The Hero and the Warrior in New Venture Growth

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Abstract

Many entrepreneurial successes are attributed to the strong personalities of the new venture leaders, who offer vision, inspire loyalty, and display tenacity in solving problems to achieve their goals. Successful start-up ventures may bias perceptions of the anecdotal benefits of personality-driven leadership in firms too young to have established processes, operationally and organizationally. Those ventures destroyed by the personalities of early leaders, because they no longer exist, offer few anecdotes with which to compare and counter legendary successes such as Apple and its visionary leader Steve Jobs or Amazon and its creative founder Jeff Bezos. This paper advances our thinking about the risks and rewards of personality-driven leadership in start-ups by exploring the dynamics that can arise from heroic leadership gone awry. Building on a case study of a key manager in a medical-device start-up, we identify causal relations and essential dynamics that may bring success to the leader but at the expense of the new venture's viability. We discuss insights from the causal loops as they relate to the literature on leadership and outline next steps to advance the research.

KEYWORDS: New venture, entrepreneurship, leadership, warrior, hero

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The wicked leader is he whom the people despise. The good leader is he whom the people revere. The great leader is he of whom the people say, "We did it ourselves." Lao Tzu

Introduction

Many agree that "the team" is critical to new venture success. Venture capitalists often make funding decisions based on the new venture leadership team, rather than the technology or forecasts market growth (Zacharakis and Meyer 2000; Baum and Silverman 2004). Management expertise and experience is one of the most-mentioned characteristics of key team members in the context of start-up firms (Zacharakis and Meyer 2000). In very young companies particularly, expertise is derived from personal experiences and so resides in individuals' minds, rather than in organizational or operational processes.

Steve Jobs, founding (in 1974) and returning (in 1996) leader of Apple Inc., is often cited as an example of the personal leadership crucial to new-venture success. Jobs himself is believed to be so instrumental to Apple's launching new products that the company's stock price has fluctuated based on the apparent health of the CEO (e.g., CABA SmartBrief, 2009). The context of new ventures' very early stages is one of very scarce resources, which, to be successful, leaders must work extremely hard to acquire or obtain access to and then allocate wisely. That in combination with the often-lofty ambitions for society- or market-changing success—an obsessive "opportunity development" (Quinn 1985; Ardichvili, Cardozo et al. 2003)—creates the occasion for or necessity of "heroic" or "charismatic" leadership (e.g., (Conger and Kanungo 1987; Nice 1998; Yukl 1999)). Characteristics of heroic leaders include cultivating a personal power base, expressing an idealized vision, engaging unconventional means to accomplish work, and displaying an aggressive, warrior-like framing of challenges (Conger and Kanungo 1987; Bolman and Deal 2006). Particularly, entrepreneurial ventures based on unproven (inherently risky) technologies and seeking venture investment (with a statistically low probability of success) may need heroic heads to lead the development of innovative concepts into manufacturable, marketable products.

For a new venture to become sustainable in the longer term, however, it is crucial to build individuals' expertise into infrastructure-type processes (Rock 1987). This embeds individual

expertise in organizational activities that can survive the founders' interests, career duration, and capacity. But building infrastructure enabling others to solve organizational problems often requires rather unheroic characteristics. Creating and improving operational and organizational processes has been called a "thankless task" because it often entails preventing bad things from occurring, rather than heroically solving problems after they have emerged. Therefore creating capacity for organizational problem-solving requires valuing the organization's long-term health above individual success. Sometimes this has been called "transformational" leadership (e.g Pillai and Williams 2004). Like heroic leaders, transformational leaders inspire commitment from followers. But unlike heroic leaders, transformational leaders display facilitative behaviors to elicit others' ideas and actions and deliberately back away from limelight or personal acclaim in order to assure others' success (Pillai and Williams 2004; Pearce and Manz 2005).

This creates a paradox: A key factor influencing the earliest new venture success is heroic or warrior-based leadership, which differs drastically from the unheroic, facilitating-others'-success kind of leadership required for a new venture to grow to sustainable size and activities. We examine this paradox through a case study of a bio-engineering start-up company SidCo (all references to the company and individuals affiliated with the company are pseudonyms) on the US West Coast and exploration of the conflicting dynamics through causal loops. Below, we provide a streamlined version of the case study and then describe some causal loops that capture key relationships and potential dynamics inherent in the case. We then outline the trajectory of future research to build our collective understanding of the role of different kinds of leadership in new-venture growth and sustainability.

