

THE ENTREPRENEURIAL PROCESS ALONG THE CORPORATE LIFE CYCLE

by *Lucio Cassia and Michele Meoli*

1. Introduction

Entrepreneurial process is defined in former literature as the set of functions, activities, and actions associated with perceiving opportunities and creating organizations to pursue them (Bygrave and Zacharias, 2003). As the understanding about the role of the entrepreneurial process and its impact on the wider economy has increased, there has been a larger interest from academia, motivated by several issues. Firstly, entrepreneurship gradually assumed an important role as agent of change. Indeed, because of its multidimensional and intangible-based nature, which makes it complex to define and study, it is still under the lens of many researchers. Secondly, previous investigations have highlighted that intangible resources as well as entrepreneurial skills directly influence firm performance and strategic behaviour. In fact, empirical evidence shows that the effective management of intangible resources has been emerging as one of the most important challenges for companies, even more in today's knowledge-based economy. Thirdly, recent streams of literature highlight that, because of its change-driving role, entrepreneurship influences not only firm performance but also industry life cycles and macroeconomic dynamics. This makes an understanding of the dynamics of entrepreneurship highly relevant as its scope ranges beyond the individual firm.

A very interesting approach in the literature is that of studying the dynamics of the entrepreneurial process along the corporate life cycle. The corporate life cycle model is based on the observation that firms evolve in quite a predictable manner, in that in the various phases of the corporate life cycle companies face the same type of problems, regardless of company type or industry. Furthermore, the way these common obstacles are predicted and managed can determine in large part how successful companies will be at overcoming difficulties, and by extension, how this will impact their development rate.

With reference to the corporate life cycle framework, in this paper we address the following two issues related to the evolution of the entrepreneurial process. Firstly, we analyse the role of three key enterprise figures – namely the entrepreneur, the manager, and the capitalist – and we question whether their relative importance changes along the corporate life cycle. Secondly, we specifically focus on the critical role of the entrepreneur in the phases of the corporate life cycle.

In order to do this, at first, we must summarize some of the traits and skills characterising managers and entrepreneurs. We analyse their respective approaches towards resources as well as their main differences in managing business activities. In particular, we focus on two different management styles: The entrepreneurial management style and the administrative style. The entrepreneurial management style is usually related to the figure of the entrepreneur and the administrative management style is instead generally associated to the figure of the manager. Lastly, we focus upon the specific relationship of managers and entrepreneurs to the ownership of the company, and analyse the figure of the capitalist. Then, with reference to Miller and Friesen's (1984) model of corporate life cycle, we consider the relative importance of the three figures formerly introduced during each distinct stage of development.

Considering both the ownership and the business management of the company, we present a framework of analysis formalizing our considerations. Together with a critical review of previous literature, our first contribution in this paper consists of the proposal of a comprehensive analysis of the roles assumed by entrepreneur, manager and capitalist in the entrepreneurial process. We explicitly link each phase in the corporate life cycle to the key figure, be that the entrepreneur, the manager or the capitalist, whose specific skills are relatively more important in that particular phase. Second, our research supports the role of entrepreneurship as an agent of change not only at the birth stage, but also during advanced phases of the corporate life cycle model.

The remainder of the paper is organised as follows. In Section 2 we review previous literature on corporate life cycle models, with a particular focus on Miller and Friesen (1984). Next, in Section 3, we focus on the roles of Entrepreneur, Manager and Capitalist in corporate life cycle models. The following two sections contain our main contributions: in Section 4 we identify the Entrepreneur-Manager-Capitalist domains, while in Section 5 we recognize the key role of the Entrepreneur in the renewal stage. Section 6 concludes underlining the main implications and limitations of our approach as well as possible further streams of research.

2. Corporate life cycle models

Since 1972, when Greiner first defined an explicit model of organization growth process, research on life cycle models has attracted the interest of many academics. The importance of this stream of literature is due to the experience that firms face different kinds of problems during their growth processes, and the way they are able to predict and manage them determines their own success in overcoming difficulties and also impacts their rate of development. Accordingly, life cycle models try to group each issue (endogenous and exogenous) into specific clusters referred to as “stages” in the literature. In previous literature many models exist with different numbers of stages, from simple three-stage models up to complex ten-stage ones.

