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# Dynamic Leadership: Toolbox for the Value-Based Entrepreneurship

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*Taking a values-based perspective, we examine dynamic leadership approaches in the context of the entrepreneurial process. We introduce the Entrepreneurial Dynamic Leadership Process (EDLP) model to describe the practice of shifting between four leadership approaches: Charismatic, Self-Leadership, Transformational, and Empowerment — contingent on the stages of the entrepreneurial process. Using a toolbox metaphor, we propose that the EDLP model provides entrepreneurs with a “toolbox,” containing a collection of “tools:” leadership approaches to draw upon in different venture growth stages. To better illustrate the EDLP model, we present two case studies, demonstrating two possible applications. Finally, we suggest that process-based dynamic leadership approaches can contribute to a better understanding of the entrepreneurial process and that the EDLP model offers an invaluable “toolbox” for present and future entrepreneurs alike.*

## **DYNAMIC LEADERSHIP:** *TOOLBOX FOR THE VALUES-BASED ENTREPRENEUR*

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### **Introduction**

The talented entrepreneur assumes a diverse array of roles: *innovator*, *fundraiser*, *negotiator* and *marketer*. One of the most demanding, yet rewarding, is the role of *leader*, who inspires and mobilizes followers via the vision and values of the business. A strong business vision is vital to the growth and success of the new venture (Baum, Locke, & Kirkpatrick, 1998). Communicating an inspiring vision, however, can be a thorny endeavor for the entrepreneur who is consumed with the endless functional demands and growing

pains of a new venture. So how, exactly, does the accomplished entrepreneur successfully lead, motivate and secure the commitment of others, while relying on the clear business vision and values throughout the growth process? It is precisely this mystery that we will attempt to uncover.

In this paper, we introduce the *Entrepreneurial Dynamic Leadership Process* (EDLP) model. We propose that this multistage model be used to understand the interplay of the entrepreneur's vision, values and leadership approaches. More importantly, it illustrates how the successful entrepreneur seamlessly shifts between four leadership types, each dependent upon the stage of the entrepreneurial process. To help establish the foundation for the EDLP model, we will first clarify the importance of the entrepreneur's values and vision for the new venture and then briefly discuss the four different leadership approaches.

## Vision and Values

Vision is regarded as "...the means by which the leader's goals are communicated in an inspirational fashion to followers, and the leader takes various actions intended to implement the vision" (Cogliser & Bringham, 2004: 778). In an entrepreneurial context, the business vision plays an essential role in potentially realizing the venture's prospects (Baum et al., 1998). Therefore, creating and communicating a strong mental image of the future is an inherent part of the entrepreneur's ability to lead. This is underscored by the fact that those who join the entrepreneurial venture usually become committed to the vision – and not necessarily to the entrepreneur (Bird, 1989; Gupta, MacMillan & Surie, 2004).

A value can be defined as "...an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (Rokeach, 1973: 5). For individuals, values serve as guides for selecting goals and behaviors (Schwartz & Bilsky, 1987). For organizations, values can reveal the organization's culture and identity (Albert & Whetten, 1985; Schein, 1985) and serve as a central part of the organization's definition (Williams, 2002). Clear values within an organization tend to be widely shared and prescribe which behaviors are expected within the firm. Since the entrepreneur is typically responsible for visualizing what the business will look like, this image is highly influenced by his or her personal values. Furthermore, for individuals who become involved in the entrepreneurial experience over time, the business vision articulates the substance of the goals. The values, upon which the vision is founded, represent the guiding principles for how to achieve those goals.

## Four Leadership Approaches

Using the entrepreneur's vision and values exhibited during the entrepreneurial process as criteria, we have identified four leadership perspectives we believe are especially critical: *Charismatic* (or *Visionary*), *Transformational*, *Self-Leadership* and *Empowerment*.

