1. Introduction: entrepreneurship and wealth creation for economies, organisations and people

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INTRODUCING RENT XXVI IN LYON

This volume presents a selection of the best papers from the 169 presented at the RENT Conference hosted by EMLYON Business School, France in November 2012. The Conference was attended by 271 delegates and is one of the most significant meetings of researchers in the field of entrepreneurship and small businesses in the world. Hence, this anthology illustrates the contemporary issues that leading researchers are investigating within the broad conference theme. Entrepreneurship has already been shown to be a significant source of innovation and economic development but the variations in the contribution at the individual, organisation, region and national levels remain relatively unexplored. The types of contributions – behavioural, economic and social – are also relatively new areas for empirical scrutiny and theoretical development.

RENT XXVI produced a range of papers in response to the conference theme, demonstrating the breadth and strength of the field. These spanned papers linked to business support systems and critiques of interventions and institutions aiming to stimulate entrepreneurship, through to analyses of finance, networking, entrepreneurship education, innovation and human capital. Of course, one of the substantial themes in current research is the importance of ‘context’ – the geographical, political and socio-economic milieu within which entrepreneurship takes place – and this notion is embedded in many of these chapters. Hence, the papers selected for the anthology reflect diversity as well as depth of analysis of the field. In our selection of papers, the Editors were mindful, first, of the necessary intrinsic quality of the conference papers and, second, of their salience for knowledge, theory and practice. All the chapters have undergone a peer-review process where two anonymous referees provided
feedback on each original submission, together with advice from the Editors, to help develop each chapter and contribute to the book.

INTRODUCING THE CHAPTERS

The literature on social entrepreneurship has expanded significantly recently and Chapter 2, by Aggestam, focuses on the personality attributes of the social entrepreneur and their contribution to extreme poverty, advancing the concept of ‘philanthrocapitalism’. Drawing upon the work of Lackmann, her study uses a neo-institutional approach that takes into account both personal and environmental influences on social entrepreneurial processes. This framework is applied to the case of a social entrepreneur, Percy Banevik, and the creation of a self-help movement in India. The chapter draws upon primary and secondary evidence and builds up a case of ‘social entrepreneuring’, showing how individual characteristics can influence others to create a response in a deprived economic environment and engender a self-help movement. Overall, the chapter provides an unusual and interesting application of a concept to a social entrepreneurship setting and demonstrates the significance of how human activity, interacting with broader environmental characteristics, can shape positive outcomes.

The link between human capital and entrepreneurship has been subject to research that has demonstrated a general positive relationship but requires more detailed analyses and understanding. Chapter 3, by Guerrero and Peña-Legazku, builds upon this literature and analyses the relationship between human capital and firm creation. Using data from GEM Spain, the authors test five hypotheses surrounding the characteristics of individuals who have created a new business within 42 months (both independent and corporate venturing). Using bimodal logistic regression, the results show differences between intrapreneurs and entrepreneurs, as well as with those not engaged in either type of start-up effort. Intrapreneurs were found to possess accumulated specific enterprise education training and experiences, as informal investors and intrapreneurs. Entrepreneurs, on the other hand, were more likely to have generic knowledge, entrepreneurial training and entrepreneurial experience. Of course, the results are drawn from a secondary data set and from Spain but they do illustrate how an existing data set can be utilised to contribute to a more refined understanding of the links between human capital and entrepreneurship.

Entrepreneurial orientation (EO) has attracted substantial attention since its promulgation in the 1980s. In Chapter 4, Randerson, Bettinelli and Fayolle address the relationship between EO and firm performance.
They provide cluster analysis based on a range of dimensions of EO using data from 163 French firms. The chapter is significant in that it makes links between the personality of the top manager, the characteristics of the organisation (structure, size, age, culture) and the environment and organisational performance. The results show how four clusters: ‘go getters’, ‘risk takers’, ‘innovators’ and ‘all-stars’ have various dimensions of EO. Interestingly, their findings both contradict and support the conventional wisdom. For example, in relation to ‘innovators’ the personality of the top managers has little influence but a mechanistic structure and a group culture were found to be important. For the ‘all-stars’, market culture and clan culture were found to be significant characteristics. Although the analysis is limited to French data, the results provide interesting results that should be built upon by others interested in the relationship between EO and business performance.

