

JOURNAL OF ENTREPRENEURSHIP

**CONTENTS**

**EDITORIAL** ..... ii

**Research Papers**

**A PROPOSED IDIOGRAPHIC APPROACH TO THE STUDY OF ENTREPRENEURS** .....1

Fred Luthans, University of Nebraska-Lincoln

Brooke R. Envick, University of Nebraska-Lincoln

Robin D. Anderson, University of Nebraska-Lincoln

**STRATEGIC DECISION-MAKING PROCESSES IN OPPORTUNISTIC SITUATIONS: ARE ENTREPRENEURS MORE COMPREHENSIVE THAN MANAGERS?** ..... 21

Brooke R. Envick, St. Mary's University of Texas

**A STUDY ON SELF-MONITORING AMONG SERVICE AND TECHNICAL ENTREPRENEURS** .....26

Prasanna Jackson, Karunya Institute of Technology, India

R.Venkatapathy, Bharathair University, India

**Case Study**

**LOW CALORIE SWEETENER VS SUGAR: CAN "ZERO" BREATHE LIFE INTO THE SUGAR SUBSTITUTE MARKET?** .....36

**Articles**

**AGRO BASED ENTREPRENEURSHIP: BALAN NATURAL FOOD ADD JUICY PROFITS** .....39

**INTERNET ENTREPRENEURSHIP: HUSEIN GANDHI IS AN INDIAN INTERNET ENTREPRENEUR - BUT IN A TWISTED SORT OF WAY.**..... 40

**GAME FOR ENTREPRENEURSHIP? CAN ANY B-SCHOOL ACTUALLY 'TEACH' ENTREPRENEURSHIP?** .....43

**Book Review:**

**THE MEDICI EFFECT: BREAKTHROUGH INSIGHTS AT THE INTERSECTION OF IDEAS, CONCEPTS & CULTURES - FRANS JOHANSSON.**.....50

## EDITORIAL

Welcome to this maiden issue of the *Journal of Entrepreneurship*. As you know, the National Academy of Management and Entrepreneurship (NAME) since its inception in the year 2001 has been striving to reach potential entrepreneurs, teachers, researchers, trainers and entrepreneurs through different activities and programs. NAME during the last three to four years has been organizing several programs and reached a certain level of acceptance among different stakeholders in entrepreneurship development as a credible professional platform. On the education and training front the academy has designed a unique customized diploma in Entrepreneurship and Business Management under parallel learning mode for the benefit of management and engineering students. The academy has come to a strong resolve that there is a need to ensure a continuous communication mode with all the stakeholders in entrepreneurship development and keep them updated with latest knowledge and information. It is also one of the objectives of NAME to promote and disseminate research and research findings. To wards this end, the academy has decided to launch a quarterly journal NAME JOURNAL OF ENTREPRNEURSHIP. In our endeavors to bring out latest research trends world over we have decided to launch an electronic journal instead of a printed version. This medium will enable us to share latest of the latest . Secondly, print medium has a limitation number of pages and size and volume get restricted beyond certain level. The electronic version which comes in CD has enormous space. Our endeavor is to bring every trend and information world over about entrepreneurship to the into the knowledge orbit of our readers in an edited /synoptic form in addition to regular research papers. Our editorial teams set up in India and abroad will be feeding information on a continuous and online basis which we will screen, organize and present. The journal will be extremely useful to the students, researchers and entrepreneurs.

We have brought out this pilot version of the journal and solicit your patronage and support in improving the content and presentation of information. Kindly send your suggestions to [namejournal@rediffmail.com](mailto:namejournal@rediffmail.com).

The *JOE* is the principal vehicle for achieving the objectives of the academy . The editorial mission of the *JOE* is to publish empirical and theoretical manuscripts, which advance the entrepreneurship discipline and its practice.

The publication of the Journal has been made possible by the Members of the Academy who have generously supported all the efforts of the editors. As editors of the *JOE*, we intend to foster a supportive, mentoring effort on the part of the referees, which will result in encouraging and supporting writers. Too often differing views are never heard because of a particular bias of the editors. We welcome different viewpoints, since only in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic *métier*.

Just as small business is the backbone of the economies of nations, the transmission of knowledge about this field is worthy of the most intensive campaigns for teaching, researching and learning. We embrace this challenge and we intend to play a proactive role in furthering the practice of entrepreneurship throughout the world.

Equally important to our mission is that the people involved will enjoy the process of sharing ideas with each other.

DR.S.K.PRASAD  
N.SIVA KUMAR

## A PROPOSED IDIOGRAPHIC APPROACH TO THE STUDY OF ENTREPRENEURS

Fred Luthans, University of Nebraska-Lincoln  
Brooke R. Envick, University of Nebraska-Lincoln  
Robin D. Anderson, University of Nebraska-Lincoln

---

### ABSTRACT

In recent years, as the field of entrepreneurship has matured and become a widely recognized academic discipline, the traditional methods of study and research are being questioned and reassessed. For example, Gartner, Bird and Starr (1992) call for the study of individual behaviors of entrepreneurs within organizations in the same manner that leaders and managers have been studied. This article proposes an idiographic approach as an alternative research methodology for the better understanding of entrepreneurs in today's organizations. After exploring traditional methods versus an idiographic approach, attention is focused on a prototype idiographic study of entrepreneurs in their natural setting and a multi behavior-multi rater method for measuring identified behaviors and assessing reliability and validity.

---

### INTRODUCTION

Although an idiographic approach to research methodology has a long history in the behavioral sciences (Allport, 1937), has been suggested for the study of organizational behavior (Luthans & Davis, 1982), and has been applied to the study of leaders and managers (Hemphill, 1959; Mintzberg, 1973; Luthans & Lockwood, 1984; Luthans, Hodgetts & Rosenkrantz, 1988), its application to the study of entrepreneurs has been absent. Allport (1937) broadly stated that the idiographic approach attempts to understand a particular event in nature or society. As a research method, the idiographic approach is characterized by individual-centered and naturalistic environmental contexts, and by qualitatively based direct observation data gathering techniques (Luthans & Martinko,

1987). The idiographic approach also takes an emic (an insider's, subject's definition of the research situation) perspective (Morey & Luthans, 1984). By contrast, the more popular nomothetic approach is almost a completely opposite methodology. Nomothetic research is characterized by group-centered and controlled environmental contexts and by quantitatively based indirect measures such as questionnaires and interviews (Luthans & Martinko, 1987). Importantly, under the nomothetic approach, an etic perspective is taken whereby the researcher defines the situation and develops the research questions (Morey & Luthans, 1984). The focus is on indirect measurement and sophisticated statistical analysis that are testing predetermined hypotheses.

The nomothetic approach has by far been the most popular research methodology in

the fields of organizational behavior, management, and most recently, entrepreneurship. This is because no other methodology is even considered or known about, and pragmatically it provides the most objective and convenient way of collecting and analyzing data. A homothesis research perspective is based on the starting assumption that individuals are more similar than different (Marceil, 1977; Luthans & Davis, 1982). In other words, the goal of homo-thesis is to find the "average person." This is scientifically appealing to researchers because error and variability can be accounted for in a group of subjects. However, this dominant nomothetic approach is not without some limitations. For example, one problem with a nomothetic approach is the over dependence on questionnaire gathered data. Over the years, questionnaires used in organizationally based studies have been heavily criticized in terms of design, usability (Van Maanen, Dabbs & Faulkner, 1982), and, especially, reliability and validity (Schriesheim & Kerr, 1977; Schriesheim, Bannister & Money, 1979).

To date, research in entrepreneurship has been done almost entirely from the nomothetic approach. Yet, especially for better understanding the nature of entrepreneurs' behavior in today's organizations, the idiographic approach may be a viable alternative methodology. One of the main problems with the field of entrepreneurship has been the varying definitions. For example, Gartner (1988) stated the view that entrepreneurship was nothing more than the creation of organizations. This suggested that growing and managing the business were not a part

of what an entrepreneur is all about. However, another definitional view is that an entrepreneur may start new ventures, but is also the major owner and manager of a business not employed elsewhere (Brockhaus, 1980). This definition does acknowledge the act of creating the venture, but also the importance of sustaining or managing the business. Other scholars have used similar comprehensive definitions that describe entrepreneurship as a process of creating or seizing a venture, and then instituting activities intended to ensure survival (Carland, Hoy, Boulton & Carland, 1984; Sexton & Bowman, 1985; Sandberg, 1986; Johnson, 1990). The importance of this latter definition is that it recognizes entrepreneurship as an interactive process, and that it takes place within existing organizations. The implication is that entrepreneurial activities do not end after a venture has been initiated. The entrepreneur must engage in behaviors beyond creating or seizing the venture in order for it to be successful. When this more comprehensive definition of the entrepreneur is assumed, then the ideographic approach to studying the behavior of entrepreneurs in their naturalistic (organizational) setting becomes particularly relevant.

In order for entrepreneurs to create or seize ventures, and then institute activities to ensure success and even survival, they must *interact* with their internal and external environment, both manipulating it and deriving some kind of meaning from it. This inter-actionist perspective is not new. Mischel (1973), a noted personality theorist, asserts that researchers should not focus on situation-free environments, but examine person-situation interactions in naturalistic settings. He further states that we should not only generalize about how different

individuals are alike, but also identify and understand what they do behaviorally on an individual basis. Widely recognized social learning theorist Albert Bandura has argued for research that takes an inter-actionist perspective. He suggested that there is a dynamic, reciprocal interaction between the person, the environment, and the behavior itself (Bandura, 1977). Applying social learning theory to entrepreneurship, the person is the entrepreneur, the environment is both external and internal to the organization, and the behavior is that of the yet to be reliably and validly identified and measured behavior of entrepreneurs.

The dominant nomothetic approach may not be the most appropriate methodology for reliably and validly identifying entrepreneurial behaviors and activities in the inter-actionist, naturalistic setting in which today's entrepreneurs operate. What is proposed here is an alternative idiographic approach and multi behavior-multi rater (MBMR) method to the study of the behaviors and activities of entrepreneurs in today's organizations. After a brief review of the past and present nomothetic research methodologies commonly used, the background and specific details of an idiographic approach and MBMR method are presented.

#### THE DOMINANT NOMOTHETIC APPROACH

There are two major methods associated with the nomothetic approach to research in organizational behavior, management and entrepreneurship -- trait-surveys and behavioral-surveys. The following briefly presents the background, characteristics and critique of these two widely used methods of data collection.

#### THE TRAIT-SURVEY METHOD

The earliest studies in leadership research attempted to identify specific traits that clearly distinguished leaders from non-leaders. This trait approach examined such things as personality, intelligence, height, weight, age, and social characteristics. However, Stogdill (1974) reviewed over two hundred of these studies and found that no set of such traits clearly predicts leaders from non-leaders. Yet, a trait-survey method has persisted through the years. For example, recently, the Constructive Thinking Inventory was developed which measures traits and emotional stability and uses regression analyses to predict academic performance and leadership ratings of undergraduates at a military academy. Similar to earlier work, this study found that personality traits were not related to leadership (Atwater, 1992). However, Kirkpatrick and Locke (1991) suggest that although research shows that the possession of certain traits alone does not guarantee leadership success, there is evidence that effective leaders differ from other people in certain key respects.

In the 1800s, John Stuart Mill is most often credited with being the first to distinguish the entrepreneur from the manager. He claimed that the main difference was the disposition of entrepreneurs to take risks. Pioneering economic theorist Joseph Schumpeter (1934) was also one of the first to recognize that entrepreneurs were distinct individuals worthy of study. Until the mid-1950s, the most prevalent view of successful entrepreneurs was that they had specific traits such as stamina, ambition, willingness to make sacrifices, and an interest in risk-taking versus an interest in security (Ginzberg, 1955).

In addition to this early emphasis on entrepreneurial traits, through the years other characteristics of entrepreneurs also began receiving attention. For example, McClelland (1961) introduced the need for achievement as being an essential entrepreneurial characteristic. Glennon, Albright, and Owens (1966) proposed that the entrepreneur's background (e.g., family, education, experience) was of central importance in determining success. They also introduced 21 personality characteristics in the form of a questionnaire survey. The characteristics included such things as creativity, energy level, and tolerance for uncertainty, along with several others. Even more entrepreneurial traits were added to the literature in the 1970s and 1980s. For example, Borland (1974) suggested that internal locus of control was relatively important in determining entrepreneurial success.

Unfortunately, parallel to the leadership field, as this list of entrepreneurial traits grows and grows, there is no consensus among researchers as to which traits clearly distinguish entrepreneurs from non-entrepreneurs. For example, Gartner (1988) argued that a startling number of traits and characteristics have been attributed to the entrepreneur, and a "psychological profile" of the entrepreneur assembled from these studies would portray someone larger than life, full of contradictions, and conversely, someone so full of traits that he/she would have to be a sort of generic "Everyman". This statement depicts the deficiencies of the trait approach to entrepreneurship and the nomothetic approach to the study of traits.

The main advantage of the trait-survey method is that it acknowledges the

importance of predispositions, which for understanding cannot be ignored in the study of any individual, including entrepreneurs. The main disadvantage is the inconsistencies in finding a set of traits that distinguishes a particular group of people from other individuals. Simply repeating what has been done in the past may only add to the inconsistencies instead of adding value to what we already know. Therefore, alternative methodologies seem needed to further our knowledge of particular individuals such as entrepreneurs. This is especially true as we move to the study of entrepreneurs' behaviors instead of traits.

#### THE BEHAVIORAL-SURVEY METHOD

The other popular nomothetic method is the behavioral-survey which attempts to indirectly measure and identify behaviors. Questionnaires and interviews are used to gather the data on individuals or about others. For example, the widely recognized questionnaire called the Leader Behavior Description Questionnaire (LBDQ) was constructed by Ohio State researchers to measure leaders' behavior described by their subordinates (Hemphill & Coons, 1957). However, as Campbell (1977) and others point out, there is a considerable reliance upon recall and the perceptions of the respondents on such questionnaires. In other words, the perceptions of behavior and actual behavior may not be the same. Questionnaires have all types of limitations and bias (e.g., recency, primacy, halo, stereotyping) affecting their reliability and validity.

