

Frameworks of entrepreneurship



Introduction: In the minds of masses, entrepreneurs are placed as solo heroes who after putting a brave fight against all the odds of business world became successful. Traditionally, all theories touted entrepreneurship as an individual act but problems like scarcity of finances, inadequacy of skill set and competitive market forces gave way to a new era in entrepreneurship more commonly termed as Team Entrepreneurship.

Objective: The concept and theoretical foundations in this field are still in the stage of infancy. This paper is an attempt to explore the concept of Team Entrepreneurship, trace the definitions and identify the conceptual framework on the basis of the researches done in the field.

Findings: Diverse opinions regarding team-building mechanisms, composition and dynamics of the entrepreneurial teams have been observed from the literature. The study also identified the multiple facets in which the entrepreneurial team exists. A conceptual framework depicting the phenomenon of creation and operation of entrepreneurial teams have been developed.

Conclusion: Team based entrepreneurial ventures have proved to be successful provided an effective organizational model is developed for its sustenance. Researches have shown a considerable success rate for team ventures especially undertaken at SME level. Global slowdown has significantly highlighted the importance of risk sharing in business ventures. Team entrepreneurship can be considered as the most viable and effective mode of venturing in the present and future scenario given its benefits of sharing of resources, skills, and above all financial risks.

INTRODUCTION

Management and its practices in the present era has experienced major paradigm shift and one of the most prominent shift is the change in the philosophy from individual excellence to team excellence. Team players rather than solo stars are what companies look for while recruiting people. Performance is judged more specifically on the criterion laid down for the team as a whole. An innovative project these days may not be the baby of a single individual but the soul child of a team. This swing jump from solo show to the band of performers can also be observed in the case of entrepreneurship.

Since the seminal work of Birch (1979), many studies have focused on small firms (as their rate of growth can frequently appear more dramatic than that achieved by larger organizations). “ For a long time it has been a great myth that entrepreneurship implicitly describes the battle of a lonely hero against economic, governmental and social forces” (Cooney & Bygrave, 1997). Lot of research work could be found where entrepreneurs were identified as individual business founders(Gartner, 1985; Hofer & Sandberg, 1986; Carland, Hoy, Boulton, & Carland, 1984; Olson, 1987, but team entrepreneurship as an area of study is a more recent phenomenon (Ensley et al., 1999; Kamm et al., 1990). However, over the past 15 years, team entrepreneurship has received increased attention. Based on research conducted from the inside of a fast-growing firm, Alex Stewart shows that entrepreneurship is both collective, a team-based activity and individual, a leader-made creation.

It is arguable that despite the romantic notion of the entrepreneur as a lone hero, the reality is that successful entrepreneurs either built teams about them or were part of a team throughout. For example, when one considers the success of Apple Computers, the name of Steven Jobs immediately springs to mind. However, while Jobs was the charismatic folk hero and visionary, it was Steve Wozniack who invented the first PC model and Mike Markkula who offered the business expertise and access to venture capital (Sculley and Byrne, 1988).

DEFINING TEAM ENTREPRENEURSHIP

In the early 90s scholars (eg Kamm et al 1990, Müller-Böling and Heil 1994) explored a very important but almost undiscovered field in the entrepreneurship research namely team entrepreneurship. The studies on team ventures are scarce, they often lack a theoretical background or fail to even provide a proper definition of the researched object.

Due to this lack of research it has become a real tough proposition to get a comprehensive definition of team entrepreneurship. Some researchers argue that this lack of definition and theoretical framework leads to the contradictory and some times even confusing empirical results in the field of Team Entrepreneurship.

Team entrepreneurship does not view the process of entrepreneurship as a preserve of the individuals rather it is seen as a capability and attitudes whereby individual skills are integrated into, group or team, becoming partners in the business's future evolution. This collective capacity to innovate becomes something greater than the sum of its parts. Ensley,

Carland, & Carland (1998), combine elements from other definitions found in the literature and establish three conditions which identify an individual as member of an entrepreneurial team: they have either (1) jointly established a firm, (2) a financial interest in, or (3) a direct influence on the strategic alignment of the venture.

