Leadership in Startups: A Penniless Powerless Approach

A Collective Case Study of 20 Entrepreneurial Leaders from MINC

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2016

MSc. Thesis in Management

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Abstract

Startups. Why are the odds of surviving the initial stages so low? While the internet revolution has made it easier to start up, for example by democratizing investments through crowdfunding, the rate of success is still daunting. Why? Ultimately, the world is still being built by humans. That means a group effort is required. To realize this, leadership is an undeniably crucial element. Yet, not a great deal of research has been dedicated to studying leadership in startups, especially how they enlist and retain people (labour), in the early prefunding stage, when money and power are limited. The aim of this thesis is to build a rich holistic picture of how entrepreneurial leaders do this, without the use of financial means or hierarchical power. This is a collective case study of 20 entrepreneurial leaders at the startup incubator MINC in Malmö, Sweden. Methodology is based on in-depth, face to face, one on one, qualitative interviews. The findings reveal that entrepreneurial leaders use a series of psychological tools and techniques, which have been arranged into a practical framework aimed at accelerating the learning of aspiring entrepreneurs.
Acknowledgements

I would like to thank my supervisor, Stein Kleppestø, who provided guidance, shared thoughts, and gave me the freedom to complete this project at my own pace. Furthermore, I would like to thank all the entrepreneurial leaders (interview participants) who took time out of their busy schedules to talk with me; the insight and knowledge is priceless. Additionally, I would like to thank my family for their incredible support during this time; this would not have been possible without your help. Finally, I would like to extend my thoughts to all entrepreneurial leaders out there, for the road stretching ahead: success is not final, failure is not fatal, it is the courage to continue that counts.
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1. Introduction

1.1 Background

At the risk of sounding ostentatious: leadership in startups is an important topic that has received far too little attention. It is a commonly held view that entrepreneurship and innovation are the engines driving economic development and spurring social change (Fagerberg, Mowery & Nelson, 2005). Where would the world be without the steam engine or the personal computer? Furthermore, it has been argued that leadership plays an essential role in new venture creation (Ensley, Hmieleski & Pearce, 2006). This is also reflected in the paradigm shift from idea to execution. It is not the idea, but rather the execution that is paramount to the success of a startup (Lidow, 2014). Therefore, on a socio-economic level, one can reasonable argue that leadership in startups is a worthy research topic.

The odds are stacked against entrepreneurial leaders as startups operate/manoeuvre in a unique context that is characterized by lack of human resources, financial capital, and hierarchical authority (Zäch & Baldegger, 2014), especially in the prefunding phase before receiving any investment. Consequently, it is very difficult to bring people on board without being able to pay them much or boss them around. Given such extreme conditions, how can entrepreneurial leaders mobilize the critically necessary resources?

Under these conditions, when it comes to academic research, the intersection between leadership and entrepreneurship is interesting from both perspectives. From the entrepreneurship viewpoint, this kind of research might help to shed some light on how to improve the odds of startup success, since the leadership is arguably crucial to its survival. From the leadership viewpoint, this type of study could produce surprising/intriguing findings by magnifying the psychological dimension, contrasted with having people follow based on the typical constructs of established firms, such as financial compensation and formal authority.

Startups go through different stages, where the influx of money and the degree of power will vary. The early stage, specifically pre-seeding, is most interesting as these aforementioned constructs are kept at a minimum. This is the stage where founders spend their own time and money working on the idea, before any external investments are made and organizational hierarchies are introduced. Usually, the founders will try to maximize the time spent and minimize the money spent. However, there is a lot of work, so they still need extra hands.

Given the nature of leadership in startups through the penniless-powerless goggles, one might draw parallels to volunteer associations and religious movements, where money does not play a role and everyone is mainly driven by the mission. However, one difference might be the formal authority, as hierarchy could still be present in these types of organizations.
It appears there is good reason for investigating entrepreneurial leadership behaviour in startups. While some research on leadership behaviour in relation to startup performance does exist, very little consideration has been dedicated to what entrepreneurial leaders actually do to enlist/retain people (labour) and why such actions might work. How entrepreneurial leaders go about this can be important for the study of management, as it might expand the range of psychological techniques and motivational tools.

1.2 Purpose of Study

The aim of this study is to get an insight into how entrepreneurial leaders obtain the help of others during the early stage (pre-seeding) when financial compensation and formal authority are limited. By evaluating and comparing in-depth interviews conducted with 20 entrepreneurial leaders from the startup incubator MINC (12 incubatees with currently incubated startups, 8 advisors with proven track records), the hope is to achieve a better understanding of leadership in startups. The advisors are experienced serial/parallel entrepreneurs who have become startup coaches and angel investors.

Practically, this research aims to build a roadmap/toolbox for aspiring entrepreneurs to enlist and retain the help of others, without the use of financial compensation or formal authority. Considering that many ideas never make it beyond this early stage because of inadequate support, this set of tools/techniques might be particularly useful for entrepreneurial leaders to bring their startups into the seeding stage or even beyond it.

It is also worth noting that the leadership behaviour of entrepreneurial leaders will and must change during the transition of a startup as it grows (Lidow, 2014; Zäch & Baldegger, 2014). Consequently, it might be more meaningful to look at a particular startup stage: early prefunding stage. This brings us to the main research question, which is divided into two sub-questions.

Primary Research Question:

1) How can entrepreneurial leaders enlist and retain people (employees/labour) during the early prefunding stage, without the use of financial means or formal authority? Why might this work?

Secondary Research Questions:

2) What do entrepreneurial leaders (founders) (incubatees who are currently immersed in early prefunding stage) do to enlist and retain people (employees/labour) in great detail? And why?

3) What do entrepreneurial leaders (founders) (advisors who have already succeeded in early prefunding stage) do to enlist and retain people (employees/labour) in great detail? And why?
To be clear, there are three limitations to the research questions above. First, this study only gathers data from the perspective of entrepreneurial leaders. Second, it only considers what entrepreneurial leaders do without the use of financial means and formal authority. Third, it only considers labour which means employees, freelancers, interns, etc.

Being in the early prefunding stage and looking back at it could produce different narratives; it is important to recognize that while looking back might be more of a wised up version, being in it might give more of a real time version. Hence, the combination of these two narratives should produce a rich picture.

1.3 Outline of Thesis

This thesis is divided into six chapters. Chapter 1, Introduction, argues the importance of the topic and explains the purpose of the study. Chapter 2, Literature and Theory, reviews published research on themes related to the subject and its theoretical boundaries. Chapter 3, Design and Methodology, describes the approach, design, methods, limitations, weaknesses, drawbacks and argues why such choices were made. Chapter 4, Findings and Results, presents the empirical data gathered from the interviews conducted and provides the background of the participants. Chapter 5, Analysis and Discussion, evaluates and compares the data and findings from the 20 participants and relates these to the literature and theory. Chapter 6, Conclusion, articulates the findings of the research, and additionally, suggests practical implications and puts forward recommendations for future research.
2. Literature and Theory

2.1 Review Process

On a general level, the vast literature on leadership focuses on the ability of leaders to influence a group of followers and highlights the relationship among three key factors: the leader, the followers, and the landscape (Gupta, MacMillan & Surie, 2004). While the consideration of context has often been postulated, it has mostly been neglected (Zäch & Baldegger, 2014). The context of startups has seldom been subject of empirical studies, as shown in the systematic review of leadership literature by Zäch & Baldegger (2014). Startups operate in a unique context which is characterized by lack of financial capital, human resources, and hierarchical authority (Zäch & Baldegger, 2014).

The context of early prefunding stage creates extreme conditions and is key for this study. However, there was a lot of broad literature and research, but very little that is closely related to this specific context, regarding leadership behaviour towards enlisting and retaining employees (labour).

It was useful and necessary to narrow down the literature review and research publications to the areas most relevant. In the context of startups and relevant for the main research question, there were four areas of interest: entrepreneurial leadership, employee satisfaction, HRM staffing and HRM compensation, all of which are examined specifically in the context of startups.

2.2 Entrepreneurial Leadership

Leadership has been described in many ways, but the most common and widely accepted definition is a process of influencing (Sveningsson, Alvehus & Alvesson, 2012) that obtains/enlists the help or support of others toward the achievement of a particular goal (Chemers, 1997).

The entrepreneurial leader is seen as distinct from other kinds of leadership styles, such as those discussed by Kets de Vries (2007). McGrath & MacMillan (2000) believe that an entrepreneurial mindset is needed to more effectively manage the particularly high-velocity environments of competition and change. This is echoed by Gupta, MacMillan & Surie (2004), adding that a focus on the concept of entrepreneurial leadership is an important step in this direction.

Gupta, MacMillan & Surie (2004) define entrepreneurial leadership as leadership that creates visionary scenarios that are then 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.
On the other hand, Lidow (2014) deemphasizes the importance of the vision itself, explaining that it is much more about entrepreneurial leaders’ self-awareness, ability to build relationship, and ability to motivate others. Lidow (2014) puts it colloquially as: changing the world based on your idea requires that you get other people to help you and the way to do that is to create shared objectives.

The vision can be considered a static object and therefore cannot inspire or motivate followers by itself. It needs some kind of agent to help it bind with followers. Therefore, paramount to success is the ability to shape, sculpt, and translate vision into a motivating force in a way that followers can connect with. Consequently, it requires the aforementioned abilities, as proposed by Lidow (2014) who is somewhat more compelling than Gupta, MacMillan & Surie (2004).

One of the most important distinctions accepted in leadership literature is transactional leadership vs. transformational leadership; these have also been the two dominant approaches (Bass, 1985). While transactional leadership regards the leader’s role as instrumental rather than inspirational and is based on the principal of exchange, transformational leadership concentrates on how leaders can evoke/induce super-ordinate performance from followers by transcending self-interest, appealing to the need for self-actualization, deeply held personal values, and implicit motivations of followers (Bass, 1985; Sveningsson, Alvehus & Alvesson, 2012). Contrasting this (heroic) transformative leadership is post-heroic leadership, which has gained more recognition in recent years, noted by Sveningsson, Alvehus & Alvesson (2012), adding that the post-heroic leaders are the everyday heroes who take part in everyday based actions; they talk, listen, and focus on the interaction between themselves and their followers. But do these approaches bear any kind of resemblance to that of entrepreneurial leadership? Gupta, MacMillan & Surie (2004) connect the dots, stating that entrepreneurial leadership has much in common with transformational leadership because the leader tries to evoke super-ordinate performance by appealing to the higher needs of followers. More than this, entrepreneurial leaders must also entice followers to abandon their opportunity costs, which might not necessarily be the case for transformational leaders.

Another branch is team-oriented leadership theories, which focuses on interaction between leaders and group members, specifically emphasizing the ability of leaders to bring forth heightened levels of involvement by team members. One such theory is leader–member exchange theory (LMX), which examines leadership from the perspective of role theory (Graen & Uhl-Bein, 1995). But is there any similarity compared to entrepreneurial leadership? Gupta, MacMillan & Surie (2004) think so, nothing one difference: entrepreneurial leaders must orchestrate constantly changing role definitions driven by an uncertain organizational context, rather than negotiate based on the more stable role exchanges characteristic of static environments.

