Original Research Article

The effect of entrepreneur’s passion and transactional leadership style on the performance of employees

Ugur Yozgat1 and Ayse Ilgun Kamanli*2

1Faculty of Economics and Administrative Sciences, Marmara University, Istanbul, Turkey
2Independent Scholar, Istanbul, Turkey

*Corresponding Author
Email: ayilgun@gmail.com
+905322313673

Passion is at the heart of entrepreneurship because it can foster creativity and the recognition of new information patterns critical to the discovery and exploitation of promising opportunities. Entrepreneurs who are passionate have been thought by both academics and practitioners to be more successful and affect their employees’ performance than those who are not. The purpose of the present study is to investigate the effect of an entrepreneurs’ passion and transactional leadership style on the performance of employees as only few scholars have investigated these relationships separately. Data was collected from 103 entrepreneurs and 206 employees (two per entrepreneur) working in SME’s using questionnaires. Our findings indicate that entrepreneurs’ passion and transactional leadership style have a significant effect on the performance of employees, and entrepreneurs’ passion moderated the relationship between transactional leadership style and performance of the employee. This study has clearly demonstrated that the effect of transactional leadership style (passive management by exception \(\text{aissaez-faire}\)) on the performance of employees is higher when the entrepreneur is passionate about his/her job. Passion (especially harmonious passion) mediated the effect of some factors of transactional leadership on the performance of the employee. Data analysis reveals that one of several ways transactional behaviors boosts the performance of the employee is through the leader’s type of passion.

Key words: Entrepreneur, passion, transactional leadership, performance of the employees.

INTRODUCTION

The theory of leadership has attracted the attention of many researchers for many years. The earlier theory of leadership focused on characteristics theory, behavior theory and contingency theory while the late trend in leadership studies is distinguished into transformational leadership and transactional leadership (Bass, 1990). Different people have different definitions of leadership; major words like “group” or “influence” are often used to describe leadership (Jeroen et al, 2007). However, leadership can best be defined as achieving goals by encouraging followers using strategic means. From Yukl’s study (2002), majority of related leadership theories were grouped into two core concepts; transformational and transactional leadership. Transactional leadership styles are more concerned with maintaining the normal flow of operations. Transactional leadership can be described as ”keeping the ship afloat.” Transactional leaders use disciplinary power and an array of incentives to motivate employees to perform at their best. The term ”transactional” refers to the fact that this type of leader essentially motivates subordinates by exchanging rewards for performance.

The definition of job performance is the behaviors and working results of staff (Bass, 1985). Researchers mostly measure staff performance by job performance. Job performance means how much the employees have worked towards organizational goal Campbell (1990) also pointed out that job performance is the presentation when the
staffs want to fulfill the expected or regulated role per the request of the organization. Job performance is behavioral, incidental, measurable and multifaceted, and is also a sum of intermittent incidents which employees have carried out over a period of time in the organization. In addition, job performance can be used effectively to drive variables which are set in advance. As a subjective dimension to the evaluation of job performance, personal characteristics, ability and conduct are critical points; as an objective dimension, productivity and rate of attendance are standards of measurement (Cascio, 1991).

From the beginning of globalization, the foremost challenge for managers is to experiment with different strategies to boost the firm’s performance. For the strength of an organization, job satisfaction which has significant effect on employee performance, plays a vital role. Leadership is associated with employee performance (Gadot, 2007). The relationship between leadership and performance has an established considerable attention (Gadot, 2007). The main theme of every organization is to enhance employee performance.

Passion is defined as a strong inclination toward an activity that people like, that they find important, and in which they invest time and energy (Vallerand, 1997). Two types of passion are proposed: obsessive and harmonious. Obsessive passion (OP) refers to a controlled internalization of an activity in one’s identity that creates an internal pressure to engage in the activity that the person likes. Harmonious passion (HP) refers to an autonomous internalization that leads individuals to choose to engage in the activity that they like.

