Entrepreneurs as authentic leaders: impact on employees' attitudes

Susan M. Jensen

*Department of Management, College of Business & Technology,
University of Nebraska – Kearney, Kearney, Nebraska, USA, and*

Fred Luthans

*Department of Management, College of Business Administration,
University of Nebraska – Lincoln, Lincoln, Nebraska, USA*

Abstract

Purpose – The leadership of entrepreneurs/business founders, as perceived by their employees, has received limited research attention. Using the Authentic Leadership Model as a guiding framework, this study seeks to provide an exploratory examination of the linkage between employees' perception of the business founder as an authentic leader and the employees' attitudes and happiness.

Design/methodology/approach – Participants are employees ($n = 179$) of 62 newer, smaller businesses. Each business represented in the study had been founded by a single owner still active in the daily operations of the company. Hierarchical linear modeling was used to analyze the two levels of data (individual and business level) gathered in the study.

Findings – As hypothesized, the employees' perception of authentic leadership serves as the strongest single predictor of employee job satisfaction ($t = 6.453$, $p = 0.000$), organizational commitment ($t = 6.665$, $p = 0.000$), and work happiness ($t = 5.488$, $p = 0.000$).

Research limitations/implications – A convenience sampling method limits the generalizability of results. Experimental and longitudinal future research is needed to assess issues of causality as well as the strength and duration of relationships noted. Future research should focus on how the authentic leadership of the founder/entrepreneur impacts not only employee attitudes, but also the performance and long-term viability of the emerging organization.

Originality/value – This exploratory study offers the first application of the Authentic Leadership Model within the context of entrepreneurial ventures, and provides new insights into the relationship between entrepreneur/leader behavior and employee attitudes. Findings indicate that if employees in newer, small organizations view their founder/entrepreneur as an authentic leader, it can have a positive impact on their work-related attitudes and happiness.

Keywords Leadership, Entrepreneurs, Employee attitudes, Small to medium-sized enterprises, Leaders

Paper type Research paper

Creating and sustaining a successful new business venture demands not only vision and financial capital, but also leading others to transform that vision and financial capital into a successful reality. Although the founder of a new venture is most often called an entrepreneur, we argue that when this founder spearheads the development of ideas and resources (especially human resources) into reality and success, then the entrepreneur can also be considered a leader. Researchers have recognized the role of organizational leaders as pivotal in the study of entrepreneurship, since business founders are responsible for the creation of goods and services and the leveraging of

opportunities (Chandler and Hanks, 1994). However, they also note the scholarly field of entrepreneurship has given scant attention to how the leadership behaviors of business founders impact the performance of new business ventures (Daily *et al.*, 2002). On the other side of the same coin, organizational behavior and leadership scholars have given scant attention to the linkage between leadership and outcomes within emerging, smaller firms.

Although one could argue that more focus has been given to leadership than any other concept or process, and the study of entrepreneurship has mushroomed in recent years, the study of entrepreneurs as leaders is a gap in both bodies of knowledge. Even though the call for expanding the study of leadership within the context of newer, smaller, organizations has existed for a number of years (Miller and Friesen, 1984), to date little research has emerged. The purpose of this study is to begin to fill this gap by examining the impact that the emerging process of authentic leadership (Avolio and Gardner, 2005; Avolio and Luthans, 2006; Luthans and Avolio, 2003) may have on the employees of founders of newer, small businesses. After a brief review of the meaning of authentic leadership and its application within the context of relatively new, small businesses, the methods, results and implications of our study of the impact that employees' perceptions of the founder as an authentic leader has on their job satisfaction, organizational commitment, and happiness at work is presented.

What is an authentic leader?

In recent years, positive psychology (Seligman and Csikszentmihalyi, 2000; Sheldon and King, 2001; Snyder and Lopez, 2002) has emerged to counter the prevailing negativity in the field by looking at what is right (rather than dysfunctional) with people, and emphasizing and building strengths rather than trying to fix weaknesses. Luthans (2002a, b, 2003) has proposed that this approach be taken to the field of organizational behavior and with Avolio and colleagues (e.g. Avolio and Gardner, 2005; Avolio *et al.*, 2004; Avolio and Luthans, 2006; Luthans and Avolio, 2003) to leadership, specifically what they call authentic leadership. They define authentic leadership as:

> A process that draws from both positive psychological capacities and a highly developed organizational context, which results in both greater self-awareness and self-regulated positive behavior on the part of leaders and employees, fostering positive self-development. The authentic leader is confident, hopeful, optimistic, resilient, transparent, moral/ethical, future-oriented, and gives priority to developing employees to be leaders (Luthans and Avolio, 2003, p. 243).

Although other conceptualizations of authentic leadership can be found many years ago in the educational literature (Henderson and Hoy, 1983) and in the current popular management literature (George, 2003), this newly emerging theory of authentic leadership is presented by Avolio and Luthans (2006; Luthans and Avolio, 2003) as the confluence of positive organizational behavior (Luthans, 2002a, b, 2003), transformational/full range leadership (Avolio, 1999, 2002) and ethical development (May *et al.*, 2003; Schulman, 2002). It also builds on previous positive (Luthans *et al.*, 2002), transformational (Avolio, 1999, 2002; Avolio and Gibbons, 1988), and moral/ethical (Bass and Steidlmeier, 1999) approaches to leading in today's uncertain and challenging environment. As outlined by Avolio and Gardner (2005) in the June 2005 special issue of *Leadership Quarterly* devoted to the topic of authentic

leadership, the unique challenges facing leaders today demand an examination of the root construct that underlies all positive forms of leadership. Authentic leadership is presented as this basic root construct that creates conditions for higher trust, helps people to build on their strengths and be more positive, to broaden their thinking, to add value and a sense of what is right to their decisions, and to improve the overall performance of their organization over time (Avolio *et al.*, 2004). Therefore, entrepreneurs who display such authentic leadership may be better equipped to withstand the challenges typically faced by new business ventures, have a positive impact on employees doing the work, and realize the full potential of their vision.

Today's era of intense global competition makes a skilled and motivated workforce an essential component for survival and growth (Hamel, 2000; O'Reilly and Pfeffer, 2000) and provides credence to the assertion that the critical factor in gaining competitive advantage is likely to come from the human side of organizations (Argyris, 1993; Hitt and Ireland, 2002; Pfeffer, 1998). Greater focus on the human resources and capacities within new ventures may in fact enhance the ability to predict and support entrepreneurial success, as suggested by Cooper (1993) in his call for additional research on the behavioral characteristics of entrepreneurs.

Further, the dynamic work environment in which today's entrepreneurs operate, characterized by economic malaise and a growing concern for business ethics, makes such authentic leadership even more critical. As cryptically stated by Tom Peters (2001), the late 1990s may have reflected a "promise them everything pitch", but the current decade is deemed to be the "age of no-bull performance". Accordingly, leadership has emerged as one of the most important elements of any business, large or small. During these challenging times, when the rules of business seem to be constantly changing, people increasingly look to their leaders for authentic direction and guidance. Especially for a new business venture, the founder/entrepreneur establishes the vision and rules of operation and charts the course of direction for the new company. However, even though the entrepreneur plays a critical role, it is still the employees who must translate and make the founder's vision and policies a reality for sustainable growth and success. In other words, this is where entrepreneurs become leaders of their employees.

