessing funding and market opportunities, but the mechanisms through which social capital translates into growth require further exploration. Lastly, the growing complexity of business environments and the increasing emphasis on sustainability call for an integrated understanding of UET variables in SMEs [17].

Existing studies often overlook contextual factors such as industry type, market dynamics, and cultural influences, limiting their applicability to diverse SME environments [18]. This study addresses these gaps by posing key questions: What are the demographic characteristics of top management teams (TMTs) that influence SME growth? How do the psychological or cognitive traits of SME leaders affect strategic decisions and growth outcomes? What trends or patterns in the literature highlight gaps or emerging themes about UET variables influencing SME growth? Without a systematic investigation, policymakers and practitioners lack the evidence needed to design targeted interventions that leverage leadership characteristics for SME growth. Addressing these gaps through focused empirical research will enhance the understanding of leadership's role in SME success, providing a robust foundation for theory development and practical applications.

This systematic review investigates the influence of upper echelon theory (UET) variables on the growth of small and medium enterprises (SMEs). The study aims to look at the psychological

traits of small business leaders that affect strategic decisions and growth, as well as the demographics of top management teams (TMTs) that affect SME growth through the lens of UET. It will also look at patterns in the literature on UET variables that affect SME growth and point out any gaps or new themes. This study systematically investigates the influence of Upper Echelon Theory (UET) variables on the growth of SMEs. Geographically, it adopts a global perspective, examining SMEs in both developed regions like North America and Europe, where they drive innovation and job creation, and in emerging economies in Africa, Asia, and Latin America, where they play critical roles in poverty alleviation and economic inclusion. Temporally, the study focuses on research published between 2019 and 2024, capturing recent trends, including post-pandemic recovery strategies and advancements in digital technologies that have reshaped SME operations and leadership practices. This process ensures the findings are relevant to contemporary challenges and opportunities in diverse economic and institutional contexts. By integrating these dimensions, the study provides a comprehensive understanding of how leadership dynamics influence SME growth, offering insights for theory development and practical applications in strategic management.

While UET has been extensively applied to large corporations, SMEs present a distinct leadership dynamic due to their centralized decision-making structures, resource constraints, and reliance on entrepreneurial traits. Unlike in large firms where strategic choices are often collective, SME leaders' individual characteristics directly shape business outcomes. Given this direct influence, demographic traits such as education and international exposure, psychological attributes like risk-taking and self-efficacy, and social capital in the form of networks and board interlocks become critical factors in SME growth. Understanding these variables within the SME context is essential for designing targeted leadership development strategies that address the unique constraints of small businesses.

2. Literature Review

2.1 Upper Echelon Theory (UET)

Upper Echelon Theory (UET), introduced by Hambrick and Mason [9], posits that the characteristics, experiences, and values of an organization's top management team (TMT) significantly influence the strategic decisions and outcomes of the firm. This groundbreaking framework bridges individual executive attributes with organizational performance, emphasizing the idea that "organizations are a reflection of their top managers" [19]. Over the years, UET has become a cornerstone in strategic management and organizational studies, providing insights into how leadership dynamics shape corporate trajectories. At its core, UET asserts that the behavior and decisions of top executives are not entirely rational or objective but are shaped by their cognitive base and values. Demographic factors like age, education, tenure, and career experiences shape these attributes, acting as proxies for psychological traits. For example, younger executives may exhibit risk-taking tendencies, while those with longer tenure may favor conservative strategies [19]. The theory also highlights the bounded rationality of leaders, where personal values and experiences act as filters in perceiving and interpreting organizational challenges. As a result, executives' strategic

choices, including diversification, innovation, and risk management, often mirror their unique backgrounds and perspectives [20].

UET places a strong emphasis on observable demographic characteristics of TMT members. Factors such as education level, functional background, and international experience have been shown to influence decision-making and firm performance. For instance, research has revealed that organizations led by CEOs with international experience tend to exhibit higher levels of global market engagement and innovation [21]. Similarly, gender diversity in top management has been linked to more balanced risk-taking and improved organizational resilience [22]. Psychographic traits, including values, beliefs, and cognitive styles, further influence strategic decisions. While these attributes are more challenging to measure, they profoundly impact how leaders frame problems and opportunities, guiding their responses to environmental uncertainties [23].

UET has been applied across various domains to understand the dynamics of strategic decision-making and organizational outcomes. In entrepreneurship, for example, the theory has been used to explore how founders' personal characteristics shape start-up strategies and growth paths [24]. In corporate governance, UET sheds light on the impact of board composition and CEO-TMT interactions on firm performance and accountability [25]. The framework has also been instrumental in cross-cultural studies, where differences in leadership styles and strategic orientations are examined within varying cultural and institutional contexts. For instance, in emerging markets, the influence of familial and relational networks often modifies the role of individual executive attributes in shaping strategic decisions [26]. Despite its contributions, UET has faced criticism for its reliance on demographic proxies to infer psychological attributes. Critics argue that observable traits may not fully capture the complexities of cognitive processes and decision-making patterns [27]. Additionally, the theory has been critiqued for insufficiently addressing the influence of external environmental factors, such as market dynamics and institutional pressures, on organizational outcomes [28]. More recent progress in UET research has tried to fix these issues by including different theories, like the Resource-Based View (RBV), to give a fuller picture of what makes organizations perform well.

2.2 Explanation of Key Variables in Upper Echelon Theory (UET)

Upper Echelon Theory (UET) highlights the influence of demographic traits such as age, gender, education, tenure, and international experience on leaders' decision-making processes and organizational outcomes. Age, for instance, shapes risk preferences, with younger executives often favouring innovation and older leaders tending toward more conservative strategies [9]. Gender diversity in top management teams is linked to ethical decision-making and balanced risk-taking, contributing to organizational resilience [12]. Additionally, leaders with advanced education levels or diverse academic backgrounds tend to adopt complex problem-solving approaches and embrace innovation, while those with longer tenure often develop a profound understanding of the organization but may resist change [19]. International experience also broadens leaders' perspectives, fostering global engagement and innovative strategies [17].

