THE IMPACT OF TRANSFORMATIONAL LEADERSHIP ON STARTUPS DEVELOPMENT IN THE LEBANESE CONTEXT

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Master of Business Administration

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by

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Abstract

The modern business world is becoming more and more concentrated on entrepreneurship and financial freedom. Therefore, leadership is becoming a growing priority for executives and managers. The main purpose of this paper is to investigate the impact of transformational leadership on startup development while taking into consideration employee performance as an important driver in the Lebanese context. Results from a sample of 132 individuals working in different startups demonstrate that the more transformational leadership practices are implemented, the more employees perform efficiently to successfully develop the organization. In addition, the hypothesis that transformational leadership leads to better startup development while being mediated by employee performance was supported. This study's implications and future research prospects are discussed as well.

Keywords: Leadership, Transformational Leadership, Employee Performance, Startup Development.

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Chapter 1: Introduction

Each year, a multitude of references appear on the topic of leadership. Emerging organizations are thoroughly relying on leadership for better overall performance. It has been demonstrated that implementing effective leadership in companies has contributed to the progress of organization over different levels, namely: enhancing the implementation of vision and values, improving morale, guaranteeing effective communication, and motivating personnel. Consequently, incorporating leadership into the organization's strategy is currently being standardized.

According to Bass, Day and Antonakis (2013), research on leadership is well established, whereas, entrepreneurship is an emerging research topic that hasn't been fully addressed (Cornelius et al., 2006). Thus, limited empirical and theoretical studies address both disciplines. However, such a state is quite limiting since leadership is a pillar for a startup's success. Leadership is systematically linked to the healthy foundation and development of startups. Subsequently, and as per Cogliser and Brigham (2004), for successful organization development, founder-CEOs have added leadership to their field of interest knowing that it has become a crucial requirement for successful pathways.

Our study will be focusing on filling the above-mentioned gap while highlighting the importance of leadership skills in startup scenarios. Accordingly, the study will aim to provide a description of the different types of leadership styles in startups while thoroughly emphasizing on the transformational style. Additionally, the study will be offering different perceptions on the impact of leadership on organizational performance. More precisely, the

effect of transformational leadership behavior on the overall startup performance coinciding with the employee performance will be studied in detail.

1.1. General background

Some authors define leadership success based on its context, the surrounding business environment, organizational life cycle, and structure (Porter & McLaughlin, 2006) As reported by Ouimet and Zarutskie, (2014) the context in which startups operate in is subject to higher chances of failure since it suffers from a blend of a complexity and uncertainty (Sommer et al., 2009) In addition, (Pellegrino et al., 2012) highlight that startups suffer from lack of experience. Shifting to what simplifies leadership context in startups, Aldrich and Auster (1986) pointed out the fact that young aged companies have less resistance while established enterprises resist change more.

Within the same line of reasoning, during the first stages of the startup establishment, founder-CEOs or other top management individuals referred to as leaders, lead their teams under what is called “weak situations”. As explained by Frieder et al. (2018), a strong situation is a state in which leaders are fortunate enough to have consistent expectations for proper behavior. The mentioned behaviors are supported by incentives that facilitate their understanding. Conversely, in weak situations, top management lacks the norms and incentives needed for appropriate behavior. According to Mullins and Cummings (1999), the venture’s aftermath is directly linked to the personnel’s behavior in weak situations. Consequently, the new venture’s performance is thoroughly associated with the leadership behavior of high management. This association justifies the choice of startups as the scope of this study, under which leadership behavior is carefully examined.

1.2. Need for study

No one ever assumed that starting your venture was easy, the former director of the United States Office of Management and Budget, Roy Ash, once said "An entrepreneur tends to bite off a little more than he can chew hoping he'll quickly learn how to chew it." That being said, credits are given to all visionary entrepreneurs who trusted their ideas and were courageous enough to start their companies. Within the same line of reasoning, one cannot ignore the countless startups and their tremendous ideas that failed most probably due to weak leadership.

Looking back at studies on startups, those that became established ones, the main focus was on the life cycle of the company, how it came to life, how it grew, and finally how it failed. Limited explanations on leadership aspects were provided. However, in some of the studies, a brief analysis was reported on the leader, at the particular moment of the collapse and the breakdown of the venture. To put in another way, the organizational aspect was fully-developed, a downturn occurred, the breakdown happened, thus they decided to evaluate leadership behavior.

Keeping that in mind, focusing on the early stages of leadership is what matters the most in a startup. The struggle of working with lenient primitive ideas, together with a new team facing uncertain conditions, a volatile context, challenging market, emerging challenges, fast-paced changing concepts, and different cultures assert challenges on a leader to cope with them and help align them.

1.3. Purpose of the study

Leadership is important during the whole life-cycle of a venture. However in the early stages, an adequate application of leadership principles will determine whether the organization will take off or not. Accordingly, the study will cover the following:

- The importance and the value of leadership on organizational development during its life-cycle.
- The different aspects of leadership principles while emphasizing the transformational leadership in the early stages.
- Ability of leaders of adopting different types of leadership styles if needed under certain circumstances.
- Highlighting the numerous roles, a startup leader should play.

1.4. Brief overview of all chapters

This study will include the following:

Chapter two will discuss in detail the literature review. The said chapter will offer a deeper understanding of the different types of leadership along with an exclusive elaboration on transformational leadership and its impact on the development of startups in the Lebanese context. With that being said this chapter will be packed with existing articles from international journals defining leadership, startup development, and the leadership strategies that are being or were used in different successful and non-successful firms. In addition, decent theories will be introduced to enhance the credibility of all awaited findings. And finally, chapter two will list explicitly the major challenges and limitations that shape our study.

Moving on to chapter three, this chapter will focus on the hypotheses that will be rigorously tested along with a clear description of the research questions that are to be answered. In brief, chapter three will highlight all the variables of the study and the relationship existing among them, technically speaking the research framework is drawn in said section. Another important aspect of this chapter is outlying and justifying the choice of the methodology that will be used to gather, assess and analyze the appropriate data for testing the different hypotheses.

Shifting to chapter four, in the said chapter the detailed analysis of data collected and assessed in chapter three will occur, accordingly, chapter four will present the final findings. Separate assessment tools will be used to analyze the final findings and the outcome of the analysis will finalize the matter of whether to accept or reject the hypotheses in question.

Finalizing with chapter five, in this chapter the outcome of chapter four will be set against the literature review of the second chapter on one side and, against the theories of chapter three on the other side. Subsequently, an illustration of the theoretical and practical implications will be offered. Lastly, this chapter will shed light on future research.

Chapter 2: Review of Literature

The impact of Transformational Leadership on Startups Development:

Case Study of the Lebanese context.

PART 1 "LITERATURE REVIEW" helps readers understand existing research that is relevant to a particular subject or field of study and to communicate that understanding in the form of a written report.

Transformational Leadership (Independent variable)

- Overview of Transformational Leadership
- Purpose of Transformational leadership
- Importance of Transformational leadership
- Implementation of Transformational leadership
- Limitations of Transformational leadership

A management concept known as transformational leadership empowers and motivates staff to innovate and create new strategies for a company's growth and success. By employing this technique, leaders empower dependable staff members to take initiative and promote novel methods to problem-solving.

Employee Performance (Mediator)

- Overview of Employee Performance
- Impact of Employee Performance
- Factors of Employee performance

Employee performance refers to a person's ability to carry out their job responsibilities, finish necessary activities and act appropriately in a work environment.

Startup Development (Dependent variable)

Overview of startup development

Factors of startup development

Startup Success and Failure

Measurement of development

From the conception of the concept through the actual usage of the finished product, including its improvement and evolution, the startup development process encompasses the whole ecosystem. Each procedure requires careful planning before being put into action.

Contributions: In an environment where financial freedom is an ultimate goal for many, effectively structuring a startup is the first step into the world of financial freedom. Furthermore, one of the drivers for this study is that the relationship between Transformational leadership and startup development has not been thoroughly examined.

Limitations: Lack of previous studies, along with a lack of recent studies that go back less than ten years

2.1. Introduction

Following the brief introduction of chapter one on transformational leadership and its impact on startup development, chapter two will offer comprehensive literature on said subject. The purpose of this elaboration is to provide a deeper understanding of the past and current knowledge on transformational leadership and its leading aspects that can affect the development of a startup at its early stages.

With the help of known search engines and NDU's library, a variety of documents including books, articles, and different research on leadership, startups, economic performance, employee performance, and management, have assisted in covering the subject in study. In the same context, references from the 90s offered us the chance to discern the evolution of transformational leadership in several industries over the years. Subsequently, the literature review will comprise three major parts, transformational leadership, startup development, and employee performance.

2.2. Definition of leadership

It is somehow hard to agree on a general definition of leadership seeing the diversity of research that conceptualized leadership in various ways. Authors like Fleishman et al. (1991) denoted that there are around 65 categorizations and approaches that can describe the concept of leadership. Some researchers perceive leadership as a centralization of a group process, others on personalities and traits, and others as knowledge, skills, and transformational processes (Bass, 1990).

For Northouse (2016) leadership is a practice in which one individual pushes a cluster of individuals to attain a certain goal.

Moving on with different concepts, Bass and Stogdill (1990) describe leaders as those who push people to implement positive change. They wrote, leadership is an act of either structuring or restructuring certain situations, observations, insights, and expectations of two or more individuals. Leaders are advocates of change, in other words, their actions impact other individuals more than other individuals' actions impact them. Leadership is demonstrated when an individual in a group alters the motives of individuals in the same group (Okoji, 2014).

In a similar context, for some, leadership is associated with achieving a mission and vision. O'conner and Quin (2004) stated that leadership is when the individuals in an organization act collectively to achieve fundamental tasks such as adjusting directions, harmonizing alignment, and enhancing commitment. Senge (1993) in his turn, views the leader as the creator of purpose and a good steward of his vision, and most importantly a teacher that takes in complete understanding. Illustrating this idea more, leaders create and introduce vision, beliefs, motives, and comprehensive thinking. Serving as stewards, leaders inspire people to reveal and properly define their sense of purpose and establish an individual vision. As a teacher, leaders help people learn and grow by developing their systemic understanding of the organizational vision.

Schneider (2017) points out that Leadership is about forming the ultimate conditions for all organizational members of all levels to successfully deliver the company's promise. With that being said, Schneider relates leadership to employee empowerment and customer promise.

2.2.1. Importance of leadership

At the present time, leadership and its impact on businesses play a huge role in determining the success of an organization. According to Lowe and Gardner (2000) Coger states that *"Leaders are individuals who establish direction for a working group of individuals and who gain commitment from this group of members to established direction and who then motivate members to achieve the direction's outcomes"*

Leadership as a term can be looked at with different perspectives. Conventionally, leadership is considered as a combination of qualities possessed by the leader, or as a genuine yet natural social occurrence born from relationships within groups. Given these two concepts, leadership's dilemma lies in the fact whether the leadership is an outcome of the personal features of a leader or whether the leader himself creates followership by means of what he/she does or believes (Grint, 2005).

In addition to the above-mentioned dilemma, Grint questions if the leader is the person in charge, meaning that is he the one with the authority to take decisions and implement them? Or is he the pathfinder that is setting direction for someone else? Northhouse (2004) states that leadership is "a process whereby an individual influence a group of individuals to achieve a common goal".

Whereas for Bennis and Nanus (1985) "leadership is like the Abominable Snowman, whose footprints are everywhere but who is nowhere to be seen". Everything considered, a leader can be the person in charge taking decisions and implementing them following his beliefs. Or a person that has influence on other individuals pushing them in a way to take accurate decisions and enhance their capabilities.

Shifting to an important aspect of leadership which is organizational leadership, people tend to consider the process of giving orders and observing them obey the orders is the essence of organizational leadership. Whereas according to Sansom (1998) organizational leadership is the act of the leader managing and protecting the company by realizing the employees' needs and the company's targets and aligning them to create an environment in which common goals can be achieved.