The most frequently employed definition is that by Kamm et al. (1990), who suggested that an entrepreneurial group is two or more individuals who jointly establish a business in which they have equal financial interest. These individuals are present at the pre-start-up phase of the firm, before it actually begins making goods or services available to the market. However, two substantive elements of this definition are subject to disagreement: (1) the inclusion of the term 'equal' financial interest, where a more open interpretation of financial interest is required instead, and (2) the focus on 'pre-start-up', because an individual could possibly become a team member at any point in the maturation of the firm. The definition should additionally concentrate on new venture creation rather than on team development within an established organization.

An entrepreneurial team be defined as 'two or more individuals who have a significant financial interest and participate actively in the development of the enterprise'. The purpose of 'significant financial interest' is in recognition of the fact that only sporadically would all partners have equal financial interest. However, the question of what constitutes 'significant' remains undefined and should only be considered within a specific context. The intent of the phrase 'participate actively' was designed to eliminate sleeping or silent partners (i. e. those who invest capital but do not involve

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themselves beyond seeking a return on their investment). Moreover, the definition excludes venture capital firms, banks, and other investment institutions since it is only concerned with individuals. A final point of note to the definition is that it was with regard to ‘ the development of the enterprise’. This acknowledges the dynamic nature of the enterprise and accedes to the prospect that team members can join (or leave) at any stage of the maturation of the firm. Therefore, the definition is not restricted to pre-start-up but embraces the concept of entrepreneurial teams as fluid and evolutionary.

Leon Shjeodt developed another comprehensive definition of entrepreneurial team as a team consisting of two or more persons who have an interest, both financial and otherwise, in and commitment to the venture’s future and success; whose work is interdependent in the pursuit of common goals and venture success; who are accountable to the entrepreneurial team and for the venture; who are considered to be at the executive level with executive responsibility in the early phases of the venture, including founding and pre-start up; and who are seen as a social entity by themselves and by others. This definition again brought forward that such team are not necessarily created as pre-start-up rather can be formed at the later stages. Interdependence of the team members for venture performance and accountability are also incorporated alongwith the identity of entrepreneurial teams as a social entity.

FORMATION AND COMPOSITION OF ENTREPRENEURIAL TEAMS

Research has shown that teams start a significant number of new ventures, or a team is created within the first years of start up (Kamm, Shuman, Seeger, & Nurick, 1990; Watson, Ponthieu, & Critelli, 1995), the quality and composition of the team is a critical determinant of organizational performance (Glick, Miller, & Huber, 1993; Hambrick, 1994).

According to Cooper and Daily (1997), an entrepreneurial team is more than a group because it involves a shared commitment to the new venture, but they stop short of defining what “shared commitment” is. Katzenbach (1997) suggests that what must be shared is the accountability.

Eisenhardt and Schoonhoven’s (1990) contribution in defining entrepreneurial team considered: a group of people holding full-time executive positions at the time of founding. Whereas Leon Schjeodt emphasised that it is not necessary to be in the pre-start up or founding phases of the venture to be a part of the entrepreneurial team. It is possible for a person to be considered a part of the entrepreneurial team if the person is brought into the venture in the early phases to help establish the venture.

The composition of the entrepreneurial team refers to the collective characteristics of its members (e. g., Banter & Jackson, 1989).

Entrepreneurial teams are most effective if they balance their skills, knowledge, and abilities as Cooper and Daily (1997) suggest.

Heterogeneity in the entrepreneurial team's composition is needed for the team to achieve a high level of effectiveness and venture performance. TMT functional heterogeneity increases the likelihood of strategic change (Lant, Milliken, & Batra, 1992; Wiersema & Bantel, 1992), increases strategic consensus (Knight et al., 1999), and enhances performance (Bunderson & Sutcliffe, 2002), but it can also create cognitive and affective conflict (Amason, 1996; Kamm & Nurick, 1993; Miller, Burke, & Glick, 1998). Despite this conflict, research suggests that heterogeneous TMTs perform better because their ability to leverage multiple perspectives improves their decision making (e. g., Miller et al., 1998; Simons, Pelled, & Smith, 1999).

