

Managers and Entrepreneurs

Both managers and entrepreneurs are answerable for producing results. The results are, of course, different. In their respective result areas, the buck stops with them. While they can delegate, they are finally accountable.

Both have to produce results through people working with them though they deal with different sets of people. they are not effective in the long run, if they are loners.

Both are decision-makers but the decisions are different as their tasks vary.

Both have to operate under constraints which are understandably different.

To be effective in their respective roles, both have to follow sound principles of management like planning, staffing, delegation and control. The focus of these management tools may vary depending upon the ultimate purpose.

Table 5.1 summarises the similarities, focusing on the different perspective within each similarity.

A successful organisation needs both entrepreneurship and management. The entrepreneurial role may be played by the Chief Executive and his team of top-level executive, the managerial role by the middle-level and joint-level executives.

TABLE 5.1: SIMILARITIES BETWEEN MANAGERS AND ENTREPRENEURS

Areas of Similarity	Differing Focus	
	Managers	Entrepreneurs
To produce results	Results of today, this month, this year. Short-term and medium-term.	Results of tomorrow, next year and coming five years. Long-term and very long-term.
To produce results through people	Have usually to handle people oriented to day-to-day management nitty-gritty and nuts and bolts type — Men of details.	Have to deal with people who can conceptualise with aggregate perspectives. — Strategists
To take decisions	Operational and administrative decisions, which have a bearing on short-term and medium-term results.	Mostly strategic decisions, involving growth through expansion, diversification, take-overs and mergers.
To co-operate under constraints	The constraints are usually organisational, i.e., those within an organisation like machine capacity, labour productivity, routing and scheduling, information availability, financial limitations etc.	The constraints are usually environmental which lie outside an organisation like the policy of financial institutions, import policy, licensing policy, infrastructural constraints etc.
To follow sound principles of management	The principles are more oriented towards internal administration and control like delegation, accountability, responsibility, planning, budgeting, reporting and information system.	The principles are with reference to macro-social aspects like social responsibility, equal opportunity, employment, ethical advertisement practices, adherence to government policies, etc.

Managerial Versus Entrepreneurial Decision Making

The difference between the entrepreneurial and managerial styles along five key business dimensions — strategic orientation, commitment to opportunity, commitment of resources, control of resources, and management structure — is summarized in Table 5.2.

A Management Tool

The efficiency of professional management lies in the managerial approach which does not suffer from dogmatic, ideological and political trappings. It is an approach which tackles the problem as a 'whole' and not in 'fractions.'

The professional manager brings into operation planning, organising, staffing, motivating, controlling and coordinating the work of technocrats and professional aspects to achieve pre-determined goals. The professional manager must possess a desire to achieve, to expand, to build and to grow. His goal should be to produce the best results in the shortest time and at least cost. The manager, who has had to benefit of management education and has exposed to the managerial tools and techniques of achieving the profit-cum-growth, will be in a position to deliver the goods to developing economy like ours.

It is characteristic of an established profession that its members accept the obligation to contribute to the advancement of standards and to the education of the future aspirants. The more eminent the member, the more readily he recognises the obligation. It is quite likely that his personal contribution to teaching may be small but it will be of high quality. This is the task facing the professional managers of the future.

Illustrations

Professional managers are the forerunners in the corporate sector. Two brief profiles reflect on the varied aspects of these achievers and doers. They are young, energetic, educated and possess the much needed drive.

Arvind Vijh, 29, is the group manager for chemicals and allied products at Birla 3M in Bengaluru, a company he joined last year because he was taken up by the American multinational's plans to "manufacture a range of products which will make it a force to reckon with soon." An MBA from IIM, Kolkata, Vijh has had a rapid rise since he began his career at the Indian Organic Chemicals in Mumbai as a management trainee. After a six-month stint there, he moved to the ICI, first as a management trainee and then as sales manager in charge of speciality chemicals. During his three and a half years with the chemical and fertiliser giant, he claims to have first picked up the ropes on "how to get into new business" — and this is what he intends doing successfully in Birla 3M.

