



# Charismatic Leaders & Innovation

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*Impact of charismatic leaders on the innovation practices  
in the companies they start and lead*

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Submitted to OCAD University in partial fulfillment of the requirements for the degree  
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# Abstract

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The last few decades have seen the rise of a new kind of leader—the charismatic leader. With their radically different vision of the future, strong prophetic statements, and an ability to transform their followers by giving a mission-like meaning to their work, charismatic leaders are particularly suited to the dynamic business environments of today.

This research studies how charismatic leaders influence the culture of innovation in the companies they found and lead, what character traits of charismatic leadership have a positive impact on innovation and which get in the way of innovation. The research also looks at the readiness of the businesses to deal with innovation in the absence of their charismatic founder leaders.

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## Dedication:

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My father, Narendra Kumar Joshi, whose warm company I have missed sorely in the many adventurous journeys of my life.

My children, Zeyn and Iman, who make me stronger, happier, and fulfilled.

# Introduction

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**“When I wasn't sure what the word "charisma" meant, I met Steve Jobs, and then I knew.”**

Larry Tesler, Pioneer of UI, worked at Xerox PARC

**Purpose of study:** How different would our lives be without WhatsApp, Zoom, Facebook, Google or YouTube? In the last few years, entrepreneurship and innovation haven been two engines driving economic development and spurring disruptive social change (Fagerberg, 2004). Some of the most recognised innovators in the world today are highly creative, charismatic leaders (and founders) of technology start-ups like Tesla's Elon Musk, Amazon's Jeff Bezos, Facebook's Mark Zuckerberg, and Alphabet's Larry Page and Sergey Brin. These geniuses continue to transform the world with innovative products, create billions of dollars of wealth for themselves and their shareholders, and enthral the world with their unconventional management style, personal eccentricities, and strong prophetic statements of a vastly better future.

It is not just the idea, but also the execution that is paramount to the success of a start-up, therefore role of leadership is important. Charismatic leadership in start-ups and how that type of leadership drives innovation is an important topic that has received far too little attention. It is pertinent to study the importance of this type of leadership style in start-ups (which typically have a failure rate) to understand why some leaders and teams are highly successful, innovative, and productive and not others.

This paper proposes to discuss what characteristics influence the remarkable innovative streak of businesses under charismatic leaders? Is there a correlation of charismatic leadership with the culture and process of innovation? And because they become synonymous with their

business brands, how equipped are the businesses to deal with innovation in the absence of their charismatic founder leaders?

**Outline:**

Chapter 1 examines the impact of charismatic leadership and highlights the role of media in amplifying the narratives, the moon-shot ideas, and the compelling stories of such leaders and in vastly expanding their influence.

Chapter 2 spells out the research question, and the research design leading to a strategic intervention for charismatic founder-led companies to create sustainable innovation practices.

Chapter 3 examines existing research on charismatic leadership and factors that influence the rise of such leaders in the dynamic business environment of today, specifically start-ups. It will also examine the negative aspects of such leadership in the context of sustainable innovation practices within these businesses.

Chapter 4 captures the insights collected through semi-structured interview and views them in the light of insights gathered from the literature review. New insights that emerge related to CEO personality impact on innovation and succession readiness are also elaborated here. These insights form the basis for creating the solution space.

In Chapter 5 insights collected from the interviews are synthesised to create actionable recommendations for sustainable innovation in companies led by charismatic founder-CEOs.



# 1. Charmed by Charisma

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In September 2019, I enrolled for a Masters in the SFI program at OCADU. My classroom/studio in the Grad Studies building on Richmond West in downtown Toronto overlooked a beautiful 100-year-old legacy building that housed WeWork—the exposed brick structure with its six floors of private offices, *coworking* space and meeting rooms and expansive windows offering a peek into the trendy coworking area with an emphasis on community, an ‘innovation’ amplified by WeWork. In those early days of fall 2019, things at WeWork seemed to be business as usual.

Except they weren’t.

## Charisma and the Fall of 2019

WeWork– rebranded as The We Company (WE) – had filed its IPO paperwork on August 14, 2019, with plans to go public in September. At \$47 billion valuation in August 2019, WeWork was expected to be the second largest IPO of 2019, trailing Uber (Trainer, 2019). However, attempting to go public stirred up a lot of drama involving the finances and leadership of this nine-year-old coworking company (Michel, 2019).

Adam Neumann, the charismatic leader, had designed and built these trendy, coworking spaces (in more than 520 locations) with the help of his relatively low-key co-founder Miguel McKelvey. By opening hundreds of community-oriented office spaces, and later apartments and even a school, Neumann hoped to “elevate the world’s consciousness” and radically change how people live and work. He regularly leveraged big talk, a sweeping vision, and outrageous confidence to seduce investors, customers, and employees to buy into his relatively

unsustainable Big Idea (Kosoff, 2015). Before the end of September 2019, WeWork's IPO was shelved and Neumann had his role reduced to "observer," as he faced questions over his perceived self-dealing, as well as the ability of the fast-growing company to become profitable.

Most news headlines from that time make a mention of the 'charisma' of Neumann:

*"WeWork's prophet has lost his charisma" (Financial times, September 2019)*

*"Curse of the Cult of the Founder" (The Atlantic, September 2019).*

*"WeWork's Adam Neumann: A charismatic leader who took aim at the rulebook" (The Strait Times, September 2019)*

*The New York Times* (Chozick, 2019) described Newman as having 'inexplicably persuasive charisma and a taste for risk'. *The Wall Street Journal* echoed the same: "For startup investors, the 6-foot-5 Mr. Neumann always had the qualities they crave in Silicon Valley founders. He is intensely ambitious and a masterful storyteller with a magnetic personality who can inspire and sell." (Brown, 2019).

Media were the not the only ones charmed, investors were spell bound too. So immense was his self-belief that Neumann had told *Fast Company* (Brooker, 2019), "When Masa chose to invest in me for the first time, he only met me for 28 minutes," referring to his second meeting with Masayoshi Son, the billionaire founder of SoftBank Group Corp. Son and Neumann had first met in India in 2016 at StartupIndia, an event inaugurated by India's Prime Minister Narendra Modi (another Charismatic leader), where they both found they shared a love for taking big risks. In 2017 at their second meeting, Neumann famously spent just 12 minutes walking Son around WeWork's headquarters, prompting an investment of \$4.4 billion (Chozick, 2019)

The same qualities that helped fuel his company's breakneck growth soon started piling up as liabilities. An article in *The Atlantic* (Lowrey, 2019) mentions that Neumann's departure was

seen as a 'significant risk factor' to the company's future. And they were not wrong. Neumann was forced to exit, but even as his company shed value and continues to, Neumann made billions on the exit deal offered to make him step down from the company.

This debacle brought to the fore an interesting debate about personality of leaders in start-ups, particularly 'Charismatic leaders', with their unique ability to create a reality distortion field (Jeakle, 2019). Media had played a big role in amplifying the narratives, the long moonshots and the crazy personalities of these charismatic leaders. And these innovators with their eccentricities had a huge fan-ship, young entrepreneurs with CEO dreams, who were encouraged, excited and entranced by these superstar CEOs.

### **Superstar CEOs and their impact**

My fascination with charismatic leadership in technology goes back to many years before this WeWork fiasco. After training in Vogel Verlag (a B2Bs publishing house) in Munich I returned to India to work in one of the foremost tech magazines in India. That was 1997 and Information Technology was leaving the domain of the esoteric and going mainstream. Social media was taking its first step; blogging sites became popular in 1999. As the world experienced dramatic discontinuities in business, technology leaders were exalted to a messiah-like status; they were projected by the media as makers and shapers of personal and political agendas. The superstar CEO had arrived!

Many years later Michael Maccoby in his landmark article in *Harvard Business Review* referred to the ubiquity of "superstars CEOs such as Bill Gates, Andy Grove, Steve Jobs, Jeff Bezos, and Jack Welch who hire their own publicists, write books, grant spontaneous interviews, and actively promote their personal philosophies. Their faces adorn the covers of magazines like *BusinessWeek*, *Time* and the *Economist* (Maccoby, 2014)".

Sure enough, if you look at the cover pages of TIME magazine from those years—roughly 1990s to 2005—it is evident that the media was fascinated by these visionary technology leaders. The DailyBeast even referred to Steve Jobs as “Media’s favourite ‘Cover boy’”. The list was not limited to technology/business magazines.



Figure 1: Steve Jobs had charmed the popular media (Source: DailyBeast)

A screen grab (below) of the cover of TIME magazine issues from then shows the long stretch of fascination with tech visionary leaders



Figure 2: Technology leaders dominated headlines time and again; a screengrab of TIME magazine covers from 1990s to 2005 featuring technology company founders

Around the same time the “*Think Different*” campaign was promoted on TV and in print via posters (I had two in my room). Created by Apple’s longtime ad agency Chiat\Day, the bold campaign with images of transformational giants like Mahatma Gandhi, Martin Luther King, Jr., and Pablo Picasso, not only rejuvenated Apple, the company, but also placed personal computing as a catalysing metaphor for rebellion, individuality, and change.” (Littman, 2015 June).

This campaign from Apple showed the link between Gandhi, Jimi Hendrix, Albert Einstein and Technology—an ability to ‘think outside the box’. Rule-breaking and unconventionality were framed as technology companies’ contribution to changing the world, and the outcome was success. These new leaders were “advising government on the future of e-commerce, schools on what kids should learn and lawmakers on how to invest the public’s money.” (Maccoby, 2014).

### **Start-ups start up in India**

Steve Jobs in his trademark ‘black turtleneck and blue jeans’ had stoked the start-up dreams among many in my part of the world. India was beginning to get recognised for its technological prowess (riding the back of graduates from the Indian Institute of Technology). Thanks to its population, it was emerging as the largest supplier of low-priced English-speakers willing to work for a fraction of the lowest wage in the western world. India was becoming a destination for ‘call centres’ and ‘technology back offices’, jobs from the more advanced world were ‘getting Bangalored’ (Source: Urban Dictionary)

Start-up activity, which had until now largely been associated with Silicon Valley, made inroads into India with its promise of billions of customers, low mobile data rates and increasingly well-to-do and well-educated upper middle class. For the start-up ecosystem in India, 2014 was an action-packed year with a whopping \$5.2 Billion in funding pumped into over 300+ deals

(Utkarsh, 2019). India's home-grown Flipkart with its two geeky IIT graduate founders became the second most valuable private company in the world!

The new Indian start-up leaders were visionary and larger than life too. Many fledgling entrepreneurs emerged as charismatic leaders with thriving successful businesses. I worked with one such charismatic leader (and serial entrepreneur) who grabbed national headlines even though we were based in India's smallest state. Like WeWork (and almost at the same time), our start-up dream soured. The charismatic founder-CEO known for having a giant vision and the right amount of crazy, could not scale us into a viable business with sustained innovation. We became a statistic!

Charismatic leadership can be both a blessing and a curse. A Harvard Business School study by Shikhar Ghosh establishes that 75 percent of venture-backed start-ups fail. Poor leadership is the number one cause of failure for tech start-ups. A significant amount of money, a lot of hours of work and innumerable interesting ideas fail to add up into something beautiful and life-changing, if the leadership flounders.

There is a need to study the impact of charismatic leadership, in the context of technology companies and start-ups, on the streak of innovation (and funding) of these companies and how the innovation outcomes of these companies might be impacted if the charismatic, visionary leader, often also the founder, exits.

## 2. Research Methodology

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The research aims to study the impact of charismatic leadership on the culture and process of innovation within start-ups and founder-led technology companies.

### 2.1 Research Question

Primary research question:

*How might an organization or a business leverage the larger-than-life persona of their charismatic CEO/founder/leader to develop an innovation structure/system that will continue to sustain the leader's vision?*

Secondary Research questions:

- 1) What makes a leader charismatic? What is the connection between leader's charisma and innovation in the workplace? Why is this of relevance to technology companies and start-ups?
- 2) How can companies retain their innovative DNA (embed it in the culture, internalize it and continue to thrive) even when such a leader exits the company?

### 2.2 Terms and Definitions:

**Start-up:** A company in the early stages of determining product-market fit, experimenting with customer segmentation, and working toward a positive contribution margin. Start-ups aim to disrupt the market with a scalable and impactful business plan.

**Scale-up:** A company that has already validated its product within the marketplace and has proven that the unit economics are sustainable.

**Founder-CEO:** An individual who establishes a company and holds its chief executive officer (CEO) position.

**Innovation:** Unlike Invention which is the first occurrence of an idea for a new product or process. Innovation is the first commercialization of the idea. While inventions may be carried out anywhere such as, for instance, in universities, innovations occur largely in the commercial sphere. To be able to turn an invention into an innovation a business normally needs to combine several different types of knowledge, capabilities, skills, and resources. What we think of as a single innovation is often the result of a lengthy process involving many interrelated innovations (Fagerberg, 2004).

## 2.3 Research Design

Although the importance of leadership for innovation processes has been acknowledged often, the understanding of the relationships between leadership styles/personalities and levels of innovation in teams is still limited. This research aims to explore this area of innovation practices. The research design was planned in the following stages:

Literature review	Comprehensive and critical analysis of the current knowledge
Interview	Discover and gather data from participants' personal experiences, perceptions and beliefs about working with charismatic leaders
Data analysis	Data analysis, thematic coding and Insight Sorting
Intervention	Personas, Empathy Map leading to Strategic intervention

*Figure 3: Research Design*

**Literature review:** Literature review focussed on the existing theories about charismatic leadership and examined prevalent research with a focus on suitability of Charismatic leadership to start-ups and technology companies, and the connection between leader's charisma and innovation in such businesses.

**Primary Research:** Primary research helped understand the impact of charismatic leadership in founder-led companies on innovation. Semi-structured interviews were used to gather data



from participants' personal experiences, perceptions, and beliefs about working with charismatic leaders. Inclusion criteria for participants were:

- a) Active Innovation must be core to the success of their companies
- b) Companies must be founder-driven and with a very visible charismatic leader.
- c) Charisma is as much about follower attribution, so one of the questions in the screening process was if the participants thought they have a charismatic leader.