Demographic diversity does not play a very significant role in team formation and composition. Sanjib Chowdhury(2005) suggests that demographic diversity is not important for entrepreneurial team effectiveness, whereas the team process variables positively influence team effectiveness. He also identified that the diversity in terms of gender, age and functional background does not contribute to the team-level cognitive comprehensiveness and team commitment

Another aspect of composition is time and its affect on the team. As mentioned earlier, it was found that effects of diversity, especially for demographic characteristics, within the entrepreneurial team decreased over time as the ET engaged in lengthy discussions and solved disagreements and complex problems (Glick et al., 1993; Harrison, Price, & Bell, 1998)

Two principles of team formation dominate the strategic management literature on teams, although most research concerns the upper echelons of

established firms, rather than startups (Forbes et al., 2006). First, a rational process model of team formation emphasizes selecting members based on pragmatic instrumental criteria, such as complementary skills or work experiences. From this viewpoint, competency should shape team formation so that new ventures possess the capabilities needed to manage complexity and growth. Second, a social psychological model emphasizes the interpersonal fit between team members and the need for smoothly functioning group processes. Many scholars have pointed to the important role that social and emotional support play in affecting human behavior (Thoits, 1984). For example, positive social relations within a team can create a supportive context within which people are encouraged to undertake innovative actions. The two sets of principles are not mutually exclusive. Within the constraints of interpersonal attraction, teams can still search instrumentally for members. Similarly, within the constraints of resource-based needs, teams can still choose people who are ‘attractive.

SUSTAINING TEAM ENTREPRENEURSHIP IN AN ORGANIZATIONAL ENVIRONMENT

Setting up of an entrepreneurial venture jointly is one aspect but sustaining entrepreneurial groups poses a big challenge. When educated, skilled and dynamic individuals join hands for a venture in the entrepreneurial capacity then firms must assure that their organizational environment is closely matched to their heterogeneity of mental models (e. g., diversity of ideas and entrepreneurial skills) at all levels, especially at upper-level management. However, an organization composed of individuals with very similar perceptions of the potential services from firm’s resources and the

competitive environment is likely to have a truncated set of productive opportunities. In team entrepreneurship, the team can be as effective as the creative inputs provided by its members, which can expand and be enriched when members learn from each others' diverse ideas, perceptions, and expectations. Also, with the inclusion of complementary skills in the team, the cooperative entrepreneurial team can typically overcome the limitations of its individual members (Barnard, 1938).

An informal organization culture is required to encourage continuous resource learning through interactions in teams. Under conditions that inhibit creative thinking, entrepreneurial experimentation, and risk taking, human resources are likely to function substantially below their full entrepreneurial capacity. It is of utmost important that an environment be created to avoid stifling of creativity of individuals that mar many firms.

Individuals must have freedom and opportunities in order to imagine different services of resources, to deploy individual entrepreneurial capital, to renew the firm's unique productive opportunity set, and to "mobilize invisible assets" (Itami & Roehl, 1987). Individuals are not only allowed to think creatively, but are also encouraged to voice their creative ideas and visions about new product ideas and novel ways to utilize resources.

An entrepreneurially stimulating environment provides individuals with resource flexibility and slack for calculative experimentation (Barry, 1991; Dobrev & Barnett, 2005; Mosakowski, 1997), which helps mobilize the cognitive assets of the firm that are in the form of heterogeneous mental models. Resource learning and organizational learning involve taking risks,

making mistakes, and experimenting with novel solutions and ideas.

Pervasive fear of failure and punishment instilled in employees does not belong to entrepreneurial environments, as it can severely constrict risk-taking and resource learning (McGrath & McMillan, 2000).

Besides seeking creative thinking, effective entrepreneurship requires investments in ideas and rewarding entrepreneurial thinking and experimentation both at the individual level and at the team level. An effective allocation of inducements to encourage entrepreneurial efforts requires recognition of the diversity of individual needs, as some individuals are more interested in material benefits while others are more motivated by social benefits and entrepreneurial engagement.

Furthermore, the element of time as a scarce resource (Mahoney, 2005; Mosakowski, 1993) deserves special attention in entrepreneurship research because developing a productive opportunity set for the firm requires personal (tacit) knowledge of the firm's material and human resources, which can only be developed over time as entrepreneurs interact and experiment with the firm's bundle of resources. Importance of time management is also attributed to the diverse mental inputs as the entrepreneurs need time and place to “think and function together” to produce synergistic cognitive outcomes.