The bulk of the research in the field of entrepreneurship and small business tends to focus on the entrepreneurs or business owners. Chapter 5, by Schlosser, provides something slightly different and examines how the profiles of small- and medium-sized enterprise (SME) owners and their key employees differ. How do these vary according to firm age and EO? By drawing upon human capital literature, the chapter develops two hypotheses, proposing first that owners of older SMEs will perceive less similarity between themselves and their key employees than owners of younger SMEs; and, second, that entrepreneurs perceive key employees to be more similar to themselves the higher the SME entrepreneurial orientation. These hypotheses are tested on a cross-sectional data set of 129 SMEs from Canada. The results found evidence to support both hypotheses. Venture age was significantly negatively related to demographic similarity, and EO was significantly and positively related to personality and work habit similarity. The analysis leads to a series of questions for researchers and practitioners and raises questions regarding the traits of the most suitable employees, as well as implications for recruitment criteria.

In Chapter 6, Bosma, Stam and Wennekers analyse the prevalence of intrapreneurship across 11 countries with particular attention to their level of income. Intrapreneurship involves the initiative, pursuit of opportunity, elements of newness and a degree of risk taking but how does this vary within different macro contexts? The latter include a number of institutions such as legal (property rights, the rule of law and employment regulation) and educational systems. The authors examine the proposition that high income countries will have a higher prevalence of intrapreneurship than low income countries. This is based on a series of assumptions regarding the differing economic structure, the size distribution of firms and the levels of education in high and low income economies. Drawing
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upon a special theme study from GEM, the authors defined intrapreneurship as employees developing new business activities for their employer, including establishing an outlet or subsidiary and launching new products or product-market combinations. The results are quite revealing: less than 5 per cent of employees are intrapreneurs but, as expected, they are more prevalent in high income economies. However, when the relationship between intrapreneurship and independent entrepreneurship is explored, the analysis unearths some interesting results. These suggest that the relationship between intrapreneurship and entrepreneurship differs at the individual and macro levels. Although intrapreneurship has received examination by researchers, the chapter is significant in that it makes important connections between intrapreneurship and the macro-context.

Innovation and its link with business start-ups has been the subject of substantial empirical research and planning. In Chapter 7, Gabrielsson, Politis and Lindholm Dahlstrand focus on the speed of technology innovation in start-up settings. Specifically, they develop and test a theoretical framework that examines how innovation speed in technology start-ups is influenced by the uncertain character of technology and markets that underlie potential inventions. The speed of innovation – in this case the time between initial R&D investment and commercialisation of a patented invention in a start-up – has a significant effect on the returns to investment. However, this process is fraught with information uncertainties. These include ‘state uncertainty’ (i.e. information shortages in the macro environment), ‘effect uncertainty’ (i.e. how actions and choices might influence venturing efforts in the presence of high levels of environmental dynamism) and ‘response uncertainty’ (i.e. information shortages in the context of the need to make immediate decisions).

Drawing upon a data set of 101 technology entrepreneurs in Sweden, two hypotheses are examined. The results show that neither perceived state uncertainty nor perceived effect uncertainty have any significant influence on innovation speed in new technology commercialisation. However, innovation speed is found to be primarily affected by a perceived response uncertainty. The ability of technology entrepreneurs to spot and seize high potential business opportunities is found to moderate the uncertainty-speed relationship. Entrepreneurs in the study with a higher ability to spot and seize business opportunities with high potential were found to be affected by high degrees of perceived uncertainty when developing and commercialising patented inventions. This suggests that high entrepreneurial ability can be an asset in situations with a high effect uncertainty, as this reduces the time of commercialisation. On the other hand, high entrepreneurial ability can be a liability in situations where technical entrepreneurs experience a high degree of state uncertainty or
response uncertainty, thus increasing commercialisation time. Overall, the chapter contributes to our understanding of the effects different types of uncertainty have on the commercialisation of technologies.