Only those who answered in the affirmative could continue with the interview.

**Recruitment Process:** Targeted recruitment was used to pinpoint and preselect people who fit the criteria. A call to participation was also posted on LinkedIn. Few people (acquaintances and friends) who work with tech companies or with businesses that regularly worked in the innovation space were sent context of the research through LinkedIn messaging. They were asked to provide leads to the participants that fit the criteria listed out in the call for participation mail. An invite was sent to set the respondent's expectations and give them a brief outline of the study and research question. Those who agreed to be interviewed were sent a consent form.

**Data Collection:** The interviews were conducted via Zoom. The interviews were designed to be about one hour long. The interviews started with a set of 4-5 screening questions, followed by structured questions before moving into free exchange of information. The data was collected via notetaking and Audio /Video recording (upon consent from the participants).

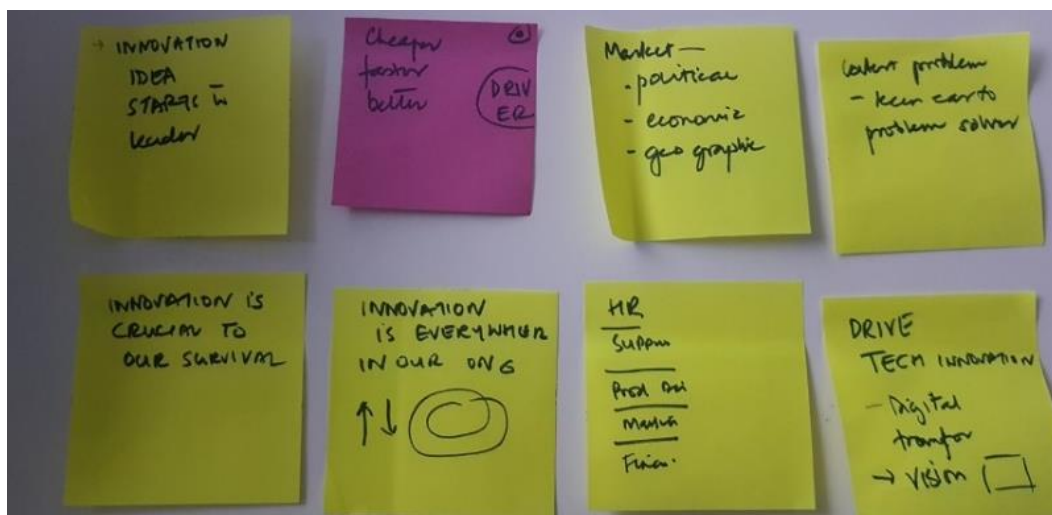
**Sample Size:** While scoping out the sampling it was thought that 12 participants would be an ideal number to provide a sufficient degree of opinions and insights. However only 9 could be interviewed as there was a very short time interval between getting the REB approval and the final submission. This time interval also coincided with the second wave of COVID.

**Participants Profile:** Participants were between 35 and 55 years old, most were in senior positions in their company and were direct reports to charismatic leaders. The businesses the

participants worked in included start-ups, technology services companies, an innovative financial tech company, a biotech company serving pharma sector and a dedicated innovation hub. Participants worked in India, Canada, HongKong, Singapore, Denmark, and Ghana. About two of the businesses were less than 3 years old, most had been around for 5 to 15 years. These businesses were at different stages of growth: early stage start-ups, scale-ups and two at a much later stage of establishment.

**Data Analysis:** The following process was followed for the analysis of the interview data:

**1. Transcribing and Familiarization:** All the interview data from the video recordings was transcribed in Word. The handwritten notes taken during the interview were also used to aid the process to ensure that all points the participants thought most relevant were captured. The data was re-read and notes were taken to mark preliminary ideas for codes that described the content.



*Figure 4: Broad themes were identified from the codes*

**2. Generating Initial Codes:** Code were assigned to the data. Standout points were noted.

Coded data from all the interviews was collated. Since the structure of the interview was semi-structured, this process was easy.

**3. Themes:** Board themes were identified by sorting codes and associated extracts to collate the themes that revealed something interesting about the data. The themes were then refined. Underlying patterns were identified, and an attempt was made to ensure that data within themes cohered meaningfully and that there were clear and identifiable distinctions between themes. (Braun & Clark, 2006). This was an iterative stage and required much going over and reworking of themes and moving of codes/ extracts to themes they fitted better into.

Themes were then given descriptive and engaging names and prepared for further analysis and developing of insights. The insights were generated by going through the themes and observations and insight statements were generated.

**4. Data Synthesis:** ‘Insights Sorting’ a method mentioned in the book “101 Design Methods” (Kumar, 2012) was used to make sense of the knowledge gained from the participant interviews. The insights statements (about 100 or so) were written on sticky notes after initial clustering (this was made easier due to the semi structured aspect of the interview).



Figure 5: Insights Sorting

These statements were then sorted: insights that were similar to others in meaning were put together, insights that made mention of the personality of the leader were put together,

insights that talked specifically of innovation were put in a different cluster. Five such clusters of new and deeper 'Insights' were created; each cluster highlighted a distinct aspect of the problem question. A separate section was made to highlight the impact of COVID 19.

This was reinforced by affinity mapping process, where an attempt was made to cluster groups to help in problem-defining process. Connections were drawn between individual elements to develop new and deeper insights to help develop potential solutions.

**5. Strategic Intervention:** From the data and insights three very clear patterns of leadership styles of charismatic leaders emerged; these were used to create three distinct personas of charismatic leaders. The insights were revisited once again to understand what pain points of the employees (related to innovation and leadership) were not being addressed. Empathy Maps were created to empathise and synthesise the observations from the primary research phase and to draw out further unexpected connections and insights about participants needs and goals.

These were used to create a solution space and to move it into actionable next steps. Three different paths were designed for founder-led organizations at different levels of their journey in response to the research question:

How might an organization or a business leverage the larger-than life persona of their charismatic CEO/founder/leader to develop an innovation structure/system that will continue to sustain the leader's vision?

.

### 3. Charismatic Leaders and Innovation

*This literature review will examine existing research on personality traits of charismatic leaders and factors that influence the rise of such leaders in leading dynamic innovation-driven businesses, with a special focus on start-ups. It will also examine the negative aspects of charismatic leadership in the context of sustainable innovation practices within these businesses.*

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Some of the most recognised innovative leaders in the world today, whether in business or politics, share the following characteristics—an ability to inspire, a compelling vision for creating something new, remaking a company or a country, and the ability to motivate people into collective action.

These leaders are visionary, they challenge conventional wisdom and are slowed by neither self-doubt nor criticism to drive tremendous change. What is the word for these complementary, unique, yet elusive qualities that makes such leaders tick?

#### 3.1 It is Charisma...

The word Charisma has been adopted into the English language from Greek χάρισμα (khárisma), which means ‘favour freely given’ or ‘gift of grace’. Ancient Greeks applied the personality charisma to their Gods attributing to them charm, beauty, nature, human creativity, and fertility (“Charisma”, n.d). In the Bible, prophecy, ruling, teaching, ministry, wisdom, and healing are a few of the charismatic gifts described (Conger et al, 1987).

Charismatic authority and its usage in a modern, secular sense is a concept of leadership that traces its origin to the work of German sociologist, Max Weber. His seminal work *The Theory of Social and Economic Organization* (Weber, 1966) introduced a type of leadership that differs from bureaucracy, a type of leadership in which authority derives legitimacy and power not

from rules, titles, or traditions, but from a 'devotion to the specific and exceptional sanctity, heroism, or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him' (Eisenstadt, 1968; Conger, 1987).

More than other popular leadership styles, charismatic leadership depends on the personality and actions of the leader—not the process or structure (Riggio, 2009). In contrast, some models of charismatic leadership view charisma as an attribution based heavily on follower perceptions of their leader (e.g., Conger, Kanungo, & Menon, 2000; Howell & Shamir, 2005). At the same time there has been an increased attention to trait-perspectives on leadership (Judge et al, 2009) and it is believed that charisma is in fact a constellation of personality characteristics that allows an individual to influence other people by affecting their feelings, opinions, and behaviours (Riggio, 2009).

Most recently, many leadership theories have started focusing on charisma, transformation, and change (Winkler, 2010; Yukl, 2006). There is also an interest in transformational leadership and visionary leadership with charisma being an important component of these styles of leadership. Collectively, these are referred to as neo-charismatic leadership.

### **3.2 Personality Traits that Power Charisma**

Charismatic authority strongly relies on the assumption that leaders have an emotional impact on their followers. Charismatic leaders have certain characteristics that distinguish them from non-charismatic leaders (DuBrin, 2012). One of these characteristics is the ability to inspire loyalty toward themselves as the source of authority, apart from an established status (Popper, 1994). Most available studies refer to the following characteristics of charismatic leaders that make them highly effective. These will also form the basis of understanding of insights and will be used to draw the solution to the problem statement in the following chapters:

## ENVISIONING SKILLS

1) Idealised sense of 'Future Vision': A strong vision or idealised goal is as an essential component of charismatic leadership (Conger et al, 1987). Charismatic leaders create a powerful and appealing vision that often incorporates the goal and shared vision for many different shareholders. These vision statements imprint on followers an overarching goal and purpose. The more idealized or utopian the vision, the more disruptive it is relative to the status quo, the more likely are the followers to respect their leader and find him or her worthy of identifying with and imitating. (Conger et al, 1987).

Example, the goal of Elon Musk's SpaceX is to make humanity multiplanetary. "You want to wake up in the morning and think the future is going to be great—and that's what being a spacefaring civilization is all about," (Source: SpaceX website). "It's about believing in the future and thinking that the future will be better than the past. And I can't think of anything more exciting than going out there and being among the stars." (CB Insights Research, June 2020)

2) Strong articulation leading to compelling framing of the vision: Charismatic leaders are often spellbinding, highly effective orators. They use powerful expressive communication to 'frame' their vision in a meaningful way to have a deep impact on their followers and to affect perceptions of stakeholders such as investors, consumers, and employees (Conger, 1991). They use powerful linguistic techniques, metaphors, and analogy to arouse follower emotions. The goal articulation is more often about ideology and utopian outcomes rather than pragmatism. For example Martin Luther King's Speech "I have a dream!" (Shamir et al, 2018) set a vision, but not practical steps to get there.

Charismatic leaders articulate their visions and strategies for action in two ways:

- a) Via articulation of context: Charismatic leaders demonstrate the inadequacy of the traditional technology or authority to highlight the nature of the status quo, and detail how their vision once realized will 'remove sources of discontent and provide fulfilment of hopes and aspirations of the followers' (Conger, 1987; Weber, 1947).

Example: When Steve Jobs founded Next Computer Company, he framed his mission to staff on the values of 'revolutionizing education': *"We want to start a company that has a lot to do with education and, in particular, high education, colleges, and universities. So, our vision is that there's a revolution in software going on now on college and university campuses. You can't give a student in biology a five- million-dollar recombinant DNA laboratory. But you can simulate those labs on a very powerful computer. That's what we are trying to do. To build Next from the heart."*(Bhatia, 2020)

- b) Conveying motivation to lead: Charismatic leaders use verbal and non-verbal articulation to build a positive image in the eyes of followers and establish their own suitability to lead the vision. They demonstrate optimism, determination and self-confidence. Powerful rhetoric also helps engage the followers who see themselves through enhancing their self-concept. Unconventionality in the use of rhetoric and nonverbal forms of communication creates conditions for a dispositional attribution of charisma (Conger, 1987)



## ENERGIZING SKILLS

**3) Experts in their area of influence:** Past success greatly adds to the charisma of a leader (Weber, 1947). When he took over the floundering Chrysler Corporation in 1978 and restored it to health, in what experts called one of the most brilliant turnarounds in business history, Lee Iacocca was already recognised as a major figure in the development of the Ford Mustang (McFadden, 2019). The decisive difference between charismatic experts and “normal” experts lies in how they act because of their expertise: the charismatic experts become even more open and curious because they know that they will always find a way, while the others tend to stick to the path they know because it is proven. (The 5-Finger Model of Charismatic Leadership®, Martina Gleissenebner-Teskey).

**4) Personal risk takers:** Charismatic leaders have an ability to make their qualities appear extraordinary. They often engage in exemplary acts of personal risks and gestures of self-sacrifices. It is important that followers perceive these acts as involving great personal risk, cost, and energy (Conger, 1987).

Lee Iacocca’s reduction of his salary to one dollar during his first year at Chrysler (Iacocca & Novak, 1984) is an example of personal risk. This set a trend for many charismatic leaders in business and has been emulated by the likes of Sergey Brin (Alphabet Inc), Elon Musk (Tesla), Jerry Yang (formerly Yahoo), Meg Whitman (Hewlett-Packard), Steve Jobs (Apple), Ellison (Oracle Corporation) and Larry Page (Alphabet Inc.) (Issac, 2012). The higher the personal cost or sacrifice, the greater is the perceived trustworthiness of leaders.

**5) Exhibit unconventional behaviour:** Charismatic leaders are active innovators and use unconventional means to transcend the existing order. Charismatic leaders want to be *seen* as having revolutionary and unconventional qualities (Conger et al, 1987). The plans and the strategies they employ to achieve change, their exemplary acts involving personal risks, and

their self-sacrificing behaviours must be novel and out of the ordinary. Their disruptive idealized vision and innovative behaviours often run counter to the established norms of their organizations, industries, and societies. When successful, such behaviour, evokes admiration in followers and leads to an attribution of charisma (Conger et al, 1987; Martin & Siehl, 1983).



