ACADEMICIA
An International Multidisciplinary Research Journal
(Double Blind Refereed & Peer Reviewed Journal)

DOI: 10.5958/2249-7137.2021.02400.9

A STUDY TO ASSESS THE IMPACT OF TRANSFORMATIONAL LEADERSHIP ON THE GROWTH OF REVENUES IN START-UP COMPANIES IN BANGALORE CITY

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1.0 ABSTRACT

Entrepreneurship and Start-ups have become the buzz words during the beginning of the 21st century in general in India and particularly in Bangalore City. Dubbed as the Silicon Valley of India and home to thousands of Information Technology (IT) and Information Technology Enabled Services (ITES) companies since the late eighties and blessed with a salubrious climate round the year and availability of technical manpower, it is not a surprise that Bangalore has become the leading City in India for start-ups. Whilst India has 44 Unicorns (technology enabled start-ups with a valuation of over a billion US dollars) and ranks third in the world amongst countries which have the most number of Unicorns, not surprisingly Bangalore is leading the pack and is home to 18 of these Unicorns. Undoubtedly, the enthusiasm amongst the founders of the start-ups in Bangalore is very high and highly infectious, to say the least. These founders have applied their minds, knowledge, and skills to offer innovative solutions in the areas of Fintech, Edutech, Foodtech, Agritech, e-Commerce, etc. Ideas alone do not guarantee that these start-ups will succeed. Key factors that contribute to the success of start-ups, amongst others, are leadership styles of the founders, access to capital, a sound and sustainable business model, ability of the founders to take moderate and calculated risks, and having products and services that meet the needs of customers. This research paper tries to examine the connection between the leadership style of the founders with specific reference to Transformational Leadership style

and the growth of revenues of the start-ups. A survey was conducted in Bangalore City wherein a questionnaire covering demographic data and the Multifactor Leadership Questionnaire (a standard tool used by researchers worldwide to measure Transformational, Transactional and Passive-Avoidant leadership styles) was sent to 476 founders of start-ups. The responses were analysed using statistical tools such as Regression Analysis and Anova. The hypothesis was tested using independent t-test. The analysis of data did not point towards a strong connection between Transformational Leadership and growth in revenues of the start-ups.

KEYWORDS: *Entrepreneurship, Start-ups, Leadership, Transformational Leadership, Revenues*

2.0 INTRODUCTION

Of late, Bangalore City has attracted a lot of global attention for becoming the start-up capital of India and for finding a place in the top 30 entrepreneurial ecosystems in the world. According to the Global Start-up Ecosystem Report 2021 released by Start-up Genome and Global Entrepreneurship Network in September 2021, Bangalore was ranked 23rd and figures in the top 30 cities of the world that have a good ecosystem to promote start-ups. The same report mentions that Bangalore City has 1800-2300 active start-ups and is also home to 18 Unicorns (technology based start-ups that have a valuation of US$ 1 billion), the highest in the country.

Whilst this is good news as start-ups contribute to generation of employment and the economic development of the country, a worrying factor is the high rate of failure amongst start-ups in India (90% failure rate). The reasons for failure are many: not having the right leadership skills, not having the right business model, lack of capital, lack of an innovative idea, not understanding customer's needs properly, etc.

Northouse (2012) brings out the difference between Transformational Leadership and Transactional Leadership. Transactional Leadership focuses on the exchange that happens between leaders and followers, whereas Transformational Leadership is all about the leader engaging with a follower and influencing him to achieve more than what he is capable of. Transformational Leadership has often been compared to Charismatic Leadership, in terms of similarities between the two approaches.

In this context, this research paper tries to examine the impact of Transformational Leadership in not just sustaining the revenues of the companies but also ensuring growth in revenues of start-up companies in Bangalore City.

3.0 REVIEW OF LITERATURE

Northouse (2012) says that Transformational Leadership has often been compared to Charismatic Leadership, in terms of similarities between the two approaches. Some researchers have viewed Transformational and Transactional Leadership as being part of the same continuum. There have been other perspectives on characteristics of Transformational Leadership: *visionary, social architect, creating trust, and creative deployment of self* (Bennis and Nanus) and *model the way, inspire a shared vision, challenge the process, enable others to act, and encourage the heart* (Kouzes and Posner). The Transformational Leadership approach

has an intuitive appeal and has been widely researched from many different perspectives. The approach gives a lot of importance to the follower's needs, values, and morals. Based on research, it can be said that there is enough evidence to prove that Transformational Leadership is an effective form of leadership.