Another well-known leadership behavior questionnaire was developed at the University of Michigan called the Survey of Organizations (Katz, Maccoby, & Morse, 1950). This behavioral survey, like the Ohio

State LBDQ, is once again reliant upon the perceptions of only one source (subordinates) completing the questionnaire. Although these questionnaires did turn attention towards leadership behaviors rather than solely traits, they depend on indirect measurement and have questionable reliability and validity. They do not make a direct systematic observation of behaviors, nor do they take situational variables into account. An approach, which does take the situation into account, is the path-goal theory which attempts to explain the effects of four styles of leader behavior (supportive, directive, participative, and achievement-oriented) on subordinate satisfaction, acceptance of leadership, and effort-reward expectancies. The measures for the path-goal approach are borrowed from the LBDQ and again rely upon perception. Wofford and Liske (1993) recently conducted a meta-analysis on path-goal theory and found that potential situational and artifactual moderators exist. The results suggest that much of the research testing path-goal theory has been flawed because of the measures that have been used.

Similar to the leadership field, entrepreneurial research has almost solely depended upon indirect measures from questionnaires and interviews. Entrepreneurs' behaviors such as being innovative, aggressive, energetic, and goal oriented have been measured and identified through questionnaires and interviews. However, in recent years there has been increasing concern and attention given to the need to study the interactive nature of entrepreneurs in the natural settings. For example, Starr and Fondas (1992) applied organizational sociology to the work setting of entrepreneurs,

specifically studying aspiring entrepreneurs. Their model addresses the aspiring entrepreneur's journey to becoming the company founder and identifies factors that may influence the transition from a pre-organization to the formation of a new organization. Gartner, Bird, and Starr (1992) differentiate entrepreneurial from organizational behavior, defining entrepreneurial behavior as the creation of the firm. They further state that generating entrepreneurial theory will lie in deriving an understanding of both entrepreneurial and organizational behavior and on probing how connections between the two can be made. Reynolds (1991) showed how sociology could contribute to understanding entrepreneurs by looking at the interactive effects of the organization on the entrepreneur. Amit, Glosten, and Mullen (1990) specifically studied how decision-making and skills of entrepreneurs affected how they started their ventures.

This increased recognition of the complexity of entrepreneurs in organizations calls for multiple measures and alternative methodologies. The proposal made here is not that the trait and behavioral surveys be eliminated. Perceptions can and should continue to play an important role in the understanding of entrepreneurs. However, depending only on perceptions gained through questionnaires and interviews, especially when measuring entrepreneurs' behavior, is no longer sufficient. As Sechrest (1969) noted many years ago, surveys relying on perception provide the greatest amount of information regarding how people feel about various real-life phenomena and situations, but they are often poor predictors of actual behavior. The time is right in the development and research of

the field of entrepreneurship for other measures, such as direct observation, and other methodologies and perspectives, such as an idiographic approach, to be used.

#### THE USE OF THE IDIOGRAPHIC METHOD IN MANAGEMENT RESEARCH

As an alternative to traditional nomothetic research and its dependence on trait and behavioral survey methods, the idiographic approach uses direct behavioral observation from single and multiple sources in the natural setting. The background of this idiographic approach as applied to the management field is summarized in the following sections.

#### THE BEHAVIORAL OBSERVATION METHOD (SINGLE SOURCE)

Direct observation-single source is one data gathering method under the idiographic approach. An example would be observational or diary studies of managers in order to determine classifications of how managers spend their time (see Mintzberg, 1973; McCall, Morrison, & Hannan, 1978; Yukl, 1981) or the frequency of their activities (Luthans & Lockwood, 1984; Luthans, Hodgetts & Rosenkrantz, 1988). Mintzberg (1973) used unstructured observational methods to derive five characteristics and ten managerial roles. One distinction to Mintzberg's study is that the managerial activities were derived during and after the data collection, as opposed to the predetermined categories used in nomothetic research. However, a limitation for external validity to the Mintzberg study was that he used only five CEOs. Another well known observational study of managerial activities was done by Kotter (1982). He subjectively observed, supplemented with questionnaires and

interviews, fifteen general managers to derive six job demands on managers. Like the Mintzberg study, these six job demands were developed after the data collection. The Kotter study was not as rigorous as the Mintzberg study and once again the sample of managers was quite small to make any generalizations. To date, such observational studies of entrepreneurial behaviors have not been conducted.

#### THE MULTI BEHAVIOR-MULTI RATER (MBMR) METHOD

The Multi-Trait Multi-Method (MTMM) approach to data gathering and analysis is most closely associated with Campbell and Fiske (1959). Because the focus of the proposed research approach is on directly observable entrepreneurial behaviors, as opposed to traits, the term multi behavior is substituted for the better-known multi trait terminology associated with Campbell and Fiske. Such a *multi behavior multi-method* approach has been used by Luthans and colleagues (Luthans & Lockwood 1984; Luthans, Hodgetts & Rosenkrantz, 1988) in their study of "Real Managers". Also, the term multi rater is substituted for multi method here, because the focus is on identifying behaviors through the direct observation conducted by more than one rater. The intent of MBMR is not to combine data collection methods. Researchers who have used the *multi trait-multi rater* method include Campbell and Fiske (1959), Bescoe and Lawshe (1959) and Lawler (1967). The idiographic approach proposed here for research on entrepreneurs' behaviors is a combination of the two, the *multi behavior-multi rater* method or what we call MBMR.

Similar to Campbell and Fiske's MTMM, the basic logic behind the MBMR method deals mainly with convergent and discriminant validity.

*The MBMR method is a validation process utilizing a matrix of inter-correlations among tests representing at least two behaviors, each measured by at least two raters. Measures of the same behavior should correlate higher with each other than they do with measures of different behaviors involving separate raters. Ideally, these validity values should also be higher than the correlations among different behaviors measured by the same rater (Campbell & Fiske, 1959).*

Such an idiographic approach using an MBMR method has not been widely used among researchers due mainly to time and cost constraints. It is much easier to administer a questionnaire or conduct interviews than it is to directly observe and record behaviors in the natural setting. However, some researchers have used a MBMR method. The multi trait-multi rater method has been used by Lawler (1967) to measure managerial job performance. He states that his primary gain from using this approach was to develop a more sophisticated understanding of his criteria. He asserts that management jobs are often multidimensional and hard to define; thus, performances in such complex jobs are difficult to quantify and make objective. This description that Lawler used for managers would certainly apply to entrepreneurs even more. Kavanagh, MacKinney, and Wolins (1971) also used the multi trait-multi rater approach for measuring managerial performance. They obtained performance-trait ratings on individuals from raters at different organizational levels.

The prototype for the proposed research in this article comes from the earlier Real Managers study (Luthans & Lockwood, 1984; Luthans, Hodgetts & Rosenkrantz, 1988). This Real Managers study used an idiographic approach and the multi behavior-multi rater approach to measure and analyze observable behavioral activities of managers. Specifically, the study used multiple observers and multiple categories of behaviors. Many managers were observed over the phases of the four-year study. The subjects were real managers in real organizations (thus the title of the study Real Managers). The driving research question of this study was, "What do managers really do?" Twelve categories of behavior were derived from free observation and then were reduced into four types of broad managerial activities -- routine communication, traditional management, networking, and human resource management. It was further determined that the managers studied spent 29% of their time in routine communication, 32% in traditional management activities, 19% networking, and 20% conducting human resource management activities (Luthans, Hodgetts, & Rosenkrantz, 1988). Pinder (1988) noted that this study provided the most solid empirical underpinnings for our understanding of managerial behavior to date.

This comprehensive Real Managers study of directly observable behavioral activities of managers in their natural setting can serve as a prototype for how entrepreneurs can be studied. The idiographic approach and MBMR method can lead to the better understanding of what entrepreneurs really do in their day-to-day activities. This alternative idiographic methodology is not suggesting that the traditional nomothetic

approach is wrong and no longer needed, but at this point the entrepreneurial field needs an in-depth analysis of what entrepreneurs really do through directly observable behaviors in the natural setting.

#### APPLYING THE IDIOGRAPHIC APPROACH AND METHODS TO THE STUDY OF ENTREPRENEURS

A number of years ago Brandt (1981) noted that there has been a lack of carefully conducted, rigorously designed, empirical studies of human functioning in natural settings. Unfortunately, this observation still holds true today for research in entrepreneurship. There are to date no studies that systematically, rigorously, and empirically identify and measure the observable behaviors of entrepreneurs in their natural settings. Since the first step to any basic science is naturalistic observation, there should be emphasis placed on the systematic observation of entrepreneurial behaviors.

The work of the Barker group in the 1960s, stands out as one of the most complete overall attempts at describing the full range of behaviors of people in small towns and in the institutions of those towns. He addressed the need for purely descriptive details about human behavioral patterns in all walks of life (Barker, 1968). Without such sufficient descriptive information, the wrong research questions are developed, inappropriate hypotheses are tested, and erroneous assumptions are made (Klein, 1968).

Traits, characteristics, or human qualities are relatively meaningless unless they can be anchored to some kind of denotable behavior (Brandt, 1981). As Ackerman (1954) points out, only describing someone as intelligent helps us little unless we know

how the intelligence manifests itself in behavior. For example, one common trait assumed among entrepreneurs is creativity. This term really has little meaning unless specific behaviors can be tied to it. If you write the word creativity on a sheet of paper and have two researchers write down examples of entrepreneurial creativity, you will very likely end up with very different descriptions and meanings. One may also conclude that the two researchers are actually perceiving different traits. However, if you take the same two researchers and have them observe one entrepreneur over a period of time, they are very likely to end up with the same responses. This is because behaviors can be directly observed and measured. The researchers are not relying on perceptions and subjective interpretations, only on their ability to directly observe and reliably record.

#### SPECIFIC PROCEDURES TO FOLLOW

Following the Luthans et al. (1984, 1988) Real Managers study, the specific procedures in an idiographic study of entrepreneurs would include: (1) free, unstructured observation, (2) post-log interviews, (3) the Delphi technique, in order to determine the categories of entrepreneurs' behavior, and (4) structured observation to determine the frequencies of the entrepreneurs' behavior in the natural setting.

PHASE I: FREE, UNSTRUCTURED OBSERVATION. Trained student observers could be used to observe and record the behaviors of target entrepreneurs. Students of entrepreneurship can be used because as Nunnally (1978) has pointed out, observations will be more accurate if the observer has an understanding of the person and context of the situation. The

observers would keep an observational log of the activities exhibited by the entrepreneurs during the observation period. To avoid errors and biases, the students should be given formal training on the systematic errors commonly encountered in observations (Campbell, 1958; Thornton & Zorich, 1980). The trainer would thoroughly discuss each error in particular and provide detailed, relevant examples of each. The trainees would also receive an example of what an observational log should look like, as well as an example of a representative observation schedule. Observation schedules should be representative of each day of the week and each hour of the day.

After training, the students could observe and record the behaviors of the target entrepreneurs one varied hour per day over a two-week period. Thus, each entrepreneur would be observed a total of ten hours. The sample of entrepreneurs used would be selected as randomly as possible. However, as Brandt (1981) points out, although subjects can be drawn randomly in laboratory studies, the real world is generally made up of individuals who have already been pre-selected into groups and activities on the basis of the characteristics the researcher is interested in studying. Although the researcher does not define the research situation (an emic perspective), general criteria for inclusion in the study can be set by the researcher. For example, the criterion for selection in this study might be that the entrepreneur has been the one to create or seize the venture, and must still be actively involved in the business operations. No other criteria need be set in order to capture the most representative group of entrepreneurs as possible. However, the researchers could ensure that the entrepreneurs come from a

wide variety of entrepreneurial ventures, so that they are not all retailers, manufacturers, service oriented, and so forth. The ventures could also differ in size and sales volume. The entrepreneurs themselves could be diverse in terms of gender, age, and education. This diversity would increase the generalizability of the entrepreneurs' behavioral categories.

**PHASE II: POST-LOG INTERVIEWS.** The second phase of the idiographic study of entrepreneurs' behaviors could be conducted after the observational logs are complete. Each entrepreneur could be given the opportunity to rate how well the observational logs are typical of his/her normal daily activities. The target entrepreneurs could also be asked to describe and give examples of any behaviors they commonly engage in that were not captured by the observational logs. This phase would help ensure representativeness of the entrepreneurs' behavior, ensure that no important behaviors are left out, and also make certain that the observational logs had at least face validity for the entrepreneurs themselves.

**PHASE III: DELPHI TECHNIQUE.** The third phase in identifying the behavioral categories could be the use of the Delphi technique (Delbecq, Van de Ven & Gustafson, 1975; Helmer, 1983). The goal of this procedure would be to condense the multitude of behaviors observed and logged during the free observation into a comprehensive, yet conceptually sound set of entrepreneur behavioral categories. While Kerlinger (1979) does not address the Delphi technique specifically, he states that the analysis of observational data involves the categorizing, ordering, manipulating, and summarizing of data, with the purpose

of reducing large quantities of raw data into a manageable and interpretable form. The members of the Delphi panel may best include researchers actively involved in the study as well as "naive" members with respect to the study and the entrepreneurship literature. No attempt is made to distinguish between any of the members of the panel during the process.

The Delphi process involves successive rounds of anonymous input, composite feedback, and iterations. All members of the Delphi panel would receive a copy of the complete unstructured behavioral logs obtained in phase one. For the first round, no set number of categories would be specified. In subsequent rounds based on the feedback, the panel members would collapse the categories to ensure comprehensive, mutually exclusive, but conceptually sound, categories. The researchers actively involved in the study could conduct final editing of the categories.

**PHASE IV: STRUCTURED OBSERVATION.** The final phase of the idiographic approach to entrepreneurial research could be structured observation. The purpose of this phase would be to measure the identified entrepreneur behaviors through frequency counts. Specifically, the observers would receive a checklist with all of the behaviors that were identified by the Delphi panel from the unstructured observations. A check mark could simply be placed next to the behavior each time it occurs, or left blank if it does not occur. Each target entrepreneur in this stage could be observed at a random time each hour over a two week period for a total of 80 times. The actual number of observations may be lower depending on

whether or not the entrepreneur was available to be observed.

Observers used in this measurement stage of the study would have maximum visual and audible contact with the entrepreneur, and also have a good understanding of the functions and nature of the activities of the entrepreneur. It is likely that secretaries or key subordinates would best serve as insider, participant observer sources. Students of entrepreneurship would be good candidates to serve as external, outside observer sources. The observers would be trained in the same manner as observers in phase one. The training could include role-playing to ensure that the trainees know and understand each of the identified categories of behaviors.

Thornton and Zorich (1980) demonstrated that observer training significantly improved observer accuracy. All observers (regardless of source type) would be trained in the same manner, by the same trainers, and for the same amount of time. Observers would first be given a general explanation of the study. The observational checklist would then be distributed for a detailed explanation of each category of behavior. The trainees would be instructed on how to deal with various practical problems. Finally, role-playing could be used in order for the observer trainees to practice and demonstrate that they are able to recognize each behavioral category accurately. Bandura (1977) contends that modeling, rehearsal, and repetition can increase observer accuracy; the intention of the role-playing exercise.

