

# The Efficacy of Leadership on Success of a Startup

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## ABSTRACT

The purpose of the research is to analyze how self-leadership, transformational leadership, and transactional leadership apply to startups, and how they make a startup successful. This research defines the three different types of leadership and discusses the influence of impact of founders and leadership on the startups. Self-leadership is different from the other two types of leadership in meaning and function since it exists in the personal attributes and personality of the leaders or founders. It is a strategy for leaders' requirements and management of themselves. However, transformational leadership and transactional leadership are different ways that leaders treat or motivate followers. The difference between application of transformational leadership and transactional leadership is that the leaders with transformational leadership promote the innovation and passion of followers by agreeing with their goals and ideas, but the leaders with transactional leadership stimulate followers' efficiency and work quality by rewarding who with high work efficiency and punishing who have not completed their work. This study indicates that these three different leadership strategies apply to certain startups.

**Keywords:** Culture, Efficacy, Self-leadership, Startup, Transactional Leadership, Transformational leadership, Entrepreneurial Leadership.

## 1. INTRODUCTION

### 1.1. Background

One can say that our society is accelerating at a pace never before seen in history. People travel faster, information is faster, and there's a good reason why people tend to say that 'the world is getting smaller'. It wouldn't then be far of a reach to believe that business has also accelerated. Where in the past only a few businesses would ever have the dream of becoming large, tending to either sell, fail, or be merged, now there are so many niche fields in the global market that any good idea, if done right, can grow. And, if it fails, trying again is strongly encouraged. This new culture of business is drastically different from before. The result is a new label for businesses in their early stages, a startup. Some defining features of a startup that could come to mind is that they are growth oriented, led by members of the younger generation, tend to have high failure rates, and take advantage of emerging technologies and innovations. If that is the case, then one may try to find ways to minimize this risk of failure and maximize this potential of growth. This, then, tends to start from the founder or

leader of the startup. What specifically can the leader do to improve the situation of the startup, and in which ways? Some may take different approaches to leadership, emphasizing entrepreneurship, maximizing motivation, or even keeping a hands-off approach to leadership. Maybe a leader would want to know how their style of leadership fares under different industries, different stages of the startup, or under a different size of startup.

### 1.2. Related Research

Groysberg et al. explore the intricacies of leadership and organizational practices of a small firm, following it from its inception to now, explaining what makes the firm unique in comparison to other marketing firms. These differences can range from the way the leadership sees itself as something other than hierarchical, to the business decisions that they make in order to set themselves apart from the other, larger advertising firms [1]. Keneally covers the growth of Tough Mudder with its competition, focuses more on the legal strategy and IP side of gaining a foothold in a market that may seem counterintuitive. Provides significant insight into the rockier side of a startup and how different types of

leadership can meld, adapt, or break under these circumstances [2]. Noguchi takes a deep dive into the management and leadership style of Zappos, a successful small business, and tracks its growth. As it's an older article, it would be good to compare current statistics and leadership styles of Zappos to what it was back then, and to see how things have changed (or stayed the same) since then [3].

Baldegger takes an analytical approach to the theory of how leadership impacts the growth of a startup and small businesses. Looks into how leadership affects small and large businesses, specific aspects of leadership that affect other aspects of the startup, and takes a very research-based inspection into what goes on in a startup. Uses standard scientific methods to reach answers [4]. D'Intino et al. conducted research on the relationships between self-leadership, individual difference, and entrepreneurship. The study defined the concept of self-leadership for entrepreneurs, and how self-leadership is applied to entrepreneurship. The research has a result that scholars can better examine the person/environment interface in the entrepreneurship process using the self-leadership perspective. Also, self-leadership provides personal tactics for entrepreneurs to learn and implement in order to start and grow their businesses [5].

Afsar et al. had a study that examines the relationship among transformational leadership, transactional leadership, and entrepreneurial behavior based on the moderating role of psychological empowerment. The study analyzed the impact of either transformational leadership or transactional leadership on entrepreneurial behavior. The result of the study shows that transactional leadership has a detrimental impact on entrepreneurial behavior, whereas transformational leadership has a favorable impact only when psychological empowerment is high [6]. Ensley et al. introduced two kinds of

leadership in startups, transformational leadership and transactional leadership. Also, the study is focusing on when, why, and how environmental dynamism moderates the link between leadership behavior and new venture success. The result of the research is that in stable circumstances, transactional leadership appears to be more effective for new venture success, but transformational leadership appears to be more effective for new venture success in dynamic environments [7].

