PORTFOLIO ENTREPRENEURS:

PATHWAYS TO GROWTH AND

DEVELOPMENT

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ABSTRACT

Early entrepreneurship studies have often regarded entrepreneurs as a homogeneous group. More recently, scholars have recognised that entrepreneurs have different ownership propensity. Portfolio entrepreneurs, a sub-type of the habitual entrepreneur, are involved in a number of businesses simultaneously. By their very nature, these entrepreneurs are more experienced than their novice counterparts and studying them should enhance understanding of entrepreneurship.

This thesis aims to explore why and how some individuals become portfolio entrepreneurs. The investigation is guided by a conceptual framework that explores the theoretical antecedents (e.g., human and social capital, motivation and risk) to portfolio entrepreneurship, how they engage in the entrepreneurial processes (e.g., opportunity search and recognition, entry and operational strategies) and the outcomes (e.g., business and personal) of their entrepreneurial activities. This is a qualitative study using a multiple case approach. Fifteen cases of portfolio entrepreneurs were selected and interviewed in-depth.

Results show that portfolio entrepreneurs do have a distinct combination of human and social capital endowments, motivation and risk propensity. These antecedents allow them to formulate strategies that pave the way to portfolio development. While the reasons for the pursuit of the portfolio model vary across the different portfolios, it is evident that the portfolio is a result of the entrepreneur's opportunity and growth-seeking pursuits and a way to spread the risk inherent in business. The study reports strategies and heuristics that these entrepreneurs employ to manage the dynamics of a portfolio structure. At the business level, outcomes indicate that individual business benefit from being part of a portfolio. At a personal level, successful portfolio entrepreneurs do become high net worth individuals. Although financial motivation is evident at the early stages of their careers, money no longer features in later stages. Their satisfaction levels are high, and regrets are almost non-existent. They enjoy being in business and thrive in the many challenges that new products, systems, solutions and ways of doing things bring to the market and society.

CHAPTER 1

INTRODUCTION

1.1 Chapter overview and purpose

The first chapter of the thesis introduces the broader concept of entrepreneurship and where portfolio entrepreneurship sits within this environment. It also sets the background to the study and presents the context of how this phenomenon is investigated. It is divided into sub-sections that look firstly at the background of the research followed by research issues faced in the entrepreneurship discipline. The research problem and specific research questions are then introduced. This is followed by a section on how the thesis is structured and the contribution of the thesis. The final section gives an overview of the cases used for the study.

1.2 Background to the research

> *"It is enterprise which builds and improves the world's possession. If enterprise is afoot, wealth accumulates whatever may be happening to thrift; and if enterprise is asleep, wealth decays whatever thrift may be doing."*
>
> *- John Maynard Keynes (A Treatise on Money)*

Entrepreneurship is a young and changing (Sarasvathy 2004b) but critical field of research because of its implications for industry and market creation (Zahra 2007), thus it is an integral part of wealth creation activities especially in market economies. Although there is still much debate about its role in business and society, Shane and Venkataraman (2000: 219) suggest that "the absence of entrepreneurship from our collective theories of markets, firms, organizations and change makes our understanding of the business landscape incomplete." There are many views on entrepreneurship - among them that it involves all the functions, activities, and actions

associated with perceiving opportunities (Bygrave and Hofer 1991) and the creation of organisations (Aldrich 2000) to pursue them. It is a unique process that is also intertwined with what Low and MacMillan (1988: 141) describe as "a complex set of contiguous and overlapping constructs." Existing literature shows that entrepreneurship is often linked to areas such as small business and firm-level management, innovation and new product development, strategic management, marketing, developments in information technology and cognition and behavioural studies among others. This phenomenon has attracted researchers from various academic disciplines and has led to tremendous growth in entrepreneurship research and education. Shane and Venkataraman (2000) argue that it is "an important and relevant field of study" but acknowledge that researchers in the field do face major difficulties. They suggest that the contribution of scholars from different disciplines and the use of different methodologies would hopefully create a "systematic body of information about entrepreneurship."

An appropriate way to commence a new entrepreneurship study is to evaluate the state of the field. Although there is general acknowledgement that some progress in understanding the phenomenon has been achieved over the past decade, many scholars and critics of entrepreneurship research argue that a consensus on the theory of entrepreneurship is still a long way away. That entrepreneurship research has been described as a "hodgepodge" (Shane and Venkataraman 2000), a "coat of many colors" (Zahra and Dess 2001) and a "potpourri" (Low 2001) is an indication that the field is a subject of much academic interest but seriously needs clear directions. There is consensus on the notion that in order to further advance the field, an integrated effort to investigate entrepreneurship is required. This means that research in this area needs to build and extend on existing literature especially as the field appears to be very broad. A few frameworks have been suggested to direct the development of entrepreneurship research. The works of Low and MacMillan (1988), Gartner (1989) and Shane and Venkataraman (2000) are amongst the most widely debated in mainstream journals, and in many entrepreneurship conferences and courses with the view to developing a coherent body of knowledge.

1.3 Research issues

The earlier work of Low and MacMillan (1988) formed a huge basis for much deliberation in this area. They suggested an organising theme consisting of six design specifications namely: purpose, theoretical perspective, focus, level of analysis, time frame and methodology. The significance of this work was recognised by two special workshops held ten years later attended by leading scholars in the field. These workshops resulted in a special summer issue of Entrepreneurship Theory and Practice (Davidsson, Low and Wright 2001). Here, Low (2001) observed that although progress has been achieved, the field is still faced with special challenges. Low describes this as the adolescent stage.

This seems an appropriate description considering that many in the entrepreneurship field agree that it is in need of some soul searching in order to establish itself as a legitimate academic field. As an adolescent, or what Zahra and Dess (2001) call the "youth of the field," the way forward to paradigmatic growth and maturation (Chandler and Lyon 2001) is beset with challenging issues. Collectively, entrepreneurship research has lagged behind the explosion of interest in the field as manifested by large student enrolments and rising demands in entrepreneurship courses not only in mainstream universities but in other tertiary and business institutions. There is no doubt that entrepreneurship has become a popular and rapidly growing academic field. This is also matched by the interest shown by researchers from other complementary disciplines. However, much work still needs to be done before the field matures. Aldrich and Martinez (2001) argue that integrating entrepreneurship research, the main task set out by Low and MacMillan (1998) was still to be fulfilled.

There are many issues that confront entrepreneurship scholars. However, for the purpose of and in relation to this study, three notable problem areas are highlighted.

1. Firstly, researchers have consistently asked the question "who is the entrepreneur?" and Gartner (1989) argues this is the wrong question. This is supported by evidence that a majority of studies on the subject have generally taken the trait approach to understanding the entrepreneur.

Consequently, there is still very little known about their behaviour. Notable scholars in entrepreneurship research are calling for a move away from descriptive research with Low and MacMillan (1988) further suggesting that research into entrepreneurial behaviour should consider contextual issues and identify the processes that explain rather than merely describe the entrepreneurial phenomenon.

2. The second issue relates to the use of the firm as the main unit of analysis. Scott and Rosa (1996) argue that this assumption leads to the true contribution of the entrepreneur not being fully recognised. Davidsson and Wiklund (2001) support this contention although also propose a mixed approach to analysis.

3. Finally, studies on entrepreneurs have treated them as a homogeneous group. Although different typologies of entrepreneurs have evolved, these were largely descriptive. A move away from this approach followed a forum where MacMillan (1986) challenged that to really learn about entrepreneurship, scholars should study habitual entrepreneurs. This is an acknowledgement that entrepreneurs are a heterogeneous group. A full discussion of MacMillan's habitual entrepreneur is covered in section 2.3.1.

Addressing these concerns, subsequent works have focused on specific issues such as levels of analysis (Scott and Rosa 1996; Davidsson and Wiklund 2001), contextual and process issues (Ucbasaran, Westhead and Wright 2001), specification of purpose (Low 2001), research design and construct measurement (Chandler and Lyon 2001), opportunity recognition and exploitation (Singh 2001), the domain of the field (Zahra and Dess 2001), as well as an extension of how opportunities may be investigated (Erikson 2001).

Shane and Venkataraman (2000: 217) also took the debate to another level by arguing that entrepreneurship research suffers from the lack of a conceptual framework. This argument is based on the premise that to be a useful field of social science, entrepreneurship "must have a conceptual framework that explains and predicts a set

of empirical phenomena not explained or predicted by conceptual frameworks already in existence in other fields." They argued that this lack of conceptual framework has led to entrepreneurship becoming "a broad label under which a hodgepodge of research is housed." This drew significant responses from other scholars who offered suggestions on specific aspects of their framework including Zahra and Dess (2001), Erikson (2001) and Singh (2001). For their part, Zahra and Dess (2001), sharing in Share and Venkataraman's concern, describes the current state of entrepreneurship research as "a coat of many colors," but justifies it as partly due to a need of an organising framework.

Differing opinions on how entrepreneurship can be advanced is still discussed in various journals and conferences. A promising development is that entrepreneurship has "moved away from the figure, characteristics, and intentions of entrepreneurs themselves to concentrate more on their actions and the outcomes" (Aldrich and Martinez 2001: 52) and thus have made astonishing advances in the area of theory. Davidsson, et al. (2001: 5) concurs with the observation that "as regards to the individual, the focus seems to have shifted away from the relative dead end of stable psychological characteristics towards behaviour and cognitive issues" and that can only contribute to the field moving towards becoming what Low (2001) suggests is a legitimate area of academic inquiry.

Out of all the debate, there is now an emergence of common perspectives and many are following the methods suggested in the above frameworks. These are certainly good indications of a collective effort to develop consistent scientific advances (Brazeal and Herbert 1999) in entrepreneurship research. For example, there is now a shift away from studying entrepreneurship and the performance of the firm to the processes involved in venture creation with particular focus on the entrepreneur. In addition, it is now also recognised that a significant number of entrepreneurs are not one-off business founders. Most notably, the differences between novice, serial and portfolio entrepreneurs, the latter two being sub-types of habitual entrepreneurs, are now increasingly being recognised (Westhead and Wright 1998a; Rosa 1998; Birley and Westhead 1993). These habitual entrepreneurs may offer useful insights to entrepreneurship theory development. In particular, portfolio entrepreneurs are of special interest not only because of the depth and breadth of their experience but also

of the contribution that they make to society and the economy in general. They are also of great interest to scholars because they operate with a different model of entrepreneurship in comparison to single business entrepreneurs. This thesis aims to contribute to this body of knowledge by jointly exploring the entrepreneur and the firms that they create. The author believes that the entrepreneur and the firm/s cannot be separated; the latter is the outcome of being the former.

Entrepreneurship is a complex process and knowing the factors that lead to successful entrepreneurship has far reaching implication over a wide area and certainly justifies relevant investigation. With this premise, this thesis investigates the experiences of a number of portfolio entrepreneurs. Of particular interest to this study is the understanding of the behaviours, action and inaction of this select group of entrepreneurs and in so doing gain insight into this unique entrepreneurial process. It is in this area that this thesis aims to contribute to the on-going maturation of the field of entrepreneurship.

1.4 Research problem and questions

Entrepreneurs engaged in multiple ventures go through unique processes, very little of which is explained and understood as yet. For portfolio entrepreneurs, this behaviour is repeated as they simultaneously create, acquire or inherit not just one but a number of other businesses. To enhance understanding of this phenomenon, it is necessary to investigate **why portfolio entrepreneurs behave the way they do and how the processes that lead to the formation of business portfolios develop the way they do.**

Essentially, it is argued that understanding the behaviours exhibited by portfolio entrepreneurs would aid the advancement of theory building in entrepreneurship, something that has been elusive up to now. In investigating the answers to this question, the following more specific questions are explored:

1. **How prevalent is the phenomenon of portfolio entrepreneurship?**

2. **What are the antecedents that influence the way portfolio entrepreneurs think and do things? How do these factors influence initial and subsequent venture creation behaviour?**
3. **How do portfolio entrepreneurs engage in the entrepreneurial process of opportunity search and recognition and entry as they seek to develop and grow their business?**
4. **What are the business and personal outcomes of these entrepreneurial activities?**

To lend order to this investigation, the study draws from many theoretical contexts including effectuation logic and principles (Sarasvathy 2001) and developments that relate to the rise of portfolio entrepreneurship: the family business (Rosa 2006) and the corridor principle (Ronstadt 1988). Other contexts include human and social capital, motivation, opportunity identification and growth.

1.5 Thesis structure

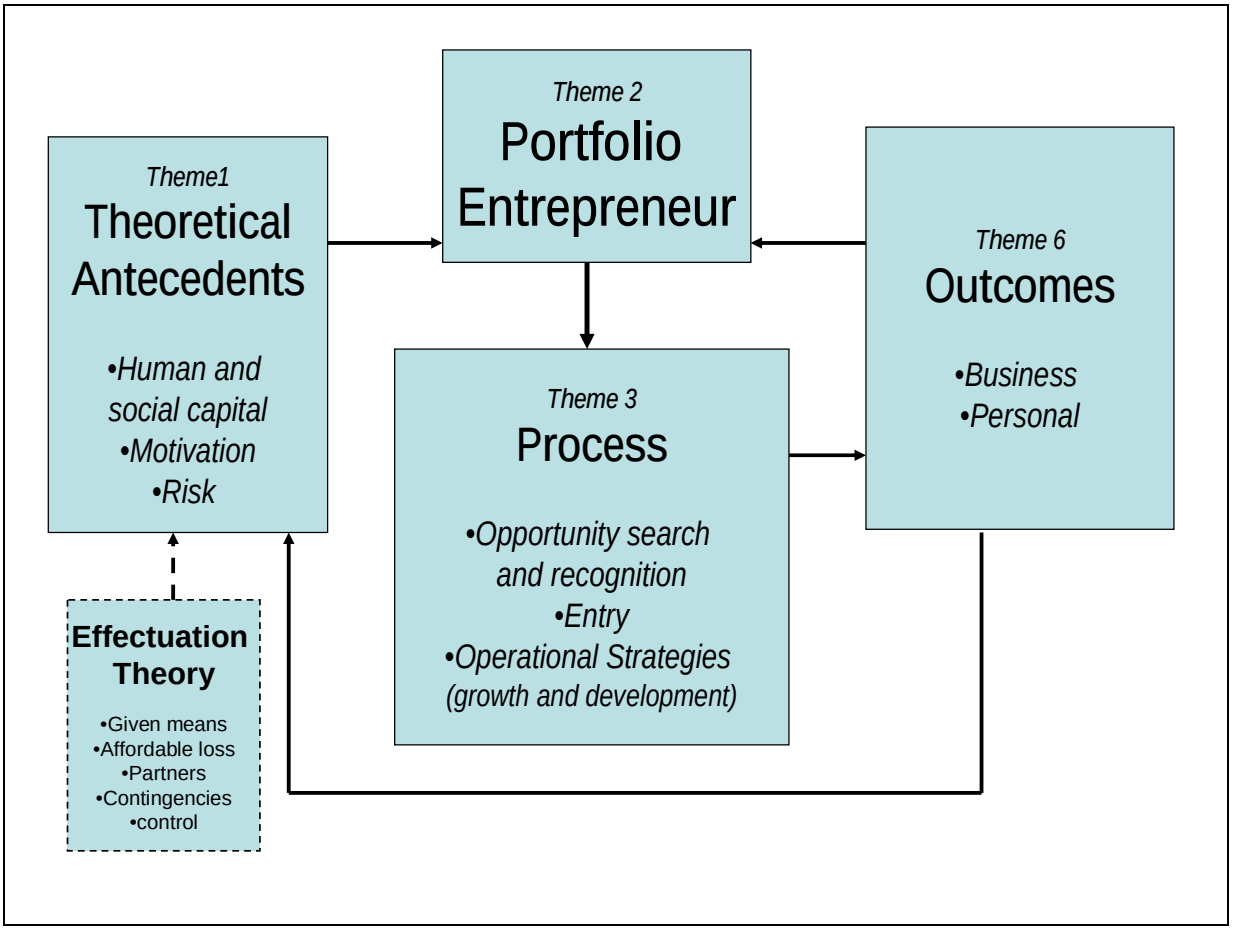
The nature of the investigation mainly influences the way the thesis is presented. The main investigation consisting of multiple cases is guided by the themes as contained in the conceptual framework and depicted in Figure 1.1. The themes in the framework also guide the over-all structure of how the results are reported.

Background literature is contained in Chapter 2, and the framework for investigating the research question is set out in Chapter 3. Chapter 4 discusses the research methodology in detail and looks at the scale of multiple business ownership in New Zealand from a preliminary investigation that establishes their prevalence within a New Zealand context. The case studies that follow build on this initial investigation.

Chapters 5 and 6 relate to theme one of the study. Chapter 5 specifically looks at ***theoretical antecedents*** that focus on the human and social capital, motivation and risk profiles of the participants. Chapter 6 is a further analysis of these antecedents as seen through the effectuation logic lens.

Chapters 7, 8 and 9 cover the ***entrepreneurial process*** where chapter 7 looks at pre venture formation stages of opportunity search and recognition as well as entry criteria and strategies. Chapter 8 is an in-depth analysis of the strategies that the participants favour to grow individual businesses and develop their portfolios. Chapter 9 covers the operational strategies that the case participants use in the pursuit of their ventures and the different resource and management strategies they employ in the course of their business.

Figure 1-1 Conceptual framework



Chapter 10 reports on the ***outcomes*** of their activities both at the business and personal levels. Finally, Chapter 11 covers an ***integrating discussion*** of the findings from the preceding chapters organised around the research questions set out at the beginning, their implications, contribution to theory and concludes the thesis.

1.6 Contribution of the thesis

This study primarily adds to the recognition that portfolio entrepreneurs are a relevant area of research and there is a need to understand and explain the many different aspects that lead to their emergence. This includes establishing the ubiquity of such a phenomenon in a New Zealand setting and comparing this to other contexts.

Exploring the theoretical antecedents that cover human and social capital, motivation and risk issues and how they influence the entrepreneurial processes contributes to a wider understanding of portfolio development. Successful portfolio entrepreneurs are unarguably experienced business founders. As such, "they are expected to have acquired the knowledge and skills necessary to develop strategies to overcome common problems in new venture, and thereby be more successful business starters" (Kolvereid and Bullvag 1993: 275). Exploring ownership structures and their impact on the portfolio sheds some light on the merits of specific strategies.

Additionally, it is important to look into outcomes of entrepreneurial activities at the level of the firm, the portfolio and at a personal level. Ucbasaran, et al. (2001) suggest that there is a need to identify the skills that successful habitual entrepreneurs have accumulated and learned so that they can be disseminated. This includes lessons derived from the wealth of experience that portfolio entrepreneurs possess. At a practitioner level, this may allow researchers and business mentors to provide more specific advice for other entrepreneurs such as nascent and novices, and potentially reduce the incidence of business failure.

The use of the qualitative paradigm and more specifically, the need for qualitative research is increasingly called for especially with a population that is unique in more ways than one. Entrepreneurs can be considered as "outliers" in the community (Gartner and Birley 2002) and the numbers derived from quantitative research do not necessarily provide the answers needed to fully understand the phenomenon. Churchill (1992) argues that although additional quantitative questionnaire studies will bear further fruitful information and confirmatory evidence, there is also the need for more in-depth ethnographic case study research using semi-structured interviews

as well as participant-observation techniques of sociology and anthropology. Gartner and Birley (2002: 387) are also of the opinion "that many substantive issues in entrepreneurship are rarely addressed, and that many of the important questions in entrepreneurship can only be asked through qualitative methods and approaches."

Since there are different types of entrepreneurs (Hall 1995), there is a greater need for more in-depth longitudinal research focusing upon different types of potential and practicing entrepreneurs (Van de Ven 1992). Portfolio entrepreneurs are a significant segment of this group but have only received scant attention from researchers. The use of triangulation in the data collection stage of this multiple case study captures both the descriptive aspects of the phenomenon and the real-life experiences of practising portfolio entrepreneurs.

In light of evidence that portfolio entrepreneurs are likely to be involved in high-growth businesses and that there are lower failure rates among groups of businesses as opposed to single businesses (Rosa and Scott 1999b), there are implications in terms of policy formulation. In the New Zealand context, the Global Entrepreneurship Monitor (GEM) 2001 report contained this statement, from the Prime Minister's Science and Innovation Advisory Council:

> *"Given that large numbers of SME start-ups do not always lead to significant increases in high growth value-added businesses, it may be useful to consider what the essential differences are between entrepreneurs and business owners generally."*

Further, it suggests a better understanding of entrepreneurs involved in high-growth businesses and to focus attention on their specific support requirements. Rosa and Scott (1999a) found that the incidence of multiple venture ownership is very high when associated with high growth companies.

Finally, at a country level, a New Zealand perspective on the development of portfolio entrepreneurship would be useful. New Zealand is ranked one of the most

entrepreneurial countries in the world[1] and tops the list of countries where it is easiest to do business. In this context, a New Zealand perspective would be a valuable contribution to literature since there are no published studies with reference to a New Zealand setting. Although New Zealand has a high rate of start up attempts, there is only a moderate survival rate of new businesses.

Overall, it is hoped that the above contributions would form a platform that other researchers and scholars could build on to further advance understanding of the diverse aspects of entrepreneurship and more specifically, the portfolio entrepreneur.

[1] The Global Entrepreneurship Monitor (GEM) 2001 report top five countries are: Mexico, New Zealand, Australia, Brazil, and South Korea.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This section reviews literature relevant to this study. Entrepreneurship studies have originally evolved from the work of economists like Schumpeter. Over the years, disciplines such as psychology, sociology and management facilitated a changing focus from mere economic perspectives to typologies, characteristics and processes. Entrepreneurship has many facets and it is impossible to cover all of these in one study. This particular study focuses of a specific type of entrepreneur, the portfolio entrepreneur.

In order to provide background to the present study, the literature review explores firstly the many definitions of entrepreneurship and tracks the path to the most recent typology of entrepreneurs that recognises the portfolio entrepreneur. Next, it discusses the habitual entrepreneur in depth, and narrows the literature down to what is known about the portfolio entrepreneur, which is the main focus of this study. It then establishes the scale of this phenomenon and looks at some known characteristics of the firms that portfolio entrepreneurs have. This section is followed by a discussion of emerging and other relevant theoretical development in the area.

Effectuation logic is then discussed in depth and incorporated in part into the conceptual framework in exploring how portfolio entrepreneurship develops. In keeping with the conceptual framework it then reviews what is known about antecedents to portfolio entrepreneurship such as human and social capital, motivation and risk; processes and outcomes that provide background to this study. Other developments in the area are discussed and finally the chapter concludes with how this study is positioned relative to the over-all literature.

2.2 What is entrepreneurship?

"The opportunities of man are limited only by his imagination. But so few have imagination that there are ten thousand fiddlers to one composer."
– Charles F. Kettering

Despite the multitude of entrepreneurship studies, there is no clear consensus on what constitutes entrepreneurship (Gartner 1989; Shane and Venkataraman 2000), hence defining entrepreneurship is one of the field's main challenges. Entrepreneurship is no different to other disciplines that have long-argued about their definition. How to define entrepreneurship is perhaps the most contentious and challenging question in entrepreneurship research not least because as Bygrave and Hofer (1991: 13) observe "entrepreneurship scholars have been embroiled in a never-ending debate over the definition of an entrepreneur." The many definitions of entrepreneurship has often incorporated what the entrepreneur does thus implying that defining the entrepreneur is vital to the over-all definition of entrepreneurship.

Gartner (1989) proposes that entrepreneurship is about the creation of organisations, a task that would not be possible without a creator. Using the metaphor of the baseball player and the dancer, he argues that it is very difficult to separate entrepreneurship from the entrepreneur for indeed, without the player there is no baseball game and in the same token, how can there be a dance without the dancer? Within this assumed inseparability, one may assume different outcomes from different individuals – a result of differences in creative abilities innate in each individual. Just as a dancer or a baseball player brings their unique interpretation of a dance or game, individual entrepreneurs bring about different or unique outcomes. In this context, we attribute differences in outcomes to the unique composition of entrepreneurial indicators such as human and social capital. Sarasvathy (2004a) draws emphasis to the maker or creator. Agreeing with Gartner's position in the creation debate, she argues that "the entrepreneur is not equal to the firm but that the entrepreneur creates the firm according to his/her design irrespective of what the outcome might be"(p.529). It is the act of 'making things happen' that suggests the existence of a maker (Sarasvathy 2004a) therefore one has to begin with the entrepreneur. It is not surprising then that

defining entrepreneurship and in the same token, the entrepreneur – is the origin of the debate that has dominated entrepreneurship research over the years.

Early attempts at defining the entrepreneur were dominated by the trait approach (Gartner 1989). A remarkable, albeit rather incremental shift from this approach evolved in the last two decades. In his award-winning paper regarded as having contributed most significantly to the advancement of knowledge in the field, Gartner (1989) reviewed 32 pieces of normative and empirical work from 1816 to 1982. He found that in the first instance, many of the definitions used over the years have either been vague or non-existent. Secondly, few employed the same definitions; and thirdly, there is an obvious lack of basic agreement of who an entrepreneur is, which in turn leads to sample selection problems. Finally, he found that the attribution of traits and characteristics as well as their psychological profile would lead us to an entrepreneur portrayed as a generic "everyman." There is however general acknowledgement that there is something unique about the entrepreneur that is not present in everyone else. It is no wonder that the behaviour and trait approach to defining the entrepreneur has attracted many critics. Gartner agrees with Vesper (1982) that entrepreneurship is the process by which new organizations come into existence therefore, the entrepreneur should be viewed as a set of activities involved in organisation creation instead of regarding the entrepreneur as a set of traits and characteristics. Gartner captured the problem succinctly in stating that in trying to find the definition of an entrepreneur, asking "who is an entrepreneur?" a question that was followed by many early studies, is indeed the wrong question to ask.

In a parallel piece of work, Low and MacMillan (1988) reviewed a range of definitions from the earlier work of Schumpeter to Gartner (1985) finding that none of them were able to capture the whole picture. They then suggested that entrepreneurship be defined as the 'creation of new enterprise,' not unlike Gartner's (1989) definition of entrepreneurship as the creation of organisations, a view subscribed to by other scholars (Schumpeter 1934; Vesper 1982; and Aldrich 2000) and recognises the role of creators (Sarasvathy 2004a).

However, the presence of creators or enterprising individuals does not constitute entrepreneurship without the presence of lucrative opportunities (Venkataraman 1997)

or at the very least, a perception of the presence of opportunities. Shane and Venkataraman (2000) argue that although entrepreneurship can include such creation, it is not a necessary requirement hence, incomplete. In their view, entrepreneurship must "include consideration of the variation in the opportunities that different people identify" (p.218). Indeed opportunity and how it is sought, recognised, perceived, evaluated and pursued has been the subject of many entrepreneurship studies.

In agreement with Casson (1982) and the concept of entrepreneurial opportunities, Shane and Venkataraman (2000: 218) depart from other researcher's definition of entrepreneurship in proposing that it is the "scholarly examination of how, by whom and with what effects opportunities, future goods and services are discovered, evaluated and exploited." Further, scholarly examination of entrepreneurship should not only enhance understanding but also "seek to explain and facilitate the role of new enterprise in furthering economic progress" (Low and MacMillan 1988: 141).

There is no shortage of critics on what appears to be a fragmentation in entrepreneurship research. Brazeal and Herbert (1999: 31) attribute this to "the failure to clearly articulate a workable definition of the phenomenon of entrepreneurship coupled with its relationship to distinctly different, but overlapping, concepts." Herein perhaps lays the problem. Entrepreneurship is often regarded as a complementary or special topic that other scholars can incorporate into their own areas of interest. It is not unusual for example to find theories and applications from such disciplines as strategic management, leadership, organisational behaviour, marketing and the like within the entrepreneurship literature. Differing orientations and terms of reference understandably can result in the tendency of researchers to define their studies to meet their own research interests. While Zahra and Dess (2001) contend that other domains can only enrich the development of entrepreneurship, a unity of purpose still needs to be articulated. A decade after their original challenge, Low (2001) still reiterates the need for unity among entrepreneurship researchers to forge a high-level common purpose. With many entrepreneurship scholars coming from other fields of various orientations, comparisons have been drawn to the Hindu story of the elephant and the six blind but wise men (Brazeal and Herbert 1999; Gartner 2001). Each of the blind men's perspective was part of, but not, the whole story. This implies that whether scholars like it or not, there cannot be exclusivity to

one's own perspective of entrepreneurship. In providing greater insight into entrepreneurship research, Howorth, Tempest and Coupland (2005) suggest highlighting the potential of multi-paradigm interplay in defining the entrepreneur. However, it appears that defining the entrepreneur will continue to be a challenge for researchers and scholars.

A unifying view is offered by Bygrave and Hofer (1991) that entrepreneurship involves all the functions, activities, and actions associated with perceiving opportunities and the creation of organisations. This definition captures the key issues of organisation creation, opportunity, and what the entrepreneur does. It may not explicitly capture the "new enterprise" of Shane and Venkataraman (2000), but one can argue that any new enterprise involves these factors. So, is there really a fragmentation? If there is, the pieces are not really lost and what is probably required is a concerted effort to put the pieces together to create a better if not complete picture. It is now over 70 years since Joseph Schumpeter re-discovered this subject but a resolution is still to be found. Whether or not a resolution is necessary to advance the field is also a topic for future debate. Some journal editors have expressed that it is time scholars stopped arguing about definitions and move on.

In the context of this thesis, and taking the points of view of the many scholars in the field, it appears that a definition needs to capture the basic elements comprising of an individual (the creator, and the antecedents to them becoming so), the process (that covers opportunity and the recognition, creation and exploitation thereof) and outcomes (at multiple levels). These are the issues that will be addressed by this study. In particular, the study investigates a specific type of creator and/or entrepreneur – the portfolio entrepreneur. The next section discusses in detail extant literature on the emergence of such an entrepreneur.

2.3 Types of entrepreneurs

"To really learn about entrepreneurship, let's study habitual entrepreneurs."

- MacMillan (1986)

It is generally acknowledged that entrepreneurship is not necessarily a one-off occurrence. Some entrepreneurs can and may engage in repeated entrepreneurial behaviour both within the context of an existing organisation or in creating and/or acquiring another. In this context, Ucbasaran, et al. (2001) argue that research focus should go beyond just the founding of new firms by first time entrepreneurs, a significant proportion of which go on to build a portfolio or group of businesses.

For research to be really useful, there is a growing call for entrepreneurship studies to be more focused on specific areas such as a particular category of entrepreneur (Ucbasaran, et al. 2001), and causality rather than relying on descriptive statistics (Low and MacMillan 1988). Why do some entrepreneurs get involved in multiple ventures while others are content with a single business? In the case of the single-venture entrepreneur, why do some stay with the same venture all through their entrepreneurial life whereas others get involved in multiple others?

It maybe reasonable to argue that one who is able to generate more profit can and is rewarded with even more when they create more ventures. What makes a specific type of person pursue entrepreneurial rent different from those that prefer to "play it safe" hence, unable or unwilling to take advantage of opportunities?

Although many entrepreneurs share similar characteristics and behaviours, they are not necessarily a homogeneous group. In fact much work has been done on differentiating types of entrepreneurs. Earlier attempts at typologies used descriptive approaches. For example, Smith (1967) labelled entrepreneurs as either *craftsmen* or *opportunists,* the former being motivated to be in business for intrinsic reasons such as autonomy or independence whereas the latter are those with more managerial orientation and are attracted to business for financial gain and business growth.

Braden (1977) categorised them in the role of either "caretaker or administrator." Caretakers are mostly centred on the activities that they enjoy, whereas administrators are attracted by financial objectives. Distinguishing from Smith (1967), Filley and Aldag (1978) took goals into consideration and classified them into 'craftsman,' those associated with comfort-survival; the 'entrepreneur' those associated with personal

accomplishment, and the ‘professional’ with goals associated with adaptation to market.

The descriptive nature of classifying entrepreneurs has been widely criticised in the literature (Davidsson and Wiklund 2001; Rosa and Scott 1999b) and appears not to have advanced the field. A later development took into account the entrepreneurs penchant for involvement in more than one venture and these were classified as habitual entrepreneurs (MacMillan 1986; Hall 1995).

2.3.1 The habitual entrepreneur

The term habitual entrepreneur was originally coined by Jennifer Starr of Wellesley College (Katz 1995). MacMillan observes that these entrepreneurs enjoy the excitement and challenge of start ups so much so that once successful, they become bored. Although they continue to own the business, they prefer to employ professional management and then turn and start other ventures. This process is then repeated many times throughout their entrepreneurial careers. Although this business model has not long been recognised in academic literature, Carter, Tagg and Dimitratos (2004) suggest that this type of entrepreneurial activity is in fact common in many countries.

Since these habitual entrepreneurs have had the opportunity to learn how to efficiently and swiftly overcome the stumbling blocks they encountered in their first efforts, MacMillan argues they build an “experience curve” in entrepreneuring. Habitual entrepreneurs regard themselves as creative and innovative (Westhead, Ucbasaran and Wright 2005). Writing on behalf of a successful entrepreneur, MacMillan (1986) challenged the research community that in order to really learn about entrepreneurship, researchers should study habitual entrepreneurs. This entrepreneur is a typical business generator who along with two partners generated 30 companies from a dozen unique business ideas. He reports that these people have had no failures and the sale of these companies have delivered returns of between 500 to 5000% on the original investments. In order to make research more meaningful toward the development of a theory on entrepreneuring and useful for would-be entrepreneurs,

MacMillan (1986) argued that entrepreneurial experience should form the basis of entrepreneurship studies and classification of entrepreneurs. He identified three types of entrepreneurs – type 1 is what he refers to as the "one-shot entrepreneur," who successfully builds a big enough business and becomes a CEO of his own company. Type 2 is the "drop-out entrepreneur" those who build successful businesses before either selling or forced to move out of the businesses they created. These entrepreneurs then drop out of business involvement and invest the proceeds of their effort in safe investments. The problem with studying them is that both types have only had a single entrepreneurial experience unlike type 3 entrepreneurs who he refers to as "business generators" and are more generally known in literature as habitual entrepreneurs.

A much later classification took into account entrepreneurial intention and experience and classified them into nascent, novice or habitual entrepreneurs (Hall 1995). Individuals considering establishing a business are called ***nascent entrepreneurs*****.** ***Novice entrepreneurs*** are first time entrepreneurs hence, have no prior business experience, whereas ***habitual entrepreneurs*** engage in repeated entrepreneurial behaviour and are therefore experienced entrepreneurs.

Although habitual entrepreneurs are distinct from other types of entrepreneurs, there are also differences within this group. Further studies have shown that habitual entrepreneurs have different predisposition to ownership. Although they all engage in repeated entrepreneurial behaviour, two distinct types emerged; the ***serial entrepreneur***, those who own one business after another but only one business at a time, and the ***portfolio entrepreneur*** those who own more than one business at a time (Hall 1995). This typology differs from previous classification in that it is based on the entrepreneur's propensity to own multiple businesses. Westhead and Wright (1998a) largely recognised for tightening the definitions, characterize habitual entrepreneurs as individuals who have established, inherited or purchased more than one business; serial entrepreneurs are individuals who have sold, or closed their original business but at a later date have inherited, established or purchased another business; and portfolio entrepreneurs are individuals who own two or more businesses at the same time. In effect the main difference between the two habitual entrepreneurs

in terms of ownership is that serial entrepreneurs have a propensity for sequential ownership whereas portfolio entrepreneurs own multiple businesses simultaneously.

Entrepreneurs may choose to have full or partial ownership of a business. This may occur for a variety of reasons and could vary from one business to the next. Taking this into account, a much later definition was adapted by Westhead, et al. (2005: 73) where they categorised serial entrepreneurs those "who have sold/closed a business in which they had a minority or majority equity stake in a independent business that is either new, purchased or inherited" and portfolio entrepreneurs as ***"individuals who currently have minority or majority ownership stakes in two or more independent businesses that are either new, purchased and/or inherited***." This definition of the portfolio entrepreneur is adapted for this study.

Individuals that do not possess "prior minority or majority business ownership experience either as a business founder or an inheritor or a purchaser of an independent business, but who currently own a minority or majority equity stake in an independent business" are considered novice entrepreneurs (Westhead, et al. 2005: 73).

Novice entrepreneurship may be viewed as a stage rather than a category of entrepreneurs. From this pool, a majority will remain as single business entrepreneurs or what MacMillan (1986) refers to as one-shot entrepreneurs. However, a significant percentage of them would go on to become habitual entrepreneurs. From here, they become either serial or portfolio entrepreneurs. Figure 2.1 illustrates this classification showing the likely entrepreneurial career paths. The highlighted boxes follow the entrepreneurial path that the present study investigates.

The flow chart depicted in this diagram is the researcher's conceptualisation of the different paths that could eventuate based on present literature. It is possible that further typologies may eventuate from the present investigation.

Figure 2-1 Stages of entrepreneurship

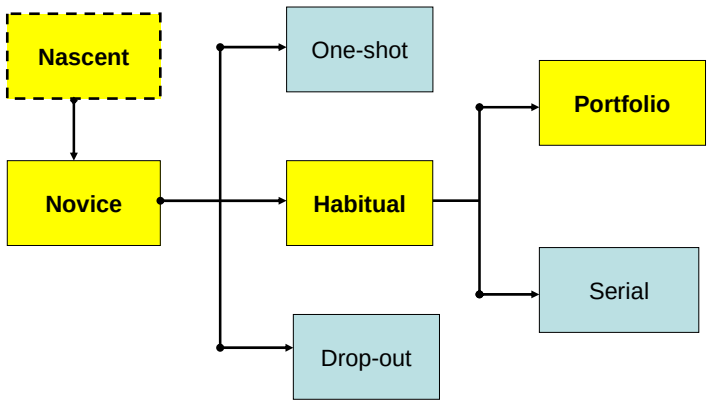


Fig. 2.1 Stages of entrepreneurship based on ownership propensity

The concept of portfolio entrepreneurship that Westhead and Wright (1998) have identified and defined are also referred to in literature by other terminologies such as multiple business starters (Donckels, Dupont and Michel 1987), multiple venture entrepreneurs (Star and Bygrave 1991), parallel business founders (Alsos and Kolvereid 1998), and multiple business owners (Rosa and Scott 1998). The habitual entrepreneurs (Carter 1999), expert entrepreneur (Sarasvathy 2001) and serial entrepreneur (Sarasvathy and Menon 2002) are also similar to the Westhead and Wright's (1998) portfolio entrepreneur category. Other studies like Carter, et al. (2004) used portfolio entrepreneur to refer to business owners who also hold other business interests.

In another development, habitual entrepreneurship has also been linked to entrepreneurial career paths. Katz (1995) identified four types of career paths for entrepreneurs namely: *growth entrepreneurs, habitual entrepreneurs, harvest entrepreneurs, and spiral or helical entrepreneurs*. He describes habitual entrepreneurs as those who "start many businesses and often run several at the same time," a description that is not dissimilar to the portfolio entrepreneur. They set goals and measure the success by how well each business in the portfolio meets them. This is different to growth entrepreneurs who do this by such indicators as the number of

employees, sales figures and market share. They are likely to take on projects that others have rejected or beating out competitors. The growth entrepreneur fits the one-shot or novice classification. Katz (1995) describes harvest entrepreneurs as those who may put more emphasis on a strong balance sheet or a sizable market share and builds one company at a time, harvest it then start another, not unlike serial entrepreneurs as characterised by Hall (1995) and Westhead and Wright (1998).

Whereas Katz (1995) has described the equivalent of nascent (growth); habitual (portfolio) and harvest (serial), the spiral or helical entrepreneur appears to be unique. This entrepreneur has spurts of growth and periods of intentional stagnation which could be driven by personal or family needs. Interestingly, he observes female business owners often belong to this category as they may slow down when looking after a young family and pick it up again when they reach the ‘empty nest' stage.

Given this discussion on the different types of entrepreneurs, habitual entrepreneurs stand out in terms of entrepreneurial activity. This lends support to the argument that they are business generators (MacMillan1986) that employ a formal set of techniques that is well-honed to deliver high returns on investments. The scale of this type of entrepreneurial activity is discussed in the following section.

2.3.2 Scale of portfolio ownership

Portfolio entrepreneurship is primarily characterised by the ownership of multiple business. A number of studies have found relatively high incidences of this occurrence. An average of 25% across samples appears to be conservative (Birley and Westhead 1993; Westhead, et al. 2005). For example, 40% of Ronstadt’s (1986) sample of US college alumni, reported to have created more than one venture while Schollhammer (1991) found that of the surveyed entrepreneurs in Southern California, 51% had contributed to the initiation of two or more ventures. In a Norwegian study, Kolvereid and Bullvag (1993) found that 37% of their respondents were experienced business owners. This confirms an earlier three-country study on multiple business formation with the following proportion: Norway – 34%; New Zealand- 18% and UK – 13% (Kolvereid, Shane, Starr, Westhead and Bullvag 1991). Similarly, Birley and

Westhead (1993) reviewed 13 studies conducted in the UK that focused on new firm founders. They found that the incidence of multiple business ownership ranged between 12% and 36%. Evidence from Taylor (1999) shows that surveyed independent firms were owned by habitual entrepreneurs: Malaysia 38%, England 42% and Australia 49%.

Rosa and Scott (1999a) made a significant contribution to this area with the findings from a Scottish study using the Local Heroes of Business database. Here, they established that multiple business ownership is common in the small firms sector, and that its incidence rises with firm size. Further, they also found that multiple ownerships are very high when associated with high growth companies. Having concluded that this is an important phenomenon, they argued that its policy implication needs serious debate.

Carter, et al. (2004) found that 8.52% of their sample was classified as portfolio entrepreneurs, 23.3% of which reported dependence on one business as main source of income suggesting that their enterprise portfolio contained one main firm as well as smaller, less profitable satellite firms. An interesting aspect of their study found that these entrepreneurs were also simultaneously engaged in part-time (1.8%) or full-time (2%) employment.

Directorship is often a starting point in identifying portfolio entrepreneurs. This is because they are highly likely to be on the boards of the businesses that they found. With more experience and confidence, a significant number of entrepreneurs expand their directorship portfolios. Many directorships start at the creation of an initial venture. As directors gain experience and confidence, a significant number expand their directorships either as a result of subsequent business ventures or by invitation to be on other boards. There is of course a certain group of directors, usually professionals with expertise in particular areas that sit on boards without ever having started or owned a business. These are often referred to as career directors. This study does not include career directors; but considers directorship as one of the starting points in becoming portfolio entrepreneurs by virtue of them having started a business and owning several more and thus also expanding their directorships.

Empirical evidence shows a strong relationship between multiple directorships and multiple business ownership (Storey 1994). A study by the Cambridge Small Business Research Centre (1992) found that a significant number of businesses are operated by directors with network links in other businesses. In an earlier study of fast growth businesses, it was found that 80% of directors owned other businesses in comparison to only 30% in other firms (Storey, Keasey, Watson and Wynarczyk 1987). This is strongly supported by Rosa and Scott (1999a) finding up to 40% of limited companies had extensive cross linkages in ownership and directorship. Morrish (2005) found that over 30% of the New Zealand Business Who's Who database recorded as directors also held up to eleven other directorships in other related and unrelated companies. Keasey, Short and Watson (1994) argue that external shareholdings are an important complication that needs to be addressed by future studies.

The argument of using multiple directorship as a proxy for multiple ownership, hence portfolio entrepreneurship is supported by Rosa and Scott (1999a) who found that the frequency of multiple directorships significantly reduced in sole traders highlighting the notion that directorship is a suitable substitute for ownership or shareholding at the very least. In advancing this notion, it is relevant to determine whether directorships influence the development of additional ventures leading to portfolio entrepreneurship.

Intuitively, the notion that directorships could lead to subsequent ventures may be due to the owner-director possessing tacit knowledge gained from the operations of the original business and their access to opportunities, information and resources not otherwise available to the person had they not been a director. These may also comprise the corridors that are otherwise not accessible to them if they were not in business (Ronstadt 1988). Additionally, directorship experience could lead to confidence hence subsequent ventures are set into operation faster than the original venture. It may also be possible that some economies of scale and scope exist across the owner's portfolio in terms of product development, sales and marketing, information technology, human resource and other functions whether the spin-off businesses are related to the original venture or not.

With the growing shift from the firm as the unit of analysis to the entrepreneur (Scott and Rosa 1996), two basic approaches to researching this phenomenon have evolved. The first approach has tended to focus on habitual entrepreneurs as a special group (Westhead and Wright 1998a; 1998b), while the second approach views entrepreneurship as a process leading to multiple business ownership (Rosa and Scott 1999b). In light of the discussion on research issues in section 1.3 and to further advance understanding of this phenomenon, this study pursues the second approach and investigates why and how entrepreneurs participate in and conduct the entrepreneurial process.

2.3.3 Portfolio and firm characteristics

A majority of portfolio entrepreneur studies were conducted in the UK although these have not necessarily focused on specific industry sectors. For example, Westhead and Wright (1998) compared their rural and urban sample from across a broad range of sectors. Although Westhead and Wright (1998) did not report specific industries, they found that most of their survey respondents came from government-assisted locations. There have also been a number of studies on the UK farming sector (Carter 1998, 1999; Carter and Rosa 1998) and in Norway (Alsos and Carter 2003) as well as the manufacturing sector of Italy (Iacobucci 2002).

In their Scottish study, Rosa and Scott (1999b) found that multiple business owners owned clusters of businesses that were both in related or unrelated industries from their core businesses. These businesses ranged from food processing and distribution, dairy-related such as abattoirs and retail shops, advertising, farming, management consultancy, helicopter business to technology-related businesses such as electronic component manufacturing and software development.

Carter, et al. (2004) found that the most common industry sectors in their study were financial services, construction and technology. These firms were characterised by their large sales volume and the number of full time employees. Their turnover tended to be in the highest range of one and a half to five million pounds and would have reported a considerable increase in their previous year's sales volume. Their FTE

(full-time employees) were most likely to be within 50-99 and 10-49. These firms are also highly likely to report both increases as well as losses in employment, a situation that may be explained by high levels of adjustment which Smallbone et al. (1993) argue is usually associated with strong growth enterprises.

In a study of New Zealand companies that belonged to portfolio entrepreneurs, Morrish (2005) classified the companies according to the Standard Industrial Code and reported that 55 percent of these businesses belonged to the traditional industrial sectors of manufacturing, retail trade, property and business services and the primary sectors comprising of the combined agriculture, forestry and fishing sectors.

Over-all, these findings confirm the incidence and scale of portfolio entrepreneurship in similar sectors in the UK and Europe with manufacturing and the primary sectors featuring prominently.

2.4 Related literature to portfolio entrepreneurship

2.4.1 Family business

There is evidence that many habitual entrepreneurs and more specifically, portfolio entrepreneurs evolve from family businesses (Rosa 2006). Rosa observes that in the context of family businesses, habitual entrepreneurs add new businesses and thereby form business groups based on different motives. Additionally, he argues that this entrepreneurial activity may be planned or serendipitous in nature and that family businesses do not remain the same through the generations.

Family businesses need to respond to changes in the environment and its continuity is ensured by being a ‘business family’ which eventually translate to the accumulation of ‘entrepreneurial capital.’ This refers to the skills “needed to habitually create and manage a succession of businesses and bring about entrepreneurial renewal over the generations” (p.14). Rosa (2006) views entrepreneurial capital as a combination of an individual’s cultural mind set (driven by inherited traits and/or socialisation) and learning (based on knowledge and practice).

Taking the family business view, it appears that the development of a business portfolio may also be a strategy to provide for family members and manage succession. For example, the core family business may be broken up or new ones started in order to provide business for each beneficiary. This becomes the beginning of a portfolio.

2.4.2 The corridor principle

Another concept that may explain the emergence of business portfolios is the 'corridor principle.' Based largely on the work on Ronstadt (1988) the corridor principle states that 'the mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they had started their initial venture.' Here Ronstadt argues that multiple venture creation is a more common phenomenon than the linear single venture notion that is often generally highlighted. By starting an initial venture, one can then see other opportunities and pursue them thus leading to multiple ventures, be they sequential or overlapping. In addition, his study strongly found that those who start a second venture quickly after the initial venture had longer entrepreneurial careers than those who did not. The former tended to establish many more ventures while the latter went back to employment thus having only a short entrepreneurial career.

The contention is that entrepreneurs find other opportunities (i.e. corridors) not otherwise available or apparent to them had they not started in business at all. Novice entrepreneurs therefore may choose to pursue more of these opportunities while still keeping their original venture. This then becomes a continuous process in their entrepreneurial life and leads to becoming portfolio entrepreneurs.

Although the study offered interesting explanations for multiple venture creation, Ronstadt's study did not reveal who can or cannot take advantage of the corridor principle nor did it show how new entrepreneurs pursue this concept.

2.5 Effectuation logic

An emerging school of thought that is gaining popularity and recognition in the last few years is effectuation logic (Sarasvathy 2001). The inverse of causation, effectuation is a collection of non-predictive strategies that are primarily means (instead of goal) driven. Based largely on the work of Sarasvathy (2001) which was originally developed with Simon (see: Sarasvathy and Simon 2000), effectuation logic provides evidence from a protocol analysis study of 27 expert entrepreneurs showing that 75% of the time, 63% of the participants preferred to use effectual (instead of causal) reasoning in creating markets for new products. Where causation focuses on the specific end-goal that guides the accumulation of means, effectuation focuses on the means that may result in any one of the many probable ends.

> *"Effectuation is a dynamic and interactive process of creating new artifacts in the world. Effectual reasoning is a type of human problem solving that takes the future as fundamentally unpredictable, yet controllable through human action; the environment as constructible through choice; and goals as negotiated residuals of stakeholder commitments rather than as pre-existent preference orderings."*[2]

Effectuation is based on the logic of control, conceptualised as "*to the extent that you can control the future, you do not need to predict it.*" In contrast, causation is based on the logic of prediction where "*to the extent that you can predict the future, you do not need to control it.*" In collaboration with other researchers, Sarasvathy has published a body of work over the previous decade that applies effectuation to a broad area of entrepreneurship and other related disciplines.

Over-all, effectuation logic is a problem-solving process in a fundamentally unpredictable future where decision makers draw on their given means (such as resources, networks, etc.) in order to shape or control an outcome. Entrepreneurs constantly operate in uncertain environments where it is not always possible to predict

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[2] *Source: http://www.effectuation.org/ retrieved 9/1/2007.*

the future. This is especially true with highly innovative offerings where demand for a product is nigh impossible to ascertain. Effectuation logic offers an alternative course to the widely taught causation thinking where decision makers start with pre-determined goals (for example, specific rate of return, number of units to sell, market share targets, etc.) and gather needed resources to achieve that goal. In effectual thinking, the entrepreneur starts with what resources are available to him/her where goals are not pre-determined and outcomes maybe just one of multiple possibilities. Sarasvathy (2001) explained the difference with the metaphor of the chef. An artefact (in this case a meal) can be created through one of two processes. In causative thinking, the chef could decide on specific dish/es (pre-determined goal) and gather the ingredients to prepare it. In effectual mode, the chef starts with what is available in the pantry and sets out to make the meal that could be anything but pre-determined. In terms of Sarasvathy's argument, the available ingredients will dictate the design of the meal. Having a roast dinner will depend largely on a combination of meat and vegetables and the cooking utensils necessary. On the other hand, pasta or rice would result in either a Mediterranean or Asian meal and would require a different way of preparation. Thus, the possibilities are many, but a meal (i.e. product) is still produced and hopefully consumed.

2.5.1 Effectuation vs. causation logic

How firms come to be is firstly conceived in someone's mind. Sarasvathy (2001) suggests that before there are products, there is human imagination and before firms and markets, there is human aspiration. Based on effectuation logic, she contends that firms come to be as an outcome of effectual (as opposed to causative) processes. This logic suggests that firm designs are reflections of the entrepreneur's individual situation, in particular who the entrepreneurs are, what they know and who they know. In this context, research would bear useful results if, instead of searching for the ultimate prescription of how to build successful firms or become successful entrepreneurs, researchers asked "Given who you are, what you know and whom you know, what types of economic and/or social artefacts can you, would you and should you create?" (Sarasvathy 200: 258-259). These three categories are the 'means' or resources that entrepreneurs start with, the combination of which determines what

types of ideas and opportunities they should pursue. These so-called 'means' reflect the entrepreneur's "own traits, tastes and abilities; the knowledge corridors they are in, and the social networks they are a part of (Sarasvathy 2001: 250)." These 'means' in another stream of entrepreneurship research are also referred to as human and social capital (Gimeno, Folta, Cooper and Woo 1997; Ucbasaran, Wright, Westhead and Busenitz 2003b). In the effectuation realm, one may argue that these means become the bases for entrepreneurial motivation that leads to venture creation.

To explain what effectuation is, it is necessary to explain what it is not and that means highlighting that it is the inverse of causation. Where causation is based on the logic of prediction that purports *"to the extent that we can predict the future, we can control it,"* effectuation thinking is based on the logic of control – *"that is to the extent that you can control the future, you do not need to predict it*" (Sarasvathy (2001; 2003). Effectual logic holds that the future is shaped by human action (the entrepreneur) and is concerned with controlling the future rather than predicting an uncertain one. Sarasvathy argues that human life after all is not easily analysed or predicted, rather it is seized and exploited. Where causal logic would drive the entrepreneur to predict how it will capture the market space, effectual logic sees many different outcomes – one of which could become reality depending on how the actors play it.

Effectuation processes therefore provide a valuable means to analyse the spheres of human action, while also affecting business decisions in a positive way allowing for one or more possible effects irrespective of the generalised goal with which one started. In addition, the adoption of effectuation within entrepreneurial settings means the decision-maker can change goals and even to shape and construct them over time, making use of contingencies as they arise, hence that ability to control the future rather than predict it.

As developed by Sarasvathy (2001), the three core principles of effectual logic embody this logic of control.

1. *Affordable loss, rather than expected gains.* Whereas causal rationality focuses on expected returns, effectuation generally emphasizes affordable loss in a 'zero resources to market' attitude such that given a new product idea, effectuators try

to find the customers first instead of setting returns-related goals such as market shares, return on investments, etc.

2. *Partners rather than competitive analyses.* In causal reasoning, the emphasis is on competitive analysis and trying to outdo the competition. Effectuation reasoning is built on strategic alliances and partnerships with the entrepreneur's networks (i.e. customers, suppliers, business partners, etc.)

3. *Leveraging contingencies rather than avoiding them.* Causation centres on the exploitation of existing knowledge (of firms, markets, customers, etc.) and using this to pursue pre-determined goals. In effectuation, entrepreneurs explore contingencies such that new business ideas are launched before worrying about who the customer is. In a 'surprise me' attitude, entrepreneurs leverage off the contingencies that arise from a business venture believing that not all surprises are bad. It is built on the acceptance that one will never know what could become of an idea unless it is out there. Many great entrepreneurial firms are in fact a product of contingencies – behind which are individuals forging ahead despite early setbacks.

Entrepreneurs constantly operate in an uncertain space. Where causation would try to eliminate or at the very least minimise uncertainty, effectuation makes an asset of uncertainty thereby eliminating the need to overcome it (Sarasvathy 2003).

2.5.2 Effectuation and expertise

Effectuation is deemed to be a suitable theoretical basis for this study because it relates well to expertise. Portfolio entrepreneurs can be regarded as experts in their field having repeatedly formed or created business ventures. Read and Sarasvathy (2005) reviewed expertise literature and found four approaches to the development of expertise that are also driven by effectual processes:

- ***Individual differences,*** consisting of characteristics such as intelligence and physical attributes;
- ***Knowledge structures,*** that result in superior intelligence when knowledge storage and retrieval abilities allow for quicker, more accurate problem-solving;

- ***Experience*** that is an asset and not a liability, as experience can often cause individuals to inappropriately weight information cues, make errors while combining them and overestimate judgments; and
- ***Deliberate practice*** driven by factors that ultimately enables superior structures and therefore superior performance.

The deliberate practice approach in particular creates an interesting facet to the present study since the repeated act of creating additional ventures can be regarded as such. According to the deliberate practice view, individuals who engage in deliberate practice, acquire superior knowledge structures, and from that derive superior expert performance (Ericsson, Krampe and Tesch-Romer (1993). Literature on deliberate practice identifies five necessary requirements that together form the foundation upon which superior expert performance is built namely:

1. motivation (a larger and instrumental objective to motivate themselves as deliberate practice itself is not inherently motivating),
2. understandability (decomposing into component pieces to be completely understood),
3. feedback (in order to upgrade performance),
4. repetition (dedication and motivation is what separates experts from those with mere experience) and
5. fit (with ability).

Read and Sarasvathy (2005) developed a set of observations based on theoretical parallels between 'experts in general' and 'expert entrepreneurs' and propose that it takes 10 years for a novice to ascend to the rank of an expert a phenomenon referred to as the 10-year rule. In exploring the expert literature, they made four basic observations to parallel effectuation:

1. experts eschew prediction - expert entrepreneurs reject the use of predictive information;
2. experts focus on can - expert entrepreneurs prefer to do the things they can to control those parts of the environment they deem controllable;
3. experts employ means-based action - experts are tethered to their means and flexible on goals; and

4. experts leverage contingencies - contingency, as opposed to planning, provides expert entrepreneurs with a wider range of viable strategy choices.

Experts generally make decisions based on their own unique expertise. Experts like portfolio entrepreneurs engage in effectual decision making that is more creative and innovative because it looks at the means one has and allows that to decide the end goal which may change several times. For example, entrepreneurial marketing is second nature to expert entrepreneurs because they work in a changing environment where the market is relatively unstable. As such a protracted market research will be obsolete by the time it is concluded. They require up to date information about the market that is timely and reliable and this can be achieved through networking with their stakeholders (e.g. suppliers, manufacturers, customers, consumers, etc.).

Entrepreneurial marketing can be regarded as a form of effectuation. Effectuation processes are the decision units of how artefacts (firms, markets and economies) come to be, where the belief is: to the extent that we can control the future, we do not have to predict it. Effectuation is therefore characterised by exploration, where its conditions thrive in an unstable, unstructured environment, exactly the environment that entrepreneurial people, and more importantly for the purpose of the present study, portfolio entrepreneurs constantly find themselves in.

In the context of this study, these approaches lend themselves well to an exploration of the antecedents to portfolio entrepreneurship especially within the human and social capital space. The entrepreneurial process involves a multitude of decision-making activities such as those relating to opportunities and how they are sought, identified and pursued. These decisions then determine the outcomes for the firm, the portfolio and the entrepreneurs themselves.

2.6 Human and social capital

A number of entrepreneurship studies have taken the human capital perspective to gain insights into the characteristics and behaviour of habitual business starters and acquirers (Ucbasaran, Westhead and Wright 2003a), business exit and failure

(McGrath 1999) and access to critical resources (Cooper, Gimeno-Gascon and Woo 1994). Human capital may be general as reflected in demographic variables such as gender, age and education or specific to an entrepreneurial setting such as that investigated by Gimeno, Folta, Cooper and Woo (1997) finding that specific human capital is associated with the persistence of underperforming firms. Ucbasaran, Wright, Westhead and Busenitz (2003b: 234) suggest that "entrepreneurs with more diverse levels of human capital are purported to have the ability to develop relevant skills and contacts, and are able to tap into dense information and resource networks." Hence, human and social capital could determine how entrepreneurs access valuable resources. Effectuation logic purports that entrepreneurs capitalise on their endowments as they seek to create new products or ventures. These endowments also change over time and it can be reasonably argued that every new venture involvement increases that capital and eventually lead to success.