Table 1: Miller and Friesen's corporate life cycle model

First Stage: BIRTH			
Context	Organizational Structure	Innovation and Strategy	Decision-Making Style
1) Small firm 2) Young 3) Dominated by owner-manager 4) Homogeneous environment 5) Ownership tightly concentrated 6) Markets usually not hostile	1) Informal structure 2) Undifferentiated 3) Power highly centralized 4) Crude information processing and decision making methods 5) Low use of staff experts 6) Simple structure for simple administrative tasks	1) Considerable innovation in produce lines 2) Niche strategy 3) Frequent product or service innovation 4) Avoid competition	1) Consistent with strategy and structure 2) Substantial risk taking 3) Proactive behaviour 4) Intuitive decision-making style 5) A relatively small number of factors and opinions taken into account in making decisions

Second Stage: GROWTH			
Context	Organizational Structure	Innovation and Strategy	Decision-Making Style
1) Medium size firm 2) Older 3) Multiple shareholders 4) More heterogeneous and competitive environment 5) Decisions more influenced by customers 6) More direct confrontations with the competitions	1) Some formalization of structure 2) Functional basis of organization 3) Moderate differentiation 4) Somewhat less centralized 5) Initial development of formal information processing and decision making methods 6) The owner-manager plays a less central role in routine administration 7) More staff technocrats	1) Broadening of product-market scope into closely related areas 2) Incremental innovation in product lines 3) Emphasis upon growth and early diversification 4) Complete array of products 5) Market segmentation 6) Niche strategy often abandoned	1) Less risk taking and pro-activeness 2) Team approach to management 3) Emphasis upon incremental rather than dramatic product innovations 4) Power is still quite centralized 5) Decision making becomes more analytical, more multiplex, and better integrated
Third Stage: MATURITY			
Context	Organizational Structure	Innovation and Strategy	Decision-Making Style
1) Larger firm 2) Still older 3) Dispersed ownership 4) Competitive and still more heterogeneous environment 5) Total market is no longer growing 6) Operation fair simple	1) Formal, bureaucratic structure 2) Functional basis of organization 3) Moderate differentiation 4) Moderate centralization 5) Information processing and decision making as in growth phase 6) Run by professional managers 7) Participative management approach 8) More emphasis upon formal cost controls	1) Consolidation of product-market strategy 2) Focus on efficiently supplying a well-defined market 3) Conservatism 4) Slower growth 5) Short term orientation 6) No any major innovation 7) No diversification 8) Incremental changes 9) Follow the competition 10) Improve the efficiency and profitability of operations	1) Conservative behaviour 2) Less innovative, proactive and more risk adverse 3) Focus upon efficiency 4) Attention to alternatives 5) Attention to solve immediate problems 6) Less adaptive to market forces 7) More attention paid to solving immediate problems

Fourth Stage: RENEWAL			
Context	Organizational Structure	Innovation and Strategy	Decision-Making Style
1) Very large firm 2) Environment very heterogeneous, competitive and dynamic 3) Ownership quite widely dispersed 4) High environmental dynamism and hostility	1) Divisional basis of organization 2) High differentiation 3) Sophisticated controls, scanning and communications in information processing 4) More formal analysis in decision making 5) Many skilled Technocrats	1) Strategy of product-market diversification, movement into some unrelated markets 2) High level of risk taking and planning 3) Substantial innovation 4) Rapid growth 5) Integrated product-market strategy 6) Market segmentation 7) Lobby with the government	1) Innovative and proactive 2) Risk embracing style 3) Participative approach to decision making (task forces and project teams) 4) Close attention to project returns and evaluation of potential customer reactions 5) Detailed and integrated product-market strategy
Fifth Stage: DECLINE			
Context	Organizational Structure	Innovation and Strategy	Decision-Making Style
1) Market size 2) Homogeneous and competitive environment 3) Firms quite similar in age and size 4) Ownership more tightly held	1) Formal, bureaucratic structure 2) Mostly functional basis for organization 3) Moderate differentiation and centralization 4) Less sophisticated information processing system and decision-making methods	1) Low level of innovation 2) Price cutting 3) Consolidation of product-market 4) Liquidation of subsidiaries 5) Risk aversion and conservatism 6) Slow growth 7) Lack of strategic planning 8) Conserve resources depleted by poor performance	1) Extreme conservatism 2) Little innovation, no risk taking 3) Ignorance of markets, 4) Absence of any clear product-market strategy 5) Siege mentality and a Seat-of-the-pants orientation 6) Low integration in decision making 7) Very short time horizons

(Source: Revision on Miller and Friesen, 1984)

In particular, Downs (1967), Lippitt and Schmidt (1967), Scott (1971), Katz and Kahn (1978), and Smith et al. (1985) suggested a three-step model; four-phase ones were proposed by Lyden (1975), Kimberly (1979), Quinn and Cameron (1983), Kazanjian (1988), Drazin (1990), Koberg, Uhlenbruck and Sarason (1996) and Kiriri (2002). Five-stage models were instead

theorized by Greiner (1972), Galbraith (1982), Churchill and Lewis (1983), Miller et Friesen (1984) and Scott e Bruce (1987).

