Entrepreneurial leadership styles: A comparative study between Startups and mature firms

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ABSTRACT

Lots of reasons lead to rise and fall Startup. A critical success factor can be the leadership styles of entrepreneurs. However, as the business and the workforce grow the founders need to be aware of a growing responsibility towards their employees. They might lose sight of leading their employees in the most beneficial way.
This article shows scientific theories about entrepreneurial leadership and tries to build a link to Startups. Several propositions are derived from related theories and will serve as a basis for the research. The theoretical framework will be enlarged by a comparative study between Startups and mature firms. Findings provide evidence for the application of entrepreneurial leadership across industries and firm sizes. Though, several findings indicate a similarity between the two types of businesses, a few noticeable differences have been identified during the analysis of the interviews. Both types of firms pursue a democratic, goal oriented and transformational leadership style. Nevertheless, Startups do not draw a clear line between leading entrepreneurially and not leading to ad hoc decisions.

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Keywords

Startups, leadership, entrepreneurship, democratic leadership, transformational leadership

Never tell people how to do things.
Tell them what to do and
They will surprise you with their ingenuity

GEORGE PATTON

1. INTRODUCTION

In the last few years, Startups have brought an enormous impulse to, the German economy in particular. Outstanding business ideas have emerged with services of which, customers were not previously aware. As Kuratko (2007, p.1) says "we have experienced an Entrepreneurial Revolution" where Entrepreneurs are adding a significant share to the economic growth. The increasing entrepreneurial way of thinking also impacted on the top tier business thinkers, as it brought by a cut on the workforce where big companies are downsizing their business and striving to become more entrepreneurial.

For a long time Germany failed to have an infrastructure which attracts high-tech entrepreneurship from overseas *(Has Germany finally fixed its high-tech problem?)*. "At the national level, there was a history of failure by the German economy to establish itself in new industries, p.92). It seems that Germany has finally jumped on the bandwagon.

Recently a huge amount of new, innovative businesses were founded which led to technological change and productivity growth. Germany is experiencing a new period of founding businesses. Strikingly, Berlin has become a shining star in the startup industry, as between 42.000 and 44.000 Enterprises are founded there each year (The Intelligence, 2014). This area has an exceptional entrepreneurial cosmos with low office rents and access to highly-skilled professionals. While Berlin is said to be the next "Silicon Valley" it attracts lots of new investors who see great opportunities coming up. Due to high connectivity of talents and the willingness of companies to invest in innovative ideas, it seems to be easier than ever to commercialize your personal idea. Online platforms enable you to share ideas, get quick feedback from customers and also find ways for financial support. The relevance of startups for our economy has never been so prominent and many graduates prefer to realize their own vision than to work for someone else's dream.

The form of a Startup is defined to be younger than 10 years, has a certain rise of employees or other factors and has high innovation capacities (Bundesverband Deutsche Startups e.V., 2013). The typical Startup founders are highly qualified, because 75% of them obtain a university degree and employ 3.6 employees.

Overall, startups have the mostly undervalued advantage of identifying small opportunities in the market that are often not found by big, established firms. Large companies usually focus on the big picture and on the profitable segments, but startups can recognize niches which do not seem to be an opportunity at first sight (Ireland, Hitt et al. 2003).

All the same Startups have to handle the absence of established relationships, roles and routines, such external and internal interconnections being critical resources of the firm (Salancik and Pfeffer 1978). The lack of a business network and practices increase the financial pressure at a time when new businesses have limited resources available (Eisenhardt and Schoonhoven 1990). Although especially high technology ventures have great growth potential (Bruton and Rubanik 2002) young firms also have a greater propensity not to prosper (Stinchcombe 1965).

According to (p.17, Sharma and Chrisman 2007) "entrepreneurs are individuals or groups of individuals, acting independently or as part of a corporate system, who create new organizations, or instigate renewal or innovation within an existing". Hence, there is a corporate entrepreneurship that aims for "creating new business in established companies through product and process innovations and market developments and the independent kind of entrepreneurship where one acts independently of any other party and creates a new organization (p.18, Sharma and Chrisman 2007).

The literature agrees that most of these business founders have distinct characteristics that set them apart from the rest. Especially during the Startup phase entrepreneurs are regarded as different from the normal population. They are endowed with an inborn intuition, self-esteem, risk taking and need for achievements which are reflected in their attitudes. The more the startup turns into a growing business the more the entrepreneur is in charge of different activities. His qualities move from creativity and innovation to organizing, budgeting and leading. Whether he wants it or not, his businesses becomes more commercialized as time goes by. However, he is always driven by the aspiration for independence and success. Anticipating the future and finding opportunities are key variables in accomplishing the entrepreneurial goals (Cunningham and Lischeron 1991).

Armstrong and Hird (2009) define an entrepreneur as a person who has demonstrated the ability to successfully create a new business. Although the majority begins by working for someone else, starting up a business is always the means to an end venture creation seems to be the only alternative for many entrepreneurs who would otherwise be employed somewhere else. The risk affection is probably the most know personality trait of entrepreneurs. While the normal businessmen rather think straight line, entrepreneurs tend to do something extraordinary and broadcast ideas that run counter to the mainstream.

Armstrong and Hird (2009) suggest that within a group of entrepreneurs someone will be more entrepreneurially driven. Their study has found out that entrepreneurs who are more analytic thinking have less entrepreneurial drive than who are integrative or intuitive. Additionally this drive is higher in newer owner-managers than those operating on the mature level of their career.

