Stone Pagamentos: Pitfalls of Exponential Growth

Stone Pagamentos: Armadilhas do Crescimento Exponencial

José Augusto Lopes Figueiredo

Mateus Rodrigues Coimbra

Bruno Fernandes

Victor Manoel Cunha de Almeida

ABSTRACT

This is a case about the dilemmas of Vabo and Amanda regarding the development of a strong team with effective leaders in a company that has been growing exponentially. Given a new scale of operation, a new team size, and the challenges of maintaining the culture and continued grow, it was necessary to re-evaluate the role of key leaders, their interdependencies, and their impacts on shaping the future leaders. The case is recommended for disciplines of Leadership, Entrepreneurship, and Organizational Culture in undergraduate and graduate courses in Business Administration. It is expected that at the end of the discussion the participants will be able to: (a) become familiar with the interdependence between values, beliefs, dreams, life history, and behaviors of the leader; (b) identify different leadership styles, observing their characteristics, idiosyncrasies, and vulnerabilities; (c) realize the different leadership needs at each stage of business development, as well as the potential consequences of each leadership style on the company's growth, people, and culture; (d) expand their self-knowledge and this way strengthen their choices, career, and leadership.

Keywords: Leadership; Entrepreneurship; Leadership Styles; Organizational Culture.

José Augusto Lopes Figueiredo (iD)
jose.figueiredo@coppead.ufrj.br
Bachelor in Psychology - Universidade Santa Úrsula
Bacharel em Psicologia - Universidade Santa Úrsula
Universidade Federal do Rio de Janeiro - COPPEAD
Rio de Janeiro/RJ - Brazil

Mateus Rodrigues Coimbra (iD)
mateus.coimbra@coppead.ufrj.br
Master in Economy and Finance - FGV/EPGE
Mestre em Economia e Finanças - FGV/EPGE
Universidade Federal do Rio de Janeiro - COPPEAD
Rio de Janeiro/RJ - Brazil

Bruno Fernandes (iD)
bruno.fernandes@coppead.ufrj.br
Specialist in Business Administration - Universidade Federal do Rio de Janeiro - COPPEAD
Especialista em Administração de Empresas - Universidade Federal do Rio de Janeiro - COPPEAD
Universidade Federal do Rio de Janeiro - COPPEAD
Rio de Janeiro/RJ - Brazil

Victor Manoel Cunha de Almeida (iD)
valmeida@coppead.ufrj.br
PhD in Business Administration - Universidade Federal do Rio de Janeiro - COPPEAD
Doutor em Administração de Empresas - Universidade Federal do Rio de Janeiro - COPPEAD
Universidade Federal do Rio de Janeiro - COPPEAD
Rio de Janeiro/RJ - Brazil

RESUMO

O caso trata dos dilemas de Vabo e Amanda referentes ao desenvolvimento de uma equipe forte, com líderes eficazes, em uma empresa que vinha crescendo exponencialmente. Dada uma nova escala de operação, um novo tamanho de time e os desafios de manter a cultura e continuar crescendo, era necessário reavaliar o papel dos principais líderes, suas interdependências e seus impactos na formação dos líderes do futuro. O caso é recomendado para disciplinas de Liderança, Empreendedorismo e Cultura Organizacional em cursos de pós-graduação *stricto* e *latu senso* em Administração de Empresas. Espera-se que, ao final da discussão do caso, os participantes possam: (a) familiarizar-se com a interdependência entre valores,

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crenças, sonhos, histórico de vida e comportamentos do líder; (b) identificar diferentes estilos de liderança, observando suas características, idiossincrasias e vulnerabilidades; (c) perceber as diferentes necessidades de liderança em cada estágio de desenvolvimento do negócio, bem como as potenciais consequências de cada estilo de liderança no crescimento, pessoas e cultura da empresa; (d) ampliar seu autoconhecimento, fortalecendo suas escolhas, carreira e liderança.

Palavras-chave: Liderança; Empreendedorismo; Estilos de liderança; Cultura organizacional.

Introduction

Early in the evening of a Tuesday in May 2017, reflective after a long day of many explanations, questions, and possibilities, Vabo and Amanda entered into a contemplative conversation about the moment that Stone Payments was passing through, the challenges they faced, and what the future had in store for them. Luis Vabo Jr. was taking over the direction of the company's People & Management area and Amanda Luz Sant'Anna was his predecessor in this role. Both showed a contagious enthusiasm, a result of being proud of being part of the success and reputation that Stone has always represented. However, planning the company's next steps was already causing them unrest, a typical entrepreneurial behavior, especially in the face of the leadership and management challenge that the company's rapid expansion provided.

Stone was born in mid-2012 with an initial capital of US$ 6 million and a team of approximately 40 employees. Within five years it had already become one of the few Brazilian unicorns[1]. In mid-2017, it reached a market value of over US$ 2 billion and a team of over 3,000 people when it achieved fourth place in the ranking of acquirers[2] in the Brazilian market, having grown 78% between 2016 and 2017.

During this change in job positions, Amanda was not comfortable transferring responsibility to Vabo as she would take a new role in Arpex Capital, Stone's holding company. Amanda was well aware that, directly or indirectly, her legacy and future was engrained that context. Undaunted, meticulous, and with entrepreneurial DNA,

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1   Unicorn is the nomenclature used to refer to startups that reach a market value of over $ 1 billion.

2   The acquiring market is described in Annex A.

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Vabo listened attentively to his counterpart, already envisioning his actions on the key questions: how to improve communication between key leaders, how to attract and hire the best talent on a large scale, and how to ensure Stone's winning cultural integrity in the midst of such diversity.