Case Study

SidCo, a medical-device start-up with 15 employees, was in a desperate situation. The head of manufacturing had been fired after allegations that he had been operating a side business that used materials and supplies ordered internally. After years of skimping by on grants, angel funds, and investment from the owner, SidCo had at last received significant financial backing from a large pharmaceutical company. The backing required that SidCo meet specific development milestones and continue to show movement towards a "manufacturable" product. The company needed a new manufacturing leader, one who could deliver under high pressure, for high stakes.

The new candidate for the head of manufacturing, Dean, had once worked with one of the engineers at the company. The CEO invited Dean for an interview; he was intense and competitive. During his interview, Dean displayed a binder with photographs of his current employer's (a medical device company) entire manufacturing facility, whose development he had led, as proof of his depth of knowledge and experience. Dean sat in the office of Joe, SidCo's research director, and said that he needed a new challenge. As head of manufacturing at his current employer, he had taken the company's incipient product from a development stage to market quickly and profitably. He felt that his opportunities for a second new product launch and ramp-up were limited.

He also said that, to truly feel engaged in his job, he needed a war to fight. SidCo certainly had a challenge before it—the development and launch of its first product. Dean's experience was a good fit to SidCo's. He came from a company in the same segment of the medical device industry. He understood working in the highly regulated FDA environment. He even had once worked for the pharmaceutical company that had recently decided to back SidCo.

The CEO offered him the position. Dean gave two weeks' notice to his current employer and moved across the country within three weeks. It became apparent that SidCo had a problem within a few days of his arrival.

Upon arrival, Dean proposed dividing the company. With 15 employees, SidCo members were accustomed to meeting together (CEO, CFO, management and technical staff) to establish and revise the schedule and set priorities. Dean wanted to create a "core team" that included only the senior management staff and demanded that the CEO and CFO *not* participate in core team meetings.

He also wanted to create a new detailed schedule. Although SidCo already had a detailed schedule, Dean said he did not like the format and proceeded to develop his own version of the schedule. His approach to creating the new schedule was to question an item on the existing schedule and then "shoot it down," or eliminate it, replacing it with a task of his creation. This often included a bit of public humiliation for whoever had created a segment of the schedule. Essentially, Dean worked to (a) discredit an individual in order to (b) draw attention to something he wanted to see changed and then to (c) make the change in the direction he wanted things to go. Discrediting an individual usually included such statements as "This is f-----g stupid" and "I can't work in a situation where people are so inept." With organizational attention

now focused in this unsavory way, employees gave way to Dean. He was hired, after all, because he had demonstrated expertise in manufacturing development. Since he had experience at another start-up and a record of success, people concluded that he spoke from insight, even if his "people skills" were poor. Moreover, because SidCo was a start-up, it had few personnel processes established for complaining about another employee. So, the core team was founded. A new schedule was built.

Next, Dean looked at the technical staff and began to lobby for control of their time. His approach was multi-faceted. If the schedule required that some engineering prototypes be ready to test by a certain date, the parts could be made by the internal machine shop, or they could be made by the external design shop with which SidCo contracted to create the design. In one instance, Sarah, the CFO, mentioned that the cost of the design shop was an order of magnitude more than using the internal shop. Dean then pulled the machinist from all other projects (including routine work needed to keep the facility functioning) and had him work overtime to complete the parts. Dean did not share with the other managers that he had made and executed this decision. Then, when research director Joe subsequently found out that other parts required by the schedule were no longer being made and inquired about the schedule, Dean sent an email to the CEO and CFO explaining how Joe was not a team player and was "asking way too much" of the shop with his "questionable machining requirements."

After Dean arrived, it became clear that he wanted to answer to the CEO, rather than the CFO, as his predecessor did. He wanted to be second in command. When he made costly purchases, he submitted the paperwork to the CEO and did not discuss it with CFO Sarah. This created budget issues, as SidCo's practice had been always to consult both CEO and CFO on large purchases. Because information had always been shared before, the CEO assumed that Sarah was informed and approved the large purchases; Dean placed the orders, and the CFO subsequently received the bills. When Sarah requested that she be kept in the loop, Dean responded that it would only slow him down, and he could not be effective if he was going to be micromanaged.