2.6.1 Demographics

Comparative studies of different types of entrepreneurs have found similarities and differences in their personal characteristics. For example, Westhead and Birley (1993) found no statistically significant difference between novice and habitual entrepreneurs in terms of their gender profile, whereas other studies found that compared to novice founders, experienced founders are more likely to be male than female (Kolvereid and Bullvag 1993; Westhead and Wright 1998a). This was also the case in a study of multiple business owners in Scotland where Rosa and Scott (1999a) reported a strong gender effect. Using data from an earlier gender study, Rosa and Hamilton (1994) found that women were less likely to diversify their business portfolio than their male counterparts. This is the closest explanation in literature on why portfolio entrepreneurs are largely male-dominant. However, despite the gender effect, an examination of the life histories and business genealogies of these multiple business founders reveal a great diversity in their backgrounds (Rosa, 1998).

Ronstadt (1988) argues that starting in business at an early age prolongs entrepreneurial life hence early business starters tend to be involved in multiple businesses. Kolvereid and Bullvag (1993) report evidence of this finding that portfolio

owners started their first business at an earlier age, a finding that is also confirmed in Westhead and Wright (1998).

Portfolio entrepreneurs are also likely to have gained university level degrees than other business starters (Donckels, et al. 1987), which is consistent with Kolvereid and Bullvag (1993) and Westhead and Wright (1998) findings that habitual entrepreneurs are more likely to be highly educated. In their Scottish study, Rosa and Scott's (1999b), participants were highly educated with qualifications such as management consultant, lecturer, engineering degree and others.

2.6.2 Parental and work background

In investigating parental background, occupation and education Westhead and Birley (1993) and Kolveried and Bullvag (1993) found no significant difference between the parents of novice and habitual entrepreneurs. However, Westhead and Wright (1998) found that parental backgrounds varied according to location. In their rural sample, portfolio founders were largely drawn from managerial parental background while serial founders were from professional parental background.

Compared to portfolio founders in terms of work experience, urban serial founders were more likely to have worked for more organisations before start up. On the other hand, novice founders were more likely to have started their businesses in the same industry as their last employers and perhaps expectedly were significantly less likely to have been self-employed prior to start–up (Westhead and Wright, 1998). In the same study, they also found that portfolio founders were more likely to have established their new businesses with an additional shareholder. Westhead, Ucbasaran, Wright and Binks (2005), surveyed 453 Scottish firms and found that 25% of their sample firms were owned by portfolio entrepreneurs. They found that in comparison to novice and serial entrepreneurs, a larger proportion of portfolio entrepreneurs have parents who were business owners, had a managerial position in their last job and had worked in more organisations.

2.6.3 Experience

Previous work experience of the founder has been suggested as one of the most important influences of new business success (Cooper 1981). An explanation is offered by Vesper (1980) arguing that start-up experience acts as a proxy for skills and competencies as well as enabling the building of network contacts, business reputation and track record among others, hence experience in organisation building seem to be more successful and efficient in the start up of subsequent ventures. There is evidence from previous studies showing that portfolio entrepreneurs have more diverse experiences and more resources in comparison to other types of entrepreneurs (Westhead, et al. 2005).

In their study on the impact of entrepreneurial experience, Ucbasaran, et al. (2003a) argue that experience is an important component of an entrepreneur's human capital and consequently influences their cognitive behaviour that in turn influences how they engage in the entrepreneurial process. In reviewing the human capital literature, they distinguished habitual entrepreneurs for their reliance on heuristics, a strain-reducing activity when faced with strategic decisions in complex situations where information is either uncertain or less complete than novice entrepreneurs. These heuristics may be based on previous successes or failures. Ucbasaran, et.al (2003b: 209) further suggest that "business ownership experience may add to the entrepreneur's existing human capital endowment, allowing the entrepreneur to access additional resources, and possibly adding value to the entrepreneur's subsequent activities."

While experience is generally considered an asset having built up networks as well as managerial and other competencies, Star and Bygrave (1991) argue that this could also be a liability. This may occur with overconfidence such as when the entrepreneur is reluctant to change from a past successful strategy even if the conditions have changed. This is referred to as the liability of "sameness" (Star and Bygrave 1991) and could result to the individual failing to recognise blind spots.

2.6.4 Motivation

Robichaud, McGraw and Roger (2001) regard entrepreneurial motivation as objectives or goals that entrepreneurs seek to achieve through business ownership. Entrepreneurial motivation is presumed to determine the behavioural patterns of entrepreneurs and considered an important variable in a venture's performance and the entrepreneur's level of satisfaction. Frederick, Kuratko and Hodgetts (2007: 88) argue that "the quest for new venture creation as well as the willingness to sustain that venture is directly related to an entrepreneur's motivation." A popular model of entrepreneurial motivation was developed by Naffziger, Hornsby and Kuratko (1994). This model takes into account several factors that impact on an individual's decision to behave entrepreneurially including and most importantly, some expectation of the outcome/s. One set of factors include five elements that cover personal characteristics, the individual's personal environment, the relevant business environment, the individual's personal goal set and the existence of a viable business idea. The model proposes that when outcomes meet or exceed expectations an individual is motivated to behave entrepreneurially within the context of the current venture or by initiating additional ones (Naffzinger, et al. 1994).

Early European studies report multiple business creation is associated with growth aspirations. For example, Kolvereid and Bullvag (1993) suggest that the creation of multiple companies is common in settings where opportunities for growth are restricted. In such cases, growth is substituted with creating other businesses. Similarly, Donckels, et al. (1987) found that multiple business creation was perceived as a way to reach the growth objective of owner-managers. Further, they report that market possibilities, diversification, tax reasons, and supporting the first business activity are four leading motivations for starting additional businesses.

Case study evidence shows that the reasons why portfolio entrepreneurs start or acquire new businesses are not solely associated with wealth generation/creation. Reasons varied from one entrepreneur to another and according to location. These reasons may also change over time. For example, Westhead and Wright's (1998b) rural portfolio founders were more likely to stress instrumentality of wealth and to have influence in their local community as reasons for starting up businesses, whereas

urban portfolio founders cite reasons linked to needs for independence and to take advantage of an opportunity.

Rosa (1998) reported that portfolio entrepreneurs cite these reasons for the creation and development of business clusters:

1. positive diversification into a new market
2. plan forced diversification into new markets to spread risk or to overcome potential adversity
3. unplanned (opportunistic) diversification into new markets
4. business creation as a challenge or a hobby
5. ownership of additional businesses to protect a new area or brand name
6. ring fence a geographical diversification
7. ring fence risk
8. add value to existing ventures owned by entrepreneur
9. assist a friend or relative
10. launder money, profits or family assets
11. avoid paying taxes and
12. cut costs and enhance internal efficiencies.

An entrepreneur's motivation may be largely dictated by their goals. In effectual reasoning, these could be driven by human and social capital endowments such that the higher the endowment, the higher the goals or threshold become. Portfolio entrepreneurs, in comparison to novices may hold higher aspirations hence expect more superior performance. If the entrepreneur is more inclined to use effectual logic, the goals may not be set or pre-determined; rather they would 'just do it' and see what contingencies arise from their action.

2.6.5 Risk

To take risk implies acting "with confidence beyond the range of familiar beacons…" and entrepreneurs are individuals who take risks over and above what others in society would (Schumpeter 1934). A propensity for risk taking has often been associated with entrepreneurship. Although the dominant school of thought is that

entrepreneurs are more risk prone, Palich and Bagby (1995) have shown that they range over the risk-preference spectrum. While first time entrepreneurs may risk everything in pursuit of that dream venture and succeeded, would they do the same given another opportunity?

Early studies have investigated this trait in order to better understand the entrepreneur (Sexton and Bowman 1985), but along with many other theories, evidence has been at best contradictory. In reviewing this trait, Low and MacMillan (1988) found that based on empirical evidence, entrepreneurs are moderate risk-takers. There does not appear to be a significant difference in their risk-taking propensity to managers or the general population for that matter (March and Shapira 1987). In light of this, they suggest that entrepreneurs can be viewed as capable risk managers who are able to neutralise high risk situations.

The scepticism on research in this area is directed more towards the methodology used in risk-taking propensity research especially the use of Choice Dilemmas Questionnaires designed by psychologists for a different purpose. Shaver and Scott (1991) argue that this is being used in research where it is not designed for and therefore not suitable. However, they propose that since research on ‘the psychology of the entrepreneur” has not been productive, a psychological approach based on persons, process, and choice could be promising (Shaver and Scott 1991).

It is perhaps the above scepticism that has contributed to the lack of studies into this specific area as relating to the portfolio entrepreneur. In the context of the portfolio entrepreneur, there are no studies that had looked at their risk proclivity or tenacity. Given that business ventures involve a certain level of uncertainty, hence risk, knowing their risk thresholds and profile will add to the understanding of this aspect of entrepreneurship.

In his book on entrepreneurial intensity, Morris (1998) challenges the leading myths about entrepreneurship and integrates different perspectives. For example, he argues that entrepreneurs are not wild-eyed risk-takers. While they are willing to assume risks, they to do not take unnecessary ones, hence they are in fact calculated risk takers (Morris 1998).

The question remains whether or not the ability to demonstrate some risk-taking contributes to the successful pursuit of opportunities. In their study of Singapore SME 500 businesses Keh, Foo and Lim (2002) found that risk perceptions mediate opportunity evaluation. As such they argue that perceived risk is a significant aspect of how entrepreneurs evaluate available ideas, thus if an idea is perceived to be less risky, it will be evaluated more favourably. Despite the uncertainties and level of risk involved, there will always be those who will take risks and perhaps, just as well since as McGrath argues, entrepreneurial risk-taking and even failure can have positive consequences (McGrath 1999).

The assumption that entrepreneurs are not risk averse has been disputed by many scholars. Entrepreneurs are characterized in terms of such psychological traits as achievement motivation, internal locus of control and calculated risk-taking, but Morris (1998) argues their risk profile does not tend to differ from the population at large.

In causative reasoning, entrepreneurs would ensure success in the market place by setting pre-determined goals such as increasing market share on returns on their investments. This may involve analysing the competition in the SWOT model or doing an industry / competitiveness analysis much like the Porter's 5-forces model. By doing so, firms leverage their competitive advantage to ensure success and risk in the form of likely losses is minimised.

Using effectual logic, entrepreneurs would be less likely to worry about the competition or the industry they are in. Their mode of action would revolve around strategic partnerships in an inclusive manner through networks. They would bring people along to innovative ventures such as friends, relatives, customers and suppliers. In so doing, the entrepreneur bears minimum or no risk at all because of the pre-commitment by all stake holders. By 'just letting things happen' and exploiting contingencies over pre-existing market knowledge (such was the case with computers, the internet or the washing machine), the entrepreneur realises outcomes that were not pre-determined. Using this logic entrepreneurs project the maximum loss it can afford by simultaneously finding means to eliminate it and the use of networks is one way of minimising or eliminating risk.

2.7 Opportunity search and recognition

Shane and Venkataraman (2000) argue that opportunity recognition and exploitation are key entrepreneurial skills and are integral parts of the entrepreneurial process. For entrepreneurship to occur, they posit that lucrative opportunities and enterprising individuals should be present, thus as a scholarly field, entrepreneurship should involve the study of opportunities. Singh (2001: 10) defines entrepreneurial opportunity as "a feasible, profit-seeking, potential venture that provides an innovative new product or service to the market, improves on existing product/service, or imitates a profitable product/service in a less than saturated market." For opportunity to exist and be a construct capable of examination, Singh (2001) argues that it must be identifiable before the venture is founded. Whether or not the opportunity proves to be successful is another matter and could largely depend on many other factors.

How portfolio entrepreneurs engage in this process is of special interest since this is often the first and a critical stage of venture creation. Gaglio and Katz (2001) relate opportunity recognition to psychological foundations. Kirzner (1973) argue that entrepreneurs engaged in this process are 'alert' to and therefore notices opportunities that the market presents. Ucbasaran, et al. (2001: 61) identifies opportunity recognition and information search as an important dimension in the entrepreneurial process and contends that "the extent to which individuals recognize opportunities and search for relevant information can depend on the make up of the various dimensions of the human capital."

Based on Dubin's (1978) theory building framework, Ardichvili, Cardozo and Ray (2003) proposed a theory of the opportunity identification process where they identified antecedents of entrepreneurial alertness to business opportunities, these being the entrepreneur's personality traits, social networks and prior knowledge, something consistent with the means in effectuation logic.

Studies have consistently shown that how entrepreneurs identify opportunities is a function not only of alertness but also of asymmetric information. For example, Minniti (2004) found that more alert agents have higher probabilities of exhibiting

entrepreneurial behaviour. This is especially high when information is not evenly distributed. In contrast, if the information is more evenly available, the number of entrepreneurs remains low, despite the agent being highly alert. This may be because the potential reward of opportunities may or may not be realised. Decisions on whether to pursue identified opportunities is found to be dependent on its potential financial reward (Shepherd and DeTiene, 2005). In an experimental study using 78 MBA students, they found that prior knowledge of customer problems leads to identification of more opportunities. However prior knowledge was also found to moderate the relationship between potential financial reward and opportunity identification such that where the participant was less knowledgeable, potential financial reward has a more positive effect on the number and innovativeness of the opportunities identified. Eckhardt and Shane (2003) explain this through the price system arguing that there should be a disagreement on the value of resources at a given point in time for opportunities to exist.

How individuals pursue opportunity varies according to how they perceive the opportunity in the first place. For example Cooper, Folta, and Woo (1995) found that habitual entrepreneurs seek less information on average than novice entrepreneurs which implies that experienced entrepreneurs may use heuristics whereas a novice entrepreneur is more likely to search for more information. Ucbasaran et al. (2003a) suggest that when interpreting events and making decisions, entrepreneurs adopt different cognitive approaches. As a distinct group of individuals, habitual entrepreneurs display a strong reliance on entrepreneurial cognitive processes (Ucbasaran, et al. 2003a) hence requires less information than say novices. McGrath and MacMillan (2000) concur by suggesting that habitual entrepreneurs avoid 'analysing ideas to death.'

Based on existing empirical work, Ardichvili et al. (2003) proposed that successful opportunity identification and development is associated with a high level of entrepreneurial alertness, the existence and use of an extended social network such as and including weak ties, action set, partnerships, and inner circle and the convergence of both special interest and industry knowledge domains. The absence of such elements reduces the probability of success. In addition, they also propose that prior knowledge of markets and ways to serve them and customers problems are likely to

increase successful opportunity recognition. Based on high self-efficacy, this high level of alertness also leads to high levels of entrepreneurial creativity and optimism. Additionally, and most relevant to the present study, Ardichvili et al. (2003) also propose that the opportunity identification process enriches the individual's knowledge base and further increases alertness that then leads to the identification of future business opportunities such that the more previously successful opportunity identification events there are, the probability of future successful opportunity identification events is higher.

The entrepreneurial process starts with the ***search*** activities that include such tasks as opportunity recognition, information search and negotiations. Opportunities are at the heart of entrepreneurship and how portfolio entrepreneurs undergo this stage is an area worth exploring. Given effectual logic centres on the means that the entrepreneur starts with, it may be reasonable to suppose that opportunities are perceived and recognised where the individual is informed by their human and social capital. For example, the knowledge structures that they possess allow them access to corridors that others cannot even recognise.

Searching and recognising opportunities can also be a function of one's strategic expertise. Venkataraman and Sarasvathy (2001: 2) propose that strategy is a subset of entrepreneurship and both exists in a different but rather similar space.

> *"Thus, if we understand entrepreneurship and strategic management as the fields that together seek to describe, explain, predict and prescribe how value is discovered, created, captured, and perhaps destroyed, then there is not only much that we can learn from each other, but together represent two sides of the same coin: the coin of value creation and capture."*

This argument is borne by the principle that strategic management has to do with achievement of ends – obtaining market share, profit, and sustainable competitive advantage (a causal reasoning) whereas entrepreneurship – has to do with achievement of beginnings such as creating products, firms and markets.

2.8 Entry

Ardichvili et al. (2003) identified ‘recognition, development and evaluation’ as the opportunity identification triad of which alertness is a necessary condition for success. Whether the opportunity leads to business formation depends largely on the factors that were discussed in the previous section. They argue that the development process begins when entrepreneurial alertness exceeds a threshold level. For example, the presence of multiple factors such as the certain personality traits of creativity and optimism; relevant prior knowledge and experience and social networks heightens alertness to certain opportunities. Entrepreneurial opportunities are not complete by themselves. They have to be pursued and in doing so, resources have to be acquired (Ucbasaran, et al. 2001) and processes put in place.

Keh, et al. (2002) investigated variables that impact on opportunity evaluation. They found that illusion of control and belief in the law of small numbers are related to how entrepreneurs evaluate opportunities mediated by risk perception of a given opportunity. These factors could also impact on an entrepreneur’s search behaviour. Cooper et al. (1994) found that those with high levels of confidence enter a state of ‘entrepreneurial euphoria’ and tended to seek less information thus limiting their ability to assess the need for more information. In contrast, inexperienced entrepreneurs sought more not less information, although they tend to lessen their search as they enter fields they do not know.

Entrepreneurs may also draw on previous successful experience in their evaluation and hence entry into an identified opportunity. The learning derived from such experience would affect the quality and quantity of information that is subsequently sought (Gaglio1997) such that where the entrepreneur has sufficient information the decision to pursue or reject the opportunity could be made.

There is no conclusive evidence on the speed by which ventures are started by experienced entrepreneurs. However, Alsos and Kolvereid (1998) found in a Norwegian setting that parallel entrepreneurs have a higher probability of venture implementation than novice or serial entrepreneurs. Additionally, they found that their sample of parallel entrepreneurs took longer to start a business and suggest that

this is because their business ideas are more complex and they have income from other ventures. They conclude that in terms of business gestation process, serial founders are no different from novices and that being so do not appear to be a good entrepreneurial strategy, thus business owners should try and retain their business/es while trying to establish or purchase further businesses.

In light of previous discussion on expertise, it is reasonable to consider that the more experienced the entrepreneur is, the better they are at perceiving and recognising opportunities. However, not every opportunity that presents itself can be pursued. If the portfolio entrepreneur's function is to create and thereby add more ventures to their portfolio, some sort of ordering of preferences whether formal or informal (such as gut feeling) maybe at play.

Applying effectuation reasoning to entry processes would imply that entrepreneurs pursue identified opportunities if they are able to harness the necessary resources for a particular venture. For example, the affordable loss principle would mean that the individual will only commit what he/she is prepared to lose should the venture not take off. An entrepreneur's expertise becomes his/her competitive advantage. It enables them to create strategic alliances with competitors, suppliers and customers. Entrepreneurs create their firms through an effectuation process. Effectuation focuses on things that the entrepreneur can do with its limited resources. A lack of resources will not necessarily deter the creation of artefacts because in effectuation, the decision maker draws on strategic partnerships and secures pre-commitments (such as raw materials from suppliers, advance payment from customers, technical and financial support from stakeholders, etc.) from their networks which may or may not include competitors.

Effectuation is an innately pluralistic process that explains differentiation even among successful firms (Venkataraman and Sarasvathy 2001) or for that matter, successful entrepreneurs. This is because how people gather, combine and use resources available to them is unique to each individual such that given similar sets of resources the outcomes could be entirely divergent from one another.

It is reasonable that portfolio entrepreneurs use a variety of heuristics in deciding to pursue and exploit identified opportunities. By the same token they may also employ a set of criteria not only in pursuing but also in rejecting entrepreneurial opportunities. Additionally, these heuristics and criteria could also change as their experiences expand through engaging in repetitive entrepreneurial behaviour.

2.9 Operational strategies for growth / development

The next logical stage in venture formation is putting operational strategies in place to ensure its success. More specific to this study are growth strategies, financing and the use of networks as employed by experienced entrepreneurs. Multiple business owners tend to get involved in more complex environments (Kolvereid and Bullvag 1993) and are more resourceful that other entrepreneurial types (Alsos and Kolvereid 1998) therefore able to gather necessary resources together (Ucbasaran, et al. 2001) to ensure the success of a venture.

Do entrepreneurs use effectual thought in order to improve new firm survival, growth and success? Where effectuation holds that entrepreneurial firms are more likely to have begun through effectual action (Sarasvathy 2002), it is likely that as the entrepreneur (and the firm) achieves their goals, the relevance of effectual action is minimised. Read and Sarasvathy (2005) propose that successful firms are grown through causal action as they expand and endure over time. In this context, do entrepreneurs use heuristics and biases? If so, what factors influence their heuristics and biases?

> *"…heuristics and biases usually involve deviations from formal rationality, and therefore, tend to buy into the presumption of one or more ideal solutions, from which the heuristics and biases deviate" - Sarasvathy (2004: 523)*

Growing firms and portfolios are important issues even for expert entrepreneurs. With multiple businesses, it is important to understand the triggers for growth and development of their businesses both singly or collectively. Additionally, it is

necessary to investigate the ownership structures that portfolio entrepreneurs put in place when faced with multiple businesses and how these contribute to the over-all design of the portfolio.

Effectuation logic would suggest that preference for effectuation in the early stages of new ventures will increase as they become experts. Both highly causal and highly effectual novices learn to balance causal and effectual approaches during the growth phase of new ventures, before developing a clear preference for highly effectual strategies as their expertise grows.

Read and Sarasvathy (2005) propose that at a novice stage, entrepreneurs may vary in their use of causal and effectual action. Intuitively, at the novice stage, an entrepreneur is likely to use causal reasoning if he/she has the necessary resources to launch a new venture. For example, if the entrepreneur has the necessary finance and distribution systems in place, there is no great need to resort to affordable loss and strategic partnerships argument.

2.9.1 Growth strategies

The quest for a general and workable theory of small business growth has eluded scholars for at least 50 years and some doubt that this will be developed in the near future, if ever (Carter and Ram 2003; Iacobucci and Rosa 2005). For most of this time, the focus has been on the one owner: one business model which remains the dominant mode of small business ownership in developed countries. With the growing recognition that habitual entrepreneurs possess a wealth of valuable knowledge (MacMillan 1986) because they have learned and accumulated a set of skills and developed strategies to overcome new venture problems (Kolvereid and Bullvag, 1993), it stands to reason that identifying these could potentially increase chances of new venture success (Ucbasaran, et al. 2001).The growing literature on portfolio entrepreneurs contains a selection of studies that compares them to serial and novice entrepreneurs. These are however generally descriptive and do not seek to explain how and why portfolios are created.

Another stream has sought to explain the formation of groups being a result of diversification and in pursuit of growth (Rosa 1998; Rosa and Scott 1999a; Rosa and Scott 1999b). Rosa (1998) argues that the formation of business clusters (i.e. business groups) is an entrepreneurial process in action whereby the entrepreneur and/or the entrepreneurial team is identifying and evaluating new opportunities continually. There is evidence that the development of business portfolios is a mechanism used by entrepreneurs for profit maximisation and achieving business growth (Scott and Rosa 1996; Carter 1999). Iacobucci and Rosa (2005) offer confirmatory evidence of this in a study of high growth manufacturing firms in Italy. Here they argue that growth is achieved not only through managerial efficiency and expediency but also through diversification of the original business activity which is achieved through the formation of a set of companies by the same entrepreneur.

It was the seminal paper by Scott and Rosa (1996) that provoked researchers to shift their focus to the individual and especially those habitual entrepreneurs who chose to operate a portfolio of business. Portfolio entrepreneurs have been around for a long time and may indeed be the dominant form of entrepreneurial activity in some countries (Carter, et al. 2004). These entrepreneurs also rate themselves as more creative and more innovative than other entrepreneurs, especially novices (Westhead, Ucbasaran and Wright 2005) and appear to be the more attractive growth prospects (Westhead, et al. 2005).

Rosa and Scott (1999) established that multiple business ownership is common in the small firms sector, and that its incidence rises with firm size. Further, they found that portfolio entrepreneurs are more likely to be associated with high growth companies. They also revealed the complexity of the portfolio development process in which their portfolio entrepreneurs created and developed business clusters for a myriad of different reasons as discussed in section 2.6.4.

2.9.2 Financing preferences

Financing is a crucial part of venture success. Without adequate financial resources, business growth is constrained and is often a major cause of business failure. Kotey (1999: 12) says financing decisions are an "important component of business strategy as they deal with the means of acquiring resources needed to realise the strategy."

Finance is a contentious issue for entrepreneurs not least because to many it means a loss of control. This was evidenced by a New Zealand study where Hamilton and Fox (1998) found that small firm owners preferred to use internal sources (i.e. cash savings and retained earnings) as their most preferred funding source as this inhibited owner independence the least in comparison to using external financing. In contrast, Gundry and Welsch (2001) found that high-growth oriented entrepreneurs are significantly more likely to search for financing.

Kotey (1999) argues that entrepreneurial values and goals influence strategic financing decisions. She found evidence that debt users are low in entrepreneurial values and are unaware of the risk of losing control of high debt levels. In contrast, debt avoiders (not entrepreneurial) pose low risk but fear loss of control of their business. She argues that debt and equity users are the most entrepreneurial being cautious risk calculators, therefore pose the lowest risk to lenders. They also have the highest level of financial planning which probably accounts for them being low risk borrowers. If portfolio entrepreneurs possess entrepreneurial values, we can deduce that based on this study, they would be attractive borrowers to finance institutions if they prefer external financing.

Although there is an abundance of studies in venture financing, there are no reported studies that specifically investigated the financing preferences of portfolio entrepreneurs. However, there is an indication that they are not generally averse to shared ownership, therefore may not be too concerned about control as other types of entrepreneurs. For example, in comparison to novice and serial entrepreneurs, they are more likely to take on partners when establishing and owning businesses (Kolvereid and Bullvag, 1993). They are also likely to use multiple sources for finance during the launch of their businesses (Westhead and Birley 1993; Westhead and Wright (1998b). These sources ranged from personal savings, family and friends and even

from suppliers and customers. These also were likely to continue on an ongoing basis as an operational strategy.

2.9.3 Use of networks

The growing literature on portfolio entrepreneurs has not yielded studies on social capital thus far. Consequently, there is little known about the social capital dynamics of portfolio entrepreneurs. An area that might shed some light into this is the existence of networks (personal and business) and how they impact on the development of portfolio entrepreneurs. Networks form the social capital of entrepreneurs. An entrepreneur's personal and extended network can relate to individuals such as family members, friend, business partners, other founders and contact persons from institutions such as universities, large companies and authorities (Witt 2004). Given the discussion in the previous section, portfolio entrepreneurs would most likely have good networks/contacts around them. For example, there is evidence that portfolio entrepreneurs are less averse to take on partners in pursuing opportunities in comparison to other types of entrepreneurs who are more concerned with keeping full control of their business. There is evidence in Westhead and Wright (1998b) that portfolio founders were more likely to have established their new businesses with an additional shareholder than serial or novice entrepreneurs. In this light, entrepreneurial teams are largely drawn from the entrepreneur's social and business circle. How portfolio entrepreneurs regard their social capital is an important area of study that warrants investigation.

In a cross sectional study across four countries covering Italy, Norway, Sweden and the US, Greve and Salaff (2003) found that entrepreneurs systematically built networks that varied depending on the phase of entrepreneurship. For example, networks were accessed more during the planning, establishing stage than at other stages. Although there were gender differences with women found to use family to a larger extent than the men, there were no differences in the networking patterns across all four countries. Greve and Salaff (2003) also found that experienced business owners were no different to novices in their use of networks. In contrast, Cooper,

Folta and Woo (1995), found that experienced entrepreneurs did not vary their search patterns unlike novices who searched less in unfamiliar domains.

As discussed elsewhere, MacMillan (1986) reports that among portfolio owners' techniques is the use of networks at different stages of the ventures. These networks are composed of different experts carefully nurtured and used repeatedly to identify opportunities, assess the viability of ventures including the availability and use of technology to develop and initiate ventures into their own incubator facility. In addition to this, they have another network that provides business support services. MacMillan refers to this as a "business engine" that does not fail to deliver superior results.

This type of entrepreneurial operation is network-reliant and therefore team-based which also requires a different and unique skill set. But what of the habitual entrepreneur who relies on his own intuition and judgement about certain opportunities and gathers resources as required? Not all entrepreneurs would have the networks that are readily available to others. Given that much argument has been made about opportunity identification and how entrepreneurs are able to transform them into successful businesses sometimes even beyond their original intentions, habitual entrepreneurs may from time to time use a variety of means and resources in addition to what may be established heuristics in a continuous process of learning throughout their entrepreneurial career. The use of networks is an important business strategy because it allows founders cheaper access to resources that may otherwise not be available through normal market transactions. Dubini and Aldrich (1991: 308) sum it up in saying that "entrepreneurs can increase their span of action through their personal networks and gain access at a limited cost to resources otherwise unavailable."

2.10 Business dynamics

An intensive literature search has not generated enlightening studies on the dynamics between and among firms of multiple business owners. Again this would be a

consequence of studies focusing on the firm as unit of analysis (Scott and Rosa 1996) that does not put the entrepreneur at the centre of a business group. Comparative studies between the different types of entrepreneurs may find that firms operate differently from one to the other but this again would only consider one firm from a potential group. An exception would be Rosa and Scott (1999) where mapping of multiple businesses showed some sort of dynamics at play between businesses that were founded as a related diversification. Growth patterns observed by Iacobucci and Rosa (2005) suggest that groups do expand as natural growth process and the reasons why they do is usually an increase in the activity of the core business. Given this, it is reasonable to imply that these businesses do not operate in isolation of each other and that some interaction occurs between and among them.

> *"An important reason for setting up new companies is the need of organisational differentiation induced by the entrepreneurial diversification of activities: either as a result of the geographical extension of sales and production or by entering into new sector" (p.78).*

Given the multiplicity of businesses in an entrepreneur's portfolio, one can infer that some sort of dynamics is at play between and among a number of these businesses. Knowing how this occurs will shed some light on how entrepreneurial firms benefit (or do not) from being a part of a larger group. Among the issues worth investigating is how resources are shared, pooled or even separated and for what reason.

2.10.1 Firm and portfolio performance

> *"Given the entrepreneurial careers begin at various times, vary in duration, and follow a variety of paths, we would expect that prior startup experience could offer a wide range of core curricula and could be both beneficial and detrimental to the new venture" (Starr and Bygrave (199: 22-23).*

There is still limited evidence on how businesses owned by portfolio entrepreneurs perform in comparison to those owned by other types of entrepreneurs. Studies have not identified performance differences in the businesses owned by novice and habitual entrepreneurs (Kolvereid and Bullvag 1993; Birley and Westhead 1993) and between

the businesses owned by novice, serial or portfolio entrepreneurs in both the rural and urban setting (Westhead and Wright 1998a).

Caution must be taken in the interpretation of this evidence particularly in the case of portfolio entrepreneurs since the above studies have only considered one business (often the latest venture) from the portfolio of businesses owned by the founder. It is therefore pre-mature to draw any conclusion in light of the above evidence.

Conceptually, prior business experience may bring assets as well as liabilities to other ventures. Starr and Bygrave (1991) suggested that these experiences might result in subsequent ventures performing below that of the first. In their study, they found no evidence to suggest that new businesses established by 'habitual' founders with prior experience of business venturing are particularly advantaged compared to their more inexperienced counterparts. They argue that this is contrary to the “business engine” concept of MacMillan (1986) that purports to create second-time-around ventures which out-perform their 'fledgling' counterparts in terms of job generation and wealth creation. Starr and Bygrave (1991:12) however admit that despite the large sample in their study, it was not designed to explore performance issues in detail and recommends that "future research should probe more deeply into the quality rather than the quantity of entrepreneurial experience, and consider the various ways in which entrepreneurs transfer and leverage their past into future venture."

An investigation into entrepreneurial outcomes is not adequate without looking at how firms perform. In order to gain deeper understanding of portfolio entrepreneurship, it is essential to look at how each of their individual businesses and the total portfolio perform as well as relative to the bigger business group/portfolio. Although studies that looked at differences in performance of firms owned by novice and experienced entrepreneurs, have found no significant difference (Alsos and Kolveried 1998), none of these comparative studies have looked at the performance of portfolios or group. It is also helpful to look at thresholds and benchmarks that entrepreneurs may hold fast to not only in terms of individual businesses but more importantly, that of the whole business group. Sarasvathy and Menon (2002) argue that entrepreneurs adapt effectuation to increase a new firm’s survival rates. The investigation will seek to find

evidence of effectual reasoning in the participants' approaches to firm and portfolio performance.

2.10.2 Failure and exit

The entrepreneurship literature abounds with studies on firm failure and business exit. Again these situations would have been focused on failing (and/or successful) firms and aimed towards scrutinizing causes in order to prevent potential failure. It is beyond the scope of this thesis to go into the details of why businesses fail but its concern is in the effect of failure on portfolio entrepreneurs. Considering that they own multiple businesses, the impact of one or two cases of business failure may not be viewed by the entrepreneur in the same way as a single venture entrepreneur. Indeed as Gimeno, et al. (1997) found, the survival of firms is not strictly a function of economic performance but also dependent on the threshold of performance that is expected of the business. Portfolio entrepreneurs may set different thresholds for different businesses. Within the context of a business portfolio, some companies may not be expected to turn a profit (i.e. holding companies, single asset companies, shell companies, etc) whereas core businesses need to perform well. In some cases, the original reason for starting businesses may not be related to any expected economic performance. McGrath (1999) warns against pervasive anti-failure bias arguing that entrepreneurial risk-taking and failure can have positive consequences. She draws on real options reasoning to explain that the focus should not be on avoiding failure but limiting exposure to its downside. In the case of portfolio entrepreneurs, having multiple businesses may in fact be an appropriate strategy to minimise risk and trialling new ideas without necessarily affecting core businesses attributes such as brands, products, markets and reputation.

Due to market conditions and other environmental factors, it is reasonable to assume that businesses within a portfolio do not perform similarly. Some businesses do fail and others are exited for reasons that may or not be related to performance. How portfolio entrepreneurs view failure has not yet been explored. Sarasvathy (2004b) proposes that researchers need to focus attention in understanding it from the point of view of the entrepreneur. Additionally, she advocates emphasising how the firm

serves as an instrument in the tool kit of the entrepreneur, rather than casting the entrepreneur as always in the service of firm survival. By doing so, researchers may understand the role of firms as entrepreneurs explore and pursue their own goals, whether such goals may or may not coincide with "objective" measures of firm performance (Sarasvathy and Menon 2002). From this perspective, Sarasvathy (2004b: 7) argues "exit strategies will get a great deal more attention than they now receive."

There is however a volume of studies on why firms fail, size being generally acknowledged as a contributing factor. In this line of thinking, it is viewed that the bigger the firm at start-up, the more likely it is to succeed. However, Sarasvathy and Menon (2002) propose that small-scale entry commonly provides a real option to invest heavily if early returns are promising. Knowing the portfolio entrepreneur's attitude to failure and what exit strategies are used for undesirable and/or undesired ventures is a necessary element in understanding them.

2.11 Personal outcomes

Given that the phenomenon of interest in this study is the entrepreneur, it is important to look at personal outcomes for the individual. Intuitively, it is logical to link satisfaction with the initial motivation for founding a venture. These motivations can be both economic and non-economic in nature. Cooper and Art (1995) found that in terms of personal satisfaction levels, entrepreneurs who prioritized economic objectives were less satisfied than those who favoured non-economic objectives.

There is some difficulty in separating these two objectives because non-economic objectives are somewhat related to or a result of achieving some financial independence. For example, portfolio entrepreneurs in Westhead and Wright (1998b) emphasize security for family and access to taxation benefits. Rosa and Scott (1999a) also report assisting friends and relatives, pursuit of a challenge or hobby, taxation and even laundering money and profits as reasons for starting any number of businesses. It appears that these are a result of having achieved some financial objectives in the first place. What seems to be evident however is the entrepreneur's

desire to share the benefits of financial success with family and friends. To others, the fulfilment of economic goals (i.e. having financial freedom) allows them to pursue personal interests such as hobbies and not be concerned with the monetary side of things.

Although there is still a need to study how portfolio entrepreneurs deal with missed opportunities and chances, Baron (1999) found that entrepreneurs were forward looking and focused more on the opportunities instead of regretting events that could have been. This may have shed light on a distinguishing trait of the habitual entrepreneurs. This tendency to not dwell on the past and move on may be unique to habitual entrepreneurs in some way.

The continuing focus on the firm has somewhat deflected from a greater appreciation of how entrepreneurship affect individual entrepreneurs. While much investigation has been done on firm outcomes, the entrepreneur's story is often relegated to popular press and television documentaries and biographies.

Academic literature should also investigate the collective effect on a personal level. These outcomes need to consider the effects on the individual entrepreneur's personal aspirations, wealth as well as their levels of satisfaction. Economic reasons are well-documented as a motivation for and certainly a main consideration for remaining in business. However, this can be easily achieved by a single business. The pursuit of additional businesses brings other desired outcomes. What these are for portfolio entrepreneurs are certainly worth investigating.

Of particular interest is their propensity for starting other businesses whether or not previous ventures had been unsuccessful. In fact these entrepreneurs can provide rare insights into the failure. Sarasvathy and Menon (2002:7) proposes that the difficulty with finding truly failed entrepreneurs lie in the fact that they "seemingly disappear off the face of the economy forever leaving us, entrepreneurship scholars, without any traces to follow in our pursuit of understanding them." Sarasvathy (2004b:7) raised the point that success and other outcomes are often attributed to the firm, the result of which leaves scholars without estimates for entrepreneurs. She observes that even traits-based research primarily strives to relate the psychology of the entrepreneur

with the success/failure of the firm and not with the success/failure of the entrepreneur."

Entrepreneurship can only occur if both the entrepreneur and the firm are present. They are therefore inseparable. Firms are the instruments that entrepreneurs use to help exploit profit opportunities within their individual environments. Sarasvathy (2004b: 8) holds that entrepreneurs, in doing so "shape parts of their environments to more closely resemble both their personal aspirations and their firm's resource endowments – so they can create new opportunities for wealth for themselves as well as values for their stakeholders."

There is much to learn from exploring the relationship between the firm and the entrepreneur. Although comparative studies have reported no significant difference in outcomes between habitual and novice entrepreneurs, there are probable explanations to this. It may be due to the fact that multiple ventures are a way for experienced entrepreneurs to experiment on whether a new idea would work or to test the market. It therefore is reasonable to imply that a series of failed start-ups may result in success further down the track as the entrepreneur continues to adapt techniques that work in a "trial and error" mode. Consequently, the success or failure of portfolio entrepreneurs should be measured over their entire career and not as a snapshot in time.

2.12 Conclusion and rationale for investigating portfolio entrepreneurs

Although it has long been known that some individuals owned and operated more than one business venture at the same time, it is only fairly recently that this type of behaviour has gained prominence in the entrepreneurship literature (Carter and Ram 2003). With studies focusing mainly on the firm as the unit of analysis, the overall role of habitual entrepreneurs and in particular the portfolio entrepreneur has not been fully recognised. This is particularly the case for growth-oriented portfolio entrepreneurs where comparative studies would, for example, have been unable to associate the formation of a new independent business with the expansion of an entrepreneur's portfolio.

The review of extant literature synthesized what is known and what can be derived from the general entrepreneurship literature to date about the portfolio entrepreneur. Although this area of research has attracted interest from a select group of entrepreneurship scholars and a body of knowledge is now emerging, there are still many under-researched areas specific to the domain of portfolio entrepreneurs. More specifically and in the context of this thesis, there are still many gaps in the literature.

While there is mounting evidence on the scale of the phenomenon especially from the UK and Europe, there is still little known about this in other settings such as the US and the Asia-Pacific regions. Additionally, many of the studies are largely based on surveys and report evidence from only one venture from the portfolio and comparing this to other types of entrepreneurs. In these studies, there is still a tendency towards the traits/characteristics approach by seeking to describe who and what the entrepreneur is or is not. While there is some merit to this approach, this needs to be extended such that an exploration of how the characteristics that comprise an individual's human and social capital impact on the entrepreneurial process is much more desirable and informative and enhances understanding of the phenomenon.

The entrepreneurial process is complex especially with respect to opportunities. Venkataraman (1997) argues that one of the most neglected questions in entrepreneurship research is where opportunities come from and highlighted three main areas of difference between individuals that may help us understand why certain individuals recognise opportunities while others do not: knowledge and information differences, cognitive differences and behavioural differences. An exploration of how portfolio entrepreneurs behave and engage in this process when presented with entrepreneurial opportunities in particular needs exploration.

Within the above entrepreneurial function, there is little known about how portfolio entrepreneurs search, recognise and pursue multiple interests. Given evidence that habitual entrepreneurs are endowed with human and social capital, it is not fully understood how they use such endowments in this continuous cycle of entrepreneurial pursuits. In these pursuits, they accumulate a wealth of expertise and develop strategies. Discovering what strategies they use and further develop would be helpful

to novices, the knowledge thereof could increase the supply of habitual business founders.

The argument that the domain of entrepreneurship research concerns the sources of opportunities and the people who discover, evaluate, and exploit these opportunities (Shane and Venkataraman 2000) has not been fully investigated in light of the portfolio entrepreneur. It is understandable that being experienced entrepreneurs; habitual (and more specifically portfolio) entrepreneurs would use a variety of sources and strategies in the pursuit of perceived opportunities. How habitual entrepreneurs look for opportunities, their heuristics and strategies in the pursuit of perceived opportunities and the role that family, networks and experience play in the process are areas that still need investigation.

Baron (1999) argues that entrepreneurs are forward-looking and focus on opportunities that entrepreneurs do less counterfactual thinking than non-entrepreneurs. In this light, their cognitive processes, that of being entrepreneurially alert (Kirzner 1973) may perhaps determine whether they see other/more opportunities that there is no time for regrets as they just pursue other opportunities. Uncovering what heuristics and biases they use will greatly contribute to understanding how and why ventures are formed from a perceived opportunity.

There still remains a great deal that is not known about the motivations that give rise to portfolio development and the processes underlying it (Carter and Ram 2003; Iacobucci and Rosa 2005). Rosa and Scott (1999: 545) suggest that while external factors would dictate the size of any single business, the growth of a cluster of firms would depend much more on internal supply-side factors (i.e., the entrepreneur). In this context, distinguishing these external and internal factors and understanding the interplay between them that leads to the pursuit of a portfolio of businesses would be a fruitful area of inquiry. Uncovering what motivations drive portfolio entrepreneurs in this study will add confirmatory evidence or otherwise to that of Rosa and Scott's (1998) findings. Effectuation logic is used as a lens through which some of the rich qualitative data is interpreted. Whether or not effectuation does feature in their decision-making will add to its application on expert entrepreneurs and the pervasiveness of effectual logic in entrepreneurship.

Finally, in the face of multiple ventures, there is much to discover and understand regarding the processes that portfolio entrepreneurs use to select and manage the businesses in their portfolios and what outcomes ensue both for the ventures and the individual entrepreneurs.

CHAPTER 3

CONCEPTUAL FRAMEWORK

3.1 Introduction

> *"The prevalent economic theories of entrepreneurship are theories of the firm – either they try to explain entrepreneurship as the existence and survival of firms or as firm performance in one way or another" - Sarasvathy (2004a)*

There has always been a fascination about what makes a successful entrepreneur and what it takes to build a successful firm. For a long time, scholars have focused on the firm and success is often measured by how successful the entrepreneur's firm is. The literature focusing on psychological traits of the entrepreneur has tried to relate entrepreneur variables to the existence, survival and performance of firms rather than to the achievement of the entrepreneur's individual aspirations and performance goals (Sarasvathy 2004a).

This chapter presents the initial theoretical basis that had guided the conceptualisation and investigation of portfolio entrepreneurs for this study such as effectuation logic. This is discussed in detail in the review of literature (see 2.5). This is followed by the conceptual framework and discusses the main themes under investigation being theoretical antecedents, entrepreneurial processes and outcomes in detail.

3.2 Theoretical basis for research

Research into entrepreneur's traits and characteristics have proven to be less useful and many scholars now agree that framing research questions differently to reflect context and processes will bear more useful results in terms of their implication for theory and practice (Zahra, 2007; Sarasvathy 2001; Ucbasaran, et al. 2001). In

pursuing this argument, the present study takes the view that both the entrepreneur and the firm need to be considered together in entrepreneurship studies. The author agrees with Sarasvathy's (2004a) suggestion of putting the entrepreneur centre stage and adopting an instrumental view of the firm. Efforts put into trying harder to search for more rigorous answers may not always bear more fruitful results. Sarasvathy (2004b) proposes that reformulating research questions could lead to breakthroughs more often than persisting with the old practice such as or example, she suggests that researchers' obsession with the difference between entrepreneurs and non-entrepreneurs be thrown away and instead focus on categories within entrepreneurs such as those who want to become entrepreneurs but do not and those who do. This line of inquiry is likely to uncover the barriers that beset the former and explore positive ways that the latter can develop entrepreneurial expertise.

Further along their entrepreneurial careers, those that develop expertise are more likely to be involved in multiple other ventures (than those that have shorter entrepreneurial careers) and hence become habitual entrepreneurs. Following Sarasvathy's suggestions of investigating categories within entrepreneurs, the present study investigates the habitual entrepreneur category with particular focus on a specific category of habitual entrepreneur, the portfolio builder. The present study is positioned against the background of the latter category and is aimed at exploring the various aspects of entrepreneurship that contribute towards the successful pursuit of entrepreneurship within the context of multiple ventures in a New Zealand setting.

> *"Instead of classifying individuals as entrepreneurs and non-entrepreneurs, we might want to create a taxonomy of categories within entrepreneurs. Each category would be homogeneous along certain parameters and heterogeneous along others, allowing us then to look within each subcategory for similarities and also differences between categories in specific aspects of entrepreneuring, such as, opportunity formulation, financing strategies , failure management, and so on."- Sarasvathy (2004b:6)*

3.3 Integrating theories

Over-all, the evolution of family business and the corridor principle may shed some light on the emergence of business portfolios and practising portfolio entrepreneurs. These are explored as part of the over-all investigation and woven into the different themes as per the conceptual framework. They may not however be sufficient in explaining the intricacies involved in entrepreneurial decision-making processes. Effectuation logic is a promising development having been developed from a study of expert entrepreneurs and partly informs the theoretical underpinning in investigating the theme one of the conceptual model

3.4 Conceptual model

The conceptualisation for this study is derived from the wider entrepreneurship literature as well as those specific to habitual entrepreneurs that relates or can be applied for the most part to portfolio entrepreneurs. The framework for investigating the research question is largely based on the recommended format for entrepreneurship studies by Ucbasaran, et al. (2001). Having taken into consideration the main arguments discussed in the section on research issues (see 1.3), they suggested six themes to guide and serve as organising frameworks to advance research:

- Theme one - relating to theoretical antecedents
- Theme two - the specific type of entrepreneur
- Theme three - process
- Theme four - relating to types of organisations
- Theme five - external environment
- Theme six - outcomes.

This study picks up on four of these namely: themes one, two, three and six. Theme two sets the context of the study being a specific type of entrepreneur – the portfolio entrepreneur and is central to the study itself. Theme 1 (theoretical antecedents) is

explored at the outset through human and social capital, motivation and risk. Theme three revolves around three entrepreneurial processes: opportunity search and recognition, entry and operational strategies for growth and development. Finally, theme six explores outcomes in terms of business dynamics, firm performance, failure and exit and personal outcomes to the entrepreneur. The study then links outcomes back to the portfolio entrepreneurs and explore possible typologies as well as other issues such as challenges that they faced in the context of managing and pursuing portfolio development.

Themes four and five relating to types of organisations and the external environment respectively is not incorporated into the research model directly but will be covered in relation to how they impact on the other four themes. Consequently, they are not discussed or investigated distinctly from the proposed model.

This framework synthesises many of the arguments presented by key papers discussed in the review of literature. Using Ucbasaran, et al.'s (2001) format, the investigation draws partly and builds on the work of Sarasvathy (2001, 2003, 2004a, 2005) on effectuation logic and Rosa and Scott (1999a, 1999b) on business cluster formation. In integrating these works into the framework, the present study hopes to meaningfully contribute to the existing body of literature and subsequently advance understanding of portfolio entrepreneurship.

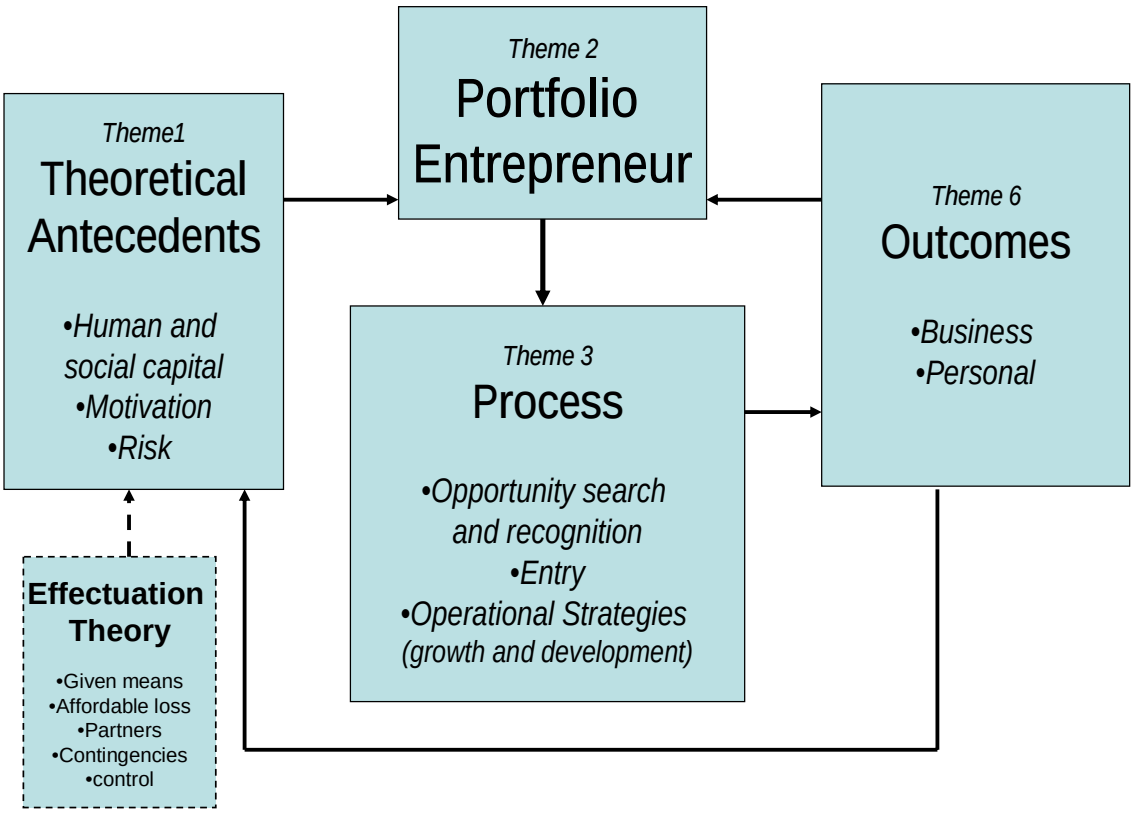
The conceptual model is contained in Figure 1.1 and is discussed further in the next section.

3.5 Antecedents to portfolio entrepreneurship

The first theme in the conceptual framework looks at antecedents to theme 2 – that of becoming a portfolio entrepreneur. More specifically, the antecedents are divided into human and social capital, motivation and risk. The literature on human and social capital as relating to portfolio entrepreneurs is presented in section 2.6 and infuses effectuation logic into the discussion. Intuitively, it can be assumed that differences in the combination of one's personal backgrounds, motivations and risk profiles

potentially influences why and how they think and do things. As a result, there will be different outcomes for different individuals.

Fig. 1.1 Conceptual framework



3.6 Entrepreneurial process

Consistent with the conceptual framework of this study, the entrepreneurial process literature was reviewed in relation to the main areas being investigated (see 2.7 – 2.9). These are opportunity search and recognition, entry and operational strategies.

Scholars have regarded the entrepreneurial process as a critical line of inquiry and a study of portfolio entrepreneurs would largely benefit from exploring how this is experienced by the players themselves. Additionally, an insight into such processes as

how opportunities are searched for and recognised, the selection criteria they employ and the operational strategies they pursue to grow and develop their individual businesses and the portfolio as a whole would be a welcome contribution to literature towards further understanding entrepreneurship.

3.7 Outcomes

> *"The primary reason for the paucity of evidence about the success and failure of entrepreneurs as distinct from firms consists in the fact that while evidence on failed firms is hard enough to obtain (the data usually disappear along with the demise of the firm), evidence on failed entrepreneurs is well nigh impossible to come by. People just simply do not walk around with business cards that say "failed entrepreneur." Sarasvathy and Menon (2002: 7)*

Outcomes are often referred to in terms of firm success and failure. The above quote captures the difficulty faced by scholars in studying failure mainly because failure is not a pleasant subject matter and most people would generally rather talk of their successes. Sarasvathy and Menon (2002) challenge the received wisdom that firm successes and failures determine the successes and failures of entrepreneurs. They argue that given at least some entrepreneurs start several firms (i.e. habitual entrepreneurs), it stands to reason that the probability of success for a typical entrepreneur is different from that of a typical firm. While single venture entrepreneurs see their firm as the end in itself, multiple venture entrepreneurs may view the firm as a mere instrument towards achieving overall success. In fact, there is evidence from Caves (1998) suggesting that at least some new entrants design their firms with early failure in mind. These are designed as experiments to test the waters of potential success whether in established or new industries.

Applying effectuation theory in investigating outcomes that feature both success and failure, Sarasvathy (2001) proposes that there is a plurality of failed firms for any one or more successful firms that actually get created by any given entrepreneur, therefore the creation of successful firms would have to do with the management of failures

rather than with their avoidance. This position is largely supported by the real options theory approach to failure (McGrath 1999).

Outcomes for the present study will specifically look at business dynamics, firm performance, failure and exit as well as personal outcomes. In keeping with its exploratory nature, the study will allow for other issues to emerge.

3.8 Conclusion

As with most investigations, a researcher is often overwhelmed by how broad an area of research can be. Entrepreneurship is no exception. The review of literature has highlighted many different aspects of entrepreneurship but acknowledges that it does not encompass everything. The above framework centres on a particular type of entrepreneur – the portfolio entrepreneur. Within this context, and based on the themes suggested by Ucbasaran, et al. (2001), the thesis focuses on antecedents, processes and outcomes. Portfolio entrepreneurs are ubiquitous yet, there are still many aspects to them that are largely unexplored by research.

Portfolio entrepreneurs are faced with many issues and challenges as they navigate through their entrepreneurial careers. This study is exploratory in nature. It tracks the entrepreneurial path of portfolio builders that starts at the pre-business involvement stage to post-venture and portfolio formation. The breadth of the themes is complemented by the depth with which these are explored and seen through a different lens from other studies. In particular, effectuation logic features to some degree to help the ordering and interpretation of the rich data. Here, the reader will find that the entrepreneur has been given a voice and is allowed to express their experiences.

CHAPTER 4

METHODOLOGY

"Rather than having researchers reconstruct what entrepreneurs have done and to conclude ex post, why they did it, we need to devote more effort to understanding how entrepreneurs think, if we are to understand the phenomenon of entrepreneurship." -Levenhagen (1995)

4.1 Introduction

The research methodology refers to the system of methods and principles used in the course of conducting the study. It also represents the philosophical justification underlying the research as well as the basis for the justification of the methods used (Crotty 1998). Although one can take various approaches when determining a research methodology, a distinction between qualitative and quantitative approaches is often made. These approaches or paradigms consist of different research methods that maybe embarked upon uniquely. However, according to Creswell (1998) and Miles and Huberman (1994), both approaches can be used to complement each other.

The adoption of a methodology and the research methods fundamentally depends on the nature of the research topic and the questions being studied. Additionally, it also depends on the theoretical underpinnings of the researcher's approach. More specifically, Creswell (1994) offers five criteria in selecting a paradigm namely: the researcher's worldview, their training and experience, their psychological attributes, the nature of the problem being investigated, and the audience for the study.

This chapter presents the paradigm adapted for this study and the justification for the research approach taken. This is followed by a detailed discussion of the methods employed and the justification for their use.

4.2 Research purpose

> *"In the quest for 'generalisable theory,' it is too easy to lose the value of specific human experience. In this way, the voice of the entrepreneur – whoever he or she maybe – seems to have become disconnected from academic study through being lost in statistical samples." – Gartner and Birley (2002)*

Portfolio entrepreneurs are an important segment of the business community but very little is known about their behaviour and what leads them to take the portfolio entrepreneurial path. Although portfolio entrepreneurs as defined in this thesis may be visible by their business presence, they are often regarded in literature as similar to most business owners. In doing this study, the researcher aims to explore and explain the antecedents that lead to this behaviour, the processes involved in their emergence and the outcomes of such behaviour and processes. In doing so, "entrepreneurship in action" needs to be captured and presented.

This study is conducted in order to understand how and why entrepreneurs become portfolio owners. It investigates the different antecedents to such a phenomenon using a semi-structured approach. Further, the study establishes how portfolio entrepreneurs structure, develop and manage the many challenges of having a portfolio of ventures. It also explores the different outcomes, not only at the venture level but also for the entrepreneurs themselves.

In order to fully appreciate this phenomenon, it is necessary to firstly establish the extent of their existence. Although overseas studies have found a significant proportion of multiple business ownership, this needed to be confirmed within the current research setting. Hence, **an initial archival research** was conducted in order to generate useful descriptive statistics to inform on the main phase of the research activity.

In this context, the research question assumes a 'grand tour' form (Creswell, 1994) where the research topic is examined in its general form. Miles and Huberman (1994) recommend that researchers write no more than a dozen research questions that could

then become topics that are specifically explored in interviews, observations and document and archival material. The research aim and research questions are revisited from section 1.4 and illustrated in Figure 4.1 to determine the approaches suitable for the investigation.

Figure 4.1 Research purpose and questions

How do antecedents influence entrepreneurial processes that lead to the emergence of portfolio entrepreneurs?

1. ***How prevalent is the phenomenon of portfolio entrepreneurship?***
2. ***What are the antecedents that influence the way portfolio entrepreneurs think and do things? How do these factors influence initial and subsequent venture creation behaviour?***
3. ***How do portfolio entrepreneurs engage in the entrepreneurial process of opportunity search and recognition and entry as they seek to develop and grow their business?***
4. ***What are the business and personal outcomes of these entrepreneurial activities?***

It is the aim of this thesis to capture entrepreneurship as experienced by portfolio entrepreneurs. This is difficult to do using mainly quantitative methods. Gartner and Birley (2002) sum up many of the concerns in quantitative oriented entrepreneurship studies that do not go beyond merely describing the phenomenon and call for better methods. This doctoral thesis aims to heed this concern by employing a **more dominant qualitative approach** in order to offer better explanation about the phenomenon being studied. The use of **multiple case studies** is deemed appropriate for this purpose. The justification for the mixed paradigm and specific methods and design are presented next.