A "*charismatic*" leader is characterized as confident and powerful with a strong conviction in beliefs and values. To influence followers, a *charismatic* leader uses a variety of techniques, including: communicating an attractive vision with enthusiasm; using personal behavior as a role model; setting high expectations and showing confidence in followers; and building identification with the organization (Yukl, 2006). This leadership style is also known as "*visionary*," as it emphasizes the leader's role in creating the business vision while also building solidarity and encouraging reciprocal commitment from the followers.

"*Transformational*" leadership concerns an approach to leading in which a relationship of mutual trust, loyalty, and respect exists between the leader and followers (Bass, 1985, 1990; Burns, 1978). The leader stimulates and transforms followers by communicating the importance of task outcomes by persuading them to transcend their own interests for the

greater good and by activating their higher order needs, such as social inclusion and self-actualization (Yukl, 2006). In *Transformational* leadership, the aligning of values within the organization is essential. So while the *Transformational* leaders' and the followers' initial intentions might be related yet concomitantly distinct, it is through such a working relationship that their purposes can become fused, resulting in greater leader-follower congruence in values (Krishnan, 2004).

“*Self-Leadership*” implies a process of self-influence, self-direction and self-motivation, used to actively shape cognitive and behavioral strategies in order to positively influence personal effectiveness (Manz, 1986; Manz & Neck, 2004). Specific to the entrepreneurial context, a number of personal characteristics frequently identified in entrepreneurs are consistent with those associated with *self-leadership*. For instance, the desire for responsibility – an internal locus of control (Timmons, 2001) – and the need for achievement (Hornaday & Aboud, 1971; McClelland, 1961) which aptly describe the entrepreneur, are also viewed as qualities often exhibited by those who practice *self-leadership*.

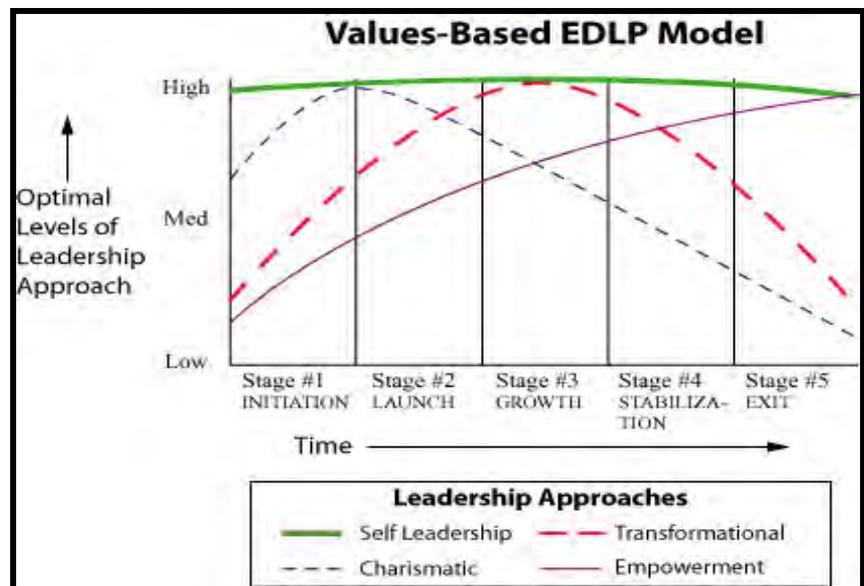
“*Empowerment*” – the last of the four leadership approaches – involves not only the provision of power and responsibility to followers, but also the facilitation of the psychological elements of increased self-efficacy and motivation. In this manner, those who are “empowered” truly perceive it as such (Yukl, 2006). *Empowerment* is also intended to impart self-leadership skills to followers (Manz & Sims, 1987, 2001). This means that the leader must at times take a step back from the action in order to give followers the freedom to make their own mistakes and to learn from them. An empowerment approach can significantly enhance the meaning and impact of one’s work, as well as the self-efficacy and self-determination of empowered individuals (Spreitzer, 1995).