**1.3. Objective**

The objective of this research paper is to analyze three different styles of leadership under different sizes of startup and understand the effects of these different styles of leadership. After, the study assesses and attempts to give an evaluation on the best style of leadership for a startup under different situations.

**2. ENTREPRENEURIAL LEADERSHIP**

**2.1 Self-Leadership**

Many self-leadership models offer approaches for increasing optimistic or opportunity-influenced mindset patterns among entrepreneurs [5]. Self-leadership is a process of self-influence that allows people to acquire the required capacity of self-direction and self-motivation [8,9]. Moreover, self-leadership is recognized as a set of behavioral and cognitive practices that are aimed to improve personal effectiveness, which tactics are usually classified into three groups of behavior-focused strategies, natural reward strategies, and constructive thought pattern strategies [10]. The self-leadership strategies framework is explained and summarized in Table 1.

**Table 1.** Self-leadership Strategies Framework

Self-leadership	Behavior-focused strategies	Self-observation
		Self-goal setting
		Self-punishment
		Self-reward
		Self-cueing
	Natural reward strategies	Engaging pleasantly
		Shifting attention
	Constructive thought pattern strategies	Identifying and replacing dysfunctional beliefs
		Identifying and replacing dysfunctional assumptions
		Mental imagery
		Positive self-talk

According to the study of Neck and Houghton [10], behavior-focused strategies are composed of self-observation, self-goal setting, self-reward, self-punishment, and self-cueing. The strategy seems like a process of accomplishing a goal since it starts with setting a goal, and then hints at how confident people are in accomplishing the goal. Subsequently, people begin to observe themselves. Finally, the praise or punishment for themselves depends on whether they are satisfied with the result.

Neck and Houghton [10] also summarized that natural reward tactics are designed to put people in circumstances where they are motivated or rewarded by parts of the work or activity that are intrinsically delightful. According to Manz and Neck [8], natural reward strategies are divided into two categories. The first entails incorporating more pleasant and engaging characteristics into a task so that it becomes organically gratifying [8]. The second strategy involves shifting attention away from the task's essentially unpleasant components and toward the task's intrinsically rewarding aspects [8]. In summary, natural reward strategies are intended to foster sentiments of competence and self-determination, which in turn stimulate task-related actions that improve performance [5].

The constructive thought pattern strategies are intended to contribute to the formation of positive thought patterns and habitual ways of thinking that can improve performance [10]. According to Manz and Neck [9], identifying and replacing dysfunctional beliefs and assumptions, mental imagery, and positive self-talk, are all examples of constructive thought pattern strategies.

## **2.2 Transformational Leadership**

Another important form of leadership that is taking small organizations by storm is known as transformational leadership. Especially in smaller startups that want to get a head start on the competition for innovation, transformational leadership offers a positive impact with the efficacy of the product and the resulting effect it has on the organization as a whole [4]. Transformational leadership, in his paper, requires the most effort and time to achieve, in comparison with transactional and laissez-faire leadership. A cornerstone of the leadership style is the importance of enacting the founder's belief on the employees, inspiring the workers to also believe they are working towards a cause that the founder has. "Transformational leaders inspire by communicating their view of the future, often through symbols that appeal to the emotions of the followers. Needless to say, this requires enormous amounts of effort for a leader, which will only increase with the size of the organization at hand.

This belief driven mindset not only affects the ideas that their employees work behind, but also affect the

ways they communicate their beliefs and the way the founder communicates their beliefs, taking responsibility for their actions on culturing the growth and development of the followers [4]. This has an added benefit of impacting the overall leadership ability of the founder, vital in maintaining the long-term prosperity of the startup.

