

“Value-centered entrepreneur role model design”

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VALUE-CENTERED ENTREPRENEUR ROLE MODEL DESIGN

Abstract

The article is devoted to developing a change model for entrepreneurial roles that allows to create a conceptual design for the roles of an entrepreneur at different stages of business development. The article highlights four key stages in the business development life cycle. At each step, business focuses on a certain type of client and the value created for that client. The business focus requires an entrepreneur to concentrate on performance of a certain role. An analysis of the literature about role modelling is provided. The article considers entrepreneurs' roles at different stages of business development. There are several methodological approaches applied in the article. The systems approach and systems thinking allow to describe a business as a whole. Conceptual modelling allows to deal with complexity of a real business. Design approach allows to implement conceptual models in practice of the real business. The article proposes a change model for entrepreneurial roles and the related roles composition at the different stages of business development life cycle. This article uses the conceptual model as an analytical tool to develop a change model for entrepreneurial roles. The further development of the research relates to research of sub-roles composition for different entrepreneurial roles and abilities, necessary to perform the sub-roles efficiently.

Keywords

entrepreneurship, value creation, life cycle, role model, conceptual model

JEL Classification

L26, M13

INTRODUCTION

Entrepreneurship is becoming a widespread phenomenon that significantly affects the economic, social and political life of entire countries (Khanna, 2011). When creating and developing a business enterprise, an entrepreneur should perform a variety of activities – starting from conceptual work on the development of business concepts to the performance of business processes such as the production of goods and customer service. The activities significantly vary depending on the level of maturity, complexity and size of a company, which is managed and governed by the entrepreneur.

There are few approaches to life cycle of a company and a role of an entrepreneur descriptions. The life cycle concept allows to describe a company development from its creation to its "death" or transformation. There are variety of ways to describe steps of such life cycle and appropriate tasks which entrepreneur and management team should solve at each step.

The modern understanding of the purpose of organization existence is value creation. Any company should create a composition of value propositions for its stakeholders: clients, partners, employees, shareholders. The paper applies value creation as a driver of a company activity and treats it as the key criteria for life cycle definition. Focus on the value creation allows to keep company activities design dedicated to its stakeholders during all stages of the life cycle.

The paper presents a change model for entrepreneurial roles designed to become a tool for an entrepreneurs' role model development. The role model will be tuned for the precise stage of a business life cycle. The role concept allows to link entrepreneur behavior with the needs of clients, partners, employees and shareholders and accent of value creation at the stages of the life cycle. The role tuning allows to define the abilities of an entrepreneur, crucial for business development at each appropriate stage.

There are several methodological approaches applied in the article: systems thinking, conceptual modelling and design approach. The systems thinking allows to understand a business as a whole and interpret the business development. Conceptual modelling is an adequate instrument to deal with complexity as a whole, providing an understanding of a real business. Design approach is an appropriate way to link the understanding via conceptual models with influence on the real business, implementing the models in practice.

The combination of systems thinking, conceptual modelling and design approach provides productive conceptual framework for modelling a company as a complex value providing entity. The conceptual company model is flexible enough to represent priorities of value creation at each stage of company life cycle. It also allows to extend the model incorporating entrepreneur roles and company-role relationships. The roles of an entrepreneur in the model are related to stages of company life cycle and are meaningful as soon as they are related to the value created.

Further research and development of conceptual frameworks are important answers to the growing complexity of modern organizations. They allow to better describe and understand the complexity. The frameworks, which include representation of a whole, part-whole and role-role relationships allow also to design organizations with clear value proposition, scalability and ability for institutional development.

1. THEORETICAL BASIS

According to Mella (2015), "The great shock of twentieth-century science has been that systems can not be understood by analysis. The properties of the parts are not intrinsic properties but can be understood only within the context of the larger whole" (p. 595). The Systems Thinking discipline (Senge, 2006; Mella, 2012) concentrates on the principles of wholeness rather than on parts themselves.

