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THE ENTREPRENEUR AND HIS FIRM: AN EXPLORATORY STUDY  
TO EXAMINE THE RELATIONSHIP BETWEEN ENTREPRENEURIAL  
TYPES AND THE INITIATION, MAINTENANCE AND  
AGGRANDIZEMENT OF THEIR COMPANIES

By

Norman Raymond Smith

AN ABSTRACT

of a Thesis submitted to the School for Advanced Graduate  
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## ABSTRACT

This is an exploratory study of the relationship between the entrepreneur and the company he creates and builds. The focus of this study is: What is the relationship between the type of entrepreneur (that is, the character of the man) and the type of firm he builds and the growth of this firm.

One hundred and fifty interviews were conducted with the owners of manufacturing firms in Michigan. Only those firms that had been initiated since World War II were included in the sample.

In analyzing the completed interviews the method followed was to construct ideal types of entrepreneurs and ideal types of companies. First the interviews were analyzed for the purpose of deciding the appropriate criteria on which to construct types of entrepreneurs. The attributes (empirical uniformities of the class) held to be most crucial with respect to the relationship between the entrepreneur and his organization concern three major areas: first, how he develops the internal organization essential to the accomplishment of his goals; second, how he relates his company to the external business environment; and third, how he involves his company and himself with his external social environment, specifically with the local community in which he and his company reside.

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Two types of entrepreneurs were constructed, Craftsman-Entrepreneur and Opportunistic-Entrepreneur. They are defined as polar types representing extreme parameters of behavior and orientation for the entrepreneurs in the sample. It was found that the C-E exhibits narrowness in education and training, low social awareness and low social involvement, lack of flexibility in dealing with the social environment, and a limited or circumscribed time orientation. In contrast, the O-E exhibits breadth in education and training, high social awareness and high social involvement, high confidence in his ability to deal with his social environment, and an awareness and orientation to the future. ✓

Next, firms are identified on the basis of their behavior in the economic environment. A comparison is made of the character of the company at its initiation phase and then again at the time of the interview. On the basis of selected criteria it was determined whether the company character had changed substantially or was relatively unchanged. These firms were then placed on a continuum on the basis of the criteria. The two polar types of firms (at the extreme ends of the continuum) are termed the Rigid Firm and the Adaptive Firm.



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On the basis of the selected criteria a negative or positive score was assigned to each entrepreneur and to each firm. The entrepreneur and his firm were then plotted on a plane with the horizontal axis showing the scores of the men and the vertical axis, the scores of the firm. The polar types of men whose companies were also polar types of firms were then extracted and the growth in sales of each group compared. ( It was found that the O-E Adaptive firm group had obtained average sales of twelve times that of the C-E Rigid firm group.)

From this study three hypotheses were evoked. First, there are at least two types of entrepreneurs which can be differentiated on the basis of their orientation and characteristic behavior patterns. These are polar types termed Craftsman-Entrepreneur and Opportunistic-Entrepreneur. Second, the character of the organization will reflect the orientation of the entrepreneurial type associated with it. Third, the Adaptable Firm that has associated with it an O-E will show a higher growth rate in terms of sales than the Rigid Firm that has associated with it the C-E.

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## CHAPTER I

### STATEMENT OF THE PROBLEM

This is a study of the relationship between the entrepreneur and the company he creates and builds. It is concerned with the types of entrepreneurs and the types of companies they build and their subsequent growth patterns.

Although we cannot prove that the man determines the type of company and the growth pattern of the company, we shall identify different types of entrepreneurs and different types of companies.<sup>1</sup> (Many writers assume that entrepreneurs are a homogeneous group and when the term entrepreneur is used it refers to only one type of individual.) The problem focus of this study is: What is the relationship between the type of entrepreneur (that is, the character

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<sup>1</sup>In a sense this problem of causality is similar to the one in studies of leadership where a contrast is made between the situational leader versus the great-man theory. Some investigators in small-group research have concluded that, "In general, the great man principle of group composition appears to have much to recommend it." See Edgar F. Borgatta, Robert F. Bales and Arthur S. Couch, "Some Findings Relevant to the Great Man Theory of Leadership," Personality and Social Systems, Smelser & Smelser, editors (New York: John Wiley & Sons, 1963).

of the man) and the type of firm he builds and the growth of this firm.<sup>2</sup>

This is a case study rather than a statistical analysis<sup>3</sup> of entrepreneurial business behavior. It is an exploratory study and as such has as its substantive aim to 1) identify types of entrepreneurs, 2) identify types of firms, 3) examine how the type of entrepreneur and the type of firm fit together logically, and 4) evoke hypotheses for more systematic study of entrepreneurial types and their modus operandi in building a type of firm which reflects the entrepreneur's orientation.

In order to approach the above problem, a number of concepts have been utilized. The first of these is entrepreneur. In the social

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<sup>2</sup>This problem is parallel to that posed by Cole in his book, Business Enterprise in its Social Setting (Harvard University Press, 1959). He says, "In the third place, we must be concerned with the manifold relationships of the rest of a given society with the entrepreneurial segment, and with the changes in these relationships through time. These connections pertain to the motivations, the modes of conduct, and the effectiveness of entrepreneurs - the why, the how, and the how-well of their actions. And the connections take one into religious, educational, political, and other phases of life in the given societies." (p. 98).

<sup>3</sup>Therefore, our tables are heuristic rather than demonstrative in character, or as put very succinctly by Merton in discussing the limitations of his influentials' study: "Although figures summarizing our case-study materials are cited from time to time, these are merely heuristic, not demonstrative, in character. They serve only to indicate the sources of interpretative hypotheses which await detailed, systematic inquiry." Social Theory and Social Structure (Glencoe, Ill.: Free Press, 1957), p. 387.

sciences, including economics, the term "entrepreneur" has been used, abused and misused for some three hundred years. Economic historian, Fritz Redlich,<sup>4</sup> indicates that the term was first used in a dictionary of commerce written in 1723 by Savary. At that time, the term, entrepreneur, was defined as the individual who purchased goods or economic utilities for fixed prices when he did not know at what price he could sell these items.

Many other writers have examined the various usages of this term in modern times.<sup>5</sup> The term entrepreneur has been used by many economists to denote the risk bearer and in many cases has been abstracted to the point where the flesh and blood are taken out of the concept. The risk-bearing is looked upon as a function of business and not necessarily as the function and activity of an individual and the assumption is made that the entrepreneur is the firm.<sup>6</sup>

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<sup>4</sup>Fritz Redlich, "The Origin of the Concepts of Entrepreneur and Creative Entrepreneur," Explorations in Entrepreneurial History, I, No. 2 (Harvard University Research Center in Entrepreneurial History, 1949), pp. 1-7.

<sup>5</sup>For various theories and definitions of entrepreneur see Bert F. Hoselitz, "The Early History of Entrepreneurial Theory," Explorations in Entrepreneurial History, III (Harvard University Research Center in Entrepreneurial History, 1951), pp. 193-220.

K. W. Bigelow, "The Development of the Entrepreneurial Concept to 1850." (Harvard Ph. D. Thesis, 1929).

<sup>6</sup>J. H. Stauss, "The Entrepreneur: The Firm," Journal of Political Economy, LII (1944), 112-27.

Schumpeter uses the term entrepreneur primarily to denote the function or activity of innovation. Many writers and scholars accepted this definition and followed this line of thought so strongly that entrepreneur has come to mean an innovator who is creative in the sense of doing something new and untried. In much of the popular literature, the term entrepreneur denotes someone creative, daring, aggressive and willing to take many chances. The term takes on connotations of the cultural hero. It is associated with the "rags to riches" theme, the "log cabin to the White House," the "Horatio Alger Myth."<sup>7</sup> Also, it can have connotations of being on the margin of dishonesty or sharp trading: "Let the buyer beware."

The foregoing definitions of an entrepreneur do not reveal much about the individual who starts a new business. A school of thought which seems to focus more directly on the entrepreneur as a man and his orientations and behavior is represented by the economic historian Arthur H. Cole. He questions both Knight and Schumpeter in their use of the term entrepreneur. He holds that entrepreneurship is characterized by an individual who "initiates," "maintains," and "aggrandizes" a social institution which produces economic goods

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<sup>7</sup> For an interesting analysis of the development of the Horatio Alger Myth see R. Richard Wohl, "The Rags to Riches Story: An Episode of Secular Idealism," in Class, Status & Power, Reinhard Bendix & Seymour Lipset, editors (Glencoe, Ill.: Free Press, 1953), 388-95.

and has, as its manifest goal, profit making.<sup>8</sup> This approach allows a more fruitful study and analysis of the very important job of starting, maintaining or aggrandizing a business organization. It avoids the problem of what an innovation is and of defining what is really new. In addition, it moves out of the realm of looking at risk-bearing behavior as the major focus of research. It considers the individual who starts a business and what is required of him to maintain successful operation of this business and to make the business grow.

Following Cole's definition, this study employs the following as its definition of an entrepreneur: The entrepreneur is the individual

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<sup>8</sup>In Arthur H. Cole's detailed definition he says: "Entrepreneurship may be defined as the purposeful activity (including an integrated sequence of decisions) of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandize a profit-oriented business unit for the production or distribution of economic goods and services with pecuniary or other advantage the goal or measure of success, in interaction with (or within the conditions established by) the internal situation of the unit itself or with the economic, political, and social circumstances (institutions and practices) of a period which allows an appreciable measure of freedom of decision." "Entrepreneurship and Entrepreneurial History: The Institutional Setting," Change and the Entrepreneur, Prepared by the Research Center in Entrepreneurial History (Cambridge, Mass.: Harvard University Press, 1949), p. 88.

In this paper he goes on to discuss in detail the various parts of the definition such as "purposeful activity," "integrated sequence of decision," etc. In a subsequent book (Cole, Business Enterprise in its Social Setting, Cambridge, Mass.: Harvard University Press, 1959) he broadens his discussion to consider further ramifications of his definition. However for our purposes the rather simplified version will suffice.

who is primarily responsible for gathering together the necessary resources to initiate and/or maintain a business. Aggrandizement can be a part of the entrepreneurial function, but obviously it comes later in time. Also, the writer does not feel that because an entrepreneur does not reach the stage of aggrandizement he is any less an entrepreneur. Rather, it may be that he represents a different type of entrepreneur. If an individual initiates a business but is not able to maintain it, he is still an entrepreneur, albeit an unsuccessful one. The crucial point of definition of an entrepreneur revolves around the act or series of acts essential to the creation and birth of a firm.

Many difficult problems are inherent in amassing the necessary resources to successfully start a firm. The man who successfully initiates a firm is an entrepreneur. To go further and analyze how long this firm lives takes us out of the field of merely defining an entrepreneur and into the area of further classifying the entrepreneurs and their firms.<sup>9</sup>

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<sup>9</sup>In a study at the end of World War II, Oxenfeldt limits his study of entrepreneurs and their firms to those less than one-year old. He says: "The term 'entrepreneur' is used throughout this book to denote an individual active in the direction of a business in which he owns equity, providing such business is less than one-year old. . . . ."

The definition employed here departs from common usage in that it excludes owners of businesses that are over one-year old.

In addition to the concept of entrepreneur, this analysis will use a number of concepts from the social sciences.<sup>10</sup>

### Approach to the Problem

In analyzing the completed interviews the method followed was to construct ideal types of entrepreneurs and ideal types of companies.<sup>11</sup>

First the interviews were analyzed for the purpose of deciding the appropriate criteria on which to construct types of entrepreneurs.

Two types of entrepreneurs emerged from this analysis. Using these

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Active proprietors of concerns more than one-year old are referred to as owners. The distinction is intended to emphasize the sharp contrast between the risks and activities of persons who initiate businesses and of owners of concerns which have operated for a long time. Of course, the use of one year as the dividing line is purely arbitrary. Nevertheless, most of the risks and challenging decisions are faced during the first few months of a firm's existence. By the end of that period, the trade, scale of operations, marketing strategy, legal forms of organization, suppliers, and distributive channels have generally been determined. The basic decisions with regard to these matters largely determine the subsequent development of an enterprise; entrepreneurial decisions made after the first year are to a considerable extent governed by the decisions made during the first year. Moreover, the personality and administrative qualities required for successful direction of a new firm are probably quite different from those needed to make a success of an operating firm." Alfred R. Oxenfeldt, New Firms and Free Enterprise (Washington, D. C.: The American Council on Public Affairs, 1943), p. 75.

<sup>10</sup>These will be defined throughout the study when used in analysis. In light of the type of study, this method is chosen because it is felt that the appropriateness and usefulness of the concepts will be more evident if defined as they appear in the text.

<sup>11</sup>A detailed explanation of ideal typology construction will be made in Chapter II.

constructed types and setting up operational criteria, all of the cases were examined and the various individual entrepreneurs plotted on a continuum.

Next, firms were identified on the basis of their behavior in the economic environment. A comparison was made of the character of the company at its initiation phase and then again at the time of the interview. On the basis of selected criteria it was determined whether the company character had changed substantially or was relatively unchanged. These firms were then placed on a continuum on the basis of the criteria.

Finally, the man and the firm were examined to see how much agreement there was between the two. That is, did the entrepreneur who most closely approximated one type develop a firm which seemed appropriate to his type? Then these firms and entrepreneurs which showed the closest fit were grouped together and the growth of sales of the two groups were contrasted.

#### Limitations of the Study

One limitation is the assumption that the individual entrepreneurs are owner-managers.<sup>12</sup> The reason for this assumption is that we are

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<sup>12</sup>Leland H. Jenks, "Role Structure of Entrepreneurial Personality," Change and the Entrepreneur (Cambridge, Mass.: Harvard University Press, 1949), p. 115.



not concerned with what has been called entrepreneurial teams. We are concerned, rather, with one individual who is primarily responsible for the direction of the firm. This individual we define as the entrepreneur. In some of the cases, however, ownership was divided among a number of partners or stockholders. In these cases an attempt was made to interview only those individuals who were considered to be the major driving force. Some interviews were dropped from the analysis since it was impossible to determine who had the major say in the direction of the firm. In some cases two or more individuals collaborated in starting a company some years previously, and yet we interviewed only the individual who was currently president of the organization. We had to call this individual the entrepreneur and implicitly assume that he was the driving force at the beginning of the initiation phase of the firm in order to proceed with the analysis.

## CHAPTER II

### RESEARCH PROCEDURES

#### Sample

The data were collected using unstructured interviews which were conducted with one hundred and ten enterprises. These interviews lasted from a minimum of two hours to a maximum of seven hours. The entrepreneur was asked to give a history of his own life and also the life history of his firm. The history of his firm was quite complete and included information on financial backing, production processes, personnel utilized, markets, marketing methods, market research, production methods and new product development. Probing was done to determine what plans he had for the future. Also, the interviewer observed and recorded information on the type of office layout, the type of furniture, the condition of the plant and the location of the plant in the community. In addition, observations were made about the individual entrepreneur--his office decor, his dress, and the manner in which he treated his employees and they him. The data being used in this analysis are the same as those used in The Enterprising Man by Orvis F. Collins and David G. Moore

with Darab B. Unwalla. For more details on the sample the reader should refer to The Enterprising Man.

The data from the one hundred fifty interviews conducted were gathered for the specific purposes of The Enterprising Man. Only fifty-two of these interviews were used for the study here. The remaining interviews were not included because there was not enough information relevant to this analysis. Of the fifty-two interviews included, the writer conducted or was a member of a two-man interviewing team in twenty-eight of the cases. In at least twelve of the remainder, a sociologist conducted or was a member of a two-man interviewing team. In the remaining twelve, a doctoral candidate in Business Administration conducted or was part of a two-man interviewing team.

Entrepreneurs were interviewed in six cities in Michigan. The firms chosen came from a broad range of types of manufacturing industries. Firms were chosen that had started business subsequent to 1945, in order to rule out any firms that started during World War II and thus avoid any exceptional circumstances due to problems of wartime. In addition, no firms were included that had been in business for less than five years. This limit was decided upon so that the firms studied would have survived the first few problem years. This selection of firms is in contrast to the selection of

firms made by Oxenfeldt.<sup>1</sup> He limits his study to firms that were less than one-year old on the basis that he would then be examining the problems involved in the initiations of the firm. Since approximately half of new firms fail within the first five years, we are by definition including those firms which can be termed successful.<sup>2</sup> This minimum age of five years also has an advantage in that we are not limiting our analysis to the stage of initiation. Rather, it is possible to look at the subsequent phases defined by Cole as maintenance and aggrandizement.

### Exploratory Study

This study is a formulative or exploratory study. As well-known writers on the subject have said: "Formulative or exploratory studies--the major emphasis is on discovery of ideas and insights. Therefore the research design must be flexible enough to permit

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<sup>1</sup>Oxenfeldt, New Firms and Free Enterprise, p. 75.

<sup>2</sup>One study reports on the failure rate in manufacturing in Michigan during the years 1953, 1954, 1958 and 1959. It shows that 43.4% of new manufacturing firms failed within the first 5 years and 69.5% failed within the first 10 years. See A. Coskun Samli, "Business Failures in Michigan," The Michigan Economic Record, IV, No. 3 (March, 1962), 7.

the consideration of many different aspects of a phenomenon,"<sup>3</sup>

In suggesting research methods Selltiz et al. say:

...It is possible to suggest certain methods that are likely to be especially fruitful in the search for important variables and meaningful hypotheses. These methods include: (1) a review of the related social science and other pertinent literature; (2) a survey of people who have had practical experience with the problem to be studied; and (3) an analysis of 'insight-stimulating' examples. Most exploratory studies utilize one or more of these approaches.

Whatever method is chosen, it must be used flexibly. As the initially vaguely defined problem is transformed into one with more precise meaning, frequent changes in the research procedure are necessary in order to provide for the gathering of data relevant to the emerging hypotheses.

In discussing the analysis of insight-stimulating examples, Selltiz, et al, hold that there are three features of this method of study which are useful in evoking insights. First is the attitude of the investigator which is one of seeking rather than testing existing hypotheses. The features of the object being studied guide and re-direct his inquiry as new information is obtained. Secondly the individual or situation is studied intensively and extensively as it is in the present and the past. A third characteristic of this method is its reliance on integrative powers of the investigator. This approach is sometimes criticized since the conclusions tend to reflect the

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<sup>3</sup> Claire Selltiz et al., Research Methods in Social Relations (New York: Henry Holt and Co., 1960), p. 53.

investigator's predispositions rather than the object of study. However, Selltitz, et al,<sup>4</sup> feel this last point is not completely undesirable when the purpose is to evoke rather than test hypotheses since, if the material serves to stimulate the explicit statement of a previously unformulated hypothesis, it is valuable.