We propose that the emerging Authentic Leadership Model (Avolio *et al.*, 2004; Avolio and Luthans, 2006; Luthans and Avolio, 2003) can provide a comprehensive, theory-driven framework for studying the entrepreneur as a leader, with the focus on the antecedents, self-regulatory processes, and outcomes of authentic leader behavior. Figure 1 shows this authentic leadership theoretical model adapted for this study. Applying this authentic leadership process within the context of newer, small firms
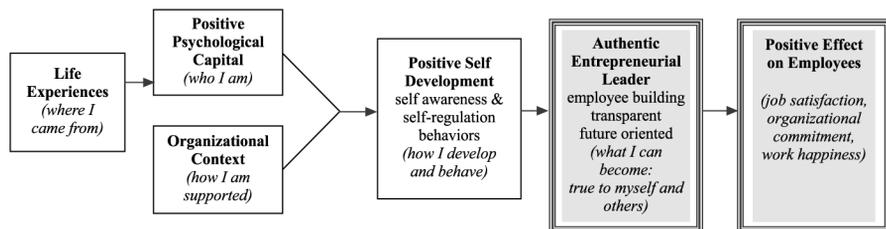

Figure 1.
Authentic leadership conceptual model of Avolio and Luthans (2006) adapted for the study

may enhance our understanding of the dynamics of new venture performance and address the broad research question of how the leadership behaviors of business founders/entrepreneurs impact the attitudes and happiness of their employees.

Taking a holistic view, the authentic leadership model as shown in Figure 1 acknowledges the importance of life experiences (i.e. "where I came from", e.g. family and work experiences), the organization environment or context (i.e. "how I am supported", e.g. the physical and financial resources, and a strength-based organizational culture), and positive psychological capital (i.e. "who I am", e.g. the levels of confidence, hope, optimism, and resiliency (see Luthans *et al.*, 2004; Luthans and Youssef, 2004; Luthans *et al.*, 2007). As shown in Figure 1, these factors serve as antecedents to authentic leadership behavior. Specifically, a leader deemed authentic by employees is one who is perceived as striving to create a transparent, future-oriented, and associate-building organization. This study is the first to begin to examine the proposed link between these perceptions of authentic leadership and the work attitudes and happiness of employees within the context of newer, smaller business ventures.

Entrepreneurs as leaders

The practice-oriented, popular literature gives considerable attention on how best to motivate and lead the members of a new business. There are many articles that address leadership issues faced by business founders, including the difference between managing and leading (Robbins, 2002), ways to become a caring leader (Davis, 2002), how to cultivate the trust of employees (Hiam, 2002), and how to lead a growing business (Hamm, 2002). However, a review of the academic research literature indicates that while the skills and abilities demanded of entrepreneurs have been explored (e.g. Eggers and Smilor, 1996), leadership issues have received very little attention. Exceptions include arguments for studying emerging organizations to enhance understanding of the development of human and intellectual capital (Shane and Venkataraman, 2000; Zahra and Dess, 2001) and Chandler and Hanks's (1994) study that revealed a business founder's demonstrated leadership ability (i.e. managerial competencies) is deemed critical by venture capitalists and that it is essential for founders to be able to work with, understand, and motivate others to work toward congruent goals.

By the same token, just as entrepreneurship scholars have yet to focus significant attention on leadership, organizational behavior and leadership scholars have similarly given relatively little attention to entrepreneurs and small business owners as leaders (see Cogliser and Brigham, 2004). The exceptions include Baum *et al.* (1998), who demonstrated the importance of the business founder's ability to communicate a clear vision to employees, and Ardichvili *et al.* (1998) who applied organizational behavior theories to the entrepreneurial context in their examination of the leadership styles and management practices of Russian entrepreneurs. Furthermore, Gartner *et al.* (1992) have emphasized that much can be gained from studies like those by Baum *et al.* (1998) and Ardichvili *et al.* (1998) that integrate the interests of entrepreneurship, leadership, and organizational behavior. The study of organizational leadership traditionally has viewed an organization as a "given", a big or small, established or newly emerging entity that consists of ongoing patterns of interlocked behaviors (Weick, 1979). Gartner *et al.* (1992) urge that by viewing entrepreneurship as the process of emergence, an

entrepreneurial focus can enhance the understanding of how those observed patterns of interlocked behaviors are, in fact, generated and sustained.

In his seminal work, Schein (1983) demonstrated the key role played by the founder in establishing the culture of an organization. Kets de Vries and Miller (1986) also stress the integral relationship between "executive personality" and the strategic orientation of organizations. A number of studies over the years have demonstrated the profound impact the founder has in supplying human and financial capital (e.g. Gimeno *et al.*, 1997) and in determining the strategies for the venture (e.g. Harris and Ogbonna, 1999). The socialization processes that shape organizational formation have also been discussed from the founder's perspective (Starr and Fondas, 1992).

Even though the founder/entrepreneur has justifiably received significant attention in the organizational culture, strategy, and entrepreneurship literature, other than the study of leadership in family owned businesses which has a predominant focus on management succession issues (e.g. Spinelli and Hunt, 2000) and research focused on top management teams (e.g. Ensley and Pearce, 2001), very little indirect and no direct research attention has been given to the founder as a leader affecting the work attitudes and happiness of his/her employees. Studies have examined an entrepreneur's interaction with those outside the venture, including investors (e.g. Ehrlich *et al.*, 1994), consultants (e.g. Chrisman, 1999), and cooperative arrangements between new venture firms (e.g. McGee *et al.*, 1995), and have stressed the benefits of effective networking (e.g. Dubini and Aldrich, 1991). However, exploring the founder/entrepreneur of a small emerging firm as a leader has yet to be a major area of study.

This study begins to fill this void. Again, using emerging authentic leadership as the theoretical framework, this study examines employees' perceptions of those who founded and now manage their small, newer firms. Specifically, the relationship between employees' perception of the authentic leadership of the founder/entrepreneur and the employees' work-related attitudes and happiness are examined.

Authentic leadership in the context of newer, small firms

Applying the Authentic Leadership Model (Avolio *et al.*, 2004; Avolio and Luthans, 2006; Luthans and Avolio, 2003) to the context of relatively recent small business ventures is proposed as a way to draw from and integrate the strengths of the organizational behavior, leadership, and entrepreneurship fields of study. As highlighted in a review by Daily *et al.* (2002), entrepreneurial settings provide a venue where the impact of leadership is likely to be most pronounced, yet there still exists a lack of research that explores the relationship between leadership and employee attitudes in emerging firms. Avolio *et al.* (2004) suggest that authentic leadership may be most impactful within organizational contexts characterized as "simple structures" (Mintzberg, 1979) that are highly organic with little formalization and are best described as a "nonstructure" with a strong leader in charge. The business ventures examined in this study are consistent with this simple structure depiction, with the business founders playing a very visible and usually dominant role in their ongoing interactions with employees as part of the daily operations of the organization.

Avolio and Luthans's (2006) description of authentic leaders, and their "cascading and contagion effect", seem ideally suited for the challenges faced by founders of small, new business ventures. Authentic leaders in this context are what Sexton and Bowman

(1985) call an entrepreneur that is a "capable executive and more". For example, an entrepreneur who is an authentic leader as defined here would be one who holds the core belief that not only does every individual within the organization have something positive to contribute, but also that the ability to identify and help employees build upon those individual strengths is fundamental. These efforts could then enable employees to complement the founder/leader and accelerate the growth of the organization. A recent study by Wiklund *et al.* (2003) suggests that business owners' concern for employee well-being significantly influences those owners' attitudes toward business growth. Those who expect that growth will deteriorate the work environment of the smaller, emerging business were found to have a negative attitude toward growth. Authentic leadership is argued to make a fundamental difference in organizations by helping people find meaning and connection at work in part by fostering an inclusive structure and supportive work environment for both leaders and followers (Avolio and Gardner, 2005). Examining authentic leadership development within the context of newer, smaller companies may, therefore, shed light on how entrepreneurs can more fully exploit potential opportunities for growth.