## **2.3 Transactional Leadership**

On the other side of the coin, the transactional leadership style is strictly based on the underlying belief that people respond to incentives. As with a transaction, the relationship between the founder and the employee/follower is based on a give and take basis, rather than the follower also believing in what the founder does. This relationship doesn't require the founder to put large amounts of energy in inspiring the workers, but their drive to follow, perform, and productivity is greatly reduced. It can be regarded as a motivation-based system that rewards the followers who meet the goal of the leaders [4]. As with many corporate systems commonplaces today, not only is good performance rewarded, but bad performance is punished.

Leaders perform better in environments that are less dynamic and have more predictability, stability, and routine activities. They desire continuity, stability, status quo, and steadiness rather than bringing change, trying out new solutions, and visualizing ongoing advancements [11]. The transactional leaders usually build relationships with their followers based on mutual trade, where good deeds and goal achievement are rewarded, while bad deeds and failure to meet goals are penalized [6]. Transactional leaders reward performance which is according to clear expectations communicated to followers [6].

As a result, transactional leaders have capability to increase employee commitment to the ideation program by emphasizing tangible rewards for successful idea initiation and development, effectively signaling to followers the value the leader places on participation in the program [11]. Apart from assisting followers in comprehending the need of organization-focused ideation as a job goal, Deichmann and Stam [11] also emphasized, a leader who acts in transactional behavior may also be effective in describing how to achieve that aim. Then, followers may grasp the significance of this objective and receive a sense of self-efficacy as a result of achieving it. Therefore, transactional leadership (particularly contingent compensation) has a favorable impact on commitment [11].

## **3. SUCCESS FACTORS OF STARTUPS**

### **3.1 Founders/Entrepreneurs**

An excellent leadership team or founders are

undoubtedly a key factor in the success of a startup. Cooper and Bruno [12] emphasized that there were considerable disparities in the size of the starting team between high-growth and discontinued enterprises, with high-growth firms being launched more frequently by groups. In other words, the number of founders in a startup firm decides the development and performance of the company, and fast-growing and outstanding startup companies usually have a large founder team. Also, if a startup company has a strong leadership team, the company will expose fewer weaknesses since everyone in the team has their own strengths and weaknesses, and the strengths can complement the weaknesses [12]. If the leadership team is insufficient, the company will expose its weaknesses. For example, in the leadership team of a technology company, each founder is only proficient in technology development, but no one knows how to manage the finances and operations of the firm. Consequently, the technology company will encounter financial problems in a short period. However, the size of the starting team is not the absolute factor that decides the success of a startup since the basic need of a startup company is talent.

As Junior et al. [13] mentioned that specific attributes of entrepreneurs appear to be more important than others, because a company needs founders who are valuable in various aspects to develop the company, whether in capital investment, technology development, or management support. Every founder needs to be effective and valuable in order to contribute to the success of the business, otherwise, the firm just moves sluggishly.

The founder's experience and knowledge in related fields are also helpful to the success of the startup company. Some research indicates that people are more likely to take advantage of an opportunity if they already have important information from a previous career, as this decreases the opportunity cost [13]. Meanwhile, Junior et al. [13] quoted that individuals that have a competitive advantage over other entrepreneurs are more optimistic about their chances of success. According to Aldrich and Zimmer [14], the founder's social networks are one of the elements that promotes the success of the business. Moreover, social resources are an important source of information and assistance needed for entrepreneurship. Everyone's social resources and contacts are obtained from previous work. Therefore, if the founders of the company have a strong background or experience in the previous work or related fields, they will bring many resources and opportunities to the company. Moreover, they know where the opportunities are in this field and how to advance the development of the firm.

If a startup firm is a powerful computer, investment funds, management, and technological development are the hardware of a startup, also the corporate culture environment is the software of a firm since the culture is

an element integrated into the working atmosphere of a company. The founding team will bring a unique corporate culture to the company after the company is established. As Schein [15] mentioned that groups and organizations are not formed by chance or on their own, however, they are generated when someone takes a leadership position in recognizing how the combined work of a group of people can achieve something that would be impossible to achieve through individual action. The formation of an organizational culture is closely related to the leadership of the organization, and all leadership styles are able to determine the efficiency of the entire company.

