EXPLORING THE CHARACTER OF ENTREPRENEUR-LEADERS: THE TWO FACES OF POWER (SUMMARY)

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SUMMARY

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Principal Topic

Entrepreneurs are characterized by a strong need for personal achievement. This often leads them to try to do everything themselves. One result is burnout; another may be the alienation of other organization members. CEOs of organizations they must “empower” others if their firms are to be successful. This study examines the power need of entrepreneurial CEOs and how it is directed. In particular we focus on “personalized power”—the use of power to attain entrepreneurs’ personal goals—and “pro-social power” or sharing power to empower others to achieve common goals.

Power directed solely toward personal gain is usually dysfunctional for an organization, while pro-social power is commonly associated with positive outcomes. We assessed the power and achievement needs of CEOs of entrepreneurial firms to test hypotheses about how these needs interact with entrepreneurial orientation (EO) of the organization to affect performance outcomes. For a purposive sample of 29 small, relatively young firms in the information technology field located in the mid-Atlantic region we tested the mediating effect of EO.

Results and Implications

Regression results showed that achievement and power needs are significantly related to one or another of the six performance indicators measured. Regression of the three needs onto EO showed all were significantly related. We could, then, determine whether EO mediates their effects on performance (Baron & Kenney, 1986). Regression of the appropriate needs along with EO onto the performance measures showed that in every case EO mediated, fully or partially, the effects of CEOs’ character (as assessed by need for achievement and power) onto performance. Achievement need was mediated by EO onto increase in market share, size, profit, and capitalization. Need for personalized power was mediated onto measures of overall performance and number of new products developed. Lower need scores related to higher performance scores.

These results show that entrepreneurial CEOs’ need for power is as important for success as their need for achievement. In particular, we see it is not simply, as one might have suspected, the use of empowerment as a positive aspect of leadership that leads to effective organizational performance. Much more important is avoiding the use of power to satisfy personal self-aggrandizing, even narcissistic desires. Further research needs are discussed.

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