In the books of Bennis the difference between a manger and a leader becomes clear when he says "The manager accepts the status quo, the leader challenges it" (p.45, Bennis 1989). According to his book "Why leaders can't lead", the certain leader traits are creating an "executive constellation" with your subordinates, having a clear and communicated vision, uniting people behind your dreams and applying your skills extensively. Leaders are the ones in an organization that create a magical atmosphere and engage employees to bring in thoughts. The leader is encouraging employees to take responsibility and develop themselves. He is the one that swims against the tide and has a different perspective on the things. In any case, entrepreneurial attitudes and behaviors form the base for long-term competitive success for companies of all types (Ireland, Hitt et al. 2001).

Throughout the paper the following research question will serve:

What kind of entrepreneurial leadership style is more suitable for Startups than for larger companies?

This paper draws on topical attitudes of successful entrepreneurs towards leadership styles. Through a comparison of the entrepreneurial orientation in Startups compared to larger companies, differences will be found out. Startups will be compared to businesses that do not fit their criteria, such as mature, traditional or larger companies. Here these terms will be used interchangeably. Moreover, this thesis seeks to find out which specific leadership skills are perceived as necessary to execute effective leadership. Different situations when and

when not to behave entrepreneurially will be found out and analyzed.

It begins by discussing the literature that reflects entrepreneurial leadership theories and the leadership relevance for businesses. Throughout the paper several propositions are served that are based on personal working experiences. The paper moves further to the methodology part that introduces the interview section including an explanation of participants and data gathering. Consecutively an analysis of the interviews will be conducted which concludes with practical recommendations for entrepreneurs. The whole thesis provides background information about entrepreneurs and reflects various topical opinions, also from established organizations. This study aims to find out whether leadership falls into the "necessary but not required" field. The outcome will give leaders a detailed comparison to other leadership positions and the specific skills required leading successfully.

2. THEORETICAL FRAMEWORK

"Groups need to get things done, and the group leader can be instrumental in helping the group to accomplish its goals. But groups also need to get along, and the leader can help the group maintain some level of satisfaction" (p.676, Foels, Driskell et al. 2000). This statement introduces the role of a leader within the organization. He is handling almost every task in a venture-building manner and is constantly considered as a role model. Although he is most often thinking on his feet, it is essential to develop a specific managing strategy, as there is a clear link between leadership and the growth and success of small ventures (Perren and Grant, 2001; Perren and Burgoyne, 2002; Grupta et al, 2004). Entrepreneurship and leadership go hand in hand and particularly during the Startup phase the founder is more than just an entrepreneur. As the business moves to unknown territory, the founder needs to get familiar with a new topic where he takes the leading role. This blurs the clear line between leadership and entrepreneurship. The individual moves between these both spheres and links them together. Leading employees is always an issue of current interest which constantly brings up new investigations and trends. Especially as the business grows further and the employee fluctuation increases this topic gets a major focus.

Undoubtedly, there is lots of literature about entrepreneurial leadership. Each theory discussed here strives for the most clearly-worded explanation of the influential effects of certain leader behaviors on employee commitment and satisfaction. These theories mostly agree on several aspects, but some of them demand different prerequisites of the organization. While a few give general recommendations, most of the concepts cannot be applied universally in every business and some effects will vary according to the situation.

The literature gives several assumptions about the recommended leader's behavior in specific situations. These can be classified to universal and contingent prescriptions (Jago 1982). Some of them are said to be the "one-best-way" (universal) that can be applied in every situation and by every kind of job position. While other theories are situational (contingent) which consider the situations characteristics are rather individual concepts.

It must be noted that every behavior of a leader to his subordinates will have an impact. Even the most unnecessary and redundant leadership activities will have an impact upon subordinate satisfaction, morale, motivation, performance and acceptance of the leader (House and Mitchell 1975).

When the employees endorse and internalize the leader's way of thinking they become intrinsically motivated and personally engaged in their work (Tierney, Farmer et al. 1999). The more the leader demonstrates and exemplifies a certain behavior, the more it will affirm for employees that this is expected. Personally engaged employees are essential as they stand behind the company's activities.

How the motivation of the lead is linked to that of the employee's is demonstrated in the study by Tierney, Farmer et al. (1999). Data shows that the employee's motivation depends highly on the leader's drive, because when the leader's intrinsic motivation is low, employee intrinsic motivation is irrelevant.

Having found an effective way of leading, the advantages will quickly become clear. Overall, the employees will be more committed and more eager to reach the company's goal. As such they have a clear objective and see the common thread of the business's strategy. If the entrepreneur ensures a collaborative working atmosphere then the employees will also take care of each other. Moreover, the workforce will notice that they can work out benefits for their own sake. Hall already became aware that "employees are encouraged to create ideas that will save time and money" (Hall 2007, p.6).

Leadership is most often associated with supervision, management and control. However, there is a detectable difference. According to Jago (1982, p.330) leading is an interpersonal process "without resort to the authority or power derived from an employment contract". On the other hand, he says that supervision considers the influence of team members through the use of formal rewards and sanctions. Although it is commonly assumed that a leader is also expressing a sense of authority, in fact leadership has actually nothing to do with that, because leadership is behavior, not position (Bass and Stogdill 1990). This fits very well for Startups which are mostly characterized by low hierarchies and almost no sense of authorities.