Psychological characteristics, including cognitive style, personality traits, values, and self-efficacy, significantly shape leaders' perceptions and behaviors. Leaders with analytical cognitive

styles tend to focus on structured strategies, while intuitive thinkers may favor creative solutions [23]. Personality traits such as openness and conscientiousness influence adaptability and decision-making, while traits like narcissism may drive bold strategies but pose risks of overconfidence [25]. Furthermore, values and beliefs deeply impact strategic priorities, including a focus on sustainability or ethical considerations. Leaders with strong self-efficacy are more likely to embrace challenges, persevere through difficulties, and drive transformative changes [30]. Social capital, comprising the networks and relationships of leaders, enhances their ability to mobilize resources and influence outcomes. Professional networks provide access to resources, expertise, and market opportunities, enabling leaders to leverage external opportunities effectively [31]. Board interlocks, where leaders serve on multiple boards, facilitate the transfer of innovative ideas and best practices across organizations. Within organizations, the social capital of leaders fosters trust and collaboration, creating an environment conducive to implementing strategic initiatives successfully [32]. These relational assets play a critical role in shaping organizational strategies and achieving competitive advantage. Together, these variables—demographic traits, psychological characteristics, and social capital—offer an understanding of how top executives influence organizational outcomes. By integrating these elements, UET provides a comprehensive framework for analyzing leadership dynamics and their impact on firm performance. Although demographic proxies have limitations, their integration with psychological insights and social capital dimensions enhances the explanatory power of the theory. As organizations navigate complex and dynamic environments, these variables remain pivotal in understanding the interplay between leadership and strategic decision-making. This interplay, in turn, shapes organizational resilience and adaptability, crucial for sustaining competitive advantage. Future research should further explore how these dimensions interact over time and across different industries to refine our understanding of effective leadership in diverse contexts. In doing so, scholars can identify best practices and develop frameworks that not only foster innovation but also promote a culture of collaboration and trust within teams. Ultimately, this comprehensive approach will equip leaders with the tools necessary to thrive in an ever-evolving landscape.

2.3 Application of Upper Echelon Theory (UET) to SMEs: Influence on Decision-Making and Growth

Upper Echelon Theory (UET) has proven to be a valuable framework for understanding how the characteristics of leaders influence the strategic decisions and growth trajectories of small and medium-sized enterprises (SMEs). In SMEs, where leadership structures are often less complex than in larger firms, the demographic traits, psychological characteristics, and social capital of top executives play a pivotal role in shaping organizational outcomes.

Demographic Traits and SME Growth

The demographic traits of SME leaders significantly influence decision-making and firm growth. For instance, the age of SME leaders is hypothesized to affect risk-taking and innovation adoption. Younger leaders are generally more inclined to pursue innovative strategies and high-risk ventures, while older leaders may prefer stability and gradual growth [9]. Gender diversity within SME leadership has also been linked to improved organizational performance. Female leaders often

prioritize ethical practices and stakeholder relationships, contributing to sustainable growth [12]. Additionally, leaders with higher educational qualifications and international experience are more likely to embrace global opportunities and advanced technologies, positioning their SMEs for competitive advantage in international markets [17].

Psychological Characteristics and Strategic Decisions

Psychological attributes, including cognitive styles, personality traits, and self-efficacy, are critical in influencing how SME leaders perceive and respond to opportunities and challenges. Leaders with an analytical cognitive style are hypothesized to adopt structured and data-driven approaches to problem-solving, enabling their firms to navigate complex market dynamics effectively [23]. Conversely, intuitive leaders may favour creativity and flexibility, which are particularly advantageous in dynamic and uncertain environments common to SMEs. Personality traits like openness and conscientiousness further influence decision-making, with open leaders more likely to experiment with innovative ideas, while conscientious leaders ensure consistent implementation of strategic plans [10]. High levels of self-efficacy among SME leaders are associated with resilience and proactive decision-making, which are essential for overcoming the resource constraints often faced by small firms [29].

Social Capital and Resource Mobilization

In SMEs, where resources are often limited, the social capital of leaders plays a crucial role in accessing external resources and fostering collaboration. Leaders with strong professional networks can leverage these connections to secure funding, form strategic partnerships, and gain access to market information [16]. For example, SMEs led by executives with board interlocks or memberships in industry associations benefit from knowledge sharing and best practices, enhancing their ability to innovate and adapt [33]. Within the organization, leaders who cultivate trust and collaboration among employees create a cohesive culture that drives productivity and alignment with strategic goals. Social capital also facilitates the formation of alliances with other SMEs, enabling firms to share risks and pool resources for mutual growth [34].

Integrated Impact of UET Variables on SME Growth

The integration of demographic traits, psychological characteristics, and social capital provides a comprehensive understanding of how UET variables influence SME growth. For instance, an SME leader with international experience, high self-efficacy, and robust social networks is better positioned to identify global opportunities and mobilize the necessary resources for expansion. Similarly, leaders with diverse educational backgrounds and strong ethical values can drive both innovation and stakeholder trust, fostering long-term growth. The relatively flat hierarchical structures in SMEs amplify the influence of these variables, as leaders are often directly involved in critical operational and strategic decisions. Thus, UET not only explains the variations in SME performance but also offers actionable insights for developing leadership capabilities that align with organizational goals [35].

3. Methodology

This study employs a systematic literature review (SLR) methodology to investigate the influence of Upper Echelon Theory (UET) variables on the growth of SMEs. A systematic approach is essential to ensure a comprehensive, transparent, and replicable analysis of existing research, allowing for the identification of key trends, gaps, and emerging themes within the literature. The methodology follows established frameworks such as the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) to guide the selection, evaluation, and synthesis of relevant studies. By focusing on peer-reviewed articles and empirical research published between 2019 and 2024, this section outlines the search strategy, inclusion and exclusion criteria, data extraction processes, and methods for synthesizing findings. This rigorous approach ensures that the review provides robust and actionable insights into the role of UET variables in shaping SME growth.

3.1 Systematic Literature Review Approach

A systematic literature review (SLR) methodology is adopted in this study to comprehensively explore the influence of Upper Echelon Theory (UET) variables on the growth of small and medium-sized enterprises (SMEs). The SLR methodology is particularly effective for synthesizing existing knowledge, identifying trends, and uncovering gaps in the literature [36]. This section outlines the SLR process, with an emphasis on employing the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) framework to ensure transparency, reproducibility, and rigor.

