

## **TOWARD A TYPOLOGY OF ENTREPRENEURIAL ACTIVITIES**

Scott W. Kunkel  
Associate Professor  
University of San Diego  
5998 Alcalá Park  
San Diego, CA 92110  
(619) 276-2376

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# **TOWARD A TYPOLOGY OF ENTREPRENEURIAL ACTIVITIES**

## **ABSTRACT**

This paper suggests a new approach to classification in the field of Entrepreneurship. Prior efforts have attempted to classify types of entrepreneurs or types of entrepreneurial ventures. This paper suggests that classifying types of entrepreneurial activities offers some significant advantages to the other two alternatives. This paper then presents a hierarchical Typology of Entrepreneurial Activities. It identifies several “classification factors” or attributes on which entrepreneurial activities can be classified into archetypes, and identifies ten classes of archetypical entrepreneurial activities.

This typology can help empirical researchers include in studies only those entrepreneurial activities they wish to examine. It is also a useful teaching tool, helping students understand the different types of “entrepreneurship.”

## **INTRODUCTION**

Carland, Hoy, Boulton, and Carland (1987) attempted to differentiate between the small business manager and the entrepreneur. Gartner (1989), in response, suggested that rather than trying to define the entrepreneur, we should, instead, be trying to define types of entrepreneurship.

Gartner, Mitchell, & Vesper (1989) used cluster analysis to develop a taxonomy of types of new business ventures. Their analysis developed eight new business venture gestalts, or types of new business ventures, based upon the answers by entrepreneurs to nineteen questions concerning their background, organization structures and strategies of their ventures, the competitive environments in which the ventures were created, and the process used to create the venture. The eight gestalts are: 1) Escaping to something new; 2) Putting the deal together; 3) Roll-over skills/contacts; 4) Purchasing a firm; 5) Leveraging expertise; 6) Aggressive service; 7) Pursuing a unique idea; and 8) Methodical organizing.

Although the taxonomy developed by Gartner, et. al (1989), shed light on why and how entrepreneurs set about founding new ventures, it made no attempt to classify types of entrepreneurial activities, including entrepreneurial activities undertaken within existing organizations, sometimes called Corporate Entrepreneurship. Meanwhile, a special issue of the Strategic Management Journal edited by Guth and Ginsberg (1990) left no question that some activities that are carried on within the confines of existing organizations should be considered entrepreneurial activities.

One problem with classifying types of entrepreneurs is that a given individual may undertake many different types of entrepreneurial activities and form many different types of ventures during a career. Classifying individuals into classes implies that any individual will utilize the same approach to all ventures over time and will use the same approach to all ventures he/she is founding at any given time.

Classifying an individual as a certain type of entrepreneur also implies that he/she is engaged in entrepreneurial activity throughout his/her life – i.e., “once an entrepreneur always an entrepreneur.” In actuality, many “entrepreneurs” found businesses and shortly thereafter settle into managerial roles, running their ongoing organizations. Others undertake a series of entrepreneurial ventures, each with different goals and a different approach, based on the learning that took place in earlier spurts of entrepreneurial activity. Still others found a venture, run that business for several years, and then found another venture. In other words, entrepreneurial activity may be undertaken in spurts, with periods of low entrepreneurial activity between them.

In the same way, classifying entrepreneurial ventures into classes ignores the fact that a given organization may undergo several types of entrepreneurial activities and rebirth during its organizational life interspersed with periods of low entrepreneurial activity and stability.

## **CLASSIFYING ENTREPRENEURIAL ACTIVITIES INSTEAD OF TYPES OF VENTURES OR TYPES OF ENTREPRENEURS**

This paper suggests a new approach to entrepreneurship classification. Instead of classifying types of entrepreneurial ventures or types of entrepreneurs, as has been attempted in the past, this paper suggests an alternative approach, classifying types of “entrepreneurial activities.”

The classification of types of entrepreneurial activities instead of types of entrepreneurs has the advantage of acknowledging that an “entrepreneur” may undertake several different types of entrepreneurial activities at different times in his/her career, or even simultaneously in different organizations or ventures. This approach also recognizes that “entrepreneurs” are not engaged in entrepreneurial activities at all times during their careers.

The classification of types of entrepreneurial activities instead of types of ventures has the advantage of acknowledging that a particular organization may experience several different types of entrepreneurial activities over its life and organizations that are undergoing the transformational influence of entrepreneurial activities at some points in time may not be under the influence of entrepreneurial activities at other points in time. As an example, Apple computer experienced one type of entrepreneurial activity under Steve Jobs and a completely different type of entrepreneurial activity under John Scully.