The representation "as a whole" presents a system and systems' participants as concepts, in other words, at the same level of abstraction. The representation clearly separates conceptual (theoretical) constructs that are abstract by nature, and behaviors that are highly specific. But it is more important that the conceptual representation allows to correctly compose systems at different levels of scope, but at the same level of abstraction.

The method of conceptual modelling is the key method applied in this article for the development of a change model for entrepreneurial roles. The

concept or construct is a weak version of a theory, very common in the social sciences. However, the requirements for a conceptual representation such as integrity, connectivity, lack of internal contradictions are no less strict than for extensive scientific theory. The conceptual modelling essentially deals with a system' complexity of different nature, for example, behavioral, processual or conceptual.

A conceptual model according to Domingos (2017) allows to "refer to the rough knowledge of a technology we need to have in order to use effectively" (p. 16). Conceptual modelling is becoming gradually more important as an efficient approach for describing complex objects which other kinds of models fail to describe. These models are elaborated in various disciplines like sociology (values, meanings), political science (power), the economy (individualism, institutions), philosophy (identity, authenticity).

The formulation and application of conceptual models is useful for strategic management of organizations, their understanding, explanation, development and transformation. It clearly splits ab-

stract concepts and specific (concrete) behaviors. It allows to correctly apply conceptual models of objects of very different origin and nature: human beings, social systems, networks of systems.

The conceptual modelling allows researchers and managers to stay on the same “conceptual floor” dealing with business ecosystem, business organization, organization employees or entrepreneur in different roles. It applies the same conceptual frames, like values (personal, organizational, cultural), goals (individual and collective), mechanisms (policies, strategies), value created (added) for client (customer, partner, stakeholder, employee) to describe these objects of different nature. It links the concepts of people, business as a system and meta-systems with conceptual structure – conceptual relationships that are determined by the value creation concept as a governing idea.

Life-cycle is another important concept with origin from a metaphor of a company as a live organism which lives its life – from birth to death. According to Greiner (1972), the dynamics of organizational development is well described as a series of revolutionary and evolutionary stages. The nature of this heterogeneity is that any organization is a complex system in which a large number of elements are linked with each other by unclear links. While some elements of the organizations can develop at a faster pace, the other elements fall behind in their development. Accumulated imbalance is settled on the revolutionary stage, creating opportunities for future evolution, and laying the foundation for the accumulation of some new problems. As one of the examples, Greiner (1972) cites a decision to delegate powers, which raises the problem of monitoring implementation.

The author identifies five key phases of evolutionary growth; each of them has their own crisis which ends in a revolutionary period. The phases are: creativity (ends with crisis of leadership of a sole entrepreneur), direction (ends with crisis of autonomy), delegation (ends with crisis of control), coordination (ends with crisis in personnel), collaboration stage, which ends with a need to circle back to the creativity phase.

From the entrepreneur’s point of view, the source of heterogeneity is the limit of the administrative

resources of the entrepreneur who is not physically able to solve all management development problems, establishing the company consistently – system by system. The choice and consequence of resolving of the problems define the roles the entrepreneur has to play.

According to Adizes (2004), life cycle of any corporation can be represented by ten stages. At the Courtship stage, the company exists as a concept in the founder’s mind. At the Infancy stage, a company focuses on actions to generate sales and cash-flow. At the Go-Go stage, the company which has found its business model is scaling up increasing sales and cash-flow. At Adolescent stage, further development depends on professional management and organizational development. At the Prime stage, the company achieves a certain balance between control and flexibility. At the rest of the stages (the Fall, Aristocracy, Recrimination, Bureaucracy and Death), companies are aging due to the loss of their vitality, cash richness and profitability.

According to Adizes (2004), the concept of life cycle foresees that the founder may quit the company at any stage. In fact, the transition to a new stage of a businesses development life cycle means that a founder has to change his (her) role, and very often go through painful professional and personal transformations.

Role is an important concept that allows to represent, explain and create new socio-economic systems. The concept can be used to model systems both in the aspect of the whole-part (Guizzardì, 2005; Thalheim, 2010; Thalheim & Tropmann-Frick, 2016) and in the aspect of functional relationships (Loebe, 2003; Steinman, 2000; Biddle, 2013). The article discusses the use of an approach to model managerial roles in both aspects.