Organizational leadership plays an important role in the development of an organization especially by helping the personnel to overcome challenges and work hard to achieve the common goal of the organization and that was well highlighted by Graetz (2000) by referring to Dunphy and Stace who described the leader in an organization as the person who provokes change only by sticking to its vision and strategy (Senior & Fleming, 2006). After assuming that leadership is an integral part of the organizational performance, economic data came out to emphasize even more. Joyce, Nohria, and Roberson (2003) conveyed the successful leaders more precisely CEOs were responsible for nearly 14% of the variance in 174 Hogan and Kaiser mance where in the meantime and according to the industry sector was responsible for 19% of said variance.

Furthermore, executives with high performance are likely to increase the organizational value by $25 million compared to the ones with average performances (Barrick et al., 1991) To deepen knowledge on how leaders impacted positively organizations' financials refer to Day and Lord (1988), and Thomas (1988).

To elaborate more on the importance of leadership impacts on organizations, two very informative articles draw a convincing model on the flow of the impact, that is, the leader's personality traits impact the aspects and culture of executives, which by their turn impact

the organizational performance. In the first article R. S. Peterson, Smith, Martorana, and Owens (2003) valuable data was taken from CEOs of the most important corporations worldwide (Coca-Cola, Disney, General Motors, etc…) to highlight on how the leader's personality affects the model mentioned above while having correlations in the .50 array for the majority of the hypotheses that focused on the relationships existing between the leader's personality and important factors of a group's operations (Corruption, cohesiveness, etc…). In addition to these correlations, the business outcome in terms of profit, income and sales performance were correlated as well with the higher management characteristics. Harter, Schmidt, and Hayes (2002) in the second article highlighted that employee satisfaction is strongly linked to the satisfaction with supervisors. In other words, the relationship with the direct supervisor is the primary determinant of employee satisfaction. This phenomenon will be elaborated in different parts later on but focusing more on the employee performance part of the employee satisfaction. Merging all of this together allows to link the leader's skill set to the organizational performance, to be more precise, the leader's personality or skill set determining his style, influences employees' performance and the team's functioning that itself influences the performance of the organization. Said model is demonstrated in Figure 1.

Figure 1: Leadership skillset and organizational performance model
Source Harter,Schmidt, and Hayes (2002)

From this standpoint, the first hypothesis (H1) was formulated:

H1: Transformational leadership has a positive effect on employee performance.

To sum up, as a result of the constant altering of business trends and consumer preferences, the importance of leadership is increasing through the way. Leadership became crucially needed for companies allowing them to foresee the changing trends in advance and accordingly structure the needed level of commitment and an adequate setting for employees and groups to efficiently cope and adapt to said changes. On another level, this leadership advantage not only enhances the efficiency of the company but contributes to its survival (Burke & Cooper, 2004).

In the same way, that business goals cannot be attained without a proper strategy for different processes, the success and the sustainability of an organization cannot be attained without a proper leadership strategy. A leader's touch is needed to allocate resources and align them, it is needed to narrow down the general perception of things to focus on the details, it is needed to gain people's commitment and motivate them to merge their efforts and achieve the organizational goals. As McGuire (2003) said, "it's a leadership whose footprints are everywhere".

2.2.2. Comparison between different leadership styles (Laissez Faire, Transactional and Transformational Leadership)

In 1939 the German-American psychologist Kurt Lewin was the first to adopt the laissez-faire leadership style according to Miranda (2019). Miranda on the other side, stated that the laissez faire leadership does not clearly define the role of a leader, it lacks the true definition of a structured model that defines a leader's role. As stated by Keita and Lao (2020), laissez-faire adopters prefer avoiding accountability, delay taking decisions and have minimal reactions to organizational demands. Above all that, laissez-faire leaders

make no efforts to supervise employees, therefore employees are considered to be self-managed.

Elaborating more on the impact of a laissez-faire leader on the employees and the organizational performance. In the words of van Prooijen and de Vries (2016), laissez-faire leaders lend no importance to whether employees accept their authority or not, they tend to be very indifferent. Since employees have little support from their leader, it is up to them to reach the organizational goals (Miranda, 2019). Employees register high levels of dissatisfaction, turnover and low morale (Miranda, 2019)

To emphasize more on this idea, Trépanier (2019) van Proojein and de Vries (2016), stated that the laissez-faire leadership is accompanied by the same above characteristics mentioned by Miranda. Moreover, this leadership style causes ineffectiveness in the organization's day to day activities blocking the employees from having a sane psychological state resulting in low morale and therefore low-quality work (Trépanier et al., 2019). In the same article, the authors highlighted that employees tend to complain from fatigue and negligible emotional attachment to their jobs. Nevertheless, employees' motivation is subject to damage in the shadow of a leader's absence.

Several years after, the American historian James MacGregor Burns initiated his work in exploring different leadership styles (Bass & Avolio, 1993). His work has resulted in developing the theoretical model of transactional leadership that focuses primarily on the relationship between the leader and his subsidiaries (Burns, 1978). During the first stages, Burns limited the leader's role to providing structure, sequences of command, defining and achieving goals through incentives and admonitions. In later stages the model was updated to the leader identifying goals, directing employees on how to achieve goals, monitoring

them through the process and maintaining the stability. Burns dived deeper into his work and expanded his model to introduce the transformational leadership which is considered today to be the most influential leadership style (Wang et al., 2017). Conjoining a lot of similarities especially in prioritizing the leader-subordinate relationship, the transformational and the transactional leadership differ in primarily focusing on the employees' needs, values and beliefs (Le et al., 2018).

As Bass (1985) took on the same path of surveying leadership styles, he came across the famous three: laissez-faire leadership, transactional leadership and transformational leadership. Each style impacts the employees' perspectives of their duties and the company, and each style shapes the employees' behavior while being dependent on how well they are being directed and treated by their leader.

The foundation of the transactional leadership is that employees are willing to perform well in return for financial incentives, in other words, employees are willingly investing in obtaining nothing but the financial reward (Osman, 2020). Financials, appraisals and promotions are the elements used to get the employees motivated and performant. Reprimands, rebukes and punishments are the elements used when employees are non-performant (Osman, 2020). As highlighted by Saravo et al. (2017) this type of leadership builds no fruitful relationships between leaders and employees, therefore, engagement is barely found in such setting. The main focus is on achieving tasks given by leader while disregarding important factors such as employee engagement, employee morale and ensuring a healthy organizational culture.

Shedding the light on some of the dissimilarities existing between the transactional and the transformational leadership, the transactional model relies on control and power to

influence personnel, whereas the transformational model relies on inspiration and motivation to influence personnel along with forming common or shared beliefs and values (Bass, 1985; Le et al., 2018).

Employees lead by transformational leaders are allowed to commit mistakes without being sanctioned unlike the case of transactional leaders. As previously mentioned, both models share fundamentals when it comes to profitability and performance (Anderson, 2018). For instance, in both models, goals are well defined and are motivation-based, moreover, they both adopt contingency reward systems (Bass, 1985) and include constructive feedback on performances to enhance the organization's productivity (Bass, 1985; Hargis et al., 2011). However, the transformational leadership has a keen eye on team integrity and self-efficacy (Hargis et al., 2011).

In 2018 Kesari and Verma (2018) studied the influence of leadership styles on the employee morale within the steel industry, a decent number of employees were negatively influenced by the transactional leadership. Later on, additional studies demonstrated that when the leadership style switched from transactional to transformational, the employees' morale, satisfaction and commitment were positively affected (Manalo et al., 2020; Top et al., 2015). For Manalo et al. (2020) transactional leadership stands in the way of employee development since it manages through constant overseeing and performance monitoring.

The transactional leadership works best in organizations that have daily repetitive tasks; thus, it remains at the status quo. However, transformational leadership aims to modify the organizational system (Osman, 2020). A key element of the transactional leadership is that it is capable of reducing stress in by instantly providing solutions for repetitive mistakes happening in the workplace; whereas, transformational leadership aims to offer long-term

solutions for any problem along with converting crises into challenges to minimize stress (Ding et al., 2017). Álvarez (2019) stressed on the fact that a soldier with high morale can survive and endure long-lasting stressful episodes, hence, low morale can result in undesirable psychological disorders like depression, anxiety and others.

According to Evans (2022) transformational leadership includes empowering, engaging employees and finding common values and goals among them allowing them to confront the challenges an organization might face.

2.2.3. Transformational leadership

A diversity of studies on the definition and constituents of transformational leadership emphasize the unity of perceptions and elements. Leaders adopting this style are capable of inspiring and encouraging followers to attain goals that are past expectations. This ability is an outcome of three fundamental traits transformational leaders possess and that will be elaborated later on: "Charisma, Individual attention and intellectual stimulation" (Jauhar et al., 2017).

According to Khan and Ismail (2017) transformational leadership's process takes place when "*leaders and supporters make one another to progress to a more elevated level of moral and inspiration. Through the power of their vision and identity, transformational leaders have the capacity to motivate followers and to change desires, discernments and inspirations to work towards basic objectives*" (p. 1). In a similar context Mackie (2014) reports transformational leadership as "*the process whereby leaders engage and influence their followers toward attaining a shared vision through their capacity to inspire, innovate and personalize their attention*" (p. 118). To reiterate, Hargis et al. (2011) denoted that

transformational leaders are "*capable of motivating followers to transcend their self-interests to accomplish collective goals*".

Transformational leadership has been linked to a number of antecedents, such as personality qualities, organizational culture, and leader-member interaction. Extraversion and emotional intelligence, in particular, have been discovered to be positively related with transformative leadership (Bolkan & Goodboy, 2020; Rana & Virk, 2021). A supportive and empowering culture is also more likely to develop transformative leadership in firms (Mukhtar et al., 2021). A significant predictor of transformative leadership is also good leader-member interaction, or the standard of the connection between the leader and their followers (Yang, 2019)

As previously stated, a leader is an individual who captures his followers' motivation aiming to achieve his goals and the ones of his followers simultaneously if possible. Transformational leadership is all about making connections with subordinates seeking to enhance their morale and motivation to successfully achieve desired goals (Burns, 1978). Authentically, transformational leadership upkeeps importance to the common-welfare, and transformational leaders are deemed to be socialized meaning that they prioritize the well-being of others over their personal interests (Howell & Avolio, 1993). Despite the fact that charisma is the principal quality of transformational leaders which denotes domination, aiming thoroughly to influence people, high self-esteem and a remarkable awareness for values and beliefs. Charismatic leaders think highly of their followers and therefore set high expectations for them. Consequently, they express their trust in them and in their skills anticipating from them to demonstrate being worthy of those expectations. This way, the

followers' conciseness is stimulated to ameliorate competences and hence their overall performance (Avolio & Gibbons, 1988).

Genuine transformational leaders separate themselves from their ego and sacrifice it in service of a bigger achievement that is creating an amazing company by transformation. However, this does not mean that transformational leaders do not have personal achievement to fulfill, they are actually known to be very ambitious, but direct their ambition to the organization rather to themselves (Nemanich & Keller, 2007).

Transformational leaders enhance their followers' performance and constantly push them to unclose their full potential (B. J Avolio, 1999). Transformational leaders have solid principles and personal values, and are great at motivating followers to achieve more while disregarding their personal concerns (Kuhnert, 1994).

The fours factors of transformational leadership are the following (Bass, 1990):

1. "*Charisma or idealized influence"* points out a strong ideal leader to his followers. Subordinates aim to resemble their leader as a result of identifying themselves with him. Charismatic leaders provide their followers with a clear vision and a sense of purpose.
2. *"Inspirational motivation"* describes leaders who think highly of their followers and set high expectations on them, stimulating their motivation trying to align it with the organizational vision.
3. *"Intellectual stimulus"* is a common trait for transformational leaders that implies encouraging subordinates to unfold their innovative and creative capabilities in service of the improvement of the organizational performance.