### **3.2 Leadership**

The style of leadership plays no small part in determining the success of a startup, especially when honing in on the type of startup that is at hand. Urs Baldegger [4] stresses the importance of matching leadership style with the type of startup to optimize efficiency and growth. From his research he finds that the larger the startup, the more the firm benefits from laissez-faire leadership and the smaller firm benefits more from transformational leadership. While these are mainly dependent on the size of the startup, they also correlate with the industry the startup is involved in. For instance, software and IT firms tended to attract the younger population, hence which in turn would correlate with smaller, high-power firms that would then benefit from a transformational style of leadership, to push the individual employee to perform beyond their standard capabilities. In turn, more developed industries attract older populations, who believe that their larger firm brings stability.

Entrepreneurial leadership tends to have similar results. Researchers have concluded that the positive relationship between entrepreneurial leadership and business performance have been confirmed since business performance is a consequence of strategies implemented by leaders' [16]. Especially in firms that specialize in technology, their technological innovation capabilities (TIC) have a strong positive relationship with entrepreneurial orientation. Taking the data from the previous research, one can deduce that smaller firms benefit with more transformational or entrepreneurial styles of leadership, where a single leader either pushes others to perform or for the leader to generate new opportunities for the employees. Both forms generate employee growth at a rate considerably higher than the standard company hierarchy, allowing for small, tech-based startups to have significantly higher growth numbers than the rest of the competition. Nguyen also devised a new framework for the connections between leadership and business performance, linking not just entrepreneurial orientation, but also team creativity,

dynamic capabilities, and competitive advantage, which all affect the TIC of a firm [16].

Diving deeper on different forms of leadership, the younger millennial generation is more attuned towards the empathetic style of leadership, which is an added factor on top of transformational or entrepreneurial leadership [17]. This middle point between empathy and ‘pushing’ of employees is imperative to maintaining a healthy balance between the growth and long-term sustainability of the startup, especially for those that are just starting out. This is due to the positive relationship between empathy and worker satisfaction and improving worker retention rates, especially critical to startups that don’t have much capital and cash supply to work with initially.

The final point of the article comes from cultivating an empathetic leader. When managing millennials in an organization, empathy requires disciplined efforts to cultivate. This requires time and resources, some things that may not be available in a startup, so it’s important for the leader of a young startup with a younger employee base to be naturally empathetic to their workers. More importantly, not just the workers are more satisfied with their jobs. This job satisfaction trickles down to the client or customer, where the study shows that there is improved customer satisfaction with their services. However, the study also suggests that this necessity for empathy varies in different industries. Startups that require more interaction between its workers require more empathy, where compartmentalized firms require less. Nonetheless, a level of empathy when working with millennials is always beneficial to the well-being of the firm.

### **3.3 Culture**

Finally, the culture that is cultivated by the leaders of an organization plays a major role in determining the working environment of the employees, which is important for the success of the organization. One of the most famous models measuring the culture of an organization is known as the culture cycle, an interlinked set of aspects of gauging the culture of an organization. It’s composed of 4 I’s, the individual, interaction, institution, and idea, in that order. The individual is the culture of the individual, the choices that they make and the individual beliefs that they have within the organization. This affects the interactions that they have with others, and one step up leads to the interaction of the individual with the overall institution. Yet above that still are the underlying ideas that the organization has, the unwritten beliefs of the organization that affect every part under it. Culture change is most likely to have progress and have the greatest impact when there is change at each

level of the cycle and these changes work to support one another [18].

