



Organizational Leadership Styles in Startups in Nepal

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Suggested Citation

K.C., R. & Sharma, B. (2023). Organizational Leadership Styles in Startups in Nepal. *European Journal of Theoretical and Applied Sciences*, 1(6), 858-864.
DOI: [10.59324/ejtas.2023.1\(6\).82](https://doi.org/10.59324/ejtas.2023.1(6).82)

Abstract:

This study investigates the organizational leadership styles typical of startups in Nepal, a nation renowned for its developing entrepreneurial ecosystem. The study employs a mixed-method approach, integrating qualitative and quantitative data collection techniques, with an emphasis on comprehending the leadership behaviors that promote success and growth in these early businesses. In-depth interviews with company founders, executives, and important stakeholders are conducted as part of the qualitative

aspect in order to learn more about their managerial styles, decision-making procedures, and leadership styles. Additionally, observations and case studies of chosen startups provide actual instances of good leadership techniques and how they affect the growth of the firm. A structured questionnaire is given to a different sample of startup employees to gather their impressions of leadership styles inside their individual firms. This complements the qualitative findings. This quantitative information aids in finding patterns, connections, and possible areas for development. This study provides important insights for business owners, investors, and policymakers looking to support a creative and robust startup ecosystem by acquiring a thorough understanding of leadership style in Nepalese companies. The results may also provide a basis for future studies on leadership in developing economies and offer helpful advice for startups as they confront possibilities and obstacles on their way to long-term growth and success.

Keywords: *Leadership styles, Nepalese startups, Management, Governance, Autocratic leadership.*

Introduction

Start-Up ecosystem is a booming phenomenon all over the world. New riveting ideas are being generated almost every day, which, with proper incubation, capital, team and expertise turn into startups and with the conjunction of dedication, luck and continuous efforts, take form of unicorn business conglomerates. The outcome of innovation and entrepreneurship is usually a start-up. Start-ups are one of the drivers of an economy (Jonek-Kowalska & Wolniak, 2021) as start-ups create employment opportunities and it is generally understood that more employment

leads to a stronger economy. The nascent start-up scene in Nepal is heavily influenced by young millennials who are particularly keen on starting their own company and running it with an explosive idea to change the way of doing conventional things. Start-ups are not properly defined in the context of Nepal. As per the data bulletin as on September 25, 2022 of Office of Company Registrar of Nepal, in the year 2020-2021, 27,840 new companies were legally registered in Nepal. (Bulletin, 2022). If a start-up is to be defined as a new company, then also, we can sum up that more than twenty-five



thousand start-ups were registered in Nepal in 2020-2021 which reflects upon the influx of entrepreneurs in the start-up culture of Nepal.

Running a start-up however, comes up with its own set of challenges. Start-ups function in a unique environment defined by a shortfall in financial capital, human capital, and hierarchical classification of delegation of authority. (Zaech & Baldegger, 2017). A perfect blend of business acumen and technical expertise possessed by the team members is an out and out mark of a start-up destined for success. However, sometimes the Achille's heel of a start-up usually becomes the improper selection of culture, leadership and the team within the organization. The style of leadership implemented in an organization, plays a pivotal role to determine whether the organization will succeed or fail. (Karakiliç, 2019) Similar is the case with the selection and recruitment of team members particularly in the early stages of a start-up. Team in a start-up consists of two or more than two individuals who have financial as well as other interest in the venture for it to succeed and who work to the pursuit of a common goal and the organization's success. (Schjoedt & Kraus, 2009) Proper leadership ingrained with dynamic teams is expected to produce team goals and a pathway to achieve such goals. On contrary, lack of effective leadership is one of primal causes of failures in team and its performance. (Stevens, 2018)

This research has been carried out to understand the existing type of organizational leadership in the start-ups of Nepal. The following questions are explored in this research. What kind of leadership approaches are being followed by start-ups in Nepal? What factors does the leadership style relies in the start-ups? This research has been carried out with an objective to mitigate the gap of lack of researches that has been done in the field of start-ups in Nepal. The next section of this paper includes literature review followed by the theoretical framework and related hypothesis. The subsequent section includes research methodology, results and discussion of results and limitations and future scope of the study.

Literature Review

Leadership is defined as a collective undertaking to complete a shared objective. It is an influential procedure by which a manager is able to get his/her subordinates do works that are supposed to be done. (Stevens, 2018) The definition of start-ups is not well defined in majority of the literatures. Generally, the researchers believe that the start-ups are the ones in its early stages of formation and operation. (Zaech & Baldegger, 2017). Leadership in startups usually encompasses among other leadership traits; the ability of the leader to multi-task. Leadership traits of a leader include effective behaviors such as integrity, solution-oriented, empathy, patience, trust-worthy and honest, respect, delegation, communication and self-awareness among various other traits of a maven leader.