Before Dean's arrival, a technical issue was dealt with by a combination of informal discussions and formal meetings to re-prioritize activities. The issues were addressed systematically through a series of empirical tests that included failure analysis and alternative design testing. The results were presented to the group as they became available. Often, there

would be multiple issues to investigate simultaneously, along with the on-going schedule of formal clinical studies and validation efforts that had to be completed for FDA approval.

In contrast, after Dean's arrival, any problem under his direction became a problem that needed to be brought to the attention of the team, and progress on all other issues needed to be halted until his technical issue was dealt with. He used this approach to accrue staff and resources accountable to himself. An example was the test of a plastic housing that covered the medical device. The housing needed to be waterproof, and flex testing showed an issue with the gasket seal. Dean highlighted this issue to the group at large with a 30-minute tutorial on the issue, the design options, and the engineering approaches he was going to pursue to resolve the issue. He presented the schedule for this activity and then demanded the focused effort of three engineers to resolve the issue, pulling the engineers from their current projects until this issue was resolved. At this meeting, the other managers tried to discuss the issue–to understand more about its technical importance and how that was assessed, the other design options, and the schedule implications. Dean cautioned them to "stay on track" and not get into a long technical discussion during what needed to be a short meeting.

Within a month of Dean's arrival, he had divided the 15-member company into five departments: R&D, engineering, finance, clinical, and manufacturing. The manufacturing team (reporting to him) consisted of half of the company's staff. The culture shifted from one in which anyone could be sought out for advice to one of silos. This was, in part, because people were afraid of public humiliation by Dean. Dean controlled communications and resources to avoid challenges to his desired path and to ensure his continued access to the technical staff at the company. The impact was to slow SidCo's progress on other high-priority activities, which subsequently fell under Dean's control when he felt that they were not being adequately addressed.

As the weeks passed, there was some push-back from the rest of the company. After a few core team meetings, the CFO and CEO instituted a Senior Advisory Board (SAB) meeting. The SAB meetings were meant to provide an overview of the schedule, priorities, and technical progress to a select team of individuals (CFO, CEO, and two senior technical consultants). In addition, the CEO and CFO began to occasionally drop in on the core team meetings from which they had been excused.

Why did SidCo retain Dean at the company? The company retained him because he excelled at the technical and organizational aspects of his job. He was indeed addressing issues in the development of manufacturing. The problem was that, if Dean did not get his way, he created a crisis that enabled him to get his way. And the crisis undermined others' abilities and resources to identify and resolve issues in the development effort.

The Hero and the Warrior in the Workplace: Causal Loops

In this section we strive to distill essential dynamics portrayed in the case study, the reinforcing feedbacks that make it seem rational for all employees to support the heroic, warrior-like manager's bid for organizational resources, including staff, facilities, and communications. We also hypothesize about the warrior-manager's long-term effects on the organization's capabilities.

"I need a war"

The core of the causal loop structure (Figure 1) is the reinforcing relationship between the manager's level of engagement and the subsequent action strategies. Once enlisted, the warrior-manager's perspective is that the war must be won (or one must die). Thus, an action plan unfolds that requires the formation of organizational battle lines. The better defined the battle lines, the more apparent a war is there to be fought. This further drives the manager's engagement.

Figure 1. Causal loop diagram of the relationship between the manager's level of engagement and his development of organizational battle lines.

The manager is smart, and everyone is else stupid

The formation of battle lines is driven by the warrior himself (Figure 2). In the SidCo case study, the warrior uses public humiliation to control employees' communications through fear. His need to win the war (his way) drives him to belittle the ideas and contributions of others. The more that organizational members experience humiliation; the less likely they are to continue to make public contributions. This provides additional control to the warrior and ensures his on-going commitment to the battle.