Figure 6: Lee Iacocca was a regular in Chrysler TV commercials and advertisements in which he said, "if you can find a better car, buy it."  
(Image source: <https://www.pinterest.ca/pin/261490322102868433/>)

## ENABLING/EMPOWERING SKILLS

Empowering behaviours include delegation of responsibilities, enhancing followers' capacity to think on their own and to come up with new and creative ideas (Yukl, 1989). Charismatic leaders also build up their followers by telling them not to give up and to believe in themselves. (Berlew, 1974; House, 1977).

**7) Transform their followers:** Charismatic leaders transform organizations and members in ways that are distinct from other leaders. They seek radical reforms in their followers in order to achieve the idealized goal for an organization's future. Followers of charismatic leaders often transcend self-interest for the sake of the collective (team or organization), engage in self-sacrifice in the interest of the mission, and identify with the vision articulated by the leader. They internalize the leader's values and goals, and demonstrate strong personal or moral (as opposed to calculative) commitment to those values or goals (House & Shamir, 2005)

### **3.3: Charismatic Leadership in the Business Context of Now/Innovation**

Leaders who display an outwardly charismatic or transformational style have been found to be very suited to dynamic business environments (De Hoogh et al, 2005). Charismatic leaders have characteristics that enable them to impact organizational outcomes positively in dynamic business environments of today.

**Dynamic business environments need charismatic leaders and vice versa:** When the pace of change is fast, leaders as well as followers are expected to innovate, stay ahead of the trends, and to predict and to keep pace with the demands of the markets as well as with the changing taste of the customers. The pandemic has pushed many businesses into crises mode, accelerating the pace of innovation in every aspect of most business. The businesses that have survived and flourished have had to innovate in all or one of the following aspects of their business: configuration, product and experience (Based on Doblin: 10 Types of Innovation).

Leaders play a key role in the time of crisis or uncertainty as people look to the statements, decisions, and actions of various leaders to discern how best to address the problem at hand.

Leaders who have taken different approaches to make sense of crisis or to drive their approaches to decision making have thrived (Crayne & Mederios, 2020). De Hoogh et al (2005) rated charismatic leaders on five-character traits (Agreeableness, Conscientiousness, Openness to experiences, Neuroticism and Extraversion) in both stable as well as dynamic environments. They found that uncertain business dynamics are especially suited to charismatic personality types.

**Dynamic businesses thrive on innovation, charismatic leaders drive innovation:** The increased turbulence, complexity and competitiveness of business environments have made the identification, evaluation and adoption of innovation a critical factor in an organization's productivity, competition, and survival. Charismatic leaders think multi-faceted and drive innovation (Patel, 2017). De Hoogh et al (2005) found that the personality trait required for leaders to question the status quo and to find new opportunities to reach organizational goals (i.e., openness to experience) is especially relevant in a dynamic context. Leaders scoring high on openness to experience were rated more charismatic by subordinates. A recent Gartner report cited 'Neophilia' as one of the seven traits of highly successful digital leaders. Neophiliacs are always ready to explore new situations, tend to be more open to making and embracing new opportunities, and are curious about new ideas (*7 traits of highly successful digital leaders*, 2020, November, Gartner).

Another variable that has been strongly linked to the success of technological innovations is the presence of a champion (Howell & Higgins, 1990). Champions inspire and enthuse others with their vision of the potential of an innovation and persist in promoting their vision despite opposition.

**Charismatic leaders can effectively mobilize people:** Charismatic leaders have an emotional impact on their followers. Charisma is about leader-follower dynamics. The followers have to think the leader has charisma; which is why employees were interviewed for this research and not the leaders. Their charismatic appeal is validated through the perceptions of their

followers. There is a strong relationship between follower reverence and charismatic leadership (Conger et al, 2000) and charismatic leaders have a capacity to inspire loyalty.

A 1979 study (House and Baetz , 1979) found that the followers of charismatic leaders have distinct characteristics that include an unquestioning acceptance of the leader, trust in the leader's beliefs, affection for the leader, willing obedience to the leader, emulation of and identification with the leader, similarity of followers' beliefs to those of the leader, emotional involvement in the mission, heightened goals, and a feeling that they are able to accomplish or contribute to the leader's mission.

Charismatic leadership enhances the self-esteem and confidence of followers in order to develop their capabilities to meet the organizational expectations (Sozbilir, 2019, Yukl, 1989). Not only this, but charismatic leaders are also adept at persuasion and can push individuals to devote themselves for a common organizational aim.

Charismatic leaders intellectually stimulate followers with creative, novel ideas that challenge and refocus followers' conceptualization, comprehension, and discernment of the nature of problems and their solutions. This is particularly relevant in the modern-day business context as CEOs' intellectually stimulating behaviour, which may include encouraging followers to bring new perspectives and innovative approaches at work. This adds to employees' perceptions of the meaningfulness of their work, and is critical to innovative practices at the work place (Peng et al, 2016).

**Resilience needs transformation and sustainability in innovation:** In constantly changing times, taking the ground most travelled and embracing the status quo is often not a viable option. In an age of distraction, with market volatility and constant uncertainty, organizations face challenges to their ability to maintain a resilient workforce (Hamilton, 2019). Today's leaders have to be able to bounce back, cope, renew and revitalize. They need to be tough. They need to be resilient. A passion for excellence can only take leaders so far because they

will burn out if their physical, emotional, and mental limitations are ignored. Charismatic leaders possess more natural resilience because they tend to be more authentic and more self-aware (Charisma & Resilient leadership. 2015, Hrzone.com).

In his article “7 Ways To Become A More Resilient Leader” in Forbes, Folkman (2017) identifies seven behaviours for leaders to become more resilient. These include having the ability to communicate powerfully, to be coachable, and build positive/trusting relationships, being open to posing questions without fear, listening and responding in a meaningful way. Several of these qualities echo the differentiating characteristic of charismatic leaders. Truly resilient organizations must embrace robust transformation and a sustainability in innovation. To become genuinely innovative, requires changing the way things have always been done in the past—a characteristic of charismatic leaders.

**Change and new business:** Charismatic leaders are also adept at directing follower’s attention to the existence of opportunities for change, increasing their optimism regarding that change, and mobilizing their energies to devote themselves to the attainment of the vision (De Hoogh, 2005) . Such commitment and effort on the part of the members is expected to enable organizations to respond more quickly and effectively to environmental shifts and changes (Howell & Avolio, 1993; Shamir & Howell, 1999). As a result, charismatic leaders are perceived as more effective in work environments that require constant change.

A more recent international study also connected charisma in leaders to an increase in the business opportunities for a company. Using a sample of 41 countries, Hemmen, Urbano, and Alvarez (2013) suggest that both, business-oriented and educational organizations that promote charismatic leadership play a significant role in the development of entrepreneurial incubators with regards to international opportunities.

### 3.4 Charismatic Leadership in the Business Context of Start-ups

**a) Bold Disruptive Vision:** Charismatic leadership has much significance for start-ups.

Entrepreneurs don't only need to convince themselves, but they need to convince their employees, their customers, and their external shareholders of the value of their vision.

**External shareholders:** Start-up founders need to be able to paint a viable, uplifting vision that resonates with those invested in the organization. They also need to be able to project this vision with confidence that it is achievable. This is a story that regularly plays out in the technology start-ups, where founder-CEOs with strong vision have to also pass the test of being trustworthy, coachable and passionate (Mitteness, Sudek and Baucus, 2010).

Venture Capital firms do risk investing in early ventures and a study has estimated that around 10 percent of the decision to invest is based on the personal charismatic characteristics of the entrepreneur (Balachandra, 2011). A recent study presented in HICSS (Hawaii International Conference on System Sciences), suggests that hubristic and charismatic entrepreneurs are more successful in sourcing capital. This study (Sundermeier and Kummer, 2019) refers to a link between hubris and charisma and their relevance in crowdfunding. Hubris and charisma combine several personality traits frequently attributed to entrepreneurial leaders and affect how these leaders are perceived by non-traditional investors. Start-up founders with traces of charisma are seen by investors as more trustworthy and passionate.

**Internal stakeholders:** Start-ups are generally mission oriented. Working in early, high growth ventures is a lot of hard work and requires long hours of work often for little pay. That start-ups often need a cult-like environment to increase venture performance (Frese et al., 2014) makes a strong argument for charismatic leadership in start-ups. However, having a wonderfully innovative idea is just a start, it is a

leadership style that keeps an organization afloat. Charismatic leaders focus on motivation and follower development.

According to Northhouse (2016) work groups today want to be inspired and empowered. An important part of this is making sure that followers' needs are being satisfied and influencing them to want to accomplish even more than they normally would have. Making sure that followers are accomplishing more than is usually expected requires the leader to understand and be attentive of their emotions, values, and goals. This means that there is a heightened need for confidence and trust in leaders for followers to believe that they will be successful, and therefore put forth the work and effort needed, or that there is a heightened need for the leader to be charismatic.

**Customers:** Many charismatic leaders have a wide loyal following on social media. They are adept communicators, and they use social media platforms to foster a more personal connection with their customers, announce new developments and even ask for feedback and suggestions. For example Elon Musk's tweets : "Wanted again to send a note of deep gratitude to Tesla owners WW for taking a chance on a new company that all experts said would fail. So much blood, sweat & tears from the Tesla team went into creating cars that you'd truly love. I hope you do. How can we improve further?" (Somaney, 2015) By communicating directly with (potential) customers they nurture an almost cult-like following which also influences loyalty to their products.

#### **b) Impact on Innovation:**

**Charismatic leaders normalize innovation:** Whenever we see great disruption in a sector, the greater the importance of the leader. With technology and innovation, the science is often hard for people to understand and so people/ employees look for assurances and a lead on



innovation from their leaders. Steve Jobs was that person at Apple, just as Henry Ford and Enzo Ferrari once were for their eponymous brands. The more a leader's public persona fits the stereotype of a creative, technologically savvy, entrepreneurial genius, the easier it is for people to rally behind them (The Charisma Enigma, Forbes Magazine). This can perhaps explain the rise of charismatic leaders in technology businesses.

**Inspire performance:** Research has found evidence of a link between charismatic leadership and innovation (Howell & Higgins, 1990). Charismatic leaders also promote team innovation by supporting a sense of team identity and commitment and encourage team members to cooperate through the expression of ideas and participation in decisions (Paulson et al, 2009). Charismatic leaders are effective at improving performance on tasks with ambiguous performance outcomes because the lack of clear performance-outcome contingencies requires leaders to motivate followers by other means (Johnson et al, 2008). Specifically, they use their vision and delivery to inspire performance increases.

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**Inference:** Charismatic leadership behaviour is a significant positive predictor for success in dynamic business environments of today. For start-ups and their performance, leadership behaviour is as important as their context. Charismatic leaders are particularly suited to technology start-ups which are governed by a high degree of uncertainty in the initial phase. Charismatic leaders create a purpose, can stimulate motivation, are able to engage and influence a team to inspire performance and drive among team members.

The table on the following page illustrates how the various character skills of charismatic leaders work to their advantage in leading start-ups:

## Charismatic Leadership Traits and their Suitability to Start-ups and Innovation Businesses

Leader traits	Leader behaviour	Effect	Outcomes for innovation
<b>Envisioning skills</b> <ul style="list-style-type: none"> <li>Idealistic future vision</li> </ul>	Articulate a less developed idea into a viable, uplifting vision	Imprint on followers an overarching goal/purpose, Gain investor confidence, Explain impact of vision to customers	<b>Internal:</b> Infusing work with meaning, get greater alignment, team motivation <b>External:</b> Source capital <b>Customers:</b> Normalize innovation, help in user adoption, nurture customer loyalty
<ul style="list-style-type: none"> <li>Strong articulation</li> </ul>	Question status quo, and detail how their vision once realized will make things better	Project confidence on attainability of that vision with them in the lead	<b>Internal:</b> Project themselves as leader <b>External:</b> Investors trust passion and believe in the leader
<b>Energizing skills</b> <ul style="list-style-type: none"> <li>Subject expertise</li> </ul>	Past success adds to charisma	Deep trust of the team/investors in the vision and path to realization	Unquestionable following, lower barrier to external investment, idea generator role
<ul style="list-style-type: none"> <li>Risk takers</li> </ul>	Self-sacrificial behaviour, makes personal sacrifice, hard work Chart new routes	Establish high performance standards, displays confidence in himself and team as a collective to accomplish it	Comfortable working with uncertainty, the teams gain strength from leader's belief and behaviour
<ul style="list-style-type: none"> <li>Unconventional behaviour</li> </ul>	Innovative, new way of looking at things, questions way things have been done, comfortable with performance on tasks with ambiguous outcomes	Adapts to ever-changing business environments, Encourage team members to cooperate through the expression of ideas	Guides teams effortlessly thorough unexpected challenges, Explores new ideas, new ways of doing things
<b>Empowering skills</b> <ul style="list-style-type: none"> <li>Follower Behaviour</li> </ul>	Leader models the desired values traits beliefs and behaviours need to realize the vision	Directs followers' attention to opportunities for change, increase optimism regarding that change	Increased cohesion and motivation amongst teams, identification with the leader and collective interest of the organization members
Follower Transformation	Leader creates a sense of mission around the work	Employees transcend self-interests for the sake of the collective	Employees demonstrate strong personal and moral commitment to organization values

Figure 7: Traits of Charismatic Leaders (from Conger and Kanungo, articles on leadership and articles on start-up leadership in popular media like Forbes, Fortune, and Inc

### 3.5 When Charismatic becomes Problematic!

Charismatic leaders are a tough act to follow. When organizations rely heavily on charismatic leaders, there can be serious consequences linked to departure of the leader. A very clear example of this was with Steve Jobs' first tenure at Apple. Upon his exit, the company struggled. However, he was able to leave behind better structures in his second round. Given the focus of charismatic leadership theory on benefits for businesses, little attention has been paid to unintended negative outcomes of charismatic leadership. (Cha & Edmondson, 2006)

There have been a few nascent attempts to study the dark side of charismatic leadership. Some studies have hinted that self-sacrificing charismatic leaders may in fact be self-serving in their intentions (House & Howell, 1992; Howell, 1988). These studies describe self-serving or personalized charismatic leaders managing in an authoritarian fashion, manipulating followers to further their own self-interest, and having little regard for legitimate channels of authority.