Furthermore, value-based leadership, a perspective elaborated by House & Aditya (1997) suggests that leaders articulate an ideological vision/mission, show high degree of confidence in themselves and their beliefs, and lead by example. Adding to this view, Shamir, House & Arthur (1993) assert that leaders must appeal to a vision/mission derived from a set of super-ordinate values and behave in a manner that reinforces this, communicating high expectations to followers, and conveying
confidence in their ability to meet such expectations. But how does this relate to entrepreneurial leadership? Gupta, MacMillan & Surie (2004) argue that the similarity between value-based leadership and entrepreneurial leadership lies in the leader’s capacity to build a high-expectation vision and to convey confidence in the followers’ abilities to accomplish that vision.

A picture of entrepreneurial leadership is beginning to form. To sum up, entrepreneurial leaders must mobilize the resources to rise to the challenge. This may only be done by a leader who can elicit/extract exceptional commitment and effort from stakeholders, convince them that they can accomplish the goals, articulate a compelling organizational vision, promise their effort will lead to extraordinary outcomes, and persevere in the face of change (Gupta, MacMillan & Surie, 2004)

Consequently, entrepreneurial leaders face two interrelated challenges: creating the vision and building the team. This resonates with scenario enactment and cast enactment, as proposed by Gupta, MacMillan & Surie (2004), arguing that the pursuit of these two activities is interdependent as the vision cannot be shaped without the team and the team cannot be formed without the vision. Therefore, these two activities co-evolve as a cumulative and iterative process, which require entrepreneurial leaders to undertake five roles (Gupta, MacMillan & Surie, 2004): 1) framing a challenge that will push the team to the limits of its abilities without pushing them over their limits. 2) shouldering the burden of responsibility for being wrong about the future thereby absorbing the paralyzing effects of uncertainty for followers and building their confidence to act as if it is possible to realize the vision. 3) dissolving potential resistance, obtaining support from stakeholders, and eliminating obstacles to the accomplishment of desired goals. 4) inspiring and moulding a team highly committed to extending extraordinary energy/effort to accomplish the vision described by the leader. 5) specifying limits to reshape individuals’ perceptions of their own capabilities by eliminating self-imposed ideas of limitation.

In contrast to this, Lidow (2014) emphasizes the importance of being self-aware, which looks at how to work with one’s own motivations, traits, and skills - also termed capability mix. To lead others, one must first lead oneself, and leading oneself requires that one must realistically evaluate own capabilities. The importance of knowing your own strengths and weaknesses is echoed by Drucker (1999). Furthermore, Lidow (2014) believes understanding how to build relationships, for which there are three kinds: cooperative, competitive, and retreating, is crucial in leveraging resources toward goal achievement (shared objectives). Finally, Lidow (2014) proposes to create a setting that allows self-actualization, based on Maslow (1947), which happens when people feel in control of their environment/destiny (autonomous), they are performing to the best of their abilities (masterful), and they are doing something that is meaningful to them (purposeful).

These ideas on entrepreneurial leadership behaviour are intriguing, but fail to shed light on how to mobilize and motivate people/labour in the different startup stages. For entrepreneurial leadership, the closest that any discussion came to stages was Lidow (2014) talking about it from a growth perspective, and not people perspective, leaving an unfilled gap.
2.3 Employee Satisfaction

There are two relevant studies investigating employee satisfaction in new entrepreneurial ventures. The first is Ardichvili (2001), comparing the impact between leadership and managerial behaviour in Russia, concluding that transformational leadership improves job satisfaction and fosters extra effort among employees in entrepreneurial ventures. An additional discovery was that contingent rewards do not seem to affect employee satisfaction. These claims were a result of comparing data covering 138 startups and 150 established firms from Russia, of which 70% were in retail or service.

However, it is important to note that the study compares the impact of actions/behaviour between (emphasis on between) entrepreneurs and managers. Keeping in mind that past studies have shown an autocratic leadership style due to the high power distance in Russia (Elenkov, 1997) and that entrepreneurs display an autocratic leadership style, preferring to make decisions by themselves, without consulting with their peers or subordinates (Ardichvili, Cardozo & Gasparishvili, 1998), it can hardly be seen in a global context of inspirational motivation and charismatic leadership.

A second very similar study was conducted in The United States by Jensen & Luthans (2006) on authentic leadership and its impact on the attitudes and happiness of employees. With a sample of 62 firms employing 3.6 workers on average, the study found that authentic leadership positively affected job satisfaction, work happiness, and organizational commitment. Authentic leadership was defined as: a positive psychological process that results in greater self-awareness and self-regulated positive behaviour on the part of leaders and employees, fostering positive self-development. The authentic leader is confident, optimistic, resilient, transparent, moral/ethical, future-oriented, and gives priority to developing employees to be leaders (Luthans and Avolio, 2003).

While these are interesting findings, there could be a potential gender effect. Given that the majority (69 percent) of the employees surveyed were female and a significant correlation was established between employee work happiness and gender, this might warrant some consideration. Furthermore, evidence also suggests that women leaders may tend toward more a more caring, follower-focused leadership style (Eagley, Johannesen-Schmidt & Engen, 2003).

The results of both studies are valuable. But while there is some indication of the size and stage of these startups, they fall short in clarifying the context, especially the financial situation. Have any of these startups received investment? What are their plans for growth? There is one major difference between entrepreneurs and those termed lifestyle small business owners; that is employment and sales growth orientation, either because of market constraints or by personal choice - simply put: ambition (Marlow, 2006). While entrepreneurs try to grow, lifestyle small business owners wish to sustain. Furthermore, neither of these studies have discussed the possible impact of investment on leadership behaviour. It is conceivable that investment will change the behaviour of entrepreneurial leaders as financial compensation and formal authority become leveraging points. Prior to such investment, when money and power are limited, it is likely that entrepreneurial leaders will use a different set of tactics for enlisting and retaining people. Thus, introducing investment into a startup
could have a significant impact on the leadership behaviour. This important aspect is not covered in either of these studies.

2.4 HR Staffing

Barber et al. (1999) compared staffing practices of large and small firms, noting major differences between them; advocate treating large and small firm labour markets as nearly distinct entities. On the topic of human resources, staffing is probably the most widely examined and discussed, in the context of small businesses. Despite not having formal policies, all firms have implicit ways of getting things done (Aldrich & Von Glinow, 1991). This develops as the need arises. According to Lidow (2014), entrepreneurial leaders should only focus on critically important tasks that ensure survival and getting to the next stage, because all other tasks are distracting and a waste of time. Furthermore, as the situation can quickly change, part of the workforce is arranged on a contingent basis since demand for labour can be unpredictable. This then points to some kind of ad hoc or muddle-through method of staffing (Windolf, 1986), since establishing formal processes can be extremely time consuming.

Marlow (2006) made a convincing argument when discussing human resource management in startups, stating that anticipating uncertainty, seeking flexibility and managing change cannot be based on formal, bureaucratic policies and procedures. It is entirely conceivable that maintaining employee confidence during uncertain times requires entrepreneurs to inspire people and ensure they share the vision for the organization; such an approach will inevitably require informal and idiosyncratic approaches.

Selection is very important for small firms and may be essential for effectively managing people. Research shows that small firms view lack of the right qualified people as a threat, not only to their plans to grow and expand, but more importantly as a threat to their very existence (Mehta, 1996; Heneman & Berkley, 1999). It is important to note that the emphasis on matching people to the startup seems to be a different line of thinking than letting the vision and team co-evolve together, as argued earlier by Gupta, MacMillan & Surie (2004).

Despite being critically important, recruiting and retaining people can often be quite challenging for small organizations. This is observed frequently because of very limited financial resources, lack of legitimacy as an employer, and the fact that employees often have to wear different hats with fuzzy boundaries and unclear responsibilities (Hannan & Freeman, 1984; Williamson, 2000; May, 1997). Often, staffing is sporadic and ad hoc; this further undermines the firm’s legitimacy and decreases their potential to recruit and retain people (Williamson, 2000; Heneman & Berkley, 1999).

Several comparative studies of small and large firms, such as those by Heneman & Berkley (1999), Deshpande & Golhar (1994), Hornsby & Kuratko (1990), and McEvoy (1984), indicate that HRM
in small ventures differs significantly from large companies. Tragically, for small firms, HRM tasks may interfere with managerial responsibilities that are directly related to revenue production, which is critically discussed by Lidow (2014). This is especially problematic for small venture managers who are already resource and time constrained (Cook, 1999; Klaas, McClendon, & Gainey, 2000).

Given these conditions and contrary to what one might expect, Williamson (2000) maintains that the person-organization fit (based on norms, values, and beliefs) is actually extensively considered when small firms make hiring decisions. This is further supported in Williamson, Cable & Aldrich (2002). Often, hiring managers in very small firms concentrate on matching general organizational beliefs rather than specific job needs (Heneman & Berkley, 1999). On the other hand, Alexander (1999) argues that for some small businesses, competitive advantage in acquiring labour resources lies in uniqueness rather than imitation (Barney, 1991), where firms intentionally adopt practices that are radically divergent from industry norms/standards. Hence, many startups are founded on the idea that they will be anti-bureaucratic, for example, and are able to successfully recruit and retain employees based on their informal, empowered approach to work, while the size of the workforce is small (Cardon & Tolchinsky, 2006). One might therefore wonder under what conditions imitation and legitimacy are more (or less) effective than uniqueness in bringing and keeping people on board.

On the point of contingent labour (temps, interns, freelancers, etc.) in emerging firms, given their reduced size, payroll capabilities, and legitimacy concerns, Cardon (2013) suggests that such small firms may be able to use such labour to supplement their workforce and even form a source of competitive advantage as they emerge, expand, and diversify. This is because contingent labour enables the firm to lower its cost structure and respond more quickly to changing market conditions (Matusik & Hill, 1998). Furthermore, as contingent workers are engaged only when their specific skill, knowledge, or productivity is needed, they represent a variable cost rather than fixed cost and can be released more easily once their contribution is no longer needed (Foote & Folta, 2002). In other words, it gives startups flexibility.

2.5 HR Compensation

Compensation is an important topic because it significantly affects recruiting and retention efforts of small firms; if startups cannot pay people enough salary, then they might not be able to recruit or retain the human resources they need to meet the entrepreneurial challenges. As with staffing, there is some indication that compensation could be different in small firms, not only because of scarce resources, but also because of the high degree of uncertainty/ambiguity concerning the future of the firm (Cardon & Stevens, 2004). That being said, unfortunately most of the literature focuses on financial compensation structures in not-so-early stage startups.