#### **USE OF THE MULTI BEHAVIOR-MULTI RATER (MBMR) METHOD**

The use of any measurement should undergo reliability and validity analysis.

The MBMR method can analyze both reliability and validity. Interrater agreement (Bijou, Peterson, & Ault, 1968) can be assessed to determine reliability. The agreement between raters should only differ minimally in order for the measure used to be considered reliable (Nunnally, 1978). Interrater reliability can be assessed by analyzing the behaviors observed by two or more raters of one entrepreneur during the same time frame. Cohen's (1960) kappa statistic could be calculated. This kappa statistic represents the proportions of joint judgments in which there is agreement, after chance agreement has been excluded.

The validity analysis would focus on whether the behavioral checklist is measuring what it is supposed to be measuring. The two major dimensions of the MBMR validity assessment would be convergent and discriminant validities. Convergent validity is the correlation between two different raters measuring the same behavior. Discriminant validity is the extent to which raters differentiate between different behaviors, as well as converge when observing the same behaviors.

Further understanding of the MBMR validity analysis can be illustrated in Table 1. As shown, this MBMR matrix has three different behaviors measured by three different raters. The "R"s represent correlations between the same behavior measured by the same rater. The "R"s set the upper limit for the matrix, because a rater of a behavior must correlate at least as highly with him/herself as he/she does with any other rater. The "C"s represent the

degree of convergent validity. These "C"s measure the correlations of using different raters to measure the same behavior. The "M"s represent the degree to which correlations among the raters in the matrix are errors made by a particular rater. Therefore, the difference between the "C"s and the "M"s represents divergent validity. This is the extent to which raters differentiate between different behaviors, as well as converge when measuring the same behavior. And finally, the "H"s represent the correlations of one behavior with a different rater of another behavior. In other words, they have neither a common rater nor behavior. Therefore, the "H"s should be approximately zero.

Campbell and Fiske (1959) suggest that the entire matrix must be evaluated in order to assess construct validity. The "R"s determine reliability. The "C"s represent convergent validity, which is not enough to establish construct validity. Discriminant validity must also be determined. This is done in three ways. First the "C"s should be higher than the "H"s. Second, the "C"s should be higher than the "M"s. And finally, the extent of discriminant validity is indicated where similar patterns of behavior intercorrelations ("M"s) are found across raters.

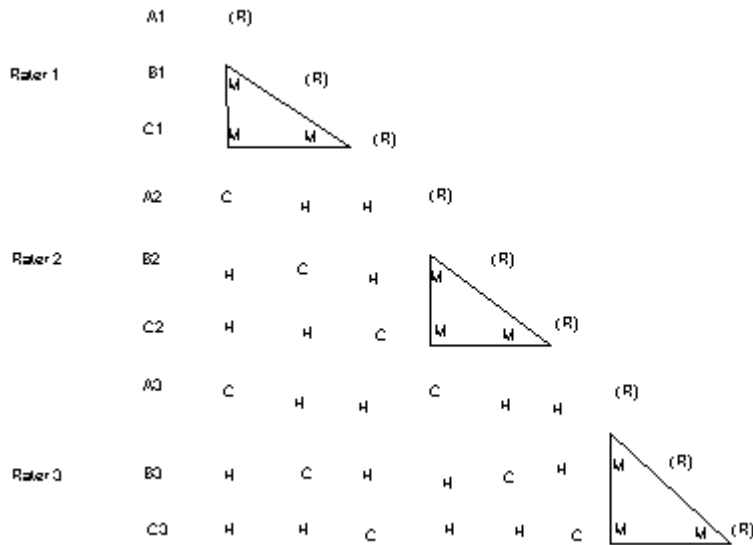
*"Small Business Spooks"*



## RUNKEL AND MCGRATH MULTIBEHAVIOR-MULTIRATER MATRIX ANALYSIS

\_\_\_\_\_ Rater 1 \_\_\_\_\_ Rater 2 \_\_\_\_\_ Rater 3

Behaviors \_\_\_\_\_ A1 \_\_\_\_\_ B1 \_\_\_\_\_ C1 \_\_\_\_\_ A2 \_\_\_\_\_ B2 \_\_\_\_\_ C2 \_\_\_\_\_ A3 \_\_\_\_\_ B3 \_\_\_\_\_ C3



- R = Reliability (same rater, same behavior)
- M = Method variance (same rater, different behaviors or "mono rater-hetero-behavioral triangles")
- C = Behavior convergence (same behavior, different raters or "validity diagonals")
- H = Hetero behavior-hetero method (different behaviors, different raters)

### CONCLUSION

This article proposes that an idiographic approach using a multi behavior-multi rater method is a badly needed alternative methodology for researching the behaviors of entrepreneurs in their natural settings. Currently, the study of entrepreneurship depends almost solely on nomothetic approaches such as trait-survey and behavioral-

survey methods. These methods generally assume group-centered, standardized, and controlled environmental contexts, and the use of quantitative analyses. This nomothetic approach is more appropriate under the assumption that people are more similar than different. However, assuming a more realistic interactionist perspective of practicing entrepreneurs in today's

organizations would suggest the need for an idiographic approach with a multi behavior-multi rater (MBMR) method of measurement and analysis. This idiographic methodology would seem to be a desirable alternative to nomothetic methodology because entrepreneurs realistically interact with their environment and tend to be more individually than group centered.

The few idiographic studies in leadership and management can serve as an important prototype for researching entrepreneurs' behavior in the natural setting. Specifically, the previous Real Managers study conducted by Luthans et al. (1984, 1988) can provide specific procedures for identifying and directly measuring entrepreneurs'

behavior. Some key steps might include: (1) unstructured observation, to qualitatively gather data on entrepreneurs' behavior through direct observation; (2) post-log interviews, to ensure all behaviors were observed, are representative, and have face validity; (3) the Delphi technique, to systematically determine categories of behaviors; and (4) structured observation to measure the frequency of the identified behaviors. Overall, we suggest that such an idiographic approach and the MBMR method may not only be overlooked, but is a badly needed alternative (not substitute) methodology for the better understanding of entrepreneurs in today's organizations.

## REFERENCES

- Ackerman, W.I. (1954). Teacher competence and pupil change. *Harvard Educational Review*, 24, 273-289.
- Allport, G. (1937). *Personality: A psychological interpretation*. New York: Holt.
- Amit, R., Glosten, L., & Mullen, E. (1990). Entrepreneurial abilities, venture investment, and risk sharing. *Management Science*, 36, 1232-1245.
- Atwater, L. E. (1992). Beyond cognitive ability: Improving the prediction of performance. *Journal of Business and Psychology*, 7, 27-44.
- Bandura, A. (1977). *Social learning theory*. Englewood Cliffs, N.J.: Prentice Hall.
- Barker, R.G. (1968). *Ecological psychology: Concepts and methods for studying the environment of human behavior*. Stanford, Cal.: Stanford University Press.
- Bescoe, R.O., & Lawshe, C.H. (1959). Foreman leadership as perceived by superiors and subordinates. *Personnel Psychology*, 12, 573-582.

Bijou, S.W., Peterson, R.F., & Ault, M.H. (1968). A method to integrate descriptive and experimental field studies at the level of data and empirical concepts. *Journal of Applied Behavioral Analysis*, 1, 175-191.

Borland, C. (1974). *Locus of control, need for achievement, and entrepreneurship*. Unpublished doctoral dissertation University of Texas at Austin.

Brandt, R.M. (1981). *Studying behavior in natural settings*. New York: University Press of America.

Brockhaus, R.H. (1980). Risk taking propensity of entrepreneurs. *Academy of Management Journal*, 23, 509-520.

Campbell, D.T. (1958). Systematic error on the part of human links in communication systems. *Information and Control*, 1, 334-369.

Campbell, D. T. & Fiske, (1959). Convergent and discriminant validation by the multitrait-multimethod matrix. *Psychological Bulletin*, 56, 81-105.

Campbell, J. P. (1977). The cutting edge of leadership: An overview. In J.G. Hunt & L.L.Larson (Eds). *Leadership: the cutting edge*. Carbondale, Ill.: Southern Illinois University Press.

Carland, J.W., Hoy, F., Boulton, W.R., & Carland, J.C. (1984). Differentiating entrepreneurs from small business owners: A conceptualization. *Academy of Management Review*, 9, 354-359.

Cohen, J. (1960). A coefficient of agreement for nominal scales. *Educational and Psychological Measurement*, 20, 37-46.

Delbecq, A.L., Van de Ven, A.M., & Gustafson, D.H. (1975). *Group techniques for program planning*. Glenview, Ill.: Scott, Foresman.

Gartner, (1988). Who is an entrepreneur? is the wrong question. *American Journal of Small Business*, Spring, 11-28.

Ginzberg, E. (1955). *What makes an executive*. New York: Columbia University Press.

Glennon, J.R., Albright, L.E., & Owens, W.A. (1966). *A catalog of life history items*. Greensboro, NC: The Richardson Foundation.

Helmer, O. (1983). *Looking forward: A guide to future research*. Beverly Hills, CA: Sage Publications.

Hemphill, J.K., & Coons, A.E. (1957). Development of the leader behavior description questionnaire. In R.M. Stogdill & A.E. Coons (Eds.), *Leader behavior: Its description and measurement*. Columbus, Ohio: Bureau of Business Research, Ohio State University.

Hemphill, J.K. (1959). Job descriptions of executives. *Harvard Business Review*, 37(5), 55-67.

Johnson, B.R. (1990). Toward a multidimensional model of entrepreneurship: The case of achievement motivation and the entrepreneur. *Entrepreneurship: Theory and Practice*, Spring, 39-54.

Katz, D., Maccoby, N., & Morse, N. (1950). *Productivity, supervision, and morale in an office situation*. Ann Arbor, Michigan: Institute for Social Research.

Kavanaugh, M.J., MacKinney, A.C., & Wolins, L. (1971). Issues in managerial performance: Multitrait-multimethod analyses of ratings. *Psychological Bulletin*, 75, 34-49.

Kerlinger, F.N. (1979). *Behavioral research: A conceptual approach*. New York: Holt, Rinehart, and Winston.

Klein, D. (1968). The teen-age driver: A research paradigm. *Traffic Quarterly*.

Kirkpatrick, S., & Locke, E.A. (1991). Leadership: Do traits matter? *Academy of Management Executive*, 5, 48-60.

Kotter, J. (1982). *The general managers*. New York: Free Press.

Lawler, E.E. (1967). The multitrait-multirater approach to measuring managerial job performance. *Journal of Applied Psychology*, 51, 369-381.

Luthans, F., & Davis, T.R. (1982). An idiographic approach to organizational behavior research: The use of single case experimental designs and direct measures. *Academy of Management Review*, 7, 380-391.

Luthans, F., Hodgetts, R.M., & Rosenkrantz, S.A. (1988). *Real Managers*. Cambridge, Mass: Ballinger.

Luthans, F., & Lockwood, D.L. (1984). Toward an observational system for measuring leadership behavior in natural settings. In J.G. Hunt, D. Hosking, C. Schriesheim, & R. Stewart (Eds.). *Leaders and Managers*. New York: Permagon Press.

Luthans, F., & Martinko, M. (1987). Behavioral approaches to organizations. In C.L. Cooper & I.T. Robertson (Eds.). *International review of industrial and organizational psychology*. London: John Wiley Ltd.

Marceil, J.C. (1977). Implicit dimensions of idiography and nonothesis: A reformulation. *American Psychologist*, 32, 1046-1055.

McCall, M.W., Morrison, A.M., & Hannan, R.L. (1978). *Studies of managerial work: Results and methods*. Greensboro, N.C.: Center for Creative Leadership.

McClelland, D.C. (1961). *The achieving society*. Princeton, N.J.: Non Nordstrand.

Mintzberg, H. (1973). *The nature of managerial work*. New York: Harper and Row.

Mischel, W. (1973). Toward a cognitive reconceptualization of personality. *Psychological Review*, 80, 284-302.

Morey, N.C., & Luthans, F. (1984)., An emic perspective and ethnoscience methods for organizational research. *Academy of Management Review*, 9, 27-36.

Nunnally, J.C. (1978). *Psychometric theory (2nd ed.)*. New York: McGraw-Hill.

Pinder, C.C. (1988). Book review: Real managers, *Academy of Management Review*, 13, 661-663.

Reynolds, P.D. (1991). Sociology and entrepreneurship: Concepts and contributions. *Entrepreneurship: Theory and Practice*, 16, 47-70.

Sandberg, W.R. (1986). *New venture performance: The role of strategy and industry structure*. Lexington, MA: Lexington Books.

Schriesheim, C.A. & Kerr, S. (1977). Theories and measures of leadership: A critical appraisal of current and future directions. In J.G. Hunt & L.L. Larson (Eds.), *Leadership: The cutting edge*. Carbondale, Ill: Southern Illinois University Press.

Schriesheim, C.A., Bannister, B.D., & Money, W.H. (1979). Psychological properties of the LPC scale: An extension of Rice's review. *Academy of Management Review*, 4, 287-290.

Schumpeter, J.A. (1934). *The theory of economic development*. Cambridge, Mass: Harvard University Press.

Sechrest, L. (1969). Non reactive assessment of attitudes. In E.P. Willems & H.L. Raush (Eds.). *Naturalistic viewpoints in psychological research*. New York: Holt, Rinehart, & Winston.

Sexton, D.L., & Bowman, N. (1985). The entrepreneur: A capable executive and more. *Journal of Business Venturing*, 1(1), 129-140.

Starr, J.A., & Fondas, N. (1992). A model of entrepreneurial socialization and organization formation. *Entrepreneurship: Theory and Practice*, 17, 67-76.