Background

The seed of Stone's birth begins with the meeting of two of its main leaders and founders: André Street and Eduardo Pontes.

André started working at an early age—13 years old. Son of a doctor and with an entrepreneurial DNA, he began his career at age 15 with the creation of his first company, Paga Fácil, in 1999. At that time he was already meeting with friends of his parents to try to raise funds for his endeavors. Eduardo, on the other hand, had a more technical profile and was considered a genius by André, having worked at Fleming and Santos banks in the technology and infrastructure areas. From a very young age, Eduardo already proved to be an expert in the technological intricacies of banking processes.

André and Eduardo met in 2005 and began to venture in the B2B payment business. The goal was to use technology to provide some disruption or to optimize some relevant process in this industry. They invested their ideas and energy to go after this dream until they built a payment gateway for e-commerce stores, which was a digital solution to process payments made at the checkout of online purchases.

It was an opportunity entering a duopolistic market that up until then was very concentrated with expensive financial services, the world's largest spread, inefficient, and a poorly served technology. On one side was VisaNet (Cielo), which only worked with the Visa brand, and on the other was Redecard, which only worked with the Master brand, which according to André and Eduardo was very bad for retailers and entrepreneurs because it left them with no options and high-cost hostages for the e-commerce businesses that were beginning to grow in Brazil.

With this as a backdrop, entrepreneurs André and Eduardo created Braspag in 2005. It was a technology startup that in essence facilitated retailer transactions by centralizing the connections between the banks and buyers with safer, less

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costly conditions. By the end of 2008, Braspag already had 80% of the e-commerce market in Brazil. At that time, Braspag had 40 employees, 25 of them in technology and the remainder in services and sales. It was at this moment that Amanda joined the Braspag team.

Faced with a tempting proposal in 2009, André and Eduardo decided to sell Braspag to the Silvio Santos Group (GSS). André describes the feeling of joining a more formal structure: "All the executives were much older with only Edu and I not wearing suits. We only attended board meetings when we were interested and we had all the freedom we wanted. As we interacted, the learning was mutual. It was a very nice time."

Amanda started working at Braspag in early 2009 with integration, organizing internal processes, and developing KPIs of operations, customer service, and sales. At that moment the focus was on accelerating growth and taking Braspag to another level.

Amanda reports that on arrival everything was very different:

> I had always worked in highly structured companies with processes, procedures, and compliance rules. For me, following procedures and processes was normal, but for Edu and André this sounded like an offense sometimes when considering all the autonomy and practicality they were used to working with.

By contractual agreement, Eduardo and André became directors at GSS, managing Braspag, but also worked in parallel at Panamericano bank that also belonged to the group. Despite enjoying all the prestige and respect, the traditional bank structure started to cut their flexibility and to block their innovation—skills that leaders at startups are recognized for—causing them to initiate a plan for a new project at the end of contractual retention period, which did not prevent their leadership styles from being considered during this period.

Amanda recalls how peculiar the leadership style of the two entrepreneurs was at this time:

> My first week was surreal! I arrived and waited for Edu, who was my boss, to show me the guidelines. I went in and hoped he would come talk to me...I spent a week without anything to do! Neither he nor anyone came to talk to me. I imagined he was busy, and that is why he didn't have a chance to orient me. I started talking to others and realized

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> that it was not a matter of being busy. I took courage and went into his office and started by saying, "Hello Edu, do you think you would have some time to..." He interrupted me: "Oh cool! Glad you came in!"

Amanda confessed that at that moment she thought that she had made the wrong decision in coming to work there. But soon after, when he started explaining the business and the opportunities to her, she understood that it was a different style of leadership and there was no specific problem with her. On that same day Edu would surprise Amanda again by taking her to a meeting with all the leaders and some people still unknown to her and he started laying it out about everything that should be changed without worrying about how everything would sound or how people may feel exposed.

> I was shocked! They shouted, argued aggressively, and defended their views, seeming to be ready to break out in a fight at any moment. That day I began to get to know Edu and his straightforward natural style of saying directly what he thinks and let the chips fall, and then surprisingly cultivate a personal relationship totally without resentment.

Another perspective that Amanda recorded at the time of Braspag is the autonomy and empowerment that people had. "The autonomy was absurd! No one ever said: 'Do it this way, do it like that.' They just said: 'This is your challenge, find a way to get it done and make it happen."

After the Panamericano bank financial scandal, which went public in November 2010, GSS decided to sell some companies, including Braspag, which was eventually sold to Cielo in 2011 with André's help and intermediation. He was able to design a sale for double the value that was paid to him and Eduardo for the first acquisition. Cielo released Braspag from any non-competition engagement in December 2011.

In early 2012, Eduardo and André founded Arpex. The intention was not to lead a specific company and start working as executives, overseeing the day-to-day routines. Their vision was to create a holding company able to invest in different startups. Highlighting the values of this time, they characterize Arpex as follows:

> ArpexCapital is an investment holding company made of young, passionate, and results-obsessed entrepreneurs. We want to be the best at what we do, so we want workers on

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> our team better than ourselves. Our service is focused on retail with two main fronts: payment methods and e-commerce services. All companies at Arpex share the same dream of changing the Brazilian scenario in these two sectors, working on great challenges.[3]

Arpex values are described in Annex B.

In 2011, Central Bank opened the acquiring market as described in Annex A. André intensified conversations with investors and regulators, seeking to obtain authorization to act as an acquirer, that is, to make the financial settlement of transactions through credit card and debit card. While André traveled around the world to sell the project, raise funds, and earn credibility, Eduardo worked 24 hours a day to develop the software platform. The licenses were granted in June 2012, considered to be Stone Payments' date of birth.