4.3 Justification for the paradigm and methodology

The methodology and research design are of an exploratory nature. Additionally, the main research question and a majority of the sub-questions can only be adequately answered through a dominant qualitative approach. Alongside this however, it is also essential to establish the extent to which this phenomenon exists and in what context. Therefore this study employs a combination of methods and designs. More specifically, a **two-phase design** (Creswell 1994) approach is employed whereby a **less dominant quantitative phase** is conducted initially followed by the **dominant qualitative approach**. This approach supports Low and MacMillan (1988) in their call for mixed approaches in entrepreneurship research.

The focus on the more dominant qualitative aspect of the study is supported by a growing number of entrepreneurship researchers that argue more in-depth studies should be conducted. This is captured by this statement:

> *"It is our opinion that many substantive issues in entrepreneurship are rarely addressed, and that many of the important questions in entrepreneurship can only be asked through qualitative methods and approaches."*
>
> *- Gartner and Birley (2002: 387)*

The studies that this investigation is based on have used qualitative methodologies and more specifically, **multiple case study approaches**. It is deemed appropriate therefore that this approach be emulated in order to meaningfully contribute to this stream of literature.

> *"In general, case studies are the preferred strategy when "how" or "why" questions are being posed, when the investigator has little control over events, and when focus is on a contemporary phenomenon within some real-life context." – Yin (1984: 13)*

4.4 Qualitative research

Creswell (1994: 1-2) defines qualitative study as *"an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting."* In contrast, a quantitative study is *"an inquiry into a social or human problem, based on testing theory composed of variables, measured with numbers, and analysed with statistical procedures, in order to determine whether the predictive generalizations of the theory hold true."* The main distinction between the two approaches is that quantitative research uses a numeric measurement of things whereas qualitative approaches are associated with text or pictures.

Quantitative research allows for the measurement of a set of questions from a substantial number of people. This results in a widely generalisable set of findings that are succinct and to the point (Patton 1990). Qualitative research on the other hand, provides greater understanding through in-depth examination of a small number of cases which reduces its generalisability (Creswell 1998).

Despite the above differences, many researchers hold that qualitative research is exploratory and can be used prior to more descriptive quantitative research (Churchill 1995). In the case of qualitative research, it is suggested that the use of both quantitative and qualitative methods of data collection could be used in tandem to increase the trustworthiness of the data (Miles and Huberman 1994 and Yin 1984).

4.5 Research approach

Creswell (1994) holds that there are five basic assumptions of both qualitative and quantitative research paradigms. These assumptions and rationale are discussed in support for the choice of a mixed research paradigm. The main argument is the nature of the investigation, which is mainly exploratory, therefore calls for a predominant qualitative study yet wanting to add rigour by employing triangulation in data collection.

4.5.1 Ontological

This relates to the nature of the reality being investigated. It is acknowledged that in this study, there is no single, objective reality, rather it is subjective and multiple; as seen by the participants of the research situation. This is in contrast to a strictly quantitative approach where researchers view reality objectively and something that is out there. In this thesis, and consistent with the constructionist view, reality is constructed three-ways: by the researcher, the subjects being investigated and the reader or audience interpreting the study. In this context, it is necessary that these multiple realities are reflected and reported in the thesis (Creswell 1994).

4.5.2 Epistomological

This assumption relates to the relationship of the researcher to that being researched. In this study, it is necessary to report accurate observation hence, distance between the subjects and the researcher needs to be minimised for this to occur. The researcher then needs to closely interact with the participants through prolonged face-to-face interviews and observation.

4.5.3 Axiological

The third assumption relates to the role of values in the study. The researcher acknowledges that the study is truly value-laden in nature. The value nature of information gathered from the field as well as her personal values and biases will be actively reported in my thesis. However, the researcher ensures that biases are minimised and to this effect the language of the study will be third person.

4.5.4 Rhetorical

Given that the thesis reports on actual personal experiences of the participants, the rhetoric or research language will be personal, informal and based on definitions that evolve during the study. Consistent with the recommended case study approach, the in-depth interview questions posed to the informants will be non- directional.

Creswell (1994) suggests the posing questions that describe and convey language that allow participants to talk at length and in-depth about particular issues raised.

4.5.5 Methodological

> *"Parallel to the data collection, the search for complementary theories continued. It was guided by the findings in the empirical world. A particularly useful theory would be one that solved the problem of how to analyze efficiency issues without setting clear boundaries."*
>
> *– Dubois and Gadde (2002: 553)*

Most qualitative studies would be regarded as inductive where categories emerge from informants, rather than those that are identified a priori. Creswell (1994) argues that this emergence provides rich "context-bound" information leading to patterns or theories that help explain a phenomenon. The researcher however holds that some guidance is necessary in investigating the specific phenomenon being studied without necessarily relying too strictly on the deductive approach. In this light, a "systematic combining" (Dubois and Gadde 2002) is deemed as the most appropriate approach.

> *"Systematic combining is a process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously, and is particularly useful for the development of new theories." - Dubois and Gadde (200: 554)*

Systematic combining then is neither deductive nor inductive but rather grounded in an **abductive logic**. This is especially suited to the case study approach where some order is necessary to manage the volume of data gathered during the study. Without some guidance, researchers could become pseudo observers who Weick (1979: 38) says "seem bent on describing everything, and as a result describe nothing."

Having considered the assumptions necessary for the choice of the paradigm, the following criteria further reinforce the reasons why this investigation uses a dominant qualitative approach:

1. The researcher is comfortable with the assumptions discussed above and their implications to her study.

2. She possesses sufficient literary writing skills, training and experience to be able to pursue this type of investigation.
3. The researcher is reasonably comfortable with the lack of specific rules and procedures for conducting this research and possesses a high tolerance for ambiguity.

Finally, although the entrepreneurship discipline itself is still in a theory –building stage (Bull and Willard 1995), and the nature of the problem being investigated is exploratory, the variables are not necessarily unknown. The lack of theory base need not deter the use of other theories that maybe regarded as useful in providing structure, guidance and direction towards better theories that could explain portfolio entrepreneurship. These theories were discussed in the previous two chapters.

4.6 Case studies and establishing trustworthiness in qualitative research

The trustworthiness of research is often judged on a number of criteria but mainly on construct validity, external validity, internal validity and reliability. These criteria however have often been applied to quantitative research, a positivistic perspective. Lincoln and Guba (1985) argue that applying this to non-positivistic research is not appropriate but Yin (1984) suggests some case study tactics that can be used to address these criteria.

Construct validity is concerned with establishing correct operational measures for the concepts being studied and this is generally problematic in case-study research (Yin 1984). Critics of case study research often point to the “subjective” judgements made by the investigator during data collection. Objectivity as opposed to subjectivity refers to making certain that the results emerge from the data rather than from the researcher and based on the premise that it is gained where independence exists between researcher and subject. To assume this independence in qualitative research underestimates the interaction that takes place between the two. Many argue that in qualitative research, this is not a suitable criterion as the researcher is mainly the instrument and in the case of the interviewer, is a necessary and very important actor in the construction of the informants’ meaning.

Yin (1984) however suggests three tactics to increase construct validity in case studies: the use of multiple sources of evidence, establishing a chain of evidence during the data collection phase of the study and have key informants review draft case study report at the composition stage.

External validity is the extent of generalisability of the results of a causal study to other people, events, or settings (Sekaran 1992). External validity is usually achieved through randomised sampling and based upon the presumption that everybody has a known and equal probability of being included in the sample. Generalising the results from a single case study research is indeed problematic where a sample is not readily generalisable to a larger universe. Yin (1984) argues that when dealing with case studies this analogy to samples and universe is incorrect because survey research for example relies on statistical generalisation while case studies rely on analytical generalisation where the researcher strives to generalise a particular result to some broader theory.

Internal validity refers to the extent of our confidence on causal effects – that variable X causes variable Y (Senkaran 1992). This is designed to deal with the issue of how much confidence there is in the findings. The internal validity criterion rests the ontological assumption that there is only one single observable reality (Creswell 1998) which is in conflict with the constructionist belief of multiple mentally constructed realities. Yin (1984) holds that this logic is inapplicable to descriptive or exploratory studies which are not concerned with making causal statements and this is true whether the studies are surveys, experiments or case studies. However, if internal validity is a concern in case studies, the investigator can use tactics such as pattern matching, explanation building or time-series analysis at the data analysis stage.

It is worth noting that even within the quantitative paradigm where both of the above criteria are used, there are also difficulties. Sekaran (1992) argues that there is often a trade-off between internal and external validity such that if one wants high internal validity, one should be willing to settle for less external validity and vice-versa.

The issue of reliability deals with the idea of consistency of results – the determination that if the inquiry was repeated one would achieve the same results. This again relies on the concept that there is only one single, stable objective reality. As already argued elsewhere, this is not the case in this study and reliability in the traditional sense does not seem appropriate since there realities are multiple, subjective and likely to change over time. In case studies, Yin (1984) suggests that the goal of reliability is to minimise the errors and biases in a study should a study be repeated. This can be achieved by meticulous documentation. A couple of tactics that be employed are the use of case study protocol and the development of case study data base during the data collection stage.

4.7 Research method

> *"A research design is the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of the study. Every empirical study has an implicit, if not explicit research design." – Yin (1994: 27)*

This section will discuss the selection and justification of the case study method, the data collection methods, data analysis and interpretation and the outcome of the study in relation to theory and literature.

4.7.1 Case study research

> *"A case study is an exploration of a "bounded system" or a case (or multiple cases) over time through detailed, in depth data collection involving multiple sources of information rich in context. This bounded system is bounded by time and place." - Creswell (1994)*

Yin (1994) holds that a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. This is especially fundamental when the boundaries between phenomenon and context are not clearly defined. Both Yin (1994) and Creswell (1994) agree that in case studies, multiple sources of

evidence can be used. Eisenhardt (1989) views case study as a research strategy that focuses on understanding the dynamics present within a single setting.

There exist two different views on how to conduct case study research. The first view advocates the use of solely qualitative case study research of single settings to elicit in-depth understanding of that particular setting (Creswell 1994 and Stake 1995); whereas the other suggests a more positivistic approach combining both qualitative and quantitative methods and advocating the use of multiple case designs (Dyer Jr. and Wilkins 1991; Feagin, Orum and Sjoberg 1991 and Yin 1994). As such the latter view would argue that case studies can involve single or multiple cases within which multiple data collection methods may be used (Yin 1994).

This method also known as triangulation can be used to corroborate evidence on a theme or perspective (Creswell 1994). Lincoln and Guba (1985) also argue that triangulation of sources is a technique that helps to enhance the credibility of the research by increasing the trustworthiness of the data.

There are advantages and disadvantages in both approaches that are grounded in the researcher's philosophy of science. For example, advocates for multiple case designs raise the issues of triangulation of cases and generalisability of findings (Dyer Jr and Wilkins 1991 and Yin 1994). The proponents of the single-case approach argue that triangulation can occur within cases (Eisenhardt 1989). Stake (1995) argue that generalisation is not necessarily a concern for case study research as much as trustworthiness of the research (Lincoln and Guba 1985).

Case study research is often criticised for its limitations in their transferability of findings (Yin 1994). There are also some operational disadvantages that include an extremely large amount of data for analysis especially those that employ multiple methods. However there are strengths in using case study research (Feagin et al. 1991) which are not captured by other approaches and methods such as:

1. It permits the grounding of observations and concepts about social action and social structures in natural settings studied close at hand.

2. It provides information from a number of sources over a period of time, thus permitting a more holistic study of complex social networks, social action and social meaning.
3. It allows for time and context specific investigation.
4. It encourages and facilitates theoretical innovation.

Given the recognition that the study being conducted is relatively under researched, it is argued that the use of a multiple case design is appropriate. Explaining how and why entrepreneurs emerge as portfolio entrepreneurs can be better achieved by an in-depth exploration of the antecedents, processes and outcomes for this population. The broad nature of the research and the exploratory character of the study, lends itself to case study research. Eisenhardt (1991) advocates the use of multiple cases as a powerful means to replicate theory because they allow replication and extension among individual cases. Given this justification, the use of a multiple-case design is deemed the best strategy that would achieve the research purpose.

4.8 Research procedures for multiple case study

"One aim of studying multiple cases is to increase generalizability, reassuring yourself that the events and processes in one well-described setting are not wholly idiosyncratic. At a deeper level, the aim is to see processes and outcomes across many cases, to understand how they are qualified by local conditions, and thus develop more sophisticated descriptions and more powerful explanations." - Miles and Huberman (1994: 172)

4.8.1 Population and sampling frame

Before the cases can be selected for the study, it was necessary to first find some confirmatory evidence about the prevalence of portfolio entrepreneurs in the research setting. This was phase 1 of the study. The research is conducted in a New Zealand context and more specifically in the South Island.

The preliminary data for this study was based on the New Zealand Business Who's Who database. This database lists actively trading businesses and contains information on board of directors, company addresses, description of the operations allowing the classification of the businesses into different sectors, staff numbers and the date when the businesses were first established. Two separate sample streams were extracted from this database.

Sample one initially contained all the listed South Island businesses (N_1=4530). From this data set, companies that have directors with other company directorships were extracted. This generated a working sample of companies (n_2 = 920) as basis for this part of the study. These companies were then classified into industry sectors according to the Australia and New Zealand Standard Industrial Classification (ANZSIC) Code. Coding was done by the author according to the description of each business. This was done three separate times. Where coding varied, a two out of three rule was used. Thus, if a component manufacturing company was classified twice as a manufacturing firm and once in the communication services sector, the firm was coded in the manufacturing sector. A series of data extraction and filtering were then used to identify the distribution of the multiple directors across the different sectors.

The second sample (N_2=5266) consists of all the company directors in the list. These directors held up to 22 company directorships. Again using a series of data filtering, directors with single company directorships were eliminated from the list. The remaining list (n_2=1600) contained directors who held a minimum of two company directorships. A random search on the New Zealand Companies Office's website for other directorships showed that a significant number of those on the list also held other directorships that were not listed on the Business Who's Who database. It is reasonable to say that some of those were eliminated from the list may also be multiple portfolio directors.

In keeping with the triangulation approach discussed in the previous section, the initial part of the study involved the search for suitable databases that could provide a basis for the eventual selection of the cases for in-depth investigation. This phase of the study (see: Morrish 2005) provided good descriptive statistics that pointed to the

incidence of this phenomenon as well as some insights into the industries, age and location of the businesses owned by portfolio entrepreneurs. A summary is contained in the next section.

The sequential triangulation approach is illustrated by the subsequent selection of identified portfolio entrepreneurs from the database for the main study that involved in-depth semi-structured interviews.

4.8.2 Establishing the scale of multiple business activities

Preliminary investigation used the Business Who's Who database for the South Island of New Zealand with a total listing of 4530 companies. This list contains the board directors for each of the companies. The following findings portray the scale of multiple business activities in the region:

1. ***Prevalence:*** It appears that 20.3% (920) of these companies have directors who held between two to eleven other directorships within that list.
2. ***Location:*** A large proportion of these companies were located in the main cities.
3. ***Staff:*** On average, they employed 39.46 employees.
4. ***Age:*** Companies 0-5 years old were more likely to have directors that held other directorships.
5. ***Sectors:*** A majority of the companies belonged to traditional sectors (manufacturing, retail trade, property and business services, agriculture, forestry and fishing and the wholesale trade.

From this result, the list of directors was filtered for directors who held at least three directorships from within the database. The descriptive statistics provided the basis for the multiple case study investigation.

4.8.3 Selection of purposive sampling in case research

"Multiple cases not only pin down the specific conditions under which a finding will occur but also help us form the more general categories of how those conditions maybe related."

- Miles and Huberman (1994: 173)

Case study research enables the use of purposive sampling which is the sampling of a particular context given implicit criteria set out by the researcher (Miles and Huberman 1994). Creswell (1998) suggests that atypical cases, maximum variation cases, or extreme cases are good for case study research. However, the phenomenon of the portfolio entrepreneur can only be fully understood by engaging and studying actual portfolio entrepreneurs. It is therefore vital to seek out experienced entrepreneurs of this specific category if the study is to yield useful results. Senkaran (1992: 235) says that purposive sampling is appropriate because sometimes, it might be necessary "*to obtain information from specific targets – that is specific types of people who will be able to provide the desired information, or because they conform to some criteria set by the researcher."*

Purposive sampling is a type of non-probability sampling that can be categorised into two major types. These are judgement sampling and quota sampling. Quota sampling involves conveniently choosing from target groups according to some predetermined number of quota. This is usually useful where minority group's participation to the study is critical. In judgement sampling, subjects are selected on the basis of their expertise in the subject being investigated and it is sometimes the only meaningful way to investigate them (Senkaran 1992).

This study needs to gather "specialised informed inputs" on portfolio entrepreneurs and the use of a probability sampling design would not offer opportunities to gain the specialised information that a non-probability sampling design like purposive sampling can. For this study therefore, a judgement sample selected from the database during phase one of the study is pursued.

The use of multiple case studies follows Rosa and Scott (1999a), Wright, Robbie and Ennew (1997) and Sarasvathy (2001). In doing this, the researcher endeavoured to emulate their case selection procedure where possible. This entailed searching for

databases that held information on multiple business ownership from government institutions, libraries, business organisations, etc. and where possible, the sample was selected from a cross section of industries and businesses.

4.8.4 Multiple case studies

The principal investigation involves multiple case studies on entrepreneurs selected from the second sample of the phase one study. Having generated a sample of multiple business owners, a selection of likely cases was then made. This was done by working down the list starting with those who held the most number of directorships.

A search of featured entrepreneurs from the business periodicals and other publications were then matched with those on the list in order to ensure that those selected were actively practising entrepreneurs and not merely career directors. The names of those selected were then cross-checked with the New Zealand Companies Office's directorship listing. This allowed the retrieval of their most current listing of directorships and in a majority of the cases, generated more directorships with one of them being on the board of approximately 250 companies.

From the second database (n_2=1600, see 4.8.1) a list was drawn to find the 15 cases for the interviews. The selection was made with the aid of business publications and in consultation with people who have knowledge of the business community. In keeping with purposive sampling, certain entrepreneurs were targeted and in cases where referrals can be obtained from people known to the entrepreneur, the researcher actively sought them for access.

Generally, the 15 cases were of prominent business people, who were quite well-known in business circles. The participants owned at least three businesses. Every effort was made to try and select respondents from across the different industry sectors. Approximately 40% of the interview sample appear or have appeared in the New Zealand Business Review Rich List. The case study report was based on in-depth interviews of approximately three hours. The questions were fairly open-ended

and allowed the respondent to discuss the different issues at length as they wished. A description of the participants is contained in Table 4.3.

Table 4.1 Description of participants

Participants	Age	Age started in bus	# of bus.	Industry	Angel investor?
A1	42	15	3+	accountancy services, immigration, education	no
G2	40	22	3	technology, small business services, photo services	no
C3	40	18	4	technology, sofware development,	no
D4	50	40+	25+	technology, manufacturing, angel investing	yes
P5	50	25	21	property:hotels, subdivisions, others	no
J6	64	28	13	farming, technology, neutraceuticals, equity investments	no
J7	52	40+	9	technology, consulting	no
E8	67	not known	51	hotels, property, commercial premises, etc.	no
D9	41	18	9	finance & insurance services; property, subdivisions, etc.	no
B10	58	30+	4	manufacturing, retail	no
G11	67	18	11	wholesale cars, farming, etc.	no
B12	47	45	9	technology, wholesale, retail, prof services	no
H13	31	25+	3	adventure tourism, corporate services, etc.	no
B14	64	19	25	transport, construction, fuel, etc.	no
M15	47	35	16	technology	yes

4.8.5 Overview of the cases

The selection of the case participants is largely based on their accessibility and willingness to participate and share their experiences and opinions. The fifteen participants are all males and based in the South Island of New Zealand. A large majority of them are from the Canterbury region. Their business interests however

extend to the whole of the country. Some of them also either have or are intending to set up overseas operations. All of the participants are what can be described as accomplished business operators with half of them consistently on the National Business Review Rich List of New Zealand over the period of this study. Their business interests cover various sectors such as manufacturing, tourism, property, information technology and many others.

4.8.6 The role of the researcher

In the course of this investigation, the researcher has taken on the role as the primary data collection instrument. Creswell (1994) holds that as such, this necessitates the identification of personal values, assumptions and biases at the outset of the study. The author further argues that the contribution the researcher makes to the research setting can be useful and positive rather than detrimental to the research.

The researcher's interest in the whole area is purely academic. She has not been a portfolio entrepreneur herself, although she has been involved in running a small business for about five years in the past. She is more interested in the "human" aspect of business and likes discovering "why people do the things they do." She does not hold any biases in terms of the issues being investigated therefore no direct interference was likely to get in the way. Prior to the research being conducted, the researcher was not personally known to all the participants except for one. This participant is a personal and family friend but there are no business connections.

4.9 Data collection procedures

> *"…when we are engaged in in-depth interviewing, what we are really interested in is people's experience of social reality through their routinely constructed interpretations of it. If the researcher develops theories which are not grounded in the informant's experience of social reality, then he or she runs the risk of constructing and imposing on that informant a fictional view of their reality."*
>
> *- Minichello, Aroni, Timewell, and Alexander (1990)*

Being a case study design, the primary data collection method is face-to-face in-depth interview with the selected sample. These interviews are semi-structured and audio-taped which were later transcribed for coding. The transcribed interview data were complemented by:

- Note-taking during the course of the interview
- Observation recorded in real time
- Use of secondary informants such as staff; family; friends, etc.
- Document search including public records, company records; press archives and company websites.

There is a deliberate effort to use triangulation and get as much information as possible from all available sources. This included a comprehensive web-search of their directorships from the New Zealand Companies register, talking to some staff, family members and friends where possible, and searching business periodicals for feature articles of the selected participants. One participant had written a book that documented the evolution of his businesses (Richardson 2003). The author read this book prior to the interview and used information gleaned from there to elicit more in-depth information relating to the study. This addresses issues of accuracy of the information. Triangulating among different sources of information, to verify information from secondary informants (Creswell 1994), and replicating procedures used by other reported studies ensure that steps are being taken to improving reliability and validity.

4.9.1 The interview method

"One of the most important sources of case study information is the interview." – Yin (1994: 88)

Social science is different from natural science because it deals with humans who have the ability to symbolise their experiences through language (Seidman 1991).

Language is an important element in understanding human behaviour and interviewing is the best way to communicate this. Patton (1990) holds that qualitative interviewing begins with the assumption that the perspectives of others are meaningful, knowable, and able to be made explicit and that the role of the interview is to find out what is going on in someone's head.

Fontana and Frey (1994) describes the interview technique is an example of a negotiated text, whereby the interview is seen as an interaction between two or more people, leading to negotiated, contextually based results. The interview is modelled after a conversation between equals rather than a formal question and answer format and is directed towards understanding informants' perspectives on their experiences and situations as expressed in their own words (Taylor and Bogdan 1998). Minichello et al. (1990) identified three broad interview models: structured, semi-structured and unstructured interviews. In an exploratory study, the latter two are more worthwhile.

4.9.2 Semi-structured interviews

Semi-structured or focused interviews essentially take the best of both structured and unstructured interviewing technique. This interviewing approach takes the best of both the structured and unstructured interviewing techniques since it can have the consistency that partial structures offer and also allows for flexibility from unstructured interviewing when the necessity arises (May 1997). Semi-structured interviewing adopts a loosely structured approach in which an interview schedule which is essentially the list of questions or issues that will be discussed in the course of the interview is used to guide the interviewer (Patton 1990). This schedule gives structure and direction to the interview but is not strictly limited by it. In the course of the interview, the researcher has the flexibility to probe interesting areas that arise in the course of the interview. Having a less rigid interview schedule allows questions to be specifically tailored to the respondent being interviewed, which enables respondents to better understand and relate to issues being raised. In semi-structured interviews respondents are allowed to answer more on their own terms than they would in a structured interview (May 1997) within a less-rigid structure. Semi structured interviewing uses open-ended questions and therefore also allows for open

ended answering from interviewees. This enables the collection of data that richly describes an individual's beliefs or experiences rather than imposing *a priori* answers that may not reflect an individual and their thoughts or experiences accurately.

4.9.3 In-depth interviewing

While it is most desirable to observe the phenomenon being studied, it is not possible for researchers to witness past events. However, respondents are able to recall these events and are able to bring these to the fore through in-depth interviews. Taylor and Bogdan (1998) outlines three types of studies that in-depth interview is suited to: the life history, the learning of events and experiences that cannot be directly observed, and research yielding a picture of a range of settings, situations, or people over a relatively short period of time. These three things are the very issues the researcher wishes to investigate and therefore in-depth interview is deemed the most effective data collection method for eliciting data from a participant's experiences in some depth.

4.9.4 Conducting the interview

In this study, the researcher aims to engage participants and elicit their stories and experiences. Interviewing is the best technique for doing this since interviews are the most important sources of case study information (Yin 1994). The basis for using interviewing is the desire to understand the experiences of other people and the meaning that they make out of their experience. The nature of this study is precisely to understand entrepreneurs within the context of the development of a portfolio of businesses and in so doing, explain why and how such individuals become portfolio entrepreneurs.

The interviews were conducting using the following procedure:

- A letter was first sent to the prospective respondent explaining the purpose of the study and outlining what is involved. The recipient is then invited to participate in the study and made aware that the researcher will be making telephone contact in a few days to find out if they are willing to participate.

- A telephone call was made in two days to answer questions he/she may have and ascertain their willingness in being interviewed. A date was then arranged for the interview for those who agreed. A majority of the interviews were held in the respondent's business premises. This allowed the participants to be comfortable and have some control of the process.
- A list of issues rather than an interview schedule was used to guide the interview. These were presented to the respondents in open-ended questions. For example, where the researcher wanted to know about business background, the question is framed as *"Tell me how you started as an entrepreneur."* This then picked up on highlights and more probing was done to explore specific issues of interest to the study.
- The interviews were on average three hours long and were audio-taped with the permission of the participant.
- These interviews were then transcribed for analysis.
- The participants were offered a copy of the interview transcript if they so wished.

4.10 Data analysis and interpretation procedures

Data analysis is a process that consists of "examining, categorizing, tabulating, or otherwise recombining the evidence, to address the initial propositions of a study" (Yin 1985: 5). Miles and Huberman (1994) see analysis of qualitative data as consisting of three concurrent activities; data reduction, data display, and conclusion drawing or verification. Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appears as transcriptions; whereas data display is the process of displaying the reduced data, and conclusion drawing or verification is the process of finalising the interpretation.

Creswell (1998) suggests two strategies for analysing qualitative data. Firstly, it is recommended that the researcher read through all the transcripts and make notes in the margins of the text. The second strategy is to develop codes and categories and to sort text and images into these categories. A third technique is to make 'preliminary'

counts of the data and determine how frequently codes appear in the database (Miles and Huberman 1994). A final technique is to relate categories and develop analytic frameworks, which are often performed with a grounded theory approach (Creswell 1998).

For this case study investigation, the constant comparison method of data analysis was adopted. This is where the researcher simultaneously codes and analyses data in order to develop concepts (Taylor and Bogdan 1998), track emerging patterns and to address any deficiency in the previous information collected.

4.10.1 Thematic analysis

Thematic analysis, an attempt to identify and interpret the discourse that participants use in conceptualising their current ongoing relational episodes, is a suitable method of analysis by naturalistic researchers (Creswell 1998; Lincoln and Guba 1985). At the operational level, thematic analysis is the identification of themes within the research.

Owen (1984) put forward three criteria for identifying themes: recurrence, repetition and forcefulness. Recurrence is the identification of recurrences of meaning within the text, where the same terms do not have to recur, but rather the same meanings. With repetition, the investigator looks for the repetition of the same text in the data. Forcefulness refers to how the words were spoken. Here forcefulness is interpreted as a measure of importance where the more important it is to the respondent, the more forceful they are likely to be.

4.10.2 Coding

Coding is a systematic process of analysing textual data that involves the segmenting information, developing coding categories and generating categories, themes and patterns (Creswell 1994). Categories or codes become the basis for the story being

told by the researcher. This study adopts the eight step process of coding that Creswell (1994: 155) provided:

- Get a sense of the whole. Read through all the transcriptions carefully. Perhaps jot down some ideas as they come to mind.
- Pick one document (one interview) – the most interesting, the shortest, the one of top of the pile. Go through it, asking yourself: What is this about? Do not think about the "substance" of the information, but rather its underlying meaning. Write thought in the margin.
- When you have completed the task for several informants, make a list of all the topics. Cluster together similar topics. Form these topics into columns that might be arrayed as major topics, unique topics, and leftovers.
- Now take the list and go back to your data. Abbreviate the topics as codes and write codes next to appropriate segments of the text. Try out his preliminary organizing scheme to see whether new categories and codes emerge.
- Find the most descriptive wording for your topics and turn them into categories by grouping topics that relate to each other. Perhaps draw lines between your categories to show interrelationships.
- Make a final decision on the abbreviation for each category and alphabetize these codes.
- Assemble the data material belonging to each category in one place and perform preliminary analysis.
- If necessary, recode your data.

Coding was done in a variety of ways. The researcher used QSR6 and N-Vivo, two software packages for qualitative analysis for some preliminary analysis. These are later versions of NUD.IST (Non-Numerical Unstructured Data, Indexing, Searching and Theorising), a generally used software in qualitative analysis. The use of these packages are not perfect for the work and the researcher found some attributes of one better than the other. For example in terms of accessing the context from text search, QSR6 is better than N-Vivo because it allows you to jump to that part of that

document straight away and not just the paragraph as in N-Vivo. The main analysis was done using visual, text, hand coding and matching these with other cases.

The analysis undertaken here partly follows Rosa (1998) and Sarasvathy (2001) where coding and interpreting of verbal protocol was undertaken to track down emerging patterns of data. Creswell (1994) suggests replicating procedures used by other reported studies, thus this is deliberate in order to improve reliability and validity. An example for how data on entrepreneurial motivation was coded into suitable themes is contained in Appendix 3.

4.10.3 Reporting

> *"In a multiple case study, the individual case studies need not always be presented in the final manuscript. The individual cases, in a sense, serve only as the evidentiary base for the study and may be used solely in the cross-case analysis." – Yin (1984: 136)*

Yin (1984) says that case study reports do not have a uniformly accepted outline although there are six types of structures that can be used: linear-analytic, comparative, chronological, theory-building, suspense and unsequenced. The purpose of the case studies whether explanatory, descriptive, and exploratory or a combination dictates which structure maybe suitable. The linear-analytic structure is applicable to all three categories and is selected for this study. This is a standard approach involving the sequence of the subtopics being investigated in a scholarly manner and is most advantageous for thesis work (Yin, 1984).

The results are reported where no single case is featured on its own. Rather individual results are dispersed throughout the five results chapters according to the topics and issues explored. These are based on the theoretical framework of the study that also guided the data collection and analysis throughout the study.

This format is chosen in-part to address confidentiality and anonymity issues of the participants of the study.

4.11 Conclusion

This chapter presented the purpose of the thesis and detailed the research questions guiding the over-all investigation. It gave justification for the choice of qualitative paradigm and methodology adopted. The research approach based on the five basic assumptions was also outlined. Additionally, the justification for the suitability of case study research was then assessed and the procedures outlined covering details of the first phase of the study establishing the scale of multiple business ownership in New Zealand.

Having established the phenomenon, the research procedure for the multiple cases was then detailed including the selection of the participants and how the interviews were conducted. These were further explained in the data collection and analysis section. Finally, how the results are reported is then outlined and concludes the chapter.

CHAPTER 5

THEORETICAL ANTECEDENTS I

5.1 Introduction

This chapter reports the results of the first theme in the study – theoretical antecedents; which is divided into three sections. The first section deals with the human and social capital of the participants and explores their unique individual background. The second section is divided in two parts and reports the participants' motivation when they established their initial business (5.4.1) thus explaining how they became entrepreneurs. This is followed by their reasons for pursuing subsequent ventures and business (5.4.2) which explores their motivations for becoming portfolio entrepreneurs. The third section presents a profile of their attitudes to risk. Finally, the chapter concludes with a summary of the findings of the theoretical antecedents that leads the participants to becoming entrepreneurs.

As an alternative perspective to theoretical antecedents, a further analysis of the data in this chapter was done using effectuation logic. This is reported in Chapter 6.

5.2 Results: Human and social capital

As discussed in Chapters 2 and 3, human and social capital have been found by various studies to influence entrepreneurial behaviour. These include the individual's ability to recognise and pursue entrepreneurial opportunities. Every individual participant is unique in their composition of human and social attributes and these may affect whether they thrive and /or fail in different environments.

> *"I think how I end up where I am is a complete mesh-mash of nature and nurture and I think it's highly likely that the next guy you meet is completely different to me… I mean you're kind of born with something that works but*

then you got to stick that other nurture stuff around it and shape it and then it ends up popping out like this. You know that's how it works I think." B10

This section reports the demographics, individual characteristics and interests, the role of families in their entrepreneurial lives are reported. Further, the participants' economic and financial background, education and work profiles, experience, instinct and social and business networks are also discussed. A detailed description of the participants was presented in table 4.3

5.2.1 Demographics

All the participants of this study are males. At the time of the interview, the average age of the informants was 51 with the youngest and oldest participants being 31 and 67 years of age respectively. Many of the entrepreneurs started their first business at a very young age. Their ages at start-up ranged between 15 to over 40 with the average age of 27 across the participants. The descriptive statistics are presented in Table 5.1

Table 5.1 Descriptive statistics

Descriptive statistics			
No. of Participants = 15	Minimum	Maximum	Average
Age (at interview)	31	67	51
Age started in business	15	40	27
No. of business owned	3	51	13.7

In general, the participants are not pre-disposed to venture capital activities or angel investing. Only 2 of the 15 participants were involved with angel investing as a business strategy. The business interests of the participants varied across different sectors and industries. It is however worth noting that two of the most dominant sectors are technology and professional services. The technology sectors are mainly in

software development and manufacturing whereas professional services have a broader coverage. These include finance, insurance, accountancy, immigration and small business services among others. There are fewer participants involved in transport, construction and property development. However, the levels of business activities in these sectors are among the highest in the study.

5.2.2 Individual characteristics and interests

Being a portfolio entrepreneur means one enjoys being in business. Generally, they like the mental stimulation of trying new ideas and opportunities and making them work but also have to ensure that they keep an eye on the overall operations of the portfolio.

This mental stimulation is brought about by their interest in unique opportunities and activities. They exhibit a very high tolerance for uncertainty and complexity, which one describes as having an "uncertain planning orientation." As such, they are also able to deal with contingencies and build flexibility into their processes.

> *"…doesn't mind about having their plans turned upside down, doesn't mind about the world not being the way you expected it, then they aren't wearing their conscious mind out trying to drive structure into things, and so they're conscious mind can focus on where we are going, what's the outcome, how can we change the dynamic, what is the issue here, what are the priorities, how are we going to deal with the priorities." – J7*

In order to function well in this environment, they and others involved in the business have to be focused and able to operate instinctively away from others who do not have the same risk profile as them (e.g. spouses). By the same token however, it is also necessary for then to be able to pull back and distance themselves from the issues at hand implying that being too immersed can lead to lack of objectivity.

Academic and sporting excellence featured strongly in some participant's lives. Many of them were top performers as they were growing up. Worthy of mention is one

participant who has a very high IQ having passed the 11+ examination in the UK at age 10. They have always taken leadership roles like prefect or head of class and were achieving reasonably high in both academic and extra curricular activities. These included music and a multitude of sporting activities such as rugby, skiing, cricket, swimming, basketball and athletics.

The participants consider the ability to move on an important attribute. This means not dwelling on missed opportunities or regretting not having made certain decisions.

Being successful in business sometimes depends on how tough one can play the game. The participants admit that they could be hard and shrewd business people who play hard and at times could be ruthless. However, although toughness maybe needed, they are also predisposed for fair dealing and treating a customer well.

Despite the tough exterior, they do have a softer side. Often they are quite humble and generous. The humility comes from benchmarking themselves against other successful entrepreneurs. There is always one who is more successful and bigger than them. This makes them realise that there is always room to do more and not resting on their laurels.

They believe that in addition to discipline, passion and the usual attributes that entrepreneurs should have to be successful one also needs to be persistent, have strong business ethics and credibility. Credibility in particular is one which an entrepreneur needs to continually build as business grows. Some participants attribute their success to hard work and being fairly focused and sensible in business.

Those that have come from working class backgrounds also have “humanitarian tendencies.” D4 in particular enjoys business mentoring and helping people get their ideas off the ground. He is an angel investor that take pride in launching new products and ideas from those not otherwise able to do so due to lack of financial capital. He has had mixed results but do not regret the loss of investment.

"Well my attitude is, I started with nothing, I'll take nothing with me when I go…and I really judge myself in a way and hopefully others will judge me in how I help others…not how much I've taken off others." – D4

Typically, the participants do not seek grand recognition and public accolades. Despite his business and sporting success having played for the All Blacks, J6 prefers to keep a low public profile. He is conscious of his humble beginnings and has kept long-term friends. This appears to be a reflection of his self-confidence and is quite comfortable with what he has done and of what he can do that he does not seek endorsements from others.

"It could be inner self confidence… I've done really well in most different things that I've been really focused on. I've done well in school, I've done well in business, in my family life, etc… and I don't need anyone to tell me that "oh, hell…you're good, you're good in business"… I know where I'm bad… so I'm not looking for kudos from people because pretty much invariably, you don't get it anyway. But a lot of people expect it." – J6

A summary of the personal attributes as described by the participants is presented in Table 5.2.

Table 5.2 Summary of personal attributes

Summary of attributes
1. enjoy being in business
2. exceptional intellectual abilities and expertise
3. display leadership qualities
4. have appetite for risk
5. persistent, disciplined, focused and passionate
6. have strong business ethic
7. credibility
8. ability to deal with complexity and work at a distance
9. tolerance to be disliked
10. humility and generosity
11. higher level aspirations (beyond financial)

5.2.3 Family influence

Parents. A majority of the participants agree that families have a strong influence not only in them becoming entrepreneurs but also in terms of continuing their entrepreneurial careers. Four of the participants had parents with professions in medicine, law and accountancy; five were involved in a variety of businesses and six were in paid employment.

Parental influence has been mixed for the participants, positive for some and negative for others. A majority of those whose family were in business have become entrepreneurs themselves enjoying parental support. However, there are also instances where parents have worked hard on their business to put the children through university to have professional careers and purposely steering them away from business involvement.

Where parents had openly exposed their children to the family business, it appears that the transition to taking over the business follow seamlessly. An example is G2, who has a strong business background having grown up with the family business. He was not always decisive in what he wanted to do career-wise but his parents supported him in whatever he wanted to do until he started his own business. He eventually took over the family business and went on to found a few more.

Where there are other siblings involved in the succession, a pattern seem to be that the dominant and most business-focused among them tend to buy out their siblings. There were two prominent cases of this happening among the participants. They were able to forge ahead and grow their businesses fast unhindered by siblings. Both of these entrepreneurs are extremely successful and wealthy.

Fathers in particular have a strong influence on business thinking. P5 comes from a very privileged background and is one of five children. His father was a well-known business person in the community and had a strong influence on his business career. They were encouraged to go into business but he admits to being the most focused

among his siblings. Consequently, he followed his father's footsteps and has bought his siblings out of the family business.

In contrast, M15's observation of his father's work activities shaped his thinking about business. His father worked three jobs to pay the bills and was determined not to be like him. He left home at 16 determined that he was going to make a life for himself quite different from that of his parents. Although quite unplanned, the business he started from a friend's workshop became extremely successful and was the start of many more ventures.

To H13, going into business seemed a natural progression with his parents involved in the travel business for 40 years. However, his parents had wanted their children to take up professions and had ensured that all of them went to university. When he opted to go into business, parental support was virtually non-existent. He received the "Ernst and Young Entrepreneur of the Year" Award, but this has not been enough to appease his parents.

> "*I guess when you get to that age their values are more on security and safety and just to be sure which completely contradicts entrepreneurship." H13*

This is an experience that is also mirrored by participants whose parents had professional careers. Naturally, they also wanted professional careers for their children too. These participants have not had any parental approval of their forays into business and had to find their way in the business world not having had any exposure to business as they were growing up. Their parents view business as too risky and not offering the security for family. In all cases, no other siblings have been involved in business. This way of thinking is quite a common thread in professional parents.

> *"You always had a profession, and you always had a job and that was your security. Whereas, I do not have any of that now and if the business falls over, well I'm by myself." – B12*

Unlike their parents, this generation of entrepreneurs openly talk about business to their children and encourage them to take an active role if they are interested.

Where parental influence has not directly influenced their decision to go into business, it affects the way they make other decisions and approach to things. Many of them relate stories and messages that had stayed with them and shaped their view of life in general and how they approach business.

> *"The most important thing my dad ever did for me…is he always told me what he thought was right but he never ever stopped me when I didn't agree." –B10*

Spouses and children. Spouses play an important role in their entrepreneurial lives. Being in business can often put a strain on relationships. Ventures are sometimes a risk to their finances and time spent together as a family. Supportive families enable business owners to focus on their business. When relationships break down, business could suffer and fail as a consequence.

A majority of the participants talk about having good supports from spouses and/or partners and from their children who understand why they do the things they do. In return they ensure that the family knows how business is going and are mindful that they set aside quality time with them especially those with young children.

> *"You know, I said to her maybe we should open up a new business, 'said let's sell the house, put all the money into the business and she had no problem. She actually would take more of a risk than I would ... Yeah she's very supportive. My kids are supportive because I spend a lot of time with them. They know that I'm working for a reason." – G2*

Moving from corporate life to business brings with it some uncertainty to the family. B12 had to put his family's concerns at ease when he decided to give up his corporate career. The family has supported him and were comfortable with the associated risk.

> *"So she's backed me in that and the kids, I don't know really. I think it's a positive influence on them. The boy has started asking a lot of questions lately – about money and things like that. But it is reasonably healthy to try and understand the things I do and why and yeah, I'm just thinking back to when I*

was their age and I would have loved an influence like that and it's never there." – B10

On top of his parent's opposition to being in business, A1 also had to contend with the pressure from his wife who also objected to his business activities and wanted him to concentrate on his Chartered Accountancy more. He had to give up some of his business interests as a result.

5.2.4 Economic and financial background

The participants' financial background can be classified into three distinct classes. The first being those who come from very privileged backgrounds, middle class and working class families.

A majority of the participants grew up comfortably with a number of them coming from very privileged backgrounds. They have gone to private schools for some if not all of their school life. To some extent, these participants have exploited their privileged connections in the pursuit of some business interest.

Those who came from middle class backgrounds were not overly privileged but still hailed from families who were fairly comfortable financially. This group of entrepreneurs grew up being provided enough of what they would have needed. Generally, these are the entrepreneurs whose parents had professional careers and had encouraged their children to do the same.

The third group is composed of those that have grown up in working class families. Their father usually has a trade qualification and the mother traditionally stayed at home to look after the family. Although there is not a lot of money, they were fairly content and happy with family life. These parents gave everything to the bringing up and educating children.

An interesting aspect of their economic background is that those who have done extremely well belong to the first and third groups. The participants that have been named in the Rich List have come from both extremes.

5.2.5 Education and work

Generally, an entrepreneur's knowledge and skill sets influence the kind of business they get involved in. Most of the participants have indicated that their knowledge of the business or industry often determines whether they will enter a venture or not. As their businesses grow and mature, they learn more about business and other industries and their knowledge expands.

Overall, a majority have high educational qualifications. Of the fifteen informants, thirteen have degrees, nine of which have postgraduate degrees that include a doctorate, masters or MBA. The two that did not have tertiary degrees have finished at least 5th form high school and have very high net worth having both been ranked in the NBR Rich List. Four other participants with postgraduate degrees are also on the NBR Rich List. Generally, the participants have gone to good institutions and the majority have studies in private schools.

On an ongoing basis, they are acknowledged for their expertise and this is manifested in many ways. To G2, this means writing books, speaking at conferences, and lecturing at university. This type of activities boosts their credibility in the market place. The actual business experience becomes a springboard for invitations to speak, write or deliver lectures. Having a client base comprising of large companies, gives him the confidence and credibility to actively pursue other large accounts. Although he is involved in education, he is quite content with his BCOM degree and does not see any merit in pursuing postgraduate education unless there is some link to creating revenue or creating a business.

J7 struggled with the idea of not having an employer. He was originally influenced by what he describes as his parent's Methodist working class view that the path to having money is by having a job. He held different engineering and management jobs before

immigrating to New Zealand. He worked with a large manufacturing firm in the North Island for a period until an employment dispute led to a substantial payout which then led him to the business path. When forced to shift from holding a job to working for himself, he realised that the world didn't come to an end and that he did not need an employer to eat and did not need a job to be validated. He has leveraged his educational and work background to further his business interests.

There are varying views on education and the role it plays in their business. Despite having achieved higher tertiary degrees and good career prospects, the lure of business is more attractive for these entrepreneurs. Whereas some had left professional practice, others have used their qualifications to offer professional services alongside their other business interest.

Taking the professional career path was encouraged by C3's parents who are both medical professionals. Traditionally, with a Masters in Science degree, he would have been expected to become a scientist. Unemployment and economic climate at the time prevented him from pursuing this path. He became an academic but eventually found that undesirable and gradually eased himself into business. Rather bitter about his experience, he believes that although it has its benefits, his university education as less than useful in business.

> *"The only thing that I gained from the academic world that has helped me is the ability to learn really, really quickly - really fast and master a body of knowledge so that I can go – this is how I make money out of it. That's the only thing – but really I had that after I was an undergraduate – I didn't need to do postgraduate stuff." – C3*

With A1, choosing to become a chartered accountant was a way to understand and learn about business. Getting a professional qualification in accountancy was firstly to ensure that he retains his social position in the family circle and to learn about business from people's books. By doing so he learned how business operates, what the margins are and what sort of correspondence takes place.

M15 left school after sixth form and worked in a bank and became a part-qualified accountant. His first business developed an accounting software that is widely used in business these days and have propelled him to start more ventures.

E8 worked at several jobs while studying towards his degrees in the United States. He was Chief Financial Officer and Vice-President Administration for a California based oil company for four years. Although he still holds some interest in this industry, his main business involvement in New Zealand is in hospitality and tourism.

5.2.6 Social and business networks

> *"I guess, in the end, it is about networks. In New Zealand I think if I don't know somebody who needs to get information from, I will know somebody who knows somebody, so one degree of separation is probably it for New Zealand. Internationally the separation is probably greater…" – J7*

Entrepreneurs do not operate in isolation. They explicitly or implicitly would be a part of a network of stakeholders who may have direct and/or indirect interest on their business ventures. MacMillan (1981) strongly argues that habitual entrepreneurs have a network that compares to a finely tuned engine that ensures business success. In this section, the participants' network activities are reported and discussed.

> *"The networks follow because as you get into business and you contact people and their companies or customers and suppliers, they become your network."*

Becoming successful in business means one's personal networks expand. While entrepreneurs have social and business networks, some participants are quite particular about keeping them separate. Consequently, some social networks are kept purely for friendship. For example, B14 says that he has many friends who are ordinary working class as well as wealthy people. Although they often get invited to many social events, he seldom attends them because he does not feel comfortable in those occasions. J6 also values his old friendships and says their best friends are those who they know in the early days when they were still struggling.

On the other hand, P5 had good networks at university and has maintained these admitting that they are useful in business. Being a self-described driven person, he always knew he was going into business either with the family or start his own. He became a City Councillor early in his career and this led to some important directorships.

E8 has a wide professional network overseas and had served as President of The Financial Executives Institute (LA Chapter) and the University of California at Los Angeles (UCLA) Executive Program Alumni Association comprising of 500 and 1200 members respectively.

In contrast to those above, D9 consciously separates his social from business and professional activities saying that he prefers not to do business with friends. Some of his friends do not have the same level of wealth and earning as him and he tends to keep his status low-key. He obviously does not need contacts for financial sources as he is a financial services provider himself. On the odd occasion, if he sees talent and unrealised potential, he would not hesitate to encourage them on to something and would happily finance them into venture.

> *"…like if he is short of money, I'll put some money in here. But I will just be encouraging him. I don't sit around and say, hey let's buy some houses together. I don't do that 'cause I will get annoyed with them. They're good friends, but hey, in business there are always things to be done and not in a nasty sense. So keep that quite separate. But when you say social I'd say friends, I definitely don't mix the two."*

Being highly experienced, J7 tries to sit in the middle of the network rather than being a node in other's networks. He does not care much about what business networks could do for him content that he operates within his own standards and only concerned with meeting those. Although he had created a lot of networks in the course of his professional and entrepreneurial life, he argues that professional and technical networks usually happen as a result of being in business and one routinely ends up networking anyway.

> "*People come to talk to you because of who you are, I think there is some of that right, people come because of who you are and what they have heard about you, but that is the starting of the relationships if you like.*"

For H13, the social networks he created at university were good but not having any impact on his business. With most of his contemporaries in the medical, legal and finance areas, there is not much he could link to his business apart from the occasional legal advice. He views the professional career paths they have taken to be different from his leap in to business. He has built a separate network on from the contacts he makes in his business operations.

J6 was a keen rugby and athletics person and eventually played for the All Blacks. In the early days, his sporting contacts were very helpful with employment and later in his business ventures. He was in no doubt that the two former All Blacks in the Christchurch branch and other sports contacts were instrumental in his first job with a leading stock and station company.

> "*They liked to employ sportspeople… because they're dealing with farmers and farmers liked sporting people. Perhaps not so much now but …so I'm sure I had advantage in getting that first job because I played for the first 15 at Boys' High School.*"

He moved to the North Island when he started playing for the All Blacks but this did not work well so he went back to Christchurch where he did not have a job. Again, the sporting networks came to the rescue.

> "*…very quickly the old boy's rugby club people heard about that and one of the boys worked for the largest private importer into New Zealand… and they got me a job somewhere in the Chemical Department … and then I got transferred with them down to Dunedin and I became a branch manager at a fairly early age.*"

G2 believes networks need to be sought out purposively and actively seeks out good networks and use them to boost his credibility. He then nurtures the relationships that

he builds with their organisations and explores the potential of creating working strengths. He did not rely on who he already knew but pretty much created his own business network on account of having been involved with the Chamber of Commerce in the early stages. Today, his international network of people and contacts is purely a result of being in the market for a long period of time. He believes that as the business grows so does the business network naturally.

Other participants found that their personal networks were not useful to their business at all. For example, C3 describes the friends he grew up with as having a good education but fractured careers due to the level of unemployment in the country at the time he launched into business. Consequently, he had to distance himself from them and purposely built a different network through his connections with the Chamber of Commerce.

C3 also found that there is a very strong "Old Boys' network" of established businesses and families in Christchurch that are very difficult to break into. A way to get accepted into the circle is by having gone to the right school. This appears to be particularly pronounced in Christchurch which makes networks and contacts made in high school more important than those in university. It is likely that one gets asked "what school did you go to" before doors would open. He was fortunate enough to have gone to Boys' High for a year and attends what he describes as "bonding" lunches regularly.

> "*Never met anyone in business who went to Burnside at a decision making level, the people who I meet are from St. Bede's, St. Andrew's, Christ College and Boys' High School– that's it.*"

B12 has also found that the "Old Boys' network" is still influential in terms of directorships. He has been a director while involved in the health sector and was a member of the Institute of Directors for a number of years. He had wanted to become a career director too and had put his hand up over the years but admittedly, has not quite broken into the old boy's club. He intends to keep pursuing this path in the future. Meantime, he belongs to the local businessman's club and is a member of the Toastmaster's Club. Having professional parents, the family grew up with friends that

have professional careers. These networks have influenced the corporate track he was following until family circumstance and an attractive business opportunity landed on his lap.

A1 had a wide social network that evolved out of his professional and sporting activities and he has maintained contacts with most of them. Some of these friends became business contacts and/or partners. However, not all of them have been good business partners, others have been harmful to business. He is philosophical about the bad experience and to him it worked both ways. His networks expanded as he went from one business to another but admits that the true friendships he developed were in his early days in school and college and had nothing to do with business as far as networking is concerned.

> *"My social networks expanded in one sense.... that is I meet more number of people, more number of people contacted me, but the bottom line is that the social networks, were practically, you know they were part of opportunism, they were part of lobbying, they were a part everything other than friendships."*

For B10, the English social system did not help despite being a product of the 11+ process. They were an unusual case where, although they had decent grades, they had no network of successful people around them. His A levels did not excite him because it was not what he wanted to do. This was a legacy of the social structure at the time where for most people one belonged to a class. If one's dad was a lawyer, one became a lawyer too. His father's networks were in the civil service and although he knew some people in business as he was rising through the ranks, they did not know any doctor, engineer, accountant, lawyer or had any contacts in these professions.

D4's social networks are those that he has kept over the years mainly through his classic motor racing and other engineering activities. In addition to them are people he had associated with from various companies mainly in the education area. Generally, he meets up with them to discuss their problems. Being a good lateral thinker, he says he can often think of ways around their problems that they can't. These sessions and

interactions are meant to help others and he does not use them opportunistically for business. However, when it comes to his own business operations, he is not worried about local networks since they are rapidly moving into international markets. Over 90% of the products they design and manufacture are for international markets therefore the international contacts become more important. Fortunately, he already has good overseas contacts from previous business interests.

> *"It's basically all overseas - the biggest order in the last year has been into Indonesia. We've put about half to three quarters of a million dollars of product into Indonesia. We're just gearing up for Brazil and Mexico but contacts, you know, that we've had through [X] days."*

With M15, an old flatmate was hugely influential in his business career. This friend encouraged him to stop working for someone and either do his own thing, or work with him in his engineering business. He is certain that if this friend had not encouraged or pushed him, he probably would not have gone into business. Their initial association started in a small way where he ran an accounting business in an office in his friend's engineering workshop rent-free in exchange for doing his accounts. Thinking back, this was the only deal they struck. Although it started small where he was just looking at enough to support his family and pay the mortgage, he eventually started distributing the accounting software he developed in the South Island. This friend is now a major business partner and they have both started many businesses and still work very well together.

Whether networking amongst portfolio entrepreneurs is actually fruitful is perhaps summed up by the experience of D9. He admits to "not being big" on networking. In the early days, he thought it would be fun to talk with some other entrepreneur about what they think. He found this quite difficult and suspects that is because of their competitive streak and that makes 'shop talk' difficult. He does not attribute any of his successes to networks where entrepreneurs network with other entrepreneurs.

> *"I think its hey… being in business…owning a business is lonely, it's a lonely place to be…you're on your own…but I think you surround yourself with people, with good people in an advisor category… like I have 2 directors with*

my business…and I talk to [X} and I've got my partners who I talk to, I've got some people I talk to…small team but good team…"

Like many of the participants, he creates that network with people he trusts. Admittedly, they have preferred partners or advisors that they would be in constant contact with. This is a necessity, but somehow for those that have made it they do not care much for quantity. It appears that the more successful they are, the tighter the network becomes.

5.3 Summary and conclusion: Human and social capital

The results of the investigation into the human and social capital aspect as antecedent to becoming portfolio entrepreneurs suggest that they do influence how and why this cohort of individuals pursue such career paths.

The majority of the participants of this study have started business at an early age. This provides confirmatory evidence to previous studies that found portfolio entrepreneurs are more likely to be early business starters. However, it does not necessarily follow that a late starter cannot successfully become a portfolio entrepreneur as evidenced by other participants.

They also come from good educational backgrounds with a majority having had postgraduate degrees from New Zealand universities and other overseas institutions. They have work and business experience in across a variety of sectors. There is no specific industry where these entrepreneurs are dominant in although there appears to be a good volume of business in the transport and technology areas.

Family has a significant impact on their entrepreneurial careers. This is especially so for fathers and spouses. In summary, their parental background ranged from working class to professionals. Overall, it is fair to say that **t**heir family and personal backgrounds are generally reflective of the general population.

Despite the differences in their financial standing, a majority grew up in happy and contented homes with encouraging and supportive parents. The majority have a huge range of business networks which may or may not include social networks. A good number in fact deliberately separate these two preferring to keep a tighter network as their portfolios get more established.

Whereas the general human and social capital of these entrepreneurs appear to be a combination of those that other professionals have, the study has uncovered some unique personal characteristics that may set them apart as portfolio entrepreneurs. The participants display a combination of traits that to their belief, account for their success in business. All the participants for example exhibit a high degree of intelligence, passion, discipline, persistence and enjoyment in what they do. At a business level, some admit to being quite ruthless, shrewd, hard and driven but are also sensible, ethical and operate business with integrity. On a personal level, their attitudes to others embody some higher order values such as predisposition to fair dealing, an inner drive to help others not only in terms of being business mentors but also helping those who are less fortunate or through supporting various charitable causes. They exhibit an inner confidence and do not seek publicity. In fact, many of them prefer to keep a low public profile. They take satisfaction from their accomplishments and revel in them quietly.

They all enjoy being in business and operating multiple ventures at the same time and enjoy the mental stimulation of trying new ideas and opportunities and making them work yet remain focused on other operations too. These entrepreneurs do not sit on just one idea. They like a good challenge and tend to move on to the next challenge once they have achieved their present goal. They often took on leadership roles as they were growing up and right through school and are likely to be top performers in other endeavours. They operates instinctively and like to work on something unique, losing interest as things go from the unique towards the sort of mundane. Over-all, it is a fact that there are many uncertainties in business and portfolio entrepreneurs display a high tolerance for uncertainty and complexity although they eventually drive structure into things making them less ambiguous.

The above summary reflects the human and social capital profile of the portfolio entrepreneur. Whereas a large part of this phenomenon is explained by their personal characteristics and appetite for uncertainty, a general impression one gets of the participants is their drive to achieve higher and the willingness to work towards that.

5.4 Results: Entrepreneurial motivation

This chapter reports on the motivations of the participants for going into business. Motivation may be in the way of goals, aspirations and other related reasons. The reasons why individuals engage in portfolio entrepreneurial behaviour may be different from those when they started their first business. In order to build a picture and gain understanding of how the participants became portfolio entrepreneurs, their initial motivation to go into business is reported separately from the reasons for their subsequent business ventures.

The motivations of the participants for starting business ventures are many and varied. Every participant's situation at the time of launching their initial business is different from the next. Motivation for starting their first business can be generally categorised along the themes of *career, opportunity, deliberate choice and financial reasons* whereas reasons for subsequent ventures were either *business-related non-economic*. Across all cases, it is apparent that these individuals wanted better outcomes for themselves and/or others as reflected in the statement below.

5.4.1 Reasons for starting initial/original businesses

> *"It is the sort of the realigning, the reapplication of resources at the prospect of a better return, and it is very important words, it is realignment of resources, so that means I take what I have, or what I can get access to, I put them together creatively, for what reason, a better return, but of course when I do that there is no guarantee, so it is the anticipation of a better return***."** *– J7*

5.4.1.1 Career situation

For many of the participants, their first foray into business had much to do with their career situation. To some it was a conscious choice to be in business despite bright professional career prospects while others were forced by necessity into looking at a business because their prospects did not look promising.