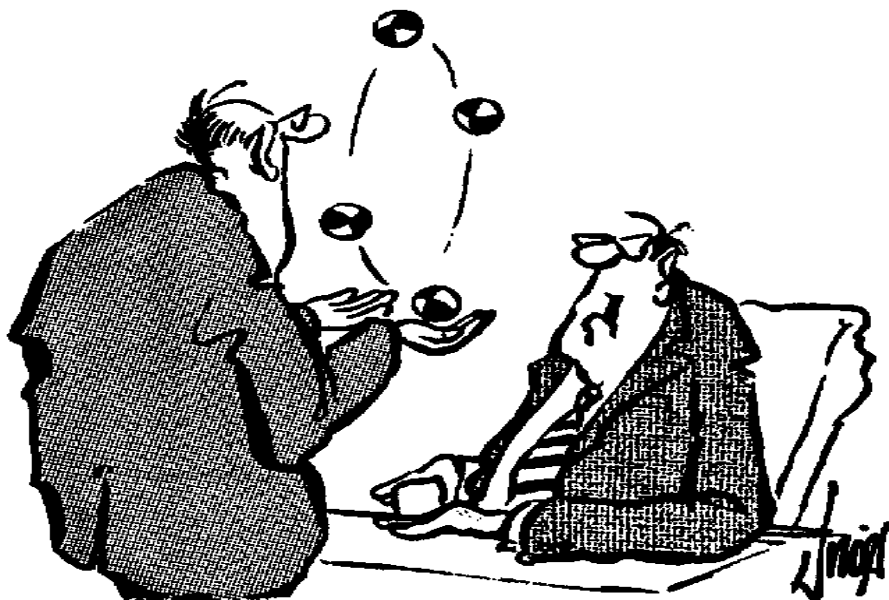
Stogdill, R.M. (1974). *Handbook of leadership*. New York: Macmillan.

Thornton, G.E., & Zorich, S. (1980). Training to improve observer accuracy. *Journal of Applied Psychology*, 65, 351-354.

Van Maanen, J., Dabbs, J.M., & Faulkner, R.R. (1982). *Variables of qualitative research*. Beverly Hills, CA: Sage Publications.

Wofford, J.C., & Liske, Z. (1993). Path-goal theories of leadership: A meta-analysis. *Journal of Management*, 19, 857-876.

Yukl, G. (1981). *Leadership in organizations*. Englewood Cliffs, N.J.: Prentice-Hall.



***"You seem to have the qualifications we are looking for in a project manager."***

# STRATEGIC DECISION-MAKING PROCESSES IN OPPORTUNISTIC SITUATIONS: ARE ENTREPRENEURS MORE COMPREHENSIVE THAN MANAGERS?

Brooke R. Envick, St. Mary's University of Texas

---

## ABSTRACT

This paper presents a theory, which suggests that entrepreneurs are more comprehensive in decision-making processes than managers in opportunistic situations. The model proposed illustrates that the levels of risk and rewards moderate the relationship between the opportunity and the degree of comprehensiveness in the decision-making process. More rewards for success and more risk of failure will motivate an individual to be more comprehensive when making decisions than an individual with fewer rewards and less risk. And in general, entrepreneurs experience greater rewards and more risk than managers, and therefore, are more comprehensive when making decisions in opportunistic situations.

---

## INTRODUCTION

Decision-making in any business is an extremely important event. Every decision an entrepreneur or manager makes effects the business in some manner. While the decision to start or not to start a business has been given adequate attention, the decision-making processes of the entrepreneur during the operation of the business has been largely ignored. However, the strategic management literature offers a good basis from which studies in entrepreneurship could extend in the area of decision-making (Mintzberg, 1978; Bourgeois, 1985; Fredrickson 1984, 1985). This is not a concise or easily defined area of research, though. As Fredrickson (1985) illustrates, strategic decision-making is a topic that has fluid boundaries and isolating one particular decision is very difficult.

When most decisions are made, the individual has either been presented with an opportunity or a problem. The focus of this paper will only be on opportunistic situations. And the central thesis suggests that entrepreneurs will be more comprehensive in the decision-making process than managers. Comprehensiveness is defined as gathering as much information as possible before making the decision. This can include seeking advice from other members of the organization, seeking advice from outsiders such as consultants, lawyers, or accountants, and conducting a formal analysis of the situation external and internal to the business. Comprehensiveness also includes the time and money spent to acquire such information. The definition of an entrepreneur used in this article is someone who simply owns the business. And a manager is defined as someone who manages in, but does not own, the business. The propositions of this paper will be discussed further in the following sections: opportunistic situations, decision-making process research, propositions, and conclusions.

## **OPPORTUNISTIC SITUATIONS**

Opportunity is a word that has been closely linked to entrepreneurship. For example, Gartner (1990) conducted a Delphi study to explore the meanings attached to the word entrepreneurship, and opportunity seeking appeared in several different forms (e.g. seeing situations in terms of unmet needs, identifying a market, providing a new product or service). And as Drucker (1985) states, purposeful, systematic innovation must begin with the analysis of the sources of new opportunities. Although there are many opportunities that surround us, it takes someone who is able to envision them and is willing to take advantage of them before they have meaning. This is where entrepreneurial competence becomes important. For example, Herron (1990) asserts that the entrepreneurial skill of conceiving an opportunity and then allocating resources to that opportunity contributes significantly to venture performance.

Managers have opportunities as well. They are often presented with an opportunity to manage a new product line, a department, or perhaps a new division of an existing business. One of the key differences is that entrepreneurs most often seek out opportunities while managers are most often presented with them. How entrepreneurs and managers view and treat these opportunities is discussed in the remainder of the article.

## **DECISION-MAKING PROCESS RESEARCH**

Fredrickson (1985) states that most decision-making process models are very similar beginning with stimuli motivation (Barnard, 1938; March & Simon, 1958; Simon, 1965). Mintzberg, Raisin-ghani, and Theoret (1976) suggest that there are three phases of decision-making: (1) identification, (2) development, and (3) selection. So, in the identification phase the entrepreneur or manager has either identified or been presented with an opportunity. The development phase is most crucial, because it is in this phase that information is developed and analyzed and the individual can choose to be comprehensive or very simplistic in the information gathering. The selection phase is the final choice or decision the individual makes after all of the information has been gathered and analyzed.

Entrepreneurs, by nature, are opportunity seekers. Most businesses begin when an entrepreneur sees an opportunity that no other person has yet identified. According to Mintzberg et al. (1976), managers most frequently analyze problems in a comprehensive and rational nature, but treat opportunities very simplistically. Fredrickson (1985) explains this difference by the effects each has on the organization. Problems will have negative effects. And to avoid these negative effects, managers will conduct a careful analysis to gather as much

information as possible to ensure they are comprehensive in solving the problem. On the other hand, opportunities do not need solving, and managers will exploit them by simply responding to the stimuli presented to them (Fredrickson, 1985). Another explanation can be inferred from a study conducted by Jackson and Dutton (1988). They investigated how managers discern problems and opportunities and found that managers pay greater attention to problems than opportunities, because organizations reward them greater for successfully handling a problem than for successfully exploiting an opportunity.

## **PROPOSITIONS**

Again, the central thesis of this article is to compare entrepreneurs and managers on the basis of how comprehensive they are when making strategic decisions. Since the definition of an entrepreneur states that the individual must own the business, he/she must sustain the entire existence of the business. The manager, however, must only maintain a division or department of the business.

When analyzing any opportunity, the risk of failure and the rewards for success must be analyzed. Risk is an important variable to assess when evaluating a new opportunity, because it is directly linked to failure. Mintzberg (1978) suggests that the level of risk present and how the strategic decision-maker handles the risk is very important, because the outcomes can greatly effect firm survival. So, it would be logical to assume that risk has an impact on how comprehensive a person is when analyzing an opportunity. Therefore, the level of risk moderates the relationship between the opportunity and the degree of comprehensiveness in the decision-making process (see Figure 1).

**P 1 a: A high level of risk associated with the failure of an opportunity will motivate an individual to be more comprehensive in the decision-making process.**

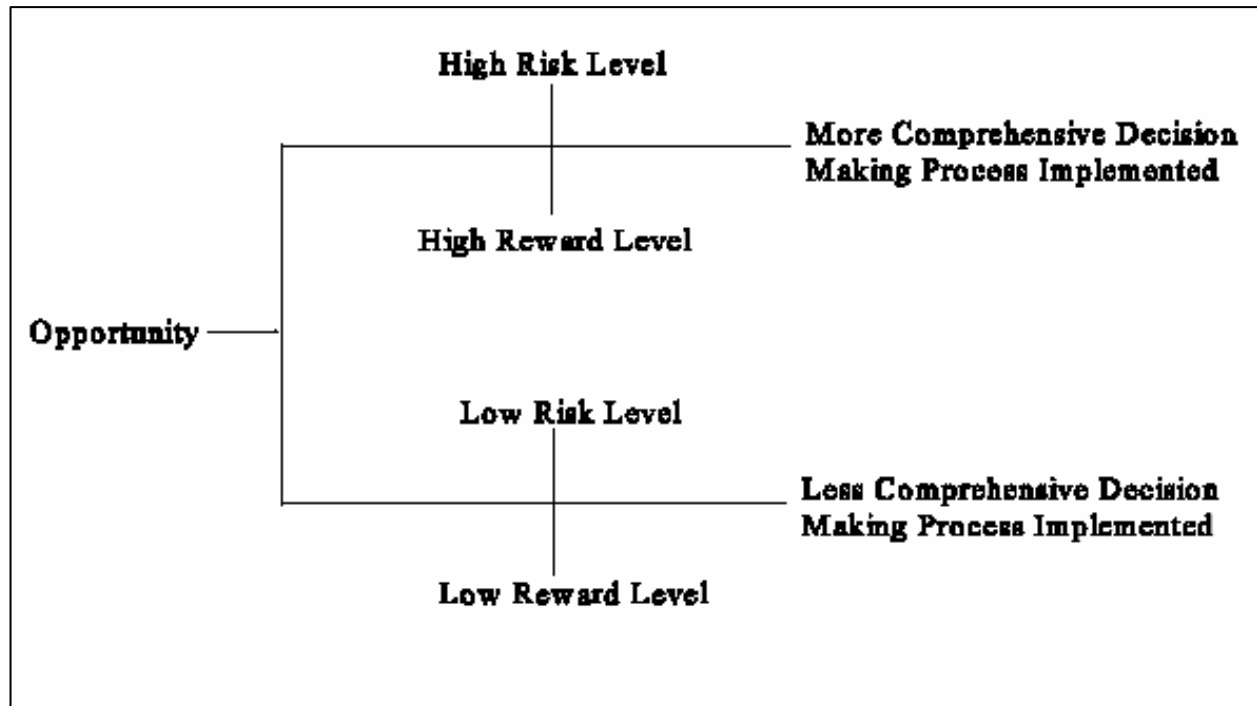
**P 1 b: A low level of risk associated with the failure of an opportunity will lead an individual to be less comprehensive in the decision-making process.**

Rewards are also essential to consider, because they are directly linked to success. If the opportunity leads to success, the rewards from that success are important to realize. So, it would be logical to assume that rewards have an impact on how comprehensive a person is when analyzing an opportunity. Therefore, the level of rewards moderates the relationship between the opportunity and the degree of comprehensiveness in the decision-making process (see Figure 1).

**P 2 a: A high level of reward associated with the success of an opportunity will motivate an individual to be more comprehensive in the decision-making process.**

**P 2 b: A low level of reward associated with the success of an opportunity will lead an individual to be less comprehensive in the decision-making process.**

FIGURE 1



The question then becomes, how do risk and rewards affect both managers and entrepreneurs? If an individual is entirely responsible for the survival of a business, the risk is greater than for an individual who is only responsible for a project, department, or even division of a business. The level of risk would then be greater for the entrepreneur than the manager in almost all circumstances. The entrepreneur risks losing everything, while the manager's job is often secured by other parts of the business. And even if the manager loses his/her job, he/she can cut those losses more readily than an entrepreneur who loses his/her entire business.

Rewards will differ as well. As Jackson and Dutton (1988) found, managers were not rewarded for successfully handling opportunities as much as for solving problems. Entrepreneurs are rewarded greatly for success. Success itself is rewarding, not to mention the financial freedom and independence that is associated with a successful venture.

Therefore, since the risk level and reward level both moderate the relationship between the opportunity and degree of comprehensiveness in the decision-making process, the third proposition can be generated.

**P 3: Entrepreneurs will exhibit a higher degree of comprehensiveness in the decision-making process than managers.**

## CONCLUSIONS

This paper presented a theory, which suggests that entrepreneurs are more comprehensive when making strategic decisions than managers. Other viewpoints may contradict this theory such as the assertion that successful executives, and perhaps entrepreneurs make decisions on the basis of intuition (Wrapp, 1967; Summer, 1969), and that some envision the future, which guides their organization toward its goals (Srivastva, 1983). However, empirical studies are needed in order to test these theoretical viewpoints. Fredrickson's (1985) study could be used as a model. In this study he empirically analyzed two groups of individuals, MBA students and executives, by using a questionnaire to measure the degree of comprehensiveness in their decision-making processes. A similar study could be conducted comparing entrepreneurs and managers using a modified version of the questionnaire.

## REFERENCES

- Bourgeois, L. J. (1985). Strategic goals, perceived uncertainty, and economic performance in volatile environments. *Academy of Management Journal*, 26(3), 548-573.
- Drucker, P. (1985). The discipline of innovation. *Harvard Business Review*, May/June, 67-72.
- Fredrickson, J. W., & Mitchell, T. R. (1984). Strategic decision processes: Comprehensiveness and performance in an industry with an unstable environment. *Academy of Management Journal*, 27(2), 399-423.
- Fredrickson, J. W. (1985). Effects of decision motive and organizational performance level on strategic decision processes. *Academy of Management Journal*, 28(4), 821-834.
- Gartner, W. B. (1990). What are we talking about when we talk about entrepreneurship? *Journal of Business Venturing*, 5, 15-28.
- Herron, L. (1990). *The effects of characteristics of the entrepreneur on new venture performance*. Unpublished Ph.D. Dissertation, University of South Carolina.
- Jackson, S. E., & Dutton, J. E. (1988). Discerning threats and opportunities. *Administrative Science Quarterly*, 33, 370-387.
- March, J. G., & Simon, H. A. (1958). *Organizations*. New York: John Wiley & Sons.
- Mintzberg, H. (1978). Patterns of strategic formation. *Management Science*, 24, 934-949.
- Mintzberg, H., Raisinghani, D., & Theoret, A. (1976). The structure of unstructured decision processes. *Administrative Science Quarterly*, 21, 246-275.
- Simon, H. A. (1965). *The new science of management decisions*. Englewood Cliffs, NJ: Prentice-Hall.
- Srivastva, S. (1983). Introduction: Common themes in executive thought and action. In S. Srivastva and Associates (Eds.), *The executive mind*.
- Jossey-Bass. Summer, C. E. (1969). The managerial mind. *Harvard Business Review*, 37(1), 69-78.
- Wrapp, H. E. (1967). Good managers don't make policy decisions. *Harvard Business Review*, 45(5), 91-99.