This study is important for assessing the impact of passion on leadership style (transactional) and employee performance. This is the first study we are aware of that simultaneously considers these three variables together. Only few scholars have examined the relationship among these variables separately. In this study, we contribute to the literature on leadership by examining how transactional leaders boost their employees' performance. We examine the moderating effect of passion in explaining the relationship between transactional leadership and the performance of the employee. This study also aims to contribute by examining the effect of entrepreneurs’ passion and transactional leadership style on employee performance.

**LITERATURE REVIEW AND HYPOTHESES**

**Transactional Leadership**

Leadership is the nature of influence and the role of individuals who are defined as leaders. Leadership is about the leader’s ability to mobilize followers towards a particular goal. The leadership literature has a rich tradition of conceptualizing leadership typologies. This research identifies two distinct styles of leader behaviors under the visionary school as transformational and transactional leadership as applied from Bass’s (1985) theory and research. However, transactional leadership style is focused on in this study for further research thus it is described in detail. Transactional leaders are direct as they specifically tell the employees the tasks that are needed to be done and will receive a reward when the tasks are achieved and punishments are given to bad performers. Compared to other leadership styles like transformational leadership, the leader will give a mission to the employees and will guide each of the workers on the way to be better.

Transactional leadership is centered on leader-follower exchanges. Followers perform according to the will and direction of the leaders and leaders positively reward their efforts. Transactional leadership is based on the exchange process where the leader administers rewards and sanctions (Meisam et al., 2013). One way or another, the leader and follower agree, explicitly or implicitly, that desired follower behaviors will be rewarded, while undesirable behaviors will draw out punishment. Potential rewards include an increase in salary, promotions and more benefits. Conversely, penalties may include pay cuts, demotions, and terminations.

Some researchers found that leaders with transactional leadership style guide the followers to attain predetermined objectives based on rewards methods, contingent reward and management. Likewise, as stated by (Dai et al., 2013), managers who practice transactional leadership style use such reward methods to increase corporate performance, which are given to who excels in their performances and punishment to who does otherwise. Many researchers agree that transactional leadership style has a positive impact on each follower to be better, however, some have stated otherwise. According to Patiar and Mia (2009) (Dai et al., 2013), there are a few disadvantages of having transactional leadership as a leader because the leader only offers a limited or none involvement in decision-making in any tasks given. Therefore, there is not much exposure given to the followers on how to manage and overcome such situations. However, the voluntary actions made by the employees are highly encouraged as the actions may turn into rewards. Effective leaders build the interest of the employees by providing contingent incentives, promises and trusts that lead to achieving the goals of the organization (Bass, 1990). Many researchers have studied the method of transactional leadership for many years in different ways and with different variables. However, none of the researchers know exactly how to define the term transactional leadership style. There is a study made by Howell and Merenda (1999) where they studied the relationship of leader-member exchange between transformational and transactional leadership styles in workers’ “performances and found that compared to transformational leadership, transactional leadership has more influence on employees’ performance and job satisfaction.

Most researchers have emphasized on transformational leadership but some also give importance to transactional leadership. Egan et al. (1995) articulate that transformat-
ional style is more effective than transactional style regardless of organizational type; method adopted by the leader is based on his personal ability, preferences and experiences. However, organization’s output is negatively affected by the transactional leaders (Bass, 1999). When the situation is unapparent, a leader must follow the transformational style to identify the key factors of the situation and choose the right style for the situation (Somech and Wenderow, 2006). Afolabi et al. (2008) analysed and provided evidence in favor of transactional leadership as they observed that it is more effective when an organization desires to achieve their aims and objectives. Supervisors play a vital role in job satisfaction and performance of the employee. But on other hand, transformational leaders can some time exploit workers by using their power to achieve personal goals (Franke and Felfe, 2011).