### Analytical Method: Constructing Ideal Types

In analyzing the man (entrepreneur), the method of analysis used is that which has been called constructing Ideal Types, in sociological terms. Also, in analyzing the character of the firm the same procedure and the same method of analysis have been utilized. A discussion by Don Martindale<sup>5</sup> gives a thorough review of the history and utilization of the Ideal Type in sociology. He concludes:

In areas where quantification is inadequate and incomplete mathematical models are as yet unavailable and where one on the other hand is unable to experiment there is no choice but to find bases on which one can compare cases. One compares two or more actual sets of affairs. The function of the ideal type is to isolate the factors in which the comparison becomes critical. The degree to which the relations involved in the type are intuitive seriously curtails the extent

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<sup>4</sup>Selltiz, et al., p. 60.

<sup>5</sup>Don Martindale, "Sociological Theory and the Ideal Type," Symposium on Sociological Theory, L. Gross, editor (Evanston, Ill.: Row, Peterson and Co., 1959), pp. 57-91.

one can generalize on the basis of them. However in the early stages of science one accepts help from whatever quarter.

However, the method to be utilized in this analysis will follow that developed by John C. McKinney who worked very closely with Howard Becker in this area. McKinney calls it the "Becker-McKinney Model." In a discussion of type construction<sup>6</sup> McKinney holds that there are fundamental qualities of similarity that are shared by all types. He holds that types are constructed around certain persistent variables: one, the relation of the types to the perceptual experience (ideal - extracted); two, the degree of abstraction involved in the type (general - specific); three, the purpose of the type (scientific - historical); four, the temporal scope of the type (timeless - time bound); five, the spatial scope of the type (universal - local); six, the function required of the type (generalizing - individualizing).

These areas can be viewed as the axes around which types are constructed, and they are the main dimensions of types in general. He envisions preceding variables as a series of continua which serve to delineate the structure of the type. The labels in parentheses, such as ideal-extracted, are the polar points of these

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<sup>6</sup> John C. McKinney, "The Polar Variables of Type Construction," Social Forces, XXXV (May, 1957), 300.

continua and are the polar variables of type construction. He developed these types from reviewing modern sociological literature, which has been cast in typological form and which holds that we can analyze any type in terms of its tendency to conform to the requirements of one pole or another on each of the above continua.

In this study the relevant continuum for constructing types of entrepreneurs and types of firms is the "ideal - extracted" continuum. In discussing this, McKinney holds that Max Weber's types would fall at the ideal end of this continuum. Weber's types are structured so as to accentuate some attribute or group of attributes relevant to the research purposes. The ideal type serves as a model or basic comparative unit and all empirical occurrences appear as deviations from the theoretically conceived ideal type. The ideal type serves as a consciously devised and delimited conceptual tool in the analysis of the empirical world.

At the opposite end of the continuum we have the extracted or empirical type. The extracted type involves the comparison from a central tendency. It is based on the notions of the average, common, and concrete rather than upon accentuation and abstraction, as is the ideal end of the continuum. That is, the ideal type involves comparison from the ideal limits of the case whereas the extracted type involves the comparison from a central tendency.



McKinney then makes the point that the Becker-McKinney model of type construction is a conscious and purposive attempt to combine aspects of the ideal and of the extracted types so as to capitalize on what they both have to offer and to avoid their limitations.<sup>7</sup> He says:

The Constructed Type is a purposive, planned selection, abstraction, combination, and accentuation of a set of criteria that have empirical referents, and that serves as a basis for the comparison of empirical cases. Although all types are constructed, Becker and McKinney adhere to this particular model of construction because they find it to be useful scientifically. This model obviously is a close relative to the ideal type, and the Weber type version is admittedly the primary source of its development. There is a significant difference, however, which can be pointed out by saying that the Becker-McKinney model has been drawn away from the ideal pole of the continuum and toward the extracted pole. This has been accomplished by placing the emphasis on the objective probability of the occurrence of the type empirically, rather than its mere objective possibility.

It should be noted that the entrepreneurial types and the company types that are to be constructed in the following chapters will follow the methodology outlined in the quotation and will be of the Becker-McKinney type.

In a subsequent article,<sup>8</sup> the definition of a constructed type is continued:

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<sup>7</sup> McKinney, XXXV, 303.

<sup>8</sup> McKinney and Kerckhoff, "Towards a Codification of Typological Procedures," Sociological Inquiry, XXXII, No. 1 (Winter, 1962), 128-35.

The elements and relations as actually found in historical and contemporary social life supply the materials out of which the conceptual tool is constituted. These are identified, selected, articulated, and simplified into the constructed type on the basis of some idea of the sociologist's as to the nature of social reality and on the basis of the purposes of his inquiry.

They go on to bring out the procedural steps in setting up a type.

Since this procedure is followed where possible in the ensuing analysis, these steps will be briefly outlined. For a more detailed analysis the reader should consult the original article.

1. Delineation of the problem situation

The sociologist or typologist or social scientist is concerned with some substantive area of inquiry. In this research the problem as posed in the previous chapter concerns the relationship between the type of entrepreneur and the type of company he builds and the growth of this firm.

2. Familiarization with data provided by the historian or other informants with regard to the problematic situation

In this study this knowledge was gathered through familiarity with secondary sources and from the interviews with the entrepreneurs. Writers in the area of entrepreneurs and entrepreneurship are drawn from many fields, including history, sociology, cultural anthropology, economics, and psychology.

### 3. Derivation of hypothesis about relationships and sequences

On the basis of his knowledge the typologist may be led to make a tentative hypothesis. In discussing his example of a method typological procedure McKinney<sup>9</sup> says:

On the basis of this knowledge of 20th century German characteristics and the Hitlerian movement, the typologist might be led tentatively to hypothesize a very limited involvement of the German intellectual in the Hitlerian regime and its aggressive acts. In order to arrive at this tentative hypothesis, it will be necessary for him to turn to a more abstract level of analysis while at the same time keeping in mind the specifics of the historical situation with which he is dealing. When he turns to the sociological conceptual framework for the analysis of social systems and the role played by particular segments of populations in social systems, he develops a more abstract statement of his original problem. In so doing, he is able to generate a specific hypothesis relevant to his original empirical problem and at the same time make a more general statement, only one example of which is represented by his empirical problem.

In the particular example we are using, for instance, he may define the intellectual as the professional man of knowledge with further specification of the kinds of individuals included in the class. He will also classify the Hitlerian social system according to some scheme such as the following: charismatic, affectual, traditionally oriented, prescribed-sacred, and anti-rationalistic. At this higher level of abstraction, then, he would hypothesize that in such a social system there would be relatively little emphasis on the general role of knowledge, and consequently the intellectual, as the professional man of knowledge, would probably be relegated to a minor and passive role in the social system. The hypothesis at the general level would thus be: In a charismatic, affectual, traditionally-oriented, prescribed-sacred, and anti-rationalistic social system intellectuals will play a relatively minor and

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<sup>9</sup> McKinney & Kerckhoff, XXXII, 729-30.

passive role in the central activities of the social system. At the more specific empirical level in which the typologist is originally interested, he would state his hypothesis as follows: The intellectual was not an important factor in the Hitlerian order.

At this stage of analyzing the interviews involved in this study the general hypothesis was concerned with the growth of the firm. The tentative hypothesis was: Growth in a modern industrial society requires diversification by a company. At the more specific empirical level the tentative hypothesis was: The orientation of the entrepreneur must be broader than his particular industry. This in turn requires that the entrepreneur be able to handle a complex role structure.

4. Delineation of empirical uniformities and pragmatic reduction to type

On this point McKinney and Kerckhoff<sup>10</sup> say:

The class of intellectuals having been roughly blocked out as consisting of professional men of knowledge, the typologist then attempts to define the attributes of this class. These attributes are empirical uniformities of the class, but they are chosen so as to be most significantly representative of the intellectuals' behavior with respect to the social system. He chooses those attributes that stand out as being the most obvious or the most crucial with respect to this relationship between the class of intellectuals and the type of social system being dealt with. He defines those attributes in pure,

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<sup>10</sup> McKinney & Kerckhoff, XXXII, 130.

The underlined words were not underlined in the original. They are underlined by the writer.

possibly even exaggerated form and then imputes to them the character of system. In other words, he assumes for the purposes at hand that they belong together and hence are representative of the system of behavior called intellectual under the type of social conditions postulated. The type then is a hypothesized compound of empirically observed, but selected and purified attributes of the class being studied.

In the following two chapters two entrepreneurial types will be constructed. These are held to be polar types of entrepreneurs. The attributes chosen are held to be most significantly representative of their behavior in respect to the organization they have built. "The attributes are defined in pure and exaggerated form and to them is imputed the character of a system." It is assumed for the purposes at hand that they belong together and are representative of the system of behavior called entrepreneur.

5. Substruction of the type to the attribute sphere from which it is drawn

This step will be discussed in Chapter V.

6. Adaptation of available theories and principles to give a tentative explanatory accounting of this type

This adaptation will be presented in Chapter VIII.

7. Empirical verification of the type: examination of the rate of incidence and degree of approximation

Chapter V also contains this step.

## 8. Interpretation

This is made in Chapter VII, entitled, "The Man and the Firm: The Logic of Fit."

McKinney summarizes his article by saying:<sup>11</sup>

It would seem evident that a manifest function of types is to identify, simplify, and order the concrete data so that they may be described in terms that make them comparable. They function in this way at any level of abstraction, and hence can be utilized with respect to problems varying from limited to great breadth of scope. The primary role of the constructed type, however, would seem to be that of a sensitizing device. Its use allows sociologists cognitively to map broad areas of sociological phenomena through the systematic tapping of historical and secondary data. A type, in effect, constitutes a reduction from the complex to the simple, hence the careful construction and use of types, as an intermediate procedure, can potentially make many large-scale problems accessible to more refined methodology and technique. This could conceivably result in increased precision of analysis in many areas of sociology, particularly in the area of macro-sociology where the problems are often currently beyond the scope of most rigorous experimental and quantitative techniques.

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<sup>11</sup> McKinney & Kerckhoff, XXXII, 135.

## CHAPTER III

### THE CONSTRUCTED CRAFTSMAN-ENTREPRENEUR

#### Introduction

In this chapter the major attributes of one constructed ideal type of entrepreneur will be defined, namely, those of the Craftsman-Entrepreneur. The uniformities that are deemed to be most significantly representative of the Craftsman-Entrepreneur's behavior in initiating, maintaining and aggrandizing his company will be drawn from the empirical cases. Specifically, we will look at his life history, including his education, family background and career work-experience. Also, we will describe his characteristic way of doing business.

In constructing an ideal type, the elements are "identified, selected, articulated and simplified into the constructed type on the basis of...the idea of the nature of social reality and on the basis of the purposes of his inquiry."<sup>1</sup> In the present context, the purpose at hand is to show how the social conditioning and social orientation

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<sup>1</sup>McKinney & Kerckhoff, XXXII, 129.

of the craftsman-entrepreneur affect his characteristic behavior in building a company. Orientation is used here in the same sense as used by Merton:<sup>2</sup>

A word of explanation is needed for this concept of orientation. The social orientation differs from the social role. Role refers to the manner in which the rights and duties inherent in a social position are put into practice; orientation, as here conceived, refers to the theme underlying the complex of social roles performed by an individual. It is the (tacit or explicit) theme which finds expression in each of the complex of social roles in which the individual is implicated.

Merton uses this concept of orientation in discussing what he calls "types of influentials." He constructs two types of influentials, local and cosmopolitan.

The chief criterion for distinguishing the two is found in their orientation toward Rovere. The localite largely confines his interests to this community. Rovere is essentially his world. Devoting little thought or energy to the Great Society, he is pre-occupied with local problems, to the virtual exclusion of the national and international scene. He is, strictly speaking, parochial.

Contrariwise with the cosmopolitan type. He has some interest in Rovere and must of course maintain a minimum of relations within the community since he, too, exerts influence there. But he is also oriented significantly to the world outside Rovere, and regards himself as an integral part of that world. He resides in Rovere but lives in the Great Society. If the local type is parochial, the cosmopolitan is ecumenical. (p. 393).

There is considerable similarity between Merton's types of influentials and the Craftsman-Entrepreneur of this study and also

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<sup>2</sup>Robert K. Merton, Social Theory and Social Structure (Glencoe, Ill.: Free Press, 1957), p. 392.



the Opportunistic-Entrepreneurs to be developed in Chapter IV.

Merton, however, is concerned with the problems of patterns of influence, whereas our focus is on patterns of entrepreneurship.

Merton focuses his examination on "the difference in basic orientation [which] is bound up with a variety of other differences: 1) in the structures of social relations in which each type is implicated; 2) in the roads they have traveled to their present positions in the influence-structure; 3) in the utilization of their present status for the exercise of interpersonal influence; and 4) in their communications behavior " (pp. 394-395). We shall use our own terms to describe our focus when examining life history and career patterns, characteristic patterns of social and business behavior in relation to both internal organization of the business and relationship to the external social and economic environment.

We will not be concerned with empirical referents until Chapter V and therefore will not at this point in the analysis give evidence on the number of cases that exhibit the characteristic under consideration. In Chapter V, using the constructed ideal types, we will evaluate the actual empirical cases to determine the amount of deviation from the constructed Craftsman-Entrepreneur and the constructed Opportunistic-Entrepreneur.

In Chapters III and IV the use of quotations from the raw data is for illustrative purposes only. They are meant only "to help the

reader understand the nature of the variables described and the investigator's reasoning."<sup>3</sup>

#### A. Life History and Career Patterns

##### 1. Family Background and Role-Models

The Craftsman-Entrepreneur<sup>4</sup> comes from a blue-collar background. His father is usually a skilled worker in some trade such as carpentry, printing, plumbing, tool-and-die work. Many of his close relatives are in skilled trades as well. The C-E grows up in an environment that values task-orientation. Early in life he sees a clear pattern to follow. He chooses his father or some other close relative as his role-model.<sup>5</sup> If there is an individual among his

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<sup>3</sup>Selltiz, et al., p. 434.

<sup>4</sup>In the ensuing analysis the term Craftsman-Entrepreneur will be abbreviated to C-E.

<sup>5</sup>"Role-model" is used as conceptualized by Merton. "The person who identifies himself with a reference individual will seek to approximate the behaviors and values of that individual in his several roles. The concept of 'role-model' can be thought of as more restricted in scope, denoting a more limited identification with an individual in only one or a selected few of his roles." Merton, pp. 302-303.

No attempt will be made in this analysis to determine why this selection is made. Rather it is merely reported that the C-E chooses a role-model from "the milieu, the immediate social environment constituted by the social relationships in which the individual is directly engaged." Merton, p. 303.

relatives who is in a profession or a white-collar job, this person does not seem to constitute a positive role-model. The C-E is exposed to the work world very early in life. Even if he continues his education to high school or beyond, he will have held part-time jobs from a very early age. For example, one entrepreneur says:

My first job was at twelve years of age. I worked for a muck farmer south of Brownsville. I had to walk three miles to work every morning and I'd get there about 6:00 in the morning. I earned 12¢ an hour and I worked twelve hours a day. I worked pretty hard at this job and I did pretty well. Some of the older men were let go before I was.

From his family background the values of the practical work world and the importance of practical accomplishments are what he perceives and internalizes as being important. His early work experience reinforces this orientation.

## 2. Education

Whether the C-E leaves school at the eighth grade or whether he receives a bachelor's degree in engineering, his education can be characterized as being narrowly limited to the technical areas. Even if he is exposed to areas other than technical or vocational he

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Also for a discussion of the "ways in which individuals 'learn' a personal role as entrepreneur" see Leland H. Jenks, "Role Structure of Entrepreneurial Personality," Change and the Entrepreneur, Prepared by the Research Center in Entrepreneurial History (Cambridge, Mass.: Harvard University Press, 1949), pp. 138-41.

sees little value in them. He is selective in his learning process and chooses those things he thinks will be useful to him in a technical career. Anything outside of those areas is considered impractical and not useful. As a result of this orientation he does very poorly at anything except the technical subjects. As one individual says:

In school I was terrible in English and history. In fact, I even flunked bookkeeping. All through high school and even to this day I don't know how to write. While I was at Midwest Die Sinking I did learn how to write my name so I could sign checks. But as of now, that is the only thing I can write. Whenever I have to communicate with anyone I have to print it.

Another individual went to night school in Michigan and took courses towards a bachelor's degree in engineering. However, he did not graduate because he would not take some twenty or thirty credits in the required liberal arts electives. Another entrepreneur earned top grades in all his sciences and mathematics but received only C and D grades in the liberal arts courses.

In pursuing a formal education the orientation of the C-E is such that he is only concerned with the pragmatic, the practical, the how-to-do-it aspects of learning. The other areas are not important because he feels they are not concerned with the "real world" and will not show practical, concrete results.

### 3. Work Experience

#### a) Success Theme

The work experience of the C-E prior to the time of initiating his own business is characterized by the success theme. No matter what route he takes, he completes the required steps more quickly than his associates. He soon establishes a reputation for accomplishing any job more efficiently than his co-workers. This "success theme" is not identical to Merton's success-goal as utilized in his analysis of Social Structure and Anomie. He says:

Contemporary American culture appears to approximate the polar type in which great emphasis upon certain success-goals occurs without equivalent emphasis upon institutional means. It would of course be fanciful to assert that accumulated wealth stands alone as a symbol of success just as it would be fanciful to deny that Americans assign it a place high in their scale of values. In some large measure, money has been consecrated as a value in itself, over and above its expenditure for articles of consumption or its use for the enhancement of power. (p. 136).

It appears that the C-E may represent a sub-cultural type which does not take "monetary success" as the primary goal but rather focuses on attaining mastery over machines as the primary cultural goal.