TABLE 5.2: A COMPARISON OF THE ENTREPRENEURIAL AND ADMINISTRATIVE DOMAINS

<i>Entrepreneurial Domain</i>	<i>Key Business Dimension</i>				<i>Administrative Domain</i>
<i>Pressures toward This Side</i>					<i>Pressures towards This Side</i>
Diminishing opportunity streams					Social Contacts Performance measurement
Rapidly changing: Technology Consumer electronics Social values Political rules	Driven by perception of opportunity	Strategic orientation	Driven by resources currently controlled		Social contracts Performance measurement criteria Planning systems and cycle
Action orientation Short decision windows Risk management Limited decision constituencies	Revolutionary with short duration	Commitment to opportunity	Evolutionary of long duration		Acknowledgment of multiple constituencies Negotiation of strategy Risk reduction Management of fit
Lack of predictable resource needs Lack of long-term control Social need for more opportunity per resource unit International pressure for more efficient resource use	Multistaged with minimal exposure at each stage	Commitment of resources	Single-staged with complete commitment upon decision		Personal risk reduction Incentive compensation Managerial turnover Capital allocation systems
Increased resource Long resource life compared to need Risk of obsolescence Risk inherent in any new venture Inflexibility of permanent commitment to resources	Episodic use or rent of required resources	Control of resources	Ownership or employment of required resources		Power, status, and financial rewards Coordination Efficiency measures Inertia and cost of change Industry structures
Coordination of key non-controlled resources Challenge to legitimacy of owners' control Employees' desire for independence	Flat with multiple informal networks	Management structure	Formalised hierarchy		Need for clearly defined authority and responsibility Organisational culture Reward systems Management theory

Source: Adapted from Howard H. Stevenson and William Sahlman, "Importance of Entrepreneurship in Economic Development," In *Entrepreneurship, Intrapreneurship and Venture Capital: The Foundations of Economic Renaissance*, ed. Robert D. Hisrich (Lexington, MA: Lexington Books, 1986), pp. 18-25.

Her promotion six months ago has *Arti Luniya* one of the youngest branch managers in the Steel Authority of India Ltd. (SAIL). "Creating a demand for steel," is how the 33-year-old describes her job at the Howrah branch which sells about 10,000 tonnes of steel per month. Handling up to 50 customers a day, her work includes distribution, planning and outdoing competitors.

Obtaining a degree in economics, she did a postgraduate course in international relations from Jawaharlal Nehru University, New Delhi. SAIL has been her first and only employer. She joined SAIL as a management trainee and underwent rigorous training in the various departments of the steel giant. "I do feel a sense of pride in being the first lady branch manager," she admits.

The entrepreneur may be a manager but a paid manager cannot acquire the position of an entrepreneur.

An entrepreneur has great motivation to manage his business successfully. He is keen towards developing business through innovation and is satisfied when his efforts give him positive results. He is the investor, risk-bearer, manager and

controller. The entrepreneur may appoint a manager and delegate some of his functions. However, manager even after performing his assigned duties cannot substitute the entrepreneur.

The entrepreneur lays down a broad policy for business, assumes risk and makes the business a concern. The main factors which distinguish an entrepreneur from a professional manager as shown below:

TABLE 5.3: DISTINCTIVE FEATURES OF ENTREPRENEUR AND PROFESSIONAL MANAGER

<i>Entrepreneur</i>	<i>Professional Manager</i>
1. Perception of an opportunity	1. Setting of objectives
2. Risk-taking	2. Policy formulation
3. Tactical Planning	3. Strategic Planning
4. Interpersonal communication	4. Formal communication
5. Negotiating	5. Organising
6. Trouble-shooting	6. Motivating
7. Making it a growing concern	7. Controlling
8. Innovator	8. Administrator
9. Motivator	9. Skilled, knowledgeable
10. Determined	10. Confident
11. Idealist	11. Specialist
12. Committed	12. Loyal
13. Visionary	13. Planner
14. Planner	14. Implementer

Entrepreneur vs Manager: The entrepreneur is a person who is motivated to satisfy a high need for achievement in innovative and creative activities. His creative behaviour and innovative spirit which forms a process of an endless chain is termed as entrepreneurship. It is not enough for the entrepreneur to build up the process, but equally important task for him is to manage the business. He performs entrepreneurial vis-a-vis managerial functions. The entrepreneur enters at a transitional stage in which what is initially with innovation becomes a routine for him the transition from an entrepreneurship to management. Also, the emphasis switches from techniques and analytical methods to insight and to involvement with people. The entrepreneur perceives and exploits opportunity, and the subsequent steps necessary for organisation are pertinent, to management.