Nitu Bose Ghosh and GeethaRajaram (2015) in an article "Developing Emotional Intelligence for entrepreneurs: the role of Entrepreneurship Development Programs" looked at the correlation between Emotional Intelligence, decision making, creativity, emotional resilience, entrepreneurial motivation, risk taking, and the effectiveness of Entrepreneurship Development Programs in developing Emotional Intelligence amongst entrepreneurs. Their study concludes that when entrepreneurs have entrepreneurial attributes, Emotional Intelligence acts as a catalyst and influences the entrepreneurial skills of the entrepreneur, thereby increasing the chance of individuals starting their own business ventures (South Asian Journal of Management, Vol.22, No.4, 2015)

Richard Sudek, UCI Applied Innovation's Chief Innovation Officer and Executive Director, in an article "What is the best leadership style for start-up companies?" published on the website https://innovation.uci.edu, talks about the difference between leaders and managers. He elaborates that while a leader creates mission and purpose for an organisation, a manager implements that mission or vision. He talks about two styles that seem to resonate with entrepreneurs – Charismatic Leadership and Transformational Leadership. Mr. Sudek further elaborates that an ideal leadership style is one that combines Charismatic Leadership and Transformational Leadership. He also talks about leaders being willing to practice the concept of Shared Leadership and concludes that there is no definite answer to the question of which leadership style is best and infers that it depends on the situation. Mr.Sudek emphasises that being genuine, giving people common cause & vision, sharing of leadership when needed are most important for an entrepreneur.

In an article titled "What entrepreneurs get wrong" published in the Harvard Business Review, Vincent Onyemah, Martha Rivera Pesquera, and Abdul Ali (2013) emphasise that salesmanship is the key to success in entrepreneurship. They state that the five mistakes entrepreneurs often make are: starting late, failing to listen to customers, offering discounts unnecessarily, selling to family & friends, and failing to seek strategic buyers. They further list five objections that entrepreneurs often face in their entrepreneurial journey: customers not being convinced about the efficacy of the product or service, credibility of the entrepreneur, size of the venture, not being convinced about the price for the product or service and the risk of incurring switching costs.

M. H. BalaSubrahmanya (2017), in an article titled "How did Bangalore emerge as a global hub of tech start-ups in India? Entrepreneurial ecosystem – evolution, structure, and role" says that characteristics of the entrepreneurs aside, it is the entrepreneurial ecosystem which plays a major role in ensuring that the start-ups successfully emerge and are able to stabilise, sustain, succeed and scale to eventually have a greater impact on the economy.

According to Jayson Demers (2015), the 10 most critical factors that dictate the success of start-ups are: *the idea, the leader, the team, the capital, the plan, the execution, the timing, the crisis response, the marketing,* and *the growth.*

Priyanka Shorewala and Priya Chaudhary (2016) in an article "Why Indian start-ups fail? – Do's and Don'ts" list down the top reasons for failure as: not serving the needs of the market, not having adequate funds, having the wrong team, not estimating the competition properly, having the wrong pricing, not having a user friendly product, having a flawed business model, not having the right marketing plan, ignoring customer feedback, and wrong timing to enter the market (IOSR Journal of Business and Management, Vol. 18, Issue 2, Ver IV, February 2016)

In "The changing role of the entrepreneur: models and strategy to master the changing role of leaders in today's dynamic business environment", Kelly Bruning (2009) says that entrepreneurs must become leaders by delegating responsibilities and focusing on vision, mission, and strategy. She argues that entrepreneurial transition includes: *doing*, *managing*, and *managing managers*.

Jason Cope et al (2011), write in their article "Exploring distributed leadership in the small business context" that the leader has to develop a broader range of leadership skills as part of the transition while the venture grows. They argue that entrepreneurship increasingly becomes a distinct form of leadership during the growth process.

Manfred F.R. Kets de Vries (2013), in his article "The Eight Archetypes of Leadership" points out that distributive, collective, and complementary leadership contribute to the success of organizations. He lays down the eight archetypes of leadership as: the strategist, the change-catalyst, the transactor, the builder, the innovator, the processor, the coach, and the communicator.