Types of Leadership Styles

The leadership approach in start-up context has always been an area of research. The various types of leadership styles have been addressed before the discussion on literatures about types of leadership styles existing in the start-ups.

Entrepreneurial Leadership

Entrepreneurial leadership is defined as visionary leadership that develops scenarios that are then leveraged to collect and organize a supporting cast of team players who become dedicated to the discovery and exploitation of strategic value creation. (Gupta et al., 2004). The entrepreneurial leader differs from other types of leaders in that an entrepreneurial mentality is required to properly handle the particularly fast-paced conditions of competition and change. (Yang, 2016)

Laissez-Faire Leadership

Laissez-faire leadership, also known as delegative leadership, is a leadership style in which leaders step back and let group members make choices. The laissez-faire boss does not guide personnel and does not offer frequent feedback to those under his direction. These executives oversee highly experienced and trained staff that require less supervision. Nevertheless, researchers have discovered that

this is the leadership style that results in the lowest productivity among team members. (Stevens, 2018)

Autocratic Leadership

Autocratic authorities are primarily concerned with increasing output. The authoritarian boss takes choices without consulting his or her subordinates. Autocratic leadership style instruct people what to do. (Zakeer Ahmed et al., 2016)

Democratic Leadership

A democratic leader seeks unity among workers by collecting and evaluating all diverse ideas equally. Democratic leadership can be more successful since workers can choose where they want to go and have a voice. Democratic leaders depended on collective decision making, active member participation, honest praise and criticism, and a sense of camaraderie. (Brüggemann, 2014)

The review of literatures of existing researches show that start-ups tend to follow various types of leadership styles. (Brüggemann, 2014) in his research observed that the start-ups have democratic style of leadership. Start-ups provided employees with flexibility and various choice options. Employees could construe their individual works as the leader would set up sufficient communication flow for executing the assignments and clearing out confusions if any. In addition, the research conducted by (Kang et

al., 2015) states that transformational and transactional leadership styles existing in the startups can motivate managers to let go of their personal interests to contribute to the overall organizational goals. Also, the innovative characteristics of the managers are also influenced through such leadership styles. Another research conducted by (Howard et al., 2019) concludes that in a small start-up, having a positive mindset towards work is equally important as having a leadership style that promotes positive work environment in-order for the organization to sustain in the long run. (Pieper, 2014) in his research concluded that the crowd funded start-ups cope various business situations through entrepreneurial leadership approaches. Managers that are open to entrepreneurial leadership will use it throughout their tenure with the organization. In the research conducted by (Dvalidze & Markopoulos, 2020), it was concluded that, in a dynamic start-up context, entrepreneurial leadership theory is critical for understanding it's complicated process.

Framework Development

In order to perform the research methodically, a conceptual framework is constructed based on an overall preliminary examination of the literature in the associated topic field. A conceptual framework for this study is shown in Figure 1.

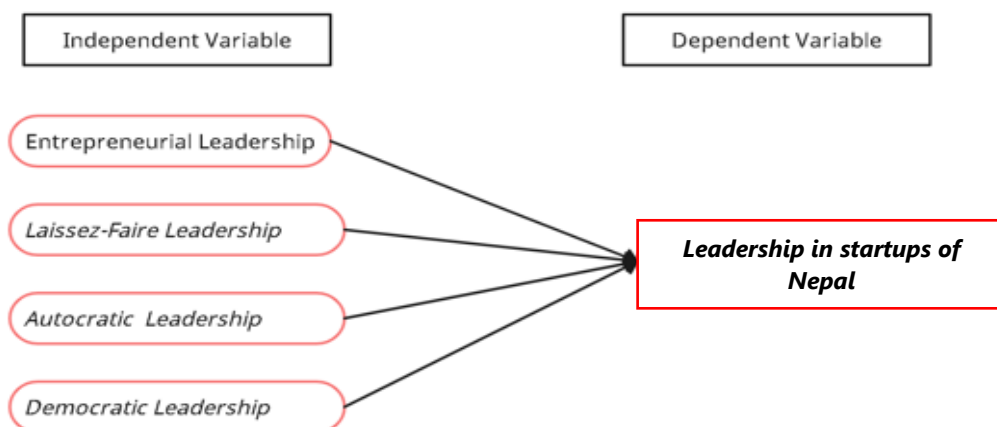


Figure 1. Research Framework

Pearson Correlation Test (2-tailed)

The power and direction of the linear relationship between the two variables was demonstrated using correlation analysis. Table 1 indicates that there were no missing data (n=80), and as all p-values were less than 0.01 at the 95% level of confidence, all were considered statistically significant.

Based on the Pearson correlation, every association had a positive direction. According

to Pallant (2011), there was a significant correlation ($r=0.659$) between the two independent variables “Democratic” and “Entrepreneurial”.