Many studies have explicitly or implicitly acknowledged the fact that there are different types of entrepreneurial activities and that these different types should not all be lumped together in empirical research (Sandberg, 1984-86; McDougall, 1987; Birch, 1987; Kunkel, 1991, to name but a few). These studies actually classified types of entrepreneurial ventures based on the types of entrepreneurial activities

that were taking place in the organizations at a particular time, ignoring the fact that those same ventures might undergo different types of entrepreneurial activity at different times in their existence.

Nonetheless, the above studies acknowledged that, because of the different environments within which entrepreneurial activities can take place and the different motivations of the entrepreneurs, the goals and performance of organizations influenced by entrepreneurship will be significantly different between diverse classes of entrepreneurial activities. Organizations behave differently when acted upon by different types of entrepreneurial activity. For example, Birch (1987) has shown that there are significant differences between the motivations, performance, and economic impact of new ventures that are founded with the goal of “income substitution” and those that are high growth-potential ventures.

When building data bases for empirical research, it is important for researchers to control for differences in the characteristics of the organizations they study which result from differences in the type of entrepreneurial activity being undertaken within them. For example, a study using a data base which included both income substitution (“mom ‘n’ pop”) and high growth-potential independent new ventures could find that the differences between these two types of organizations confuse, dilute, and mask the significance of the findings that such a study would have produced had the researchers controlled for type of entrepreneurial activity.

The development of a typology of entrepreneurial activity archetypes can provide empirical researchers with a tool to ensure that only activities and ventures from the classes of entrepreneurial activities they wish to examine have been included. In addition, by using such a typology, studies will be able to clearly specify to which classes of entrepreneurial activities their findings can be generalized.

The existence of such a typology of entrepreneurial activities would also improve the teaching of entrepreneurship. Many entrepreneurship courses are taught as if there were only one type of entrepreneurial activity – the founding of growth-oriented, independent new ventures. Such a limited view distorts the presentation of material to students and decreases the instructor’s ability to show students that there are many different types of entrepreneurial activity, that each type of entrepreneurial activity requires different resources and skills of the entrepreneur (the performer of the entrepreneurial activity), and that the risks and the rewards of different types of entrepreneurial activity may be different.

### **BUILDING A TYPOLOGY OF ENTREPRENEURIAL ACTIVITIES**

There are a number of different definitions of the terms entrepreneurship and entrepreneur. Some definitions insist that all entrepreneurship must result in the founding of a new venture; other definitions allow entrepreneurship to take place within the context of an existing organization.

Guth & Ginsberg (1990) provided a broad and flexible definition of corporate entrepreneurship that can be extended to include independent entrepreneurship. They stated that:

The topic of corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them: (1) the birth of new businesses within existing organizations, i.e. internal innovation or venturing; and (2) the transformation of organizations through renewal of the key ideas on which they are built, i.e. strategic renewal (p. 5).

Add a third class of activity, i.e. “(3) the birth of new businesses formed outside the auspices of existing organizations,” and this definition adequately covers both corporate and independent entrepreneurship.

A hierarchical classification system, using different classification factors or attributes at each level of the hierarchy, makes it possible to build a Typology of Entrepreneurial Activities that includes both the founding of new business enterprises and entrepreneurial activities that take place within existing organizations. Table 1 presents a Typology of Entrepreneurial Activities.

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### **THE FIRST CLASSIFICATION FACTOR: CONTEXT OF THE ENTREPRENEURIAL ACTIVITIES**

The first level of analysis in this typology classifies entrepreneurial activity on whether it is undertaken within the structure and context of an existing organization (Corporate Entrepreneurship) or by an individual or team of individuals independent of an existing organization (Independent Entrepreneurship). Weiss (1981) pointed out some significant differences between independent new ventures and new ventures founded by corporations.

The data show a distinctly different performance after the second year. By the eighth year, businesses started by individuals (ISU herein) enjoy a performance advantage over corporate ventures (CSU herein). . . On average, ISU businesses have reached profitability in half the time that CSU businesses have: 3.5 years versus 7 years (p. 38).

Vesper (1983) noted:

there are also data indicating that when individuals or small groups undertake new ventures they are more successful than when established companies try it. Venture (June, 1980, 42) reported that independent entrepreneurial start-ups on the average reached breakeven sooner, achieved higher ultimate profits and return on investment, and produced higher sales than corporate internal start-ups, particularly after two years (pp. 31-32).

