

# Erhvervsøkonomisk debat

## *To understand Entrepreneurship*

*We need both »entrepreneurship« and »the understanding of and for entrepreneurship«*

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### Introduction

The need for development and renewal, for new business and entrepreneurship, is great both within industry and public activities. All agree on this and many speak about it. There are also many ideas, and many individuals who want to apply them and even – this is sometimes said – enough resources that can be invested in these risky operations. The conditions for new business or renewal the old one seem to be good. However, one is still not satisfied with the result. More entrepreneurship is needed, one says, better entrepreneurship, fewer failures etc. and so it continues as before, with »more of the same kind«, but still the result will not be much better (1)

How can this problem be attacked? We mean that what is needed is a (new and better) *understanding* of entrepreneurship and, above all, of entrepreneurs. It is our hope and faith that we as scientists – looked upon as analysts, observers or actors – can create theories for understanding entrepreneurship and models for using in such situations, theories that will work in practice.

In our opinion, some fundamental bases to build on in order to acquire an understanding of entrepreneurship, are the following:

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1. The entrepreneur creates business either by starting new companies or by renewing old ones. But all managers or even managers in new business are not entrepreneurs.
2. The entrepreneur interacts with his environment (is influenced by and influences the environment).
3. The environment for entrepreneurs are different and they can partly be created by or influenced by society.
4. There are different kinds of entrepreneurs.

These fundamental bases give us reason to put a number of questions which at the same time will motivate our continued work:

- a) How do we describe an entrepreneur? If the environment wants to cooperate with them they must be identified.
- b) How do we describe the way the entrepreneur influences his environment? How do we describe the way the environment influences the entrepreneur? What existing environment is suitable for an entrepreneur? (What »soil« is suitable for »cultivation«?)
- c) How do we improve the environment? How to find and develop possibilities? How to find and remove obstacles?
- d) What types of entrepreneurs can it be appropriate to distinguish? How will the answers to the above questions depend on what type of entrepreneur we work with?

We believe that a categorization of entrepreneurs into different types is basic, essential and useful. It gives us better possibilities to evaluate different ways to act and will give a more modulated and practical research and development.

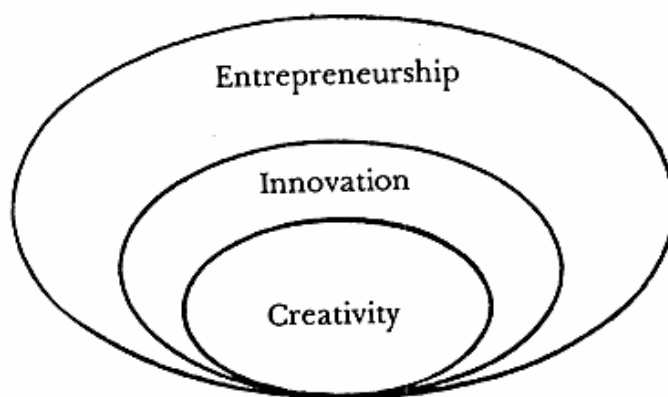
This paper (which is also a part of a larger work) will henceforth

- discuss the concepts of creativity, innovation and entrepreneurship,
- show a categorization of entrepreneurs into five types,
- give examples of the five types,
- produce some characteristics of the different types of entrepreneurs,
- somewhat discuss to some extent different entrepreneurial roles,
- summarize some of the consequences of our approach.

## The relationships between the concept of creativity, innovation and entrepreneurship

The concepts of creativity, innovation and entrepreneurship are often confused and used as representative of the same types of phenomena. To successfully use the concepts, it is however important to distinguish

their meanings. They have to do with different side and levels of the creating and developing process. A model to illustrate this is the following



Creativity can be manifested through a process in which something genuinely new is created. An innovation is a result of concretely creating creativity.

Entrepreneurship is an overlapping conception that means both creativity and innovation, but also the continuation and direction of the process. From this follows that the entrepreneur is not only creative and innovative, he also carries out the idea in practice. New products and/or new systems come into existence (2).