He seeks mastery over machines and by mastering them he proves his superiority over other individuals working in the same type of job. To the C-E, this is being successful. As one

individual stated:<sup>6</sup>

Well, the first job I started after school was with the Mammoth Motor Company. Within six months I had learned to run every machine in the shop. Then I went to the Mammoth Technical School. I went through that within a few months. You see I'd taken a lot of courses in high school in shop and I was ahead of everybody else. Because I did so well in the technical school, I was given a promotion and put into the tool room. By the time I was 22 years of age I was in charge of all maintenance and equipment used on the site of the Pebble Dam. Also, I trained people to do the maintenance on the equipment on the dam.

b) Becoming a Mechanical Genius

There are two distinct patterns of early work experience that have the same goal of becoming a mechanical genius. One is the job-hopper and the other is the entrepreneur who stays with the same firm for twenty years. One job-hopper interviewed had seventeen jobs in a period of twenty-five years. The longest length of time that he stayed with any one of these jobs was six years. According to him, he did not get fired from the jobs but was very successful in each of them. However, he said that he got bored with them very quickly and moved to a new job when it appeared to be an advancement or would provide new experience

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<sup>6</sup>Quotations of this kind will come from the records of interviews with the entrepreneurs in the sample. The information is confidential so identifying names and places will be changed.

for him. As a result of this, an individual ends up being adept and skilled in many areas, a mechanical genius. In addition, he gets to know almost all of the people in a particular industry. On the other hand, the entrepreneur who stays with a large company for a long period of time also gets wide and varied experience. He moves from one job to another in the plant and finally attains a supervisory position. He becomes a mechanical genius also and also comes to know almost everyone in a particular industry.

The work experience of the C-E serves a number of functions. In the first place, it provides him with much skill and expertise in many areas of his particular area or job. He becomes a mechanical genius. He establishes a reputation for being better than his co-workers in working with mechanical problems and machinery. Associated with this reputation is the fact that he gets to know almost everyone in his industry and, more important, everyone gets to know him. His mechanical adeptness and reputation are extremely important factors to the success of his later endeavors in initiating a company. They also constitute an important part of his business strategy when he gets his own organization. It should be noted that, whether he is a job-hopper or a one-company man, his training and outlook remain fairly narrow. His major orientation is still to the plant and to the technical or physical problems. Even if he has twenty jobs in twenty

different cities, his awareness of the world is limited largely to the plant and production problems. He is, in the classical sense, production-oriented.

c) A Marginal Man

(1) Identifies with Management?

The C-E's talents are soon recognized and he moves quickly up the skilled-worker ladder. At the top of this ladder are the prize jobs such as foreman, master mechanic, and superintendent. His success, therefore, does not carry him out of the work plant. He does not relate nor identify well with top management and is not really in tune with the broader company problems and goals. His world is in the plant. Also, he does not really like a big company because he believes it is not efficient. As one C-E says:

That company was very slipshod in handling their equipment and I didn't like it. Then too, I found that if you want to get ahead in a large company you have to play politics. You have to be the fair-haired boy and I didn't want to feel that my future depended upon somebody else's decision.

This statement indicates his feeling that management does not really realize what is most important in a company. It also exhibits his fear of outside control which we will see more evidence of later.

(2) Identifies with Union?

It would seem logical to assume that if he cannot closely identify with management then he will identify with the union,



but this is not so.

In some cases he may join the union but he does not internalize the union values. He feels that a man should turn out a good day's work for a good day's pay and that this is not the value held by the union. As one C-E expressed it:

When I'm in business for myself, I can't be told to do things that are against my better judgment. I do what I feel in my heart is right. You take for example the unions -- they plot and they scheme to try and get the best advantage when a new contract is coming up. Then, if the contract is signed they are plotting and scheming on how they can get a little bit better advantage over management on the next contract. This goes on all the time and it just isn't right. This just isn't right at all.

The C-E feels it is important to do the best work possible in the most efficient way and that one should always do a good job. In attempting to accomplish these goals, he finds that he runs into trouble with the unions. They are against a rate-buster. On the other hand, management doesn't back him up either. One entrepreneur expressed this feeling as follows:

Another thing about working there; you had to punch in and you had to punch out. If you were five minutes late somebody reamed you up one side and down the other; but if you worked five minutes after closing, nobody came along and thanked you. You can't seem to do anything right to please anybody.

Since he cannot identify with management and he cannot identify with the union, he identifies with other "rebels" like himself. As one fellow stated:

I've a bunch of rebels here. These guys have worked in a lot of plants all over the country. They have done a lot of different types of work and they're really flexible. They can do almost anything. I think that that is one disadvantage of the union--that it limits the training of people. They are stuck on one job and they don't learn anything about another job. They can work at a place for ten years and never turn around and find out what the guys on the machines behind them are doing. I think that this country needs good mechanics. All this research and experimentation is important, but you have to have good mechanics to turn it out and do the work. That is the trouble, there just aren't enough of them around any more.

In conclusion, the C-E finds he cannot identify with management or the union. He is a marginal man and when he starts his own company he tries to hire other "rebels" like himself.

#### Circumstances of Initiation

The interviews indicate that the C-E has not held the goal or dream of starting his own company from the beginning of his job career. His search for expertise in all areas of his industry is not motivated by the idea of starting a business. One aspect of his decision to initiate a business seems to revolve around the feeling that, if he is to continue to be tops in everything, this is the way he must move. He has gone as far as he can in proving himself a mechanical genius and now the only way to continue the ascent of his personal star is to start his own company. As one individual said:

I've never played second fiddle in my life. I've always been first. I've broken several records and I've established a reputation. I've won merits, awards and appreciation certificates. When I do something, I almost always make up my mind to make a big show of it.

As was noted in the preceding section, the C-E, while working for another company, does not identify with management even if he is in a supervisory position, nor does he identify with the unions. He is an isolate with the possible exception of other "rebels" like himself working in the plant. This isolated position gives rise to two types of feelings. On the one hand, he does not feel overly secure in his job because he does not identify with management or the majority of the other workers. Therefore he comes to believe that the solution to his problems is to become independent in his own company. At the same time he has no great respect for either management or the majority of the plant workers and has a feeling that he could do much better working with individuals like himself in his own company. One man related:

I first started thinking about my own business when I was in apprenticeship training. You see, I went up to the top apprenticeship rate of pay within six months, rather than taking the usual period of eight years. The union didn't

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<sup>7</sup> This is not necessarily an exaggeration. During the Second World War, "trades such as pharmacy and watch repairing were treated in a purely instrumental way and trained efficient practitioners in five or six weeks to the horror of established members of these callings." Erving Goffman, The Presentation of Self in Everyday Life (Garden City, New York: Doubleday, 1959), p. 46.

like this and we got into a hassel about it. That gave me the idea that someday I wanted to be in business for myself. I didn't want to be subjected to outside pressure. I wanted to be able to do what I wanted to do. I wanted to be treated in a way I thought fit to treat others. I didn't want to be treated the way some outside organization (the union) felt that I should be treated.

In this case the C-E felt insecure because of his isolation from the workers of the union.

On the other hand, the C-E cannot identify with management because he feels that they demand too much socializing and "politicizing."

As one C-E said:

I was taught as a child that you can do anything you want if you have the desire to do it and put all of your energy into it. I don't like the impersonality of a big company and I feel that anyone with guts or brains wouldn't stay in it for the low income. There is no challenge in working for a big company. There is nothing to get your teeth into. You don't learn anything but you see the same people every day and you have the same problems time after time. All you have to do is keep your work going through. If you pull the right strings you get promoted; however, if you don't like that type of thing and just want to work and turn out good work and do a good job, you're not going to get anywhere. I don't like that.

Here the theme is stated explicitly. By going into business for himself, a man will be able to get other good workers like himself and they can do a good job together. In addition, he will gain security because with his independence he will not have to be dependent upon the vagaries of the personal opinions of management. He won't have to play politics and attempt to be a fair-haired boy.

He will be able to stick close to the work world and deal with things, rather than being concerned about social interaction.

The study indicates that, in spite of all the lure of independence, security, and the opportunity to do good work without interference from the top or from the union, the C-E does not suddenly quit his job and start on his own. Rather, some critical event has to occur which acts as a catalyst. Possibly he is fired, or an unusual opportunity arises to buy into a failing company or buy used equipment at a good price. The C-E starts his company in conjunction with some other friends. In many cases, these will be relatives or close friends of similar background and orientations. In some instances, they start this company as a part-time venture, and after it proves to be profitable and they see it will provide an appropriate income, they quit their jobs.

#### B. Characteristic Patterns of Social and Business Behavior

In this section we will define the attributes of the C-E. These attributes are empirical uniformities of the class, but they are chosen so as to be most significantly representative of the C-E's behavior with respect to the initiation, maintenance and aggrandizement of his company. The attributes held to be most crucial with respect to the relationship between the C-E and his organization concern three major

areas:<sup>8</sup> first, how he develops the internal organization essential to the accomplishment of his goals; second, how he relates his company to the external business environment; and third, how he involves his company and himself with his external social environment, specifically with the local community in which he and his company reside.

1. Internal Organization

a) Paternalistic in Employee Relations

The C-E tends to think of his employees as being part of his family. He feels they are somewhat childlike or immature and should be treated accordingly. One has to be concerned with guiding them along the "right" path. As one individual said,

I look on myself as a father to my workmen. I feel that my workers will turn out good work if they don't have troubles on their minds and I discovered that working in shops myself. If you can take their minds off their troubles then they can really get out and work for you. I have an open-door policy

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<sup>8</sup> The areas to be considered are chosen following the methodology used by D. G. Moore in "Managerial Strategies," Industrial Man, editors, Warner and Martin.

A similar approach is that used by Leland H. Jenks who hypothesizes that you can "analyze the patterning of any business unit in terms of at least three interrelated sets of invariant requirements, namely, as a system of exchanges, as a system of productive performances, and as an organization." Jenks, pp. 114-26.

However, this latter approach is less useful to the present analysis because it ignores the area of the social environment which is important in distinguishing the C-E from the O-E.

at all times. I feel that my workers need the security and peace of mind that comes from having a secure job. However, I don't interfere with the home life of my workers. Through the years some of my workers have made more money than I have. But they are out there in the shop producing and they deserve it. I don't believe in putting on extra help when business speeds up; instead what I do is see to it that the guys understand that business has picked up and then they will speed up their work too. They'll do this because they know that we are not going to put on extra help or give away extra money. Therefore, we pay lots of overtime. Last year, even though it wasn't a particularly good year, every grinder hand, which is the lowest rated machinist in the plant, made over \$12,000. I listen to all their gripes and complaints and I try to straighten things out for them. Actually I have a very close personal working relationship with all of my workers and I know them all by their first names.

The entrepreneur who sees himself as a father to his workers has to protect his children from the temptations of the outside world. One of these temptations is that offered by unionizations.

I don't want to see my company ever expand beyond this size; with the size it is now I know my employees and they know me. There is no union here and I don't want a union in my business. I want the employees to feel close to me; I want to know what they are doing; I want to be able to share my home, my life with them, and have them feel that they can share their families with me. If it goes beyond the present size, I don't think we will be able to have this close relationship. For example, when it comes to wages, I don't have any time clock here. I don't keep track of my employees' wages. At the end of each week each person submits his own time. Only in a small shop can you do this. If it grows much larger I'll have to put in some means of keeping track of the employees' time. Also, I feel that the record kept in this manner gives the employee a greater sense of responsibility and so the employee feels more at ease here. I think the reason I have been able to make my business strong is mainly because of the interest I've had

in my employees and the amount of time I spend with my company. I have no real activities outside of my business except my family. My hunting and fishing activities have been incorporated into my family activities and we do all of these things as a group. My company is like my family to me. I look after it in the same way that I would my family.

This individual is a little extreme in the trust he puts in his employees, but he does illustrate the way the C-E feels toward his workers.

The C-E believes he finds additional evidence that his workers are like children when he observes the way they spend their money.

As one C-E expressed it,

I don't believe in driving new cars. My old Ford out there is good enough for me. I'm not squandering my money on new cars. What money I have goes into my home. This doesn't seem to be true with the fellows who work out in the plant though. As soon as they get a little extra money, the next thing you know they are out buying new cars. It seems to me that I am forever writing letters of credit recommendations to banks for my men. Every time business looks good, all you have to do is look out in the parking lot and all kinds of new cars seem to be sprouting out there. If you look out there you will see most of my fellows drive better cars than I do.

Another example of this belief that workers are like children and must be protected against evil influences from the outside world is shown by the hiring policies of one individual. He said,

For example, you'll notice that I don't have any women working in the office. The reason is that it would be a lot of trouble because the men will find all sorts of excuses to get into the office here where the women are.



We can see, then, that the good father to his employees builds a world of security for them, helps them solve their personal problems, protects them from the temptations of unionism and women workers in the plant. In return for this attention what must the worker do?

A good worker is very valuable. As one C-E said,

A good workman on a good piece of equipment can turn out twice as much as a poor workman on a poor piece of equipment.

However, a good workman is hard to find.

I feel that you have to hire 50 or 60 people to get 14 or 15 good ones.

What is a good worker?

A good person is someone who is interested in his job--that is, a person who takes pride in his work; one who is not thinking about something else when he's on the job; someone who will attempt to do a good honest job for you.

A good worker, therefore, is honest, loyal, and thinks of nothing except his job. These attributes return to the C-E because, in a sense, his employer owns his time. As one C-E put it,

I have always been a hard worker. I've always given a man more than was really required. I feel that if a man hires you, you no longer own your time; it's his. As a result of this philosophy, I always had a job and I always did well. I feel that if a man is being paid by me, I own his time. I expect people to work hard and to do a good job and to try. However, there is no point in climbing up one side and down the other of a person when he makes a mistake. This doesn't do any good at all. What I do is this: I say, 'Now you see what you did wrong? Why did

learned anything from this experience?" is the way people learn and improve.

In other words, although he owns this man's time, there is no point in being too severe since the worker may then become recalcitrant. It is something like dealing with a child, and a C-E must apply the most modern and effective methods of child psychology.

b) Planning and Delegation

The C-E is not oriented to the future and actually does little to plan for it. What planning he does is concerned with internal production processes. He is not concerned with changing the basic character of his company to adjust to a changing external environment such as a declining market or increased competition from other manufacturers. For example, one C-E was forced out of producing two different products because of technological advances and increased competition. In neither of these cases did he take positive action to meet competition either through adjusting his product or increasing his marketing effort. He seemed to be resigned to accepting whatever happened. Almost as an afterthought he mentioned vaguely that he had been thinking about a new piece of production equipment that had been developed called an electro-erosion device for cutting dies. However he had no definite plans for purchasing this equipment. He was "just sort of thinking about it." He had no plans for expansion or retrenchment but was going to "just wait and see what happened."

The C-E does little to insure the continuity of his company and prepare for the time when he can no longer manage the company. He holds tightly to the reins of control. He does not delegate authority and responsibility. He does not have an executive assistant or someone who can take over in case something happens to him. This behavior is associated with his limited time horizon, his failure to look to the future and plan for it.

An example of the limited extent to which a C-E delegates authority is quite apparent in the following conversation:

A couple of years ago I developed a heart condition so I decided that I would delegate authority, and I have. One fellow looks after the sales and then another fellow looks after - oh - this and that around the plant. All that I have to do now is make the decisions and then of course I do some work in the plant and then I do the estimating and I keep track of the price per job. I take a week off and go deer hunting every year now and we also take a vacation a couple of times a year - in the spring and in the fall. I work five days a week. I don't like to miss days during the week but I try not to work on weekends. Saturdays and Sundays I try to leave free.

c) Hiring Personnel

The work force and office personnel of a C-E's firm are hired on a particularist<sup>9</sup> basis. In the context of the present

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<sup>9</sup> The constructs, "particularistic" and "universalistic" are discussed by Jenks, Change and the Entrepreneur, pp. 120-121, who says that he uses the terms as conceptualized by Talcott Parsons in "Essays in Sociological Theory," pp. 192ff.

discussion, the C-E relies on particularistic standards in hiring since he lacks confidence in the more abstract forms of evaluation such as tests. He attempts to hire individuals whom he has known personally in his work career or who are known personally to some of his friends. In many cases when starting his new company he will take workers with him from the old company. He chooses those who are similar to him in that they are "rebels," highly work-oriented

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In discussing the importance of the criteria used by the entrepreneur, Jenks says: "Whatever the criteria for overall performance, there must also be some for the various contributors of 'work', for the part performances. It must not be supposed that these criteria can be completely imposed at the whim of owner-manager. He is, however, responsible for the bases on which personnel is selected, promoted, or dismissed; the criteria according to which combinations of labor and capital are effected; the criteria for sources and types of financing and procurement; the criteria for market policy; and for the relation (positive or negative) between all such criteria and that of profits.

Empirical historical inquiry into entrepreneurship is very much concerned with the nature and source of such criteria. Special attention seems to be appropriate to the question in what degree they have been universalistic or particularistic. In this connection, 'universalistic' criteria would involve an object standard applied to the performance of any individual in a given role, regardless of his antecedents or personal connections. 'Profits', however regarded, constitute such a criterion. And from profits economic theorists, with the aid of a few simplifying assumptions, have deductively derived similarly universalistic criteria supposedly applied by businessmen to every individual task. Supported by such views, there has been a tendency for moral indignation to be displayed at observed departures from such standards, involving conspicuously such matters as nepotism, favoritism, etc. At the same time, distinguished business leaders have for centuries asserted that what are basically particularistic criteria do and should play a great part in business performance. The granting of credit provides a well recognized illustration: 'The basis of credit is character', etc."

and not involved in union activities. There is considerable nepotism involved in his hiring practices. Many of his workers in the plant and in the office will be relatives from both his immediate family and extended kin group. However, he does make heavy demands on the persons related to him and expects as much from them as he does from his other workers. They have to live up to his ideal of the good worker.

## 2. Relationship to External Economic Environment

### a) Capital Suppliers

The C-E fears outside control, and this colors his attitude toward sources of capital. He does not want to get involved with banks because of this fear. As one C-E remarked,

I don't use banks because they can get control of your business and I don't want anyone to have control of my business except myself. I've used credit a little bit for cars, but I always make a point of paying three or four days in advance of when they are due. I just don't like to deal with banks. They are too powerful. If even for a short time your business should go bad, the banks gain control of you and your business and this is bad.