4. *"Individual appreciation"* describes a leader who provides support to all of his followers, a leader that pays attention and honestly considers their individual concerns. Such leaders play numerous roles to fulfill their promises, roles such as mentors and counselors assisting their subordinates to reach their full potential.

According to Bennis and Nanus (1985) the four strategies used to transform organizations and optimize efficiency are the following:

1. The Presence of a vision, a vision that is clear, comprehensible, valuable and established in light of the organizations' needs. Said vision will constitute the reference that all members will refer to.
2. Formation of a social atmosphere, by carefully shaping shared values and attitudes for all employees.
3. Spreading confidence all over the organization by openly promoting own attitudes and demonstrating consistency while realizing them. This concept endorses the concept of reliability best.
4. Self-growth of a leader by maintaining self-respect and growing in competences. That is mainly achieved by handling tasks and completing strategic organizational goals.

To get the best results while embracing change in an organization transformation, five essential practices are identified: path designing, conception of a unified vision, re-evaluation of processes, encouragement and empowerment of others (Kouzes & Posner, 2002).

Transformational leadership urges managers to carefully assess the relationship existing between their behavior and the needs of their employees along with the varying institutional business dynamics (Yukl, 1999).

Shedding some light on the startup access of this study, nowadays technology is considered to be crucial for an ultimate transformation of a business. It has been previously stated that a startup is in a constant need for internal alterations to keep operating in today's fast changing markets. Research has found that technological alterations are not responsible alone for transforming organizations from good to extraordinary. Technology is capable of accelerating alterations but not imitating them, the initiation can only be achieved by individuals, to be more precise by transformational leaders. Hence, transformational leaders are responsible for designing and executing alterations (Zimmerman, 1995). Zimmerman defined alterations within an organization as the process of introducing changes to the configuration of the institution aiming to enhance its efficiency. Just about all organizations are subject to change in a way or another as a consequence of different factors whether they are technological trends, global business opportunities and others. Therefore, alterations are fundamental for the existence and the welfare of the company likewise for a startup. Hence, successful leaders are entitled to determine ahead possible alterations and implement them efficiently striving to optimize the organization's flexibility and innovative aspect. Such leaders are needed in all organizations regardless of the industry they operate in.

For these changes to be fruitful, a certain skill set is required. The leader must be armed with problem solving skills to mitigate any problem that might incur during the implementation of the alteration. The leader should effectively influence the team

responsible for making alterations succeed. And most importantly, the leader should predict to what extent his team is capable of handling changes (West et al., 1993). Getting back to the purpose of this study, transformational leaders ought to adopt alterations which will enhance the launching of the startup. To end up this discussion a table showing the essential differences between the three types of leadership figures below (Table 1).

Table 1: Comparative table of the three most common leadership styles
Source: Bass B.M. (1990)

Transformational	*Transactional*	*Laissez-faire*
Charisma Provides vision and sense of mission, instills pride, gains respect and trust.	**Contingent Reward** Contracts exchange of rewards for effort, promises rewards for good performance and recognizes competence.	**Absence of leadership** Abdicates responsibilities, avoids making decisions.
Inspiration Communicates high expectations, uses symbols to focus efforts, and expresses important purposes in simple ways.	**Management by Exception (Active)** Watches and searches for deviations from rules and standards, takes corrective action	**Avoids taking responsibility** Gives too much responsibility to subordinates to avoid taking his own. Lack of commitment
Intellectual Stimulation Promote intelligence, rationality and careful problem-solving.	**Management by Exception (Passive)** Intervenes only is standards are not met	**Failure to supervise work** Absent when employees need support or assistance to resolve work problems.
Individualized Consideration Gives personal attention, treats each employee individually, coaches and advises.		**Unconcerned about subordinates** Shows no interest in employees' development

2.2.4. Key advantages of transformational leadership

A decent number of studies have elaborated on how transformational leadership can positively impact different businesses of different industries.

Many studies have shown that transformational leadership has good effects on organizational commitment, work performance, and employee job satisfaction. For instance, research has shown that transformational leadership is positively correlated with employee job satisfaction (Rasli et al., 2021; Wu et al., 2019) and that workers who believe their leaders are transformational are more likely to be dedicated to their firm (Suliman & Al-Shaikh, 2019). Also, it has been demonstrated that transformative leadership is favorably related to employee job performance (B. M Bass & Riggio, 2019; Shirey, 2019). Knowing the limitations of the study, not all of the aspects will be elaborated in this part but some of the essential aspects studied in business that contribute to the success of a firm during its life-cycle. The following part will showcase how transformational leadership enhances job satisfaction and organizational performance.

2.2.4.1. Transformational leadership and job satisfaction

In agreement with Al Hussami (2008) and Korkmaz (2007) job satisfaction is influenced by transformational leadership. Their study aimed to investigate the relationship existing between both factors, thus, they ended up stating that transactional and transformational leadership both correlate positively with job satisfaction. In addition to that, the study classed transformational leadership among the predictors of job satisfaction. Korkmaz found out that employees with higher job satisfaction levels felt more pleasure at work and scored high when it comes to self-confidence. Korkmaz broke down low job satisfaction into four main reasons that are namely, poor rewarding systems, deficiency in resources,

inefficient leadership activity, and high levels of stress. All of that might be manifested in non-agreeable behavior among employees.

Job satisfaction and transformational leadership share common characteristics, the most prominent one is that both aim to encourage employees to chase their desires and their unique goals while adapting to change (Yukl, 2012). By definition, a satisfied employee is a motivated employee that performs well and that is exactly a transformational leader's goal.

Moreover, research suggests that transformational leadership enhances job satisfaction through a number of mechanisms. For instance, a study by Jaiswal and Dhar (2020) found that transformational leadership was positively correlated with job satisfaction through its impact on psychological empowerment. Similarly, a study by Kim and Kim (2021) found that transformational leadership enhanced job satisfaction by promoting job crafting behavior among South Korean employees.

By creating a pleasant environment in a workplace, transformational leadership can uncover the subordinates' full potential. Consequently, employees with a fully-developed potential score higher in job satisfaction. According to Korkmaz (2007), leaders adopting the transformational style tend to enforce relationships in the workplace by implementing individual appreciation systems into the company's culture. Transformational leaders believe that merging the individual identity with the organizational identity endorses common motivation, and encourages employees to enhance their creativity and problem-solving abilities.

Korkmaz (2017) again indicated that an efficient leadership style accompanied by good levels of job satisfaction positively impacts organizational health. A positive work

environment includes a workplace where employees experience self-development and participate in the decision-making processes. In a happy work environment, constructive relationships exist between leaders and subordinates. These same relationships ameliorate employees' job satisfaction and create a desirable harmony between personnel which contributes to the sustainability and the success of the organization. Generally speaking, the leadership in an organization is responsible for structuring the learning environment, employee morale, and healthy relationships.

Additional references have highlighted the positive relationship existing between transformational leadership and job satisfaction (Nielsen & Munir, 2009), moreover, the stress that might be caused by a job is remarkably decreased with transformational leadership (Sosik & Godshalk, 2000). Above all that, Nielsen and Munir stated as well that transformational leadership aids in reducing the undesirable outcomes of burnout. Since job satisfaction is thoroughly impacted by transformational leadership, adopting it can smoothen up the workflow in a remarkable manner and minimize the friction caused by unhappy employees.

2.2.4.2. Transformational leadership and organizational performance

Previous research assessing the leadership-organizational performance relationship has relied on subjective approaches such as the subordinates' perceptions of their superiors/leaders, or objective approaches such as sales numbers. Up till now, the vast majority of studies on this subject have focused on subjective approaches, in particular, the followers' assessment of their leader's behaviors (Pritzker, 2001).

Howell and Avolio (1993) indicated that the business unit performance of a financial industry firm has been positively affected by transformational leadership practices. Said

performance was broken down to the percentage of achievement of desired goals. In a similar context, Howell conducted a study including 250 executives and top management individuals at a reputable financial services venture and documented a remarkable 34 percent of the agreeable performance results were directly impacted by transformational leadership. a study by Martins and Neves (2021) found that transformational leadership was positively associated with firm performance among Portuguese manufacturing companies.

Basing their study on the conventional indicators in assessing organizational effectiveness that is namely "market share, stock price, return on assets, earnings per share, and debt-to-equity ratio" Avolio, Waldman, and Einstein (1988) declared the presence of a positive relationship existing between the transformational leadership and the financial performance of the company.

The same authors again stated that charismatic leaders who stimulate their subordinates intellectually and are considerate of them, increase the percentage of goals attained in their unit over one year. The rationale behind this prediction emerged from a previous study on transformational leadership factors. During this study, the unit's performance was impacted positively as an outcome of inspiring subordinates to achieve more complex objectives, pushing them to effectively implement problem-solving approaches, and aiding them in their self-development journeys (Howell & Avolio, 1993).

Above all that, the same authors found that the transformational leadership factors that were mentioned above are positively inter-correlated, in addition, these same factors are positively correlated with the reward systems and the combined unit's performance. An

attention-grabbing finding of this study was that 34% of the variance in the combined units' performance was directly affected by the leadership behavior

In the present era, the relationship joining transformational leadership and organizational performance has become more important. As stated by a group of authors, it is crucially important for companies to ameliorate their innovative capabilities to attain and sustain competitive advantage (Aragón-Correa et al., 2007; Donate & Sánchez de Pablo, 2015). Having said that, managers are entitled to motivate their subordinates to invest their skill sets in innovative processes, and to gather enough knowledge that permits organizations to upgrade their services or products (Andriopoulos & Lewis, 2010).

Consequently, recent literature on transformational leadership and HRM practices have designated both as drivers for enhancing mental capacities in terms of learning competencies along with innovation (Afacan Fındıklı et al., 2015).

To finalize this matter, innovative comportment is positively affected by transformational leadership. With the help of individualized consideration and intellectual stimulation, leaders adopting the transformational style create diversified ways of thinking, knock on the doors of opportunity, welcome change, and new perspectives, and attract creativity (Senge et al., 1994)

2.3. Employee performance

Several studies in several fields have shed the light on the employees' performance debate, fields such as economics, sociology, psychology, management and organizational behavior expanded the importance of this topic. The basis of employee performance is a well-developed measurement system containing a series of tools, processes, and indicators that were carefully chosen for actual events of existing organizations. Furthermore, employee

performance has been in the field of interest of several studies seeing the fact that employees are a vital resource to the organization when it comes to the concept of enhancing the organizational value in terms of products, services and ideas.

Employee performance has been linked to a number of variables, such as personal traits, workplace features, and organizational support. Particularly, it has been discovered that personal traits including drive, job happiness, and emotional quotient are favorably correlated with worker performance (McLean & Mazmanian, 2021). Moreover, it has been determined that some work qualities, such as job autonomy and task complexity, are important determinants of employee performance (Smith & Ashrafi, 2020). Also, it has been demonstrated that organizational support, including chances for training and development, is favorably associated to employee performance (Beatty & Schneier, 2020) According to Judge and Kammeyer-Mueller (2012) employee performance is directly related with creating a shared organizational vision, aiding each individual to identify and understand his/her role in attaining said vision, consequently, improving the employees and organizational performance simultaneously.

Employee Performance started as a performance appraisal practice in Human Resources Management (HRM), in this day and age, it has stretched to a wide diversity of practices adopted by organizations seeking to assess employees and grow their sets of skills and abilities and, to allocate recompenses (Fletcher, 2001). Aguinis and Pierce (2008) stated that the above-mentioned systems are now an integral and strategic phenomenon in organizations. Further authors insisted on employee performance as a driver to reach persistent success and to ameliorate the competencies of individuals.

Meeting today's emerging challenges requires organizations and companies to focus on enhancing employees' performance (Batarlienė et al., 2017) To effectively achieve said enhancement, companies should convert challenges such as globalization, constantly changing market demands, and innovation to opportunities and drivers of employee performance (Cooper & Ezzamel, 2013).

