

# The Entrepreneur and the Manager - The Significant Difference

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Preface:

The Theory of Organizational Behavior distinguishes five classic phases in the development of an organization:

Phase 1: Enterprise/Creativity

Phase 2: Establishment/Professional Management

Phase 3: Delegation of Authority

Phase 4: Coordination Between the Various Parts of the Organization

Phase 5: Cooperation Between the Various Parts of the Organization (the "Interlaced Circles" Organizational Structure)



Fig. 1: The Five Stages of [Entrepreneurial Organization](#) Development

An examination of this model shows that the transition from phase to phase is usually accompanied by a crisis in the organization indicating the need for immediate change. Empirical and theoretical studies have described these transitional stages in the life of the organization, but less is known about the various types of management and how they adapt to changes in the organization due to the transition from phase to phase.

In this paper, we will survey the consequences for management when the organization moves from Phase 1 to Phase 2. The passage from being a new "enterprise" to becoming an "established" institution is one of the most difficult and critical in the life of any organization.

## The Entrepreneur and the Manager - Are they different?

At the heart of every new venture and start up company is a "structural conflict", which often poses a threat to the continued existence of the organization. This conflict can be summed up by the following statement: "The very qualities necessary to set up a new business, are the qualities which will adversely affect the smooth running of that business, sometimes, fatally".

The "structural conflict" arises from the fact that the entrepreneur, who has taken significant personal and commercial risks to set up the business, who has worked day and night to strengthen and promote it, at some point discovers that the business is working well and he can sit back, relax, and enjoy the fruits of his labors. But the typical entrepreneur is not the type to take things easy; he continues to be actively involved in the day-to-day activities of the company, which is growing quickly and now requires well-organized administration. His involvement can lead to hostility and tension, which damage the organization's ability to function and even to survive.

For this reason, the literature and history of commercial organizations in western countries are full of cases where the entrepreneur did not know when to ask himself: "Am I superfluous around here?" as well as many descriptions of "the entrepreneur who ruins his business".

Let's summarize the significant differences between the entrepreneur and the manager:

### 1. Behavioral Differences

The typical entrepreneur wants to "be in control" of his life (which is often the reason why he started the business), of his business and especially of his employees.

The professional manager, on the other hand, enters a company which needs to delegate authority, since it has reached the stage in its development where the entrepreneur can no longer "do it all himself".

### 2. Management Style

The entrepreneurial management style is very demanding, leaving very little room for error, and none at all for actual failures, since in most cases the business is a "one man show", even if there are other employees.

The professional manager, however, must be tolerant of failure (and see it as a basis for learning) and develop an administrative team, since a basic assumption is that responsibility in the organization must pass from the "all-knowing" entrepreneur to people who still have to learn about the business.

### 3. The Moving Force

Entrepreneurial management is characterized by concepts such as "entrepreneurship", "creativity", "innovation", and so on, indicators of the

desire to create "something from nothing".

Professional management is characterized by concepts such as "order", "organization", "procedures", and so on, indicating the desire to organize and maintain what exists.

#### 4. Growth

[Entrepreneurial management](#) is noted for its ability to react quickly and effectively to new [business opportunities](#). This ability is the foundation for rapid growth of the company in its entrepreneurial stage.

Professional management is noted for medium and long term strategic planning, which leads to controlled growth of the company during the process of establishment.

#### 5. Organizational Structure

The entrepreneurial organization is characterized by its informal, flexible structure, which allows it to adapt to changes required by its rapid growth.

Professional management, on the other hand, requires a formal and fairly rigid organizational structure, which leaves no room for rapid reactions to business opportunities, but protects the organization from sudden collapse.

#### 6. Decision-Making

The entrepreneur usually makes decisions, even those of critical importance for his business, on the basis of his own personal intuition and "gut feelings".

The professional manager makes decisions after collecting detailed information and reaching operative conclusions, while relying on experts both from within and outside the organization.

#### 7. Definition of Aims

The entrepreneur describes his organization in terms of "vision", "dream" and "mission" and manages to give his employees the feeling that they are working for a higher aim than just [marketing](#) a product and/or service.

The professional manager describes the company aims in terms of market segments, yield per worker and profitability.

#### 8. Attitude to Money

Although the accepted myth is that entrepreneurs are driven by the desire for power and money, both theoretical and empirical studies have shown that typical entrepreneurs are in fact driven by the desire for success rather than power. This means that, in the eyes of most entrepreneurs, while money is a welcome by-product of their efforts, it is not the reason for their efforts.

The professional [business manager](#), on the other hand, looks at the business he manages through "financial eyes" and defines its aims (usually in the short term only) purely in financial terms.

## 9. Attitude to Risk

The myths describe entrepreneurs as "wild risk-takers", although many studies have shown that in fact the typical entrepreneur is very good at assessing risks.

On the other hand, the professional manager, who sees his task as strengthening and maintaining the company, is naturally afraid of risks and tries to maintain the status quo.

## 10. Company Culture

The typical entrepreneur does not usually try to define a "culture" for the organization he sets up, since in most cases he himself is the organization. The literature defines this situation as "the entrepreneurial organizational culture", characterized by large doses of charisma and "manipulativeness".

The professional manager does try to establish a well-defined company culture, based on company values on one hand and commercial aims on the other.

## Conclusions

In the light of the foregoing, we can conclude that there is a world of difference between the "entrepreneurial manager" and the professional manager, and indeed this was true until the last decade. But, it has become clear in recent years that the ideal manager will be one who knows how to combine certain traits of the professional manager, such as order and discipline, with entrepreneurial characteristics such as quick reaction to business opportunities, creativity and the ability to fill employees with a sense of vision and challenge.

<b>Characteristic</b>	<b>Entrepreneur</b>	<b>Manager</b>
Behavior Characterized by	Desire for Control	Delegation of Authority
Management Style	One-Man Show	Management Team
Driving Force	Creativity - Innovation	Establish and Preserve the Status Quo
Organizational Growth	Rapid Reaction	Strategic Planning
Organization Structure	Informal, Flexible	Organized
Decision-Making	Intuitive	Collect Information and Seek Advice
Definition of Aims	In terms of "Vision"	In Commercial Terms
Attitude to Money	A By-Product	Measure of Success
Attitude to Risk	Calculated Risks	Avoidance of Risks
Organizational Culture	"Entrepreneurial Culture"	"Management Culture"

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