4.0 Objectives of the Study

- To get an insight into the start-up scenario in Bangalore City
- To get an insight into Transformational Leadership
- To study the impact of Transformational Leadership on the growth of revenues in start-up companies in Bangalore City

5.0 Research Methodology

The research methodology used for conducting the research is descriptive and exploratory in nature. A questionnaire pertaining to demographic data and the Multifactor Leadership Questionnaire was circulated to 476 founders of start-up companies in Bangalore. The sampling method used is Random Sampling and the sampling technique used is Simple Random Sampling. The responses were analysed using Regression Analysis and Anova. In addition, the hypothesis was tested using the independent t-test. The hypothesis used for the study is "Transformational Leadership has no impact on the growth of revenues in start-up companies". Secondary data was collected from published sources, journals, and the internet.

6.0 Findings

Of the 476 respondents who responded to the survey, 393 were male and 83 were female. 55% of the respondents had recorded an increase in revenue as compared to the previous year whereas 45% had not.

6.1 Regression Analysis

Regression Analysis was used to find out the relationship between the dependent and independent variables. In this study, Revenue was taken as the dependent variable and all questions pertaining to determining the leadership style of the leaders (questions 16-60) in the Multifactor Leadership Questionnaire were taken as independent variables.

TABLE 6.1: COEFFICIENTS[A]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.725	.346		4.986	.000
	Q16	-.064	.058	-.097	-1.100	.272
	Q17	-.021	.060	-.032	-.355	.723
	Q18	.052	.051	.093	1.031	.303
	Q19	-.028	.045	-.065	-.627	.531
	Q20	.070	.056	.094	1.253	.211
	Q21	-.039	.054	-.073	-.727	.468
	Q22	.047	.093	.045	.504	.614
	Q23	-.070	.076	-.113	-.921	.357
	Q24	.046	.072	.072	.636	.525
	Q25	.019	.049	.042	.380	.704
	Q26	.093	.049	.171	1.889	.060
	Q27	-.077	.063	-.121	-1.227	.221
	Q28	-.030	.065	-.044	-.461	.645
	Q29	.060	.115	.094	.520	.603
	Q30	-.003	.049	-.006	-.059	.953
	Q31	-.042	.060	-.078	-.692	.490
	Q32	.015	.041	.034	.369	.712
	Q33	.012	.056	.018	.211	.833
	Q34	.002	.037	.004	.043	.966
	Q35	.011	.039	.025	.273	.785
	Q36	.040	.046	.076	.872	.384
	Q37	-.004	.059	-.009	-.070	.944
	Q38	-.054	.051	-.093	-1.076	.283
	Q39	-.019	.046	-.046	-.413	.680
	Q40	.043	.058	.082	.743	.458
	Q41	-.052	.077	-.090	-.680	.497

	Q42	.010	.042	.023	.246	.806
	Q43	-.006	.048	-.008	-.118	.906
	Q44	.033	.082	.048	.403	.687
	Q45	-.008	.093	-.012	-.082	.934
	Q46	.018	.088	.026	.208	.835
	Q47	-.059	.084	-.078	-.697	.476
	Q48	-.010	.051	-.019	-.203	.840
	Q49	.031	.076	.048	.408	.684
	Q50	.017	.087	.022	.194	.847
	Q51	.054	.122	.071	.444	.658
	Q52	-.036	.085	-.050	-.419	.676
	Q53	.000	.064	.000	-.009	.993
	Q54	-.031	.060	-.058	-.521	.603
	Q55	-.020	.067	-.031	-.301	.764
	Q56	-.045	.085	-.058	-.530	.597
	Q57	.023	.080	.028	.283	.777
	Q58	.062	.081	.083	.766	.444
	Q59	-.086	.084	-.119	-1.023	.307
	Q60	.022	.061	.029	.356	.722
a**. Dependent Variable: Q11 (Revenues)**						

1. B Coefficients: The B Coefficients tell us how many units of Revenues increase for single unit increase in each predictor. Likewise, 1 point increase on "I provide others with assistance in exchange for their efforts" corresponds to 0.55 points increase in revenues. Given only the scores on our predictors, we can predict the Revenues by using the formula:

   Slope (Y) = mx+b; meaning= Y= 1.725 + (-0.064 x Q16) + (-0.021 x Q17) …. & so on.