3.2 Description of the PRISMA Framework

The PRISMA framework provides a structured approach for conducting SLRs, involving four key stages: identification, screening, eligibility, and inclusion [37]. These stages ensure a systematic process for locating, evaluating, and synthesizing research studies.

1. Identification

The identification phase involves a comprehensive search for relevant literature using electronic databases such as Scopus, Web of Science, and Google Scholar. The search strategy includes Boolean operators and keywords such as "Upper Echelon Theory," "UET variables," "SME growth," "demographic traits," and "psychological characteristics" to capture a wide range of studies. For instance, a Boolean query like ("Upper Echelon Theory" OR "UET") AND ("SME growth" OR "Small and Medium Enterprises") ensures comprehensive coverage of the topic.

2. Screening

During the screening phase, titles and abstracts of identified studies are reviewed to assess their relevance. Duplicate entries are removed, and inclusion criteria are applied to narrow the scope to studies that explicitly explore UET variables in the context of SMEs. Studies that do not meet these criteria or lack sufficient methodological rigor are excluded.

3. Eligibility

The eligibility phase involves a full-text review of shortlisted studies to determine their relevance to the research objectives. Articles are evaluated based on their focus on UET

variables, empirical evidence provided, and methodological rigor. Studies that do not align with the thematic scope or geographic focus of the review are excluded at this stage.

3.3 Data Extraction and Synthesis

Data extraction involves systematically documenting key details from each study, including the research objectives, methodology, findings, and relevance to UET and SME growth. The synthesis of findings follows a narrative approach, identifying recurring themes, theoretical contributions, and gaps [38]. The PRISMA framework ensured a rigorous and transparent review process, minimizing bias and enhancing the replicability of findings. Its structured stages provided clarity in documenting the decision-making process, from study selection to synthesis. This methodology is particularly suited to complex topics like UET and SME growth, where the integration of diverse research findings is essential for advancing theoretical and practical understanding.

3.4 Inclusion and Exclusion Criteria

To ensure a focused and high-quality systematic literature review (SLR) on the influence of Upper Echelon Theory (UET) variables on SME growth, specific inclusion and exclusion criteria have been established. The inclusion criteria prioritize articles that explicitly address UET variables, such as demographic traits, psychological characteristics, and social capital, in relation to SME decision-making and growth. Only studies published between 2019 and 2024 are considered to capture the most recent advancements in the field. This study focuses on research published between 2019 and 2024 to capture contemporary shifts in SME leadership, particularly post-pandemic recovery and digital transformation. The COVID-19 crisis heightened the importance of self-efficacy and adaptability, while digital tools reshaped decision-making and networking. While the PRISMA framework ensures transparency, potential biases exist due to the exclusion of non-English and unpublished studies. The reliance on academic databases may overlook SME insights from emerging economies. Additionally, systematic reviews synthesize existing literature rather than generating new empirical data, limiting real-time observations. Most included studies use cross-sectional designs, lacking long-term leadership evolution analysis. Future research should incorporate multilingual databases, gray literature, and longitudinal studies. Expanding qualitative methods like case studies and interviews would enhance SME-specific UET applications. Addressing these limitations will strengthen the theoretical and practical relevance of UET in SMEs.

Both empirical researches providing data-driven insights and theoretical works offering conceptual advancements are included. Articles must be published in English and sourced from peer-reviewed journals, conference proceedings, or book chapters to ensure reliability. Additionally, studies from diverse geographic regions, including developed and emerging economies, are included to provide a global perspective on UET's application to SMEs.

Conversely, the exclusion criteria eliminate irrelevant or low-quality studies to maintain the rigor of the review. Articles that do not focus on UET variables or their relevance to SMEs are excluded, such as those exclusively examining leadership in large corporations. Non-peer-reviewed sources, such as opinion pieces or blog posts, are omitted to uphold the credibility of the findings.

Duplicate studies identified during the screening process are removed, and articles published in languages other than English are excluded due to language barriers. Furthermore, studies lacking methodological rigor or relying on outdated data or theories inconsistent with contemporary applications of UET are not included. These carefully designed criteria ensure that the review remains comprehensive, high-quality, and aligned with the research objectives.

4. Results

The results section of this study presents a detailed synthesis of findings from the systematic literature review (SLR) on the influence of Upper Echelon Theory (UET) variables on the growth of small and medium-sized enterprises (SMEs). This section highlights the key themes and patterns identified in the literature, offering insights into how demographic traits, psychological characteristics, and social capital of SME leaders shape strategic decision-making and organizational outcomes. The analysis covers variations across geographic regions, industries, and contexts, providing a comprehensive understanding of the factors driving SME growth. Emerging trends and gaps in the research are also discussed, laying the groundwork for future studies. By integrating evidence from empirical and theoretical works, the results section aims to advance the understanding of UET's application in the SME context.

4.1 Demographic Characteristics of Top Management Teams (Tmts) Influencing SME Growth Through the Lens Of UET.

The demographic characteristics of Top Management Teams (TMTs) play a critical role in shaping the growth trajectories of SMEs through the framework of the Upper Echelons Theory (UET). This theory posits that organizational outcomes reflect the personal characteristics, experiences, and values of senior executives. Studies reviewed emphasize various dimensions of demographic characteristics, including age, gender, education, tenure, and functional experience, which significantly influence decision-making and strategic actions within SMEs. Age diversity within TMTs appears to contribute to differing perspectives on strategic risks and opportunities. Research shows that younger managers are more inclined toward innovation and risk-taking, which positively correlates with firm performance in dynamic markets [39]. Conversely, older executives prioritize stability and compliance, often shaping conservative strategies that may not align with high-growth aspirations [40]. These findings underscore the dual impact of age-related traits on SME growth, where balancing innovative vigour and experience is key.

Gender diversity within TMTs also fosters inclusivity and varied decision-making approaches, which enhance organizational outcomes. Studies demonstrate that female representation in leadership positively impacts corporate governance and strategic agility, thereby driving responsible collaborative innovation [41]. Female managers were found to positively influence knowledge protection strategies, which, in turn, improved firm performance [39]. Furthermore, gender diversity moderates the relationship between strategic agility and performance, emphasizing the transformative role of diverse TMTs in tackling grand challenges [42].