Referring back to our concern with the entrepreneur’s vision and values, both *charismatic* and *transformational* leadership approaches are needed to create a vision and to inspire followers to support that vision (Bass, 1985). Further, in order to create an environment where members can understand, support and internalize the organization’s culture and values, employees must be guided by an *Empowerment* strategy (Appelbaum, Hebert, & Leroux, 1999). Finally, *Self-Leadership* plays an integral role in entrepreneurial self-development (Neck, Neck, Manz & Godwin, 1999) and such an approach has been used by many prosperous entrepreneurs (Neck, Neck & Manz, 1997).

### **The Entrepreneurial Dynamic Leadership Process Model**

We employ the label “*Entrepreneurial Dynamic Leadership Process*” (EDLP) to describe the practice of shifting between the four leadership approaches, depending upon the current stage of the entrepreneurial process. One way to think about EDLP is to consider the toolbox metaphor. Every successful entrepreneur needs to have a “toolbox” containing a collection of “tools.” Using this analogy, these tools represent the leadership approaches upon which the entrepreneur draws. Since different tools are typically used to accomplish different tasks, the entrepreneur must choose which tools are most appropriate, depending on the venture’s current stage of growth and the immediate goals to be achieved. Thus, the entrepreneur’s capacity to select suitably and apply these tools effectively is an important facet of the EDLP model.

Figure 1: Values-Based Entrepreneurial Dynamic Leadership Process Model



As indicated in Figure 1, beginning in the first stage and continuing throughout the entire entrepreneurial process, a strong emphasis on Self-Leadership is fundamental to the EDLP model. Referring once again to the “toolbox” metaphor, if the various leadership approaches represent the “tools” used by the entrepreneur, then, in a sense, Self-Leadership represents a foundational part of the “toolbox” itself. Without a toolbox, there can be no tools with which to work. In other words, Self-Leadership not only enables entrepreneurs to acquire the self-direction to be able to – largely on their own initiative – develop the vision for the business at its inception, but also accounts for the necessary discipline, self-management, perseverance and organizational skills to fulfill goals every step of the way (Manz, 1986; Manz & Neck, 2004). It is for these reasons that a Self-Leadership approach is present throughout the entire entrepreneurial process.

The EDLP model mainly focuses on four stages normally associated with the entrepreneurial process: *Initiation*, *Launch*, *Growth* and *Stabilization*. We have included a fifth stage: *Exit*. It is imperative that the entrepreneur acknowledge the importance of recognizing, planning and executing an exit strategy, if necessary. Each of these entrepreneurial process stages and their leadership implications are described as follows:

### Stage One: Initiation

All entrepreneurial ventures begin with the decision to pursue a particular objective or opportunity (Bhave, 1994). After extensive research, the selected business purpose is then transformed into the business concept. During this initial stage, structure and formality are largely nonexistent (Kazanjian, 1988). Entrepreneurs, generally working closely with their friends and family members, engage in all kinds of operational as well as managerial activities. Communications between entrepreneurs and their close contacts are frequent and informal. A major functional challenge at this stage is the contracting of a product prototype (Kazanjian, 1988; Block & MacMillan, 1985) and the subsequent selling of the business concept to, quite possibly, venture capitalists.

In addition to the presence of *self-leadership* which remains strong throughout the process, *charismatic* leadership is of paramount importance in the early development stages of the venture. The entrepreneur must be able to articulate the vision of the business with passion

and confidence in order to persuade others to offer their support for the budding venture. As the business begins to grow, the entrepreneur needs to cultivate connections beyond friends and family to include external parties, such as banks, investors, suppliers and other interested parties. Although the entrepreneur is not directly “leading” them in the same sense as he or she would lead the “follower” employees, *charismatic* leadership skills are especially important for creating a positive first impression and for building a strong business network.