Of the many models proposed in the existent literature, the one proposed by Miller and Friesen (1984) represents one of the most complete and accepted models in describing corporate life cycle dynamics. The approach proposed in this paper is largely based on this model, for two main reasons. Firstly, the authors investigate corporate life cycle from a longitudinal point of view, focusing their attention not only on traditional tangible determinants, but also on qualitative and intangible aspects. Secondly, Miller et Friesen propose a five-stage model of corporate life cycle: in addition to the traditional phases of birth, growth, maturity and decline, it also includes a revival stage that will be especially useful for our purposes with regards to the relationship between entrepreneurial behavior and the corporate renewal process.

Table 1 summarizes Miller and Friesen's model results. According to the two authors, each stage of the corporate life cycle model is characterized by four main dimensions, respectively identified as context, structure, strategy and decision-making processes.

3. The Entrepreneur, the Manager and the Capitalist in corporate life cycle models

In this section we review how the specific figures of entrepreneur, manager and capitalist are considered in previous literature on corporate life cycle models. At first, we make a summary of traits and skills characterising managers and entrepreneurs. Then, we analyse their respective approaches towards resources as well as their main differences in managing business activities. In particular, we focus upon two different management styles. We describe the entrepreneurial management style which is usually related to the figure of the entrepreneur, and the administrative management one which is instead generally associated with the figure of the manager. Lastly we focus on the specific relationship of managers and entrepreneurs with the ownership of the company.

3.1. The Entrepreneur

Entrepreneurial studies could not be investigated without considering the figure and the role of the entrepreneur. Entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas. Therefore, entrepreneurs do not only seek out and identify profitable opportunities, but they are also willing to undertake high risks and check whether their

hunches are right. As implicit in the previous definition, the role of entrepreneur embraces a wide range of organizational and economical activities related to risk-bearing, opportunity seeking and relative exploitation, firm creation, strategic behaviours, resource management, innovation processes and firm-performance management by consequence.

The figure of the entrepreneur, as well as entrepreneurship in general, is characterised by a multidimensional and polymorphic nature (see, for instance, Herron et al., , 1991; Bull and Willard, 1993). Vesper (1980) identified up to nine different types of entrepreneur, each one reflecting a specific aspect of entrepreneurial behaviour. He refers to entrepreneurs as self-employed individuals, team builders, independent innovators, pattern multipliers, economy-of-scale exploiters, acquirers, starters, conglomerators and last starters.

According to Kruger (2004), *venture creation*, *opportunity exploitation* and *venture growth maximization* are the most statistically significant proxies in emphasising entrepreneurial behaviours and their relationship to internal processes and firm performance. Although quantitative-based investigations identify specific proxies that should effectively capture the influence of the entrepreneur on firm performance, we support the idea that a management-style-based approach would be the best way in analysing this topic. According to this proposal, recent streams of literature about entrepreneurship focus on the importance of measuring and fostering entrepreneurial processes within organizations. Today's strong interest upon the theme of entrepreneurial organization is mainly due to its strong relationship to strategic behaviours of enterprises, as well as its direct effects on firms' performances.

3.2. The Manager

Empirical observation suggests that individuals who start their own small business are somehow different from those who work for large organizations. Although both managers and entrepreneurs influence firms' performances and organization processes, they are characterised by significant psychological and personal differences, as well as different management styles. Researchers evidence *strategic orientation*, *commitment to opportunity* and *control of resources* as three significant dimensions in distinguishing entrepreneurs from managers.

Considering the *strategic orientation*, McMullen and Shepherd (2006) assert that entrepreneurs, rather than managers, are characterized by their ability to perceive opportunity, deal with uncertainty and by their strong commitment to high growth and profits. In contrast, managers rely on complex strategic and planning systems in order to manage and optimise the resources currently under their control. The entrepreneur assumes an

allocation-based approach towards resources, while the manager is optimisation-based. Moreover, according to Busenitz and Barney (1997), from a strategic decision-making perspective entrepreneurs would manifest more *overconfidence* (i.e. overestimation of the probability of success) and more *representativeness* (i.e. potential to generalize starting from little information) than would managers in large organizations. Moreover, entrepreneurs know how to deal with high levels of *uncertainty*, as well as managers do with *complexity*.

Entrepreneurs and managers also differ widely in their *commitment to opportunity*. The entrepreneur would manifest a major perception of opportunity, a stronger disposition towards action, a major inclination in undertaking high risks and a shorter-term commitment. The manager, on the other hand, is characterised not only by a longer decision-making time but also by a longer-term commitment. As far as the *control of resources* is concerned, academics support the idea that entrepreneurs give more value to the use of resources rather than their ownership. In this area, managers differ from entrepreneurs because of their attitude towards the optimization of resources.

Sallman and Stevenson (1991) differentiate entrepreneurs and managers stating that “*entrepreneurship, rather than business management, is a way of managing that involves pursuing opportunity without regard to the resources currently controlled. Entrepreneurs identify opportunities, assemble required resources, implement a practical action plan and harvest the reward in a timely, flexible way*”.