P1: *Due to the Startup's flexible structure, they have a unconventional (unorthodox) way of defining entrepreneurial leadership compared to large companies.*

In order to understand certain behaviors, a clear picture of the leader's personality helps to get an idea. The first characteristic of an effective leader is consideration (Jago 1982). This refers to the communication abilities with the subordinate who will up- value their leader if they find an agreement with him. The leader considers that each group member responds differently to him. This consideration is about mutual trust, respect and a rapport between the supervisor and his group (Fleishman 1955). This way of interconnecting allows more participation in decision making and encourages more two-way communication. The second factor initiating structure is essential for building up channels of communication and keeping the big picture in mind. Here the focus lies on completing tasks, meeting deadlines and establishing relationships among employees. The leader clearly defines what he expects, plans ahead, assigns tasks and stresses on the throughput of projects (Fleishman 1955). The study by Jago (1982) sees a correlation between consideration and performance. He says that an increased follower performance is caused by a higher level of consideration, sensitivity and support. As a conclusion, the supervisor who is low in consideration and low in launching a structure has a lesser supply of rewards (Evans 1970).

Leader-Member Exchange (LMX)

The exact relationship between a leader and his subordinates is further described in the LMX Theory. This theory is following

similar principles as the transformational leadership. The basic idea is the study of roles within the organization. Here it is assumed that these roles are incompletely specified. On the whole individuals only have limited interest in the performance of others. According to this theory, the supervisor has an extremely high influence on the subordinates. For a successful adoption of the leaders suggestions "the superior should have confidence in the ability and willingness of the subordinate to successfully complete difficult, extensive or critical tasks (Dienesch and Liden 1986). Especially new employees show different behavior, because they face the challenge of becoming established members of the team. Effective LMX leaders impact on their subordinates as they encourage risk taking, provide greater job latitude and expect no routine behavior (Tierney, Farmer et al. 1999, p.595).

The literature has found several ideas for interpreting leading. The autocratic and democratic approaches give two completely different points of views in executing this position.

Autocratic leadership

Since researchers have shown that the autocratic leadership type influences people the most, it definitely needs to be regarded and evaluated. The literature generally defines it as not considering the socio-emotional factors within groups. They do not see this as a critical factor in leading. Since it is primarily the leader who makes the decisions, employees do not really have a say in the company's strategy. Obviously, without having any discussion, some discussions lead to unintended outcomes (De Cremer 2006). These leaders force their ideas through and the subordinates have to accept them if they like it or not. The study by Cremer has shown that the autocratic way of leading has negative influence on emotions and relationships within groups, because the employees cannot really bond with the leader. His study has shown that motivation and emotions are intrinsically linked".

Democratic leadership

Meanwhile a democratic leader is one that seeks consensus among the employees by gathering all different opinions and weighting them equally. Lewin and Lippitt (1938) argued in their studies that democratic leaders relied upon group decision making, active member involvement, honest praise, criticism and a degree of comradeship.

In the book of Fullan (2001, p.35,42) a democratic leader "forges consensus through participation", which includes "seeking and listening to doubters". This way of leading enables subordinates to express and fulfill individual needs and with the help of power sharing a sense of constructive conflict is encouraged (Jago 1982). By enabling participation, the decisions made by the leader are easier acknowledged and communicated. Although this can be a time consuming task, the outcomes is based on a common a belief and will be widely accepted.

In order to integrate and sustain a democratic leadership, leaders must try to "prevent the development of hierarchies in which special privilege and status differentials dominate" (Krech, Crutchfield et al. 1962, p.435). It is essential to distribute the charges equally. Assigning the tasks fairly can be achieved by constructive involvement, facilitation and the care of healthy relationships and a positive emotional setting (Gastil 1994). Crowe, Bochner et al. (1972) reported that leaders become automatically more democratic when subordinates exercise initiative, offer ideas and set goals. An effective interplay is necessary here. In return, leaders become more autocratic when followers are inactive, ask for instructions and are unquestionable. The study by Vroom and Yetton (1973) has

found out that supervisors rather appreciate participation where high quality, technically adequate solutions are required than situations which are more trivial and have no technical component.

To put it in a nutshell, there are some doubts about which one is most useful for an organization. Applying a proper guiding principle varies between situations. One the one hand, the democratic leadership can be more effective, because workers can also decide where to go and have a say. On the other hand, studies have shown that a team guided by an autocratic leader can also be satisfying and encouraging (Foels, Driskell et al. 2000).

Situational leadership

Some situations demand, however spontaneous and impulsive advice. This situational leadership concept holds that different situations require different approaches of leadership. It states that there is no single all-purpose leadership style. The person in charge needs to assess the situation and adapt his skills, techniques and decisions according to that. This concept attempts to match the leadership style to the conditions the situation requires (Hall 2007). The situational approach helps managers to diagnose the demands of their individual situations. It is built on an intersection of the amount of direction a leader gives, the amount of socio-emotional support a leader offers, and the readiness level that followers exhibit on a specific task (Hersey, Blanchard et al. 1979).

Since Startups are moving to several stages quite frequently and witness unexpected situations, this paper assumes that the situational leadership style is most common there. Sometimes the leaders need to make a decision very quickly without a wide knowledge background that requires on the feet thinking. Moreover, those leaders are mostly inexperienced and have not had such situation before.

P2: *Due to the lack of experience Startups need to apply situational leadership more often than mature firms.*

While each situation requires a different approach, employees need individual consideration as well. A leader is in charge of identifying differences among his followers and discovering what motivates each individual (Bass 1985). Employees should solely be regarded as individuals with everyone having a different way of working. Put simply, "entrepreneurs tend to be more intuitive and less analytic than non-entrepreneurs" (p.419, Armstrong and Hird 2009).