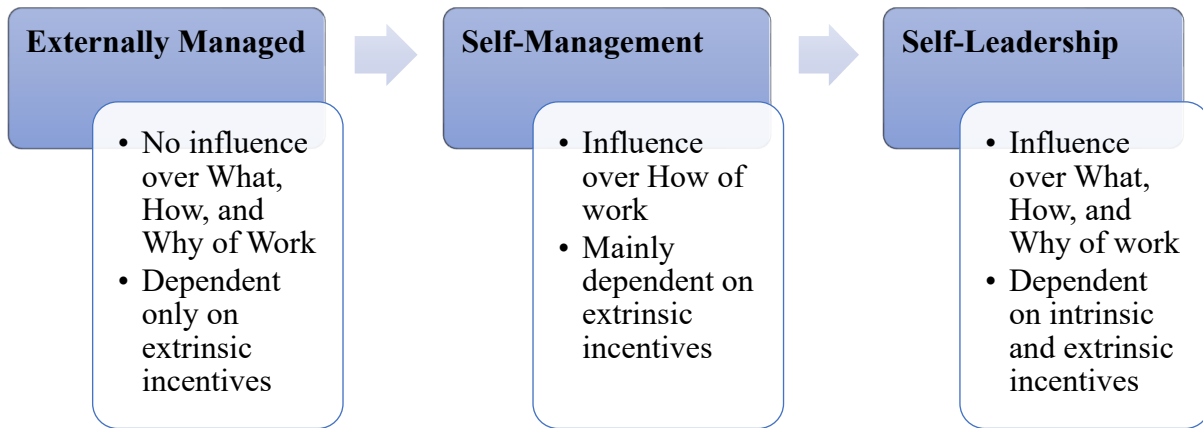
Changes in culture begin with the individual, whether it be the leader or the individual. However, the leader has the most say in affecting each of the individuals, so it’s up to them to cultivate the culture that they desire in the startup. Whether it be a competitive or cooperative scene is completely up to them through their beliefs, actions, or incentives that they put forth. For instance, if it’s a competitive culture that the founder instills, they should expect competition within the organization but that may not necessarily be the best culture style for a startup that requires teamwork in order to be successful.

## **4. APPLICATION OF DIFFERENT LEADERSHIP STYLES**

Under the application of the three previously covered leadership styles to different forms of startups, the study expects many different outcomes. However, it must be stated that the effect of leadership on the organization requires a multitude of intermediate steps, including but not limited to culture, the motivation of the individual, and other external factors such as the industry and aspects of the startup as a whole. Focusing on strictly leadership and culture however, differing leadership styles under differing conditions will lead to different cultures.

### **4.1 Application of Self-Leadership**

From the perspectives of both individual-level and team-level, self-leadership is not a separate construct. According to Figure 2, Stewart [19] summarized the research of Manz [20, 21, 22] that self-leadership is a continuum that ranges from low for externally directed behavior too high for individuals or teams who select not only how but also what tasks should be done and why they should be done. Meanwhile, Stewart [19] highlighted that an individual or team at the lower end of the self-leadership continuum would be described as one whose work standards are set completely by higher leaders. Individuals or groups progress up the continuum when they discuss the standards and objectives, as well as why they were chosen. Basically, the founder team with self-leadership can immediately accept and start to implement the goals set by the central leader of the team. Moreover, self-leadership is not only effective for individuals, but also everyone in the founding team that possesses the conditions for success has the kind of leadership, and the entire team will be regarded as an individual with self-leadership. Thus, in a startup company, it is vital that the founder team can apply self-leadership rationally to the startup.



**Figure 2** Continuum of Self-Leadership at Individual and Team Levels [19].

As mentioned above, self-leadership involves three strategies, behavior-focused strategies, natural reward strategies, and constructive thought pattern strategies. Also, self-leadership is a theory that is operating in the self-regulation theory, social cognitive theory, intrinsic motivation theory, and self-control theory [10]. Therefore, Neck and Houghton [10] stated that the application of self-leadership might positively affect some of the predictable outcomes/performance mechanisms, including commitment, independence, creativity, invention, trust, team potency, positive affect, job happiness, psychological empowerment, and self-efficacy. Also, a startup may improve individual, team, and organizational performance by focusing on these outcome variables [10]. However, whether a founder can successfully build a startup is determined by whose characteristics and personality.

Basically, individual differences are directly related to success in life areas, which is why not every founder can successfully build a startup. First of all, optimism can be a key factor that determines whether the founder will be successful. Optimism is an individual's attitude towards various situations in life, and it makes a person treat various situations positively, rather than self-destruct. However, optimism is not a normality that everyone can keep facing various situations. Therefore, the function of self-leadership strategies are reflected in providing ways for boosting optimistic or opportunity-influenced mind patterns to entrepreneurs [5]. The application of self-leadership may result in entrepreneurs to develop a more effective explaining style that includes more positive and functional self-dialogues that perceive setbacks as impersonal, transient, and specific. Furthermore, addressing, questioning, and replacing

dysfunctional beliefs with more rational, realistic, and useful ones can aid an entrepreneur's optimism and reduce pessimism [5].