From Table 1 we can see there is a strong correlation between independent variable i.e. “Laissez” and dependent variable i.e. “Leadership in startups of Nepal”.

Table 1. Correlation between variables

		Correlations				
		Democratic	Autocratic	Laissez	Entrepreneurial	Leadership
Democratic	Pearson Correlation	1	-.294**	.343**	.815**	.589**
	Sig. (2-tailed)		.008	.002	.000	.000
	N	80	80	80	80	80
Autocratic	Pearson Correlation	-.294**	1	.413**	-.195	.286*
	Sig. (2-tailed)	.008		.000	.083	.010
	N	80	80	80	80	80
Laissez	Pearson Correlation	.343**	.413**	1	.317**	.609**
	Sig. (2-tailed)	.002	.000		.004	.000
	N	80	80	80	80	80
Entrepreneurial	Pearson Correlation	.815**	-.195	.317**	1	.558**
	Sig. (2-tailed)	.000	.083	.004		.000
	N	80	80	80	80	80
Leadership	Pearson Correlation	.589**	.286*	.609**	.558**	1
	Sig. (2-tailed)	.000	.010	.000	.000	
	N	80	80	80	80	80
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

As presented in Table 1, it was observed that there was a direct relationship between the dependent variable and all the independent variables. Laissez was observed to significantly have the strongest correlation with Leadership in Nepal ($r=0.609$, $p=0.000$). There was also significant positive relationship between

Democratic and Leadership in Nepal in ($r=0.589$, $p=0.000$). There was observed a significant positive relationship between Entrepreneurial and Leadership in Nepal ($r=0.558$, $p=0.000$). There was observed a positive relationship between Autocratic and Leadership in Nepal ($r=0.286$, $p=0.000$).

Table 2. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.789 ^a	.623	.603	.37812
a. Predictors: (Constant), Entrepreneurial, Autocratic, Laissez, Democratic				

The strength of the correlation between the model and the dependent variable is reported in the model summary table. The linear correlation between the dependent variable's observed and

predicted values is known as the multiple correlation coefficient, or R. The dependent variable's values are well correlated with those predicted by the model (R = 0.789).

Table 3. ANOVA Table

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.739	4	4.435	31.017	.000 ^b
	Residual	10.723	75	.143		
	Total	28.462	79			
A. Dependent Variable: Leadership						
B. Predictors: (Constant), Entrepreneurial, Autocratic, Laissez, Democratic						

The results of the ANOVA test indicates that there is a significant relationship between democratic, Autocratic, laissez and

entrepreneurial with leadership in Nepal, with an F value of 31.017 and a significance of p value =0.000, which is less than 0.05.

Table 4. Regression Analysis Table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.523	.275		1.906	.061
	Democratic	.373	.104	.479	3.589	.001
	Autocratic	.216	.055	.356	3.929	.000
	Laissez	.189	.070	.248	2.694	.009
	Entrepreneurial	.113	.087	.159	1.295	.199
A. Dependent Variable: Leadership						

The regression model is derived from the formula; $Y = 0.523 + 0.373X_1 + 0.216X_2 + 0.189X_3 + 0.113X_4$. The regression model provides statistical control through which the study established the effect of each predictor variable. Holding all variables at zero will result in a positive leadership in Nepal equal to 0.523.

The results also show that the coefficients for each variable are non-zero. This therefore means that all the independent variables affect the response variable. However, since the p-values for laissez, and entrepreneurial are greater than 0.05, these predictors are not very significant. On the other hand, democratic and Autocratic is significant predictors of leadership in Nepal with a p value being less than 0.05.

$P < 0.05$ there is relationship between democratic, Autocratic and leadership in Nepal.

$p > 0.05$ there is no significant relationship between laissez, entrepreneurial and leadership in Nepal.

$P = 0.000$ there is a highly significant relationship between Autocratic and leadership in Nepal.

The multiple regression analysis test (0.000) which is less than the p (0.05) value indicates a positive signification between "Autocratic" and "Leadership in Nepal".

Conclusion

Even though leadership is crucial in startups, the subject has only been covered in a few empirical

studies (Zach & Baldegger, 2017). This research article adds to the theory in this area by identifying the types of leadership style present in the context of Nepalese startups. The main contribution of the study is directed to identification of leadership style present in Nepalese startups. There are some limitations to this study that point to potential directions for further research. First, because startup founders self-reported their experiences, the research's findings are biased in favor of success (Sears, 1983). Second, the small number of respondents from startups and the challenge in gaining access to real time data limit the study (Brush & Vanderwerf, 1992). The companies examined in this research are the only ones whose results are presented. Future research may therefore take into account different company types, leadership styles, and financial data as well as various follower types (based on traits, mindsets, and personalities).

From this research paper it is identified that there is autocratic leadership in the startups of Nepalese Startups.

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