In general, entrepreneurs are described as being different from the rest of the people. They have a certain way of thinking that is a prerequisite for starting up. Ireland, Hitt et al. (2003) speak about an entrepreneurial mindset that is both an individualistic and collective phenomenon. This mindset is constantly faced with uncertainty while keeping the growth-oriented perspective. This attitude is essential for identifying and exploiting new prospects.

Nearly all scientific articles agree on certain personality traits for entrepreneurs. The most common characteristics which are linked to the company's success found in studies are achievement motivation, risk-taking, locus of control (Rauch and Frese 2000).

People who are following the entrepreneurial principles create a sort of a culture where "new ideas and creativity are expected, risk taking is encouraged, failure is tolerated, learning is promoted and continuous change is viewed as a conveyor of opportunities" (p. 971, Ireland, Hitt et al. 2003).

Transforming this into a certain leadership style a link of all these aspects needs to be elaborated and a proper balance is

indispensable. In order to have an adequate combination, the challenge lies in communicating these values to the employees as well as to the outside stakeholders.

Transformational leadership

In finding the right leadership style the literature distinguishes mainly between transactional and transformational leadership. While using the transformational leadership style the followers benefit from the positions' status and prestige (Burns 1978, Bass 1985). This approach is seen to motivate others to go beyond their self-interests for the good of the organization and extending the employees self-interests (Hartog et al. p.223).

The alteration of followers can be "achieved by highlighting the importance and value of desired outcomes". It goes beyond the normal work as the leader gets to know his employees personally. The transformational leader thrives on employee wellbeing as he is sure this leads to greater productivity. High quality exchanges and a good working communication will automatically lead to increased participation and the desired working environment. However, the prerequisite is honesty and reliability on each other. This approach has very caring stance that has something in common with a supportive leader.

Supportive leader

According to House (1981) a supportive leader is one who provides emotional, informational, instrumental and appraisal support to followers where emotional support has showed to have the most intuitive meaning. House says that a leader expresses support when he shows concern and considers follower's needs and preferences when making decisions. This is closely linked to development approaches including career counselling, careful observation of staff and encouraging them to attend further education (Bass 1985). The supportive leader can play a mentoring role that is "a relationship between … a more experienced adult who helps the younger individual navigate the adult the world and the world of work (Kram 1988p.2). The literature shows that the supportive leadership style is linked to affective outcomes, because socio-emotional support increases positive affect and pleasure in the workplace (Wofford and Liska 1993).

Leading in a supportive manner also involves giving constant performance feedback to the employees. Task-provided feedback is often: (1) the most immediate source of feedback (Hall & Lawler, 1969) (2) the most precise source of feedback (Campbell, Dunnette et al. 1970) (3) the most motivating feedback (DeCharmes 1968).

Path-goal theory

Focusing on the motivational impacts the leader can have on his followers is the path-goal theory. (Evans 1970). Here a successful leader is one that involves behaviors that increase the subordinates performance and satisfaction. The leader's behavior is to the extent acceptable that the followers see it as an immediate source of satisfaction. The manager's tasks are to assist his employees in achieving their goals, especially when the assignment is vague and unclear. When the tasks are most often routine and formalized, then the leader is in charge of initiating further structure.

P3: *Since most Startup ventures are co-founded by people who share common interest, leaders have a very close relationship and assist their employees diligently.*

Like Georgopoulos, Mahoney et al. (1957) has found out in his studies that a worker tends to work with higher productivity if he sees it as a way in achieving his personal goals.

The results of the study by Jago show that "task-oriented leaders tend to perform best in very favorable or in very unfavorable situations and that relationship-oriented leaders tend o perform best in moderately favorable situations" (p. 323, Jago 1982).

The study by Fiedler (1964) has shown that task-oriented leadership was appropriate for both favorable (structured, routine tasks) and unfavorable (unstructured tasks).

Since a lot of aspects need to be taken into account, finding the right leadership style seems to be far more complex than at first sight. The literature mostly agrees that a leader should empower his/her subordinates and challenge them. They should also aim to develop them so that they once become a leader as well. The leader should also find out ways in which he/she can function as leaders. Reflecting oneself and developing skills is essential for ideal leading.

Entrepreneurial leadership

Previous research has defined entrepreneurial leadership as "leadership that creates visionary scenarios that are used to assemble and mobilize a 'supporting cast' of participants who become committed by the vision to the discovery and exploitation of strategic value creation" (Slevin and Covin 1990, Kuratko and Hornsby 1999, McGrath and MacMillan 2000, Dubrin 2012). This idea includes the concept of "entrepreneurial orientation" (Miller 1983) and "entrepreneurial management" (Stevenson 1983).

The above discussed scientific concepts can also be linked to some extent to entrepreneurial leadership. According to Gupta, MacMillan et al. (2004, p.245) entrepreneurial leadership shares most of the transformational leadership principles in that the leader "evokes super ordinate performance by appeals to the higher needs of followers". The challenge lies in creating an enthusiastic atmosphere for creative, entrepreneurial action. Moreover an entrepreneurial leader focuses on team-oriented leadership, too. This view includes leader-member exchange theory, which studies leadership from the role theory and posits the role development between the leader and his/her subordinates (Graen and Uhl-Bien 1995).

In summary, specifically modules of transformational leadership are needed to mobilize the capacity to meet entrepreneurial challenges.