J7 had a great corporate life in the late 90s when he was fired and to his belief, for no good reason. This led to a quite nasty and long-drawn out battle in the Employment Court, which resulted in a significant payout to him. He recalls that this situation forced him to another position on the risk curve. He could not quite explain how it all started but three months later he found himself consulting to small businesses he knew in Hamilton and Auckland and setting up a small business for his wife.

While studying for his university degree, C3 started an herbal products business to tide him over until he could land a scientist's position. Unfortunately for graduates of his time, the jobs were very scarce and he was very adamant that there were no jobs for science graduates and career options for people in Canterbury were either very limited or non-existent. Although he eventually got out of the herbal venture, it started him on the portfolio entrepreneurship path. By the time he finished his bachelor's degree he was also advising small businesses on how to run their businesses more efficiently.

B12 became a 'necessity entrepreneur' when the contract of the company he worked for in Christchurch required him to move where the big projects were. Family situation prevented him from travelling and changing location. The only way forward was to go into business. He started a building company in partnership with another person initially. When they parted company, he converted his part to a building company.

After 20 years of corporate life that involved travelling most of the time, B10 wanted something different. His decision to head a small electronics company opened up opportunities to purchase some equity in the business which started him on the path to entrepreneurship. The company manufactured electronic sensors for elevator doors

and was ranked about 4th in the world for that kind of product and had a big overseas contract and a subsidiary in China. He negotiated and managed the sale of the company to their British competitor after three years. In a classic example of "getting in there at the right time," the company sold at a high price and meant that the value of his 10% equity stake was significantly higher. This enabled him to get involved in other ventures.

Coming back to New Zealand from a medical mission in Nepal, M15 took a job with an SME that he did not realise was close to receivership. He found himself running the business with 120 staff when the general manager left. He managed to turn the business around but not without trepidation at the things he had to do such as firing people and closing three branches. Making unpleasant decisions in order to save the business shaped him in terms of business and made him re-think his position. He worked long hours and one day realised no longer wanted to do it. He went back to chartered accountancy and realised after a short period that he no longer fitted the mould of an 8:30-5:30 job. Encouraged by a former flat mate to go into business, he developed an accounting system which he distributed around the South Island to start with. This was the beginning of his entrepreneurial career. It started small and his aspirations were centred on just making enough to provide for his young family and pay the mortgage. The sale of this business made him a multi-millionaire. After a brief retirement period which did not suit him either, he went on to start many other ventures and has one of the largest portfolios in this study.

G11 had his sights on getting an accounting degree and did a year at university studying towards this. However it looked less attractive when he realised I can employ an accountant cheaper than being one. He decided to go into business instead.

D4 was happy being a designer for one of the top electronics manufacturer in the country. His dissatisfaction with the job came about when the organisation grew too big for his liking; the job description changed; and they were expected to perform management functions. He left and co-founded an electronic manufacturing business that grew from nothing to employing 500 in a few years.

5.4.1.2 Opportunity / serendipity

Other participants who were engaged in some form of employment or study at the time of starting their first business were attracted to or encouraged by the opportunities and circumstance at the time their first ventures were founded.

Like a few of the other participants, D9 saw an opportunity while at university that started him on the entrepreneurial path. He knew a livestock trader and noticed how well he was doing. Realising that he was in a better geographical location than this man, decided to do some livestock trading and making use of the 10-acre block his parents had during his university holidays. He bought sheep from the sales, advertised them in the paper and he would have sold the lot by Saturday at nearly twice the price and had orders for more. At 18 years of age, he had succeeded in his first small venture and this encouraged him to try his hand at property soon after.

> *"Over 14 weeks made $1000 a week, more than dad. 'Bought and sold 3000 sheep and 500 cattle. Fast turnover - bought them Thursday, gone by Saturday, transported them all around, made about $18,000."*

H13 was fairly unsettled in his job working with Cooper's and Lybrand when the opportunity knocked. A friend who was involved with a lodge frequented by Japanese tourists asked him if he would be interested in joining him in a business organising adventure activities. Since he has always enjoyed adventure sports, he found the opportunity too hard to resist. In preparation, he attended a motivational seminar and left his job having been inspired by the speaker who he describes was very motivating.

> "*…on fire and it was really like a big personal development thing and I just thought my god, I just have to - I've got to make the decision right now, I'm gonna go now."*

While still in the United States, E8 had extensive knowledge of the oil industry having spent over four years as Chief Financial Officer and Vice-President Administration for a California-based oil company. He left the company and founded his own

business in oil drilling and real estate and became extremely successful with the move sometimes earning pre tax amounts of over one million US dollars a month.

In trying to circumvent meat workers union restrictions, J6 found himself in an interesting situation when he joined a company in Christchurch involved in a wild game recovery business. This was the forerunner to deer farming in New Zealand. At the time, the hills were over run with deer and the government had a deer eradication policy. The company that employed him put a team together that shot deer from helicopters and sold the meat to a large Christchurch company for processing. However, the activity would have fallen into the meat workers union's jurisdiction and that proved problematic at the time. An innovative way was to contract out the meat processing hence, meant they fell outside the meat worker's union's jurisdiction. In agreement with the company, he took on a dual role – a company manager and contractor. He employed 25 men to process the deer meat.

G11 claims he did not really set out to be an entrepreneur and for him, "it just happened." His experience with the car business mirrors his initial experience. At 18 years of age he had $50,000 in the bank and used it as capital for his first business. Over the years, he made and lost money in the car business and had a few tales to tell.

5.4.1.3 Deliberate choice

Some participants have pursued their individual interest or hobby into business. This is in addition to the opportunity to carry on with the family business. For example, when he was growing up, B14 was always fascinated by big trucks. He was working with his father in the family construction business. Although he was interested in the business, he had always wanted to pursue his interest in trucks. He plucked up the courage to tell his father that what he really wanted to do was run a transport business and did not want to be a building contractor. Fortunately his father agreed and he got his wish. This was the beginning of one of the biggest transport businesses in the country. He has also acquired a private collection of vintage trucks that is one of the best in the world.

G2 also started his first business at 22 out of his interest in a game called dungeons and dragons which technically was for nerds after securing a licence to manufacture these and sell them to retail stores around the country. Although he regarded this first venture as a hobby, he is now one of the more experienced portfolio entrepreneurs in the city.

For P5, the path to entrepreneurship was smooth and seamless. The family business just lent itself readily in terms of choosing his first business. He was basically groomed in the property area and when he was ready, he just carried on with property development.

5.4.1.4 Financial and economic

Becoming financially independent was never far away from the minds of the participants when they were considering going into business. Their initial aspirations ranged from just making enough to becoming extremely wealthy quickly.

Even before he started in his business, H13 was in no doubt why he wanted to be in business. His ambition was to become financially independent and still have time to pursue other interest. The partners in the company he was working for did not prove inspirational considering the hours they work and how long it has taken them to become partners. He had also seen how hard his parents are still working late in their lives and he resolved not to be like them or the partners in the firm he worked in.

> "*But yeah no, cause I look at my parents and they work hard, no denying that but they haven't stepped back to see other opportunities because they've always been too busy to see things – now they are in their late 60's and they're still working so many hours a week. And I'm like, oh no way, that's not what I want to be.*"

A1 was under no illusion that his main motivation for being in business was to become super rich so he can help others. A great believer in charity work, he believes

that business has responsibility to help those less privileged in society. He has always set aside a proportion of his income to charity.

> "*Enterprise is the key, it holds the key to removing suffering and poverty. Poverty moved me a lot…if you travel around India you will see there is a lot of poverty as well. You have the rich people in one hand, very rich, filthy rich and you have poverty in the other… I wanted to do something I want to chip into that poverty.*"

C3 started his first business mainly to finance his university studies. On his final year, the government brought in the student loan scheme and he found his fees had gone up significantly which necessitated a money-making venture.

All the participants have some underlying financial reason for venturing out into business albeit in varying intensity and degree as a motivation.

5.5 Results: Motivation for subsequent ventures

Many single venture entrepreneurs would probably have similar reasons for going into business as the participants of this study. What sets portfolio entrepreneurs apart from others is their willingness and ability to pursue other ventures. For many of the participants, launching into the second, third and other subsequent ventures are a natural progression. The in-depth interviews involved mapping of the businesses that respondents are presently and have been involved with. The reasons for creating new ventures are in the main for *business and/or personal-related* reasons. At the business level, these are for the most part to manage the diversity, growth and risk of new ventures as in the statement below. At a non-economic level, new business entities are created to manage, protect and distribute excess wealth amongst family, friends and charities.

> *"So I believe that my approach to portfolio is driven by two things. One is the management of risk, try four things and if three fail and one succeeds, wonderful, and I think it is also an issue of interest and contribution. I have no interest in doing things that other people can do. I have no interest in simply*

turning the handle, or what I term is doing the "grunt work." I have moved in my life past having the desire, sorry, past being too ready to do grunt work." – J7

5.5.1 Business-related

Although many opportunities are pursued, portfolio entrepreneurs have different criteria for going into business. Growth prospects appear to be the most frequently used criterion. An in-depth analysis and discussion of growth strategies feature in Chapter 8.

Growth-related ventures are usually linked to being opportunistic and generally in areas where the entrepreneur has some knowledge or understanding of and interest in. This is reflected in the following statements.

"It's a growth thing it's an I-want-to-do-something thing, an opportunistic… I mean mostly when I have made good money out of being counter cyclical it's usually an opportunistic thing"- P5

"…got to have growth. If we have a business that we're involved in that's flat lines, it does not excite us. So it's got to be something that we can grow and it's got to be something you probably have knowledge of. You see some of these businesses are interrelated a little bit…"- D9

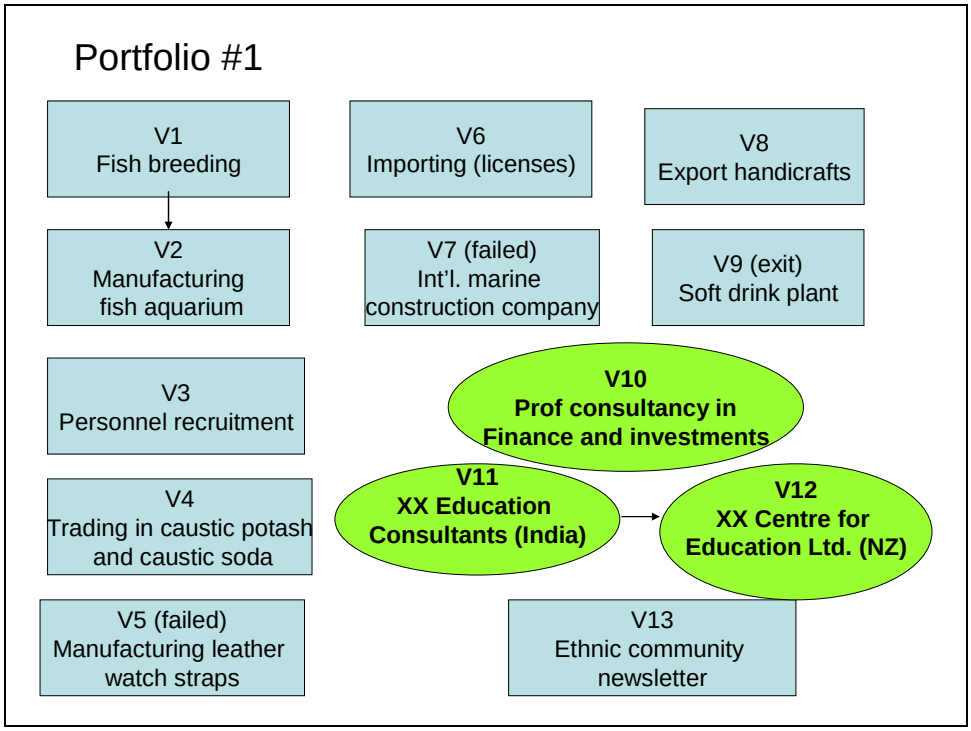
"I was pretty bored and just about anybody that banged on my door had a good idea that I felt could, would actually grow, it was really… well, there was a certain targeting. It's usually, you know, the electronics industry… software and education were the main focus although there were one or two of them outside that I did actually invest in but some of that, hey the idea is just so clever and they tended to relate to the motor racing or motor industry and stuff that I was interested in…"- D4

A1 was breeding Siamese fighting fish when he saw an opportunity to diversify into a somewhat related business - fish aquariums.

> *"I bred Siamese fighters, because they were a premium fish in those days. Because I bred Siamese fighters and sold them to the shops, I realized that the fish aquariums are in demand. So I started manufacturing fish aquariums."*

This entrepreneur went on to start many other businesses as opportunities presented themselves. Some were due to other ventures, and others were actively pursued. His portfolio involved trading in chemical ingredients, manufacturing leather watch straps and soft drinks, import-export trading, immigration consulting, publishing and professional accountancy practice. His portfolio is shown in Fig 5.1.

Figure 5.1 Portfolio A1



D9 clearly spotted opportunities and pursued them in a more or less linear manner. He started in business by trading in livestock for lifestyle farmers. The money he made went toward the start of his property business. He bought and rented houses while still at university and found multiple opportunities that eventually led to big property development and financing ventures.

"Came back to Christchurch, to university and bought a house and rented it out. Bought another one and rented it out. Owned a few more and had about 10 tenants at some stage while at university… bought a piece on land …there were 2 houses. Knocked them over and developed 9 townhouses… then got on to the concept of selling people houses… buy a piece of land, get a set of plans made for the whole unit, advertise them and sell them all, before they're built. Get a builder, go to the bank, and then complete and hand them over. I did about 50 of those in the first year. This went well." – D9

As this business grew, he found a shift in what people wanted and sought to expand his business interests. This he pursued by bringing in a business partner.

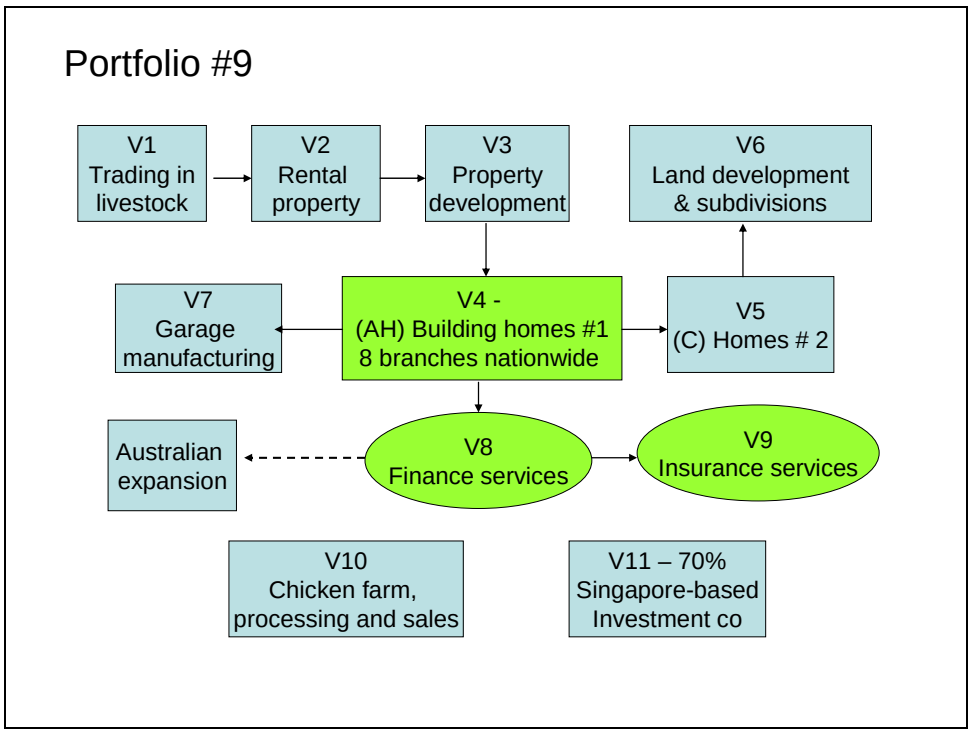
"Next, people wanted 3-bedroom homes, and I got on to the [X1] concept and that was about getting first time buyers into houses. And during that period…about 1990, established a business with [A]...called [X2]. In that model there, we were 50/50 partners. We develop land, subdivisions all around the country. And we're still doing that and we got lots of them."

While in this business, they found that some people needed help with financing their home purchase, so they started another company called [X] Finance that lent money to people who bought their houses.

Having completed the property package, he then went on to buy a garage and shed manufacturing operation to complement the housing business. The thinking behind this move was very much along expanding and growing the overall housing business.

This entrepreneur went on to establish many other businesses including business finance and insurance, a chicken processing business and an investment venture among others. Although his businesses may not necessarily be related to other ventures, he is constantly approached by people with business proposals. He is now starting to expand his business operations overseas. This would not have been possible had he not started his original business. His business portfolio is presented in Figure 5.2.

Figure 5.2 Portfolio D9



Participants also actively seek out businesses to suit their requirement. B10 sold his building business and immediately started looking around for something else that had an asset base where he can comfortably continue to work in as he got older. An opportunity to acquire a commercial building company came on the market he took a third of the stake. His portfolio has changed over the years and now has a core engineering and retail sales component.

For B12, businesses are set up for varying reasons. When he left the corporate world, he first started a consulting business. However, he very quickly realised that there was not much future in selling his time by the hour and that he would be better off owning businesses rather than charging his hours. One company was created to raise equity through a full prospectus for the development of a bio-tech piece technology from a South Island university. In addition, he is a third shareholder in a restaurant with friends. Although this business is doing alright he is not comfortable in the hospitality industry and resolved that he would not get into anything he knows very little about.

Shortly after, he bought a company with an equal partner that sold and serviced business selling equipment and consumables. This business is doing extremely well being number one in this particular business in Canterbury. Another business was created for a joint-venture between this company and a registered company on the Stock Exchange that manufactures EFT-POS equipment to handle the South Island. Being a different brand, they wanted to differentiate this company from the other business.

Encouraged by the success that he and his partner had with a cash register company, he looked for a bigger business opportunity. He was confident enough to leave the running of the other business to his partner. He put together a consortium to acquire an import distribution business for the spray industry and panel beating trade. This has a range of 3000 specialised products which are imported into the country.

B14 deliberately went into the concrete ready-mix business mainly because he liked the industry and had a life-long fascination with trucks. He was brought up in the family building and construction business. The concrete ready-mix business which is one of the two largest in the country was a joining together of his interest in the construction industry and trucks.

Other reasons for subsequent venture creation however were not necessarily purely rent-seeking. Some were created in order to manage the complexities of operations. For example, another property developer created multiple companies for tax reasons whereas another did this to manage company assets.

> *"Most of these are single asset only owning companies so they own a building. And the reason for that is under New Zealand tax law, if you own a property… being involved in development, I have to own a property for 10 years to get capital gain… give me flexibility…if I don't want to keep it for 10 years, I can sell the underlying shares to try to get the capital gain. So I guess it's being an effective tax structure.' – P5*

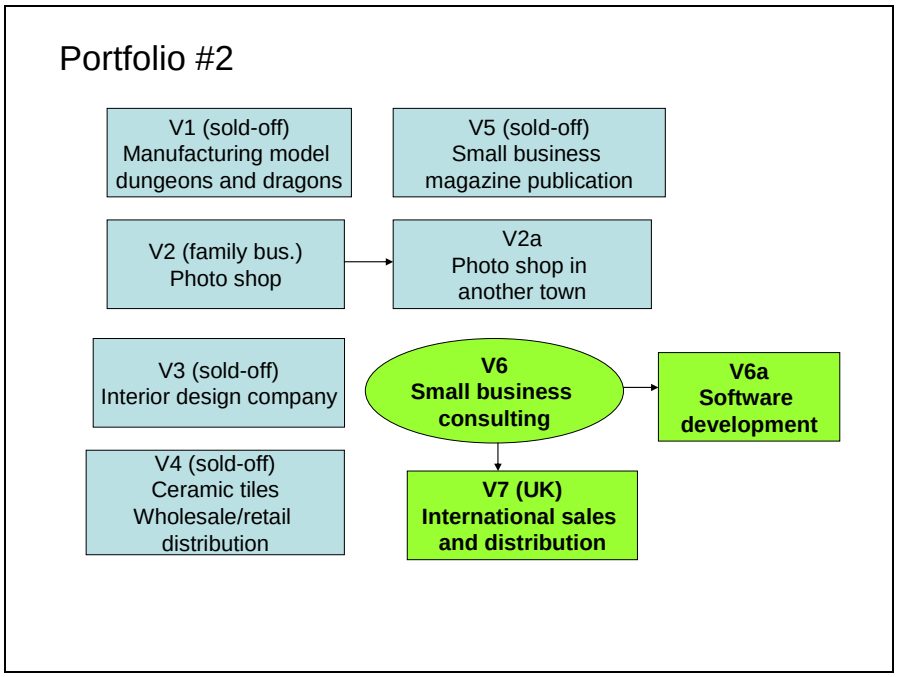
> *"A lot of them are basically landholding companies, they just own some land and properties and they've done that for stamp duty reasons so that, you*

know, if you want to sell the property, you sell the business and they get the property with it, and it keeps them in separate piles as well." – D4

Creating a separate business entity is also used to keep other activities tidy. For example, one respondent who started angel investing kept this activity under a separate company. B12 describes this as "shelf-company" which in his case was set-up to make the initial investment on a major business acquisition. The companies may not have a long shelf life however as they are either dissolved or merged with other companies if their function is no longer needed.

G2 has started a couple of business on account of his wife's expertise as an interior decorator (See Figure 5.3). He saw an opportunity to set-up next to a friend's carpet company thinking that people that buy carpet need colours and curtains so setting up next to this business made sense.

Figure 5.3 Portfolio G2



They sold this business a few years later and started a tile company in similar fashion where they found a similar market in fabrics, tiles and carpet. On reflection, he is convinced that they appear to have started a trend in the market because many other

similar businesses have opened since then. G2 has a history of starting businesses up and then getting somebody come in or run those and then sell.

G2 also inherited the family business but has changed the way it operates according to how he wanted to. His main interests however are those that he actually formed on his own and really had passion for. This is the business that he intends to keep long-term. He is now expanding overseas and has set up another company in the UK that will handle the sales for their New Zealand company overseas.

What started as an adventure experience business for H13 and his partner, soon expanded to other activities such as outdoor pursuit courses. This proved to be a good cash flow generator that over a 3-year period, they made nearly half a million dollars worth of business. As their operations grew, a retail opportunity next door to their premises became available. They decided to open up an adventure booking centre for jet-boating, heli-skiing and tandem horse riding, etc. and also sold clothing, equipment and other accessories. This seemed a natural extension to their operations.

When the first business B12 had a shareholding with sold for a significant amount, he decided to stay in partnership with the main shareholder and formed another company that looked after investing the sale proceeds in a whole range of different businesses.

For G11, a prime motivation for starting multiple businesses was for taxation benefits especially in the early days. Other participants founded companies to absorb profits from well-performing businesses in the portfolio.

C3 was an academic and an entrepreneur at the same time. He sold his herbal product company to concentrate on a professional career. However he soon realised that he did not like being an academic and was not very complimentary to the education system. He vented his frustration on the system and the people he worked with by starting three other businesses. These were a ceramic importing company, a separate export company and a business consulting company.

Serendipity seems to be a hallmark of many business start-ups for G11 who always had an eye for a business opportunity. He was mainly involved in car wholesale and retail when the opportunity came up to set-up a car rental business. Although it appears to be a form of diversification, he admits there was not much planning involved. The opportunity simply came along and he took advantage of it. Sometimes, a company is created to bring together different components of a project such as the one that B10 did. With the type of work they do, they often get asked to extend the services that they supply and realised that these were getting outside his skill or core competence. To address this, he put together a network of companies to provide all the skills. This is some kind of a one-stop shop that pulls everything in together.

> *"So that we could get a plastics manufacturer, sheet aluminium manufacturer, wire harness and… between us we could do any project. And so the idea was that could become like a hard business network… It brings companies that need a whole project managed… [XXX] is the vehicle that brings all the bits and pieces together*."

Entrepreneurs also start business ventures to protect their territory. This is especially so if they are under threat from the opposition. B10's engineering business was reliant on a casting supplier. When this die-casting shop was put up for sale their supply line was threatened because the local opposition was trying to buy it. They could not afford to buy it on their own but became a shareholder in a consortium that bought it while also providing the technical skills. This allowed them to have a guaranteed source of supplies.

J7 on the other hand insists that his motivation to go into other businesses is driven by the excitement of creating better outcomes and some appetite for risk. If he can see that a project is something that no one is doing, then that interests him. He has no enthusiasm for things that do not improve the usual way of doing things.

> *"And I think the desire for better outcomes it is not about money, it is simply about effectiveness and efficiency, it is that drive for better outcomes, more easily achieved, and if we can't keep on doing that, then what are we doing, I*

don't want to do this shit tomorrow, I have done it today, why do I have to do it again, let's sort of move somewhere else."

With only a little bit of equity involved, sometimes there is not much thought in new venture involvement. J6's original role in a small finance company was only as one of 15 investors initially. He subsequently took over the running of the company and grew it steadily over a number a years. This also led to other opportunities when a client of the finance company manufacturing exhaust fan speed controllers sold him his share. With this, J6 set out to assess the potential of the venture in terms of the expertise that was available, the status of the industry and the potential of the venture. The reputation of one of the two partners impressed him that he went for it.

"Here he is with a reputation of being good from this other technical guy who is doing well here and they have a mutual admiration and raised the industry, the electronics industry was just starting to move on. So OK, an industry with potential, a technical guy with as much knowledge as I would expect, let's go for it and buy the shares."

This business performed extremely well and was sold for a significant amount to US interests after a few years. At a later date, J6 again went into another electronics venture with one of the partners and this he describes is on its way to becoming as huge as the first electronics business. They also founded a company that owns some land in an industrial location. This single asset owning company is a popular strategy favoured by other participants.

As a consequence of having quite a bit of equity to play with, J6 also created another company to handle his investments.

"*So at that point in time I needed to think about doing this investment scenario and look at trading investment, investment trading operations, you know buying and trading shares on a daily basis. But also an entity where we buy shares long-term and leaving it unsold for quite sometime so we would not look at tax when we sold the shares. So it's a long-term holding."*

5.5.2 Non-economic

An interesting theme that emerged from the interviews relate to non-profit seeking ventures. The more established portfolio entrepreneurs like D4 also tended to start companies in order to pursue charitable and cause-based activities. Often, this would involve their individual networks of like-minded entrepreneurs.

> *"A lot of the education ones all grew up from my desire to sort of help New Zealand. We had an organization going… [X] Foundation grew out of … people who were trying to grow the electronic industry and trying to improve the state of New Zealand economy and the wellbeing of New Zealanders, trying to move it to a knowledge-based society, and actually a lot of the things we set out to do, we managed to achieve…" D4*

Others choose not to use their networks and directorships for personal gain but to make a contribution to the community. Below are two statements that capture these.

> *"I've been a director, I feel this is my contribution in life, giving something back in the community so that's why I worked for the council, and got a lot to change, and I've got a lot of passion for this city. Out of that grew some directorships. I was on…Board for 13 years and that went through terrific changes. We ended up giving half a million dollars to the City Council from the investment we made. " – P5*

> *"I used to be director of Christchurch Airport, Christchurch International Airport. So I was there for 5 years, as a director appointed by the government. And then before that, I was on the … Jockey Club, which is a racing board here. And I was a committee member they call it directors now. But I always wanted to have one thing outside of work. Something different, something I can contribute to." –D9*

New ventures may also be created in order to set up family members and friends. This appears to be a strategy for distribution of wealth in the future. For example, D4 says

his daughter is not likely to be involved in his businesses, so he bought a farm that although in his name, will eventually be left to her.

A1 lent money interest-free to a friend who needed to set up a business of his own. They became business partners in another venture that had a contract for making watch straps for the largest watch manufacturer in India at the time. He booked a huge order comprising of 2.5 million pieces to be supplied in 12 months time

D9 was also happy to finance friends who he saw had a potential to do well in business. One of them had a portfolio of coffee shops who he felt could do better expanding to bars and restaurants. He had unequivocally offered to help financially and encouraged him to look for opportunities in this area. He is also presently trying to set another friend up in a tourist-type business. He sees a lot of potential in this former employee and feels she is wasted as an accountant. She is great with people and he has no doubt will do well in business.

Concern from his parents about the long-term implications of a physically demanding building business encouraged B10 to look at other business opportunities. This led to partnership with an associate and together they bought an engineering business that became the core of his portfolio.

Inspired by how some people became millionaires, H13 has a burning ambition to be able to make a lot of people rich and has been looking at different systems that could create millionaires. They are fine-tuning their system and had attended training seminars in the US. This is an ambitious project that aims to create “a thousand millionaires” in ten years. With this is an undertaking that each of them would give away 10% to a good cause.

B14 is not one to withdraw from a good challenge and had a history of huge acquisitions including buying up public companies and privatising them. When he disapproves of the way some businesses operate, he buys them out. Such was the case of a company that he thought was “highly unethical.” When he lost his only son, he deliberately pursued another business mainly for the challenge. He went through a

protracted process to acquire a roading business from the local council and was up against a large UK firm.

> "*it was just not long after [X] had been killed, and I needed a personal challenge - It's got nothing to do with the business, it was a personal challenge.*"

Challenge is also something that M15 likes. Although his businesses have accrued millions to his personal worth, he does not care much for money. When asked how much of what he does is because it is a challenge, he replied

> *"… a big chunk of it. I don't know, I wouldn't put a percentage on that, but every now and then, I will say to people, really I don't need to work, you know. Like I'm doing this because I have got some very clear goals and I am very focused, but it is not because I have to work. It's not in a scything sense, but in trying to do that all the same ... I am motivated…"*

He tried retirement with proceeds from the sale of his first company but quickly came out of it mainly because he wanted to prove that his success was not just a fluke. It was also partly wanting to prove to himself that he can do it again and even better the next time. To show that he is not motivated by money, he has put the majority of his shareholding in the main business in a charitable trust. He is contented with his "relatively middle class lifestyle" and has no wish to change that. Despite his motivation being non-financial, he has huge financial goals for the business that will eventually benefit the trust.

> "*I drive business from a financial perspective, it is one of the key indicators, so I channel my shareholding, to a charitable trust which that may make me more, so my motivation to, and we talk about it here, is the absolute goal here is to build a one hundred million dollar company and list it and have clear plans on how we are going to do that. For me, I am going great, we will create a $20 million charitable trust and that will actually in the end be my work."*

D4 came to quite a bit of money from the first company he co-founded. His used his $22 million share of the sale being an angel investor in a number of companies. Some of these companies were set-up for what appears to be not necessarily economic reasons. For example, as he and a few close friends own race cars, they created a company to “look after race cars.” Another one of his interests is education, so he funded the establishment of a college to help train IT graduates.

5.6 Summary and conclusion: Motivation

The lure of business and becoming an entrepreneur are dictated by various motivations. The portfolio entrepreneurs in this study have displayed real drive and determination to succeed not just in one business but in multiple others. Setting out to become portfolio entrepreneurs did not really feature in their initial motivations, but has come about as they experienced challenges and successes in business.

Career situations often exacerbated by family constraints appear to impact the decision to pursue a business venture. While there is evidence that the lack of career prospects could propel one into business, there is also evidence that some individuals choose to leave promising professional careers to pursue business ambitions for the excitement and challenge that it brings.

In this context, some set out to start businesses in industries/sectors that they have interests in while others were groomed into the family business. A number of the participants have also chanced on opportunities serendipitously and have succeeded in some measure. Underlying all these reasons is a desire for financial independence and economic prosperity not only for themselves but for those around them especially family or other stakeholders.

Having achieved their initial goals, these entrepreneurs progressed on to other ventures thus evolving into portfolio entrepreneurs. As they navigate through the next entrepreneurial stage, their motivations revolved around two main themes, these being business-related and non-economic reasons. The most significant reason for portfolio development relates to the pursuit of growth. Subsequent businesses are set up in the

quest of or because of growth prospects. These are often in terms of products and new markets. Other business-related reasons include:

- diversification of their business portfolios
- managing taxation
- managing business assets such as land and building
- because opportunities present themselves that are too good to pass, and
- the luxury of being able to pursue businesses that they have passion for.

There is evidence of this across many sectors such as the transport, technology and property development sectors.

Success in business brings many accolades and some entrepreneurs have used their profiles to champion worthy causes through business. The more successful entrepreneurs also tend to have higher order aspirations for the betterment of society as whole. This takes the form of mentoring, providing low or no interest seed capital to novice business starters and the education and training of young people to fill specific workforce shortage such as information technology. On a personal level, they found businesses to manage succession and to tag assets to individual beneficiaries and to help family and friends in business.

5.7 Results: Risk taking

Every business decision carries a certain degree of risk. Portfolio entrepreneurs are repeatedly exposed to varying risk levels as they add more businesses to their portfolio. The risk profiles of the participants are reported to show how these portfolio entrepreneurs view and address risk in relation to their business portfolios.

Risk taking is something that is often associated with entrepreneurs and with entrepreneurial ventures generally. If this is true, portfolio entrepreneurs are unique in this sphere because it means that with multiple ventures, they then expose themselves to more risk than single-venture or serial entrepreneurs. In this section, the participants’ attitude to risk and risk-taking are reported.

"There is always a limit to what you can do with due diligence. You can only look at so much but some of it comes down to the feel for the business and factors like that." – B12

Risk taking is generally viewed as part and parcel of entrepreneurship. Whereas every venture has associated risks, the degree of risk taking appears to vary from individual to individual and venture to venture. It is remarkable that these entrepreneurs display what J7 calls "*an intense focus and an appetite for risk associated with that focus.*" Participants express the excitement that risk taking brings but also show that they are sensible in terms of providing for the well-being of their family. It appears that portfolio entrepreneurs can continue to chase such things as a new idea, concept or product and take risks without necessarily losing sight of their other responsibilities. Consider this statement from M15.

"I put a lump of money aside after [X] systems which I sent all to my family … But otherwise I'm prepared to risk everything. So in a way, then I'm saying I don't actually want to leave everything for my family. That's too hard on them and I don't need to involve them in that. But in terms of putting aside the least of my wealth in saying I'd rather chase the idea a well planned idea, because you could make a billion dollar out of this than to be more risk averse of losing … oh well I'll be careful here. I'm … it's far more exciting to go down that route." – M15

Whereas there is a lot of risk-taking among the participants, D9 explains that much of it also comes down to the likelihood that it will pay off in the end and being cognizant of the probability that one could also lose everything. Consequently, the decision is balanced between the different likely outcomes. When asked how much risk taking he takes, he replied:

"Huge! I think…well I think huge…I think I always go into things…and when I sit down with partners I'd say right be prepared to lose it. However much you put…if you're putting a million dollars every year, be prepared to lose it. And I always can…like I've invested in a technology business out of a Canterbury incubator…not a lot of money only a hundred thousand dollars…but hey I want some money in technology, I've got no money in

technology I wanna get some money in there. I quite like what they're doing…I think there's a reasonable chance that it'll do okay…but I might lose my hundred grand. So that's okay.

Being in a certain risk space brings on different dynamics. H13 called this "*the leap"* and for him it came with a mix of different thoughts and emotions. This had ranged from being scared to excited and back again.

> **"***Oh, it was a massive rush. It was like a rush in terms of being really scary but also really exciting and it is at this stage they say – that in making the decision if it doesn't scare the living daylights out of you, it makes you so excited you can't wait then you shouldn't be doing it. And then I went back to whether I was scared – it was like absolutely! What are my parents gonna say – ha, ha, ha – what will my friends say. What if it all goes wrong and I end up being broke and you got to come back and what if it's harder than you think and was it exciting? Absolutely!"*

Thinking back H13 said it was probably just the right time for him to do that. In the accounting profession, he says he did not have a lot to lose since he was only starting. Had he left it longer he thinks he would have fallen in the same trap as his colleagues that hesitated to live their dream because of the fear of the unknown.

> "*It was probably good that I did it earlier 'cause in accounting, the pay starts going up and people will start, they start borrowing more and have a bigger lifestyle and then they'll be earning, which is not a whole lot in my scheme of things but 70, 80, 90 thousand and they might think they're doing really well and for those people to actually stop doing that, start a business that's got a lot of risks, it's too big a leap. But when you're only on $32,000 and some pathetic salary that they're paying us, it's not a big deal. You're not used to that."*

HC did not realise just how much of a risk he was taking until he actually made "the leap" blindly. It was not until he had handed in his notice that he started thinking what he was letting himself in for. However, he was too buoyed by "*the sense of knowing it was all gonna be up to me to make it happen and the rewards will all be there for me and out there doing it and so yes, it's kind of scary and exciting at the same time."*

But business was not all rosy. He encountered many problems but has no regret over the decision of "*taking a path least trodden"* and not getting in the same trap that many professionals get into. He admits there was an element of being naïve in the process, but somehow, in his case, at least it worked in his favour in the end because *"it was bloody exciting and looking back at it, it was the classic thank god, I was naïve! I wouldn't be here now if I hadn't been so naïve."*

Age or at least life-stage may be a factor in the intensity of risk-taking. In contrast to H13 who started in business at an early age, B10 has had two decades of corporate experience and had taken the gradual as opposed to sudden plunge into business. However, whichever way one looks at it, there is always going to be uncertainty in business. Sometimes the gamble pays off, other times they do not. But there are ways to handle risk and some of these are learned from experience.

> *"You know, looking at the restaurant, it was a huge risk, but no I won't put everything on the line or anything like that…I'm reasonably conservative but if you invest in any business, you're obviously taking risks but hopefully, a managed sort of risk. And probably risks that I can manage myself … I will not invest in a business that I will not have direct control myself. I don't need to have absolute control, but I want an opportunity to be involved… It doesn't mean I need to give up my thing necessarily but I certainly need to know who the other shareholders are and obviously have confidence in them and understand who are running the business because a lot of it comes down to day to day management."*

J7 argues that risk-taking is a characteristic of the entrepreneur, adding further that an entrepreneur is responsible for making it happen and that carries an element of risk with it. It is "*somebody who focuses and takes risk beyond commonsense"* and this is part of "*what is an innovative process."* However in saying this, he does not classify himself to be similar in risk-intensity as others he has observed. He suggests that his risk taking is within "*what I feel to be my competence area"* not necessarily the comfort zone. He explains this further by saying that in his terms *"there isn't quite as much skin on the hook - there is some exposure, but not considerable exposure to risk."* He goes on to say that there is a threshold beyond which he is no longer prepared to carry the risk at least at this stage in his career anyway. He does not

however preclude venturing into the higher risk spectrum in the future as and when certain circumstances arise.

> *"Maybe, a little later on in my life, I might be prepared to - because I won't risk certain things in my view … but a tolerance, rather than appetite for risk, changes depending where you sit in your life story, when you have a wife at home with small children you can carry certain types of risk. When your children have left home, making a living for themselves. When you have enough asset base not to work, maybe you come to another risk profile."*

It appears that experience and high levels of mental ability can deter or in the very least mitigate risk-taking. B12 admits that having the ability to play out different possible scenarios and outcomes in his mind has not always been helpful and has hindered him in some way because of that real fear of failure.

> *"People with high IQ don't like to fail. It's a funny thing, they're frightened – that pricks them along as much as - It's not so much the will to win – it's the desire not to fail. You know, so this sort of thing may not always be helpful to an entrepreneur."*

5.8 Summary and conclusion: Risk

Risk taking is something that is often associated with entrepreneurs and with entrepreneurial ventures generally. Portfolio entrepreneurs are unique in this sphere because with multiple ventures, they expose themselves to more risk than single-venture or serial entrepreneurs.

In the main, the participants view risks in a financial context. All things considered, risking it means taking a gamble and whatever the outcome is, the consensus seems to be that they have at least "given it a go" and that surely is much better than not having tried at all. Many of the participants admit to getting into ventures and recognise that there is a probability that one could also lose everything therefore the decision is made with the expectation that the outcome may not be as hoped for.

However, the degree of risk could also depend on the stage of their entrepreneurial career such that those in the early stages take higher risks financially, professionally and personally than those who are further down their entrepreneurial careers.

Despite the excitement that risk-taking brings, family situation appears to matter in their risk profiles. Before expanding their portfolios, participants with family commitments are inclined to set aside enough to cover financial obligations. There is evidence that they are sensible in terms of providing for the well-being of their family such that they ensure not everything could be jeopardised. It also shows that portfolio entrepreneurs can continue to chase such things as new ideas, concepts or products and take risks without necessarily losing sight of their other responsibilities.

Participants who are younger and do not have huge family commitments tend to ride the emotional excitement or rush of leaping into the unknown. When the risk taking has paid off, they put profits back into the business to pursue growth and minimise debt where possible.

Overall, it appears that portfolio entrepreneurs do have an appetite for risk but are also focussed in terms of how far they are willing to risk it all. It is fair to say that portfolio entrepreneurs in the context of this study mitigate risk by generally ensuring that they cushion their financial obligations by putting in what they can afford to lose.

CHAPTER 6

THEORETICAL ANTECEDENTS II:

An Effectuation Approach to Multiple Venture Development?

6.1 Introduction

This chapter contains further analysis on theme 1 of the framework that investigates theoretical antecedents of how portfolio entrepreneurs come to be with particular focus on how they employ effectuation reasoning in entrepreneurial decision making as they develop multiple ventures. These antecedents specifically cover the factors reported in Chapter 5. The reader is therefore advised to read this chapter in conjunction with Chapter 5.

The inverse of causation, effectuation is a collection of non-predictive strategies that are primarily means (instead of goal) driven. It suggests that firm designs reflect the entrepreneur's individual situation (antecedents) and how they exploit resources available to them and thereby taking control of as opposed to predicting the outcomes.

The analysis is reported along the effectuation logic lens and arranged within the framework of the three categories of means being; who I am, what I know and who I know. These are then matched to the three core principles of affordable loss, leveraging contingencies and strategic partners. These principles were discussed in detail in sections 2.4.3 and 3.3.

The literature has established that approximately 25% of entrepreneurs become portfolio entrepreneurs. As argued elsewhere, the difference between single and multiple venture entrepreneurs is now increasingly gaining recognition in the literature and in practice. In particular, portfolio entrepreneurs are of special interest

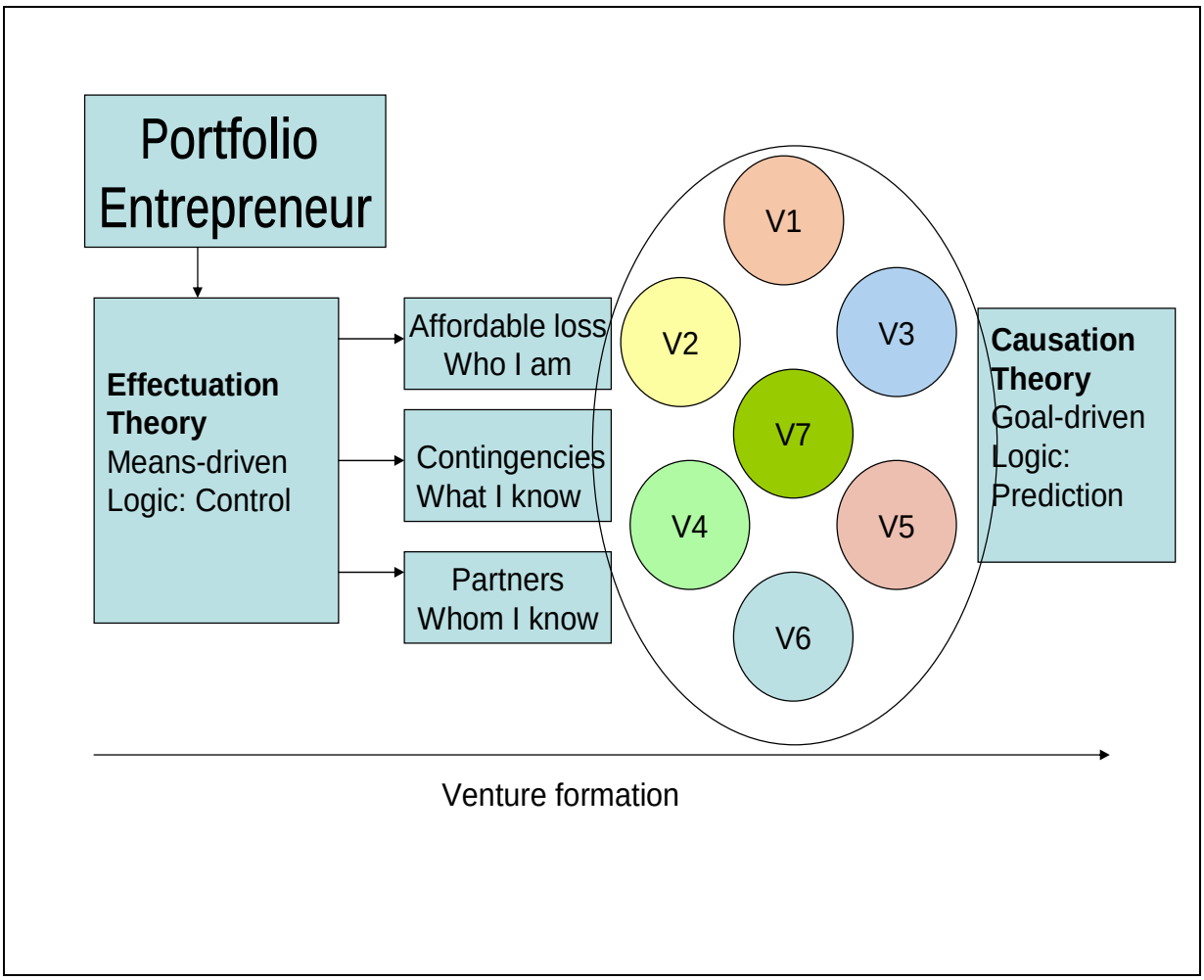
not only because of the depth and breadth of their experience but also of the contribution that they make to society and the economy in general. They are also of great interest to scholars because they operate with a different model of entrepreneurship in comparison to single business entrepreneurs.
Entrepreneurs engaged in multiple ventures go through unique processes. For portfolio entrepreneurs, this behaviour is repeated as they inherit, create or acquire not just one but a number of other businesses simultaneously very little of which is explained and understood still. Results from the 15 cases show evidence of effectuation reasoning during preliminary and early stages of venture and portfolio development. They tend to adopt causation logic as ventures and portfolios mature.

6.2 Conceptual framework

The framework as depicted in Figure 6.1 shows how this section of the study is conceptualised. It tracks how entrepreneurial decision-making is driven by a given set of means that then impacts on the three principles of effectuation logic. The framework shows a portfolio of ventures and a direction towards the use of causation logic that is contrasted by the logic of prediction driven by goals. This argument is based on Sarasvathy (2001) proposing that entrepreneurs use both logics. A detailed discussion of this rationale is contained in section 2.5.

It is effectuation logic's link to expertise (Read and Sarasvathy 2005) that lends itself a suitable theoretical basis for this section of the study given that portfolio entrepreneurs are arguably experts in their field. They make decisions based on their unique combination of attributes, characteristics and resources. As such, they tend to be creative and innovative. This also allows for flexible end goals over time, a characteristic of effectual reasoning. Entrepreneurs continually operate in dynamic business environments and decisions are often made under time pressure. Such would be the case of new products and services or marketing campaigns especially under the threat of competitive action. They require timely and reliable market information which they could gather from strategic partners and stakeholders along the value chain such as suppliers and customers.

Figure 6.1 Conceptual Framework: Antecedents to portfolio entrepreneurship



Entrepreneurs usually employ entrepreneurial marketing practices that can be regarded as a form of effectuation. The effectuation processes are reflected in the decision units of how artefacts (e.g. new products, services, companies, etc.) come to be. By engaging in activities such as viral marketing for example, they practice the belief that they can control the way their ideas are promoted. They allow the market to spread the word often without eliminating the need to engage in traditional marketing campaign. Effectuation logic holds that if one can control the future, entrepreneurs do not have to predict it. Prediction, a characteristic of causative reasoning is problematic in dynamic and unstable markets where one needs to be specific with targets. Effectuation is characterised by exploration, where end goals are not pre-determined, and decision makers are able to react and leverage contingencies as they occur in their

environments. Entrepreneurs, and most importantly, the participants of this study often find themselves caught in this type of business environments.

6.3 Results

This part of the study set out to find evidence of effectuation reasoning amongst a cohort of portfolio entrepreneurs. The results are broken down into the three categories that characterise effectuation reasoning. In particular, these are the given means that are instrumental in the pursuit of entrepreneurial ventures. These means are also matched specifically to one of the three principles that best relate to them.

These are contained in Table 6.1. The matching of means to effectuation principles is in the following order: Who I Am with Affordable Loss; What I Know with Leveraging Contingencies and Whom I Know with Strategic Partners. A more detailed discussion of these means follows in the succeeding sections.

The table profiles the 15 participants of the study. The second column depicts their current number of business ownership in relation to the number of businesses they have had up to the time the interviews were conducted. For example, A1 (3/13) currently has three businesses but had been involved in 13 businesses since he started his first venture. P5 (5/21+) has 5 active businesses but has had over 21 other businesses exited from. Over-all, three of the participants currently have small portfolios although have had involvement with a number of past ventures. Altogether, the 15 participants currently own 162 business but have been involved in more than 233 ventures (162/233+). A profile and description of the participants' individual portfolios are contained in Table 4.3.

Columns three, four and five show how the three means are matched to the three principles of effectuation logic. These are each discussed in detail in the succeeding sections.

Table 6.1 Effectuation means matched to effectuation principles

ID	Business Current /Overall	Who I am Affordable Loss (Risk Profile)	What I know Leveraging Contingencies	Whom I know Strategic Partners (P)
A1	3 / 13	low to low risk	multiple ideas	100% + P
G2	3 / 9	low to low risk	family / experience	100%
C3	4 / 8	low to low risk	necessity / education	100%
D4	11 / 25+	med to med risk	knowledge, experience	Pa
P5	5 / 21+	med to low risk	family / knowledge	P + 100%
J6	9 / 13	med to med risk	serendipity / knowledge	P
J7	4 / 9	low to low risk	necessity / experience	P
E8	51 / 51+	low to med risk	serendipity / knowledge	P + 100%
D9	9 / 11	low to high risk	serendipity / money	100% + P
B10	4 / 7	low to med risk	necessity / experience	P + 100%
G11	8 / 11	high to med risk	knowledge / money	100% + P
B12	4 / 9	low to med risk	serendipity / experience	100% + P
H13	3 / 5	high to med risk	aspirations	P + 100%
B14	25 / 25+	med to low risk	family / experience	P + 100%
M15	15 / 16	low to med risk	necessity / experience	P

6.4 Who I am

Whereas within the above framework “who I am” reflects the risk profile of the entrepreneur, a large part of this is explained by their personal characteristics and appetite for uncertainty. A general impression one gets of the participants is their drive to achieve higher and the willingness to work towards that.

"You just get driven along or pushed perhaps along a path as you see of self-achievement …so as you see the prospects for achievement for yourself, you work harder at them and you try to identify what they are and push hard for them." - J6

6.4.1 Family and personal background

Despite the differences in their financial standing, a majority grew up in happy and contented homes with encouraging and supportive parents. In summary, their parental background ranged from working class to professionals. Four of the participants had parents with professions in medicine, law and accountancy; five were involved in a variety of businesses and six were in paid employment.

The participants display a combination of traits that to their belief, account for their success in business. All the participants for example exhibit a **high degree of intelligence, passion, discipline, persistence and enjoyment in what they do**. At a business level, some admit to being **quite ruthless**, **shrewd, hard and driven** but are also **sensible, ethical and operate business with integrity**.

On a personal level, their attitudes to others embody some higher order values such as **predisposition to fair dealing**, an inner drive to **help others** not only in terms of being business mentors but also helping those who are less fortunate or through supporting various charitable causes. They exhibit an inner confidence and do not seek publicity. In fact, many of them prefer to keep a **low public profile.** They take satisfaction from their accomplishments and revel in them quietly.

They all enjoy being in business and operating multiple ventures at the same time. For example, they enjoy the **mental stimulation** of trying new ideas and opportunities and making them work. However in doing so, they ensure that they also keep focused on the other operations. Generally, they all like a good challenge, a hallmark of entrepreneurship. They are often **top performers** and took on **leadership roles** at school and in the community. A typical characteristic of the participants is that they do not sit on just one idea. They tend to move on to the next challenge. They **operate**

instinctively and like to **work on something unique,** and lose interest as things start to become mundane. There are many uncertainties in business and portfolio entrepreneurs display a **high tolerance for uncertainty and complexity**.

6.5 Affordable loss and risk taking

> *"There is always a limit to what you can do with due diligence. You can only look at so much but some of it comes down to the feel for the business and factors like that." – B12*

Entrepreneurs generally acknowledge that with any venture some degree of uncertainty is almost inevitable. Given this, portfolio entrepreneurs are unique in this sphere because it means that with multiple ventures, they expose themselves to more risk than single-venture or serial entrepreneurs. Whereas every venture has associated risks, the degree of risk taking appears to vary from individual to individual and venture to venture. It is remarkable that these entrepreneurs display what can be described as "*an intense focus and an appetite for risk associated with that focus.*"

In the main, the participants view risk in a financial context. Effectuation holds that effectuators generally emphasize affordable loss as opposed to focusing on expected returns such as market share and ROI. All things considered, risking it means taking a gamble and whatever the outcome is, the consensus seems to be that at least they have "given it a go" and that surely is much better than not having tried at all. Many of the participants admit to getting into ventures and recognise that there is a probability that one could also lose everything therefore the decision is made with the expectation that the outcome may not be as hoped for. In reflecting on the magnitude of their risk-taking, a majority admit to taking it beyond what the ordinary person would do and with it, accepting the probability that they may lose their investment.

> *"Huge! I think…I always go into things…and I'd say right be prepared to lose it. However much you put…if you're putting a million dollars every year, be prepared to lose it. And I always can…" – D9*

However, the degree of risk could also depend on the stage of their entrepreneurial career. One argues that risk-taking is a characteristic of the entrepreneur, adding further that an entrepreneur is responsible for making it happen and that carries an element of risk with it. Sometimes, when they are focused, they could take risk beyond commonsense and this is part of what is an innovative process.

Moreover, some entrepreneurs have thresholds beyond which they may no longer be prepared to carry the risk such as when there are young children involved. They then move to a different risk space. This does not necessarily have to be linear in nature. For example, M15 started out at a very low risk level just ensuring he had enough to cover the mortgage and keep his young family going. When he sold the first company for a huge amount of money, he put aside enough to set his family up and pursued other ventures for the thrill of it thus in his view taking a huge financial risk.

The above scenario not only captures the excitement that risk-taking brings. It shows that they are sensible in terms of providing for the well-being of their family. It also shows that portfolio entrepreneurs can continue to chase such things as new ideas, concepts or products and take risks without necessarily losing sight of their other responsibilities.

Being in a certain risk space brings on different dynamics. One called this "*the leap"* and for him it came with a mix of different thoughts and emotions. This had ranged from being scared to excited and back again. Although this appears to be a high risk move, underlying it was the fact that he was restless in his accounting career. At that stage, he was only starting and thought he did not have much to lose until he was made partner. He did not realise just how much of a risk he was taking until he blindly made "the leap" and started thinking what he was letting himself in for. Buoyed by a sense of being in control of his destiny, he was hopeful of the rewards although feeling scared but excited.

After some initial success, many of them realise that business is not all rosy. They encounter many problems but rather than give up, they forge ahead and hold no regret over the decision of *"taking a path least trodden."* Some are thankful of being naïve

in the process and not being to analytical which would have deterred them from moving forward.

> *"It was bloody exciting and looking back at it, it was the classic thank god, I was naïve! I wouldn't be here now if I hadn't been so naïve."*

This is borne by a contrasting scenario where it appears that experience and high levels of mental ability can deter or in the very least mitigate risk-taking. Having the ability to play out different possible scenarios and outcomes in their minds sometimes deter spontaneity and could hinder new venture formation in some way. This often relates to fear of failure.

> *"People with high IQ don't like to fail. It's a funny thing, they're frightened – that pricks them along as much as - It's not so much the will to win – it's the desire not to fail. You know, so this sort of thing may not always be helpful to an entrepreneur." – B10*

Age or at least life-stage may be a factor in the intensity of risk-taking. Those that had started early in their entrepreneurial career were more ready to take the plunge head on. Those that had years of corporate experience tends to take the gradual as opposed approach to business. Whichever way one looks at it, there is always going to be uncertainty in business. Sometimes the gamble pays off, other times they do not. But there are ways to handle risk and some of these are learned from experience. For example, many have resolved not to be involved again in any other business where they have no direct strategic input over the operations and direction of the ventures.

6.5.1 Participants risk matrix

There are many instances in this study where risk can be mapped out but in general, the participants can be classified into a 3x3 matrix where their risk profile at the start of their entrepreneurial career is mapped against their subsequent ventures. This matrix is based on the analysis of the participant's motivation (see 5.4) in becoming an entrepreneur. The vertical axis shows their risk profile (as judged by the

researcher) at their initial foray into business. The horizontal axis represents their individual risk profiles as they moved to their subsequent ventures (see 5.5).

This shows that a majority of the participants had started out at a low to medium level risk profile. Figure 6.2 shows where the individual participants fall in the matrix.

Figure 6.2 Risk profiles

Fig. 6.2 Participants' risk profiles

Initial Venture	Low	Med	High
High		H13 G11	
Med	P5 B14	J6 D4 E8	
Low	A2 G2 C3 J7	B10 B12	D9 M15

Subsequent Ventures

The matrix shows that the two participants that started at high risk had sought to pursue less risky strategies with their subsequent ventures. Of particular interest, are those that have medium risk profiles. These five entrepreneurs are among the most highly successful business people in the country, with very extensive asset bases. In addition, the two on the low to high space own very fast growing businesses. Those in the low to low and low to medium space are largely dependent on the operational success of their businesses.

6.5.2 Risk mitigating strategies

Most entrepreneurs are regarded as "risk positive" which sets them apart from others. As risk can never be totally eliminated, the participants have strategies to mitigate inherent risk in business in order to cushion themselves from the adverse effects of risk-taking. Participants talk about not putting everything on the line; of diversifying their investments by having more than one venture going at any one time. In the process, they try to make their ownership structures tax efficient by setting up trusts and separating business assets such as land and commercial buildings from that of the business operations. They create single-asset owning companies as a way of mitigating risk and ensuring that if the business goes bad they still have an asset to fall back on.

Proposition*(6)*1a: *Portfolio entrepreneurs create additional businesses to manage the risk to their core business and those inherently associated with business.*

Participants talk about risk taking to be more daunting at the early stages of venture formation and could be the scariest and toughest time for entrepreneurs. Risk management to most is about using one's own money and not matching that with huge borrowings. It is about putting profits back into the business to finance growth therefore eliminating if not minimising the need for external financing. Consistent with the affordable loss principle of effectuation logic, they talk about carrying only what they can afford to lose*"and if it goes really bad, I'll just come back… I'm ok, I'm fine!"* On a positive note, they get better at it as they enter subsequent ventures.

