

**Phases of Entrepreneurship**

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Strategic Management

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### **Executive Summary**

This article first reviews historical, broad, and specific definitions of entrepreneurship. With the definitions in mind, seven Phases of Entrepreneurship are proposed. These phases begin with entrepreneurial visions and end with continuous organizational improvement. Incorporated in the phases are three strategic management paradigms: Henry Mintzberg's Schools of Thought on Strategy Formation (1990), Gartner's Delphi panel entrepreneurship orientations (1990), and Schendel and Hofer's strategic tasks (1979). These paradigms will give entrepreneurs direction when encountering the different Phases of Entrepreneurship.

After defining the seven Phases of Entrepreneurship, the types of entrepreneurship (independent entrepreneurship, corporate entrepreneurship, strategic renewal, corporate venturing, and internal and external corporate venturing) are placed into the respective phases. By creating phases, this article is attempting to unite the different opinions regarding the definition of entrepreneurship.

### **What does the term Entrepreneurship mean? Who is an Entrepreneur?**

The first documented use of the word entrepreneurship was by Richard Cantillon in 1734. Cantillon viewed entrepreneurship as working independently with possible risks involved (McMullan & Long, 1990). Since Cantillon, many people have attempted to define entrepreneurship as a label and as an academic field (Gartner, 1990) but most researchers agree that entrepreneurship involves three attributes: innovation, risk-taking, and proactiveness (Miller, 1983).

Most people also agree with one of two meanings: Schumpeter's definition (1934) or Gartner's definition (1988) (Sharma & Chrisman, 1999). Schumpeter (1934) identifies entrepreneurs as people who bring about "new products, processes, markets, organizational forms, or sources of supply" (Sharma & Chrisman, 1999, p. 12). Gartner looks at entrepreneurial traits and activities but is adamant that, "Entrepreneurship is the creation of organizations" (1988, p. 26). This proposal will favor Schumpeter's definition as it is more general and, hence, does not exclude potential innovators.

Many more specific features have been associated with entrepreneurship. Long and Wayne (1983) include "uncertainty and risk" and "creative opportunism." Schumpeter (1934) stressed innovation (Brockhaus, 1987) and Thompson (1999) described ten key entrepreneurial qualities: making a difference, finding and utilizing opportunities, gathering resources, adding value, building relationships, having the right experience and contacts, establishing funds, dealing with risk, unwavering in tough situations, and creativity and innovation. Leavitt (1989, p. 598) wrote that an entrepreneur is a "visionary, a dreamer and a charismatic leader" and Bennett (2006) identified the goals of success and accomplishment in descriptions of an entrepreneur.

Entrepreneurship is not limited to individuals acting alone. Sharma and Chrisman (1999) include people working with or without an organization. Schendel and Hofer (1979) consider entrepreneurial activities to be extremely important in strategic management and include new and existing organizations and company creators and managers in the entrepreneurial realm. Covin and Slevin (1991) realized that Miller's (1983) three entrepreneurship traits, risk taking, innovativeness, and proactiveness, are a part of strategic management and corporate management in general.

Sharma and Chrisman (1999) point out the importance of broad definitions, as they are more inclusive and easily accepted. Sandberg (1992) suggested “joint custody of the coveted term” when referring to the definitional debate (p. 80). With all of the opinions on the meaning of entrepreneurship, this article will attempt to bring them all together by placing the different types of entrepreneurship (independent entrepreneurship, corporate entrepreneurship, strategic renewal, corporate venturing, and internal and external corporate venturing) into some or all of the proposed Phases of Entrepreneurship. These phases begin with entrepreneurial visions and end with continuous organizational improvement. The phases will also include strategic management paradigms – Henry Mintzberg’s Schools of Thought on Strategy Formation (1990), Gartner’s Delphi panel entrepreneurship orientations (1990), and Schendel and Hofer’s strategic tasks (1979).

