All Things About Management

Good Management

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CONTENTS

Chapter 1: Introduction

Competition on domestic and international, of non union and low-wage enterprises in labor relations with a focus on what they might be in 2025. Excessive work and its business consequences is an issue addressed by a chapter in this book. The factors associated with the success of women managers in business are analyzed. That is, making money by working with people in poorer nations who benefit by the partnership.

The multifaceted dimensions of this movement are addressed in a chapter in this section. Another chapter discusses organizational crisis management in the post-9/11 business epoch. The proactive management of an organization's environment including activist groups and other stakeholders is considered at length.

Managing the global enterprise is addressed with a focus on doing business in Asia and developing nations. How firms manage terrorism-induced uncertainty is one of the areas considered. The development of a global mind-set and working in a multilingual business world is covered.

Hurricane Katrina and Al Gore's movie and book put global climate change on the agenda of leaders of business, government, *and* management professors and students, and the reference librarians who guide them. Part IV, Sustainability and the Natural Environment: Green Management, begins with a chapter "Toward Sustainable Organizations for the 21st Century." It is followed by a chapter explaining why firms comply or do not comply with environmental regulations. An applied focus is provided by "Understanding and Overcoming the Green Wall: Environmental Strategy, Leadership, and Change Management in Business." The section concludes with a chapter on how many firms collaboratively incorporate environmentalist concerns in supply chain management.

How strategic decisions are made in high- velocity contexts begins the section. Innovation, effective planning, and competition in Internet-based inter organization systems are covered by three chapters. Evolving aspects of outsourcing to countries such as India is the focus of another chapter. Business partnerships and mergers are discussed with a focus on inter organization product and service development and deployment.

Six chapters are on operations management with new technologies in a global context. How companies' boundaries blur in the integrated and globalized context in the age of e-business is one of the focal topics. This is followed by improving supply chain information velocity, product customization, and cost through extended enterprise applications. How information technology and automated processes enable “mass customization” where products can be individualized profitably is the topic of a chapter. Ethical manufacturing is given chapter-length treatment.

Organization and disorganization is examined through the prism of post-9/11 security concerns. One chapter is on hospital planning for weapons of mass destruction incidents. Global projects as an important new organizational form is discussed in a chapter. The constraints of an organization’s structure on what it does are also covered. Teaming in and beyond organizations in the knowledge economy is the focus of five chapters.

The section begins with the evolving nature of work teams as they change to meet the requirements of the future. Web-based tools for collaborating with customers to develop new products and services are the subjects of a chapter. Transnational teams in knowledge intensive organizations are discussed, as is the coordination in global teams and the conflict management within them. The human resources as a key strategic factor section covers work-home interaction issues, flexibility in work and scheduling, wellness programs, and career management including the special issues associated with mid- and late careers. Diversity and its management in the age of globalization are covered in four chapters. Family friendly organizations are discussed with a focus on the future.

Managing the behavior of people in 21st century organizations is the subject of nine chapters. Motivating people working remotely is discussed. Also covered is making work in public organizations intrinsically motivating. Understanding and managing misbehavior in organizations .

Intercultural communications and strategies for managing the intercultural dimensions of business are treated in a chapter. Emotion, trust and mistrust, and organizational politics are covered here as well. The part on Organization Development and Change in the 21st Century also has six chapters discussing how change can be most effectively carried out in contemporary organizations. Leadership is discussed over six chapters. The section begins with a chapter on developing a leadership style to fit 21st century challenges. Then, remote leadership in the new and evolving technological context is explained. Leadership across organizational, functional, cultural, and geographical boundaries is discussed.

The part on Information and Knowledge With Mobility and Ethics includes chapters covering knowledge management, communities of inquiry, facilitating mobile and virtual work, the impact of telework, electronic monitoring person Web use at work, information privacy organizations, multilingual and multicultural issues in global e-commerce, managing intangible capital, and the implications of radio frequency identification technology.

This makes the study of emerging organizations one of primary areas of research in the field of entrepreneurship Organizational emergence is a dynamic process involving activities obtaining resources, developing products, hiring employees, and seeking funding. New ventures undertake activities at different times and in different orders .Carrying out these activities lays foundation for the new venture to develop unique capabilities and to gain the trust of stakeholders. Organizational emergence involves those activities and events that are undertaken an organization becomes an organization. This is the “in creation” period in the life cycle of an organization. The individuals who undertake purposeful actions to construct an organization based on their vision are referred nascent entrepreneurs .During emergence, nascent entrepreneurs bring together resources and engage in activities that will eventually distinguish the business as an entity that is separate from the individuals who began it.

While start-up activities are an important component when trying to understand an emerging organization, it is also important to develop an understanding of the individuals involved in the start-up process.

These nascent entrepreneurs may form an organization on their own, or work with others in a team .They have different motivations for starting a firm, from wanting greater independence to trying to gain wealth , and they tend to have different support systems and career mentors. While some nascent entrepreneurs have a high regard for themselves and their ability . others are more modest. In addition, individuals who are thinking about starting a business tend to look for start-up opportunities in different places, and have very different ideas about what the size and scope of the business should be once the new venture is established. In this chapter, we examine the scholarship around organizational emergence. To do so, we start by taking a look at the well-regarded conceptual model of organizational emergence developed by Katz and Gartner . We then examine the empirical research with respect to *who* nascent entrepreneurs are and *what* nascent entrepreneurs do. Specifically, we review research on entrepreneurial cognition plus start-up activities and social capital. We then discuss the scholarship on indicators of emergence or start-up success. Finally, we present two sources of data on nascent firms that scholars can use when examining this phenomenon. We conclude with some possible areas of future research about emerging organizations.

CONCEPTUAL FRAMEWORKS

Katz and Gartner developed a well-regarded frame- work that explains organizational emergence by outlining four basic properties of emerging organizations. These properties are as follows: *intentionality* the purposeful effort involved in organization emergence; *resources* the tangible building blocks of an organization; *boundary* the creation of protected or formalized areas in which emergence occurs; and *exchange* the crossing of boundaries to either secure inputs (resources) or outputs of the organization. While we will look at these four properties independently, it is important to remember that we are doing so for conceptual convenience and that these properties are interrelated and overlap substantially.

Intentionality

Intentionality is “an agent’s seeking [of] information that can be applied toward achieving the goal of creating a new organization. Organizations are created by individuals acting purposefully, and there- fore it is the entrepreneurs’ intentions that lead to activities involved in organization creation . In the Katz and Gartner model, intentionality is used to represent the individual cognitive characteristics of the nascent entrepreneur, thus addressing the question of *who* nascent entrepreneurs are.

Resources

Resources are the building blocks of an organization. They include human and financial capital, property, and equipment , as well as personal funds, time, and experience . Resources are used, combined, and coordinated into the production activities of the new organization . Studies examining the role of resources in new ventures find that different resource configurations influence new firm success, firm resources interact with firm strategies, and entrepreneurs “make do” with the resources that they have .

Boundary

Boundary is the “barrier condition between the organization and its environment. It is the “space” where the organization exerts some control over the resources in its environment. Boundaries can be determined by social relations, time, legal and formal contracts, and physical and spatial considerations .

As boundaries coalesce, routines and competencies are developed within the now defined firm, which allows it to compete and cooperate . Boundaries may be formal, as in legal form, or informal, as in the case when the entrepreneur makes a conscious decision to found the business (Learned, 199). Early boundary-defining actions include deciding on which people to hire, how jobs are structured, and how new members interact with each other, including how they interact with people outside the organization .

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A new organization finds that in the early phases of organizational evolution, organizational structures, practices, and boundaries vary widely, but tend to be informal and fluid .

Exchanges

Exchange refers to cycles of transactions that occur within an organization . While exchange can occur within the boundaries of an organization (across different areas of the organization), for small fledgling firms, most exchanges occur across organizational boundaries or between firms. The pattern of exchange usually involves resources or inputs that are transformed into outputs .

Exchanges are inherent in the social contract: employees or participants in the organization agree to perform certain work in exchange for pay, rights, or privileges . Resources are acquired through an exchange process while goods and services are produced and exchanged across boundaries of the organization .

limitations of the katz and Gartner model

While the Katz and Gartner framework provides researchers with a solid foundation for examining the phenomenon of organizational emergence, as with all frameworks it has a number of limitations. Specifically, the framework was initially developed as a means for entrepreneurship researchers to identify new ventures in the greater population of firms, and so focuses on tangible dimensions of organizations that are considerably more easily identified. In doing so, it fails to adequately develop the theoretical framework for a number of less tangible dimensions that play an important and ongoing role in the development of new firms. Two such dimensions are behaviors that lead to enhanced organizational legitimacy and behaviors that lead to organizational knowledge creation, accumulation, and transfer.

Entrepreneur Service

Early research on entrepreneurial cognition looked at what is now known as "trait research." Emerging from the early psychological research on needs , entrepreneurial trait research focused on the search for a set of stable personality characteristics that distinguished entrepreneurs from non business owners. Trait factors included characteristics such as age, marital status, and family background. Typically these traits were easy to identify and readily measurable (they included items such as gender, education, family, and race).The objective behind this line of inquiry was to determine the individual's propensity to engage in entrepreneurial behavior based on the individual characteristics of an entrepreneur. While the best of these studies compared entrepreneurs to non entrepreneurs or compared groups of entrepreneurs , the general consensus is that research on entrepreneurial traits did little to advance our knowledge of entrepreneurship, and that entrepreneurship researchers would be better served focusing on what entrepreneurs *did* as opposed to *who* they were . While trait research has largely been undercut by more recent scholarship, work in this area still exists on specific key individual dimensions.

For example, the level of education has been explored in international studies of nascent entrepreneurs, with the general finding that individuals with medium to high levels of education are more likely to engage in start-up behaviors . Also, previous experience in starting one's own firm has been found to correlate with start-up behavior. However, traits such as previous management experience, and amount of work experience have not been found to lead to new venture start-up .

More recent scholarship examines specific cognitive attributes of nascent entrepreneurs. For example, entrepreneurial intentions individuals' beliefs influencing their intentions has been explored in the theoretical work . In addition, empirical work by Kolvereid provides support for the importance of entrepreneurial intentions to start-up success. Another extension of the work on intentions is a re- cent study on the reasons why nascent entrepreneurs chose entrepreneurship as a career .

The study examined the importance of (a) financial success, (b) innovation, (c) recognition, (d) independence, and (e) self-realization by comparing nascent entrepreneurs to a control group of none of them. Counter to many of the common notions about entrepreneurship, the results found that financial success and innovation were not primary reasons why people started their own businesses.

In fact, none of the variables studied were found to have a singular impact on the start-up motivations of nascent entrepreneurs, suggesting that motivations be- hind starting a new venture are complex and interrelated.

Moving away from intentions, other scholars use the idea of entrepreneurial cognition in their work as well. McGrath and MacMillan found that the content of entrepreneurial beliefs is similar across international cultures. Cooper discovered that entrepreneurs believe their own chances of success are very high higher than the chances of success they perceive for other firms.

Shaver, and Gartner found that the cognitive beliefs associated with entrepreneurial persistence vary by gender. Edelman and Yli-Renko examined the role of objective versus subjective environmental perception on the likelihood of a nascent firm becoming an operating business.

that the nascent entrepreneur's perception of the environment was significantly more important when starting a new venture than an objective environmental measure. Finally, Forbes provided a comprehensive review of the literature on cognition and nascent entrepreneurs.

Social Capital

One important, boundary-spanning activity in which nascent firms are involved is the development of relation- ships, or social capital, with others who are outside the newly defined boundaries of the firm. Social capital is the set of resources that accrue to an individual or group by virtue of their social connections . Social capital is different from other forms of capital in that it is not owned by an individual but instead is a function of the relationship between two or more individuals.

Recently, a number of empirical studies have examined the role played by social capital in the process of starting a new venture. Kim, Aldrich, and Keister found a positive effect between the decision to become nascent entrepreneurs and the number of relatives who own their own businesses. This finding suggests that mentoring and family ties are important when starting a new firm, implying that it may be possible to transfer social capital among friends and family. International studies on nascent entrepreneurs indicate that those who know others who are self-employed, and hence have more extensive social networks, are more than twice as likely to start a new venture .

Finally, Davidsson found a general pattern of the increasing importance of social capital over the start-up period. Their findings indicate that social capital is less important at the beginning of the start-up process; however, as the firm moves toward increasingly greater financial performance, social capital takes on a more important role.

This suggests that not only is the development and use of social capital a necessary component of growing a new venture, but also that as a resource, social capital be- comes increasingly important as young firms move beyond the initial start-up phase and into growth.

Start-Up Teams

While it important to understand who nascent entrepreneurs are from an individual perspective, over 50% of new ventures in the United States are started not by individuals, but by teams (Aldrich, Carter, & Ruef,2004). This suggests that the process of starting a new firm is a collective, not an individual, effort.

Most new firms (74%) are started by a team of two, and of these two-person teams, the majority (53%) are marital partners or family members .

further examine new venture team composition. Moving beyond those firms started by marital partners, they found that start-up teams are comprised of individuals who are similar in gender, ethnicity, and occupational background. This suggests that counter to the description portrayed by many entrepreneur- ship textbooks, new firms are *not* started by a large group of individuals who collectively bring a number of critical skills or competencies to the new firm, but instead they are started by a small number of people who are either family members, or who are very similar. Carter's findings have important implications for researchers interested in the development of organizational capabilities. Capabilities are the firm's ability to exploit a particular set of organizational resources. In young firms, capabilities are directly related to the skills of the start-up team.

For nascent firms that are in the process of start-up, this finding implies that new firms are not only are likely to have a limited set of capabilities, but also that the set of capabilities inherent in the new firm is not likely to rapidly expand. If nascent firms are going to survive and then thrive beyond the initial start-up period, Reuf findings argue for a well-defined initial strategy that matches the capabilities of the nascent firm with the market opportunity.

BEHAVIORS AND ACTIVITIES OF NASCENT ENTREPRENEURS

While there has been a substantial body of work examining the question, *Who are nascent entrepreneurs?* an equally substantial number of scholars have looked at organizational emergence from the perspective of what nascent entrepreneurs do.

These researchers are interested in the behaviors or activities surrounding the start-up process Using a variety of theoretical frameworks to better understand the start-up process, these behavior-oriented scholars conduct research on topics such as the number of activities nascent entrepreneurs undertake the grouping of those activities into a logical ordering the timing of start-up activities and which activities precede other important start-up events .In the mid-1990s there was a flurry of activity in the behavioral area of new venture start-up.