Transactional leadership has been the focus of researchers for many years and premeditated in numerous ways with different variables. Howell and Merenda, (1999) conducted a research on the association between leader-member exchange, transactional and transformational leadership in forecasting employees’ performance and concluded that transactional leadership style is a positive predictor of followers’ performance. Bass et al. (2003) carried out their research on a military platoon which is an organization working in an unstable environment and proved that transactional leadership increases performance among the soldiers. Transactional leadership style is relatively weakly associated with performance and is optimistically related to perception of organizational politics (Gadot, 2007). Rejas et al. (2006) indicated that there is a dominance of the transactional leadership style over transformational and laissez faire styles. Personality factors, agreeableness and conscientiousness are positively related to transactional leadership which is moderated by a perceived dynamic working atmosphere (Hoogh et al., 2005).

While investigating the effect of leadership on organizational performance in Russian companies, Elenkov (2002) observed that Russian managers who adopt transactional leadership behavior positively correlates with organizational performance and innovation. In the last few decades, there has been an explosion of speculative and empirical work conducted on leadership styles. Transactional leadership is also measured in terms of job satisfaction and employee performance. Bass (1998) defines that transactional leadership occurs when the leader's incentive and control depend on the adequacy of follower's performance. Research conducted by Burke et al. (2006) on leadership behaviors and team performance outcomes revealed that transactional leadership behavior is significantly related to team performance. The relationship between transactional leadership and performance was also investigated by Rowold and Schlotz (2009) where they explain that transactional leadership is a trade of explicit transactions and as a result, these leaders’ rewards amplifies the performance of their followers. Transactional leadership is based on tentative support and subordinates are motivated through recognition or else corrected through punishment and due to this exchange relationship, the expected performance achievement leads towards follower’s promotion (Munaf, 2011). In other words, transactional leadership encourages followers to perform according to the leader’s expectation and get rewards and promotion. Ample support is available in leadership literature (Avolio et al., 1999). To make transactional leadership more effective, appropriate usage of contingent reward is an important feedback to assemble expectations with followers in terms of their performance.

Bass (1990) reports that laissez-faire leadership usually correlates negatively with other active leadership styles. Bass (1990) found that there is a negative association between laissez-faire leadership and a variety of subordinate performance, effort and attitudinal indicators. This implies that laissez-faire leadership is always an inappropriate way to lead. By 'laissez-faire' it is meant that the leader is not sufficiently motivated or adequately skilled to perform supervisory duties and this observation seems correct.

Hartog et al. (1997) conducted a research and found that the scale found for laissez-faire leadership, named passive leadership, forms a combination of Bass’ scales for laissez-faire leadership and passive management-by-exception. And this combination has a negative effect on the performance of the employee.

In order to have a successful organization, it is very important to have a suitable leadership style to guide it. Transactional leadership is one of the most effective leadership styles as it rewards employees for good performances and punish for bad performances (Karami et al., 2014). This could encourage the workers to be better and to be more aware of their work. There are many advantages in having transactional leadership style as a leader because with this healthy competition between co-workers brings out the confidence of each employee to gain the reward. Not only that, employees also could sharpen their skills and increase in knowledge as well as motivate themselves to perform better. In addition, this could increase the performance of the organization to achieve its objectives much faster. According to Jung (2000), transactional leadership is when the skills of the leader is used in manipulating and encouraging its followers into fulfilling the needs and aspirations of the organization by exchanging for performance of employees.