Hofer & Sandberg (1987) speculated as to why independent new ventures may achieve profitability much sooner than corporate start-ups. First, “established organizations tend to go ‘first-class’ in their new ventures to a far greater degree than do independent startups,” and second, “established organizations tend to enter larger markets that have stronger, more established competitors than do independent startups” (p. 18).

Another explanation for the differences in performance between independent and corporate startups may lie in the differences in the motivations, incentives, and risk/reward attitudes between independent startup entrepreneurs and corporate managers. Independent venture owners generally have a greater equity interest in their ventures than corporate venture managers; they have more to gain by a large success, whereas bankruptcy limits the downside risk of failure. Corporate cultures, compensation systems, and evaluation systems may restrict a corporate-startup manager’s ability and propensity to “go for broke,” decreasing the incentive for a big success and increasing the disincentive of a big failure versus a small failure. The systematic differences in motivations of independent entrepreneurs and corporate new venture managers have yet to be empirically documented.

Regardless of the reasons, there appear to be significant differences between entrepreneurial activity undertaken within an existing organization and entrepreneurial activity undertaken free of the influence of an existing organization. Therefore, the first level of differentiation of entrepreneurial activities is the context of the entrepreneurial activity, Corporate versus Independent.

Since entrepreneurial activities that take place within the corporate and independent contexts are so different, it is only reasonable that different classification factors or attributes should be used to further subdivide each of these classes.

## **SUBDIVIDING CORPORATE ENTREPRENEURSHIP**

The field of Strategic Management has long used “strategy level” to subdivide the strategy setting task of management into classes, i.e., enterprise level strategy, corporate level strategy, business level strategy, and functional level strategy. Since the “entrepreneurial role” is one of the key roles of strategic managers (Mintzberg, 1973), and “strategic renewal” is part of the definition of corporate entrepreneurship presented by Guth & Ginsberg (1990), it is reasonable to subdivide corporate entrepreneurial activity into four levels, corresponding to the four levels of strategy making: Enterprise-Level Entrepreneurial Activity, Corporate-Level Entrepreneurial Activity, Business-Level Entrepreneurial Activity, and Functional-Level Entrepreneurial Activity.

This typology borrows the terms “enterprise-level,” “corporate-level,” “business-level,” and “functional-level” from the field of Strategic Management. For clarification of the differences, “enterprise-level” decisions deal with the *raison d’etre* for the existence of the organization, the mission and value system which identify the propose for which the organization exists. “Corporate-level” decisions deal with the issues of deciding what businesses or activities the organization wishes to engage in and how these business units should be organized, related to one another, and evaluated. “Business-level” decisions deal with the issues of how each business unit chooses to compete in the industry in which it competes. “Functional-level” decisions look within the business unit and deal with how each functional skill (marketing, operations, finance, human resources, R&D, etc.) can contribute to the accomplishment of the “business-level” strategy.

## **Enterprise-Level Entrepreneuring**

Enterprise-level entrepreneuring is the total redefining of the purposes for which the organization exists, the *raison d'être* for the existence of the organization. Enterprise-level entrepreneurial activity is called for when the purposes for which the organization exists become recognized as either being unattainable or obsolete.

An example of enterprise-level entrepreneurial activity is shown in the way in which the March of Dimes redefined its organizational purpose and reason for being after the Salk polio vaccine made it's identity with finding a cure for polio obsolete. Had the organizational leadership not been able to find a new reason for being that was acceptable to their stakeholders, the organization could easily have become obsolete itself and ceased to exist since its purpose had become obsolete (fulfilled). However, finding a new definition of the reason for the organization's existence in the fight against birth defects created a new life and a new identity for the organization.

## **Corporate-Level Entrepreneuring**

Building on the definition provided by Guth and Ginsberg (1990), at the corporate level entrepreneurial activity can be defined as the radical restructuring of the portfolio of business units that make up the corporation, or the transformation of the organization through renewal of the key ideas on which it is built. This type of entrepreneurial activity can be called "Corporate Turnaround."

Keep in mind that it is not necessary for a corporation to be suffering losses or even to be diagnosed as having a problem for a corporate turnaround to be initiated. For example, Jack Welch

undertook a total restructuring of General Electric at a time when many analysts believed that GE was healthy and not in need of major change.

A Corporate Turnaround is any radical restructuring of the types or mix of business units or how those business units are organized within the corporation's portfolio of businesses. Jack Welch's recreation of GE, Percy Barnevik's remaking of ABB in Europe, and Ben Lytle's restructuring of the lumbering Blue Cross/ Blue Shield of Indiana into the nimble Acordia Group would all qualify as Corporate Turnarounds, one form of Corporate Entrepreneurship.

