

Vertical and Team Leadership in Slovak Start-ups



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Introduction

- quickly and exponentially development and high return of invested means in a relatively short time
- innovations, improvement and formation
- addition to medium and large businesses
- space for self-fulfilment, adventure, creativity
- job opportunities for young people
- social, economic and business role

What is start-up?

- differentiation of start-ups and starting businesses
- Blank (2013): „*Start-ups are not only a small version of a large business and they work differently, because their beginnings and internal processes are completely different.*“

Common aspects in definitions

- startups don't have to do their business exclusively in IT sector
Ries (2011): „*Start-up is not about technological revolution, product or idea, it is something bigger than sum of these parts*“.
- the core of start-up is unconventional thinking, creativity, originality or novelty
- uncertain future:
short business tradition, lack of skills and low level of developed routines and processes, external environment - complexity and dynamics of the market.
- growth criterion:
Damodaran (2012): „*Value of start-up lays exclusively in its future growth potential*“.

Leadership in start-ups

- establishment and development of start-up is necessarily linked with leadership
- two core types of leadership

Vertical leadership

- knowledge and decisions of single person
- only the person who is on the top of the company hierarchy is formally entitled to influence actions of employees on lower levels
- this approach strongly dominates in a literature devoted to leadership
- early phases of lifecycle:

Ensley, Hmieleski, Pearce (2006): *„It is usually an individual with leading or visionary skills who identifies possibility of business in external environment and consequently establishes a new business.“*

Team leadership



Team leadership

- involving number of team members into decision making processes
Pearce (2004): „*Team leadership is current, ongoing and mutual influencing of people and processes within the team, which is characterised by serial formation of official and non-official leaders.*“
- distributed, shared, collective leadership
- start-ups with high growth potential are mainly built and led by a team
- benefits from ideas and knowledge of a whole team
- better results in comparison with vertical leadership
- founder must learn to delegate tasks and responsibilities

KPMG research of start-ups

- 2013: typical characteristics of start-up worker
- 2014: 79 % of founders are aged from 25 - 34 years (in USA average age of start-up founder is 40 years)
- 2016: growth factors according start-up workers and investors

Objectives, research sample and methodology

- the aim of this research is to bring new knowledge of personal background of start-ups
- the research sample consists of 76 start-ups
- every start-up was investigated by a single member of research team by interview
- scales of:
 - personal data (quality of a leader, teamwork and quality of relationships in the team):
1 - minimal, 2 - low, 3 - satisfactory (but could be better), 4 - satisfactory (but there are still reserves), 5 - excellent.
 - business idea development (business cycle):
1 - idea/concept/research, 2 - product development, 3 - product prototype/testing, 4 - first incomes, 5 - rising incomes.

Research results

Leading person of a start-up

- Age 26 to 30 years
- University education of the second degree prevails
- The length of the job before starting a business is about 7.5 years
- The number of team members is 5.9 and the duration of a start-up is almost 2 years.

Quality of leader - vertical leaderships

- Satisfactory (but yet some reserves) or suitable (but could be better).
- Identification with his/her role, rather high opinion about himself/herself.
- An exceptionally original and attractive, but not absolutely top vision.
- Inspiring the closest neighbourhood to follow the determined vision and goals.
- Encouraging team members when the start-up gets into trouble, complications, and suffers from failure.
- Agitation in difficult situations slightly lags behind the visionary and acceptance of vision by other team members.
- The relatively weakest feature: developing a competence of co-workers.
- Leaders consider themselves above-average, self-confident and effective.

Quality of team – horizontal/team leadership

- Integrity and team co-operation: the apparent condition for the start-up success, satisfactory (but some reserves) up to (above average) suitable.
- Team quality is high, but there are differences:
 - Teams are better acting in border/marginal, unpleasant and crisis situations, and team members are willing to cooperate.
 - Teams are a bit weaker resulting if the quality of individual members is evaluated, e. g. their personal initiative and individual work contribution, formal division of labour in the team and informal division of roles.
 - Overall, the undivided quality of the team is slightly higher than the quality of its individual members!

Quality of leadership and team in single phases of the business cycle

- Both quality of leadership and team moderately, but apparently decline to the third stage of the cycle in which the prototype is designed and capital is collected for initial development and growth.
- The third phase in both cycles is *a test, an hour of truth*, because the idea materializes, gets specific parameters and usefulness, becomes a real product or service, and requires significant financial resources that have to demonstrate a return.
- After the third phase stage, a quality (self-confidence?) of leaders and team grow slightly, but it is smaller than in the first phase.

Summary conclusions / findings

- However, many typical and beneficial features of the start-up are becoming a burden at its transformation to an enterprise of a smaller to medium size.
- Start-ups are young. However, the youth is also an inexperience, and therefore start-upers require a lot of mentoring about the fundamentals of business and entrepreneurship, they lack some necessary business contacts.
- When founders enter a business, psychological reasons prevail. Situational reasons, especially dissatisfaction with the position of the employee, account for about a third of the reasons.

Summary conclusions / findings

- Start-upers are self-confident leaders, they can dream, inspire, agitate, encourage, but they are less able to help factually their subordinates, co-workers and followers.
- The quality of the teams as though reflected to a large extent the quality of leadership. Teams are able to exert the maximum and extraordinary performance as a whole, they are excellent in managing border situations, but their work is of lesser quality in performing workday, common working duties, routine and repetitive work.
- Youth of start-upers overlaps their inexperience and incomplete professionalism with enthusiasm, drive and imaginativeness, but they can be quickly weakened or exhausted in standard business operations.

Summary conclusions / findings

- Start-ups are lacking a more distinct internal division of labour, and in the later stages of development more management than leadership.
- The start-up is typical with its youth in the real and conveyed meaning of the word, start-ups have a drive, but they are entrepreneurially immature at the same time.