For example, Reynolds and Miller examined a sample of nascent entrepreneurs and found that start-up activities did not have a logical progression. Following this research, Gate wood explored whether cognitive factors and entrepreneurial activities led to the formation of a business, as measured by sales.

They found that activities involving setting up business operations, such as purchasing raw materials and supplies, hiring and training employees, producing, distributing, and marketing a product or service were significantly correlated with the creation of a new firm. Carter identified a random sample of adults who were in the process of starting a venture. They examined specific start-up activities such as personal commitment, financial support, hiring, and activities that developed the structure of the business. They found that it was the number of actives.

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ties, and in particular those activities that are more tangible, (looking for facilities and equipment, forming a legal entity) that increased the likelihood of survival.

While these early studies showed that the activities of nascent entrepreneurs who started a business are different from those of nascent entrepreneurs who did not, they suffered from problems of retrospective bias, lack of generalize , and small sample size.

These data collection issues were part of the impetus for the creation of the Panel Study of Entrepreneurial Dynamics (PSED) datasets (a more complete discussion of the PSED dataset can be found later in the chapter), which specifically examine the start-up activities of nascent entrepreneurs. Building off of PSED data that was either collected in the United States or internationally, a number of more recent studies examine the connection between start-up activities and the probability of start-up.

Shane and Delmar examined groups of planning, legitimacy, and market activities and their effect on the probability of starting a new venture (defined as not disbanding) of 3 Swedish new ventures. They found that planning and legitimacy were significantly correlated with the probability of starting a new venture but that market activities had no effect. Two additional studies examined the timing of business plans and found that new ventures that wrote business plans before talking to customers and/or before beginning marketing or promotion had a lower rate of termination than other firms An additional study showed that those firms engaging in legitimizing activities were less likely to disband .

Finally, Brush) examined the behaviors of nascent entrepreneurs using and then extending the Katz and Gartner properties of emerging organizations framework.

They found that all of the four properties are important to the start-up effort and that the more properties (behaviors) in which nascent entrepreneurs engaged, the greater the likelihood they were to start a new organization. However, their findings also suggest that the intention to start a new firm (intentionality) does not necessarily precede nascent entrepreneurs engaging in other organizing activities and that the rapidity through which nascent entrepreneurs moved through the start-up process was not a determinant of start- up success.

ORGANIZATIONAL EMERGENCE INDICATORS

While conceptually simple, measuring organizational emergence presents scholars with a number of empirical challenges. One popular method of determining organizational emergence is to examine organizational exchange. How- ever, even exchange is not straightforward in that there is not one agreed upon measure of exchange that determines emergence. In this section we will examine two popular methods of determining organizational emergence: first sales and operating success.

First Sale

One popular measure of exchange in the context of organizational emergence is first sale. First sale is a major milestone for a new firm. Not only does the first sale have the effect of generating early cash, which can lead to sub- sequent financial independence, the firm's first sale helps it gain visibility, increase its organizational legitimacy in the eyes of its customers, begin to gain market share, and in- crease the likelihood of continued survival . First sale signals the nascent firm's market entry as an operational new venture, and thus marks the end of the discovery phase and the beginning of opportunity exploitation .Many new firms engage in start-up activities and then, when they have developed a viable product or service, they have an exchange event, which is typically the first sale. However, using first sales as an indicator of emergence is problematic. Researchers using event history analysis methodology found that it is also common to see nascent entrepreneurs test their new idea by selling their new product or service *before* they engage in organization-building activities. Indeed, it may be that starting a new business is predicated upon the nascent entrepreneur's early first sales success.

Therefore, it is important to determine when first sales occurred in the overall process of starting a new firm. Conservative scholars have concluded that this difference in the timing of first sales indicates that first sales should be used as an indicator of emergence *in conjunction* with other activities or indicators. For scholars this means that, by itself as a stand-alone measure, first sale is not a reliable indicator of organizational emergence.

Operating Business

While exchange, operational as first sale, is one popular way that scholars use to determine organizational emergence, another common measure they use to determine if the new venture has emerged is whether or not the firm is an operating business.

While by definition less precise than first sales (because this operational of emergence relies on the exchange perceptions of the nascent entrepreneur), this perceptual determination of emergence overcomes many of the problematic issues involved with trying to use first sale as an emergence benchmark.

Operating business is typically used as an indicator of emergence when the researcher is interested in determining if the new venture has had short-term success. Again, while conceptually clear, this measure of emergence also has a number of difficulties associated with its usage. Principally, because it is based on the perceptions of the nascent

Entrepreneur, the researcher is less able to determine the precise stage of emergence of the new venture. Consider, for example, that one nascent entrepreneur may assert that her new venture is an operating business, while the same set of circumstances may be interpreted by another nascent entrepreneur as a new venture that is still trying but is not yet operational. This problem can be overcome with a broad definition of operating, but the cost of this definition is a lack of measurement precision.As indicated by the above discussion, using exchange either alone, operational as first sales, or as a perceptual measure in operating business is problematic. Even the simple process of combining data that states the business is operating with data that states the nascent entrepreneur is still trying is problematic, given that recent data collection efforts have indicated that some nascent entrepreneurs have been trying to start a new venture for over few years .

One additional interesting perspective on new venture performance splits success and failure into two distinct categories, with success operational as either an operating business or not, and failure defined as still trying.

The logic in this approach is that success in starting a new venture is as much about finding out if an idea is viable, and those enterprise who are still trying have not determined the viability of their concept .While this approach has not been adopted in the empirical literature to date, the logic of this operational is compelling and deserves further consideration.

Clearly, no matter how exchange is used as an operation of performance, the determination of whether or not the new venture is successful is problematic. While this is not an issue for practicing entrepreneurs, for researchers trying to study emergence phenomena, this issue is cause for considerable concern. Young scholars, looking at emergence from a data-driven perspective, must be aware of the issues related to the measurement of emergence, and clearly state the definitions they are using as well as the limitations of their chosen operational.

Chapter 2: ORGANIZATIONAL EMERGENCE

To enhance the research on organizational emergence, there are a number of publicly available databases that contain specific data about new ventures. At the most basic level, U.S. census data and Dun and Bradstreet are two important sources of data available to researchers interested in a more statistical approach. Census data is drawn from the IRS tax-withholding records and very often lists new ventures faster than Dun and Bradstreet, a private database.

The data contain information about the number of new firms, the number of employees, estimated number of receipts, and annual payroll . While census data alone may not address a particular research question, it is a good source of contact information and when merged with other databases such as Dun and Bradstreet, can supply an ac- curate snapshot of entrepreneurial activity in a particular city or region.

Panel study of entrepreneurial dynamics

The Panel Study of Entrepreneurial Dynamics (PSED) is designed to investigate the earliest stage of the organizational life cycle. PSED looks at the process of new business creation, or “the number and characteristics of nascent entrepreneurs who attempt to start businesses and the likelihood that such attempts will result in the formation of new businesses ”Nascent entrepreneurs are defined as persons who have not received a positive cash flow from the new business for more than three months. This decision rule was established in order to differentiate new businesses “in the process of emergence” from already established new businesses.

PSED consists of one initial and three follow-up phone and mail surveys, which track a nationally representative sample of nascent entrepreneurs over the course of five years. The idea was to track the number and characteristics of individuals who attempt to start up a business, as well as the characteristics and outcomes of the entrepreneurial start-up process. The dataset combined respondents’ answers to survey questions from the four interview waves of the study. Thus, for each respondent the dataset contains information whether or not a specific start-up activity was undertaken over the course of the study, and if so, in what month and year it was undertaken.

For example, at the time of the initial data collection (Wave 1 of the phone interviews) a respondent may have reported that she had not completed a business plan, but may have subsequently reported that a business plan had been completed Researchers would count that a business plan had been completed regardless of the timing of this start-up activity.

The PSED study identified individuals who reported that they were trying to start a new business within the 1 months preceding the initial wave of the study (Wave 1 of the phone survey), which took place in 1998–1999. The question regarding the perceived outcome of the entrepreneurial initiative (whether the nascent entrepreneur believed the new business was already operating, an active start-up, an inactive start-up, or no longer being worked on by anyone) was asked in the follow-up waves of data collection which took place, as follows: If a nascent entrepreneur reported that the new business was already operating or that it was no longer being worked by anyone, their case was not tracked from that point on. If, however, a nascent entrepreneur reported that the business was still a start-up (active or inactive), the case was tracked in subsequent .

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Thus, for each initially identified nascent entrepreneur, the data set contains information on the outcome of the start-up process over the course of 5 years .

The phone and mail survey gathered different information from respondents. The phone survey was more focused on demographic characteristics of nascent entrepreneurs as well as on the start-up team and the start-up activities and behaviors.

In contrast, the mail survey concentrated on the cognitive aspects of start-up and asked questions about the aspirations of individual entrepreneurs, their reference groups, and career reasons about why they choose to become an entrepreneur.

While the phone survey and mail survey complement each other in that they each provide valuable but different information about nascent entrepreneurs, a number of nascent entrepreneurs chose to participate in the phone survey only, hence there is less data for evaluation in the mail survey. Another broader issue with PSED data that affects both the phone and the mail survey is missing data. A number of important questions have low response rates and thus are problematic to include in a systematic study of new ventures.

The PSED dataset has produced a number of interest ing findings. In the area of minority entrepreneurship for example, the PSED has shown that Blacks are 50% more likely to engage in start-up activities than Whites and that Hispanic men are slightly more likely than White men to be involved with start-up. In addition, education significantly predicts nascent entrepreneurship, particularly for Blacks and Hispanics. Specifically, approximately 6 of every 100 Black men and 0 of every 100 Hispanic men with graduate education experience report efforts to start a new business. This compares to 10 of every 100 White men with graduate education experience.

Given the widespread interest in the PSED dataset, a number of volumes specifically devoted to nascent entrepreneurs have been published. Gartner edited a book titled *The Handbook of Entrepreneurial Dynamics: The Process of Organization Creation* that details the PSED data collection process. This book provides researchers with the theoretical background of many of the variables in the PSED dataset and is an indispensable guide to navigating the data.

In addition, two recent monographs in the *Foundations and Trends in Entrepreneurship* series have been published about nascent entrepreneurs and the PSED data. The first titled *Nascent Entrepreneurs* by Davidsson has an extensive review of over 75 papers on nascent entrepreneurship, while the second titled *New Firm Creation in the U.S.: A PSED I Overview* by Reynolds provides detailed statistical analysis of the PSED variables across the four waves of data.

Finally, through the sponsorship of the Kaufmann foundation, efforts are underway to collect data for the PSED II. This second study is a focused attempt to study the start-up teams and organizing behaviors of nascent entrepreneurs. While longitudinal in nature like the PSED I, PSED II does not include a mail survey and so is limited to data that can be collected over the phone. Data collection for PSED II is ongoing and results are currently not available.

Global Entrepreneurship Monitor (GEM)

The Global Entrepreneurship Monitor (GEM) program is an ongoing compilation of data about entrepreneurship start-up efforts globally. The program began in 1999 with data collection efforts in 10 countries, and by 2006 had grown to encompass entrepreneurial activity in 39 countries.

The objectives of the GEM project are to (a) measure difference in the level of entrepreneurial activity between countries, (b) uncover factors determining the levels of entrepreneurial activity, and (c) identify policies that may enhance the level of entrepreneurial activity .Key findings from the GEM re- ports indicate that there are systematic differences in rates of entrepreneurship across countries.

However, contrary to popular belief, the relationship between high levels of entrepreneurship and economic growth is not consistent as GEM findings indicate that there are a few highly entrepreneurial countries with low economic growth. In addition, the reports highlight a number of national features and characteristics associated with entrepreneurial activity. In addition to the global report, the GEM group also produces a number of smaller reports on subgroups of entrepreneurs that may be of interest to researchers and policy makers. In 2 005 these included special reports on high- expectation entrepreneurs and on women entrepreneurs. Researchers interested in conducting a finer grained analysis can examine entrepreneurship in a particular country or regional cluster accessing the data through a country specific report. Traditionally GEM has limited its data collection efforts on early stage entrepreneurs, however, in 2005, the focus of GEM was expanded to include characteristics of established business owners as well as the degree of innovativeness, competitiveness, and growth expectations of both early-stage and established ventures . Summary and full GEM reports are available on the Internet or though the two sponsoring institutions, Babson College and the London Business School.

CONCLUSION

There is a considerable amount of scholarship in the area of emerging organizations. Researchers have developed organizing frameworks, and have extensively explored *what* entrepreneurs do—their start-up behaviors and activities as well as *who* entrepreneurs are—their traits and cognitive attributes.

However, despite the work that has been done in this area, many research questions remain for new scholars to explore.

In the area of *what* entrepreneurs do, there are still a number of questions surrounding start-up activities.

studies so far have primarily employed linear methodologies in their analysis. Different methodologies, such as ethnographic studies, would add much to the field of study but not only to explore what entrepreneurs do, *why* they do what they do in terms of competitive forces or legitimacy building, and *how* often they engage and then reengage in the same activities are equally compelling questions for study.

For example, it seems quite reasonable to assume that the process of obtaining credit from suppliers, looking for start-up financing, or obtaining raw materials are all activities that must be undertaken multiple times. However, what is not clear is the temporal pattern or possible rhythm that successful entrepreneurs may develop when undertaking these activities. Ongoing ethnographic studies may uncover such patterns. *Who* entrepreneurs are is also an area where alternative methodologies such as in-depth case studies or ethnography could greatly add to our understanding. While entrepreneurial traits are relatively easy to study, they have done little to further our understanding of what makes an individual a successful entrepreneur. Coupling what entrepreneurs do with who they are in terms of their cognitive abilities would be a valuable contribution.

Finally, more attention needs to be paid in the start-up process to who entrepreneurs know. Social capital is an area that currently receives a great deal of attention when firms are in the growth stage. Less attention, however, has been paid to social capital of firms at their inception. Additional studies showing the benefits of social capital, both from a competitive perspective as well as from a legitimacy building perspective would be of great interest.

While the study of young organizations is inherently an interesting one, adopting a particular focus on emerging organizations is especially so. Emerging organizations, unlike their small firm or growing organization counterparts face unique challenges that seem almost insurmountable to the casual observer. However, data indicates that not only are many people interested in starting their own firms, but that young organizations are the engines of growth for developing as well as developed economies. Therefore, engaging in the study of these dynamic new firms is not only in the best interest of the young scholar, but also is in the best interest of society in general.