Four core facets of transactional leadership as described by Schermerhorn et al., (2000) are contingent rewards, active management by exception, passive management by exception and laissez-faire. The first, contingent reward, describes the extent to which effective transaction and exchange is set-up between leader and followers. The second dimension, management-by-exception, describes whether leaders act to either prevent (active management) or resolve (passive management) problems as they arise. Finally, the absence or avoidance of any leadership behavior is termed “laissez-faire leadership.”
This reasoning leads to the following hypothesis:

**H1:** Transactional leadership has a positive effect on the performance of the employees.

### Entrepreneurs’ passion

Vallerand et al. (2003) defined passion as a strong inclination or desire towards what one likes (or even loves) and finds important and in which one invests time and energy. We further posit that the representation of an activity that one likes and in which one engages on a regular basis will be incorporated in that person’s identity to the extent that the activity is highly valued (Aron et al., 1992; Csikszentmihalyi et al., 1993), thereby leading to a passion for this activity. Such a passionate activity comes to be so self-defining that it represents a central feature of one’s identity. For instance, those who have a passion for teaching do not merely say that they teach; they are teachers.

The dualistic model of passion distinguishes two types of passion: harmonious and obsessive passion. There are two different processes by which an activity can be internalized in one’s identity, each of them resulting in a specific type of passion. Harmonious passion results from an autonomous internalization (Deci and Ryan, 2000; Vallerand, 1997) of the activity into one’s identity. Such internalization occurs when an individual freely accepts an activity as important to him or her. No contingencies are attached to the passionate activity such that activity engagement is personally endorsed. The autonomous internalization comes from an intrinsic tendency of the self (Deci and Ryan, 2000; Ryan and Deci, 2003) and produces a motivational force to engage in the activity willingly (Vallerand, 1997; Vallerand et al., 1997). Individuals do not feel an uncontrollable urge to engage in the passionate activity, but rather freely choose to do so. Thus, when it comes to harmonious passion, behavioral engagement can be seen as flexible: People are able to decide when and when not to engage in the activity. For example, a teacher with a harmonious passion for teaching who is offered an opportunity to give a tutorial class at lunch time might decide to decline the offer because such a task would reduce time that should be devoted to relaxing, re-energizing, and socializing with colleagues. The harmoniously passionate activity (i.e. teaching) can be seen as occupying a significant but not overpowering space in the person’s identity and is in harmony with other aspects of the person’s life (Vallerand et al., 2003). This should lead people with a harmonious passion to be able to fully concentrate on the task at hand and experience positive outcomes both during activity engagement (e.g., positive affect and flow) and after activity engagement (e.g., satisfaction or no guilt). Moreover, when prevented from taking part in their passionate activity, they should be able to focus their attention and energy on other tasks, without constantly ruminating about the passionate activity.

Conversely, obsessive passion results from a controlled internalization (Deci and Ryan, 2000) of the activity into one’s identity. Such internalization originates from intrapersonal or interpersonal pressure either because certain contingencies are attached to the activity, such as feelings of social acceptance or self-esteem, because the sense of excitement derived from activity engagement becomes uncontrollable. For instance, although a teacher really enjoys his profession, he might experience an internal desire to teach because it is the only activity that might allow him to maintain a sense of self-worth. In such a case, teaching is no longer a truly volitional choice, but rather an activity this individual feels he has to do (e.g., to feel like a worthy person). People with an obsessive passion are controlled by their activity; it is as if they cannot help but to engage in it. Because the activity becomes out of one’s control, it can take up disproportionate space in a person’s life. This can lead one to neglect other life domains (e.g., family, friends, and leisure), thereby resulting in conflict in one’s life.

Broadly speaking, entrepreneurs are those who “discover and exploit new products, new processes, and new ways of organizing” (Baum and Locke, 2004: 588). Although these pursuits can take many forms, entrepreneurial efforts are generally defined in terms of the recognition and exploitation of business opportunities, notably through the founding of new ventures (Baron, 2008). Entrepreneurial passion has recently begun to fascinate a growing number of researchers (Smilor 1997; Chen et al., 2009; Cardon et al., 2005; Baum and Locke, 2004).