# **A STUDY ON SELF-MONITORING AMONG SERVICE AND TECHNICAL ENTREPRENEURS**

**Prasanna Jackson**

**Karunya Institute of Technology, India**

**R.Venkatapathy**

**Bharathair University, India**

## **ABSTRACT**

Structural changes in the economy and the advancement in technology have resulted in reduced opportunities for employment. Larger enterprises and government organizations are shifting focus towards self-employment and small firms as important sources of new jobs. Entrepreneurship has a vital role to play in creating those jobs. The rapid economic changes call for a high degree of entrepreneurship, which will help to cushion adverse social impacts of unemployment by facilitating the creation of new employment opportunities as old ones decrease.

Research has demonstrated that the increasing importance of the contribution of firms engaged in technology and services based on both creation of employment and development of innovative practices. It is postulated to study the two types of entrepreneurs' viz. service and technical using a personality variable. It facilitates to further the understanding about the individual behind these ventures and the determining factors that go into choice of a particular type of venture. Seventy- (70) Service and 92 Technical entrepreneurs completed the 13 item Self-monitoring scale on a four point rating scale along with it the profile of the entrepreneurs was also formulated. Further, the mean Self-monitoring scores of the Service and Technical entrepreneurs were compared. It was found that Service entrepreneurs score significantly higher than the Technical entrepreneurs. The implications of the results are discussed in detail.

## **INTRODUCTION**

Entrepreneurs are essential agents of change in a market economy, fuelling the drive for the increasingly efficient use of resources and facilitating trade between parties with different preferences and competencies. Entrepreneurial behavior is likewise a key to accelerating the generation, dissemination and application of

innovative ideas. The entrepreneur is therefore the architect of innovation, and societies that wish to foster innovation (either low or high technology) must create an environment conducive to the entry and maintenance of entrepreneurs and the associated small new ventures that they produce.

Structural changes in the economy and the advancement in technology have resulted in reduced

opportunities for employment. Larger enterprises and government organizations are shifting focus towards self-employment and small firms as important sources of new jobs. Entrepreneurship has a vital role to play in creating those jobs. The rapid economic changes call for a high degree of entrepreneurship, which will help to cushion adverse social impacts of unemployment by facilitating the creation of new employment opportunities as old ones decrease.

### **THE ENTREPRENEUR**

The entrepreneur is viewed as someone who assumes the social, psychological, and financial risks necessary to start and run a small business (Hisrich & Peters, 1992). A more prominent position to the entrepreneurial figure is identified by four basic responsibilities: a) Collecting, processing and evaluating economic information; b) the execution of essential calculations; c) the stimulation of the production process; and d) control of the above mentioned process under the most auspicious economic conditions. From this vantage point, it seems clear that Menger (1994) envisages the entrepreneur fundamentally as a calculator, organizer or controller.

The entrepreneur performs the role of a manager and possesses a certain psychological capacity, to stimulate (or 'boost') entrepreneurial organization. In fact, the entrepreneur can be differentiated into two types: a) the 'management

entrepreneur' who serves a routine, directorial function; and b) the innovative entrepreneur, coinciding in many ways with Schumpeter's vision, who can employ the necessary methods in order to create and steer a firm which has profitable opportunities in the market or in the function of production (Leibenstein, 1995).

### **ENTREPRENEURIAL TYPES**

Typologies on entrepreneurs are aimed at either imaginative or subjective classifications and descriptions. (Danhof, 1949). Based on the evolution of the firm entrepreneurs were classified into Administrative and Independent entrepreneurs (Collins & Moore, 1964). The classification of entrepreneurs through empirical endeavor resulted in opportunistic and craft entrepreneurs. Which further Resulted in the conclusion that entrepreneurial types are not homogenous but heterogeneous. Significantly, the understanding of cross section of various types of entrepreneurs would facilitate the saying 'right man for the right job'. Alternatively 'right type of entrepreneur for right type of enterprise' (Smith, 1967). On further investigation it was reported that opportunistic entrepreneurs were found most often among entrepreneurs than Craft entrepreneurs (Gilmore, 1971). Alternatively, craft entrepreneurs represent the individuals who work

in an organization carrying out the technical function.

Libenstein (1970) envisaged managerial and innovative entrepreneurs to denote the former to carry out routine directional function, while the latter to employ the necessary methods in order to create and steer a firm, which has profitable opportunities in the market or in the function of production. While Based on certain psychological variables Hundal (1971) distinguished Fast Progressive Entrepreneurs (FPE) from Slow Progressive Entrepreneurs (SPE). Swayne and Trucker (1973) classified entrepreneurs into three-fold classification referring to as Innovative, Modest Risk Taker and Growth Oriented entrepreneur. The personality and biographical characteristics significantly differentiated one set of entrepreneurs from the other (Scanlan, 1979).

Based on the nature of business entrepreneurs are categorized into Cantillon entrepreneur, Industry maker, Administrative entrepreneur, Small Business Owner Operator and Independent entrepreneur (Webster, 1977). Moulik, Patel and Basu (1978) grouped entrepreneurs into three broad categories, as manufacturing, processing and trade or service, these groups require three different sets of traits for their success. (Vesper, 1980) classified entrepreneurs into 11 different types, and pointed out that each of these can be further subdivided. His

divisions include: solo self-employed individuals, team builders, independent pattern multipliers, economy-of-scale exploiters, capital aggregators, acquirers, buy-sell artists, conglomerators, speculators, and apparent manipulators. Business owner-managers who use their capital to establish business are classified as self-employed, small employer, owner-controller and owner director (Scase & Goffe, 1982). Using empirical data entrepreneurs were classified into First Generation Entrepreneurs (FGE) and Second Generation Entrepreneurs (SGE). The FGE were reported to be significantly different from SGE on a host of biographical characteristics like, the propensity to adopt innovations, the personality characteristics, and the perception of self-concept and show significant difference and distinguish one from the other (Venkatapathy, 1983; 1984; 1985).

Growing research effort has been devoted to serial or habitual entrepreneurs. Given that entrepreneurship may involve the purchase of an existing business as well as the formation of a new one (Cooper & Dunkelberg, 1986). Using a qualitative examination of the general occupational experience of the technical entrepreneur in the innovation process at previous companies worked for, the individual technical entrepreneurs are classified into four broad categories, namely 'research', 'producer', 'user' and 'opportunist' technical entrepreneur (Jones-Evans,

1995a; Jones-Evans, 1994a; Jones-Evans & Steward, 1991). In relation to specific skills possessed by entrepreneurs are classified into four types as a) The personal achiever entrepreneur b) The emphatic super salesperson entrepreneur c) The real manager entrepreneur and d) The expert idea generator entrepreneur (Miner, 1997).

### **SERVICE AND TECHNICAL ENTREPRENEURS**

Entrepreneurship emphasizes on economic development. Research has demonstrated the increasing importance of the contribution of firms engaged in technology and services based to both creation of employment and development of innovative practices. The profile of the Service entrepreneurial type reveals that they are aggressive and at the same time compliant (Prasanna & Venkatapathy, 1999). This is due to the fact that Service entrepreneurs are expected to be aggressive in promoting their services but at the same time the customer expects a compliant behavior while receiving the services. The high degree of competitive environment and the higher percentage of failures in the service industry require the entrepreneurs to exhibit a higher level of achievement orientation and self-esteem.

Whereas, the Technical entrepreneur who is often not in direct contact with the customer and who has a strong belief in his own skills for the

success of his venture exhibits higher detached behavior and personal control orientation.

The technical entrepreneurs demonstrate a lower achievement and self-esteem (Prasanna, 1999). In an environment of large-scale customization, high technology, short cycle times, diverse customer requirements, vast consumer knowledge, overnight obsolescence, and global competition, an increasing percentage of processes are beyond the ability of a single individual to master, resulting in lower achievement and self-esteem orientation. The contribution of Technology and Service based firms to the economy has been highlighted in a series of studies. However, dearth of research evidence necessitated this research endeavor to find out the similarities or differences among an emerging and growing entrepreneurial research viz., entrepreneurial cross sections.

It is postulated to study the two types of entrepreneurs' viz. service and technical using a personality variable. To further the understanding about the individual behind these ventures and the determining factors that go into the choice of a particular type of venture, the present research has been commissioned.

### **SELF-MONITORING**

Almost everyone attempts to regulate his or her own non-verbal behavior on occasions. This does not imply that all persons will attain equal success. On the contrary, it is

clear that in this respect large individual differences exist and influence social interactions. One of the characteristics that has received growing attention is self-monitoring (Snyder, 1987). Self-monitoring refers to a cluster of characteristics closely related to the ability to adapt one's behavior to current social situations. Persons high in self-monitoring might be described as social chameleons; they can readily adjust their social behavior to demands of given situation. In contrast, a person low in self-monitoring tends to show a high degree of consistency. He or she maintains a consistent non-verbal

expression across a wide range of situations.

Self-monitoring has shown strong positive relationships to interpersonal competence (Athay & Darley, 1981), organizational success (Sypher & Sypher, 1983), and career success (Snyder & Campbell, 1982) and High selfmonitors, in comparison to low self-monitors, appear to perform better in boundary-spanning jobs that require sensitivity to social cues (Caldwell & O'Reilly, 1982), resolve conflicts through collaboration and compromise (Baron, 1989), receive more promotions (Kilduff & Day, 1994), and emerge as leaders of small groups (Ellis & Cronshaw, 1992; Kent & Moss, 1990; Zaccaro, Foti, & Kenny, 1991).

## **HYPOTHESIS**

The dearth of studies relating to service and technical entrepreneurial types on their personality has resulted in formulation of the null hypothesis that:

**Service and Technical entrepreneurs would remain homogenous on their scores on self-monitoring.**

## **INSTRUMENTATION (SELF-MONITORING SCALE)**

The Revised Self-Monitoring Scale, developed by Lennox and Wolfe (1984), was used as the measure of self-monitoring among the entrepreneurial types. This instrument contains 13 Likert-type scaled items, (1 always false; 4 always true) designed to assess the two components of self-monitoring: (a) sensitivity to expressive behavior of others (6 items) and (b) ability to modify self-presentation (7 items).

Self-monitoring is considered as a continuous variable, in contrast to scales developed by Snyder (1974) and Snyder and Gangestad (1986) in which responses to true-false questions are used to place respondents into dichotomous categories of high and low self-monitors. Eleven (11) items were scored in the direct method while 2 items were scored in the reverse direction. Responses to items are summed to yield scores for the total Revised Self-Monitoring Scale and for the sensitivity and modifiability subscales. Reliability coefficients in

this study were .55 for the sensitivity subscale, .54 for the modifiability subscale, and .71 for the overall scale.

### **Validity**

The item sum correlation method was used in validating the scale. High and low groups were formulated and the individual and the total scores were correlated. Using the difference between the Z scores the discrimination between the groups was worked out by the standard error difference. The C.R. value has been taken into consideration for determining the validity of the items. Only values above 1.96 were considered valid, the scale has adequate validity as shown by the validation technique.

### **Reliability**

Using the split-half method (Prasanna & Venkatapathy, 1999) reported the following reliability coefficients of the self-monitoring scale, .47 for the sensitivity subscale, .45 for the modifiability subscale, and .60 for the overall scale.

### **SAMPLE**

Two hundred respondents were marked out from the list of entrepreneurs registered with the District Industries Center (DIC) Coimbatore. Snowball sampling technique was used to select the respondents based on their nature of business and investment in plant and machinery (10 lakhs to 100 lakhs of rupees). The respondents selected were involved in service/technology related business. The sample consisted of a matched sample of 100

respondents belonging to the entrepreneurial types mentioned. The sample consisted of respondents representing the various parts of Coimbatore district. The researcher approached the respondents individually and after explaining the purpose of the visit collected information from the respondents using the instruments earmarked for the purpose of the present study.

Twenty-two respondents were unwilling to respond to the research process and 16 respondents provided incomplete information. Thus, the final sample consisted of 162 respondents consisting of 70 service entrepreneurs and 92 technical entrepreneurs.

## **RESULTS & DISCUSSION**

### **Biographical Profile**

The service and technical entrepreneurs differ between themselves on a series of biographical characteristics. The service entrepreneurs are younger compared to the technical entrepreneurs. Possibly, it may be due to the reason that the service-oriented industries have gained importance during the recent times. The entries into these types of industries are also recent. Less number of service entrepreneurs were married compared to technical entrepreneurs. This can be because of the age factor and the time required by them to establish their ventures.

Higher number of service entrepreneurs displayed an urban background, since services play a

prominent role in the urban areas, resulting in enhanced awareness about service industries. With regard to the educational qualifications, the technical entrepreneurs have a higher level of education specifically, technical education. Since, the successes of the ventures are directly related to the technical competence of the entrepreneurs.

The work experience patterns of the entrepreneurial types reveal that service entrepreneurs possess lesser number of years of experience. Since, the types of enterprises they venture into require more off- job skills compared to the technical entrepreneurs. The technical entrepreneurs have started more new ventures than the service entrepreneurs have, since they have entered the industry at a much earlier stage.

Further the scope to start a related ancillary or feeder industries are higher. The service entrepreneurs need to invest higher capital due to the variety of the service ventures that call for better and effective logistic management. The industries' orientation towards services has resulted in higher returns. Probably this could be one of the reasons for the service entrepreneurs to project a higher turnover compared to the technical entrepreneurs.

The pattern with regard to the number of employees shows that technical entrepreneurs employed a higher number of workers since many of these ventures are labor intensive. Technical entrepreneurs choose more complex ventures compared to service entrepreneurs due to the venture requirements and complex production and operation functions.

Anuradha Basu (1998) in a study on entrepreneurial activity among Asian small business in Britain reported that previous experience in current business (35.9%) and easy kind of business to enter/run (28.2%) are the two major factors that influenced the entrepreneurs to choose a particular line of business. Thus it is seen that there is a possibility of developing distinctive profiles for the two entrepreneurial types.

Table 1 shows the mean, standard deviation and the critical ration for scores on the modifiability subscale of self-monitoring scale among Service and Technical entrepreneurial types

Scale	Category	N	Mean	S.D.	Critical ratio
Modifiability subscale	Service	70	21.67	2.22	4.14**
	Technical	92	20.04	2.80	

Table 2 shows the mean, standard deviation and the critical ration for scores on the sensitivity subscale of self-monitoring scale among Service and Technical entrepreneurial types

Scale	Category	N	Mean	S.D.	Critical ratio
Sensitivity subscale	Service	70	19.23	3.07	2.18*
	Technical	92	18.40	2.92	

\*\* Significant at .01 level. \* Significant at .05 level.