Educational background and professional experiences are additional demographic variables

influencing SME growth. While higher education levels generally correlate with innovative capabilities and advanced risk management practices, functional experience significantly determines sector-specific strategies. For instance, CEOs with international exposure exhibit superior proactivity in navigating global markets, which boosts the internationalization of SMEs [43]. According to Raza-Ullah [39] higher education levels were sometimes negatively related to knowledge protection, emphasizing the unique role of education in managerial effectiveness.

Also, openness to experience and innovation count. CEOs with a higher level of openness to experience were positively associated with service innovation, highlighting the role of personality traits in driving competitive advantage [44]. Similarly, specialized training, such as military or technical expertise, enhances leadership efficacy and governance quality [40]. Directors with military backgrounds were found to positively influence corporate governance practices and innovation by promoting timely disclosure and reducing misconduct, thereby enhancing firm performance [40]. Lastly, the tenure of executives impacts the consistency and adaptability of strategies. Long-tenured managers often cultivate deeper organizational knowledge and relational networks, enabling improved resource mobilization for SME growth. However, over time, entrenched perspectives may hinder adaptability in rapidly evolving markets [39]. Managers with longer tenure were associated with enhanced knowledge protection. In contrast, older managers negatively impacted this aspect [39]. In all, demographic characteristics of TMTs significantly shape SME growth strategies, supporting the UET premise that top executives' profiles dictate organizational trajectories. These findings collectively suggest that TMT demographics, including gender diversity, tenure, age, educational background, personality traits, and international exposure, significantly shape SME growth strategies and outcomes. These factors align with the UET's emphasis on the influence of executive characteristics on organizational decisions and performance.

While demographic traits provide useful indicators of leadership tendencies, they do not fully capture cognitive and behavioral complexities. For instance, education level does not always equate to innovative thinking, and gender diversity alone does not guarantee inclusive decision-making. Future research should employ psychometric assessments and longitudinal studies to better understand the relationship between executive characteristics and strategic decision-making in SMEs.

4.2 Psychological Traits of SME Leaders Influencing Growth Outcomes of Smes

The psychological traits of SME leaders are critical determinants of strategic decision-making and growth outcomes. Viewed through the lens of the Upper Echelons Theory (UET), these traits influence how leaders perceive, interpret, and respond to organizational and market challenges. These traits extend beyond demographic variables, focusing instead on cognitive and behavioural dimensions, which shape strategic decisions and organizational dynamics. Viewed through the lens of the Upper Echelons Theory (UET), these traits influence how leaders perceive, interpret, and respond to organizational and market challenges. Psychological characteristics such as entrepreneurial orientation, narcissism, openness to experience, and risk-taking propensity have been extensively studied for their impact on SMEs.

First is entrepreneurial orientation (EO). SME leaders with high entrepreneurial orientation

exhibit proactivity, innovativeness, and a willingness to take calculated risks. These traits are associated with fostering an innovation-friendly environment and adopting strategies that promote open innovation. For instance, CEOs with strong EO positively influence their firms' innovation climates, leading to enhanced competitiveness and integration of open innovation strategies [45]. EO also encourages leaders to explore new market opportunities, reinforcing SMEs' adaptive capacities in dynamic environments. For instance, Najjar and Dhaouadi [45] observed that entrepreneurial orientation and positive attitudes significantly enhance innovation climates, fostering open innovation strategies. Similarly, Dong et al. [42] demonstrated how proactive behaviors and risk perception among managers facilitate internationalization and adaptive strategies.

Another identified element is narcissism and hubris. Entrepreneurial narcissism can have both positive and negative implications for SME growth. While a narcissistic personality may drive ambition and bold strategic moves, excessive narcissism often leads to hubristic behaviour, which negatively impacts firm performance. Research highlights the mediating role of hubristic behaviour, wherein excessive self-confidence undermines effective decision-making and hinders organizational outcomes [46]. Research by Khan et al. [46] highlights that entrepreneur narcissism correlates negatively with firm performance when mediated by hubristic behaviour, which fosters overconfidence and risky decision-making. These findings underscore the complexity of psychological traits, where the interplay between confidence and overreach can critically determine growth trajectories. This underscores the need for balance and self-awareness among SME leaders.

Also, leaders with high levels of openness to experience are more likely to embrace innovation and adapt to change. This psychological trait facilitates creative problem-solving and promotes service innovation, particularly in competitive industries. For instance, CEOs with openness to experience drive SMEs toward competitive advantage by fostering environments conducive to creativity and novel approaches [44]. This trait is particularly valuable in industries that demand continuous adaptation to technological and market shifts. Elodie [44] found that openness to experience among Ivorian SME CEOs is a predictor of service innovation, although general and business education or functional experience were less impactful. This suggests that the willingness to explore and adapt is more crucial than traditional credentials in driving competitive advantages.

Another psychological trait is risk-taking propensity. Risk-taking is a defining characteristic of many SME leaders, directly impacting strategic decisions and growth outcomes. Leaders who are comfortable with uncertainty often invest in innovation, new ventures, and market expansions, fuelling long-term growth. However, excessive risk-taking without adequate planning can expose SMEs to vulnerabilities. Studies emphasize the importance of balancing risk with prudent decision-making processes to optimize outcomes [47].

Similarly, leaders with a proactive mind-set significantly enhance SMEs' ability to penetrate and succeed in international markets. Proactivity enables leaders to anticipate and respond to global opportunities and challenges, a key factor in achieving sustained growth. For instance, research in Costa Rican SMEs illustrates how proactive leadership, coupled with international experience, drives successful internationalization strategies [43]. Additionally, the self-efficacy and confidence of SME

leaders play pivotal roles in navigating eco-innovation. High self-efficacy among SME leaders promotes confidence in decision-making, enabling them to implement bold strategies and sustain eco-innovation initiatives. Leaders with strong self-efficacy are better equipped to leverage their skills and experiences to achieve strategic goals, particularly in resource-constrained settings like waste recycling SMEs in Ghana [48]. According to Celestin and Dorcas [48], these traits help align organizational identity with sustainable practices, especially in niche sectors like waste recycling. Their findings emphasize the importance of individual-level traits in shaping responses to regulatory and market dynamics. In all, the psychological traits of SME leaders—such as entrepreneurial orientation, narcissism, openness to experience, risk-taking, proactivity, and self-efficacy—profoundly shape strategic decisions and growth outcomes. These traits influence how leaders perceive opportunities, manage risks, and navigate organizational challenges. Understanding and leveraging these psychological characteristics can help SMEs achieve sustainable growth and competitive advantage.

