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DEVELOPING ENTREPRENEURIAL MANAGERS – HOW LEADERS CAN BUILD A FAVOURABLE ORGANIZATIONAL CULTURE

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Abstract
Purpose *–To analyse the role played by business schools in creating and sustaining an organizational culture conductive towards developing entrepreneurial managers.*

Methodology *– This paper is based on a systematic literature review and compilations of findings and lessons learned from the authors' own experiences. The paper also draws on examples from forward looking business schools.*

Approach– *The entrepreneur is always a goal-setter. They have a purpose and a good idea of how to achieve it, and moves firmly in that direction. The manager, however, understands the goals of the organization, relates them to its members, and integrates them with their goals. The strength of the entrepreneur lies in their responsiveness to the needs of the situation and their dedication to the attainment of the set goals. The successful manager on the other hand, involves everybody in the goal-setting and attainment process. The importance and relevance of a leadership role to get the best of the above two worlds are explored.*

Practical implications and Learning Objective *– The paper has implications for understanding the leadership role in nurturing a favourable organisational culture. This paper is expected to assist business schools to consciously create a culture which encourages the entrepreneurial spirit in managers.*

Originality/value *–The importance of the leadership role in developing efficient entrepreneurial managers by creating a favourable organisational culture is under-researched in comparison with other factors. Sustainable business growth requires effective entrepreneur-managers. But, how are they to be nurtured and supported within organisations? Often the organization itself discourages, or at least makes it extremely difficult, for them to take risks in order to explore new opportunities. The leadership role is consequently the key in creating and sustaining the appropriate culture.*

Keywords – Entrepreneur, Manager, Entrepreneurial Manager, Leadership, Organisational Culture.

INTRODUCTION

The terms Entrepreneur and Manager are generally considered one and the same. But the two terms have different meanings. The following are some of the differences between a manager and an entrepreneur.

- The main reason for an entrepreneur to start a business enterprise is because he comprehends the venture for his individual satisfaction and has personal stake in it where as a manager provides his services in an enterprise established by someone.
- An entrepreneur and a manager differ in their standing, an entrepreneur is the owner of the organization and he bears all the risk and uncertainties involved in running an organization where as a manager is an employee and does not accept any risk.
- An entrepreneur and a manager differ in their objectives. Entrepreneur's objective is to innovate and create and he acts as a change agent where as a manager's objective is to supervise and create routines. He implements the entrepreneur's plans and ideas.
- An entrepreneur is faced with more income uncertainties as his income is contingent on the performance of the firm where as a manager's compensation is less dependent on the performance of the organization.
- An entrepreneur is not induced to involve in fraudulent behaviour where as a manger does. A manager may cheat by not working hard because his income is not tied up to the performance of the organization.
- Entrepreneur is required to have certain qualifications and qualities like high accomplishment motive, innovative thinking, forethought, risk-bearing ability etc. Conversely it's mandatory for a manager to be educated in the fields of management theories and practices.
- An entrepreneur deals with faults and failures as a part of learning experience where as a manager make every effort to avoid mistakes and he postpones failure.

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"An entrepreneur could be a manager but a manager cannot be an entrepreneur". An entrepreneur is intensely dedicated to develop business through constant innovation. He may employ a manager in order to perform some of his functions such as setting objectives, policies, rules etc. A manager cannot replace an entrepreneur in spite of performing the allotted duties because a manager has to work as per the guidelines laid down by the entrepreneur.

On the downside, typical manager brings professionalism into working of an organization. They bring fresh perspectives, ideas and approach to trouble shooting which can be invaluable.

Lately there has been convergence of the entrepreneur and the manager in certain sectors like software. An employee is being given highly valuable stock options, which make a typical 'manager' a part owner.

LITERATURE REVIEW

Entrepreneurial Opportunities

Entrepreneurship is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw material through organizing efforts that previously had not existed (Shane & Venkataraman, 2000; Venkataraman, 1997). Entrepreneurial activity is anchored onto the concept of "opportunities". Shane and Venkataraman continue along this vein by stating that the field of entrepreneurship has the task of studying "the sources of opportunities, the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate and exploit them" (Shane & Venkataraman, 2000, p.218). Shane (2003) describes an entrepreneurial opportunity as a situation in which a person can create a new means-end framework for recombining resources that the entrepreneur believes will yield a profit.