KEY ATTRIBUTES OF TEAM ENTREPRENEURSHIP

Based upon the review of researches done on the definitional and compositional aspects of entrepreneurial teams some of the key factors of team entrepreneurship can be identified as follows:

Entrepreneurship is no more a lone action. Team based approach is required to lead to fast growth.

One of the major forces that led to the evolution of team entrepreneurship is the entry level barriers that confronted small firms. To overcome the restrictions imposed by large firms on entry, many Small and medium sized firms formed themselves into teams.

A jointly established business by a group of individuals as well as any individual joining the firm at a later stage in the entrepreneurial capacity comes under the preview of team entrepreneurship. That would mean a team formed for new venture creation where all members will be founder member/ a person joining the founder team at a later stage/ teams formed within an enterprise for entrepreneurial ventures.

Within an organisation, entrepreneurial teams may exist at different levels. Top management teams (TMT), corporate entrepreneurship, shop-floor entrepreneurship etc are such teams that are created within the organization for innovation and creativity.

Entrepreneurial groups do not incorporate passive or sleeping members. Active participation in strategic, managerial and operational level is warranted. Only that individual can be considered as a member of entrepreneurial team who bears direct influence on strategic areas of the venture.

Need for personal risk taking is reduced as team entrepreneurship marks sharing of financial interests. Sharing may or may not be equal but a

significant financial interest in the venture is required by the individual to be a member of entrepreneurial team. Pooling of financial resources and sharing of financial risks are the key drivers for team ventures.

A diverse skill set is available in an entrepreneurial team. Individual limitations are overcome and synergic effects can be observed very lucidly. The individual knowledge, capabilities and attributes get integrated into a team hence leading to success of the venture.

Issues of group dynamics need to be addressed in team entrepreneurship. Issues related to control, ownership, role; responsibilities etc need to be handled at the very outset to avoid problems at later stage. Too many contributing minds can pose a problem as well. Diversity in terms of demography, culture, skill set, knowledge and experience etc at one hand may be the strength of the team but if not taken care of may lead to dysfunctional conflict among the teams.

Informal social interaction, friendship, time for discussions, respect for individual opinion and team opinion being given the highest regard, creative environment are some of the factors that may keep the dysfunctional conflicts at bay and might be helpful in sustaining such teams.

Innovation and creativity are the key ingredients of entrepreneurial teams. Innovative thinking and creativity in decision making will keep the individuals with entrepreneurial instincts bound in a team. Brain-storming of new ideas, creative methods of working and creating and innovation of new modes, techniques or project as team provide thrill for such individuals and may be instrumental in key the team together and performing.

FORMS OF ENTREPRENEURIAL TEAMS

The team phenomenon in entrepreneurship is visible in many forms , Johannisson has observed two different perspectives in identifying existence of group entrepreneurship First perspective regards teaming up of individuals as the way of initiating and organizing the entrepreneurial process and second perspective is group entrepreneurship as regards the outcome of entrepreneurial processes.

Family Business: Family Businesses are ‘ operated by and for families with the intention of keeping the firm within the family after succession. Members of the family run their business collectively hence represent an image of group entrepreneurship.

Partnership: Partnership refers to teaming up of individuals for venturing into some common business. In that context partnership gets associated with group entrepreneurship.

Co-operatives: Cooperatives offer a formal structure with joint ownership and control and hence visibly represents the group entrepreneurship.

TMT: Top management teams can either be the founder teams of new venture or teams created within an organization for leadership role.

Virtual organisations: It is a mode of organizing where independent ‘ partner’ firms put in a joint effort to materialize the promises carried by the leading firm’s products to its customers. The challenge is to make the customer perceive the virtual organisation as a whole.(Johannisson 2002: 18).

Extrapreneurship: For Daval (2002), it materializes by the development of a new entity by an employee when he leaves his firm, helped in taking this step by his former employer. Extrapreneurship is now more commonly adopted by a group of employees leaving their respective organisation and joining their skill set to start new venture

Shop floor entrepreneurship: Shop floor entrepreneurship refers to the concept of self-organising groups and teams created for entrepreneurial purposes by employees at shop floor level. According to Johannisson (2002: 19), 'Sweden and other Scandinavian countries have a long tradition of self-organising in groups on the shop floor (in contrast to intrapreneurship that usually focuses middle-management)'.