Proposition(6)1b: *Portfolio entrepreneurs manage risk by ensuring that financial commitments to new ventures are affordable should the expected outcome not materialize.*

A way to quickly develop and expand one's portfolio is by acquiring an existing business. Participants have often found risks associated with change in business ownership. One has to be careful in taking over a business that someone has built over a number of years. In order to manage this, the participants have ensured that the

transition in terms of technical knowledge and management are in place properly. The involvement of previous owners in this process also helps and if they remain a shareholder and are partners (even if only in minority) in the business until the transition is completed.

Certain industries such as property development could involve huge financial inputs. Whereas, participants involved in this industry prefer going it alone if possible, the size of a project may necessitate taking on partners. Participants have indicated that they are not averse to entering into a joint venture especially if they want to spread the risk.

Those in technology tend to develop ground breaking new products and new ideas as part of who they are. Participants involved in this sector argue that is inherent in their mission, so they are not afraid of risk. With experience also comes learning in terms of risk management because they learn to overcome hurdles that others may not have.

Proposition*(6)*1c: *Portfolio entrepreneurs use strategic partners to spread the risk that comes with big and new ventures.*

Risk can also be mitigated by something beyond one's control and they recognise that there may be some good luck along the way. As a business grows, risk-taking moves on to another sphere and that usually involves other parties.

> *"As the business grew, then my ambition grew with it, because in effect, I would say I started with just me…I remember, actually although it seemed risky to go out into business with no guarantee of income and two young kids and a mortgage, it seemed actually more risky to employ someone. I found that decision harder than going out on my own." – M15*

Taking responsibility for other people's welfare is also a risk entrepreneurs take as they become employers. Hiring the first employee is often a big deal and signifies commitment to grow the business and relinquish control by delegating some of the day to day functions of the business. However, like most business decisions, once they have crossed this threshold, they get better at hiring and delegating.

6.6 What I know

Generally, an entrepreneur's knowledge and skill set influence the kind of business they get involved in. Most of the participants have indicated that their knowledge of the business or industry often determines whether they will enter a venture or not. As their businesses grow and mature, they learn more about business and other industries and their knowledge expands. This then allows them to venture further into other sectors and try out other business models. In this section, the participants' education, experience and instinct are explored as the embodiment of what they know. Effectuation logic proposes that these factors are leveraged in decision making. In situations where goals and outcomes are not set in stone, entrepreneurs take advantage of contingencies using what they know to pursue ventures.

6.6.1 Education

Effectuation holds that what entrepreneurs know will influence their entrepreneurial decision-making. In this study, the author looked at how these attributes are exhibited. However, higher education and good career prospects appear to have both positive and negative influences on some entrepreneurial aspirations.

All but one of the participants has acquired tertiary qualifications. Six of the participants have a postgraduate qualification to a Masters or PhD level and two teach in MBA courses. Their degrees are in Law, Commerce, Engineering and Science. Although education is regarded as important, it is not generally considered crucial to their success in business. The only participant that did not pursue higher education has the highest net worth among the participants. Of the six that are in the New Zealand National Business Review Rich List, three have postgraduate degrees and three have non-university qualifications.

A majority of the participants had leveraged their education in the pursuit of business interests. Often, a combination of experience and knowledge gained from business

and higher educational qualifications (e.g. a university degree) give entrepreneurs that extra confidence to create multiple businesses and/or to pursue larger accounts**.** Some informants have had a dream run in business and have leveraged their experience very well to improve on the next business venture.

A number of the participants did not have a smooth run in business owing to outside influences, particularly family expectations. Four of the informants who were university educated were expected to pursue professional careers. Some had promising careers but wanted to be in business. Two of them struggled with family approval even as they have become successful business owners. At the time of the study, they are still confronted with such a struggle.

In contrast, two others would have been quite happy to stay in employment but found the prospects diminishing due to other external influences. Ironically, it was the lack of good employment options that propelled them both into business. Despite being rather bitter about all the effort he put into getting his degrees, one of them does admit that the skills he gained have been useful. Being highly educated gives them the ability to understand business in different ways. Knowledge in accountancy for example allows one to see beyond the books that due diligence is not able to uncover.

> *"The books only tell you what it wants to show…You have to look at other things that are happening within the company in order to understand what is really happening." – A1*

6.6.2 Experience

In most cases, the participant's training and background extends into different but somehow related areas. Such would be the case of say a qualification in the building sector which extends to other aspects like project management and structural mechanics. Having such experience, it becomes a natural progression to go into the wider building business.

Experience also widens one's thinking. A well-known electronic design engineer attributes his success to being a good lateral thinker and he is able to use this to other applications such as software development and car parts design. He applies innovation and continuously searches for better solutions.

> *"…playing with stupid things… when it comes to design, I'll give anything a go. Some people…get more and more inhibited and say, oh, you can't do that… or the convention says you can only do this… or traditionally, this has been the answer… and I'm different in that. I'm always searching for a different way or better ways …"- D4*

Others may not be hands-on in the pursuit of new artefacts (e.g. new products), but are experienced enough to steer better solutions or systems by asking the right questions and guiding the process. On many occasions, the participants have fallen back on experience more than higher education. Those that have been exposed to family business learn the ropes so to speak by getting their hands dirty. Those that have to go into business without experience learn from it quickly and are better able to handle challenges as a result.

> *"sort of a bit of a management baptism by fire type of thing, because we had quite a diverse business, he was farming, building, plumbing, building trades, and he had a staff of about 140 and we had no decent administration set up at all, and there was no one apart from him that really knew roughly what we did everywhere." – B14*

6.6.3 Instinct

Although knowledge of processes and systems is vital in business success, it is still not a sure recipe for success. Some participants often rely on instinct when making business decisions. Many of them call on this when in doubt over a business proposal or feel uneasy about people. They often talk about "gut feeling" not only about how things would work but also generally about people.

Although instinct is difficult to define, they have ways of making this tangible. As a rule of thumb, they may ask themselves such questions as:

1. Do I like this person?
2. Can I trust this person?
3. Can I work alongside with this person?
4. Who are they trying to protect?

6.7 Leveraging contingencies - Motivation

Unlike causation logic, effectuation holds that entrepreneurial decision making explores contingencies such as resources available to the entrepreneur. These decisions are made in pursuit of some form of return although may not be fully defined initially.

> *"… it is realignment of resources, so that means I take what I have, or what I can get access to, I put them together creatively, for what reason? a better return, but of course when I do that there is no guarantee, so it is the anticipation of a better return.**"** – J7*

This decision making includes the motivation for starting ventures. It is expected that effectuators will pursue business ideas with the expectation that the result can be any one of many possible outcomes. The participants' motivations and/or reasons for starting their businesses are many and varied but can generally be classified along the themes of career, opportunity, lifestyle, interests/hobbies and financial. The first three appear to be more prominent in the early stages of their entrepreneurial careers, whereas the latter two featured strongly as their portfolios grew.

Career situation. Whether entrepreneurship was propelled by necessity or choice, career and job situations were a major factor in the decision of many participants. The following scenarios sum up career situations for the participants and were instrumental motivations in becoming entrepreneurs as a result.

1. The excitement of chasing a dream to build big business

2. Escape the trappings of a professional career.
3. A professional career is less attractive when one can employ one cheaper than being one.
4. Not fitting the 8:30 – 5:30 working mould.
5. Frustration with working for someone.
6. Job dissatisfaction when drawn away from core task.
7. Wanting something different when a business opportunity came up.
8. Lack or termination of employment.

Opportunity / serendipity. Other participants who were engaged in some form of employment or study at the time of starting their business were attracted to or encouraged by the opportunities and circumstance at the time their first ventures were founded. Consistent with effectuation logic, these entrepreneurs started by "testing the water" so to speak and see if they work. Below are a few case scenarios that started serendipitously and led to a portfolio of businesses.
Case 1: A chance opportunity to trade in livestock gave D9 enough capital to buy one rental property which gradually expanded to ten. This was the beginning of becoming a property developer that eventually expanded into finance and insurance.

Case 2: G11's interest in cars was the beginning of a portfolio of car businesses that eventually expanded to importing, retailing, rentals, mechanical repairs and service in addition to other business interests.

Case 3: J6 was a manager of a large food processing company that was having trouble with the meat worker's union. In order to circumvent their restrictions, he created a company that contracted the processing work. He then went on to found a diverse portfolio of businesses.

Case 4: H13 whose restlessness was fuelled by a motivational speaker and an opportunity in adventure tourism.

Case 5: E8 had a 25% stake in a hotel business when his business partner died. He bought the entire business and now has the largest chain of hotels across the country and a very diverse property portfolio.

Lifestyle choices / family situation. For at least two of the participants, there was an expectation that they would go into the family business, hence they were groomed in the business as they were growing up. They both had to buy their siblings out and grew both their core businesses and portfolio to two of the most successful in the country. They are both on the 100 Rich List in the country.

Interests and hobbies. Personal interests and hobbies have influenced some of the portfolio decisions. Given initial business involvement, some participants have pursued other business ventures out of interest or on account of their hobbies. Some of these interests were not always for the pursuit of profit. Some businesses were founded to help the specific sectors of the community, to set up other members of the family and to help friends.

Financial and business-related. Whereas there is an income expectation in the early stages of their entrepreneurial careers, how much they made from their business was not so important as long as it allowed them to live off the income. However, as their businesses matured and their portfolios grew there was a higher expectation of financial and economic returns.

This appeared to be more evident in those who have not yet achieved the financial status that they aspire to hence those in the early stages of their entrepreneurial careers have very high financial objectives. These participants want to become extremely wealthy and are still chasing big business. They have ambitions to float at least one very large company. Those in the IT industry want to conquer the world, while those in servicing the local market want to expand their core businesses and cover a wider geographical area. Having successfully launched ventures and reaping good returns some have set specific objectives to achieve a level of rate of returns on their investments.

As their portfolios expand, other issues come to the fore and the main motivations that emerge appear to centre on other business-related reasons. A major theme revolves around growth and diversification issues. Although effectuation reasoning may have featured strongly at the early stages of their venture and portfolio development, many

participants begin to think in terms of goals and targets. At this stage, it appears that causation-based actions become evident. Table 6.2 features this evidence. All of these are business- related and show aspirations to grow and expand their business and portfolio.

Table 6.2 Causation evidence

Participant	Age	# of bus. overall	# of bus. current	Causation evidence Goals
A1	42	13	3+	Float a very large company
G2	40	9	3	World domination
C3	40	8	4	Growth goals
J7	52	9	4	Rate of Return
B12	47	9	4	Open up more branches
H13	31	5	3	Company buy-outs
M15	47	16	15	Float a company minimise competition

In addition, there are other significant issues such as managing the taxation obligations of the companies, managing business assets (e.g. land and building), succession and seizing opportunities that arise from their business activities.

Many of the participants operate across very fast-paced and highly competitive environments such as the transport, technology and property development sectors and need to be forward thinking in terms of their strategic directions. Often, they leverage their position, knowledge and general expertise in keeping ahead all the time.

Personal (non-economic). Those who are already highly accomplished and with good business portfolios are more relaxed about chasing opportunities and are no longer

worried about working as hard. They are able to pick and choose the business that they want to acquire or pursue. At their level, chasing challenges is more to do with excitement than the financial reward.

There is evidence from the participants of the study that higher order values and aspirations also feature in their thinking and decision-making. They show consideration for society, other novice entrepreneurs and those who are less fortunate. Business formation and portfolio expansion is a strategy that they employ to assist family and friends in their own ventures, to assign certain identified assets to individual beneficiaries and manage seamless succession.

Proposition (6)2a: *Portfolio entrepreneurs develop business portfolios in order to pursue business goals such as growth aspirations and in anticipation of higher and more desirable outcomes than is possible with only a single business model.*

Proposition (6)2b: *Portfolio entrepreneurs create additional businesses for non-business reasons driven by higher-level goals that benefit friends, family and/or the society.*

6.8 Whom I know

In effectuation logic, who the entrepreneur knows become an integral part of their business operations. Effectuators are likely to have strategic partners and leverage relationships to pursue ventures and other opportunities otherwise not possible if they did so on their own. It is fair to expect that the longer the entrepreneur has been in business, the larger their network would be. These can range from those that have direct impact on their business like family, friends, business partners, finance providers, suppliers and customers, to those that indirectly affect their operations such as government, local bodies, community groups, insurance providers, etc. To a certain extent, the wider social and professional networks are also caught in this net.

Family. A majority of the participants agree that family has very strong influences not only on them becoming entrepreneurs but also in terms of continuing their entrepreneurial careers. Parental influences have been positive for some and negative for others. Fathers in particular have a strong influence on the participant's business decisions. Generally, parents were either supportive, hence able to provide financial and other necessary support or totally averse to them going into business. Professional parents were generally more averse to business preferring instead for their children to take the professional route.

Participants with parental support usually started in business by working in the family business. When they eventually took over the family business, they then go on to expand their portfolio. Their entrepreneurial experience were usually characterised by different family dynamics to those that did not enjoy family endorsement. Despite parental disapproval however, there was evidence that parents did help them when they were in financial trouble.

Social and professional networks. Becoming successful in business means one's personal networks expand naturally and just happens as the people one does business with become a part of their network. However, the main interest of this study is not how wide the networks become but how they affect the formation of new ventures.

Evidence from this study shows that social networks are generally not exploited to pursue business interests. Professional networks like those formed from university study are maintained and may be regarded a good source of services like legal, medical and finance. There is no evidence from the participants that these had been instrumental in business formation apart from the occasional advice or opinion. In one case, going into business with his so-called "professional friends" ended up in a falling out and huge loss. Another participant found those contacts a liability to business pursuits and admit to purposely distancing himself from his peer group in order to build his own business networks.

However, having gone to the right school and belonging to the right club opens doors. Apparently, there is still a very strong "Old Boy's" network that operates within the business community. To break into this network, one has to have gone to the right

private high school. Two of the participants have found this helpful and had purposely pursued the social calendar that allows for this “bonding” sessions for business purposes. Another participant has admitted to not having broken into this network and not for lack of trying. A participant who was a member of the All Blacks found his sporting background made getting a job easy and had some impact on the development of his early business ventures.

6.9 Strategic partners

Although social and professional networks do not appear to impact strongly on business formation, it appears that participants in this study surround themselves with tight business networks composed of a select number of people only. This is evident in the way participants would often use the word “we” despite the business under his full control. This would sometimes refer to business partners or top management team within his business. Table 6.1 shows that a majority of the participants own a combination of 100% and part- owned businesses. Here we explore the role of partners in the formation of their businesses.

Case 1: M15’s flat-mate was hugely influential in his business career. This friend encouraged him to stop working for someone else and either do his own thing, or work with him in his engineering business. Their initial association started in a small way where he set-up an office in his friend’s engineering workshop rent-free in exchange for doing his accounts. Where he was just looking at enough to support his family and pay the mortgage, the accounting software he developed became big business. This friend is now a major business partner and they have both started many businesses and still work very well together.

Case 2: Two of the participants in this study were original partners in an electronic manufacturing business. They went their separate ways after the company sold. Although they both pursued different business interests, when one started another electronic design company, they once again teamed up. What appears to work in this relationship is the way the two entrepreneurs complement each other creating a “*synergy and mutual recognition of the other’s strengths and weaknesses.”*

Case3: G11's admits he is not very good with people. His partner is able to step into this role quite easily while he does backroom negotiations.

Case 4: When H13 teamed up with a friend to start an adventure-based business, his interest in personal development and business also complemented his partner's outdoors background well. Unfortunately, as the business grew, their interests drifted apart and resulted in a messy separation that set the business back for a period.

Case 5: B12 prefers to work with people he knows. With co-investors, trust is very important and he tends to go back to the same people when he puts consortiums together.

Case 6: While trust is also necessary for D9, he believes partners should also be comfortable with each other and in this context he tends to surround himself with a small team.

Whether networking amongst portfolio entrepreneurs is actually fruitful is perhaps summed up by the experience of D9. He admits to "not being big" on networking. In the early days, he thought it would be fun to talk with other entrepreneurs about what they think, but found that quite difficult. He suspects that is because in some ways there maybe a competitive streak in them that makes 'shop talk' difficult. He does not attribute any of his successes to networks where entrepreneurs network with other entrepreneurs. Like many of the participants, he creates that network with people he trusts. Admittedly, they have preferred partners or advisors that they would be in constant contact with. This is a necessity, but somehow for those that have made it they do not care much for quantity. It appears that the more successful they are, the tighter the network becomes.

6.10 Conclusion and limitation

Overall, the results show that portfolio entrepreneurs do employ effectuation processes at the preliminary and early stages of venture and portfolio development.

The study has provided evidence that portfolio entrepreneurs start out as effectuators and manifest this through the three basic principles of affordable loss, leveraging contingencies and in taking on strategic partners. While the first two can be reasonably expected as evidenced by the many studies that have already been conducted, it is remarkable that for this select group of entrepreneurs, networks do not play such a significant role in their portfolio. In this study at least, their networks tend to get tighter as their portfolios get bigger.

In the later stages however, there is evidence that they tended towards more causative reasoning. This may be an indication that they have already tested the water, set some goals and have gained confidence in achieving them. Evidence of this logic is reflected in the goals and aspirations that the participants had put forward such as: floating a very large company; world domination; growth goals; rates of return; opening up more branches; company buy-outs and minimising competition through acquisitions.

Whereas using multiple case studies is designed to improve reliability and validity, the study's limitation rests largely on the context and in its exploratory nature. Further studies that replicate the present study will strengthen evidence. It will also be helpful to look at how different the risk profiles are of portfolio entrepreneurs from other types such as novice and serial entrepreneurs.

Entrepreneurship is a complex process and knowing the factors that lead to successful entrepreneurship has far reaching implications over a wide area. This section primarily adds weight to the recognition that portfolio entrepreneurs are a relevant area of research and there is a need to understand and explain the many different aspects that lead to their emergence. Successful portfolio entrepreneurs are unarguably experienced business founders. As such, they are expected to have acquired and developed knowledge and skills essential in developing strategies to overcome challenges encountered in new ventures. As discussed earlier, it is important to identify the skills that successful portfolio entrepreneurs have accumulated and derive lessons from the wealth of experience that they possess. Disseminating these other entrepreneurs such as nascent and novices could potentially reduce the incidence of business failure.

CHAPTER 7

THE ENTREPRENEURIAL PROCESS I

PRE VENTURE FORMATION

How Portfolio Entrepreneurs Engage in Opportunity Search and Recognition

7.1 Introduction

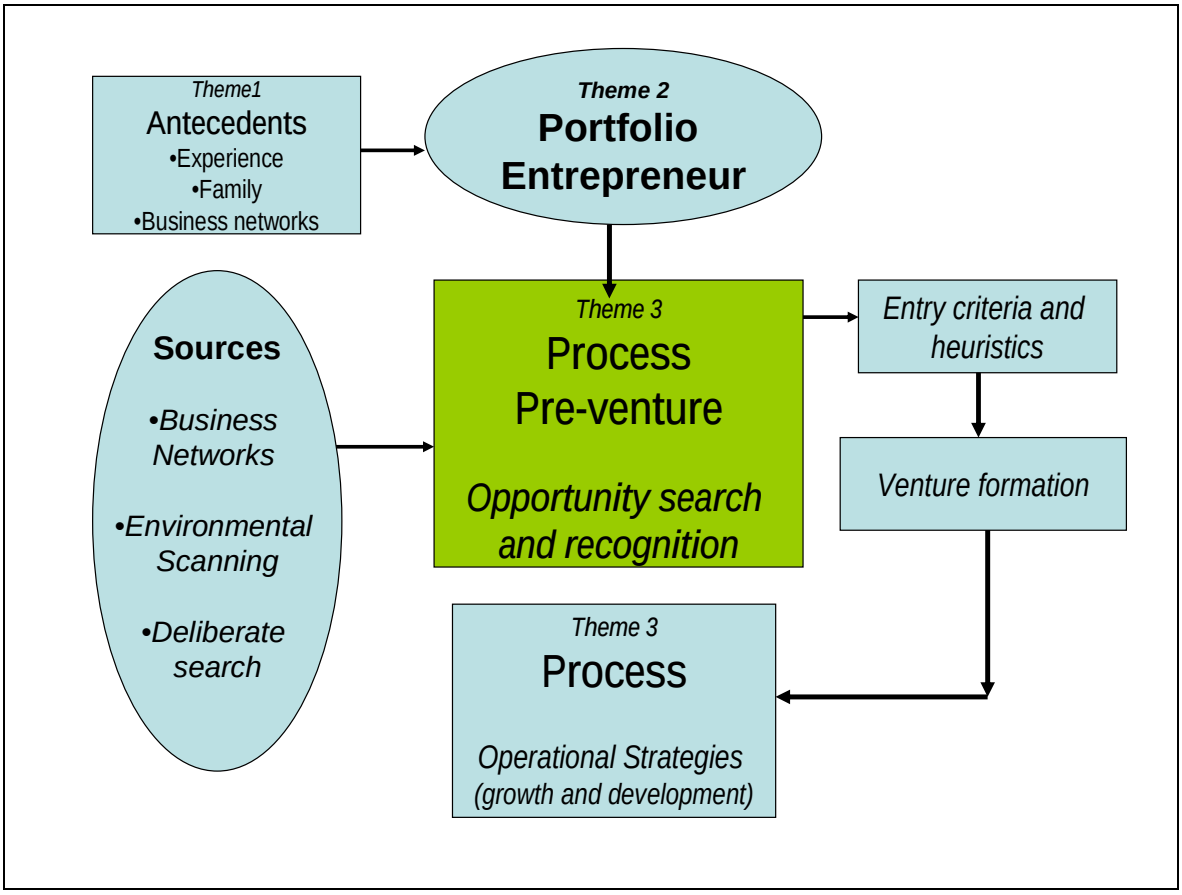
Chapters 5 and 6 reported the participants' backgrounds comprising of the antecedents to becoming portfolio entrepreneurs. More specifically, their human and social capital, motivation and risk profiles were discussed. These are antecedents that attempt to explore their link to the formation of entrepreneurial ventures. The next set of results reports on the dynamics of the entrepreneurial process as set out in theme three of the conceptual framework.

The entrepreneurial process is conceptualised in this study starting with search activities for opportunities which Shane and Vankataraman (2000) argue are the essence of entrepreneurship. The first sub-section covers the pre-venture formation stage of opportunity search and recognition. It explores the different factors that impact on the way the participants perceive opportunities. This is followed by the entry criteria and the strategies they employ to evaluate and then reject or pursue given opportunities.

7.2 Opportunity search and recognition

Opportunity search and recognition is a critical stage in the entrepreneurial process and are vital entrepreneurial skills. Whereas much has been written about this area in the general entrepreneurship literature, to the best of the researcher's knowledge, there has not been any published study specifically on how portfolio entrepreneurs search for and recognise business opportunities. Portfolio entrepreneurs are by their very nature more experienced than their novice counterparts and there is much to learn from this unique group of entrepreneurs. This section reports on how this group engage in the pre venture formation process; their sources of opportunities, and the role of experience, family and business networks in their decision making process. The chapter framework is illustrated in Figure 7.1 showing the different issues and their relation to venture formation.

Figure 7.1 Chapter framework for opportunity search and recognition



The chapter explores the experiences of the participants as they engage in this activity. As discussed in section 3.4.1, Ardichvili, et al. (2003) identified personality traits, social networks and prior knowledge as antecedents of entrepreneurial alertness to business opportunities. These antecedents compose the human capital dimensions that impact on how individual entrepreneurs recognize opportunities and search for relevant information (Ucbasaran, et al., 2001) before making the decision to reject or pursue venture formation.

The next stage in the entrepreneurial process that this study explores is what happens after the venture is up and running in terms of growth and development. This is reported in the following chapter.

7.2.1 Sources of opportunities

Most ventures would have been originally conceived in someone's mind. This may be a result of perceived opportunities that the entrepreneur comes across by chance or something he/she deliberately pursues. There are opportunities everywhere but one must be alert to them. Where and how portfolio entrepreneurs find these opportunities are reported next.

1. **Environmental scanning**

Participants report that opportunities exist everywhere and that one only needs to be alert to them. While some entrepreneurs are forever on the look out for that perfect business, to others, the opportunities come naturally.

> *"Oh, they just come to me. I just keep thinking, looking…always present itself to you. You should be able to recognize it, and to recognize it, you have to be alert, and to be alert means you have to be looking out for opportunities." A1*

> *"Opportunities become self-evident and I guess you always have at the back of your mind that this could be financially beneficial. I think that's further back than at the front." J6*

Although many opportunities abound, it is not a matter of seizing that opportunity foolishly too soon because they contend there are always plenty of opportunities to develop business. When they recognise opportunities or these opportunities present themselves, they do not jump in impulsively. Participants indicate that there is a good deal of thinking, investigating and planning that is involved. They go through a process of at least churning around with the idea, thinking about certain things and working through them before the decision to go in. As a matter of course, opportunities are likely to be pursued if there is enough financial merit to the idea.

It appears that opportunities emerge from existing opportunities. Engaging with customers, suppliers and other players in the industry for example allows them to see the transferability or extension of their current offerings to other applications thus broadening their customer bases. This is an example where opportunities basically present themselves. One cannot often tell where these may come from but it is a continuous process, and portfolio entrepreneurs recognise this.

On many occasions, the opportunity may come from the discontinuation of other businesses. This could be a result of succession problems or owners wanting to get out of business. Having a reputation of being open to new ideas in the business community also brings with it further opportunities and people go to them with business proposals. These are often opportunities to take on new partners that want to come into their core business or for the participants to diversify into related or unrelated areas but with the security of partners who have expertise that they may not possess.

Admittedly, the participants are forever looking for the perfect business. Although they may continually look at smaller businesses or what one refers to as “sustenance businesses,” there is always an element of looking for that ultimate business that can be turned into big business. Those moments are rare. When that “perfect” opportunity is found, the feeling is heightened and entrepreneurs do get emotional. A case in point is B12 who was on the look out for that opportunity and when he found it after 21 years, he was ecstatic.

"I oscillate between fear that I'm not going to pull it off and fear that I am going to pull it off."

Although these entrepreneurs think they are alert to opportunities, they do not always get it right first time. J6's biggest coup was a second time lucky for him. When the first opportunity to invest in an electronics company came about, he let it slip by. When the other shareholders sold up, he bought their shares despite not knowing much about the business but because he was confident that the remaining shareholders knew what they were doing. Despite the fact that there was an element of risk, this proved to be a good move for him.

"It wasn't like "oh electronics sounds good to me so I'll invest in that." So life and business is all about opportunities and they're always going past but we don't see them. Often we just don't have the skills or the mind set to look at them… don't know they're there… so that certainly happened…"

2. Business networks

Networks play a critical role in opportunity search and recognition and there exists a reciprocal sharing of opportunities between and among entrepreneurial networks. Entrepreneurs are not only recipients but also sources of opportunities for others. For example, they will bring business associates in when they need strategic partners and/or co-investors.

The business networks are not strictly limited to fellow investors or entrepreneurs. With portfolio builders who tend to acquire businesses with an established revenue stream, an ongoing relationship with a business broker is often maintained as an avenue through which other business opportunities could arise from. A broker sold B10 three of his current businesses. This relationship saves him the trouble of having to scan the environment continuously considering that he found the more desirable businesses are not always openly on the market.

"… quite often they're not on the market, these guys just go and knock on the door. They'll talk to the owner and say have you thought about selling and are you interested in – most of the time, they've thought about selling but it's been difficult, but if someone knocks on their door – Oh, I could be interested and then one thing leads to another."

3. Deliberately seeking out an opportunity

Entrepreneurs who know what they want deliberately pursue ventures that complement their existing competence, threaten their position, fast-track their growth or out of sheer interest. From an early age B14 was always interested in trucks. This interest coupled with the influence of the family construction business led to a determination to be in the transport industry. Once in business by himself he focused mainly on opportunities that complemented his core business of transport and construction.

"I suppose it was a joining together of my being brought up in a construction business and my interest in trucks. And I thought as an industry, it is going to be around for a while, and … I thought I would like to be in that industry"

B14 was not averse to acquiring companies he sees have great potential. This was the case in his take-over of a publicly-listed company. The acquisition of this business allowed them to expand into other markets and dominate the concrete business over the whole country.

"…an opportunity to get into the business that I sort of liked, and diversify away from straight transporting…So we did that to diversify and that was probably the most major deal I made really, it wasn't the biggest, but it was the most significant."

Acquisition appears to be a favoured strategy by the participants when they want to grow fast, minimise competition or bring in key competencies that are crucial to their portfolio's strategic direction. This is discussed in depth in the next chapter.

7.2.2 The role of experience

The participants have shown evidence that even experienced entrepreneurs do not always get it right. Experience is not a guarantee of a successful subsequent venture. On many occasions, the way they seize opportunities is influenced by their observation of those around them. Those who grow up in a business environment would emulate their fathers for example. It appears that this is not always successful and in reflection they would do things differently. As portfolio entrepreneurs, there are further opportunities to learn from and improve on previous experience.

J7 views experience as a system or process rather than a prescriptive model of decision making where, one adapts specific courses of action given a situation. He argues that with the process model, one gets different outcomes and different answers. This is consistent with effectuation logic proposing that effectuators do not necessarily have a fixed goal in mind but have the option of more than one outcome any one of which is likely given the means (e.g. resources, experience, etc.) available to them and how they leverage available contingencies.

> *"I guess what tends to happen is the narrower your experience, the more you will tend towards prescriptive approaches, and that the wider your experience, the more you will tend towards a system approach."*

Entrepreneurial opportunities often arise out of innovation and it is important to understand the context with which experience plays a part. The participants view innovation to be intensely context specific. They therefore look for the things in the context which lets them shift innovation to a better space, and always with an expectation of a higher return. Experience in this context allows portfolio entrepreneurs to move innovation to market faster and realise returns quickly. Whereas as the above statement suggests, less experienced entrepreneurs would apply prescriptive approaches (causation logic), experienced entrepreneurs like the participants in this have other strategies. They may apply a proven system depending on the context or build additional features into existing systems.

"The solution here is not the solution here ... the process I use is very similar, but the solution sets are different because I am working with different people in different markets with different technologies."

In his view, portfolio entrepreneurs' experience is not only valuable in their own businesses but can also be used to bridge the experience gap between novices and other less experienced portfolio entrepreneurs such that:

"If there is value in having these portfolio people involved, anything that you can do that helps reduce the distance or the barriers between these two groups is going to be useful. So now you need to talk to the portfolio people who aren't instinctive - let's say the people who… are learning it and are not instinctive, and not inherently coherent in the way they are thinking about it. You give them some rules. What do you give novices? You give novices rules. What do you give experts? You give them contexts. So you give your early stage portfolio people some rules. You are not going to change the experts, they are grumpy old men, they are going to be grumpy old men. That's life. Or grumpy old women too, because it is not gender specific, being grumpy."

Experience definitely has a big role in the aspirations of D4 who having successfully co-founded a multi-million electronics company would now like to emulate the same experience and transfer them to a new start-up venture. He believes that credibility in the market and the nurturing of relationships with key customers are important factors in business and previous experience certainly has given him this. This is manifested in his confidence that if a hundred-unit order generates ten thousand more that they have a track record of being able to get up and meet the production and know how to increase production capacity and bring on staff to fill gaps.

"The big thing that makes it easy the second time around is we have the credibility. The people involved have credibility and we also have relationships with people around the world that in their telecom sector we can go to anybody and say here's a new product, we can do this for you."

Star and Bygrave (1991) argue that experience can be an asset and a liability. The participants agree that there are things that work well in one business that can be used in another or for that matter can be applied to another industry. However, they are also mindful of other entrepreneurs they know that have succeeded in the past and think that using the same formula will work again and have failed. One participant pointed out that experience can at least show one not to repeat the same mistakes given a similar situation.

The transferability of previous business experience albeit from another industry can be successful if one is able to gain sufficient understanding of the new industry. For example, one whose business interests are quite diverse such as equities, farming and electronics is able to draw on the experience and knowledge from these to get into a neutral-ceutical company based on the deer industry. Experience also taught him the value of patience. Where previously, he would have wanted "speed to market" he says success comes at the right time.

> *"And again, what you need to do, and what you learn of course is patience. You need to have patience. This nutra-tech for instance, this company where… for 3 years we endeavoured to get this entity running to get this product moving and just on the cusp now I think of success." – J7*

As one becomes more experienced, entrepreneurs tend to favour opportunities that are not complicated. Often this has more to do with people than logistics. In a typical situation, one entrepreneur recalls a meeting with another business person who proposed a partnership for a finance company. The person wanted to raise 24 million dollars. Although the business proposal looked sound with detailed projections, he is not convinced that the proponent is somebody he wants to do business with. In this case, he rejected the proposal because it did not feel right and the person was not being up-front with things.

> *"Hey if I was talking to a guy who wants to invest in my business, I'd tell him bloody everything he wants to know… Good or bad, whatever… Ok, so I thought right… walked out of that meeting and I walked back here and I said,*

no, it's not me. So I sent him an email saying hey, it's all too hard, thanks but no thanks." –D9

The saying that "experience is the best teacher" certainly holds true for G11 who would never consider becoming an angel investor again because he has been let down with previous involvement. M15 is more pragmatic in his approach to angel investing as an opportunity. Although admitting that a couple of investments made him less sure about it, he believes that it is mostly about the people and not the idea. The dominant opinion on angel investing is that a business driven by a smart person will win in the end over just a smart product, or idea hence, it is vital to pick the right people from the outset.

This is echoed by other participants who find that the most challenging thing in every venture comes down to people. New opportunities are alright as long as they come with the right people. This is true whether they are co-investors, customers, suppliers or staff. Many agree that judging people is a real challenge and that having some people experience certainly helps.

The extent of what entrepreneurs take away from experience could vary. Some get better at spotting opportunities in the industries that they are in and do very well as a result. Such is the case with E8 who asserts he became a multimillionaire in a very short time by virtue of seizing opportunities in the oil and real estate industries. For P4, a 13-year involvement as a director in the energy sector did not necessarily make him want to expand his portfolio in that sector. The experience however was beneficial in terms of helping him to understand other aspects of business, such as cash flow.

Experience does allow one to pursue opportunities better than somebody who has never had that experience. Those in the technology business develop ground breaking new products and new ideas as part of who they are. Whereas a novice might have some fear of not pulling it off, experience has made the participants confident because they have learned to overcome hurdles and manage risk.

Experience certainly helps with resolving operational issues. They admit that the hardest times in business is when one is just getting started although every new venture has different issues. As they become experienced entrepreneurs, one applies previous experience where appropriate. As portfolio entrepreneurs and with a few successes behind them, the greatest advantage of previous experience is in being able to overcome financial constraints.

7.2.3 Role of family and networks in venture formation

MacMillan (1986) referred to habitual entrepreneurs' networks as a "business-engine" that is so well-honed and consistently delivers superior results. A few other studies (see 3.4.3.3) have also found that networks, being the entrepreneur's extended personal and business circle does affect their ability to pursue opportunities. This section explores the role of family and networks in opportunity search and the pursuit of such.

Families appear to have a positive, negative or no effect at all in terms of opportunities as far as the participants are concerned. Table 7.1 shows how the participants' families feature in this entrepreneurial stage.

Table 7.1 Role of family in opportunity search

Family		
Positive (4/15)	**Negative (3/15)**	**No (8/15)**
G2	A1	D5
P4	C3	J6
G11	H13	J7
B14		E8
		D9
		B10
		B12
		M15

Those that had a positive effect are mainly the ones who grew up in the family business. They have taken over and bought out or have divided the family portfolio between siblings. These entrepreneurs have then grown the original business and increased their portfolios over the years. Two of them in particular are among the highest net worth not only in this study but also in the country. They have opted to carry on in business on their own to resolve succession matters for their children (B14) or because the siblings were not putting as much effort into the business as necessary (P4). Over-all, it is the fathers that had shown them the ropes of the business while the mothers took a background role.

A small minority of the participants in the study do not rate family as a major source of opportunities. Their parents were very explicit in their objection to business involvement and were a greater challenge. Generally, the parents have strongly preferred instead that they take the professional/managerial career path.

The majority of the participants however, have found opportunities on their own without any influence from their families. Once in business, their parents have not played any significant roles. They have entered and exited a number of ventures and have evolved into portfolio entrepreneurs by virtue of their choices and other networks. Except for a small minority, spouses generally take on a support role and have no direct involvement in the day to day business operations.

Where participants have gone into business with friends, the outcome has not been very favourable. One was not satisfied with the performance of a restaurant and vowed he would not go into any business where he does not have any intrinsic knowledge of as a result. Another had a big falling out with the friend and resulted in a bitter dispute that saw them divide the business and go separate ways. One other had a series of bad outcomes that led to near bankruptcy and court case.

Most of the participants have tended to keep friendships and social contacts separate from business. Others have nurtured old friendships as a foot in the door to the “Old Boy’s Network” and to keep a profile in the community. One exception is M15 who was encouraged by a friend to start a business which has grown big. This friend is now a major business partner in nearly all his other ventures.

The most successful opportunities emanating from networks have come about from business partners, co-investors and other stakeholders in their existing businesses and often from others operating within their industries. G11 had tended to pursue opportunities in the car industry in partnership with the same person from wholesale, retail to mechanical repairs and maintenance. D4 and J6 are in partnerships in at least two manufacturing ventures but also have other business interests on their own. The former had tended to grow his portfolio in the IT sector while the latter in farming-related ventures.

While the common belief is that as entrepreneurs get more experienced, the networks naturally widen, it appears that these do not necessarily impact too much on opportunities. The participants are able to search for and pursue opportunities with their own set criteria and in partnership with a smaller and tighter network. These entry criteria are strategies are discussed in the next section.

7.3 Entry criteria and strategies

Having sought and recognised the opportunities that get them excited, the next stage in the entrepreneurial process is entry and/or venture formation. The questions that are addressed in this section relate to this process. More specifically, the study asks what specific ventures they particularly prefer and whether there are more favoured industries or organisations. In addition, other operational issues as they relate to entry decisions are also discussed. This section finishes with the heuristics and noteworthy strategies that they employ in the pursuit of desired opportunities.

The participants come from a diverse selection of industries. They share many similarities as well as differences in their entry criteria and how they achieve this. This may be strongly knowledge-based as in a majority of the cases, whose financial grounding affects much of their decision making. Being in business themselves, they can see how business operates, what the margins are and what correspondence takes place. As a matter of course, the books are not regarded as the sole basis of one’s

entry or decline decisions. They agree that there are other things that books do not say and these are the issues one must be alert to.

> *"The books usually do not tell the story. The books only tell you what it wants to show. You have to look beyond the books. You have to look at other things that are happening within the company in order to understand what is really happening."-A1*

> *"You can only look at so much but some of it comes down to the feel for the business and factors like that." – B10*

These could range from growth prospects to the mere challenge of getting a venture off the ground. M15 is proud of the fact that he started his first venture with a couple of hundred dollars and built it into a 40 million dollar company. He does admit that the success came through hard work and good luck, and having good products with good people and management in place. That is not to say however that it cannot be repeated and he is confident that given another chance, it can be done many times better.

> *"I would like to prove it to myself that what I analysed as good management, good systems, good people, you could actually hold that out for a number of businesses as their core criteria."*

These core criteria become the bases when making entry decisions. To many, entry decisions are often linked to how additional ventures contribute to the value and performance of the existing portfolio.

7.3.1 Preferred ventures

A resounding majority of the participants have indicated a preference for specific ventures that are industry-related. Given a choice between two different industries with similar economic prospects, entrepreneurs with diversified portfolio would tend to prefer one where he has some degree of knowledge of. A case in point is one

whose interest would mainly be in property or property-related ventures would prefer ventures in that sector such as hotels and commercial properties against manufacturing or retail.

D9 has a diverse portfolio and his criterion is a simple reassessment of which industries are performing well. However, he does have preferences such that given a choice of say between a food business and another insurance company he will opt for the latter. He also tends to put more money into businesses that are performing well.

> *"Right these are the industries we are in… finance and insurance, property... Singapore? We got a question mark on. So we got 5 businesses… 3 are going well…2 not sure of…so going forward, where do we put our money in? So we're going to put more money into those things that are going well for us."*

7.3.2 Growth prospects

Growth seeking is often a justification for portfolio entrepreneurs diversifying into other product lines. In a portfolio scenario, it is often a major reason for entry decisions along with other considerations. These include the allocation of profits into businesses with good growth prospects, as an opportunistic move or in response to current and/or changing business dynamics.

Novice entrepreneurs often find financial constraints a major issue especially during start-ups. Portfolio entrepreneurs are at a more advanced stage in their careers and do not find this much of an issue anymore. Many prefer to plough the profits back into the business; the rationale being that growing business is a thirsty business. The occasional indulgence such as a holiday home often brings on a feeling of guilt as it does not make money.

> *"You can't make money buying flash cars, it just doesn't work that way - you got to get the money, keep making it work for you…push it back in, keep the business stronger, make it better."- D9*

Given access to internal finance and excess funds, portfolio entrepreneurs have the luxury to pick and choose where to put the money in. In D9's case, one of the main criteria is the prospect of growth.

> *"Got to have growth, if we have a business that we're involved in that's flat lines, it does not excite us. So it's got to be something that we can grow and it's got to be something you probably have knowledge of. You see some of these businesses are interrelated a little bit ..."*

D9's sentiment is also confirmed by P5 who says that new ventures for him are about growth as well as wanting to do something. Often this could be an opportunistic move like being counter cyclical, a strategy that has made him good money in the past. It was growth that made B14 expand his southern operations northwards. This he did even if it meant taking on the biggest competitor in the market and being threatened to be driven out of business. He knows that the bigger opportunities are in the northern markets.

> *"If you have any ambition to be big in the ready mix, you're not going to be big here, you have to go somewhere and in Invercargill, there is only one way to go, you have to spread north."*

Businesses also need to be cognizant of changing business dynamics and respond in a timely manner. This is the case for B12 who says that a recent acquisition is about growth and also about overcoming changes that are happening in the manufacturing environment. He is adamant that if the business dynamics change then there is an even greater need for businesses to change. In his line of business, this maybe in the way technology affects manufacturing processes or the way products are distributed. His next business acquisition is about ensuring the core company's success by playing to its strength in manufacturing, more specifically on flexibility, high quality and short runs. By acquiring the next company, he can ensure that they are targeting products that take advantage of these benefits.

> *"So what it's about – the next acquisition is about getting hooked into that delivery system and securing it a contract that allows it to keep on supplying*

its quality. And it's also enhancing that – at the moment it's not performing as well as it should because it's marketing and sales and distribution is poorly organised and I can go and fix that." – B12

7.3.3 Challenge, potential and involvement

To many portfolio entrepreneurs, the excitement that a challenge brings plays an important aspect in business entry. For example, B12 can see what was wrong with another business and how it can be fixed. In this case, he views the acquisition not only adding value to the chain but also to set better outcomes for the group.

Many one-off entrepreneurs would build a business up in order to be able to sell it at a high enough price to afford retirement. One participant tried this. After selling the first business, he found that retirement was not for him and set out to build more businesses. Part of this was because he wanted to prove to himself that the first one was not a "fluke" and that he can do it again. Although he sold the first business for $22 million, he had agonised then about floating it on the stock exchange. Not one to mope over the past, he is now well underway to build a "hundred-million dollar" company which he intends to eventually list and help shareholders become millionaires.

For B10, it is necessary that a business opportunity has good potential particularly to go nationwide and enjoys the challenge of doing so. He prefers a replication strategy especially in taking businesses to various geographic locations. B10 also has a preference for big business even if it means sharing ownership, arguing that *"it takes as much effort to run a 2 million dollar business as a 6 million dollar business."*

A majority of the other participants have indicated that a major entry criterion would be the need to have active involvement in the business. This role can be that of management oversight, mentoring or somebody who provokes discussion with a view to improving processes. Generally, the participants are not interested in passive participation in business, as in the case of arms-length investors.

7.3.4 Financial considerations

An important consideration that relates to the criteria already discussed is the financial outlook of a given venture and the prospect of good financial rewards. Among the measures they would generally evaluate are profitability, revenue stream, market position and the possession of intellectual property. In the final analysis, business is about the bottom line and portfolio entrepreneurs will examine this closely.

The participants have shown that they have become adept at judging whether a venture is profitable or at the very least have a revenue stream. To G2, new opportunities should able to be linked to some part of his business and generate money out of it. Otherwise, he would reject the idea. This sentiment is echoed by C3 who insists that if there is no money in it, then it is not worth doing. A1 has a two-way test that is more risk-related; first, how much money will be required and secondly, if he went into it and things did not work out, what and how much he will lose.

For software entrepreneur M15, opportunities would often cross his desk but they would have to be outstanding for them to be looked at. In judging this, they have a set of core criteria in considering business proposals. This consists firstly of the condition that any intellectual property should belong to them, the business should be either number one or two in the market and finally, there should be several million profit that can be seen. If it meets the criteria, then they will look at it.

B10 says that he would always start with the numbers and he is always looking for a business that is solidly profitable. After having turned around so many businesses in the past, he no longer has any interest in struggling businesses. His preference is to find a good business through his network of contacts, pay a good price and improve the business. The business will need to have good turnover and be a top competitor in its market sector. If the business has got an edge such as having a niche market or a specialisation, and has developed a good reputation, that is an extra advantage.

7.3.5 Complements or related to other businesses

One participant describes the apparent diversity of his operations as in fact inter-related in a different context. This is because his original training in project management is a transferable skill to building, manufacturing and others. Portfolio management is just as much about bringing many diverse things together, as forming a group or portfolio of companies. For many entrepreneurs, forming a business group becomes a necessary move when the core business benefits from such a move. B12 acquired one venture to secure a supply line of a particular type of products that was vital to their manufacturing operations. They have been reliant on this supplier for die-casting. When this business was put up for sale, they learned that their opposition was interested in buying it. They saw this as a threat and seized the opportunity. The next one was to try and save a major customer and turn them into something better. The two acquisitions were to remain stand alone companies that complement their core business.

To D9, attractive opportunities are hard to resist. He does not have a threshold or maximum number of companies and is always alert about opportunities that may come along. He admits that in his enthusiasm, he had to focus on trying to limit his ambition.

> *"…because I would like to do everything but that's not possible… and I think I would rather be better to put my energies into growing the businesses I've got… and then be looking on the things on the side."*

P5 however does not have this issue because he is clear in his mind that his business operations should have a property component. For example he would not get involved in biotechnology which is far from related to his core property business.

7.3.6 Understanding of or interest in

It is very rare that an entrepreneur would go into business that he/she has no understanding of or even the slightest interest in. This is perhaps understandable given

that some portfolio entrepreneurs are very narrow in their business interests. The property developer for example would be inclined to invest in hotels, subdivisions, garages and shopping complexes. This same entrepreneur would not however contemplate on investing in software development or biotechnology. One participant pointed out that there are a few examples of New Zealand entrepreneurs who tried dabbling in different industries and failed.

This strategy seems sound when looking at the experience of a couple of participants who had unhappy forays into territories they did not fully understand. A1 had a 25% share in a company that maintained offshore oil rigs. Since he knew nothing of the industry, he decided to get out of it because he suspected that the company was going to end up in court. Fortunately, this happened after he took his investment out. Another participant took out a 30% share in a restaurant and regretted it. He admits he knew very little about the industry and only went in because of friends. Although he is still in the business, he does not think he will ever get involved in a similar venture again.

While the two participants had unfortunate experiences, others were more determined not to even try it.

> *"I'm backing myself really, sticking to what I know, I don't believe in dabbling, I don't speculate."* - *G2*

Understanding does not necessarily have to be thorough. D4 insists that any business he goes into have to be in areas that he can at least understand what people are doing. For example, although unable to do software coding, he understands the philosophy of what it is trying to do being an "underpinning technology" that is used in many industries such as marine, business, education or his main area of interest which are electronics and communication. This is his rationale for investing in software technology but not biotechnology. Being an angel investor, he has come across many opportunities. Consequently, there needed to be a certain targeting because there were so many clever ideas and he cannot practically accommodate everyone.

Just what constitutes knowledge and understanding may be perceived differently by individual entrepreneurs. B10 admits that while management skills maybe transferable across many industries, one cannot know everything about every industry. His knowledge on import-distribution and marketing and sales were sufficient for him to venture into retail and distribution because he felt reasonably comfortable with the type of business. For instance, he finds that manufacturing is a fairly tough business because of the equipment outlay, although he would not completely rule out the possibility of being involved in the right manufacturing venture. J6 agrees but adds that because he is not likely to get into industries he does not have some knowledge of, the choices are very limited. For this reason, he had turned down many business proposals.

7.3.7 Ethical and moral considerations

Alongside the criteria of entry, the participants have also identified businesses that they would not get into. A majority of these are simply for ethical and moral reasons. A few of the participants have also talked about instances of being asked to participate in non-desirable ventures and business deals. In cases where the realisation of being in business with some unethical business practices, they would take immediate action. This sometimes results in investments withdrawn despite losses that maybe incurred.

> *"When it's illegal, unethical, immoral, we don't do. And I also don't do things that others are already doing." – G2*

> *"I am personally motivated to try and build a great technology that is built on good ethics and business principles and business models." - M15*

> *"I always tried to treat my opposition fairly and not to steal their companies, and invade their turf." – B14*

> *"My ethical base did not allow me to do that. My science training hobbled me the whole way along about proof - empirical evidence, you know herbal extracts."-C3*

The cited statements are excerpts that indicate how strongly the participants feel about ethical and moral issues in business. It is beyond the scope of this thesis to report on corporate or entrepreneurial social responsibility but this is an issue that is worth pursuing in another study. Table 7.2 lists some of the identified areas that do not meet their ethical consideration set.

Table 7.2 No-go businesses

1. gambling ventures
2. alcohol and tobacco
3. ventures that cause damage to environment or society
4. pubs
5. herbal tablets and wonder
6. miracle cures
7. fraudulent practices

Businesses that they would not go into because of no knowledge/understanding or not in the business model that they are trying to build include but are not necessarily limited to the following: meat processing; software or technology; café, bars, retail premises; me-too businesses or those business that others are already doing. Over-all, the participants are interested in unique and better solutions than others that are already available in the market.

7.3.8 Heuristics and strategies

Given the opportunities, entrepreneurs try and narrow down choices using some form of heuristics as to their viability and whether or not they will pursue the options further. The following are among the rules of thumb that participants have shared:

1. Participants have indicated that they favourably consider options that have an **on-going revenue stream**. If the venture has some good growth prospects, this is even better. An ongoing revenue stream gives them a better insight on how the business can be grown and/or improved.

2. If the opportunity is in an industry that the entrepreneur has some **good knowledge of**, the entrepreneur is likely to take the investigation a step further. Industry knowledge is not narrowly defined. Sometimes business experience on its own can be sufficient in assessing opportunities and some participants have successfully pursued diversified business opportunities.

3. Having **partners who think and function like them** is also an added attraction. There is nothing more off-putting than having partners or proposals from people who are regarded as incompetent and do not know what they are talking about.

4. For a majority of the participants, being a passive investor is not an attractive option and they would prefer to **have some form of involvement in every business.** This maybe in terms of management, oversight, etc.

5. This involvement also extends to others who are in the business with them. They prefer **business partners that have a financial stake** in the business. This is to mitigate risk. By having others with equal interests in the game, and/or have knowledge in other areas of business as well, one does not need to have "a really extensive great knowledge" than if one was going into the business alone.

   "… that the people that you are involved with do have some skin in the game, some ownership of the thing, so they've got some finances up front at risk as well."

6. The strategy maybe serendipitous and based on **first impressions or gut feeling.** Often this would be brought about by chance meetings with others who they appear to like and feel can work with them. The best combination are those that have a certain chemistry that allows them to work well together

7. For many, the decision to pursue business opportunities depends on the **stimulation** that an opportunity gives them. Once involved, most of them become extremely focused. They drive the venture to fruition and then move on to the next challenge.

> *"If I found a project that really gets my juices going, I will go for it and that's at the exclusion of everything else."*

7.4 Conclusion

Many successful ventures start with opportunity search and recognition. This is regarded as a major stage in the entrepreneurial process. While "opportunity" has been a popular area of research for entrepreneurship scholars, not much is known about how portfolio entrepreneurs undertake this process. Portfolio entrepreneurs are different from novice or other single-venture entrepreneurs primarily because they are involved in multiple businesses.

The case results indicate that portfolio entrepreneurs engage in environmental scanning for possible opportunities. They are also likely to deliberately seek out opportunities that particularly interest them. There is evidence that family is as much a hindrance to their business aspirations although providing inspiration at the same time. Family and social networks are less influential in opportunity search than business networks. Business networks are a source of information and resources and they tend to work with the same partners in multiple ventures while also pursuing their individual business interest.

Although their decision criteria include tangible attributes such as: on-going revenue stream, good growth prospects, industry considerations, partner involvement, etc., they also consider opportunities based on gut feeling, serendipity, challenge and the stimulation that opportunities bring. Many of the participants believe that experience has taught them valuable lessons that encourage them to do better next time. These lessons have centred on being better able to manage risk, overcoming financial constraints and ability to judge and handle people better. It also appears that

experience also brings about credibility and confidence in subsequent business transactions.

This chapter explored how portfolio entrepreneurs engage in opportunity search and recognition by capturing and reporting the experiences of a group of entrepreneurs that have been involved in the pursuit of a number of businesses. More specifically, it investigated how portfolio entrepreneurs look for opportunities, their heuristics and strategies in the pursuit of perceived opportunities and the role that family, networks and experience play in the process. Here we glean into the experiences of portfolio entrepreneurs and shed some explanation on how and why experienced entrepreneurs pursue particular opportunities and not others. It is proposed that being experienced entrepreneurs; habitual entrepreneurs would use a variety of sources and strategies in the pursuit of perceived opportunities.

CHAPTER 8

THE ENTREPRENEURIAL PROCESS II

STRATEGIES FOR GROWTH

8.1 Introduction

The objective of this section of the study was to explore the growth strategies of successful portfolio entrepreneurs, an area that has been neglected in previous research. A new strategic framework is introduced to identify, categorise, and explain the strategies used. It was the conversation reported in MacMillan (1986) that first pointed entrepreneurship researchers towards the study of habitual entrepreneurs, arguably the most practised of business founders, in order to derive lessons from their experiences. The need to focus on the individual rather than the business was given further impetus in the influential paper by Scott and Rosa (1996) and a stream of research can be traced back to this paper, including a growing number of studies on portfolio entrepreneurs, an identifiable sub-set of business founders (Westhead and Wright, 1998). Some years later however, Ucbasaran, Westhead and Wright (2001) were still pointing to the need to identify the skills accumulated by successful habitual entrepreneurs so that these could be made available to less experienced people. Portfolio entrepreneurs have been around for a long time and may indeed be the dominant form of entrepreneurial activity in some countries (Carter, Tagg and Dimitratos 2004). These entrepreneurs also rate themselves as more creative and more innovative than other entrepreneurs, especially novices (Westhead, Ucbasaran and Wright 2005) and appear to offer the more attractive growth prospects (Westhead, Ucbasaran, Wright and Binks 2005). There remains however a great deal that we do not know about the growth strategies used to develop these portfolios (Carter and Ram 2003; Iacobucci and Rosa 2005). In this chapter how a group of successful entrepreneurs have grown their portfolios is explored.

8.2 Background in the literature

The literature has established relatively high incidences of habitual entrepreneurship, of up to 51% across study samples. On average, 25% of appears to be more common (Birley and Westhead 1993; Westhead, Ucbasaran and Wright 2005) reported almost 25% of their sample to be portfolio entrepreneurs. Rosa and Scott (1999) established that multiple business ownership is common in the small firms sector. Portfolio entrepreneurs are also more likely to be associated with high growth companies. This is complex process and the reasons for creating portfolios were reported to be quite varied and not necessarily driven by purely economic considerations. They have also argued that the growth of a portfolio of firms would depend much more on internal supply-side factors, i.e., the entrepreneur.

Two parallel but distinct paths have begun to emerge in this literature and it is likely that neither will adequately encompass the growth issue. On the one hand we have studies of the genealogy of business portfolios and the relationships among the extant businesses (Rosa, 1998; Iacobucci and Rosa 2005). This path does seek to confirm that portfolios are a result of entrepreneurial behaviour (in pursuit of opportunity) rather than of 'survivalist' reactions designed to avoid adversity. It finds that portfolio entrepreneurs do better by concentrating on internal development around core activities, with unrelated diversification being much less frequent and often attributable to hobbies or changes in direction (Rosa and Scott 1999). The second path puts more emphasis on identifying the characteristics and performance of the entrepreneurs themselves, with less attention to the nature and growth of the business portfolios as such. Recent findings here are that, despite their greater business experience, portfolio entrepreneurs do not appear to perform better than other types of entrepreneurs (Ucbasaran, Westhead and Wright, 2006: 188-197). Both paths converge however in advocating the use of case study research in order to better understand the growth strategies of portfolio entrepreneurs.

While the lack of previous research accounts for the exploratory nature of this study, it is important nevertheless to have a clear idea of what is being explored and what one might find. These findings are developed in the paper as propositions that is

hoped will guide future research on portfolio growth strategies. Unlike novice and serial entrepreneurs who can only grow through a single business, portfolio entrepreneurs also have the option of adding to the number of businesses in their portfolio. The conceptual framework used to capture this is presented in Figure 8.1.

Figure 8.1 Growth strategies for portfolio entrepreneurs

GROWTH FOCUS:	**STRATEGIC FOCUS**:	
	'INTERNAL'	'EXTERNAL'
BUSINESS UNIT Size of individual businesses within the portfolio	SPECIALISATION Organic growth or merger of individual businesses within the portfolio.	ASSIMILATION Growth by assimilation of a business external to the portfolio.
PORTFOLIO The number of businesses making up the portfolio	EXPANSION Growth of the portfolio by start-up of new businesses and de-mergers.	ACQUISITION Growth of the portfolio by acquiring existing stand-alone businesses

Proposed here is a framework that is two-dimensional and allows for four types of growth strategy. Growth strategies can have either an 'internal' or an 'external' focus and be geared to increasing the size of an individual business unit or the portfolio itself. So, this scheme incorporates the extra dimension for growth available only to portfolio entrepreneurs, viz., expanding the number of businesses in the portfolio. Specialisation is a growth strategy that focuses on the organic growth or merger involving a few existing businesses which may then develop over time to dominate the portfolio. Expansion strategies are those that generate growth in the number of units in the portfolio, essentially due to new start-ups from within the portfolio or the

de-merging of its larger units. Looking externally to the current portfolio, a business may elect to expand by the assimilation of another business, e.g., by horizontal merger, where synergies can be gained. This would create a larger business but no increase in portfolio numbers. Finally, businesses can be brought into the portfolio by acquisition and, if there are no synergies, these will continue as stand-alone units in an expanded portfolio.