We want to summarize our conceptions in the following figure:

<i>Process</i>	<i>Characteristics</i>		<i>Results</i>
Thinking that is	creative	gives	new ideas
Creation that is	concrete	gives	innovations
Management that is	entrepreneurial	gives	{ new products new systems

Note that in our definition of and research into entrepreneurship we

*concentrate* on the end products of the process, i.e. that new products and or new system arise. In other studies the interest might stress some earlier stages, e.g. new ideas or innovations.

## Different kinds of entrepreneurs – with examples

If the idea of what is new is the result of existing activities in a company (or another kind of organization), the person who gets the idea and has the characteristics of an entrepreneur can choose to realize his idea within this company. Then we call him/her an *intrapreneur*, internal actor, or *company renewer* (3).

*Extrapreneur*, external actor, or *outlaw* we call the one who instead chooses to leave his company = his employment, to realize an idea that is born within the company.

*Novopreneur* or ego actor we call the entrepreneur who gets an idea which is *not* born in a company and who starts a new one to realize his own creation.

Both the novopreneur and the extrapreneur – unlike the intrapreneur – do start new companies. What separates them is the origin of the idea. Another type of person starting a new company is the *interpreneur*, integrator or *procurer*. That is what we call the person who realizes new possibilities of business by combining the necessary resources from different quarters, e.g. from a couple of smaller companies, through mergers or by joint ventures.

There are reasons to distinguish an additional type of entrepreneur. It is a matter of taste and it differs from case to case whether to say it is somebody who starts a new company or renews an old one. We are referring to a *renovateur*, renovator or *company saviour*, i.e. the individual or group who save a company that is not functioning well by taking care of at least some of existing human and other types of resources and adding something new. A variant of this theme which is not unusual today consists of those companies which are run and owned by employees.

Below is a concrete example of each type of entrepreneurship.

1. INTERPRENEURSHIP – Trelifax Co. Within the enterprise Trelleborg Co 1979 an establishment of retrieval was initiated to produce

rubber powder from waste rubber, especially from worn-out tyres. The rubber powder produced this way can be directly used in rubber mixtures but also be processed into what is called a regenerate, that can replace raw rubber in many products.

Retrieval is in. This combined with problems of employment made the mother company develop the idea. Trellfax Co is today a company of its own, that in the majority is owned by Trelleborg Co.

2. EXTRAPRENEURSHIP – *Cobra/Control and Guard Group Co.* Cobra is a guarding company in the Swedish town of Lund, employing 10 individuals, most of them guards by profession. The main working area is to check super markets, which covers almost half of the work.

George Lantz, the founder and owner of the company, was earlier employed by Sweden's largest service, United Security Co. Because of disappointments resulting from the fact that no promotion was forthcoming and because of difficulties in putting his new ideas (inter alia possibilities to use dogs in his service) into practice he left the large combine 1968 and started on his own.

3. NOVOPRENEURSHIP – *Scan Coin Co.* The company started in 1966 in Malmoe (Sweden) by manufacturing coin counters. Scan Coin Co has today widened its line to also include other products, which its main customers, banks, are using. Today the company has over 100 employees and a turnover of 50 million Swedish crowns. Its largest market is on export side, which last year led to the company receiving the Export Prize.

The reason why Scan Coin was started was based upon the idea of three people, of a coin counting machine that should be fast, simple and reliable. The three founders each had his area of competence, one salesman knowing a potential market, one production engineer with experience in manufacturing and one civil engineer specializing in electronics. That they succeeded was mainly due to the strong faith in their own business concept.

4. INTERPRENEURSHIP – *Scandinavian Fast Building Systems Co.* This company was founded 1975 as a cooperation between four smaller companies on export of wooden houses to the Middle East. The possibilities were created by the fact that

- demand for wooden houses in the Middle East was greatly increasing,
- governmental support in the form of a subsidy was offered,
- considerable production capacity in the four companies was unfilled,
- together it was possible to accept larger orders than one company could take alone.

5. RENOVATEURSHIP – *Blacksmith Construction Co.* 1975 the company of H.L. Olsson Steel Construction Co was in a prolonged period depression. The order stock and profitability was dropping. 1978 the tendency continued. At the end of this year the management decided after negotiation with the labour union to close the factory. The personnel was however convinced that the operation could continue if it was restructured into new localities and on a smaller scale.