   The Column mentioned above as 'Sig' holds the p-values for our predictors. As a rule in statistics, we always say that a B Coefficient is statistically significant if its p-value is smaller than 0.05, in the above tablenone of the Coefficients are statistically significant

2. The beta Coefficients allow us to compare the relative strengths of our predictor.
3. The t-Statistic Column is used to check the null hypothesis Vs. alternate

6.2 SPSS Regression Output - Model Summary Table

TABLE 6.2: MODEL SUMMARY				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.284[a]	.081	-.016	.502
a. Predictors: (Constant), Q60, Q42, Q34, Q20, Q32, Q36, Q18, Q43, Q22, Q17, Q33, Q50, Q27, Q56, Q48, Q16, Q58, Q25, Q35, Q38, Q47, Q26, Q54, Q59, Q37, Q23, Q28, Q57, Q39, Q55, Q30, Q52, Q21, Q19, Q53, Q40, Q44, Q24, Q49, Q31, Q51, Q41, Q46, Q45, Q29				

1. The model above predicts Revenues. R denotes the Correlation between the predicted & observed Revenues. In this case it is very low
2. R Square is simply the square of R, this indicates the proportion of Variance in Revenues that can be explained by all our predictors (Independent Variables). R Squared tells the researcher that how many points fall on the regression line.
3. Since, Regression maximizes R Square, this will be somewhat lower for the entire population, a phenomenon known as shrinkage. The Adjusted R Squareestimates the population R Square for our model above and thus ensures and gives a more realistic indication of its predictive power.

6.3 Analysis of Variance (ANOVA)

Anova provides the researcher the information about the total variation of the dependent variables to the explained & un-explained portions

TABLE 6.3: ANOVA[B]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.512	45	.211	.839	.762[a]
	Residual	108.377	430	.252		
	Total	117.889	475			
a. Predictors: (Constant), Q60, Q42, Q34, Q20, Q32, Q36, Q18, Q43, Q22, Q17, Q33, Q50, Q27, Q56, Q48, Q16, Q58, Q25, Q35, Q38, Q47, Q26, Q54, Q59, Q37, Q23, Q28, Q57, Q39, Q55, Q30, Q52, Q21, Q19, Q53, Q40, Q44, Q24, Q49, Q31, Q51, Q41, Q46, Q45, Q29						
b. Dependent Variable: Q11 (Revenues)						

The above **ANOVA table** denotes that the regression model predicts the dependent variable significantly or not! It is observed from the **"Regression"** row and continues till the **"Sig"** column and indicates the statistical significance of the regression model that was run above. Here p value (.762) which is >0.05 and indicates that the overall regression model is not statistically significant and cannot predict the outcome variable which is Revenues

6.4 Independent t-test to test the research hypothesis

Null Hypothesis: Transformational Leadership has no impact on the growth of revenues in start-up companies

TABLE 6.4: GROUP STATISTICS					
	Q11 (Revenues)	N	Mean	Std. Deviation	Std. Error Mean
Q60	Yes	261	3.17	.622	.038
	No	215	3.14	.729	.050

TABLE 6.5: INDEPENDENT SAMPLES TEST										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Q60	Equal variances assumed	4.022	**.045**	.469	474	.639	.029	.062	-.093	.151
	Equal variances not assumed			.462	422.45	**.644**	.029	.063	-.095	.153

Conclusion: from the above Independent t-test, since p (0.644) > 0.05 (2-tailed test) is more than our chosen significance level 0.05, the researcher does not reject the Null Hypothesis

7.0 SUGGESTIONS AND CONCLUSION

The output of the Regression Analysis and Anova tests have shown that there is no statistically significant relationship between Transformational Leadership and Revenues of start-up companies in Bangalore City. The independent t-test used to test the hypothesis also supports this and according to the t-test, the null hypothesis cannot be rejected and we can conclude that **Transformational Leadership has no impact on the growth of revenues in start-up companies.**

However, keeping in mind that the study was conducted to determine the impact of Transformational Leadership on the growth of revenues in start-up companies in Bangalore City only, the limitations of the study are that the results of the study may not be a true representation for the entire country. Further, there could be other factors that can impact the growth of revenues in start-up companies other than Transformational Leadership and this has not been considered in the study. This leaves scope for exploration by other researchers in the future.

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