Given that the intention is to study the growth strategies of successful portfolio entrepreneurs, current research on the relationships among businesses in such portfolios would lead to an expectation of a largely 'internal' strategic focus, with one or two businesses dominating the growth of portfolios. Where 'external' strategies are chosen, these could be pursued either by the assimilation of another business or through acquisition. While the assimilation strategy would almost always have to have a degree of relatedness to the portfolio activity, an acquisition strategy could involve either related or unrelated additions. One does expect however to find most 'external' strategies to involve acquisition rather than assimilation because the portfolio structure is more conducive to acquisitions than it is for assimilations. Indeed there is little evidence for merger/integration focus in the literature and presumably the portfolio structure would make acquisitions easier to absorb and manage (Rosa 1998). This framework can also reflect the dynamic nature of portfolios by allowing for linkages among the quadrants, e.g., a business could be acquired, then assimilated into an existing portfolio business where, after a period of growth due to specialisation, the enlarged entity could be de-merged into separate units and so expand the size of the portfolio.

Portfolios such as these are not static and there is scope within Figure 9.1 to embrace changes in the number of units in a portfolio in terms of the level of 'churn' or flux that has been observed within portfolios (Rosa and Scott 1999). This is of interest because it creates a new dimension along which to study the behaviour of portfolio entrepreneurs, one that is not available to either novice or serial entrepreneurs. When viewed over a reasonable period of time, one could however view serial entrepreneurs as one end of this spectrum representing very high rates of churn given that, at any point in time they have a 'portfolio' of one business. At the other extreme there would be the traditional single business (or novice) entrepreneurs who aspire to zero churn,

starting and maintaining only one business. In between these extremes are portfolio entrepreneurs, some of who may behave in ways akin to their serial counterparts with a strategy that leads to high churn in their portfolios. Others may have very stable portfolios with low levels of churn, so differing levels of churn point to different growth strategies at work. It is reasonable to expect to observe lower levels of churn where an internal strategic focus was dominant as this implies some common resource base that gives some related logic to the portfolio.

8.3 Methodology

The objective of this section of the study was to explore the growth strategies of successful portfolio entrepreneurs using the framework in Figure 9.1 and so identify, categorise, and explain the strategies used. Indeed, there were major differences among the portfolios in terms of their size, relatedness, and the amount of churn, i.e., business exited as a ratio of current portfolio size, all areas of which would merit further research. The analysis was designed to gain as much insight as possible into how portfolio entrepreneurs formulated and implemented growth strategies (Churchill 1992; Gartner and Birley 2002).

The approach was to allow the entrepreneurs to relate their growth strategies. For this section of analysis, eleven of the fifteen participants' portfolios were selected with businesses in a range of sectors including manufacturing, tourism, property, and information technology. A profile of the selected participants is presented in Table 1. Two of the eleven appear in the *National Business Review* Rich List of New Zealand; one has won a national Young Entrepreneur of the Year Award; and most of the participants already have or are intending to set up overseas operations. In each case a diagram of the portfolios, including businesses that had been exited were produced. At the end of the discussion section, two examples of portfolios; C3 (small, related) and J6 (larger, unrelated) are illustrated. These are represented as Figure 8.2 and 8.3 respectively.

Table 8.1 The nature of the portfolios

ID	Businesses currently owned (2005)	Acquired	Internal	RELATED TO CORE BY:				UNRELATED TO CORE:		Exits (before 2005)	Total number owned
				PRODUCT		MARKET					
				100%	Joint	100%	Joint	100%	Joint		
A1	4		4	2				2		9	13
G2	5		5	1		2		2		4	9
C3	6	3	3	5				1		3	9
J6	10		10		1			6	3	3	13
J7	5		5					1	4	2	7
D9	16	9	7	6		4	2	3	1	3	19
B10	5	2	3	1	1	1	2			2	7
G11	11	6	5	2	4	3		1	1	3	14
B12	7	6	1		1		1	2	3	1	8
H13	3		3	2					1	0	3
M15	16	9	7	5	6	2	1	1	1	1	17
Total	88	35	53	24	13	12	6	19	14	31	119

8.4 Analysis

Growth could mean different things to different entrepreneurs. Whereas the common connotation of growth is for economic outcomes, growth can be achieved in different aspects of the business. A participant made this statement that explains how growth can be viewed.

> *"Well it could be growth of anything, it could be growth of interactions, it could be growth of relationships, it could be simple consumption of time, it could be all sorts of ... I mean growth, has connotations of economic growth, where it need not necessarily be economic growth, it could be growth of imports, it could be growth of interactions, it could be growth in any number of dimensions… people who felt that they were innovative and they were shifting resources, but it was to get better outcomes with the same resource…and not necessarily economic growth … So it is not all about money. In fact, once you have enough money, and enough is relative, it probably is less about money than it is about fulfilment, or this touchy, feely stuff." - JW*

However, where economic growth is concerned, strategies employed by portfolio entrepreneurs in the study can be classified into internal and external strategies. Although some of these strategies are pursued earnestly, most portfolio entrepreneurs do not employ one or two exclusively. Indeed, as reported here, use a combination of internal and external strategies at some stage in portfolio development as well as a process of amalgamating and splitting of companies as circumstances change.

8.4.1 Overview

At the time of the interviews (2005), the average portfolio size was eight businesses ranging from three to sixteen. These eleven portfolio entrepreneurs (all male, average age 48 years in 2005) controlled 88 businesses in 2005, and had exited from a further 31 businesses prior to this. The strategies employed by these portfolio entrepreneurs were classified broadly into 'internal' and 'external' (acquisition), with several of the

entrepreneurs using these strategies in combination at some stage in portfolio development. Indeed, with reference to Table 1, six of the eleven entrepreneurs had used both external and internal strategies to build their current portfolios and in four instances the portfolios are made up mainly of acquired businesses. Our study also identified a strategy involving the merging and de-merging of companies, something that is facilitated by the portfolio structure. Where the 2005 portfolio was created by internal development alone, the average portfolio size was 5.2 businesses, with the majority operating in areas unrelated to the core activity. In contrast, where both internal and acquisition routes were used, the average portfolio size was 10.2 business and the majority of these were related by either product or market. The average degree of flux in these portfolios – measured here as the ratio of exits to current portfolio size – is 0.35, but this ranges from zero to a very high 2.25. It is also worth noting that the larger portfolios where acquisition was used were the more core-related and did not evidence a pattern of higher churn. These patterns are of course not statistically valid but they do lead the author to propose that churn may be independent of portfolio size and growth strategy. The discussion that follows is geared towards explaining these particular patterns and suggesting some additional propositions to guide further research.

8.4.2 Internal strategic focus

These are growth strategies that concentrate on the growth of particular businesses within the portfolio and/or portfolio size due to the emergence of new businesses within the portfolio. The literature tends to suggest that one or two business units will grow to dominate a portfolio and that any portfolio multiplication reflects the appearance of new businesses within the portfolio due to either *de novo* start-up or the break-up (de-merger) of existing units. Hence one would expect to see a pattern in the cases that emphasised this internal focus.

With many of the portfolio entrepreneurs, growth from within is a goal that they actively pursue. These are achieved by a combination of strategies put in place such as product and/or service expansion, market development, territorial and geographic expansion and internal financial injection.

8.4.2.1 Specialisation

All the entrepreneurs had at some stage placed considerable emphasis on the internal growth of one or two of their business units, and for some, this was the main growth strategy behind their current portfolio. These internal growth strategies involve growing current products and/or services in existing markets; market development; and geographic expansion, the same growth strategies available to the single business owner.

Product and/or service expansion. The most traditional way of growing existing businesses is still a popular strategy used by many portfolio entrepreneurs. Often these are related to their core competence. This is especially true among participants in the study who are involved in software development and information technology, consulting, manufacturing and perhaps most expectedly wholesale and retail distribution. For example, a participant who started as a company running workshops and seminars for small businesses found that there were better ways to deliver more of these workshops that just himself conducting it.

> *'So we used to run …workshops or seminars … it started off as workshops but I've quickly worked out that, you know, for me I can deliver about 50 workshops a year. Then our company delivers about 400, because we get other people to do it. But that's not going to create a big revenue stream … within the workshops, so we basically this year made a decision to invest and take a risk around transferring our workshop material and content into software' –G2*

For this entrepreneur, it was replication that allowed them to scale-up the business four-fold. The realisation that this has barely scratched the surface and that there was a tremendous growth potential in their product led them to engage technology in pursuing growth. Transferring their material into software has led them to major contracts with institutions such as banks that provide support to their business customers.

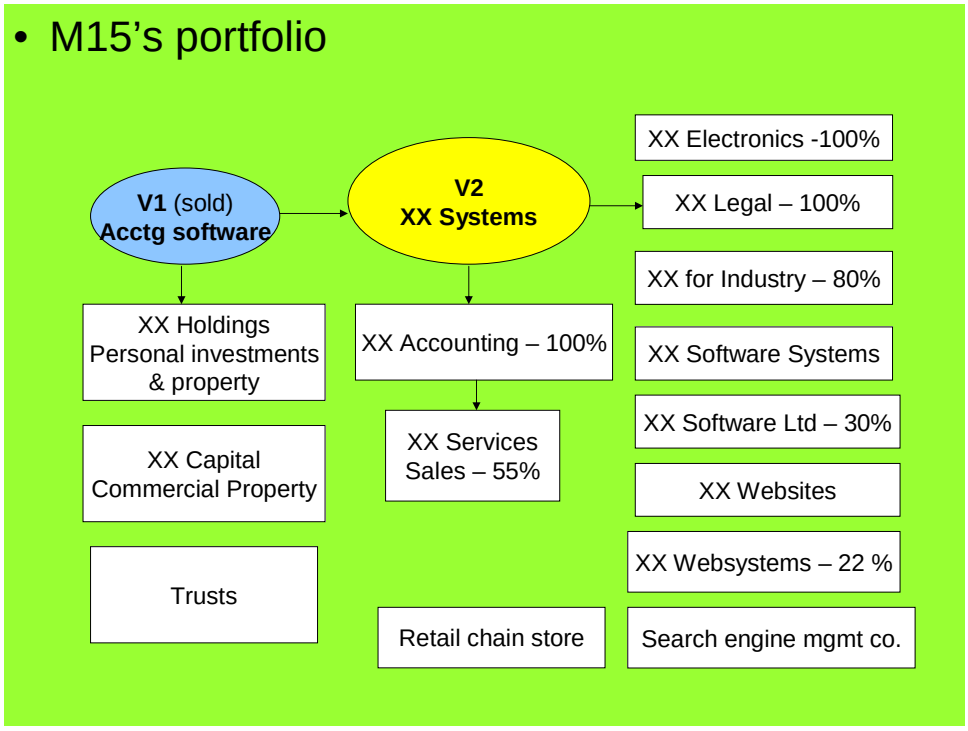
Another entrepreneur that started in business developing an accounting system which was eventually sold to a major accounting software company for $22 million dollars went on to develop other business-related software products especially those that complement already existing ones. Inspired by the success of the initial product, they are developing more products intended to replace existing ones not only in the way businesses use these products but also in the way these products are delivered to the users using the web.

> *"The web dominates my time and products for the week and so we are heavily involved in that in terms of…we bought a web site development company, and shifted to the Gold Coast on the intent of developing software for SMEs that they can manage their whole E business. That's a lot of jargon, but it is quite different for the provision that … we are actually writing software that will run on the web, so we will get more products out there which I believe will replace some of the traditional competitors and make us a very large company." –M15*

This entrepreneur's portfolio of technology companies as illustrated in Figure 8.2 also adapts some *"core criteria"* derived from his analysis of what made them successful in the original business. Apart from their in-house product development, they may also be involved in other businesses within a given criteria.

> *"I have got a technology company, and also we involve ourselves in business that meets some core criteria otherwise I'm not interested, and that criteria has come from analysis of what made us successful in [X] Systems. And they are things like we must own the IP, I'm not interested in distributing someone else's product or anything like that, we develop and own all our own IP. Any business I am involved in must have an on going revenue stream. – M15*

Figure 8.2 M15's portfolio of companies



M15 built multi-million dollar companies but admits that he never thought his businesses would grow so huge. It was not something he has purposely set out to do at the outset. However, decisions to grow involved finding the right people and the responsibility towards their welfare.

Although growth can be organic and propelled by developing products and services in-house, customers and suppliers also play a part in business growth. One participant who owns an engineering and manufacturing business grew his business by expanding their product and services range to meet the need of customers. Here, he describes what they do and how they have grown to accommodate these needs:

> *'It manufactures machine's metal parts…it makes stuff out of solid metal and it's mainly componentry for the electronic industry – things like heating enclosures and over time the amount of business it's done has changed and grown and expanded and you know it does a certain amount of mechanical electronic assembly, some testing, they've now owned an iodising plant which is grown and built across the road…and the idea of that is we needed to expand the length of*

services we were doing and… is a big issue and we got one particular client that badly needs this particular machine.' – B12

Servicing customers also featured in another entrepreneur's business growth. His business is a major distributor of panel beating products. He realised that his business would grow if his customers are doing well, he fell back on his consulting experience to help customers with their business:

'by providing a bit of free consulting effectively – going in and say you know, let's have a chat about your business – you're not making any money so …it's one way of building up the relationship …' - B10

This type of innovation complements his traditional broadening the product range approach and it is one that supports the growth of the business through increasing its geographic scope while protecting market share and territory:

'Ah, well number 1 is territory, broadening the territory…and there's quite a few opportunities to do that… highest market share would be the Nelson area – probably 60% up there... Christchurch would be probably the largest but probably more like 25-30%, and lower as you go down the island.' - B10

However, geographic expansion does not occur before a new branch is justified in terms of likely sales and ability to cover overheads. In the interim, customers are serviced directly from the nearest location, which could be a hundred miles away and clearly less convenient for customers.

Market development. Alongside product and service expansion, the next focus for growth is in the development of the market. Often, where a business has been successful in one market, entrepreneurs look to similar markets to grow their business. This was the case for an electronic design and manufacturing company. A contract to supply Telecom New Zealand with a range of their products enabled them to pursue similar markets. Although they were stretched over a period of time, the success of such a huge contract gave them the confidence and experience to go into Australia

and other foreign markets. These markets also became the recipient of products from their other design company:

> *'Well it was a series of contracts over a number of years of course… but the first 6 months of course created huge pressures of firstly putting our knowledge, numbers together and service together and of course allowed us to go into Telecom Australia.' - J6*

Given the size of the New Zealand market, finding a customer bigger than Telecom is almost impossible. Most New Zealand businesses therefore look to export markets where similar applications for current products are possible. This is the case for another portfolio entrepreneur whose sport software product was adapted by New Zealand Cricket and Touch New Zealand. They are now looking at customising this product for English cricket and narrowing the focus instead of a single standardised version thus creating a niche for their IT solution:

> *'We have a product which is gained some traction - allows us to go international because it's internationalization that is the big issue because you're not going to make lots of money doing what we're doing in Christchurch. So over time, we're going to build a product … which is a vertically integrated IT system that allows sports organizations to manage their entire IT infrastructure on-line with some client application. We have an opportunity to pitch that to the English cricket board and they liked it, we can do it. In that way, we specialize in one narrow area that we can internationalise because the idea that of rolling out a whole suite of [X] replicates around the world is nonsense, it's not gonna happen.' – C3*

In this entrepreneur's view, internationalisation demands that they have to be narrowly focused and being "the best in what we do in that area." He is convinced that this is where they are likely to make money. So from a broader application, their sports product will become more and more specialised and applied tightly. Another software developer looks at system customisation in the small business area more

because he is fascinated by how he can change things rather than just the financial returns of such systems:

> *'So I am fascinated by that area, because that is just an interest I have. I am fascinated by technology change, that has quite revolutionised the world and you go back, when I am older and say, "hey, I started on the accounting practice where we had a bookkeeping machine, and the computer really revolutionalised how that process worked and then PCs revolutionised that again, and Windows revolutionalised that again, and I think the internet is going to revolutionise change with a generation of products, it will change, and create huge business opportunity.' - M15*

This entrepreneur believes that growth can be achieved by allowing systemisation to scale such as what could be achieved with franchising. He admits that replication of systems and the web dominates his current thinking:

> *'But if you systemise the business well, then you allow it to scale. So you scale to the world, you just keep on growing, and found systemisation works well. And in some ways in some businesses ultimate systemisation is franchising, where you in effect duplicate so from a Michael Hill Jeweller to Flight Centre, to whatever you look at, I will put another one of those things in.' – M15*

Having already saturated the New Zealand market, international expansion is very much in the forefront of this entrepreneur's growth strategy.

8.4.2.2 Expansion

These growth strategies are interesting for two reasons. First, they can involve both an external and then an internal aspect and, second, it is strategies such as these that take full advantage of the portfolio structure. In the case of a fast growing business, it may become too big to remain a single entity with multiple divisions, and it may make

good business sense to separate certain divisions into stand alone businesses. Therefore, within this environment, there is a process of merging and splitting:

> *'It could be for example down the track it will make sense to merge a couple of my interests into one entity…Separate, break something out, so the very fact that you are in a position where you are sitting with bits of equity here and there….' - J7*

In the case of an IT entrepreneur, he purposely set out to buy out certain companies with the ready capabilities that he required for his core venture. So in effect he bought and then combined three separate businesses to form one single development company. Another entrepreneur in the same industry has also done this pro-actively:

> *'[X] Systems is just an old company- taken over and probably will disappear in the end. [X]Websites is an old company that will disappear in the end, because that will get woven into [X] Ltd. [X]Legal Software will go…' – M15*

In other cases, separating businesses is a result of growth in the product range. In the case of adventure tourism for example, two distinct client bases had emerged and the entrepreneur felt that the time has come to split the business so the staff can have clarity of their functions and who their customers are:

> *'I think that ultimately they'll be better separated because they are two different industries and markets and you've got someone here bound to talk to a Chief Executive and presented to management and how you need to be poised you know is different'. H13*

Another reason is to provide separate investment opportunities for would-be investors into the business. H13 created two separate companies from the core business to allow staff shareholding in one aspect of the business, while simultaneously seeking investment from other sources.

'…and part of the initial plan was there was going to be some employees that were going to come in as shareholders in [X1] only not [X2] so I can see them as being 2 distinctly different companies …like people want to invest just in [X1], or they can invest in [X2] as well like if we want a partner." – H13

Another entrepreneur had a number of fuel-related businesses that were fused into the bigger company. There were many other instances of this kind of event happening in the portfolio of the participants. The above scenarios are typical of how they are acted out. This discussion leads to two propositions.

Proposition (8)1: *A significant amount of the growth ascribed to portfolio entrepreneurs comes from specialisation strategies that are also available to single business owners.*

Proposition (8)2: *In addition to de novo entry, the portfolio structure facilitates its own expansion through the de-merger of existing businesses, an option available only to portfolio entrepreneurs.*

8.4.3 External strategic focus

'... and that criterion has come from analysis of what made us successful in [X] Systems. And they are things like we must own the IP, I'm not interested in distributing someone else's product or anything like that, we develop and own all our own IP. Any business I am involved in must have an on going revenue stream.' – M15

8.4.3.1 Acquisition and assimilation

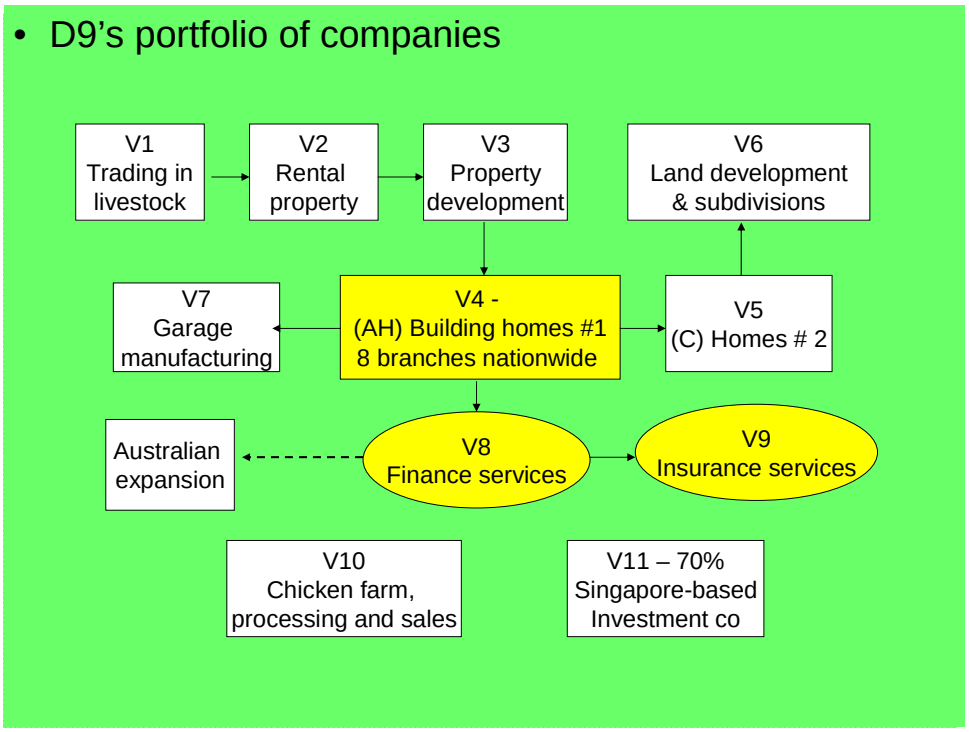
These are growth strategies that operate outside the portfolio seeking to expand a business unit by merging and integrating with another business and/or increase the number of units in a portfolio by acquisition. As reported in table 1, six of the 11 entrepreneurs had acquired businesses in their current portfolios. Given the size and success of these portfolios, one can expect a more widespread resort to acquisition.

However, while growth can be achieved by internal means from within their businesses, some of these entrepreneurs operate in fast growing, dynamic business environment where the speed by which products and services are introduced in the market is crucial. Internal growth is complemented by external measures such as acquisition, collaborative practices in the way of strong partnerships, joint ventures and strategic alliances.

Entrepreneur M15's portfolio of technology companies has been built following some *"core criteria"* derived from his analysis of what made them successful in the original business. Apart from their in-house product development, they may also be involved in other businesses that meet their criteria.

Another participant with a diversified portfolio of companies says all his businesses are related primarily in terms of growth opportunity rather than in terms of their product or market commonalities. His portfolio is illustrated in Figure 8.3 below.

Figure 8.3 D9's portfolio of fast growing companies



'Probably the related factor is the growth opportunity across … like insurance…amazing opportunity …you see I don't probably get

bogged down in all the details, because if you use logic, you would say I'm a really good property developer…like I probably know everything about property…that's all I should do… but I'd say, I'm an intelligent individual, and hey I probably have interest in some other things..' D9

Another entrepreneur looks to actively acquiring competition simply for the speed by which they can grow their business:

'… your options are either you set up from scratch or you look around for something you can acquire or absorb that might be quicker and easier way to get the business going. So there's a couple of opportunities to do that in the North Island and we'll be looking at that.' – I

Acquisitions to effectively eliminate competition are also pursued by another participant alongside his strategy of product development despite admitting that he did not need to do that. He however tried to be ethical in this process:

'I view, and I am pretty strong on this, it is a race and I am going to win it, so the idea that let's have 20 competitors and we will just work with each other, I don't believe it at all. I will say, how can we eliminate our competitors, and do that ethically and well, but I am pretty strong on that.' – M15

However, acquisitions, especially those that involve staff can be a challenge despite having done due diligence. While it may make good sense to merge newly acquired companies with existing ones, the synergy may not be there. He has found that there is often a culture clash between companies that makes mergers difficult. Learning from this experience, they opted for another model – that of branding an acquired company and running it as separate entities (hence adding to the portfolio) and put management and reporting systems in place.

"That was the initial idea, and we bought, and we purchased some companies to get a leg out like the Web company we bought it with eight staff and seven of them have gone, even though the three key shareholders said that they would stay for two years, well they didn't want to anyway. They got the money and said, oh well we would rather leave, so just some experience, for me then made me think, oh well, much as you are not going to have a Virgin model, instead I can put a brand around it. What I did was allow someone to manage it, put in good management principles and reporting and the rest, and planning. Absolutely worked! So then we thought, oh well, we will buy them, and we will do it ourselves." – M15

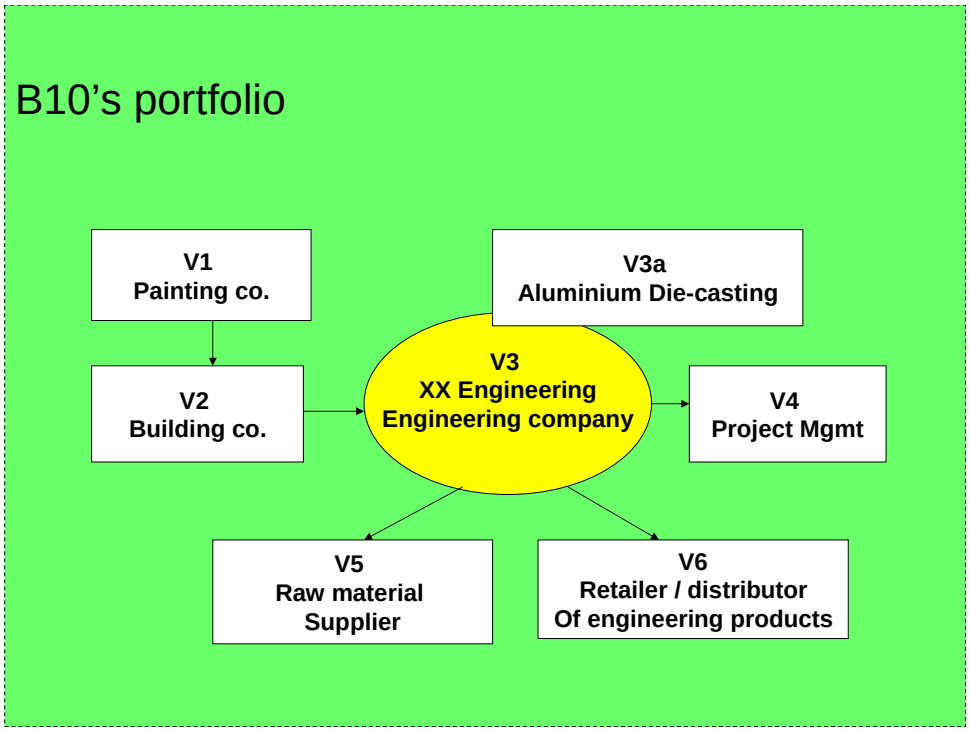
This entrepreneur also invests in shares of competitor companies "*just to get information*." Effectively, this is a form of partial acquisition. Another strong argument for acquisition as a strategy for is because such growth would have been too slow. To get to the desired scale they had to grow by acquisition and then control it from thereon.

'To get hold of client bases…also to give us instant technical capabilities…Now, it's stopped because we are at a size now … I've got to number 5 now in the city in design companies after 2 or 3 years. So now…I don't want to grow any faster. You make more money in your return on assets if you keep it at a controllable size.' - C3

Within the context of vertical or horizontal integration, opportunities for acquisition could present themselves. Growth can be constrained by deficiencies within the supply chain. This may be brought about by others along the chain having difficulties. This presents an opportunity for some kind of integration while remaining separate business entities. This is what a manufacturing engineer was faced with. The need to secure a supply line enabled him to integrate backward while helping a major customer in financial trouble to integrate forward. His portfolio is shown in Figure 8.4 He talks about the prospect of finding something that he has been looking for over a long period:

'The first one – is to secure a supply line of a particular type of products, and the next one that I'm looking at actually is a customer that's in some difficulty and I think I can save them and turn them into something really good though…we will own a very big company, …Yeah, I'm really hoping that next acquisition is a really significant point in our development. In all the time we've had the company, 21 years now…we've had an eye open for a product – and never had seen one that we really wanted.' – B10

Figure 8.4 B10's portfolio of companies



This discussion has only featured acquisition because, in line with other studies, no evidence of assimilation being used as a primary growth strategy has been found. The only strategy that featured was one of business-to-business collaboration with other companies, but none of these arrangements amounted to a merger. From this it is proposed:

Proposition (8)3: *That acquisition will be the primary external growth strategy pursued by portfolio entrepreneurs.*

Proposition(8)4: *While acquired businesses may eventually be assimilated into the portfolio, assimilation is not used as a primary strategy to grow an individual business.*

When talking about their acquisition strategy, these portfolio entrepreneurs had formulated explicit strategies to guide their behaviour, including that of acquiring competitors to create the space for faster growth. This type of guiding principle was absent when discussing internal growth strategies which seemed somewhat serendipitous in comparison (see Rosa, 1998). On this basis, the author proposes for further research that:

Proposition (8)5: *Externally-based growth strategies are not more likely to lead to unrelated portfolios.*

8.4.4 Portfolio churn

As Rosa and Scott (1999, p530) have pointed out, these portfolios of businesses are not all static and varying amounts of churn are noted. The author has chosen to measure churn simply as the ratio of businesses that have exited the portfolio since its inception to the number of businesses in the portfolio in 2005. On this reckoning, churn ranged from a high of 2.25 in portfolio 'A1' that is 8 years old, down to zero in a 7 year old portfolio 'H13'. The similarity in portfolio age effectively controls for any effect of this on churn. These particular portfolios are also similar in size and, in 2005, both were comprised solely of units that had stemmed from internal developments. Hence, these clusters represent extreme cases in terms of churn while being broadly similar on other measures of their portfolios. So, what can be learned from the case study evidence on why these two portfolios are so different on churn?

As individuals, 'A1' and 'H13' have a number of things in common. They are both university educated accountants who had some corporate experience before opting to

develop their own businesses, a move that did not have the approval of the respective sets of parents. Both have had problems with business partners but continue to aspire to growing a business to the point where it would eligible for a public float. But respective growth strategies are quite different and this does manifest in their very different churn levels. Portfolio 'A1' is highly diversified ("anything goes") and there is a restlessness in the strategy as 'A1' continues to search for the perfect business opportunity. In the process, there are failures and hence churn. In many respects, 'A1' is exhibiting serial behaviour but the timing is such that he happens to have a portfolio rather than a single business. On the other hand, 'H13' has a highly related portfolio, one that has developed around the organic growth of the original business which remains the principal focus of growth. This brings considerable focus to the growth strategy which, to an extent, is in fact closer to that of the novice entrepreneur than to a habitual entrepreneur. This leads us to propose that churn levels may be reflecting opportunity search behaviour on the part of portfolio entrepreneurs who are seeking a focus. It follows that when this focus or core is created, disconnected search activity diminishes and so does churn Ucbasaran, Wright and Westhead (2003).

8.5 Discussion

The difficulty defining growth and performance in a single business is multiplied when one tries to apply these terms to a portfolio of businesses. The study elected to use some external public sources to identify a group of portfolio entrepreneurs each of whom could be regarded as successful in what they had done. The focus has been on exploring growth strategies behind the development of these portfolios.

Portfolio entrepreneurs are of special interest in entrepreneurship research and policy because of their experience in a number of concurrent business ventures. Unlike single venture entrepreneurs, they have gained valuable expertise that is only possible with hands-on running of businesses. Wealth creation is a by-product of entrepreneurship and this is only possible if businesses grow.

This chapter has presented how successful portfolio entrepreneurs pursue the development of their business empires. Internal growth strategies such as expansion in

product, market and territory are nearly always associated with single venture entrepreneurs. However, this study has shown that portfolio entrepreneurs also use this singly or in combination with an external strategy of acquisition. These combined strategies are a means of achieving faster growth but require the flair to develop and promote new products and ideas within available resources.

This group of entrepreneurs had an average portfolio size of eight businesses (in 2005), somewhat larger than other portfolios that have been reported on in this literature. The smaller portfolios were those created from internal development and these smaller portfolios also appeared to be more serendipitous, less related in terms of either product or customer (market) attributes. These 'internal' entrepreneurs have also exited a relatively high number of other businesses prior to 2005.

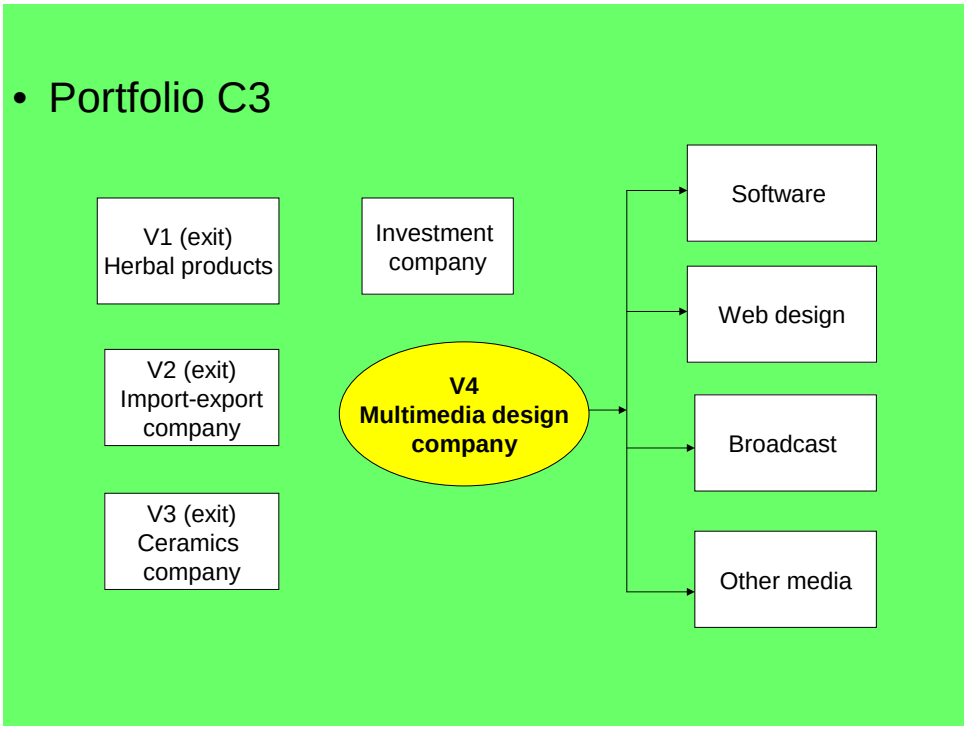
The larger, more related, portfolios were created by entrepreneurs who had also used 'external' means (essentially acquisition) to grow their portfolios. Their reasons for acting in this way were many and somewhat varied but one clear rationale was the expectation that internal growth would be too slow. Growing fast and acquiring competitors to create the space for growth were common motives, as were mentions of the opportunities and benefits of acquiring along the supply chain to overcome bottlenecks to growth. Portfolio size was an issue for this group – and they did maintain the larger portfolios - with the proviso of the size (number of separate businesses) itself being 'controllable' so as not to detract from the return on assets.

All the entrepreneurs were demonstrably successful in what they were each doing and were well-known in their business and local communities with several having reputations that extended to the national level. While all have success in common, they each evidenced their own quite distinctive views and objectives which meant that one cannot associate success with the adoption of one particular strategy. These portfolios varied markedly in size, relatedness, and the amount of flux, and yet each one can be treated as successful in its own right. Given this evidence, it is not possible to comment on the merits of each strategy as, in each case, these are an extension of the entrepreneur. The one point that can be made is based on the ubiquity with which these portfolio entrepreneurs seek significant growth within one or two of the individual businesses. This means that researchers must continue to build a better

understanding of the nature and timing of growth within the single business. This is after all the dominant form of small business ownership and also appears to be a strong focus of portfolio entrepreneurs.

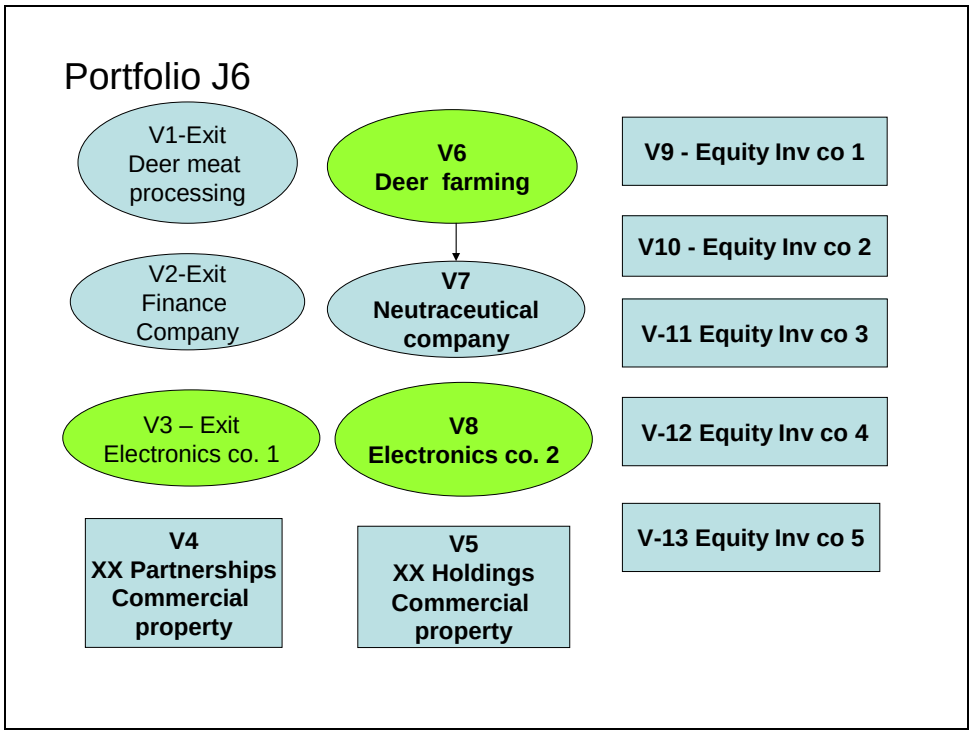
Two examples of portfolios are shown in Figure 8.5 and 8.6 illustrating two contrasting portfolio size and relatedness. Both entrepreneurs have successfully managed the growth of their individual portfolios.

Figure 8.5 Portfolio C3: small and related



V4 is C's core business, arrows indicating relatedness to this core. V6, V7, and V8 were acquired while V9 is an internal related development. V5 is also internal but unrelated to the core. V1, V2, and V3 have been exited.

Figure 8.6 Portfolio J6: larger and unrelated



V6 is D's core business with V7 a related development from this. V1, V2, and V3 have been exited. On exit from V3, another electronics venture V8 was launched. V6, V7, and V8 are actively trading. V4 and V5 are unrelated property investments. V9-V13 are independent equity investments, also unrelated to the core.

8.6 Conclusions and further research

The study has introduced a new framework within which to explore the growth strategies of portfolio entrepreneurs, an area that has not been extensively researched previously. Given the case study nature of the research, the conclusions are in the form of propositions that are intended to stimulate and guide further research. It appears that a significant amount of the growth ascribed to portfolio entrepreneurs stems from specialisation strategies that do not use the portfolio structure and are also available to single business owners. However, in addition to the well-known expansion through *de novo* entry into the portfolio, it is also noted that the portfolio structure itself facilitates its own expansion from the de-merger of existing portfolio

businesses. This is a strategy that does distinguish portfolio entrepreneurs from single business owners.

Acquisition was the dominant form of external strategy and, as others have noted, there was no evidence here of assimilation being used as a primary growth strategy. While acquired businesses may eventually be assimilated into the portfolio, assimilation was not used as a primary strategy to grow an individual business. When explaining their acquisition strategies, these portfolio entrepreneurs had formulated explicit strategies to guide their behaviour, including that of acquiring competitors to create the space for faster growth. This type of guiding principle was absent when discussing internal growth strategies which seemed somewhat serendipitous in comparison (see Rosa, 1998). On this basis, it is proposed that further research on externally-based growth strategies and whether or not these do indeed lead to more related portfolios.

The larger portfolios, where acquisition was used, were also the more core-related and did not have higher churn levels. These patterns are of course not statistically valid but they do lead the author to propose that churn may be independent of portfolio size and growth strategy. It is proposed further that these churn levels may be reflecting opportunity search behaviour on the part of portfolio entrepreneurs who are seeking a focus. It follows that when this focus or core is created disconnected search activity diminishes and so does churn Ucbasaran, Wright and Westhead (2003). In this light it would be interesting to re-examine the larger data sets used in previous studies in order to develop some statistical tests for differences in the level of churn across different types of portfolios.

The study's focus on apparently successful portfolio entrepreneurs does of course impart a success/survivor bias to the study but the intentions was to study exemplar entrepreneurs and these are much easier to identify than those who have been less successful. Since each of the portfolio entrepreneurs in this study were deemed successful while employing a blend of different strategies and tactics, the author does not conclude in favour of one strategy over others.

CHAPTER 9

THE ENTREPRENEURIAL PROCESS III

OPERATIONAL STRATEGIES

9.1 Introduction

"The initial idea to some degree, was that we would stay relatively small as a holding company and be more like Virgin"- M15

Following venture formation, the challenge for entrepreneurs is how to achieve the targets set for their multiple businesses. Portfolio entrepreneurs are unique because they operate in a different manner from those who only have a single business. A suitable way to do this is by exploring the operational strategies that they put in place and follow. These are reported in three sections in this chapter. The ownership structures that the participants prefer for their various companies are reported in 9.2, while the strategies for managing growth within each individual business as well as the portfolio as a whole are the focus of section 9.3. The final section 9.4 reports on other relevant strategies and issues that the participants are confronted with in the process of developing their portfolios. This covers such issues as financing and human resource issues as well as time allocation strategies they put in place.

9.2 Ownership structures

Portfolio entrepreneurs in this study tend to adopt a variety of ownership structures that ranged from full to varying percentages of shared ownership. Family involvement may involve directorships for spouses and adult children whereas others prefer not to

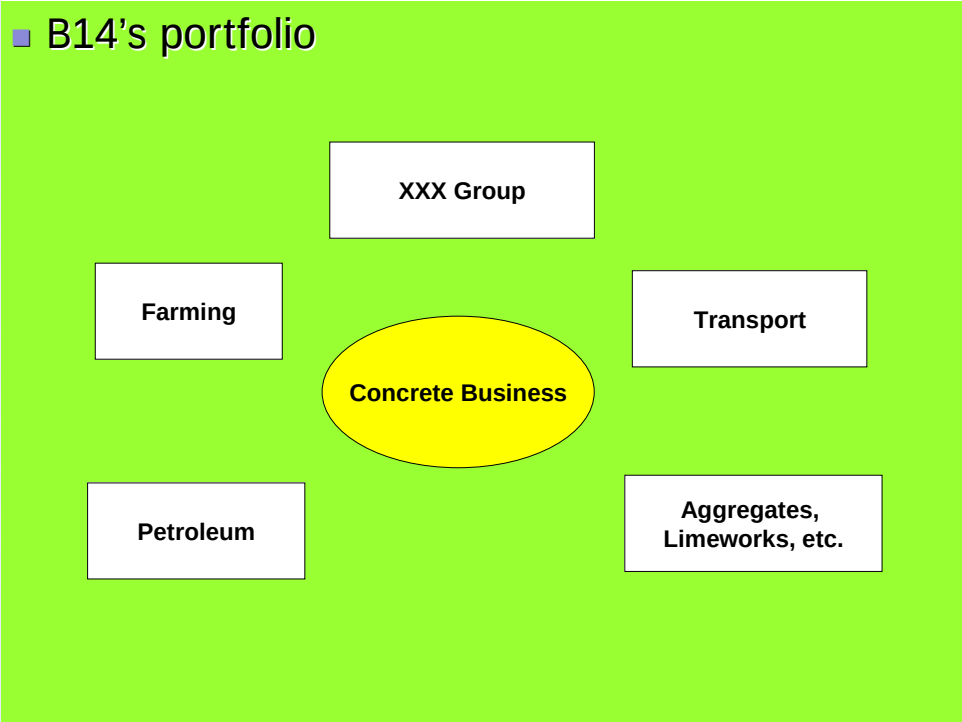
involve family for liability reasons. The use of trusts is also a preferred structure for some.

9.2.1 Full ownership

Where finance and risk are not an issue, participants prefer 100% ownership of their businesses. All the fifteen participants have businesses that they own 100% and others that they may have shared ownership. At least two of the participants (M15and A1) have indicated that they eventually would want to list a company.

In contrast to this, one participant (B14) has purchased public companies and privatised them. B14 says that 100% ownership strategies are deliberate to gain full control. Having one of the biggest portfolios not only in this study but in the whole of New Zealand, he has a very simple structure. All the businesses are either fully or 50% owned by his holding company. The reason for this is discussed in the next section. Figure 9.1 shows B14's business interests that are in five major sectors. The most dominant of these is the concrete business with an annual turnover of approximately $250 million. A holding company oversees all the other operations.

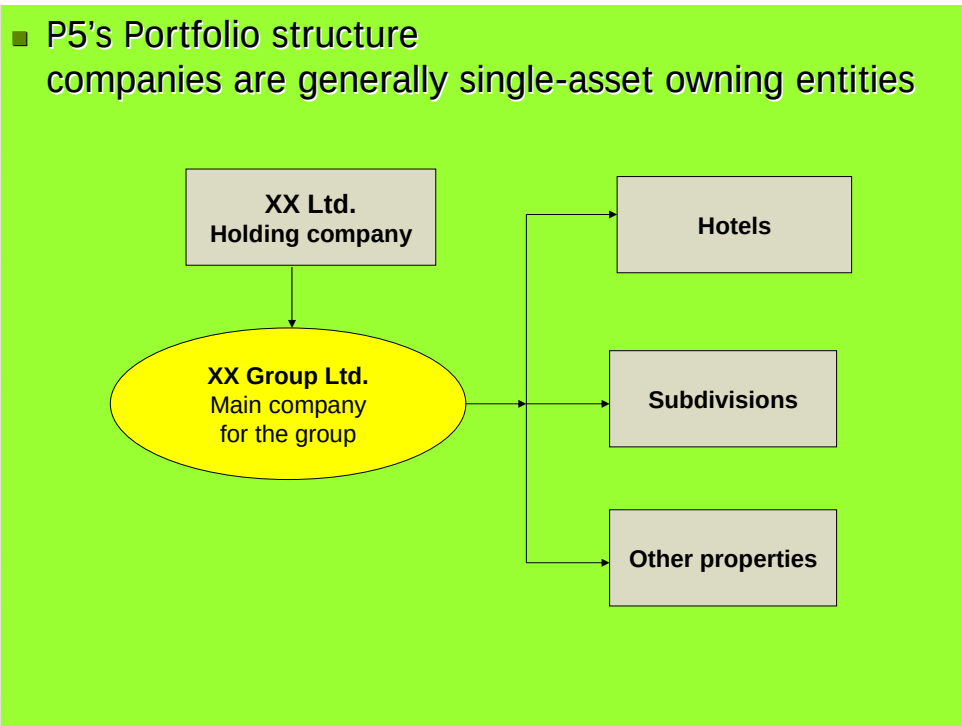
Figure 9.1 B14's business interests



Full ownership is also the preferred structure of E8 and P5. The former originally had a 25% shareholding but had bought his partner's shares and now have full ownership of a much bigger chain of business.

Even when it meant borrowing, P5 bought his brothers and sisters out of the family business in order to have full control because he did not see the same commitment from them as he had to put in to keep the business going. P5 was unhappy with the level of commitment from his siblings when they took over the family business. Despite needing to borrow, P5 preferred to buy his brothers and sisters out of the business in order to have full control and keep the business going as he liked. Being a property developer, his companies are generally single-asset owning ones. Figure 9.2 illustrates a similar structure to B14 where a holding company owns the companies within the group.

Figure 9.2. P5's portfolio structure

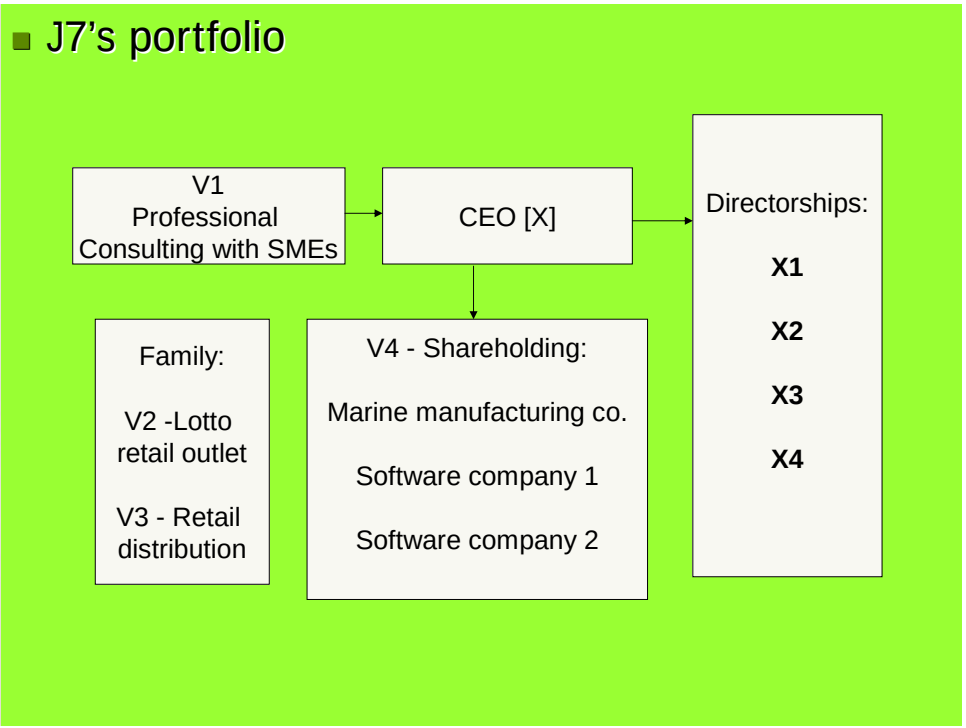


9.2.2 Shared ownership

Although the participants have full or majority ownership of some businesses, it appears that many of them are not averse to taking on partners. This is a trait that distinguishes portfolio entrepreneurs from say novice entrepreneurs who are generally thought of as rather averse to shared ownership for fear of losing control. However, individual entrepreneurs seem to have different ways of structuring their shared ownership.

For example, J7 will usually take at least 26% equity and his reason for that is because *"75% is a special resolution level, so the business can't change its nature if I own 26%."* He is the only participant in the study that holds a few external directorships. This may have a bearing on his equity preferences. Figure 9.3 shows his business and external directorships and his current position.

Figure 9.3 – J7's portfolio of companies and directorships



Others view part ownership of a bigger business more desirable than full ownership of a small one. H13 also sees shared ownership as a team game. He regards himself as a good generalist that has taken him to where he is presently but realises that to take it to the next level, he needs to have some capable people that are as committed as he is and this is possible if they have an interest in the business as well. Having partners

also benefits business because it brings in expertise that they lack and allows the entrepreneurs to *"look at other things"* and not be solely focused on the one business at hand. This is also a view shared by D9 who in a true portfolio mentality says that if he has *"got 3 or 4 balls up in the air…and get someone to run that"* he can then go and do another one.

To B10 shared ownership meant putting a consortium together to buy a big business. Being part of that consortium he feels sends a signal to other investors that everyone has a stake in the game and would ensure the success of the venture while mitigating risks for everyone involved.

A recurring strategy appears to be sharing ownership with those who work in the company. G2 has a preference for profit share strategy insisting that the best type of business to own is one where *somebody who works in it, has an interest in it.* In this context, he has full control of the business but the staff members are on profit share to encourage high performance. B12 also encourages top people in the organisation to buy into the company. He finds this method of operation suits his style and is linked to his succession plan.

The nature of the operations also dictates shareholding decisions be it 50 or 100 per cent. While corporate strategies would favour at least 51% shareholding, B15 argues that one cannot be a successful corporate owner of rural transport citing two companies that tried to do this and went broke. He deliberately takes 50% to ensure that the other partner takes full responsibility of half the business.

> *"So what we've done is financed half of each of those businesses to live and operate the business. Yeah so instead of us being a public company, we've got a company with us owning half and the guys that are running it owning half of that company so they take that company very personally… at 50/50 we got to sit around the table and sort it and that is the healthiest way to run a partnership.…"*

Meanwhile, in another industry, M15 has a shareholding mix of between 22 to 100 per cent depending on the size of the business. If the company is bigger, he is more willing to take a lesser share.

> *"I often say to people, especially businesses that you are looking at to buy, or even other entrepreneurs, I will challenge them to say do you want 100% of nothing, or 20% of something… I think a lot of people in business get stuck on ownership and think they have got to control or own the whole thing … when I sold I had 22%, which I am really happy about, but it is a psychological thing you get over, so you don't need to own the whole thing, in fact share it out.."*

9.2.3 Directorship and family

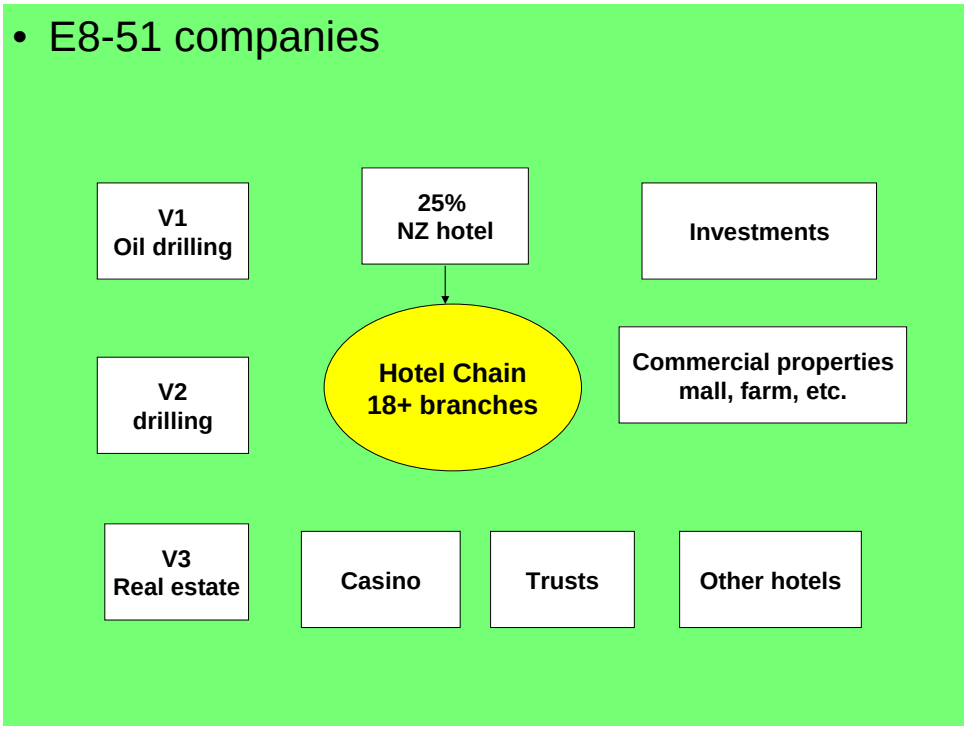
Being at the centre of their portfolios, the participants are the main directors of the businesses that they own. Generally, their spouses become co-owners of their businesses more so if their shareholding is high. G11 shared ownership of his companies with his wife and adult daughter when he cleared his financial obligations arguing that the banks no longer own part of his business.

However, although spouses and adult children are part and /or co-owners of the businesses, they are not necessarily on the boards. B10 has equal shares with his wife but does not hold any company directorship. In his opinion, directorship is a legal matter that exposes people to risk over something they have no control over. This appears to be a popular strategy among the participants whose spouses are not involved in the operations of the business.

An exception is E8 whose wife is actively involved in managing the businesses and holds an executive position. She is a co-director of nearly all the business that they co-own. Figure 9.4 shows the extent of their business interests, the core of which has developed into a major chain of hotels throughout the country and is experiencing very rapid growth. E8 has a portfolio of at least 51 companies with interests in a variety of industries but appears to have a core focus in the hospitality sector. His wife

has a high profile and is a more visible part of their business operations compared to the other spouses of the participants in this study.

Figure 9.4 E8's portfolio of business interests



9.2.4 Trusts

Alongside other ownership structures, the participants have also favoured trusts. E8 and his wife had created trusts (see Fig.9.4) which they control to run various ventures. B10's business shares are also held by a family trust. A trust also owns a majority of the businesses that M15 runs, whereas D4 and his wife use a charitable trust as a vehicle to channel some of their wealth into good causes.

9.3 Managing Growth

9.3.1 Financing

Growth is often constrained by lack of resources. In the hotel industry for example, financing requirement is so substantial that meeting growth targets can be very challenging.

> *"The greatest obstacle to the growth of the businesses is financing, particularly for the hotels. New hotels or major room additions can cost from five up to thirty million dollars. Some of this growth can be financed from currently profitable operations, but this source alone is well short of the total financing requirements required to meet … objective of becoming the largest Hotel Chain in New Zealand." – E8*

Another entrepreneur involved in adventure tourism found that operations were dependent on external factors and were heavily affected by events such as September 11 and SARS. So when they found their turnover sliding back, growth aspirations were put on hold.

> "*You know we're doing – for example last financial year we did 2 million dollars. 'Cause the gross went flat because we were too busy trying to keep alive rather than growing – growing the company and we did not really have the money to grow it. So 2003, was stopping the haemorrhaging and trying to get some clarity about what we're doing but that was quite hard." – H13*

In his case, the millions of dollars in terms of the value of his business were not readily available to support immediate growth.

> *"It's definitely the delayed gratification thing for me. It's extremely frustrating I guess in terms of growing a company – short of cash, so personally you're not pulling that chart. So I am looking forward to next year when it really starts to move forward cause I'm like millionaire in terms of here – in terms of the business it's like I guess the value of the business but that is not cash in the hand." – H13*

For the above entrepreneurs, financing is sought from institutions or bringing in equity partners. This is usually the case for those in the early stages of their entrepreneurial careers or when they are trying to grow faster. More established portfolio entrepreneurs who have built wealth tend to structure their business so that a holding company owns the other businesses in the portfolio and when finance is required, the holding company provides this, thus some form of internal financing within the portfolio is done.

> *"You see what happens now is that we've got this various businesses. You see we've got this company called … that owns them all. And these companies give us dividends. So … gets all these dividends that we get. And we look to investing. So if we're going to set up for example, we look to set up that business in the tourism area, we just write a cheque, and say that's our capital and stick it in the bank and away we go. So we don't go borrowing. We're not big on that, especially not for new ventures. You like new things, like the insurance company when we set up, we just put… wrote the cheques and put the money in and away we went." – D9*

Within the business community, opportunities often abound to invest in money-making ventures such as the share market. It is interesting to note that none of the participants in this study have actively pursued the share market. The opinion of this entrepreneur is reflective of the other participants.

> *"…at the end of the day there's much more potential in my companies than anybody else's company. So if you can make 20 percent on the share market, then I can make a million in my companies. If you can make like 14 percent, you know, tax free in property, I can make 400 percent in my companies. There's much more potential in my companies than there is in any other product, share, stock, bond… So I'm backing myself really. Sticking to what I know, I don't believe in dabbling, I don't speculate… So I have a great belief in sticking to what you know best. Like Michael Hill Jeweller should never have gone to shoes. He did and went bust." - G2*

Where there is obvious opportunity for growth in other ventures, the temptation to invest is very hard to resist. A participant whose involvement in IT start-up ventures is mostly in terms of guidance and management usually for a 26 per cent stake without any financial input would consider getting involved in another portfolio entrepreneur's business where he sees a potential in what they are doing.