### **Business-Level Entrepreneurship**

At the business level, it is possible to further subdivide entrepreneurial activity based on whether the entrepreneurial activity takes place within an existing business-level unit or the entrepreneurial activity is designed to bring about the founding of a new business unit.

**New business unit ("Corporate Venturing").** Founding a new business unit, sometimes called "Corporate Venturing," is the first form of business-level entrepreneurial activity. This is, perhaps, the most widely recognized form of corporate entrepreneurship. Even scholars who insist on "new venturing" as the only acceptable definition of entrepreneurship accept Corporate Venturing as a form of entrepreneurial activity.

As an example of Corporate Venturing, 3M regularly establishes new business units to house the new products the firm develops. Some corporations have specialized and centralized the Corporate Venturing role by developing new venture divisions whose sole purpose is to develop new business units

for the corporation based on the innovations produced by their corporate R&D divisions and/or innovations from the corporation's supplier's.

**Existing business unit (“Business Turnaround”).** Bringing about the strategic renewal of an existing business unit, sometimes called a “Business Turnaround,” is the second form of business level entrepreneurial activity. Transformation of a business unit through the process of Business Turnaround is a form of entrepreneurial activity whether the business unit is one of many in a corporation's portfolio or is the only business unit within a single-business organization.

As in the case of Corporate Turnaround, it is not necessary for a business to be diagnosed as being in trouble in order for a Business Turnaround to be accomplished, although this may be more typically the case. It is also not necessary for the radical restructuring of the organization to be *successful* for this activity to be considered an entrepreneurial activity, any more than it is necessary for a new venture founding to be successful for the founding attempt to be considered an entrepreneurial activity. Radical restructuring of the product / market / technology mix or the strategic thrust for a business unit would qualify as entrepreneurial activity of the Business Turnaround type. John Sculley's remaking of Apple computer is an example of a Business Turnaround.

### **Functional-Level Entrepreneurship**

Development of new products, new processes, new technologies (either product technologies or process technologies), that result in a strategic renewal of a function or group within an organization, i.e. finding new ways for the unit to do business, are Functional-Level Entrepreneurship. The accounting manager who radically refocuses a stodgy bookkeeping department into an aggressive, service-oriented,

customer-driven information group, serving inside customers and outside customers alike, has engaged in Functional-Level Entrepreneurship as much as the champion responsible for the commercialization of a new product.

## **SUBDIVIDING INDEPENDENT ENTREPRENEURSHIP**

Since independent entrepreneurship takes place outside the context of an existing organization, it is logical to assume that independent entrepreneurial activity is, by definition, aimed at forming a new organization – at new venture formation. Therefore, in this section, independent entrepreneurship and new venture formation are treated as synonymous.

The most significant characteristic for subdividing Independent Entrepreneurship is the growth potential of the new venture. Numerous studies on new venture performance have explicitly or implicitly differentiated between “High Growth-Potential” new ventures and “Income Substitution” (or “mom ‘n’ pop”) new ventures. Some have made this differentiation by simply excluding “mom ‘n’ pop” new ventures from their samples. Weiss (1981) specifically excluded “‘mom and pop’ shops, purely local businesses, etc.” from his sample of independent startups in order to concentrate on “firms which were sufficiently similar in broad business objectives to the [corporate startup] sample to make comparison more meaningful” (p. 52). Sandberg’s (1984, 1986) study was designed to intentionally exclude “the founder of an intendedly marginal firm” (p. 34).

One of the most obvious distinctions is between large and small companies, and they certainly behave differently -- General Motors operates on a set of principles unlike those governing the neighborhood delicatessen. We also recognize that [high growth-potential] entrepreneurial firms (as a group) behave differently from income substitutors (Birch, 1987, p. 116).

McDougall (1987) intentionally left small, “income substitution” firms out of her sample, as did Kunkel (1991). Because of the differences in goals and strategic outlooks, and the performance differences recorded in these works, it is apparent that these are significantly different populations that need to be separated for analysis. Therefore, the first classification factor used for subdividing independent entrepreneurship is growth potential.

### **High Growth-Potential New Venturing**

Birch (1987), in commenting on the significant contributions of new and small businesses to the economy, attributes most of these contributions to what he calls “entrepreneurial” (or “high growth-potential”) firms, as opposed to “income substitution” firms. However, there are two types of high growth-potential new venture activities, and they can be differentiated by the conceptual driver that motivates the entrepreneurial activity, be it a market need or a new technology.