From the perspective of entrepreneurial management literature, Cardon et al. (2009) define passion as an intense feeling of longing that an entrepreneur feels for objects or activities that are deeply meaningful to his or her identity. They argue that an entrepreneur’s passion, when regulated, motivates the entrepreneur to create for him- or herself an appropriate role identity and engage in entrepreneurial behavior in a coherent way. The entrepreneurial role identity is one of an inventor, a founder, a developer, or a combination thereof. Coherent entrepreneurial behaviors based on one or several of these identities include creative problem solving, persistence, and absorption. While the theory offers a promising approach for entrepreneurial studies; still only few systematic studies exist that apply it. Passionate entrepreneurs have motivation that provides them with additional energy (Bierly et al., 2000; Baum et al., 2001). Passion also mobilizes energy in others (Brännback et al., 2006) and this energy also raises the performance of the employees.

This reasoning leads to the following hypothesis:

**H2:** Entrepreneurs’ passion has a positive effect on the performance of the employees.

**H3:** Entrepreneurs’ passion moderates the relationship between transactional leadership and performance of the employees.
METHODOLOGY

Proposed model

The hypothesized model is shown in Figure 1.

Sampling design

This study was conducted in Istanbul using the convenience sampling method on entrepreneurs and their directly related employees (two of each) in SME’s in various sectors. Following Brislim’s (1980) back to back translation procedure, the questionnaire was translated from English to Turkish and back to Turkish by two experts in English. The two translators worked independently, and only a few minor discrepancies in wording emerged and were resolved by translators as they talked through the differences. The questionnaires were distributed to entrepreneurs and their directly related employees (two of each). A total of 450 questionnaires (150 entrepreneurs and their directly related 300 employees) were provided for administration, of which 380 (84.4 %) were returned. After removing the uncompleted ones, 309 (68.7 %) (103 entrepreneurs and their directly related 206 employees) questionnaires were first aggregated and then analyzed using SPSS statistical program and tested using hierarchical regression analyses.

Measures

The constructs in our study were developed by using measurement scales adopted from prior studies. Unless otherwise stated, responses to all of the items in our survey were recorded on a 5-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). Scales were coded such that high values represented high level of the constructs. The instruments used to collect data are Likert scale questionnaire which was tested for validity and reliability. Data was processed using the Statistical Package for Social Sciences (SPSS).

“Passion Scale” as developed by Vallerand et al. (2003) was employed to measure the entrepreneur’s passion. The Passion scale is a 14-item instrument with two subscales (harmonious passion and obsessive passion) each with seven items.

“The Multifactor Leadership Questionnaire (MLQ-5x/Short Form)” (Bass and Avolio, 1995) was employed to measure transactional leadership style. Transactional leadership style is a 16-item instrument. Bass developed the Multifactor Leadership Questionnaire (MLQ) to measure the components of transformational and transactional leadership. Since its development, the MLQ has received extensive evidence of its reliability and validity, and is commonly used in leadership research (Bryman, 1992).

The 4-item “Scale of Evaluating Individual Performance at Work” developed by Bozkurt and Erkan (2007) was used to evaluate employee performance. The questionnaire includes 7 demographic questions on age, gender, education, tenure, marital status, number of children and position.

Two questionnaires were used; one for entrepreneurs containing variables such as demographics, and evaluation of the performances of the employees; another for employees containing variables such as demographics, entrepreneurs’ perceived passion and leadership style.

RESULTS

Questionnaires returned from employees were first aggregated with the matching performance of the employee items from entrepreneurs’ questionnaires, and then analyzed. The demographic characteristics of participants were subjected to frequency analysis. Of the 206/103 participating employees/entrepreneurs, 169 (82 %)/ 92 (89.3%) were male. The age of 36.4/ 9.7 % was between 18-25 years, 39.8/ 35.9% between 26-35 while the remaining were older than 35. 91.2/ 72.8 % of them possessed undergraduate degree while 88/ 27.2% possessed graduate degree. 64.1/ 35.9% are middle class while 68/ 47.5% are high class. The job tenure of 33.5/ 9.6% was less than 5 years, 44.2/ 47.6% between 5-15 years, and 22.3/ 42.8% for more than 15 years. Demographic factors are shown in Table 1.