Some of the possible dangers (listed below) for companies with charismatic leadership become particularly relevant when a charismatic leader exits without having put in place a replacement leader, who has found internal and external acceptance.

**Charismatic addiction and organizational dependency.** Organizations with big disruptive visions often depend on charismatic leaders who display significant charisma in order to keep the focus on vision. The more disruptive the vision, the more the organization tilts towards the "visionary," thus enhancing the risk of charismatic addiction and organizational dependency. Young start-ups or smaller companies are especially vulnerable because they may not have a center of gravity outside of the charismatic founder-leader (Evje, 2020).

**Hard act to follow:** Followers of charismatic leaders are very heavily invested in the vision of the leader. These leaders inspire employees and customers. When such a leader leaves a small business, it can create a vacuum which can throw the entire operation into chaos and

jeopardize the revenue streams the business depends on for growth and profitability (House, 2017). This can also have consequences on acceptance of the new leadership that steps in. Tim Cook has been criticized for lacking the same kind of technological vision and design knowledge of his predecessor, Steve Jobs. Apple, in turn, has suffered from a creative stagnancy that has led to fewer new product categories in comparison to the Jobs era (Grewal, 2018).

**Talent gap:** Losing a talented leader can be especially painful for a small businesses and start-ups. Unlike large corporations, in a small business the leadership pool is limited. Charismatic leaders serve as figureheads for small businesses, and their leaving can create anxiety among team members. In a worst-case scenario, workers will jump ship, creating a talent gap in the organization. These can undermine performance and innovation and can negatively impact revenue, profitability and business outcomes.

**The White Knight trap:** The challenge for a company to remain strong after a leader's departure grows, if the followers tend to believe that the charismatic leader is largely responsible for their company's success. The new leader must then supply more charisma to keep the dynamic humming; the organizational effort then shifts to growing charisma, and takes the focus away from innovation (Khurana, 2002).

**Risk of internal disenchantment:** The mechanisms used by charismatic leaders can heighten the followers experience of meaning at work but can also increase the risk of disenchantment, when either the company leadership changes or the leader changes as well (Cha & Edmondson, 2006).

**Disenchanted customers:** Socially-active CEOs often have many followers and exercise great power on the buying habits and wants of the customers. Those leading companies which work with innovation may offer people a product that they have most likely never used before, often

at high prices. Charismatic founders who speak about their business offerings in the public domain are seen as trustworthy by customers.

**Adverse impact on innovation:** A couple of studies have also focussed on the influence of leader turnover intention (Jiang et al, 2019) on team innovation, and established the moderating role of “leader empathic concern in the relationship between leader turnover intention and team innovation performance”. *[More on this in later sections, as this is one of the focus areas of primary research carried out for this paper]*

### 3.6 CEO Succession in Founder-led Start-ups and Impact on Innovation

The decision to replace a CEO is never taken lightly. Replacing any CEO is difficult enough. Replacing a Founder-CEO is even more traumatic and fraught with risk. The start-up space which has a plethora of charismatic leaders offers a unique case as far as succession planning goes, because of the reasons cited in the previous section. Some start-up companies whose ultimate goal is to be acquired; may not even see CEO succession as a priority (Stuart, 2011).

For some, typically after they have got initial success, succession planning is an ongoing focus. But even then, the challenges are greater than for traditional companies due to the often-quick growth trajectories of these companies (Stuart, 2011):

- Phase one: The leadership required here is largely charismatic, a CEO with a great compelling vision, comfortable with ambiguity required for a fast pace of innovation and in taking the product to market.
- Phase two: Focus shifts to establishing initial markets and getting the first 50 customers.
- Phase three: This phase requires a “scale-it CEO”.

“Rarely can a person do all three. Very often, the CEO who starts a business may not be able to scale it and the CEO who scales it may not be able to deal with early-stage ambiguity,” according to Judy Estrin (CEO of J Labs and author of *Closing the Innovation Gap*).

Because of the charismatic traits mentioned in the previous section of this chapter, it is clear that a start-up CEO often has the deep loyalty of people who work with them. It is often difficult to find a replacement CEO who will be able to inspire the same passion and loyalty in the team. This can result in division and dysfunction of the team creating a negative value outcome (Stuart, 2011). New leaders may also fear getting a clear voice as the founder often is a very large shareholder.

As a result, most CEO transitions aren’t so smooth and the effect can really hurt the company: employees leave, customer confidence plummets, market uncertainty surfaces and company productivity declines. However, the ownership stake and overall personal investment of the charismatic founder can often work very well, especially if the founder CEO is interested in their legacy being sustained in the next generation (Stuart, 2011) and takes an effort to set up the right organization changes.

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Conclusion: Charismatic leaders are here to stay at least as far as start-ups are concerned. The intersection of charismatic leader’s innovation practices in start-ups, scale-ups and how they will be impacted when the leaders move away is still relatively unexplored and deserves more attention.

## 4. Insights from Primary Research

This chapter will be divided into 3 parts:

- The first validates the insights gained from literature review and how they echo the real-life experiences of the participants in the primary search and foster innovation
- The second section specifically mentions the innovation practices prevalent in the companies represented by the participants and how they are the outcome of the personality of the leader, and the stage the company is in its growth path
- The third section touches upon the succession readiness of the companies

Understanding these three key areas is important to arrive at the solution stage.

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The charismatic personas of the leaders shone in the employee interviews: son of a Holocaust survivor who also happens to be world-level chess champion, an amazing tennis player and a software coder; a formidable banker who dreamed up a financial conglomerate as he lay recuperating from a brain injury incurred during a Ranji cricket tournament; a creative self-taught artist whose vision of an art start-up means creating art that tells stories and is not for sale, a US-educated engineer who runs his global biotech business out of a small town in India, and is consumed by a missionary zeal to prevent the drain of tech talent from his city!

It was clear that the personas of these charismatic leaders were larger than the persons themselves for the people who work with such amazing leaders, and that they were doing multiple roles within their businesses: Idea generator, Decision-maker, Team-builder and Image-maker.

Primary research reiterated many of the insights gained from the literature review, however some new perspectives emerged which highlighted how deeply involved these charismatic leaders were to the core of innovation in the companies they have founded and continue to manage. The interview revealed the level of engagement of the charismatic leaders with innovation processes—how they support innovation and if, in anyway, they become a hurdle in the way of innovation. It also touched upon the succession plan of the founder-CEOs, to assess how that might impact innovation practices in the company.

#### **4.1 Personality Traits of the Charismatic Leaders (Interview)**

The personality of the charismatic leader whether they were ‘quietly confident’ or ‘erratically creative’ deeply coloured innovation in founder-driven organizations. The charismatic traits of the leaders played a key role in activating innovation in the following ways:

##### **ENVISIONING SKILLS**

**Vision to be the ‘best’:** The founders have a very clear vision to be exemplary. From the founder-CEO of a data center who was steering their company with Google as a benchmark, to others, each had a very strong ‘ambition to be the best’. Benchmarking with the best in the business was a common theme to set high performance standards and a framework for innovation.

**Highly competitive:** Most founders had set up their businesses with the vision of taking on the established player. Beating the established players was a dominant mind-set and this was evident in innovative approaches to create business value.

**Make innovation seem easy:** A participant from a large founder-led company felt their leader made innovation seem easy and seamless by putting it in the right context. One quote that kept on surfacing in every interview was “Innovation is in our DNA”. Most of the participants



interviewed were working with business that had been founded in response to certain problem and there was a constant effort to make things better.

## **ENERGIZING SKILLS**

**Expert; connects the dots:** The employees depended on their leaders to make sense of the ever-changing dynamics of their businesses and to provide direction. Most participants interviewed were part of higher management (20 + years of work experience), despite that most looked up to their charismatic leaders to make sense of emerging market trends. The leaders, on their part, were very quick to spot opportunity emerging out of either a regulation, a new technology or a political move. One participant referred to their company as a 'reform baby': "the owner-founder-CEO is very quick to look at the financial reforms and use that information quickly, insightfully, and constructively to create a workable solution". Another highlighted an example where the leader picked up an innovation from a totally different geography (Australia) and tweaked it to a huge market success in his home country (India) in an entirely different context.

**Quick response to market drivers:** Charismatic leaders have a keen ear to the changes happening in their industry. They foresee emerging industry trends, display deep, instinctive understanding of the market drivers, and with great agility move from idea to implementation. One participant mentioned that their founder-CEO visits international exhibitions and events to understand which direction the industry is headed, and quickly translates these learnings into actionable insights and innovative products.

**Conscientious role model:** Charismatic leaders constantly added fuel to the innovative fire by bringing incredible energy to their business: "When we look at him and we see his energy, and we feel encouraged to work more enthusiastically".

**Creativity and risk taking:** Followers found their leaders to be creative, they often took big, bold risks (the smaller the company, the greater the risk-appetite) to establish themselves in catch-up phase (going from inception to market) and also to maintain lead once they had it. This characteristic got deeply entrenched within the company fabric and worked as an impetus for innovation in the initial start-up phase.

## **ENABLING SKILLS**

**Employee motivation:** The leaders imprint their personality on their employees by constantly pushing them out of their comfort zone: “Keeps us on our toes”. Experimentation with restraint is encouraged (“Our leader believes in measuring twice and cutting once”) and as is experimentation on a budget. The founders challenge employees by asking them perceptive questions to make them think creatively.

**Prioritize and encourage innovation:** Three out of the 9 participants interviewed belonged to founder-led organizations that had effectively scaled up. One participant of such a company emphasized that a lot of innovation in the company would not be possible without the enabling atmosphere and the innovation framework provided by the leader: “About 80% of what we do is actually his vision”. Most participants agreed that leaders prioritize innovation by stepping in where required, by rewarding the right mindset and showing empathy.

**Problem-solving mind-set:** Most participants indicated that their charismatic leaders had very strong problem-solving instincts. Their businesses were established in response to existing problems experienced by many customers, but not sufficiently answered by the existing solutions: “Because he is self-taught, he has arrived upon this formula on his own”. This emphasis on solving problems also triggered innovation. This mindset was encouraged and imbibed by the employees at all levels in the company. It was apparent that to move up the ladder, you were expected to have problem-solving abilities.

## Charismatic Leadership Traits and Impact on Innovation (Based on Primary Research)

Leader traits	Leader behaviour	Effect	Outcomes for innovation
<b>Envisioning skills</b> <ul style="list-style-type: none"> <li>Idealistic future vision and articulation</li> </ul>	<ul style="list-style-type: none"> <li>- Strive to be the best, Benchmarking with the best</li> <li>-- Taking on an established player</li> </ul>	<ul style="list-style-type: none"> <li>-Sets high performance standards</li> <li>-Nurtures competitive spirit</li> </ul>	<ul style="list-style-type: none"> <li>-Set a goal that followers could follow and understand</li> <li>-Iterative innovation, impetus to growth and new ways of doing things</li> </ul>
<ul style="list-style-type: none"> <li>Strong articulation</li> </ul>	Articulates innovation in the context of the vision	Makes innovation seem easy	Constant effort to make things better, normalizes innovation
<b>Energizing skills</b> <ul style="list-style-type: none"> <li>Subject expertise</li> </ul>	Connecting the dots  Foresee trends with clarity	<ul style="list-style-type: none"> <li>-Deep trust of the team in the path to realization</li> <li>-Pivot quickly to remain competitive</li> </ul>	<ul style="list-style-type: none"> <li>-Unquestionable following, idea generator role</li> <li>-Energized team tries to stay ahead in the game</li> </ul>
<ul style="list-style-type: none"> <li>Risk takers</li> </ul>	Highly conscientious workers, makes personal sacrifices of time and money	Establish high performance standards, role model	Comfortable working with uncertainty specially in initial phases Strong belief that vision will be attained, despite a few hurdles
<ul style="list-style-type: none"> <li>Unconventional behaviour</li> </ul>	Questions way things are done, have been done, comfortable with performance on tasks with ambiguous outcomes	Adapts to ever-changing business environments, Instigates team to question status quo	Guides teams thorough unexpected challenges, Encourages new ways of doing things
<b>Empowering skills</b> <ul style="list-style-type: none"> <li>Follower Behaviour</li> </ul>	Leader models the desired values traits beliefs and behaviours needed to realize the vision	Directs followers' attention to opportunities for change, increase optimism regarding that change	Increased cohesion and motivation amongst teams, identification with the leader and collective interest of the organization members
<ul style="list-style-type: none"> <li>Follower Transformation</li> </ul>		Internalizing of the vision by the followers	Employees infused with a mission, working for greater good

Figure 8: Traits of Charismatic Leaders (from primary research)

## Charismatic Leaders Traits that Get in the Way of Innovation

The interviews also revealed characteristic traits that got in the way of innovation. One red flag was the inability of the charismatic leaders to 'listen'. One participant mentioned how it was particularly dangerous for charismatic leaders to take this position because then the same skills they used to frame and articulate their vision, they would use to convince the followers and take them in an entirely different direction much to the peril of the business. Dark side of charisma (including narcissism) emerges when three key factors are absent: a strong ethical culture, inclusion of diverse perspectives, and heeding the voice of followers.

An arrogant leader, even if highly charismatic could, end up creating hurdles for their business, if they failed to welcome diverse thoughts. When Ray Dalio, the widely admired founder of the Bridgewater Associates, in a Reddit "Ask me anything" forum was asked what he might tell his younger self: "The big message I would want to have given myself is 'Why are you so stupidly arrogant!?!'" Dalio replied. And followed this with an anecdote of how he almost ran Bridgewater into the ground, due to his arrogance and overconfidence.

Some of the other impediments to innovation particular to charismatic leaders are:

**Being impatient and opinionated:** One participant felt that their leader had a "Cast in Stone" approach sometimes. At such a time it was difficult to make them see another point of view, even though the other point of view merely conflicted with the way of doing things, not with the ideology of the company. This ended up creating hurdles for the entire innovation team.