Graham, Murray & Amuso (2002) argue that because entrepreneurial firms are likely to have more fluid jobs, fewer monitoring resources, and employees with relatively short organizational tenures,
the use of performance-related incentives and stock-related rewards is expected to be greater in startups as compared to non-entrepreneurial firms.

However, Ouchi (1979) explains with a quirky but convincing story that there are three basic forms of organizational control: supervision, market, and values. While some responsibilities can be measured and rewarded (market), others cannot (supervision). Thus, it depends on the kind of job. Given the fact that everyone is overlapping in responsibilities without any processes, it is highly doubtful that performance-related incentives can be connected directly to specific jobs. At the same time, stock-related rewards are contingent on the organization. Finally, it is important to note that the most cost/time efficient control method is management by values. This view is supported by Williamson (2000), Williamson, Cable & Aldrich (2002), and Heneman & Berkley (1999).

That being said, Balkin & Logan (1988) found that small firms would, to a greater extent, turn potential earnings into pay incentives. This is done so that salary expenses can be reinvested into the business when it is vulnerable and needs liquidity. In other words, asking employees to give up small current rewards to grow the business for big future rewards. Consequently, salary is decreased and risk is shared.

The pay incentives can be short-term and/or long-term. Short-term pay incentives may include profit-sharing when specific preset organization-level targets are met. Heneman & Tansky (2002) argue that, in small firms, these sharing plans might be more motivational than in larger companies, since workers have greater ability to influence the outcome. Long-term pay incentives may include equity-ownership, such as stock options, which can be a useful retention tool. Graham, Murray & Amuso (2002) argue that this kind of risk sharing means that employees who have a significant financial interest in the venture will be less likely to behave opportunistically and more likely to act in the best interest of the organization.

The pay mix has also been shown to change over the course of a firm’s lifecycle, such as when it moves from a growth stage to a mature stage (Balkin & Gomez-Mejia, 1984). Employees may receive a different form of compensation as the organizational strategy evolves and the uncertainty concerning the firm’s ability to pay its workers changes (Nesheim, 2000). As an example, when a firm matures and the risk wears off for employees, cash compensation must increase to competitive external market levels in order for the firm to retain employees (Graham, Murray & Amuso, 2002).

The pay structure may also differ between small and large firms. As proposed by Mintzberg (1980), entrepreneurial firms tend to have flat organization structures, where people are treated relatively equally with regard to compensation (Graham, Murray & Amuso, 2002). Balkin and Logan (1988) argue that in small firms, hierarchical distinctions are kept to a minimum so that compensation is not indicative of status differences among employees.

The pay raises may also differ for entrepreneurial firms. Consistent annual salary increases, which are typical in large organizations, are not affordable by small ones (Balkin & Logan, 1988). With so
much ambiguity/uncertainty, startups cannot afford to have annual raises increase at a rate greater than sales. Instead, contingent lump-sum bonuses might do the trick.

Furthermore, rewards can be multidimensional, which could be especially relevant to consider in the startup context. It has been proposed that compensation should be viewed from a total rewards perspective, including psychological rewards and learning opportunities, in addition to monetary rewards such as salary and incentives (Graham, Murray & Amuso, 2002; Heneman, Tansky & Camp, 2000). Additionally, case study evidence suggests smaller organizations are more likely to view compensation from a holistic view than larger companies, but more research is needed on this (Heneman, Tansky & Camp, 2000).

It is important to emphasize that compensation here is not being viewed holistically. That being said, what does the picture look like in the very beginning of new ventures, before any external funding is injected? Cardon & Stevens (2004) suggest that a great deal of empirical data need to be gathered concerning what entrepreneurial leaders are actually doing and the impacts of those activities on employee satisfaction, commitment, productivity, and firm performance.

### 2.6 Research Gap

It was difficult to review the literature on human resource management in small and emerging firms, as many papers do not define the boundaries of firm size or startup stages clearly. The management needs of firms with 1, 10, and 100 (with/without external funding) are significantly different, so to classify these organizations into one overall category is problematic. That being said, it seems that most research is focused on not-so-early stage startups, usually after funding, though not explicitly stated of course.

Furthermore, not much empirical data has been gathered concerning what entrepreneurial leaders are actually doing from a holistic perspective, in non-financial terms, to recruit and retain people along with the impact of those activities on employees’ satisfaction, commitment, productivity, and performance. This is a different angle into the field of human resources.

Additionally, entrepreneurial leadership has been conceptualized generally, but not specifically examined prior to investment, when financial compensation and formal authority are limited. Could entrepreneurial leaders be behaving entirely differently at this stage, under the extreme pressure of being penniless and powerless? In this context, what kind of tactics are they using to enlist and retain people? Introducing investment into a startup can significantly impact leadership behaviour.

These aspects have not been considered in combination thus far in the literature/research. All this taken together leaves a research gap. To close this gap, one might aim to design a study that furthers our understanding of entrepreneurial leadership behaviour towards recruiting and retaining people
in the early prefunding stage when money and power are limited. There is one major difference between entrepreneurs and those termed lifestyle small business owners: growth-orientation. Thus, it is important to ensure the ambition, quality, and stage of startups, for example, by sampling through an incubator, if one were to undertake such a study.
3. Design and Methodology

3.1 Research Design

The main purpose of this thesis is to gain insight into how entrepreneurial leaders can enlist and retain labour during the early prefunding stage when financial compensation and formal authority are limited. The research is designed around an extensive collective case study, with features of a comparative cross-sectional investigation, based on 20 entrepreneurial leaders who all share a connection to the startup incubator MINC, either as incubatee or advisor. Situated in the heart of Malmö, it is one of the largest startup incubators in the southern region of Sweden (Skåne). That being said, the design frame may then also be viewed as a single incubator case of MINC with associated/attached entrepreneurial leaders. Furthermore, the research methods are based on a qualitative approach that seeks to capture the experiences and opinions of entrepreneurial leaders at MINC. Additionally, self-ethnography was to some degree used as the researcher is quite familiar with entrepreneurial leadership. The choice of selecting MINC and its entrepreneurial leaders for this study was based on feasibility and accessibility.

Striving to understand how entrepreneurial leaders can obtain the help of others in such a context, this study evaluates and compares data from interviews conducted with 20 entrepreneurial leaders from MINC. However, there are several ways in which one could go about answering this research question. While asking leaders what they do to attract interest and retain help is useful, one could also have asked followers what worked, observed the interactions between leaders and followers, or a combination of all these. Given the nature of this type of study, triangulation is useful to reduce potential bias (Thomas, 2013); reality should be based on the shared experiences between leaders and followers, closely observed by the researcher. These views brought together will create a richer picture of attitudes, reactions, emotions, and therefore, also the true relationship between leaders and followers (Alvesson & Sveningsson, 2012). Some might go as far as to argue that to capture complex and subtle intricacies of human behaviour and dynamics in small teams, it is necessary to conduct ethnographic research based on careful observation of day-to-day realities (Alvesson & Sveningsson, 2015). This method is typical for single case studies (Thomas, 2013). Why not use the abovementioned method combination in a single case study? Because the aim is to capture a very rich set of tools and techniques, which would have been too sporadically and sparsely distributed over time and space to be discovered this way. In early stage startups, such interactions are expected to be infrequent, scattered, and random. Furthermore, there might be an issue of access; as an example, investor meetings can be highly confidential. Consequently, this study only evaluates and compares interviews given by entrepreneurial leaders.

This study will compare the data between two groups, incubatees and advisors, from an interpretive stance throughout the research, leaving considerable room for interpretation on my behalf, as self-
ethnography was used. Comparison of data derived from the interviews necessitates the analysis of similarities and differences within and between each group of entrepreneurial leaders. Furthermore, the analysis will relate these to the topic of the thesis: the leaders’ perspective towards what can be done to obtain the help of others. While scientific methods generally require objectivity from the researcher, I have to be honest about the fact that I have been an entrepreneurial leader myself and am therefore, as a researcher, not be able to distance myself from this topic.

In the search for entrepreneurs, efforts were made to contact various incubators and accelerators in the southern region of Sweden (Skåne). As a result, two incubators helped to facilitate contact with its entrepreneurs: MINC (Malmö) and IDEON (Lund). However, whereas MINC had dozens of startups, there were only a handful being incubated in IDEON at the time of research. Accordingly, 20 startups from MINC accepted the invitation to participate while only two startups from IDEON were interested. Instead of skewing the sample, IDEON was not included in the study.

To gain a rich picture of the tools and techniques used necessitates in-depth conversations with entrepreneurial leaders, which should allow for thoughts and emotions that may not be at the forefront of people’s minds to emerge. Therefore, semi-structured open-ended interviews were conducted to leave room for this kind of process. As a result, the interviewees had the freedom to lead the conversation in new directions. The interview schedule was open and flexible, changing directions as the interviews progressed. An interpretative stance was adopted to make better sense of the meaning from the various accounts, experiences, and opinions given during the interviews. To some degree, this means augmented individual perception of reality (Thomas, 2013).

3.2 Research Context

It is important to note that making generalisations within social science and qualitative research is complex since behaviour and interaction are unpredictable and tightly coupled with the context in which they are situated (Thomas, 2013). In qualitative research, by clearly describing the studied context in detail, transferring the results to other contexts might be possible (Farrelly, 2013). Thus, a brief description of MINC will be given.

Malmö (Sweden) is regarded as one of the most innovative cities in the world, ranked fourth by Forbes Magazine. The entrepreneurship scene in Malmö is dominated by the startup incubator MINC, which started in 2003 and has fostered a number of successful startups in a relatively short period of time. This has increased interest from both international VCs and companies like Apple, which made two acquisitions, both initially incubated by MINC, during the past three years.

Funded by Malmö Stad (Malmö City) and through various programs from the EU, MINC is a non-profit incubator and serves as the hub for entrepreneurs, innovators, and investors. MINC has a proven track record, successfully incubating over 100 companies over the past 13 years, and thus a
very strong (alumni) network. It serves highly ambitious entrepreneurs with innovative business ideas and significant growth potential. MINC focuses primarily on media, design, technology and ICT companies due to regional expertise within these areas.

The incubator program runs over 12 months, where the selected startups are mentored, monitored, and supported. MINC provides support services including but not limited to business development, pitch training, legal consultation, individual coaching, and access to its international network of mentors/experts within several industries, along with office space in a creative start-up environment.

There is a stringent selection process, with an acceptance rate of approximately one in ten, before entrepreneurs enter the incubator program. The criteria for getting into the incubator program are: scalability potential, innovative nature, international ambition, and of course a great team. MINC and Malmö are currently attracting more entrepreneurs than ever.

Therefore, entrepreneurial leaders picked from such an impressive incubator in one of the most innovative cities in the world should indeed represent a worthy sample, even by global standards. Furthermore, the advantage of having entrepreneurial leaders from the same incubator is that it ensures the same quality level and sampling consistency across the board, through the existing vetting process already implemented by MINC.