**Need-Driven New Venturing.** The first type of high growth-potential new venturing is “Need-Driven New Venturing.” The Need-Driven New Venture finds its *raison d’etre* in the marketplace. An entrepreneur or entrepreneurial team notices an unfulfilled need in the marketplace and sets out to fill it. The entrepreneur may know little about the technology or the product, but he/she can see the need. This fixation on the need frequently leads practitioners of Need-Driven New Venturing to find new and unique ways of satisfying that need, breaking or rewriting the preestablished “rules of the game.”

An example of a Need-Driven New Venture is Devon Stores Corporation, based in Carle Place, NY. Incorporated in July, 1979, Devon went public with an Initial Public Offering (IPO) in April, 1983. Devon operates a chain of 33 retail stores specializing in selling consumer durables on credit to U.S.

military personnel near military bases in 12 states. They carry only merchandise that the Military Post Exchanges are not permitted to carry such as furniture and appliances and sell on credit to enlisted personnel who often find it difficult to get credit elsewhere because of their youth and lack of credit experience. This venture was founded because the entrepreneurs believed that they saw a need that was going unfulfilled – a need that they could profitably fill.

**Technology-Driven New Venturing.** The second type of high growth-potential entrepreneurial activity is “Technology-Driven New Venturing.” The Technology-Driven New Venture comes into being because of the entrepreneur’s desire to make the technology accessible. Many of the high-flyers in the leading-edge technologies are Technology-Driven New Ventures. Rather than seeing a need and looking for a way to fulfill that need, the founders of Technology-Driven New Ventures begin with the technology and then find a way to make the technology need-fulfilling in the marketplace.

For example, when Steve Jobs founded Apple Computer, it was his espoused dream to make computing accessible to everyone, thereby changing the world. California Biotechnology, Inc., of Mountain View, CA., incorporated in December, 1981, IPO in October, 1983, is in the business of biotechnology and genetic engineering. It was founded to bring the technology of genetic engineering to the market and is actively engaged in trying to find need-fulfilling products that can be produced using its gene-splicing technology. When founded, California Biotechnology was an example of Technology-Driven New Venturing.

## **Low Growth-Potential New Venturing**

Low growth-potential new ventures are not as glamorous as high growth-potential new ventures, nor are they credited with the enormous impact on the growth of employment and the economy attributed to high growth-potential new ventures (Birch, 1987). Nonetheless, small businesses, the great majority of which are low growth-potential (“mom ‘n’ pop”) businesses, “employ 57% of the workforce, produce 45% of the Gross National Product, and create 67% of the new jobs” (Ibrahim & Goodwin, 1986, p. 41). These businesses form the backbone of the U.S. economy.

In Low Growth-Potential New Venturing, the goal is income, not growth. Low growth-potential new venture activities can be classified based on the income potential of the venture into three types, Income Substitution (“mom ‘n’ pop”), Income Supplementing (part time), and Hobby / Lifestyle New Venturing.

**Income Substitution (“mom ‘n’ pop”) New Venturing.** The first type of Low Growth-Potential New Venturing is Income Substitution (“mom ‘n’ pop”) New Venturing. An Income Substitution New Venture is founded with the intent of replacing the income of an individual or family. The intent of the founders of Income Substitution New Ventures is not to create an organization that will rapidly grow to major corporate status. Their primary intent is, instead, to generate an income comparable with what the individuals involved in the business could make working for someone else. Not all Income Substitution firms are *successful* at generating an income comparable with what the individuals could earn from employment with someone else, but that is the reason for creation of the business. Most small family businesses are Income Substitution businesses.

Sometimes negative life events drive an individual or couple to found an Income Substitution firm. Loss of a job, immigration to a new land, etc., can lead individuals, couples, or partners to form ventures which provide an income for their families. Sometimes these ventures are successful enough that they grow into sizeable organizations (the grocery chain or restaurant chain that started with one unit and grew to several units over years). In the Income Substitution venture, however, the reason for the growth is to increase the income and livelihood of the founding owners.

As an example, when the McDonald brothers founded McDonald's Hamburgers, it was an Income Substitution entrepreneurial venture, and since it was a successful venture it grew to be a good sized operation. However, when Ray Kroc bought the franchising rights to the McDonald's formula, the McDonald's Corporation that he built was a High Growth-Potential entrepreneurial venture from the outset, founded with rapid growth and coast-to-coast coverage as primary goals of the organization.

**Income Supplementing (Part Time) New Venturing.** The second type of Low Growth-Potential New Venturing is Income Supplementing (part time) New Venturing. A classic example of the Income Supplementing New Venture is a consulting business started by a business professor. Most professors who start consulting businesses have no intention of giving up their faculty positions to consult full-time. This desire to keep the consulting business on a part-time basis severely limits the growth potential of the business and impacts the strategies that can be used for marketing and managing the firm. The fact of its being an Income Supplementing venture has a major impact on the entire spectrum of strategies that the firm has available to it.