**Too much focus on efficiency and business outcomes:** "I find I have a problem when there's too much focus on the business efficiency" said one participant. When the leader puts too much value on the financial viability of projects, you must resort to clever turnarounds and these clever hacks. These may work for a project but cannot be called 'innovation'.

**Limiting the sandbox:** Many participants felt that the ‘risk-appetite’ of their leaders was limited, which meant that innovation was solicited, allowed, and promoted in as far as it did not pose a big financial risk. There was immense pressure to get things right the first time which meant that there was a huge fear of failure within the innovation teams. Most charismatic leader run a tight ship and can be very detail oriented. All innovation teams are painfully aware of the “budget” and found that as a limiting factor.

**Being too close to the idea:** Charismatic leaders are very hands on, they have a keen understanding of the systems. A leader who is very close to how a certain thing needs to be done are often not open to the intelligence the team brings to the project. One participant highlighted the case of a charismatic leader who hired very highly qualified middle management for their start-up, but because of an authoritative and micromanaging approach, they dictated “how things needed to be done” and did not trust the competent new hires to add to the project in a meaningful way. This created a lot of dissatisfaction all around—the newly hired leaders on fat salaries were left questioning why they were hired in the first place (to satisfy the investors?), the leader felt agitated at their resistance to following instructions (a fact they had got used to) and as a result the business did not attain its potential.

**Awestruck effect:** While charismatic leaders are highly magnetic, this can cause their followers to suppress emotions, which can harm companies through increased strain, lower job satisfaction and reduced information exchange among employees (Jochen, 2015). Some participants mentioned being intimidated by the hallowed background of the leader. This also made them hesitant to take to them ideas that were not well-fleshed out.

**No adherence to standard practices:** About a half of the participants complained about the lack of professional practices in companies. This hampered their engagement with innovation because a lot of time had to be spent on creating basic processes. This was stark in smaller companies that were just starting up, and also in companies where the person at the lead was at core a technologist and did not have any formal background in business management.

**Low EQ:** Most charismatic leaders are their own bosses. My leader “will not tolerate fools” said one participant and can sometimes become abrasive, which is very demotivating. “You have to get used to his way of working” was echoed by many participants.

**Unrealistic expectations:** Most charismatic leaders are workaholics, some also tend to be tense, restless, and impulsive. Some type of creative employees do not take well to working in this sort of environment and can have anxiety issues impeding ability to think creatively. Employees also felt the leaders needed to calibrate themselves because the rest of the team is not able to innovate with the speed at which they do.

## 4.2 Process of Innovation in Companies with Charismatic Leaders

Almost all the participants interviewed were clear that “innovation is crucial to their survival”. Innovation was not just happening in a big, large ‘revolutionary’ ways but also in very small ‘evolutionary’ ways. There were big, monumental changes and then there small iterative innovations which resulted from the inner workings of the team, and sometimes were specific to their industry or suited to their particular area of operation.

For example, the participant whose company (headquartered in Hong Kong) operates in Africa felt that constant sustained innovation was crucial to their ability to survive and grow or they would be made irrelevant by somebody not hindered by any ethical framework to ‘copy’ their business model.

From primary research it becomes apparent that companies innovate differently based on their position on company lifecycle. Phase 1, typically where charismatic leaders shine, is characterized by evolutionary innovation. Innovation in this phase focuses on orbit-jumping and is most representative of early start-ups. In the later phases of their growth, there is an understanding that different teams will innovate differently—some teams engage in ‘evolutionary’ innovation or making things iteratively better; the mandate of ‘revolutionary’

innovation is usually given to diverse multidisciplinary teams which also had the advantage of having the closeness to the leader, to their energy and their vision as well.

Overview of the innovation process:

**No formal systemic processes:** Most companies did not have a formalized process of innovation. A couple of the teams had made some attempts at having a formalized process, but they were just 'attempts'. One founder-driven company (now mid-sized) had hired consultants to help them with innovation, but even such exercises tended to be very erratic and reactive.

**Top-down:** Innovation was largely top-down; attributed to the owner and to their personality, vision, strong conviction, and immense energy. Some leaders did not want to be involved directly in innovation processes. They would articulate a vision, a multidisciplinary team would be assembled and entrusted to ideate, innovate with periodic reviews to ensure that the team did not move away from the mandate.

**Innovation = ideas:** For most participants "innovation = ideas". Competition was a huge driver of innovation. There was also an understanding that innovation is "time-sensitive" and there was a huge hunger to have the first mover advantage.

**Frugal innovation:** The approach to innovation was frugal and shoestring. Innovation was demanded, it was expected, and it was encouraged, but there seldom was a budget allocated for it. Employees were always mindful of the economic risk that innovation represented. Only in one company employees were given paid time outside of their work to challenge themselves to brainstorm and innovate.

**Innovation with intent:** Two bigger companies out of the nine had made attempts at "innovation with intent". These companies were also using design thinking processes and tools. In one of these companies, Google sprints were used to brainstorm in quick bursts of one or two weeks when you were expected to suspend your day-to-day tasks to actively innovate. One company had a framework for innovation—design thinking practices were used to

brainstorm ideas, which were then moved into incubation and investigation phases before moving onto the final phase of implementation.



*Figure 9: Innovation process in most companies was messy*

**Tunnel vision:** Two of the participants made a case against formal process of innovation, one even compared them to “shackles” and went on to illustrate an example of AGILE where, at times, people start developing and innovating along the wrong direction, going far down the wrong path before even realizing something is remiss. Another participant highlighted how their company had been engaged in active innovation but failed to realize results. It was an outside perspective that made them realize how far they had moved from their ‘core vision’ before they applied the brakes.

### **Inference:**

Based on the insights gained during the interview, three distinct types of processes being followed to innovate emerged. The patterns that emerged in the innovation processes of these companies also tied very closely to different types of charismatic personalities that were running these types of companies. The table below is used to highlight the three distinct different ways in which innovation was being practiced in the companies of our interview participants. This division will be used in the synthesis phase to create distinct solutions for each different type of innovation practices.



### Innovation Practices under Charismatic Leaders (Based on Primary Research)

	Type 1	Type 2	Type 3
Processes	No formal process of innovation, innovation largely founder driven	Small attempt at process driven innovation	Innovation with intent
Drivers	Founder-driven	Founder driven + market driven	Founder-enabled, market driven + planned innovation via design thinking
Risk	Frugal Innovation	Innovation with financial constraints	Internal systems organized for innovation and uncertainty, higher risk appetite
Innovation style	Ideas+ Problem-solving	Ideas+ Problem-solving, often duplication in silos	Multidisciplinary teams with a mandate for innovation

*Figure 10: The way innovation was being practised can be divided into three distinct types*

### 4.3 CEO succession and perceived impact on Innovation

Most participants had a firm belief that the charismatic leader they were working for (which in this case happened to be their Founder-CEO) was not going anywhere, they were the face of the business: “he’s fiercely independent and up till now has resisted attempts of any sort of buy-out so he’s not going to leave.”

While it was clear that these charismatic leaders were at the core of the business engine in each of these companies and were running innovation and controlling most business processes, not much thought had been given to succession. What was worrying was that half of them did not even have any middle management, as one participant said the “structure is flat, only at one level”, and feared that the absence of a strong second in command might mean that there would be chaos when the leader left.

## The Leadership Continuum Conundrum

Participant	Succession	Comments
1	Structural attempt	'N-1' leadership in place (8 people who have been with the leader from the start)
2	No plan	Fears of moving on due to boredom
3	No plan	Already facing 'innovation burn'
4	Working plan	Recently got in new CEO from Microsoft
5	No immediate plan	Children or outside CEO when need arises
6	Structural attempt	Board of advisors in place
7	No plan	There is a visible second in command, but the steering wheel is strongly controlled by the leader
8	Structural attempt	There is a distinct leadership plan and outsider CEOs will be hired
9	No plan	Though recently another member of the family who hold a PHD has joined business

*Figure 11: A view of succession plan of the companies where the interview participants worked*

The fact that there was no leadership plan, has given rise to a lot of concerns in the minds of the employees. Some areas of concern were:

**Worries about perpetuity of company:** Most participants had a sense of foreboding regarding the exit of the leader: 'Our company will fall apart', 'It will be a disaster', 'We really don't know what we will do'. At the same time participants also had a trust that the charismatic leader they work for would ensure that the business continues to thrive after their exit. In smaller companies where the CEO was especially restless and highly creative there was an apprehension that the CEO might move on as they might get bored. These CEOs were viewed as 'serial entrepreneurs' and their teams constantly feared that the spotlight of attention might shift to a new project and the particular business they were engaged with might get side-lined.

**Concerns about threat to innovation:** Charismatic leaders (founders in this case) were the primary source of new ideas in the companies represented by the interview participants so there was a lot of apprehension about the impact on innovation.

- a) **Dummy variable:** One person explained they feared about the impact on the innovation framework of the company if the leader exists. They compared the importance of the right leader to “Dummy variable” in regression analysis, saying it is often binary—1 or 0. And if the right leadership is not brought in to replace the current CEO then the framework of innovation that the company had established could come to an end.
- b) **Not being ‘seen’ as innovative:** Participants also opined that charismatic founder leaders were such a strong brand associated with the company that if they left their business might not be viewed as innovative enough by the competitors. A couple of them said that they would be faced with the task of having to start “proving themselves in the industry” all over again. One participant feared that the quality of research would decline. This area was under direct supervision of charismatic CEO and gave the company a competitive edge in the industry.
- c) **Complacency:** Participants also felt that innovation will suffer because they are likely to get complacent in the absence of the charismatic leader who constantly keeps them on their toes and push them to be their best.

**Adverse Impact on Team Morale:** When asked about the impact on them, and on their team’s innovation abilities if the leader exits, a couple of the questions elicited humorous responses: “The first thing I will do is give myself a bigger budget for innovation”, said one participant whose leader allows only for low-cost innovation, “I think I’m going to celebrate for 10 days and then the enormity of the hard work will hit me,” was the reaction of the participant who works with an extremely erratic and impulsive CEO. Despite the sense of relief and the freedom of a bigger sandbox to innovate in, the loss of stability was felt by most. Two participants said they will use that as an opportunity to fill in for the ‘Boss’ in whatever way they could and continue the work that they had started.

- a) **Feel the Vacuum:** Most people interviewed had been working in direct contact with charismatic leaders. In many ways they felt transformed by the demands of the charismatic leader who constantly pushed them to innovate. Many echoed that they will not feel challenged enough if the leader exists. One even mentioned that they would miss the dynamics of this wonderful working relationship that they had developed, the constant upping of the bar coupled with encouragement brought out the best in the team and pushed them to create innovation that they could be proud of.
- b) One person even likened the leader to a “caring but strict and disciplinarian parent” who asks a lot out of you, but then you are amazed at the output!

**Impact on Business:** Most participants felt that practices and habits encouraged by the leader will carry the innovation momentum for a while. But they felt that even if an equally charismatic leader comes in as a replacement, the company will still need time “to get used to wearing a new set of lenses” and adapt to a new view of innovation. Most feared stagnation, some felt their businesses will continue to do well for a while, riding on the market leadership of existing products, but possibility of new products will be greatly impacted.

**Planning for Succession:** It was very clear that there was a sort of a leadership drought at the highest level. However, in the companies that have grown bigger there was an attempt to set up a strong second line and structural organizational changes had begun.

- a) **Second line of command:** In one of the companies that had scaled up, the founder CEO had a strong board of directors, who were almost the same age as the founder, which meant that they would all be retiring at almost the same time. There also was an attempt to foster new leaders “Under 40 Council”, to groom promising rising stars and help the senior leaders stay in touch with the changing profile of their customers.

- b) Outside CEO: In one business that had grown big, the leader had very recently hired a chief after having single-handedly run the company for over 30 years. The urban legend within the company is that this is “the first time in 30 years” that the charismatic leader has found somebody who “he thinks is capable” of taking over the reins. In staff town halls and forums, the CEO had made huge endorsements of this new leader, and assured the employees that he was not retiring, just shifting the gear to work on “something very close to his heart” (philanthropy) and to write a second book.
- 

CONCLUSION: The primary research revealed the charismatic leaders (specially founder-CEOs) are critical to innovation outcomes of companies they lead. It also brought to the fore the fact that innovation processes were not being practiced nor was there a very clear succession plan for founder-CEO. If at all these leaders needed their companies to continue to thrive and be innovative in the absence of the charismatic leader, distinct changes would have to be made in the structure of the organizations and also in the way they approach innovation.

## 5. Synthesis and Intervention

*The research and the insights phase revealed that the charismatic leaders are very deeply entrenched in the innovation processes of the companies they lead. If the CEO succession plan is not clear, then in case of a founder CEO, this can lead to significant impact on the business and innovation outcomes of the company. The research also revealed three broad types of charismatic founder CEOs (based on their personality, size and scale of their companies and their innovation practices).*

*These are by no means definitive and only descriptions of the types of charismatic founder-CEOs typical in technology companies, but these three distinct types emerged from the small sample set of research participants that were interviewed. This chapter attempts to create a workable solution for sustainable innovation for businesses led by charismatic leaders.*

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Charismatic leaders can be a hard act to follow. In the case of technology start-ups and other businesses that rely on innovation to get an edge, the process of finding an ideal replacement to a charismatic founder-CEO is even more difficult due to the personality characteristics of this type of leaders which enable them to win over internal and external stakeholders and customers alike in order to realize a strong vision. Primary research revealed that many companies have no meaningful succession plans in place. CEO tenure is also shrinking; in fact, two out of five CEOs fail in their first 18 months (Charan, 2005). While many founder-led organizations do a decent job of nurturing middle managers, few have set up strong innovation practices that will sustain or set up comprehensive programs to find the next in line.

