

Study examines best leadership styles for entrepreneurial startups

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Leadership determines a company's success and employee satisfaction. But which style of leadership is most effective for entrepreneurial startups?

In a recent study, assistant professor of entrepreneurship at Oakland University Jae Kang, Ph.D., examined the relationship between CEOs and managers by comparing transformational versus transactional leadership styles. The study focused on relatively small and young organizations that had innovative managers in an entrepreneurial organizational setting.

This is an important part of the study because of the significant economic impact effective entrepreneurial startups have on business. Proficient CEOs and positive organizational climates inspire employees to be innovative, which helps lead to successful business endeavors.

"But how do we do this? What is the best way to be effective in leadership?" Dr. Kang asks.

Transactional leaders focus on supervision, extrinsic rewards and performance in employees. They are concerned with day-to-day progress toward mutual and company goals. In contrast, transformational leaders cultivate motivation and engagement of employees by directing overall behavior toward a shared vision.

"A transformational leader transcends managing day-to-day operations to

design strategies for taking the company or work team to the next level of performance and success. Transformational leadership styles focus on team building, motivation and collaboration with employees at different levels to accomplish change for the better," he explains.

Knowing which [style](#) works for your organization is key. "The practical implication is that there is an invisible force within an organization that makes the organizational climate and culture innovative and creative," Dr. Kang says.

The study's findings give a new understanding to how [leadership](#) styles affect the innovative behavior of employees in entrepreneurial organizations and to what extent an innovative climate influences the relationship.

What is certain from the study is that innovation doesn't happen in a bubble, Dr. Kang explains.

"Essentially, great leaders have a strong passion for challenging goals, and they inspire that in others," he says. "But if the leader does not work with the follower to achieve this [goal](#), they will not be successful. Leaders, no matter how skilled, cannot achieve their goals alone."

More information: Jae Hyeung Kang et al. CEOs' Leadership Styles and Managers' Innovative Behaviour: Investigation of Intervening Effects in an Entrepreneurial Context, *Journal of Management Studies* (2015). [DOI: 10.1111/joms.12125](https://doi.org/10.1111/joms.12125)

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