### 3.3 Data Sampling

MINC and its entrepreneurial leaders were selected based on purposive non-probabilistic sampling (Thomas, 2013) as the aim was to find a locally accessible incubator with startups currently in the early prefunding stage as well as seasoned advisors. However, only entrepreneurial leaders with enough curiosity and availability were interviewed, which is recognized as convenience sampling (Thomas, 2013). Thus, a mixed sampling method was used for this research.

At the time of research, MINC was incubating 40 startups and had 30 advisors. When selecting interview participants, the aim was to achieve roughly an equal distribution among these two groups. The criteria for participating in this research were entrepreneurial leaders currently listed as an incubatee or advisor at MINC, and be based in Skåne, Sweden for interview. This would then produce the following sample groups:

1) entrepreneurial leaders (incubatees), who are currently immersed in the early prefunding stage.
2) entrepreneurial leaders (advisors), who have already succeeded in the early prefunding stage.

While these two groups are not necessarily mutually exclusive, largely due to enthusiastic serial or parallel entrepreneurs, the following distribution is considered: 12 (incubatees) currently immersed and 8 (advisors) already successful. Thus, a total of 20 interview subjects participated in this study,
consisting of approximately one third of the startups and advisors at MINC (see appendix for the list of interview participants).

The demographic breakdown of the 20 interview subjects is as follows: 90% male vs. 10% female; 90% Swedish vs. 5% Irish vs. 5% Dutch; age range is 24-54. The interviews lasted 45-120 minutes. All 20 interviews were conducted in person and recorded. To maintain anonymity, participant codes are used when referring to statements given during interview sessions.

3.4 Data Collection

Interviews must be conducted in person for best possible result. It was therefore quite important to pick an accessible local incubator with local entrepreneurs as time and budget did not permit long-distance travelling for such a small scale study. As a result, all 20 in-depth qualitative interviews were conducted successfully in person, solo (one on one), face to face, and ranging from 45 minutes up to 2 hours. This provided a chance to capture/interpret full contextual and behavioural details, such as surrounding environment and body language, which would have been more difficult via internet or telephone. It is also much better to use icebreakers and establish rapport when in person (Thomas, 2013).

People in group settings might be less willing to share information freely, especially when the topic is delicate. It was important to conduct the interviews individually, and thus, made it more likely that interviewees felt comfortable and could speak without inhibition. Nevertheless, answers might still have been adapted to sound more politically correct, as people were recorded. One might argue that this is reflected by the lack of tools and techniques from the dark side.

All interviews were in-depth conversations with open-ended questions, creating very rich dialogue. While some of the participants had additional office facilities in Malmö, most of the time interviews were conducted at MINC. The interviews were held in English and 90% of the respondents had Swedish as their native language. The language barrier occasionally limited some of the answers. Hence, to reduce the impact of the language barrier, whenever interviewees visibly struggled, the researcher would sometimes help to translate from Swedish to English.

The interview schedule was semi-structured and mostly used as a starting point. For this reason, none of the interviews were structured in exactly the same way, depending on the answers, but also on the background and experience of the interviewee. Some questions were revised based on the first couple of interviews, since these disclosed valuable insight. Resembling an emergent design (Thomas, 2013), this concept/method can be useful for social interpretative research. The research was therefore able to evolve naturally along the way. The plan was not to transcribe the interviews, so detailed notes were taken during the interviews. This may have resulted in the interviews taking
a bit longer because of split concentration, as there was only one interviewer. A team of two might have been better in this particular case.

Furthermore, it was important to question the degree of trustworthiness of the material collected. Do the results and transcripts indeed represent original intentions (Farrelly, 2013)? Obviously, it can be quite difficult to judge the trustworthiness of what people say. Nevertheless, the researcher would occasionally, during interview, challenge certain statements and use logical traps. Additionally, when a participant needed more guidance, the researcher might also have intervened with possibly leading questions. This might have caused experimenter-expectancy effects (Thomas, 2013).

The interviews were performed loosely following to an interview guide, which was developed on the basis of the research question. Although the list of interview questions might look extensive and structured, the interview itself was very open-ended. Many of the questions were simply different ways of asking the same thing. This was incorporated to better stimulate thinking and conversation. Additionally, some questions only targeted advisors or incubatees. Perhaps, just a fraction, typically between 5 and 10, of the planned questions were covered per interview. Furthermore, unplanned follow-up questions were also asked, permitting the interviewees to share added thoughts and experiences. Although used very little, the interview guide contained many questions to make sure there would not be a shortage of ways to stimulate thinking and conversation - better safe than sorry. It is better to have too many, rather than too few, questions since some of the interviewees will have difficulties expressing their thoughts.

3.5 Data Analysis

As previously stated, following the recommendation from my thesis supervisor and due to the large data set, the interview recordings were not transcribed. Instead of transcribing 20-40 hours of audio recording, it was more effective to decide on the spot what was important and then take notes in a summarized or paraphrased form. Analysis was therefore primarily based on the notes taken during the interviews, supported by listening to the audio recordings again whenever needed. The constant comparative analysis method was used in combination with theme mapping, where interview data was reviewed and compared repeatedly and analysed/coded based on patterns, allowing common relevant themes to be identified (Thomas, 2013). This was assisted by an interpretative approach where meaning was derived from what participants had to say, using both the interview notes and my own prior knowledge/experience within entrepreneurial leadership to nuance the interpretations (Thomas, 2013). The themes were organized naturally afterwards into more general groupings. Approximately 20 themes were identified, after which was narrowed down to 8 themes.

A particular theoretical lens was used, thereby inevitably colouring the studied phenomenon and the constructed themes (Thomas, 2013). Furthermore, analysis was based on induction, meaning that the themes were framed through collected data, rather than the other way round. Additionally, the
personal values and experiences of the researcher also shaped prior understanding of the research topic (Thomas, 2003).

3.6 Validity, Reliability, Generalizability

Generally, the validity should be quite high due to the sound design and methods used to illuminate the phenomenon being studied. However, as discussed previously, there is a lack of triangulation as the study is based on interviews with leaders only, without asking followers or doing observation. Having said that, one might argue that being able to attract interest and retain people is necessary to succeed in the early prefunding stage. If this argument is accepted, then the data from interviewing advisors who have a proven track record should weigh up for the lack of triangulation, which is also additionally compensated by the range and richness of the tools and techniques that were discovered. Notably, the reliability should be very high due to the extensive data set, given that others try to reproduce this study in the same context. This means if someone does the same research at MINC within a reasonable time period, the results should be very similar to these findings. That being said, generalizability should be very low because the sample of entrepreneurial leaders was taken from one specific context (one startup incubator in Sweden), which does not consider cultural factors or industry aspects. Therefore, the research sample cannot be said to represent the whole population (all entrepreneurial leaders on a global level for all industries), which is also not the objective in qualitative research (Thomas, 2013). Nonetheless, on a hunch, the data set is probably solid/large enough for the results to be replicated, with slight variations, inside or outside incubators generally in Sweden.

3.7 Limitations, Weaknesses, Drawbacks

First, the research design might not be bullet-proof since the two groups (incubatees and advisors) were not mutually exclusive; so some of the participants may be considered as part of both groups. As a result of this, there might be a potential ambiguity in the data sources and therefore also too much consistency in the results. There was no clear way of dividing the participants into better groupings, so to keep it simple, the existing distribution split between incubatees and advisors by MINC was maintained.

Second, the methods and collection of data may also be criticised. As mentioned earlier, leading questions might have created a bias in the original intentions of interviewees. On the other hand, one could argue that it is impossible to capture original intentions through interviews with absolute certainty, since the interviewees could be lying. Furthermore, interview participants might believe their actions to have larger impact than in actuality. They might believe in what could be an illusion of control. Having said that, entrepreneurial leaders are actually intelligent human beings, who use a
combination of intuition (sensing) and feedback (measuring) to evaluate the impact of their actions. Additionally, knowing something and doing something are two very different things. They might think it, but might not, or be able to, do it or practice it. The extent to which interviewees adapted their answers to sound more politically correct also cannot be evaluated graciously. That being said, the fact that researcher observation and follower interviews were not done means that there are some weaknesses in this study. However, as argued earlier, the distribution of exchanges is too sporadic/sparse in an early stage startup, for such a small scale study on a 10 week time frame, to permit these kinds of luxurious activities. Instead, this is compensated by the range and richness of the tools and techniques discovered, albeit partial to the viewpoint of entrepreneurial leaders. Given the psychological nature of the questions in this study, interview participants might have been a bit more nervous and/or reluctant, since nobody likes people inside their heads. While attempts were made to moderate this, it could also have distorted some of the answers.

Third, cultural factors also shape the reality at MINC, as an example: Sweden is a comparatively very small power distance society (Hofstede, 1994) and therefore formality levels between leader and follower is often low. Also, industry factors affect the study. MINC is an incubator focused primarily on media, design, technology and ICT companies. Startups in other industries may not share the same characteristics. Examining entrepreneurial leaders from one incubator in Sweden makes transferability across cultures and industries difficult.

Furthermore, the fact that these entrepreneurial leaders are from an incubator means that results could differ from startups outside this kind of organization. MINC might also influence how many and which people circulate in its environment. The kinds of people who go to MINC are naturally interested in startups and may very well be more inclined to help or assist; support and networking are integral features of MINC. For these reasons, startups inside an incubator might differ from startups outside of it. As a result, the findings and claims may not be generalized to other contexts. Having said that, this study does not seek to make general claims via Grounded Theory, but rather to develop a rich nuanced answer to the research questions, which is the hallmark of case studies (Thomas, 2013). This is a qualitative study that aims to form some kind of groundwork to build upon, perhaps using quantitative studies.