Charismatic founder-CEOs are markedly different from 'professional' CEOs as the identity of the organization they found is closely tied to them. A large-scale study found that founder-

CEOs are often younger than professional CEOs and work longer hours for a lower salary as compared to the professional CEOs (Wasserman, 2001). The founder-CEOs who lead innovation also tend to be very high in charisma, this makes succession even more difficult, as the next-in-line needs to have not only proven ability to lead innovative projects in a similar space, but he also needs to match the charismatic founder-CEO's ability to deeply influence and lead people towards a goal and company mission.

Choosing a CEO to replace such a charismatic leader should not be one single decision, but an amalgam of many decisions made at many levels over many years—this is something that our charismatic founder-CEOs seem to have not considered, when managing and leading their companies as they take on challenges of being innovative in highly dynamic and demanding environments. Assuming command from a legendary CEO or company founder is a more complicated process than your standard leadership transition. Employees will wonder how the replacement can ever measure up, and they will compare the new boss to the old. Shareholders will worry about the possibility of the company going off the rails.

As start-ups start to scale, the vision that fired them in the early days can easily get lost. Focused on the execution piece—rolling out the next feature, or product, hiring the next developer or sales rep, the businesses face a danger of operationalizing themselves into obsolescence. There is a prevailing notion among technology companies that they can subsist on innovation alone. But without the stability of solid leadership, thoughtful planning, and a focus on talent development, they are likely to find themselves snagged in a future transition and to lose their vision when the visionary leader (Steranka and Silverstein, 2016) exits. Unless this is approached proactively early on, this can pull vital energy and resources away from innovation, stifling further growth in such a scenario.

## **Solution Design Process:**

The research revealed three broad types of charismatic founder CEOs (based on their personality, size and scale of their companies and their innovation practices). The research highlighted that while these companies were being led by charismatic leaders who had also founded the companies and were very strongly reliant on innovation to maintain their market dominance, the companies were at different stages of their innovation and leadership journey. Some had grown from start-ups to become scale-ups, while others were still very small. It was clear that the interventions required for these companies were likely to vary based on their lifecycle and aspirations. Considering this, three different sets of intervention were planned.

Based on the personalities that emerged from employee interview and looking up the actual personas of these leaders in popular media, aggregated 'personas' for each type of CEOs were created to understand the charismatic leader's personality, behaviours that aid innovation, their goals and frustrations. This helped recognize their specific influence in the innovation process and requirements that needed to be met for innovation to become sustainable.

Since charisma is as much about follower perceptions, an "Empathy Map" for each of the innovation workers working with each type of CEOs was created. These were based on the data collected via interviews and then distilled via insights. The empathy maps helped understand the numerous ways in which the charismatic leaders were influencing the followers' work and motivations, and also highlighted the needs of the employees/workers that were not being met.

The insights derived from empathy map along with industry best practices were used to create strategic intervention recommendations.



## 5.1 CHARISMATIC LEADER TYPE 1

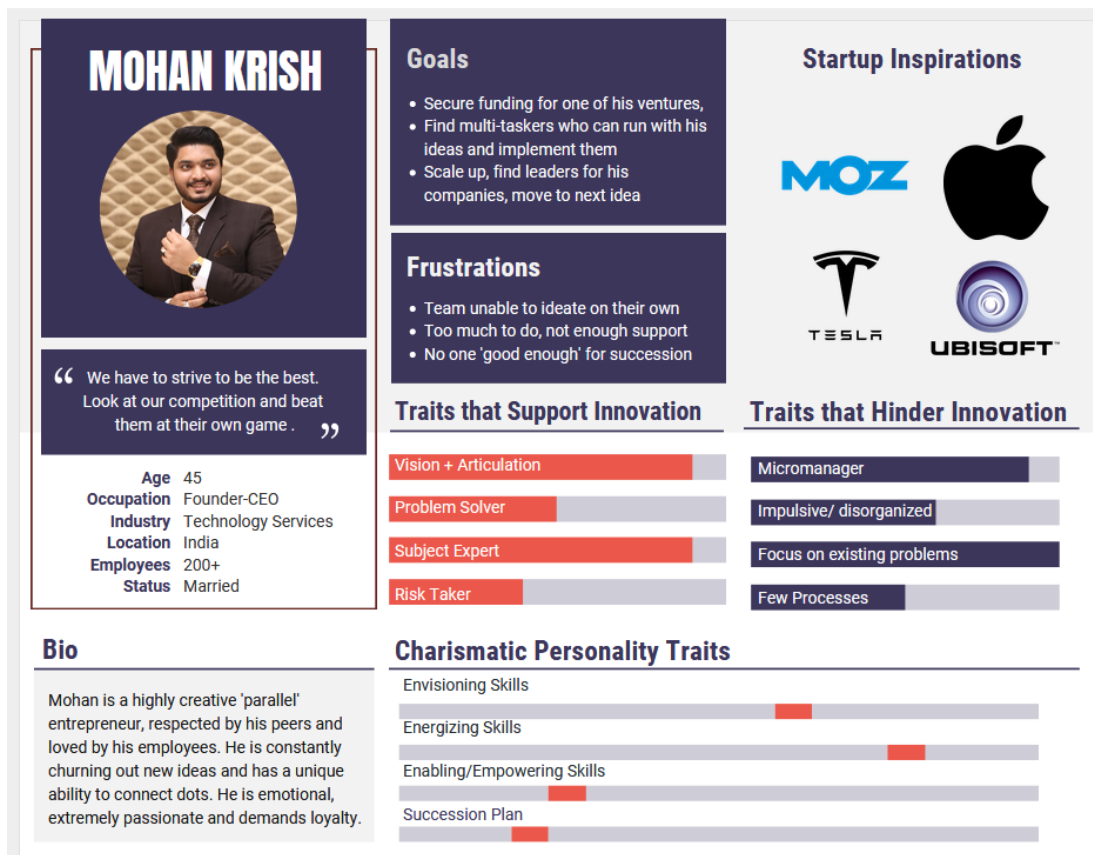


Figure 12: User Persona of Charismatic Leader Type 1

Mohan is the innovation engine of his company. His team has a very strong belief that there is nothing he cannot do if he makes up his mind to it. His style of innovation revolves around solving problems. There's almost a sense of mission to what he does. He elaborates his vision to his team and then tells them exactly “how they need to do it”! He is extremely quick on his feet and his team struggles to keep pace with his ideas. He is tough to work with and collaborations happen only if people buy into his way of working.

He has not been able to grow any of his businesses to full potential and struggles with finding the right person to take over from him. He has made half-hearted attempts to find a successor, but there has been no attempt to groom anyone into that role because he has not found anybody that comes close to him in the sharpness of vision, clarity of future action and quickness of decision making.

## Empathy Map: Innovation Worker with Charismatic Leader Type 1

Employee of Leader Type 1	
<b>SAYS</b> (about the leader) <ul style="list-style-type: none"> <li>* He is the brightest person I know</li> <li>* He has the respect of the industry</li> <li>* He has an amazing personality</li> <li>* He is off-beat and a visionary</li> <li>* He's a very strong brand associated with our business</li> </ul>	<b>THINKS &amp; FEELS</b> <ul style="list-style-type: none"> <li>* I have the freedom to experiment</li> <li>* We are making a difference to our industry because of him.</li> <li>* We get funding and new projects because of his personality</li> <li>* He does not respect boundaries sometimes I feel my opinion does not matter</li> <li>* He has a deep imprint on my professional and personal life</li> </ul>
<b>HEARS</b> <ul style="list-style-type: none"> <li>* "I don't care about money, but I want to be independent and I want you to think freely"</li> <li>* "This is what you need to do, exactly this way"</li> <li>* "Your leader is such a wonderful person. You're incredibly lucky to be working in his company"</li> </ul>	<b>SEES</b> <ul style="list-style-type: none"> <li>* A high energy leader who is constantly innovating</li> <li>* A leader who is always busy and works long hours</li> <li>* A lot of restless, unbounded rounds of energy-sapping creativity</li> </ul>
<b>PAINS</b> <ul style="list-style-type: none"> <li>* The leader is very erratic, impulsive and is given to temper tantrums</li> <li>* The leader does not listen at times, at times it seems he is very much in love with the 'idea' and has not thought through the nitty-gritty</li> <li>* I am very dependent on the leader for ideation/ innovation and fear that if he were to leave or change focus of interest, we will lose meaning of existence.</li> </ul>	
<b>GOALS</b> <ul style="list-style-type: none"> <li>* Wants innovation processes, so that the team can try and innovate irrespective of the presence of the leader</li> <li>* A second-in-command so that work does not come to a stop when the leader is absent</li> <li>* To be trusted to innovate and come up with new ideas</li> <li>* He is very self-obsessed and does not listen at times it seems he's very much in love with the idea and has not thought through the nitty-gritty</li> </ul>	

Figure 13: Empathy Map of innovation worker working with Charismatic Leader Type 1

## **Recommendations for Charismatic Leader Type 1:**

Launching a start-up means hustle. It is hard, the demands are high, the hours long, and the stresses numerous. Charismatic CEO Type I has all the skills required to run an early-stage company which include ability to handle varied and multiple tasks in a resource-constrained environment, strong drive and self-confidence. They have focussed on the three fundamental elements of successful start-up—vision, product market fit, basic financial foundation; not much has been invested in people and processes.

This type of leaders have strong envisioning and energizing skills that are typical to charismatic leaders. There is a high possibility that when they leave, the innovation outcomes of the company will take a big hit. While the CEO TYPE 1 is building for scaling and succession, they need to be able to strike the right balance between management, team building, innovation process and building complementary skills to their technology expertise.

## **INNOVATION ROADMAP FOR TYPE 1**

**Culture of innovation as opposed to ‘innovation burn’:** They are still at the core of almost all the innovation, marketing, and finance decisions of their company. Their team worries about “innovation burn”, as the leader is the only source of quality innovative ideas. They need to establish a collaborative culture of innovation and be open to ideas from the team.

**Identify and groom internal innovators:** They have set up the driving vision of their organization, but now they must learn to delegate and trust people, nurture a circle of internal innovators. Intrinsically motivated ‘innovators’ (almost always subject matter experts who deeply understand their domain) should be identified and groomed into grounded and disciplined collaborators. This will also take the ‘innovation’ burden from the leaders.

**Get innovation mentors/consultants:** Innovation relies heavily on new technologies. In fact, in many cases, organizations discover that their digital operations end up becoming the backbone of their business. It is imperative for businesses to be aware of new technologies, to keep their competitive advantage. These leaders are going at it alone, they should seek proactive help from technology and design thinking mentors to support their entrepreneurial instinct and hone it.

## **TEAM BUILDING ROADMAP FOR TYPE 1**

**Work on building a ‘team’:** Founders typically do a bit of everything—basically, whatever it takes to get the business off the ground. Through informal channels they hire fellow generalists, who cobble together *their* roles and responsibilities partly by pursuing their own passions and partly by looking around and seeing what needs to be done. This “all hands on deck” approach works well in the beginning, when adrenaline is high and the company is small. But as organizations expand, they face new levels of complexity that require them to define and assign tasks more formally.

**Create a tech paradise:** Their company must invest in a strong tech backbone, right now the CEO is the only visible subject expert. Technology innovation is crucial to their business, they must create a vibrant technology ecosystem to attract good tech talent. Tech community is very particular about learning while working, the new hires need to feel they will grow as much as the business they help grow.

**Respect the ‘Old Guard’:** As more outsiders join and settle into functional divisions, your early employees who are extremely loyal will provide cohesion through their broad understanding of your vision. They also serve as a cultural channel back to the time when it took great resourcefulness to grab the attention of prospective partners and customers, and continue to build on their trust.

## LEADERSHIP PRACTICES ROADMAP FOR TYPE 1

**Not a leader, but leadership:** The complex requirements of today's business mean that employees cannot sit idly awaiting orders from detached bosses. There is a need to get in leadership at various levels in the company.

**Hire specialists, train them into leaders:** Starting a business requires a combination of motivation and mindset, including independence, street smarts, agility, persistence, and drive. Creating a scale-up requires additional functional edge: some of these capabilities are distinctive and developing them requires significant time dedication. A Deloitte report suggests that leaders who hire specialists from established businesses grow faster.

**Look for a second in command:** While these leaders may not be actively looking to move on, their teams seemed to fear so. It is recommended that they have a very visible second in command, someone that can uphold the original vision. That person can be someone unexpected: a lead developer, head of marketing, or CTO—someone that can rally the entire company.

## SELF ROADMAP FOR TYPE 1

**Upskill, Upskill, Upskill:** The journey from founder to a Founder-CEO involves learning an entirely different set of skills, some of which the leader at this stage may not be entirely comfortable with. The skills (ability to handle varied and multiple tasks in a resource-constrained environment, strong self-drive and self-confidence) that stood them well at the early stage in the company may not be sufficient as their business hits the core milestone of completing initial development. Challenges will be dramatically different (Cherniak, 2013) and with change in scale they will need to be able to make the transition from innovation to management and innovation, almost daily.

**Cultivate culture of openness:** The employees work in close proximity to this leader type, they worship them, but fear their sharp criticism. Success in start-ups depends on having a charismatic leader but such leaders can get carried away. It might be a good idea for these leaders to learn from Ray Dalio (*Pala, 2019*):

In 1993, three workers of Bridgewater Associates took the then-head Ray Dalio for dinner and presented him with a memo: "Ray sometimes says or does things to employees which makes them feel incompetent, unnecessary, humiliated, overwhelmed, belittled, oppressed, or otherwise bad. The odds of this happening rise when Ray is under stress... The impact of this is that people are demotivated rather than motivated."

The memo was a gut-punch for Dalio, but he took notice of exactly how his behaviour was affecting the people who worked for him and brought about change in company culture. (*Pala, 2019*) Dalio set up a framework for an idea meritocracy "radical truth and radical transparency – encouraging open and honest dialogue and allowing the best thinking to prevail". This principled approach continues in Bridgewater till today.

**Get a mentor:** These leaders need a self-mentor too as journey to scale up is not easy. They should reach out to CEOs who have made it and learn from their experience.