Aiming to reduce the downward pressure hand on attaining the organization's smart goals, confronting the constant changes in technologies, coping with the shareholders desires and market requirements, the organization should work on minimizing employees' undesirable performance that can participate in increasing the downward pressure and consequently standing in the way of achieving above mentioned goals (Shah et al., 2017).

Enlightening on employee performance without defining it, wouldn't lead to a complete understanding of the concept. Several authors worked on defining employee performance along with developing the parameters that affect it. Anitha (2014) states that the organizational elements are what the performance of an employee or an organization depends on. Elements including policies, practices, activities, management, and knowledge sharing are accused of being fundamental determinants in ensuring superior employee performance.

Whereas Islami, Mulolli and Mustafa (2018) believe that what shapes positive outcomes with regard to performance are elements of a managerial process that are namely: acquiescence, assessment, provision, feedback and progressive corroboration. For Bataineh (2017) the employees' efficiency and effectiveness in operating combined together to fulfill the stakeholders' expectations predicts employee performance. Additionally, a group of authors believe that facilities at work help in increasing employee

performance. According to Isaac et al. (2017) the implementation of the internet in the employees' daily tasks has helped them in refining several task related processes, learning processes, along with the communication efficiency. All of that leads to an increase in the individual's performance. However, Smith and Bititc (2017) shed light on ameliorating the practices of performance management and systems of performance measurement, considering them as crucial elements of the work's environment which boosts levels of engagement.

After identifying the factors affecting employee performance, a model can assist in simplifying the understanding of what was elaborated above. De Menezes and Escrig (2019) proposed that the five factors can be broken down to: "knowledge management, information and communication technology, employee's empowerment, innovation and creativity and organization culture" (Figure 2).

Figure 2: Model of the factors affecting employee performance
Source De Menezes and Escrig (2019)

Huang et al. (2016) stated that the level of engagement is an indicator of employee performance, more precisely it focuses on how oriented the employee is toward goals and achievements. Said engagement arises when individuals are committed and willing to perform in completing their tasks (Breevaart et al., 2014). In a similar context, Mone and London (2018) link employee performance to the strategies set by the organization to implement improvement in operations and policies.

Shifting a bit into EP (Employee performance) and leadership, Anitha (2014) stated that leaders are entitled to develop their employee's creative capacities to enhance their performance. Anitha (2014) believed that a leader's objectives are successfully achieved in a positive culture where employees coordinate and cooperate efficiently. Hence, a relationship between the performance levels and the potential of goals attainment is clearly identified. On a side note, for Mishra et al. (2014) leaders who are committed to their vision are prone to enhance organizational engagement, inducing passion and motivation into workers to achieve their objectives that are aligned with the organization's mission and vision.

From this perspective, the second hypothesis (H2) of this research has been formulated focusing on employee performance as a mediator.

H2: Employee performance has a positive effect on startups development.

Moreover, Atmojo (2012) states that leaders do have an influence on employee performance, and successful leaders enhance said performance. Vidyarthi et al. (2014) mention a relationship that joins job/employee performance with task dependency levels and distant power that is considered an important measurement tool of a leader's understanding that impacts employee performance. Atmojo (2012) added regarding this

matter that task dependencies allow employees to list their tasks in the best order that creates the fastest path throughout the project. Leaders who efficiently adopt this strategy, clarify the path and create a positive helping environment for employees to be guided optimally towards the assigned goals. Furthermore, such an environment leads to decreased stress levels among employees.

Finally, leaders who have employee performance within their interests should constantly monitor, assess and measure awaited results.

2.4. Startup definition

Aiming to define a startup, Mirza (2017) stated that a startup is categorized as a small-scale business that is highly prone to failure during the initial stages. Steve Blank, the Silicon Valley Entrepreneur defined a startup as a "temporary organization designed to search for a repeatable and scalable business model.” Undeniably, a startup is an act of searching for the outcome of the products/services it offers. In other words, it’s the pursuit of valuation followed by the offering of the value in return for money. U.S. Small Business Administration (SBA) specifies startups as "independently owned and operated, organized for profit, and not dominated in its field." Whereas, Small and medium-sized enterprises (SMEs) are ventures that sell common commodities in a mature market.

The owner of a startup is usually referred to as an “entrepreneur” who plans to develop and grow his venture to cover the market as widely as possible, in other scenarios, an entrepreneur can introduce a whole new market with the innovative idea he penetrates the industry with. Shifting back to the difference between startups and SMEs; entrepreneurs drag the business toward optimal growth in a defined sector while assuming risk, in

contrast, the SME's owner invests in a relatively safe market comprising ongoing normal returns with minimal growth opportunities.

The biggest concern of a startup is to structure a scalable business model, which is a long process that involves constant market testing until an agreeable result is attained, it might as well involve the alteration of products and services or an upgrade suggestion during the product testing stage.

An entrepreneur faces two options upon success or failure with their product in the market test. After succeeding the startup becomes a real business. After failing, the founder should modify their current product or service to fulfill the market's needs or shift their efforts to a new target market. SMEs do not have the same path, it initially has a fully-structured mechanism and offers common value, in addition to that, SMEs barely face dynamicity and are not well-equipped to forest change in both short and long terms.

Mladenova (2015) denoted an important fact indicating that even though the term "startup" has been widely used in different research, it still lacks a unified definition that reflects the undisputed harmony of authors and specialists. For some experts, a startup is an organization that operates with limited resources and revenues. For others, a startup is the primary stage of an organization where the idea is shifting from construction to operations.

Although there is minimal distinction between startups in entrepreneurship terms and small businesses, they do have core differences. Schumpeter, Former Finance Minister of German-Austria, is one of the first experts that identified what differentiates entrepreneurs. He illustrates an entrepreneur as an individual who innovates new products and converts ideas to realities. In addition to that, for Schumpeter entrepreneurship is the cornerstone of the welfare of the economy.

Startups are meant to develop and expand quickly. Growth is crucial for a startup, other aspects of a business that are deemed to be important like technological advancement and funding are included in the growth process. Entrepreneurship is hard and startups are prone to failure, but growth is what pushes a startup to succeed. A remarkable distinction exists between startups and other forms of classic businesses, not all young-aged ventures are startups, and a minimal percentage out of several young-aged ventures are startups. The majority of other businesses such as barber's saloons, supermarkets, or plumbers are not considered startups unless they present something unique. To illustrate what is said, a local spa would compete with other local spas with no growth potential, but if a search engine has emerged, it would definitely need to compete on a global level.

2.4.1. Defining business failure and success

To efficiently evaluate startups, it is fundamental to clearly define success and failure. Numerous researches have elaborated this subject using different approaches aiming to define organizational success, for instance "goal attainment approach" and "systems approach". To define organizational failure, "population ecology theory," "resource dependency theory" and "neo-institutionalism" are dominant in this area (Helmig et al., 2014).

Although, this may not apply when assessing a startup's success and failure. An objective definition of a startup's failure is not really the center of interest since entrepreneurs themselves do not have a clear perspective of failure. Subsequently, all of that might be purely subjective. As a matter of fact, research has shown that when a startup fails, the traditional psychology in terms of self-serving attributions fails to explain an entrepreneur's perspective due to the complexity of the experience (Mantere et al., 2013).

Nevertheless, having a clear picture of success would be useful before taking into account each entrepreneur's personal experiences. Moreover, defining success would reveal what helps entrepreneurs in succeeding.

2.4.1.2. Startup success

From the sound of it, success would naturally be evaluated by the age of the organization, respectful profits to stakeholders, and all of the famous financial aspects any MBA holder would know. Agreeing on what makes a startup successful is much more complex. Several attempts were made trying to tackle it from a well-structured perspective, one of which has elaborated on the design of the different stages of company development that aid entrepreneurs in attaining success (Saxton et al., 2010). Alternatively, Song et al. (2007) considers that these academic results are debatable. Diving deeper into this matter, the entrepreneur's motives differ from one startup to another, Morrison (2006) tackled this concept by highlighting the difference in entrepreneur's typology.

Within the same line of reasoning, this opens up a debate on how success is measured by entrepreneurs and shareholders. For instance, with what is now called ascomapanies, also known as social enterprises (Saxton et al., 2010) or also referred to as companies with "triple bottom lines" (Bocken, 2015), the conventional basis of success has changed, especially when it comes to maximizing shareholder's values. Hence, the motives and the coherent actions of these new entrepreneurs differ remarkably from the traditional entrepreneurs (Maase & Bossink, 2010), Consequently, the startup success cannot be limited by academic approaches, it thoroughly relies on the perspective of the participating individuals in the industry.

2.4.1.3. Startup failure

It is widely known that startups suffer from a high failure rate. Yet, Headd (2003) has stated that the business closure by itself cannot determine the failure of the business. Headd has shed the light on this concept after realizing that a wide majority of academic studies gather public data on companies' statuses and registered companies' shutdowns, to be used as an indicator of business failure. For some, this is considered insufficient since a startup as a business entity may shut down for different reasons. Clearly, the absolute failure of a business is one of the closure reasons, yet, it can open the door of opportunities for acquisitions which can be favorable. A failed business can set up a similar venture in a different market or industry. Lee and Lee (2015) indicated that motives for exiting a startup are numerous and not always negative. Hence, it is important to define business failure from a founder's perspective. Nevertheless, the community's cultures contribute significantly in the development of a business, including a startup. In fact, Cardon, Stevens, and Potter (2011), in their attempt to define or give sense to business failure, have stated that it differs from a geographical area to another. Hence, they gave significance to examining local contexts when attempting to analyze the failure of a startup instead of jumping to assumptions by solely trusting the media.

2.4.2. Startup development

Startups are essential for stimulating innovation, economic growth, and job creation on a worldwide scale. The startup environment is always changing, and there is an expanding body of knowledge about the elements that influence the success or failure of startups. This review of the literature offers an overview of current studies on the growth of startups,

concentrating on a number of factors including funding, networking, team formation, and technology adoption.

Finding the money to support a startup's growth and development is one of the biggest obstacles they face. The effect of funding on the success of startups has been examined in a number of studies. The survival and expansion of companies are substantially impacted by access to capital, according to Cooper (Cooper, 2019). The development and success of firms are favorably impacted by venture capital financing, according to Seebauer and colleagues (2021).

Another essential element for the success of companies is networking. To expand and advance, startups require the development of connections with clients, partners, and investors. Rosli and colleagues (2021) concluded that networking had a favorable effect on the development and success of companies. Similar findings were made by Hill et al. (2021) who discovered that networking is essential for startups to get over resource limitations and obtain the information and skills required for expansion.

The startup ecosystem is aware of the value of assembling a solid team. Kim et al. (2021) discovered in their research that team diversity and cohesiveness are important elements that contribute to the success of companies. In a similar vein, Aguilera and Banalieva (2019) discovered that the founding team's composition affects businesses' survival and expansion.

Using technology is essential for startups' growth, especially in the current digital world. Lafleur and Wright (2021) discovered in their study that technology adoption has a big influence on the development and prosperity of companies.

2.4.3. Leadership in startups

Knowing the subject in study, it is important to tackle leadership in startups. According to some authors such as Alex Zhao and Ynanwu Ren (2022) three factors determine the success of a startup, two of which will be in our field of interest. Occupying the first place are the founders/entrepreneurs which are referred to as leaders.

For Cooper and Bruno (1977) talented leadership team is unquestionably a crucial element for a startup success. They insisted on the fact that high leadership skills can mask certain weak aspects of the company, in other words, the strengths of a leader can complement the weaknesses. Leaders in startups are responsible for developing a clear vision, building a strong team, and driving innovation to stay ahead of competitors (Foss & Lyngsie, 2019).

In the same line of reasoning, Schein (1983) added that ventures are not developed on their own or by chance, they are well-formed when the leader recognizes how a group can achieve a particular job that couldn't be achieved by individual efforts.