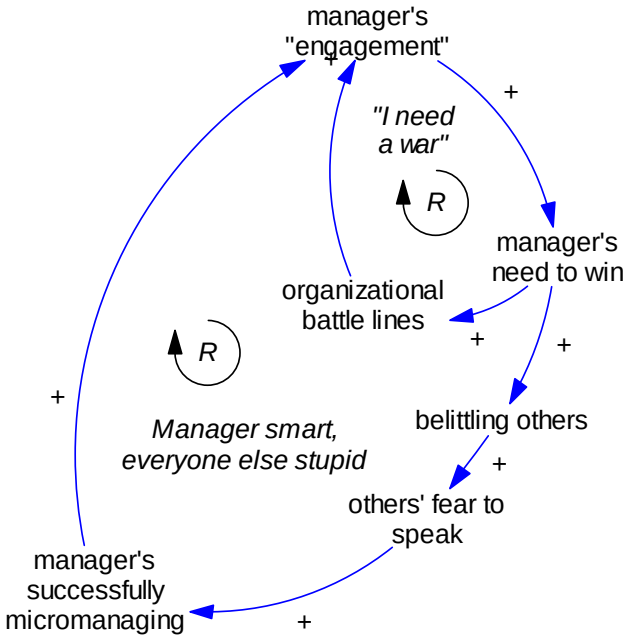

Figure 2. Causal loop diagram showing reinforcing relationships for both the manager's need for a war and his feeling that he has superior skills and knowledge.

Divide and conquer the problem

The warrior's approach to managing the project initially results in the appearance to upper management that the company is in good hands. Two different dynamics contribute to this phenomenon (Figure 3). First, by excluding upper management, the warrior-manager is able to effectively control an increasing percentage of the company resources without it looking as if other projects are short-staffed or moved to a lower priority level. This lack of oversight enables the warrior to have the appearance of success. Second, the committed warrior increasingly focuses his effort on a single problem at a time. Because he has achieved control over the

majority of the organizational resources, this focused effort results in a series of success that appear both quick and effective. Members of management (now excluded from many meetings and sources of information) are able perceive the organization as healthy.

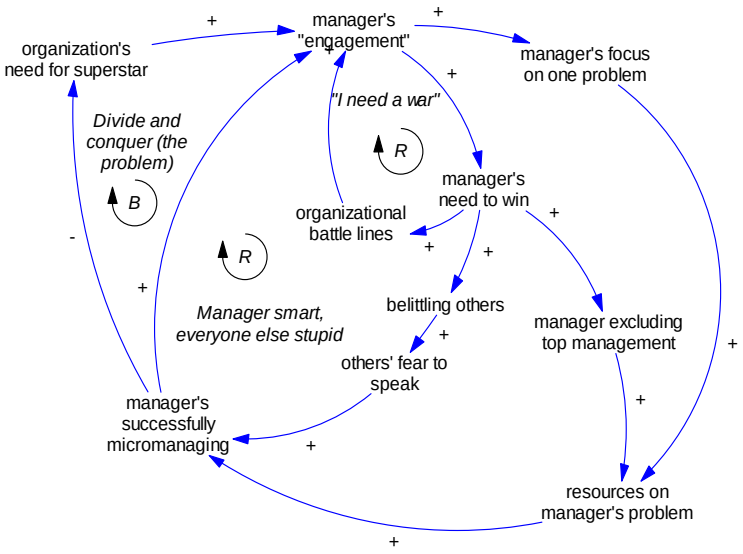

Figure 3. Causal loop diagram showing the addition of the balancing dynamic added by the perceived need to find an organizational superstar.

Increasing risk with single point of failure

Over time, the warrior's focus has a negative impact on the overall level of project risk (Figure 4). Other efforts that were underway when he arrived are no longer effectively staffed, and the management team is uninformed and so does not raise issues with the manager. He is responsible at this point for essentially all aspects of the project. As a result, the project progress depends on a single person, and so its risk increases, along with the probability of a project crises. We hypothesize that at some point, the level of risk will become apparent to upper management and a new organizational superstar will be sought.

Perpetuating crises

The timing of the desire to seek a new organizational superstar is critical relative to the occurence of a real project crisis. The warrior's micromanagement of one issue at a time starves the project of resources and jeopardizes the project's progress overall (also Figure 4). The

appearance of a crisis can also absorb the attention of the warrior, who can quickly shift organizational resources to address it. The company then enters a mode of putting out fires instead of making systematic progress.