### **Stage Two: Launch/Commercialization**

In order to further develop the business concept into a marketable product or service, the entrepreneur requires additional physical, capital, and human resources beyond those attainable by private means (Bhave, 1994). A formal organization must be created to acquire these external resources. This stage entails surpassing internal planning – integral to stage one – to achieve more concrete endeavors, including the creation of organizational structure, formal networking and developed communication channels (Herron & Sapienza, 1992). Typical key challenges in this stage include the introduction of a formal organizational structure, the recruitment of employees to staff functional departments (e.g., sales and accounting) and the development of incentives, budgets and reward systems (Bhave, 1994). An important part of this stage is the entrepreneur’s marshaling of personal knowledge and skills to facilitate integration and coordination of all functional parts.

With the recruitment of staff, the entrepreneur must be able to communicate the business vision effectively. *Charismatic* leadership can thus be imperative to the extent that some employees will be joining the organization largely as a leap of faith. Without a business history, it is difficult for applicants to research the background of the young venture, and it therefore becomes necessary that the entrepreneur – in relaying the business vision – inspires confidence and excitement in those taken on board (Bryant, 2004). Since it may take time before rewards can be reaped, it is important that the employees feel committed to the organization, enthusiastic about their roles and trust the entrepreneur’s ability to transform the business concept into a commercial reality. Increasing reliance on *transformational* leadership also occurs during this stage. While a *charismatic* approach may be appropriate in communicating the business vision to new recruits and external members (e.g., investors), *transformational* leadership is more suitable for building organizational commitment among the longer-tenured internal members.

### **Stage Three: Growth**

In the “*Growth*” stage, the entrepreneur is confronted with the venture’s transition from an early start-up organization to a rapid growth company (Kanzanjian, 1988). Increased production requires new technology and management efficiency. In order to effectively manage an increasing number of employees, communication channels must become more formalized. Additionally, a hierarchy of titles and positions will typically emerge and the boundary between functional departments will become more clearly defined (Bhave, 1994).

The entrepreneur’s primary leadership tasks at this point are to share the business vision and business values with the employees, to communicate expectations and to build consensus on how to achieve the objectives – all of which are characterized by *transformational* leadership. For this approach to be effective, it is crucial that employees actually commit to and adopt the organizational objectives – or in the present case, the entrepreneur’s goals – as their own. Ostensibly, the employees must make a personal investment which entails psychologically “buying into” the future of the business. While the use of *charismatic* leadership methods rapidly declines at this point in the entrepreneurial

process, *empowerment*, by contrast, receives growing attention. This approach proves particularly instrumental in spreading the business vision and values throughout the budding venture. The entrepreneur can now begin to enlist members with seniority to help educate new recruits about the business's organizational goals, principles, and practices.

#### **Stage Four: Stabilization**

The complete transformation of each business function in the entrepreneurial firm from informal and unspecialized to structured, specialized and formalized marks the beginning of stage four: "*stabilization*." This stage of the entrepreneurial process is characterized by the crisis of autonomy (Greiner, 1972), which emerges as employees feel increasingly restricted by the formal organizational structure and its hierarchical boundaries. A more delegation-oriented and *empowering* leadership approach should be adopted by the entrepreneur to encourage self-initiative and commitment on the part of the employees.

After reaching a peak in stage three, the application of transformational leadership begins to decline and is superseded by the predominance of an empowerment approach. Empowerment is now required due to the increased tasks and responsibilities associated with business growth, which leave the entrepreneur unable to maintain the same degree of control over operations that was enjoyed initially. In order to succeed at this stage, employees at different levels of the organization need to develop and use their own knowledge, skills and judgments on how to effectively deal with daily operations. Hence, this objective requires the entrepreneur to trust them with increased power, autonomy, and decision-making responsibilities. Additionally, an empowerment approach to leadership can promote the development of the collective vision and shared values. Unlike the earlier stages of the entrepreneurial process, employees are now actively encouraged to help shape the future of the business. Building the collective vision and shared values entails the continuous input of knowledge and ideas from, as well as the exchange of experience between, members at all levels of the organization.