Stone Payments Begins to Evolve in Record Time

Stone was created with an unique proposal focused on developing entrepreneurs and retailers. According to them:

> We are so much more than just a little machine. We make you sell more, manage better, and always grow. Our mission is to transform the payment industry. Our dream is to make the best customer service, creating a very different delivery, sales, and relationship experience where we are the retailer's partners.[4]

Faced with the great challenge of starting an operation, Eduardo and others left their roles at Arpex and took the helm at Stone. They had gotten a license, but they still lacked an approval that basically consisted of proving to card brands the ability of their platform to comply and follow all the rules.

According to Visa and Mastercard, the approval process would take an average of 18 months, which would completely drain Stone's financial breath at that time, Amanda explained: "André and Edu took on the challenge of doing it in 12 months and we were able to complete in just 9 months." Amanda explained very proudly, stressing: "In fact, everything that we proposed we achieved and it happened very fast."

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3   Arpex Capital (2018). Retrieved 12/26/2018 from br.linkedin.com/company/arpexcapital

4   Stone (2018). Retrieved 12/26/2018 from www.facebook.com/stonepagamentos

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The Customers Arrive – Focus

The year 2014 was when Stone's first customers began to arrive and along with them the problems associated with the new company. According to Amanda, it was that chaotic year when everything goes wrong: "We'd figure things out and put them together as mistakes came up, putting out the fires but managing to attract and retain important customers."

In André's words: "The confusion was huge, the system was still experimental, processing was duplicated with some clients. We caused a lot of damage, but in the end we honored everything and indemnified everyone. "

With an increasing demand for people and consequently management, the entire Arpex team was relocated to Stone's operation. Some deals from Arpex's market place services strategy were sold so that full attention could be given to Stone.

Amanda put together Stone's Human Resources team as they needed to grow and make the operation scalable. Very proud she explained: "At the beginning of 2015 we only had 70 people and we closed the year with over 500".

The result of an investment made by Arpex, another important entrepreneur in Stone's history was brought into the group, Thiago Piau. He joined the team leading all of Arpex's M&A operations during this period. From Amanda's perspective:

> Piau was a brilliant young man, entrepreneur, and an excellent negotiator. He was able to close a very strategic deal by selling Sievegroup to B2W, which allowed everyone to focus on Stone. However, he was a very difficult guy when dealing with people. We went through a time when he shouted at people and his interpersonal relationship skills were complicated. We had very hard conversations for him to listen to us. He understood and has since greatly improved the quality of his interactions, becoming one of the main business leaders.

In this period of transition from start-up to scale-up chaos, Piau took over the leadership of Stone's financial area, thus consolidating the triumvirate of Stone's leadership at that time: André, an eternal dream engager focused on sales, capital markets, regulations, and people; Eduardo, formally as CEO, but keeping an eye on technological challenges, always looking ahead to where the market would go

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from the standpoint of technology and innovation; and Piau, the head of finance and operations.

Big Child

The year 2015 was marked by an overwhelming growth for Stone. André and Amanda explained: "All the targets proposed were met, always with much celebration, making it a sensational year. We thought we couldn't do it and in the end we did it. Everything was a party and a bit chaotic."

In Amanda's view, 2016 should be the year of organizing the house:

> We had a lot of people and somehow wanted to preserve the culture of meritocracy. We didn't know the names of people anymore, we had restructurings all the time, people with a month in the business became leaders, people 19 years old become area leaders. I started to get worried.

The year of 2016 started with the support of an external consulting firm to make a target deployment process, come with well-delineated processes, and seek operational excellence. However, the year warmed up when the opportunity arose to buy Elavon's operations, which was the fourth largest player in the sector in Brazil, while Stone was the eighth.

Elavon was a Citi and US Bancorp operation. It had arrived in the country in 2011 with Citi's return to the card segment after the sale of Redecard. Like all the other movements of André and Eduardo, Stone was able to close the deal in just eight weeks of negotiations, due diligence, and fundraising. Piau and Amanda entered the new operation to take care of team selection and integration. Amanda commented on her surprise: "It seemed that everything was OK, but when Piau and I got there and identified the level of hierarchy and cultural differences, we were alarmed by the complexity of integration."

During the transition, Eduardo served as CEO of Stone; Piau took over as CEO of Elavon, and Amanda was responsible for taking care of the people and integration process.

Soon after the full integration of the business, Piau returned to Stone in a co-CEO shared leadership structure with Eduardo. Basically, Eduardo kept his focus on

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technology and long-term vision, Piau on financial, business, and part of operations. André remained responsible for fundraising, investor relations, and insertions in the company's strategic and cultural issues.

"Green Blood" and Stone's Leadership Dynamics

The foundations of Stone's identity were well-structured in Rio and São Paulo. Their values (see Figure 1 in Annex C) are well aligned with what their leaders believe, the relaxed, casual, well-styled, and themed physical environment in Stone green (see Figure 2 in Annex D). Targets and grades are visible on the walls, all set for young energy to flow at high intensity and for the company to accelerate its growth.

But the degree of complexity had increased a lot and the challenge of leading people, culture, and communications across Stone had become enormous according to André. Explaining his style and interactions with his Co-leaders, he points out:

> I believe strongly in co-management, but we fight a lot. We are very different and at the same time very much the same. Edu and I have established rules of coexistence that were agreed over 15 years ago. Never curse at the other and never sleep without coming to an understanding. We have a commitment to disagreement, so there is no "this time I'm out". One fixes the mistakes of the other. A veto is very rare, but when one says "no," we respect the other's opinion.

André reflected on his development as a leader:

> Today as an advisor to a large traditional company, I have been learning to understand the rules and risks of change with a little more serenity; learning from managing other people in a large company. But I don't think I can have the discipline to hold meetings every Monday at 9:00. It would be difficult to work in a situation where such discipline was required. I love freedom.