## **PHASES OF ENTREPRENEURSHIP**

### **1. Preconceptual Phase**

The first proposed Phase of Entrepreneurship involves preconception and the dream of starting a business. The dreamer has a passion and may form personal goals before even having a business idea. Mintzberg’s Entrepreneurial School fits into this phase as it addresses the strategy of the individual and their instincts, decision-making skills, and experience. Members of the Delphi panel (Gartner, 1990) found the entrepreneur’s character and skills (factor 1) to be extremely important to entrepreneurship (Sandberg, 1992).

## **2. Conceptual Phase**

During the second proposed Phase of Entrepreneurship, entrepreneurs make plans and form ideas. Mintzberg's Design School centers on the strategic leader of the new mission. Mintzberg's Positioning School fits into this phase because it involves industry research, early strategies, and innovation (Sandberg, 1992). Schendel and Hofer's goal and strategy formulations (1979) come into play in this phase as the informational preparations are made. Another component of strategy comes into play in this phase: "scope, defined in terms of product/market combinations" (Sandberg, 1992, p. 74). Members of the Delphi panel (Gartner, 1990) found "innovation" (factor 2) involved in idea development with the "innovative product, market, technology, and service" to "meet market demand" and turn an idea into a business opportunity (Sandberg, 1992, p. 83). The Delphi panel also recognized "uniqueness" (factor 7) as relating to opportunities of identifying the industry, product or service, and needs.

These initial strategies, which take place during the proposed Conceptual Phase, have been found to be extremely important because they are maintained by the organization for years (Boeker, 1989). This means that the initial strategy influences the success of the company for years (Sandberg, 1992).

## **3. Construction Phase**

The third proposed Phase of Entrepreneurship includes the building and mobilization of resources: capital, knowledge, partners, employees, and the right contacts. Mintzberg's Cognitive and Planning Schools of Thought look into the entrepreneur's mind, as it applies to the planning and budgeting stages of the business. Schendel and Hofer's environmental analysis (1979) is incorporated in this phase as the

entrepreneur sees the surroundings. Michael Porter's Five Forces of Competition Model (1980) comes into play as the entrepreneur looks at prospective competition, potential suppliers and buyers, and the external threats of new competition and substitute products. The Delphi panel (Gartner, 1990) recognized organization and value creation as being important to the concept of entrepreneurship. Despite some views on original organization creation, this proposed phase also may include the acquisition of a business or corporation (Sandberg, 1992).

#### **4. Inception Phase**

The next proposed Phase of Entrepreneurship centers on another component of strategy: "the deployment of organizational resources as competitive weapons, perhaps creating a distinctive competence" (Sandberg, 1992, p. 74). Schendel and Hofer's strategy implementation (1979) comes into play in this phase as the thoughts and plans are carried out and the resources are put to use. One of Gartner's (1990) factors, "Creating value," can be included in this phase with the formation of business, wealth, and value (Sandberg, 1992).

#### **5. Growth Phase**

After the physical building of the business, the entrepreneurs will, hopefully, "gain a competitive advantage stemming from appropriate matches of competitive weapons and scope" (Sandberg, 1992, p. 74). Gartner's (1990) "Creating value" factor is included in this phase as the company looks for their expansion strategy. Mintzberg's Learning School adds to this phase when entrepreneurs listen to partner and employee ideas and make tough decisions when they encounter challenges (Sandberg, 1992). The Delphi panel (Gartner, 1990) also included growth as an entrepreneurial characteristic.

## **6. Business As Usual Phase**

The sixth Phase of Entrepreneurship involves Schendel and Hofer's strategic control (1979) as leaders are managing, delegating, and, hopefully, listening to their employees. The entrepreneur may have trouble delegating as if control and personal connections are being lost (Lowell, 1996). Mintzberg's Cultural School involves management, employee, and organizational behavior and beliefs and, at this phase, some people involved may become complacent or opposed to possible changes. (Sandberg, 1992).

## **7. Continuous Improvement Phase**

This final proposed Phase of Entrepreneurship allows the strategic renewal of the company or corporation. New goals and objectives may be formed through short and long-range planning. Schendel and Hofer's strategy evaluation (1979) can be seen here as the leaders take a step back to analyze the company. The Delphi panel (Gartner, 1990) also realized the importance of the "owner-manager" (Sandberg, 1992, p. 80) in order to have an official leader. This proposed phase also includes managers who are not technically owners in order to bring together the types of entrepreneurship.