Authentic entrepreneur leaders also lead from the front, serving to model the behavior that inspires their employees, and recognize that task accomplishment and associate development are intertwined. In his argument as to why entrepreneurs are often unable to "scale", Hamm (2002) offers examples of founders whose narrow task focus caused their firms to flounder. The conventional wisdom that rapidly growing new firms quickly outgrow the founder's managerial capacity, however, was challenged by Willard *et al.* (1992). Results from their empirical study of founder-managed and professionally managed firms did not indicate any significant differences in performance. Asserting that their study dispels any notion of "founder's disease", Willard *et al.* (1992) note that many founders can and do manage growth successfully. While their study focused on financial performance outcomes and did not specifically address leadership styles and impact on employees, the findings beg the question as to whether the processes used in the most successful firms (both founder and professionally managed) may have reflected an authentic leadership perspective that served to support the ability to manage organizational growth. Moreover, examining the sustainability of these start-ups over time, and identifying factors that make a difference in maintaining consistent growth and performance, remain open questions for future research.

Authentic leaders are also described as having developed the moral capacity to judge issues, explore dilemmas from multiple angles, and identify ways to address issues without being perceived as disingenuous (Avolio and Gardner, 2005; Avolio and Luthans, 2006; Luthans and Avolio, 2003). These represent critical capacities for new organizations finding their way through oftentimes ambiguous and uncertain decisions. For example, in their discussion of ethical climates, Dickson *et al.* (2001) assert that leader behavior is the most important factor that determines the climate regarding ethics within an organization. They state that leaders serve to either bring out or suppress the tendencies of organizational members to behave in an ethical or unethical fashion, which is clearly consistent with Avolio and Luthans's (2006) assertion that the authentic leader's modeling influence inspires others to action. Just as Schein (1983) discussed the primacy of the founder in creating the culture of an

organization, a leader who "walks the talk" has been shown to be much more effective in influencing others than by coercing or persuading (Quinn *et al.*, 2000).

Leadership is widely viewed as an interactive process, dependent upon both leaders and followers (Graen and Scandura, 1987) and an entrepreneur is often described as a leader who must define a vision of what is possible and attract people to rally around that vision and transform it into reality (Kao, 1989). Moreover, entrepreneurs need to sustain and grow the commitment to the organization as it evolves over time. Hinterhuber and Krauthammer (1998) assert that in today's turbulent environment, which demands not only continual innovation but radical improvements in all stakeholders' satisfaction, leadership is more critical than ever for entrepreneurs. Arguing for the cultivation of the leader's well-being and the importance of self-awareness, Hinterhuber and Krauthammer (1998) state that leadership stands on three pillars:

(1) envisioning;

(2) being an example; and

(3) increasing the value of the firm.

They further state that employees' entrepreneurial independence and strength (which is fostered and further developed by the entrepreneur/leader) acts as a multiplier that, in turn, increases the leader's ability to lead. This premise is consistent with our proposed authentic entrepreneur/leader perspective, which asserts that authentic leadership demands inner strength, visibility, credibility, dedication to a shared purpose, personification of values and principles, courage, humility, and respect for others.

In summary, using the authentic leadership theory as proposed by Avolio, Luthans and colleagues as a guiding framework, this study explores how a founder's/entrepreneur's authentic leadership (as perceived by employees) may be positively linked to the job satisfaction, organizational commitment, and work happiness of his/her employees in newer, small firms. Research indicates that when employees are treated in a fair and caring manner, they are more committed and more likely to have positive attitudes (Dirks and Ferrin, 2002; Rhoades *et al.*, 2001). As this authentic leadership model is based on the tenet of building a strong organization with employees dedicated to the founder's vision, the following three hypotheses were developed to test the relationships between perceived entrepreneur-leader authenticity and employees' work attitudes:

H1. Employees' organizational commitment is positively related to the perceived authenticity of their entrepreneur-leader.

H2. Employees' job satisfaction is positively related to the perceived authenticity of their entrepreneur-leader.

H3. Employees' work happiness is positively related to the perceived authenticity of their entrepreneur-leader.

Research design and measures
Study sample
In an effort to more fully capture the "emerging" context of the venture, active efforts were made to include participants for the study sample from businesses that had not

been in operation very long. According to the US Small Business Administration (Boden, 2000), fewer than 50 percent of all new ventures survive past five years, and only 25 percent make it to their tenth anniversary; therefore, we used purposive sampling to identify firms that had been in business less than ten years.

Inquiries were mailed to 148 businesses located primarily in the Midwest. Once the owner/founder agreed to participate and provided the necessary information, copies of the confidential survey were addressed to the individual employees of the participating firm, using the business address. All these individuals were told that their participation was voluntary and signed off on the approved Institutional Review Board form. To protect participant anonymity, postage paid envelopes were provided so that surveys could be returned directly to the researcher. The business founder was also asked to complete a survey which called for basic information on the company as well as self-evaluations of the founder's authentic leadership (using the same scales as that included on the associate survey). Only those businesses for which both the owner survey and a majority (51 percent) of employee surveys were received are included in our final study analysis.

In all, 62 businesses (representing a total of 179 employees and 62 business owners) are included in this study, including retailers (51 percent of the study sample), service businesses (41 percent) and manufacturers/wholesalers (8 percent). Half of these firms had been in operation for five years or less, and almost all were less than ten years old. Most (82 percent) businesses had fewer than six full-time employees, with an average of 3.6 employees for the firms included in the study. Each business had been founded by a single majority owner who was still active in the daily operations of the company.

These business founders included both males (57 percent) and females (43 percent), ranging in age from 26 to 77 years (with a mean age of 44 years). Most (82 percent) had attended college, and the total business experience of these founders ranged from one to 40 years (with a mean of 17 years); however, most (58 percent) had launched just this current business venture in their lifetime. The employees surveyed included both females (69 percent) and males (31 percent), ranging in age from 19 to 76 years (with a mean age of 38 years). Most (92 percent) employees had no familial relation to the business owner, and the employees' mean employment tenure with the business surveyed was 3.91 years.

Measures of employee attitudes

Employee commitment. The organizational commitment of employees was assessed using a 27-item measure which included the 24-item commitment scale developed by Allen and Meyer (1990), along with a three-item scale adapted from Hom *et al.* (1984) that measures employees' intentions to leave the organization. These measures have been demonstrated to be valid and reliable (e.g. Meyer *et al.*, 1990). The measure of associate commitment demonstrated a 0.82 coefficient alpha in this study.

Job satisfaction. A three-item scale, adapted from Hackman and Oldham's (1980) work design measure, was used to assess associate work satisfaction ($\alpha = 0.93$).

Work happiness. Diener's (2000) definition of subjective well-being (happiness) goes beyond attitudes to include work emotions and a cognitive process that results in a sense of well-being. More encompassing than job satisfaction (which is associated only with one's particular job), work happiness considers a broader sense of well-being in the workplace. The standardized measure developed by Fordyce (1988), which

captures both the frequency and magnitude of happiness, was used to assess work happiness ($\alpha = 0.72$).

Measure of authentic leadership

As described, an authentic leader creates a future-oriented, moral, follower-building organization (Avolio *et al.*, 2004; Avolio and Luthans, 2006; Luthans and Avolio, 2003). Thus, in this study the perceptions of authentic leadership reflect the respondents' assessments regarding how frequently the business founder engages in such authentic leadership behaviors, as well as the future orientation and ethical climate the leader creates within the organization. This approach is consistent with Henderson and Hoy's (1983) study that examined teachers' perceptions of the authentic leadership displayed by school principals. Our study employed a multiple measures approach with widely recognized standardized scales measuring leader authentic-like behaviors, future orientation, and ethical climate. As this study represents an early and beginning effort to apply the authentic leadership approach, no unified measure of authentic leadership was available for use; therefore, standardized scores on each component of authentic leadership (as described below) were summed to create an overall authentic leadership score.