And adds comparing with his origin: "I was a wild animal, an entrepreneur learning very alone, a garbage man who was picking things along the way, very voracious in my ideas and the rules always bothered me. I would break them."

Comparing his style with Eduardo's, he smiled:

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> Eduardo is a disruptor, visionary, my technological partner, a very complementary pair, my soul mate, but he gets very angry with bureaucracy, being harder and more radical. Things that only the owner does and that are radical and create chaos. My shortcomings are offset by my head to admire the intelligence of others. There are things that only Eduardo sees very clearly and before the others. He has a very different head from other normal human beings.

André has been realizing several undesirable side effects on shared leadership, especially in communication. In his words: "Sometimes our direct reports operate us; they say they told something to one and not to the other. And the difficulty is that we say the same thing, but in different ways and people don't understand."

Vabo in his careful observation commented: "Often the how is not clear. Communication is not linear."

In 2017 they introduced the monthly Board meeting where top leaders address Stone's most sensitive issues, seeking to align priorities.

According to André, the responsibility of running the business rests with management:

> We want to train them to be leaders of the business in the future. Today I work at the company with virtually no function or position, but what I do a lot today is to form leaders. I make them my partners, and I expect mutual fidelity. I work very focused on emotional intelligence and self-confidence.

Based on the belief of its Founding Partners, the shared leadership style in pairs or threes is replicated, formally or informally in other critical functions of the organization such as People & Management and Finance & Treasury. According to Vabo:

> This shared leadership works because there is always a responsible owner in the pair who has a very strong deal with us who in an emergency or deadlock has a leader appointed by us to decide.

Today's and Tomorrow's Challenges

Noticing Vabo's silence, Amanda tried to synthesize her confident perspective: "With our aggressive, fast-moving way, with the team's absurd resilience,

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adapted to constant change, we will continue to make it happen because we have a very fast ability to change. People do not hesitate. Here we go...”

Vabo pondered: “In a small environment where everyone knows each other very well and we know the strengths and vulnerabilities, we cover up, but what about 3,000 employees? We need to be patient with timing because of the size. We have a communication that needs to be translated. We have lost a lot of good people who we were not able to engage or to understand diversity.”

Amanda nodded. “Yeah ... You’re right. We have a gap in training leadership. We had to bring in someone to replace a manager who, however talented, could not keep up with the sophistication and complexity of our size. In addition, we brought another 5 to 6 directors to other areas from outside the company.”

In conclusion, after that day of much conversation and reflection, both agreed that the three leaders have unique characteristics, each with their own bright facet, different from each other, passionate about what they do, but at the same time they are complex people to relate to and who come to an agreement through a process that is sometimes hard and painful for those looking in.

Making a final critical illustration, Amanda made the following observation about what could have been different:

> There are several moments in the history of a company. We have the moment to get it off the ground and make it something representative. After that, there is a time to make sure that it keeps growing and perpetuating, which is a matter of leadership, making a growing group of people move in a particular direction. I believe our nature is fantastic at getting off the ground. I don’t know, and maybe nobody knows, if we will do so well leading a business of this size. We have never done this. We live a new moment on a much larger scale. It is very easy to turn a rowing boat, even if we have 10 people in it, as with just one person’s force the boat can change direction. In a 3,000-person ocean liner, things are more difficult. Even with 300 people rowing in one direction it is very difficult to change the route at the time of panic.

Immersed in this question, Amanda and Vabo left that conversation on the night of May 2017 with doubts in their heads. Both wondered how to maintain the culture and foster entrepreneurial leadership in this fast-growing scenario or find greater versatility of different leadership styles.

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ANNEX A

THE ACQUIRING MARKET

Acquirers are companies authorized to accredit retailers who want to accept credit and debit cards in their sales, and to process payments made with these instruments. These payments are processed by electronic equipment, popularly known as "little machines" in Brazil, rented by acquirers to retailers that communicate with the card and bank brand systems for a transaction to be approved. In Brazil in 2016, the largest acquirers were controlled by banks and had about 90% of the market. Cielo, controlled by Banco do Brasil and Bradesco, had about 50% of the market, Rede, controlled by Itaú, had about 30% of the market, and Getnet, controlled by Santander, had about 10% of the market.

Sub-acquirers can also accredit and provide "little machines" to retailers who want to accept credit and debit cards in their sales. However, unlike acquirers, sub-acquires are not authorized by card and bank brands to process these payments directly. As a result, sub-acquiring equipment communicates with acquiring systems, which in turn process transactions. In Brazil, some of the main sub-acquirers are PagSeguro and Mercadopago.

Gateways are systems that facilitate the acceptance of various payment instruments when shopping online. Integrated with online stores, gateways communicate with the acquirers' systems, which in turn process card payments. The gateway can also add other services such as anti-fraud solutions and ticketing. The gateway is transparent to the end customer, who does not have to leave the store page to make the payment. In Brazil, some of the main gateway companies are Braspag and MundiPagg.

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ANNEX B

ARPEX CAPITAL VALUES

Owner Spirit: Be the owner, so you will be one of them. You write your future.

Simplicity: Be humble, get to the point, acknowledge your mistakes, fix it fast. You don't have to make a slam dunk, just the basket. We need to be quick to win.

Knowledge: Ask. Talk, investigate, study deeply, search. Only the curious discover. Do not accept ignorance.

Obsession for result: Nothing replaces the most holy real profit. It is the only way to guarantee perpetuity. Only the paranoids win.

Meritocracy: We only believe in people and organizations who value and reward those who create value. Sharing success is critical to our existence.