> *"But I think that in that manufacturing book, [B]'s good because he is a hands-on manufacturer. He is actually really making stuff. I don't really do anything hands-on anymore, but [B] is. I am talking to [B] about maybe breaking my rules and investing some money into some of the things he is doing, so this is now the sort of portfolio people sharing portfolios." – J7*

Another participant who put a consortium together to raise equity for a multi-million dollar venture was confident that financing growth can be done by using a similar method again.

> *"And the good thing is, if I need to, I can draw on a different capital base – a lot of people would like to invest in a business like this. When I went through the process of raising the equity, and this is the only time I've done it, I had to stop asking people because we had to turn them away. It's sort of there's plenty of people that want to invest in businesses like this if they have confidence in management I guess." – B10*

9.3.2 Acquired businesses

Whereas a few of the participants in the study have ambitions of building huge companies and going public, one entrepreneur involved in the transport and construction business prefers acquiring public companies and privatising them. His acquisitions though are not limited to them. He also acquires smaller businesses that are often offered to him from time to time often because of succession problems and he tends to pick up a few of them.

"Yeah, why were they selling their businesses? it was either no one to hand them on to, or the people that really had to hand them on to, probably doctors or lawyers or something different, and that is another thing that happens, of course. You know, I totally disagree with this. People become financially more secure, the first thing they want to do is to give their kids a better education, so they send them to university, and that is the very thing that doesn't make them come back into the business usually." – B14

The same entrepreneur would not have any hesitation in buying the interests of an equal partner if the opportunity presented itself. Such was the case with a petroleum company he co-owned with Mobil when the latter wanted to get out of the business. Rather than having to deal with another partner if it sold to another party, he opted to acquire the rest of the company.

"… we started a partnership in Wellington in 1988 after a major upheaval and it has gone on from there … which was originally 50/50 with Mobil but we bought it out …Well the trigger for that one was they wanted out. It was a worldwide policy decision to get out and spread initiatives and so you either buy then or you don't, you know if you don't what is going to happen, you can deal with an unhappy partner, and they will find somebody that you may like or you may not like, so we decided to take up the offer and buy them out. We got a long-term contract…" – B15

This entrepreneur has become so adept in buying up businesses that whether the deals are worth tens of millions or hundreds of thousands, he quickly makes up his mind whether he will buy or not and offers a price. In a bid to buy a major road company from the local council, he insisted on being allowed to bid against a London company who had done weeks of due diligence using a team of consultants. His offer consisted only of the price in a sealed envelope whereas the London firm had numerous conditions attached to their offer contained in a huge pile of document. When asked about his criteria he had this to say.

"Well I look at the assets, you can tick them, touch them, feel them. And I knew that those assets were there …So then I looked at the profit, and did

times 7 or 5 and looked at this, and looked at that, and worked it out. It is not an exact science, and it didn't matter a lot. I mean it's what you do with it when you get it that counts." – B15

On other occasions, it makes good business sense to acquire another business to protect one's interest. For example the above entrepreneur was in no doubt that should a certain business went up for sale he would buy it regardless.

" …well you see that guy… it was 20 miles south of Timaru, we worked in with him, we hired his trays, he hired ours, and I mean if he was ever going to sell it, I was always going to buy it, because it was there, and it was close and you wouldn't want someone else to have it, that might be a bit more aggressive than him, and you wouldn't rush out and buy it for that reason, but when he says, hey, do you want to buy it, you say yeah, and all it is going to be worth was a couple of trucks, so it wasn't very scientific, like I didn't even ask him how many metres he did, or you know…" – B15

9.3.3 Collaboration and partners

An external growth strategy pursued by a number of portfolio entrepreneurs involves some form of collaborative arrangements with other (usually bigger companies). The next two statements are from entrepreneurs who are in collaborative relationship with publicly listed companies. They explain the merits of the strategy.

"… but in terms of strategically… if you really want to grow a business, fast and well, then we have to do partnerships and joint things strategically."- M15

"…that's a joint venture between us and a company called [X] which is a registered company on the Stock Exchange so it manufactures EFT-POS equipment and we did a joint venture with them to handle the South Island basically and we've set up a company to do that …it's another brand in the market, and it's been in operation in the market for about 2 weeks." – B10

In another situation, the entrepreneur is in collaboration with Microsoft where he sees a worldwide distribution possible.

> *"And now we offer to sell the software product to Microsoft and they've got thousands – millions of companies." – G2*

9.3.4 Hybrid strategies

Other strategies are combinations of the strategies discussed above. These maybe classified as hybrid strategies. Two distinct strategies are presented: a combination of acquisition and internal growth and merging and splitting.

9.3.4.1 Combined acquisition and internal growth

Portfolio entrepreneurs are very creative people and tend to use a combination of different strategies to pursue growth where appropriate. In the case of a hotel chain for example, this entrepreneur describes the combination. Apart from those that are mentioned below, further plans to expand hotel capacity are also underway or being planned in numerous other locations around the country for this major hotel chain.

> *"It is pretty well essential that any major hotel chain have locations in those highly competitive areas, and [X] does have them but also has hotels in many strategic and highly desirable provincial areas. [X] strategy is to build or buy a hotel in a number of highly desirable areas, develop the market, then add more rooms. [X] hotel for example began with 48 rooms – it now has 179 rooms and will add another 60 rooms next year. The [X] Hotel had 61 rooms when it was purchased from the Brierly Corporation. Now, through a series of additions, it has 178 rooms and within its confines includes the highly profitable [X] Casino…" – E8*

This type of combination is also successfully used by another entrepreneur who bought out a public company for $300,000 in 1976, privatised it and then grew it to a multi-million dollar company. Although he is not sure how much it is worth presently, it now has an annual turnover of about $55million. This is only one of the 25 companies he owns that in 2004 had a total turnover of $354 million.

9.3.4.2 Merging and splitting

Portfolio entrepreneurs by their very nature are capable of managing multiple ventures simultaneously. However, businesses are often dynamic, and what makes business sense originally may at a later time no longer apply. Such may be the case of companies that are created to manage investments or trial new product lines. In the case of fast growing companies, the business may become too big to remain a single entity with multiple divisions, and it may make good business sense to separate certain divisions into stand alone businesses. Therefore, within this environment, there is a process of merging and splitting.

Another entrepreneur heavily involved in angel investing in start-up ventures created companies to look after the financial affairs separate from other businesses. As the roles of these companies change, some form of consolidation occurs. Here he explains how companies morph into different entities.

> *" Yeah, well some of them, we actually got too many, and some of them have either been merged with others or their role no longer, 'cause the [X1] was there when we were loaning up lots of money and getting a lot of things started and it had a lot of work to do then but it had actually diminished. Now there's a certain amount of work that happens there and it will actually get brought back into another one… Well [X2] is effectively closed down but it's been consumed and it's now part of [X3] so really it was sort of [X2] but we reformed it and got some of the old boys back in and changed its name and refocused it. …[X8] is actually part of [X9] and I think we haven't closed it down yet but. [X.10] is sort of still functional but actually a lot of the function it is doing is actually being taken over by [X11] so it will finish soon as that*

task you see originally we had this one but we ended up having another one for the buildings, but we just effectively put the two together." – D4

9.4 Portfolio development strategies

Whereas ownership structures and growth are both important aspects of business operations, there are many other factors that affect the day to day running of a business. The next section reports on the factors that informants of this study have found important and their strategies for dealing with them. More specifically, strategies to do with financing, human resource issues and time allocation are reported and discussed.

9.4.1 Financing strategies

"So you might think we, we've probably grown quite fast, we might have doubled sales last year, but we do it carefully on cash flow. It's a decision to make whether you want to, like how fast you want to grow and your risk analysis." – G2

As one participant has put it – a growing business is a thirsty business and when an entrepreneur wants to grow fast, financing becomes a big consideration. Moreover, when growth is allowed to spiral out of control, the business may not be able to cope. When embarking on portfolio development, some entrepreneurs prefer to finance obligations from their own coffers, whereas others consider borrowing.

9.4.1.1 Debt and borrowing

Debt can be quiet a polarising issue even for portfolio entrepreneurs. Consider the two statements below. These two are both millionaires in their own right but come from two different backgrounds. The first one being modest and working class, whereas the second one had a privileged upbringing.

"I am not afraid of debt, although I don't mind debt… it probably goes back to my upbringing. My father hated debt, and worked 3 jobs to get out of it, so I dislike debt. In fact I think as a society there is too much of that, the kids can get it, get student loans and buy cars for a dollar and pay for them later and all that, I dislike all that stuff…so I was trying to cover ourselves and now we are in such a position now and nearly three years old, we have generated profits from our investments.." - M15

"I'm a terrible entrepreneur, in that I don't like debt. So, if I take on debt …I'll drive like hell to pay that." - P4

If finance was not an issue, growth would not pose a problem to entrepreneurs. One participant for example says that he likes the mental challenge of doing business without or very limited money. This maybe applicable to some "low-inertia" business models that largely depend on what he termed *"sweat equity but not to all types of businesses"*. Research-type and web-based business ventures where huge capital outlays are not required initially could function in this model. However, many businesses would find that the biggest constraint to growth would be the availability of finance. With portfolio entrepreneurs, experience in financing their early ventures would impact on how they choose to finance growth in their original and subsequent ventures.

Many of the participants are fortunate enough to have the ability to provide internal financing for their businesses. D9 and B14 use a holding company that owns the other businesses in the group. Essentially, if they acquire a new business, they can just write the cheque and clinch a better deal rather than say "subject to finance." B14, whose businesses involve the purchase of huge equipment that require substantial capital outlay used hire purchase and kept the cash mainly for this purpose.

In G2's business model, cash flow is not a problem because he controls the process from the start. He does this by ensuring that he puts in his own capital first and ensuring that there is continuing revenue stream. He takes pride in the fact that he has neither debt nor borrowing. However if he ever needs to borrow, he prefers go to the

bank. Like G2, A1 also prefers to finance his own businesses, but if his own resources are not sufficient, his preference is to raise debt from banks. He has however tried to keep debt at a manageable level after having experienced difficulties with banks in the past that for 11 months hounded him until he managed to clear all the borrowing.

> *"I had loans from 5 different banks who followed me up day and night… made my life miserable."* - *A1*

For partners D4 and J6, financing growth by borrowing from the bank was not easy until they managed to own some property. Even with a turnover of more than $10 million, they were only allowed a $20,000 dollars in overdraft. The difficulty was that banks would only lend them money to the value of the physical assets of the business. Fortunately, they were in a business with very good margins and managed to grow without too much difficulty. However, until they were financially independent, their personal assets were used as collateral.

> *"For a time, the bank owned what was virtually all my personal assets, they owned the house, the house basically that I lived in, well they owned maybe two thirds of it, they owned two thirds of the cars that I drove around in."* - *D4*

This scenario is again played out in a subsequent venture where they had to use assets from other businesses as collateral to finance the growth of this venture that is presently on a steep growth path.

This same circumstance was also experienced by M15 who is very embittered by his experience with banks. They needed a million dollars to keep their growth going but were let down by their bank. Despite having no debt, a bank balance that was growing $100,000 per month, their software business can only borrow $50,000. He is angry at what he sees as the inability of banks to understand information technology and the software industry and felt that the banks limit their thinking to *"bricks and mortar mentality."*

To G11, borrowing was only necessary during the initial stages of his entrepreneurial career. Having owned substantial properties, he is now able to get by without the need to borrow.

Borrowing however is also a strategy. B12 did not put everything into equity but built some borrowing into the business because it was an efficient way to do it.

> *"It was quite an interesting process and the main thing we were trying to do was to avoid personal guarantees on the debt. We managed to do that by …2/3rds, 1/3rd split. So 2/3rd equity, 1/3rd debt and backed up by very strong cash flow projections and on that basis they didn't require PGs from the investors. And that was a significant advantage, because as an investor, you have enough to risk your equity but you don't want to guarantee the debt as well."*

On the day to day running of the business however, he only wants to borrow when he has to bring in new products. Ideally, he prefers to use the bank overdraft but if this is not sufficient, then he may resort to short-term borrowing.

9.4.1.2 Family

Families have always been a traditional source of funding for many entrepreneurs. However, this has complications that may not always be ideal especially when they want the money back.

Like many business starters, HC had a very typical experience. In addition to his partner and an uncle putting in some capital, he borrowed money from his parents, used his credit card and put his car up as collateral. Although he claims he is not averse to raising debt, it has to be at an appropriate level. To A1, borrowing from family is not the best option. He regards this as a last resort and any money borrowed from family should be immediately paid back.

9.4.1.3 The role of partners

Where additional capital is needed and the entrepreneur is not able to finance growth by bootstrapping, portfolio entrepreneurs are quite amenable to sharing equity. By bringing in partners, they have access to capital otherwise not available to them. H13 and B12 both say they are not averse to this practice.

> *"I think for me with these companies, I've got access to capital but the cost being shareholding going…" – H13*

However, in this context, control still plays a major part in the decision. G2 says he will always try and find somebody who will have an equity in the business but if only one has to have control, it is often him as he does not want to be passive owner.

9.4.1.4 Venture capital

Although venture capitalists are a probable source of finance, there is very little enthusiasm from the participants to use them. Ironically G2, who wrote a book on venture capital, is the more averse to it because as he argues, firstly, he does not need the money and secondly, he does not want to report to people who only have a financial interest in the business. By having a growth plan in place, he does not necessarily need the money that venture capitalists can bring in. Although he admits that it may speed the process, he needs to be careful with how fast the business grows and cites the case of a computer venture that grew very quickly and went bust. Another participant is so averse to them that he referred to them in a derogatory way.

> "*…what I call vulture capitalists, so someone else gave me that term, and I think it is pretty well true, and it sounds really mean, and there are some venture capitalists and possibly quite nice people, and I haven't found them, and the environment in New Zealand tends to encourage that they want so much for their money that you just end up in that tension*, of trying to give up your shareholding for a bit of capital, so I don't think *there is good venture capital in New Zealand, not for technology business."*

C3 shares this view and does not think it is for him despite of, or maybe because he has been on a VC board and has seen 4000 business plans. He regards venture capital as *"a mechanism by which owners of companies exit"* where business owners sell down their shareholdings and that he says is not for him and his businesses. This view is also shared by M15 who is convinced that shareholders should take an active role in the business they are in.

Another participant who sits on a VC board has a contrary view. D4believes that had VCs been around when they first started in business that he would have preferred them to the bank option. He takes a wider view than just the money it brings in. He regards the management support and the contacts that they can generate to be more often valuable than the money.

D9 who in the early stages had to borrow from banks to develop subdivisions, now have no interest whatsoever in bringing in business angels or VCs – *"no strangers, not at all…because we don't need their money."* He is now at a stage where he has plenty of excess capital to invest rather than the other way around.

9.4.2 Human resource strategies

A recurring theme that the participants have raised in this study is the importance of the right people. A majority have indicated that it is the key to their success. It is no wonder that they take a very keen interest in finding key people, whether as independent managers of their companies or as members of their top management teams. Below, recruitment and staff selection issues are reported.

9.4.2.1 Recruitment

Finding suitable personnel is a challenge for many entrepreneurs. G2 admits he has hired only one person from an ad in the paper. He now works through referrals from within a network of IT people. This network has a website where a people with IT skills register that would-be employers can access.

Despite considering staff as a key factor in the business, D9 tends not to get directly involved with managing staff. This is handled by the Chief Executive although they hold regular talks regarding staff issues. Having said that, he does talk to the staff regularly and tries to build personal relationships with those he likes and helps them with their career aspirations. He also admits to being quite hard and tough on people who are not performing or whose behaviour compromises the company.

When they need to fill positions, B14 would normally choose people from within the business. This allows employees to work their way up the ladder in his organisation. He has experienced very low staff turnover over years and it is quite common to find staff who has worked there for over 20 years. He has a very strong view on formal education and actual experience. When his own son decided he wanted to be in the family business, he made sure he started by working with the staff at operational level.

> *"…one of the secrets of running the business was to be able to get on with the men that work in it, you have got to be able to relate to them and one of the weaknesses in our system is that so many people that run businesses spent those formative years at university where you don't, like you learn something, you actually don't learn what you need to know to run a business, you learn the theory, but you can have all the theory in the world, but when you actually step out there and try to run a business, that theory doesn't actually help you." – B14*

P4 has in the past used employment agencies but has not had much success with finding the right people. He now tends to find the people he needs himself to ensure that he gets the right staff. M15 strongly believes that having the right team is very critical to his technology business and is very conscious that the web developers they recruit are of the highest calibre. He admits to being a fan of the Microsoft model where they only recruit the best people. Although admitting that he gets it wrong sometimes. He does pay attention to his gut feeling when he meets someone. Nevertheless, they tend to make the initial interview really hard by gruelling and testing the candidate so that those that do not fit in fail very quickly. M15 did not have

a set structure initially and has hired staff as they are needed. Having people he could trust means he does not necessarily need to be around constantly.

> *"But I would say along that route, somewhere I put away five people working for me at work, and then I could take a break, and then you think, you get to five and you realise that it didn't seem to work, so I needed 10 then 20 then 40, it was a learning curve along the way of saying hey when do you truly think that you've got people or a team around you that you can let it go enough so you can have a holiday or be away and the business runs without you." – M15*

9.4.2.2 Staff selection criteria

Staff plays a very critical role to the success of any business. This is even more so for portfolio entrepreneurs because the very nature of their business operations does not allow them to be physically around all their business operations. For this reason, they need to put in people who they can trust and have the loyalty and commitment to the organisations they create.

B12 and M15 found that people are very tricky to work with especially with changes in management and ownership. Merging two operations also creates a culture clash and conflict arises from this process. Often staff turnover is high when there is a culture clash.

B10 says has very close involvement with staff selection. In the new acquisition for example, he will be taking an active role in *employing all the staff* they *need for the company and making selection of who goes*. He takes a paternalistic role and wants the staff to do well by *push*ing *them out the boundarie*s. In the long term, his aim is to be able to spend less time in the business is confidently leave it to the staff. Loyalty and trust are very important attributes that he looks for and would not hesitate letting go of people who prove untrustworthy. This is a view also shared by A1 who is a firm believer in fostering long-term relationships with his staff.

H13 says that surrounding himself with a great team is very important because if they cannot perform, then everything falls back to him. G2 too expects that with staff on profit share that they have the same commitment as him to work long hours when required. C3 admits to not being able to do what his staff does in terms of technology, therefore confines himself to managing the wider picture such as scheduling and finding means to get things done quicker.

Not all the participants are adept at hiring people. D4 have sought the help of experts when he needs a personnel manager. He would help them define job descriptions and they then get a short-list for them to sort through and offer the job to the one they all felt would best fit the position. M15 does the same but tend to attend the interview for the final 2 candidates. G11 also takes a lesser role in staff recruitment and admits this as a weakness. His takes his wife along to interviews for help and just appoints the manager who then looks after the rest of the staffing issues.

Below is a summary of key attributes that portfolio entrepreneurs look for in staff:

1. Trustworthy and responsible
2. Loyalty and commitment
3. Competence – technical and other skills (top 5%)
4. Willingness to learn; take a reality check
5. High energy “superstar” performers
6. Passionate and driven
7. Motivated – go the extra mile
8. Flexible
9. Entrepreneurial edge
10. Independent worker
11. Risk takers eg. Not yes people
12. Honest
13. Initiative
14. Good communication skills

9.4.3 Time allocation strategies

Portfolio entrepreneurs operate in a business model that demands for efficient time allocation. With multiple businesses, one needs to be able to prioritise what needs to be done and seen right through. J7 works on the principle that things half done is not good enough.

> *"Ten things half done are ten things aren't done. Five things done are five things done. There is a real sort of mental fallacy that hangs around where ten things half done, is the same amount of five things done, it isn't you know." J7*

9.4.3.1 Prioritising

If there ever is a busy entrepreneur, one cannot go past a portfolio entrepreneur. When asked what would be an unusual day for him, one participant replied that it would be when there is nothing happening – coming to the office with absolutely no meetings for example would be grossly unusual. So with time being a precious commodity and many things that warrant one's attention, how do portfolio entrepreneurs manage time? To J7, there is no such thing because one cannot do such thing.

> *"People talk about time management. You cannot manage time. You can only manage priorities you cannot manage priorities unless you know where it is you are going. It is absolutely the key. How the hell can you manage time if you don't know what your priorities are, and if you don't know what your priorities are, then you haven't thought about where it is you're going, and what it is you're doing." J7*

He argues that prioritising means that one needs to be able to deal with issues that tend to come from all directions. With this, it is also necessary to have the ability to move from one issue to another and the mental agility to "pick up things up real quick deal with them and promptly forget about them." This is also what H13 has to do. He describes a typical situation where he had to postpone our interview because of a client meeting. Such circumstances could be a 40-grand opportunity and he has to act

quickly to get his staff together to come up with a solution for the client. Sometimes they only have a very limited window of opportunity to put a proposal together where it could be required within 24 hours.

For D4, having a portfolio of companies that are in different stages of growth mean that he is able to leave the companies to function on their own most of the time. At the time of the interview, one early stage venture takes 40-50 hours a week of his time. By comparison another would be about three hours while others he would only occasionally visit. As the businesses get established, they tend to require less and less attention.

9.4.3.1 Delegation

One participant said people often ask him how he finds the time and he replies with the classic "if you want something done give it to a busy person." However, he also follows some personal rules. He has to have time with his children and that means not working late at the office although he would work at home after they had gone to bed. He also delegates and admits to getting better at it. B10 is also getting very close to being able to leave the operational aspects of the business to the staff. What does depend on him enormously is the quality and strategic direction of the companies. He is trying to put in the basic systems to make things function without him.

To a certain extent, delegation plays a part in B12's management model. One business runs fine without him. Another is on its way to being able to function independently without him being there all the time. Presently, it is at a stage where he says on a day to day basis, he was not absolutely required to be present. While the business may need him to drive the strategic direction, he has put people in place who are able to think and run the business without him being present at all times.

9.4.3.3 Task allocation

In the case of J6, whose business partners all have different expertise-related functions within the business time allocation means he only need attend to his own

responsibility while the others perform their own. As a criteria for entry, he would come in on his strengths and complement those with whatever expertise partners were suppose to bring into the business.

D9 frequently travels overseas and around the country and has no hesitation of being away from his base anytime. He is very confident that everything will run without any problem. He prides himself in the fact that he invests with people that can run the business. While he may help when necessary and talk to them, he does not interfere with the management of individual businesses. If the business does not perform, it will be put on review and an appropriate course of action put in place.

9.4.3.4 Entrepreneur- dependent businesses

Two of the participants are still in the process of structuring the businesses so that it did not solely depend on them being around. For B14, the untimely death of his son who was already starting to take on the reins of the business was a major blow personally and business-wise because it affected his succession and operational plans. In his case, the business was still very much dependent on him taking an active role with the strategic direction of the company.

P4 does not necessarily have more or less dominant businesses in his group of companies and meant he has had to take a lot of the share of work. By his admission, he tends to be focused on project-based ventures and would work on this continuously until the project is finished. He admits that he is still trying to look for ways to structure his operations so that it is not always dependent on him.

For entrepreneurs who travel a lot like M15 technology plays an important role in overseeing things. He is confident that they have a good business model that allows the business to achieve or exceed targets. However, despite this, he keeps in contact with key people in his organisations. Having offices in Australia also allows for easy contact. In reality, he says that he has a good team of people who manages the business well and if they aim to make a $10M in profit, they can make $10.5M without any problem. However, *"there's a lot of difference between managing the*

business and turning the handle," and he drives the engine that will take that to the next level of achieving $100M or $1000M. Although he admits that this does not completely free him up, he is happy to pay the price for achieving the dream.

9.4.4 Entrepreneurial teams

Many portfolio entrepreneurs work with a select number of people. This is evident in the way participants would often use the word "we" even if the business was under his full control. This would sometimes refer to business partners or top management team within his business. For example, two of the participants in this study who were original partners in an electronic manufacturing business went their separate ways after the company sold. They both pursued different business interests but when one started another electronic design company, he once again teamed up with the original partner. Another participant J7, who personally knows them, commented that the dynamic between these two people is such that they complement each other's strengths and weaknesses. The successful partnership is built on *"synergy and mutual recognition of the other's strengths and weaknesses and a tolerance of those things."* Where one's strength is in technical manufacturing, the other is in business outcome. He explains that the dynamic between the two entrepreneurs in action is what he misses after relocating from another city. It is what one gets out of working with the "right" people. And this does not necessarily mean that partners should only complement each other. It may also be the tension of seeing things differently yet sharing the same objective. He calls this the "limited tool kit" that individuals have and therefore would complement it with the tools of other people.

> *"What you see, and the best time in business I have ever had, is with another person who is opposite to me, or complementary to me rather than opposite...maybe that is what I get out of working with the right people, maybe in working with the people that is happy enough... that complementary tension with another player who is in exactly the same place... seeing it in different ways that there is significant intellectual, emotional, and professional tension because of that seeing it in different ways. But the objective is the same. Because you share the objective you get the jollies out of achieving the*

objective, and it is tension, it is challenge. It is not cuddly, it is not buddy, it is definitely not buddy. Now that only happens almost in an employment or a shared ownership position." –J7

Perhaps J7s pre-condition of a "happy" relationship despite the tension is an important aspect of entrepreneurial teams. Different teams also have different outcomes. For G11, a partnership is also about complementing each other's strengths and weaknesses and this has worked well for him as he admits he is not very good with people. His partner is able to step into this role quite easily while he does backroom negotiations. On the other hand, when H13 teamed up with a friend to start event-based team building programmes, his interest in personal development and business also complemented his partner's *"outdoors background"* well. As the business grew, their interests drifted apart and resulted in a messy separation that set the business back for a period.

Entrepreneurs find enduring partnerships in business. D9 teamed up with a co-investor hardly knew originally but the partnership blossomed to many projects and businesses. In a 50/50 partnership model, they established a property development company that developed land and subdivisions all around the country. This started in 1990 and is still going strong. The feed each other with information and talk at length about business and make joint decisions.

"I've been in a number of partnerships ... now I didn't know him. I just knew him a little bit, just a little bit you know but he wasn't a friend or anything like that. And when you start out in business, and I do not know you, I'm suspicious. Like are you trying to rip me off. Now I am realistic about these business partnerships."- D9

For B10, who has an extremely high IQ, working with others with special skills makes for ideal relationship. He believes that people with special abilities in themselves contribute equally to the relationship and can adequately cope and take advantage of each other's abilities.

B12 prefers to work with people he knows. He works with co-investors and this manner of operating requires an element of trust. Consequently, he has built this among a tight group of co-investors that he brings together if he put another deal together.

D9 believes that partners should not only have trust and should also be comfortable with each other. He surrounds himself with a small team of key people. They have an annual planning session where all his business partners do a presentation and *tell* the team *what they were going to do with* the *business* and *what the opportunities are*. This often becomes an occasion to reassess how each business is going and an opportunity to directly engage the partners regarding strategies and other matters.

Being uncomfortable with a business relationship usually leads to a termination of the partnership. He sold his 25% shareholding of a business to the majority owner when he observed that despite being a nice and likeable person, his partner did not have the nerve to make tough decisions necessary for the success of the business such as getting rid of unproductive staff. Having the luxury of being able to choose who he does business with, he tends to pick businesses based on people he likes.

> *"If I don't like that person I'm not interested, I won't have him I want out of that partnership."- D9*

A *"business divorce"* would sometimes result in partners splitting the business into parts such as the case of G11 who took the property company while his partner took the trading company.

9.5 Conclusion and discussion

Portfolio entrepreneurs are of special interest to entrepreneurship research because of their experience in a number of business ventures. Unlike single venture entrepreneurs, they have gained valuable expertise that is only possible with hands-on running of businesses. In this chapter, the operational strategies of a group of portfolio

entrepreneurs were presented. In particular, the ownership structures, growth strategies, and their portfolio development strategies.

Whereas the participants have businesses that they own 100%, an interesting outcome of this investigation is the extent by which participants are quite comfortable with shared partnerships. Their portfolios are a combination of companies that they partly and fully own and control. They are not averse to sharing control with partners that they trust and will gladly take the same partners in other ventures. Their ownership strategies generally extend to family members, especially spouses. However, while this may be the case, co-ownership does not necessarily translate to directorships in these companies. It appears that directorships carry some legal obligations that they do not want their spouses or other family members exposed to. An exception to this is when the company does not have any debt.

In addition to shareholdings, a popular strategy is setting up trusts. These could take the form of family and/or charitable trusts. Trusts are used to take the burden away from individuals and to ensure that the welfare of beneficiaries are looked after.

Wealth creation is a by-product of entrepreneurship and this is not possible if businesses do not grow. This chapter has also presented how a group of successful portfolio entrepreneurs think about growth. Internal growth strategies such as expansion in product, market and territory are nearly always associated with single venture entrepreneurs. However, this study shows that many portfolio entrepreneurs also use this singly or in combination with external strategies such as acquisition and collaboration. It appears that these hybrid strategies are a faster way of achieving growth and requires the creative flair of combining products and ideas with available resources. For example, where the entrepreneur is unable or unwilling to take all the risks associated with a related venture, he may wish to take on equity or strategic alliance partners to ensure success or at least spread the associated risk.

Within this entrepreneurial approach to portfolio development is a continuous process of expansion and consolidation in response to micro and macro environmental factors. As businesses grow too big, portfolio entrepreneurs may break them up into multiple stand alone entities. This was demonstrated in the technology sector where what has

started as single software development companies soon became different companies catering to specific areas such as accounting, law, e-business, media, sport and many others. In the property sector, an entrepreneur may divide his portfolio into residential, subdivision, commercial, hotels and the like. Where conditions are not ideal for growth, the strategy may lean towards consolidation where the functions of one business maybe absorbed into another.

This chapter presented how portfolio entrepreneurs use traditional business and marketing growth strategies creatively to pursue growth. Within the context of a portfolio, entrepreneurs are able to use different combinations to achieve even faster growth than would be possible in a single-firm setting.

Finally, the chapter explored other strategies that the participants use to develop their portfolios. A key issue is financing operations and growth of individual businesses as well as the portfolio. Portfolio entrepreneurs that are in the advanced stages of their careers no longer have the burden of debt and have the luxury of being able to finance internally. Those that still need external financing prefer to either release some shareholding by bringing in partners and co-investors or borrow from banks if necessary. An interesting issue that has evolved is their aversion to venture capital despite having connections with venture capitalists. The same can be said for borrowing money from family. It appears that debt, whether from the bank or family debt is to avoided and if cannot, should be paid off as soon as possible.

Successful businesses are driven by people. Whereas portfolio entrepreneurs are adept at driving the strategic direction of the business, having multiple interests and being able to run them all efficiently is an impossible task for one person. Human resource is another key issue in portfolio development, such that given the right human resource and management systems, individual businesses should be able to function without the constant presence of the entrepreneur. As the strategic driver, the portfolio entrepreneurs must be able to allocate their time efficiently. This involves the ability to prioritise what actions to take; and delegate and allocate key tasks to top management teams. Further, having a tight circle of partners that they can bounce ideas off seems to be a distinct feature that has emerged and quite unique to a portfolio model.

CHAPTER 10

RESULTS: OUTCOMES

10.1 Introduction

Chapters 5 and 6 explored the antecedents to the participants becoming entrepreneurs focusing on their human and social capital, motivations and risk profiles. Having established a profile of these portfolio entrepreneurs, the study then looked at how they go through the different stages of the entrepreneurial process. Chapter 7 focused on pre-venture formation processes exploring how they search for and recognize opportunity and their entry criteria and strategies. This was followed by an in-depth look at their operational strategies for individual businesses and the portfolio. More specifically, in Chapter 8 the participants focused on their growth strategies. This is extended in Chapter 9, where the participants shared their ownership structures, growth and other portfolio development strategies.

This chapter contains the final section of the results that report on the outcomes of the participants' entrepreneurial activities. These are divided into business and personal outcomes. The former covers such issues as business dynamics, performance and also deals with failure and exit strategies. Personal outcomes cover satisfaction level and the effect on their family. A framework of the factors that affect business outcomes for portfolio entrepreneurs is generated and finishes with a chapter conclusion.

10.2 Business outcomes

The first level of outcomes reports on how the businesses within a portfolio are affected by being part of a group of businesses. The portfolio model is unique from the single venture model because businesses exist with other businesses and as such different business dynamics are at play. How do businesses within a portfolio

perform? And what of those underperforming businesses? How do portfolio entrepreneurs deal with failure and the eventual exit from these ventures?

10.2.1 Business dynamics

Managing multiple businesses may appear to be a challenge to many people but these portfolio entrepreneurs do not find this a problem at all. For the most part, being a part of a large portfolio brings with it some added benefits.

As a group of companies, they are able to access **cheaper finance and insurance**, have some buying power and are able to **benchmark** one business against another within the group. The businesses are also able to generate some **scale economies from functions such as banking as well as information and administrative systems.**

Businesses within a group do not only **share resources and sys**tems but are also able to generate special **promotional activities** even if the products are not necessarily directly related. B12 put together a special deal that involved two of his companies with different products. They promoted a special EFT-POS deal to their panel beater customers. By capitalising on their relationship with existing customers, they helped another company within the group make extra sales.

The resource sharing is especially beneficial for smaller companies where the entrepreneur can house them in one complex. D4 had a few companies mostly doing technology development scattered around different areas of town. Unable to easily get around seeing all of them, he purchased a complex that was able to accommodate many of them. This proved a good strategy because he was able to **provide marketing, accounting and general business support** for all of them within the same premises.

A positive spin-off from this arrangement was that different businesses were able to **talk to each other and able to solve problems together.** Being in the same building and interacting with others during the course of the day, people were able to talk and

share problems. Often, they find that others have encountered similar situations and have already found solutions, so are able to share them.

> *"They bumped into each other during morning tea time and up and down the stairs and they sort of have a bit of a chat and they find that a lot of the problems they've got, the other guy's had the week before and solved and they came into each other… works really good. As well as that, with people like me buzzing in and out and I hear about their problems and a lot of that, we don't solve their problems directly, we introduce them to those who can."*

The above scenario is typical of a portfolio where their core business is in related fields. In addition to the technology sector, there is evidence of this in other businesses such as those in property development, transport and construction and finance and insurance. P5 believes that his property investments benefit from being part of his portfolio in terms of **transferable skills and knowledge** that his people possess especially in the area of resource management which is crucial in his line of business. His people can multi-task and apply themselves across different property areas and add value to the total portfolio.

> *" I think in my business is that my total ethos I guess is adding value, finding a way to add value to assets, and therefore whether its running a hotel or your investment in a camping ground, … or doing a subdivision, it's always add value so I think… it is skill- based, if that answers your question." – P5*

Some portfolios are diverse in composition and there may be limited scope for resource sharing among all businesses. In these cases a few may engage in resource sharing while others stand alone. However, even in diversity some participants have still found ways to benefit from having multiple businesses. G11's portfolio is predominantly cars and property where there have been **leasing and rental arrangements** between some businesses. For example, the car importing business pays rent to one property company and a car inspection business leases premises from another.

Most of D9's businesses are quite independent from each other and there is no obvious sharing of resources that occurs. However, they benefit from the **intelligence, planning and implementation** of projects. His property businesses are independent and stand alone companies that have their own managers. There maybe some **cross-investing** involved between these companies such that the land subdivision business may put money into another property company within the group.

> *"…definitely independent …but for example the land subdivision business that [A] and I have…one of the partners of my finance company [B], he runs it. [X] will come up with subdivisions and he wants people to put money into them. He will put his own money into it so he is getting a benefit out of [X] by being part of the group – and we do all help each other."- D9*

For a systems-focused entrepreneur like M15, other businesses in the portfolio benefit from **tested business systems that give them a head-start**. Having experienced rapid growth and not have the appropriate systems in place in the past, he ensures that each business in his portfolio has good infrastructure and internal systems.

> *"One of the big mistakes I made was not investing enough in internal systems, so as you grow, you find that you can't scale up, you're busted in terms of internal systems, and so in terms of setting up of [X1] where we needed much more money to say, hey the software and systems that run the place, that a connected team of people who reside in Brisbane, Sydney, Melbourne and Christchurch, together in being part of the one operation, and if you have good systems you can plug at this and say, here is your CRM, your accounting, your sales, management, your everything, and a lot of people do that stuff really poorly. So if you invest in that really well, that is one of the things that will set you apart from the rest. So that's good."- M15*

By giving their businesses good systems, he believes that they can perform really well. In some ways, being a company that develops these systems allows them that and there is no excuse not to have the system themselves.

"They are not starting from scratch and we have good internal systems, we are a technology company so we invest in software, we go and buy a product rather than say we can do everything ourselves, but we will customise stuff that we normally can to actually fit a particular system."

A unique perspective that portfolios can offer is whether there is a **dominant business** in a given portfolio in terms of turnover, general operations and demand for time and attention from the entrepreneur. Evidence from this investigation suggests that this is the case in a given period, but the dominant business could change **as the portfolios grow or vary** in composition. Generally, the entrepreneurs work towards making individual businesses independent enough so that they can pull back and attend to other things such as the general strategic direction and pursuing other opportunities.

A classic example of shifting dominance is one whose portfolio was pre-dominantly in the building segment in the early days. Over the years, his interest in the concrete and transport business expanded and this has now become the most dominant that took up most of his time and attention. Much of it is mainly because of the scale of the operations.

"Well [X] is probably the most dominant, single company. But yeah - turnover $120 million where every truck turns over $250,000 divided by 10…yeah so if you look at it in sectors, then transport is a big sector but it's 10 businesses." – B14

D9's portfolio started being property-dominant but has shifted over the years albeit gradually to finance and insurance services. He has no doubt that it will change again in the future depending on how the different businesses perform and where there are other opportunities. He likes diversity in his portfolio, a conscious strategy that he has followed.

"There'll be some of it that will still be there…yeah, I would think… there'll be some that wouldn't have gone… and there'll be some new ones that will be in too."

He imagines that his preference for variety means the portfolio mix will gradually change again over the future. He continually keeps track of how the different businesses perform against targets on an annual basis.

> *"But property is only 12% of my assets now… but yeah, that's where it started. We were looking at it the other day… and yet of our total assets, property is only 12% …69% is finance and insurance. So we've already changed…but we're still bigger in it than we used to be but the other things have grown faster and we've put our money into those and now we're thinking that we need to get more property… now we'd like to see that property grow to 20%."*

Dominant business to others means where they spend most of their time or where the function they perform is essential to the operations. G11 says the most dominant business in his portfolio is the car importing business because of the time he spends there. He would like to think that even if the business can run without him that his presence is important because he does most of the car buying.

A fascination and focus on web-based products is what dominates M15's businesses across the whole portfolio. He does not see this changing for a long time.

> *"There are dominant products that take up my time - there is business but that extends to products… because at the moment, I'd say what products dominate my time? The web dominates my time."*

10.2.2 Performance of individual businesses

There are many reasons why some businesses may perform better than others. From a macro-environment point of view it may be due to industry fluctuations or the state of the economy. On the other hand, there maybe internal issues within the firm and the portfolio that affect the performance of a business. How portfolio entrepreneurs deal with such issues is reported in this section.

An interesting aspect of portfolio management is how entrepreneurs keep track of how individual businesses perform. D9 simply benchmarks the performance of each business against previous years and keeps an eye on the movements ensuring that there is growth in the bottom figure.

> *"I always keep the score and I've got a thing… I've got all the businesses listed and I've got the years…and I look at…add them up… and how much it makes in a year…and how much did it make a couple of years before. And I want that to grow by a certain figure…now as long as that bottom figure grows…I'm not too concerned…" – D9*

It is very rare for all business in the portfolio to perform well. Often, there will be those that are doing better than others such as this situation with J6 who at the time of the study was experiencing mixed results in his portfolio. For example, the property businesses are doing well, the electronics business is growing rapidly and the turnover is beyond their target already but his investment entity has been performing badly in the last two years and one business has not performed altogether. Having a portfolio means one is able to ride the fluctuations of one area of business and wait for it to come right without necessarily divesting.

> *"So yeah, there are… better performance and the whole of the investment entity or the investment has been poor of course in the last 2 years. But what we need to do, or what we could do is just sit on our hands and put the script in the bottom drawer basically and wait for it until it comes right and then we'll start trading." -J6*

If the portfolio is diverse, different issues impact on individual business hence, difficult to generalise across the portfolio. However in the final analysis, performance is driven by sales and margins and these are what make business survive. B12 has no illusion that is where the focus should be.

> *"Sales and margin, that's where it all comes down to… assuming you control your overheads – you just assume because if you can't do that,*

you should not be in business, but you're always driving that formula of sales and margin – you can get both to go up, then you get very nice results."

Getting good results involves working on all sides of the business as well as your investments in the business. This means looking at such factors as the stock, the debtors and suppliers. This may mean having to improve on every aspect of the business incrementally and keeping one's eyes on the ball always. There are some strategies to improve performance such as edging the margin up while maintaining sales.

"So, how do you get your margin up? So how do you get your margin from 30 to 40% - well I'll talk to my suppliers, and find a better way to find these things. Or I'll talk to them directly instead of buying them through somebody else. So you need to work. So you've got to look at your stock and your debtors and so all those things come together to hopefully produce better result." – B10

B10 favours combined strategies that has worked well over the years. His shareholding in an investment company of which he is chairman has performed very well on account of an acquisition done four years back. They bought an engineering company that has now quadrupled its turnover to four million dollars a year.

In his lines of business, G11 has also experienced varied results being successful in some fields and less so in others. In his portfolio, he found property performing better because of capital growth; rental cars were a disaster and trading in new cars is more competitive now of the availability of stock on the internet.

Industry dynamics is a major factor in performance and some sectors influence how others perform and this may come in cycles. For example when the farming industry is doing well there is a flow-on effect to other sectors such as transport, construction and even retail. Cycles affect some business sectors more significantly than others. Those with interest in the property development are aware that performance fluctuates as a matter of course because of cycles in the property market. The same holds true for the tourism sector. Consequently, hotels, subdivisions, rental and residential

properties are all affected. Astute entrepreneurs recognise this aspect of business and having a portfolio means one is able to ride out the cycles. Some participants admit that some of their best performance has come about by being counter-cyclical.

This argument however is not subscribed to by M15 who believes that performance has more to do with the stage the business is at a given time. He argues that if the business has been in operation for long, it should not be affected by cycles. If it is, then that means the business is not worth keeping.

> *"I don't actually really believe in cycles and if there is a cycle there, and it means you are going really badly, then get out of it, people make lots of money in the depression, and you read about that."*

Generally, most of D9's businesses perform well but he is not too averse in making a decision to divest badly-performing ones. In a portfolio situation, this is not such a difficult decision if there are other businesses that are going well. Although it can be hard to shut down a business he believes one is a bigger fool to keep going. He lives by the philosophy of not putting money into ventures he cannot afford to lose, so this does not bother him. Over-all, despite losing money, the portfolio over-all is better off without these ventures. Having a few of these every now and then, may not be ideal but good in keeping one grounded.

> *"You know if one wonders about losing money…I actually think in a way it's actually …now this really sounds…it's sadistic… but it's actually good for you? …I tell you what…you learn more…phew! yeah 'cause you do beat yourself up a bit …you got to eat humble pie."- D9*

10.2.3 Failure in portfolios

How portfolio entrepreneurs view and deal with failure reflects a unique New Zealand perspective considering that there is a prevailing anti-failure bias permeating different

sectors of the society. This is especially prevalent in sports where there is always an expectation to succeed.

> *"Well we will try and develop the other way, and say be creative and courageous, and if you fail, let's celebrate that, because it is actually - it shows that you're creative and courageous. Don't do it again, you are allowed to make another mistake but not the same one, and I think that atmosphere allows you to be more creative and courageous and makes mistakes." –M15*

Business is a different story. Many of the participants believe in learning from failure, that it does not matter if one fails the key is learning why they fail and applying the lesson to the next venture. B12 has had a few failed ventures in the past but stressed that because they had plenty of money to play with they were not worried at the time. In hindsight he admits it was the wrong approach and will not be making the same mistakes again.

> *"But we've learned our lessons from that, probably we weren't disciplined enough I think where we made the investments. It did not really matter because we had a lot of money and as long as 2 or 3 out of 10 succeeded it wouldn't matter. It's the wrong approach really. We did make a number of bad investments and wrote that off so I've been down that track and yeah, obviously try and not make it again!"*

D4 is regarded as one of the most revered entrepreneurs in the country having successfully founded and built business. When asked if he has had a failed business, he was qualified in his response. He argues that failure in terms **"***we shoved them in the liquidation… we phased them out"* then he says yes he had. He views failure and success through a different lens and trying is success enough despite not having taken off business-wise. He does lament the stifling effect on creativity and innovation that big global business have on local effort that may be the only factor in a venture not succeeding.

"…but in a sense of actually trying and unfortunately not succeeding I think that's an enormous success in its own right…of actually trying to do something and proving that yes, you can make this clever … this motorized clever skateboard or yes you can have some clever software that's better than anybody's in the world that does this, that and the other but because of their ineptness at marketing and selling and sometimes they're just you know…Sorry, Mr. Microsoft comes along and they've got better clout than you and they're gonna win no matter how good your stuff is. You know they'll squash you if they have to…if they think you might actually have a chance of getting somewhere, they'll buy you off …buy it off you and squash it anyway."

Failure may be brought about by external factors. For example, during the 1987 share market crash, J6's finance company fell on hard times because people were not paying. In this instance, they wrapped up the business conscious the going was tough and the circumstances were beyond their control. Exits are a challenge and it is tricky when to do so in a timely manner.

"Oh absolutely! The most difficult aspect is to know when to be precise. "Yeah well, I think clearly you need to be looking at what the cost, what the burn is up till then… the money burn and look at the potential of where you got to then. If it doesn't have the potential, is it worth going for another 3 months?"

For D9 who is quite focused in business, likes businesses to function and keep going without him being there "driving" all the time to make things happen. If a business is performing below his expectation, that is sufficient reason to exit a business. Such was the case of a garage manufacturing partnership. The business was not doing well and lacked leadership. Another business he exited involved building homes. With much reflection he reasoned it was because he found the industry in general very difficult and the business model did not work. The industry was very competitive and there were builders that could undercut them. D9 had a portfolio that was growing and

was fairly diverse that getting out of underperforming businesses did not affect his over-all operations too badly.

G11 on the other hand had a somewhat different experience. Having diversified into rental cars, they became a victim of their own success. Here again, industry and management factors were mainly the reasons for the failure.

> *"[X] is my biggest downfall at the moment – rental company which we grew and when we grew too big the majors attacked us. Yeah, when we only had 200 cars, it was alright – but when we got to about 600 – 700, it became a problem also mismanagement is the cause of that downfall."*

Failed ventures may also serve a purpose within a portfolio mix. In the above situation, the company was kept going as a shell company to absorb tax losses. The unintended benefit from failure was a feature in P5's experience. An ill-informed investment in a failed furniture retail and manufacturing operation has made him determined not to venture into industries he does not have much knowledge of. Fortunately, in this instance, it was not a total disaster as losses from this operation worked out by offsetting tax losses. This was just serendipity and was not the reason for involvement in the first place.

What an entrepreneur considers a failure is not always linked to performance. To B14 going through a "conflict process" with other partners was a main factor in exiting a venture and regarding it a failure despite the fact that there were no financial losses involved. His worst business experience was with a partnership in a construction business with another prominent businessman. For a number of years, the conflict descended into a psychological exercise of who was going to buy who.

> *"[A] says well I've had this business valued by experts, I said oh. He said 30 percent of this company is worth $180,000. He said we're prepared to offer you $200,000 for your share. He said anyone that turns down $200,000 for a 30 percent of this business is a fool. I said I'll tell you what I'll do. He said what will you do? I said I will give*

you $400,000 for your 30 percent. He said $400,000? I said I'll write you the cheque this afternoon. He said I'll have to think about that. I said in view of what you just said it shouldn't take long."

Sometimes it appears that in the struggle to win, money did not matter because when probed further, he insisted, he was not calling a bluff and was quite serious in his counter offer to double his partner's original price.

"Well he was calling me a fool if I turned it down, but he had to be a bigger fool turning down $400,000 ... yeah I was serious because I went into that business not to sell it because I wanted to be in that business and I backed them, and I bought the trucks and I can buy trucks cheaper than they could …They used all my brains and expertise in all these things and then wanted me out and that just upset me."

Generally, the participants acknowledge their shortcomings and are reflective of what they perceive failure is. M15 does not only look at failure in terms of whole businesses. He looks at failure at an individual level and within the context of the organisations that he created. He argues that too often companies have negative views about failure and people are far too scared to fail. In walking the talk, he says he encourages a culture of being "courageous and creative" even if it means making mistakes and admitting to them.

"One of the keys is being able to look in the mirror and say what my strengths and weakness are, and also be really honest about saying, I have stuffed up here and there…"

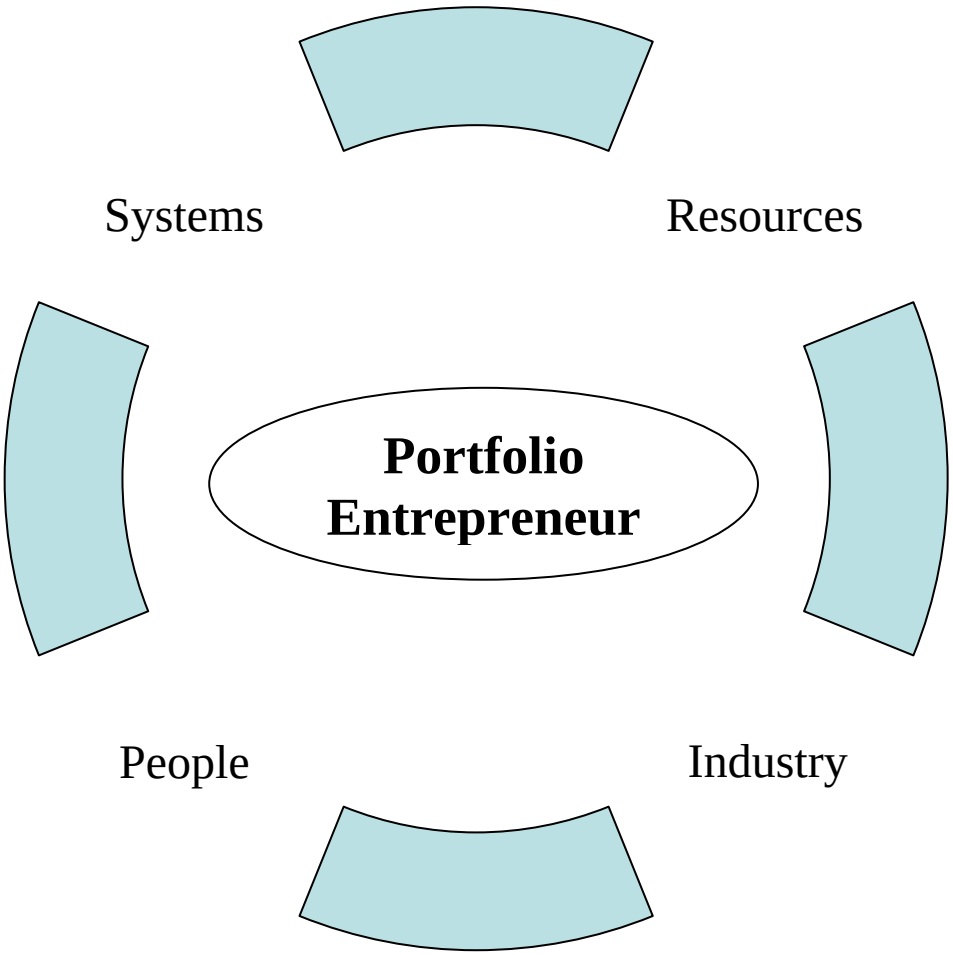
Despite being philosophical about failure, portfolio entrepreneurs for one reason or another feel badly about failed ventures.

"It annoys me… it does annoy me… but you got to look at it… you can't beat yourself up and…ah…you just move on…" – D9

Personally, failing was tough on G11 and he is still embittered by the experience. This is understandable because it almost brought him down. He had to sell off shares in a family business to cover his borrowing. However, this move had a positive aspect because it forced him to consolidate his other business interests and tidied up his liabilities.

> *"It was quite hard because it put everything at risk. If the bankers had been tough, I would have been bankrupt. Luckily, they gave me time and I sold my shares in [X2] plus some other properties probably went from a heavy borrower to no debt, so it was a good move in a way."*

Figure 10.1 Framework of factors that affect business outcomes within a portfolio



A framework of the different factors that affect business outcomes within an entrepreneur's portfolio is illustrated in Figure 10.1. Here the diagram shows four critical factors that are continually at play and interdependent of each other which the entrepreneur must be vigilant about. One factor alone is not sufficient to ensure optimum outcome for individual businesses within the portfolio. For example, the business may be in a high-growth and high-margin industry with the right people in place with appropriate skills. However, if the staff do not have the resources and the appropriate business systems, the over-all performance of the business may not be optimised.

10.2.4 Exit strategies

"I haven't got a plan for succession. I don't need one. I'm not really interested in succession as such. As far as I'm concerned, if I end up going out in a box and we gave it all away and my attitude is – I give it away to people that are trying to make a go of it themselves. I'm just trying to go out of it, so I'm a bit odd. I'm not one of these people who have made a bit of money and want to keep it. I don't mind if I lose it all and I've given a hell of a lot away in the last sort of, four years, or even prior to that." – D4

10.2.4.1 Succession

In the long-term, many of the participants envisage that they will get out of some of the businesses in the same token as others will be added on to the group of businesses in a dynamic process of portfolio development. Perhaps the comment from one participant sums up what could be a typical reason for exit saying "*it was suppose to be for fun, but it was less than fun."*

Even if business was fun, there may come a time when even portfolio entrepreneurs may be compelled to get out of business. In this token, do they have succession plans? Since all but one of the participants have children, it was remarkable to find that only

one had a succession plan for his only son to take over the running of the business. He was gradually eased into role and has been working in the business since he left school. Unfortunately the son died in an accident. The family has a tradition of only males running the business so it will be passed on the son-in-law until such a time that the grandson will be ready to take over.

Overwhelmingly however, the remainder of the participants have said they do not expect their children to carry on with their businesses. Most of them have created trusts and have invested in properties and farms that the family can keep and have provided for them to be comfortable.

For example, G11 has a contract with a long-term business partner that "*if one of us dies, we have a life insurance policy to purchase each other's shares.*" In his case, the family just takes the money. He has also set up the other businesses so that they "*could run quite easily with trustees.*" In terms of property, he has a large farm holding in prime land that is now being subdivided and he sees this as a good exit strategy from the farm venture saying "*yes, that would probably be my best ever.*"

J6 also sees himself exiting the different businesses he is in and insists that he is not attached to any of the entities at all. This is true even for the electronics venture he is in partnership with which is already shaping up to be like the previous venture that sold for over a hundred million dollars.

> "*If and when it got to a stage where the other guys would say I'd like to cash up now and trade up and here's a buyer… yeah, Id let it go.*"

He feels the same about asset-based ventures such as farms and property. He is certain he will be selling off business interest progressively retaining the proceeds in his estate and helping set-up his children in businesses that they may be interested in.

> *"Well the 2 farming ventures we will sell because that's what we went into the deer farming for was to accumulate this land, clean it all up and make it into a really viable property – in terms of grass growth and then sell. And we have sold part of it just to reduce bank debt in actual fact because we saw the deer industry being very poor for the*

next couple or 3 years now a year has gone by so I'm not married to entities at all."

Just as he has built a portfolio up himself, B12 also wants to encourage his children to go into business, but it will have to be one that they like themselves, rather than being forced into his ventures. He is now seeing his son take an interest in business and is optimistic about his ability having already set-up a web-site company at 16 with two school friends and has started to generate income from it.

"You can certainly encourage them to look at business ownership themselves – but it would not necessarily be this business, it could be something else. So I would be keen to encourage all my children to get – especially my daughter, I don't think she can work pretty well so she might have to work for herself."

For D9, there is no succession plan as such for his two children who are still both very young. However he has envisaged that there could be some involvement to the extent that they are happy to do so. They also need to be serious with business. Otherwise, these will be sold off when the time comes.

"I'll probably think that I'm going to have a whole lot of businesses…and I suppose I will encourage my children to a point to get involved…but they'll have to be good… but I wouldn't push them…I'm not interested in pushing them in but they have to be really good… they'll probably end up with the business, and the other ones probably sold I suppose. I expect it will be something like that."

P5 is also of the same mind. Presently, he is encouraging his son with his own project saying *"I'm quite happy to give him some of my skills and property, and if he wants to go for a project, I'll give him some money."* He says if it works, that is good and if he does not *"he'll lose, he fails."* At this stage, he is happy to support his children if they want to be in the business or get into the profession or career of their choice. Eventually however, he sees divestment as an exit strategy.

"Because the business is mainly property based, the exit strategy I guess, will be that progressively the family can sell off the properties and take the money."

M15 has no illusion about building a lasting family institution. He has set-up the businesses so that his share is in a trust and staff being on profit-sharing arrangement. The commercial properties will eventually be sold and the companies that own them will just be closed off. He does not see his children coming into the software business at all.

"Not to the children, I don't think they're interested - I'd help them to be in business if they wanted to be, but I don't think they're interested. They've worked here, both of them and I think that's put them off."

10.2.4.2 Retirement

Is retirement an end goal for portfolio entrepreneurs? Not one of the participants has indicated that it is an option. Unlike other careers, where one seems to comes to a natural end or single venture entrepreneurs who cash up and retire in luxury if they could, portfolio entrepreneurs see business as an ongoing interest and involvement.

"I could not think of any other career to be involved with that could be any better than business quite frankly. You know, how would you like to be a dentist? No there's a bit of interplay or interface there with dealing with customers every now and then but in essence he is dealing with history… not a lot is inspiring. But with business you're dealing with people, it's a different issue over here, and another one comes along from this side here and there's long-term, short-term…" – J6

Retirement is a relative concept for many of the participants. Those that had made good money from the sale of previous ventures and could have comfortably retired have not found that rewarding. M15 (47) tried retirement for three weeks and found it doesn't work and insisting that there is no such a thing.

> *"I mean everybody, I mean you can say you've stopped working or stopped paid employment, but there's no such thing as retirement, is the real issue. So we all work at doing something, whether you carry on and say I'm going to work in charitable work or in some other thing, you end up working."*

P5 at 50 could not see retirement as an option and sees himself as always having a business interest of some sort. He thinks his portfolio will still revolve around properties as they always have although he may no longer the big hard projects. He prefers to work on value-added projects instead.

D4 (50) enjoys the role he plays as an angel investor and as a lead designer in the business that he does not see himself retiring at all. Although hopeful that he may slow down when he has mentored enough staff to take over some of his functions, he has no desire to completely retire from the very work he enjoys. When he does eventually take a less active role in his own business, he is very passionate about sharing his good fortune helping and mentoring others to succeed.