In the second place comes leadership and leadership styles. This is a critical aspect especially when taking into account the type of startup. As per Urs Baldegger (2017) it is crucial to match the leadership styles with the nature of the venture in hand to enhance development and efficiency. Baldegger not only stresses on the type of startup but on the size as well. He has demonstrated in previous research that bigger firms profit from laissez-faire leadership whereas smaller firms profit more from transformational leadership. Moreover, the type of industry in which the startup is included in affects the type of leadership.

2.4.4. The relationship between transformational leadership and startup performance

Superior organizational performance is attained when transformational leadership kicks in (Gang Wang et al., 2011). Superior levels of organization (Colbert et al., 2008) and employee performance (Ng, 2017) are successfully attained when positive modifications take place in coherence with individuals' motivations and objective-setting among a team. Prior research has demonstrated a positive relationship between transformational leadership and startup performance (Chammas & Hernandez, 2019). Research has shown that transformational leadership is positively associated with organizational performance in startups (Chen & Gao, 2020). For instance, Gumusluoglu and Ilsev (2009) focused in their study on the concept that transformational leadership has remarkable effects on employees' creative capabilities and organizational innovation. The same concept was tested and confirmed by Kark et al. (2018). Gumusluoglu and Ilsev (2009) stated that transformational leadership enhances the creative skills of employees by empowering them psychologically. Furthermore, results indicated a positive relationship between transformational leadership and organizational innovation. Emotionally intelligent leaders are better equipped to encourage their team, handle issues, and communicate with them (Mumford et al., 2018).

As a further matter, a recent study conducted by Tepper et al. (2018) connoted that employees are more responsive when transformational leadership is adopted, particularly when stressors roam in the workplace. Peterson et al. (2009) studied the correlations between a set of constructive psychological attributes (optimism, hope…), transformational leadership, and organizational performance in a startup context. Results

have shown that the constructive psychological attributes of leaders correlate positively with transformational leadership, in addition to that, it plays a mediator role in the relationship joining the constructive psychological traits of leaders and organizational performance.

2.5. Barriers to implementing transformational leadership

With the barriers being somehow beyond the scope of this study, a glimpse of some particular approaches of a study entitled "Transformational leadership – is it universally applicable?" conducted by Inskon and Moss (1993) will be showcased. Transformational leadership has been considered universally attractive for three reasons, the ease of conceptualization, the guarantee of effectiveness, and the image of a leader-as-hero. Putting it that way, it's natural for experts and practitioners to warmly welcome transformational approaches.

Consequently, the study sheds light on the barriers to applying transformational leadership in different scenarios and promotes caution. Inskon and Moss (1993) question if making the heroes illustrated in modern business books are to be considered role models for emerging leaders. In addition, they question whether transformational leadership can be advantageous throughout all the development stages of a venture that are, including the startup phase, the growing phase, the consolidation, the restructuring, the decline, etc…

The same authors are worried as well about the presence of different transformational leaders in one company and each of them is orienting followers towards his vision. How can followers pursue different visions at once?

To finalize this matter, in a situation where the task is relatively easy and easily achievable is transformational leadership really necessary?

2.6. Hypotheses development and conceptual model

One of the major purposes for thoroughly exploiting literature is to develop the hypotheses that need to be tested in this study along with the conceptual model.

From this perspective the hypotheses to be tested in this study are the following:

H1: (alternative): Transformational leadership has a positive effect on employee performance.

$H0_1$ (null): Transformational leadership has no effect on employee performance. Proceeding with what moderates this relationship.

H2 (alternative): Employee performance has a positive effect on startup development.

$H0_2$ (null): Employee performance has no effect on startup development.

In addition to the hypothesis, the conceptual framework is as follows:

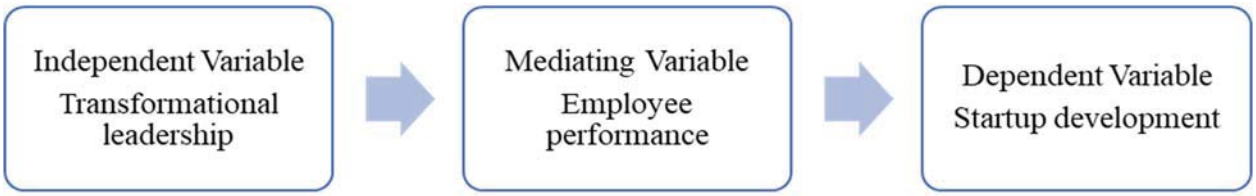

Figure 3: Conceptual framework

2.7. Conclusion

It is important to emphasize transformational leadership as an enhancer of employee morale, motivation, and performance through a diversity of methods. Bass (1990) summarizes the essence of transformational leadership when leaders are capable of stimulating subordinates to believe in their vision and work energetically to achieve it.

Leaders of this type push employees to unlock their full potential and go beyond their limits (Bass & Avolio, 1993).

Transformational leadership is all about coaching, supporting, and empowering employees, which in their turn leads to healthy organizational development. Employee performance is influenced by the company's vision. A transformational leader tends to comprehend the mental needs of his subordinates aiming to empower them. Subordinates think highly of their leaders when they showcase honesty and integrity while ethically resolving problems, subsequently, a relationship of trust and respect is built between them (Ferreira et al., 2020). One of the important factors of transformational leadership is the presence of collaborative relationships that push employees to innovate and be creative. Speaking of innovation and creativity, (2008) stresses the importance of innovation in a startup as much as in an established company. Furthermore, Geilnik (2013) highlights the importance of creativity in a startup in terms of identifying business issues and tackling them, emphasizing the importance of creative brainstorming sessions and many more entrepreneurial activities.

Following this chapter, chapter III handles the basis behind the study on transformational leadership and startup development along with outlining the research methodology. The detailed literature review collected from scholarly publications with a keen focus on peer-reviewed articles, aided in answering the study's research questions.

Chapter 3: Procedures and Methodology

3.1. Introduction

As startups are emerging concepts, flexible and potent leadership styles are needed. Transformational leadership holds several keys for ensuring an employee-centered approach, which in turn promotes the success of the startup. As mentioned in Chapter 1, a limited number of studies addressed the transformational leadership-startup nexus. Under this context, three research questions emerge: (i) how can transformational leadership enhance the performance of a startup? (ii) Is early stage leadership important? And (iii) how does employee performance affect said performance? The logic behind these questions stems from the four components of transformational leadership: idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. The latter is of particular importance since startups during their growth periods are often based on a small number of employees that hold high responsibilities. Despite the importance and the potential of transformational leadership, risks may exist. This is mainly since this type of leadership often involves subjectivity, emotions, values, and personal interpretations of goals. It also requires considerable time to achieve, which may not always be in favor of a startup given its objectives/targets and possible risks.

In light of the elements listed above, understanding how transformational leadership helps develop visions, provides a successful model, co-achieves growth goals, promotes innovation, and provides support is needed.

To answer the above-listed research questions, this study developed a survey under Google Forms format destined for more than eight different startups. The answers are expected to highlight the numerous roles of a startup leader and their ability to adopt different

leadership styles if needed. Ultimately, the survey and its answers will provide readers and professionals with information for orienting strategic decisions and shaping executive recruitment and training.

3.2. Hypotheses

As previously formulated in Chapter II, there are four hypotheses addressed in this study:

H1: (alternative): Transformational leadership has a positive effect on employee performance.

$H0_1$ (null): Transformational leadership has no effect on employee performance. Proceeding with what moderates this relationship.

H2 (alternative): Employee performance has a positive effect on startup development.

$H0_2$ (null): Employee performance has no effect on startup development.

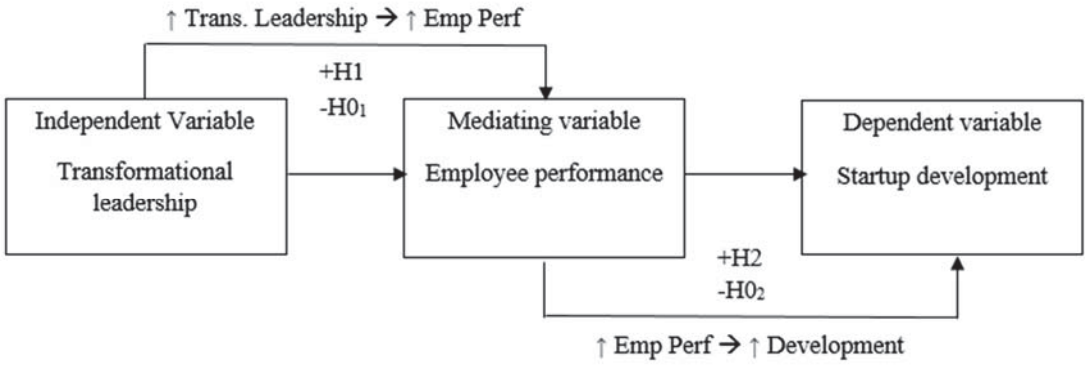

Figure 4: Detailed research framework

3.3. Research methodology

The study adopted a deductive approach for a proper revealing of results. The study examines the impact of transformational leadership on startup development in Lebanon, mainly by hosting employee performance as the mediating variable.

3.3.1. Philosophical and reasoning approach

The researcher's only responsibility was to gather data and analyze it objectively, the researcher approached the study as an impartial analyst who dissociates himself from personal values. Research outcomes in these kinds of investigations are frequently observable and quantitative. Below is a table showing the difference between positivism and constructivism.

Table 2: Comparative table of Positivism and Constructivism
Source: (Saunders, 1999; Poley, 2000):

Positivism	Constructivism
Existence of an objective reality	Nonexistence of an objective reality
The world exists independent of human beings	Reality is socially constructed
Truth, facts as well as the objective world can be understood by stringent procedures and justificatory standards	Emphasis on meaning and interpretation; focus on how people interact with one another in the construction of the reality
Nonimportance of language	Language is important for the interpretation of Reality
Truth transcends culture	Understanding of the world should be culturallSy and historically specific
Professional Knowledge is achieved through objective, experimental and deductive activities	No role of “professional knowledge” as knowledge is derived through the daily interaction between people in the course of social life

Referring to the table, the study in question belongs to the positivist methodology since it places a strong emphasis on the objective while adopting deductive approaches.

The deductive approach can be summarized as follows:

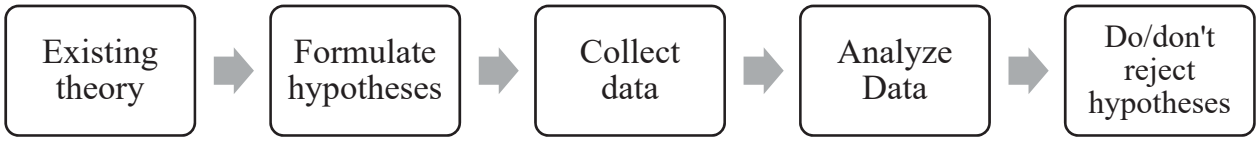

Figure 5: Sequential steps of a deductive approach

Additionally, this approach tries to validate the research hypotheses to respond to the research issue because many theories had already been produced in previous research and had been discussed in the literature review.

3.3.2. Research strategy

Aiming to examine the impact of Transformational leadership on startup development, quantitative research will be conducted. This kind of methodology enhances the validity of the findings since it provides a wider representation of the population. Thus, the results of the research can be more adequately generalized. Generally speaking, when adopting the quantitative approach, the researcher deduces from the literature review analysis relationships among the chosen variables. Said relationship is illustrated in the form of hypotheses. All things considered, in this research, deductive reasoning was implemented allowing the researcher to structure proper hypotheses and test them during the empirical investigation.

3.3.3. Data used

This research will rely on both primary and secondary data. Secondary data was retrieved from the current literature and primary data was retrieved from the questionnaire. Primary data will help in answering the research questions after statistically analyzing the results.