**Hobby or Lifestyle New Venturing.** The third type of low growth-potential new venturing is Hobby or Lifestyle New Venturing. Hobby or Lifestyle Ventures are started with the intent of helping

the founder to pay some of the expenses of the hobby or activity itself. The venture is not really intended to make a profit, but rather, to decrease the cost of the hobby.

As an example, in many port cities along the Pacific and Atlantic coasts there are numerous sail boat enthusiasts who could not afford their 30 to 40 foot sailboats plus mooring without the income they earn by taking tourists sailing on the weekends for a fee. They spend every weekend on the water, which is their goal, and allow the tourists to help pay for the expenses of upkeep for the boat.

### **TEN CLASSES OF ENTREPRENEURIAL ACTIVITIES**

The above typology produces a set of ten distinct types of entrepreneurial activities, five types of corporate entrepreneuring and five types of independent entrepreneuring. By helping to more clearly define some commonly used terms, this typology helps to tie together and relate terms that have been used disjointedly to describe specific types of entrepreneurial activity without relating them to other types of entrepreneurial activity.

The ten classes of entrepreneurial activity are:

- (#1) Enterprise Turnaround – changing the basic value system, rationale, or *raison d'etre* for the existence of an organization.
- (#2) Corporate Turnaround – transformation and strategic renewal of an organization through the radical restructuring of the organization's portfolio of businesses units.
- (#3) Corporate Venturing – forming new ventures from within an existing organization.
- (#4) Business Turnaround – transforming an existing business unit through the radically restructuring of the business unit's strategic direction and way of competing in its industry.

- (#5) Product/Process Development – transforming or radically restructuring a functional unit within an existing business unit through the development of new products, processes or modes of doing business.
- (#6) Need-Driven Independent New Venturing – founding a high growth-potential, independent new venture started for the purpose of fulfilling a perceived market need.
- (#7) Technology-Driven Independent New Venturing – founding a high growth-potential, independent new venture started for the purpose of commercializing or capitalizing on a particular technology.
- (#8) Income Substitution New Venturing – founding a “mom ‘n’ pop,” low growth-potential, independent new venture intended to replace the income that one or more individuals could have earned from gainful employment.
- (#9) Income Supplementing New Venturing – founding a new business started to create extra income on a part-time basis.
- (#10) Hobby / Lifestyle New Venturing – founding a venture for which making a profit is not a primary motive in the founding but that is, instead, founded for the purpose of allowing the entrepreneur to pursue a hobby or lifestyle that would not be possible or economically feasible without some contribution from the venture.

### **UNRESOLVED QUESTIONS**

Although the Typology of Entrepreneurial Activities clarifies many points and begins a process of identification of archetypes of entrepreneurial activity, there are still several questions that remain unresolved by the typology. These questions will need to be resolved by entrepreneurship scholars as they continue to research and study the entrepreneurial process.

The first question applies to entrepreneurial activity in general. At what point in the venture founding process does the entrepreneurial activity end and the process of managing an ongoing business begin? Certainly managing a business, large or small, that has not changed in years does not fall within most definitions of entrepreneurial activity. Unless we accept the notion of “once an entrepreneur, always

an entrepreneur,” then we must establish how we determine at what point the entrepreneurial activity has changed to managerial activity. The question remains unresolved in entrepreneurship literature whether the differences between entrepreneurial activity and managerial activity are differences in kind or differences only in degree.

Mintzberg (1973) suggests that entrepreneurship is one of the primary roles of management. This statement could have one of two different alternative meanings: (1) entrepreneurial activity is a part of the daily, on-going process of managing an organization; or (2) managers must be prepared to use periodic episodes of entrepreneurial activity in order to revitalize their organizations and change the direction of their organizations to keep them competitive in a changing marketplace. Meaning (1) would imply that entrepreneurial activities are merely a subset of managerial activities and that differences in the use of entrepreneurial activities during highly turbulent times versus more stable times may be only a matter of degree. On the other hand, meaning (2) would imply that entrepreneurial activities are different in kind, separate and distinct from the normal daily activities of management, and that the undertaking of those entrepreneurial activities could be classified as episodes of entrepreneurial activity, separable from less turbulent periods of managerial activities.