So far different leadership qualities and principles have been elaborated. However a topic that has had increased attention in recent years is the one of social intelligence. A trivial manager has developed a sense of empathy and social awareness. However, like Leitch, McMullan et al. (2013) say that especially during the Startup phase, the social capital can be the most ignored aspect. The leader might undervalue these aspects at first sight, but the employees will experience the lack of ability, not motivation when they encounter greater responsibility (Peter, Hull et al. 1969).

Though, the relevance of entrepreneurial leadership might vary in the company's sizes. Especially in the Startup form the leadership attitude gets a major focus. As said by Daily and Dalton (1992) that entrepreneurial settings provide a scene where the impact of governance structures and strategic leadership are likely to be most prominent. Unfailing with that view a study has found that the board size/firm performance relationship is stronger for smaller, as compared to larger firms (Dalton, Daily et al. 1998). The Manager's range of activities. ability to influence and mobility within the organization differ regarding the firm size. The literature argues that CEOs and directors are less controlled by organizational structures in smaller firms (Daily and Dalton 1992).

The most obvious difference between the entrepreneurial attitude of large and small companies lies in their innovativeness. Being innovative depends highly on the firm's structure and corporate culture. The literature found that size is positively correlated with innovativeness. Since Startups are in the search for their organizational structure and identity they are rather flexible and able to outmaneuver the bureaucracies (Pearson 1989).

However, organizations naturally lean towards stability and established structure. Bureaucratization is therefore an almost unavoidable development. Both types of firm have in common that the progressive style and focused strategy help to be entrepreneurial (Pearson 1989).

Particularly for people who are founding a business it is important to develop social skills, perceive others accurately, making favorable first impressions and being able to adapt quickly. Founders of ventures rely more on their formal and social networks and perceive them as a competitive advantage, compared to larger corporations (Baron and Markman 2000).

In this literature review the different uses of entrepreneurial thinking in companies have been elaborated. While in large companies corporate entrepreneurship aims at creating new business in established companies (Kuratko 2007), Startups are experiencing and living the whole entrepreneurial spirit. This means that Corporations see entrepreneurial leadership rather as a means to an end in order to be ahead of the competition and the market demands it, whereas Startups pursue this from the beginning onwards.

In larger companies entrepreneurial leadership is associated with collecting the right resources and is regarded as the cornerstone for strategic management decisions. By contrast a new venture, is usually created to pursue the marketplace promise of innovations (Ireland, Hitt et al. 2001).

3. METHODOLOGY

By now, the literature review has elucidated the link between entrepreneurship and leadership within organizations.

The literature gives an adequate impression which leadership styles are common and when and where to apply. The different leadership opinions regarding the firm size were also elaborated. But what is most interesting is what real life examples exist and which role leadership has in a company. Perhaps, leaders have rarely thought about this issue and are not aware of the impacts it can have on the organization.

This methodology part mostly reflects German Startups as here the most recent and stunning developments have taken place. A whole new sector has been established which was not really anticipated. This paper does not seek to identify a completely new form of leadership, but it gives an adequate comparison and provides useful recommendations.

This thesis made use of the qualitative research method in order to examine different attitudes towards entrepreneurial leadership. Compared to the quantitative research method, the qualitative one gives more in-depth insights. The slightly free-spirit approach helps to analyze interviews and opens up room for new insights and real working examples. The interviewees were asked to give examples of their day to day operations. Since they were not equipped with the questions beforehand, the outcomes reveal issues that might not be discussed in other studies.

To my knowledge, there is no scientific paper that compares the leadership styles of Startups and larger companies. As far as I know this is the first survey of its kind.

3.1 Participants

More than 75 companies have been invited to take part in this study, where each student did at least 5 interviews. Business leaders were purposefully selected as well as managers of different areas. The only prerequisite to participate was to hold a leadership position involving at least 3 direct reports. This criterion guarantees that interviewees are familiar with the topic and thus generates a meaningful outcome. Moreover, the interviewees needed to have at least one year of experience in a leadership position. The last selection criterion was that the business has been operating for more than a year.

The participants were drawn from Startups, small and family businesses as well as large companies that offer all kinds of products/services. All of the Startups were interned based offering mostly services. The average years of experience in this specific job position is about 2.6. The different backgrounds including sexes and age groups also increase the study's generalizability. This paper compares these Startups with 6 companies from diverse industries such as taxation, lighting and transportation. Some of the respondents were also the founders of their company. The average age of the 77 participants is in 38 years and most of them have high tier managerial up to CEO level positions. Their working experience in their current position varies largely between 0,5 and 25 years where the participants total working experience ranges from 1 to 34 years. The wide range of company types ensures the inclusion of different attitudes and reflects the overall view.

Although it can be argued that a sample of 77 is not very representative, one can identify similarities within the same sectors, positions and firm sizes which will be elaborated later on. According to the student's topic he/she could select the findings of another student's interviews. This paper compares 6 own conducted interviews of Startup with 6 interviews of leaders who have an experience of at least 10 years in their specific position. This also ensures that the company has been running for at least this time.

3.2 Data collection

As the research question is to explore entrepreneurial attitudes within large companies and Startup …

The descriptive study requires qualitative data analyzing their leadership behavior in certain situations. An interview protocol was developed based on a literature review that asked only open questions. This enables the participant to contribute their own thoughts, ideas and opinions.

The interview questions were put in a specific row according to topics. Each interview began with background information, including company, gender, age, position, experience, tasks etc, followed by the main questions. There, each respondent was asked to give concrete examples of his/her career where he acted entrepreneurially. They were asked to describe exactly how and why their employees reacted in that manner. It might also happen that the interview partner did not understand the term entrepreneurial leadership. If so, the definition was explained. After these main questions the interview protocol moved to the frequency of leading entrepreneurially. Moreover, questions like in which circumstances it is not advised to lead entrepreneurially lead to the respondent's self-reflection. After this part the impacts of leading entrepreneurially were discussed.