Tables 1 and 2 show the mean, standard deviation and the critical ratio for service and technical entrepreneurs on their scores on self-monitoring. The service entrepreneurs have a higher mean score compared to the technical entrepreneurs on the two subscales of self-monitoring i.e. a) Ability to modify self-presentation & b) Sensitivity to expressive behavior of others. The critical ratios show a statistically significant difference at .01 level for Modifiability subscale and .05 level for the Sensitivity subscale. Hence, the null hypothesis that the entrepreneurial types will remain homogenous on their scores on self-monitoring is rejected. And the alternative hypothesis that the entrepreneurial types remain heterogeneous on their scores on self-monitoring is accepted. This supports the view that Service entrepreneurs are more aggressive and at the same time compliant. Service entrepreneurs are expected

to be aggressive in promoting their services but at the same time the customer expects a compliant behavior while receiving the services. Further, the high degree of competitive environment and the higher percentage of failures in the service industry require the entrepreneurs to exhibit a higher level of achievement orientation and self-esteem.

The Technical entrepreneur who is often not in direct contact with the customer and who has a strong belief in his own skills for the success of his venture exhibits higher detached behavior and personal control orientation. An environment of large-scale customization, high technology, short cycle times, diverse customer requirements, vast consumer knowledge, overnight obsolescence, and global competition, an increasing percentage of processes are beyond the ability of a single individual to master resulting in lower

achievement and self-esteem orientation. It can be noticed that many of the characteristics associated with high self-monitors have close relevance to service entrepreneurs which have been authenticated by the Service entrepreneurs obtaining a higher mean score on self-monitoring compared to Technical entrepreneurs.

The studies on typology of entrepreneurship have diminishing importance in the current environment since most of the previous types of entrepreneurs

have become redundant. The current knowledge revolution has thrown up a different class of entrepreneurs; high technology firms and service firms have turned out to be the major contributors to the economy. Current economies of many countries are influenced by the technology and service based industries.

Thus, it is imperative to study the entrepreneurs behind these ventures, so that more entrepreneurs can be trained in accordance.

#### REFERENCES

- Anuradha, B. (1998). An exploration of entrepreneurial activity among Asian small businesses in Britain. *Small Business Economics*, 10, 313-326.
- Athay, M. & Darley, J. (1981). Toward an interaction centered theory of personality. In N. Cantor & J. Kihlstrom (Eds.), *Personality cognition and social interaction*, 65-83.
- Hillsdale, NJ: Erlbaum. Baron, R. A. (1989). Personality and organizational conflict: Effects of the Type A behavior pattern and self-monitoring. *Organizational Behavior and Human Decision Processes*, 44, 281-296.
- Caldwell, D. E. & O'Reilly, C. A. (1982). Boundary spanning and individual performance: The impact of self-monitoring. *Journal of Applied Psychology*, 67, 124-127.
- Collins, O.F., Moore, D.G. & Unwalla, D.B. (1964). *The enterprising man*, East Lansing, MI: Michigan State University Business Studies.
- Cooper, A. & Dunkelberg, W. (1986). Entrepreneurship and paths to business ownership. *Strategic Management Journal*, 7, 53-56.
- Danhof, (1949). *Observations of entrepreneurship in agriculture change and entrepreneurs*, Cambridge: Harvard University Press.
- Ellis, R. J. & Cronshaw, S. E (1992). Self-monitoring and leader emergence: A test of moderator effects. *Small Group Research*, 23, 113-129.
- Gilmore. (1971). *An investigation of selected entrepreneurial model's ability to predict successful entrepreneurial activity*, Unpublished doctoral dissertation, University of Oklahoma.
- Hundal, P.S. (1971) A study of entrepreneurial motivation, comparison of fast and slow progressing small scale industrial entrepreneurs in Punjab, *Journal of applied psychology*, 55, 317-323.
- Jones-Evans, D. & Steward, F. (1991). 'How Does Previous Experience Contribute to Entrepreneurial Success? An Examination of Technical Entrepreneurs as a Case Study'. Proceedings of the ENDEC World Conference on Entrepreneurship & Innovative Change, Singapore, 19-24.

- Kent, R. L. & Moss, S. E. (1990). Self-monitoring as a predictor of leader emergence. *Psychological Reports*, 66, 875-881.
- Kilduff M. & Day, D. V. (1994). Do chameleons get ahead? The effects of self-monitoring on managerial careers. *Academy of Management Journal*, 37, 1047-1060.
- Leibenstein, H. (1970). in Cuevas, Joaquin Guzman: Towards taxonomy of entrepreneurial theories. *International Small Business Journal*. 12(4): 77-88. 1994.
- Lennox, R. D. & Wolfe, R. N. (1984). Revision of the self-monitoring scale. *Journal of Personality and Social Psychology*, 46, 1349-1364.
- Menger. (1994) in Cuevas, Joaquin Guzman, Towards a taxonomy of entrepreneurial theories, *International Small Business Journal*. 12(4), 77-88.
- Miner, J. (1997). The expanded horizon for achieving entrepreneurial success. *Organizational Dynamics*. 25(3), 54-67.
- Prasanna, J. T. & Venkatapathy, R. (1999). A reliability study of the various scales of self-monitoring. Paper presented at the 86th session of the Indian Science Congress Association, Anna University, Chennai, India.
- Prasanna, J. T. (1999). *A study on personality and attitude orientation among different types of entrepreneurs*. Unpublished Doctoral thesis, Bharathiar University, Coimbatore, India.
- Scanlan, T. J. (1979). *Self-employment as a career option: An investigation of entrepreneurship from the perspectives of Holland's theory of career development and Levenson's measures of locus of control*. Doctoral Dissertation, University of Illinois.
- Scase, R. & Goffee, R. (1982). *The entrepreneurial middle class, social analysis*, ondon: C'room helm.
- Smith, N. R. (1967) *The entrepreneur and his firm, the relationship between type of man and type of company*. East Lansing,MI: Michigan State University press.
- Snyder, M. (1987). *Public appearances/private realities: The psychology of self-monitoring*. San Francisco: Freeman.
- Swayne ,C. & Tucker, W. (1973). *The effective entrepreneur*. Morristown, NJ: General Learning Press.
- Snyder, M. & Campbell, B. H. (1982). Self-monitoring: The self in action. In J. Suls (Ed.), *Social Psychological Perspectives on the Self*. Hillsdale, NJ: Lawrence Erlbaum. 1, 185-207.
- Sypher, B. D. & Sypher, H. E. (1983). Perceptions of communication ability: Self-monitoring in an organizational setting. *Personality and Social Psychology Bulletin*, 9, 297-304.
- Venkatapathy, R. (1983). Biographical characteristics of first and second generation entrepreneurs. *Journal of Small Enterprise Development Management & Extension*, X,4, 15-24.
- Venkatapathy, R. (1984). Locus of control among entrepreneurs: A review. *Psychological Studies*, 29(1).
- Venkatapathy, R. (1985). Perception of self among first and second-generation entrepreneurs. *Perceptual and Motor Skills*.
- Vesper, K. (1980). *New venture strategies*. Englewood Cliffs. NJ: Prentice Hall.
- Webster, F. A. 1977. Entrepreneurs and ventures: An attempt at classification and clarification. *Academy of Management Review*, 2, 54- 61.
- Zaccaro, S. J., Foti, R. J. & Kenny, D. A. (1991). Self-monitoring and trait-based variance in leadership: An investigation of leader flexibility across multiple group situations. *Journal of Applied Psychology*, 76, 308-315.

## Case Study

---

### Low Calorie Sweetener Vs Sugar

Can Zero breathe life into the sugar substitute market?



---

The problems of marketing a Sweetener in the Indian market place and the possibility of a huge business opportunity in a market that has the highest number of diabetics in the world and a growing awareness about the need for diet related food products

Would you like sugar or Zero with that? If Geogi E Zachariah had his way, you'd hear that every time someone offered you tea or coffee. The business head of OTC products at pharma company Alembic has a vested interest in getting people to switch from sugar: in January, Alembic launched Zero, a sugar substitute that Zachariah hopes will hit the sweet spot in the low-calorie sweetener market. "Our target is a market share of 10 per cent by the end of the first year," Zachariah says.

That may be tougher than you'd think. India has the highest number of diabetics in the world, but artificial sweeteners have never really taken off here. You want proof? Twenty years after the category was introduced in India, the marketing head of the company behind Equal – the brand that's generic for sweeteners in the country – still considers sugar substitutes new territory.

"Selling a sweetener in India is like selling a concept, because it's a new product," declares Amitabh Sehdev, head marketing, Merisant India. The

numbers bear that out: the category is worth just Rs 60 crore, and after growing at 12-15 per cent between 2000 and 2002, it declined by 2 per cent between March 2004 and April 2005.

Zachariah believes the initial lack of players and a subsequent "lack of intensity" among the existing players are the factors to be blamed for the malaise. And he's determined that Zero will not be guilty of apathy. With a marketing budget of over Rs 2 Crores, Zero has been advertising on niche TV channels, upscale magazines and even on the boarding passes of private airlines.

That's quite a difference from the way sweeteners used to be marketed: through pharma companies' representatives, and point-of-sale promotions at chemists. The reason is simple: while diabetics are a natural consumer group for Zero, Alembic isn't counting on just them. It's targeting the upper socio-economic category people who're conscious about their health and have an interest in fitness.

This is also the target group that is likely to be aware of Splenda, the American zero-calorie sugar substitute that's become a runaway success. Splenda's success is entirely based on its taste – unlike traditional sweeteners that are made from aspartame or saccharine, it is based on sucralose, the only non-caloric sweetener made from sugar.

Like Splenda, Zero is also a sucralose-based sweetener, so Alembic is hoping the familiarity factor will help boost sales.

Vikas Mehta, brand director, Leo Burnett, the agency that developed the campaign says, "We had to differentiate Zero from other low-calorie sweeteners." Hence the adline: Made from sugar. But has no calories.

The product formulation is likely to be Zero's key differentiator. Zydus Cadila's Sugar Free and Merisant's Equal are aspartame-based, while Boots' Sweetex is made of saccharine. Zero's sucralose base, then, is not just a technical difference. While the others are table-top sweeteners, sucralose can be used in any cooking process.

That's not the only benefit Alembic is counting on. Over the past couple of years, there's been an uproar on the effects of prolonged use of aspartame and saccharine, which has also contributed to the decline in the market in India. Sucralose has US Food and Drug Administration clearance, and Alembic's advertisements mention that, along with the zero calorie information, of course.

Zero calories come at a price, though, which may leave a bitter taste in consumers' mouths. "Sweeteners are three to four times more expensive than sugar," agrees Merisant's Sehdev, adding "Consumers pay a premium for a healthy option. So, it is value for money."

Natural sweeteners like sugar, honey and gur are several times cheaper than the artificial substitutes in the market.

A 90-tablet pack of Zero is priced at Rs 60, which is more expensive than other sweeteners in the market: Sugar Free and Equal carry price tags of Rs 128 for 300-pellet packs (both offer 50 or 60 pellets free). Zachariah admits that Zero is more expensive than the rest, but points out that sucralose is 600 times sweeter than sugar – so consumers actually need to use less.

Zero may not be offering free tablets or price-offs, but it is making its presence felt in the market. Consumer promotions, event sponsorships and road shows across the country ensure trial purchases, even as the advertising campaigns build up visibility and brand recall.

Meanwhile, it's not as if the other sweetener brands haven't been stirring up the market. While Merisant continues to target diabetics and health-conscious people, Sugar Free sidled over to the lifestyle platform last year, signing up celebrities like Harsha Bhogle and Raveena Tandon to endorse the brand.

- **What are the possible changes in market conditions that may favour the success of a Low-calorie sweetener such as "Zero"?**
- **Are there potential Entrepreneurial opportunities to be explored on the basis of the increasing need for "Low-Cal Diets"?**

We welcome Case Analysis Reports from readers. The report should not be more than two pages and should be in the same format used in the journal. Best Reports will be published in the next issue. Deadline for submissions of reports is 31<sup>st</sup> May, 2006

"We wanted to reposition Sugar Free as a lifestyle brand and the preferred choice of the health conscious," says Jyoti Shiralee, general manager, marketing, consumer division, Cadila Healthcare.

Attempts by Merisant and Cadila to expand the sweetener market by introducing low-calorie drinks, though, haven't really worked. In 2000, Merisant launched Flix, an aspartame-based drink, but withdrew it two years later. Similarly, Cadila launched SugarFree D'Lite a couple of years ago.

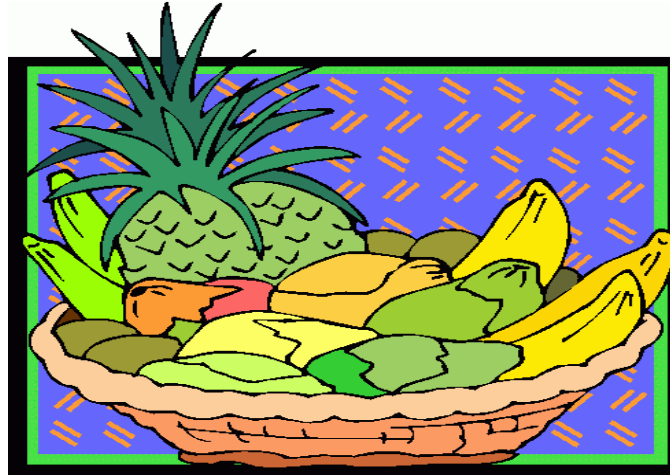
D'Lite hasn't really taken off, but at Rs 26.45 crore, Sugar Free is still the market leader (source: Pharma ORG). Equal is at Rs 5.2 crore, in a market estimated at Rs 40 crore.

Of course, these figures perhaps don't reveal the true picture, since they consider only chemist sales, excluding sales at grocery store and supermarkets. But even so, Zero may have to really struggle before it tastes sweet success.

## Article Section

### Agro based Entrepreneurship Balan Natural Food add juicy profits

*A Bangalore based Agro Products Company shows the way to reap the benefits of Globalization*



Fruit pulp of pink guavas and mangoes, grown in farms around Bangalore, is being shipped out of the country to Vietnam, only to be sent back to India and elsewhere – as canned fruit drink.

Bangalore's one-year-old food processing company Balan Natural Food Ltd is reaping the benefits of globalisation, literally. It's combining the best of both worlds – the availability of quality fruits at home and superior canning technology in Vietnam to bring its range of fruit juices to India.