Entrepreneurial opportunities are about two things: something happening in the environment (resources) and something to do with the individual (creation, beliefs, recombinations). Table below shows the main streams of research in entrepreneurial opportunity recognition. The fourth column titled, "Level of Examination" shows whether the authors' contribution falls under the level of the individual or the environment.

Opportunity Recognition Literature Review

Year	Author	Contribution	Level of Examination
1934	(Schumpeter)	Entrepreneurs create opportunity by disrupting the equilibrium in the marketplace.	Individual
1945	(Hayek)	The economic problem is not just how to allocate resources; it is a problem of utilization of knowledge. Knowledge is not given in totality to anyone.	Individual
1949	(von Mises)	Entrepreneurs & their search for opportunities are driven by a profit motive.	Individual
1973	(I. Kirzner)	Alertness, not just the possession of information helps one recognize & exploit opportunities.	Individual & Environment
1979	(Vesper)	Work experience, hobbies, networks, systematic search lead to opportunity recognition.	Individual & Environment
1985	(Drucker)	Opportunities are innovations that occur due to changes in industry structure, demand, outside events, demographics.	Environment
1985	(I. Kirzner)	Alertness aids opportunity recognition & exploitation; it "emerges into view at the precise moment when decisions have to be made."	Individual

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1988	(Bird & Jelinek)	Schemas, mental models, and opportunity recognition.	Individual
1988	(Katz & Gartner)	Entrepreneurial intention and recognition.	Individual
1990	(Christensen & Peterson)	Along with market & technological knowledge, specific problems & social encounters are often a source of venture ideas.	Environment
1991	(Shaver & Scott)	Psychology of new venture creation.	Individual
1992	(C. Gaglio & Taub)	Pre-recognition stew of environmental, technological, social, economic, cultural, and personal forces lead opportunity recognition	Individual
1994	(Bhave)	External circumstances and/or desire to start business motivate a conscious search	Individual & Environment
1996	(Hamel & Prahalad)	Broad experience & the ability to learn & adapt should help individuals recognize opportunities.	Individual
1997	(Venkataraman)	Opportunity identification & opportunity recognition should be part of what distinguished entrepreneurship as its own. scholarly field.	Individual
1997	(C. Gaglio)	Detailed review & critique of opportunity recognition.	Literature Review
1997	(I. M. Kirzner)	A comparison of the Schumpeter & Kirzner view of the entrepreneur & opportunity	Literature Review
1999	(Timmons)	The role of experience in opportunity recognition	Individual
1999	(De Koning)	Initial ideas come from continuous information scanning without a specific objective.	Individual & Environment
2000	(Shane & Venkataraman)	Entrepreneurship should be concerned with the sources of opportunities and the individual.	Individual & Environment
2000	(Krueger)	The role of intention in opportunity development	Individual
2001	(Ireland, Hitt, & et.al.)	The differences between opportunity-seeking & advantage-seeking behavior.	Individual
2001	(C. M. Gaglio & Katz)	Alertness is the engine that drives opportunity recognition	Individual
2003	(Ardichvili, Cardozo, & Ray)	Theory building using personality traits, social networks, & prior knowledge as precursors to alertness	Individual
2004	(Sarasvathy, Venkataraman, Dew, & Velamuri, 2004)	Three views of entrepreneurial opportunity based on the market process: allocative, discovery, & creative	Individual & Environment
2007	(Casson & Wadeson)	Opportunity is an unexploited project which is perceived by an individual. Invokes the idea of rational action.	Individual

Psychological Factors – Opportunity Exploitation

Researchers have analysed a wide range of psychological factors encouraging entrepreneurial behaviour. This strain of research states that people will exploit opportunities because psychological characteristics lead people to make different decisions about opportunities than other people with the same information and skills. It is important to note that psychological characteristics influence the exploitation decision but do not cause it (McClelland, 1961). Criticisms for this angle of research argue that personality traits change with changing contexts (Gartner, 1988). Still, certain personality characteristics stand out as influences, if not causes, of the opportunity discovery and exploitation decision.

People are more likely to exploit opportunities if they are more extroverted (Barrick & Mount, 1991) which means that they have attributes of sociability, assertiveness, talkativeness, expressiveness, impetuousness. Compared to introverts, extroverts are more likely to exploit opportunities because they are better able to assemble resources and organize under conditions of information asymmetry and uncertainty (Shane, 2003).