Candor: Candor saves time and makes the most of people's potential. It is the cheapest and most efficient way to manage expectations and maintain people's loyalty. Practice candor! It is a habit.

Integrity: Nothing unethical or dishonest will be tolerated here.

Nothing overrides this principle no matter how much profit it makes. We are here to do good. Get rid of dishonest people on the spot, they multiply fast.

Succession: Tuck succession into your DNA. There is promotion only if there is succession. Surround yourself with people better than you. Multiply yourself. Bring in talented people because we seek to be the best and bring in honest, hard-working people because we want to be proud of our team and happy to work here.

Help others: Work as a team and foster relationships. You can only be big if you have many people collaborating with you.

Passion: Do what you like. Work passionately in your tasks. The company is part of your life and vice versa. Love it or leave it.

Think big: It is the same work as thinking small and you will only overcome everyday barriers if they are small near your dream!

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ANNEX C

Figure 1 Stone's Values.

Source: Stone.

STONE´S VALUES

- Own it: Be the owner of your choices. Do not let life take you. Determine your own destiny.
- No bullshit: Don't let the bureaucracy get in the way. Go and conquer.
- Team play: If you want to go fast, go alone. If you want to go far, go as a team.
- Live the ride: Live the journey. Here, we believe in work with a purpose. We live our missions.
- The reason: For us, the customer is not always right. The customer is the reason.

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ANNEX D

Figure 2 Stone branding and environment.

Source: Stone.

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Teaching Notes

SYNOPSIS

The case deals with Vabo and Amanda's dilemmas regarding developing a strong team with effective leaders in an exponentially growing company. Given a new scale of operation, a new team size, and the challenges of maintaining culture and continuing to grow, it was necessary to reevaluate the role of key leaders, their interdependencies, and their impact on shaping future leaders.

EDUCATIONAL OBJECTIVES

This case is to stimulate discussion about the challenges of business leaders, viewing leadership as something that is learned and developed based on self-knowledge, personal choices, technical knowledge, and ethical principles. Considering the authors' area of expertise, the case is recommended for Leadership, Entrepreneurship, and Organizational Culture disciplines in *stricto* and *lato sensu* graduate courses in Business Administration. However, teachers from other areas of expertise can always evaluate case application in other subjects and courses.

It is hoped that by the end of the case discussion participants will be able to: (a) become familiar with the interdependence between values, beliefs, dreams, life history, and behaviors of the leader; (b) identify different leadership styles, observing their characteristics, idiosyncrasies, and vulnerabilities; (c) realize the different leadership needs at each stage of business development, as well as the potential consequences of each leadership style on the company's growth, people, and culture; (d) expand their self-knowledge and this way strengthen their choices, career, and leadership.

INFORMATION SOURCES

The information used for preparing this teaching case was obtained from primary and secondary sources. Primary sources include interviews with André Street, founding partner, Amanda Luz Sant'Anna, Arpex holding CFO and formerly Stone People & Managing Director, Luis Vabo Jr., Stone People & Managing Director, and with Ricardo De La Vega, head of People, Performance, Compensation, and People

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Analytics at Stone. Secondary sources included websites of companies in the payment industry. Also consulted were websites of newspapers, magazines, and critics of the payment industry, as well as of Stone itself.

TEACHING PLAN

For using this case during class, previous readings are optional depending on the desired depth. If you believe this need exists, the sources in Table 1 bellow are suggested:

Table 1 Optional Previous Readings.

Knowledge Block	Reference	Chapter / Pages
Leadership Research Evolution	(ANTONAKIS; DAY, 2017)	Cap. 1 pg. 3 - 26
Leadership Traits and Attributes Approach	(ANTONAKIS; DAY, 2017)	Cap. 2 pg. 29 - 55
Introduction to Leadership Research - Traits and Skills Approach	(NORTHOUSE, 2016)	Cap 1 pg. 1 – 18 Cap 2 pg. 19 – 41 Cap 3 pg. 43 – 70
Entrepreneurial Leadership	(RENKO, 2017)	Cap 15 pg. 381 - 408
Exponential Growth	(ISMAIL; MALONE; VAN GEEST, 2015)	Cap 3 pg. 48 – 76 Cap 4 pg. 77 – 103 Cap 5 pg. 104 – 129 Cap 10 pg. 231 – 252
Transformational Leadership	(NORTHOUSE, 2016)	Cap 8 pg. 161 – 191
Self-Knowledge, Values and Vision	(KOUZES; POSNER, 2012)	Introd pg. 1 – 6 Cap 2 pg. 37 – 60 Cap 4 pg. 89 – 110
Self-Awareness and Authentic Leadership	(GEORGE et al., 2016)	Full article
Entrepreneurial Leadership	(LEITCH; VOLERY, 2017)	Pg. 147 – 156
Shared Leadership in Entrepreneurial Teams	(ZHOU, 2016)	Pg. 153 – 169

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Leadership and Narcissism	(OESTERLE; ELOSGE; ELOSGE, 2016)	Pg. 1114 – 1123
Narcissistic leadership and ethical transgression	(DESMET; HOOGERVORST; VAN DIJKE, 2015)	Pg. 1034 – 1050
Narcissistic Leadership and Excessive Self Confidence	(CHEN; CROSSLAND; LUO, 2015)	Pg. 1513 – 1535

Source: Authors.

The case intends to use 20-30 minutes for students to discuss the case in groups before the plenary session. The total time required for the plenary session can range from 50 to 80 minutes depending on the school's typical class schedule distribution. Opening the plenary discussion should take 10-15 minutes. The analysis of the questions should consume 35-55 minutes. The closing of the plenary discussion will take up the remaining 5-10 minutes.