Leadership behaviors. To measure leadership behaviors deemed authentic, a panel consisting of the researchers and the primary developer of the instrument selected 30 relevant items from the Multifactor Leadership Questionnaire Form 5-X (Bass and Avolio, 1993). Employees assessed the observed behavior of the business founder, indicating the frequency, for example, that the founder "considers the moral and ethical consequences of decisions", "helps employees develop their strengths", "talks optimistically about the future", and "goes beyond self-interest for the good of the organization". Employees also indicated their perceptions as to how frequently the employees within the organization "can see their best ideas being implemented", "feel they are treated with respect", and other items relevant to conceptualization of authentic leadership shown in Figure 1. A Cronbach's alpha of 0.95 was found for this measure.

Future orientation. The degree to which an organization demonstrates proactive, risk-taking, innovative tendencies has been described as organizational entrepreneurship (Covin, 1991). As an authentic leader is described as one that creates a future-oriented organization, the proactiveness scale of Knight's (1997) ENTRESCALE measure was used to assess this tendency. The six items reflect proclivity toward new techniques (e.g. "the founder of this firm favors a strong emphasis on innovations"), competitive posture (e.g. "in dealing with competitors, my firm typically avoids competitive clashes, preferring a live and let live approach"), risk-taking activity, environmental boldness, and decision-making style. These items are averaged to create a single indicator of future-orientation and organizational entrepreneurship ($\alpha = 0.84$).

Ethical climate of the organization. Victor and Cullen's (1988) Ethical Climate Questionnaire (ECQ) was used to evaluate the ethical climate of the organization. The 26-item instrument asks participants to evaluate the climate of their organization by stating the degree to which a series of statements describing their firm are true or false, along a six-point Likert-type scale ($0 =$ completely false, $5 =$ completely true). ECQ scores reveal strength of ethical climate along five dimensions: instrumental, caring,

independence, rules, and law/code. As the authentic leadership model is based on the tenet of building an ethical organization concerned with the needs and development of both followers and leader, a "caring" ethical climate holds strong face validity for the concept of authentic leadership, with its descriptors such as "the most important concern here is the good of all people in the company" and "in this company, people look out for each other's best interests". Alternatively, an "instrumental" ethical climate as portrayed by Victor and Cullen (1988) would appear least consistent with authentic leadership, based on the descriptors used such as "in this company, people are mostly out for themselves" and "people are expected to do anything to further the company's interests, regardless of the consequences". Thus, for the measure of authentic leadership, only the caring and the reverse scored instrumental scale items were used ($\alpha = 0.81$).

Control variables
Since the Authentic Leadership Model (Avolio *et al.*, 2004; Avolio and Luthans, 2006; Luthans and Avolio, 2003) provides a holistic view of the leadership process, to more readily isolate the relationships between perceptions of the authentic entrepreneur-leader and employees' attitudes and happiness, it was necessary to incorporate a number of control variables. Data were collected for those variables related to both the entrepreneur-leader and employee demographic characteristics (age, education, gender, ethnic orientation, prior experience, familial relationship between entrepreneur-leader and associate); and business characteristics (years in operation, industry, number of employees, whether the business was described by the entrepreneur-leader as "growth oriented" or a "lifestyle choice to provide a living wage for you").

Analysis approach
Hierarchical linear modeling (HLM) was used to analyze the two levels of data (individual and business level) gathered in this study. As outlined by Hofmann (1997), organizations are inherently nested entities, and hierarchical linear models provide the conceptual and statistical approach needed to investigate the influence of phenomena within these entities at different levels of analysis. Due to the nested nature of organizations, it is clear that variables at one hierarchical level (e.g. size of business) can influence variables at another hierarchical level (e.g. individual job satisfaction). It has been noted that macro researchers tend to make predictions of organizational performance by treating individuals as "black boxes", while micro researchers study behavior as if it is devoid of context (House *et al.*, 1995). A meso paradigm is suggested (House *et al.*, 1995; Pervin, 1989) to capture not only individual attributes but also the context in which those individuals operate. Hierarchical linear models allow examination of both individual and business level variance in individual outcomes, overcoming the limitations of dealing with multi-level data by disaggregating or aggregating the data (Hofmann, 1997).

Therefore, an "intercept-as-outcomes" model was used for analysis, which included level 1 (individual) models and level 2 (business) models. The level 1 models include predictors for each individual associate within that particular business, with the employees' perception of authentic leadership serving as the independent variable, and includes as covariates the employees' age, gender, ethnicity, education level, years

employed by the business, and familial relationship with the entrepreneur-leader. The employees' job satisfaction, organizational commitment, and work happiness are treated as dependent variables in the level 1 model. The level 1 model is:

$$DV = \beta_0 + \beta_1 \text{ (employee perception of authentic leadership)} + \beta_2 \text{ (employee age)}$$

$$+ \beta_3 \text{ (employee education)} + \beta_4 \text{ (employee gender)}$$

$$+ \beta_5 \text{ (employee tenure with business)}$$

$$+ \beta_6 \text{ (employee familial relationship with founder)} + r.$$

The level 2 (business) model then incorporates the intercepts and slopes derived from the level 1 analysis, and includes the business level variables as covariates, including the entrepreneur-leader's age, gender, ethnicity, education level and years of industry experience, and the size, age, and type of business. The level 1 slopes are not allowed to vary across businesses as shown in the level 2 models. The leader/business variables included in the level 2 models are added as covariates with respect to the level 1 intercept in order to control their effect on the dependent variables (i.e. associate job satisfaction, organizational commitment, and work happiness). The level 2 model is:

$$\beta_0 = \gamma_{00} + \gamma_{01} \text{ (founder age)} + \gamma_{02} \text{ (founder education)} + \gamma_{03} \text{ (founder gender)}$$

$$+ \gamma_{04} \text{ (founder experience)} + \gamma_{05} \text{ (age of business)} + \gamma_{06} \text{ (size of business)}$$

$$+ \gamma_{07} \text{ (type of business)} + u_0.$$

Hierarchical linear modeling uses a generalized least squares (GLS) estimate for the fixed effects (i.e. parameter estimates that do not vary across groups), which yields more precise estimates of the dependent variable (Hofmann, 1997). This HLM analysis approach, therefore, is most appropriate for use in examining the impact of employees' perception of authentic leadership on the employees' job satisfaction, organizational commitment, and work happiness, after controlling several associate and leader/business covariates. The statistical package SPSS 13.0 was used for the analyses.

Results
The viability of the proposed authentic leadership construct – which reflects the employees' assessment of the leaders' behaviors, and future and ethical orientation – was examined. Exploratory factor analysis (using principal components and Varimax rotation) suggests that the combined 46 items measuring authentic leadership loaded on four factors (leadership behavior, future orientation, caring ethical climate, and instrumental ethical climate), which collectively explained 53 percent of the variance. Further, as a way to augment and examine convergence with the employees' assessment, the founding entrepreneur of each business ($n = 62$) was also asked to self-assess his/her authentic leadership using the same measure with modified language from "your leader" to "self". A significant positive correlation ($r = 0.35$,

$p < 0.01$) was found between the leaders' self-assessment of authentic leadership and that reported by their employees.

Table I provides statistical data on the study variables. As expected, the relationships between the dependent measures were significant. Associate job satisfaction demonstrated a significant positive correlation to organizational commitment ($r = 0.48$, $p < 0.01$) and work happiness ($r = 0.41$, $p < 0.01$). Associate commitment and work happiness also were significantly related ($r = 0.30$, $p < 0.01$). These relationships provide evidence of convergent and, because they are only moderately correlated, also discriminant, i.e. construct validity, of the dependent measures.

To explore the extent to which a common source/rater effect was present, Harman's one factor test (Podsakoff *et al.*, 2003) was used. Exploratory factor analysis was performed by entering all the scales used in this study, to determine whether a single general factor explained most of the variance among all scales. The factor analysis indicated that the general factor explained 23 percent of the total variance, indicating only modest evidence of common source/method bias. There also remains the possibility that the respondents were not representative of the population from which the sample was derived. Comparison of the non-respondent businesses to those who participated in this study, however, indicated no systematic difference with respect to the industry, size (i.e. number of employees), and age of the business, nor age and gender of the participants.