Although weighed up in the range and richness of information uncovered, one limitation could be the subjective interpretation when working with data analysis from using a qualitative approach. My familiarity with entrepreneurial leadership meant that elements of self-ethnography were used. In self-ethnography, the researcher turns towards a group of people where he/she already belongs (Eriksson, 2010), for example: being an entrepreneur, one might study other entrepreneurs. This is useful in a setting where one is more or less on equal terms with other participants, and can perhaps use this familiarity as an empirical starting point for the research (Alvesson, 2003). It does not place the researcher and his/her experiences at the center of the study, but recognize its relevance for the interpretative research process (Alvesson, 2003; Thomas, 2013). Naturally, it follows that this has affected my interpretations, ideas, and interactions with participants. While it may be more difficult to free oneself of preconceived notions, the familiarity can also be a resource. Since I was an insider,
participants probably trusted me more, which meant more likely to be honest. The researcher should therefore not deny any personal relationships with the field, but instead try to use it to assist in the research process and in interpreting the results (Thomas, 2013).
4. Findings and Results

4.1 Setting and Premise

This thesis investigates how entrepreneurial leaders can obtain the help of others during the early prefunding stage through a particular lens, one where financial compensation and formal authority are limited. Therefore, it is only natural that such an essential assumption be verified empirically. The result was a robust confirmation of this statement. All interview participants supported this claim, most of whom even stated it explicitly:

Nobody is being paid at market price. You don’t have much leverage, so you can’t get angry with people. You can’t enforce it. It’s easy to lose motivation when you’re not getting paid. It’s a very fragile and tricky balance. I can totally understand if someone at any time on this journey say ok I quit I’m done with waiting for the big promise. There isn’t a strong formal, legal, or cultural agreement. Bigger companies can afford to bleed, but not when you’re a startup. – R09

There is a little bit of a feeling that you need to tiptoe around people, that feeling where okay I’m not paying this guy, he believes in it, I’ve managed to convince him, I’ve managed to convince some people of my dream that this is gonna be huge, so don’t frighten them away. It’s like they’re here under the wish of a dream. There’s no money. You put in this effort, you get rewards in the future, but we can’t guarantee them, and that’s why it’s a little bit of this feeling of tiptoeing around people. – R17

It seems that it is difficult to get people to stay and work when you cannot pay them, or partly as a subsequence of that, boss them around. Since it is easy to lose motivation when there is a lack of financial compensation, the early prefunding stage of a startup is particularly volatile and uncertain. To summarize the conditions for entrepreneurial leaders at this stage: no leverage, no enforcement. People will also look at opportunity cost: what they are giving up to be there. So what is holding people there?

4.2 Trust and Morality

As a fundamental precondition for collaboration, creating trust was mentioned as an absolutely crucial element. This was found to be one of the most important things that entrepreneurial leaders do to lay the foundation for attracting and retaining people. Having said that, how do you build trust and what kind? There were two basic kinds of trust: trust in the abilities of the leader and trust in the
character of the leader. In relation to both kinds of trust, many of the interviewees mentioned that it was generally important to be open, honest, and transparent.

*It’s important to build trust in the team. People can rely on me. I’m never afraid of doing dirty work. People trust me. They said it’s because I have a good heart. If you have a good heart, you can show empathy.* – R18

*I’ve had a lot of employees, hundreds of employees. I think it’s very important to be honest and honest means both when things are good and bad. Just be honesty about everything. That is very important. People have different views, there is no right or wrong, the only thing you can measure is if you have done the task or not. But if my intention is good and to make things better, that is the core I think. And if everybody in a company does that, not for personal gain, if the intention is good, then there is trust in a company.* – R03

*You need to create a culture based on trust and help, by keeping your promises and do what you’re supposed to do. It comes down to getting the work done, no matter what. Then respect follows. People trust in my abilities to lead this company.* – R10

The first kind of trust seems to be outcome based, where people follow because they trust the leader to be able to lead everyone to a triumphant victory. The second kind of trust was intention based, where people follow because they trust the leader to be able to lead everyone in a righteous battle. As a result, it seems that trust and morality are the intertwined double helix of the foundational DNA in attracting and retaining followership.

That being said, entrepreneurial leaders discussed both as important, indicating that there must be a minimum hygiene level for both kinds of trust in order for people to be willing to follow the leader. Several entrepreneurial leaders also talked about establishing trust, not just between themselves and the followers, but among the whole group. This points towards creating a certain kind of culture and mentality, which will be discussed later in this chapter.

### 4.3 Vision and Values

Find the right people. That was echoed as another critical component by the vast majority of the interviewees. The next question then becomes: who are the right people? Essentially, the right followers are the ones who share the same vision, values, and views, as the leader. That means a match between leaders and followers. Once this happens, people will follow the vision. This is another way of saying mission or purpose. People should do what they love.
I have thought a lot about it, and I think the answer is the same. It doesn’t matter if it’s a big company or little company, if you have money or don’t have money, the best way to get the most out of people, it’s difficult in English, you have to have people in your company who share the same values as the company. You can’t buy people or change what they believe in. If you don’t believe in the vision, doesn’t matter how much money you get, you can’t last. I don’t believe I can influence people. I actually really like this stage when you don’t have the money, because you’re attracting people who really believe in what you’re doing. – R03

The startup model I see the world from is called the 6Ps: Purpose, People, Problem, Product, Profit, Potential. Do something you care about, then find your followers. They are your tribe, so it’s about finding like-minded people. It’s all about getting the right people on board your purpose or cause. Why? Why do you do? Why do you exist? If you ask people in a big company, it’s surprisingly rare that they know why they’re doing what they’re doing. Do you know the golden circle? Simon Sinek talks about it on TED. Imagine you’re stuck at a dinner table, and someone asked you what if you had all the money in world, what would you do? – R15

First of all, I try to find out in which phase is he. Is he interested in doing something new? Is he interested to join other groups of people than the one which he might be in right now? What is driving him? Is this a guy who sees there is a problem as we have? Is it something which he thinks is important to solve? If he is not convinced on that, he might not think it’s important for him to join either, right? Listen to him. Listen to find out what kind of guy he is. If it’s a guy I don’t know, I need to know him a little bit more, so I socialize with him. We take a cup of coffee or we go out to dinner or whatever and we brainstorm and we go round and what he thinks is fun, you know. – R19

This means figuring out what people want. Interviewees might employ a series of probing questions, and then paying close attention to the responses. This is basically how entrepreneurial leaders assess people and determine if they are the right fit.

That being said, since the startup and its environment are so unstable and unpredictable, it means that the vision, values, and views can quickly change. Consequently, people might not match over time, especially if a startup pivots. Because of the high volatility, keeping enough pieces together all the time can be tricky.

Be clear about the values. Talk about why we do what we do. Find the right people. It’s important that they match the company’s core values, and what those stand for. But the situation is changing quickly, and people don’t fit always all the time. – R06
4.4 Dreams and Aspirations

As part of getting and keeping the right people on board, entrepreneurial leaders also play on their dreams and aspirations. While these are similar to the purpose or mission of the company in nature, they are individual. People are after all self-centered. An employee might share the broader vision of the company for democratizing the education industry, but may also have individual dreams and aspirations for becoming a highly respected and esteemed professor. Consequently, entrepreneurial leaders will try to capitalize on these personal goals by somehow linking them to the company.

I would say I look at what is important for that person. I’m thinking of one of the guys, he’s a designer. He has a goal to become more of a designer than a frontend developer, he wants to go towards design, he wants to build a portfolio and experience and reputation, and there, maybe intentionally, maybe unintentionally, I don’t know, I try to help him get there, and make him feel, make him understand, not lie to him in any way, absolutely not, but to show him when I see this here can actually help you get to that goal, I’ll try to bring that to his attention because it’s easy to get bogged down in details and forget about the big picture. I think I’m more of a big picture person than a detail person, so when I see somebody getting a little bit uninspired or annoyed with something or the team is frustrated, I’ll try to bring that back and say look this will be your baby, you’ll have been the design lead for this, so when we launch, when we got a reputation here, you can take benefit of that. A little bit of play with their ego maybe, it sounds a little bit malicious or that you’re manipulating people but I don’t see it that way because I don’t feel that I’m lying to them in any way. I’m trying to bring it to their attention. A little bit see the dream kind of thing, see that vision, because it’s so easy to get lost in why we’re here. – R17

Once the entrepreneurial leaders have figured out what people want, they could for example play on the dreams, aspirations, and egos. Based on the experiences of the interviewees, it seems that people can be susceptible to influence in this way, more in some than others.

Prestige. Ego. I think titles are a very good way for people to boost that. Many sales representatives have much need on this, so they are very competitive, they are very important with prestige, respect, and so on. Many of those needs are very common within successful sales representatives I think. I would say also that many times people up in hierarchy it’s very important for them prestige and what other people think of them and my ego. A title can be very good there. Not in all companies, maybe if you have a tech startup I don’t think titles are so important there cuz I think there are other needs which would drive them, but in sales it can be more important sometimes. – R08

The interviewees seem to be quite divided on this theme. While some people do play a lot on the dreams and aspirations, others find it manipulative and try to manage expectations more realistically,
emphasizing from the beginning that they cannot promise anything. Generally, it is more senior or experienced interviewees who are rejecting this method.

You have to find people who are interested, genuinely interested, and you have to be very clear from the beginning, say that I can’t give you a job, because I don’t have money yet. Perhaps I will have, but I can’t promise you anything. Be clear at the start and see if they follow you. – R20

4.5 Ownership and Freedom

There were two concepts in particular, ownership and freedom, which were emphasized by nearly all entrepreneurial leaders when discussing how to manage and retain people. Once they join the venture, it is extremely important that people feel ownership and have freedom. The definitions of these shall be explored further in the next chapter. For this to happen, entrepreneurial leaders would have to trust and believe in people, so that they can delegate responsibility more and involve people more. Furthermore, it was vital to give people freedom to manage their own time and make some own decisions as well, which further enabled ownership.

Building a successful startup is all about engaging people and making them feel that they’re part of doing something bigger. We delegate a lot of responsibilities to our employees. You need to involve your employees in more processes than only doing that one thing. Our developers have also been really involved in producing our investor proposal because they also know graphical design and I said we need to help out now, we need to do a really really cool investor proposal that shows our soul. And now they’re really proud that they were part of doing the investor proposal, which means they’re helping to send it out to potential investors, so they met this guy at a party whose dad is an investor, so they sent the investor proposal to him, and they do that because they were involved in making it. So I mean delegation, involvement, all fits together. It’s an ecosystem of different things that all fits together. If you manage to incept the heart and soul of the company, you start involving them in some other processes and you give them responsibility to manage parts of their own time and also responsibility to make some decisions, then you have created a good ecosystem, and that is part of why people can in the beginning accept a lower salary. – R13

So whenever they are delivering something, however small it is, they need to feel like I delivered something good, and in the end when you add up all these small good things and people feel like oh I have achieved something, I have done something good, they have felt it all the way, and when they get to the end goal so to say, they can see that the full picture actually adds up to something that is really really good, and that vision I have, but they can’t see that maybe in the beginning, but after a while, they start to see
the vision, they start to understand it, oh this is where we’re going, this is what we want
to achieve, and then the interesting thing comes, because then people start pitching in
themselves, because then they realize oh but you say that we should do this and this and
this, but I don’t think that’s the right way, because I think this and this is the right way.
And when everybody feels that they have the possibility to affect the end result, then
they feel much more engaged into the product. So what you do is that you take people,
making sure they engage in it, making sure that their voice is heard. Sometimes what
they’re thinking might not be the right way and then I have to argue for my opinion and
why I think this is not the right way. – R05

What is really interesting in both these two accounts is that the impact is observable. The leaders are
reading the signals and able to determine roughly the effect their actions are producing on followers.
In addition to this, the leaders said that they ask for feedback to help gauge how the followers feel.
As ownership is a psychological effect, it cannot be measured exactly. Nevertheless, there are some
reasonable ways to evaluate this.