To hit the Indian market around August 15, the 330 ml Miruna Pink Guava and Miruna Mango canned drinks, priced at Rs 25 each, will be available in 50 cities with two other new flavours – lychee and mixed fruit. Currently,

the company has five flavours in the canned ready-to-drink category – grape, orange, orange-carrot apple and pineapple – all of which are processed and packaged at its Ho Chin Minh-based factory and exported to India. While the canned fruit drink market in India is very small, A. Nandaa Kumar, chairman of Balan Natural Food Ltd, hopes that as people's aspirations grow in the positive economic climate, canned fruit drinks will make a lifestyle statement in India.

With a target to sell roughly nine lakh cans a year, Kumar says "We expect at least one third of our export sale to happen in India." Kamdhenu Ventures – its Ho Chin Minh-based company – has already secured an order to supply canned fruit drinks to the Middle east and

will be expanding its market base in South east Asia and east Europe.

Kumar says that Vietnam is a business-friendly nation and day (a tray consists of 36 pieces) in Bangalore and manufactures the Miruna Yo, a low fat yoghurt drink, vegetable and fruit juices and spicy butter milk in 200 ml Tetra Paks under the B Natural brandname.

Last week, it launched fruit nectars in musk melon and guava flavours and two other fruit combo drinks in 200 ml Tetra Paks. Within a year of operation, Balan Natural Food posted a turnover of Rs 3.6 crore which is expected to touch Rs 15 crore this year. With consumers becoming more health conscious and the fruit juice market growing at 25-35 per cent a year, V Balasubramanian, the company's CEO, says "Ours is a hybrid company with capabilities ranging from making yogurt to fruit drinks".

Balan Natural also imports pepper to India, co-packs fruit pulp for Dabur and manufactures rehydrating drinks for a New Delhi-based firm.

produces good quality sugar and fruits. One of the fastest growing companies, Balan Natural Food has an installed capacity of 7,000 trays a

**Internet Entrepreneurship:**

**Husein Gandhi is an Indian Internet Entrepreneur - but in a twisted sort of way**



No one symbolizes Indian success and enterprise in the information age better than Sabeer Bhatia. At an age when most of us were in college or busy watching movies, Bhatia accomplished two things that can be called truly world-class. He started Hotmail, a service that caters to over 100 million people in more than 30 countries across the world. And not just that - he made \$400 million by selling it to Microsoft!

But was Sabeer Bhatia a flash-in-the-pan entrepreneur as far as Indian success in harnessing Internet technologies directed towards end-customers was concerned? It would seem so, as most Indian

**SPAMHAUS** The Spamhaus Project

Spamhaus SBL ROKSO

Abuse ROKSO - Information for Spammers Register Of Known Spam Operations

Search

ROKSO collates information and evidence on known hard-line spam operations that have been thrown off a minimum of 3 consecutive Internet Service Providers for serious spam offenses.

90% of all spam received by Internet users in North America and Europe is sent by a hard-core group of under 200 spammer outfits, almost all of whom are listed in the ROKSO database. These professional, chronic spammers are festively proscribed into gangs ("loam gangs") and issue from networks to networks seeking out Internet Service Providers ("ISPs") known not enforcing anti-spam policies.

Some spam operators are small ISPs themselves, claiming to be legit providers of spam as being central to their business customers. Some set up a network, place a freebie on a large allocation from an ISP and use their disks to simulate a network, feeding real ISPs and applying their connectivity.

**The ROKSO List**

- ▶ Alan Dalby
- ▶ Amadeo Rodriguez / Puma One Marketing / 1 Net Value Inc.
- ▶ Emma Fnd Inc.
- ▶ Anale Trico
- ▶ Anthony "Tony" M. Marks
- ▶ Australia First Media
- ▶ Raymond Ryan "Herdie"
- ▶ ...
- ▶ Greg Baker / Old
- ▶ hispeedmedia.com
- ▶ Howard Minsky / The
- ▶ **Husein Gandhi**
- ▶ Ibraqimov / se
- ▶ idatanet.com
- ▶ IMG Direct
- ▶ Jace Groves / Kevin
- ▶ Jack Ford / nitron
- ▶ Vale - A

entrepreneurs in 'the Valley' have focused on enterprise solutions and not consumer solutions. Kanwal Rekhi of Excelan, K.B. Chandrasekhar of Jamcracker, Vinod Khosla of Sun Microsystems and Vinod Dham of Intel - most Indian entrepreneurs have been partial to enterprise solutions. And so Husein Gandhi came as a surprise.

Husein who? Husein Gandhi - the undisputed Indian king of spam. Spam? What's that? Okay, I guess you were asleep for the last couple of years or so. 'Spam' refers to unsolicited email, often of a commercial nature, sent indiscriminately to multiple mailing lists, individuals, or newsgroups. Put simply, these are mails you unfailingly find in your inbox every day from addresses like katie77xxx99@onlineco-eds.com or viagradeals@clinic.net asking you if you "want to have a hot date", want to "buy herbal Viagra real cheap" or if you are interested in "getting out of debt for free".

Spam is more than just a nuisance in case you were wondering what the big deal was. Even though it appears so, nothing comes for free - even on the Internet.

Every email you send (yes, including Hotmail/Yahoo!/Rediffmail) has to be stored on servers and requires electronic circuitry to transmit. All that costs money. In addition, there are hidden costs related to the corporate email usage caused by spam. To get an idea of the costs involved just answer this. How

many 'relevant' emails do you get in a day and how much time does it take for you to sort through your cluttered inbox to arrive at them?

To put things in perspective, according to available statistics, companies the world over will spend \$20.5 billion managing spam in just 2003. It is also estimated that nearly half of all the emails that are sent everyday are spam. AOL and MSN block around 4.8 billion spam messages a day, and that's not counting the ones that get through to your inbox. So that's spam.

And Husein Gandhi from Mazgaon, Mumbai, is the lone Indian on Rokso's list of the world's worst spammers. Rokso, or the Register Of Known Spam Operations, is a free-access, non-profit register of known hard-line spam operations across the world. This list, complete with the IP (Internet Protocol) addresses of the spammers, is used by thousands of mail servers across the world via a database called the Spamhaus Block List (SBL) to block spam. There are around 138 people on the latest list, and Rokso estimates that these 138 people are collectively responsible for more than 90% of all spam in the world.

These 138 people choke up your mailboxes and make sure that you lose at least a couple of productive hours a day deleting the stuff. Quick back-of-the-envelope calculations will show us why Gandhi is big. Ninety per cent of the total cost of handling spam globally works out to

around \$18.4 billion. Assuming Gandhi's share of the spam pie is only around 5%, he still costs \$92.2 million or Rs 434 Crores to companies around the world! And mind you, we are talking big money here.

So now we know that Gandhi is worth \$90 million or so. The only difference with most other Indian entrepreneurs is that they are worth that much directly and because they increase the productivity of companies, while Gandhi is that much of a cost to others. But hey, that's real entrepreneurship!

Unlike most other Indian entrepreneurs, information about Gandhi is tough to come by, primarily because his profession demands some covertness. The Rokso site maintains profiles on each spammer in the list collated through the years by affected mail administrators and users all over the world. But even they have only sketchy details about Gandhi and some of that information is already outdated. For example, the phone number the Rokso site lists as Gandhi's is invalid.

Gandhi used to run a company called Anmol Solutions, which offered website hosting and designing services. Now, via Anmol, Husein offers 'bullet-proof hosting', spammer-speak for servers that will let you send millions of unwanted emails a minute without booting you for such behaviour, from countries

like Brazil and Argentina. Incidentally, the company's own website, anmol.com, has been taken off the Net, but a simple Google search will prove that the company still exists. One of the few legitimate jobs it undertook some time back was creating the website of a Mumbai-based steel trading company.

Gandhi's most notable 'business partner' is a convicted fraudster and one of the worst spammers in the world - Alan Ralsky. He has been operating in the spam business since 1997 and, hence, must be like a father figure to the relatively young and 'inexperienced' Gandhi, who is just 25 or 26 years old.

At Elance.com, a company that lets individuals and companies offer their services at a price, Gandhi offers bullet-proof hosting among other things, and claims that "need-based research and specific tailormade solutions for clients have resulted in the company's steady growth over the past five years". He also claims that he is an MBA from the Mumbai-based Narsee Monjee Institute of Management Studies (NMIMS), a reputed Indian business school. A little digging took me to a page at the NMIMS website which proved Gandhi's claim. He graduated in marketing in June 2003 from NMIMS after undergoing his summer training with Blue Star.

So here we have an Indian entrepreneur who graduated from

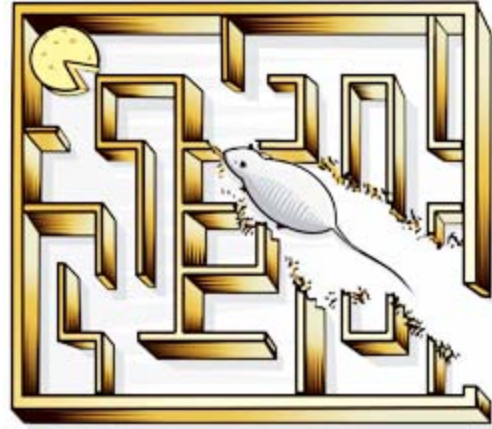
one of India's leading business schools and took the road less traveled. Today, he is among the world's best in his field. The only problem: he will make it to the list of the infamous, not the famous. His profession demands secrecy and the ability to hide his tracks and he's been able to do that until now. Is Gandhi really any less of an entrepreneur than Sabeer Bhatia? In fact, if anything, he's smarter, though in a twisted sort of way. Gandhi rides piggyback on the same product that Bhatia created (Hotmail) to serve his 'customers'. Parasitic entrepreneurship, even if it can claim to be world-class. Kanwal Rekhi, another prolific Indian entrepreneur, is reported to have once remarked that "the great thing about American democracy is you get to vote with your jackpot". Gandhi is hitting the jackpot - though not in the way you or I would approve of.

---

### **GAME FOR ENTREPRENEURSHIP?**

**Can any B-School actually 'teach' entrepreneurship? A few prominent ones are trying**

THERE is only one way to make a great deal of money," believed oil tycoon J. Paul Getty, once named the richest man in America. "And that is in a business of your own." In the Age of the MBA, those of us with more modest ambitions can 'make a great deal of money' by simply walking into cushy corporate jobs from brand name B-schools.



To the would-be MBA entrepreneur, 'O' no longer spells opportunity as much as opportunity cost.

Yet, interest in entrepreneurship as a subject is growing steadily in Indian B-school campuses. They have entrepreneurship cells, business plan contests, elective courses and, in some cases, full-fledged entrepreneurship centres, some going so far as to provide 'incubation support'. The question remains: can entrepreneurship really be 'taught'? And the case study method answer is: it depends.

Originally, entrepreneurship courses were meant to literally 'produce entrepreneurs'. In 1947, Harvard Business School (HBS) developed an elective titled 'Management of Small Enterprises' for students eager to start their own businesses after World War II. The real thrust into teaching and research in the area came in the early 1980s when HBS graduate and pioneering venture capitalist Arthur Rock funded the first professorship in the field of entrepreneurship at HBS.

Under legendary Professor Howard H. Stevenson, entrepreneurship came to be defined not just as an 'innate trait' but a particular type of managerial behaviour available to virtually all managers in organisations of all kinds and sizes. Today HBS requires its 900 first-year students to take a course called 'The Entrepreneurial Manager', and offers almost 20 elective courses in the area to its second-year students. American B-schools, including the likes of Wharton, offer entrepreneurial management as a major, "preparing students for careers as autonomous entrepreneurs, family-business Venture Planning' (NVP) course has seen an enrolment as high as 70 per cent in some years. The course gives perspectives from all functional areas like marketing, finance, operations, strategy and also preparation of business plans. IIM Bangalore offers as many as four electives covering the entire gamut - from the regulation 'Managing New Ventures' to the gung-ho 'Entrepreneurship from the Trenches: A Real World Perspective'. Further, a course in 'Social Entrepreneurship' is being introduced. In March 2002, IIM-B set up the Nadathur S. Raghavan Centre for Entrepreneurial Learning (NSRCEL) with a generous grant from N.S. Raghavan, one of the co-founders of Infosys Technologies (See 'Incubation, The New Buzzword').

entrepreneurs, or entrepreneurs in corporate setting". Entrepreneurship centres have also become an integral feature at campuses in the US, thanks to corporates and individuals who are keen to fund them. The University of Michigan, for example, got \$10 million to set up such a centre in 1999.

In contrast, Indian B-schools have made a more modest foray into entrepreneurship education. Every self-respecting B-school offers at least one elective in the area as part of the second year of the postgraduate programme (PGP). And interest from students is high. At IIM Lucknow, the 'New

In addition to supporting teaching and research, NSRCEL has a state-of-the-art incubator "to help entrepreneurs launch their business plans into commercially viable products and services". The problem is, students of the PGP seem to be showing little interest (so far) in utilising its facilities. "Most of the entrepreneurship courses are not taken seriously as they are taught in the fifth and sixth term when marks are not counted for placements," a second-year student points out. "There is a 'Start-up Club' as well in the campus, but its activities are infrequent and limited to a few VC lectures and games."

While the NSRCEL incubator can house about 10 teams of up to six members each, it currently supports just two - education BPO Meta-i Technologies and software company

EmbedX. Neither of the two boasts any IIM-B students or alumni. There are some practical issues adding to the problem. For instance, the NSRCEL board meets only once in six months to evaluate new

entrepreneurial ideas. But at the heart of the matter lies the same old argument: IIMs are a platform to get lucrative jobs, which you won't get once you are out of this place.

### **Incubation, The New Buzzword**

- IN sync with the global trends, Indian B-schools are jumping onto the wealth creation bandwagon. Entrepreneurship centres offering research, training and incubation facilities are coming up all over the place.
- IIM-A set up the Centre for Innovation, Incubation and Entrepreneurship (CIIE) in 2001 through grants from the Gujarat government and National Innovation Foundation, and its own funds.
- IIM-C set up a Centre for Entrepreneurship and Innovation to spearhead activities to promote, train and incubate entrepreneurial ventures, especially in high-tech areas.
- Mumbai's K.J. Somaiya Institute of Management Studies and Research is setting up the Centre of Excellence in Entrepreneurship with Strathclyde University's Hunter Centre for Entrepreneurship.
- The ICFAI Centre for Entrepreneurship Development at Hyderabad offers training as well as incubation facilities. (It presently supports one company.)
- Mudra Institute of Communications, Ahmedabad (Mica) has set up an entrepreneurship development centre (EDC).
- ISB Hyderabad's Wadhvani Centre for Entrepreneurial Development aims to "inspire the next generation of entrepreneurs to create 1,000 new businesses over the next 10 years". It is funded and chaired by Romesh Wadhvani, former vice-chairman, i2 Technologies.