On average these interviews lasted between 20 and 70 minutes, conducted via telephone or face-to-face and were mostly recorded on an audio recorder.

3.3 Data analysis

Once all the interviews are conducted the findings are summarized according to its relevance for the student's topic. Each interview is compared with another one in order to identify remarkable differences.

The interviews were carried out to find out whether the above mentioned propositions can be rejected or evidenced. Moreover the interviews give hints for further topics to discover and how the current status of startups is. The findings may give new ideas about which aspects to consider for the most appropriate leadership. The relevance for the supervisor is also highlighted and adaptability of certain concepts.

The interviews are put into two groups of large companies and Startups in order to compare the different attitudes. Here the data of the research participants are used.

For analyzing the interviews the concept of coding has been used. Coding is an approach to identify patterns and relationships within the answers. Each paragraph or phrase is labeled in one's own word. One can either tag something that is repeated several times, surprises the reader, it is explicitly stated that it is important or it is linked to a previous theory or concept. It is important to code without assigning any opinion. Codes should be completely objective. After one has written them down they can be interpreted and analyzed.

Out of the 77 interviews this paper discusses the own interviews with interviews that were conducted in large companies. Putting all the data together enables the detection of subtopics that can be linked collectively afterwards.

In this paper coding will be done very precisely and step by step. Every interview question will be analyzed by comparing the responses from every interview. The Startup interviews are weighted against more experienced interviewees. The data is analyzed without any use of a computer program and only based on personal perception of what is striking. Hence, based on the author's personal experience and he sometimes assumes or interprets what the interviewee wanted to say with his statements.

4. FINDINGS AND RESULTS

Since it has been promised to keep the data confidential the interviews were put into categories. All the interviews with Startups were labeled with an *S* and the ones with large companies with an *L*. The background characteristics of each interview can be found in the appendix section.

Overall, the findings demonstrate that Startups and larger organizations have slight different leadership attitudes. While analyzing the interviews, one can identify a specific trend in the interpretation of leadership.

4.1 Role of a leader

The first parts of the interviews mostly share the same opinion. The majority agrees to give the employees a lot of freedom of how they approach their assignments. The employees can basically decide on their own how they should overcome the challenges. Here the leaders provide the overall structure of the task. That means, they explain the assignment in great detail and what they expect from them. Of course the employee can give his own input, what he thinks about it and whether the assignment is doable. After all the misunderstandings are resolved they can together set a deadline and the subordinate is free in how he finishes it.

During an assignment the leader needs to ensure straightforward communication, frequent meetings, trust creation and should constantly be available for assistance. As explained by the interview with *(S1)* the leader asks a lot of questions about the work progress that transmits a supporting feeling to the worker. All the interviews agree that while doing a project the assigned person should develop himself. They should grow with the tasks, gain experiences and build up skills they can use later on. Moreover they will learn to tackle obstacles and to overcome them. The leaders transmit high responsibility and put their worker in charge of his/her own project. This can only be achieved when they work independently and are free in how to do the task.

A CEO of a big corporation *(L6)* gives an interesting point here as he said "If I would give my employees too many rules and discuss too much their idea it would slow down their process and we would lose the client". Another company hired a professional coach for a specific situation the employees could not handle alone. Most of the interviews agree on this and gave the same ideas concerning what entrepreneurial leadership means to them.

4.2 Drawbacks of leadership

Conversely a few interviewees also had some negative experiences with leading in that way. The interviews explain this in that they did not give enough time to convert the requested assignment *(S1)*, employees could not handle the high flexibility they got *(L3)*, and after an operational accident *(L6)*.

While comparing the answers of both firm types, the interviewee of the company *(L2)* argued that due to their strict production procedures of drugs, the employees have little room for bringing in own ideas. The interview with the hospital *(L1)* also highlights that older employees are more reluctant to change than younger. In their situation they acted entrepreneurially during a change process which was more appreciated by the younger workforce. Older employees prefer to stick to old procedures. Moreover the interview with *(L4)* sheds light on the lack of creativity some employees have. These employees were not able to think about new ways to approach a problem.

4.3 Situations for leading entrepreneurially

The interviews found out that leaders do not always have to encourage their employees to take risks, be autonomous etc. This is already deeply internalized by the workforce as mentioned by the manager of an insurance company "employees have to be creative every day".

However, there is a slight difference between Startups and established companies on how often they lead entrepreneurially. Although one Startup indicated to lead irregularly, the majority leads at least regularly if not always. Some could not give an exact percentage, because according to them leading is a natural matter. Here two large organizations only lead 10 and 20%. In contrast most of the Startups are leading in 80% of their activities.

The answers vary more about in which circumstances entrepreneurial leadership is useful. Startups see optimal situations for leading entrepreneurially when small problems occur, things employees can overcome on their own *(S1)*, when new employees are coming to the organization (S2) or new projects are introduced *(S3)*. Whereas large organizations regard it as necessary when the staff demands it *(L2)*, new

changes are introduced *(L5)* and for strategic decisions which are discussed once in month *(L5)*.

At the same time the participants mostly agree on when not to behave entrepreneurially. For instance it is not advisable for strict, routine tasks, when dealing with confidential data and where lots of rules have to be obeyed *(S2, S3, L2, L3, L5, L6)*. Moreover it depends on each individual. For instance some employees need to be led on a daily basis whereas some do not need guidance at all.