Management and Society

The integration of theories of organizational design and entrepreneurship results in the concept of corporate entrepreneurship (CE) that focuses on entrepreneurial behavior in larger established organizations. The concept of CE has gained considerable recognition over the past three decades. Its popularity stems from the varied contributions CE can make to a firm's financial and nonfinancial performance.

Thus, CE can improve financial indicators of performance, such as returns on assets and company growth. With regard to nonfinancial outcomes, CE facilitates collaboration, the renewal of operations, and the creation of new products, services, and processes, thus improving the firm's competitive position. Moreover, CE activates organizational learning that is crucial for acquiring new competencies and capabilities that facilitate the exploration of new growth options beyond its traditional markets and industries. However, the expansion of the term entrepreneurship beyond its classical use raises several questions that will be answered in this chapter:

• Which environmental and organizational conditions call for CE?

• What are the strategic intents that CE aims at, and which internal key variables affect the design and outcomes of CE? How can CE be managed appropriately?

• How does CE affect firm performance, and what factors influence the CE-performance relationship?

Back Ground

A new competitive environment is taking shape in the 1st century. The following paragraphs discuss the resulting challenges for business development in the 1st century and align these to the current situation of established organizations.

21st-Century Competitive environment Challenges

Managers today face major strategic discontinuities that are changing the nature of competition. The technological revolution and increase in globalization represent major challenges to companies' ability to remain competitive. For instance, the digital revolution in the form of electronic business processes conducted via the Internet is altering the fundamentals of how companies run their businesses. The recent strategic discontinuities include the elimination of industry boundaries, coalescence between industrial and service businesses, computer-aided design and communication, and the opening of global markets. In many cases, these discontinuities occur simultaneously and are difficult to predict.

Moreover, firms encounter these changes coexistent to intensive foreign competition in domestic markets. In this complex competitive environment, uncertainty and discontinuous, abrupt change are the only constant. Change and uncertainty may cause serious problems to those companies, which rely on the time-tested behavior of the past and are not able to adapt to the new competitive environment.

On the other hand, change and uncertainty imply major opportunities to those firms able to respond to the dynamically changing conditions by continuously adjusting their purpose and shape. In the1st century, organizations should not solely respond to preordained environmental conditions, but should instead influence and actually create their environment by innovation.

Facing unrelenting discontinuities, companies have to develop new strategies and organizational designs to gain or maintain a competitive advantage. Organizations must consider learning to be of critical importance to stay in sync with persistent change. Organizations have to develop and maintain strategic flexibility in this exceedingly complicated environment.

The 1st-century environmental conditions call for building dynamic core competencies, focusing on and developing human capital, implementing new contemporary organizational structures and cultures, as well as using and inventing sophisticated technology. In short, the new competitive environment requires new types of organizations and leaders to assure survival and gain in global market leadership. Firms may be able to benefit from the new competitive environment if they are able to identify and exploit the opportunities of uncertainty.

21st-Century Organizational Problems

We can observe a substantial maladjustment between organizational characteristics and requisites of the 1st- century competitive environment. In order to facilitate survival and progress and overcome and therefore competitive disadvantages compared to established companies), entrepreneurs have to install structures, systems, controls, rewards, and procedures. they have to transfer the entrepreneurial venture to a managed firm. However, along with years of installing routines, structures, and systems emerge bureaucracy, conservative tendencies, risk avoidance, and a focus on proven procedures as the dark side of striving for efficiency.

The former can become so ingrained within an organization that they might cause serious problems with regard to flexibility and change. The reluctance to change due to evolutionary maturation is widely known as *liability of age*.

some degree from the very congruence that made a firm successful in the past. Organizations that fit best to a given environment at a certain time tend to be successful. When the environment changes, however, the organization's success has led to structural and cultural inertia, which retards the organization from executing necessary changes along with the competitive environment. In other words, internal forces for stability that originate in a company's past and present success might cause future failure. Consequently, a tightened culture within an organization is one of the main reasons for short-term success and potential long- term failure. Increasing bureaucratization and goal displacement, however, are not inevitable phenomena every organization is destined to experience during its development. In order to enable strategic renewal, revitalization, or business opportunity seeking and exploiting, firms have to overcome the strong internal forces for stability. Entrepreneurial re- searchers have developed possible solutions to help tackle organizational inertia. The stream of research that analyzes entrepreneurial phenomena on the organizational level of established companies is labeled CE.

FROM ENTREPRENEURSHIP TO CORPORATE

Traditionally, entrepreneurship is defined as and is limited to the founding of a new venture by an individual actor. The development of CE is based on the shift from the emphasis of entrepreneurship research to the firm, instead of the individual. Gartner is often cited as being the first to shift the focus of entrepreneurship to the firm level by interpreting entrepreneurship as the creation of new organizations, by individuals or by an organization. Reflecting the underpinnings of Kirzner and Schumpeter, this definition lacks aspects such as innovation of new combination or exploitation of opportunities, which are both decisive with regard to the creation of competitive advantage. A broader definition holds entrepreneurship as the creation of new economic activity that subsumes all activity that is new to an organization and changes its offerings on or position in the market. Thus, CE does include but is not limited to the creation of new ventures.

The firm-level approach to entrepreneurship is consistent with classical economics, in which an individual en- gages in an entrepreneurial venture, since individuals as well as firms, regardless of age or size, can undertake new economic activity and thus be entrepreneurial. In contrast to individual entrepreneurs, established companies hold a firm base of traditional products and customers, which they have to defend against competitors and economic downturn and, moreover, must respect stakeholders' interests when pursuing new entrepreneurial opportunities. Following this argument, CE must chase several distinct strategic intents, and CE research must include multiple underlying levels.

INTENTIONS OF CORPORATE ENTREPRENEURSHIP

There is a growing consensus in research that CE follows three major intentions: innovation, venturing, and strategic renewal. While the strategic value of these activities seems to vary from one industry to another, the three intentions of CE form a constellation of activities that facilitates the sustainable progress and growth of a firm. The first intention of CE is *innovation,* which, in general, describes the introduction of something new to the market. Innovation occurs in varying degrees, ranging from new- to-the-world products and services to minor improvements or adjustments or new applications of an existing product or process. Innovation is based on the firm's commitment to and investment in creating new products, services, and processes, which all may lead to the creation of new business models.

Thus, innovative activities aim at the development of new dominant designs that may profoundly change industries such as Google's search algorithm, which almost completely replaced prior searching solutions. A bureaucratically managed organization is unlikely to achieve such a radical innovation.

Sharma and Chrisman highlight that innovation usually occurs in concert with venturing or strategic renewal. In the absence of both, however, to be entrepreneurial the innovation must be of the Schumpeterian variety such as an original invention or idea transferred into a commercially usable form that is new to the market and has the potential to transform both the competitive environment and the organization itself. The second intention of

CE is *venturing* or corporate venturing, respectively. According to Sharma and Chrisman , venturing refers to corporate entrepreneurial efforts that follow from or lead to innovations that exploit new markets, new product offerings, or both. It may or may not result in the formation of new organizational units (e.g., new divisions). Moreover, these ventures may or may not reside within the existing organization.

While internal venturing activities lead to the creation of new organizational units within the current organization, external corporate venturing occurs when new business creation resides outside the boundaries of the existing organization. External corporate venturing creates autonomous or semi-autonomous organizational entities. Commonly used forms are joint ventures, spin-offs, and venture capital innovations, which vary in the degree of separateness from the parent company.

Corporate venturing activities serve multiple purposes beyond the creation of new businesses. For instance, venturing leads to the development of new organizational competencies and capabilities as well as knowledge about distant markets and industries, and keeps the organization alert to various business opportunities outside its current operations. Additionally, several risks are associated with corporate venturing. First, it often takes the company away from its traditional core competencies.

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Second, the integration of existing and new businesses may be difficult due to differences in cultures, goals, and strategic priorities. Third, new ventures take away resources from current operations and thus results in another source of tension within the organization.

In order to avoid falling for these risks, successful corporate venturing necessitates managerial skills to nurture both existing and new businesses. Furthermore, because many new ventures are cross-divisional in nature, they demand the broad representation of various units in the company. For the new venture, clear and specific goals and milestones that are evaluated on a regularly basis have to be set. In doing so, the organization must consider that new ventures need time to develop until they influence the organization's financial performance. The third intention is *strategic renewal*. The premise behind this strand is that firms need to adapt persistently to the ever-changing environmental conditions in order to ensure progress and growth. Therefore, strategic renewal subsumes corporate entrepreneurial efforts that lead to significant changes of a firm's business, corporate strategy, and structure.

These changes usually base on innovation and alter preexisting relationships within the organization or between the organization and its environment. Strategic renewal intends to revitalize the firm's operations, to build new competitive skills and, to some extent, to change its strategic thrust. Strategic renewal may challenge prevailing cultural assumptions and embody dramatic changes in terms of structure and strategy. It may influence all hierarchy levels and business units.

For instance, these changes may result in the revision of systems, routines, and processes and may alter the technological configuration of the organization. The effect of strategic renewal on a company's financial performance might be relatively moderate in the short run due to the high initiation costs and the time organizational members need to adapt to the reconfiguration, but will amplify gradually with the diffusion of the new setting.

INTERNAL DIMENSIONS OF CORPORATE ENTREPRENEURSHIP

In effectively modeling firm-level entrepreneurship, key variables in the individual realm, the organizational structure and culture, and the overall strategy affect the design and outcomes of CE. Consequently, the subsequent paragraphs will proceed along these lines.

Corporate Entrepreneurship and the Individual

Some scholars regard CE solely as the extension of individual entrepreneurship to the context of existing organizations because all entrepreneurial activities within or outside a corporate context originate in the creative acts of individuals. Organizations striving for the benefits of CE, therefore, need employees who are able to think .

Pinchot uses the term intrapreneur to describe dreamers who do this. These people take hands-on responsibility for creating innovation of any kind within an organization.

In his definition of corporate entrepreneurs, Kierulff argues that these persons or teams examine potential new market opportunities, obtain resources to meet attractive opportunities, and initiate production as well as sales. Thus, corporate entrepreneurs start new business ventures within the corporation. Of course, the individual alone is not sufficient to make CE efforts successful. Additional prerequisites for prosperous entrepreneurial activities can be found in environ- mental and organizational aspects as several CE models in the academic literature suggest. This broader focus, then again, does not negate the important role of the individual in corporate entrepreneurship.

For instance, *precipitating events* in the environment of the firm may in fact stimulate entrepreneurial activities, but only if they are perceived as business opportunities by individual members of the organization. External challenges, how- ever, do not necessarily trigger constructive reactions, since cognitive constraints of the individuals involved affect their opportunity-recognition capabilities and subsequent action.

Consequently, an entrepreneurial-orientated firm needs employees who are capable of perceiving entrepreneurial opportunities. Such opportunity recognition capabilities are, for instance, determined by prior knowledge of industries, markets, or customers. Moreover, an individual's alertness to opportunities is conditioned by his or her intelligence, creativity, optimism, and perception of risk. Of course, opportunity perceiving is a condition non of potential success; it is, however, by no means a sufficient condition. In their seminal paper, Shane and Ven- kataraman posed not only the question “why some people, and not others, discover” entrepreneurial opportunities, but also asked why some people, and not others “exploit these opportunities” Equally, an entrepreneurial company not only needs employees perceiving opportunities, but also needs employees actually behaving in an entrepreneurial way upon the discovery of such opportunities. an entrepreneurial orientation (EO) firm needs people who execute —people who are not only capable of perceiving opportunities but who also strive to exploit opportunities. This behavior is termed opportunity exploitation willingness (OEW).

Yet, in an organizational context, the transformation of such entrepreneurial ideas into successful innovation is a very complex undertaking due to restrictions concerning access to resources, autonomy of the subordinate, and emotional support to intra preneurs. Morris and Kuratko address this problem by claming that intrapreneurs do not necessarily need to be the inventors of new products, services, or processes, but they must be able to turn innovative ideas into profitable results. Consequently, conformed.

prevailing definitions of entrepreneurship, putting the pursuit of opportunities at the very heart of entrepreneurship theory, perceiving business opportunities and subsequently developing these into profitable results may be considered as an indispensable prerequisite for employees in entrepreneurial organizations.

Corporate entrepreneurship and organization

Given the advantages associated with CE, firms have to identify effective ways to stimulate and spur organizational members' entrepreneurial thinking and acting. An organizational architecture recognizing structural and cultural aspects is crucial to encourage individual and collective entrepreneurial behavior.

In their pure forms, however, entrepreneurship and organization are bipolar opposites and blending the two in a single firm seems nearly impossible. In the last two decades, there has been a growing number of studies examining ways to organizationally include discovering and pursuing of opportunities in a corporate environment that is focused mainly on the efficient exploitation of existing resource combinations. Concerning the locus of entrepreneurship, Birkenshaw suggests a distinction between dispersed and focused entrepreneur- ship. The former approach refers to the realization of CE at various locations within the organization, while the latter separates corporate entrepreneurial activities into specialized units.

Thus, some companies opt to formalize their CE efforts by creating units that support and champion entrepreneurial activities. Creating separate organizational units, such as new business development, brings together entrepreneurial individuals looking for creative ways to develop new businesses, markets, or products.

In pursuit of business opportunities, these entrepreneurial units benefit from being small and flexible. This approach even shields entrepreneurial processes against the negative impact of bureaucratic cultures in large hierarchical systems. In a way, large established corporations mimic the advantages of small firms by dedicating separate units to entrepreneurship.

The idea of bringing together entrepreneurial individuals may benefit significantly from inter firm strategic alliances. In joint ventures, research and development (R&D) alliances and learning alliances, creative employees from different firms may collaborate and thus create new ideas and products. Furthermore, a centralized approach makes it easier for firms to track their investments and evaluate the results gained from CE efforts.

Other companies follow a more dispersed approach to CE; they distribute entrepreneurial activities across the whole organization. In these companies, entrepreneurial thinking and acting are not restricted to a particular unit but are scattered over all parts of the organization.

The underlying assumption of this approach is that each employee has the capacity for both entrepreneurial and managerial behavior. Companies use incentives and seed money to encourage the entrepreneurial activities of the individual members of the organization. These efforts capitalize on and stimulate employees' interest in developing and championing innovative ideas that benefit both their units and the firm as a whole. The meaning of the concept of dispersed CE is enriched by connecting it to the discussion on organizational form, in particular with regard to the way an organic of the organization supports an entrepreneurial culture. An entrepreneurial culture appears to provide an antecedent to entrepreneurial initiatives throughout the organization. Organic organization structures promote discovery and risk taking, which are crucial for entrepreneurial initiatives.