University spin-offs have been recognised as a useful means of technology transfer, commercialising technology and bringing with them the benefits of generating local economic income and jobs. In Chapter 8, Billström, Politis and Gabrielsson examine the differing characteristics of technology entrepreneurs in relation to networking. Specifically, they examine the relative effectiveness of the ‘external entrepreneur model’, where the original inventor chooses to provide the rights to commercialise the technology to an outsider, compared with the ‘inventor entrepreneur model’, where the original inventor assumes the role of the entrepreneur. In doing so, the chapter presents a case study design of four venture projects, two representing the former and two the latter models for the commercialising of university research. The empirical part of the study involved face-to-face interviews with four key informants as well as secondary data sources. The cases are analysed in relation to three critical network elements: the contents that are exchanged between network actors, the governance mechanism in relationships, and the network structure of relationships which allows the authors to identify the particular strengths and weaknesses of each model. Overall, the analysis underlines the crucial role of incubators to the diffusion and commercialisation of technology as they bridge structural holes between research orientated and commercial networks. Their findings also suggest that the external entrepreneurial model is a potent technology transfer mechanism that is effective in creating and utilising networks for start-up and growth of spin-offs. With this analysis, the authors provide a very cogent argument for both theory and practice.

The final chapter, by Courault, Perez and Teyssier, provides a different focus from the other chapters in the sense that it addresses the failure of high growth SMEs, rather than their start-up or development. The objective of the chapter is to examine the financial characteristics of failed hyper-growth SMEs compared with their surviving counterparts. ‘Fast growth’, ‘high growth’, ‘hyper-growth’ or ‘extraordinary growth’ firms have attracted attention and resources from policy makers, particularly in developed economies, as a response to their recognised contribution to the economy. There are numerous ways in which growth can be measured, although in practice these have involved financial and/or employment variables. For this chapter, the authors utilised financial indicators including margin in relation to turnover (gross operating margin, net profit margin), profitability (return on capital employed, return on equity) and productivity (fixed assets productivity, capital invested productivity).

Data for the analysis was drawn from a sample of 17,404 French
companies started before 2004 and whose turnover was more than 500,000 euros in 2008. Six business groups were classified as ‘decreasing’ (9.1 per cent of all the firms); ‘sluggish’ (29.8 per cent); ‘growing’ (36.5 per cent); ‘fast growth’ (18.7 per cent); ‘hyper-growth’ (5 per cent); and ‘mega-growing’ (0.5 per cent). The mean average growth rates for each group varies tremendously, the decreasing group experiencing −3.8 per cent on average per annum whilst the hyper-growth is 47.7 per cent per annum. A number of models are tested with the main outcome that ‘hyper-growth’ firms are more likely to fail than those in other groups. The analysis provides some significant implications for contemporary theory and policy. The analysis also suggests that this is a result of lower margins and lower profitability. In other words, failure in this study is not a result of insufficient market opportunities but because of the challenges of addressing the pace of development and inadequate profitability. This chapter adds to the weight of evidence on the fragility of hyper-growth firms and some of the underlying reasons for this failure. Future research requires integration with other factors to establish a more comprehensive understanding of the causes of failure. However, the results cannot be ignored by policy makers and their current focus on ‘gazelles’ as a means of promoting economic growth. Is this an appropriate focus and if so how can the needs of hyper-growth firms be better addressed?

OUTLOOK

Overall, this anthology offers varied and novel insights to our understanding of entrepreneurship and wealth creation for economies and countries, organisations and people. The chapters illustrate the variety of research methods used in the field, from secondary through to primary data in qualitative and quantitative analyses. They also demonstrate the breadth of questions in relation to wealth creation which – too often – is still limited to economic wealth and economic outcomes.