The Typology of Entrepreneurial Activities provided in this paper is based on the assumption that entrepreneurial activities are different in kind from other, non-entrepreneurial managerial activities, and that managers of existing organization may undertake such entrepreneurial activities periodically within their managerial roles, but that these entrepreneurial activities are identifiable as separate and apart from the normal, day-to-day activities of running an on-going organization. However, this issue has not yet

been proven empirically in entrepreneurship literature. This may partly be a function of the emphasis on classifying entrepreneurs and ventures rather than entrepreneurial activities.

Another important point is that the Typology of Entrepreneurial Activities does not attempt to classify types of ventures into classes, nor to classify types of entrepreneurs into classes but, instead, classifies entrepreneurial activities into classes. The implication of this is that it is distinctly possible for a particular venture or organization to undergo several different types of entrepreneurial activity at different times in its life. It is equally possible for an individual to undertake different types of entrepreneurial activities at different times within the same organization or to undertake multiple types of entrepreneurial activity simultaneously within different organizations or ventures.

Hofer (1989) described twelve criteria for judging a typology, and among these is the fact that a strong typology will have taxa (or classification categories) that are mutually exclusive. What makes the taxa of this typology mutually exclusive is the fact that any single entrepreneurial activity can be classified into only one category even though an entrepreneur can undertake many different types of entrepreneurial activities during his/her career (or even at one time) and an organization can experience several different types of entrepreneurial activities over its life.

The major question involving corporate entrepreneurship is: What is the line of demarcation for declaring that one manager of an existing organizational entity has undertaken a “strategic renewal” and another has not? How do we define “strategic renewal”? If we say entrepreneurship is the management of “discontinuity,” or “discontinuous change,” we then need to define discontinuity.

As yet there are no definitions of entrepreneurship and entrepreneurial activity in the literature of the field of entrepreneurship that clearly lay down lines of demarcation for deciding what is and what is

not entrepreneurship. By breaking down entrepreneurial activities into distinct classes with more specific definitions, this Typology of Entrepreneurial Activities take a step in the direction of clarifying such definitions. Nonetheless, these definitions are not yet fully operationalized.

There are several questions that arise concerning independent entrepreneurship. At what point in the founding of an independent business entity does the entrepreneurial activity cease and small business management begin? Since it is possible for a business to change over time from a hobby business to income supplementing to income substitution, even to a high growth-potential business, it seems logical that the process of making such changes in an existing organization be considered episodes of Corporate Entrepreneurship, since they take place within the context of an existing organization. Are such changes entrepreneurial activity at all? Does every such change in the goals and purpose of a business indicate another episode of entrepreneurial activity?

To indicate the difficulties inherent in any classification system of entrepreneurial activities, look at Wal-Mart, the world's largest retailer. Did Sam Walton found Wall-Mart as a high growth-potential new venture, or was it originally a single store, income substitution venture? Did it just do what it did so well that it grew far beyond anyone's expectations? Was the process of all that growth simply good business management without entrepreneurial activity after the original episode of entrepreneurial activity that resulted in the founding of the first store, an income substitution venture? Were there other periods in the growth of Wal-Mart that would be considered episodes of entrepreneurial activity? It is true that Sam himself never claimed to be an entrepreneur – he called himself a merchant.

All of the above questions are difficulties inherent in the process of classifying entrepreneurship, entrepreneurs, or entrepreneurial activities into classes -- they are not specific to the Typology of

Entrepreneurial Activities presented in this paper. One question is directly related to the ten classes of the Typology of Entrepreneurial Activities, however. Are these ten types really all significantly different or can several be lumped together for testing and generalizing? This is an empirical question, which can only be answered through empirical investigation and classification.

### **SUMMARY**

This paper first suggests a new way of looking at classification systems in the field of Entrepreneurship. It suggests that a more fruitful approach might be classifying types of entrepreneurial activities rather than classifying types of ventures or types of entrepreneurs.

This paper then presented a Typology of Entrepreneurial Activities. This typology uses terminology that has long been in use in the fields of Entrepreneurship and Strategic Management and fits these terms into an overall classification system of ten classes of entrepreneurial activities derived from six classification factors or attributes of entrepreneurial activity. This paper then presented an analysis of the effectiveness of the Typology of Entrepreneurial Activities using Hofer's (1989) criteria for effective classification systems.

The primary purpose of the Typology of Entrepreneurial Activities is to permit scholars and researchers to include in particular studies only those entrepreneurial activities that fall into the class or classes of entrepreneurial activities they wish to examine and to exclude entrepreneurial activities that belong to other classes which might dilute or confuse the findings. In addition, the existence of the Typology of Entrepreneurial Activities will allow researchers to clearly specify to which classes of entrepreneurial activities the findings of their research can be generalized.