**Conclusion:** These leaders are in the danger of innovation burn. They need to actively create innovation process and set up a path for middle management. The holocracy model that works great in an office full of millennials and programmers may not work well as they grow to achieve their dreams of growing BIG!



Figure14: Roadmap Vectors for Charismatic Leader Type 1

### Why this intervention:

This intervention looks at four core areas to help the leader build towards a 'tomorrow' with sustainable innovation practices and put in place middle management (either home-grown or recruited leaders) who will have the ability to guide the team if/when the leader decides to leave. Since this types of leaders are not actively looking at exiting right now, they can aim to build this up in an 18-months to 2-year time framework. Having a clear path will also prevent these leaders from falling prey to the flood/famine recruitment pattern of most start-ups.

## 5.2 CHARISMATIC LEADER TYPE 2

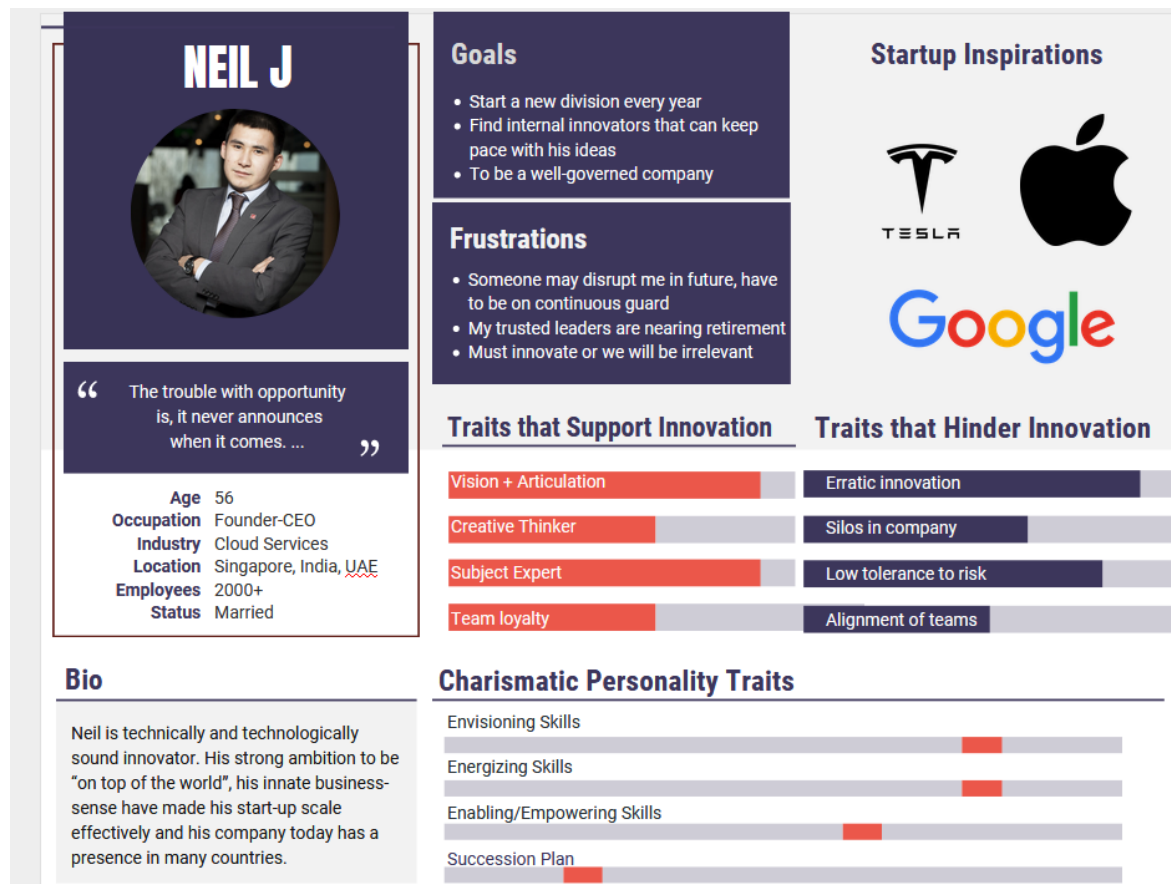


FIGURE 15: User Persona of Charismatic Leader Type 2

As the business has grown, so has Neil. He listens now, unlike when he started off when he thought no opinion could better his own and he is actively trying to nurture a second line of leadership. Innovation practices are still erratic, and few and far between. Innovation is reactive, but is seen as important. He still retains a very strong hold on most processes within the company and enables innovation either by financial enablement or because of his knowledge and ability to see patterns and opportunities.

Neil continues to be the lifeline of his company which now has multiple departments with their own heads. The new hires are aware of his charismatic personality and the unique history of the company and are in awe of him. The team that works directly with him has expanded, and they continue to be inspired by his charismatic vision and ability to be very agile and sharp.



## Empathy Map: Innovation Worker with Charismatic Leader Type 2

Employee of Leader Type 2	
<b>SAYS</b> (about the leader) <ul style="list-style-type: none"> <li>* He is the brightest person I've been in the room with</li> <li>* He powerfully forces us to think</li> <li>* May 1000 Flowers bloom as far as innovation is concerned</li> <li>* My leader is very deeply invested in the company</li> <li>* Getting a buy-in on innovation without the leader is difficult</li> <li>* Those who "run the system" and those who "change the system" need to work in tandem</li> </ul>	<b>THINKS &amp; FEELS</b> <ul style="list-style-type: none"> <li>* The leader brings innovative ideas and challenging questions to the table; We examine the idea and run with it</li> <li>* Innovation is messy like a bunch of wires</li> <li>* We got set up because existing players were unable to answer problems the customers were having</li> <li>* Departure of a leader would impact innovation but perpetuity of the company as well</li> <li>* We will become irrelevant very soon if we don't innovate</li> </ul>
<b>HEARS</b> <ul style="list-style-type: none"> <li>* "We won't sack you for not innovating but you are expected to innovate"</li> <li>* "We are taking on strong established player, so we need to work harder and think smarter"</li> <li>* "We need to be conservative on risk, innovation needs to be financially viable"</li> <li>* "There is a leadership team who you can turn to in case you need answers when the CEO is not there"</li> </ul>	<b>SEES</b> <ul style="list-style-type: none"> <li>* A high energy leader who is constantly surveying the competition</li> <li>* A leader who has tried to set up succession and created a forum to bring in fresh thinking</li> <li>* There are no innovation practices</li> <li>* Frugal innovation is encouraged</li> <li>* A leader who has slowed down a little when it comes to adopting newer technologies</li> </ul>
<b>PAINS</b> <ul style="list-style-type: none"> <li>* The leader is financially conservative. This places a huge burden on the teams that are innovating because we need to be very sure of the financial viability of particular innovation, failing is not an option.</li> <li>* Innovation is reactive, often it is duplicated as the various departments within the company work in silos and might be working on a similar path of innovation</li> </ul>	
<b>GOALS</b> <ul style="list-style-type: none"> <li>* Wants a formal mandate on innovation (example: Google) Wants a day when teams don't do routine work but focus only on strategic innovation</li> <li>* A greater cohesion between various departments, so that the dependencies that are required to take innovation to implementation stage are smoothly transitioned</li> <li>* A smooth transition and a greater role if the leader decides to exit</li> </ul>	

Figure 16: Empathy Map of innovation worker working with Charismatic Leader Type 2

## Recommendations for CHARISMATIC LEADER TYPE 2

In today's competitive environment, innovation is a key source of competitive advantage for organizations. Businesses run by charismatic leaders not only need to innovate in existing markets to survive and remain profitable, but also must innovate in new markets to stay ahead. The charismatic leaders who fit the archetype of type 2, have already grown a lot as people, acquired many skills, and setup processes that have helped them scale. The founder-CEOs at this level are also aware it is possible that someone may 'disrupt' their business if they are not constantly on their toes. The type 2 charismatic leaders need to realize that quality and quantity of ideas leading to implementation and the continuous improvements process that they have been actively practicing may not be sufficient to keep them ahead of the game for very long. They need to actively work on setting up a culture of organizational innovation, and improving processes that enable innovation awareness, innovation motivation and set clear innovation goals for the entire organization.

## INNOVATION ROADMAP FOR TYPE 2

**Get an entrepreneur ally in C team:** Innovation thrives when it has power and status within an organization. To enable a culture of innovation, the business must structure top organizational roles to give innovative efforts the resources. One way is to hire a C-suite leader who has the mandate of developing and managing a portfolio of new ventures. In 2008, Peter Ma, Founder and Chairman of Ping An, pivoted from being a financial conglomerate to a technology company and got in a Co-CEO with a clear mandate and responsibility of driving innovation, she became Ping An's chief entrepreneur (Viki, Osterwalder, Pigneur, 2020). The founder-CEOs need to hire such a person while they are still on board and work with them as allies.

**Insulate product decisions from short-term financial pressures:** Some of the practices that made these charismatic founder CEOs very successful and scale up, now need to change. By

having a very tight control on their finances and encouraging only frugal innovation, these leaders may be creating hurdles in the way of big, disruptive innovation. Innovation and risk are two sides of the same coin. A very conservative financial outlook will stifle rather than encourage innovation. These leaders need to recalibrate their attitudes to risk if they want to create an environment in which innovation can flourish.

**Rewards Internal Innovators:** Internal innovators (employees who can leave and start their own companies to pursue their ideas) need to be actively recognized, rewarded and given freedom to innovate. Given the right corporate ecosystem these internal innovators will have less reason to leave their jobs and create their own companies. Innovation champions, individuals who informally emerge and make a decisive contribution to the innovation by actively and enthusiastically promoting it through critical organizational stages, are other types of employees that must be identified and rewarded.

## **LEADERSHIP ROADMAP FOR TYPE 2**

**Experts lead Experts:** These leaders are competing in markets where the rates of technological change and disruption are high. Instead of looking at competition to define their strategy, they need to hire experts whose judgment and intuition they can rely on. People with high functional knowledge will bring their knowledge and intuition that will help guide the founder-CEOs' vision into a reality (Podolny, J M and Hansen M T, 2020).

**Listen to the leadership:** Founder-CEOs' desire to retain control often leads them to disregard their leadership team members when making important strategic decisions. An MIT Sloan report (How Much Do Top Management Teams Matter in Founder-Led Firms, 2019) reveals that a leadership team has more impact on performance in companies where founders cede more control.

Charismatic Leaders Type 2 are still deeply invested in almost all the crucial processes of the company. They need to start ceding control and listening to the opinions of their senior

leaders. Seasoned executives considering opportunities to work under such founder CEOs may realize that their brilliant ideas may not be readily received and may move on.

**Get in the new CEO, now:** When charismatic founder CEOs leave it is hard for a single person to fill their shoes. Charismatic leaders are pioneers with vast talents and abilities that are not easy to duplicate. "Grooming Tim Cook as heir apparent was one of Steve Jobs' greatest accomplishments," said long time Apple analyst Gene Munster (Apple CEO Tim Cook is fulfilling another Steve Jobs vision, voxnews, 2020). Another study on founder transitions, suggests that CEO transitions where founder stays on as a consultant, advisor, or an interim role can have a better chance of a sustained growth trajectory of the company and avoiding innovation slump.

## **ORGANIZATIONAL ROADMAP FOR TYPE 2**

**Business efficiency versus Creativity and Uncertainty:** There is often a clash of cultures between those responsible for coming up with ideas and these entrusted with the role as guardians of financial integrity and rigour. This is because, for most organizations, operational excellence is driven by predictability, reliability, and standardization. Promoting innovation requires a high tolerance for uncertainty, ambiguity, and constant change. These CEOs need to adapt internal processes that work in an environment of uncertainty.

**Future-proof the vision:** A vision of a new product or service is often one of the first things that founders develop. The type 2 leaders need to revisit different concepts of vision, mission, how to inspire the stakeholders and how to grow from scaleup. Vision statements are the heart and soul of what their business is trying to accomplish and can define future strategy and aid smooth transition to new leadership. If done with a clear view on future growth, the vision can be an effective navigator for CEO successors onto a path of sustained innovation.

**Multidisciplinary futures team:** Once the vision is clear, leaders should look at creating an incubation space with a mandate of disruptive innovation in line with the vision. This should be a team of creative thinkers with diverse backgrounds.



Figure 17: Roadmap Vectors for Charismatic Leader Type 2

### 5.3 CHARISMATIC LEADER TYPE 3

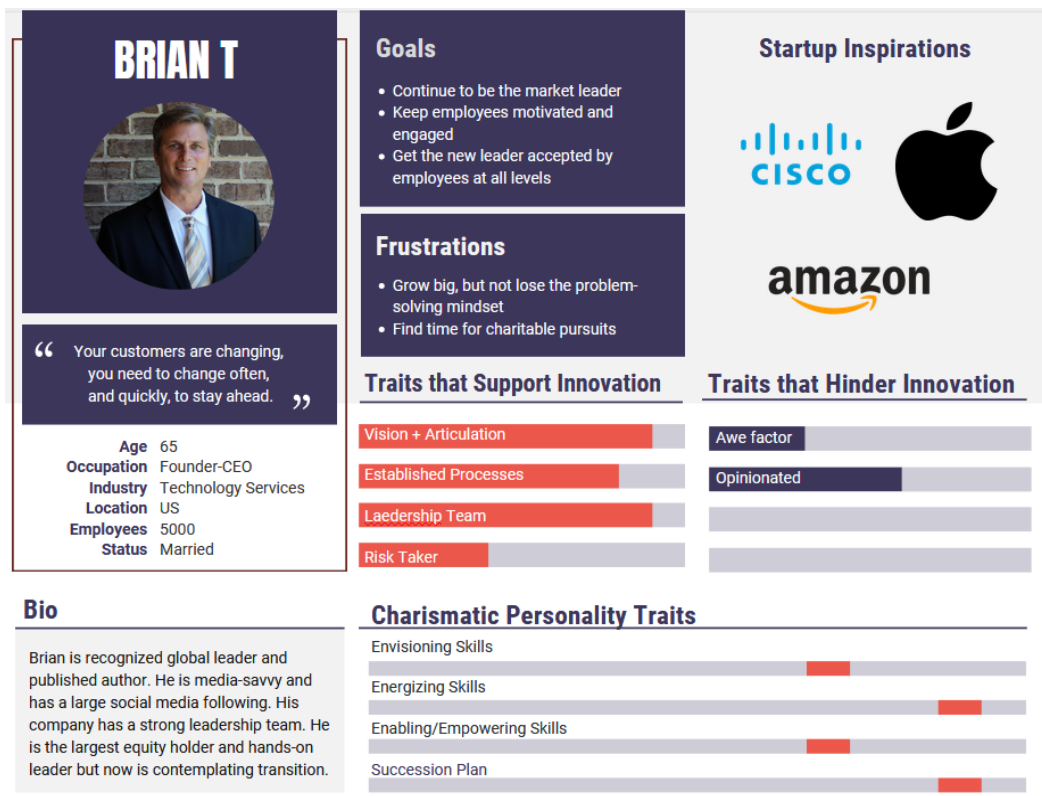


Figure 18 : User Persona of Charismatic Leader Type 3

Brian recognizes his company is heavily dependent on harvesting technological innovation; a CEO-candidate has been hired recently with a clear mandate for future planning. Brian has impeccable trust and almost a ‘tribe-like’ devotion of his employees. They believe he has made the right decision in choosing new leadership. Brian continues to address his team at town halls and large meetings. He has been able to use his charismatic fan-following to help employees transfer some of their loyalty to the new leader who has a strong endorsement by him.