The author of the research (Mintzberg, 1990) was one of the first scientists who deeply studied the managerial roles and distinguished the following groups: interpersonal (Figurehead, Leader, Liaison), informational (Monitor, Disseminator, Spokesperson), decisional (Entrepreneur, Disturbance Handler, Resource Allocator, Negotiator). According to Mintzberg (2009), in order to carry out administrative activity in three dimensions

– outside the organization, within the organization and within the department, and in order to successfully perform managerial roles, managers should possess competencies divided in four groups: personal, interpersonal, competence in the field of information and competence in the field of actions. The role model composition and the related competency model are very useful, because they work out the way for personal development of the manager. At the same time, the role model composition does not formalize activities and roles, played by entrepreneurs.

The way to solve the task of forming a composition of necessary management roles was offered in the research of Adizes (1992), which classified managerial roles into two dimensions: the performance efficiency dimension and the short-or long-term perspective dimension. The steering role (S) is focused on achieving efficiency in the short term, providing a clear definition and meeting the needs of its customers. The administrative role (A) is focused on short-term performance, and provides regulation, planning and organization of ongoing activities. The entrepreneurial role (E) is aimed at ensuring long-term effectiveness. It involves active adaptation to changing conditions. The integrating role (I) is focused on long-term performance and provides the creation of a unique organizational culture that ensures the integrity of the organization. This paper (Adizes, 2004) links the concept of role model composition and the life cycle concept of an organization. However, less attention is paid to the manager's position in the organizational hierarchy and the relationship of this position to the role model composition.

According to the research by Buckingham and Coffman (1999), there is a fundamental difference between the managerial roles of a manager and managerial roles of a leader. This difference stems from their place in the organizational hierarchy. A person having the role of a manager pays attention to the inner environment of his (her) organization. The attention of the manager is focused on the company's personnel. The manager selects employees according to their abilities. He or she formulates expectations, motivates employees to develop their skills and helps them to find their own place in the organization.

A person in the role of a leader pays attention to the outer environment of the company – mainly to the competition and trends. Leaders have to look at the future and then create it. The leader's role is very clear, specific and different from other management and executive roles. Leaders believe that they can turn dreams into reality and they have to take responsibility for the transformation of the status quo to something better. These leaders are ready to defend their rights to this role, they believe in their own ability to overcome all obstacles and move on.

Understanding the existing roles allows then to design new roles and role model compositions. Contrary to a scientific approach the design approach orients on intervention – solving a problem identified, not just on understanding.

The design approach originates from a designers' activity. According to Lawson (2007), "The designer has a prescriptive rather than descriptive job. Unlike scientists who describe how the world is, designers suggest how it might be. Designers are therefore all 'futurologists' to some extent. The very essence of their job is to create the future, or at least some features of it" (p. 112).

Design approach can be used to produce systems, not just products. It is applicable to a wide range of human needs and is very general. One of the most important characteristics of the approach is its iterative nature, which means that a solution is developed not linearly, but in an iterative manner. The iterations allow to organize a design process in a more predictable and manageable way.

2. RESULTS

Business as a system supposes representation of the business as a conceptual model as a whole, which creates a value for stakeholders in different roles, for example, clients, partners, employees and shareholders. The conceptual model may help to design a business as a whole before it appears in reality. When business exists, the conceptual model might be an efficient tool, which shapes thinking about real business with the purpose of its analysis, development or re-design. This article uses the conceptual model as an analytical tool to

develop a change model for entrepreneurial roles, which describes an entrepreneur role model development during the different stages of business life cycle. The change model is presented in Table 1.

The business life cycle concept describes how a business changes over a period of time depending on business maturity. Business maturity can be described in terms of ability to produce value for different types of stakeholders. The value proposition for the different stakeholders should be properly balanced, but it takes time to establish such balance. The life cycle steps can be treated as being focused on different types of subjects of value creation: clients, partners, employees, shareholders, including the entrepreneur him (her)self. During the different stages of the life cycle the entrepreneur should focus on different roles, needs and aspects of value creation.