Aiming to examine the relationship between transformational leadership and startup development, an online-based questionnaire counting 35 questions will be circulated via different channels to a diversity of startups within Lebanon. Employees from different backgrounds and positions are invited to voluntarily contribute to the survey, providing different perspectives that enrich the researcher's findings. Keeping in mind that the questionnaire contains sensitive information, the participants' names will remain unknown. Moreover, keeping the survey anonymous provides more accurate and unbiased data, in addition, anonymous surveys do not reveal any personally identifiable information, and that reduces the risk of participants disclosing any underlying value. Lastly, the survey's findings were uniquely used for this research's purpose only.

3.4. Survey method

Since surveys include posing questions to a representative sample of individuals over a predetermined period, they are one of the most widely used data-gathering techniques in the research field. We decided to use a questionnaire as our preferred survey approach as a consequence. This occurred as a result of a questionnaire's pre-recorded questions, which respondents could easily respond to on the questionnaire form without assistance (Monette et al., 2008). The questionnaire may be used to gather information on what people say about their ideas, feelings, and behaviors. The questionnaire may also be sent online to respondents, who can complete it and send it back to us, making the entire data-gathering procedure quick and easy. Furthermore, questionnaires having closed-ended questions allow researchers to collect precise data while omitting biases that occur during interviews (Cannell, 1968).

3.4.1. Questionnaire design

Around 132 individuals were enlisted to participate in this research aiming to examine the before mentioned hypotheses. Participants were invited using different methods that were proven to be successful in different studies (Baltar & Brunet, 2012) whether it was referral sampling or virtual snowball sampling. Any employee working in a Lebanese startup who desires to participate in this survey was accepted disregarding their educational level or position at work.

The 132 participants were sent an invitation that included a link to complete the survey. Different channels were used such as Linkedin, Facebook, Instagram, and Whatsapp in addition to personal and professional email.

The 132 participants were sent an invitation that included a link to complete the survey. Different channels were used such as Linkedin, Facebook, Instagram, and Whatsapp in addition to personal and professional email.

Participants received no additional praise or rewards for taking part in this study, except for the credit for helping to collect the data. After reading the informed consent section, people were explicitly requested to indicate their decision by responding "yes" or "no" to the question, "Do you agree to participate in this study?" This may explain why everyone was selected to respond "yes" and complete the survey as our participants were chosen by referral sampling. Before sending the questionnaires to our respondents, the Notre Dame University (NDU) Institutional Review Board authorized them (IRB). This was a mandatory step aiming to ensure that the study in question would be implemented in the community with honesty and care. Apart from that, the IRB ensures that the questionnaire

is in strict accordance with internationally recognized research ethical principles. Approval was granted by the IRB thereafter and the questionnaires were circulated.

3.4.2. Measurement instruments

The independent variable

Transformational leadership. Leaders adopting transformational leadership are entitled to prioritize organizational needs above all needs. Especially when it comes to personal needs (Flynn et al., 2016). As previously stated, transformational leadership mainly highlights four common behaviors. Idealized Influence (II), Intellectual Stimulation (IS), Inspirational Motivation (IM), and Individual Consideration (IC) (Avolio et al., 1991). Said behaviors were measured using 10 items from the Multifactor Leadership Questionnaire (MLQ Form 5X-Short; Bass & Avolio, 2000). Previous studies have demonstrated that all four aspects are highly correlated at .93 with a Cronbach's Alfa ranging from 0.8 to 0.9 (Judge & Piccolo, 2004). Responses were structured on a 5-point scale ranging from 1 to 5 with (1 = never, 2 = rarely, 3 = sometimes, 4 = often, and 5 = always).

The independent variable is used as the causal factor to study its impact on startup development. In the context of this study, the independent variable is the subject variable as answers vary across participants and are not controlled by the study's choices or authors. Accordingly, there are no random assignments, but instead clear answers from the targeted groups.

The mediating variable

Employee performance. Employee performance is "how" an individual achieves his duties and responsibilities in an organizational setting. As stated by Nyberg, Pieper, and Trevor (2016) employers, referred to as leaders in our study, attempt to enhance employee

performance to fulfill the organizational goals and attain sustainable development. Therefore, a scale of 10 items adapted from Walumbwa and Hartnell (2011) helped in measuring subordinate's performance by taking into account three aspects: innovation, self-direction, and personal initiative (Cronbach's alpha = .84). Items of the personal initiative were deducted from Bono and Judge (2003); self-direction ones from Stewart et al. (1996) and innovation items from Welbourne, Johnson, and Erez (1998) who developed a role-based performance scale. Responses were structured on a 5-point scale ranging from 1 to 5 with (1 = needs improvement, 2 = often meets expectations, 3 = sometimes exceeds expectations, 4 = always exceeds expectations, and 5 = excellent).

The dependent variable

Startup development. From all aspects of development, one has pertained in this study that is the effective use of resources. Some experts define a startup as an organization that operates with limited resources (Mladenova, 2015). Effectively managing resources when encountering new problems and opportunities in a startup is referred to as entrepreneurial bricolage, thus, deriving from this concept, all 9 items of the final part of the questionnaire were deducted from the Entrepreneurial Bricolage Behavior Scale (Davidsson et al., 2017) knowing that it is applicable "across a broad range of contexts" and is considered reliable having a Cronbach's alpha of 0.84. Responses were structured on a 5-point scale as well ranging from 1 to 5 with (1 = never, 2 = rarely, 3 = sometimes, 4 = often, and 5 = always). The dependent variable is used as the effect factor to determine how transformational leadership affects its outcomes. In this study, startup development is expected to change in function of leadership changes. Accordingly, this variable is considered as the outcome of the study.

3.4.3. Sample and data collection

All individuals that voluntarily participated in the survey completed it entirely, carrying out a final sample of 132 participants, 42.2% females and 53.8 % males, ranging in age from 20 to 47 years old. 80.38% were between the ages of 20 and 30, 19.62% were between the ages of 31 and 47, 75.8% of the participants were single, 24.2% were married and none were either divorced or widowed. Figure 6 shows the distribution of their educational levels: 15.2% had a bachelor's degree, 81.1% had a master's degree, and 3.8% had a doctorate.

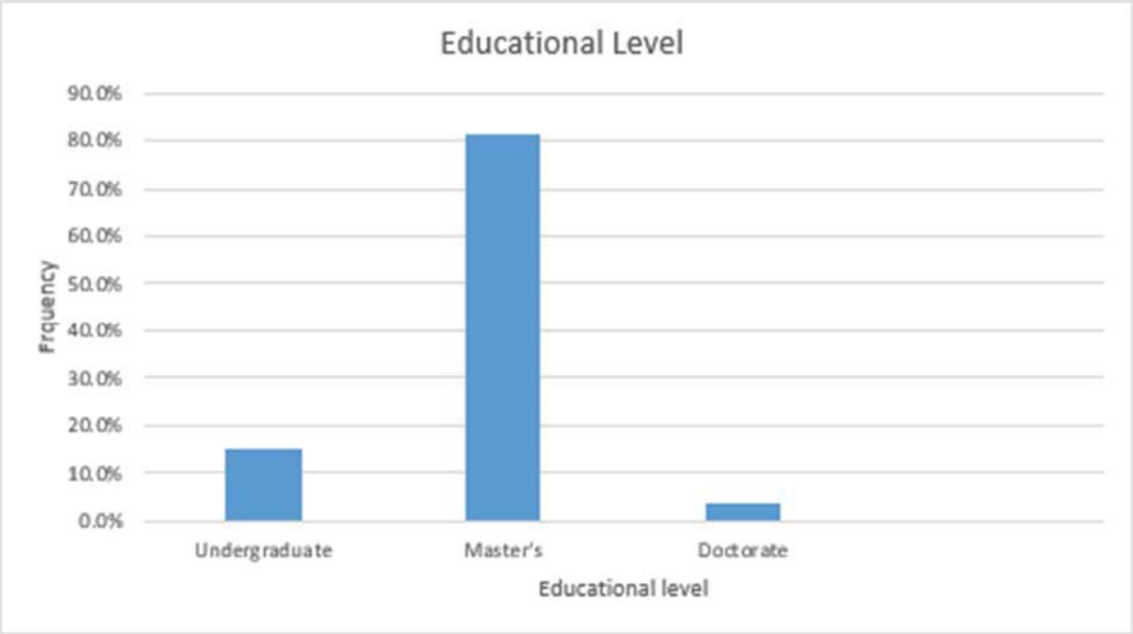

Figure 6: Educational level bar chart

The level of familiarity with the concept of transformational leadership showed that 24.2% of the participants were not familiar at all, 51.6% were somehow familiar, and 24.2% were very familiar.

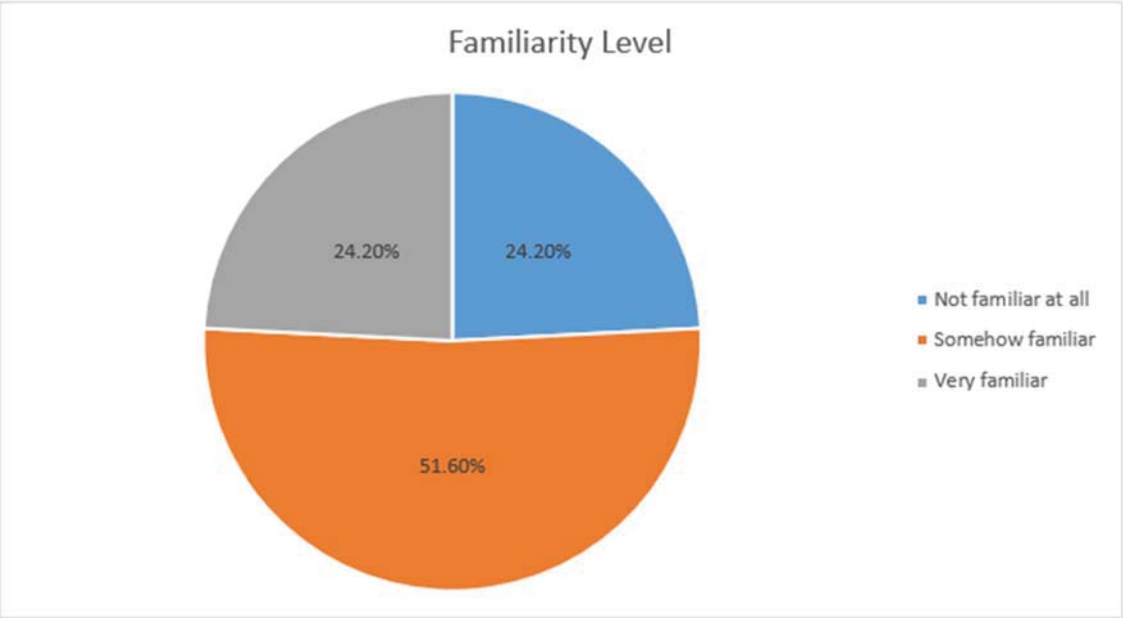

Figure 7: Familiarity level pie chart

As for the industries in which the participants work, 48.48% were employed in the healthcare industry, 21.97% were employed in the Medical billing and coding industry, and the rest were distributed among different industries such as Consultancy, IT, Software development, Retail, Finance and Economics, Agriculture, Social media and marketing and, Design.

3.4.4. Pilot study

A pilot study was implemented to perform a preliminary test that validates the efficiency of the instrumentation used. After the creation of the questionnaire, a brief live presentation of the research topic was presented to four colleagues that worked under the supervision of the researcher. Following this step, the questionnaire was distributed to all four elements to thoroughly read and respond to the survey aiming to identify problems if any are present before implementing the full survey. The main aspects tested during the pilot study can be summarized as follows; the harmony of the questions flow, the average time it takes to

complete each question and the survey as a whole, pinpointing any confusion a question may cause, and checking the type of the questions in terms of clarity and unified understanding. Succeeding the pilot test, the survey was ready for the final implementation.