They are characterized by both informal and formal communication across divisional boundaries and build support and momentum for new ideas within the firm.

A sense of autonomy gives employees the freedom to take initiative and act. Senior management commitment and, in particular, political, organizational, and financial support from managers—especially when ideas fail—allows employees to explore innovative ideas without fearing damage to their reputation or, worse, the loss of their jobs. Thus, dispersion of entrepreneurship throughout the organization requires conscious efforts to create and maintain an entrepreneurial culture.

Informal initiatives of individual members often complement established formal systems and fill voids that exist in them. Once their viability has been proven, in- formal activities may be integrated into the company's formal CE projects. Thus, individual, informal activities are often the forerunners of formal CE venture programs. Still, conflicts might arise between formal and informal entrepreneurial processes where employees pursue ideas that either clash with the formal organizational agenda or, alternatively, are suppressed by managers because they do not understand or like the ideas. Therefore, it is important to create a system to evaluate informal initiatives and determine which projects have the potential to advance company performance.

Corporate entrepreneurship and strategy

While the fields of entrepreneurship and strategic management have developed largely independent of each other, in their basic principles, both focus on how firms adapt to environmental change and exploit opportunities created by uncertainties and discontinuities in market development. Thus, entrepreneurial and strategic perspectives should be integrated to examine strategies that facilitate progress and sustainable growth.

This integrative approach, describing entrepreneurial action within a strategic perspective, is called strategic entrepreneurship or entrepreneurial strategy. In the beginning of the 1st century, a debate on the notion of *entrepreneurial strategies* appeared in several research issues and works

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To a certain extent, the general discussion about CE in the 1990s. The purposed debate is how to adopt entrepreneurial mindsets and act toward strategic orientation in a way that the implementation of entrepreneurial strategy in which entrepreneurship becomes the *dominant* logic fosters the creativity and initiatives of employees and also the company's performance. Strategic management theorists have suggested that an entrepreneurial approach to strategy making may be vital for organizational success.

For instance, Miller and Friesen posit that entrepreneurial companies try to obtain a competitive advantage by habitually making radical innovations and taking risks. Relating it to leadership style, Mintzberg identified such (entrepreneurial) behavior as one of the three modes of strategy making. Proactive, entrepreneurial strategy making seems to represent an important strategy-making process, in particular in fast-changing and competitive environments. Thus, to build entrepreneurship into an organization is essentially a task of strategic decision makers. In its essence, strategic entrepreneurship is the integration of entrepreneurial (opportunity seeking) and strategic (advantage seeking) perspectives in developing and taking actions designed to sustain progress and growth. It includes a set of commitments and actions framed around entrepreneurial processes that firms design and use to develop current and future competitive advantages in promising product-market or technological arenas.

Using CE strategy as a primary means of strategic adaptation reflects the firm's decision to seek advantage through entrepreneurial initiatives on a sustained basis. Strategic entrepreneurship is a fundamental orientation toward the pursuit of opportunity and defines the essence of the firm's functioning. Therefore, CE strategy is a shared ideology that has more to do with commitments to ways of acting and responding than with the firm's specific position within its external environment. Thus, CE strategy is not to be *found* at one level or unit within the organization. Rather, it embraces the whole organization and is ingrained structurally and culturally as part of its core being. In short, the term strategic entrepreneurship refers to CE as a holistic concept of strategic management.

Corporate entrepreneurship

While the last paragraphs referred to the content of CE by addressing *what* is undertaken, the following paragraphs represent key entrepreneurial decisions that answer the question of *how* CE is undertaken. Scholars have paid attention to the question of how to manage entrepreneurial processes in established companies since the 1970s. This stream of research generated three partly overlapping approaches that have gathered broad attention: entrepreneurial management, EO, and ambidexterity.

Entrepreneurial management

Stevenson conceptualizes entrepreneurship as an opportunity-based management approach. He holds that entrepreneurship can help organizations remain vital and can contribute positively to firm- and society-level value creation.

In line with former approaches of scholars like Khandwalla in his conceptualization, Stevenson contrasts entrepreneurial management styles with administrative management styles. Entrepreneurial firms (promoters) pursue and exploit business opportunities with- out regard to resources currently controlled, while administrative firms (trustees) strive to make the most efficient use of their resource pools. Certain internal and external factors push established firms toward either entrepreneurial or administrative behavior. An operationalization of Stevenson's reasoning by Brown, Davidsson, and Wiklund results in a categorization of a firm's management behavior along eight dimensions. Two of them, strategic orientation and commitment to opportunity, constitute the nucleus of the construct. The other six dimensions, commitment of resources and control of resources, management structure and reward philosophy, entrepreneurial culture and growth orientation, just have strengthening or weakening influences on the former.

Strategic orientation describes the factors driving the creation of strategy. The entrepreneurial strategy is driven solely by the business opportunities that exist regardless of the resources, which may be required to exploit them. Once an opportunity is chosen to exploit, the required resources may be acquired. Conversely, the administrative strategy aims at utilizing the resource pool of the firm efficiently.

The existing resources serve as a starting point and only business opportunities that fit into these are relevant to the firm.

The *commitment to opportunity* describes the way companies react to emerging business opportunities. Entrepreneurial organizations are action oriented and are able to commit to action rapidly. Contrary, administrative organizations are analysis oriented and their behavior tends to be slow and inflexible. Decisions are made in peripatetic processes including multiple decision constituents, negotiated strategies, and a focus on risk reduction. Therefore, these organizations may be unable to pursue opportunities characterized by a short window of opportunity.

An opportunistic *commitment of resource*, as the first describes the attempt of entrepreneurial organizations to maximize value creation by exploiting opportunities while minimizing the resources applied. The firm commits just small amounts of resources in a multistep manner with minimal risk exposure at each step. This allows the firm to commit investments in a very flexible manner.

Conversely, an administrative management of resources is characterized by a deep analysis in advance with large, but nearly irreversible, investments. Concerning the control of resources, entrepreneurial firms reduce the resources .

Capital, intellectual capital, and skills and competencies, by subcontracting or outsourcing. Contrary, administrative organizations favor control of resources by ownership. The *management structure* or organization's structure, respectively, of entrepreneurial firms is organic. This includes flat hierarchies and multiple informal networks. Organic structures are designed to convey flexibility as well as opportunity creating and seeking.

Administrative organizations are mechanistic structures characterized by formalized hierarchies, clearly defined lines of authority, routines, and control systems.

The *reward philosophy* of a firm influences individuals' behavior. Entrepreneurial-oriented firms are interested in creating and harvesting wealth and, therefore, base remuneration on how individual members contribute to the creation of wealth. Thus, compensations are linked to the success of the individual, his or her team, and/or the whole organization.

Administratively managed firms, on the other hand, relate remuneration to the amount of resources under the individual's control (e.g., people, assets) and with seniority.

Thereby, individual success is remunerated with promotion to a position with control of more resources. In addition to the above-mentioned dimensions, Stevenson's later work suggests two more dimensions regarding growth orientation and entrepreneurial culture. Entrepreneurial firms desire rapid growth and, conveniently, it is said that entrepreneurial management is related to growth in a positive way.

Administrative firms try to obtain growth as well, but at a slower and steady pace. In their believing, administrative management will help create this kind of growth. Concerning the culture of a firm, entrepreneurial firms aim to create an *entrepreneurial culture* characterized by creativity and experimentation resulting in new ideas and innovations.

Administrative firms create a work atmosphere with just enough individual activity to match the possessed resources.

In summary, Stevenson describes the dichotomy of two kinds of management styles: entrepreneurial management versus administrative business. His reasoning of entrepreneurial management puts opportunity-based behavior at the center and suggests that this posture is crucial to the long-term vitality of the economy. EO, the next discussed approach to firm-level entrepreneurship, partly overlaps with Stevenson's opportunity-based concept, albeit highlighting other aspects of an entrepreneurial proclivity.

Entrepreneurial orientation

If strategic leaders and the culture of a given firm together generate a strong motion to innovate, to accept risks, and aim for new entrepreneurial opportunities, one can speak of a high EO. Thus, EO is a term that addresses the mindset of firms.

An entrepreneurial posture can be regarded as a firm-level strategy-making process that companies use to enact their organizational purpose, sustain their vision, and create competitive advantages. Building EO into an organization is essentially a task of strategic

decision makers and represents a configuration of policies, practices, and processes that provide insights into the bases of entrepreneurial decisions and actions. Miller defines an EO firm as one that "engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch.

The salient dimensions of EO have been derived from an integration of the strategy-making process and entrepreneurship research. Today, there is a strong consensus that five distinct dimensions should measure EO. In his seminal conceptualization, Miller identified the first three dimensions of EO, which have been used consistently in academic literature.

These dimensions address risk taking, innovativeness, and pro activeness of a firm. While today most studies treat EO as an independent variable, Miller originally sought to identify the antecedents of entrepreneurial behavior on the firm level.

First, *risk taking* describes firms that act and decide al- though faced with considerable uncertainty. It involves taking bold actions, venturing into the unknown, borrowing heavily, and committing significant resources to ventures with uncertain outcomes. These firms prefer the typical relationship of high risk and high return in an investment context. The tendency to accept risky conditions on the organizational level can be facilitated by a high-fault tolerance.

Second, *innovativeness* addresses the capability and willingness to develop and execute new initiatives (for instance toward new processes, new products, or new markets) and is associated with a predisposition in creativity and experimentation as well as high R&D-investments. Third, *proactiveness* refers to behavior aiming at anticipating and foreseeing future needs and developments. It describes an opportunity-seeking forward-looking perspective characterized by the introduction of new products and services ahead of the competition. In the early

1990s, the focus of EO research changed and the three original dimensions were treated for the first time as an independent variable, which was linked to performance as the variable to explain.Lumpkin and Dess extended the construct by adding two further dimensions: competitive aggressiveness in distinction to pro activeness and autonomy. Entrepreneurial firms and start-ups are keenly concerned with opportunities and threats in the external environment because these factors may support or limit their success.

The pro activeness dimension of EO captures the response to an entrepreneurial opportunity, but omits the question of how EO firms respond to threats. *Competitive aggressiveness* reflects this aspect of EO and therefore describes the intensity of a firm's efforts to outperform rivals and is characterized by aggressive responses to the actions of competitors. Last, the *autonomy* dimension of the EO construct pertains to the degree to which individuals are allowed to autonomously pursue entrepreneurial opportunities this is, independent action undertaken by entrepreneurial leaders .

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A new venture and seeing it to fruition. Autonomy is said to be facilitated by, for instance, flat hierarchies or a high degree of delegation within an organization.

Apparently, the EO construct transfers some of the well- known categories describing the individual entrepreneur to the organizational level such as an individual's attitude toward risk or McClelland's need for achievement of individuals, which overlaps with aggressiveness on the organizational level. Just as entrepreneurship researchers of the past have been trying to correlate an individual's traits with entrepreneurial behavior and even—regrettably unsuccessful most of time to entrepreneurial success, today's entrepreneurship researchers aim at elucidating the role of organizational EO as an independent variable.

There have been strong debates in academic literature as to whether or not the dimensions of EO are independent under certain conditions. Some suggest the EO construct is best viewed as a unidimensional concept. Others have argued the dimensions of EO may occur in different combinations. Empirical findings suggest that unique combinations of EO provide more precise explanations of entrepreneurship as firm-level phenomena as well as greater insights into linkage of EO and performance. In a recent discussion concerning the management of a firm's entrepreneurial activities, Dess and Lumpkin indicate that more may not always be better that is, each EO dimension bears potential benefits for the firm but comes with its own pitfalls as well. No single dimension should be developed to an absolute maximum, because of the inherent risk, which is specific to each dimension.

The dimensions indeed require a *delicate balance* between too much and too little entrepreneurial behavior. Therefore, the next paragraphs deal with the balance of entrepreneurial and preservative modes in strategic management.

Ambidextrous management

Many CE initiatives focus on the question of how to overcome inertia by implementing entrepreneurial processes and behavior patterns but disregard the challenge of simultaneously preserving efficient existing processes. Probably the most discussed concept aimed at filling this gap is called *ambidextrous management* or *ambidexterity*.

Ambidexterity integrates seemingly opposing activities within an organization that aim at preserving existing business (*exploitation*) and at the same time discovering entrepreneurial opportunities (*exploration*). Ambidexterity could be defined as the dual management of seemingly opposing tasks forcing managers to accept the challenge of paradox management.

The ambidexterity concept has been utilized to describe a variety of possible distinctions. What unifies these distinctions is that the dimensions of ambidexterity are always diametrically opposite of each other. For instance, some scholars see ambidextrous firms

as capable of implementing incremental and revolutionary change at the same time, while others see ambidextrous distinctions in academic literature that address efficiency versus flexibility, differentiation versus low-cost strategic positioning, enabling versus coercive bureaucracy, centrifugal versus centripetal forces, or global integration versus local responsiveness for an extensive overview . Gibson define a particular variation of ambidexterity as a firm's capacity to achieve alignment and adaptability simultaneously at the level of business units. Afterwards, this approach has been dedicated to the business unit level in large, established corporations. Ambidextrous organizations that integrate preservative and entrepreneurial activities are built with the explicit goal to excel both today and tomorrow. To sustain an organization in the long run, organizations need to engage in two fundamentally opposing activities they need to develop and preserve their existing business and they need to develop and explore their future business.

Thus, firms exaggerating one side of ambidexterity either suffocate in conservatism or drown in chaos caused by too much change. What complicates the path toward the attainment of this integrative goal is the necessity to execute both kinds of activities simultaneously.

Early conceptualizations of ambidexterity such as Duncan's did not yet mention this simultaneous pursuit of op- posing goals, as is the case in today's academic discourse, but rather recommended a sequential pursuit of such seemingly opposing goals. This sequential pursuit is linked to the notion of *punctuated equilibria*, wherein long periods of exploitation are punctuated by short periods of exploration. The need for a simultaneous balancing of exploration and exploitation through ambidextrous management, however, is well established and commonly accepted. In essence, if executed well, ambidextrous management is a helpful instrument that by integrating entrepreneurial activities as a complement to everyday business can possibly help to deal with organizational inertia and the dynamics in the 1st-century competitive environment, and sustain durable competitiveness.

There is a plethora of examples of how established corporations succeeded in building an ambidextrous organization at least at some time in their history. These examples include such renowned firms as Nokia, GlaxoSmithKline, Seiko, Hewlett-Packard, and Johnson & Johnson.