Exploiting opportunities requires goal setting, planning and information gathering. People who are achievement focused have the drive to establish future goals, gather information, learn (Miner, Smith, & Bracker, 1989), bring ideas into fruition, sustain goal-directed activities over a longer period of time, persevering through failures, setbacks and other obstacles that are inevitable when decision making is done under uncertainty and with incomplete information (Wu, 1989). In comparison to the general population, it seems that entrepreneurs have a higher need for achievement (Caird, 1991).

The types of risk entrepreneurs bear are product, technical, market, and competitive risk. Risk-taking is therefore a fundamental part of entrepreneurship (Knight, 1921). Compared to the general population, entrepreneurs are more likely to exhibit higher levels of risk-taking behavior (Begley & Boyd, 1987; Caird, 1991).

The need for independence is simply an aspect of personality that drives people to undertake actions alone rather than involving others. Entrepreneurship requires the trust in one's own judgment versus the judgment of others. Some empirical evidence suggests that entrepreneurs' desire for independence is the most common reason they give for starting their own businesses (Burke, Fitzroy, & Nolan, 2000).

Having an internal locus of control is a person's belief that he can influence his environment and will be more likely to exploit an entrepreneurial opportunity than a person with an external locus of control. Research also points to this fact, even across cultural boundaries (Bonnett & Furnham, 1991; Evans & Leighton, 1989).

Self-efficacy is the confidence in one's own ability to perform a given task. Several studies have proven that entrepreneurs have higher self-efficacy levels than managers (Baron & Markman, 1999; Hull, Bosley, & Udell, 1980) that self-efficacy is positively related to exploiting opportunities (Zietsma, 1999), and that it increases entrepreneurial intentions (Chen, Greene, & Crick, 1998).

Overconfidence is the belief in one's own judgment that is too optimistic considering actual data. Overconfidence encourages people to exploit opportunities (Busenitz & Barney, 1997) in situations where they do not have enough information.

Intuition is the belief that something is true because of a feeling even though truth has not been proven. People who heavily rely on their intuitive abilities tend to exploit entrepreneurial opportunities (Allinson, Chell, & Hayes, 2000; Busenitz & Barney, 1997). The heavy reliance on intuition is due to the fact that the exploitation of an entrepreneurial opportunity is done under uncertainty, under time pressure and with limited information. Schumpeter even suggested that entrepreneurs must have the ability to make decisions using intuition rather than analyzing information (Schumpeter, 1934).

Influence Of Organisational Culture And Structure

We can divide firms based on their culture and structure as far as the development of entrepreneur managers.

1) ***Effective-entrepreneurial firms***. These firms have entrepreneurial top management styles and organic structures. The structures of these firms facilitate entrepreneurial behaviour because they enhance communication and minimize bureaucratic barriers to innovation (Burns and Stalker, 1961; Mintzberg, 1979). Organic structures also permit rapid responses to market and industry demands (Lawrence and Lorsch, 1967; Quinn, 1985). Therefore, an entrepreneurial style is effectively employed in these firms. Because entrepreneurial firms are more commonly found in dynamic and hostile environments than in stable and benign environments (Miller and Friesen, 1982,

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1983), the emergence of this type of firm may be partly attributable to managers' efforts to be strategically and structurally responsive to their environmental contexts.

2) ***Pseudo-entrepreneurial firms***. These have entrepreneurial top management styles and mechanistic structures. They engage in entrepreneurial activities; however, their culture and structures do not fully support such activities. Consequently, the potential benefits of an entrepreneurial style are not fully realized in these firms.

3) ***Efficient-bureaucratic firms*** have conservative top management styles and mechanistic structures. These firms achieve efficiency by 'playing it safe' and striving for structure and certainty in their internal operations. Their structures provide order and uniformity to organizational activities and are therefore well suited to facilitating the accomplishment of the routine and predictable demands of conservative managers. This type of firm is likely to be found in a stable, predictable environment because such environments present few challenges and threats to firms.

4) ***Unstructured-unadventurous firms*** have conservative top management styles and organic structures. These firms have structures which allow them to respond quickly to environmental opportunities and challenges, but are not particularly efficient in enabling the firm to accomplish routine, standardized tasks. Such tasks, however, are likely to define the day-to-day operations of these conservatively managed firms.

How Business Schools Came Into Existence?