In addition to the literature on the behavioural differences between the figures of the entrepreneur and the manager, there is a stream of literature which directly investigates their different styles in managing businesses. Academics such as Chandler et Hanks (1994), and Hisrich et al. (2005) explicitly refer to *entrepreneurial management* style and *non-entrepreneurial or administrative management* style. The *entrepreneur-management* style is usually associated with the figure of the entrepreneur, while the *non-entrepreneurial or administrative management* is often related to the manager. According to Hisrich et al. (2005), these two different management styles influence firm behaviour not only in their strategic orientation, control and use of resources or commitment to opportunity and resources, but also in their decisions about organizational structures adopted as well as about compensation and reward policies.

From an entrepreneurial-based perspective, the strategic orientation is mainly driven by the perception and the exploitation of opportunities. Moreover, this management style is characterised by a revolutionary and short-term commitment to opportunity and by an episodic use or rent-based approach towards required resources. From an administrative-based perspective, the strategic orientation is mainly driven by the use and op-

timization of resources currently controlled. This business management style is characterised by an evolutionary and long-term commitment to opportunity and by an ownership-based approach in controlling currently available resources. With regards to organizational structure, an entrepreneurial management style is usually associated to flat organizations with multiple networks-based management structures and to valued-based, team-based and unlimited compensation and reward policies. An administrative management style is usually associated to formalised and hierarchical structures and to resource-based, promotion-based and amount-limited compensation and reward policies.

3.3. The Capitalist

In the previous paragraphs we mainly focused on the figures of managers and entrepreneurs and on their influence on business management activities. Furthermore, we presented the administrative and entrepreneurial management styles but we have not yet investigated their relationship to financial resources. As former literature asserts, the figure of capitalist differs significantly from both manager and entrepreneur. Although these two figures are also related to the allocation and the management of financial resources, the capitalist is recognizable because of his unique role as capital provider. If finding differences between manager and entrepreneurs was a somewhat complex problem, the task of identifying and defining the figure of the capitalist is somewhat easier. Although the capitalist could be exclusively considered as a mere supplier of capital, empirical evidence and previous investigations sometimes highlight an overlapping between the figures of capitalist and entrepreneur. Especially during the earliest phases of the corporate life cycle, the entrepreneur, who is usually the founder of a company, in most cases is also the owner (Timmons, 1999). Despite being both the founder and owner of the company, according to De Clerq, Crijns and Ooghe (1998), significant differences emerge between the average small business owner and the figure of the entrepreneur. In fact, the small business owner would be more oriented towards stability, local view, self employment and mainly focused on the survival, rather than on the growth of "his" company. He usually tries to avoid competition and is characterised by an aversion towards undertaking high risks. In short contrast, a dynamic entrepreneur pursues growth, profit maximization, opportunity exploitation and is often characterised by a strong propensity towards undertaking high risks. Moreover, the entrepreneur usually seeks competition and assumes a frame-breaking attitude towards it.

Previous empirical investigations and theoretical studies support the behavioural-based approach as the best perspective in analysing entrepreneurial processes as well as in defining the figures of manager and entre-

preneur. Therefore, as Timmons (1999) argues, we should separately consider on the one side the managerial or the entrepreneurial management style, and on the other one the ownership or the control of the firm.

4. The Entrepreneurial, the Managerial and the Capitalist domains

As discussed in the previous sections, firms face common problems during each of the different phases of their life cycle. Both the empirical evidence and the literature highlight the existence of stage-specific issues along the corporate life cycle model. For each single stage of development, the literature points out the main problems that firms should be able to effectively overcome in order to successfully proceed along their own growth path. In this section we describe how the entrepreneurial process evolve along the corporate life cycle. Firstly, we analyse the dynamic evolution of the most critical and common problems that firms face along the whole corporate life cycle model. Then we consider these issues from two different perspectives, related to managerial and financial issues respectively. In order to thoroughly investigate this topic, we focus on both the ownership and the management of the company. Lastly, we present a comprehensive approach, formalising our considerations and aimed at creating a theoretical framework for analysing the role of entrepreneurs, managers and capitalists along the corporate life cycle model. As anticipated, our conceptual base for the analysis is the Miller and Friesen's (1984) model of corporate life cycle (MF model hence forth).

4.1. Managerial perspective along the corporate life cycle: the roles of entrepreneurs and managers

As emerging from the MF model, each stage of the corporate life cycle model is characterized by a unique set of issues related to the context (internal and external), strategy, decision-making systems and organizational structures adopted by the firm. As a difference to approaches such as that of Sadler et Smith (2003), who adopt a static approach in analysing the main issues along the corporate life cycle model, we believe that a more dynamic and relative-based approach would be the best practice in investigating this specific topic. The choice of this dynamic approach is motivated by two main reasons. First, we agree with those academics who assert that firms must dynamically change their internal processes, structures and management styles in order to effectively react to changing circumstances. Second, our contribution is mainly related to the analyses of the corporate life cycle dynamics rather than to the static description of corporation activity.