Chapter 3: Exploring the Corporate entrepreneurship

As mentioned in the introduction, CE can make varied contributions to an organization's financial and nonfinancial performance (e.g., creating new products and goods, learning new skills, renewing its operations).

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Nature of the performance construct. In other words, entrepreneurial activity may lead to favorable outcomes on one performance dimension (adaptability, flexibility, growth in sales) and unfavorable outcomes on a different dimension (reliability, efficiency, return on investment) at the same time.

Furthermore, there is strong need for balancing short-run and long-term considerations. For example, heavy investments in R&D lead to higher costs instantly, albeit they may lead to product and process innovations and, therefore, competitive advantages in the long run.

In general, most theoretical assertions associate CE with superior performance. However, failed initiatives of opportunity-focused corporations such as Ericsson in the late 1990s, which concentrated almost exclusively on the development of new technologies, lead to the conjecture that a simple monocausal relationship between CE and performance does not exist per se. For this reason, the following paragraphs review the extant literature on the CE- performance relationship and provide possible adjustments to the relationship and a number of explanations about mediating factors.

Theoretical assertions

Several contributions propose a positive CE-performance relationship. The bulk of the early supportive evidence, however, was anecdotal and testimonial in nature.

There are not only theoretical papers, but also several empirical studies, sustaining these assertions and showing that entrepreneurial firms can indeed perform better in the market.

For example, in their pioneering study, Covin confirmed the expected positive relationship of entrepreneurship and performance for large corporations found a positive relationship of CE with financial measures of company performance in a long-term study of 108 established companies.

They found CE particularly effective among firms in hostile environments, and the relationship tends to grow over time. Wiklund found a growing body of research that offers overall support to the positive relationship of company performance and EO. Moreover, Zahra, Jennings, and Kuratko suggest after reviewing 5 years of firm- level entrepreneurship research—that there is substantial evidence to link CE and performance, and that firms with an EO achieve superior performance. However, despite these numerous theoretical and empirical findings, the relationship between CE and performance is, to some extent, questionable due to some contradictory empirical findings.

A recent meta-analysis of 37 empirical studies conducted by Rauch, Wiklund, Frese, show entrepreneurial postures only mod erately linked to performance. Moreover, the positive empirical findings mentioned previously are at the same time challenged by a number of studies in which a significant relationship between CE and performance is not evidenced in the data. Some studies even argue theoretically that entrepreneurial strategy types are more likely to lead to low performance, since CE is reported as being a resource- consuming strategic orientation, requiring extensive investments by the firm.

In addition, most empirical studies on CE are cross- sectional in nature and therefore run the risk of falling for survivor bias. Especially firms scoring high on the risk- taking dimension of an EO might be responsible for this kind of bias. Moreover, it is a legitimate goal to thwart organizational inertia with higher entrepreneurial efforts, firms pursuing this goal too forcefully tend to face continuous liabilities of newness.

That is, they transfer the organization toward a condition that is comparable to the risky of the organizational lifecycle. For these reasons, the assumption of a straightforward correlation between CE and performance seems to be too simple. Not do differences in research design and methodological idiosyncrasies lead to mixed empirical findings admittedly, the CE-performance relationship is moderated by a variety of possible influences. For instance, the model of entrepreneurship as firm behavior by Covin considers different internal, external, and strategic influencing CE directly and at the same time moderating its relationship to performance. Guth suggest an alternative framework consisting of strategic leadership and organizational and environmental aspects. model the EO-performance relationship effectively, key variables in the individual realm, environment, and the organization itself are not to be neglected if one aims to examine CE in a coherent way.

Environmental Influences

Of course, the previously discussed appropriate management of CE and the commitment and ability of the individual are strong moderators of the CE-performance link, but considering the findings described in the last paragraph, the influence of the environment has to be recognized as well. In academic literature, actually, some of the strongest findings associate the CE-performance relationship with the external environment. Covin and Slevin note that the environment has a strong if not deterministic effect on entrepreneurial activity. The environment provides the initial conditions and the context that either facilitates or constrains the prosperousness of entrepreneurial behavior. Therefore, identifying the proper conditions for organizations is an important subject in CE research. The relationship between entrepreneurial activities, the surrounding environment, and performance has been discussed in several theoretical contributions and empirical studies. A literature review leads to four environmental factors that can be used to describe the proper entrepreneurial

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setting in order to achieve superior performance with an EO. Shane state that in order to “have entrepreneurship, you must first have entrepreneurial opportunities. Dynamic environments are more likely to provide many of these opportunities as changing conditions, displace existing bases for competitive advantage, and provoke new explorations of sources of advantage. Stable environments, however, tend to reinforce existing sources of competitive advantage, providing only a few opportunities. Moreover, traditional industries in stable environments allow firms to evolve slowly, meaning there is no direct pressing need for the exploitation of entrepreneurial opportunities. Entrepreneurial opportunities occur in heterogeneous environments marked by multiple market segments with diverse customer characteristics and needs.

This diversity possesses a broader scope and multiple opportunities for pursuing corporate entrepreneurship. Environments demonstrating high levels of rivalry between industry competitors and vulnerability to outside influences have also been correlated with corporate entrepreneurship.

These harsh conditions, called hostile environments, have to be regarded as a strong incentive for companies to recognize opportunities as a source of competitive advantage. Moreover, the abundance of resources can be observed as a prerequisite for the actual conversion of ideas into innovations. Under these conditions, the external environment presents a greater probability for the existence, a pressing need for the perception, and the resources for the exploitation of entrepreneurial opportunities.

Although organizations may conduct entrepreneurial activities in all types of environments, the prospect of positive impacts on performance are, in conclusion, higher in dynamic, heterogeneous, hostile, and abundant environments.

Future management

The concept of CE includes numerous promising and worth-while questions that warrant future research. First, considering the pathological consequences of organizational inertia and the large number of approaches addressing the question of how to overcome *existing* inertia, it is indeed surprising that there is almost no research on the topic of avoiding the *emergence* of inertia.

Therefore, in contrast to the existing *curative* approaches, scholars could aim at developing approaches that may allow firms to avoid falling for the emerging forces of inertia.

Second, most approaches to CE focus on the question of how to overcome inertia and enable opportunity seeking and pursuing by implementing entrepreneurial processes and behavior patterns. However, they disregard the challenge of simultaneously preserving efficient existing processes and defending a firm base of traditional products and customers against competitors and economic downturn. Until now, scholars have focused insufficient attention on the antagonism in strategic alignment depending on the need .

for managing both exploitation and exploration. Research on ambidexterity aiming at a balance between preservative and entrepreneurial behavior, for instance, could integrate the dimensions of EO in order to identify optimal levels of entrepreneurship and management. Third, scholars could explore what factors may augment and inhibit the strength of the relationship between CE and performance. Under what conditions would strong organizational cultures cause core rigidities, and, in con- sequence, erode innovativeness and discourage risk taking as well as opportunity seeking?

Moreover, in how far are reward systems able to facilitate entrepreneurial actions of both managers and employees?

Fourth, research focusing on the link between CE and best practices of leading-edge companies could help scholars to inductively derive theory that can later be tested to confirm or disconfirm extant knowledge. In doing so, they would enhance the viability of descriptive and normative CE theory.

SUMMARY

The 21st-century competitive environment challenges established companies and their strategic leaders to integrate innovation, opportunity seeking, and strategic flexibility in their organizational architectures in order to facilitate survival and progress. Possible solutions that aim at tack- ling the maladjustment between requisites of 1st-century competition and the organizational setting of established companies characterized by bureaucracy, risk avoidance, and conservative tendencies have been developed in entrepreneurship research.

The integration of theories of organizational design and entrepreneurship resulted in the concept of CE that focuses on entrepreneurial behavior in larger established organizations.

This chapter has shown that the concept of CE with its intents on innovation, venturing, and strategic renewal is an applicable response to the challenges of the 1st-century competitive environment.

However, CE is not to be *found* at one level or place within the organization. Rather, it is reflected across the organization and ingrained as part of its core being. Therefore, entrepreneurial phenomena on the firm level have to be analyzed on several levels, in particular in the individual realm, the organizational structure and culture, and the overall strategic alignment. The stream of research that focused on the question of how firm-level entrepreneurship can be managed generated three partly overlapping approaches.

First, entrepreneurial management puts opportunity-based behavior at the center. Second, EO addresses the mindsets of firms characterizing them as risk taking, innovative, proactive, autonomy conveying, and aggressive in competition. Third, ambidexterity integrates seemingly opposing activities within an organization that aim at preserving existing business and at the same time discovering entrepreneurial opportunities .

The investigation of the CE-performance relationship shows that, in general, CE is associated positively with performance, though the assumption of a straightforward correlation between CE and performance seems to be too simple. Admittedly, the CE-performance relationship is moderated by a variety of possible influences that may enhance or inhibit the strength of the CE-performance link.

CROSS-REFERENCES

Strategic Planning in New Ventures and Young SMEs (8)

Toward Sustainable Organizations for the 1st Century (5)

Organization Development in the 1st Century (9) Managing Creativity and Innovation in the 1st Century among leaders in the business, nonprofit, and government sectors ,academics in management, nonprofit, and public administration or policy programs. Interest in the academic community can be traced to which saw the beginning of an agenda among those studying nonprofits and voluntary action to begin examining the relations between the nonprofit, for-profit, and government sectors.

This has grown into a major academic focus and now includes theory and research on the limits of each organizational form; their interactions in industries where they coexist; and blending, blurring, and combining of market and nonmarket structures and organizational forms. Social entrepreneurship touches upon a number of the issues currently being discussed in departments of economics, sociology, and public affairs.

More recently, there has been a significant growth in the number of university centers established for the study and teaching of social entrepreneurship, typically in business or public affairs schools in centers for nonprofit study. Among nonprofit practitioners, the interest in social entrepreneurship has focused on the generation of earned income. Nonprofits have a long history of earning income. Nonprofit commercial activities in the past, however, were primarily designed to provide services to constituencies the organization was dedicated to serving (i.e., establishing a used clothing store for the poor). In the United States, this picture changed. The economic slowdown and social service

Budget cuts during the Reagan administration led a number of nonprofits to either consider or initiate earned income ventures to make up for lost government funding.

In 2000, the nonprofit sector became concerned about the possibility of further budget cuts from the George Bush administration. In addition, conservative outlooks in and out of government brought a rise in calls for both the nonprofit and public sectors to invest in market-based solutions to social problems, including paying more attention to earned income as a source of financial sustainability.

Accompanying this has been a proliferation of consultants and support organizations as well as a variety of funding sources for these market-based solutions. For example,2007 marked the eighth meeting of the Social Enterprise Alliance. The meeting is a major gathering of those devoted to promoting nonprofit commercialization. The interest in social entrepreneurship has recently taken on global dimensions as well. In addition to those in the United States and Western Europe, active social entrepreneurship agendas can be found in Eastern Europe, Latin America, and Asia. A number of global-level supply-and-demand side factors have led to the increasing interest. On the supply side, Nicholls cites increased global per capita wealth, improved social mobility, an in- crease in the number of democratic governments, increased power of multinational corporations, better education levels, and improved communications. Demand-side factors include environmental and health crises, rising economic inequality, spread of a market ideology, and a more developed role for nonprofit organizations. Because the growth of interest in social enterprise and social entrepreneurship is relatively recent and there are a variety of actors and are not involved in discussion and practice, it is not surprising that there are a variety of outlooks, opinions, and conceptual formulations.

Terminology is an issue. For example, the terms social entrepreneurship and social enterprise are sometimes used interchangeably but other times are not. This has been and continues to be a source of confusion and contention. The term social entrepreneurship is problematic in that at this point, there is no agreement on major aspects of a definition. Essentially, however, when the term is used in a manner consistent with the term entrepreneurship, it refers to a process of the development of a new product or an organization to serve a social need. In contrast, the term social enterprise is a narrower concept and there is general agreement on its definition. It refers to methods of commercial or earned income generation. Some commentators and practitioners hold social enterprise as a key component, if not the essence, of social entrepreneurship, but others do not. In addition, most of the discussion to date has been about social enterprise and not about social entrepreneurship, although this is changing rapidly.

As well, a variety of social-enterprise practices and techniques have been developed, which are being used by managers, promoted by consultants and professional schools, and funded by foundations and others. This chapter will proceed as follows. We will first review some basics of entrepreneurship. We will then define social entrepreneurship, examine how it is related to previous thought on entrepreneurship, and consider some of the special considerations entailed in the management of social entrepreneurship. We will conclude by discussing social enterprise and its management.

21. ENTREPRENEURSHIP CONCEPTS

Before discussing social entrepreneurship in any detail, it is useful to consider entrepreneurship as it has been conceptualized and practiced. This is important because the evolving discussion of social entrepreneurship takes the previous conceptualization of entrepreneurship as its starting point.

Therefore, at the very least, all of the factors associated with entrepreneurship are potentially relevant to social entrepreneurship as well. A further question would be the degree to which social entrepreneurship should be conceptualized and practiced differently. This leads to the possibility of a useful distinction between "social" entrepreneurship and, as it is now sometimes termed, "conventional" or "commercial" entrepreneurship. Entrepreneurship was first defined in the 1700s. Over the years, a number of different viewpoints toward and definitions of entrepreneurship have developed. Currently, no single definition is accepted by all. Definitions have emphasized a broad range of activities, including the bearing of uncertainty, the creation of new organizations, the exploration of new opportunities, the bringing together of the factors .

22 .Social Entrepreneurship and Social Enterprise

However, two general orientations toward entrepreneurship have been identified. One is focused on the actions of individuals in the market economy. The economist Richard Cantillon defined entrepreneurship as self-employment. Entrepreneurs buy at current prices to sell at (hopefully higher) prices in the future. They are, consequently, the bearers of risk. Following this orientation, in 1816 Jean Baptiste Say defined the entrepreneur as one who utilizes all means of production to create profit through the value of the products that are thereby created.

These early proponents of entrepreneur- ship laid the foundation to what has become known as the Austrian School approach to entrepreneurship. The current form of this approach is expressed by Israel Kirzner, who holds that an entrepreneur is motivated by profit and seeks to recognize and act upon market opportunities.

This is consistent with Peter Drucker's definition of an entrepreneur as someone always searching for change, responding to it, and exploiting it as an opportunity. An alternative orientation to entrepreneurship was put forth by Joseph Schumpeter. Schumpeter's focus was on the entrepreneur as an innovator, on the creative drive itself, and on the impacts of entrepreneurship on industry and the economy. The entrepreneur develops new combinations of goods, services, and organizational forms in the service of a relentless drive to create (to found a “private kingdom” in Schumpeter’s terms).