As hypothesized, the employees' perception of the authenticity of their entrepreneur-leader was found to be positively related to the employees' reported

Variable	n	Mean	SD	1	2	3
1. Employee perception of authentic leadership	172	1.71[a]	3.31[a]			
2. Employee job satisfaction	177	16.55	3.48	0.41[*]		
3. Employee organizational commitment	176	105.81	21.32	0.48[*]	0.48[*]	
4. Employee work happiness	179	71.54	14.59	0.39[*]	0.41[*]	0.30[*]
		Mean	SD	Mean	SD	
Component	n	(raw)	(raw)	(transformed)	(transformed)	
LEAD	176	66.98	22.55	0.6425	1.55	
CARING	177	24.96	4.80	− 0.3924	1.12	
INSTRUM	176	13.82	5.59	0.2577	0.90	
FUT	179	23.46	7.29	− 0.3766	0.95	

Notes: [a]Employee perception of authentic leadership variable represents a composite of the founder's displayed leadership behaviors (LEAD), future orientation (FUT), caring ethical climate (CARE) and instrumental ethical climate (INSTRUM), with each component equally weighted. The employee scores for these variables were transformed based on the standardized means and standard deviations of the founder self-assessment scores (to enable meaningful comparison between founder and associate perceptions), and then summed to create the composite variable for the employees' perception of authentic leadership. Descriptive statistics for each component of the employee perception of authentic leadership variable (both raw score and transformed score) are detailed in the bottom half of the table. [*]Correlation is significant at the 0.01 level (two-tailed test)

Table I.
Means, standard deviations and correlations of study variables

job satisfaction ($r = 0.41$, $p < 0.01$), organizational commitment ($r = 0.48$, $p < 0.01$), and work happiness ($r = 0.39$, $p < 0.01$).

The estimates of fixed effects are shown in Table II. As expected, the employees' perception of authentic leadership serves as the strongest single predictor of associate job satisfaction ($t = 6.453$, $p = 0.000$), organizational commitment ($t = 6.665$, $p = 0.000$), and work happiness ($t = 5.488$, $p = 0.000$), above and beyond that provided by characteristics of the employees, the entrepreneur-leader, and the business itself. Employee gender does indicate a statistically significant ($p < 0.01$) fixed effect on employee work happiness ($t = 3.17$, $p = 0.002$); however, this effect is smaller than that indicated for employee perception of authentic leadership.

Further, an examination of the commitment subscales indicated that the associate perception of authentic leadership yielded the strongest correlation with the affective dimension of organizational commitment ($r = 0.64$, $p < 0.01$) rather than the normative ($r = 0.38$, $p < 0.01$) or continuance ($r = -0.02$, $p > 0.05$) dimensions. This suggests that those employees who perceive higher levels of authentic leadership in their organization may remain with that organization largely because they want to, rather than through a sense of need or obligation (Allen and Meyer, 1990).

Discussion

To date, both the fields of entrepreneurship and leadership have given relatively little research attention to how, and even if, business founders/entrepreneurs impact the perceptions of their employees and their work attitudes and performance. While studies have looked at demographic variables such as the age, gender, education, experience, and even motivational constructs of entrepreneurs' impact on employees, the challenge of predicting newer, small firm outcomes remains great, in part because it has been suggested we are not measuring the right things (Cooper, 1993). By using the theory-driven framework of authentic leadership, this study addresses Cooper's (1993) call for greater focus on the linkages between venture characteristics such as the human resources and business founders' behavioral characteristics. The results of this study provide at least initial empirical support for the positive impact that the entrepreneur-leader's perceived authenticity may have on their employees' work-related attitudes and happiness.

This study only found that employees who perceived their entrepreneur/leader to be more authentic had correspondingly higher levels of organizational commitment, job satisfaction, and work happiness. However, by extension, meta-analysis has clearly demonstrated a positive link between such employee attitudes and business-unit outcomes such as productivity, customer satisfaction, profit, and employee safety (Harter *et al.*, 2002) and overall job performance (Judge *et al.*, 2001). This suggests that the perceptions of authentic leadership may not only positively affect employee work attitudes and happiness, but may also at least have an indirect impact on venture performance. Authentic leadership theory asserts that the self-awareness and shared beliefs of leaders and followers play a key role in supporting the sustained veritable performance of an organization (Avolio and Gardner, 2005; Avolio *et al.*, 2004; Avolio and Luthans, 2006). This study cannot make conclusions about venture performance, but the next step for future research would be to focus on how the authentic leadership

Parameter	Estimate	t	95% confidence interval	
			Lower bound	Upper bound
Dependent variable: employee job satisfaction				
Employee perception of authentic leadership	0.5015	6.453 ($p = 0.000$)	0.3477	0.6556
Employee characteristics				
Age	− 0.0005	− 0.022 ($p = 0.983$)	− 0.0439	0.0430
Education	− 0.1124	− 0.851 ($p = 0.396$)	− 0.3736	0.1487
Gender	− 0.6818	− 0.966 ($p = 0.336$)	− 2.078	0.7148
Tenure with business	− 0.0024	− 0.076 ($p = 0.940$)	− 0.0642	0.0594
Related to founder	− 0.7784	− 0.797 ($p = 0.427$)	− 2.708	1.1515
Founder characteristics				
Age	0.0436	1.455 ($p = 0.159$)	− 0.0184	0.1055
Education	0.1331	0.951 ($p = 0.346$)	− 0.1478	0.4141
Gender	0.5913	0.758 ($p = 0.451$)	− 0.9654	2.148
Industry experience	− 0.0638	− 1.409 ($p = 0.167$)	− 0.1554	0.0279
Business characteristics				
Age	0.1166	2.290 ($p = 0.034$)	0.0095	0.2236
Size	− 0.1104	− 2.069 ($p = 0.060$)	− 0.2259	0.0052
Type	0.2688	0.422 ($p = 0.676$)	− 1.027	1.5644
Dependent variable: employee organizational commitment				
Employee perception of authentic leadership	2.939	6.665 ($p = 0.000$)	2.0678	3.8110
Employee characteristics				
Age	0.2038	1.685 ($p = 0.094$)	− 0.0352	0.4428
Education	− 1.2493	− 1.696 ($p = 0.092$)	− 2.7048	0.2062
Gender	0.8709	0.218 ($p = 0.827$)	− 7.0071	8.7491
Tenure with business	− 0.0533	− 0.315 ($p = 0.753$)	− 0.3874	0.2809
Related to founder	9.9614	1.843 ($p = 0.067$)	− 0.7186	20.6414
Founder characteristics				
Age	0.1514	0.760 ($p = 0.456$)	− 0.2633	0.5660
Education	− 0.4544	− 0.522 ($p = 0.604$)	− 2.2139	1.3052
Gender	1.945	0.409 ($p = 0.684$)	− 7.5958	11.4851
Industry experience	0.2039	0.708 ($p = 0.484$)	− 0.3838	0.7915
Business characteristics				
Age	0.0593	0.172 ($p = 0.865$)	− 0.6603	0.7789
Size	− 0.1175	− 0.313 ($p = 0.759$)	− 0.9221	0.6872
Type	4.361	1.061 ($p = 0.298$)	− 4.086	12.8084
Dependent variable: employee work happiness				
Employee perception of authentic leadership	1.7996	5.488 ($p = 0.000$)	1.1515	2.4476
Employee characteristics				
Age	0.1215	1.329 ($p = 0.186$)	− 0.0591	0.3021
Education	1.2242	2.215 ($p = 0.028$)	0.1322	2.3162
Gender	9.4302	3.170 ($p = 0.002$)	3.5514	15.3090
Tenure with business	0.1345	1.045 ($p = 0.298$)	− 0.1199	0.3891
Related to founder	− 0.9806	− 0.241 ($p = 0.810$)	− 9.0262	7.0649
Founder characteristics				
Age	− 0.1271	− 0.932 ($p = 0.358$)	− 0.4038	0.1497