Trygghetsrådet SAF-PTK<sup>\*)</sup> was contacted through the local union. An investigation was made into the possibilities of the company. A smaller number of previous employees contributed capital and applied for support from the Development Fund.

The company, which is today called Blacksmith Construction Co, is owned by these 12 employees who have made a syndicate agreement.

## Characteristics of different types of entrepreneurs

The different groups of entrepreneurs contained in our study have some different characteristics. The character sketch below is based on some indicators in our work but in several respects it is both hypothetical and speculative.

The intrapreneur is a person, who actuates development and renewal within the framework of existing organizations. He often works hard but not with the intensity of for example the novopreneur, the extra-preneur and the renovateur. He is psychologically stable, aware of his role and very often has colleagues assisting to calculate business risks. He is not such a lonely wolf as several of the other types of entre-

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<sup>\*)</sup> A Swedish national council for the secure employment of white collar workers, run by employers' and employees' unions and financed by funds from individual companies raised by central agreement.

preneurs. In spite of his framework he has often the ability to improvise and, within certain limits, go his own way.

The extrapreneur is a creative and stubborn person, who has the ability to develop his sometimes relatively »limited« idea. He is like the novopreneur in his egocentricity, energy and mental disposition but might not be so psychologically stable. He has a strong drive for going his own way and often calculates his risks carefully and gradually before he starts on his own.

The novopreneur has often greater creative ability than the rest, he is determined to work hard and he is physically strong. He has a great need of attention, which often makes him reveal both his personality and his ideas. He goes his own way, create his own rules and conditions. He has the ability to see the simple facts and the important aspects of all situations.

The interpreneur is creative, works hard and calculates the consequences of what he considers entering. In order to connect different operations he should be able to improvise and be broad-sighted. He often develops rules to which other people must subordinate themselves. He is and should be profit-oriented, at the same time as he himself has a strong desire for good economic returns.

The renovateur often has a short time to act and lives under some psychological pressure. His strenght lies in his will-power to cut off unsuccessful »branches« at the same time as he can plant new ideas and develop vital parts of the former situation. He works very hard, is psychologically strong and stable and also energetic. He has also a need for quick results. He often has the ability to improvise, go his own way by creating his own rules and conditions.

We are aware that the statements above contain several questionable generalizations and that there are many exceptions.

## Entrepreneurial roles

Let us under this title summarize some results from our studies. Space does not permit this to be done to any great extent.

- The statistics indicate that most new companies are of the extrapreneurial type.
- The industry claims that the most important technical developments in a country like Sweden are of the intrapreneurial type.



- Many factors indicate that pure novopreneurs are becoming more and more rare.
- Interpreneurs are often present in export connection.
- Renovateurs are becoming more and more salient and necessary.
- Sometimes entrepreneurs change roles, e.g. from an intrapreneurship to an extrapreneurship or from a novopreneurship to an interpreneurship.
- It is still a partly unanswered question as to how much entrepreneurship is going on in a group and how much is going on individually. Our results indicate that the individual model is mostly pronounced by extrapreneurs and novopreneurs.
- There is a difference between entrepreneurs in large companies and in small companies. The relation to our classification is however uncertain.

### The value of our frame of reference

All classifications have their weaknesses. However, as long as they contribute more than they »destroy«, they are useful.

There are many myths around entrepreneurship. A great deal of research has missed the dynamic aspects in such processes and, above all, the necessity to be contingent. We believe that our classification can contribute to a more precise, practical and individual understanding of the entrepreneurial situations and thereby give many advantages

- in the understanding of earlier research on entrepreneurship and to direct new one,
- when designing education and further training in business administration,
- to entrepreneurs understanding themselves and others,
- when guiding the companies acting in entrepreneurial matters,
- to society influencing the development of our new companies and renewal of our new companies and renewal of our old ones.

#### *Litteratur*

(1) *Hedberg, B. & Sjöstrand, S.E.*: Från företagskriser till industripolitik, Liber, Malmö 1979.

(2) *Copulsky, W. & McNulty, H.W.*: Entrepreneurship & the Corporation, AMACOM, New York 1974.

(3) *Macrae, Norman*: »Intrapreneurial now«, The Economist April 17, 1982.

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