Because of this feeling, the initiation of the business is usually done with capital from the C-E's savings, from borrowing from family members or from personal friends. Usually he will start with one or two partners and they also will put some money into the business. However, within a fairly short period of time he will buy out these other partners and have control himself.

b) Marketing and Selling Strategies

The C-E's relationship to his customers is based on personal contact and reciprocity.<sup>10</sup> Through the years he has built a personal reputation in a particular industry. He is well known to the groups he sells to, and depends on this fact in his selling efforts. In many cases even before he leaves his old company, he scouts around to find customers. One C-E who had been a plant manager of a small plant that went bankrupt bought out some of its dies, took employees from the company and then actually retained the customers of the previous company. Or as another individual said,

Well, I'm known in this business. I have built a reputation for doing a good job and people contact me in these areas. For example, in 1960 I didn't spend anything for sales. I didn't go out and actually make one sales call.

One C-E who had been a job-hopper stated that because of his varied work experience he knew almost everybody in the auto industry in Detroit.

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<sup>10</sup> The term reciprocity is used here in the same sense as Merton used the term to distinguish between his local influential and cosmopolitan influential. Merton makes the point that the influence of the local influential rests on an elaborate network of personal relationships far more than it does for a cosmopolitan. He says that the, "influence of local influentials rests not so much on what they know but whom they know" (pp. 400-401). Our C-E's sales and sales organization depends on the fact that he is well known in his industry.

I've known people at General Motors since 1924, at Ford Motor Company since 1928, and at Chrysler since 1928. I know everyone personally and they know me. They know that I will turn out good work and can be depended upon.

Another example of the importance of this personal relationship to the C-E is demonstrated by the following account. At the initiation of this particular C-E's company, one of his silent partners was an ex-manufacturer's agent who had developed many contacts over the years while employed by another broaching company in Auto Town. It seems logical that the job of selling should have been his. However, the C-E did the selling for the first two years. He was more successful at selling than the manufacturer's agent was, because of his technical experience in his previous work in which he had had contacts with master mechanics, the tool room employees, and machinists. The silent partner had his contacts only among purchasing agents. At that time, purchasing agents did not have the power to make final decisions on purchases, and apparently the key personnel who made these decisions were the men in the shop. For this reason the C-E was able to be more effective because of the personal relationships he had built up over many years.

Through time, however, this strategy had to change because the big companies changed their policies so that now the purchasing agents have the most power and influence in deciding what is to be

purchased and from whom. Therefore, the manufacturing agent, who was ineffective initially, has now taken over the sales function. The president who sold on the basis of his personal contacts can no longer be effective because his contacts are mainly "through the back door." This example is an indication of the extreme importance of personal contacts and shows how this is the major strategy of selling for the C-E.

c) Limited Communication Ability

Associated with his dependence on personal relationships in relating to his customers is the fact that the C-E has limited communication ability. In the interviews it was noted that the men had little verbal energy or ability. Many of them indicated that they have come out of the shop and even apologized for their use of the English language. One mentioned,

Well, actually I guess that I am really anti-social. I don't really like people or dealing with people. I don't feel that I'm comfortable with them and I've found it hard to deal with them as individuals.

To use a less extreme example:

I just absolutely hate to leave the office. To leave 'autotown,' to leave my family. So all the business that most other people would go and call in person on, I use the phone for. Any changes or questions I have about something, I pick up the phone and use it rather than going to see the person. Only in the cases of extreme emergency will I leave this office.



Since he will not travel, a C-E has to depend primarily on word-of-mouth advertising to gain new customers. His reasons for not wanting to travel are related to his lack of verbal ability and lack of confidence in new situations. These characteristics are in turn related to his narrow background which is predominately technical in nature. Since he has had little interest in or little exposure to the world outside of highly technical production problems, he does not feel comfortable or competent away from the plant.

The C-E also has little ability in communicating through the written word. As he admits,

Another thing is, I don't write letters in this operation. I get on the phone. I've noticed that when my telephone bill is the largest, that is when my business is the best. I don't believe in writing. I call. I feel that I'm not a composer of letters. Rather than taking the chance of selling a man in a letter, I can get my point over on the phone much more easily.

In his dress, also, the C-E seems to be trying to communicate that he is really just another worker. He does not wear a tie, white shirt and suit on the job but prefers slacks and a sports shirt. Often these will not be overly clean, exhibiting to the world that here is a man who works with his hands and is not ashamed of admitting it.

#### d) Competitive Strategies

The C-E builds his business on the basis of a personal relationship which he has developed through the years in his working

career. He is known to people in his industry and has a reputation for being dependable. He strives to turn out quality products at the lowest price. Therefore he cuts costs in every area that he feels will not affect the quality of his products.

His office style and location are oriented to the plant. The office is sparsely and impersonally furnished. Usually it will be right next to the plant with a door opening into the plant. The C-E spends little time in his office and feels that the office is unimportant to his business. It is one area where money can be saved:

I don't believe our office furnishings are particularly handsome and I don't believe in plowing money into the front office here. You can see I have no paneling on the wall or fancy furniture nor do I have a gib sailfish on my wall like most other guys do. I don't believe in that. You'll see that throughout all of my offices.

He feels a union increases his overhead. With no union, he can shift his workers from one job to another. During the slack season he can have them rebuilding machinery or if he is behind in one particular area of production he can transfer more workers to this job.

The C-E considers that good equipment is one of the most essential requirements of success in business. At the initiation of his business, the C-E will go to many auction sales to shop for bargains in machinery which he will rebuild. He uses the slack

season to keep his employees rebuilding these different machines. As an example of buying right, one C-E showed us an Old Cola cooler which he used for storing precision tools. Also he had a safe in his office which he got for nothing, because he bought two of them for fifty dollars and then resold one of them for one hundred and fifty dollars.

Great care is taken by the C-E to get the best possible equipment with the amount of money he has available. As soon as his business permits, he will buy new equipment since he believes this will in turn strengthen his competitive position.

I feel that there is no point in spending money unnecessarily on things that aren't functional. As far as this building is concerned, it isn't fancy, but it doesn't matter because the machinery is good. The machinery is the important thing to my customers.

Since the C-E has built his business on personal reputation this has to be protected. He does this by getting good honest workers who will turn out a good day's work for a good day's pay. He wants dependable workers to assist him in turning out a product that his customers can depend upon. As one individual in the heat-treating business said,

I think one should be fair and honest in business. For example, in our business a customer can't tell if good work has been done on a part or not because it doesn't show whether it has been heat-treated properly or not. The customer depends upon me, so therefore, honesty is

extremely important. I don't believe in putting out slipshod work. I try to do a good job for everyone.

The C-E also protects his reputation in business by offering complete service to his customers. The following quote from one of the interviews expresses how service, quality, efficiency are the bases of the competitive strategies used by the C-E:

As far as my own strategy is concerned, I keep my cost lower than my competitors. Then as far as selling is concerned, I don't have to do any. Actually, over the years, I have gotten to know about 90% of all the tool and die engineers in Tool Town, and these are friends of mine. All I have to do is keep in contact with them by phone. Because of my background in the tool-and-die business I am able to offer a lot more service than most foundaries are able to do. I can be more competitive by giving more service. For example, last week we were all set to pour a die and I thought there was something wrong with it. I got on the phone and I checked with the people and I made some changes over the phone. I got the thing squared away immediately. This way it didn't cost our customer a lot of time and money.

e) Plans for Future Growth

In terms of growth possibilities, the C-E sees his industry as a closed universe rather than an open-ended universe. That is he believes that any increase in sales that his company may make must be made at the expense of others in the industry. He assumes the sales of his total industry will probably not increase substantially in the short-run. The only other way things could improve for him would be if someone else in the industry went out of business. He does not consider going into other forms of business activity or

production. Therefore, his growth has to be accomplished through high quality of product, efficiency in keeping cost down, and offering more services to his customers. All of these areas of activity, of course, are related to his personal reputation for integrity and mechanical genius which he has built up throughout his whole career.

The C-E is not anxious for his company to grow and expand for a number of reasons.

I don't want to grow too fast. I don't want to grow too rapidly because I can easily use up my working capital and when this is gone the banks get control. I don't want the banks to have any control over my business. My son is too eager; he wants to push too fast. I was eager, also, when I first started the business but I had to learn the hard way so I am trying to keep my son down. You can't go-go-go all the time. I keep telling my son not to push beyond our ability to finance. If I'd only known this years ago. I'm going slowly; I don't want to grow rapidly. I want control of my own business and I don't want anything to happen to it.

The moral is clear. If you grow too rapidly, the banks can control your business.

Another C-E stated that he had the best product in the industry and was about third or fourth in sales. When asked why he wasn't tops in sales if his product was so good, he stated,

Well, I prefer to go slowly. When you are on top it is too easy to come down. I'd like to progress with the business at this pace. I'm not in too much of a hurry, provided I can stay ahead of competition.

Another reason for not wanting to grow too quickly or too much is related to the feeling that the business is a family. Only

in a small company can he know his men and they know him.

Also, there is the feeling that with too much growth, the union gets in and the C-E loses control over the Company. One individual was quite emotional about the union. When asked what he would do if he were unionized, he replied,

I would close up the shop. I have no truck with the union. They would just drive me out of business. Before they would do that I would quit.

Still another reason given for not growing too much is the fact that the government will take away any increased profit in taxes.

Actually, I had decided that I was going to build another building right along side of here, the same size and fill it with equipment too, but I decided against it because of the taxes. I asked myself, 'Well, am I working for myself, or for the business or for the government.' I concluded that I'm not going to expand because of the tax. The city has just increased their personal property tax four times in the last year. There is just no incentive to buy good equipment any more because they will just tax me on it. Actually, I have decided that I'm probably better off buying junk if it is usable or if it is possible to fix it up. Then too, with the state government they passed the sales tax on me and now they're fiddling around with that and I don't know what is going to happen there so I can't plan ahead. You have to borrow money and mortgage. I know what is going to happen with the city. It is just going to continue to get worse and worse so I have decided that I'm just not going to expand. I would like to sell, and actually the time to sell is when the business is going good. Then I could let the next guy get the increased tax.

In summary, the C-E does not want to expand his operations too quickly or become too large because he fears he may lose

control of his business. He fears that the banks may gain control or that the union may force its way in and destroy the family relationship he has developed with his employees. Another deterrent to growth is his belief that, since the government will siphon off a significant portion of any increase through taxation, the added problems of rapid growth will be greater than the gains. He also fears that too much growth will leave him with less time to devote to the plant and production problems where the "real work" is done. He will be forced to become more involved in administrative details and with outside institutions, areas in which he lacks confidence. This fear is a result of the fact that he does not feel that he can adequately handle all of these demands because they will require skills above and beyond those of just being a good shop foreman or supervisor.

### 3. Relationship to External Social Environment

The C-E's relationship to his external social environment is one of low involvement. His family life-style<sup>11</sup> is more characteristic of the upper-lower social class than the upper-middle

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<sup>11</sup>For the concept of Family Life-Style see David G. Moore and Norman R. Smith, "American Life-Styles," unpublished mimeo or "Developing Pattern of Consumer Behavior," N. R. Smith, Business Developments, Jan. 1963, School of Business Administration, University of Oregon; reprinted in Oregon Business Review, Sept. 1963, University of Oregon; also reprinted in Journal of Cooperative Extension, University of Wisconsin, Spring, 1964, Vol. II, No. I, p. 45, "Consumer Behavior Patterns."

social class. His home is not in the "best" district of his community but in a district which would be better characterized as upper-lower or lower-middle. In some cases his family may still be living in the same modest home they initially purchased in moving to the community. Neither he nor his wife is active in community affairs. He has little involvement in the wider community and belongs to very few organizations. Any organization he does belong to is directly related to his particular job, such as an association of tool and die workers, or engineers, etc. However, he does not belong to this type of organization to help him in his business. He does not look upon this association as a method of gaining business contacts which will help him in any significant way in improving his competitive position. He does not perceive himself to be a joiner and in fact denigrates those individuals he terms "joiners."

He belongs to very few social clubs. For example, he does not belong to a golf and country club. Any social clubs he does belong to are the type of club associated with particular hobbies he has, usually fishing, hunting, and other outdoor sports. In many

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Also, see Toward Scientific Marketing, Part IV, The Life Style Concept. Editor Stephen A. Greyser (Boston, Mass.: Proceedings of the American Marketing Association, Dec. 27-28, 1963), pp. 129-74.



cases, he belongs to the same clubs as his workers. The essential point is that his social life is not used to help further his business organization or business career. He doesn't join clubs that his customers belong to, nor community organizations which will help protect the position of his business in the community. There is a distinct cleavage between his work life and his home life.

His social life and his family's behavior patterns are more similar to those of the skilled blue-collar worker than the successful middle-class businessman. His family does little entertaining, or partying, and social activities are mainly "family get-togethers."

The C-E's children go to a university if they exhibit the desire and talent. However, they do not go to the high prestige, private schools prior to college. Nor do they go to the exclusive Ivy-League college. Rather they go to public schools and state colleges. This is not because the C-E lacks the financial means. Rather it seems to be that private schools are not considered the appropriate pattern or the necessary thing to do.

In his hobbies the C-E excludes his wife. His fishing trips and hunting trips are taken with his male friends. He and his wife do not belong to the golf club together, play bridge or ski together. As one individual said in discussing his hobbies,

See these two guns here [he referred to two rifles in his office]. Well, I refinished them all myself. I made the stock and did the refinishing. These guns are quite old and actually I have to make my own bullets. My wife just can't seem to understand how I can come home from a hard day's work at 7:00 at night and then go down into the basement and spend my evenings working on my guns. She thinks that I should come upstairs and relax, but to me this is my relaxation.

In summary the C-E and his family exhibit the pattern of a ~~rather~~ quiet private, family life, not highly involved with the social or business community.

#### 4. Summary and Extraction of the Craftsman Entrepreneur

##### Characteristic Orientation

In constructing the ideal typology of the C-E, this chapter has defined in some detail the uniformities of behavior deemed to be most significantly representative of the C-E's characteristic orientation in building a company. We can now move to a somewhat higher level of abstraction and look for the essential themes in the orientations and behavior patterns of the C-E's. The construct hypothesis evoked by this analysis is: The C-E perceives and reacts to a limited range of culture. We can derive from this hypothesis some sub-hypotheses which appear after detailed analysis. These are:

1. The C-E exhibits narrowness in education and training.
2. The C-E exhibits low social awareness and low social involvement.

3. The C-E feels a lack of competency in dealing with the social environment.
4. The C-E exhibits a limited or circumscribed time orientation.

## CHAPTER IV

### THE CONSTRUCTED OPPORTUNISTIC-ENTREPRENEUR

#### Introduction

In this chapter the major attributes of a second constructed ideal type, namely those of the Opportunistic-Entrepreneur, will be defined. The uniformities that are deemed to be most significantly representative of the O-E's behavior in initiating, maintaining and aggrandizing his company will be drawn from the empirical cases. The methodology and the areas to be analyzed will follow the outline given in the introduction to Chapter III. Specifically, we will look at his life history, including his education, family background and career work experience. We will examine his characteristic patterns of social and business behavior in relation to both internal organization of the business and relationship to the external social and economic environment.

The C-E and O-E represent polar types. They are defined in the areas chosen for analysis as polar types representing extreme parameters of behavior and orientation for the entrepreneurs in the sample. Therefore, throughout this chapter, the O-E will be contrasted with the C-E.

## A. LIFE HISTORY AND CAREER PATTERNS

### 1. Family Background and Role-Models

The family background of the O-E in contrast to that of the C-E is predominately middle-class. Often the father of the O-E will have a small business. The O-E grows up in an environment in which he is exposed to and internalizes values of business and the middle-class.

In cases where the O-E does have a father who is a skilled worker, there are others in his social milieu that act as role-models. The difference between the O-E and the C-E is that the latter is unable to move on to a new sponsor or role-model later in life. In one case the entrepreneur's father was a foreman for the General Electric company and wanted his son to take a job with the same company and enter the executive-training program. However, a friend of his father's was also influential in shaping the boy's education and future career. The friend suggested that the boy should go to "State U" because the engineering school was highly rated. The friend also suggested that he join the right fraternity because it would be very useful in his career. The entrepreneur stated that he really didn't have enough money to join the fraternity and took a part-time job to meet the additional costs. In this case the friend of the father

functioned as a role-model and influenced the entrepreneur's educational choices and subsequent career.

## 2. Education

The O-E is the type of individual who is often characterized as being well rounded. He has more years of formal education than does the C-E, but more important than the number of years is the type of education that the O-E gains. Beginning at the high school level or even before, the O-E is involved in many areas of endeavor. He is extremely active socially and does well both in the technical courses and in the liberal arts courses. In many cases he is active in sports. Often he will be president of his graduating class and president of many other organizations. He is successful academically and graduates at an early age.

An example of the above pattern is shown in the remarks of one O-E:

Actually my high school time was very active. I don't know how to say this without sounding egotistical but I'll just say it and then forget it. I was president of my class for three years. I was president of the Hi-Y. I was president of the National Honor Society. I was also in the Capitol Players group; also I played football and I was the lightest man ever to make varsity. I finished high school and then started as a freshman at Iowa State when I was 17 years of age.

A similar pattern at the college level is shown by another entrepreneur who says:

Well in February of 1945 I came back to "Michinois" to go back to College on the G.I. Bill. This made it a lot easier for me. Also I got into the counselling service. I don't remember how exactly; someone might have suggested it but I saw a chance of doing a job of counselling. It helped a lot because they gave me a nice private room with a bath and a telephone. Also I got my room and board. It was a nice deal. I was one of the more affluent students because I had everything paid for by the G.I. Bill and the counselling was on top of that.

Interviewer: What associations were you in at college?

Respondent: Well, I don't know how many damn things I was in. I was president of the men's hall association. I was president of the Veteran's Association. I can remember I organized a big dance for the Veteran's Association and we had Tommy Dorsey's orchestra. It was a real ball! In addition I was president of the Independents' Association. Also, I got involved in politics. We had a big problem getting veterans registered for voting. I worked on this and we finally did get them registered. I was friendly with one of my professors and we worked in the Burgandy area which is as you know strongly Republican. We must have done a pretty good job because we defeated the Republican candidate. Shortly after that the Mayor of Burgandy wanted me to run his campaign for him on the campus. I did and I got a little bit of money out of it. You know, it is a funny thing, since I got out of school I haven't been involved in anything. I guess I got a little too much of it in school. Another thing, I didn't join these organizations with the hope that it would help me when I got into business. I can't see where it has either. I don't have any customers who were my old college mates.