(*continued*)

Table II.
Estimates of fixed effects

| Parameter | Estimate | t | 95% confidence interval | |
			Lower bound	Upper bound
Education	− 0.6369	− 1.035 ($p = 0.304$)	− 1.8653	0.5913
Gender	− 5.3082	− 1.564 ($p = 0.122$)	− 12.0617	1.4452
Industry experience	− 0.0360	− 0.179 ($p = 0.859$)	− 0.4401	0.3681
Business characteristics				
Age	0.2104	0.899 ($p = 0.376$)	− 0.2673	0.6881
Size	− 0.4281	− 1.710 ($p = 0.101$)	− 0.9466	0.0903
Type	− 3.1357	− 1.100 ($p = 0.277$)	− 8.8777	2.6063

Table II.

of the founder/entrepreneur may directly impact the performance and long-term viability of emerging organizations.

Like any research, the potential limitations of this study need to be acknowledged. The common source/rater bias was addressed in the results section, but still cannot be completely ruled out as an alternative explanation of the results. Also, because of the reality of this field setting, convenience sampling was necessary, and therefore the generalizability of the results can be questioned. Further, the sampling process used did not enable measuring the perceptions of every associate within every organization, although only those companies in which a majority (51 percent) of employees responded were included in the study. The issue of a potential gender effect also warrants consideration, as the majority (69 percent) of the employees surveyed were female and a significant correlation was found between employee work happiness and gender. Research has also suggested that women leaders may tend toward more a more caring, follower-focused leadership style (e.g. Eagley *et al.*, 2003). The sample of business leaders included in this study included fairly equal representation of men (57 percent) and women (43 percent), but for future research, the gender impact of authentic leadership seems needed.

The reliance on self-reports, lack of social desirability measures, and the cross-sectional research design may limit conclusions about the predictability of the employee attitudes and happiness. However, since this study was concerned with the perceptions of entrepreneur-leaders by their employees, the self-report methodology is reasonable (Schmitt, 1994). However, future research efforts could be strengthened by employing additional data collection methods, such as observation or structured interviews, and explicitly addressing the potential for social desirability bias. Once again, exploring the direct link between employee attitudes and performance outcomes was beyond the scope of this study, but seems needed for future research.

Finally, longitudinal and experimental research is needed to assess issues of causality as well as the strength and duration of the relationship between a business founder's authentic leadership behavior and employee attitudes. Perhaps the satisfaction, commitment, and happiness of employees is what drives the perception of authentic leadership, rather than authentic leadership resulting in an organization of more satisfied, committed, and happy employees. The design of this research study does not permit such analysis or conclusions. Nearly half of the businesses included in this study have been in operation for less than five years. The ability of these firms to

achieve sustained, veritable performance can only be assessed via longitudinal methods.

Conclusion

This exploratory study serves as an initial step toward applying authentic leadership theory to entrepreneurs within the context of newer, smaller firms. While preliminary and limited in scope, the findings suggest the need to acknowledge how the authentic leadership of the founding entrepreneurs (as perceived by their employees within emerging organizations) may significantly impact not only the employees' attitudes, but potentially also the growth and performance of those business ventures.

Moreover, if authentic leadership appears to have a potentially positive impact on newer, smaller ventures, how can entrepreneurs develop and/or strengthen their ability to be authentic leaders?

Avolio and Luthans (2006) caution that authentic leadership development involves complex processes that cannot be reduced to a simple training program. Instead, authentic leadership development is depicted as "life's program" (Avolio, 2005), involving trigger events (both positive and negative) or "moments that matter" as well as ongoing processes between leaders and followers. However, it is also clear there exists a need to more fully understand how to develop authenticity in our leaders and followers, as we "can't afford to wait for life experiences to do it for us" (Gardner *et al.*, 2005, p. 368). For example, a "life-story" self-narrative method advocated by Shamir and Eilam (2005) could offer a viable way for entrepreneurs to develop their authentic leadership capability. This approach is based on authentic leadership being dependent upon the self-relevant meanings leaders attach to their life experiences that are captured in their life story. The leader's life-story then also provides followers with a major source of information on which to base their judgments about their leader's authenticity. Encouraging entrepreneurs to engage in such guided self-reflection and draw personal meanings from their experiences and that of their role models may facilitate greater self-knowledge and clarity and develop their potential to become authentic leaders. Often, programs designed for entrepreneurs have a strong focus on providing tangible information and building technical skills (e.g. how to develop a business plan, basics of cash flow management, regulatory requirements, etc.) with typically no, or very limited, recognition of the leadership challenges associated with starting and effectively managing (especially the human resource side) of a new venture. Expanding entrepreneurial support programs to include a guided life review process (that engages the entrepreneur into drawing a life-line and identifying major events and turning points, then reflecting on them with the help of a facilitator) could prove as beneficial (or possibly more) than the acquisition of specific skills.

The findings of this study indicate the need for continued theory building and research on the implications that authentic leadership may have for effective entrepreneurs/managers. This is especially true for the impact that authentic entrepreneur-leaders may have on their employees. In today's competitive environment, the too often overlooked leadership factor of successful entrepreneurship may turn out to be the key advantage to new venture viability and growth.

References

Allen, N.J. and Meyer, J.P. (1990), "The measurement and antecedents of affective, continuance and normative commitment to the organization", *Journal of Occupational Psychology*, Vol. 63, pp. 1-18.

Ardichvili, A., Cardozo, R.N. and Gasparishvili, A. (1998), "Leadership styles and management practices of Russian entrepreneurs: implications for transferability of Western HRD interventions", *Human Resource Development Quarterly*, Vol. 9, pp. 145-55.

Argyris, C. (1993), *Knowledge for Action*, Jossey-Bass, San Francisco, CA.

Avolio, B.J. (1999), *Full Leadership Development: Building the Vital Forces in Organizations*, Sage Publications, Newbury Park, CA.

Avolio, B.J. (2002), "Examining the full range model of leadership: looking back to transform forward", in Day, D. and Zaccaro, S. (Eds), *Leadership Development for Transforming Organizations*, Lawrence Erlbaum Associates, Mahwah, NJ.

Avolio, B.J. (2005), *Leadership Development in Balance: Made/Born*, Lawrence Erlbaum Associates, Mahwah, NJ.

Avolio, B.J. and Gardner, W.L. (2005), "Authentic leadership development: getting to the root of positive forms of leadership", *Leadership Quarterly*, Vol. 16, pp. 315-38.

Avolio, B.J. and Gibbons, T.C. (1988), "Developing transformational leaders: a life span approach", in Conger, J.A. and Kanungo, R.N. (Eds), *Charismatic Leadership: The Elusive Factor in Organizational Effectiveness*, Jossey-Bass, San Francisco, CA.

Avolio, B.J. and Luthans, F. (2006), *The High Impact Leader: Moments Matter in Accelerating Authentic Leadership Development*, McGraw-Hill, New York, NY.

Avolio, B.J., Gardner, W., Walumbwa, F.O., Luthans, F. and May, D.R. (2004), "Unlocking the mask: a look at the process by which authentic leaders impact follower attitudes and behaviors", *Leadership Quarterly*, Vol. 16, pp. 801-23.

Bass, B.M. and Avolio, B.J. (1993), *Manual: The Multifactor Leadership Questionnaire*, Consulting Psychologists Press, Palo Alto, CA.