4.3 Synthesized Patterns in the Literature on UET Variables Influencing SME Growth While Highlighting Gaps or Emerging Themes

The literature on Upper Echelons Theory (UET) variables influencing SME growth reveals distinct patterns, emerging themes, and gaps that provide insights into how top management characteristics shape organizational outcomes. The synthesis of these studies highlights demographic and psychological variables, contextual influences, and methodological considerations.

4.3.1 Demographic characteristics

Gender diversity within top management teams (TMTs) is consistently associated with improved decision-making processes and organizational outcomes. Studies show that female representation enhances innovation and corporate governance by fostering inclusivity and collaborative approaches [41] [42]. Gender diversity, particularly the inclusion of female leaders, emerges as a significant factor influencing innovation and risk-taking strategies. Female directors are shown to enhance innovation efficiency and outcomes, although their risk-averse tendencies may dampen high-risk investment decisions [49]. However, the outcomes of gender diversity often depend on the specific industry and firm context, emphasizing the need for a distinct understanding.

Age and tenure also play critical roles in SME growth. Younger managers tend to promote innovation and proactive strategies, while longer tenures enable deeper organizational knowledge and network benefits. However, age-related risk aversion and overly entrenched perspectives can limit adaptability and hinder organizational responsiveness [39] [40]. Educational background is another influential factor. While higher education levels are linked to advanced decision-making and innovative capabilities, the role of education shows mixed effects. Some studies suggest that over-reliance on formal education can negatively influence practical knowledge protection, indicating the importance of balancing academic knowledge with experiential learning [39].

4.3.2 Psychological traits

Entrepreneurial orientation emerges as a pivotal psychological trait for SME leaders. These

characteristic drives strategic innovation and competitiveness, particularly in resource-constrained environments, and fosters an innovation-friendly climate within organizations [45]. Risk-taking and proactivity also feature prominently in shaping SME outcomes. Leaders with a balanced approach to calculated risks and proactive strategies are better equipped to navigate uncertain and competitive markets. Such traits have been shown to drive successful strategic decisions and long-term growth [43] [47]. Similarly, self-efficacy enhances leaders' confidence in implementing bold strategies and sustaining eco-innovation initiatives. Leaders with strong self-efficacy leverage their skills and experiences effectively, particularly in sustainability-oriented SMEs [48]. Leadership traits like openness to experience, self-efficacy, and entrepreneurial orientation are consistently linked to SME growth. For example, openness to experience drives service innovation, while self-efficacy supports eco-innovation [44] [48]. Entrepreneurial orientation fosters innovation climates that enable open innovation strategies [45]. Negative traits, such as narcissism, hinder growth by fostering hubristic behaviour, leading to poor decision-making and reduced firm performance [46]. Traits like strategic agility and managerial proactivity are pivotal in driving adaptation and value creation. Zahoor et al. [41] note that agility within management team's aids in addressing grand challenges, while proactivity in international markets fosters SME growth [43].

The interplay between demographic and psychological traits significantly shapes SME outcomes. For example, combining international experience with proactivity enables leaders to make better strategic decisions in global markets [43]. Additionally, personality traits like openness to experience amplify the effects of demographic variables such as education and tenure, fostering innovation and adaptability within SMEs [44].

4.3.3 Contextual factors

Cultural and regional variations influence the impact of UET variables such as gender dynamics, education, and leadership styles. For instance, gender diversity and innovation outputs show differing impacts in developed versus emerging economies [41] [44]. Sector-specific impacts are also evident; for example, military experience is particularly effective in enhancing corporate governance and risk management in compliance-heavy industries [40][52]. Regional and industry-specific contexts significantly modulate the impact of UET variables. For instance, the emphasis on eco-innovation in developing regions or the strategic agility required in emerging markets suggests that contextual factors amplify or mitigate the role of leadership traits.

While UET variables significantly influence SME growth, their impact varies across regions and industries due to cultural, economic, and institutional differences. For instance, gender diversity in leadership enhances innovation and decision-making in developed economies, but sociocultural norms may limit its influence in some emerging markets. Similarly, international experience is a key driver of global market engagement, yet its benefits depend on industry-specific factors such as regulatory environments and trade policies. Future research should explore how these contextual elements moderate the relationship between UET variables and SME growth.

Moreover, demographic traits, while useful proxies, do not fully capture leadership psychology. Characteristics like education level and tenure may not always reflect cognitive traits such as risk

tolerance or strategic vision. To address this, future studies should integrate psychometric assessments and qualitative methods like executive interviews to gain deeper insights into leadership decision-making. Additionally, longitudinal research could track how psychological attributes evolve over time and influence SME growth trajectories.

4.3.4 Emerging themes

Strategic agility, mediated by psychological and demographic variables, is increasingly recognized as a meta-capability for SMEs operating in volatile environments [41]. This agility allows firms to remain flexible, responsive, and innovative despite external challenges. Another emerging theme is the role of diversity in enhancing team dynamics and fostering collaborative innovation. Diversity across gender, age, and professional backgrounds contributes to inclusive decision-making processes, leading to more innovative solutions. Furthermore, the integration of soft skills, such as self-efficacy, adaptability, and empathy, is gaining prominence, moving beyond traditional hard skills to enrich discussions on leadership effectiveness. Cultural and regional variations significantly influence how UET variables manifest in SMEs. For instance, gender diversity's impact on innovation differs across regions—while in developed economies, female leadership enhances strategic agility, in some emerging markets, sociocultural norms limit their influence. Similarly, international experience is highly beneficial in export-driven industries but less impactful in local service-based SMEs. These findings suggest that future research should incorporate industry-specific and cultural analyses to tailor leadership strategies accordingly.