The major theme in the O-E's educational strategy is one of choosing a combination of liberal arts or business courses and technical courses. The O-E may major in law, economics, liberal arts or creative writing. However, the important point is that no matter what his major is he usually gains facility with both physical and conceptual tools which are useful in both technical and administrative

areas. If the O-E is not able to go to university he will acquire the tools or techniques he considers essential by going to night school. For example one entrepreneur who came from Europe to America at six years of age had this to say about his education:

When I was twelve my mother died and I had to move in and live with my sister and her husband. My father was very broken-up over the death of my mother and he left and went to Motordom to work. I can remember that I used to get up at four in the morning and sell newspapers. I can remember when I couldn't afford to have my shoes resoled and I used to put cardboard in the shoe. At the age of fifteen I got a job working with the Auto company where my brother worked. At that time I also enrolled in the company's trade school. I took a tool and die apprenticeship course and I finished that in 1928. While I was taking this tool and die apprenticeship course I was going to City State University two nights a week. Then in addition to this I was taking an I. C. S. course. I remember we were reading the books called "Footprints on the Sands of Time." There were seven volumes of these and I read the books three or four times. They really made an impression on me.

In another case the O-E emphasized the humanities in high school and business college but got his technical training at night school and through the Army. He says:

I graduated from high school here in about 1933. Then in addition I went to the Business College here in the evenings, and I also took a correspondence course from the University of Michigan. Most of my courses beyond high school were in creative writing, English, and so on. As far as formal technical training I went to night school at the Junior College here and took an eight months' course as a refrigerator engineer. Also when I was in the Army I took a formal course at an Ordinance School. That is about the extent of my formal education background.



### 3. Work Experience

#### a) Success and Variety

The O-E has a variety of work experience in contrast to the relatively narrow technical work experience of the C-E. The O-E gains technical experience but in addition he seeks experience in areas such as merchandising, marketing, selling, or general administration. Even the boyhood part-time jobs that the O-E holds show a greater variety than those of the C-E. For example one O-E who grew up in a small town where his father owned a harness shop and a shoe shop gave this description:

I worked for my father repairing shoes after school. On leaving school I got a job as a delivery boy for the local grocery store. Within four years I worked up to being manager of this store. I enjoyed working in the retail store and feel that the experience was extremely valuable. I found that I could sell and that I sold all of my friends shirts and ties. I learned that in many cases all I had to do was to ask and I could sell a tie with a shirt almost every time. Because of my success I was put in charge of buying clothing for the store. In addition to this I gained experience in setting up window displays. I put up a window display for the town druggist and entered a Bayer Aspirin contest and got a prize for the display.

I did other types of work too, such as laying hardwood floors. I entered a Fischer-body contest for making model coaches and won first prize in my division.

This particular individual shows creativity in the art world but he did not limit himself to pursuing artistic accomplishments. He sought other experiences and gained ability in selling and administrative areas. He was successful in melding his artistic and business

talents and subsequently started an advertising and silk-screening business which today is one of the largest in the Midwest.

Another individual got his technical education at night school where he studied technical engineering, drafting engineering and air-conditioning. However, his job was in the administrative and marketing areas. His work history is as follows: His first job upon his arrival in Motordom was as "barker" on a sight-seeing bus. He went next to Sears-Ward and moved through many different departments until, at age twenty-eight, he attained a level much higher than usual for his age. He was one of six merchandise managers for one of the largest divisional areas. He was at this rank when he decided to quit and go into his own business.

This pattern of gaining success in a variety of endeavors is shown in the career of another O-E. He says the following about his background:

My family came from Ohio but my father who was a salesman was killed when I was about a year old. My mother came here and remarried when I was about five or six years old. Then when I was in high school she got divorced. I have one half-brother who is younger than I am, and he is a machinist inspector. My stepfather was a manual laborer. After my mother was divorced, and I was going to high school, I worked in a woman's dress shop to help the family. After I finished high school in 1933 I got a job with the B & B grocery chain, and stayed there about six months. I left for a better job with a textile company and I worked in the stock room for about two and a half years. Then I went from there to "American Appliances": and started as a stock chaser. After this I got

a job as night-production follow-up man. However, I was hurt at work so I was put in the receiving department. I went to the Northern Appliances engineering school at night. On completing this course I went on the road as a service representative. I was on the road for about six or eight months and traveled the whole Southwest--Texas and so on. I was with the company for about two years when they closed down completely for about three months. I signed up for unemployment and after I had taken all of the tests they offered me a job there. I took the job as clerk with the unemployment commission. I worked there for about eight months and I went up a couple of steps while I was there. Then I moved to Auto Town with a paper company as lab technician and stayed there about nine months. I left there because I didn't like the town and moved back here. I got a better job at "Bowling Inc.," and actually I used my connection with the unemployment commission, the compensation girl, to get this better job. At any rate, when I went with "Bowling Inc." I started as a cost clerk and I worked my way up until I was the head of the cost department and chief industrial engineer. By the time I went in the Army in September 1943, I had all of the cost department; I was plant processor, time-studies, layout, tool designers and a lot of other things. I was right under the Assistant's Work Manager. I guess I was about third from the top in the company.

I went into the Army as a private in ordinance and ended up as a first lieutenant. Actually my Army experience was fairly interesting. I went to technical school and took a two year's course in applied optics. We covered this in about ten weeks. Then I went to O. C. S. in ordinance and came out as a second lieutenant. I was then sent to the Midwest ordinance district and took a job as head of research engineering and development in the artillery section. I had to cover all of the Midwest except one state and had all of the research and development contracts to handle. This was a pretty big job and I was in every major company and college in that area. It really enhanced my education. I had a lot of officers under me. I was head of all four sections of ordinance in production and research. There were individuals high as lieutenant colonel who were under me. I was discharged in 1946. However, just before I got out the Department of Commerce contacted me and a week after I was discharged I was made a scientific consultant for the Department of Commerce in wood and wood-pulp industry and sent to Europe. I didn't know too much about wood and I was a little lost but I did it anyway. I was there about six months

and had an honorary rank of colonel. I was stationed in Germany, and travelled the Netherlands, Austria, and Germany and so on. I spent a pretty busy time. I went into most of the German industry. Actually I got into and discovered some data that we weren't aware of at that time. We didn't even know it existed. (It is common knowledge now.) While I was there I also got into some metal working on my own volition. When I got back in 1947 I went into a company with a fellow in consulting for the wood-working industry. I worked on this for a while until I got into my present company.

Here we see a broad range of different types of jobs. This individual worked in a woman's dress shop and in a B & B grocery store. He worked as a clerk in an unemployment bureau and as a lab-technician for a paper company. He worked in many departments in a manufacturing firm and also dealt with research firms and colleges in a liaison or consulting capacity. He also dealt with businessmen of foreign countries while in Europe. In all of these areas, he was able to deal with the problems effectively. A great degree of flexibility and a broad perspective is required to accomplish these many different jobs in an effective way. Compare this kind of success theme to that of the C-E whose success is in dealing with things or processes. Even if the C-E is in a tool and die shop in South America, his problems are no different than if he were located in Gary, Indiana, or at least he does not perceive that his problems might differ in these two different locations.

b. Becoming a Chief-Executive

The O-E stays with a particular job until he feels he has

accomplished his goals. He is oriented to his role-model or sponsor and stays with him until he perceives that it is the strategic time to strike out on his own. For example, in a number of cases, the O-E decided that he had advanced as far as he could within his present position because of the age of the people above him, and so he decided to start his own organization.

In a large number of cases the O-E works as executive assistant to someone who is well known in the industry. From this association, the O-E gains a great deal. One respondent, in relating his background, says:

Well, I was born in Seattle, Washington, or a small town just outside of Seattle. I actually grew up and went to school in Seattle. My first job was as a whistle punk. Do you know what that is? [ So he explained exactly what he did. ] Well, I was ten years old at the time. What you do---the logs are pulled out at the end of a steel cable. This cable is attached onto a drum. What I would do is, whenever the cable is hooked onto the log, I would pull the whistle and then the operator of the drum would know that he could start hauling it in and he would haul it in. Well, I worked at this for about nine hours a day, had to walk four or five miles to work, and I got 50 cents a day for it. This was my first job.

In school, I went to a one-room country schoolhouse actually in this small town outside of Seattle and then went to high school in Seattle, and in school I skipped two grades. Really the only reason I went to high school was that I was interested in softball. I used to play a lot of softball, and so that's why I started high school.

As far as my ancestors are concerned, well, my mother's it's a combination of French and German. As far as my family life is concerned, actually, my father would work at the job until he went into this shingle business.

My mother was against it terrifically. She fought him. She didn't want him to give up the security of a steady job and go into business. As a matter of fact, they fought for 10 or 20, 30 years afterwards. So, my father would just sort of retreat from us. He would leave and be gone for two or three months at a time. We were a poor family. We didn't starve to death, but we were poor.

I graduated from high school when I was 16 years old. My first job was that of a carpenter and this old fellow who headed the contracting company, we got to be good friends and I used to go over to his house nights and learn taking the plans off so by the time I was 18, I was his foreman. This was 1924. Then, I decided that I wanted to go to the university. So actually before I could go back to the university, I had to return to high school for about six months and repeat the last part to get ready for university. Then, while I was going to university I went into house building with my father. Actually, I was a better carpenter than my father. He had learned carpentry late in life, so he used to do the outside of the house, and I would do the inside finish work. So, I was running this business while I was going to university in Washington. I registered in civil engineering and things were pretty rough at that time. They used to really weed them out. In my sophomore year I started second in my class and then by the end of the term, I was right down near the bottom. About this time we had during the term--the businessmen would come in and talk to the class, and they would tell us, 'Well, if you are lucky when you finish, you might get about \$125 a month as an engineer, probably more like \$85 or \$90.' Here I was already making \$100 a week. Well, it seemed that I just couldn't handle this engineering and run the business, too, so I switched to liberal arts. I took about---I can remember taking one term of psychology. This was in '27, and I'm a pretty good psychologist. So, with the pressure of these things I had to leave school.

Then I went full time into the business. However, what happened was this. On December 28 I got married. That would be 1928---December 28, 1928---December 28, 1928. When I came back in January, 1929, we were broke, because you see the depression started out on the West Coast a lot sooner than it did down here. So here I was broke. I went away on my honeymoon with lots of money and good business going, and when I came back in January I was broke. So, I got a job as a carpenter from my old boss---the person I

had first worked under as a carpenter. He had a number of carpenters working for him, about seven or eight of them. Oh, no, more than that. But he had a number of carpenters who had been supervisors for him. We were building houses and it was pretty tough to get a job in those days, but we kept on. I got sort of disgusted with this house building thing because we built, for example, we built a great big expensive house and we built it exactly the same way as we would build a cheap house, and I felt that it was just wrong, that they were making no advances whatsoever. Actually, I was going to sort of save the world. I had a lot of ideas about prefabricated housing that I had gotten from reading Fortune and other magazines, and I felt that I could help to revolutionize housing. Actually, before leaving this job---because I got disgusted with the way houses were built---I felt pretty good, because here I was a pretty young fellow and I kept my job. I was the fifth one to leave and I suppose that the final reason was that I dropped something on my foot and broke my toes. In those days, what they would do, they would lay off according to ability. That is, usually the last ones to go would be the better or the best carpenters. It was just sort of the ethics of the situation. I was the fifth one. Everyone had been laid off and there were five of us left and I was one of these, so this made me feel pretty good, because I was still fairly young at that time. At any rate, when I quit here, we scraped up some money---there was my mother, schoolteacher sister, and myself---and we all took a trip to Chicago to the World's Fair in 1933.

I started looking around at the prefabricated housing. Within about a half an hour I realized that they did not know what they were doing. None of them were well built at all. They were just slapped together. But, there was one---it was a "Jones" house---that had the framework of the house made of structural steel, and this intrigued me a little bit. So, I asked the guy at the display about a job. And, he said, 'Well, as a matter of fact, there is a job available.' Apparently somebody had just been fired or quit. So, I got a job with this company. So, I came to the East and worked for "Jones Steel, and I ended up being an assistant to A. A. Jones. We sort of hit it off together and I used to follow him around the country and help him with his drinking and his chasing of women and all the rest of it. Actually, this is when I got my Master's degree in marketing. It was a four-year education I got.

I traveled nationwide. In this way I learned nationwide marketing. And, old Jones was a real genius, didn't have much education and sort of hard to work with, but a terrific teacher and I was actually attempting to build up a market for this Jones steel in the prefabricated house. Actually, at this time my background was rather unique for this job. I had civil engineering and carpentry, and I had some sales experience, too. So, I guess there weren't too many around like me. In the four years that I was with them in this operation, we spent \$400,000 trying to get it going and in actual sales we only received about \$100,000 back. By the time I left---actually, I was fired and quit at the same time---I was sales manager and executive assistant to Jones.

The job history of this entrepreneur indicates his ability to change role-models when it seems expedient. It should be noted that in his first job as carpenter he soon gained the confidence and friendship of the head of the contracting company. Because of this, he was able to learn additional skills so that by the time he was eighteen he was foreman. He states he was a better carpenter than his father, so apparently he did not consider his father as an adequate role-model. Soon after entering the steel company he achieved the position of assistant to the top man in the organization. In this position he gained a great deal of experience and exposure to the industry. Later on in his career this O-E joined his former boss as a partner and they formed a new company. However, this did not last very long and the O-E left to start his own company so he could be in sole charge.

This sponsor, role-model theme is evident in many cases. The close association with a top executive is one way in which the



O-E gets to know top management in other companies. With these contacts the O-E is very effective in building long term relationships. However, in some cases, the O-E may get this interaction with top management or other companies through a different method. In some cases O-E's were able to get to know the leaders of an industry through their jobs in the Army during the war. In one case the individual was called into the Army in 1941 and spent his time in the Army in tank testing. He was successful and gained the rank of major on discharge. He describes his work history as follows:

In 1940 I graduated from Iowa State with a B. D. degree in Mechanical Engineering. Naturally, I went to work for Massive Electric, When I went with them I was supposed to be on a training program for eighteen months but after four months I was promoted into the engineering area. I was the first one in my class to get a job like this. However this figures when you realize that I did have connections with Massive Electric and my father and I knew a lot of people and they knew me.

Then in August, 1941, I went into the Army. This was an interesting situation. The Army had the names of twelve people who work for Massive Electric. I was working in the engineering laboratories in the East at this time. Well, anyway, they came to Massive Electric and said, 'You boys are in the Army.' Massive Electric raised H--- and tried to get us out of it but they just couldn't. The Army phoned me on a Monday, and the following Friday was supposed to be my wedding day. The Army said, 'You're in the army now; report to West Point in two days. It doesn't matter how you get there---fly, drive, or what.' I didn't like this. I've always been a bit of a rebel anyway so I told them to go to hell! Within a half an hour there was a Major in my office and the Major really laid it on the table. He said, 'All right, you are going to go there, or I'll put you under arrest right now.' Well, naturally, I went.

I went through West Point and then I was sent down to Aberdeen, Maryland. I was in the ordinance division for

five and a half years. When I was discharged it was with the rank of major.

About four months after I was inducted into the Army, I got married. At Aberdeen, Maryland, I was in tank testing. When we started out we had only wooden mock-ups. We didn't even have a metal tank. I did this for a while but finally had to be taken off because of health. The point is, you get a certain amount of carbon-dioxide in your blood and once you get to a certain level you can't take any more without permanent damage. I was then moved to the Midwest and worked until my discharge.

In the Midwest I was dealing with all the top people in the industry. In looking back on this, I couldn't have had better training because I got to know the top people--people who would have taken me twenty years to meet. Actually, during the war, while I was in Auto Town I met this fellow who was working on this new patented equipment. That is how I got into this business.

After I was discharged I went back to Massive Electric in the East but I didn't take the job I was supposed to take. I turned it down. My father was mad because, from his standpoint, the biggest thing in the world would be to sit in an office in Massive Electric in the management group. Instead, I took a franchise for this equipment that a fellow had. My father thought I was crazy but the way I felt if I didn't try it then I never would. We only had one child at that time and I felt that with more children coming along if I didn't do it then, I never would get around to it. When I was discharged I had 500 dollars and a 1937 Chev. and I started out on my own.

In another case an individual had been a practicing lawyer for twenty years and had written a book on corporation law. By the time he started his own firm he knew many of the top people in business in his community and interacted with them socially and in business situations. No matter what route he follows, the O-E, through his work experience, gets to know the top management in different firms and different types of industries in his local area

and throughout the country. This is in contrast to the C-E who gets to know people primarily in the work world, that is, in the plant. The C-E builds his reputation in the technical-plant world in contrast to the O-E who not only has the technical competence but also gets to know the top administrators of many companies. The O-E is perceived by himself and others as being a good businessman, and therefore he can transcend industry borders. He has talents and skills that are applicable to a variety of types of businesses and not just useful in one type of industry such as tool and die making or sandpaper making. In contrast, the C-E is industry oriented. He gets his work experience, training and background in one particular industry and feels forced to continue in the industry in starting a firm. The O-E is community oriented or even nation oriented and does not feel limited in starting a business to the particular industry or community in which he gained his experience and early work training.

c) Identification with Management

From the foregoing discussion it is evident that the O-E has no problem of deciding whether to identify with management or to identify with the union. The O-E is not a marginal man as the C-E often appears to be. (The term marginal man in this context is used to indicate the individual who does not identify with either management or the workers.) The O-E is oriented to management and identifies

with top management. Therefore, when he starts his own company he does not have the problem of being unable to withdraw his identification from the workers as is the case with the C-E.

d) Summary

In summary, it can be seen that the O-E gains varied work experience in his career. He proves himself to be competent in the technical area of his particular firm and, in addition to this, shows himself to be competent in the broader administrative aspects of business. The work world which he perceives to be relevant to himself and career is much broader than that perceived by the C-E. His success theme is also much broader than that of the C-E. He gains success in varied endeavors or fields rather than just in the technical work world as is the case for the C-E. In comparing job tenure, the O-E does not exhibit the job-hopping pattern of the C-E. The work experience of the O-E prior to starting his own business seems to serve a number of functions. On the one hand he develops his technical competence and also his administrative competence. In addition he builds a reputation for being a bright young man and has the opportunity to relate to top management in many firms. This is, of course, very important to his success when he starts his own firm. However, in initiating his own firm he is not limited by his previous work experience. The O-E will initiate a company in an

industry in which he has no previous experience if he considers it expedient. This behavior is in striking contrast to the C-E who never transcends industry borderlines in initiating his company.