The very first step is embryonic for a business idea. An entrepreneur at this stage should create the very first composition of value created for the clients, partners, employees and for him (her)self as founder of a business. The focus of the second stage is on client and business model tuning. An entrepreneur at this stage tests his hypothesis about the client and the client needs, as well as about the economic feasibility of the new business. In the modern complex world, a value proposition is normally created within value chains or value nets. This leads to partnership model testing as a part of the business model tuning. This stage is normally called a start-up period and it should be finalized with the business model which is scalable during the next stages of business development.

The next stage of the life cycle is related to scaling the business model determined by the previous stage. The third stage is related to the articulation and development of the organizational model. The value created for employees and corporate identity should be in the remit of the entrepreneur.

The next period of business scaling is related to institutionalization of the scaling mechanisms. This might include financial leveraging, mergers and acquisitions, as well as corporate transformation – intentional change of a client, value proposition and corporate culture, i.e. business, partnership and organizational models. At this stage, governance model development becomes crucially important. Governance mechanisms such as boards of directors, supervisory boards, advisory boards substantially enhance the capability of wide variety of stakeholders to govern (direct, control, transform and develop) the business.

At each step of the life cycle, an entrepreneur has to focus on different aspects of interaction and play different roles. At the very first stage, the most important role is the role of strategic architect or conceptual (business) designer. In this role, the entrepreneur should deal with different concepts such as business, partnership, organizational and governance models. The conceptual designer role can accordingly be into the roles of business, partnership, organizational and governance model design. The allows to easier develop the capabilities of an entrepreneur in the roles, for example, precise development of the curriculum and learning process.

Table 1. A change model for entrepreneurial roles

Business life cycle (development) stage	Pre-start	Start-up	Scale-up	Institutional development
Business as a system	Exists as an idea	Emerging system	System, which grows organically	System, which grows with leverages
Sub-systems (models) priorities	Equally important	Business Partnership Organizational Governance	Organizational Partnership Business Governance	Governance Partnership Organizational Business
Key role of an entrepreneur	Conceptual Designer	Founder	CEO	Governor
Sub-roles of an entrepreneur	Designer of models Business Partnership Organizational Governance...	Business model manager Partnership manager Functional manager Team leader...	Strategy officer Executive officer Culture developer Human capital officer...	Governance officer Board member Investment manager Transformation leader M&A leader...

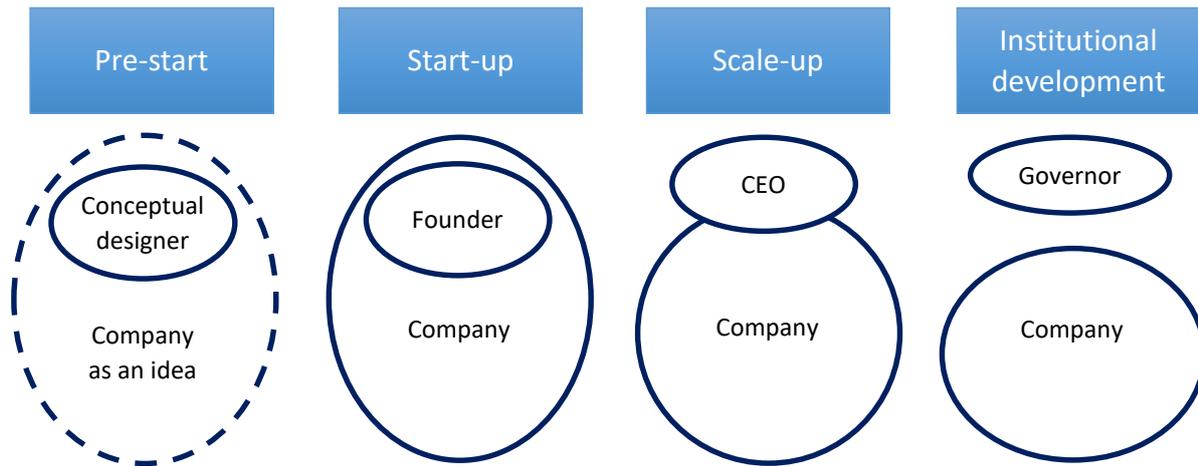


Figure 1. Entrepreneur-company relationships

The second step of the business life cycle is related to the business model (and partnership model) tuning and requires the entrepreneur to play the role of business founder. The key capability of the founder at this start-up stage is to implement the business model in real life. The founder's role can be split into the roles of business model manager, partnership manager and team leader.