4.3.5 Identified gaps

Despite these advances, several gaps remain in the literature. One significant limitation is the generalizability of findings, as many studies are context-specific, focusing on particular regions or sectors [39] [41]. Additionally, underexplored variables such as emotional intelligence, ethical leadership, and cultural intelligence represent opportunities for further research. While the interactions between UET variables, external market conditions, and organizational culture are critical, they are not well understood, particularly in longitudinal studies. Another notable gap is the predominant focus on individual leaders rather than the collective dynamics of TMTs. Team-level synergies and collaborative decision-making processes remain under-researched, limiting a holistic understanding of how TMTs influence SME growth [42]. One prominent gap in the literature is the reliance on cross-sectional study designs, which restrict the ability to capture the evolution of leadership traits over time and their impact on SME growth. While existing studies provide snapshots of how specific traits influence organizational outcomes, they fail to offer insights into the dynamic nature of these traits and their long-term implications. A longitudinal approach could reveal how traits like entrepreneurial orientation or self-efficacy adapt to changing market conditions or firm growth stages, thereby providing a deeper understanding of sustained SME success. Another critical gap lies in the limited exploration of how UET variables influence SMEs across different industries, particularly non-traditional sectors. Much of the existing research focuses on manufacturing or technology-driven SMEs, often neglecting creative enterprises, social enterprises, or other niche

sectors. These sectors may exhibit unique interactions between leadership traits and organizational performance due to their distinct challenges and opportunities. Broadening the scope of analysis could provide more comprehensive insights into the role of leadership traits in diverse business contexts. Few studies have attempted to integrate psychological and socio-cultural factors with economic and structural dimensions of SME growth. This lack of holistic modelling creates a gap in understanding the multifaceted nature of leadership's impact. For example, combining insights from psychology, sociology, and economics could reveal how cultural norms shape entrepreneurial behaviour or how structural factors influence the efficacy of managerial traits. Addressing this gap would enhance the practical applicability of UET in SME research by aligning it with real-world complexities. Variables such as socio-cultural norms, digital transformation, and the involvement of external stakeholders are under examined as moderators in the relationship between UET variables and SME outcomes. These factors are critical in shaping the context in which leadership traits manifest their effects. For instance, digital transformation could amplify the impact of a leader's strategic agility, while socio-cultural norms may either enable or constrain entrepreneurial behaviours. Expanding research to include these moderators would provide a better understanding of how UET traits interact with external influences.

5. Discussion

5.1 Interpretation of Findings: How UET Variables Drive SME Growth and Decision-Making

The Upper Echelons Theory (UET) provides understanding of the interplay between leadership characteristics and organizational outcomes in SMEs. It emphasizes that an organization's strategic decisions and growth are significantly influenced by the characteristics and behaviors of its top leaders. In the context of small and medium-sized enterprises (SMEs), the less hierarchical structure and direct influence of leaders magnify the impact of UET variables. Key variables include demographic traits, psychological characteristics, and social capital, each of which plays a pivotal role in shaping SME growth trajectories and decision-making processes. UET variables, encompassing demographic traits, psychological attributes, and social capital, collectively influence strategic decision-making and growth trajectories in SMEs. Demographic traits play a significant role in shaping SME strategies. Younger SME leaders often pursue innovative and high-risk strategies, whereas older leaders prioritize stability. This diversity influences the ability to balance growth aspirations and risk management [9][39]. According to Liu [40], younger leaders take calculated risks, fostering agility in dynamic markets. Older executives, on the other hand, frequently favor risk aversion, which can help well-established SMEs but restrict disruptive growth. Gender diversity also contributes positively to SME outcomes. Research has linked female leaders to enhanced ethical decision-making and stakeholder relationships, which foster sustainable growth and innovation [12] [41]. Furthermore, they have been shown to enhance corporate governance and prioritize stakeholder relationships, leading to sustainable growth [41]. Additionally, leaders with higher education and international exposure are adept at leveraging global opportunities, advancing SMEs' competitive positions [17]. [43] [44] [50]. Psychological characteristics such as entrepreneurial orientation (EO) and self-efficacy significantly influence SME growth. High EO drives innovation and competitive

adaptability, enabling SMEs to thrive in dynamic markets [45]. Risk-taking and proactivity further support strategic choices in uncertain environments, enhancing SMEs' ability to navigate competitive pressures and global opportunities [43]. [47]. Balancing risk and prudence is vital for sustained growth, especially in market expansions and new ventures [47]. Self-efficacy is particularly impactful, as it empowers leaders to implement bold strategies, even in resource-constrained settings such as sustainability-focused SMEs [48]. The openness-to-experience trait drives creativity and service innovation, particularly in competitive or rapidly evolving industries [44].

Social capital amplifies leadership impact by facilitating access to resources and fostering collaborations. Leaders' networks and relationships enhance their ability to secure funding, form alliances, and gain market insights [16]. Internally, trust within teams fosters organizational cohesion, which is crucial for aligning efforts with strategic goals [14]. Leaders with board interlocks or memberships in industry associations are better positioned to innovate and adapt by sharing knowledge and best practices [51]. Furthermore, cultivating trust within teams fosters collaboration and alignment with organizational goals, driving productivity and strategic success [18]. The synergy of these variables—demographic traits, psychological characteristics, and social capital—underscores their collective influence on SME decision-making. For example, an SME leader combining international experience, a proactive mind-set, and strong professional networks is better positioned to drive innovation and achieve growth in competitive and volatile markets. These findings highlight the importance of leadership development initiatives that cultivate diverse demographic profiles, entrepreneurial traits, and robust social networks. Such efforts can enhance SME growth and adaptability, ensuring long-term success in rapidly evolving environments. As organizations increasingly recognize the value of diverse leadership, investing in training programs that foster these qualities becomes essential. By nurturing a culture that encourages collaboration and knowledge sharing, SMEs can further leverage their social capital to navigate challenges and seize new opportunities effectively. Moreover, fostering an inclusive environment not only boosts employee morale but also attracts a wider talent pool, ultimately driving innovation. As these organizations implement comprehensive leadership development initiatives, they position themselves to thrive in competitive markets while making a meaningful impact on their communities.

5.2 Comparative Analysis: Findings Across Contexts, Industries, and Time Periods

The application of Upper Echelons Theory (UET) to SME growth reveals variations in leadership impact across diverse contexts, industries, and time periods. This comparative analysis explores these differences, highlighting critical insights.