4.4 Developing leadership

The interviews also indicate how the participants developed their leadership attitude. Perhaps a multifarious vita has developed and altered their opinion. Although they mostly agree that their attitude changed, Startup leaders gained useful experiences in their sports career *(S1, S5, S6)* and through contacts with different cultures *(S4)*. In general the working and life experiences made them more tolerant and disciplined *(S4)*, stricter *(S4)*, how things go wrong *(S5)*, more open to discussions *(L1)*, made them grow *(L3)* and managing risks *(L5)*. Leaders learn better how to assess people and situations accurately.

When asked to describe their leadership in general, almost every respondent claimed to have a cooperative and democratically way of leading. Interestingly the Startups showed having a rather strong leader. They strive to act like a role model where the subordinates follow his path *(S1)*. A Startup leader also stresses on the time very often and experienced that employees need this *(S3)*. The large corporations do not claim to have a low or high hierarchical leadership. While one uses an authoritarian style *(L1)* the other one is partnership-based *(L3)* and distinct by a flat hierarchy *(L4)*. The larger companies do not want to supervise their employees too much *(L5)*.

The relevance of this topic became clear that the respondents indicated the effects on the organization's economic and social performance and on employee commitment.

On the one hand it has big influence on the well-being and collaboration among the employees *(S2, S3, S5, L1, L3, L6)* and also on the company's turnover *(S1)*. Although some of the do not have a real comparison, Startups assume it is linked to economic performance *(S3, S5)*. Only a large organization provided evidence that after introducing this behavior the company performance improved *(L5)*. Nevertheless it is also dependent on the sector where individual fulfillment is not a big issue *(L2)*. An established firm managed to measure directly in the employee's satisfaction *(L5)*.

Social performance is affected by that as well. Mainly the team spirit *(S4)* and the learning curve *(L4)* benefit from the leader's behavior. This also leads to less employee turnover which is particularly important when the company struggles *(L3)*.

5. DISCUSSION

It seems that most of entrepreneurs agree in giving their subordinates a lot of freedom in interpreting their tasks. Most often, the subordinates just receive the overall assignment and the deadline. The employees are then free in how they structure the task, when they work on it and how to work it out. Sometimes the managers are assigning jobs which are beyond their skill set and beyond that of the subordinates too. The leaders want to see how they tackle this and widen they knowledge. Especially in Startups the employees are already

given high responsibility and permitted to have a say in other projects, too.

Since larger organizations and Startups have similar leadership style and larger organizations have proven to have a successful one, Startups are on the right track.

The general impression has been that larger companies are more forcing their employees to do something, but Startups consider more how their subordinates can handle the situation.

The concepts of LMX, supportive, path-goal and transformational leadership have truly been evidenced here. The interviews show clear evidence that these play a major role and are very often applied. Principally the LMX, supportive and path-goal way of thinking received great appreciation in practice, as the participants explained examples that reflect the components of this concept. For instance, the respondents point out that participation of employees is always welcomed and appreciated. Leaders even motivate and support them to bring in their thoughts, ideas and approaches. The participants also gave examples where they acted differently in various situations. According to some of them, each state demands a different approach to lead the employees and your behavior needs to be assigned to it. This is reflected in the situational leadership theory. The respondents were aware that each situation and employee needs a different consideration. It might become more relevant as the company grows, because larger organizations obviously have to deal with diverse situations and workforces.

The participants are clear about the leadership effects and what it takes to introduce those methods. From the outcomes it does not become clear whether the entrepreneur's attitudes regarding these theories have altered in history, but due to an increased attention in recent studies they probably became more important recently.

The concept of autocratic leadership is only rarely applied in practice. The autocratic approach is indicated by having the last say in decisions that was mentioned by a few participants. They do not want to give up their worker out co-management. Moreover, they are certain they can rely on their experience on not one other perception.

Notwithstanding, the theory part is lacking a few aspects that were caught up in the interview part and the other way around. For instance how the effects can be measured and under which circumstances it is most advisable.

The findings indicate that established companies have a noticeable advantage over Startups in terms of assessing the effects of leading entrepreneurially. Through their firm history they have found out which leadership style is most acknowledged by the employees. For instance building up trust and confidence among employees helped them to save time and effort or providing flexibility can have tremendous effects, too *(L6)*.

While looking at the examples given in the interviews, which specific factors were really decisive for their leadership behavior?

Coming to the first proposition, whether Startups define this topic differently, it has been show that both types of firms think in almost the same way. Both have the same image of an entrepreneurially leader who fulfills the characteristics discussed in the theory chapter. This is also underlined that both described their general leadership in the same way.

The second proposition, whether Startups apply the situational approach more often can be evidenced. For instance they regard entrepreneurial leadership as necessary when something new

occurs, whereas larger organizations do this for strategic decisions. Startups do not have a strict line that differentiates between leading on purpose and leading by accident. They have not positioned leadership clearly in their organization's strategy. This is based on the fact that five out of the 7 Startups could not precisely say how often they lead. They either argued one cannot measure which projects were supported by a guide or one cannot say when they are not leading. Since the interviews were only conducted with workers in leadership positions which have at least three subordinates, the interviewees are constantly required to behave as a role model.

The third proposition can be evidenced, too. Building up a business with friends definitely has an effect on your working relationship. It is controversial whether it is beneficial or disadvantageous; the interview *S2* indicated that it can have negative effects as well. A too friendly atmosphere might be counterproductive and can lead to unintended consequences.