This orientation has been dubbed “high-level entrepreneurship” and linked historically to the birth of new industries and the concomitant death of existing ones through a process of creative destruction. Entrepreneurship, therefore, can be conceptualized on what could be termed a macro (industrial or Schumpeterian) level and a micro level. It can also be viewed as involving a wide range of complex phenomena including innovation, the management of change, new product development, small business management, and industry evolution.

In addition to various parts of the management field, entrepreneurship is relevant to the fields of economics, sociology, history, and psychology. This discussion highlights one of the problems that has been noted in the field of entrepreneurship. The definition and range of topics covered is so broad that some question whether there can ever be a theory of entrepreneurship. Despite this lack of specificity, the concept is widely used. The Academy of Management Entrepreneurship Division’s domain statement specifies, “The Entrepreneurship Division’s domain is the creation and management of new businesses, small businesses and family firms, as well as the characteristics and special problems of entrepreneurs.” The division’s major topic areas include new venture ideas and strategies;

- ecological influences on venture creation and demise;
- the acquisition and management of venture capital and venture teams;
- self-employment;
- the owner-manager;
- management succession;
- corporate venturing;
- the relationship between entrepreneurship and economic development.

In addition, the number of colleges and universities offering courses related to entrepreneurship is extensive and textbooks abound. Most of this academic activity is oriented toward present and future managers in MBA programs and specifically covers aspects involved in creating, starting, financing, and growing new ventures. The entrepreneur (on this micro level) is thought of as someone who perceives an opportunity and creates an organization to pursue it. The process is generally conceived of as involving several stages, including :

- a creative or innovative idea that is recognized as an opportunity;
- the decision to start a new organization or venture to exploit the opportunity;
- the development of business, marketing, organizational, and financial plans;
- the acquisition of initial capital;
- strategies for market entry;
- strategies and resources for growth; and possibly
- the process of ending the venture.

As can be seen from this listing, in the entrepreneurial process the focus is not primarily on the innovative idea itself, but upon its recognition and development as part of an opportunity. Three components have been held to be critical , the opportunity, the entrepreneur, and the resources needed to start the organization and foster its growth. The business plan integrates these elements into a strategic direction for the organization. Within this process, factors at the individual, social, organizational, and environmental levels are relevant. Personal attributes such as locus of control or experience may interact with environmental opportunities or role models to influence the innovation stage.

These and other personal factors such as job dissatisfaction or commitment, social factors such as networks and family, and environmental factors such as resources and competition may influence the decision to launch the venture.

Market, resource, and other environmental factors, personal managerial talent, and organizational capabilities will influence the planning, initial implementation, growth, and end stages. All of these factors will be relevant to social entrepreneurship as well.

23. ENTREPRENEURSHIP

Definitions of the term social entrepreneurship and social entrepreneur vary in terms of the details they include.

24. Language Issues in Multinational Management

scan of current definitions of social entrepreneurship reveals definitions such as the following:

- Creation of viable socioeconomic structures, relations, institutions, organizations, and practices that yield and sustain social benefits
- Use of entrepreneurial behavior for social ends
- Art of simultaneously obtaining both social and financial return on investment Definitions of social entrepreneurs include

• change agents in the social sector;
• people who take risks on behalf of the people their organization serves;
• path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has strong ethical fiber, and is totally possessed by his or her vision for change; and an individual who uses earned-income strategies to pursue social objectives.

Paul Light has noted a number of limitations in the definitions that have been given. For most, the focus is almost always on individuals as change agents, not on groups or organizations. Social entrepreneurs usually work in the nonprofit sector and are invariably only interested in new programs or solutions, which they generally want to start from scratch. This is opposed to creating innovations through adapting existing programs. Throughout, there are only occasional references to management practices. In addition, social entrepreneurs are viewed as entrepreneurial at all time. Finally, the use of social enterprise (commercial income) as a key factor is stressed. Light offers a broader definition. In his definition, a social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks large-scale change through pattern-breaking ideas in how governments, nonprofits, and businesses can address significant social processes. In this definition, social entrepreneurs :

• do not have to be individuals;

• seek sustainable, large-scale change;

• can develop pattern-breaking ideas as to how or what gets done;

• exist in all sectors (nonprofit, for-profit, and government); and

• need not engage in social enterprise to be successful.

In addition, the quantity of social entrepreneurship can vary greatly across individuals or entities and the intensity of social entrepreneurship can and does ebb and flow over time as circumstances change. This discussion raises a number of central questions, three of which will be discussed in the remainder of the chapter. The discussion will bring to the forefront major management considerations. We will consider these questions:

• How is social entrepreneurship related to its predecessor (commercial or conventional entrepreneurship)?

• What are the implications for social entrepreneurship of a macro (industry-level) perspective on entrepreneurship?

• What are the implications for social entrepreneurship of a micro (individual or organizational-level) perspective on entrepreneurship?

Chapter 4: Sustainable Management

The question as to the degree to which there are similarities and differences between the new conceptualization of social entrepreneurship and entrepreneurship as it has been previously conceived has implications for theory as well as practice.

In addressing this question, a first step would be to examine the connotations of the term “social,” as this is what is to separate the two types of entrepreneurship.

This implies that we need to, and can, clearly separate the social from the nonsocial. In reality, most activity is probably best seen as located somewhere along a continuum that ranges from completely social to completely nonsocial .Nevertheless, social entrepreneurship is held to entail activity seeking to advance social objectives. This is accomplished by providing benefits for some group or collective in any case, benefits that jointly go to more than one individual. Its opposite, private objectives, implies the intention of providing benefits that are restricted to an individual separately from other individuals. An open question, of course, is the degree to which providing private benefits results in beneficial outcomes for the collective. While conceptually clear, this brings up a number of issues in practice that managers may have to confront. As many have noted, social interests are heterogeneous, which means that there are potentially incompatible values and goals that can result in fundamentally different and conflicting social objectives.

This raises a number of complex questions, including who gets to define what any given social interest is (the entrepreneur or some other group of citizens) and whose social interests are ultimately pursued and at whose expense.

This is especially problematic at the macro level of social entrepreneurship, where there may clearly be some who benefit more from large-scale changes than others. This may be especially likely in projects involving developed and developing countries, where goals and values are most likely to be widely divergent. These issues seldom enter into current conversations about social entrepreneurship. The “social” is usually treated as an obvious and unproblematic matter requiring no further examination or explanation . Most discussions about social entrepreneurship have had a procedural focus, concentrating on the nature of the particular behaviors that make the pursuit of social ends entrepreneurial. Given that we can identify a set of goals that can be considered .

25. Social Entrepreneurship and Social Enterprise

To approach them as opposed to strictly commercial objectives. If someone wanted to be a social entrepreneur, it would not be very clear from the literature how he or she should go about it. One major question is to what degree the person would, or should, do the same things that a for- profit, or commercial, entrepreneur would do. What can social entrepreneurs learn from the study and practice of commercial entrepreneurship? Austin, Stevenson, and Skillern provide a detailed and useful examination of this question. They define social entrepreneurship as innovative social value creation. They hold that differences between social and commercial entrepreneurship will be the result of four major variables:

• Market failure—will create different entrepreneurial opportunities for social entrepreneurship and commercial entrepreneurship

• Mission—results in fundamental differences between social entrepreneurship and commercial entrepreneurship

• Resource mobilization—will require different management approaches in social entrepreneurship and commercial entrepreneurship

• Performance measurement social entrepreneurship will necessitate the measurement of social value in addition to commercial value .They base their discussion of the management implications of social entrepreneurship on Sahlman's PCDO model which holds that the management of entrepreneur- ship necessitates the creation of a dynamic fit between People (P), Context (C), the Deal (D), and the Opportunity (O). They maintain that social entrepreneurship differs from commercial entrepreneurship in each of these elements. Opportunity differences are most distinct due to differences in organizational missions and responses to market failure.

The impact of the Context varies because of the way that the interaction of mission and performance measurement influences management. The role of People (and other resources) varies due to differences in the difficulties in resource mobilization. Finally, the terms of the Deal are fundamentally different because of the way resources must be mobilized and the ambiguities of performance measurement. Austin, Stevenson, and Skillern conclude that the PCDO framework needs to be adapted for social entrepreneurship in several important respects. Most importantly, the social purpose of the activity needs to be stressed. They recommend replacing the (commercial) Deal with what they term the "Social Value Proposition" a conceptualization of the social value or benefits to be produced. In addition, People should be replaced with economic and human resources in order to highlight the distinction between these two types of resources and their disparate requirements for the management of social entrepreneurship. The considerations of the differences between social entrepreneurship and commercial entrepreneurship involve a number of implications for practice. Management will need to pay attention to the following:

- The centrality of social value—this must be the first and foremost consideration
- Organizational alignment—alignment with external actors may be needed to deliver social value
- Organizational boundaries—boundaries may need to be more

flexible

• Cooperation—social value may be enhanced by cooperation instead of competition

SOCIAL ENTREPRENEURSHIP AND THE MACRO PERSPECTIVE

With its focus on industry- or economy-wide changes, a macro perspective leads to a view of social entrepreneurship as a process aimed at making large-scale system changes. This would be accomplished through entrepreneurial innovations that have the potential to address significant and widespread social problems. This definition of social entrepreneurship is held and promoted by funding and support organizations, for example,

• Skoll Foundation : Social entrepreneurs are society's change agents, pioneers of innovations that benefit humanity. Motivated by altruism and a profound desire to promote the growth of equitable civil societies, social entrepreneurs pioneer innovative, effective, sustainable approaches to meet the needs of the marginalized, the disadvantaged, and the disenfranchised. Social entrepreneurs are the wellspring of a better future.

• Ashoka : Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. What sets social entrepreneurs in this tradition apart from conventional social service providers is that social entrepreneurs will use creativity, innovation, and resourcefulness in nontraditional, pioneering, and disruptive ways that aim at large-scale, systemic change. In order to have the significant, large-scale, systemic impacts sought, however, innovations must be developed and implemented on an appropriate scale. In the social entrepreneurship literature, this process is referred to as scaling for impact (or scaling up).

A number of alternatives have been proposed for scaling up, or increasing, the impact of a social venture once it has been developed. According to the Center for the Advancement of Social Entrepreneurship , in the most general sense, “Scaling social impact is the process of closing the gap between the real and the ideal condition as it pertains to particular social needs or problems.Scaling social impact can occur by increasing the positive social impact created, decreasing the negative social impact of others, or decreasing the social need or demand.

social impact is the technique most often discussed. Scaling up has been viewed as a process that can be used for programs or services, organizational models, or principles. In this process, a social entrepreneur will first develop a concept (the beneficial program, model, or principle) and demonstrate its utility and effectiveness on a small scale and at a local level. Modest expansion can then be used to develop experience and techniques that will enhance efficiency.

Finally, full-blown scaling up through wide- scale expansion will provide the large-scale impacts sought. This can be accomplished through providing significantly more services (with the goal of increasing the quantity or quality of impact), diversifying the communities served or services offered, or expanding geographically. Geographic expansion, or branching, involves establishing new service sites in other geographical locations operating under a common name and using a common approach. Branching can prove beneficial in a number of ways. It may result in much wider social impact through providing access to whole new communities. Also, it may enhance the chances of organizational or program survival by providing access to new resource providers or partners. Finally, it may improve efficiency through economies of scale and enhance effectiveness through innovations resulting from local experimentation. In addition, scaling up can be accomplished in more indirect ways, including information dissemination or affiliation with others in networks. For example, a program model might be promoted through licensing agreements or partnerships.

Even more indirect channels are available, including influencing public policy, influencing social movements, or changing or creating markets through research, public influence, or advocacy or lobbying.

Networks have been widely viewed as a particularly useful tool for social entrepreneurs and especially those seeking to extend impact and scale up Networks could allow social entrepreneurs to collectively do things they couldn't do individually, such as expand total capabilities and reach, provide economies of scale, and enhance access to re- sources. They may be a way to link organizations in the nonprofit, for-profit, and public sectors and in this way significantly advance the solutions to social problems, since the dimensions of significant problems typically span sec- tor boundaries. It is useful, therefore, to consider some of the basics of network structures. A variety of inter organizational relationships are available for network formation. They vary in terms of a variety of factors, including the level of engagement, importance to the mission, magnitude of resources involved, scope of activities, interaction level, managerial complexity, and strategic value. One useful way of conceptualizing inter organizational relations is in terms of the amount or level of control network partners have over each other. For example, networks of information exchange are not likely to involve any control by partners over each other. The coordination of activities, on the other hand, is likely to involve some mutual accountability for action. More intense cooperation could involve mutual agreements

regarding the sharing of resources, and complete collaboration could involve mutual agreements about the sharing of resources, power, and authority. In addition, the establishment and maintenance of any inter organizational relationship is difficult due to a number of well-documented factors including internal differences between organizations and the process of relationship establishment and maintenance (making connections, ensuring strategic fit, managing relationship, etc.).

For social entrepreneurship, particular issues might be the social objectives and expectations of the partners, the value of the exchange for each partner, and the extent and measurement of the social value produced. Divergent social objectives were discussed previously and the assessment of social value will be considered next.

In any case, these issues are especially likely to the extent that network partners have different missions, cultures, management styles, service philosophies, and so on. This may be especially problematic if partnerships are cross-sector, where internal differences may be especially pronounced. Regardless of the techniques available to them, managers must assess the wisdom of attempting to scale up. According to Taylor, Dees, and Emerson , there are costs and risks.

These include pulling the organizations from its mission (to be discussed next), financial and human resource strains, and the risk of overestimating needs or demands. In addition, growth may hurt effectiveness and poor performance at a site may hurt the organization’s reputation. Finally, control may require more bureaucracy, which may lead to less innovation, when, of course, more innovation should be the goal. Consequently, organizations should take care to balance the costs and risks with the potential for increasing impact. This may be more difficult when there is pressure to scale up from funders who want to demonstrate the efficacy of their funding of your program.

27. ENTREPRENEURSHIP AND THE MICRO PERSPECTIVE

In commercial or conventional entrepreneurship, the individual or organizational (micro) approach focuses on the entrepreneur's exploitation of market opportunities for arbitrage. The entrepreneur is motivated by profit and seeks to generate efficiencies that will generate more arbitrage opportunities.

For social entrepreneurship, the micro approach can, likewise, involve market orientation as a key element . This will lead to a definition of social entrepreneurship as involving (or consisting entirely of) social enterprise, an approach that combines social impact with commercial income.