4.6 Learning and Development

There were quite many interviewees who said that they were providing learning and development
opportunities for their employees. This is done by creating variation, which can be achieved by
involving people in many different matters and processes. Though not stated explicitly, it was
understood that this meant incorporating interesting and meaningful tasks to a reasonable extent.
Unless it is a startup with diverse specialist skills, everyone can help to do many things in a small
early stage team.

You have to invite them to the startup community and when you get these pitch events.
You have to invite them to everything, so they feel part of it, so they can have some
learning, and get something to take with them that is not money. Do you understand
what I mean? You have to create some value and some personal development. Like the
leader, you have to get them along. Please come with me and meet this customer, I
think you are very good at this, and you will learn something, so even if I don’t have the
job for them now, they have an experience. That is what I have to offer. – R20

The most important thing is that you need to get people to think that what you’re doing
is very interesting and it’s also developing their skills because if you start only getting
into everyday work and everything is the same all the time and nobody is developing
then you will get less motivation in the team. You make sure people feel all the time that
they’re learning, that they’re developing, and when you do that then you have fun, and
then you feel like I’m doing something useful. If I’m not getting a huge pay, I’m instead
getting a lot of knowledge, and that’s what you can bring to the table. – R05
The two interviewees above were referring to interns on both accounts. This specific strategy relies on leaders being more experienced than followers, and can therefore help them to grow. Therefore, it does not work on everyone. While these are highlighted, there were also others who emphasized similar kinds of opportunities for growth with freelancers and so on. Interviewees acknowledged that freelancers might very well be more experienced in their respective fields, and any project would therefore just serve as an opportunity or channel through which they could do some kind of dream project on their own terms, together with the promise of future reward, if things turn out well. In contrast to the interns, for this to work, entrepreneurial leaders recognized that they could at most provide input, but would have to give up control of the project and let the freelancers take the lead. While freelancers are accumulating knowledge and skills, they also have complete ownership of the project and freedom to work as they like.

That being said, it goes beyond just learning and developing. Though not highlighted here, many interviewees are pushing people to fulfil their full potential, by encouraging a go-through-walls-and-be-all-you-can-be attitude, and turning negatives into positives, seeing challenges instead of problems, opportunities instead of obstacles, and failure as learning.

4.7 Rhetoric and Communication

Perhaps the pragmatic reader might find the concepts covered thus far a bit fluffy. This section will discuss more tangible tools and techniques. Among all interviewees, probably the most commonly used communicative instrument was rhetoric. Most entrepreneurial leaders were great speakers and could deliver their messages in a convincing way, using dramatic language, colourful metaphors, mental imagery, and story telling. This has a strong impact as it gets people to relate much more, and especially powerful if it is an emotional underdog story.

You only think about how little money can you spend. I started my first company when my wife was pregnant and we were waiting for our first daughter to be born and she was on maternity leave. We had very little money and we only ate falukorv which was on sale at the supermarket each week. I only bought stuff on coupons. It was extremely tough at the time. I don’t think many people ever go through what we did at that time. I don’t think I would be able to live on that little money today, but I am amazed how we could succeed then. – R08

Yes, we jump in, we roll up our sleeves, we do everything. When it comes to making decisions, I put my hand down gently, never the fist, cuz it doesn’t work. I feel I inspire the team to say look this is going to be a big company, you’re in on the ground floor. How do you drive people? Usually you’ve got the carrot and the whip. You actually don’t have a whip in a startup. You only have a carrot and you don’t even have a carrot.
You can show them a picture of a carrot. I don’t have a whip or carrot. I only have a dream of a carrot, and that’s a tough one to keep people motivated. – R17

Many of the interviewees also challenge and lead people in their thinking by employing a series of questioning techniques, such as probing questions, leading questions, and implication questions. When it comes to painting a mental picture, entrepreneurial leaders sometimes use a combination of realistic and unrealistic elements to credibly entice people. This is done by connecting the dots but not all of them. The technique involves leaving some mystery and letting the imagination take over. Talk about what is possible, but let people think for themselves.

Talk about something that is realistic and something that is unrealistic, and then also you need to make sure that you do not connect all the dots. Let me explain it like this, if you’re selling a movie, you don’t give away the full plot, you don’t say that the girl will be kidnapped and then the hero will come and rescue her. If you do that, then everybody will say I’ve already seen this, it wasn’t that interesting, so what you do is you give them parts of it, but still enough to see that this whole thing is interesting, and then you start to connect your own dots, so when the hero saves the princess, you don’t have to say that. That means you can do the visualization for yourself, that this is what is going to be the end result. – R05

Some interviewees also confessed to using a technique known as inception, which can be thought of as planting seeds or leaving breadcrumbs. It is a method/process where ideas are undetectably and untraceably placed into the subconscious mind, resulting in the desired outcome. This is a difficult but powerful ability.

Once you lock in a position, it’s much harder to make somebody change, so if they have decided red is better than green, it takes a lot more effort to make them think differently. If I know this is going to be hard to push through, I always try to plant something before. It’s like magician’s work when they try to do this mind reading trick, they can put up stuff along your way to work, if they put up yellow signs, your mind is gonna notice them but you’re not gonna think about it and then when you come to work and they say think about a colour, you’re probably gonna say yellow because there were a lot of yellow signs but you were not thinking about it consciously but everything goes in there, so that’s why if I have an idea, I try to work it in before. – R10

Apparently, it was also important to formulate and communicate the vision clearly and repeatedly. There are so many messages every day that they can get mixed up. Additionally, it is not only what you say, but also how you say it. A few of the interviewees also brought up body language, saying that leadership is much more effective in person than over Skype with a remote team.
4.8 Mentality and Culture

One of the most interesting findings is the mentality of entrepreneurial leaders. Essentially, it is a mindset based on three mantras: 1) don’t limit yourself in your thinking, anything is possible. 2) don’t be afraid to try, mistakes are part of learning. 3) never give up, it’s all about your mindset.

Values. It’s really important to have values. In a startup, you lead much more with values and culture than in big companies. When you’re down, the important thing is to get back up, every day, like Rocky Balboa. When I discovered this, I went out and bought as many of this hanging head dog toy I could find. Whenever I see people down, I get my dog toy and press it to lift its head. Up again then down. Up again then down. Up again then down. That’s what entrepreneurship is to me. I try to teach this to people around me. It’s really important to have a positive mindset. The negative spin is most difficult to handle. – R08

When I’m really passionate about a new business, of course, that shows to other people. And the energy you give yourself or your founding team translates to everyone working in the business. I think the energy and the vibe in the building or the team is something that attracts people. Then also the ability to always be up for change, I mean in the early stage, you have to question your whole business model, you have to question everything basically. It’s a lot of trial and error, and a particular type of people are really interested in that. It’s almost like they’re the founder themselves, they get to make decisions that they’re probably not used to make. – R04

Additionally, this thinking was connected to other formulations like passion, energy, positivity, excitement, confidence, and fun. As one of the most common and powerful techniques employed by entrepreneurial leaders, its impact is often observable when spread to others. The interviewees also work a lot with raising the self-confidence and self-esteem in followers.

Praising is something that we work a lot with, saying that this was really good and then I add another word that is celebrating. It could be as much as giving a high five for the thing that you did. That is really really important. That builds the good atmosphere; oh you did this really good, perfect, because that’s what people want to hear, they want to hear I’m good, that I’m doing something good. You need to make sure that you think that people are good and interesting. When you have a really good boss, he lifts you up, he lifts up what you’re doing, he’s not pushing himself, he’s pushing you forward, and making sure that you are succeeding. – R05

In order to convince others, it is imperative and necessary that the entrepreneurial leaders believe it themselves. Furthermore, it seems that the idea is not only to spread this mentality individually, but
rather to infuse the whole group to create a self-reinforcing culture. To achieve this, many of them practice leading by example, which is also known as role-modelling.

It’s very important to make yourself believe that it will take off. You have to excite other people. Show that you are excited. That’s how you bring people on board. What energy do you have inside or around you? There are no limits to what people can do, believe in them. I tell people they’re unstoppable. I try to make them unstoppable. – R12

I can only create an environment where people can use their own motivation. If they are performing bad, find out why. Give them goals and leave them alone. Let them make mistakes and grow. Make them believe they can do much more than they think. Tell them they’re bright, they’ll learn, and let go of the fear. – R18

If you’re owner or managing director, you have big responsibility in how you interact with people because what you’re doing is you’re putting a culture into a company. If the culture in a company is to be honest, as a director or owner, you’re setting the base for that culture, and people are gonna do the same. – R03
5. Analysis and Discussion

5.1 Trust and Morality

As mentioned in findings and results, it appears there are two kinds of trust. The first kind of trust seems to be consequence-driven; this is also known as Consequential, from a normative ethics point of view (Frederick, 2002). Followers want a leader who is morally competent of achieving results. The second kind of trust seems to be intention-driven; this is also known as Deontological, from a normative ethics point of view (Frederick, 2002). Followers want a leader who is morally capable of acting virtuously. Both kinds of trust seem to be important, but most likely, followers will prefer a higher degree of one over the other, depending on their individual moral stance. While some followers will value the ends over the means, other followers will value the means over the ends. Ultimately, ethical positions are very much influenced by culture and region. Hence, as previously mentioned, the results of this study are context dependent and cannot be generalized to the rest of the world.

While not implicitly mentioned in the entrepreneurial leadership literature, trust creation which is tied to morality, is the principal enabler of cooperation. Studies have even shown that interpersonal trust is a predictor for job satisfaction (Matzler & Renzl, 2006), adding that it leads to more positive workplace attitudes, higher performance results, and increased organizational commitment, through elevated employee satisfaction. This supports the findings from literature and theory on impact of authentic leadership on job satisfaction, workplace happiness, and organizational commitment in startups by Jensen & Luthans (2006). Though not validated by numbers, certain dimensions of their results appear to be transferable to the context of this study on incubator entrepreneurs/startups in early prefunding stage. Luthans & Avolio (2003) advocate that an authentic leader is, among other things, transparent and moral/ethical. Adding to this, Goffee & Jones (2013) say that people will not follow a leader whom they feel is unauthentic. These taken together, people will not follow a leader whom they do not trust.

5.2 Vision and Values

As discussed in HR staffing, Williamson (2000) and Williamson, Cable & Aldrich (2002) maintain that the person-organization fit, based on norms, values, and beliefs, is extremely important to small firms. Heneman, Tansky, & Camp (2000) and Heneman & Berkley (1999) add to this saying that focus will be to match applicant competencies to general organizational beliefs, values, culture, rather than to specific job requirements. Hence, the importance of leaders and followers matching in their vision and values corresponds quite well to the literature and research. However, since the
situation changes quickly, mobilizing the resources can be a difficult iterative process, as depicted by Gupta, MacMillan & Surie (2004). When people match in vision/values, it means that salary is no longer the main motivator and can consequently be reduced. The possibility to give people other kinds of compensation is explained by the balance rewards perspective, as proposed by Graham, Murray & Amuso (2002) and Heneman, Tansky, & Camp (2000) in HR compensation.