#### **Stage Five: Exit**

During this final stage, the venture's growth rate starts to slow down and the organization gradually evolves from an organic entrepreneurial start-up to a relatively more stable, functional, operating company characterized by increasingly formalized management principles (Bhave, 1994). At this point, the entrepreneur may come to feel burdened by the overwhelming daily operation decisions. It is not uncommon for the entrepreneur to discover that he or she is no longer able to parent the growing child, and consequently chooses to step down. Although it is still possible for the entrepreneur to retain a position on the Board of Directors, an experienced executive or a managerial team must be swiftly introduced to maintain the business's growth momentum, market position and operational values. This split between the ownership and management thus marks the final stage of the entrepreneurial process – the exit of the entrepreneur.

Figure 2: Leadership Levels in the EDLP Model

| Entrepreneurial Stage | Evolution of the Vision over Time      | Level of Leadership Approach |             |                  |             |
|-----------------------|--|------------------------------|-------------|------------------|-------------|
|                       |  | Self-Leadership              | Charismatic | Transformational | Empowerment |
| <b>INITIATION</b>     | Creating the Entrepreneurial Vision    | High                         | High        | Low              | Low         |
| <i>LAUNCH</i>         | Communicating the Business Vision      | High                         | High        | Medium           | Low         |
| <i>GROWTH</i>         | Enlisting Members to Spread the Vision | High                         | Medium      | High             | Medium      |
| <i>STABILIZATION</i>  | Developing the Collective Vision       | High                         | Low         | Medium           | High        |
| <i>EXIT</i>           | Establishing the Company Vision        | High                         | Low         | Low              | High        |

The entrepreneur’s departure from the business means the discontinuation of his or her direct input into the collective vision. This is likely the most difficult step of the process for the entrepreneur since so much of the founder’s creativity, personality, values and beliefs are embedded within the successful venture. In this respect, even though the entrepreneur might be handing over the reigns, the founding dreams are still very much alive in the company’s culture. At this stage, new leaders and employees need to be *empowered* to perpetuate the incorporation of the entrepreneur’s vision and values into the organizational culture. It is only by achieving this objective that the company’s founding vision and values will survive the ongoing arrival of new members and the departure of former ones in the days to come.

Figure 2 provides a summary of the changes in the business vision and the respective prominence of leadership approaches for each stage of the entrepreneurial process. The prominence of each leadership type is designated as low, medium or high. It is important to note that the scaling system is solely based on a comparison of emphasis of one leadership type relative to the other types in the particular stage of the entrepreneurial process.

### Empirical Illustrations of the EDLP Model

The EDLP model’s matching of leadership approaches with phases of the entrepreneurial growth cycle tends to hold true, despite the company’s rate of growth. Each of the following case examples demonstrates how the EDLP phases and corresponding leadership approaches impact entrepreneurial businesses on very different growth trajectories.

#### Case Study 1: Bill Gates & Microsoft

Bill Gates is known for his *visionary* leadership in founding the largest software corporation in the world. During the early 1970s, computers were too expensive for the average consumer. However, Gates, through Microsoft, successfully delineated the efficacy of computers to the public. Gates transitioned his leadership approach several times during

Microsoft's rise from the prototypical "software firm in a garage" to the world's second most valuable company. Gates' ability to shift roles from an "all hands on deck" programmer to charismatic visionary helped Microsoft manage its growth over the course of two decades.

**Initiation.** Gates' early Microsoft career was based on a *charismatic* leadership approach. Gates demonstrated *charismatic* leadership as a teenager when he persuaded his computer programmers group to be compensated through a royalty payment system instead of a fixed fee for each software program they created (Goett, 1999; Theodhosi, 2000). While a student at Harvard University, Gates and fellow student Steve Ballmer created a version of "BASIC," a type of programming language, for the first microcomputer (Microsoft, 2006a; Theodhosi, 2000). Recognizing the future demand for computer software for personal computers (PCs), Gates started Microsoft with long time friend, Paul Allen. The commitment to his goals at a young age demonstrates the stamp of *self-leadership*.