OPENING OF CASE DISCUSSION IN PLENARY

The opening of the discussion is useful so that students, by observing the trajectory of the characters and their experiences, perceive the construction of their values and beliefs and consequently their behavior as leaders. From the ability to understand this process is that leaders and followers will be able to flex their styles and become more versatile in their roles. Because after all, according to Kouzes and Posner (2012), leadership development is a personal self-development challenge. The teacher can provoke this discussion with the following questions: How can we separate our personal side from our professional side? How can we be passionate and fearless at work and relax and cautious on the personal side?

DISCUSSION QUESTIONS

The following are a set of discussion questions that could be used to stimulate case analysis during the plenary discussion stage:

1. What are the challenges facing Stone?

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2. Is the leadership style of the top three leaders consistent with the company's current needs?

3. What would be the potential advantages and disadvantages of less entrepreneurial and super heroic leadership?

4. To what extent is self-knowledge essential in leadership development?

LITERATURE SUPPORT CASE ANALYSIS

Theoretical considerations

Over the past fifty years, CEOs have had an increasing influence on the actions and performance of their companies (QUIGLEY; HAMBRICK, 2015). Founders, especially those in technology-based endeavors, are often strong advocates for their products or services, which helps make the company take off and achieve initial product success. However, product development skills rarely benefit these entrepreneurs when it comes to leading a team of employees and motivating them to work for the company. Often the initial insight a founder offers to those who join the team reflects a fanatical devotion to the company's specific technology, product, or process. While this approach may be helpful in convincing some stakeholders such as funders or other product / technology enthusiasts, it is unlikely to inspire all participants in the company. To complicate matters even more, founders are used to being in control of everything, and delegating—even a small amount of control—can be difficult for them. Not surprisingly, many founders who excel at building products and businesses are not good leaders. There are certainly exceptions, such as Starbucks' Howard Schultz and FedEx's Fred Smith, who have led their companies from the beginning to the boom. But in general, leading people is a challenge for many founders, and this challenge is a moving target as companies move through the early stages of their life cycles and experience consolidation and growth (ANTONAKIS; AUTIO, 2007). On the surface, it may seem that leading a new and small organization should be easier than running a big old operator: in new and small companies, people tend to stay close and know a lot about the business and all stakeholders while Leaders can benefit from informal ways of doing things as well as their greater ability to use personal observation rather than control systems (LEITCH; MCMULLAN; HARRISON, 2013). Entrepreneurial leadership as a contextual phenomenon is focused on the fact that its manifestation depends on the context in which it occurs.

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The research presents approaches in which small business leaders take leadership roles in order for their businesses to thrive and grow (e.g., KANG; SOLOMON; CHOI, 2015; KORYAK et al., 2015; LEITCH; MCMULLAN; HARRISON, 2013); even occurring in family-owned and entrepreneurial businesses, regardless of age and size (SIMSEK et al., 2015). Entrepreneurial leaders are risk-takers, creative, passionate, and visionary. They articulate a compelling and differentiating vision for the future of the company and business unit and arouse the personal involvement and pride of followers in this vision, motivating them. Beyond risk, creativity is another trait that entrepreneurial leaders demonstrate and is characterized as an ability to generate insightful ideas, express unique thoughts, and make breakthroughs. Chronological and conceptual evolution of Entrepreneurial Leadership is summarized in Table 2.

Table 2 Chronological and conceptual evolution of Entrepreneurial Leadership.

Source	Definition
(CUNNINGHAM; LISCHERON, 1991)	Entrepreneurial leadership involves setting clear goals, creating opportunities, empowering people, preserving organizational intimacy, and developing a human resource system.
(IRELAND; HITT; SIRMON, 2003)	Entrepreneurial leadership entails the ability to influence others to manage resources strategically in order to emphasize both opportunity-seeking and advantage-seeking behaviors.
(COGLISER; BRIGHAM, 2004)	Entrepreneurial leadership must involve generating ideas, structuring ideas, and promoting ideas in which the generation of ideas is critical in the early stages of an enterprise and the structuring and promotion of ideas in the later stages. So an entrepreneurial leader need not only recognize opportunities, but must also be able to pool the resources needed to reach the potential of that opportunity.
(GUPTA; MAC-MILLAN; SURIE, 2004)	Leadership that creates visionary scenarios that are used to assemble and mobilize a supporting cast of participants who become committed by the vision to the discovery and exploitation of strategic value creation.

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(THORNBERRY, 2006)	Leadership requires passion, vision, focus, and the ability to inspire others. Entrepreneurial leadership requires all these, plus a mindset and skill set that helps entrepreneurial leaders identify, develop, and capture new business opportunities.
(SURIE; ASHLEY, 2008)	Leadership capable of sustaining innovation and adaptation in high velocity and uncertain environments.
(RENKO et al., 2015)	Entrepreneurial leadership entails as influencing and directing the performance of group members toward the achievement of organizational goals that involve recognizing and exploiting entrepreneurial opportunities.
(LEITCH; VOLEY, 2017)	Entrepreneurs are leaders par excellence who identify opportunities and marshal resources from various stakeholders in order to exploit these opportunities and create value.
(SKLAVENITI, 2017)	Entrepreneurial leadership is a perpetual and relational process of working together to mobilize business opportunities in organizational contexts in pursuit of entrepreneurial goals.

Source: Authors.

Throughout the case, notice that Vabo seeks to find a way to address the issues of how to improve the alignment of communication of its top leaders, how to attract and hire the best talent on a large scale, and how to ensure Stone's winning cultural integrity in the middle of so much diversity. In addition to the widespread challenge of people's development, Vabo needs to find ways to sensitize the top three leaders to flex their leadership styles, setting an example for all governance. This point is the focus of this teaching case and involves assessing the pros and cons between the different styles (entrepreneurial, shared, and transformational style) of leadership, and their interdependencies with engagement, stress, communication, and outcomes.