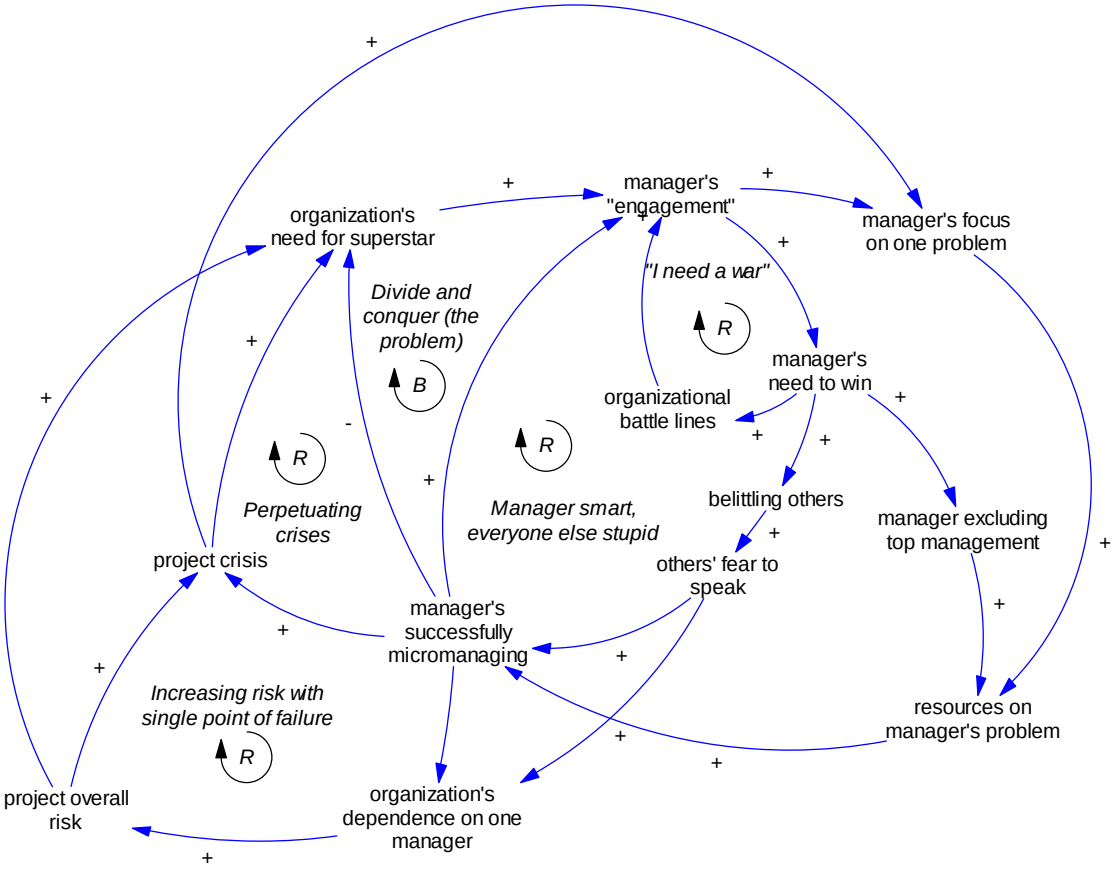

Figure 4. Causal loop diagram showing the addition of the reinforcing dynamic of increasing project risk as a result of management policy and the subsequent dynamic of perpetual crises.

Organizational problem solving takes a hit

As the warrior gains control of the organization, he has reduced the ability of the members of the organization to solve problems. This also reinforces project risk (Figure 5). The warrior-manager can be successful as the organization makes the transition from R&D to manufacturing as long as the level of project risk remains low enough that crises are minimized and/or addressed efficiently by the warrior's own controllable resources. We see evidence in the case-study, however, that the long-term impact, if the project is successful; will be an

organization very dependent upon the direction of the warrior, with a team that is risk-averse and employees unwilling to take responsibility.