This is exemplified by what has been called a double bottom line or blended- value orientation, in which both financial and social returns are sought. In this approach, managerial considerations involve incorporating both social objectives and organizational operations within commercial markets. In general, the notion of social enterprise can be applied to nonprofit, for-profit, and government activity.

28.Social Entrepreneurship and Social Enterprise

be generally defined to be an organization that has net positive externalities in its operations, products, and services, and indeed consciously attempts to increase its positive externalities and lower its negative ones . In terms of nonprofits and for-profits, social enterprise is conceptualized as occurring along a continuum in what are being termed hybrid organizations. Kim Alter has provided one of the most extensive discussions of various models adopted by these organizations.

Her typology considers corporate structure, mission, programs, and finances. At one end of the spectrum of organization types are organizations relying on philanthropic capital and concerned exclusively with social returns. Purely philanthropy organizations appeal to goodwill, are mission driven, and seek to create social value, and income and profit are directed toward mission accomplishment. Organizations with these characteristics have been labeled traditional nonprofits. At the other end of the spectrum are organizations relying on commercial capital and concerned with financial returns. Purely commercial organizations are market driven, appeal to self-interest, seek to create economic value, and distribute profit to shareholders and owners. Organizations with these characteristics have been labeled traditional for- profits. Between these poles is a range of organizational forms concerned with both social and economic returns. These are referred to as hybrid organizations. Hybrid organizations have some mix of elements from the poles of the spectrum. Hybrid organizations themselves fall along a continuum and include

• nonprofits with some earned income;

• nonprofits or for-profits with a roughly equal concern for social and financial ends (often conceptualized as “true” social enterprises);

• for-profits with some emphasis on social responsibility.

In this framework, social enterprise is defined as any revenue-generating venture created to contribute to a social cause while operating with the discipline, innovation, and determination of a for profit business. Social enterprises can be classified based on the degree to which they are mission oriented, ranging from completely central to the mission to unrelated to it. Consistent with this, the activities of an enterprise can vary in terms of their social program content and the support they provide to social goals. On the one hand, enterprise activities could be synonymous with social programs, thereby completely supporting social goals.

On the other hand, enterprise activities could only be partially overlapping with social programs, thereby supporting some social goals as well as some nonsocial goals. Finally, enterprise activities could be completely separate from social programs, thereby merely providing financing for social programs.

The role of profits in an organization could be a factor that distinguishes nonprofit and for-profit social enterprises. There may not be any difference between the two organizational types in the degree to which a social venture is explicitly designed to serve social purposes.

In for-profits, however, while the venture's primary goal may be social impact, the for-profit structure of the organization necessitates strict attention to the financial bottom line. In addition, the for-profit setting may require more explicit and extensive use of financial objectives to guide managerial decision making and determine success. In the nonprofit context, social enterprise has been defined by the Social Enterprise Alliance as an earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission. Earned income can consist of payments received in direct exchange for a product, service, or privilege.

The focus is squarely on the mission, which is consistent with the outlook expected of nonprofit organizations. The role of commercial activity in nonprofits is controversial, however. As mentioned earlier, nonprofits earning income is not a new phenomenon.

The contemporary impetus and pressures for nonprofit earned income strategies can be traced to funding difficulties for nonprofits in the late 1970s. These were the result of inflation and recession, escalating costs, and tighter budgets for nonprofits. They were exacerbated by declining public support for programs of interest to nonprofits by the Reagan administration in the early 1980s. In addition, the 1990s saw more competition for grants and contributions due to the increased number of nonprofits. Also in the 1990s, a series of scandals in the nonprofit sector led to an erosion of public confidence in the sector. Finally, the 1990s and onward saw the rise of a conservative ideological emphasis on market-based solutions in both the public and nonprofit sectors. Currently, a host of drivers and benefits are cited for nonprofit social enterprise including the following:

- Freedom from the constraints imposed by government or philanthropic dollars
- Diversify funding sources
- Fund overhead, innovation, or unpopular causes
- Sustainability for the long term
- Take advantage of new opportunities
- New expectations from funders: asking nonprofits to be- come self-sustaining
- Desire to meet double bottom lines (social value and in- come) or triple bottom lines (social value, income, and environmental neutrality)
- Create entrepreneurial spirit in the organization
- Enhanced understanding of clients (needed for commercial success)
- Tests social value (since value can be measured by the willingness to pay)

• Add skills and competencies to organization
• Enhances profile of the organization among funders and community

On the for-profit side, several factors have been held as drivers for social enterprise, primarily an increasing concern about corporate social responsibility and the spread of for-profits into areas .

Chapter 5: Management Strategy

been the exclusive or dominate service providers. There are numerous conceptualizations and definitions of corporate social responsibility. The basic idea, however, is that business has some obligation or responsibility to society. The fulfillment of this responsibility can be seen in a firm's efforts to do more to address a social problem than the firm would have done in the course of its normal pursuit of profits . While the idea has a history going back to the beginnings of the corporate form, the establishment of the legality of corporate philanthropy in 1945 gave the topic new relevance in the United States. Moreover, since the 1990s, there has been increasing pressure for corporations to conceive of their social responsibility on a global scale.This is primarily because in many cases national governments alone seem unable to deal successfully with global social problems. In addition, for-profits have expanded their activities into new social service areas. In some cases, these service areas have been opened to for-profits by government privatizations or change in provider policy. For ex- ample, the government may decide to let for-profits bid for contracts that previously had been reserved for nonprofits.

In addition, for-profits have moved into some social service areas to exploit opportunities to earn profits while providing social benefits. A high-profile example is the current interest among some for-profits in the "base of the pyramid." The base of the economic pyramid is defined as the four- plus billion people in the world who earn less than four dollars a day and live in poverty. Conventional business has not considered the base of the pyramid a viable market because these individuals received services provided by governments and/or nonprofit organizations. Some corporations, however, are seeking new, creative strategies to profitably improve the social conditions in such target markets.

29.ISSUES IN SOCIAL ENTERPRISE

In this section, we will consider in more detail some of the issues currently being discussed regarding social enterprise. While the discussion of these issues has mostly been in terms of social enterprise in nonprofit organizations, the issues are also relevant to for-profit social enterprise. There is a vigorous debate about the near-term future of earned income activities by nonprofits. One camp is of the opinion that we are on the verge of a big increase in nonprofit commercial activity based on its promotion by key actors and practice by increasing numbers of organizations.

For example, Massarsky argues that social enterprise in the nonprofit sector has reached a tipping point, as indicated by a number of markers including collective action, specific language and a common terminology, presence of debate or differences of opinion, increases in publishing and media attention, increases in resources available to support the issue or idea, a set of projected or actual changes in behavior, new policies or legislation, increases in activity among university faculty and administrators, and tools and metrics. Most research on social enterprise to date, however, has been anecdotal in nature. Until more systematic research accumulates, the claims just made must be seen as speculative. Moreover, data does not show that there has been a large increase in commercial income in the nonprofit sector . An additional question that needs to be addressed is the degree to which nonprofits that rely heavily on earned income are successful in their ventures, and there are doubts about the extent of nonprofit success to date .

In addition, it has been speculated that problems in the capital market may prevent expansion. Nonprofit sources of capital (donations and grants) are insufficient and the link to performance is weak. For-profit sources of capital (debt and equity), on the other hand, do not recognize social value creation, and high-risk capital is only available in certain sectors. In addition, basic questions remain concerning the positive and negative impacts of nonprofit commercialization on different types of nonprofits, on the nonprofit sector and its various subsectors, and on community or society.

As this indicates, multiple levels need to be considered. For example, social enterprise may benefit particular organizations, but might harm the community, the sector, or society. It may diversify nonprofit income, but may reduce the presence or impact of nonmarket activity or values. Of course, debates about the characteristics, extent, and consequences of market and nonmarket aspects on society have been held for a long time. Social enterprise should be brought more explicitly into these discussions. One way to proceed as these discussions develop is to adopt a contingency view of social enterprise.

The question then becomes not if, but when, how, and with what effect social enterprise takes place. In addition, more research is needed on the limits as well as the advantages and disadvantages of providing goods and services via social enterprise techniques as opposed to traditional philanthropic or public provision techniques. Of concern are impacts on

• the nature of the goods and services produced;
• the distribution of these goods and services;
• the recipients of these goods and services;
• the producers of these (the impacts on nonprofits);
• other stakeholders, including the community or neighborhood;
• the sector and the consequences of more blurring and blending of organizational forms;
• society, including the availability of social benefits.

There are also a host of organizational and managerial questions. What are the organizational impacts of social enterprise on various types of nonprofit organizations? To what degree are ventures viable and what are the consequences of venture failure?

How should opportunity costs be conceptualized and taken into account? What are the impacts in terms of mission drift, organizational culture, and accountability to constituencies or the community? Finally, increased commercial activity may threaten the legitimacy as well as the tax exemption .

30.Social Entrepreneurship and Social Enterprise

sector is based We will examine two of these issues here. A major question for both social entrepreneurship and social enterprise is how to define and measure the social bottom line variously termed the social value, social returns, or social impact of social enterprise. While a long-standing question for nonprofits, this question is also of great relevance to for-profit organizations. Because for-profit organizations have explicit concern about profits and experience difficulties in measuring social impact and assigning value to it, they have problems making decisions about investments or resource allocation.

In the broadest sense, things are valued because they are judged to be good or worthwhile. More specifically, several types of value have been distinguished. Outcome value results when something improves people's welfare and quality of life.

Activity value, on the other hand, lies in the process by which an outcome is produced. Finally, excellence value is created when an outcome or activity inspires others to strive to learn and excel.

Assessing social value, therefore, may involve determining the value of things that can't be easily, directly, or at all monetized, such as social capital, cohesion, or quality of life. Without such an assessment, however, how does an organization know to what degree it has provided social value and in what ways the financial bottom line relates to this? Several recent discussions of this issue are illustrative.

The Aspen Institute has proposed the term social impact management to mean , the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between these realities. For this type of management, three aspects of a business activity need to be considered:

• Purpose in both societal and business terms

• Social context the legitimate rights and responsibilities of multiple stakeholders need to be considered by management, and proposed strategy needs to be evaluated for both financial returns as well as broader social impacts .

• Metrics there needs to be measurement of both social performance and profitability for both short- and long-term time frames

A recent study sheds light on the current state of affairs in social-impact assessment and points to numerous issues. In Rockefeller Foundation and the Goldman Sachs Foundation hosted over 50 funders to discuss the issues surrounding assessing social impact and social return on investment.

The discussion concluded: "The field has yet to establish a common understanding of 'social impact' what it is or how to measure it. Currently, measures of impact vary from funder to funder and organization to organization. Sixteen social impact assessment methods currently in use in the nonprofit and for-profit sectors were presented to the group. Four prominent social-impact assessment tools used by nonprofits were discussed and evaluated in detail.

• Roberts Enterprise Development Fund: OASIS;

• New Profit, Inc.: Balanced Scorecard;

• Edna McConnell Clark Foundation: 70 indicators; and

• Coastal Enterprises, Inc.: SROI and longitudinal data.

This discussion of the use of social-impact assessment methods identified a number of challenges. Conceptual challenges exist because the best practices are not standardized and theories of change are not aligned among grantors, investors, and nonprofits.

Operational challenges exist because values cannot always be measured, quality implementation of assessment is essential but difficult, third parties may be needed to help achieve more technically sound assessment, and time horizons for output and outcome measurement are long. Structural challenges exist because significant diversity exists within each nonprofit field and reporting requirements are not usually aligned among funders, creating difficulties for recipients.

Finally, practical challenges are entailed because funders often lack clear goals, funding priorities may be inconsistent and shift, and trust and mutuality between funders and recipients are limited. Given this evaluation of the state of the field as described in the report, it appears that while social impact assessment is important and a number of approaches are being developed, much remains to be done. We conclude with the consideration of another issue of- ten raised in connection with social enterprise in nonprofit organizations—mission drift. It should be noted, however, that this issue is also relevant to for-profit social enterprises.

In general, mission drift can vary in severity and can be characterized by both internal and external factors. Internally, when mission drift occurs, mission will not provide a good guide for daily activity and opportunities will be pursued even if they do not further the mission. Externally, it will be difficult to identify or understand the organization's mission by observing its actions. Richard Male and Associates list a number of indicators of mission drift, including the following:

• Focus on income first and build programs around the dollars
• Income acquisition is seen as a problem or crisis
• Key organization members are not clear what the mission is
• A core of board members/volunteers pushes the organization in certain directions
• Large turnover of staff or board members
• Media coverage and publicity are very important
• Frequent questions about adherence to ethical standards

• Organization is coasting—not on cutting edge of creativity or effectiveness

Numerous commentators have noted possible tensions between nonprofit missions and market orientation in organizations pursuing double bottom lines. It is held that balance and trade-offs are necessary for social enterprise activities. The goal and process of generating both social and economic value can result in decisions and actions that can be in opposition to each other.

Earned income by instituting or increasing client fees or charges may result in decreasing social impact. Conversely, extending services to new clients may necessitate increased costs. In these cases, managers must calculate the financial and social trade-offs involved and both market discipline and organizational ethics and integrity must be taken into account.

Mission drift under these circumstances would occur where activities to meet financial goals begin to dominate or change social missions or mandates. Mission drift entails a number of possible negative consequences. A nonprofit's reputation among stakeholders and the public may be damaged. In addition, funding may be jeopardized if funders feel that donations are no longer necessary because commercial income is sufficient. Finally, a nonprofit's organizational culture could be threatened by the introduction of market-based outlooks or the hiring of business and industry experts or professionals.

The assessment of mission drift is made more problematic in that organizational change is a very complex process. Change could take place in any part of the organization, including highly visible and formal factors, such as mission statements, strategy, or objectives, or in much less visible day-to-day staff directives, service de- livery details, or service recipient outcomes.

Management may have relatively little difficulty assessing changes in the visible and formal factors but much more difficulty observing changes in the less visible activities. The problem is that missions and strategies are often general enough to be met in a variety of ways. Detecting mission drift, therefore, may require management to look at changes in day-to-day work activities. Making things more complex is the possibility that these activities may, in fact, drift without there being any changes in official mission or strategy statements.

In addition, even if there are changes, there is the question of whether they are due to an emphasis on financial goals or are the result of other factors (such as a change in the environment).

Finally, if the social mission of provision of social benefits has, in fact, changed, to what degree are these changes positive or negative? It could result, for example, in a renewed sense of purpose in the organization. On the other hand, it could damage the organization’s reputation, split the organization’s culture, and decrease services to the community.