3.4.5. Analysis methods

Aiming to assess and analyze the data collected from the survey, two analysis methods were used: descriptive analysis and ANOVA.

Descriptive statistics allow us to measure the different factors of a population (Bickel & Lehmann, 1975). They provide a summary of the sample's characteristics, using conventional measures such as the mean and median as location measurements and the standard deviation and interquartile range as scale measures. To offer us a clearer view of the features, measurements like the mean, standard deviat

ion, and correlations were used for the analysis (age, gender

, educational level, industry, and level of familiarity).

For the determination of the relationship between the independent (Transformational leadership) and the dependent variable (Startup development), ANOVA will be used.

3.4.5.1. Statistical package

Data collected from Google Forms was edited, coded and classified to be properly transformed into an SPSS set. More precisely the data was prepared to undergo the ANOVA test.

3.5. Conclusion

Chapter three elaborated on the methodology that will be implemented throughout this research for data collection. Apart from secondary data, this research was thoroughly based

on primary data collected using the survey method in form of a questionnaire. The questionnaire was distributed to a wide diversity of respondents from different backgrounds to comprehend the impact of transformational leadership on startups. Lastly, the research adopted deductive reasoning since it relied on prior studies to validate the above-mentioned hypotheses.

Chapter 4: Findings and Analysis

4.1. Introduction

In this chapter, the study's findings will be deeply examined. Said findings were acquired from the Statistical Package for the Social Sciences (SPSS) version 22.0 computer program. Therefore, a brief insight on the Correlations along with an elaboration on the descriptive statistics and the ANOVA outcome will follow aiming to validate the research hypotheses.

4.2. Reliability analysis

Using Cronbach's Alpha coefficient of reliability, the reliability along with the internal consistency of this research were assessed.

Cronbach's Alpha for all 30 variables yielded 92.8% as shown below table (Table X) indicating decent reliability since it surpassed the acceptable 70% agreed-on value.

Table 3: Reliability Statistics

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.926	.928	29

4.3. Correlations analysis

Shifting to correlations, the below table shows the correlation between transformational leadership, employee performance, and, startup development. Correlation estimates with two asterisks (**) attached are significant at $p < 0.01$ (2-tailed). Pearson product correlation of Transformational leadership and startup development was found to be fairly positive and statistically significant ($r=0.534$, p-value = 0). Thus, the study's objective was

supported. An increase in transformational leadership activities would lead to higher startup development.

On another hand, Pearson product correlation of Employee performance and startup development was found to be fairly positive as well and statistically significant (r=0.434, p-value = 0). This value is said to be a medium correlation but can still support H2. An increase in employee performance levels would lead to an increase in startup development.

Table 4: Correlations between the different variables

Correlations

		Transformational Leadership	Employee Performance	Startup Development
Transformational Leadership	Pearson Correlation	1	.183*	.534**
	Sig. (2-tailed)		.035	.000
	N	132	132	132
Employee Performance	Pearson Correlation	.183*	1	.434**
	Sig. (2-tailed)	.035		.000
	N	132	132	132
Startup Development	Pearson Correlation	.534**	.434**	1
	Sig. (2-tailed)	.000	.000	
	N	132	132	132

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

4.4. Quantitative analysis

4.4.1 Descriptive statistics

In the previous chapter an overview of the descriptive statistics was given, this part will provide a brief analysis of each one separately.

Gender

The distribution of respondents was approximately divided into half males and half females as shown in Table X. This does not show any significance since employees in startups can

be both. In addition to that, this research does not yield any importance to the leader's gender knowing that both genders can be leaders.

Table 5: Gender descriptive statistics

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	60	45.5	45.5	45.5
	Female	72	54.5	54.5	100.0
	Total	132	100.0	100.0	

Age

Ranging in age from 20 to 47 years old. 80.38% were between the ages of 20 and 30, and 19.62% were between the ages of 31 and 47. This shows that the majority of startup employees are young people. Whereas, the second age group constitutes the people that most probably have managerial positions in startups.

Academic level

The below Pie Chart (Figure 8) shows the distribution of the respondents' educational levels: 15.2% had a bachelor's degree, 81.1% had a master's degree, and 3.8% had a doctorate.

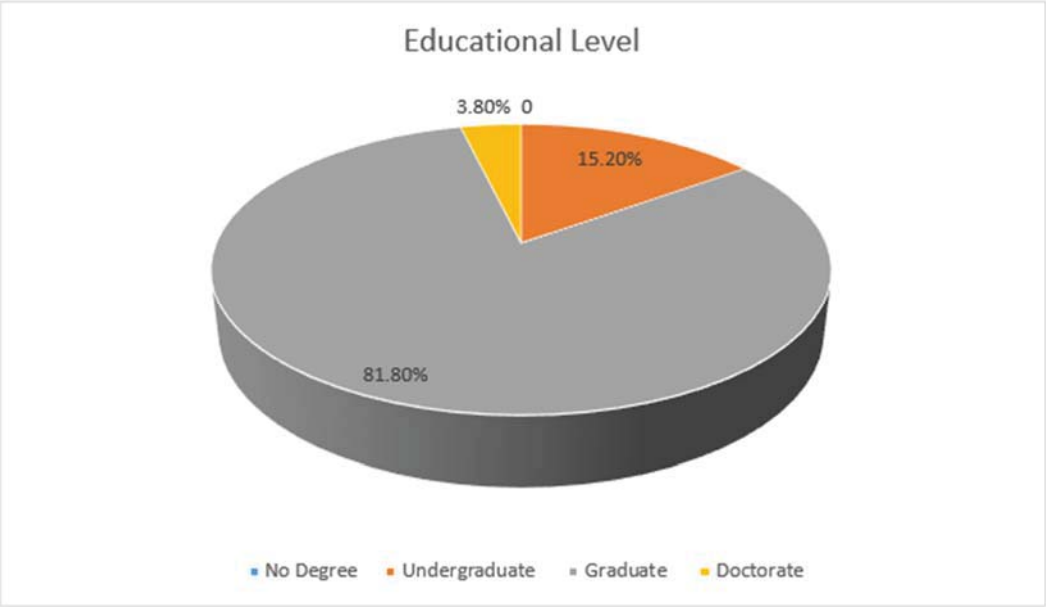

Figure 8: Educational level pie chart

The wide majority of respondents held a Master's Degree indicating that fresh blood working in startups are well-educated people. In addition to that, people with managerial positions tend to have higher degrees.

Level of familiarity

The level of familiarity with the concept of transformational leadership showed that 24.2% of the participants were not familiar at all, 51.6% were somehow familiar, and 24.2% were very familiar. These values imply that startups are now taking into consideration the importance of the effect of leadership on its development. In other words, awareness of leadership is relatively increasing in modern business.

Sharing some insight on additional descriptive statistics, the below table is an observation of the mean, standard deviation, variance, and standard errors of all of the study's variables.

4.4.2 Descriptive statistics for ordinal scale questions

29 Likert scale items on a range of 1 to 5 that were specific to study variables were included in Sections 2, 3, and Section 4 of the questionnaire (see Appendices A, B, and C). Ten questions on the four transformational leadership elements were used in Section 2 to investigate this concept. Ten questions in section 3's employee performance section focused on innovation, self-direction, and personal initiative. Section 4's nine questions focused on how companies effectively employ their limited resources. The 29 manifests are described in the following table. The independent variable is explained by items 1-10, whereas the mediating and dependent variables are explained by items 11-20, and, 21-29 respectively.

Table 6: Descriptive Statistics

Descriptive Statistics

Item	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
1	132	3.70	1.170	-.592	.211	-.366	.419
2	132	3.67	1.123	-.688	.211	-.198	.419
3	132	4.08	1.089	-1.198	.211	.794	.419
4	132	3.99	1.000	-.822	.211	.061	.419
5.	132	3.77	1.143	-.725	.211	-.273	.419
6	132	3.60	1.271	-.700	.211	-.528	.419
7	132	3.83	1.230	-.725	.211	-.627	.419
8	132	3.89	1.161	-.831	.211	-.275	.419
9	132	3.93	1.231	-.917	.211	-.264	.419
10.	132	4.09	1.066	-1.143	.211	.663	.419
11	132	3.80	.961	-.696	.211	.525	.419
12	132	3.84	.846	-.536	.211	.621	.419
13	132	4.02	.829	-.437	.211	-.498	.419
14	132	3.93	.831	-.601	.211	.427	.419
15	132	4.02	.847	-.871	.211	1.248	.41916
16	132	4.23	.790	-.728	.211	-.174	.419
17.	132	3.48	1.030	-.278	.211	-.466	.419
18	132	4.01	.805	-1.082	.211	2.230	.419
19	132	4.15	.833	-.935	.211	.969	.419
20	132	4.03	.899	-.764	.211	.234	.419
21	132	3.85	.736	.131	.211	-.886	.419
22	132	3.83	.840	-.304	.211	-.094	.419
23	132	3.95	.755	-.669	.211	1.211	.419
24	132	3.89	.822	-.386	.211	-.335	.419
25	132	3.87	.868	-.385	.211	-.508	.419
26	132	3.80	.845	-.289	.211	-.482	.419
27	132	3.95	.804	-.709	.211	.865	.419
28	132	3.88	.801	-.591	.211	.648	.419
29.	132	3.90	.828	-.224	.211	-.696	.419
Valid N (listwise)	132						

The independent variable, transformational leadership, is examined in items 1–10. As the mean of every item range from 3.68 to 4.09, it is clear that respondents generally agree

with the claims. The 10 manifestations' standard deviations, meanwhile, vary from 1 to 1.27. All items' coefficients of variation are between 26 and 31% indicating that data are spread near to the mean. By dividing the static skewness by the standard error, skewness is calculated. A normalized skewness between -1 and 1 denotes the curve's symmetry. The normalcy of the distribution is shown by kurtosis values between -2 and 2.

Items 11-20 examine into the mediating variable, employee performance. It is evident that respondents largely concur with the statements because the means of each item vary from 3.68 to 4.09. The range of the standard deviation is 0.8 to 1.03. Data are dispersed near to the mean since the coefficients of variation range from 18 to 25%. The coefficients of variation are between 18 and 25% meaning that data are scattered close from the mean. All Items have skewness values between -1 and 1, hence they have a symmetric bell-shaped curve. All Items are negatively skewed. All items have kurtosis values between -2 and 2 indicating that their curve tails are lighter than normal. Meanwhile, item 18 has a curve tail thicker than normal seeing its value that is larger than 2.

Items 21-29 investigate the dependent variable, startup development. The effective utilization of resources is explored in these manifests. The mean values of these items range between 3.85 and 3.95 indicating that responses are more likely to demonstrate agreement. The standard deviation ranges between 0.736 and 0.868, and the coefficient of variation ranges between 19 and 21% showing that answers are more concentrated around the mean. All items have skewness values between -1 and 1 indicating a symmetric bell-shaped curve. All Items have kurtosis values running between -2 and 2.

4.4.3. Normality test

A normality test determines whether a data sample has been drawn from a normally distributed population. Normally distributed data can overgo an ANOVA analysis without the struggle of non-parametric testing. The graph below shows that the dependent variable is normally distributed and is ready to be tested using ANOVA.