The entrepreneur differs from the professional manager in that he undertakes a venture for his personal gratification. As such he cannot live within the framework of occupational behaviour set by others. He may engage professional manager to perform some of his functions such as setting of objectives, policies, procedures, rules, strategies, formal communication network. However, the entrepreneurial functions of innovation, assumption of business risk and commitment to his vision cannot be delegated to the professional manager. Failure to the professional executive may mean a little more than locating a new job perhaps even at a higher salary, whereas failure of an entrepreneur in his efforts would mean a devastating loss to his career. The professional manager has to work within the framework of policy guidelines laid down by the entrepreneur.

This distinction between entrepreneur and the professional (traditional) manager is presented in Table 5.4.

TABLE 5.4 : DISTINCTIVE FEATURES OF TRADITIONAL MANAGER AND THE ENTREPRENEUR

	<i>Manager</i>	<i>Entrepreneur</i>
<i>Primary Motives</i>	Wants promotion and traditional corporate rewards. Power-motivated.	Wants freedom, goal-oriented, self-reliant, and self-motivated.
<i>Time Orientation</i>	Respond to quotas and Budgets, weekly, monthly, quarterly, annual planning horizons, the next promotion or transfer.	End goals of 5-10-year growth of business in view as guides. Takes action now to move the next step a long way.
<i>Action</i>	Delegate action. Supervising and reporting take most of energy.	Gets hands dirty. May upset employees by suddenly doing their work.
<i>Skills</i>	Professional training. Often business-school trained. Abstract analytical tools, people-management, and political skills.	Knows business intimately. More business acumen than managerial or political skill. Often technically trained if in technical business. May have former P&L responsibility in corporation.
<i>Courage and Destiny</i>	Sees others in charge of his or her destiny. Can be forceful and ambitious, but may be fearful of others' ability in case of optimism.	Self-confident, optimistic, courageous.
<i>Attention</i>	Primarily on events inside corporation.	Primarily on technology and marketplace.
<i>Risk</i>	Careful	Like moderate risk. Invests heavily, but expects to succeed.
<i>Market Research</i>	Has market studies done to discover needs and guide product conceptualisation.	Creates needs. Creates products that often can't be tested with market research — potential customers don't yet understand them. Talks to customers and forms own opinions.
<i>Status</i>	Cares about status symbols (corner office, etc.)	Happy sitting on an orange crate if job is getting done.
<i>Failure and Mistakes</i>	Strives to avoid mistakes and surprises. Postpones recognising failure.	Deals with mistakes and failures as learning experiences.
<i>Decisions</i>	Agrees with those in power. Delays decision until he gets a feel of what bosses want.	Follows private vision. Decisive and action-oriented.
<i>Who they Serve</i>	Please others.	Pleases self and customers.
<i>Attitude Toward the system</i>	Sees system as nurturing and protective, seeks position within it.	May rapidly advance in a system, when frustrated, reject the system and form his or her own.
<i>Problem-solving Style</i>	Works out problems within the system.	Escapes problems in large and formal structures by leaving and starting over his own.
<i>Family History</i>	Family members worked for large organisations.	Entrepreneurial small-business, professional, or agricultural background.
<i>Relationship with Parents</i>	Independent of mother, good relations with father, but slightly dependent.	Absent father or poor relations with father.
<i>Socio-economic Background</i>	Middle-class background.	Lower-class background in some early studies, middle-class in more recent ones.
<i>Educational Level</i>	Highly educated.	Less well educated in earlier studies, some graduate work but not Ph.D. in later ones.
<i>Relationship with Others</i>	Hierarchy as basic relationship.	Transactions and deal making as basic relationship.