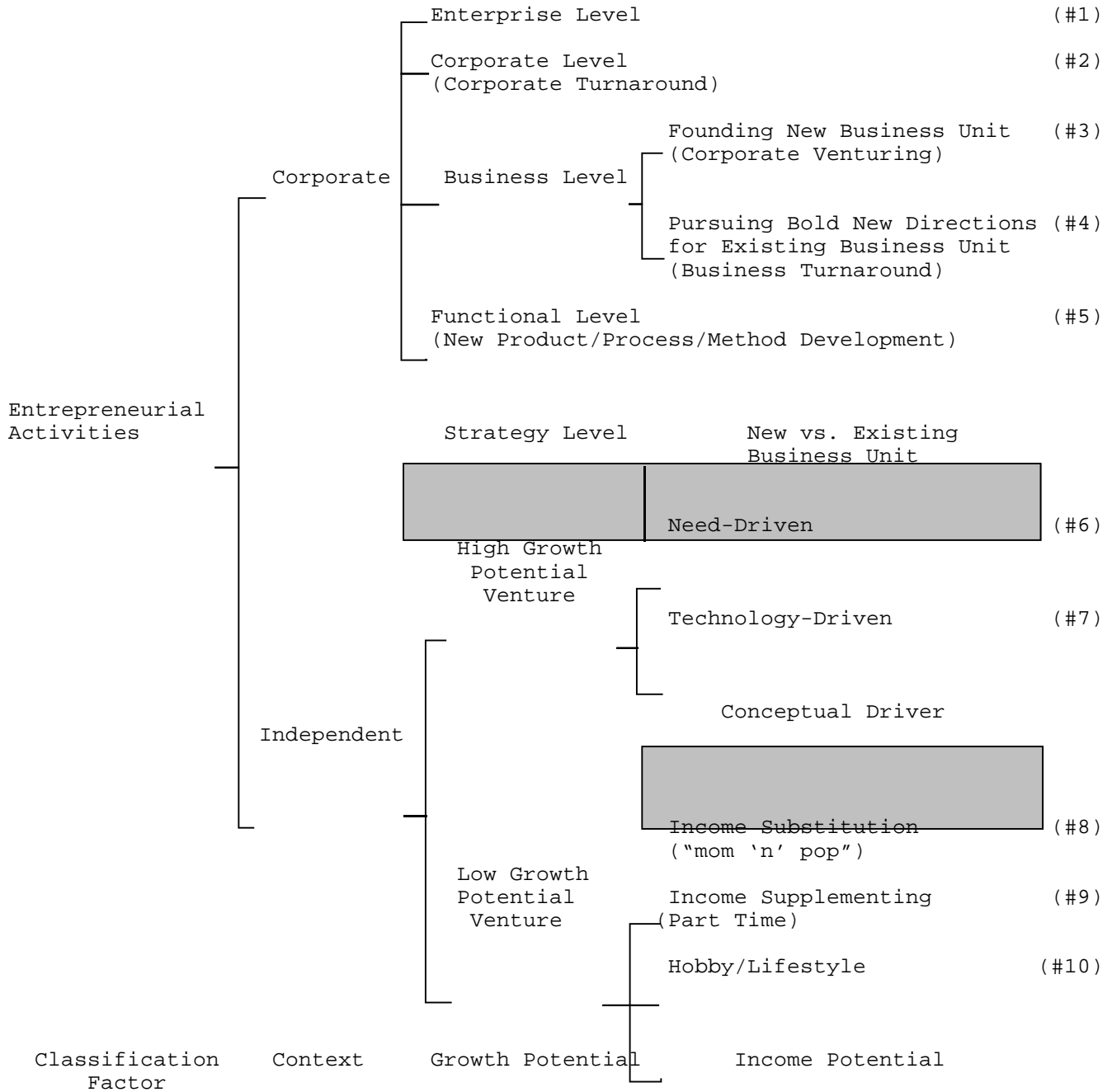
A second purpose for the Typology of Entrepreneurial Activities is as a teaching tool. By discussing these different classes of entrepreneurial activity in entrepreneurship classes, the instructor can help students to understand that there are several different types of entrepreneurship, each calling for different skills and investments from the entrepreneur, and each presenting different risks and rewards. Such an understanding can help students to reconcile what they observe in the many small, “mom ‘n’ pop” businesses with which they deal in their everyday lives, and the growth-oriented new ventures they study and read about in the popular business press and in their entrepreneurship classes.

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**Table 1**  
**A Hierarchical Typology of Entrepreneurial Activities**



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