During the birth stage of the corporate life cycle, firms are mainly characterized by informal structures, single or few business units, tacit and implicit decision-making systems as well as by the presence of the founder, in the conduction of day-by-day activities. Moreover, the MF model shows that there are no formal decision and support systems and staff divisions. Therefore, the main critical issues regard the ability of the owner-manager in routine administration, in reaching the breakeven point as soon as possible and in pursuing firm survival. Moreover, during the early phases of their growth processes, companies mainly focus upon effectiveness.

During the growth stage of the corporate life cycle model, characterized by high growth rates and simple organizational structures, the clear definition of internal processes and the adoption of formal planning and control systems emerge as significant managerial problems for the organisation. In fact, due to the fast expansion of the company, both internal processes and organizational structures become more formalized and complex. Therefore, the main critical issue for a company concerns its ability in managing this period of fast expansion, involving and influencing the whole organization.

During the maturity stage, characterised by the presence of more functional, divisional and bureaucratic organizational structures, the effective management of the complexity within the organization would emerge as the most critical task for the company. The emphasis shifts mainly to cost control, as well as to the efficient use of resources. In addition, together with the increasing importance of information-processing, decision making systems still persist as one of the most significant problems for the company. Therefore, the main critical issues regard the management's ability to control costs and manage the increasing internal complexity. Furthermore, as organizational complexity increases with the growth of the firm, efficiency becomes the issue of critical importance.

Lastly, during the renewal and decline stages, firms are instead characterised by sophisticated controls and information processing systems. Organizational structures are mostly divisional and they are characterised by the strong presence of staff divisions, task forces and project teams. Moreover, decision-making processes are mainly based on formal analyses. During these particular stages, the main issues for a company regard the ability of the management in finding and exploiting new profitable opportunities.

All previous arguments highlight that during the early phases of the corporate life cycle model firms should be mainly oriented towards effectiveness while, during the growth and maturity phases, we argue that shifting their focus to efficiency would be one of the most important key factors of success.

The relative importance of specific issues emerges within each individual stage of the corporate life cycle. Therefore, it becomes obvious that firms

need different and specific management skills, priorities, and structural configurations in order to effectively deal with stage-specific issues. With respect to the management styles introduced in the previous section, we suggest that the administrative management style is more effective in dealing with those issues mainly related to the control and the optimization of processes and resources characterising more advanced stages of the MF model. The entrepreneurial management style, on the other hand, is more effective in identifying and exploiting opportunities as well as combining and allocating different resources in order to pursue high growth and profitability. As such, it is more important during the birth and renewal phases of the corporate life cycle model. This conclusion concurs with theories asserting that firms need to change their approach in managing business activities along their growth process.

Because of these stage-specific issues and figure-specific skills, we emphasize how the manager and the entrepreneur are the relatively prevalent strategic figure for a company in different phases of the life cycle. In particular, consistently with previous arguments, the entrepreneurial management style (and consequently the role of the entrepreneur) more effectively matches with issues related to birth and early growth phases, while the administrative management (and consequently the role of the manager) results more effective in facing problems characterising more advanced stages of the corporate life cycle model, as the maturity.

4.2. Financial perspective along the corporate life cycle: The role of capitalist

As well as managerial problems, previous literature also reports financial issues for each corporate life cycle stage. Empirical evidence shows that the availability of capital emerges sooner or later as a critical problem for every business activity. Researchers believe that financial resources would be a critical issue as of vital importance especially during specific phases of the corporate life cycle model. According to Stevenson and Salhman (2002), financial issues could be grouped into two different clusters, concerning *internal-needs* and *funding sources*, respectively.

From an *internal-needs* perspective, during the early stages of the corporate life cycle model, the firm's attention is mainly focused upon the management of cash flows, most concerned with the specific task of effectively balancing inflows and outflows. According to Churchill (2000), cash and capital are very important dimensions especially during the birth and growth phases of the corporate life cycle model. Moreover, considering the same stages of development, Stevenson and Salhman (2002) highlight that the firm's need to reach the break-even point and testing first margins is the main financial issue. During the growth phase, by contrast, the company needs new capital to finance the huge investments required to effectively

sustain this period of fast expansion. During the phase of growth, when both sales and assets increase, the firm's attention shifts to the increasing of margins and to tasks related to the financial sustainability of the growing business activities. As the literature reports, during this specific phase of development, the rise of sales emerges as the most significant driver in improving firm's margins. Considering the maturity phase, featured by slow growth in sales and a growing complexity within organisation processes, the most significant issue concerns the control over costs and the efficient use of currently controlled resources.