#### 4. Circumstances of Initiation: The Early Dream

In contrast to the C-E, the O-E has a long range plan to initiate his own business. He does not suddenly decide to initiate a company because of a unique situation or set of circumstances. Rather, this step is something that he has long dreamed of and done much to prepare for. His conscious pursuit of a broad education and broad work experience is a means to an end and not an end in itself. Breadth in education and work represents one aspect of gaining the necessary experience, knowledge and contacts to be successful in launching a business.

One O-E describes his early dream this way:

When I was a boy I always had a dream. My dream was to have a little show card shop all of my own. I could just visualize it. I could picture this in my mind. I could just see myself sitting at the desk taking orders on the phone, delivering them, and so on. Now in order to do this I had to learn some things so I used to do lettering. I had to learn how to do this and that is why I got into display work with the druggist in town. I set up his window displays for him. Also, I did lettering in the retail store where I worked. Another thing that helped me gain experience was that I had to sell everything in the store. I saw this as a challenge. I found that I could increase sales by just a little more effort. I can remember some of my friends would come in to buy a shirt for a Saturday dance---

of course about half of them would go to the dance without a white shirt. Anyway, I would put the shirt on the fellow and I would say, 'Now how about a tie?' He would say, 'Well, I have lots of ties.' 'No,' I would say, 'You don't want to use just an old tie.' (They usually had just some old greasy tie.) So I would ask the color of the suit and pick out a tie and say how nice it was. I found I could increase sales a lot this way.

Here is an example of an entrepreneur who had his dream very early and went on to pursue it in the face of many difficulties. However he did not let his dream remain that of a little card shop. He was able to enlarge his vision as he gained experience until today he has a manufacturing company with sales of over a million dollars a year. However, it is important to note that he had his initial dream early in his career. He consciously sought out and gained varied experiences in different types of jobs as a means to accomplishing his dream. Contrast this to the C-E who perceives gaining experience and expertise in various types of technical work as ends in themselves. To the C-E these activities represent proving to himself that he can master any type of work or any machine built by man.

Another example of the early dream is that of the individual who decided that he was going to make a million dollars. His aim was not to prepare for a particular type of industry but to make a lot of money. He describes his childhood as follows:

I grew up as one in a family of four children. My mother was Scotch and Irish and my father was two-thirds Indian. He was a small sawmill operator in town. I can remember

going hungry many times during my childhood. We lived in sort of a tar-paper shack and newspapers were used for wallpaper in our house. I loved my mother and father but I determined early in life that I was going to get away from home and earn at least a million dollars.

After graduation from high school I went to "Machine Town" to seek my fortune. I arrived in 1938 with twenty dollars in my pocket and holes in my pants. I talked Auto. Corp. into giving me a job and I went through their institute of technology. I intended to go through their entire school system and I did. In the company itself I held jobs in practically all of the departments in the corporation. I was in production, production-planning, administration, purchasing, jobbing and so on. I took every course available at the institute. Actually, I am a graduate engineer of theirs. My intention was to learn everything I could about big business--- how it operates and how it runs. I wanted to learn everything I could from them in the time I was there. However, all this time I had every intention of leaving them and getting out on my own. In order to do that I lived very frugally and by the time I left Auto. Corp. in 1943 I had saved up \$7,000.

Here again we see the pattern of the O-E gaining as much varied experience as possible as a means of insuring success when he starts his own business.

We saw that, for a C-E to start his company, usually some crucial event or unique circumstances act as a catalyst and cause the entrepreneur to finally make the decision to go out on his own. For the O-E, no crucial event need occur. Rather, he precipitates events when he consciously decides the time is ripe. An example of this conscious choosing of the right time can be seen in the case of the individual discussed above. In explaining the circumstances leading up to the initiation phase of his company, he says:

After being at the Auto Corp. and saving up the \$7,000 I left in 1943. By the time I left I had determined several things. One was that there was a pent up demand for automobiles. At the same time that I was working for Auto Corp. I embarked upon a series of studies on the operation of dealerships and from this I got some of my own ideas as to how a dealership should be run. Therefore, in 1943, I was able to get a franchise for a dealership in the Detroit area. I spent 1944 and 1945 building a building and getting established in business. I also embarked on a marketing program and used a number of gimmicks to increase the service business. You see it was my contention to conduct the affairs of the service department of the franchise so that the profits from it would pay for the operation of the entire dealership and the profits from the sale of cars were gross profits for the business. I did achieve this level of operation and was actually cited by the Auto Corp. as running the finest and most profitable dealership for its size in the country. However, I soon realized that the demand for automobiles would slacken off as soon as deliveries caught up so I attempted to diversify my holdings so that I would be able to eventually unload the dealership. I started to do this in about 1948 and I sold off the dealership and it was concluded in 1950.

From his explanation, it is apparent that he consciously planned for the future. He felt he could visualize what would happen in the future and so he took the necessary steps to be prepared to move at the opportune time. The O-E does not just react spontaneously to a previously unforeseen opportunity as is the case with the C-E.

The C-E does not burn his bridges behind him. In starting his new company he still continues to work at his old job until his new company can support him. The O-E burns his bridge; he makes the decision to start his company and then quits his job at once.



However, as indicated above, he has looked into the new industry or organization and has done some concrete planning before he acts. In a sense, he has built a new bridge long before he quits his job so that, even though he burns his bridges behind him, he is at the same time stepping out onto a new and better bridge.

Another example of this long-range planning pattern can be seen in the following conversation of an O-E:

After going back to Sears-Ward Co., I became a merchandising manager. Actually, I was one of six in the "Auto Town" area. I was holding quite a high position for my age. Within a year's time I decided to quit and do something else. When the company found out about my intentions they tried to persuade me to stay. Actually, I was the youngest man in the position and they had plans for me they said. I suggested that unless I received a 50% raise in salary I wouldn't stay. Well, in response to this they offered me a 25% raise, but I said I didn't want to quibble with them. So, in 1948, at the age of 28, I quit Sears-Ward. Everyone thought this was kind of strange because I was one of the highly paid officers of the company. Besides my salary, I was making four or five thousand dollars a year in commissions. No one could understand why I wanted to leave. However, years before I had decided that there was a great potential in the aluminum business. I learned a few things about aluminum and I felt sure myself that there was something definite to sell. Aluminum at that time was in such raw shape that I felt there was room for tremendous improvement. The way it was then, it was a raw material that you couldn't sell. What type of product can you sell when it is raw?

Actually, when I was with Sears-Ward, I kept myself in touch with all sorts of information. Even when I was buying things for the company I used to obtain all the figures and facts about the products and then I would make my decision. Because I worked through a number of departments with the company I became acquainted with aluminum products. One thing I realized was that there was a tremendous possibility of painting aluminum. As a matter of fact, in 1947, I wrote a brochure--sort of a sales

manual type of thing which explained the possibilities of painting aluminum.

Again we see the pattern of conscious planning long before the decision to strike out on one's own is made. Consequently, when the O-E decides the time is ripe, he already is equipped in terms of knowledge and familiarity with the industry he chooses.

In summary we can say that the O-E has an early dream of starting his own company. However he does not idly dream of the future. Rather he vigorously pursues the type of education and work experience essential to the accomplishment of his dream. Also in contrast to the C-E, there is no critical event which acts as an unexpected catalyst bringing about the decision to go into business for himself. Rather, the O-E chooses his own time and is prepared to move when he decides the time is right.

#### **B. Characteristic Patterns of Social and Business Behavior**

In this section we will describe the O-E's characteristic behavior patterns in three major areas: first, how he develops the internal organization essential to the accomplishment of his goals; second, how he relates to, and involves his company with, the external business environment; third, how he involves his company and himself with his external social environment, specifically with the local community in which he and his company reside.

## 1. INTERNAL ORGANIZATION

### a) Relationships to Employees

We noted that the C-E is paternalistic and believes that his employees are somewhat childlike. We noted also that the C-E is ambivalent towards the union since he feels that he is still a member of the work score in spirit if not in fact. With the O-E there is no ambivalence towards the union because the O-E never does identify with the union. From the start of his work career he identifies with the management point of view, and views his workers in an objective, unemotional and non-personal way.

These findings are very similar to the conclusions of W. E. Henry in his study of successful big business executives. He states:

In general the mobile and successful executive looks to his superiors with a feeling of personal attachment and tends to identify himself with them. . . .

On the other hand, he looks to his subordinates in a detached and impersonal way, seeing them as "doers of work" rather than as people. He treats them impersonally, with no real feeling of being akin to them or of having deep interest in them as persons. It is as though he viewed his subordinates as representatives of things he has left behind, both factually and emotionally.<sup>1</sup>

The O-E is psychologically removed from his employees in that he feels it is his responsibility to evaluate them in an objective way.

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<sup>1</sup> W. E. Henry, "The Psychodynamics of the Executive Role" in Industrial Man: Businessmen and Business Organizations. Edited by W. L. Warner and Norman H. Martin, (New York; Harper & Brothers, 1959), pp. 24-34.

He is sympathetic to their problems; however, "If they don't measure up, well then out they go."

An extreme example of this impersonal objectivity or lack of emotional involvement with the workers is shown by one O-E who had recording equipment set up in his office. This was designed so that he could record conversations of his employees anywhere in the plant. He had pick-up microphones located in every part of the plant including the men's and women's washrooms. He said that he used this in dealing with employees during labor union troubles. However, he felt that he was very fair to his employees because "Twice a year I take my financial statement to my workers in the plant and show them sales, profit, and bonus and then distribute the net profit accordingly."

The O-E does not want a union in his plant and in this he is similar to the C-E. However, the O-E has a different reason for resisting the unionization of his company. His reason is impersonal, objective, and unemotional. He resists it because he feels it will inhibit the ability of his company to compete effectively and maintain steady growth. In contrast, we saw that the C-E's reasons are more personal and emotional. He resists unionization because he feels that the union is somewhat sinful, because it lessens the ability of a good man to turn out a good day's work for a good day's pay.

b) Employee Hiring Criteria

With the C-E the major criteria used in hiring an individual were based on particularistic values. That is an individual is hired because he is personally known to the C-E or at least known to friends of the C-E. The C-E has to have this information before he feels that he can really trust a man.

For the O-E complete dependence upon particularistic criteria is not essential. He does not have to have known the individual for a long period of time or have gained personal information through a close friend. He feels capable of evaluating the potential of individuals and making his own decisions. For example, one extremely successful O-E discusses his selection of men as follows:

Well, fundamentally my basis for selecting good men is something like this. I'll run across a person somewhere in my travels and I'll interview him casually but not make it a formal interview. Then I'll make a point not to see this person for somewhere from three to six months. Then again I'll interview him in an informal way and attempt to assess and evaluate the movement or change I can detect over that span of time. I want to see if the man has matured any and sharpened his intellect and so on. Now I recognize that there are fundamental differences in the lobes of a man's brain and also in his ability to use them. For example, my Executive Vice-President who seems to be the man in line to take over the company as President is only a high school graduate and a draftsman. This is a fellow I came across and I was quite impressed with his where-with-all. Actually what happened, I eventually went hunting with him and during which time I whetted his appetite and picked his brain in an attempt to evaluate him. And, I sat down and played checkers with this man. I have done this with all the other men that I have hired for key positions. In playing checkers with these people I put them under pressure

because, first, they don't know whether they should be out to defeat me or whether they should just sort of lay back and let me win. Now I am not really concerned with that except to watch them under pressure. Now the second thing is that I can tell from the way a man plays checkers what his ability is to see the whole board and to see that in playing checkers the checker positions can be moved in all directions. Now what I am looking for is whether a man can understand the strategy of playing the whole board of checkers at one time and that he can jump in various directions at the same time. Now I find this a very useful tool in evaluating a person and I feel it has been extremely helpful to me.

The above discussion is concerned with hiring for managerial levels. However, even in hiring individuals for the plant universalistic criteria are used by the O-E.

The particularistic criteria for hiring workers are functional<sup>2</sup> for the C-E since they are related to the fact that the C-E tends to depend upon price, quality and personal service to compete in his particular market. In contrast, the O-E can compete in many ways, such as new products, superior financing or a more efficient marketing organization.

c) Planning and Delegation

In contrast to the C-E, the O-E does not feel that he has to

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<sup>2</sup>Functional is used here in the Mertonian sense---"Functions are those observed consequences which make for the adaption or adjustment of a given system." Robert K. Merton, Social Theory and Social Structure, p. 51.

be cognizant of all the details of the organization. He moves as quickly as possible to the point where he can turn over the routine day-to-day activities to competent management personnel. He wants to get individuals who are willing and able to take responsibility onto themselves. He looks for people who are responsible, whereas the C-E looks for people who are passive and dependent.

The O-E delegates authority in many different ways. For example, one O-E had one of his plants in the Mich Town area competing with another one of his plants in Wisconsin on the basis of price for a contract with his third plant. Another O-E decided to spend his time on research and development of long range planning, so he moved out of his plant into a new building and turned the management of the producing organization over to the executive team that he had developed. A third O-E made the observation that his organization was run so smoothly that he could leave it for three months and it would not miss him.

The above examples are in sharp contrast to the C-E who feels that he is really delegating authority when he takes Saturday and Sunday off once in a while.

The desire to delegate routine matters is appropriate for the O-E since his concern is with the total company and not with just the product or process. The C-E cannot delegate as easily because his

main goal is to turn out the best product at the lowest possible price. He limits his aspirations and consequently does not feel that his company should grow. He does not need to develop an organizational vehicle which will free him from routine day-to-day details.

## 2. RELATIONSHIP TO EXTERNAL ECONOMIC ENVIRONMENT

### a) Capital Suppliers

There are many different ways that the O-E amasses sufficient capital to initiate his business. The factor that differentiates the C-E from the O-E is that the latter has less fear of outside control. Therefore in obtaining capital he will seek out any possible source. He does not fear control by banks nor does he fear the resultant control if he sells equity stock in his company. He is confident that he can learn to deal with outside individuals effectively. Since he is not fearful of outside capital this means that there are many more potential sources available to him. In contrast, the C-E limits himself to getting money from personal friends or relatives if more than his personal savings is required.

One O-E was able to get his initial start through borrowing money from one of his professors at a university. Later when he needed additional capital he was able to borrow it through an acquaintance he had met during his Army career. The father of his Army



friend was relatively wealthy and the O-E perceived him to be an additional source of capital.

Another O-E started on the entrepreneurial road after World War II by becoming a franchised dealer for a new metal-working product. Within three years he sold this franchised business for \$5,000.00. This enabled him to buy into the factory that owned the franchise. Within a fairly short period of time he and two of the other partners bought out the fourth partner. Then, ultimately, the third partner pulled out leaving our O-E and one partner. The O-E now owns only 10% of the total stock but states that this gives him control since he has arranged it so that the remaining stock is spread among three thousand small stockholders.

There are many other ways the O-E gains the necessary capital. However, the significant point which differentiates the O-E from the C-E in gaining necessary capital is the fact that the O-E sees many possible sources. He does not restrict himself to only two sources of capital, personal savings and money from relatives or friends. The O-E does not hesitate to approach other people and is quite effective in convincing them that he has an excellent proposition to offer. Because of his broader perspective he is aware of these many sources of capital. He feels that he can use these sources without fear of losing control of his company.

b) Marketing and Selling Strategies

The O-E approaches the area of marketing in an active rather than a passive way. He recognizes this area as being very important and one that he can control to affect the posture of his company in the marketplace. He can manipulate his company to bring it into adjustment with the market, but he does not feel restricted to adjusting his company to the independent market forces. Rather he feels that to a limited extent the market can be adjusted to his company; he can to a small degree convince his buyers to accept what he wants to produce.

The foregoing idea of treating his market as something that can be manipulated or affected is shown in the product development policies of one entrepreneur. After much resistance, he convinced the stove manufacturers that their consumer, the housewife, would really prefer windows in the front of ovens even if she did have automatic controls. He said:

Well, I saw a big future in windows in oven doors. Sure, at first they thought that with the electric stove, the people could time it automatically and they wouldn't have to look, but you know women, they just have to know what's going on.

In another case the O-E developed a method of painting aluminum doors and windows and then devised strategies to get consumers to accept them. He also instituted a policy of packaging

doors and windows which allowed them to be shipped by rail. He describes it as follows:

Back in 1945 and 1946 I realized the potentiality of the aluminum business. I learned a few things about aluminum and I felt sure that there was something definite to sell. Aluminum at that time was in such raw shape that I felt there was tremendous room for improvement. Such a raw product you can't sell it. After all, what can you sell raw? Anyway, in 1947 I wrote a brochure on aluminum---sort of a manual for salesmen and I explained the possibilities of painting aluminum. Of course, I have done this. Another thing that I think I have done to improve my products and services is to pack the glass doors and windows for shipping. When I tried that everybody thought I was nuts. But I packed those doors and unloaded them out of the third floor of our plant here. When I did that I was one of the few guys who could do it. You know, this colored aluminum is really going. Our total sales were up 25% last year and the sales of colored aluminum were up 50%. I'm convinced that people in the aluminum business just aren't very smart. I went to a manufacturing show in New York in 1959 and there were about 38 manufacturers in the aluminum line of doors and windows, and in 1960 there were only 19 left. Out of this 19 only three were doing painting jobs on aluminum; and most of their jobs were pretty poor quality. Actually this is quite natural because my equipment is very expensive. It is worth about a quarter of a million dollars. Of course, in painting aluminum I use the technique of having positive and negative charges on the aluminum and on the paint.