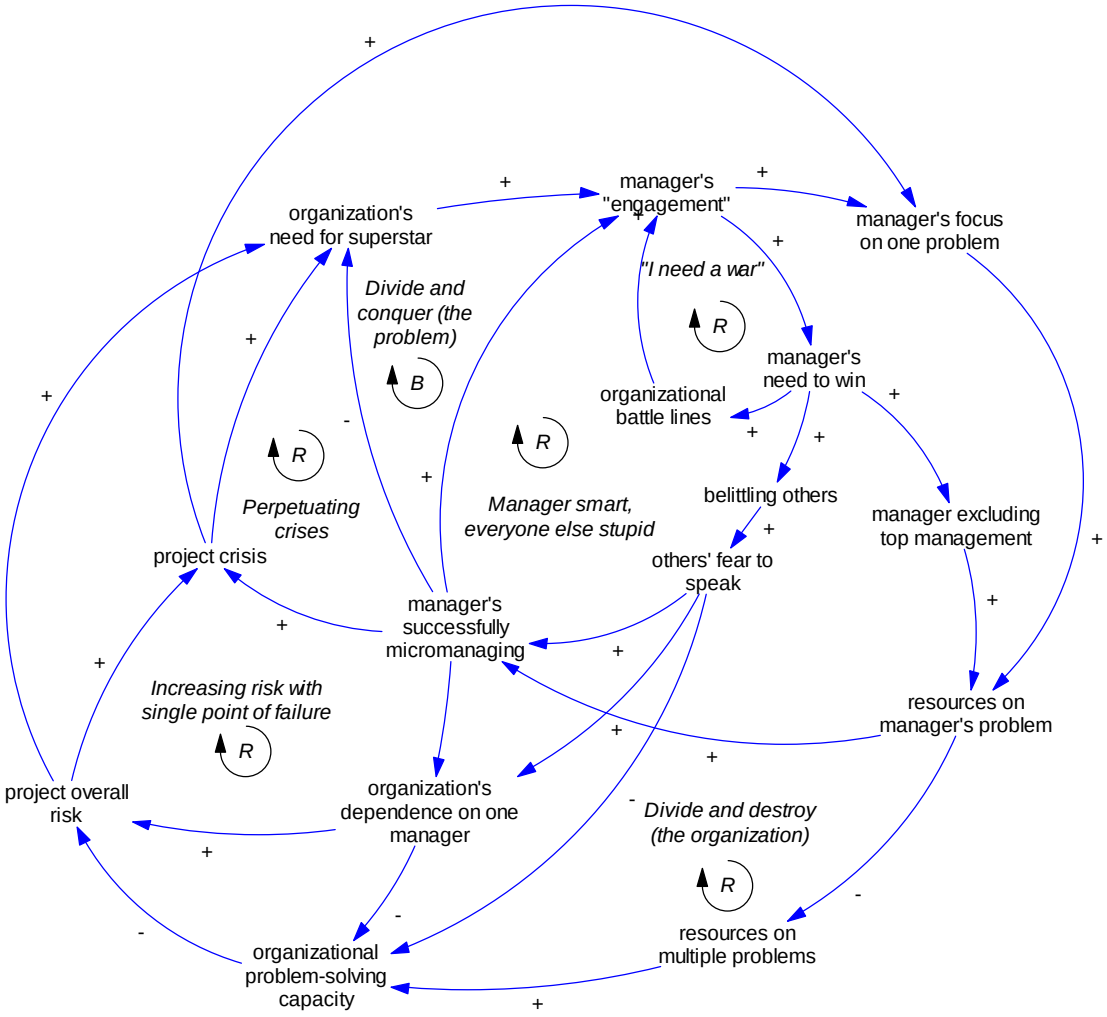

Figure 5. Causal loop diagram adding the reinforcing dynamics of that increase project risk to with single point of failure and the policies that divide and destroy the organization.

The warrior will appear triumphant if the project results in a robust and successful product on the market. His history suggests that he will then seek another war in another organization.

Summary of Warrior Dynamics

Heroes are visible contributors to the business world. They are the visionaries, the public figures, the ones willing to take risks to promote innovation. They are difficult to replace. Here, a

different figure, often confused with a hero, is considered: the warrior. The warrior seeks a leadership role in an organization, and seeks to treat the business community as a battlefield.