CONCLUSION

The goal of this chapter has been to shed light on current discussions and debates about social entrepreneurship and social enterprise. These are areas of considerable interest to both practitioners and academics and a wide range of actors have become involved. Developments are being made on both conceptual and practical fronts and significant dollars are being spent by major funders.

Both social entrepreneur- ship and social enterprise, however, raise a number of is- sues. Social entrepreneurship is just starting to explore and find its definition and place in both the nonprofit and for- profit sectors. Given that it is a manifestation of the powerful .process of entrepreneurship, however, it has the potential to make major and positive contributions. If researchers and practitioners together can discover how organizations can promote and harness innovation and creativity and bring these more effectively to bear on social problems, the constituencies of these organizations and society as a whole will benefit greatly. Social enterprise, on the other hand, has been discussed for some time and is being vigorously promoted. Basic questions remain, however, regarding the proper conceptualization and role of market and nonmarket orientations in both the nonprofit and for-profit sectors.

These questions and issues have, however, been relatively well identified in the literature and addressing them furthers our understanding of current practices and points to future applications. This will both advance our understanding and improve the management of socially oriented nonprofit and for-profit organizations.

31.ENTREPRENEURSHIP AND ITS IMPORTANCE

First, what is entrepreneurship, why is it important, and what is different about *high technology* entrepreneurship? While there are many definitions, we define entrepreneur- ship as a process of innovation that creates a new organization (new venture or start-up).[1] An entrepreneurial venture is a relatively recently founded firm that is both young and small, but not by design and not for long. High technology .entrepreneurs seek high growth and expect their ventures to develop into complex enterprises. Entrepreneurship thrives in countries whose national institutions and social norms support new venture creation and when collaboration is facilitated between industry, government, and educational institutions.

Entrepreneurship is important because it fosters economic growth. The rate of entrepreneurship surged throughout the world in the last quarter of the century, thriving in countries as diverse as China, India, the Czech Republic, Turkey, Korea, Ireland, Peru, and the United States, according to the Global Entrepreneurship Monitor ,a 4 -country, 5-continent study of the dynamic entrepreneurial propensities of countries. GEM investigators reported that a country's rate of entrepreneurial activity is positively correlated with national economic growth .

Entrepreneurs expand existing markets by identifying niches, thereby increasing competition and economic efficiency. They also create entirely new markets by developing innovative products as well as innovative applications and variants of existing product lines. New markets present profit opportunities to others, spurring further economic activity. Worldwide, the rate of early stage (nascent) entrepreneurship varies across countries from a low of .7% (Belgium) to a high of 40% (Peru), with the United States and Australia at 10% and 1 %, respectively. However, this rate also depends on the demographic cultural and institutional characteristics of each country.

Of the 4.7 million business firms in the United States in 004, 99.7% employed between 10 and 00 people, ac- counting for 45% of the total private payroll, and just over half of 11 .4 million workers in the nonfarm private sector. Small firms created 60% to 80% of *the net new jobs annually* for the last decade, and are *more innovative* than their larger counterparts, producing 13 to 14 times as many patents per employee.

They also account for up to 80% of sales of new innovative products in the first years after launch. Patents filed by small businesses are twice as likely as those filed by large firms to be among the *top 1% of patents* in subsequent citations .These are the “high technology” small firms that offer wealth creation, jobs, and economic growth because they are so innovative.

High technology describes the “technology intensiveness” of a business or industry, which is often measured by money spent on research and development (R&D) as a percent of revenues to develop innovative products and technologies. The all-industry U.S. average research and development R&D/Sales ratio is 3.4%, varying from less than 1% to a high of 0%. High technology industries' rates range from 8.3% for the U.S. semiconductor industry to 0% for the software industry. Other measures include the fraction of all employees involved in R&D or with advanced degrees or technical education. Biotechnology, nanotechnology, electronic device manufacturers, photonics, and medical instruments are considered technology- intensive industries.

What is "high technology" is relative to whatever else is available: It depends upon *when* you ask the question. In 1890, "high" or cutting-edge technologies included petroleum refining, street railways, machine tools, and telephones.

In 1990, it was electronics and computers. By2007, consumer devices like the iPhone and nanoengineered materials are high technology, as are genetically engineered medications that target specific diseases. What was "high technology" in one era quickly becomes the accepted norm in the next. *High technology* *entrepreneurship* is the process of starting a new venture based on scientific advances or a technology not generally in use or not in use in the industry in question. Recognizing opportunity, gathering needed resources and people, structuring an organization and bringing the product to market are all aspects of new venture creation—and each can be challenging. High technology entrepreneurship differs from entrepreneurship in nonscience-based industries, because it creates a higher proportion of innovative products than nonscience-based entrepreneurship, accounting for the Small Business Administration's patent citation counts and other measures of innovativeness previously mentioned. High technology entrepreneurship is also high in risk, because the market .

32. Technology Entrepreneurship

success of a new technology cannot be forecast and because new ventures face "liabilities of newness," or a greater likelihood of failing than older, established firms .

High technology entrepreneurship is also potentially high in rewards, because new technology can transform whole industries and create new markets. Entrepreneur- ship is the most likely entry to market for new, "disruptive" technologies those that change the way business is done, rendering older methods obsolete . Established firms tend to improve existing technologies and products, rather than introducing wholly new ones. Innovation does take place in large corporations. Consider, for example, IBM's development of the System 360 , Texas Instruments' introduction of commercial silicon transistors , or Monsanto's shift into biotechnology .Because significant innovations are rare in established firms, we focus on en trepreneurship, new ventures, and start-ups.

Would-be entrepreneurs must find new technologies, generate viable commercial applications, mitigate risks, create profitable paths to market, accumulate the necessary resources to proceed, and organize all this into a new, independent entity. New businesses fail at a higher rate than older, more established firms, especially businesses based on new science and technology.

Yet it is difficult to predict which new ideas, innovations, and technologies will succeed to yield the new jobs, wealth, new industries, and new technology applications that make high technology entrepreneurship so attractive. Dell Computer Corporation, a well-known exemplar, began as a part-time business in a college dormitory room, but became the world's largest personal computer firm with worldwide sales and market capitalization of more than $50 billion by 2007, about 15 years after its founding.

Dell's highly information-intensive business model uses computers and the Internet to serve both consumer and corporate customers and set new standards for service, delivery, and convenience. But how do innovations and new technologies come into commercial use? Where do the ideas come from in the first place, and how do they come to be accepted? We turn first to a brief survey of selected frameworks about entrepreneurship and then to innovation and technical entrepreneur- ship in the United States.

33. THEORIES OF ENTREPRENEURSHIP

Joseph Schumpeter an early century economist, argued that innovation by entrepreneurs led to "gales of creative destruction" as innovations caused old products, ideas, technologies, skills, and equipment to become obsolete. More contemporary researchers concur that new technology drives economic growth by displacing older expenditures of capital, labor, and time as well as providing goods and services formerly unavailable, or available only to the very wealthy, as well as longer life, and better health. Yet despite centuries of scholarly attention, no general theory about entrepreneurship has emerged, nor have substantive disciplinary theories of entrepreneurship, so we cannot systematically compare alternative theories . Instead, we consider five frameworks that have evolved to account for the phenomenon: two are “macro” frameworks that examine the firm in its external environment, industry, and institutional context; two others are “micro” frameworks addressing entrepreneurs and entrepreneurial teams. The social network approach to entrepreneurship, which we will discuss last, lies in between.

34. liability of newness

At the macro level, both theory and research show new organizations failing more often than older firms, the so- called “liability of newness.” All organizations are dependent upon and constrained by their social system, but new organizations must create new roles, a process that is time consuming, may involve trial-and-error learning, has the potential for interpersonal conflict, and is imbued with in- efficiencies in execution of the new roles and the venture’s work .New ventures rely primarily on social relations among strangers, and interpersonal trust is initially low among strangers, so relationships are precarious. Loyalty and thus the commitment to the venture's goals are also uncertain complicating efforts to efficiently execute a business plan. Lastly, new ventures typically lack external legitimacy, so establishing relationships with potential customers and suppliers is difficult: new organizations must start from scratch.

Where existing rival organizations have strong ties to customers, it is more difficult for the new organization to displace rivals. Despite the difficulty of first gaining customers, the greater those customers' reliance on the new product or service, the greater their stake in the venture's survival. It is not unusual for customers to invest in new ventures that supply critical products or services.

Less obvious "social conditions" affecting new firms' survival include a nation's institutional framework. For some 40 years after World War II, private property was outlawed in China under its communist government. Entrepreneurs were not allowed to join the Communist Party (the sole political party) until the late 1990s, and the political institutions of China did not support the founding of new ventures. In Japan, which has a history of economic domination by a small number of very large industry groups , entrepreneurship is still not common (although it is becoming more so among the young). "Lifetime employment" by a large company was the prevailing social ideal, and it remains socially shameful to be laid off, fired, or out of work in Japan, especially for a man.

Chapter 6: Entrepreneurship Sectors

A high technology entrepreneurship; most Japanese technology firms began as subsidiaries of much larger firms, rather than as independent start-ups. Japan and China have different institutional arrangements than the United States, and thus different social conditions.

New firms in science-based industries face an additional liability in their search for innovation . The time required to create new product knowledge is uncertain, making it difficult to predict when the first working prototype will be complete, or when income from first sales will be realized.

The new firm must spend cash without revenues to support itself for months longer than expected, and those attempting highly innovative products take longer to reach first revenues , raising the likelihood of failure. Why are newness liabilities important for a potential entrepreneur? The simple fact that new firms fail at a higher rate than established firms describes the relatively high risk as well the substantial challenge of high technology entrepreneurship. For a discussion of practical actions entrepreneurs might take to mitigate these liabilities of newness .Good textbooks on entrepreneurship also review multiple sources of risk for a new venture, along with risk mitigation strategies .

35.Death rates: Industry size

One prominent framework argues that as the number of new firms in an industry (called a population) increases, the death rate of new firms decreases. However, after a certain point, death rates increase again. Referred to as “density- dependent death rates, this same relationship has been found in a wide range of industries such as credit unions, telecommunications, semiconductors, newspapers, and hospitals .The practical implication is that death rates of new firms differ as industry size increases over time; first movers face a particular challenge. Researchers argue that population density the number of firms in an industry—determines both the level of *legitimation* of the industry and the *degree of competition* within it . As density increases after a certain point, further density creates greater competition for resources, driving up mortality rates. There are several practical implications of these ideas. An entirely new type of organization the first of its kind will struggle to establish its legitimacy with other suppliers and customers and thus face greater likelihood of death.

As other new firms enter, the industry’s increasing density increases legitimation for all, improving the likelihood of survival for any given firm. As more firms compete, death rates increase again because there are too many firms competing for similar resources, creating an industry “shake out” when the less fit firms fail.

36.Entrepreneurial Characteristics

Microlevel research investigates entrepreneurs such as indigents who start street stalls in underdeveloped countries, to the technical specialists who start high technology businesses. Conventional wisdom holds that entrepreneurs are more comfortable with risk, more achievement oriented, and more self-directed. Ethnic minorities, women, and immigrants are often entrepreneurs perhaps because of barriers to entry or advancement in mainstream businesses, or a desire for more personal control over outcomes. ethnic and minority enterprise, on family-friendly organizations. However, classic personality trait research has not been able to predict who will become an entrepreneur or who will succeed. Yet important psychological and cognitive variables such as differences in opportunity recognition, expectancies for performance, and attributions do distinguish entrepreneurs.

Key characteristics of entrepreneurs center on their ability to recognize opportunities: This ability is a function of their personal networks; their ability to think "outside the box" of conventional thought; their personal experience; or their ability to see that *their* problem is also the problem of many others. Entrepreneurs are often highly networked: Their wide social contacts link to key resources.

A review of entrepreneurship dynamics highlights these distinctive capabilities but we focus on high technology entrepreneur- ship dynamics rather than on entrepreneurs' personal characteristics.

37.Teams of entrepreneurs

Because small businesses tend to be relatively simple undertakings, they are often started by a single individual. By contrast, new high technology firms tend to be founded by teams of entrepreneurs .One reason is that entrepreneurship is a social network process . Most of the resources required to start a new venture must be obtained through others, including introductions to potential investors and help recruiting key talent.

Ventures founded by a *team of entrepreneurs* will enjoy larger and more diverse networks—individual members' networks multiplied by the number of founders on the team (minus any redundant elements of their networks).

Then, too, the tasks required to found a new high technology venture are complex, and can easily overwhelm the knowledge, experience, and available time of any single individual. Contemporary science-based technologies are typically multidisciplinary, requiring the input and collaboration of multiple specialists to bring a new product or service to fruition. Among new science-based ventures, firms founded by fully staffed teams (that is, those having top management members who cover all critical business

functions) bring first products to market faster than less adequately staffed teams . Ventures developing a new technology product must rapidly build key capabilities within the first year, attracting quality personnel in essential functional areas and building functional integration across the new organization, which speeds first products to market. Ventures lacking key staff will lag in building such integration.

New ventures benefit from a “strong” founding top management team of three or more members with a range of industry and functional experience in addition to more recently trained technical experts. Ventures with strong founding top management teams have the highest revenue growth rate in their first four years , a higher probability of reaching $ 0 million in revenues, and a higher probability of going public. A strong team’s variety can also be reflected in its diverse social network.

Entrepreneurship as a social network process

A growing body of research sees entrepreneurship as a social network process in which entrepreneurs draw on their personal networks for information, advice, and specialist expertise capabilities not yet developed in the start-up. In short, networks can provide a firm with access to a wider range of resources, information, markets, and more resources entrepreneurial start-ups need to recognize opportunities or compete effectively .

Networking with established firms can provide an array of benefits including social capital , trust and access to the broader network's resources through informal as well as formal relationships (for both U.S. and non-U.S. entrepreneurial firms .

Other benefits include credibility or legitimacy like vouching for the quality of technology or new products. Such links are most valuable when they are complementary to the skills, capabilities, and resources of the entrepreneurial firm , when they stimulate new learning or capability , or when they provide resources the entrepreneurial firm lacks altogether .

Further benefits from networking, alliances, and similar ties accrue for independent as well as "corporate entrepreneurship" efforts.[6] In short, network ties are critical to successful entrepreneurship. We turn next to the U.S. innovation system.

Innovation system

Because the United States has been the most prolifically entrepreneurial society, there is great worldwide interest in the U.S. innovation system, how it works in comparison .

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