Corporate entrepreneurship: Johannisson (2002) seems to refer to 'intrapreneurship' here ("The 'intrapreneur', operating a quasi-independent venture within the corporation as an arena for entrepreneurship. Corporate Entrepreneurship (CE) is the process by which individuals inside organisations pursue opportunities without regard to the resources they currently control (Stevenson, Roberts, and Grousbeck, 1999)

Intellectual Entrepreneurship Johannisson et al. (1999) have introduced the notion of 'intellectual entrepreneur' to depict those people who mobilise their intellectual capabilities in an entrepreneurial career.

Community entrepreneurship: Johannisson and Nilsson (1989) have introduced the notion of 'community entrepreneur' to capture persons who use personal networking to mobilize internal as well as external resources to promote local venturing processes.

FACTORS AFFECTING TEAM ENTREPRENEURSHIP

To create a conceptual framework of team entrepreneurship on the basis of available inputs on entrepreneurial teams, the factors affecting such teams at different stages of team formation, composition and sustenance dynamics have been identified. Entrepreneurial teams can be formed either at prestart-up stage and/or at post start up stage . New ventures, partnership firms, extrapreneurship specifically fall under the category of pre-start-up teams, corporate entrepreneurship and shop floor entrepreneurship come under the category of post start-up teams and TMTs, family businesses, cooperatives, virtual organizations, intellectual entrepreneurship etc can either be forms as pre start up or post start up teams. Forms of entrepreneurial teams can also be viewed from the aspect of level of management at which such teams operates. For that purpose TMTs are formed at top level, corporate entrepreneurial teams at middle level and shop-floor teams at operational level. Regarding the team composition, issues as to why team is required and who can be the part of the team need to be addressed. As is obvious by now, the rationale behind creating a team rather than functioning solo is sharing of resources', skills, risk, knowledge etc an effective entrepreneurial team may be composed of individual with wide knowledge, skills and competencies. Such individuals must not be averse to risk and experimentation. Creativity and innovation should be the drivers of such individuals. Sustenance of such teams require a great deal of managing group dynamics. Diversity in demography and cultural may not be instrumental in enhancing performance but can be a deterrent if not handled well. Variable mental inputs and variable degree of creative and innovation

instincts may also give rise to conflicts. Figure 1-1 tabulates all the factors affecting team entrepreneurship

FACTORS AFFECTING TEAM ENTREPRENEURSHIP

TEAM FORMATION*

TEAM COMPOSITION

TEAM DYNAMICS

As per joining of team members:

Resource-sharing

Risk-sharing

Complementary skill set

Enriching knowledge and competency base

Experience

Experimentation

Risk-seeking

Innovation

Creativity

Social interaction

Diversity in skills

Diverse mental inputs

Demographic heterogeneity

Interpersonal relations

Cultural diversity

Time

Diverse appetite of creativity

Diverse cognitive needs

Pre-start-up teams:

New venture teams, Extrapreneurship, partnership family business, cooperatives, virtual organisations etc

Post-start-up teams: TMTs, Corporate entrepreneurship, Shop-floor entrepreneurship, cooperatives, family business, virtual organisations etc

As per levels of Management

Strategic level: TMT

Tactic level: corporate entrepreneurship

Operational level: shop-floor entrepreneurship

*forms of teams are not mutually exclusive

CONCLUSION

As again the notion of entrepreneurship being a solo act, several researchers have proved that the present is the era of teams. No person is equipped enough to build an empire all by himself. No conqueror has won the battle alone, no CEO can run a company without a team. Team based entrepreneurial ventures have proved to be successful provided an effective organizational model is developed for its sustenance. Researches have shown a considerable success rate for team ventures especially undertaken at SME level. Another notion of entrepreneurial team being the team of founder who start a new venture has also been proved lop-sided. Existence of entrepreneurial teams can be traced in various forms and at multiple levels. This paper was an attempt to bring together the knowledge created by many researchers but may suffer from many limitations. The studies considered for the review are not exhaustive and hence the findings may also not be exhaustive. A lot of further research need to be done on the topic because team entrepreneurship is going to be the buzz-word for the future. Global slowdown has significantly highlighted the importance of risk sharing in business ventures. Team entrepreneurship can be considered as the most viable and effective mode of venturing in the present and future scenario given its benefits of sharing of resources, skills, and above all financial risks.

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