Likewise, the findings here resonate with management by values (Ouchi, 1979), which is the least costly and most efficient way to manage people, a view also echoed by Heneman & Berkley (1999). The amount of time or cost it takes to manage the right people is much lower because they are self-motivated and self-sustaining. In stark contrast, one might have to spend excess amounts of energy supervising others who are merely doing what they are supposed to do, which is very inefficient.

5.3 Dreams and Aspirations

Essentially, playing on the dream and aspirations of others is to exploit their higher needs, such as self-esteem, self-actualization, recognition, growth, and other intrinsic motivators, as proposed by Maslow (1943), Herzberg (1966), and Alderfer (1972). This falls in line with Lidow (2014): when people are doing something that is meaningful to them (that is individually purposeful), it helps to facilitate self-actualization and allows leaders to appeal to the higher needs of followers. That being said, self-actualization is accomplished on a deeply personal level. It could be to become the most caring teacher in the world for one and the most respected professor in the world for another. Such facilitation/appeal is also one of the focal points of transformational leadership and entrepreneurial leadership (Gupta, MacMillan & Surie, 2004), in order to elevate job satisfaction.

Furthermore, quite many interviewees believed that the degree of power/influence leaders can have over followers is insignificant. It is worth noting that, though not all advisors, the interviewees who expressed this view were older and somewhat more experienced leaders. This is an interesting finding as it challenges the very idea of leadership, which is based on power and influence. This says a lot about how people view/perceive leadership: whether leaders can motivate followers or only create an environment in which people use their own motivation. This is a very important distinction that questions the source of power/influence. If this line of thinking is entertained, then one might argue that leadership is merely an illusion of control.

5.4 Ownership and Freedom

As with doing something meaningful (purposeful), when people are given the freedom (autonomy) to do something to the best of their abilities (masterful), as argued by Lidow (2014), that is where they are driven to perform best, during a process of self-actualization. The interesting thing is that
ownership and freedom were the exact two remaining pieces needed to complete the puzzle. On the point of ownership, to be clear, it is a psychological ownership, defined as the extent to which an employee feels as though the organization or the job is theirs to the point that the company becomes an important part of an employee’s self-identity. This can be largely achieved by involving people, albeit easier said than done. Furthermore, it is conditional upon entrepreneurial leaders assuming a strong belief in Theory Y (McGregor, 1960).

The idea of involving everyone in everything, as discussed in findings and results, is supported by Mintzberg (1980), asserting that in small organizations or teams, there are no formalized roles or processes. Thus, people are overlapping in their responsibilities and wearing many different hats, which is explained by May (1997). It is somewhat of a muddle-through method, whatever works to grow to the next stage (Lidow, 2014). Whether this is a result, cause, or coincidence can be debated.

5.5 Learning and Development

As discussed in findings and results, entrepreneurial leaders go beyond just giving people an opportunity to better themselves, they actively drive and coach people to fulfil their full potential. Such efforts seem to be steering people effectively towards achieving self-actualization as already discussed and are supported by the mentality and culture that entrepreneurial leaders establish. Given the power balance between leaders and followers exemplified in the narrative about interns, one might claim that it is all about how much value entrepreneurial leaders can bring to the table, and therefore, how much leverage they hold. But this will be discussed later as there are techniques, especially those put forth in rhetoric and communication, which rather deftly contradict this view.

One general strategy, as presented in the findings, seems to combine or interweave personal goals, so that the collaboration is productive for both leaders and followers, leading to a win-win solution. This idea must be presented convincingly for followers to accept. It is supported by the idea of negotiating a shared objective and establishing a cooperative relationship (Lidow, 2014) as well as the notion of stag hunt (Skyrms, 2001), but differs in reality as people have many other options. Hence, the tools and techniques under rhetoric and communication might be of some use here.

5.6 Rhetoric and Communication

Evidently, effective rhetoric and communication could be very useful. Alvesson & Sveningsson (2012) add that transformational/charismatic leaders use symbolic language, beautiful rhetoric, and story-telling to inspire devotion. This aspect has not been discussed for entrepreneurial leadership thus far, but now appears that it shares rhetoric and communication as well with transformational leadership. Leaders act as heroic role models in both types of leadership. So what is the difference?
Mentality: fail fast forward. The entrepreneurial mindset incorporates speed through action and advocates learning through failure - further discussion on this later.

As explained by Gupta, MacMillan & Surie (2004), rhetoric and communication help to reframe the challenges ahead and reshape individuals’ perceptions of their own capabilities by eliminating self-imposed ideas of limitation. Once the vision is articulated, it must be effectively communicated as well to inspire confidence, and then repeated for consistency. The use of beautiful rhetoric and effective communication is a useful addition to the concept of entrepreneurial leadership behaviour in the early prefunding stage.

5.7 Mentality and Culture

One of the most interesting findings is the mentality of entrepreneurial leaders. It is a mindset with three mantras: 1) don’t limit yourself in your thinking, anything is possible. 2) don’t be afraid to try, mistakes are part of learning. 3) never give up, it’s all about your mindset. This mentality is attractive because of the ambition, grandeur, and possibilities in its first component. The second component effectively justifies and excuses any kind of failure and protects the ego. Finally, the third component encourages people to continue by putting fate into their own hands. As the leaders spread this mindset, followers may find it hard to resist. Essentially, it is a philosophy where your dreams are entirely achievable, you cannot do anything wrong, and you decide if it happens or not. Such philosophy bears strong resemblance to the five roles that entrepreneurial leaders must take on to succeed, as put forth by Gupta, MacMillan & Surie (2004). Furthermore, this also connects to coaching leadership, where the leader gives followers the opportunity for personal growth and development, which corresponds to the findings in learning and development.

In relation to creating a culture, a few of the interviewees stated that it was also important to try to give people identity and belonging. This is supported by case studies, such as the one authored by Alvesson & Sveningsson (2015). Furthermore, entrepreneurial leaders build people up, lifting their self-confidence and self-esteem. This can be very powerful as discussed earlier. While it is difficult to evaluate the degree to which this is done, my gut says that it is significantly more than in larger organizations.

5.8 Approach and Discussion

As depicted in the long snippets of conversations, there seems to be general consensus among the entrepreneurial leaders from MINC about how they viewed their own leadership and what their beliefs were. As one might predict, most interviewees generally preferred a democratic leadership approach, since involvement was essential for engaging people. That being said, there were also a
few interviewees who thought an autocratic leadership style was necessary at times, as speed and momentum are crucial in this early stage. This seem to be quite consistent with the entrepreneurial leadership discourse by Lidow (2014) and Gupta, MacMillan & Surie (2004).

Furthermore, most of the interviewees also talked about leading by example (role-modelling), which resonates with authentic leadership (Luthans & Avolio, 2003), explaining that it is a psychological process of self-awareness and self-regulated positive behaviour on the part of leaders and followers. This can be difficult at times when things are not going well. Thus, self-regulated positive behaviour could mean acting to some extent, as seen in the findings. In doing so, it may actually violate/contradict the principle of transparency in authentic leadership, as proclaimed by Jensen & Luthans (2006). Therefore, it seems that there are some inconsistencies in the way that authentic leadership is conceptualized. That being said, as opposed to financial compensation, psychological rewards are particularly moderated by leadership behaviour. Thus, regulation of behaviour should be critical on the part of the leader.

Additionally, quite many entrepreneurial leaders practiced coaching leadership, to varying degrees, trying to drive people towards self-actualization, as depicted in learning and development as well as mentality and culture. This seems to echo the image and description of entrepreneurial leadership that is depicted in the literature. Finally, a few interviewees also mentioned informal leadership since authority and hierarchy are not present in this early prefunding stage. Essentially, to gain informal authority, one must prove oneself and build respect. This is where past experience comes into play. With sensible reason, several interviewees mentioned that their track records give them additional informal authority.

Generally, there was not much difference between incubatees and advisors when looking at the findings. As mentioned in methodological limitations, this is because there was no clear way to divide the two participant groups, since they were not mutually exclusive. As an example, some of the older incubatees had much more entrepreneurial success and work experience than some of the younger advisors. Thus, to keep things simple, the participants were divided according to their current classifications at MINC. As this could very likely have distorted the results, they were not presented in a comparative manner. That being said, there was one quite interesting exception that emerged from the data. It seems that the less experienced (younger) interviewees believed more in influence and the more experienced (older) interviewees thought less of it. This correlation to age and/or experience is made as an unofficial observation.

Admittedly, to the untrained eye, the findings of entrepreneurial leadership in early stage startups do resemble those of leadership in general. However, it is the weight and degree of these that matter. Despite the lack of comparative studies, in the absence of money and power, it is entirely plausible that the application of these themes, such as promoting ownership and freedom as well as playing on dreams and aspirations, are of much larger magnitude for new venture creation. That being said, there was one exceptionally interesting finding: the mentality of entrepreneurial leaders and its
attractiveness as well as effectiveness. Upon some reflection, as organizations grow, the mindset of leaders might have to change as well, also supported by Lidow (2014).

As seen in ownership and freedom as well as learning and development, one might argue that it all comes down to value and leverage, that leaders and followers are two counterparts stacked against each other like stones on a scale. While this might be one way to see their relationship for those particular cases, and momentarily rejecting the idea that control is an illusion, it would seem that there could be some ways to influence the desire to collaborate, as stated in dreams and aspirations, rhetoric and communication, mentality and culture. The entrepreneurial leaders might not possess much formal authority, but can certainly have strong informal power or invisible hold on people. Henceforth, for the purpose of this discussion, these two types of strategic views shall be referred to as transaction-based method and influence-based method. That, of course, does not mean all themes or techniques are one or the other. When used practically, most are a combination of both. With a sense of humour and imagination, one might even view this in the light of transactional leadership and transformational leadership.

The influence-based method is a set of psychological and communicative techniques. On this note, one might say that it is the potential to make things seem more appealing. Breaking it down, this potential consists of the ability of leaders and the susceptibility of followers, as the leader-follower relationship is a social/mutual construction (Alvesson & Sveningsson, 2012). Thus, the potential to influence will vary widely, depending on the leaders and followers. Consequently, it is conceivable that leaders with more social experience and followers with less social experience might form a relationship with the greatest potential to influence. If this is translated to a correlation with age, it would unfortunately not support the unofficial observation.

Furthermore, psychological biases definitely exist. Kahneman (2011) points out cognitive biases, such as availability bias, which was seen to be used under rhetoric and communication when one of the interviewees kept reminding people of certain things or bringing it to their attention. That being said, one might point out the entrepreneurs themselves are operating under an overconfidence bias or optimism bias (Kahneman, 2011). Ultimately, this is overwhelming support for the existence of the influence-based method.