Gates' *charismatic* leadership approach enabled him to convince Allen and others to embrace his vision of software technology. In particular, his vision for pursuing the creation of leading software for PCs was "...guided by a belief that the computer would be a valuable tool on every office desktop and in every home" (Microsoft, 2006a: 1). Gates exemplified entrepreneurs at the initiation stage as he was inspired by the circumstances of the time and sought new opportunities with a trusted partner. Gates' *charismatic* leadership approach was rooted in a compelling vision of the future – so compelling that he was able to marshal resources both from within and outside his company.

The early years at Microsoft were characterized by a belief in this vision and an egalitarian style of leadership. Gates occupied two fundamental roles during the nascent phase of the business: first, he energized his small team of software engineers by infusing his vision of "personal computing;" and second, he created an egalitarian culture of personal initiative and collaborative work. While this type of culture is often true of entrepreneurs during the initiation stage, Gates made it part of the company's DNA – a cultural trait that would endure with the company's growth.

**Launch/Commercialization.** Microsoft's big breakthrough occurred a few years into its operations when it created MS-DOS, an operating system (OS) for the IBM PC (Goett, 1999; Theodhosi, 2000). Gates' *charismatic* leadership was instrumental in making MS-DOS the standard for the emerging PC market. He convinced IBM that it did not need to own the computer's operating system; the PC industry would grow faster if it focused upon what it did best (i.e., producing hardware), leaving the development of software to outside groups. Moreover, Gates displayed *transformational* leadership as he formed a team of close co-workers and employees (including Allen) to share his vision and values.

Gates again displayed *charismatic* leadership both in his interaction with the company's employees and with external partners, including IBM, during the launch of Windows in the mid 1980s (Goett, 1999). The limitations of MS-DOS started to become obvious as text-based commands only appealed to a limited consumer base. In response to this obstacle, Gates employed an existing idea – the graphic-user-interface (GUI) pioneered by Apple – and used both *charismatic* and *transformational* leadership approaches to revolutionize the industry (Goett, 1999). Ultimately, the Windows GUI became the standard for all PCs.

**Growth.** With the Windows operating system and the advent of Microsoft Office software, the company entered into a hyper-growth stage in the late 1980s and 1990s. As PCs became ubiquitous, Microsoft's software was installed on nearly every computer. In just a few short years, Microsoft transformed itself from a small software shop to a multi-billion dollar corporation. Gates shifted his role from technology visionary to corporate manager as the growing company faced different issues. With the strategic vision firmly entrenched, the

challenges faced by Gates were both operational (e.g., creating new versions of software) and competitive (e.g., fighting Lotus software like WordPerfect) (Brandel, 1999; Goett, 1999).

Gates shifted his leadership approach from *charismatic* to a blend of *transformational* and *empowering*. He hired talent (e.g., Steve Ballmer as C.O.O.) with superior operational experience. Gates realized which decisions should be delegated. He began to focus less on the business vision and more on ensuring that the most competent people were in place to execute it. Microsoft's primary staff base changed from software engineers to a broader collection of sales, marketing, and technological employees. Gates changed his motivation techniques in kind – he started to motivate employees with financial rewards (e.g., stock options) in addition to broadening his technological vision (Maccoby, 2001).

**Stabilization.** Microsoft continued to expand through the 1990s with its operating systems and Internet browser applications. Gates' primary strategy was to dominate the market to become ubiquitous within the PC software industry (Baker, 1998). Microsoft was now a global corporation and faced new challenges as a result. Additional formal processes were created to adapt to new contexts, such as managing employees in offices throughout the world, including India and China (Glover, Friedman, & Jones, 2002).