Large corporations didn't even exist until the 1600s when the East India Trading company was chartered. Other than this large firm, the rest of the economy was composed mostly of small, local businesses (usually no larger than thirty employees at most)Then the industrial revolution came along in the 1700s and the introduction of technology fundamentally transformed the world economy, replacing the many small businesses with large firms that produced anything from textiles to autos. This new form of business required many things but in particular they demanded a new type of person: the manager. And they demanded these "managers" in droves; so many in fact that by 1850 the president of Harvard University observed that over half of their graduates were going into business.

So when was the first business school formed? Not until the 1880s (Wharton was the first business school), a few hundred years after the formation of the first large corporations and long after these firms were recruiting over half the class at Harvard to be managers. Indeed the first MBA wasn't offered until 1908! Although it may seem shocking, it took quite some time for the education system to adjust to what the market really needed.

Business Schools Were Founded To Train Managers, Not Entrepreneurs

Once business schools were formed, what did was taught at business school and who taught it? Of course b-schools taught management: meaning, how to coordinate, how to plan, how to increase efficiency, and how to optimize. Ultimately, the challenge was to train people how to manage a large organization attempting to execute on a largely known problem, like making more textiles or autos. Initially practicing managers and observers produced the ideas taught in business schools, people like Chester Barnard who was a practicing executive or Frederick Taylor, who became famous for his studies on how to increase the efficiency of labour using a stopwatch and optimization tools. As "management" became more established, gradually ideas from other academic disciplines like economics and sociology were also applied to the study of management, particularly after the Carnegie and Ford reports criticized business schools for lacking academic rigor. Gradually, business schools became even better at training managers and became a fundamental fixture of business life. But remember, business schools were founded to train managers, not entrepreneurs Entrepreneurship was not really a topic in business schools at all until recently.Entrepreneurship only emerged in business schools recently after a resurgence in rates of entrepreneurial founding and a burst in technical innovation.

Alumni of universities are seen as an important source for future entrepreneurs in dynamic and innovative areas such as information technology and biotechnology. In fact, successful universities in the US underline the important role of academic institutions as catalysts for high-technology start-ups: If the 4.000 companies founded by MIT graduates and faculty formed an independent nation, the companies would make that nation the 24th largest economy in the world (Ayers 1997). Similarly, Stanford University is related with many of the cutting-edge companies in Sillicon Valley (Pfeiffer 1997).

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The Impact of Education On Entrepreneurial Propensity

Entrepreneurship education has been intensified in universities during the past four decades. In the sixties, less than ten universities in the USA were teaching in this field, 1990 there were already 400 universities in America active in entrepreneurship education and estimates today exceed 700 universities (Vesper and McMullan 1988; Hills and Morris 1998; Fiet 2001). Many of these academic institutions have established majors on the graduate level or other kinds of concentrations. Entrepreneurship centers have been founded to coordinate the broad array of activities, programs and resources within universities. Very seldom, schools pashed back out of entrepreneurship once they had entered.

Most of the surveys show that entrepreneurship education encourages graduates to either start their own business or to be an entrepreneurial manager.

Entrepreneurs as Faculty in Business Schools

Students need "role models" of successful business practitioners. Exposure to real-world entrepreneurs is likely to support the transfer of tacit knowledge between entrepreneurs and students. By this, the founding of a new business becomes more feasible and desirable for the students (Johannisson, Halvarsson and Lövstal 2001). These practitioners have to be joined by highly respectable academic faculty to ensure that theory-based knowledge and new research findings are integrated into the courses (Vesper and McMullan 1988). At the MIT Entrepreneurship Centre, for instance, many courses are taught by teams of one entrepreneur and one academic.

CONCLUSION

The business schools with an effective-entrepreneurial firm like organisational culture would encourage the restlessness among their students towards being an entrepreneur manager. These institutions should have entrepreneurial top management styles and organic structures. The structures of these institutions facilitate entrepreneurial behaviour. Management education should be treated as an exclusive area for nurturing the entrepreneurial spirit among students and should loosen the structural reins (Birley and Norburn 1985) to facilitate the students to take risks, face uncertainties , increase mentoring practices and to take out the fear of failure. The collaboration between business schools and the forward looking companies to be nurtured and encouraged. Faculty from the industry is an unavoidable ingredient for the success of creating and developing entrepreneurial managers. Case study methods of education give practical real life insights to students.

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