Bass, B.M. and Steidlmeier, P. (1999), "Ethics, character, and authentic transformational leadership behavior", *Leadership Quarterly*, Vol. 10, pp. 181-217.

Baum, J.R., Locke, E.A. and Kirkpatrick, S.A. (1998), "A longitudinal study of the relation of vision and vision communication in venture growth in entrepreneurial firms", *Journal of Applied Psychology*, Vol. 83, pp. 43-54.

Boden, R.J. (2000), "Analyses of business dissolution by demographic category of business ownership", report prepared for and funded by the Office of Advocacy of the US Small Business Administration, Washington, DC.

Chandler, G.N. and Hanks, S.H. (1994), "Founder competence, the environment, and venture performance", *Entrepreneurship Theory and Practice*, Spring, pp. 77-89.

Chrisman, J.J. (1999), "The influence of outsider-generated knowledge resources on venture creation", *Journal of Small Business Management*, July, pp. 43-59.

Cogliser, C.C. and Brigham, K. (2004), "The intersection of leadership and entrepreneurship: does leadership have to be entrepreneurship's ugly older stepsister?", *Leadership Quarterly*, Vol. 15 No. 6, pp. 771-99.

Cooper, A.C. (1993), "Challenges in predicting new firm performance", *Journal of Business Venturing*, Vol. 8, pp. 241-53.

Covin, J.G. (1991), "Entrepreneurial versus conservative firms: a comparison of strategies and performance", *Journal of Management Studies*, Vol. 28, pp. 439-62.

Daily, C.M., McDougall, P.P., Covin, J.G. and Dalton, D.R. (2002), "Governance and strategic leadership in entrepreneurial firms", *Journal of Management*, Vol. 28, pp. 387-412.

Davis, P. (2002), "Becoming a caring leader", available at: www.Entrepreneur.com/article/0,4621,303220,00.html (accessed September 2002).

Dickson, M.W., Smith, D.B., Grojean, M.W. and Ehrhart, M. (2001), "An organizational climate regarding ethics: the outcome of leader values and the practices that reflect them", *Leadership Quarterly*, Vol. 12, pp. 197-217.

Diener, E. (2000), "Subjective well-being: the science of happiness and a proposal for a national index", *American Psychologist*, Vol. 55, pp. 34-43.

Dirks, K.T. and Ferrin, D.I. (2002), "Trust in leadership: meta-analytic findings and implications for research and practice", *Journal of Applied Psychology*, Vol. 87, pp. 611-28.

Dubini, P. and Aldrich, H. (1991), "Personal and extended networks are central to the entrepreneurial process", *Journal of Business Venturing*, Vol. 6, pp. 305-13.

Eagley, A.H., Johannesen-Schmidt, M.C. and van Engen, M. (2003), "Transformational, transactional, and laissez-faire leadership styles: a meta-analysis comparing women and men", *Psychological Bulletin*, Vol. 129, pp. 569-91.

Eggers, J.H. and Smilor, R.W. (1996), "Leadership skills of entrepreneurs: resolving paradoxes and enhancing the practices of entrepreneurial growth", in Smilor, R.W. and Sexton, D.L. (Eds), *Leadership and Entrepreneurship*, Quorum Books, Westport, CT.

Ehrlich, S.B., de Noble, A.F., Moore, T. and Weaver, R.R (1994), "After the cash arrives: a comparative study of venture capital and private investor involvement in entrepreneurial firms", *Journal of Business Venturing*, Vol. 9, pp. 67-82.

Ensley, M.D. and Pearce, C.L. (2001), "Shared cognition in top management teams: implications for new venture performance", *Journal of Organizational Behavior*, Vol. 22, pp. 145-60.

Fordyce, M.W. (1988), "A review of research on the happiness measures: a sixty second index of happiness and health", *Social Indicators Research*, Vol. 20, pp. 355-81.

Gardner, W.L., Avolio, B.J., Luthans, F., May, D.R. and Walumbwa, F.O. (2005), "Can you see the real me? A self-based model of authentic leader and follower development", *Leadership Quarterly*, Vol. 16, pp. 343-72.

Gartner, W.B., Bird, B.J. and Starr, J.A. (1992), "Acting as if: differentiating entrepreneurial from organizational behavior", *Entrepreneurship Theory and Practice*, Spring, pp. 13-31.

George, B. (2003), *Authentic Leadership*, Jossey-Bass, San Francisco, CA.

Gimeno, J., Folta, T.B., Cooper, A.C. and Woo, C.Y. (1997), "Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms", *Administrative Science Quarterly*, Vol. 42, pp. 750-83.

Graen, G.B. and Scandura, T.A. (1987), "Toward a psychology of dyadic organizing", *Research in Organizational Behavior*, Vol. 9, pp. 175-208.

Hackman, J.R. and Oldham, G.R. (1980), *Work Redesign*, Addison-Wesley, Reading, MA.

Hamel, G. (2000), *Leading the Revolution*, Harvard Business School Press, Boston, MA.

Hamm, J. (2002), "Why entrepreneurs don't scale", *Harvard Business Review*, December, pp. 110-5.

Harris, L.C. and Ogbonna, E. (1999), "The strategic legacy of company founders", *Long Range Planning*, Vol. 32, pp. 333-43.

Harter, J.K., Hayes, T.L. and Schmidt, F.L. (2002), "Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis", *Journal of Applied Psychology*, Vol. 87 No. 2, pp. 1-12.

Henderson, J.E. and Hoy, W.K. (1983), "Leader authenticity: the development and test of an operational measure", *Educational and Psychological Research*, Vol. 3 No. 2, pp. 63-75.

Hiam, A. (2002), "The secret to entrepreneurial success", available at: www.Entrepreneur.com/article/0,4621,304726,00.html (accessed November 2002).

Hinterhuber, H.H. and Krauthammer, E. (1998), "The leadership wheel: the tasks entrepreneurs and senior executives cannot delegate", *Strategic Change*, Vol. 7, pp. 149-62.

Hitt, M.A. and Ireland, R.D. (2002), "The essence of strategic leadership: managing human and social capital", *Journal of Leadership and Organizational Studies*, Vol. 9, pp. 3-14.

Hofmann, D.A. (1997), "An overview of the logic and rationale of hierarchical linear models", *Journal of Management*, Vol. 23, pp. 723-44.

Hom, P.W., Griffeth, R.W. and Sellaro, C.L. (1984), "The validity of Mobley's 1977 model of employee turnover", *Organizational Behavior and Human Performance*, Vol. 34, pp. 144-74.

House, R., Rousseau, D.M. and Thomas-Hunt, M. (1995), "The meso paradigm: a framework for the integration of micro and macro organizational behavior", in Cummings, L.L. and Staw, B.M. (Eds), *Research in Organizational Behavior*, Vol. 17, JAI Press, Greenwich, CT, pp. 71-114.

Judge, T.A., Thoresen, C.J., Bono, J.E. and Patton, G.K. (2001), "The job satisfaction-job performance relationship: a qualitative and quantitative review", *Psychological Bulletin*, Vol. 127, pp. 376-407.

Kao, R.W.Y. (1989), *Entrepreneurship and Enterprise Development*, Holt, Rinehart & Winston of Canada, Toronto.

Kets de Vries, M.F.R. and Miller, D. (1986), "Personality, culture and organization", *Academy of Management Review*, Vol. 11, pp. 266-79.

Knight, G.A. (1997), "Cross-cultural reliability and validity of a scale to measure firm entrepreneurial orientation", *Journal of Business Venturing*, Vol. 12, pp. 213-25.

Luthans, F. (2002a), "The need for and meaning of positive organizational behavior", *Journal of Organizational Behavior*, Vol. 23, pp. 695-706.

Luthans, F. (2002b), "Positive organizational behavior: developing and managing psychological strengths", *Academy of Management Executive*, Vol. 16, pp. 57-72.