However, this saturation brought the greatest challenge to Gates' leadership approach. Neither his original technological vision nor pure operational/competitive focus was suitable for Microsoft at the turn of the millennium. Three main external factors contributed to this shift. First, the PC market growth had slowed dramatically as demand had stabilized. Second, the "dot-com" bust of 2000-2001 triggered a substantial slowdown in spending on technology (Barker III, 2005). Third, the government anti-trust case against Microsoft distracted the company from its original vision and its operational challenges (Klein, 2001). Gates' initial response to these challenges was to tighten his control. He felt he needed to reinforce his original vision and apply it to new emerging areas (e.g., the Internet) while closely monitoring operations which were commanding greater guidance (e.g., late releases of next-generation Windows and Office). He assumed the lead in defending against the federal government's anti-trust charges (Klein, 2001).

Gates' initial reaction caused Microsoft to stagnate in 2000-2002. He was unable to use his *charismatic* vision to overcome market and regulatory hurdles and the operational challenges were overwhelming. Realizing this, Gates eventually concluded that he needed to step aside as the company's leader by empowering others.

**Exit.** Gates relinquished daily management decisions to fill the role of Chief Software Architect until July 2008, when he reduced his role further by becoming an advisor (Microsoft, 2006b). He empowered Steve Ballmer to act as the new CEO in 2005 and returned to his roots – envisioning the next direction for technological advances (Microsoft, 2005; Microsoft, 2006a). Gates' original vision for Microsoft had been achieved as most PCs were operating on a Windows platform. Further, he acknowledged that other people were more suitable to handle the company's operational challenges. Gates recognized his limitations as a leader and ensured that he was surrounded by a staff of "...*smart people, visionaries, and industry insiders*" (Baker, 1998: 40).

Researcher Meryl Davids asserts that "...*the wonderful innovations that have come out of Microsoft since its inception have everything to do with Bill Gates' leadership style, which encourages suggestions from all ranks and debate of all ideas*" (Davids, 1995: 49). As Microsoft expanded from a small firm to a global corporation, Gates recognized that different leadership skills were needed. Ultimately, his underlying self-leadership skills allowed him to adapt his leadership approach, a key component of Microsoft's success.

### Case Study 2: Sunil Paul & Brightmail

Entrepreneurs need not stay in the company they create for a lengthy period of time or participate in all five stages of the entrepreneurial process to achieve success. In particular, there are entrepreneurs, such as Sunil Paul, who do not intend to stay or grow the company beyond a certain stage. Paul belongs to a group of individuals called “serial entrepreneurs.” Serial entrepreneurs are the ones who in the past have sold or closed a partially owned and/or operated business, and who at present partially own and/or operate another business (Wright, Westhead, & Sohl, 1998). These entrepreneurs prefer to engage in the purchase and/or establishment of ventures. The goals of serial entrepreneurs are to bring businesses to profitability and then hand them over to professional managers (Alsos & Kolvereid, 1998) or to sell the firms after the successful launch and commercialization of the products/services.

On the other hand, there are a number of small-time entrepreneurs, including those involved in single-family operated firms (e.g., “mom-and-pop” businesses), who do not want to expand their companies past a certain stage, but at the same time do not wish to sell them either. The reason justifying such resistance to expanding or selling is this: they do not want to relinquish control of and discretionary power over the infusion of their values and morés into their businesses. Instead, these entrepreneurs prefer to keep their companies small and are financially content to maintain the status quo.