However, if people try to persuade others using this method, will they be perceived as dishonest or manipulative? Can they be used in a subtle and undetectable way? But do their eyes match their words? To what extent can these be used effectively? This is where the disagreement lies. It is perhaps here authentic leadership argues that human beings are highly intelligent and will pick up any inconsistencies. When information is suppressed or spun, it is also known as cherry-picking; Goffee & Jones (2013) put it simply: people will not follow a leader whom they feel is unauthentic. Therefore, as discussed in mentality and culture, it is important to believe in it oneself first before one can convince others. This also makes it easier to be open, honest, and transparent, which are essential for trust creation as mentioned under trust and morality.
It seems that the themes can be naturally arranged in the following way: trust and morality are the foundation for collaboration; vision and values are the methods for screening; dream, aspirations, rhetoric, and communication are the influence-based techniques; ownership, freedom, learning, and development are the transaction-based techniques; mentality and culture are the tools for tying it all together. Perhaps this could serve as a model or approach for aspiring entrepreneurial leaders.
6. Conclusion

6.1 Research Findings

Startups are the seeds that could one day change the world. This is how Google started. This is how Apple started. Maybe one of these startups at MINC will some day join them. But the odds of succeeding are low. In this pursuit, leadership is an undeniably crucial element. It is the leadership that will build the core vision and assemble the necessary resources towards achieving that vision. In doing so, enlisting and retaining human resources is imperative. But in the very beginning, when you are not able to pay them much or boss them around, what can entrepreneurial leaders do? That is the question. The answer to this might shed some light on how entrepreneurial leaders may improve their odds using a structured holistic approach to mobilizing and maintaining their critically important human resources, without the use of financial means or formal authority. With that aim in mind, 20 entrepreneurial leaders were interviewed from the startup incubator MINC in Malmö, Sweden.

The findings indicate that there are plenty of ways for entrepreneurial leaders to enlist and retain employees (labour) in the early prefunding stage, when money and power are nearly non-existent. Such methods rely heavily on psychological tools and techniques. Firstly, trust and morality seem to be preconditions for building any kind of followership and collaboration. Secondly, by selecting people who match them in vision and values, entrepreneurial leaders ensure high self-motivation. Thirdly, entrepreneurial leaders appeal to higher needs, such as self-esteem and self-actualization, by playing on their dreams and aspirations, allowing them ownership and freedom, coaching them to learn and develop. Fourthly, they use adept rhetoric and communication to when interacting with followers. Finally, they tie it all together by nurturing a powerful mentality and culture based on three mantras: 1) don’t limit yourself in your thinking, anything is possible. 2) don’t be afraid to try, mistakes are part of learning. 3) never give up, it’s all about your mindset. These tools/techniques are not discrete instruments, but rather function together as an ecosystem, reinforcing each other and accumulating into a synergistic magnetic force.

While such tools and techniques do exist, the success of these might depend on the execution and not merely their awareness. In other words, theoretical understanding does not mean actual result. The two participant groups (incubatees and advisors) were very close in their answers, which does not contradict the hands-on approach being the key. Therefore, it might take some practice to see the results unfold in real life. What this research does for the pragmatic reader is to provide a clear structured approach to help accelerate the learning of aspiring entrepreneurs.

It was difficult to gauge at what exact level these tools and techniques were being used practically by the entrepreneurial leaders at MINC since findings are only based on interviews with leaders.
Thus, the exact impact of these tools is not known. Perhaps such techniques can only work as useful nudges that may be limited to the short run, where both counterparts need to be rewarded on a reasonable or acceptable basis for any kind of long run collaboration. In other words, people might be persuaded to do some work in the beginning, but eventually the opportunity cost will catch up.

6.2 Practical Implications

By producing a rich holistic combined picture of what (currently incubated and already successful) entrepreneurial leaders do to enlist and retain employees (labour), it gives aspiring entrepreneurs an insight into how to better mobilize/maintain their human resources to meet the challenges ahead. That being said, the picture is produced in Sweden and heavily skewed in gender distribution.

While the findings/themes have been arranged into a roadmap/toolbox for aspiring entrepreneurs, this powerful ecosystem is a difficult concept to grasp and probably cannot be learned by reading. One needs to be immersed in it to fully appreciate the degree of this magnetic hold. It takes some practice; that said, mistakes are part of learning. Even though it lacks generalizability, this study gives an insight into the minds of entrepreneurial leaders in the early prefunding stage, facing the paradoxical enigma of having to enlist and retain people while being penniless and powerless. Furthermore, as discussed early on, self-awareness and self-regulation are important to develop for creating positive social interaction. There are two useful ways to develop these: asking for feedback and sensing the reaction.

The study is based on the intersection of three topics: leadership, startups, and human resources. This produces three most relevant central research/literature areas: entrepreneurial leadership, employee satisfaction in startups, and human resources in startups. Consequently, this research may also add some value to each of these three areas.

6.3 Future Research

Given the weakness of only having the perspective of leaders, it would be interesting to hear what the followers have to say about this topic. There is very little research on followership compared to leadership, so it might be useful to get a different perspective. Another potentially valuable study could be to examine how the use of these psychological tools and techniques change as startups transition through different stages. This implies that financial compensation and formal authority will offset the psychological practices.

It seems that entrepreneurial leaders may draw on two kinds of methods: transaction-based method vs. influence-based method. The former appears to presume that any exchange is objective and is
only seen in one way (fixed). The latter seems to believe that any exchange is subjective and can be seen in multiple ways (rotatable). Consequently, the paradigm from which one views collaboration is also important to consider. Furthermore, it is entirely conceivable that the combination of these is most effective. Though these are interesting findings in themselves, perhaps future research could compare the impact of these two types of methods. Is it more effective to offer people reasonable transaction or beautiful rhetoric?

The ways to bring people on board in the beginning of an entrepreneurial venture is a complicated discussion. If reality and truth can be constructed in a number of ways, depending on what angle is used, then persuasion is of course possible. While outside the scope of this thesis, it is important to note that the ability to influence also meets many moral questions and decisions. Can one get away with it? Is it ethical? What if the intentions are good? But who decides what is good? Should one decide that for others? At the risk of sounding cliché: with great power, comes great responsibility.
References


Appendix

Interview Guide

Introduction:

Present Myself
Research Purpose/Theme
Interview Confidentiality/Anonymity

I know this is a difficult and sensitive topic and we’ve just met, but try to let go of your reservations. I’m a fellow entrepreneur; you’re among friends. You will not be judged. Try to talk openly today. There is an expression in Chinese, roughly translated as: *The one who can capture your heart is the one whom you will follow to the end of the world.*

Demographic Information:

Company:
Name:
Gender:
Age:
Position:
Location:
Nationality:

Experience Overview (very briefly):

What does your company do?
What about possible time lag?
How many years of entrepreneurship?
How many startups have you done?
What startup stage? How much funding?

General Probes:

What happened? Tell me your stories and experiences. Can you give some examples?

Observational Comments:
Research Themes/Topics:

ENVIRONMENT PERSPECTIVE (Prefunding/Early Stage Startup)

Q1: What are the characteristics/conditions of an early stage startup? (in terms of money/authority?)
Q2: How does this affect things? How do you (and people around you) interact in this situation?

FOLLOWERS PERSPECTIVE

Q3: Who are the people you need to get to do things? How do you get/keep these people on board?
Q4: Who are the (most important) main stakeholders? Do you handle main stakeholders differently?

LEADERS PERSPECTIVE

Main Interview Questions

A1: Why do you think people follow you?
A2: What do you do to motivate people?

Q5: What do you want to achieve regarding the people aspect in this context? Why? How?
Q6: What do you think people/followers are looking for in terms of leadership in this context?

Q7: What is your role as an ESL? What do you do to lead people? What is essential in this context?
Q8: During the early stages of starting up, while money and authority are limited, what do you do?
Q9: Apart from money/authority, what do you do to lead/motivate/influence people around you?

Q10: What kinds of things do you say to produce an intentional effect on others? (words)
Q11: What kinds of things do you do to produce an intentional effect on others? (actions)

Q12: What have been the most difficult people related issues/challenges? What did you do?
Q13: Think of a situation where you handled a people issue without using money/authority?
Q14: Are there times when you would opt for using these techniques over money/authority?

Q15: What do you do when people don’t do as you would like?
Q16: What do you do when people do as you would like?

Q17: What motivations/needs/wants do you target? (Can you give me some specific examples?)
Q18: What techniques/tools/tactics do you use? (Can you give me some specific examples?)

Q19: Do you have a mental process or procedure? Is it based on situation and improvisation?
Q20: Think of a time when someone produced an intentional effect on you? How did you feel?
Q21: Looking back to the early phase now, what would you have done differently? How? Why?
Situation-Action-Assessment

Q22: What was the situation?
Q23: What did you do? Why?
Q24: How did it help? Why?
Q25: How do you know it worked? (Feedback? Observation?)

Examples-Suggestions-Keywords

Q26: What do you say/do (specific action)?
(examples: praise, discipline, encourage/discourage, generosity, humbleness, morality, etc.)

Q27: What do you trigger (specific target)?
(examples: ego, pride, shame, guilt, trust, respect, attraction, fear, uncertainty, envy, etc.)

Q28: What do you achieve (specific effect)?
(examples: commitment, receptiveness, ownership, confidence, courage, competition, etc.)

(specific examples: nodding when listening, gesturing when speaking, painting a mental picture, leading people's thoughts via questions, incepting ideas to give ownership, turning negative into positive (argument into passion), boosting ego to get people to stay and turning mistakes/learning into something beautiful, coaching/developing people which provides value and creates loyalty, making people feel special, complementing other people to you, challenging people by turning a task into a difficult prestigious assignment, fostering a dream-big-and-kick-ass mentality, pause to create a meaningful silence.)

(Technique Categorization): what you say (psychological) and how you say (communicative).

(Technique Categorization): dark side of things (negative) and light side of things (positive).

Transferability and Generalizability

Q29: What are the opportunities/possibilities of using these techniques?
Q30: What are the shortcomings/limitations of using these techniques?
Q31: Do the techniques always work as intended? What do you think is the success rate?
Q32: Do your tools/techniques work on everyone or are they adapted to different people?
Aim: cultural differences (direct vs. indirect), ethical differences (effort vs. result), etc.
Q33: Do your tools/techniques differ depending on if it is one on one vs. group settings?
Q34: Do you try to create a certain culture/atmosphere? How do you go about doing this?

Awareness-Importance-Perception

Q35: How aware are you in using these techniques? How often do you use these techniques?
Q36: How important are the use of such techniques for the survival/success of a startup?
Q37: How do you feel about using these tools? Are they effective? Are they manipulative?
Context and Comparisons

Q38: Comparatively, would you say these techniques are more or less significant in later stages and mature firms (once monetary rewards and formal authority are more substantial)? How and Why?

Q39: Leaders use such techniques: what do you do that is specific to ESL in early stage startups?
Q40: Leaders use such techniques: what does the version look like for ESL in early stage startups?