Actually the manufacturers of electrical equipment for the Auto Industry don't know how to solve some of the problems which existed on that type of equipment. When they came here and they saw my operation going they were really surprised. One of the engineers said, "Well, God damn it. . ."

Actually in the Auto Town area I have six salesmen. Two of these do direct selling to the homes. I have found that we have had to sell direct to the homes on the painted doors and windows. This has been necessary because when I came up with the idea of painted aluminum no one had the courage to buy it. I had to go out and do some consumer selling on my own. We actually set up sales offices right here in the plant to sell to the ultimate consumer. In the beginning people thought that it wouldn't work out. They were sure it would be a flop.

In the above example we see the situation of an O-E going ahead with what he feels is right even though everyone in the industry disagrees with him. He proved that he was right in his packaging methods and also in coloring aluminum. However, he met so much resistance he had to use an alternative channel of distribution because the traditional channels would not accept this new idea. He had to sell direct to the ultimate consumer and build up "primary" demand for painted aluminum doors and windows before the traditional channels would accept them.

The distribution policies of one O-E give us another example of an active and innovative rather than passive approach to the market. This case occurred shortly after World War II when there were shortages of most products. At that time many manufacturers dealt only with the large central distributors or circumvented the wholesaler and sold direct to the retailer so as to gain higher profit margins. In contrast, the strategy of our O-E was to ration products equally to many small distributors throughout the country. This enabled him to build a national mass-distribution system. He says:

At that time, it was easy to sell, so I decided that I would set up a national distribution system and I would go around and hit all these small towns. (These poor wholesalers in towns, they were sitting there with big warehouses and they didn't have a damn thing to sell.) So, I could have sold direct retail myself, but what I did, I picked out the best wholesalers I could find and I gave

them their material -- gave them something to sell -- and they were happy as hell to do this, and when things got a little rougher later on, they were grateful and gave me preference.

In considering a potential market the O-E does not depend solely on personal contacts and reciprocity as does the C-E. Certainly the O-E utilizes personal contacts but he does not feel limited to this method of approaching the market. He evaluates the market and aims his marketing effort at the segment he considers to be most fruitful. He has no fear of moving to an area where he has no previous contacts. For example, one O-E moved down from Canada and started a company in the Tool Town area. This move occurred as a result of his contacts with members of an international association and resulted in a group of executives in Tool Town forming a syndicate to back him. He stated that he did not know any customers in the Tool Town area so he had to make cold calls on potential customers. He felt it would not do him any harm to have contacts through his partners, but he did not rely exclusively on this. In relating his story, he says:

Well, I thought that there was a limited market in Brandon. I did get some business in the West and I came a couple of times and got some business in the East. However, the distance limited the profit I could make on it.

Well, anyway I made a point of meeting people. I exchanged visits with people in Minnesota. There were men in the transit advertising business--a fellow by

the name of O'Rourke. He knew a lot of people in Tool Town. Anyway one time they came to visit my plant in Brandon. Before they came I didn't give them any clues what type of plant I had but it was very advanced. I had a lot of my equipment from Scotland and it was much advanced to anything in this country at that time. Well they got there and they were just absolutely amazed. This O'Rourke during the same day he was here he phoned a fellow in Tool Town and he told him, I think you should get this man to go to Tool Town. However the man said (this is in June of that year) they already had three local boys and were going to go ahead on that. Anyway I talked to him that day and he invited me to drop in (down in Tool Town) anytime. I said that I was going to a convention in the East and on my way back I'd drop in and see them. When I did I was absolutely shocked at their operation. It was very poor. They just didn't know how to do it; they didn't know how to go about operating this business. I met this Solbman and his partner and I told them what was wrong. They made me an offer but I said well I wouldn't just take a job. I'd always been self-employed; I'd always been my own boss and I had a nice operation in Brandon and I just wasn't going to give it up that easily. I said, well, I would make a deal. I'll take a month off and I'll come down here and I'll spend the whole month and I'll help you men. Also I will go out and exploit the market here. I'll spend eight hours a day for one month. I don't know if I can sell Americans but I'll try. I'll hit the biggest accounts there are.

Anyway I guess I was pretty lucky because I went out and hit the biggest accounts in the Toll Town area and I got more work than they could handle. At any rate I got quite enthusiastic myself. So I suppose you could say that this is when I had to take my big gamble. I had to sell my business in Brandon; I had to sell my home. My wife was very gracious about it and she helped a lot; she didn't object at all. At any rate, it turned out that I couldn't sell my business. People would say it is just too personalized without you, there is no business. So I got my partner and this friend of mine to carry on the business. I talked another friend who is a sales manager of a large advertising company to come with my partner and work with him. Unfortunately this fellow was hit by a freight train just shortly after this. After this, he just wasn't any good. He was just so unnerved by the experience. So the business folded up in about 60 days. I got nothing out of it after putting 9 years into it.

Anyway, I started out down here with very little cash. I bought an older home in Manchester and I fixed it up. We have a new home now and we're quite happy but when we came in we didn't know one soul in Tool Town and I guess---I know the first couple of years were tough for my wife.

Interviewer: How were you able to break into the auto market?

Respondent: Well, I know what I was selling and we were selling creatively. We presented the methods, our method of producing---the way we did it. And the versatility of the way we did the process helped us an awful lot.

Interviewer: How did you make your first sales?

Respondent: Well, I just approached the purchasing agent. I didn't try to go to the top or go around it. I suppose the connections I had opened certain doors for me but then it was up to me. I'd say the majority of it was just trial and error.

Another example of what could be termed the direct-action approach is the case of the ex-lawyer who went into the toy business. He says:

I decided my model cars should have nation-wide distribution and proceeded to contact the toy buyers of the four largest department stores in the country. Contacting the toy buyers was a very interesting experience. I travelled to all four and I got the same story from all of them. They were very conservative. One placed an order for only five dozen of these cars. I flew down to see the buyers at the next two and got the same story and figured that the whole thing was a fizzle. I was talking to the toy buyer at Picks. I was attempting to sell him on this car and explained to him that I could ship him the new model car on the day of introduction of the new models. He left me in the office for a few moments and came back with a little wooden automobile. He said, Now what do you think of this? I told him that I wouldn't give a dime for the piece of junk. He said that he thought the same thing all along; that it was a cruddy looking thing but that it was one of the largest selling items Picks had. He told me that he had been stung so many times from these wrong decisions

that he couldn't possibly give me a bigger order until he could see what was really taking place.

I came back home very dejected. I felt that I could deliver on the auto account but it wasn't enough to make a real going business. I was ready to sell the whole thing out to somebody who could do something with it and complete the auto account. I didn't want to go back into law; I didn't have much interest in it because of the picayunish things that go on in law which I can't stand. I moped about for a couple of days and finally I made up my mind to call Bart Pick on the phone direct. I told Bart Pick my problem and described the car to him and mentioned the story I had gotten from his buyer. Mr. Pick told me to come to see him in a couple of weeks. It turned out that all the presidents of all the Picks operations in the four major cities and the other stores of Picks were at the meeting plus all their chief buyers. I was told that this was the first time in the history of the company that all the presidents were brought together on a toy buying meeting. They looked at the models that I had brought with me and immediately placed an order for some 5,000 of these cars. I came home with a purchase order and started production. On introduction day we were really in business.

There is a buying service for most of the commodities in New York City that keeps track of sales of certain items, spot checkers and so on. This buying service reported that on opening day the sales of these car items were really a hot thing. Lo and behold, within weeks I had orders for millions of these cars. I couldn't deliver them, but we worked day and night and finally got them out. From that point on I was really in business.

The O-E is very much market-oriented. He actively seeks and searches for new products and for new markets. He usually will have what he terms an "ideal file" where he jots down thoughts which may possibly come to fruition at some future date. He is continually seeking new possibilities and new opportunities. In doing this he uses his wide background and large number of contacts throughout the country. Also, his breadth in education and job experience (in contrast to the C-E) make him attuned to and receptive to opportunities in many areas of the total culture.



### 3) Communication Ability

We noted that the C-E has little communication ability. This is not so for the O-E. He is highly verbal and quite skillful in his use of the English language. He is very effective as a story teller and also extremely effective in social interaction situations. It was noted by the interviewers that once the initial interview began, there was very little need to prod the O-E to further discussion. He would tell a very coherent, well-reasoned, logical and interesting story. This is in contrast to the C-E where the interviewer had to continually probe for additional information. Even when the O-E comes from a working-class background he is able to learn the middle-class skills of communication.

The O-E is very effective in non-verbal communication.<sup>3</sup>

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<sup>3</sup>For a discussion of various aspects of non-verbal communications see Edward T. Hall, The Silent Language. Doubleday & Company Inc., Garden City, New York, 1959. Hall is concerned with differences between various cultures, and he uses as examples non-verbal communication through the treatment of time and space. Goffman in his Presentation of Self in Everyday Life also borders on discussion of non-verbal communication in a social interaction situation when he distinguishes between the "feeling" and "the feeling given off." Many writers in social stratification have discussed methods of communication class position through non-verbal symbols. Obvious items such as dress, etc., have been popularized by novelists like Vance Packard. However, Bergel feels that "manners" are perhaps the most characteristic class traits. E. E. Bergel, Social Stratification, McGraw Hill, 1962, p. 403.

He communicates that he is a successful, effective executive through his use of material symbols such as his office decor, furniture, and personal dress.

We saw that the C-E does little travelling and prefers to stay close to home. In contrast, the O-E enjoys travel and is very widely travelled. Furthermore, the O-E utilizes this exposure to gather information on new products and market opportunities. The O-E has the "spirit of Hermes" as discussed by McClelland.<sup>4</sup> As one individual said:

Oh, I've travelled to Europe quite frequently. I've been over there a couple of times in the last couple of years. I know the people; I know the economic climate; I know the places to go. If I wanted to go into business there and made a decision to do it, I could be set up and running within two months.

d) Competitive Strategies

The O-E shows greater diversity in his approach to competition than does the C-E. He is effective in the use of different strategies appropriate to different market situations. The C-E competes primarily on price, quality and personal reputation. The C-E can compete on these bases.

In addition the O-E is able to utilize product development as a

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<sup>4</sup>David C. McClelland, The Achieving Society, see esp. Ch. 8, pp. 301-355. "The Spirit of Hermes." D. Van Nostrand Co. M61.

competitive strategy and effectively apply the "marketing concept."<sup>5</sup>

That is, starting with the perceived consumer preferences, the O-E designs a product which he believes will appeal to the ultimate consumer. For example, one manufacturer of steel doors started his market analysis at the ultimate-consumer level in the following way:

Well, I decided that what we needed to produce was an electronic door which would sell at about \$40---this in comparison to the other electric door selling for \$120. So starting with this price I attempted to design a product which would be retailed at that specific price and I was successful in doing this. This will not only put us in a better competitive position but additionally it will give us some glamour on the stock market, and I want this because I want to get some more capital to grow. My stock brokers have advised me that we need more glamour to be able to appeal to a wider market.

Here he is utilizing a strategy which will fulfill at least two functions for him. His new product will improve his competitive position and make it easier for him to attract investment capital which will enable him to finance further growth.

A Japanese manufacturer gained sales at one O-E's expense by turning out a similar product at a lower price. The O-E reacted by developing a new product line. Rather than trying to compete on price

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<sup>5</sup>For an interesting discussion of the historical development of the term "Marketing Concept" see "Evolution of the Marketing Concept," Bernard J. LaLondé in A. M. A. Proceedings, Dec., 1963; Toward Scientific Marketing. Ed., Stephen A. Greyser.

alone he adjusted in another dimension and brought out a new product. He showed flexibility in analyzing different possible reactions that he could make to this competition.

Another example of diversity in strategy is shown by one O-E who manufactures consumer products and also produces tool and dies for the auto industry. He uses a different competitive strategy in each of these areas.

Well, actually, I have taken the companies through three phases. The first phase was stamping, the second is the tool and die phase, and the third is the consumer products phase. Now, I got out of the stamping business when the demand began to decline. Then I went into the tool-and-die business which I'm presently in and I also diversified into the consumer products field. I have felt throughout my career in the history of our corporation that timing is very important---that is, the timing of these moves. We have gone through a process of planned diversification.

Now in the tool-and-die business we don't compete with the "alley-shops." We take the big jobs. Also, we build prototypes and we make molds. Because of this we are in much better shape to estimate the costs of dies. Actually most of our business is with the auto industry.

Now in regards to our consumer products being manufactured in another state about 65 to 70% of the production is sold to private companies who put their own brands on it. Actually, I wish our ratio was even more. I feel that this is the perfect marriage because I am able to supply the goods cheaper than the buying organizations could make them, but also they are able to supply the advertising and the sales organization which I can't afford. I make products for such companies as Collosal, and so on. You see, the thing is, they won't go to the smaller companies who can compete on price. They won't go to these other small outfits just to beat my prices because of the quality factor. They know that I am going to supply quality goods and that they can be assured of this. They wouldn't be too sure what they would get if they went to another company who would produce the same products but at a cheaper price.

Now as far as the future is concerned [ at this point the respondent got two large pictures of a golf cart and showed them to the interviewers. ], this is what we are thinking. In the golf-cart field there are really only two competitors. Now, one of these, Shooking, can sell these golf carts but they can't afford to build them, while we have excess capacity here. The machinery is in the plant and all that I have to do is use it. Also, I have the know-how. What we are going to do is this: This golf cart will be constructed of two stampings which are welded at the seams. There will be a rubber bumper completely around the body. Of course there will be a number of variations as far as the top of the golf cart is concerned. One will be a post-office delivery cart, the other a golf cart, and maybe a sports cart and a shopping cart. To the best of our knowledge we will probably have a four horsepower engine in the cart. Now we can manufacture these and sell them for about \$750.00. At this price no one can compete. The comparable golf cart now being sold costs about \$1,200.00. Now this golf cart idea is the ideal solution since I won't be competing with the big names. The advertising for this type of product are just small blurbs in Sports Illustrated and other such magazines. We won't be bothering the large corporations with their great resources for advertising. So, again we will be in an ideal spot.

In summary, the O-E uses a variety of strategies to meet competition.

e) Plans for future Growth

In contrast to the C-E the O-E sees industry and the business world as open-ended. That is, he does not feel that the only way his company can grow is to take sales away from a competitor within his industry. The O-E feels that there are many directions that can be taken in the pursuit of company growth.

His plans for the future are concrete, well laid out, detailed and well-researched. For example, one fabricator of aluminum had done considerable research into integrating backwards. He says:

Well, you see that picture on the wall---that's a picture of our new plant addition. That will be added on to the rear of the present plant and will add 18,000 square feet. We are going to go into the casting of aluminum. In other words, we are going to buy the pig aluminum and then make our own aluminum. We will produce the finished aluminum from the pig. Now this is a fairly new process, and we are doing this on a licensed basis and it is going to cost us quite a bit of money to buy the necessary equipment. I've had some problem doing the necessary financing. Actually one financial deal is confidential and on the other one I have had to use some inventory loans. In the one case I've had to pay about 13% for the money and for the other about 4%. Actually, I am up to my ears in debt. However, this will put me in a much stronger position. I will be able to buy the pig aluminum at a much better price. Then, too, this will also allow me to use all of my old scrap aluminum. That is, for every one pound of pig aluminum I use I have to add two-thirds of a pound of scrap. Actually, I will have to end up going out and buying scrap aluminum in addition to the scrap I get from my own operation here.

Here we see that he has gone through considerable investment and risk to integrate backwards. He has been willing to do this as one way of improving his position in the highly competitive market for fabricated aluminum. However, he has not stopped here in his thinking. When questioned further about the future he says:

Well I have a dream. It is probably just a dream. You see at the present time it costs a great amount of money to go into the manufacturing of aluminum from bauxite---something like fifteen to forty million dollars. This is probably a pipe dream but I have noticed a couple of articles lately on a new process. [At this point he proceeded to go into his desk and pull out a couple of notes he had from his idea file. He pointed to an article from Business Week and one that came from the Detroit News.] You see this is a new process for the manufacture of aluminum from bauxite. They have already built one pilot plant in Montreal, Quebec, and another one in France. Now if this new process is successful it will enable a manufacturer to do a

one-step manufacturing process from bauxite rather than having to go through the traditional two steps. This will probably mean that it will cut the investment necessary from fifteen million to, oh, about four or five million. Now I am watching this; I found out where I can go when I get over to France. I am going to go over there and talk to these people and find out what I can. It would probably have to be some type of license arrangement but this would be all right. [At this point he pointed to his files and to some other notes in the file.] You see, what I have here is my idea file. When I talk to somebody and I get some ideas I immediately go and write them down and I make a note of them. At any rate this is my long-run idea. If I could get into manufacturing at the base then I would be really set. I don't know whether this will ever come about.

Another example of planning is shown by the following conversation with an extremely successful O-E.

After I sold my business in 1950 I looked around for something to manufacture. I wanted something which I could mass produce from a sizeable tooling cost. It had to be a manufacturing item. I surveyed the data and the information that were available and I felt that the population in general would have a lot more leisure time to spend as well as the fact there was pent-up income---money to spend on these interests. This led me to get involved in the manufacturing of consumer products. I got into the plastics industry and established a plastics manufacturing company. Actually, I started manufacturing items that were used in bowling games. I specialized in certain items which had a lot of volume. I wasn't interested in manufacturing the sporting goods across the board. For example, I investigated the golf-ball business but that didn't look too good. Actually, many of the items in the golf business are used in loss-leaders to attract people into buying other sporting goods. My reason for thinking about golf and bowling was that I felt that it had a long carry-over. That is, it was not a fad in any particular age bracket but people could play these sports for many years. I thought that there would be a long range business opportunity in sports that had a popular appeal and also could be played even into the retirement years. I bought a golf club and then sold off part of it and a housing development out of it. It payed for my initial investment.

I got into real estate and building a fair bit. I got some wood-working shops and machine shops too.

About 1953 I recognized that diversification and geographic dispersement of industry were going to be the thing. I felt that a number of plants would be moving South and this would be the character of the transportation system and that railroads would not be able to provide all the services whereas the trucks would. So, when I investigated the truck industry I found that the truck and trailer manufacturers were primarily sheet-metal workers who just slapped up two-by-fours and sheet metal and made trailers out of them.