“Serial” and “mom-and-pop” entrepreneurs typically bring a strong vision to each business they create, participate in the first two stages of the entrepreneurial process and predominantly exhibit three of the four leadership approaches (i.e., *charismatic*, *transformational*, and *self-leadership*). These claims are illustrated in the story of Sunil Paul who brings to each of his companies a passion for making a difference. His vision is to “...change the world through technology and business” (Rana, 2005: 1). In particular, Paul’s fight against Internet spam became the motivation for the creation of his second company, Brightmail Inc., established in 1998. Spam is not just a nuisance; it costs approximately \$20 billion to firms worldwide to filter and eliminate (Lyman, 2003). In response to these unnecessary expenses borne by commerce and industry, Paul realized a lucrative business opportunity in automatically detecting and expelling these unwanted e-mails.

**Initiation.** In the early days of Brightmail, Paul recognized the need to find a better solution to purging Internet spam problems that were plaguing Internet email users. Paul’s primary objective for Brightmail was to provide users with a means to control their email while advancing the capabilities of email for the Internet. During the *initiation* stage, Paul demonstrated strong *self-leadership* traits in both his personal and organizational practices in developing the foundation for the software. His *charismatic* leadership approach also became apparent through his ability to communicate Brightmail’s vision to investors, partners and employees. Paul was able to raise an impressive \$55 million from venture capitalists to improve the software. Additionally, his *charismatic* and persuasive approach attracted others to Brightmail’s vision. As a result, several people joined the venture at its inception and worked either for partial monetary remuneration or on a volunteer basis in exchange for increased equity in the company.

**Launch/Commercialization.** During the second stage of the entrepreneurial process, Paul’s *charismatic* leadership remained instrumental to Brightmail’s success. Paul and his team built important relationships with Internet Service Providers and formed twenty-five technology and distribution partnerships including Netscape, Bell South, Verizon and EarthLink. During this time, Paul’s *transformational* leadership also emerged through the formation of Brightmail’s substantial recruitment of employees and organizational structure complete with functional departments, support staff and developers. He was able to effectively align the vision and values of a more diverse organizational audience who espoused different interests and concerns.

Brightmail, under Paul's leadership, faced a transition period during the third year of its operation. He recognized that in order to develop Brightmail from a burgeoning business to a respectable company, he could no longer manage the company alone nor could he remain its C.E.O. (Roberts-Witt, 2000). Therefore, Paul recruited two experienced executives to fill the roles of C.F.O. and C.O.O. He relinquished his position as C.E.O. and named Gary Hermanson, a famed business executive, to lead Brightmail. However, Paul remained a member of the Board of Directors until the sale of Brightmail, valued at approximately \$370 million, to Symantec in June 2004.

In summary, serial entrepreneurs and small and medium-sized enterprise entrepreneurs do not necessarily intend to develop their respective companies indefinitely. Most mom-and-pop entrepreneurs prefer to keep their businesses sufficiently small to maintain direct control over them. By contrast, serial entrepreneurs recognize that they lack the managerial skills or resources needed to expand the business (Westhead, Ucbasaran, & Wright, 2003) and opt to transfer the responsibility associated with the latter stages of growth to others. As demonstrated at Brightmail, its rapid growth and continued success was highly influenced by Sunil Paul's recognition of his own leadership abilities and limitations. As such, Paul understood that a new leader had to be *empowered* to carry the company torch to the next stage and prepare its people for such a transition.

## Conclusion

As demonstrated in the cases of Bill Gates and Sunil Paul, an entrepreneur's journey is unique. While each entrepreneurial venture is recognized as being different, there are similarities in the advances and obstacles confronted during its development. The EDLP model accounts for a common pattern entailing necessarily unique details in terms of the path to growth. Adopting a value-based, dynamic leadership perspective of the entrepreneurial growth process can help entrepreneurs recognize and appreciate the different ways that various leadership approaches can influence the vision and values of the business. Research suggests that the entrepreneur's ability to create a vision, which both inspires and attracts commitment from others, has a direct impact on the success of the entrepreneurial venture (Baum et al., 1998; Ensley, Pearson & Pearce, 2003). The EDLP model offers insights that can help entrepreneurs choose how best to lead their employees to promote the optimal journey of growth for the budding business venture.

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