The next stage – scaling up – requires an entrepreneur to play the role of Chief Executive Officer (CEO) in its different aspects – strategy officer, executive officer, culture developer, human capital officer, etc.

An entrepreneur being a shareholder at the stage of institutional development plays the following roles: investment manager, governance officer, board member, transformation leader, M&A leader. The roles let the entrepreneur effectively utilize the leverages of different type: financial, relational, institutional and other.

A change model for entrepreneurial roles describes an entrepreneur's role model as a composition of other managerial roles, which changes during the stages of business life cycle. Another perspective of an entrepreneurs' role transformation is a change of the role relationship with a company founded by the entrepreneur. The perspective representation is correct as far as it uses the role concept and the company as a system concept, representing both objects at the same level of abstraction. Figure 1 presents the entrepreneur-company relationship change over different stages of company life cycle.

3. DISCUSSION

A change model for entrepreneurial roles allows to link the business system at different stages of business life cycle with roles which an entrepreneur should play. It is necessary to stress that at each stage of the life cycle, an entrepreneur should play a variety of managerial roles. The key role is the top priority role from the role spectrum – for the certain life cycle stage.

The split into sub-roles is an important tool of entrepreneur role design, role analysis, role teaching and learning. The sub-roles composition defines sub-values produced by the sub-roles and/or a process of incremental value creation. The sub-roles composition represents a complex key role with simpler elements, which allow a researcher or a designer to better understand which abilities/competencies are necessary to play the key role. For example, a conceptual designer role needs well developed ability to conceptual thinking, systems thinking and design thinking.

Understanding of the key roles and the sub-roles an entrepreneur should play might not only allow to better understand which personal abilities should be developed. It should improve the efficiency of managerial roles distribution among employees. The need to play a lot of roles by an entrepreneur at the initial stages of a business development often limits capability of the businesses to scale up and to institutionalize its development.

The article utilizes systems thinking, conceptual modelling and design approach and presents a model for development role compositions for entrepreneurs at different stages of a business life-cycle. The stages of a business life-cycle represent meaningful value creation for different types of stakeholders: clients, partners, employees, shareholders. At each stage an entrepreneur should focus his (her) performance on an appropriate role: conceptual designer, founder, CEO, governor. The roles are presented as compositions of sub-roles and personal abilities, necessary for successful performance of the sub-roles.

The value-centered models of roles, sub-roles and appropriate abilities might be an efficient tool for representation knowledge about entrepreneurial activities at different stages of a company life-cycle. The further development relates to research of sub-roles composition for different entrepreneurial roles and abilities, necessary to perform the sub-roles efficiently. Conceptual modelling is powerful tool for knowledge about roles, sub-roles and abilities representation. The roles, sub-roles and abilities representation provides a solid ground for entrepreneurs' assessment and personal development as well as learning programs development.

CONCLUSION

The article presents a change model for entrepreneurial roles, utilizing systems thinking, conceptual modelling and design approach. The model is a tool for development role compositions for entrepreneurs at different stages of business life cycle. The stages of business life cycle composed to represent meaningful value creation for different types of stakeholders: clients, partners, employees, shareholders. To be able to create the value at each stage, an entrepreneur should focus his (her) performance on an appropriate role: conceptual designer, founder, CEO, governor. The roles can be presented as compositions of sub-roles and personal abilities, necessary for successful performance of the sub-roles.

The suggested model allows to develop value-centered role models and compositions of personal abilities, necessary for successful role performance. The models of roles, sub-roles and appropriate abilities might be an efficient tool for representing the knowledge about entrepreneurial activities, as well as learning programs development for entrepreneurs.

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