This point in the company's life is an opportune time to enlist an outside consultant who can be less biased about where the company is headed (Lowell, 1996). Mintzberg's Cognitive School applies here (as well as the Construction Phase) because this school can be useful during the birth and renewal stages of the organization (Sandberg, 1992). Mintzberg's Environmental School should be applied during this phase as managers reconsider external forces: entrepreneurs should be taking another look at Porter's Five Forces of Competition Model (1980) with respect to rivalry,

possible suppliers and buyers, and the external threat of industry maturity (Sandberg, 1992). Mintzberg's Configurational School should be included in this final phase because it integrates the other nine Schools of Thought as the strategy is created, revisited, and restructured (Sandberg, 1992).

## **TYPES OF ENTREPRENEURSHIP**

### **Independent Entrepreneurship**

Independent entrepreneurship occurs when an individual or group of people, without the shelter of an existing organization, forge an entrepreneurial endeavor (Sharma & Chrisman, 1999). This first type of entrepreneurship should follow all of the proposed Phases of Entrepreneurship. In the proposed Preconceptual Phase, the individual entrepreneurs dream of creating a business. Because there is no existing organization involved, these entrepreneurs must complete the Conceptual, Construction, and Inception Phases without the established resources of capital, employees, and physical structures. During the Growth and Business As Usual Phases, the independent entrepreneurs may have trouble letting go of control to delegate and share ideas. But, in order to continue growing, whether financially or physically, the entrepreneur must understand that he/she cannot persist without the insights of others (Lowell, 1996). In the Continuous Improvement Phase, the independent entrepreneur must be sure they don't get too complacent or "promote resistance to change" (Sandberg, 1992, p. 78).

### **Corporate Entrepreneurship**

The term corporate entrepreneurship encompasses many types of entrepreneurship that occur within existing organizations (Sharma & Chrisman, 1999). These types

include any type of innovation, such as a new product or service, a new process, or a strategic renewal (Zahra, 1995). Innovation, which means introducing something new, should not be confused with an invention, which means bringing something original into existence (Rogers, 1962). Corporate entrepreneurship can also include the acquisition or inheritance of businesses (Carland, Hoy, & Carland, 1988). No matter which type of entrepreneurship, there is risk involved. Corporation employees who take on a new product or service face risks associated with career advancement and salary level. (Sandberg, 1992). Westhead and Wright (2000) add that entrepreneurship can even be seen as continuous actions, rather than a single undertaking.

Corporate entrepreneurship could include all proposed Phases of Entrepreneurship but this proposal will not consider the Preconceptual Phase in corporate entrepreneurship, as this phase will be devoted to independent entrepreneurs. In the Conceptual Phase, corporate entrepreneurs, in the form of employees, managers, and consultants, realize new possibilities and make plans. During the Construction and Inception Phases, those involved bring the idea to the company leaders, develop resources, and, eventually, implement the ideas. The Growth and Business As Usual Phases involve strategic control and advantage and the acceptance of the changes brought on by the innovation. The Continuous Improvement Phase ensures the longevity of the new arrangement through evaluation and new goals and objectives.

Next, this proposal will break down corporate entrepreneurship into strategic renewal (Guth & Ginsberg, 1990) and corporate venturing (Biggadike, 1979), although other terms, such as intrapreneurship (Pinchot III, 1985), are sometimes used interchangeably (Sharma & Chrisman, 1999). Corporate venturing will then be separated

into two additional categories: internal corporate venturing (Jones & Butler, 1992) and external corporate venturing (Sharma & Chrisman, 1999).

### **Strategic Renewal**

Richard Branson, entrepreneur and founder of Virgin Records said, “I wanted to be an editor or a journalist, I wasn't really interested in being an entrepreneur, but I soon found I had to become an entrepreneur in order to keep my magazine going.” Strategic renewal involves adjustments of current practices within the organization. To Zahra (1995, 1996), renewal is the revitalization of a company through innovation and competitive strategy and can include the use of innovative competencies. Zahra (1993) also sees renewal as an opportunity to alter the business plan and mission through “the creative deployment of resources, leading to new combinations of products and technologies” (p. 321).