Question 1- What challenges are Stone facing?

Before discussing the challenges, the teacher can explore with students how Stone was growing and gaining market share. The recommendation is the teacher

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to encourage students to discuss the current leadership style and culture from the following transition question:

TQ: What problems can rapid growth cause?

Truncated communication, confusion, over pressure, loss of talent, and leaders with poor maturity and inexperience.

A truly successful entrepreneurial leader is not just focused on intelligence, education, lifestyle, or experience. A key factor that seems to determine operational success is the entrepreneur's ability to communicate effectively in the developing organizational environment. Rapid growth makes it difficult to communicate vertically, horizontally, and between new employees arriving through new hires. People with experience and technical knowledge important to the enterprise eventually do not adapt to nonlinear communication and end up unable to engage in the organization. People who work for entrepreneurial companies expect more direction from the boss, so the development and articulation of vision becomes important.

TQ: What would be the main differences between a "professional" leader and an owner leader?

CEO leadership is important for two distinct effects on organizational performance:

1. Effect on organizational performance as a result of more distant leadership, i.e. leadership that exceeds average management levels and comes directly to lower levels (WALDMAN; YAMMARINO, 1999).
2. Effect on organizational performance because of greater effectiveness of the team surrounding the CEO.

The entrepreneurship leadership school (CUNNINGHAM; LISCHERON, 1991), as a non-technical management school approach, suggests that the successful entrepreneur must also be an effective leader/mentor who will define a vision and attract people to transform that vision into reality.

Gupta, MacMillan, and Surie (2004) effectively introduced and defined the concept of entrepreneurial leadership. This construction consisted of two main functions of the entrepreneurial leader, framing the vision, absorbing uncertainty, and

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clearing the way for followers, while the second consists in building commitment and specifying the boundaries of follower behavior. Teams at the owner companies had higher expectations than companies with professional CEOs, possibly due to the power and demand generated by a mobilizing vision.

The professional CEO tends to be detached from the emotional elements that annihilate the owner or founder, taking decisions to a more rational level. What is lost by the lesser intensity embodied in the figure of the owner, professional CEOs gain in disengagement from the past and emotional impartiality, especially in change.

TQ: What are the advantages and disadvantages of leading through triumvirate?

New leadership models recognize that the effectiveness of living relationship systems depends not on individual and heroic leaders, but on leadership practices embedded in a system of interdependence at different levels within the organization. This ushered in an era of what was often called "post-heroic" or shared leadership (PEARCE; CONGER, 2008). Shared leadership has been described as a group-level phenomenon that departs from the traditional notion of top-down influence and argues that the leadership role could be shared by team members simultaneously or in a rotational manner, resulting in lateral and upward influence. (PEARCE; CONGER, 2008).

Shared leadership may partly originate from leaders, leader-leader dyads, and context and may be transmitted through mechanisms of trait, cognition, and affect.

Despite widespread recognition of the need for new, more relational leadership models, many note that there are a number of paradoxes and contradictions.

To engage in learning and organizational reflection of new models often requires deep corporate cultural change and strong leadership to make it happen. To engage in this kind of change, organizations tend to turn to heroic CEOs who, paradoxically, are invited to distribute business authority and responsibility. These conflicting demands and expectations can have a negative effect on the group, not only leading to the disappearance of individual leaders, but causing the group itself to doubt its own principles of shared leadership.

Organizations have a training and development regime that is based on what some call the tournament model. This encourages tremendous attention and energy to differentiate yourself from others, distinguishing your individual accomplishments

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and level of commitment. The result is that jobs and careers are organized around the principles of individual achievement and meritocracy.

Advantages: share knowledge, skills and different perspectives. To function well requires discipline in communication and management.

Disadvantages: slower process, lack of discipline creates confusion and bureaucracy. Nonalignment needs to be strengthened by a lot of communication.

Question 2- Was the leadership style of the top three leaders consistent with the company's current needs?

No. It emerges from the case that the leadership style in 2017 is still the same as that used at startup, i.e. an entrepreneurial style. Entrepreneurial leadership has emerged as something distinctive, either because of the contextual specificities of exercising leadership primarily in startups, or because of the constant contextual changes in all organizations and institutions (HARRISON; LEITCH; MCADAM, 2015), and as a way of creating and renewing its operations, building capacity to compete in new markets (NARAYANAN; YANG; ZAHRA, 2009). Leaders and managers understanding that the pressures to increase profits could no longer be met by the restructuring that marked the 1990s (NARAYANAN; YANG; ZAHRA, 2009), interest and research on entrepreneurship grew. Dunne et al. (2016) found evidence that even the inspiring, negotiating, and entrepreneurial small business leaders who lead effective organizations establish environments that would be more likely to produce innovation.

The size presented by Stone in 2017 suggests that leadership style should also include elements of transformational leadership.

The transformational approach to leadership has been the focus of research since the early 1980s, possibly leading to its status as the leading approach to leadership research (NORTHOUSE, 2016). Transformational leadership would be a process that incorporates charismatic and visionary leadership, and is a form of influence that moves followers to achieve more results than expected (NORTHOUSE, 2016). Transformational leadership has four components: charisma (idealized influence), individualized consideration, inspiring motivation, and intellectual stimulation.