To control for common method bias, the original-factor
test was conducted, although its explanatory power is controversial and no single factor emerged in the exploratory factor analysis (EFA) (Podsakoff et al., 2003). In line with Knight (1997), in international studies it is important “to evaluate the dimensionality of the scale” and to control for factor structure and loadings. EFAs using Varimax rotation were conducted for the dependent variables (performance of the employees) and the independent variables (entrepreneurs’ passion and transformational leadership style) following generally accepted procedures. For exploratory research, a Cronbach’s’ α greater than 0.70 is generally considered reliable (Nunnally, 1978).

As a result of the exploratory factor analysis instead of transactional leadership style’s four factors, two factors were identified: contingent rewards\active management by exception, passive management by exception\laissez-faire. Thus, H1 hypothesis was revised as follows.

H1a: Contingent rewards\active management by exception has a positive effect on the performance of the employees.

H1b: Passive management by exception\laissez-faire has a negative effect on the performance of the employees.

As can be seen from the Cronbach alpha values reported in Table 2, variables of our study are found to be reliable.

Bivariate correlations between the variables involved in this research are reported in Table 2. Contingent rewards\Active management by exception and entrepreneurs’ passion (both harmonious and obsessive) performance of the employee have no significant correlation with performance of the employee, respectively. Passive management by exception\Laissez-faire and entrepreneurs’ passion (both harmonious and obsessive) performance of the employee have a negative correlation with performance of the employee, respectively.

In order to test the first two hypotheses, hierarchical regression analysis was conducted. As shown in Table 3, two variables are regressed on the performance of the employee linearly. Hypothesis 1a is rejected and Hypothesis 1b is accepted. Entrepreneurs’ passion has a moderate positive effect thus supporting Hypothesis 2.

The interaction term was created by multiplying the two main effects and included in Model 2 to test the moderating effect (Hypothesis 3) (Aiken and West, 1991). The results of Model 2 show a significant change in R-squared (ΔR =

---

### Table 1. Demographic factors of employees and entrepreneurs

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Employee (%)</th>
<th>Entrepreneur (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age (Years)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td>36.4</td>
<td>9.7</td>
</tr>
<tr>
<td>26-35</td>
<td>39.8</td>
<td>35.9</td>
</tr>
<tr>
<td>&gt;35</td>
<td>23.8</td>
<td>54.4</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>82</td>
<td>89.3</td>
</tr>
<tr>
<td>Female</td>
<td>18</td>
<td>10.7</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>91.2</td>
<td>72.8</td>
</tr>
<tr>
<td>Graduate</td>
<td>8.8</td>
<td>27.2</td>
</tr>
<tr>
<td><strong>Job tenure (years)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;5 years</td>
<td>33.5</td>
<td>9.6</td>
</tr>
<tr>
<td>5-15 years</td>
<td>44.2</td>
<td>47.6</td>
</tr>
<tr>
<td>&gt;15 years</td>
<td>22.3</td>
<td>42.8</td>
</tr>
<tr>
<td><strong>Income level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle class</td>
<td>64.1</td>
<td>35.9</td>
</tr>
<tr>
<td>High class</td>
<td>6.8</td>
<td>47.5</td>
</tr>
</tbody>
</table>

### Table 2. Means, standard deviations, alpha coefficients, and correlations among study variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance of the employee</td>
<td>3.83</td>
<td>0.93</td>
<td>(0.907)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmonious passion</td>
<td>3.42</td>
<td>0.97</td>
<td>0.548*** (0.916)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obsessive passion</td>
<td>3.24</td>
<td>0.87</td>
<td>0.455*** 0.632*** (0.885)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingent rewards\Active management by exception</td>
<td>3.24</td>
<td>1.12</td>
<td>0.037 0.212** 0.123 (0.958)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passive management by exception\laissez-faire</td>
<td>2.55</td>
<td>0.92</td>
<td>-0.384*** -0.309*** -0.186*** 0.506*** (904)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Values on the diagonal represent alpha coefficients. * p <0.05, ** p <0.01, *** p <0.001 (two-tailed tests); N=206 employees
The moderating effect of entrepreneurs’ passion (OP: β=0.244, p<0.05 HP: β=0.460, p<0.001) on the relationship between Passive management by exception\Laissez-faire leadership style (β=-0.828 p<0.001) and performance of the employee is statistically significant.