On paper, everything looks great. Most of the centres plan to cater to the in-house student community, as well as offer services and training to outsiders. IIM-C hopes to network with other top educational institutions in the eastern region, and all the incubators are open to evaluating proposals from 'anyone with a viable business plan'. However, the centres haven't been able to enthuse their students - not even those with entrepreneurial ambitions.

But that might be changing. At Mica, Raunica Sethi, a 2004 graduate, is the first student whose dream is being supported by the centre on campus. Sethi plans to set up a 'Career Exploration, Training and Counseling' centre to guide students. She is spending a year as a project associate at Mica's EDC - time that she is using to put her ideas into practice. And for the very first time, Anveshan, a national search for innovation by IIM-A's CIIE, has thrown up a second-year student from the campus as a winner. 'Bio-synthesis of Nanomaterials', a project submitted by Kunal Upadhyaya (IIM-A) and Dr Murali Sastry (National Chemical Laboratory, Pune) bagged third place in the 'Innovation/Prototype in search of an enterprise' category.

CIIE is offering incubation support to Upadhyaya as well as a team from IIIT Gwalior which won gold in the 'business plan' category. This means not just working space and computers, but mentoring as well as networking to see the idea through to the commercialization stage. Says CIIE co-coordinator Somnath Chatterjee: "The dream is that one day we will have not just banks and consultants, but VCs chasing our students on Day 1." Amen

This very attitude is being attacked head on - with remarkable success - with

Laboratory in Entrepreneurial Motivation' (LEM), an elective course at IIM

Ahmedabad. Taught since 1992 by IIM-A alumnus and entrepreneur Sunil Handa, the course has no textbook, no readings, no quizzes, no test, no exams. No 'fundas' on how to apply for loans or make project reports - students can always figure that out later. LEM simply targets the 'fear factor' involved in spurning or giving up a job to start out on your own.

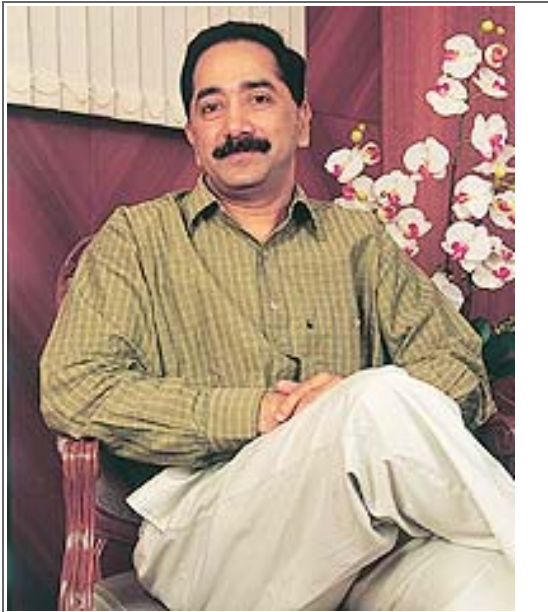
"As an entrepreneur I try to bring lots of personal experiences and practical aspects," Handa says. One of the many unique features of the course is that former LEM students, who have become entrepreneurs, share their experiences. (They are jokingly referred to as 'exhibits'.) And one of its most valuable inputs is the 'one-to-one counseling', which Handa squeezes in by scheduling morning (6 a.m.!) walks with students. Not surprisingly, this unconventional course is one of the most sought after second-year electives with more than 100 students vying for its limited (30) seats.

Almost all LEM students do take up campus placements. But a couple of years down, many plan to take the plunge - and quite a few actually do so. They often come back to 'Handa sir' for advice and mentoring. "I am available to them, and so is my office - free of cost," he says. In the last one year, he has had six of his former students coming and staying at his house, all of whom had quit their jobs and were in search of 'what to do' next. In addition to IIM-A, Handa has taken LEM classes at the IIMs in Indore and Kozhikode (though he doesn't do so anymore because of travel fatigue), and his doors are also open to others who seek him.

With more time, energy and resources being directed to develop entrepreneurship in India than ever before, a new trend of sorts is setting in. A handful of students are defying conventional wisdom and seeking to start out on their own - right after campus. The thinking behind quitting the rat race early, or not joining it at all, is to avoid the 'golden handcuffs' syndrome that the cushiness of corporate life inevitably brings. From IIM-A's class of 2004, Vardan Kabra spurned a Rs 7-lakh pre-placement offer from P&G to pursue his dream of setting up an innovative school (a chain, he hopes, someday) under the brand name, Fountainhead. Kabra has identified Surat as the location, and is raising the required capital.

Arvind Kumar, also IIM-A '04, went through the ritual of placement ("for my parents' sake") but never took up the job with Polaris. Kumar is now in the midst of setting up a company offering customised packaging solutions for industry. IIM-C too saw Malli Mastan Babu drop out of placement earlier this year - the avid trekker has started an adventure tourism company by the name 'Mast Adventures'. The 2003 batch of IIM Kozhikode saw Kishan Kumar and Krishna

Swamy turn their backs on the corporate scene to venture into the foods business - their company, Yellow Foods, plans to market banana chips.



**K. Raghavendra Rao, founder of Orchid Pharmaceuticals, is among many IIM-A alumni to leap into entrepreneurship**

R. A. CHANDROO

'Never-been-kissed by corporate recruiters' will remain a badge of honour for a few strong-willed individuals. But the number of those who've 'flirted with the job' and then decided to break away is growing. IIM-L '03 graduate Nimish Adani, who took the plunge after a six-month stint in Pepsi, says: "While I was having a great time at my job, I realised I was creating a superficial comfort zone for myself." Adani, with partner Hari, is now busy running ReZonant Design, which he envisions as a 'world-class creative outfit'.

"There's definitely been a rise in opportunities in the service sector," says Shailesh Tamagadge, an IIM-A '02 pass-out who runs a communications solutions firm TAG Vinnatti. "The upfront capital outlays

are not huge, making it easier for risk-taking MBAs to consider entrepreneurship."

The cool thing is that all these MBA entrepreneurs are prepared to make it - the hard, old-fashioned way. No one is buying into the dream of VC money and quick sellouts; most plan to grow and nurture their companies into young adulthood, at the very least. "The days of seed capital went with the dotcom boom," says Neelesh Asati, who along with IIM-L batchmate R. Rangarajan, started Scholar's League (an MBA entrance training company) right after the dotcom bust in 2002. The duo notched up five companies in three continents over two years - clearly, it was an inherent restlessness that culminated in the decision to quit the corporate scene.

### **Hatching a plan at ISB**

Class of 2004's Subramani 'Rich' Ramchandrapa is a legend in B-school circles. The ISB graduate's business plan for an artificial flowers project, using proprietary technology, has been at just about every contest in India and several abroad. Needless to say, it's won numerous awards including second place at the Thunderbird Business Plan competition in the US.

Subbu's winnings, friends joke, took care of the Rs 10 lakh he spent on attending ISB. "Actually, I made a Rs 2 lakh profit," admits the inveterate entrepreneur. At 27, Subbu had already spent three years at Biocon and has had two-years experience running his own biotech company, Richcore. So joining ISB wasn't a decision taken for its placement prospects.

Despite his entrepreneurship background, Subbu credits ISB with giving him the 'search tools' to spot an opportunity and, most importantly, think on a global scale. The artificial flower project is, in fact, based on a technology his own company had developed earlier but never found applications for.

ISB attracts a fair number of individuals with entrepreneurial/ family business backgrounds. The 2004 batch had 10-15 such students, says Subbu, five or six of whom have rejoined their own companies. Batchmate Kaushal Khakar, who also comes from a business background, has now teamed up with Subbu, and will handle the finance aspect of the project.

The duo's company, Nature's Own, plans to roll out its 'very real looking' floral arrangements this December - in Hawaii.

Incubation apart, Subbu's prescription to jumpstart entrepreneurship on management campuses: "B-schools need to tie up with local research institutes and scientists with patents to be able to create unique products that can be marketed globally."

Yet, most MBAs are and will remain risk averse. Recognizing this, the 'Managing New Ventures' course at IIM-B is positioned not to inspire you to become an entrepreneur 'here and now', but to equip students to "make well-considered choices when they come across such opportunities in their career". IIM-B's Mathew J. Manimala, Professor of Organization Behaviour, and Jamuna

Raghavan, Chair Professor of Entrepreneurship, believe MBAs are "more likely to take up entrepreneurship 5-10 years after graduation".

An informal survey of the 95 alumni from IIM-A's 1976-78 batch at their silver jubilee reunion in December 2002 revealed that 30 per cent were now "on their own". The exercise was repeated at the 1979 batch reunion, and again the figure was about 30 per cent. Incidentally, the IIM-A batch of 1979 includes several high profile entrepreneurs - adman Rajiv Agarwal, the Mastek team, K. Raghavendra Rao of Orchid Pharmaceuticals and Sunil Handa himself. That compares well globally - about 40 per cent of HBS graduates describe themselves as entrepreneurs "at some point in their career". Barring the crazy dotcom period, even in the US, the number of students choosing to plunge into entrepreneurship immediately after graduating has been quite small (Stanford being a notable exception).



**Rajiv Agarwal stepped into the ad world after his IIM-A experience**

HEMANT MISHRA

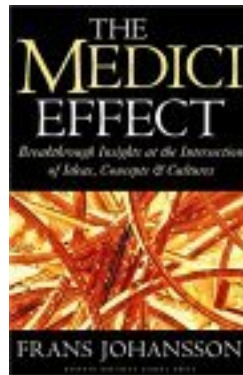
Of the graduating class of 2002 at HBS and Wharton, roughly 3 per cent chose to "start a new business". These included the likes of 34-year-old Christy Jones who entered HBS in 2002 with two technology start-ups already under her belt, and has, after graduating, launched Extend Fertility, a company developing medical options to prolong women's fertility. Indian B-school graduates, in contrast, are 'bachchas'!

Bottom line: As the LEM experience shows, a single inspiring professor can inspire a rash of entrepreneurial fires. But to begin with, there must be that spark within. Course or no course, some manage to ignite that passion and translate it into an entrepreneurial venture, despite the hurdles. You can endlessly weigh the pros and cons or, like Phil Knight - the Stanford MBA who fathered Nike - 'Just Do It'.

---

**Book Review: THE MEDICI EFFECT: BREAKTHROUGH INSIGHTS AT THE INTERSECTION OF IDEAS, CONCEPTS & CULTURES by Frans Johansson**

**The Medici Effect explores the awesome power of intersectional innovation  
By Chuck Frey**



**The Medici Effect:** Breakthrough Insights at the Intersection of Ideas, Concepts & Cultures by Frans Johansson is a remarkable book that should be on every entrepreneur's bookshelf. It contains numerous practical insights and strategies that you can benefit from, no matter what profession or industry you're working in.

The name of the book refers to the explosion of knowledge, culture and ideas that flourished during the Renaissance, fueled by the wealthy Medici family in Italy. It's an appropriate metaphor for the explosion of disruptive business opportunities that we're faced with today.

The Medici Effect is divided into three sections:

**Part 1 - The Intersection:** The first part of this book explains what the Intersection is -- a place where ideas from different field and cultures meet, leading to an explosion of ideas and possibilities. It also explains the forces that are creating it and why it's growing in importance. Johansson also draws some important distinctions between incremental and disruptive, intersectional ones: "The key difference between a field and an intersection of fields lies in how concepts within them are combined," he explains. "If you operate within a field, you primarily are able to combine concepts within that particular field, generating ideas that evolve along a particular direction -- what I call directional ideas. When you step into the Intersection, you can combine concepts between multiple fields, generating ideas that leap in new directions -- what I call intersectional ideas."

Why are intersectional ideas important? Because they have the potential to create new markets -- what Clayton Christensen calls disruptive innovations -- and enable the people and companies who created them to become the leaders in the fields they created.

**Interesting fact:** communication technologies that enable collaboration, like the Internet, are helping to break down the walls between cultures, professions and fields of knowledge, unleashing massive opportunities for breakthrough innovation.

**Part 2 - Creating The Medici Effect:** This part of the book explains what associative barriers are, and why it's important that they be low when you're seeking intersectional ideas. It outlines some practical strategies you can use to lower your associative barriers, and how to find powerful combinations of different fields, cultures and areas of knowledge. It also does a fascinating job of explaining why explorations at the Intersection tend to yield an exponential increase in ideas and concepts. In short, Johansson builds a convincing case for why the Intersection is the most fertile field for innovation.

**Part 3 - Making Intersectional Ideas Happen:** Books about innovation and creativity tend to avoid the subject of failure, but Johansson dives right in, with page after page of instructive advice. For example, he outlines how to regard failures of intersectional ideas, which tend to be more frequent than those from directional ones. "Successful execution of intersectional ideas... does not come from planning for success, but planning for failure. Since we cannot rely on past experience to devise a perfect execution path, we must rely on learning what works and what doesn't. Failures and mistakes during such a process are inevitable."

This section of the book also offers some practical advice for "succeeding in the face of failure." For example, when developing a business plan for an intersectional idea, the author recommends budgeting some funds for trial and error, and learning from past failures. Perhaps most important of all, Johansson explains the critical role that courage plays in entrepreneurial ventures. Your existing network of contacts may discourage you from pursuing your intersectional idea. In fact, he says that you will probably have to break away from your network to pursue intersectional innovation.

### **Conclusion**

In a world filled with me-too, prescriptive tomes on innovation, The Medici Effect stands apart as a book that covers fresh ground, and does so in a very engaging way. This book contains a fascinating, diverse collection of real-world examples of how to find Intersectional ideas and profit from them. I give Frans Johansson a lot of credit for going beyond the "usual suspects" -- notable innovators that everyone else has written about in their books -- to find some fresh, new voices to illustrate how to pursue intersectional innovation in the real-world.

### **Summary:**

The Medici Effect is a book that should be on your must-read list. Highly recommended

## **Membership Application Form**

Name:

Address:

Phone:

Mobile

E-mail

Profession:

Type of Membership:

Life:

Annual:

Amount:

Amount:

Payment Details: Cheque /DD No.

Bank:

Address For Communication:

Editorial Board:

Publication Details:

Acknowledgements: The Entrepreneurial Executive, Journal of Entrepreneurship Education, BW Online, B-S Online, Academy of Entrepreneurship Journal, Innovation Tools Online, Clipart Heaven, Business Humor, Free-Clipart

Success!  
Success!



*"Cutting Edge Thought Leadership to help you succeed....."*