Luthans, F. (2003), "Positive organizational behavior (POB): implications for leadership and HR development and motivation", in Steers, R.M., Porter, L.W. and Begley, G.A. (Eds), *Motivation and Leadership at Work*, McGraw-Hill/Irwin, New York, NY.

Luthans, F. and Avolio, B. (2003), "Authentic leadership: a positive development approach", in Cameron, K.S., Dutton, J.E. and Quinn, R.E. (Eds), *Positive Organizational Scholarship*, Berrett-Koehler, San Francisco, CA, pp. 241-58.

Luthans, F. and Youssef, C.M. (2004), "Human, social, and now positive psychological capital management: investing in people for competitive advantage", *Organizational Dynamics*, Vol. 33, pp. 143-60.

Luthans, F., Luthans, K.W. and Luthans, B.C. (2004), "Positive psychological capital: Going beyond human and social capital", *Business Horizons*, Vol. 47, pp. 45-50.

Luthans, F., Youssef, C.M. and Avolio, B.J. (2007), *Psychological Capital*, Oxford University Press, Oxford.

Luthans, F., Luthans, K.W., Hodgetts, R.M. and Luthans, B.C. (2002), "Positive approach to leadership (PAL): implications for today's organizations", *The Journal of Leadership Studies*, Vol. 8, pp. 3-20.

McGee, J.E., Dowling, M.J. and Megginson, W.L. (1995), "Cooperative strategy and new venture performance: the role of business strategy and management experience", *Strategic Management Journal*, Vol. 16, pp. 565-80.

May, D.R., Chan, A.Y.L., Hodges, T.D. and Avolio, B.J. (2003), "Developing the moral component of authentic leadership", *Organizational Dynamics*, Vol. 32, pp. 247-60.

Meyer, J.P., Allen, N.J. and Gellatly, I.R. (1990), "Affective and continuance commitment to the organization: evaluation of measures and analysis of concurrent and time-lagged relations", *Journal of Applied Psychology*, Vol. 75, pp. 710-20.

Miller, D. and Friesen, P.H. (1984), *Organizations: A Quantum View*, Prentice-Hall, Englewood Cliffs, NJ.

Mintzberg, H. (1979), *Structuring of Organizations*, Prentice-Hall, Englewood Cliffs, NJ.

O'Reilly, C.A. III and Pfeffer, J. (2000), *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People*, Harvard Business School Press, Boston, MA.

Pervin, L.A. (1989), "Persons, situations, interactions: the history of a controversy and a discussion of theoretical models", *Academy of Management Review*, Vol. 14, pp. 350-60.

Peters, T. (2001), "Rule #3: leadership is confusing as hell", available at: www.fastcompany.com/online/44/rules.html (accessed March 2001).

Pfeffer, J. (1998), *The Human Equation: Building Profits by Putting People First*, Harvard Business School Press, Boston, MA.

Podsakoff, P.M., MacKenzie, S.B., Lee, J. and Podsakoff, N.P. (2003), "Common method biases in behavioral research: a critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88, pp. 879-903.

Quinn, R.E., Spreitzer, G. and Brown, M. (2000), "Changing others through changing ourselves: the transformation of human systems", *Journal of Management Inquiry*, Vol. 9 No. 2, pp. 147-64.

Rhoades, L., Eisenberger, R. and Armeli, S. (2001), "Affective commitment to the organization: the contribution of perceived organizational support", *Journal of Applied Psychology*, Vol. 86, pp. 825-6.

Robbins, S. (2002), "The difference between managing and leading", available at: www.Entrepreneur.com/article/0,4621,304743,00.html (accessed November 2002).

Schein, E.H. (1983), "The role of the founder in creating organizational culture", *Organizational Dynamics*, Summer, pp. 13-28.

Schmitt, N. (1994), "Method bias: the importance of theory and measurement", *Journal of Organizational Behavior*, Vol. 15, pp. 393-8.

Schulman, M. (2002), "How we become moral", in Snyder, C.R. and Lopez, S. (Eds), *Handbook of Positive Psychology*, Oxford University Press, Oxford, pp. 499-512.

Seligman, M.E.P. and Csikszentmihalyi, M. (2000), "Positive psychology", *American Psychologist*, Vol. 55, pp. 5-14.

Sexton, D.L. and Bowman, N. (1985), "The entrepreneur: a capable executive and more", *Journal of Business Venturing*, Vol. 1, pp. 129-40.

Shamir, B. and Eilam, G. (2005), "What's your life story? A life-stories approach to authentic leadership development", *Leadership Quarterly*, Vol. 16, pp. 395-417.

Shane, S. and Venkataraman, S. (2000), "The promise of entrepreneurship as a field of research", *Academy of Management Review*, Vol. 25, pp. 217-26.

Sheldon, K.M. and King, L. (2001), "Why positive psychology is necessary", *American Psychologist*, Vol. 56, pp. 216-7.

Snyder, C.R. and Lopez, S.J. (2002), *The Handbook of Positive Psychology*, Oxford University Press, Oxford.

Spinelli, S. and Hunt, J. (2000), "Leadership and entrepreneurial behavior in the next generation of self-described family owned businesses", *Frontiers of Entrepreneurial Research*, Babson Center for Entrepreneurial Studies, Wellesley, MA.

Starr, J.A. and Fondas, N. (1992), "A model of entrepreneurial socialization and organization formation", *Entrepreneurship Theory and Practice*, Fall, pp. 67-76.

Victor, B. and Cullen, J.B. (1988), "The organizational bases of ethical work climates", *Administrative Science Quarterly*, Vol. 33, pp. 101-25.

Weick, K.E. (1979), *The Social Psychology of Organizing*, 2nd ed., Random House, New York, NY.

Willard, G.E., Krueger, D.A. and Feeser, H.R. (1992), "In order to grow, must the founder go: a comparison of performance between founder and non-founder managed high growth manufacturing firms", *Journal of Business Venturing*, Vol. 7, pp. 181-94.

Wiklund, J., Davidsson, P. and Delmar, F. (2003), "What do they think and feel about growth? An expectancy-value approach to small business managers' attitudes toward growth", *Entrepreneurship Theory and Practice*, Spring, pp. 247-70.

Zahra, S.A. and Dess, G.G. (2001), "Entrepreneurship as a field of research: encouraging dialogue and debate", *Academy of Management Review*, Vol. 26, pp. 8-21.

About the authors

Susan M. Jensen is an Assistant Professor of the Management Department at the University of Nebraska – Kearney, teaching courses in entrepreneurship, business strategy, and organizational behavior. She has great appreciation for the challenges faced by entrepreneurs due to her own experience in helping to launch an investment banking firm, and her past experience as Director of the Business Development Center at the University of Nebraska – Kearney. Susan holds a bachelor's degree in business administration from the University of Kansas, an MBA from Washington University in St Louis, and a PhD in organizational behavior from the University of Nebraska. She has published and continues to do research focused on leadership in entrepreneurial firms, and the link between positive organizational behavior and corporate performance. Susan M. Jensen is the corresponding author and can be contacted at: jensensm1@unk.edu

Fred Luthans is university professor and George Holmes Distinguished Professor of Management at the University of Nebraska – Lincoln. A former president of the Academy of Management and recipient of the 1997 Academy Distinguished Educator Award, he is currently editor of *Organizational Dynamics* and co-editor of *Journal of World Business* and *Journal of Leadership and Organizational Studies*. He is the author of *Organizational Behavior* (10th ed., Irwin/McGraw-Hill) and *International Management* (5th ed., Irwin/McGraw-Hill). Professor Luthans has worked on a consulting basis for many top firms and is currently a Senior Research Scientist with Gallup, the world-known polling and consulting firm. His current research interests revolve around the impact of positive organizational behavior and authentic leadership on human resource development and performance.