

The importance of vertical and shared leadership within new venture top management teams: Implications for the performance of startups[☆]

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Abstract

The current study investigated the relative influence of vertical versus shared leadership within new venture top management teams on the performance of startups using two different samples. Vertical leadership stems from an appointed or formal leader of a team (e.g., the CEO), whereas shared leadership is a form of distributed leadership stemming from within a team. Transformational, transactional, empowering, and directive dimensions of both vertical and shared leadership were examined. New venture performance was considered in terms of revenue growth and employee growth. The first sample was comprised of 66 top management teams of firms drawn from Inc. Magazine's annual list of America's 500 fastest growing startups. The second sample consisted of 154 top management teams of startups randomly drawn from Dun and Bradstreet, which compiles the most extensive database available for identifying relatively young American-based ventures. Both vertical and shared leadership were found to be highly significant predictors of new venture performance. Further, hierarchical regression analysis found the shared leadership variables to account for a significant amount of variance in new venture performance beyond the vertical leadership variables. These results were consistent across both samples, thus providing robust evidence for the value of shared leadership, in addition to the more traditional concept of vertical leadership.

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1. Introduction

During the last several decades, researchers have become increasingly less accepting of the notion that leadership within organizations stems only from singular individuals (e.g., CEOs) in a top-down, hierarchical process. Alternatives to this view began to emerge and become popularized through the writings of Bass (1985), Burns (1978),

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Greenleaf (1977), Lawler (1986), McGregor (1960), and Vroom and Yetton (1973). McGregor (1960), in his description of Theory Y, argued that most workers are inherently honest and intrinsically motivated to do what is right for the organization. As such, workers can be trusted to handle responsibilities that would otherwise be shouldered only by top management. Vroom & Yetton (1973) built on the work of McGregor (1960) to develop a model of how and when leaders should involve their followers in decision-making processes. Greenleaf (1977) described the importance of “servant leadership”, which involves understanding followers’ needs and aspirations and helping them to fulfill their desires in ways that are ethical and socially responsible. Perhaps most importantly, he suggested that servant leaders could emerge from any level within an organization and are often not formally recognized as leaders—with their true value to the group frequently not being realized until they are gone, when the direction of the group has become noticeably less certain. To this end, Greenleaf spawned the idea that leaders need not be assigned, designated or even recognized in order to have great impact. Burns (1978) was the first to describe transformational leadership, defined as the process through which leaders appeal to the ideals and morals of their followers to inspire them to reach their highest levels of achievement and to take ownership in the goals of the group. His work further highlighted the importance for followers to become involved in shaping the goals of the group and becoming enriched in their work. Bass (1985) expanded the work of Burns, further developing the concept of transformational leadership and placing its importance more squarely into the context of organizations. Lawler (1986) further built on this energy to fuel the movement toward high-involvement management, which sought to flatten the hierarchical structure within organizations and allow workers to have added input into the design of their work and the direction of the organization.

While these classic works have effectively espoused the importance of including followers in important decision-making processes, the focus of these theoretical frameworks remains on the juxtaposition of individual actors who are categorized as either leaders or followers. As such, these views remain yoked to the concept of “leader as commander,” which became the dominant leadership paradigm during the scientific management movement (Gilbreth & Gilbreth, 1924; Taylor, 1911). This has left an unsettled feeling among many who have recognized that high-performing groups often do not have formal leadership structures (Manz & Sims, 1984). Instead, leadership within high-performing groups is often distributed such that those with relevant knowledge, skills or abilities offer their views within specific situations, which are then digested and acted upon by the group as a unit. Kiefer & Senge (1999) describe firms operating in this way as metanoic organizations. Within such firms conversations are not dominated by individuals designated as leaders, but rather flow in rhythm to those possessing the most relevant knowledge to offer regarding the problem or opportunity of the moment. This emerging view of leadership has led to what has become known as distributed (Gronn, 2005) or shared leadership (Pearce & Conger, 2003)—note that these terms are used somewhat interchangeably in the literature.

Pearce (2004, p. 48) defines shared leadership as a simultaneous, ongoing, mutual influence process within a team that is characterized by “serial emergence” of official as well as unofficial leaders. Although the need for shared leadership was explicitly described many decades ago (e.g., Follett, 1924), the concept has failed to gain traction within the mainstream leadership literature until recently. As Kuhn (1970) has described, knowledge underlying future paradigm shifts is often recognized by many individuals well before an actual paradigm shift occurs. The incentive structure must exist to motivate enough people to make the appropriate connections and actively build momentum toward moving beyond previous ways of thinking (Burke, 1978). It appears as though the current leadership paradigm is just now beginning to expand beyond the leader as commander outlook that has long dominated the field. This, we suggest, is a result of the proliferation of self-managed work groups (Wolff, Pescosolido, & Druskat, 2002), as well as the increased application of systems thinking (Nicholls-Nixon, 2005), complexity theories (Marion & Uhl-Bien, 2001) and decentralized organizational designs (Balogun & Johnson, 2004). These events have forced individuals to rethink traditional views of leadership. This is not to say that vertical leadership is the way of the past, but rather that future thinking about leadership must encompass both vertical and shared facets in order to capture a fuller view of leadership processes and outcomes (Day, Gronn, & Salas, 2004; Pearce & Sims, 2002)."

Although the concept of shared leadership has begun to emerge with increased regularity within the leadership literature, there have been, to this point, only few empirical studies on the topic (e.g., Avolio, Jung, Murry, & Sivasubramaniam, 1996; Pearce, 1997; Pearce & Sims, 2002; Pearce, Yoo, & Alavi, 2004). Instead, the literature on shared leadership has predominately been focused on its theoretical development (Day et al., 2004; Gronn, 2002) and practical application (Pearce, 2004; Pearce & Manz, 2005). The aim of the current study is to empirically examine the explanatory value in models of vertical versus shared leadership using parallel measures of each construct. Our goal in so doing is not to determine whether shared models of leadership are superior to vertical models of leadership, when it

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