> *"Not really. I might end up sort of getting to a point where I bow out more as an engineer and just help every now and then. I think, now I've got back up in harness again with [X]. Now I can imagine me being flat-out in harness for another 2 or 3 years. After which time, I might be able to slacken off a bit, and by then we'll have got big enough and by then I'll have more people in our team to be mentoring them a bit and designing some stuff myself..."*

Spouses have an interest in their retirement but for the participants who are in their mid to late sixties, it appears to not be an option although they admit to having slowed down somewhat.

At 64, J7 is physically active and still enjoys the excitement of business. Apparently, his wife keeps reminding him he is supposed to be retired to which he replies he is not, just not as active. An added benefit of being less active in business means he is

able to indulge in a favoured fitness regime at his leisure. He likes to run and work out, but instead of doing this at five in the morning like he used to, he can now do it any time of the day. In the same token, G11 (67) says he enjoys doing business and the reason why he is doing it. His wife reckons he should retire but does not see much resistance from family. He does acknowledges that he is not working the business fully now and had slowed down somewhat.

> *"Well I guess I am semi-retired. If I want to take a week off, I do – or a month off – I do, or I don't normally get there 'till 10 o'clock most days but sometimes the phone could still be ringing up to 11:00 at night. That's because of the time difference in Japan – we're 4 hours ahead of Japan and they're still working at 7 o'clock Japanese time."*

A few of the participants sees themselves at different stages in life with related higher end goals. D4 refers to them as 13-year cycles whereas M15 calls them blocks. D4 wants to work towards a better New Zealand by helping schools and novice entrepreneurs whereas M15 wants to do charitable work.

> *"But you take a bit of time when you can think and pontificate on what you have done and how things are going… and I look at my life in 13 year cycles and we're in the 4th 13 year cycle at the moment… and I'm in the 4th 13 and really I'm probably now sort of helping others…I've sort of got to a point where I can help others…I am more interested in helping New Zealand society to get a place in the world… the way most people act and behave, and most of our politicians act and behave is putting us backwards." – D4*

> *"And I have definite plans to be out of business and doing other kind of work, but it's not retirement. It's fair to say that I've had blocks in life and I'd quite like to have a go at something else. Business fascinates me to a degree and I want to a degree to try and leave a legacy of creating a great business and I can go - I was a part of that or part of achieving that."- M15*

Despite the legacy that M15 wishes, he is realistic that he does not want business to consume him. He does not have a lot of need for money nor desire greater wealth for himself but to make a difference to those around him.

> *"If I wake up in the middle of the night I'm thinking about business and how to make this thing look better, and I would like to? I don't like doing that. I didn't do that when I was in Nepal. I wasn't lying awake at night thinking about money and business and those issues. I was thinking about different things."*

10.3 Personal outcomes

This study started with antecedents that focused on individuals and traced how these had affected their entrepreneurial careers. In this final section, the study goes back to the individuals again and report personal outcomes as they are related by the participants.

> *"I started with nothing and when I go out as far as I'm concerned I'm not taking any of them with me. And as far as I'm concerned the kids don't deserve to have anything. They've got to work for what they have, other than they have the advantage of having a good education and they have the advantage of me being able to fund the education that they want, and stuff, but they don't get spoiled too badly." – D4*

10.3.1 Satisfaction levels

> *"I found that financial satisfaction is incredibly unsatisfying." – M15*

Entrepreneurship is not an easy journey but the participants in this study have chosen this path and the fact that all of them have persevered and succeeded is a testament to their motivation and determination to have a go. Some are only at the early stages of that journey, others are well on their way to achieving their objectives and a few are now starting to slow down, but not one of them have ever considered quitting. So how

satisfied are they personally with their journey? Over-all it appears that satisfaction itself is a fairly relative concept for the participants. Satisfaction it seems is not only about becoming wealthy but permeates across the range from lower to higher order aspirations.

All the participants had at some point in their entrepreneurial career wanted to create great wealth. One participant wants to be super rich and another wants to perfect the formula for becoming and making millionaires of others. To those who still want to achieve this, financial satisfaction is still something to aspire to.

Many of the participants find that having money gives them the freedom to buy whatever they want to but do not necessarily go all out to spend and /or consume conspicuously. In actual fact, many of them have been quiet restrained in lavish personal indulgence such as holiday homes, expensive new cars and travel. What has been noticeable is their propensity to acquire high value family homes that are situated in very desirable locations.

> *"I guess I always thought that at the back of my mind…I always thought wouldn't it be nice if I could be in a financial situation whereby within reason, I could go and buy anything I wanted. When I say reason, I'm not into cars, big cars I'm not into big… we have a lovely house actually but… I was probably more thinking about if I wanted to buy a piece of furniture or stereo or whatever I wanted to buy as some requirements… because often times, in the early days when we can't afford it, we don't do it, so that's that. So I've achieved that." –J6*

Those that have acquired enough wealth do not necessarily find it any differently from the early days when they were not as wealthy. It appears that money is often committed to other things and should cash be needed, they will have to liquidate some assets to do so.

> *"Yeah, well I've got cash in the bank or the equivalent of a bank. I've got a bank that we sort of put it in and get 12 per cent at the moment*

for debts and loans and various things but we don't actually have much cash, we're all, the missus always complains we don't have any cash, we don't have any money. It's all bloody committed somewhere. Although we do have some that we, if we needed to, I could go and grab, half a million tomorrow, but, and most of it is actually in assets. You know, there is this house and there is the… partnership building and there's another [X] and there's the enormous amount of money that if you add it all up either in shares and in loans, but I'm a bit different from most people." – D4

There is financial satisfaction apparent among those who had achieved great wealth and no longer worry about money. Ironically, one says "*it's not important - most people, their aim in life is to become wealthy, but don't get there.*" He did and he said he is not keeping it all. It appears that for D4, the satisfaction is not in the money but in what it can do to others. He is happy to help someone whether they make it big or not and if it ends up paying the wages of a few people then he is satisfied with that as well.

"I'll give it away to people. Some of it's charitable, some of it's schools, some of it people like I am trying to have a go to do something and half the time they fail and sometimes they yes, they get put out of business and when I look at the amount of money I've wasted over the years or lost, some of the ones you know I've given them away for this or others, I give it to my brother who wanted to have a go and it didn't work out, you know nothing ventured nothing gained so at least they've had a go, than others some of it they were aiming for the stars but ended up running a little business for themselves."

As someone who does a lot of racing, he is also concerned about the high accident rate among young people so he gave support to Pro-drive, a programme that teaches high school students to be better drivers. His concerns extend to other aspects such that he refuses to buy art work no matter how valuable from people who only want to make money from it and insists that he will only buy painting from living artists.

" People came with a whole lot of art works…and some of them were lovely artworks … and they were valuable artworks but they were not by presently living artists… and it was really just propping up somebody's investment bank balance. So, I said sod off, I would rather support a blooming budding artist that was having a go at things.

Having huge discretionary income allows the participants to support their chosen cause. One participant supports a local children's charity and has consistently donated to their cause generously. Other participants have set up charitable trusts, donate a proportion of their income to various local charities and around the world. Some donate their time, expertise and resources to sporting pursuits and other social causes.

10.3.2 Sense of achievement

Whereas it is understandable to look at financial satisfaction, money is only a by-product of successful ventures. Having reached the top, there is a sense of fulfilment that is not fed by money. Rather, it is a sense of achievement, that they have successfully carried the seed of an idea / opportunity from concept to customer.

As a designer, D4 claims his biggest satisfaction is still basically in seeing products that he has designed succeed. He talks with sheer delight that what really turns on good engineers is seeing happy customers using their products and products that perform really well for the need. This is especially satisfying when he is working against the odds.

"Oh, a lot of people have said, 'oh, you can't do that, it won't work, it's impossible to do that' and then I say 'oh bugger it, I'll have a go' I even have blooming university lecturer tell me things that I have designed are theoretically impossible to work and I say 'oh, yeah' I just make them work anyway and so most of my thrill really is from designing products that are out on the market place in volumes and lots of happy customers."

For J6 the sense of having achieved something significant also extends to the satisfaction of seeing other people succeed and grow within his business. He cuts a paternalistic figure to many of his employees. He relates how "*when I bought my shares I had 10 employees… that was 4 engineers and 6 assembly people,"* and they could have family-like Christmas function where everyone was seated across the table. The business grew so quickly that they were doing "*about 75 million of sales probably we were …all in a space of a decade…and we were able to take that attitude, that culture with us."* And it was not only the social events that mattered. He especially values seeing the way people grew. As the company grew quickly, so did the responsibilities and they had to delegate a lot of functions especially on the production side.

> *"At first they grew their own skills, their own work skills but because of the confidence then they grew their personalities as well …and confidence, we exposed them to situations where they can talk, they can talk in groups… and subsequently they had to talk because we had monthly meetings …And the company meeting was 400 people… 450 people and we get various people go up and tell us what they're doing in the company and where they come from all that sort of stuff…they'll be talking 2 or 3 minutes, all of that sort of thing you know. So that was great… some people would come in, in low level jobs and would hardly speak to you… and in 2,3,4 years they're achieving marvellous in the workplace and confidence in… You want to see that as people they've got the ability within them as well… a preparedness."*

D9 never has any hang-ups about money. To him being a portfolio entrepreneur is about successfully growing the businesses and enjoying the process. He insists that he is lucky he has a "great job" that he really loves.

> *"Oh… I'm pretty happy with myself. I think I have a good life. I've got some skills that have looked after me pretty well. I have good people around me… I've got people around me who love me. Yeah,*

and I'm a pretty down to earth sort of guy. You know for the things I've achieved, and for the money I make, hey, I come to work everyday…I am focused on my business, I work on the weekends… I'm always thinking about it…hey for most people…a lot of people that I know, if they were making as much money as we're making, they will not be sitting at their desk. They'll be playing golf everyday…they'll be going on big holidays…they'll be doing all sorts of stuff."

In doing so, he does not worry about the money so much as he does not take a big salary since *"all I need is being able to put a good meal."*

"That's not a worry. Things really…at the end of the day I just like the success. I just want all my businesses to do better next year than they did year before. I'm not really too worried about how much they make or all the rest. I just want us to grow and keep growing and just get bigger and that's it, I'm not really worried about how many beans there are."

This is a similar sentiment that B14 presents. To him, it is not about financial satisfaction. He says "*I did not start off to make money - I started off to run trucks because I wanted to run trucks."* The money just happened as he became more and more successful in business.

"Yes, and I was more successful than I ever thought I would be. I don't know how successful, I mean you read the rich list and how do they know? They do not know."

B14's main source of satisfaction is in having built a ready-mix concrete business to a nationwide company against very fierce competition. They were up against the biggest concrete business in the country that in his mind used underhand tactics and threatened to break him. His pleasure is even magnified when he thinks that no one else has taken on the "big boys" and succeeded as he has.

> *"I suppose my biggest satisfaction is growing [X] to a nationwide company… and we are probably we are one of the biggest… in the country to one of the biggest private freelance in the country…"*

The other part to this is his life-time fascination with trucks. Trucks give him satisfaction and he enjoys just driving around town and seeing their trucks everywhere. Not wanting for anything at 64, he still wants to grow his vintage truck collection and pursue other business opportunities for the satisfaction of doing it.

> *"Yes. There are still things I want to… I want to keep on collecting my trucks and make it a better collection, although it's probably right up there now. It is the best around. I'd like to keep not necessarily growing the business hugely but taking opportunities as they present themselves. We tendered for a farm but missed that. If another one comes up that suits us, we'll have another go. If it's not, we'll look at the next one."*

For P5, financial satisfaction is secondary to having successfully completed huge property projects. Although he says "*its nice to have made money,"* what stands out more is how rewarding the creative side to projects is such as when "*you'd save some heritage building or you have created something someone else haven't thought of."* He says being involved means there is an emotional aspect to every project.

> *"You become quite absorbed and become quite proud of something like the bus exchange, it was an incredibly complex and difficult project. I don't know anyone else who could do what I went through. You feel a quiet satisfaction but it is a slice in time because I've moved on, that was 3 or 4 years ago now and I've kind of forgotten some of the issues with that. It had become quite absorbing."*

It is because of this emotional attachment that he is now taking it easy *saying "I think I've come to a time now where I've got to the top of where I want to be."* He does not intend to take on big projects as he has done in the past.

In terms of financial satisfaction, M15 had some poignant thoughts. To him the journey towards financial freedom was more satisfying than getting there. Although he agrees that *"in a business the ultimate goal is the cheque,"* he also now has experienced first hand and is totally convinced that *"actually when we get there, much wiser people will tell you, it's not the goal anyway."* He further adds that like a few others in the same boat, getting the money makes them wonder "what do I want with this anyway." Reflecting back on his first huge pay-out, he recalls how it had all been uneventful. Even the material rewards that money brings proved to be less satisfying as when one actually worked for them.

> *"No, it's all been said before that I think… I mean actually the day we got paid. It took a while to get paid and the day I had a cheque, for me I had a couple of million. It wasn't a total pay out. It is incredibly flat to be quite honest. So what am I going to do and in fact I tell this to people because I still keep driving the same car and I've got the same hours and I bought a motorbike and I bought a new dining table that we didn't need and I've got my backyard done up by someone else instead of doing it myself, which actually wasn't that satisfying. I should've done it myself."*

He drew a parallel with business success and life in general emphasizing that being able to just get what one wants is nowhere near as satisfying as when one works towards it.

> *"I'll put that in simplistic terms of… because I say this to my kids and I'll say it to you now. I think you get more satisfaction out of putting money aside each week say for a holiday or something special, and that might take three years and you get it and you have something special, and you really enjoy that because you saved for it."*

M15 thinks that the idea of financial freedom and security has some drawback in terms of where it leads. Because of this he says *"there's a part of me actually wanted to give away everything I've got to start again, because I think that's more satisfying."* And in a way he has done this by sharing his wealth. On a personal level he has given money to his parents and set up charitable trusts. At a business level, he

prefers to share ownership with stakeholders. In doing this they have made a few millionaires of people who had worked with them by creating options that allows stakeholders to buy into their vision. He believes in the value of "*taking others along*" and encouraging them to do the same.

> *"I tend to go through presentations saying this is who we are, what we are about, it is a dream, it is a vision. Actually we have some credibility now, this is a company we can build and we share some ownership of that with you, pretty uncommon in New Zealand, I feel. When we were in [X1] we made 11 people millionaires, [J] and I own the most of it for a long time and we shared that out and out and out. So I share that with people coming in here and saying I will do that for you, and my expectations it not like putting peas in a can, and so you will work hard, or we will tend to say, let's work hard, play hard sort of environment. I think people like that. They like vision and goals"*

While his initial intention years ago was mainly to provide for his family, his motivation is now to build a great technology company not to create wealth for himself but because he is passionate about giving talented New Zealanders a chance to make it in the world. He wants to launch a public company and use this as a vehicle for this purpose.

> *"Go overseas, almost to be a vehicle, and/or prove that New Zealand has great technology engineers, but we lack the entrepreneurs and marketing people to sell. And to learn how to do that well, make physical progress technology as we did with the dairy company. And if we learn to do that very well, then it's a good thing."*

Given this, his other source of satisfaction is in having created a business that he loves coming to work for with the added reward of having provided an environment where other people can reach their own goals and ambitions. He adds that he wants people to *"love coming to work because we make the coolest product in the world and for others,"* not mainly for the wage and working towards retirement one day.

Presently, B12 still wants to achieve more and derives a lot of satisfaction in getting involved in business and improving it. It is what gets him out of bed in the morning. Although he may in the future cut down on working hours to do other things, he has only just started and has not reached the peak of what he wants to achieve.

> *"I'm in my prime at the moment so give myself another 5 years sort of going hard and build myself some reasonable wealth and then probably take things a bit easier. So I can't imagine that I won't always have a business interest. I'm not that interested in the share market really and properties, it doesn't interest me either."*

When it does get to the end of the race, there is much time for reflection. G11 finds after 50 years of being in business that if he was to do it all over again, he would do things differently and better. He thinks his weakness was in not taking control of the people he had as partners or working for him. Although his businesses tended to run by themselves he could have managed them better and regrets the odd failure. To this end, he probably had more regrets that satisfaction. When asked what he would have done differently, he replied he would have concentrated more on property because *"anytime I made a mistake, property pulled me up."* Overall though, business has been good financially, but he could have done better saying "*oh it's been good - I think if I have been concentrating on property in the last 50 years, I'd be in the rich list."*

10.3.3 Family

In terms of family, the participants appreciate the time and benefits that ensue to their family as a result of having the freedom to spend with them or give them what they want. They are able to pursue hobbies and interests that they would not have able to had they been working for someone else.

For example, D4 had always enjoyed go-carting in the country for the weekend with his three children as they were growing up

"Then the next probably thing I enjoy the most is the motor-racing, the classic motor-racing, going away, and there's two sides that I really enjoy, the social eventing that goes with it and some of it, it's not only racing, sometimes we go on a weekend jaunt somewhere, or sometimes a day trip, we'll get round and sit around and you talk hard and you talk sex and violence and all sorts of things come into topic and it's just lots of fun to be had."

Having money also allows him to give the children a helping hand where they need it as in her daughter's case. Since she and her partner wanted to have a go at farming, he did not hesitate to finance the purchase of a farm that will eventually be hers. The other children are beneficiaries of a family trust so in theory the each of the children own a percentage of it. He is however hopeful that they would find and pursue their own interests.

"We've sort of, well they have a place that they're kind of breaking it in a bit and sort of working on it at weekends, and when they get time, and that is sort of basically hers and her leg-up. I don't have a major problem with giving them a good leg-up and getting them started, but really when they get going, they're on their own."

J6 takes a lot of satisfaction at being able to provide a good role model for his children. He believes that his success is in part due to having a happy family situation. Because his family lives in different parts of the country and overseas, it has become a tradition to have a consultant's meeting where they get together often in Australia and have a reunion and enjoy each other's company.

"Yeah, one of the major satisfactions one has in life of course is always a family thing isn't it? I've been very fortunate to… [B] and I have been married for over 40 years … about 45, 46 years… so we have a good marriage and all of the kids have performed well academically and sporting wise…got lovely families themselves. That's the major plus in life of course, if you can be part of that. But that's got nothing probably to do with running business, I don't

know… but it may do, because I think siblings can get some appreciation from their parents… sees how life should be lived and that kind of stuff. And if they take that on board and are successful, that's a nice feeling as well."

D9's children are still very young and although he says his son seems to think that he spends a lot of his time on business, he is confident that his son appreciates his position.

"And he knows, I think he knows he's lucky… and I think he knows his dad has done pretty well… ah, well you know…he said to me yesterday on my birthday, "hey, you're the best dad in the world!"

For B12 time freedom is still a few years away but he knows what he would like in the near future. This includes being there for the children and pursuing personal interests.

"Well I've got a 5-year horizon, where I want to be able to work less that I am at the moment but it doesn't mean I want to retire – just doing different things probably. In 10 years, I'd like to be doing a lot of other things and have developed passive income to a stage where I can do that. Maybe be supporting the kids at this stage in whatever they want to do. But there are also things I want to do when I get some free time – do some writing and all sorts of things I like to do - travel and things like that."

The untimely death of their son who was groomed to take over the business has made B14 devote plenty of time with his daughter's children. His office walls are decorated with the children's drawings and photographs.

"Oh I think they… we are very close, we are very close. My 3 and a half year old granddaughter spent yesterday afternoon in my truck shed and sat there… granddad do this, granddad do that. I'm cleaning something and she goes I can do that granddad…you have to rub

hard… I can rub hard… I can spread that on and polish…Yeah, look at them, they mean more to me than anything else and really that's me. I'd rather be here with them than travel the world."

M15 is certain his children are proud of what he has accomplished. He also realised that having not just one but many businesses meant he spent so much time away when they were growing up being away from home for more than six months of each year. Although he regrets taking the time off his children, he explains to them why and is making it up with them now that he has successfully built businesses and no longer worry about money.

'So now that I am making money or having good relationship with family is far more important than any dollar. I told them, I have not found a successful business, when I say a business that has made several million dollars, and really grown, and told them I have not found a person who did that on a cushy brown web, there are some sacrifices somewhere, and so you are going to work hard and something is going to give, and if someone can show me how to do all this, and this balanced lifestyle that they talk about, show me."

10.4 Conclusion

In this final section of the study, the participants have come full circle from talking about themselves and their entrepreneurial journey to what they have become as a result of that journey. The personal outcomes section has been the most poignant moment throughout the interview. Many of them have become reflective and for a majority of the participants, the questions have led them to stop and pause and look into what they really got out of the whole exercise for the first time.

The chapter looks at two levels of outcomes, (i.e. business and personal). At the business level, what emerged was a picture indicating that unlike single venture entrepreneurs, portfolio entrepreneurs do have and are able to find synergies in their

operations whether the businesses in the portfolio are related or not. There is evidence of resource and asset sharing, scale economies, and benefit from tested systems and procedures. It is difficult to ascertain whether individual businesses would have done better independent of a portfolio, an interesting study to pursue but one that is beyond the scope of this thesis. Nevertheless, as part of a portfolio, businesses do thrive from being strategically driven by a motivated entrepreneur.

There is strong evidence that portfolios are dynamic and there is usually a dominant business in a portfolio in a given period. This is often dependent on the core business at the time which could change as the portfolio continues to add and /or exit some businesses. Exit from a venture does not necessarily mean failure. On at least three occasions, exit via the sale of an original business resulted to huge pay-outs that paved the way for the entrepreneurs to set up more ventures. Exits that were considered failures were often due to industry downturns, people issues and misreading market signals. Participants do not hesitate to exit underperforming ventures if they find that they become liabilities to the portfolio.

A majority of the informants do not expect and/or will not force their children to succeed their roles. This breed of portfolio entrepreneurs are more concerned that their children are able to pursue their own interests if they are not predisposed to taking over. In fact, they are happy to provide financial and other support for them to realise their potential be they in business or other pursuits.

Not one of the participants has ever considered full withdrawal from business. When the time comes, they all allude to slowing down and taking a background role but will always have an interest in business. Hence, retirement in the usual sense of the word does not really apply to these entrepreneurs.

This is understandable when at the personal level the participants shared the satisfaction derived from their careers. Whereas they have achieved some financial success, those that have become high net worth individuals do not find wealth a motivation to keep going. Money becomes a vehicle to achieve higher order aspirations from being able to help and set-up family and friends, to advocating and supporting worthy societal causes. Cooper and Art (1995) found that individuals who

prioritized economic objectives had less personal satisfaction than those who favoured non-economic objectives and there is evidence of this here. Certainly, there are those who are happy to live modestly and give their wealth to charity.

A sense of achievement is more meaningful in terms of having fulfilled their dreams and seeing their ideas come to fruition. They talk fondly of battles fought and won, of triumph against adversity and of overcoming hurdles. Over-all they have enjoyed their journey and have loved the challenge and seduction of new opportunities. Coming full circle, every new experience is another lesson learned and contributes to who and what they are, and ultimately explains how and why they have become portfolio entrepreneurs.

CHAPTER 11

CONCLUSION

11.1 Introduction

The genesis of this thesis centred on what the author considers a very special group of individuals. She has set out to explore what makes a portfolio entrepreneur; more specifically why and how they become so. The study was based on a set of research questions at the outset and guided by a conceptual model. Having reported the results of the investigation in the preceding six chapters, the final chapter contains the conclusion of the study that is structured around the original research questions. This is followed by the contribution of the thesis, limitations and the implications for practice and further research.

11.2 The portfolio entrepreneur

RQ 1: *How prevalent is the phenomenon of portfolio entrepreneurship?*

It is now recognised that there is a substantial number of entrepreneurs that are involved in multiple ventures throughout their careers. This group of entrepreneurs are referred to as habitual entrepreneurs. However, studies have also found that not all habitual entrepreneurs are the same. The portfolio entrepreneur differs from the serial entrepreneur in more ways than just their propensity for ownership of multiple ventures. While this thesis did not set out as a comparative study between both types of habitual entrepreneurs, it is apparent that the portfolio entrepreneurs operate with a different model by virtue of having a portfolio.

Within the research setting, the prevalence of portfolio entrepreneurs fall within the range of those found in other studies of 12-51% (Ronstadt 1986, Schollhammer 1991, Kolvereid and Bullvag 1993, Kolvereid, et al, 1991, Birley and Westhead 1993, Taylor 1999, Rosa and Scott 1999, Carter 2004). This provides confirmatory evidence that this type of business activity is pursued in a similar manner across the different regions. Further, the preliminary study conducted prior to selection of cases found that a large proportion of the businesses owned by these entrepreneurs were located in urban areas. While their business interests can be found across all the different industry sectors, there is a high frequency of technology-related ventures among the participants of this study.

11.3 Theoretical antecedents

> ***RQ 2:*** *What are the antecedents that influence the way portfolio entrepreneurs think and do things? How do these factors influence initial and subsequent venture creation behaviour?*

In setting out to answer this question, the framework looked at the **human and social capital** endowments of the participants. Here again, there is confirmatory evidence that portfolio entrepreneurs are early starters in business, but also found that late bloomers (those who change careers later in life) can also become successful entrepreneurs. While good educational backgrounds seem to feature prominently amongst this cohort of entrepreneurs, its usefulness lies in their ability to pick things up and act quickly in a given situation. Families play an important role in their pursuit of an entrepreneurial career. While a majority of families are supportive, it can at times be fraught with tension. Parents, especially fathers influenced their view of business in the early stages of their careers whereas the support of spouses and partners become crucial in the later stages. Although they have business and social networks, they are very strategic in terms of business partners. The networks get tighter as their portfolios grow and they tend to surround themselves with those they can trust and are comfortable with.

The participants have displayed unique traits that may account for their success as portfolio entrepreneurs. They are generally intelligent, confident, passionate, disciplined and persistent as a person. These traits are combined with being ruthless, shrewd and driven in business but operating with a high degree of sensibility, fair dealing, integrity and ethical standards. The more successful they are, the less they want to be in the public eye. They often channel their wealth to charitable and community causes and take interest in mentoring novices in business, often without expectations of rewards or profits.

While their **motivations for going into business** initially appear to be no different to other single venture entrepreneurs (that of economic and career considerations), the motivation for becoming portfolio entrepreneurs are noteworthy. Once initial success has been achieved and financial considerations are no longer an issue, pursuing new ventures is about the enjoyment and mental stimulation of trying new ideas and solutions, of challenging the norms of traditional business and moving on to the next big thing. Since they were likely to be top performers and leaders as they were growing up, they are not afraid to lead in their chosen fields. They have an ability to rise above the uncertainties of new systems. In fact, they want to try the untried and push the boundaries then drive structure into unstructured things to make them work.

Being a portfolio entrepreneur sometimes just happen serendipitously as opportunities present themselves and they discover they have an appetite for multiple ventures. This maybe partly explained by the 'corridor principle' (Ronstadt 1986). These entrepreneurs have found opportunities and corridors that they would not have otherwise seen if they were not in business. Often however, the development of a portfolio is driven by two factors: being business-related and the desire to structure business interest for personal reasons. At the business level, this is mainly to pursue growth and other opportunities. The expansion of a portfolio is also a strategy for managing taxation and succession, diversification of business interests and a way to trial new products and services without affecting existing companies and brands.

If entrepreneurship is a **risk-taking** exercise, portfolio entrepreneurs must be exposed to more risk than other business owners. Evidence from this study show risk-taking was highest at the initial stages of business entry and tended to be minimised as

portfolios grew. It appears that portfolio development is in fact associated with managing risk. A bigger portfolio means their business interests are not dependent on one business alone and they can pursue parallel interests without risking everything. Whereas others may view them as risk-takers, a closer analysis reveals that they risk what they can afford to lose. The thrill of pursuing new challenges is exciting enough to warrant the allocation of some resources. However, they are also realistic and are prepared to lose should the outcomes not favour their way. This is because they would have already ensured that family, financial and other commitments have already been provided for and only discretionary / excess funds are involved in what may be considered risky pursuits. This allows them to chase new opportunities without putting existing ventures in jeopardy. Here, the pursuit of a portfolio structure is sometimes influenced by family considerations and ensuring that continuity, succession and entrepreneurial renewal through the generation are managed (Rosa 2006).

In applying **effectuation logic** (Sarasvathy 2001) to the above discussion, there is evidence that the means the entrepreneur starts with, that of being *"who I am, what I know and whom I know,"* do affect their entrepreneurial decision – making. These means are the components that make up the human and social capital of the individual that in turn affects how they behave and do things. For example, their risk profiles are associated with the *'affordable loss'* principle where decisions are made with a consideration that the new venture may not succeed at least initially. This then leads to engaging with the second principle of *'leveraging contingencies'* where entrepreneurs take advantage of resources and opportunities that may be available and not necessarily what is dictated by a given situation. This may be related to financial, human or other resources. Finally, of all the different types of entrepreneurs, it appears that the portfolio entrepreneur is the most likely to be relaxed about control, a trait associated with entrepreneurs in general. This is exhibited by their willingness to take on *'strategic partners'* the third effectuation principle. Having a portfolio means they spread their risks by taking on majority or minority partners, a clever strategy that also allows them the freedom and time to pursue other ventures hence, expand the portfolio further.

While such evidence shows effectuation logic in action, this seems to be pronounced in the early stages of venture and portfolio development. Portfolio entrepreneurs do appear to start as effectuators manifesting this in the three effectuation principles. In the latter stages, causation reasoning becomes evident especially for those who have financial aspirations. This is however less evident among those who have high net worth. Those who employ causation reasoning exhibit this through goal setting which are largely based on financial (e.g. rates of return, market share, etc.) or expansion targets (acquiring competition, more branches, etc.).

Overall, the study concludes that in terms of theoretical antecedents, there are a number of factors that directly and indirectly influence the make-up of a portfolio entrepreneur. These antecedents are dynamic and every new venture added to the portfolio is a new lesson and adds to the wealth of experience that in turn impacts on the next entrepreneurial decision.

11.4 Entrepreneurial process

> ***RQ 3:*** *How do portfolio entrepreneurs engage in the entrepreneurial process of opportunity search and recognition and entry as they seek to develop and grow their business?*

The third research question relates to theme three of the conceptual framework. There are many processes involved in entrepreneurship and even more views on what is involved in the process. It is generally accepted by scholars and practitioners alike that opportunities, perceived or otherwise, play a crucial role in the pre-venture formation stage. Thus this section of the thesis is organised along a timeline covering three stages. At a 'pre-venture' stage, how do portfolio entrepreneurs engage in opportunity search and identification? Once they have found these what are their entry strategies? Finally, after the ventures are formed and the business is in operation, what are the operational strategies they put in place for growth and development?

Participants in the study employ various ways of **seeking opportunities** consciously or otherwise. For example, it is not unusual for them to be scanning the environment

for possible opportunities. They read industry reports, watch new trends and competition and talk to relevant people. They may also be deliberate in their pursuit of opportunities. This is manifested in the high incidence of acquisition activities especially at the growth stage. Other opportunities present themselves and they seize those that particularly interest them or complement their existing competencies. Networks do become a source of opportunity for portfolio entrepreneurs, and it appears that they work both ways. Once they have established their strategic partnerships (as discussed in the section on theoretical antecedents), there is a reciprocal system in place. They tend to adhere to proven and trusted partners for shared ownership which they do not seem to be averse to. There is no evidence here that family and social networks are a source of opportunities for portfolio entrepreneurs. If anything, it works in reverse, where the entrepreneur creates the opportunity for family and friends to be able to pursue business interests with their mentoring and guidance.

Entry decisions are generally based on some pre-set criteria such as revenue streams, industry knowledge and market share but not limited to them. There are intangible considerations that also come into play. A majority prefer the excitement and challenge of trying something different and testing the market. They are not excited by 'me-too' solutions. Gut feeling plays an important role especially where people are concerned. Being portfolio entrepreneurs may make them experienced business operators, and they certainly learn from experience, but this does not make them less prone to mistakes. They admit to making a few of them but ensure they do not make the same ones next time. This becomes an advantage for a portfolio entrepreneur as they get multiple chances to apply what works and avoid those that do not. Experience from previous ventures also make them better able to mitigate risk and this may be due to the fact that they no longer expose themselves to high debt levels being able to finance new ventures from internal operations of other businesses in the portfolio.

A more significant entry criterion which has far-reaching implications for portfolio development is **growth-seeking**. Although manifested in different ways, growth-seeking or lack thereof in certain product lines of markets is a prime consideration for founding or acquiring new businesses. This aspect on entry strategies may explain why some portfolio entrepreneurs pursue certain ventures and not others.

Given this, an in-depth analysis of growth strategies was done in order to tease out how the participants pursue such a process. These strategies can be classified as either internally or externally based. Internal growth strategies are those that are considered organic in nature. This may take the form of product and market/territory expansion. This is a popular strategy often associated with single venture entrepreneurs. The drawback of this strategy is that it is slow. Consistent with previous findings that portfolio entrepreneurs are highly likely to be associated with fast growing companies (Rosa and Scott 1999), the participants in this study also pursue fast growth in their particular industries. In order to achieve faster growth, the participants also use external strategies, in particular acquisition of other businesses. This is done to eliminate / minimise the competition or complement existing competencies thus growing faster. Both internal and external strategies and the combination thereof may still need the entrepreneur's flair to successfully pursue growth.

An interesting finding from this analysis is the difference between small and large portfolios. The smaller portfolios seem to have developed largely from using internal-based strategies whereas the larger portfolios have used a combination of both internal and external strategies. It appears that fast growing portfolios are a result of aggressive activities which may be considered entrepreneurial in nature. These entrepreneurs acquire other businesses along the value chain (horizontal or vertical) in order to keep up with growth targets for the core business. The portfolios are dynamic and change over time. Some businesses are exited and others are merged or separated. This may be a reflection of the entrepreneur trying to find focus and synergy within the portfolio. Although the portfolio entrepreneurs in the study are no doubt successful, it is not possible to recommend one particular strategy as the silver bullet for growth. What may be worth noting is the association of the strategy to the entrepreneur as the strategic driver of growth in the portfolio, such that if the entrepreneur wants to achieve faster growth, then he/she must be able to determine the right combination of internal and external strategies and know when the threshold has been reached.

The third aspect of the entrepreneurial process relates to **operational strategies** that the participants use to manage the complexity of a portfolio structure. Unlike single

venture entrepreneurs, the portfolio model means the entrepreneur has to oversee a number of different ventures simultaneously. Given previous discussion on driving structure into things, the portfolio entrepreneur has to put systems in place to simplify what would be a complex web of relationships between people and business.
How they structure their business ownership is an important aspect to business operations. Full or partial control and shared directorships has legal and compliance implications. Just as they have a propensity for using mixed growth strategies, it appears their **ownership structures** are also a combination of full and shared shareholdings. While it is not unexpected that they have 100% controlling stakes of some businesses, it is interesting to note the extent to which they are relaxed about having partners. Although this is not a completely unique ownership structure, being available to other types of entrepreneurs, it does imply that portfolio owners are not averse to sharing control of business interests. Shared ownership is generally extended to spouses and adult children (who are not necessarily directors), and trusted business associates. Where the business is debt free, they are happy to include family members as directors of the company. If not, they see no point in exposing them to legal obligations they do not have any control of. Family and charitable trusts are also a popular ownership structure that takes care of succession and bequest issues.

Participants vary in their reasoning for the percentage of shareholding. Some insist on equal (50-50) partnerships to ensure equal responsibility and interest, while others opt for 26% to ensure they have a say on the strategic direction of the company. Whatever the justification, it is evident that the participants are as much a **solo operator as a collaborator**. By having strategic partners and engaging in joint ventures with other companies, they increase their chances of success and at the very least spread the associated risk especially with larger ventures.

There are many factors that affect business operations. Portfolios are not static systems and portfolio builders need to quickly respond to changes in the business environment such as disasters and cycles. This may mean merging some businesses together to consolidate operations when growth is slow, or splitting a business up when it gets too large and starts to diverge in terms of its product offerings or the markets they serve. This process of **merging and splitting** characterised by the absorption of one business into another or the breaking up of a large business into

separate companies is unique in a portfolio structure and is a strategy available to the portfolio entrepreneur more readily than to a single venture operator.

Financing growth is an important operational issue. Those that have established portfolios and enjoying good returns from some businesses are able to channel excess profits into fledgling ventures thus having the luxury of being able to mitigate taxation obligation while supporting other ventures within the portfolio. In contrast, early stage portfolio builders still have to rely on raising funds to finance growth aspirations. Where possible, they prefer to put profits back into the business. If this is inadequate, they may release some equity and take on co-investors. Others still rely on raising debt from banks or other financial institutions. They are generally averse to venture capitalists but may engage in angel investing themselves.

Despite having the best systems and structure, the success of any venture still depends heavily on people within the organisation. With multiple ventures, a portfolio entrepreneur may be able to drive the strategic direction of the portfolio but needs to have the right people to manage the operations and deliver the results. **Human resource** is therefore a strategic issue that portfolio entrepreneurs are only too aware of. The end goal is for business to function without the entrepreneur. They need to be able to delegate and trust the people around them. This may be the rationale for having a tight network not only of business partners but of top management teams around the portfolio.

11.5 Outcomes

RQ 4: *What are the business and personal outcomes of these entrepreneurial activities?*

This thesis has taken the position that the entrepreneur cannot be treated separately from the firm. Firms, organisations and other artefacts are the creations and outcomes of entrepreneurial pursuits. This study had tracked fifteen entrepreneurial careers. The participants are at various stages of building their portfolios and have selflessly shared their experiences. Tracking their stories from pre-entrepreneurship stage to where they

have arrived at the time of the interviews, would not be complete without reporting the outcomes of their activities.

In so doing, outcomes at the **business and personal levels** are distinguished from, yet connected to each other. In some ways, the portfolios that they create are a reflection of the entrepreneur themselves. They mould and develop them to their individual design. No two portfolios are the same just as no two portfolio entrepreneurs are the same.

The **business dynamics** are what maybe expected of a portfolio. There are synergies and economies of scale and scope. There exists a sharing of assets, resources and competencies. Individual businesses benefit in terms of having business systems that have been tried, improved and proven to work in other business settings. While synergies may be high with related businesses, unrelated businesses still benefit from group economies in such aspects as finance, insurance and buying power. Businesses within the portfolio can talk to each other and even purchase from each other.

At any given time, there is usually a dominant business in the portfolio. This may not necessarily be the largest one. Often, it will be the one that demands most of the attention of the portfolio entrepreneur, or the one that is experiencing rapid growth. Moreover, this dynamics change over time and are affected by factors sometimes beyond the control of the entrepreneur.

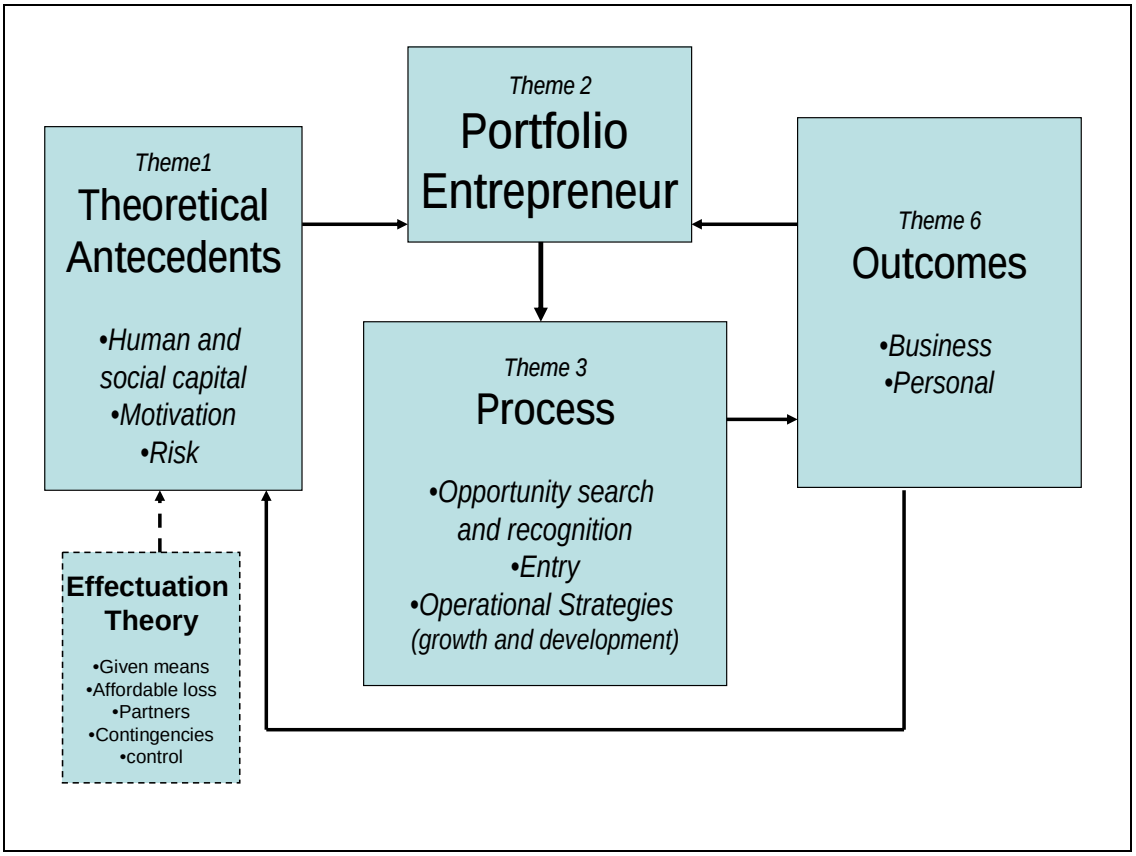
Keeping track of the **performance** of individual businesses is a simple exercise. Having a group of companies enables the entrepreneur to benchmark one business against another. As with most business scenarios, performance could at times be inconsistent. These fluctuations may be due to business cycles and other macro - environmental factors. Nevertheless, it is fair to assume that within a portfolio, there may be better performing businesses than others.

Exits are not necessarily failure-related. In fact some entrepreneurs exit their best performing businesses to generate a good sale and set them up for further ventures. They continue to add and exit businesses as their focus changes. They hold no lasting

attachments to individual business and would not hesitate to exit badly performing ventures and cut their losses.

At the personal level, **satisfaction** is dependent on what stage they were in their careers. Early stage portfolio builders understandably tend to be more financially driven, while those in later stages have higher order aspirations such as helping and mentoring others as well as supporting the less fortunate in society. Business to these participants is what they enjoy doing, what 'makes their juices flow' and not one has considered retiring from business albeit some have started to scale back. They are still seduced by revolutionary product offerings, of innovative approaches and of new solutions. In reflecting back to where they have come from, they take pride in what they have accomplished yet have the humility to attribute their success to others that had helped and inspired them along the way. Business is like warfare, and battles are fought constantly. Some they win, some they lose, but they move on, without regret and forge ahead to build better portfolios.

Fig. 1.1 Conceptual framework



Depicted above is the conceptual framework as presented at the beginning of this thesis. The reader is now invited to reflect on this framework again and relate it to the preceding discussion to understand why and how the participants of this study choose to become portfolio entrepreneurs.

11.6 Contribution of the thesis

This exploratory study has aimed to understand and explain why and how portfolio entrepreneurs come to be. Reviewers and critics have agreed that literature in this area have yet to develop into a substantial body of research (see s. 1.3 and 1.4). The author believes that the depth and breadth of the data relating to portfolio entrepreneurs in this study contribute significantly to this body of literature.

Using multiple cases, and in-depth interviews, fifteen entrepreneurs were given a voice. They have talked freely about their entrepreneurial careers and in so doing have provided literature for further understanding the many aspects of entrepreneurship in a portfolio context. The unique contribution of this work is the breadth by which it has covered portfolio development as experienced by the entrepreneurs themselves. More significantly, the framework of the investigation was designed to contribute and add depth to what is known about the portfolio entrepreneur.

Firstly, this study has established that in a New Zealand setting, the **prevalence of portfolio entrepreneurs** is as ubiquitous as they have been found in overseas study samples. In setting out to understand this phenomenon, it investigated three aspects: the antecedents, the processes and their outcomes.

In exploring the different antecedents to becoming a portfolio entrepreneur, an understanding of **WHY** they pursue such an entrepreneurial path emerged. Scholars have extensively researched motivations for becoming entrepreneurs but not why they become portfolio entrepreneurs. The initial motivations of the participants here are not starkly different from other novice entrepreneurs. The contribution this study makes in this area lies in the next stage of that path. The pursuit of a portfolio model in

entrepreneurship are not just limited to business-related reasons but also about personal aspirations and fulfilling higher order needs. These have emerged from exploring the antecedents that specifically focussed on human and social capital, motivation and risk aspects.

In addition to the above contribution, the study also used **effectuation logic** as an organising framework to look at the participants' decision making. Here there is evidence that the participants employ this logic at the early stages of venture and portfolio development. Causation reasoning becomes more dominant as they build goals and set targets.

Having explained why they became portfolio entrepreneurs, the study then explored **HOW** they go about becoming one. This was done by looking at three stages of the entrepreneurial process: opportunity search, entry and operational aspects. Here the investigation revealed that they are pro-active in seeking opportunities. They follow some tangible entry and reject criteria but flexible enough to allow for new ideas and concepts. Once they have established businesses and the portfolio, the next challenge lies in managing individual and portfolio growth. **The study has highlighted that at this stage, portfolio building is associated with growth-seeking and risk management.** In exploring their operational strategies, the study has shed some light on the merits of the strategies they use including ownership structures, financing and other management issues.

Having explored and provided answers to the **WHY** and **HOW**, the investigation finishes with **WHAT** happens after the journey. Entrepreneurship is not a linear process. Every venture is an experience and a lesson learned. It adds to the dynamics of the portfolio and builds the entrepreneur's character. By exploring the outcomes at the business and personal levels at some stage of their journey, the reader finds out what happens to the firm and the individual responsible for such artefact. It is of course not the end of the process. Unlike employment where the finish line is clear and the work stops, these portfolio entrepreneurs want to continue to be in business.

Finally, the author takes pride in presenting a thesis that addresses the research issues (s1.3) identified at the beginning of this paper:

1. This study does not ask “Who is the entrepreneur?” a question that Gartner (1989) argued is the wrong question. By asking the why, how and what questions, it has also taken on board the suggestion raised by Low and MacMillan (1988) that research into entrepreneurial behaviour (portfolio building) consider contextual issues and identify the processes that explain rather than merely describe the entrepreneurial phenomenon (portfolio entrepreneur).

2. Where the unit of analysis is concerned, the present study has taken a position that the entrepreneur and the firm (in this context, the portfolio as well) are inseparable in studying entrepreneurship. The author agrees with Scott and Rosa (1996) on the importance of putting the entrepreneur at the centre but also believes that the entrepreneur is not one without the firms (or the artefacts) that they create. Thus, the mixed approach (Davidsson and Wiklund 2001) has been taken.

3. This study has taken MacMillan (1986)’s challenge, that to really learn about entrepreneurship, scholars should study habitual entrepreneurs. This investigation has acknowledged that much can be learned from distinguishing the different types of entrepreneurs. Entrepreneurs are not a homogeneous group and the portfolio entrepreneur is certainly not an average entrepreneur.

4. Given the above point, this study has found that there is diversity even amongst portfolio entrepreneurs themselves. The participants’ profiles varied in their individual theoretical antecedents; in their pursuit of entrepreneurial strategies and in the desired and emergent outcomes. These insights could lead to a further classification/typology extending Fig 2.2 (p.31) based on the constructs in Fig.1.1 (p.20). Further, there is opportunity to improve and thus tighten the definition of habitual entrepreneurs especially as relating to ownership structures, industry types and frequency of exits (see 4.8.4, p.94).

5. The organising framework used for the study is based on suggested themes (Ucbasaran, et al. 2001, Low and MacMillan 1988, Davidsson, Low and

Wright 2001) that seek to add to the existing body of literature and enhance general understanding of entrepreneurship from a portfolio model.

6. Finally, and one that the author takes most pride in, is the qualitative methodology used (Gartner and Birley 2002). Using multiple case studies in an exploratory nature did not seek to test or generate theory. Rather, by letting the participants speak, she has provided a study with very rich data. The portfolio entrepreneur in this study is not hidden in some statistical analysis and crunched numbers. Here the reader can see what the portfolio entrepreneur says and they have been given a voice.

The need for qualitative research is constantly highlighted with scholars arguing that quantitative studies rarely address the many substantive issues in entrepreneurship (Gartner and Birley 2002) and only providing confirmatory evidence (Churchill 1992). The findings of this study and the issues highlighted will hopefully pave the way for even more in-depth investigation into the many aspects of entrepreneurship.

11.8 Research limitations and suggestions for further research

The limitations of this study rest largely on the context and in its exploratory nature. Whereas using multiple case studies is intended to improve reliability and validity, further studies that replicate the present study will strengthen the evidence explored by this investigation. The participants are arguably what could be considered successful entrepreneurs thus imparting a survivor bias. Moreover, the author does not recommend specific paths and strategies for successful venture and/or portfolio development. Rather, it presents and explains how the participants have successfully built their portfolios.

Addressing failure is one area that is always difficult to address in entrepreneurship. Successful entrepreneurs are more visible than their failed counterparts. After all, it is only human to downplay one's failure therefore those who have failed fade into the background. However, those that are successful have also had failures and they are more forthcoming with their experiences with failure. A portfolio context is able to

bring this to the fore and failure becomes an issue of moving on to the venture rather than exiting the career. Further investigation into this aspect would improve understanding of business survival.

Some of the issues that were highlighted by the different themes are specific to portfolio builders and may not be suitable for single venture entrepreneurs. However, there are aspects to the study that would be worth investigating further in terms of their wider applicability across other entrepreneur types. This is especially helpful in identifying suitable strategies for the different stages of venture development. In addition, comparative cases between multiple and single venture entrepreneurs will underscore which strategies would be suitable for specific types.

As with most investigations, for every question answered, more questions are raised. The themes that were explored produced useful insights into why and how the participants did what they did but have not established any causal relationships. It will be helpful to look at these aspects. For example, what effects do the identified antecedents (human and social capital, motivation and risk) have on how a portfolio develops? Do specific combinations of these antecedents lead to specific entrepreneurial paths?

Growth-seeking appears to be a significant motivation for portfolio development. Again here, the study explored successful growth strategies behind the development of the participant's portfolios. Although some of these strategies are also available to single venture entrepreneurs, the combination of such are unique to a portfolio builder thus may not be applicable to non- portfolio entrepreneurs. However, those wanting to pursue this line of inquiry may benefit from a more in-depth investigation of how these tactics are a reflection of the entrepreneurs' growth –seeking strategies.

A new framework has also been introduced that captures the growth strategies of the participants. Given that this area has not been widely investigated further research into these would be useful to understanding business and portfolio growth. A set of propositions has been developed to guide further research. For example, it is proposed that more investigation is conducted on the merits of externally based growth strategies and their effect on the relatedness or otherwise of the businesses within a

portfolio. Churn levels within a portfolio is also an interesting subject that still remains to be investigated further.

There are many other issues raised that warrants further investigation. This study focused on the entrepreneur and the businesses within a portfolio, some of which have been tremendously successful. It is difficult to ascertain whether individual businesses would have done better or worse independent of a portfolio, an interesting study to pursue but one that is beyond the scope of this thesis. Nevertheless, as part of a portfolio, businesses do appear to thrive from being strategically driven by a motivated portfolio entrepreneur. Whether or not this is the case if driven by a single-venture entrepreneur is a question worth investigating further.

11.9 Implications for practice

Portfolio entrepreneurs are of special interest to entrepreneurship researchers and policy makers because of their experience in a number of concurrent business ventures. Unlike single venture entrepreneurs, they have gained valuable expertise that is only possible with hands-on running of businesses. Exploring the theoretical antecedents that cover human and social capital, motivation and risk issues and how they influence the entrepreneurial processes contributes to a wider understanding of portfolio development. What the outcomes of entrepreneurial activities are also provides useful insight as to the merits of taking the portfolio as opposed to the single venture approach.

Successful portfolio entrepreneurs are arguably experienced business founders having acquired the necessary knowledge and skills to develop strategies and overcome the challenges of new ventures (Kolvereid and Bullvag 1993). The study has identified some useful skills that these entrepreneurs possess. They also have a combined wealth of experience from a number of businesses over the years. Ucbasaran, et al. (2001) suggests that lessons should be derived from their experience. The strategies explored here and how they impact on the portfolio may provide guidance to other entrepreneurs considering using such strategies At a practitioner level, this may allow researchers and business mentors to provide more specific advice for other

entrepreneurs such as nascent and novices, and potentially reduce the incidence of business failure.

Wealth creation is a by-product of entrepreneurship and this is only possible if businesses grow. In light of the evidence that portfolio entrepreneurs are likely to be involved in high-growth businesses (Rosa and Scott 1999), and this is borne by the findings of this study, there are implications in terms of formulating policies to support entrepreneurs considering the portfolio model. Understanding entrepreneurs involved in high-growth businesses will facilitate a much better approach and focus on their support requirements.

In seeking to focus on the activities of this select group of entrepreneurs, one is able to see entrepreneurship in action. To understand their behaviour is to gain useful insight on how one becomes a portfolio entrepreneur. Entrepreneurship is a complex process and knowing the factors that lead to the successful pursuit of entrepreneurship has far reaching implication over a wide area and certainly justifies the investigation that has been conducted. The importance of enterprise can never be understated and in closing, the statement at the beginning of this thesis is cited once again to emphasise the importance of entrepreneurship to society.

> *"It is enterprise which builds and improves the world's possession. If enterprise is afoot, wealth accumulates whatever may be happening to thrift; and if enterprise is asleep, wealth decays whatever thrift may be doing"*
>
> *- John Maynard Keynes (A Treatise on Money)*

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APPENDIX 1

14 October 2004

_____
_____
_____
_____
Christchurch, New Zealand

Dear _____,

My name is Sussie Celna Morrish, a PhD student supervised by Professor Bob Hamilton of the Department of Management, University of Canterbury. I am writing a thesis on habitual entrepreneurs, those who are or have been involved in two or more businesses. In particular, I am investigating the factors that influence an individual to become a habitual entrepreneur. Further, a New Zealand perspective on this issue will be valuable as it is now ranked the most entrepreneurial country in the world.

As an experienced entrepreneur, I would like to invite you to be part of this study. This will involve an in-depth interview mainly about the development of the businesses that you have been and/or currently involved in. In keeping with UK studies, I am doing multiple case studies. The interview will take approximately two hours and with your permission, will be audio-taped. The information that you provide will be kept strictly confidential and will not be shared with other individuals or organisations. Please be assured that this study is conducted for academic purposes. A copy of the final report will be sent to you if you wish to receive them.

I shall contact you by telephone in a few days to verify your availability and to schedule an interview at your convenience. Meanwhile, if you have any questions regarding this study, please do not hesitate to contact me at the university on 364 2987 extn. 8626 or e-mail me at sussie.morrish@canterbury.ac.nz

Thank you very much in anticipation of your participation in this study.

Very truly yours,

Sussie C. Morrish

Prof. Robert T. Hamilton
Supervisor

APPENDIX 2

Portfolio entrepreneur interview schedule

Description of business activities:

Name:
Code:
Contact details:
Age:
Personal background:

- Education
- Family
- Social networks
- Economic/financial background

1. Mapping exercise (plotting out the business cluster)
    a. Current ownerships
    b. Previous ownership

2. Reasons for starting each business
    a. Seeking Growth
    b. Challenge
    c. Hobby
    d. Protect existing businesses
    e. Effect of other directorships on starting new business

3. Growth strategies
    a. Diversification –within the same firm
    b. Internal growth – sticking to core business
    c. External growth -new branches; acquisitions; franchise; minority investments; spin –off diversifications

4. Ownership structure
    a. Shareholding
    b. Directorship
    c. Family involvement

5. Other economic activities (not formal businesses)
    a. Land
    b. Property –renting, etc.
    c. Shares
    d. Business angel investments
    e. Non-executive directorships – how many
    f. Links with community organizations

6. Resource and management issues

    a. Financing - new firms added to the cluster
    b. Personnel - how new firms are staffed
    c. Managing clusters - Problems and overcoming them

7. Performance Issues
    a. Do the businesses benefit from being a part of a cluster?
    b. Are some businesses better performing?
    c. What about failure? How is this viewed and dealt with?

8. Dynamic Issues
    a. Is there a dominant business?
    b. Does it change over time?
    c. Links to wider economic/environmental issues
    d. Dependence on the entrepreneur

9. Personal Issues
    a. How did you start as an entrepreneur?
    b. Did you actively seek out to be one or just happened to be one?
    c. Succession plans – sell, pass on to family, etc.
    d. Personal satisfaction, etc.

10. Other Issues
    a. Personal views on portfolio entrepreneurship
    b. Corridor principle: the role of other directorships in
        1. identifying new opportunities
        2. starting new businesses
        3. financing
        4. managing, etc.

Describe for me a typical _____ business day.

What would be an unusual day?

How do you think your peers view you?

How do you think your family view you?

Whereto from here for you?

APPENDIX 3 Coding for Entrepreneurial Motivation

Initial Venture				**Subsequent Ventures**	
Career situation	Opportunity / serendipity	Deliberate choice	Financial and economic	Business-related	Non-economic
C3: There were no jobs for science graduates	*A1: While recruiting staff I realised that there is a demand for IT professionals in US*	*B15: I deliberately bought…into the Readymix because I liked…trucks and was brought up in the building industry*	*M15: I just wanted to make enough to provide for my young family and pay the mortgage.*	*J7: So I believe that my approach to portfolio is driven by two things. One is the management of risk, try four things and if three fail and one succeeds…*	*A1: He needed some money to set up a business on his own… he wanted me to be his partner*
J7: I was fired for no good reason, I think anyway	*D9: Saw an opportunity trading in livestock*	*P4: Something that got my juices flowing*	*C3: I wanted an income to see me through university*	*D9: So it's got to be something that we can grow and it's got to be something you probably have knowledge of.*	*D9: She was wasted as an accountant … so we've been trying to buy a tourist type business for her*
B10: I was tired of the corporate life… travelling, etc.	*H13: A friend who… asked me if I would be interested in joining him in a business organising adventure activities.*	*B14: I wanted to be in that business and I backed them*	*B10: The company I was working for re-located.*	*P5: It's a growth thing it's an I-want-to-do-something thing, an opportunistic I mean mostly when I have made good money out of being counter cyclical it's usually an opportunistic thing*	*D9: I established XX to help people buying our homes.*
M15: I realised I did not fit the 9-5 mold anymore.	*J6: In agreement with the company, I took on a dual role – a company manager and contractor. I employed 25 men to process the deer meat.*		*D9: Saw an opportunity trading in livestock*	*B10: An opportunity to acquire a commercial building company came on the market…*	*J7: She wanted a business, she wanted something to do outside the home*
D4:I was unhappy when my job description changed from designer to manager and the expectations that came with that			*G11: I can employ an accountant cheaper than me doing it*	*P5: …under NZ tax law … I have to own a property for 10 years to get capital gain… give me flexibility… So I guess it's being an effective tax structure*	