Brian continues to be a huge enabler of innovation in his company. His core team crafts his vision into simple slogan-like statements that have almost become a kind of language of the organization. He has effectively embraced the principles of corporate governance and ensured that his company will be ready to take on future challenges.

## Empathy Map: Innovation Worker with Charismatic Leader Type 3

Employee of Leader Type 3	
<b>SAYS</b> (about the leader) <ul style="list-style-type: none"> <li>* Leader is the primary driver of innovation in our company</li> <li>* Innovation is in our DNA, our company started in with a software innovation</li> <li>* CEO has a problem-solver mentality</li> <li>* Innovation process is collaborative, solution teams takes the inputs from others</li> <li>* Lot of founder make their moolah and go away, he's different</li> </ul>	<b>THINKS &amp; FEELS</b> <ul style="list-style-type: none"> <li>* The leader's vision continues to be broadcast in the many new initiatives that he announces to the team at the monthly town halls</li> <li>* Feels a very strong connect and refers to the company as 'family'.</li> <li>* Feels connected to his leader even though there are many layers of positions between them: I trust our leader and he will make the right transition plan when the time comes</li> </ul>
<b>HEARS</b> <ul style="list-style-type: none"> <li>* Phrases that frame the leader's vision and there are repeated often and are now internalised by the employees</li> <li>* A new leader has been brought in place but the CEO still going to be very much involved and will be overseeing the processes</li> <li>* The new leader has the blessings of the founder CEO</li> <li>* Founder CEO's family is also reporting to the new CEO</li> </ul>	<b>SEES</b> <ul style="list-style-type: none"> <li>* A very highly visible leadership team that accompanies the Founder-CEO in all the town halls and big meetings.</li> <li>* A new person who has been given the mandate to prepare the company to take on a new strategic direction while working with the CEO</li> <li>* The leader is a strong expert in his area, he grew from the trenches is an amazing software coder himself</li> <li>* A strong endorsement on the changes being implemented by the new leader</li> </ul>
<b>PAINS</b> <ul style="list-style-type: none"> <li>* The leader is opinionated and hands on, which means that sometimes people who have new ideas might not feel very comfortable speaking to him specially because he has a very hallowed following</li> <li>* The leader can sometimes take a strong position and then he refuses to move</li> </ul>	
<b>GOALS</b> <ul style="list-style-type: none"> <li>* Excited to work with the new CEO as he feels that fresh direction will help the company grow in the right way while still being under the eagle eye of the original founder CEO</li> <li>* the new CEO has worked in top tier companies and will be able to bring in strategic thinking required to create sustainable innovation practices, the employees is hoping to grow with him and learn even more</li> </ul>	

Figure 19: Empathy Map of innovation worker working with Charismatic Leader Type 3

## Recommendations for CHARISMATIC LEADER TYPE 3

The company led by charismatic leader type 3 are doing most things right. They have invested significant amounts of money in product development and development of service innovations. Innovation team/Hubs have been created to develop innovative business offerings. However, they could look at innovation models practiced by companies like Apple, Google and Cisco for future growth path. For this type of leaders, there is not road map but recommendations:

**Organize for succession:** When Steve Jobs left Apple there was a visible innovation slump in the company. Similarly, when Steve Ballmer came to the end of his 12-month planned exit from Microsoft there was again a rush to get in the right CEO (King et al, 2013) . Getting the CEO-candidate and training them may be one just answer.



Figure 20: CISCO's Organizational structure (source: cisco website)

However, these leaders could also look at the model of companies which are organized for succession. Example: The organizational structures from Apple (from a few years ago) and the one of CISCO. These leaders need to evaluate their future goals and decide if they want to move to Cisco model instead of Apple.



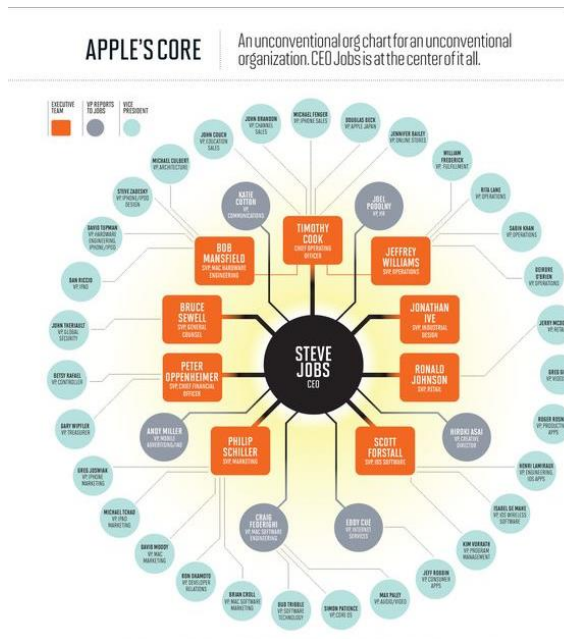
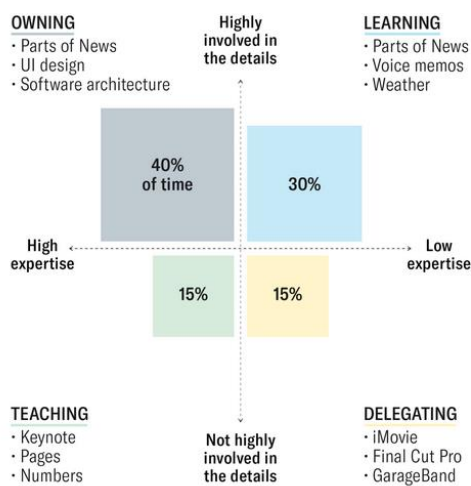


Figure 21: Apple's Organizational structure (source: Pinterest)

**Leadership at scale:** As the business grows, the number of senior managers also will need to grow. Here is another lesson from Apple, where top level leaders often manage two functions in order to optimize efficiency and to ensure that they don't become top heavy. An illustrative example of how a senior leader at Apple divides their time between four core areas is shown below.

### Roger Rosner's Discretionary Leadership

Apple's VP of applications, Roger Rosner, oversees a portfolio comprising four distinct categories that require varying amounts of his time and attention to detail. In 2019 it looked like this:



Source: Apple

HBR

Figure 22: Leadership at scale (Source: HBR.com)

**Innovation without compass:** The imminent departure of the founder CEO poses another risk, if the vision is not strongly set there is a chance of the company going adrift. A note of caution here from LEGO. LEGO had created an innovative culture that seemingly would have been the envy of any firm. “LEGO followed all the advice of the experts, yet it almost went bankrupt) too much of innovation actually brought the company to the brink of bankruptcy. Till they got a new CEO (Jorgen Vig Knudstorp) who brought the company back to its core. Innovation without a strong vision has strong chances of running adrift. These leaders must set this firmly before they leave.

**Open innovation:** These leaders could look at engaging external parties (for example, customers or suppliers) who have different perspectives on business challenges. This works, for example, by establishing open innovation processes, by opening the conventional innovation system to the outside beyond the boundaries of the organization. Again, LEGO is very successfully using this model of innovation to stay ahead.

## 6 Conclusion

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The work environments of the future are going to be dynamic, and we are likely to see the rise of many more charismatic leaders running businesses that have a global impact. Charismatic leaders are driven toward change and innovation. They are restless, they are voracious for information about changing trends in their industry, they constantly ask tough questions to find creative solutions and opportunities within seemingly impossible challenges. Charismatic leaders embrace surprise and uncertainty as a core cultural value and tool for creating innovative breakthroughs.

Charismatic leaders also push the limits of the comfort zones of the people they lead, empowering them into a mission-like feeling for work, they also normalize innovation for the customers and stakeholders of the company. They have the potential to create disruptive innovations that have deep impact. Yet, the reality is that 75 percent of start-ups fail with poor leadership being the number one cause of failure. Charismatic leaders, specially founder CEOs, are often at the centre of the innovation process of the companies, and when they leave (or are asked to exit in case of an acquisition) their departure can have a negative impact on the business. That said, without awareness of sustainable innovation practices, even if charismatic leaders stay on they often end up doing much harm to their organizations as the example of WeWork (mentioned earlier in the paper) proves. A significant amount of money, many hours of work and innumerable interesting ideas fail to add up to beautiful and life-changing innovation, if charismatic leaders fail to anchor a culture of innovation in their teams.

As more studies focus on this style of leadership and how to benefit from the value generated by the charismatic leaders in start-ups, there is also a definite need to design models of

sustainable innovation for businesses led by such charismatic leadership and these models will need to look at larger enabling factors not just focus on the process of innovation!

**Limitations of the current research:** One limitation of this research is the relatively small sample. The research was done in a very short time, on a very small sample *during* lockdown and other restriction imposed due to COVID 19. This made it difficult to do workshops with charismatic leaders and employees actively engaged in innovation practices in their companies. Such a workshop would have helped scope the solution space a little more. Another limitation is the absence of charismatic women leaders in the research. While this is reflection of fewer women in technology/ start-up space ( perhaps perpetuated by damaging and misleading stereotypes ) given more time it would have been possible find a few representatives for the research. How charismatic women leaders Impact innovation in the businesses they lead, is definitely an area that requires deeper exploration and research. For future research, it is recommended that the sample be expanded, and a more rigorous solution design process be used to arrive at models that power sustainable innovation in companies founded and led by charismatic leaders.

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**Here's to the crazy ones, the misfits, the rebels, the troublemakers,  
the round pegs in the square holes... the ones who see things differently –  
they're not fond of rules... You can quote them, disagree with them, glorify or vilify them,  
but the only thing you can't do is ignore them because they change things...  
they push the human race forward, and while some may see them as the crazy ones,  
we see genius, because the ones who are crazy enough to think that they can change the  
world, are the ones who do.**

— Steve Jobs, 1997

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# 8 Appendix

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## Appendix A: Semi Structured Interview Draft Questions

**Introduction:** You are invited to participate in a research study to examine the influence of charismatic leadership on Team innovation. The interview aims to identify systemic interventions that support innovation practices in tech organizations.

Your answers will be documented through researcher field notes and video/audio recording; however your name and organization will be confidential. Any identification information will not appear in any thesis or report resulting from this study. Any confidential records will only be kept until the end of the project, at which time they will be destroyed. Records and data will only be accessible to members of the research team (listed above).

Participation will take approximately 1 hour of your time. Participation in this study is voluntary. If you wish, you may decline to answer any questions or participate in any component of the study.

### INTERVIEW QUESTIONS

#### Demographics:

- Age:
- Gender
- Highest level of education completed:
- Current job title:
- Do you think your leader has a charismatic personality?

#### Context+ background:

›Name / Title / Organization / Contact information / Pertinent background info

1.Tell us about your organization's work (i.e. products & services)?

›What role does innovation play in your organization?

›How is work with innovation similar or different to other areas of the business/ organization? How would you describe your role within the organization?

#### Innovation + (Impact of leader's personality)

2. In your opinion, what or who drives innovation at your organization?

› How much of the work of innovation in your organization is direct result of your leader's vision? And his personality? And leadership style?

› Can you give an instance of where the leader has had a direct impact on your/ your team's ability to innovate

- › How would change in leadership impact your organization's ability to innovate?
- › If we asked 10 other people in the organization, what might they say?

### **Innovation + (The Formal Practice of Innovation in the Organization)**

3. In your organization, how would you describe the culture around the adoption and implementation of innovation initiatives?
4. How does innovation "happen" where you work? Do you use a particular innovation process?
5. Tell us about an innovation project that are you currently working on.
  - › What was the role of your leadership in the innovation journey?

### **Innovation + (The context of leadership in relation to the organization)**

6. Is the innovation in your company 'topdown' or 'collaborative'?
7. How would the innovation practices change in case your leader moves on or exits the company?
  - › How would your organization be seen by other organizations if you had a change in leadership?
  - › What would you miss the most as part of this change. Would it be drastic enough for you to consider moving to a new role/ organization?
8. What aspect of your current leader's personality gets in the way of innovation, in your opinion?
  - › Micromanagement? Larger than life personality?
9. Are you aware of innovation slump in some in organization when their legendary leaders leave. What robust innovation practices are in place in your organization to prevent that.
10. Could you visualise the innovation journey for a recent project from idea to implementation, without your current leader?
  - › How is the process different?
  - › In which different phases from idea to implementation do you see the maximum impact.

Thank you for your time.

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