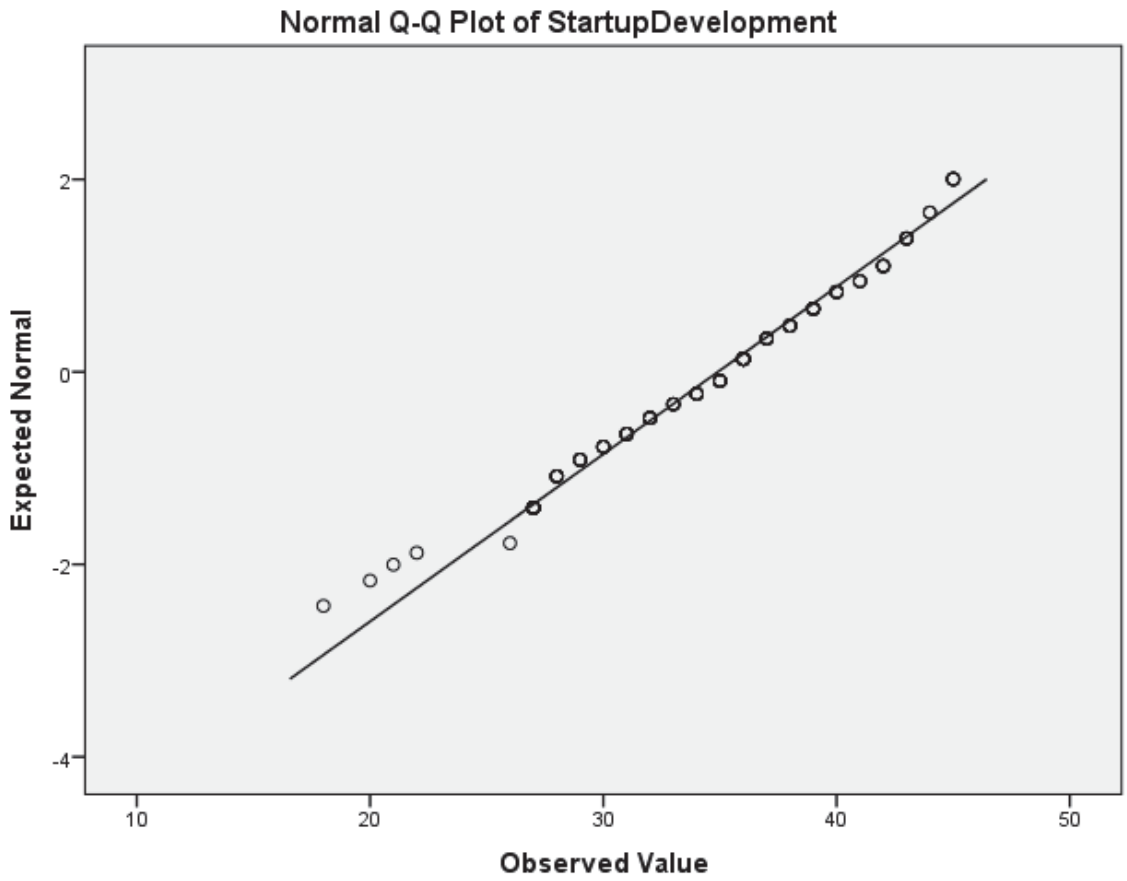

Figure 9: Normal distribution observed value

Combining the descriptive statistics results along with the Pearson correlation ones and the normality test, using SPSS, ANOVA tests will be conducted to assess the effect of transformational leadership on employee performance on one hand, and on the other hand the effect of employee performance on startup development.

Therefore, the following will be performed:

1) ANOVA analysis of the independent variable on the mediator variable (Transformational leadership and employee performance).
2) ANOVA analysis of the mediating variable on the dependent variable (Employee performance on startup development).

4.4.4. ANOVA analysis I: Independent variable on the mediating variable

The ANOVA test (Table 7) resulted in a significance of 0.035, indicating that the p-value is < 5%. Subsequently, we reject the null hypothesis $H0_1$ and accept the alternate. Therefore, H1 has been supported and verified. Transformational leadership has a positive effect on employee performance.

Table 7: ANOVA I

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	157.453	1	157.453	4.527	.035[b]
	Residual	4521.516	130	34.781		
	Total	4678.970	131			

a. Dependent Variable: Employee Performance

b. Predictors: (Constant), Transformational Leadership

4.4.5. ANOVA analysis II: Mediating variable on the dependent variable

The ANOVA test (Table 8) resulted in a significance of 0.00, indicating that the p-value is < 5%. Subsequently, we reject the null hypothesis $H0_2$ and accept the alternate. Therefore, H2 has been supported and verified. Employee performance has a positive effect on startup development.

Table 8: ANOVA II

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	816.573	1	816.573	30.179	.000[b]
	Residual	3517.510	130	27.058		
	Total	4334.083	131			

a. Dependent Variable: Startup Development

b. Predictors: (Constant), Employee Performance

4.5. Conclusion

Chapter four elaborated on the findings of the research to examine the impact of transformational leadership on startup development. Diverse statistical approaches had been used to assess the relationship between the independent, mediating, and dependent variables of the research. In Chapter five the main conclusions will be drawn accompanied by a discussion on the limitations of the study and potential future research. Moreover, the theoretical and managerial implications will be explored.

Chapter 5: Conclusions and Recommendations

5.1. Introduction

This research aims to contribute to promoting and highlighting the importance of leadership in startups. More precisely, it stresses the importance of transformational leadership in startup development in Lebanon, being defined as a hard marketplace to operate in. The majority of businesses in Lebanon rely on traditional managerial practices without implementing leadership approaches. It has been demonstrated throughout history, that the best worldwide businesses relied on leadership to flourish and McDonald's is the perfect example. According to John Maxwell (2022), one of the leading authors in leadership, McDonald's would have been stuck with fifteen branches only if it weren't for their partnership with Ray Kroc who implemented his leadership skills to transform McDonald's into what it is now known.

5.2. Summary of findings

Given the context of the importance of transformational leadership, this research hypothesized that transformational leadership was positively related to startup development while being meditated by employee performance. The results of this research harmonize with the hypothesis in question and show that transformational leadership is positively related to employee performance, which in its turn is positively related to startup development. Thus, based on these findings, the more transformational leadership practices are implemented, the higher employee performance is attained (Harter et al., 2002). Consequently, better startup development is witnessed (Zaech & Baldegger, 2017).

With the help of the questionnaire, an examination of the relationship between transformational leadership components which include, idealized influence, inspirational

motivation, intellectual stimulation, individualized consideration, and employee performance was held. The components were all significant and positively related to employee performance. This, in turn, would contribute to enhancing the quality of work in terms of accuracy and competency. Not only will it contribute to the quality but to the quantity of work as well in terms of higher levels of productivity and deadlines meeting abilities. Enhanced employee performance will push employees to deepen their understanding of the work and push them to evolve their skill sets as well. Last of all, the working relationships would witness an improvement resulting in efficient communication skills and teamwork. As mentioned by Sosik and Jung (2011) transformational leadership inspires followers "to perform beyond expectations".

On another hand, an examination of the relationship between employee performance components which include innovation, self-direction, personal initiative, and startup development occurred. The components were all significant and positively related to startup development. It has been agreed that one of the major challenges faced by startups is operating with a lack of resources and overcoming difficulties with this small reach to resources. High employee performance pushes every individual to act as a leader since the vision of the leader has been thoroughly instilled in their minds. Accordingly, each employee is entitled to display "entrepreneurial bricolage" behavior aiding in finding workable solutions with the help of existing resources, taking highly challenging opportunities that others with the same resources wouldn't do and efficiently combining existing resources in particular scenarios (Davidsson et al., 2017).

5.3. Limitations

Despite the numerous insights provided by this research, it must be seen in the light of several limitations. On one side, instead of random sampling, the study had to rely on a particularly limited sample. The main reason behind this limitation is that Lebanon is now passing through one of the most intense economic crises ever, therefore, investors are roughly investing in the Lebanese markets resulting in a very limited number of startups. While this insured that the target sample came from relevant types of businesses, it may have limited the generalizability of the results. In addition to that, the majority of the startups belonged to the healthcare system, which may have altered the generalizability of the findings as well.

As a further matter, another weakness might be the use of a quantitative approach lacking an understanding of the participants' responses. Interviews could have been used to get a brighter insight into the subject from an entrepreneur's point of view.

Lastly, past research examining startups, in general, was limited and sometimes irrelevant to the subject in question.

5.4. Theoretical and managerial implications

Theoretical implications:

Having stressed the importance of leadership in modern business, this study emphasizes said theory. Moreover, the positive correlation between transformational leadership and startup development will contribute to the theory highlighting that the success of the startup and the optimal application of the leaders' ideas are supported by transformational leadership practices.

Managerial implications:

Leadership in general is not a common practice in Lebanese organizations, this study has shown the agreeable effect leadership has on the well-being of employees and hence the organization as a whole. However, it is strongly recommended that organizations be intentional in implementing leadership practices in different areas of the organizations and different ways. That is achieved by Founding a mentorship program for promising employees, by providing internal and external trainings on leadership, attending seminars, and, planning leadership events even during working hours. The goal is to have a "learning organizations" where individuals are encouraged to acquire new skills and information and use it in their work. This entails fostering a climate in which individuals feel free to try new things, make errors, and learn from them. It is a company that understands the value of learning in attaining its objectives and maintaining its competitiveness in a setting that is continuously changing.

5.5. Future research

Given this new understanding of a statistically significant positive relationship between transformational leadership following variables: employee performance and startup development additional research could help refine what is known about.

Transformational leadership practices, employees, and startup development. The findings of this research constitute the groundwork for future perspectives. Exploring new variables that are affected by transformational leadership, such as financial performance is one possibility. On another hand, this research has highlighted the importance of studying startups as an entity in the light of the modern "financially free" trend that is encouraging everyone with an innovative idea to become entrepreneurs. Another avenue to pursue is to look at more mediators that may be at the root of the interactions investigated in this

research. A last proposal is to broaden the study's geographical scope to acquire more generalizable results.

In conclusion, startup development is influenced by several things. Investigating and analyzing these aspects' effects on increasing organizational productivity in terms of meeting organizational objectives is critical. In today's competitive environment, effectively managing the ultimate resource which is the human resource, will enhance an organization's competitive advantage. In this study, the use of word managing was altered to leading seeing the ecosystem of the study.

The relationship between transformational leadership, employee performance, and startup development was assessed and tested by theories investigated in this research. Keeping in mind that this research adopted a quantitative approach, the hypotheses generated answered the research questions. This research, like similar past ones, aims to raise awareness of the importance of leadership in startups allowing them to efficiently develop. Furthermore, it shed light on intentionally implementing leadership practices in organizations that have an agreeable effect on the organizational well-being.

Appendices

Appendix A: Independent variable: Transformational leadership (Questionnaire)

1	My leader instills pride in me for being associated with her/him.
2	My leader articulates a compelling vision.
3	My leader expresses confidence on goal achievement.
4	My leader seeking deferent perspective in problem solving.
5	My leader suggests new ways to completing my work.
6	My leader spends time on training and coaching.
7	My leader treats me as individual rather than member of group.
8	My leader goes beyond self-interest for the good of staff.
9	My leader helps me to develop my strength.
10	My leader displays sense of power and confidence in me.

Appendix B: Mediating variable: Employee Performance (Questionnaire)

13	I come up with new ideas.
14	I work to implement new ideas.
15	I find improved ways to do things.
16	I create better processes and routines.
17	I redesign job tasks for greater effectiveness and efficiency.
18	I take initiative and do whatever is necessary.
19	I go against established policies and procedures if I think it will result in meeting broader organizational goals.
20	I submit suggestions to improve work.
21	I approach my supervisor with suggestions for improvement when he or she encounters problems at work.
22	I search for the cause of work problems he or she encounters.

Appendix C: Dependent variable: Startup Development (Questionnaire)

23	We usually find workable solutions to new challenges by using our existing resources.
24	We typically take on a broader range of challenges than others with our resources would do.
25	We use any existing resource that seems useful to responding to a new problem or opportunity.
26	We deal with new challenges by applying a combination of our existing resources and other resources inexpensively available to us.
27	When dealing with new problems or opportunities we immediately take action by assuming that we will find a workable solution.
28	By combining our existing resources, we take on a very broad variety of new challenges.
29	When we face new challenges, we put together workable solutions from our existing resources.
30	We combine resources to accomplish new challenges that the resources were not originally intended to accomplish.
31	To deal with new challenges we access resources at low or no cost and combine them with what we already have.

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