Conclusion

The study tested 3 hypotheses conjectured for the research aim of providing insights into how transactional leadership and leaders’ passion for their job affects the performance of the employee. The study conducts theories of passion and transactional leadership to test employee performance.

Our findings indicate that entrepreneurs’ passion and transactional leadership style have an effect on employee performance and entrepreneurs’ passion moderated the relationship between some factors of transactional leadership style and employee performance. This study has clearly demonstrated that the effect of transactional leadership style (passive management by exception\laissez-faire) on employee performance is higher when the entrepreneur is passionate about his/her job. Passion (especially harmonious passion) mediated the effect of some factors of transactional leadership on the employee performance - therefore, it seems that one of several ways transactional behaviors boost the employee performance is the leader’s type of passion.

Real passion provides inspiration that is much deeper than a temporary emotional high. When leaders are truly passionate, employees feel included in the leader’s commitment and part of making important things happen thus, this leads to higher job performance of the employee. Passion is contagious and it has a trickle-down effect that is why in a world of intense competition among businesses, passion can also be a secret ingredient to a company’s success. If the leaders are passionate about what they do, this can foster employee performance.

Researches have shown that Laissez-faire leadership usually correlates negatively with other more active leadership styles. Bass (1990) concludes that there is a negative association between Laissez-faire leadership and a variety of subordinate performance. In line with the literature we found that passive management by exception\laissez-faire has a negative effect on employee performance. As Hartog et al. (1997) points out that laissez-faire leadership and passive management-by-exception forms a combination that has a negative effect on employee performance.

The theoretical distinction between laissez-faire and passive management-by-exception made by Hater and Bass (1988) is thus not empirically supported in this data set. The same correlation pattern between passive management-by-exception and laissez-faire leadership was found in a study by Yammarino and Bass (1990) where passive management-by exception and laissez-faire correlate positively with each other and negatively with other leadership dimensions.

This study provides important contributions and implications for entrepreneurs, executives and managers. The result of this research can be used as a reference for human resource management practice and operation. For higher level of job performance, the leadership style perception of the employees plays an important role. As leaders are perceived as more transparent in relationships with employees, open to listen and share information, relying on moral values and are self-aware, performance outcomes may increase. Passionate entrepreneurs have motivation that provides them with additional energy (Bierly et al., 2000; Baum et al., 2001). Passion also mobilizes energy in others (Brännback et al., 2006) and this energy raises employee performance. Organizations may examine low levels of employee performance and can through some studies, enhance performance through development of leadership behaviors.
Limitations and future research

This study was limited and only focused on the effect of entrepreneurs' passion and transactional leadership style on employees of SMEs in Istanbul. Further research is suggested to collect data over a wider range of SMEs' employees in Turkey and/or investigate the differences in various sectors. The study is also limited by its sampling technique, convenience sampling.

The effect of the entrepreneurs' passion on commitment, motivation, organizational citizenship, intention to leave etc. of the employees should be researched.

A further research can also be conducted on the effect of different leadership styles such as servant, ethical etc., which were found to be effective on employee performance in other researches.

Competing interests

The authors declare that they have no competing interests

REFERENCES


Hartog DND, Muijen JJV, Koopman PL (1997). Transactional versus transformational leadership: An analysis of the MLQ. J. Occupational and Organizational Psychol. 70:19-34