1. Contextual Variations

Regional and cultural contexts significantly shape the influence of UET variables on SME growth. For instance, in developed economies, the emphasis on innovation and technological adoption aligns with the characteristics of leaders with advanced education and international exposure. These traits facilitate global market engagement and competitive positioning. In contrast, in emerging economies, leadership traits such as risk-taking and social capital are more critical. Leaders in these regions often rely on networks and adaptive strategies to navigate resource

constraints and volatile market conditions [41] [44]. Furthermore, gender dynamics exhibit differing impacts based on cultural contexts. In some regions, gender diversity in leadership enhances collaborative decision-making and innovation efficiency. In others, sociocultural norms may limit the influence of female leaders on strategic decision-making, underscoring the need for tailored approaches to fostering inclusivity [41][53].

2. Industry-Specific Insights

The effects of UET variables also vary significantly across industries. In technology-driven sectors, psychological traits such as openness to experience and entrepreneurial orientation are pivotal in fostering innovation and adapting to rapid changes. Leaders in these industries leverage their cognitive flexibility and innovative mind-sets to sustain competitive advantage [44]. In contrast, compliance-heavy industries, such as healthcare or finance, prioritize demographic traits like tenure and specialized training. Leaders with longer tenure and expertise in regulatory frameworks ensure stability, effective governance, and risk management. For instance, executives with military or technical backgrounds often enhance corporate governance practices, promoting ethical decision-making and reducing misconduct risks [40][52].

3. Temporal Comparisons

The role of UET variables has evolved over time, particularly in response to external shocks like the COVID-19 pandemic. During the pandemic, leaders with high self-efficacy and adaptive psychological traits proved critical in sustaining SME operations. These leaders embraced digital transformation and restructured supply chains, enabling their firms to navigate disruptions effectively [48]. Pre-pandemic studies often emphasized demographic variables such as age and education [54]. Before the COVID-19 pandemic, demographic traits such as international experience were central to driving global expansion. However, the pandemic shifted the focus to resilience and adaptability, emphasizing psychological traits like self-efficacy and strategic agility [48] [55]. However, more recent research highlights the growing importance of psychological characteristics and social capital. For example, leaders who proactively adopt digital tools and cultivate robust networks are better positioned to leverage post-pandemic recovery opportunities [43][56]. Additionally, post-pandemic, digital transformation has reshaped leadership demands. Leaders with high openness to digital tools and innovation have been more successful in leveraging e-commerce and remote collaboration technologies to sustain growth.

4. Emerging Themes

Across contexts, industries, and time periods, a recurring theme is the interplay between demographic and psychological traits. Leaders who combine diverse demographic backgrounds with adaptive psychological characteristics and strong social capital consistently outperform peers in navigating challenges and driving growth. Recent studies (2019–2024) highlight the increasing importance of sustainability and eco-innovation in SME leadership. Psychological traits like entrepreneurial orientation and self-efficacy have been instrumental in adopting sustainable practices and navigating environmental challenges [48]. The COVID-19 pandemic heightened the importance of psychological traits such as self-efficacy and adaptability in SME leadership.

Leaders who embraced digital tools and remote collaboration were more resilient in maintaining operations. Post-pandemic, the role of digital transformation in SME leadership has become even more pronounced, with entrepreneurial orientation and risk-taking propensity emerging as key drivers of business continuity and growth. Future research should explore the long-term impact of digital leadership capabilities on SME performance

5.3 Theoretical Implications

The integration of Upper Echelons Theory (UET) into SME research significantly enhances its applicability beyond its traditional focus on large corporations. Small and medium-sized businesses (SMEs) are great places to study the effects of UET variables like demographics, psychology, and social capital because they have simpler hierarchies and direct leadership effects. This research validates UET's core premise that organizational outcomes mirror the characteristics of top executives, particularly in environments where leaders' decisions have immediate operational impacts. By emphasizing psychological traits like entrepreneurial orientation and self-efficacy, the findings expand UET's explanatory power to include cognitive and behavioral dimensions that are critical in SMEs. Additionally, the study highlights the interplay between demographic and psychological variables, revealing how factors such as international experience and openness to innovation jointly influence SME growth strategies. The results also underscore the importance of context in UET applications. Variations in the impact of UET variables across industries and regions suggest that external market conditions and cultural norms mediate the relationship between leadership traits and organizational outcomes. These results support a more unified UET framework that includes environmental moderators like digital transformation and sustainability challenges to give a full picture of the role of leadership in small and medium-sized businesses. By bridging theoretical gaps, this research lays the groundwork for future studies to adopt longitudinal designs and mixed-method approaches. Such methodologies can deepen insights into the dynamic and multifaceted impact of leadership on SME growth, further solidifying UET's relevance across diverse organizational contexts.

5.4 Practical Implications

Recommendations for SME Leaders

SME leaders should recognize the critical role their personal attributes play in shaping organizational outcomes. Cultivating psychological traits such as entrepreneurial orientation, risk-taking, openness to experience, and self-efficacy can enhance strategic decision-making and resilience. Leaders should actively seek professional development opportunities that enhance their adaptability to changing market dynamics and encourage innovative thinking. Leaders must also leverage their social capital to address resource constraints and create strategic alliances. By building robust internal trust and external networks, they can secure funding, access market information, and foster collaboration. Additionally, embracing diversity within leadership teams can lead to more balanced decision-making, improved governance, and enhanced innovation outcomes. Female leadership and varied professional backgrounds should be promoted to create inclusive and dynamic

TMTs. In a rapidly evolving digital landscape, leaders should embrace technology to enhance operational efficiency and market reach. Policymakers can incentivize digital adoption through subsidies, training programs, and access to affordable technology solutions.

To operationalize these insights, SME leaders should adopt structured leadership development programs that enhance psychological traits like self-efficacy and risk tolerance. Mentorship initiatives, industry networking, and executive training programs can help leaders build social capital and improve strategic decision-making. Additionally, digital upskilling should be prioritized to leverage e-commerce and technological tools for business expansion. Policymakers can support these efforts by providing targeted funding for leadership training and digital literacy programs tailored to SME entrepreneurs.

Recommendations for Policymakers

Policymakers should design targeted programs to support SME leaders in developing key UET-aligned attributes. Initiatives could include leadership training focused on fostering entrepreneurial orientation, enhancing decision-making under uncertainty, and encouraging the adoption of digital technologies. Programs that facilitate cross-industry and international exchanges can also help leaders gain valuable perspectives and skills. Governments and financial institutions should address the persistent challenges SMEs face in accessing resources. Policies that incentivize networking, mentorship programs, and access to venture capital can amplify the impact of leaders' social capital. Furthermore, promoting gender diversity in SME leadership through grants, subsidies, or public recognition can drive better organizational performance and align leadership practices with UET findings. By implementing these recommendations, both SME leaders and policymakers can harness UET insights to foster sustainable growth, enhance decision-making processes, and ensure that SMEs remain resilient and competitive in a rapidly changing global economy.