Strategic renewal involves risk, innovation, and proactiveness because of the original ideas, possibility of failure, and initiative taken or created by employees, managers, and consultants. Porter's Five Forces of Competition Model (1980) can be involved in the renewal as the company may change the external relationships with suppliers, customers, current competitors, and prospective competitors (Sharma & Chrisman, 1999).

Strategic renewal could potentially include more of the proposed Phases of Entrepreneurship because of the innovative people involved. However, this proposal will position strategic renewal with only the final Phase of Entrepreneurship, the Continuous Improvement Phase. During this phase, the employees, managers, or consultants should take a step back to reevaluate the company and redefine the goals and objectives.

External forces are considered and strategy is created, revisited, and restructured (Sandberg, 1992).

### **Corporate Venturing: Internal and External**

Corporate venturing involves innovation and risk in the form new, uncertain activities, instigated internally, which eventually may not be managed by the established firm (Block & MacMillan, 1993). These activities are fully supported by the established company and new products, services, methods, or structures may be developed (Zahra, 1995). Corporate venturing begins in the Conceptual Phase as those involved innovate and plan. The Construction, Inception, and Growth Phases with corporate venturing occur in a similar way to general corporate entrepreneurship in regard to the gathering of resources, implementation, and the goal of a competitive advantage. But, with corporate venturing, the Construction Phase can be less complicated as the suggested change or idea has the support of an established firm. The Business As Usual and Continuous Improvement Phases involve strategic control and strategic advantages but also the possible decision to use the activities to create a separate organization (Sharma & Chrisman, 1999). From here, corporate venturing will be split into internal and external corporate venturing.

Internal corporate venturing includes innovative activities completed and kept as part of the existing company (Sharma & Chrisman, 1999). Support, in forms such as capital and employee resources, comes from the parent company (Schollhammer, 1982). These innovations can be products, services, or processes, which help the existing company to expand, grow, and gain a sustained competitive advantage.

External corporate venturing includes innovative activities that will not be considered a part of the existing company (Sharma & Chrisman, 1999). The existing firm assumes the innovations and risks but the activities will result in a new entity. These ventures can include “joint ventures, spin-offs, and venture capital initiatives” (Sharma & Chrisman, 1999, p. 19). This proposal will consider external corporate venturing to include the Conceptual through Inception Phases of Entrepreneurship.

### **Conclusion**

The following chart illustrates the proposed Phases of Entrepreneurship by showing each type of entrepreneurship along the lines of phases. The proposed Phases of Entrepreneurship seek to include the different types of entrepreneurship suggested by researchers. Because of the agreement on the attributes of entrepreneurs (risk-takers, innovative, proactive), it is possible to agree on what entrepreneurship means if the definition is broad. All new projects, whether involving new products or new practices, are risky, innovative, and seek to solve a problem or add value to an organization. The people who initiate these new projects, whether they are a part of an existing company or not, are putting their jobs, names, and/or resources on the line in the name of entrepreneurship. Whether they have dreamed of the idea or are just trying to make an improvement, they are the “dreamers who do” (Pinchot III, 1985, p. ix). Ben Bernanke, Federal Reserve Chairman, said, “Over the years, the U.S. economy has shown a remarkable ability to absorb shocks of all kinds, to recover, and to continue to grow. Flexible and efficient markets for labor and capital, an entrepreneurial tradition, and a general willingness to tolerate and even embrace technological and economic change all contribute to this resiliency.”

# Phases of Entrepreneurship and Types of Entrepreneurship



\*\*\*\*\* Independent Entrepreneurship includes all Phases of Entrepreneurship \*\*\*\*\*

\*\*\*\*\* Corporate Entrepreneurship does not include the Preconceptual Phase\*\*\*\*\*

\*\*\*\*\* Strategic Renewal \*\*\*\*\*

\*\*\*\*\* Corporate Venturing \*\*\*\*\*

\*\*\*\*\* Internal Corporate Venturing \*\*\*\*\*

\*\*\* External Corporate Venturing \*\*\*



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