Meanwhile, self-monitoring is also an ability that successful entrepreneurs should possess, and it is included in the self-leadership strategy as well. Self-monitoring is usually divided into two types, high self-monitoring and low self-monitoring. Usually, entrepreneurs with high self-monitoring will change their roles according to different social situations, but entrepreneurs with low self-monitoring will “be themselves” in any situation [5]. Thus, the entrepreneurs with high self-monitoring often present a comfortable and decent image to everyone, also they may bring potential corporate resources to their firms. The entrepreneurs with low self-monitoring may improve their ability through learning the self-leadership strategies.

In addition, emotional intelligence (EI) is a factor that determines the standards of entrepreneurial self-management capabilities. According to Thorndike [23], EI is the ability to recognize and handle men and women, boys, and girls, in order to act sensibly in interpersonal relationships. Also, EI and self-leadership are complementary, which means that people who can control their emotions are generally regarded as high EI, and people who have high EQ are also regarded as people with strong self-leadership, however, people can improve the EI by learning and applying self-leadership strategies [5].

In summary, self-leadership is an ability containing self-management, optimism, self-monitoring, and emotional intelligence (EI) that founders should apply to

themselves. Also, self-leaderships are strategies that entrepreneurs can acquire through learning. Moreover, the ability might bring a positive impact on the whole organization through the behavior styles of the leaders. If a founder team is able to apply self-leadership, the team may have a positive impact on the aspects of development of startups, performance, innovation, employee enthusiasm, and etc. At the same time, self-leadership allows the founders to reflect on facing problems calmly and make better decisions.

#### ***4.2 Entrepreneurial Leadership***

Ensley et al. [7] stated that since opportunities cannot be seized without the facilitation of individual and communal efforts, leadership appears to be a critical component of the entrepreneurial process. Therefore, from the start of a new firm, founders must demonstrate leadership in order to grow their companies [7]. In addition to self-leadership, which influences the entrepreneurs themselves through their own personality and characteristics to affect the company's development potential, transformational leadership and transactional leadership are important for leaders of startups as well.

Meanwhile, entrepreneurial leadership leverages the power of the leader or founder to change the organization for the better. If the founder believes in enacting a more entrepreneurship style of leadership to encourage their followers to also change and improve the situation of the startup through innovation, then it would be best suited for smaller firms which are in the very early stages of the transformation. It can be thought of as having the founder be the catalyst to motivate the workers for change. However, this is slightly different from the transformational leader which strictly looks for change within the organization to revamp it. The entrepreneurial leader also looks outwards and focuses on innovation and change in order to differentiate themselves from the competition. Like the transformational leader, this requires the leader to convince and inspire others within the organization of the same values and beliefs, which require significant amounts of effort, scaling only with the size of the startup, hence why such an operation would prove difficult in a startup in its later stages of growth or a startup with many workers. Under a larger organization, this kind of leadership would require multiple hierarchies, all needing to hold the same values, making this form difficult to manage.

#### ***4.3 Application of Transformational Leadership***

Transformational leadership is a collaborative process in which leaders and followers work together to achieve higher-level goals that result in significant change [24]. Also, transformational leadership, which usually interacts between leaders and employees, is totally different from either self-leadership or

transactional leadership. Ensley et al. [7] summarized that the leaders who apply transformational leadership usually appeal to their followers' principles and morals to motivate them to attain their greatest ambitions and take ownership of the group's objectives. The application of transformational leadership does not rely on rewards and punishments to motivate employees, nevertheless, leaders still can promote the enthusiasm of followers or employees by providing spiritual encouragement.

Transformational leadership could also be applied to the early terms of a startup, but also could be applied to a broader sense than simply innovating and differentiating from the competition. Transformational leadership also thrives under a smaller organization with a leader who is willing to change and adapt, but innovation is not its only goal. Under a larger organization, this form of leadership would fare better than an entrepreneurial leadership style, in individual departments, but cultivating a complete culture through only the founder would be difficult. Meanwhile, the application of transformational leadership may assist provide long-term vision to business initiatives by giving significance to seemingly meaningless actions [7]. Meanwhile, leaders with a transformational style recognize that in order to encourage followers to be more innovative, they must provide them with a clear vision, inner strength, and self-confidence so that they can successfully argue for the best course of action rather than the popular or established procedures [25].