From a *funding sources* perspective, the literature investigates both the financial structures of companies and the sources of capitals. Analysing the whole corporate life cycle model, during the birth stage, the small business owner represents the main capital provider for companies. As Stevenson and Sallhman (2002) state, owner's funds and borrowing are the most common funding solutions adopted by the companies during this phase of development. During the birth and early growth stages of the corporate life cycle model, the ownership of the company is tightly concentrated in the hands of the small business owner or few shareholders tops. Then, when organizations grow, the great problem of the financial sustainability of expansion becomes a critical dimension. As argued above, the ownership of a company becomes less and less concentrated due to the continue possible entrance of new shareholders into the firm's financial structure, especially during the growth phase of the corporate life cycle model. According to MF model, with regards to financial structures, the stage of growth is often featured by multiple shareholders' presence. During this stage of development, previous literature evidences the highest entrance rates of venture capitalists within the financial structures of companies. The venture capitalists would in fact provide and cover the lack of those financial resources necessary to guarantee a sustainable growth in a phase of fast expansion. Empirical investigations confirmed a positive relationship between the corporate rate of growth and the presence of venture capitalists within the financial structures of organizations. Besides the entrance of venture capitalists, academics evidence that firms, in order to collect the financial resources required, usually recur also to private equities' capital as well as to the stock market, recurring to Initial Public Offering. These facts support the great criticality and importance associated to the financial resources in sustaining firm's expansion, especially during the growth stage of the corporate life cycle model. Moreover, analysing the maturity phase of firm's evolution, in addition to the presence of a high-fragmented ownership, the main financial issues is the effective management of cash flows.

Thus, considering the whole corporate life cycle model, firms face different financial problems, related both to internal needs and funding sources of capital. We conclude that in order to effectively manage and overcome

these stage-specific issues, organizations respectively refer to specific resources and skills. When necessary, they rely also on external sources of capital, especially during the phase of growth.

According to the above discussion, we assert that financial resources and the figure of the capitalist are one of the most critical factors especially during the start-up and the growth phases of corporate life cycle model. First, considering the birth stage of the corporate life cycle model, the role of the capitalist is so critical because of his unique capability in covering the probable outflows generated during the first periods of a firm's existence. The presence of the small business owner, representing at the same time both the entrepreneur and the ownership of the firm, supports our analysis, supporting the great importance of financial resources during the initial phases of the corporate life cycle model. Second, during the growth phase, while the problem of sustaining firm's expansion becomes one of the most important issues, the role of the capitalist is more and more important. During this specific stage of development, we agree that the capitalist would be the most effective figure in facing these stage-specific context.

4.3. Discriminating the three domains

In this section we formalise all previous arguments with regards to the strategic importance of the three figures along the corporate life cycle model. The framework is based on the existence of different criticality in each single stage of the corporate life cycle model and on the effectiveness of different figure-specific skills in responding to them. Although previous literature studies have analysed the evolution of the relative importance of several variables (managerial and financial) along the whole corporate life cycle model, our approach intervenes in formalizing these issues on the strategic role of entrepreneurs, managers and capitalists in influencing corporate life cycle dynamics. Consistently with previous analyses, we support the idea that, not only during the birth, but also during the advanced maturity stages of the corporate life cycle model entrepreneurial skills are the key success resources for a company. Moreover, we believe that managerial skills become more importance especially during the stage of maturity. The figure of the capitalist, instead, plays a significant role mainly during the growth phase because of the unique characteristic of capital provider.

We formalise these concepts through the definition of three distinct domains, respectively defined as *Entrepreneurial Domain*, *Managerial Domain* and *Capitalist Domain*, and described in Table 2.

As far as the *Entrepreneurial Domain* is concerned, it is dominated by the figure of the entrepreneur and it mainly covers both the birth and advanced maturity stages of the corporate life cycle model. During the birth

phase, reaching the breakeven point as soon as possible, seeking and exploiting profitable opportunities are the main critical issues for the company. Therefore, firm's ability in exploiting opportunities and the attitude towards undertaking risks are the main key success resources. Therefore the entrepreneur, characterised by such skills, increases its strategic importance for the organization. The figure of the entrepreneur is also relevant during the phase of effective maturity of the companies. In fact, during this stage the task of finding out and exploiting new profitable opportunities and effectively reallocating both tangible and intangible resources is, again, the most critical issue for the company. Therefore, the entrepreneurial ability are, again, the main intangible success resources for the company.

Considering the *Managerial Domain*, which is dominated by the figure of the manager, it mainly embraces the late growth and maturity stages of the corporate life cycle model. During these phases, the efficient use of resources, the strong attention upon the control of costs as well as the effective management of information processing emerge as the most critical issues for the company. Therefore, firm's ability in managing complexity, controlling costs and optimising currently controlled resources result the main key success factors for the firm. Besides the manager, who is the closer figure characterised by such skills, increases its strategic importance for the organization.