The warrior is motivated by resolving a large conflict. In our case study, the warrior sees "bringing the product to market" as his war. The level of engagement in the activity is driven by the warrior's need to win the war. A war requires battle lines be defined both within and outside of the organization. The organizational battle lines are believed to be necessary by the warrior to lead the team to a successful outcome. The more battle lines formed within the organization (as defined by the warrior or in reaction to his behavior), the increase in his level of engagement. The warrior must win or die.

In our case study, the warrior wants uses tactics to advertise and achieve his status that quiet the rest of the organization. In this "do or die" situation, the warrior undermines the other members of the organization by belittlement. This in turn discourages other members in the organization from contributing or speaking out. The warrior then has the control he needs to lead the team. He is increasingly able to micromanage the activities in the company.

In the complex work environment, the warrior directs his focus on the perceived "most critical issues." Because the warrior has achieved a leadership role, he has become empowered to define priorities. The narrower focus has the unexpected consequence of highlighting the success of the warrior as his voice becomes more evident and he is able to successfully resolve the problems he focuses on. The warrior looks like an effective leader. The executive managers begin to feel that they have a Superstar.

Over time, however, the organization becomes dependent upon the warrior. The rest of the team has lost their voice and their motivation for bringing their ideas to the table. This raises the overall project risk; the warrior is not omniscient and he has assumed too large of a portion of the organizational resource. The likelihood of a project crisis increases, and when it does occur, the warrior is the most likely contributor in the organization to be able to direct organizational resources to the crisis. The warrior can easily be confused for a hero.

The long-term impact of an organizational warrior is found in higher level of project risk and the potential for a project crisis. At some point, the warrior will begin to blame the rest of the team for a project crisis, which will further diminish the level of interest the other managers and employees have in playing a visible role in the project outcome.

Perhaps a single product life cycle can succeed under this form of management, but then, the war is over. The warrior's loyalty is to the battle, not the product or the organization. The departure of the warrior leaves an organization lacking the leadership and structure to move forward. The team has been rendered either totally dependent upon the leadership of the warrior or unwilling to take the risk of assuming a leadership role out of lack of trust of the executive team.

Implications and Future Research

By exploring causal relations distilled from the case study, we explore the paradox that warrior-style leadership can be a key contributor to early start-up survival—but then can undermine growth to sustainable infrastructure and activities. Given that many entrepreneurs are optimistic (Ardichvili, Cardozo et al. 2003) or overconfident (Hayward, Shepherd et al. 2006), how can employees and managers of start-up firms distinguish between those strong personalities who generate long-term success and those who destroy organizational capabilities?

Some would identify the reinforcing loops leveraging and amplifying others' fears as abusive (Mitchell and Ambrose 2007). Peterson (1997) has characterized a "directive" leadership style as both a virtue and a vice, and Ames and Flynn (2007) have asserted that managerial assertiveness is curvilinear in its effects on those managed. Our challenge, which we have begun to explore here, is to discern more explicitly how organizational members, in a start-up context, with few formal processes for communication (much fewer for explicit human resource policies), can intervene to prevent, reduce, or delay the reinforcing dynamics that lead to less shared communication and the warrior-manager's asymmetrical accumulation of organizational resources. Furthermore, given that the warrior-manager seems technically astute and does indeed address issues in the development of manufacturing, what could managers perceive (what structures or informally implementable policies could allow them to perceive) increasing project risk? And, having perceived risk, what actions could managers or other employees take to reduce project risk? What timing of these actions could yield a successful intervention in the organization?

To build on the nascent study described in this paper, we will use our analysis of the SidCo case study to create a simulating model incorporating the key relationships described in the causal loops above. Through simulation analysis we will identify thresholds for intervening

in a new venture that can advance the organization either toward shared processes for problem-solving or toward heroic micromanaging that atrophies the organization's ability to solve problems. We intend to collect qualitative and quantitative data at a second start-up and calibrate multiple variables in the model to this second case study. We hope to analyze multiple scenarios that educate managers, funders, and employees of start-ups on how to balance reliance on heroic warrior leaders and construction of problem-solving processes through transformative leadership.

Entrepreneurial leaders who stimulate team creativity increase the probability of long-term success (Chen 2007). The different kinds of leadership required to first help a start-up survive, and then to help it thrive and sustain itself beyond the founders, merits further exploration if we are to advance scientifically our understanding of how to manage new ventures.

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