In summary, transformational leadership is more likely applied to early-stage startups through the mutual communication between leaders and employees. Entrepreneurs with this type of leadership usually promote the contribution of followers or employees through spiritual commitment. The reason why transformational leadership is suitable for early-stage startups is to promote the enthusiasm of followers by echoing their ideals, thereby promoting their contributions.

#### ***4.4 Application of Transactional Leadership***

Transactional leadership focuses on the communication between leaders and employees [7]. Leaders utilize the system of reward and punishment in order to urge employees to complete work or projects, and challenge their potential by encouraging and punishing. Ensley et al. [7] stated that clarifying expectations and delivering rewards and punishments based on specified performance criteria are examples of contingent reward behaviors. Active management by exception entails keeping a tight eye on subordinates to ensure that objectives are realized. In this situation, corrective action is employed to immediately remedy performance problems, generally in the form of punishment.

Transactional Leadership turned out to be the worst for startups compared to entrepreneurial and transformational leadership. Transactional leadership, since it bases its motivation off of a give and take system of favors between the leader and worker, fails to develop a sense of motivation for the worker to be successful other than gaining another favor or pay from the boss. Clearly, this form of leadership fails to cultivate any meaningful culture within the workforce to change, adapt, or grow, as their motivation is not drawn from a set of values or beliefs instilled by the leader, but only through their next paycheck or favor. On the flip side, for a larger firm later in its stages of a startup, it may be the best form of leadership strictly through how difficult it is to enact the other two.

However, according to the research of Ensley et al. [7], some studies show that transactional leadership behavior can result in favorable new venture outcomes since it sets the stage for what most leadership development specialists consider reasonable, successful maintenance leadership. Moreover, the application of transactional leadership promotes coordination early in the life of a start-up by setting performance expectations and outlining reward contingencies. Finally, Transactional behavior can be utilized over time to leverage performance monitoring and send signals that allow for continual coordination and adjustment of individual behavior in order to reach new enterprise objectives [7].

In summary, transactional leadership promotes the efficiency of employees through the reward and punishment system, but there is still an argument on whether transactional leadership can be effective in startups. Some points indicate that transactional leadership will make the company culture boring, and followers just do their jobs for rewarding or avoiding punishment. Nevertheless, another part of the research believes that transactional leadership will promote the coordination of early-stage startups, and in the long run, will increase the self-consciousness of followers.

## 5. CONCLUSION

In conclusion, the research uses the founder team and leadership as the key factors that influence the success of startups to conduct the research. Then, the study collected the points from numerous research studies and analyzed three different types of leadership, including self-leadership, transformational leadership, and transactional leadership, which can be applied to founders and operating in their startups. Self-leadership strategy is different from the other two types of leadership since it usually affects startups or followers by the personality and characteristics of leaders. Even if the self-leadership strategy is based on leaders' inborn components, some leaders who do not meet the characteristics of self-leadership can cultivate their self-leadership through

acquired learning. Meanwhile, founders with self-leadership can often influence the development level of the company and promote the enthusiasm of employees through their self-management, self-monitoring, and emotional intelligence (EI). Transformational leadership and transactional leadership seem to be two conflicting leaderships, but they all focus on the connection between the leaders and followers. Transformational leadership strategy relies on the benign relationship between the leader and the subordinates. The leader improves the enthusiasm of the employees by supporting the ideal goals of the employees. However, Transactional leadership strategy is based on the reward and punishment mechanism that is set by the leader to force followers to become efficient. Most studies support the application of transformational leadership to early-stage startups since the leadership strategy can effectively enhance the enthusiasm and innovation of employees. However, whether the transactional leadership strategy can be effectively applied in early-stage startups is still controversial since some scholars believe that the leadership is more suitable for large companies with mature systems, because it will curb the creativity of employees and will make employees work just for completing their work. Therefore, curbing the innovation ability of employees will limit the development of the company's culture and the development of future innovation in an early-stage startup company. Another part of the research believes that transactional leadership strategies will promote the overall coordination of early-stage startups. In the long run, it will enable company employees to enhance their self-awareness as well.

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