Considering the *Capitalist Domain*, which is dominated by the figure of the capitalist, it mainly covers the growth and early maturity stages of the corporate life cycle model. During these specific phases, the definition of formal internal processes and decision-making systems as well as the availability of capitals required to the financial sustainability of growth emerge as the most critical issues for the company. Therefore, the ability in managing expansions and, most of all, the availability of new capitals in order to finance those investments required to follow the fast growths result the main key success factors for the firm. Besides, because of its unique characteristics of capital provider, the capitalist increases its strategic importance for the organization.

Our analysis evidences the existence of three distinct domains, each one characterised by the significant importance of a different figure between entrepreneur, manager and capitalist. The main contribution of this "three-domain approach" is to emphasise from a corporate life cycle perspective the relative importance and the strategic role of these specific figures in influencing firm performance and strategic behaviours.

Table 2(a): The Entrepreneurial Domain

Stage	Context	Critical needs	Key Success Resources	Main figure
Birth	<ul style="list-style-type: none"> 1) Small firm 2) Ownership tightly concentrated 3) Informal structure 4) Intuitive decision-making style 5) Power highly centralized 6) Presence of the owner-manager 	<ul style="list-style-type: none"> 1) Reaching the breakeven point as soon as possible 2) To find out and exploit profitable opportunities 3) To balance cash flows 	<ul style="list-style-type: none"> 1) Ability in seeking and exploiting opportunities 2) Attitude towards undertaking risks 3) Ability of the owner-manager in routine administration 	Entrepreneur
Advanced maturity	<ul style="list-style-type: none"> 1) Very large firm 2) No more growth 3) Ownership quite widely dispersed 4) Complex structure and internal processes 5) Formal analyses in decision-making systems 6) Sophisticated controls information processing 7) Presence of task force and project teams 	<ul style="list-style-type: none"> 1) To find out and exploit new profitable opportunities 2) Effective reallocation of capitals 3) Effective and efficient use of both tangible and intangible resources 	<ul style="list-style-type: none"> 1) Ability in founding out and exploiting new opportunities 2) Attitude towards undertaking risks 3) Ability in combining and allocating as various as different resources in order to create value 	

Table 2(b): The Managerial Domain

Stage	Context	Critical needs	Key Success Resources	Main figure
Late growth and Maturity	<ol style="list-style-type: none"> 1) Larger firm 2) Dispersed ownership 3) Formal, bureaucratic and divisional structures 4) Presence of professional managers 5) More emphasis upon formal cost controls 6) Moderate centralization 7) Availability of advanced control and planning systems 	<ol style="list-style-type: none"> 1) Efficient use of resources (tangible intangible and financial) currently controlled 2) Strong control over costs 3) Effective management of information processing 	<ol style="list-style-type: none"> 1) Ability in managing complexity 2) Ability in controlling costs 3) Ability in using and optimising resources 	Manager

Table 2(c): The Capitalist Domain

Stage	Context	Critical needs	Key Success Resources	Main figure
Growth and early maturity	<ol style="list-style-type: none"> 1) Medium size firm 2) Great and fast expansion 3) Multiple shareholders 4) Some formalization of structure 5) Adoption of formal planning and control systems 6) Power is still quite centralized 	<ol style="list-style-type: none"> 1) Definition of formal internal processes and decision-making systems 2) Capitals required to the financial sustainability of growth 	<ol style="list-style-type: none"> 1) Ability in managing expansion 2) Availability of capitals to finance investments required to follow the fast growth 	Capitalist

5. The two phases of entrepreneurial domain

After distinguishing the three domains of the entrepreneurial process along the corporate life cycle, in this section we discuss the two phases of Entrepreneurial domain, as above presented. Surely entrepreneurship has a relevant function in new-born industries, in their initial phases of the life cycle, and former literature largely recognizes it. In fact, at the beginning and until maturity, the role of the entrepreneur has always been seen as dominant, and indeed the birth phase is also commonly termed entrepreneurial. From maturity on, the role of entrepreneur is less clear, although it is not unlikely to suppose that in the long run, the role is less important than at the initial phase. In our view, entrepreneurship should regain a central role in more mature industries because these are the contexts where opportunities are less likely to emerge, to the extent that only an entrepreneur, or an entrepreneurial organization, would be able to recognize and exploit them. Mainly for this reason, where industry and external conditions increasingly dominate industry evolution, there is a renewed role for entrepreneurship, under the perspective of growth opportunities for both small and large firms.