Entrepreneurial leaders would consider followers in terms of their entrepreneurial passion and effectiveness (RENKO et al., 2015). Transformational leaders on

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the other hand would recognize the unique needs and skills of their followers and treat them as individuals, establishing individual relationships, understanding and considering their differential abilities individually (AVOLIO; BASS, 1995). It seems to us that the transformational leader would have the ability to take the focus off himself and seek to listen to the other. Whereas the enterprising leader would demonstrate the passion for his creation, and consequently for himself, and may be further from genuinely demonstrating the recognition of his followers.

TQ: What leadership styles are identified and what are their characteristics?
Entrepreneurial Leadership, Shared Leadership, and Narcissistic Leadership.
Narcissistic Leadership

Narcissism would reside at the heart of leadership. This view had its origin in the psychodynamic perspective that defended the idea that psychological, social, and emotional processes between leaders and followers would have a great impact on the efficiency and quality of relationships (NORTHOUSE, 2016). In leadership roles, Northouse (2016) emphasized that the constructive narcissist would tend to be relatively well balanced and have vitality and self-esteem, insight, and empathy. According to Northouse (2016), constructive leaders would inspire others not only to be better at what they do, but also to change entirely what they do. Diametrically opposed reactive or excessive narcissistic leaders, according to Northouse (2016), would be focused on issues of power, status, prestige and superiority, operating in their own reality without control measures or reality tests.

The traits sought for a leader such as overconfidence, extroversion, dominance, high self-esteem, and charm, narcissists possess in abundance. According to Campbell et al. (2011), perhaps there was no right or wrong in the analysis of narcissism, but the phenomenon would have been used to explain the behavior of business leaders and especially their destructive behaviors at the top of the organization.

Many of the world leaders and CEOs were perceived with narcissistic characteristics (DELUGA, 1997; GLADWELL, 2002; MACCOBY, 2004). The list of renowned CEOs who could fit the narcissistic profile of the popular press includes names such as Jack Welch, Michael Eisner, Larry Ellison, and Bob Nardelli (Gladwell, 2002; Maccolby, 2004).

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Chatterjee and Pollock (2016) present in their recent research the existence of two powerful and conflicting needs in the social interactions of narcissistic CEOs: (1) the need for acclaim and social approval and (2) the need to dominate and control others. They argue that narcissistic CEOs address their conflicting desires for acclaim and domination through the way they structure and manage their professional worlds.

Question 3- What would be the potential advantages and disadvantages of entrepreneurial leadership?

Entrepreneurial leadership is often perceived as a key element in the development of a new venture and would be considered the driving force behind change (DAILY, 2002; LEITCH; MCMULLAN; HARRISON, 2013).

The variety of perspectives adopted and the definitions offered have led some scholars to claim that entrepreneurial leadership would remain theoretical and lack clear definition and appropriate tools for assessing their characteristics and behaviors (LEITCH; MCMULLAN; HARRISON, 2013). Narayanan, Yang, and Zahra (2009) acknowledged that entrepreneurship could also exist in large organizations, for example, in publicly traded, small, and medium enterprises as well as in family businesses, through a process by which an individual or group of individuals would instigate organizational renewal or innovation within that organization.

Advantages: Mobilization and engagement capacity, high energy, accelerated change, and facilitate innovation.

Disadvantages: Company identity dependent on the identity of the leader (BARRETT, 1998), too focused on the needs and values of the leader rather than the followers. Nonlinear and emotional communication in large organizations needs to be well aligned. It does not focus on individuals.

TQ: If you took on the role of an independent board member at Stone, what recommendation would you give to the superhero leaders?

The purpose of this question is to force the student to change perspective in his analysis. To sit on the board chair and take a critical stance on the degree of centralization that a superhero leader demonstrates along with the associated risks: centralization, overwork, succession risk, etc.

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Question 4- To what extent is self-knowledge essential in leadership development?

Self-awareness becomes vital for understanding the leader's dominant characteristics (values, skills, vulnerabilities, etc.). Everyone has the ability to inspire and grow others. But first, one needs to focus on one's own growth and development as a leader (GEORGE et al., 2016). Reframing a life trajectory is an extremely powerful perspective in developing leadership awareness.

The culture of an organization is a reflection of the conscience of its leaders (BARRETT, 1998), so cultural transformation begins with the personal transformation of its leaders. In a survey George et al. (2016) interviewed 125 leaders to learn how they had acquired the ability to lead. These interviews were the largest in-depth leadership development study ever conducted. Respondents spoke openly and honestly about how they reached their potential and candidly expounded life stories, personal struggles, failures, and triumphs. Analyzing 3,000 pages of transcripts, the team was startled to find that these individuals did not point to any universal style, talent, trait, or characteristic being at the root of their success. Leadership emerged rather from life history. Consciously and unconsciously, these people were constantly testing themselves through real-life experiences and reshaping their life story to understand who they really were.

The biggest lesson is that one should formulate one's life story so that one sees oneself not as a passive observer of one's own path, but as one who can gain awareness of oneself from experience. The authentic leader uses this conscience to put into practice his values and principles, sometimes at high risk to himself. Such a leader balances his motivation to act on these inner values, not just the desire for external recognition or reward.

CLOSURE OF CASE DISCUSSION

In conclusion, the teacher may think about the leadership styles that the participants themselves would like to develop. The provocation can be asked from the following question: Given all that has been discussed, what leadership styles would you like to develop?

It is possible that the debate about styles and the implicit reflection on the impact of these styles on the organizations in which the participants operate extend beyond the classroom.

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WHAT HAPPENED

Aware of its challenges, the People & Management department has taken a series of actions to meet the organization's growth rate. It set up a leadership academy to build its Stone leader pipeline, redesigned some onboarding processes for new executives, and introduced the external coaching process for the organization's key leaders. In October 2018, Stone successfully performed an IPO on the NY Stock Exchange, making management and leadership practices, as well as compliance and governance, even more valued.

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