6. Limitations and Future Research Directions

6.1 Limitations of the Review

Despite offering insights into the role of Upper Echelons Theory (UET) variables in SME growth, this review has several limitations: First, there is methodological constraints. The review primarily relies on secondary data from published literature, which may introduce biases due to differences in study designs, sample sizes, and analytical methods. The absence of primary data limited the ability to validate and generalize findings. Second limitation is the scope of Literature. The focus on studies published between 2019 and 2024 ensures relevance but may overlook foundational works or emerging studies outside this time frame. Additionally, only English-language sources were included, potentially excluding valuable research in other languages. Also, most studies reviewed are region-specific, with a significant focus on developed economies. This limited the generalizability of findings to SMEs operating in diverse cultural, institutional, and economic environments, particularly in emerging markets. Many studies adopted cross-sectional designs, providing snapshots of leadership traits and organizational outcomes. These approaches failed to capture the evolution of leadership characteristics and their long-term impact on SME growth.

Also, while the systematic review approach minimizes selection bias, certain limitations remain. The reliance on peer-reviewed articles excludes insights from unpublished studies and industry reports, which may contain valuable practitioner perspectives. Additionally, restricting the review to English-language sources may lead to regional biases, as leadership research published in other languages, particularly in non-Western economies, is not included. Future research should consider multilingual databases and industry reports to broaden the scope of evidence on UET in SMEs.

6.2 Suggestions for Future Research

First, future research should focus on longitudinal designs to explore how UET variables influence SME growth over time. Such studies could reveal the dynamic interplay between leadership traits and organizational outcomes across different growth stages and market conditions. Furthermore, there is the need to expand research to include SMEs in diverse cultural and economic contexts, which would enhance the generalizability of findings. Also, comparative studies could examine how socio-cultural norms, regulatory environments, and institutional support shape the impact of UET variables. Future studies should examine variables such as emotional intelligence, ethical leadership, and cultural intelligence. These traits are critical in shaping sustainable and inclusive SME growth but remain underexplored in the current literature. Additionally, there is a need for research focusing on non-traditional sectors, such as creative industries and social enterprises, which may exhibit unique interactions between leadership traits and organizational outcomes. Again, things like digital transformation, involvement of outside stakeholders, and economic shocks should be looked into as possible moderators in the connection between UET factors and the growth of small businesses. Understanding these interactions would provide a more comprehensive framework for applying UET to SMEs. Finally, a study like this requires the implementation of a mixed-methods approach. Combining qualitative and quantitative methods can offer more profound insights into the nuanced impacts of leadership traits on SME performance. Case studies, interviews, and ethnographic methods can complement statistical analyses to provide a richer understanding of UET applications. Future research that addresses these gaps and looks into the areas that have been suggested can help us learn more about how leadership affects the growth of small and medium-sized businesses in a variety of situations that are always changing. This comprehensive approach will not only contribute to academic literature but also equip practitioners with actionable strategies to foster effective leadership within their organizations. Ultimately, a well-rounded examination of these factors can lead to improved outcomes for SMEs, encouraging resilience and adaptability in a competitive landscape.

Future studies should integrate longitudinal methodologies to track the evolution of leadership traits over time and their impact on SME growth. Additionally, mixed-method approaches—combining qualitative case studies with quantitative modeling—could provide richer insights into how demographic and psychological traits interact in decision-making. Exploring the role of emotional intelligence and cultural intelligence in SME leadership through experimental studies could further refine the UET framework. Finally, sectoral analyses comparing knowledge-intensive versus traditional SMEs could help customize leadership strategies for different business environments.

7. Conclusion

The systematic literature review (SLR) reveals that Upper Echelon Theory (UET) variables—demographic traits, psychological characteristics, and social capital—play a pivotal role in the growth and decision-making of Small and Medium-sized Enterprises (SMEs). Demographic traits like age, gender diversity, and educational background influence leadership styles and strategic outcomes. Psychological traits, including entrepreneurial orientation, self-efficacy, and openness to experience, drive innovation, resilience, and adaptability. Social capital enhances resource mobilization, collaboration, and trust within organizations. These factors collectively determine how SMEs navigate challenges and leverage opportunities for sustainable growth. Understanding UET variables provides valuable insights into the dynamics of SME leadership. This research underscores the importance of integrating these variables into the strategic frameworks of SMEs to foster innovation, improve governance, and enhance adaptability. By highlighting the interplay between leadership traits and organizational outcomes, the study enriches theoretical perspectives and informs practical strategies for SME growth. Furthermore, it emphasizes the necessity of diverse leadership teams and adaptive psychological characteristics in navigating complex market environments. To leverage the full potential of UET insights, actionable steps for leadership development, policymaker support, and further empirical research are crucial. Future studies should explore longitudinal impacts, sector-specific applications, and the influence of emerging trends such as digital transformation and sustainability. By addressing these gaps, researchers and practitioners can better understand the multifaceted role of leadership in driving SME success. In all the study emphasizes that the characteristics of SME leaders, viewed through the lens of Upper Echelon Theory (UET), significantly shape the strategic decisions and growth trajectories of their organizations. The findings highlight those demographic traits (such as age, gender diversity, and education), psychological characteristics (including entrepreneurial orientation, self-efficacy, and openness to experience), and social capital (networks and relationships) collectively influence SME outcomes. These insights stress the pivotal role of leadership in navigating challenges, fostering innovation, and ensuring sustainable growth. The study underscores the importance of understanding and leveraging UET variables to develop targeted strategies for SME success, particularly in diverse economic, cultural, and industry contexts. The research concludes with a call for actionable interventions—such as leadership training, fostering diversity in management teams, and enhancing access to resources—to support SME leaders in adapting to dynamic environments. It also identifies areas for future research, including longitudinal studies and sector-specific analyses, to deepen the understanding of how leadership dynamics drive SME growth over time.

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APPENDICES

PRISMA flow diagram for this systematic review