In fact, by analysing the entrepreneurial domain from a theoretical perspective, we can formalise two main arguments about. The first one concerns the effect of entrepreneurial processes on life cycle dynamics. Recent literature highlights a strong relationship between effective maturity stages, renewal processes and entrepreneurial behaviours. These emerging theories support that the change-driving role associated to entrepreneurship would emerge most of all during the phase of advanced maturity. During this specific stage of the corporate life cycle model, academics as Ross et Unwalla (1986), Stopford (1994) and Jones (1998) evidence the paradigm of the corporate entrepreneurship as the only means in effectively stimulating and fostering renewal processes. Moreover, recent literature considers entrepreneurship not only an intangible asset which would influence firms' life cycle as well as their performances, but also an effective economic driver in stimulating industry evolution and revolution processes too. In particular, because of its unique characteristics, academics state that the greatest effects of entrepreneurship would mostly emerge during the effective maturity phase of industry life cycles (Cassia et al. 2006). Thanks to his proper ability in seeking and exploiting new profitable opportunities, the figure of the entrepreneur could make firms and industries avoid the phase of decline driving instead them to phases of renewal characterized by new periods of growth. The second consideration concerns the type and the manifestation of entrepreneurship. During the birth phase of the corporate life cycle model, the entrepreneurial activity seems involving just

the single entrepreneur. During the maturity phase instead, because of the great complexity characterising both the internal organization and the context, we argue that the sole entrepreneur would not be able to spark off the renewal process that firm needs to avoid the phase of decline yet but only an entrepreneurial organization which has been fostered specific entrepreneurial skills could do it.

6. Conclusions

In the paper we highlighted how firms evolve in a quite predictable manner, facing different but common problems. Our analysis evidence that a substantial change emerges in the relative importance of specific resources (tangible and intangible) along the corporate growth process. In particular, after investigating how the strategic role of entrepreneurs, managers and capitalists change over the time, we recognized the specific role of entrepreneur in the phase of advanced maturity.

Our analysis evidences that a substantial change emerges in the relative importance of specific resources – namely the strategic role of entrepreneurs, managers and capitalists – change along the corporate growth process. We discriminate The Entrepreneurial, the Managerial and the Capitalist domains, each one featured by the significant importance of a different figure. By isolating the three domains, we show how the strategic importance of certain figures would increase especially during specific phases of the corporate life cycle model. In particular, we argue that managerial skills are the most critical intangible resources during the maturity stage of the corporate life cycle model, while capitals instead emerge as the most important resource especially during the phase of growth. However, our main argument is that, as far as entrepreneurial skills are concerned, they emerge as key success factors not only, as expected, during the birth stage but also, and most importantly, during the advanced maturity phase of the corporate life cycle model. During this specific stage preceding the decline, we argue that the ability in finding out and exploiting new profitable opportunities and in effectively reallocating various and different resources (tangible and intangible) is one of the key success factors for the company. Because of its unique characteristics and abilities, we state that only the figure of the entrepreneur – as well as the entrepreneurial organization – could avoid the decline, driving a company to a phase of renewal, characterised by new periods of growth. The three-domains framework of analysis could be used as a strategic tool in anticipating challenges related to the corporate life cycle dynamics and in planning to foster specific skills that could emerge as key success resour-

ces during the next phases of the corporate growth process. This approach, thanks to its internal theoretical consistence and effectiveness in emphasising the dynamic change of skill importance, may support further research aimed to provide empirical evidence.

*Lucio Cassia and Michele Meoli
Universita' degli Studi di Bergamo
Dipartimento di Ingegneria Gestionale e dell'Informazione
michele.meoli@unibg.it*

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Abstract

In this paper we contribute to the research literature on the entrepreneurial process by investigating the relationship between intangible resources, strategic behaviours and corporate life cycle dynamics. The corporate life cycle model is based on the experience that firms evolve in quite a predictable manner facing common problems in the different phases of their life. A better understanding of how obstacles can be predicted and managed is instrumental in overcoming difficulties and enhance their development opportunities. Our first aim in this study is to highlight the strategic role of the figures of entrepreneur, manager and capitalist along the life cycle. Second, our research is supportive of the role of entrepreneurship as an agent of change during advanced phases of the corporate life cycle.

Riassunto

In questo articolo proponiamo un contributo alla letteratura che studia il processo imprenditoriale indagando la relazione esistente fra le risorse intangibili, il comportamento strategico e la dinamica del ciclo di vita di un'impresa. Il modello del ciclo di vita si basa sull'osservazione che le imprese evolvono in maniera abbastanza prevedibile, affrontando problemi comuni nelle diverse fasi del loro sviluppo. Una miglior comprensione di come gli ostacoli possano essere previsti e gestiti è strumentale al superamento delle difficoltà, e rafforza le opportunità di sviluppo. Il primo obiettivo di questo articolo è quello di dare rilievo al diverso ruolo strategico delle figure di imprenditore, manager e del portatore di capitali nelle diverse fasi del ciclo di vita di un'impresa. Il secondo è quello di sottolineare l'importanza del ruolo dell'imprenditore come agente di cambiamento nella fase avanzata del ciclo di vita.

JEL Classification: M13

Key words (Parole chiave): Entrepreneurial Process, Corporate Life Cycle, Entrepreneurial Skills, Renewal of firms (Processo imprenditoriale, Ciclo di vita dell'impresa, Capacità imprenditoriali, Fase di rinnovamento delle imprese)