As mentioned above, it seems that larger companies regard the right leadership as a critical success factor. They could already measure the effects on their subordinates, as mentioned in one interview, and might have experienced the negative effects as well. The fact that some hire a professional coach to get improved in this filed underpins this assumption. Moreover, as shown in the interviews, larger corporations deal with more situations where leading entrepreneurially is not appropriate. It seems that Startups do not show a clear difference in when to lead and not. Thus, they regard as a necessity where there is no getting around it.

6. CONTRIBUTIONS, LIMITATIONS AND FURTHER RESEARCH

This study has brought has brought to light current opinions as well as new insights about how entrepreneurial leadership is applied in practice. This paper tried to establish a first link between Startups and traditional companies to the literature. This paper is especially relevant for other Startups and people who consider building up their own venture. Due to the anonymous treatment of the data, the participants gave suggestions they might not have shown elsewhere.

At the same time this paper is still limited to some constraints. All the interviews which were taken into account here, where conducted with German based companies. Even though there is no clear indication that participants from other countries would have answered differently, the outcomes are not representing universal beliefs. Moreover, the number 12 interviews that were used in this paper, gives doubts to generalizing the outcomes.

Personally, I think the participants sometimes gave too vague answers. In my case, a few did not understand the term entrepreneurial leadership at first sight. This might be caused by a misleading translation into German. Particularly after a few questions were asked, for instance when they do not lead entrepreneurially, I have noticed that some are yet not very familiar with it. Hence they might have given avoiding or ambiguous responses to say at least something. The interviewees also repeated themselves quite often. Perhaps they were not able to think about more examples at that time or it is actually not applied very often. Moreover, especially the Startups gave rough percentages and were mostly guessing about the frequency. This indicates that it is hard to find a difference between when to lead entrepreneurially and when not. It seems that more experienced business leaders draw a clear line between leading in that manner and not doing so. For instance it does not make much sense to provide high flexibility

and self-fulfillment in routine tasks. This is totally comprehensible.

The status quo of entrepreneurial leadership in the literature has been demonstrated in this paper. Nevertheless, there is still room for further research to find more models, concepts and theories that reflect the state of affairs. For instance, the literature did not give hints about how to measure the effects of leadership or which specific situations are prerequisites for effective leadership. Moreover, a clear link between Startups and traditional businesses is missing. Since this is a very topical topic that draws more and more attention, the literature needs to catch up with this backlog. Additionally, future research should focus on testing and refining certain leadership styles. This can bring major benefits to companies.

7. RECOMMENDATIONS

It is quite difficult to give a general recommendation. Leadership is a continuous process that always needs adaptations. In order to operate ahead of the competition, one has to constantly employee satisfaction and how they perceive your guidance. An adequate first step is to see the own workers as the company's most valuable asset. What is most important, is to take time self-reflect his behavior in depth.

The interviews point out that the most important thing is learning by doing. Testing your activities and gaining crucial experiences is probably the most useful advice here. Also, Startups should think about what they can learn from traditional businesses. For instance, to measure your effects of leadership or hire a professional coach. Moreover, Startups should find a clear line between leading and not leading, as evidence has shown in an interview, this is more effective.

8. CONCLUDING REMAKRS

The overall impression is that Startups and larger organizations have a lot in common when it comes to leadership. It seems to be a movement in many firm sizes and industries to provide the employees with a lot of choices and flexibility. They can basically interpret their work individually. This means that the leader ensures the infrastructure in order to work properly including an adequate flow of communication, necessary equipment for doing the assignments and sorting out all unclear instructions. During a project, the leader takes a role in the background and only comes into play when necessary. He lets them do their job, though he is always offering help if it is required. The role of a leader seems to be clear for both types of firms. However, larger organizations appear to rather consider leadership as a means to an end as something that needs to be done to be successfully. Entrepreneurial leadership is just a step and a criterion towards a more prosperous economic future. They might have adapted a certain way of leading, because competitors have proven to be doing well in it.

The research question can be answered by not having found a particular way of leading that is most effective. This paper has compared successful Startups with mature firms and has not found outstanding differences in their way of leading. It can be assumed that a democratic way of leading is most supported by your employees and thus leads to higher commitment and engagement. The most effective entrepreneurial leadership also varies between companies. There is no principle that can be applied in every corporation. However this means that Startups should take a look at similar, experienced businesses and learn from them. But before introducing a new behavior, the leaders should be aware of the negative effects such as confusion, misinterpretation or discouragement.

9. APPENDIX

9.1 Interviews

Respondent	Type of industry	Gender	Age	Function	Experience this position (years)	Total managerial experience (years)	Number direct reports
S1	App provider	Male	29	Community Manager	0.5	10	3 – 12
S2	Luxury goods	Male	30	COO and Co-founder	2	2	5
S3	Car sharing	Male	37	CMO	3	3	4 – 5
S4	Self-publishing platform	Female	25	CMO	3	2	5 – 10
S5	Online Marketing	Female	34	CEO	6.5	6.5	24
S6	e-learning	Male	27	CMO	1	1	4
L1	Medicine	Male	60	Assistant Medical Director	20	30	4
L2	Pharmacy	Female	60	Owner	25	25	7
L3	Education	Female	50	Manager	23	29	10
L4	Taxes accountancy and Attorney	Male	50	Accountant	16	23	47
L5	Lighting, healthcare, consumer products	Male	50	Head of internal Communications	10	25	13
L6	Transportation	Male	55	CEO/founder	10	10	12

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