Then they would mount this on an axle and set it on the back of a tractor and that would be it. The truck manufacturers, because of the character of the industry and the interests of the people in it, particularly the large ones controlling it, were not in the business of making the machine-tool parts required for the running-gear. The running-gear includes all of the metal precision rolling equipment between the wheel and the trailer-bed itself, including the springs, the jacket and the axle mountings. So, I proceeded to set up a machine shop which would machine all of these parts and would be sold as a complete component unit to the trailer manufacturers. This has really boomed into a big business especially since I have gotten some contracts from the bigger firms.

Also I felt that, when the highway building programs hit, that we should be ready to move into this kind of area. So I got into the hydraulic business especially as it related to the earth moving equipment. Also, in looking around in this area, I came across the diesel engine. I found that the problem with the diesel engine is feeding the gas into the unit in which the variables change when the engine is heated up. So we developed a thermal unit which regulates the flow of the fuel into the diesel engine and this is based on the temperature of that engine in its various operating conditions. This has been very profitable. The unit is mounted on a great number of diesel engines made in this country.

Also we have an export division which manufactures and sells items for foreign consumption, particularly in the plastics line. I've spent a great deal of time in Russia, Europe and Central and Southern America. I feel that these areas have a great potential because the population is there and there is going to be a large market to be satisfied. It is just a matter of time.



The point of course is that the O-E consciously and actively wants to grow. He wants to expand and diversify. He is not satisfied to continue with the status quo. He feels when his organization gets large enough, then he will let someone else take over the operational day-to-day administrative duties and he can get into long-range planning and research.

This aggressiveness again shows one of the essential differences between the O-E and the C-E. The O-E wants to build an organization, and he feels he can do this because he can evaluate the individuals working for him and that they will be able to do an adequate job. His organization will free him for more long-range planning, since he will not have to use his time on day-to-day details. If the job his administrative executives do is not perfect or not as good a job as he would do this does not seem to him to be a sin, as it would to the C-E. Rather he justifies it on the basis that he can better utilize his talents in looking to the future and taking a broader perspective. This attitude is related to the fact that his pride is in the total company growth and he does not limit his thinking to the quality of his particular product or process. He is concerned with the quality of his products but assumes that this will be attained and sets his sights on still higher goals.

This idea of utilizing his organization as a vehicle is shown in the statements made by one O-E:

I lay my success primarily to the idea that I am able to make immediate and quick decisions. Now, I used to have some problems along this line before I had a staff of people that I can rely on to feed me the facts and figures that I need. However, back in those days I felt that by working seventeen or eighteen hours a day I was able to achieve the same results. Since then, of course, I have my own organization to give me these facts.

### 3. Relationship to External Social Environment

The life-style of the O-E can be characterized as being upper-middle or lower-upper social class. The O-E, in contrast to the C-E, is highly involved in the social life of his community. He, his wife, and family all belong to many community organizations including a number of the appropriate social clubs and businessmen's organizations. He will usually be active in the Chamber of Commerce and other service clubs. He and his family are widely travelled, usually taking vacations abroad. They have a summer home at the beach or in the mountains and participate in swimming, water-skiing, snow-skiing, tennis, golf, or other activities appropriate to an upper-middle or lower-upper family life style.

An example of high involvement in professional associations, travel, etc., is shown in the following quote:

Well, I'm a member of the Manufacturers Association; I was a director of this at one time. I'm on the Chamber of Commerce; actually, I'm the head of the Congressional Action Committee of the Chamber of Commerce. I'm a Mason. I'm in the Businessman's Century Club. I belong to the Country Club, the Kiwanis. Play golf, fish, go hunting. We have a cottage at the lake and we go out there now and again. Actually about

1956-57 I started easing off a little bit on the work and taking it easier. It seems to be that the biggest function of a top man is to build an organization. You still have to know all the details, but once you get it built you can slack off a little bit. I've noticed this, that even though I don't have to work as hard any more, I can't be away from the business for too long of a time or things start going downhill.

Similar diversity of interest and activities is shown in the following conversation:

I spend a lot of time away from the plant. I enjoy being on my own. I feel that the plant for a long time now has been set up to operate without me. Last year I spent four months in Europe touring around---some business, but mostly for pleasure. Then I just came back from a two month skiing trip in the West. There I keep a boys camp where every summer I take boys out. It is sort of a ranch set-up, not really a camp. This is something that I thoroughly enjoy and I am going to spend more time on. Also, I am an amateur astronomer and I hope to have more time to spend on this hobby. I don't see any sense in having wealth if you can't get out and enjoy it. Actually, during the time I was in Europe for four months, the plant seemed to run better than if I had been here.

The O-E is quite active in church and church affairs. He will often be on ruling committees and be quite active in raising money. As noted above, he may have his own personal charities to which he donates considerable time and effort.

My conscience sometimes bothers me with all my wealth. You see of course I never had much food in the early days; I still don't eat much---practically nothing at all during the day. When I go home at night my wife has usually prepared an immense meal and it bothers me to pour half of it down the garbage disposal. I've gotten into philanthropic work and I take a great deal of pride in this. My biggest philanthropy is to assist children in getting operations which they need. For example, one of the corrective operations which I handle is the operation which corrects hairlip.

If this is left alone too long it never can be repaired. I assist the parents of the children and take care of the entire thing through my philanthropic association.

The children in the family will go to the best schools. In some cases they will go to a private school at the elementary and high school levels. It is the normal and expected pattern that they go to college, in many cases an ivy-league college and in some cases may-be even a European college. The following account demonstrates this pattern:

We only have the one girl and she is going to the Sorbonne this spring. As a matter of fact, next week we will be going over to France---my wife and myself---and then we will take her down to Spain and Portugal for a few weeks for a vacation and then take her back to school. As far as her education is concerned we lived in Middlebrow Park prior to 1950 and then when we moved to Highbrow she went to a Highbrow high school for one year and then after that went to high school. [ This is a very exclusive and expensive high school in a nearby district.] After graduation she went to Hollins College at Roanoke, Va., which is a private college. [ Again, this is a very expensive, exclusive private college.] Then after she graduated from college she entered the Sorbonne where she is now going. She is taking courses mainly in the area of French literature and history and so on.

In summary we can say that, in contrast to the C-E, the O-E and his family are highly involved in their social environment. The home of the O-E will be located in one of the "better" districts of town, even if he began with fairly humble roots. He is highly involved and active in professional associations and also in community organizations. The types and number of associations he is involved in are

much greater than for the C-E. The family is also involved in many of the activities with the O-E, including church, entertaining, community organizations, travel, and vacations. The educational pattern for the children follows that of the upper-middle or lower-upper social classes.

As with other areas considered in this study, it can be noted that the O-E shows a much greater and more diverse involvement in his social environment than does the C-E.

### C. Summary and Extraction of the O-E Characteristic Orientations

In this chapter the orientations and behavior patterns of the O-E that are held to be most useful analytically in constructing the ideal typology of the O-E have been presented. In moving to a higher level of abstraction we can consider the central theme of the O-E's orientations and behavior patterns. The hypothesis evoked from this analysis (which is in contrast to the hypothesis evoked from the analysis of the C-E) is: The O-E perceives and reacts to a broad range of his culture. On the basis of the analysis done in this chapter some sub-hypotheses can be derived from the major hypothesis. These are held to be:

1. The O-E exhibits breadth in education and training.
2. The O-E exhibits high social awareness and high social involvement.

3. The O-E has high confidence in his ability to deal with his social environment.
4. The O-E exhibits an awareness and orientation to the future.

CHAPTER V

EMPIRICAL DEVIATIONS FROM THE  
CONSTRUCTED IDEAL TYPES

Substruction of the Type to the Attribute  
Sphere from Which it is Drawn

The analysis in this chapter will follow the outline as presented by McKinney. The hypotheses evoked from constructing the ideal types of entrepreneurs were: The O-E perceives and reacts to a broad range of his culture. In contrast: The C-E perceives and reacts to a limited range of his culture. There will be less than complete correspondence between the constructed types and the empirical classes to which they refer since, by definition, "the type is a hypothesized compound of empirically observed, but selected and purified attributes of the class being studied."<sup>1</sup>

Working Definitions

We will use the following working definitions.<sup>2</sup> A case exhibiting the characteristic delineated under number one will be

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<sup>1</sup>McKinney and Kerckhoff, p. 130.

<sup>2</sup>"Working definitions are adequate if the instruments or procedures based on them gather data that constitute satisfactory indicators

assumed to be representative of the C-E and the characteristic delineated under number two will be assumed to be representative of the O-E.

1. Breadth in Education and Training

a) Formal Education

(1) Technical Only

(2) Technical Plus -- The entrepreneur has a mechanical or technical education from some formal institution and, in addition, training or education in some non-technical or non-mechanical areas such as law, English, economics, or other areas which are usually considered a part of the social sciences.

b) Types of Jobs Held

(1) Technical Only

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of the concepts they are intended to represent. Whether this result has been achieved is often a matter of judgment. An investigator may feel that his data provide reasonably good indicators of his concepts; a critic of the study may feel that they do not. It frequently happens that the investigator himself is aware that his data constitute only a very limited reflection of the concept he has in mind, but, especially in the early stages of research on a problem, he may not be able to devise a more satisfactory one. In any case, although the investigator will usually report his findings in terms of his abstract concepts in order to relate them more readily to other research and to theory, he and his readers must keep in mind that what he has actually found is a relationship between two sets of data that are intended to represent his concepts."

Selltiz, Johoda, Deutsch, Cook, Research in Methods in Social Relations (New York: Henry Holt and Co., 1960), pp. 43, 44.



(2) **Technical Plus --** The entrepreneur has held jobs that are different from the purely technical, practical or mechanical. For example, he may have been a manager of or a clerk in a retail store; he may have worked as a salesman as well as having worked in a tool and die plant; he may have held the position of foreman in a plant or as an engineer in charge of a project.

c) Reference Group

(1) **Not Management**

(2) **Management --** The category "work-force" as a reference group is not used here because, as we noted in the previous chapter, the individual entrepreneur does not necessarily identify with either management or the work-force as a reference group.

d) Management Sponsor or More Than One Role-Model

(1) **No**

(2) **Yes --** Case is included here if the entrepreneur indicates that he worked closely with, or as an assistant to, a top executive in a company. Also, the entrepreneur's statement that various individuals influenced him at different stages of his life is assumed to indicate flexibility and receptivity to a changing environment.

2. Social Awareness and Involvement

a) Social Involvement

(1) Belongs to Professional Associations Only

(2) High Community Involvement -- active in community associations not directly related to his profession, trade or business.

b) Communication Ability

(1) Very Limited

(2) Effective with Many Forms of Communications --  
our concern is with verbal and written communication. Evidence of verbal ability is gained through the interviewer's observation and also by the content of the interview itself. Written communication ability is assumed when the respondent relates information on reports or articles he has written.

3. Ability to Deal with the Economic and Social Environment

✓ a) Delegates Authority and Responsibility to Build an Organization

(1) No

(2) Yes -- The entrepreneur is placed in this category when he indicates he thinks the organization can now run itself or says he tries to hire responsible people to lessen time he spends on routine matters.

b) Criteria for Selection of Employees

(1) Particularistic -- Some employers are concerned about whether or not they have a rebel (someone who does not really

identify with the union) and someone who will turn out a good day's work for a good day's pay and thereby be a full member of the family.

(2) Universalistic -- It might be noted here that when an entrepreneur hires in a "universalistic" manner, he does not expect to get the "ideal" employee but, rather, he feels that he can deal with those employees who meet his standards which are similar to those of most other organizations.

He can take this type of person and still build an organization that is able to compete effectively with others.

c) Sources of Capital Utilized for the Initiation of the Company

(1) Maximum of Two Sources Utilized

(2) Over Two Sources of Capital Utilized -- In this area, it has been noted that the O-E is much more flexible in seeking out capital and feels that he can utilize many sources. As an operational definition the cut-off point has been set at two sources of capital utilized. In many cases the C-E utilized two sources, his savings and/or money borrowed from a close friend or relative. When more than two sources are utilized it would indicate a movement towards the O-E end of the continuum.

✓ d) Methods of Establishing Relationships with Potential Customers

(1) By Personal Contact Only -- The C-E builds his organization on the basis of his reputation in a particular industry. Never,

in the cases analyzed, does the C-E go into an industry where he has had no previous experience. When he does start his business he gains customers because he has known them for many years and, more importantly, they have known him. This is in contrast to the situation where a variety of methods are used to contact customers - personal selling, advertising, direct mail, etc.

(2) A Variety of the Usual Marketing Methods

e) Competitive Strategies Utilized by the Entrepreneur

(1) Limited -- To price, quality and reputation of the company. The entrepreneur feels that he can compete only on these bases.

(2) Various Strategies Utilized -- In addition to price and quality, the O-E sees many methods that can be utilized such as new products, new marketing methods, different channels of distribution.

4. ✓ Time Orientation

In this area it is held that the C-E end of the continuum is indicated by an orientation which is limited to perceiving and reacting effectively to the present and to the near past.<sup>3</sup> An orientation to the

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<sup>3</sup> That there are vast differences between cultures in the concepts and perspectives of time and that the concept is something that is learned and is not an innate part of "human nature" is well documented by Edward T. Hall in The Silent Language (Doubleday & Co., 1959).

future, indicated by statements regarding concrete plans for the company in the future or statements indicating the entrepreneur had made plans long before he actually initiated the company, is taken to be indicative of the characteristic of the O-E.

a) Amount of Previous Planning Prior to Initiation of the Company

(1) No evidence of plans established more than one year prior to initiation phase.

(2) The entrepreneur's statements indicate that he had planned initiation over one year prior to actual start of company.

b) Future Plans for the Company

(1) No plans for growth or change.

(2) Wants to grow and discusses concrete plan on how to accomplish this growth.

c) Employee Relations

(1) Paternalistic -- The entrepreneur is placed in this category if he indicates that he perceives of his workers as children

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In addition, the fact that there are differences between different segments of the social structure is posited by Martineau. He concludes that time orientation varies between segments of social classes. The middle-class is "pointed to the future" and the "lower-status is pointed to the present and the past."

Pierre Martineau, "Social Class & Spending Behavior," in Journal of Marketing, Oct., 1958, pp. 121-130.

who need to be protected, or uses the analogy that his company is his family, or indicates in his statements a strong emotional involvement with his employees.

(2) Not Paternalistic

Analyzing the Cases

In analyzing the cases by using the preceding criteria a very simple scoring system was used. On the basis of the writer's judgment the entrepreneur was given a -1 if he exhibited the characteristic defined as being typical of the C-E and a +1 if he exhibited the characteristic defined as typical of the O-E for each of the categories above. When there was not sufficient evidence in the interview on which to base a decision, a blank was left and assigned a score of 0. For example, under formal education there are two categories, - technical only and technical plus. If the individual placed in the "technical-only" category, he is given a -1 and if he placed in the "technical-plus" category, he is given a +1. Since there are a total of fourteen items under the four main categories, the maximum score that an individual could attain on the C-E end of the continuum would be -14 and the maximum score on the O-E end would be +14.

McKinney makes the point at this stage of the analysis that if "it appears that two or more of the attributes are very highly

correlated, some may be dropped."<sup>4</sup> In our cases there are some categories that are very highly correlated, as for example, employee relations and reference group orientation. However, neither of these were dropped since it was noted that in some interviews information was available on one of these categories and was not available on the other category. That is, there might be direct evidence that the entrepreneur is definitely oriented to management rather than to the work-force but there may not have been evidence that he treats his work-force in a non-paternalistic way.

Table 1 presents in tabular form the scores of the various entrepreneurs based on the operational definitions discussed. In Table 2 these entrepreneurs are then plotted, by means of the numerical

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<sup>4</sup>"Thus, before going to the empirical data for a rigorous examination of the correspondence between the type and the actual intellectuals, it is well to decide on the basis of a general knowledge of all the relevant data and a limited number of complete cases whether all of the attributes included in the type are needed. (Of course, it is also possible at this stage to locate additional crucial definitive attributes not originally included in the type.) If it appears that two or more of the attributes are very highly correlated, some may be dropped. For instance, if all those who exhibit pride in intellectuality as an end in itself also exhibit self-pity, there is no need to carry both attributes in the type definition. Also, if it is found that some attribute included in the type on rational rather than empirical grounds is not found in the empirical cases, it can be dropped. Of course, this type of simplification of the type definition can also take place after the empirical data have been more rigorously examined, but much effort will be saved if simplification can take place at this time."

McKinney and Kerckhoff, pp. 131-132.

Table 1. --Analysis of the Entrepreneur

I Breadth in Education & Training										II High School Awareness & Involvement			
		Formal Education		Work Experience		Reference Group Not Mgmt. Mgmt.		Mgmt. Sponsor or Role- Model		Social Involvement		Communication Ability	
Score		Tech.	Tech. +Tech.	Tech.	Tech+			No	Yes	Prof. High Groups only	Commty. Involmnt.	Ltd.	Many Forms
1	12		+	+		+					+		+
2	10			+		+		+					+
3	-9			-		-				-			
4	-8		+	+		-		-		-		-	
5	13		+	+		+		+					+
6	-5	-		-		-				-			+
7	-10			-		-				-		-	
8	-8			-			+			-		-	
9	11		+	+		+		+			+		+
10	12		+	+		+		+			+		+
11	14		+	+		+		+			+		+
12	12		+	+		+		+			+		+
13	11		+	+		+		+					+
14	8			+		+							+
15	6		+	+		+					+		+
16	1					+		-					+
17	-3	-		-						-		-	
18	-14	-		-		-		-		-		-	
19	-11	-		-		-				-		-	
20	-2		+	+		+		+		-			
21	10		+	+		+		+			+		+
22	-1		+	+		-					+		+
23	-6	-		-		-		-			+		+
24	-10			-		-				-		-	
25	-1		+	+		+				-			+
26	-3	-		-		-				-			+
27	-1		+	+		-				-			+
28	-6	-		-			+					-	
29	-12			-		-				-		-	
30	-9	-		-			+	-		-		-	
31	-11	-		-		-				-		-	
32	-11	-		-		-				-		-	
33	-8	-		-		-				-		-	
34	-5	-		-			+			-		-	
35	11		+	+		+		+					+
36	12			+		+					+		+
37	13		+	+		+					+		+



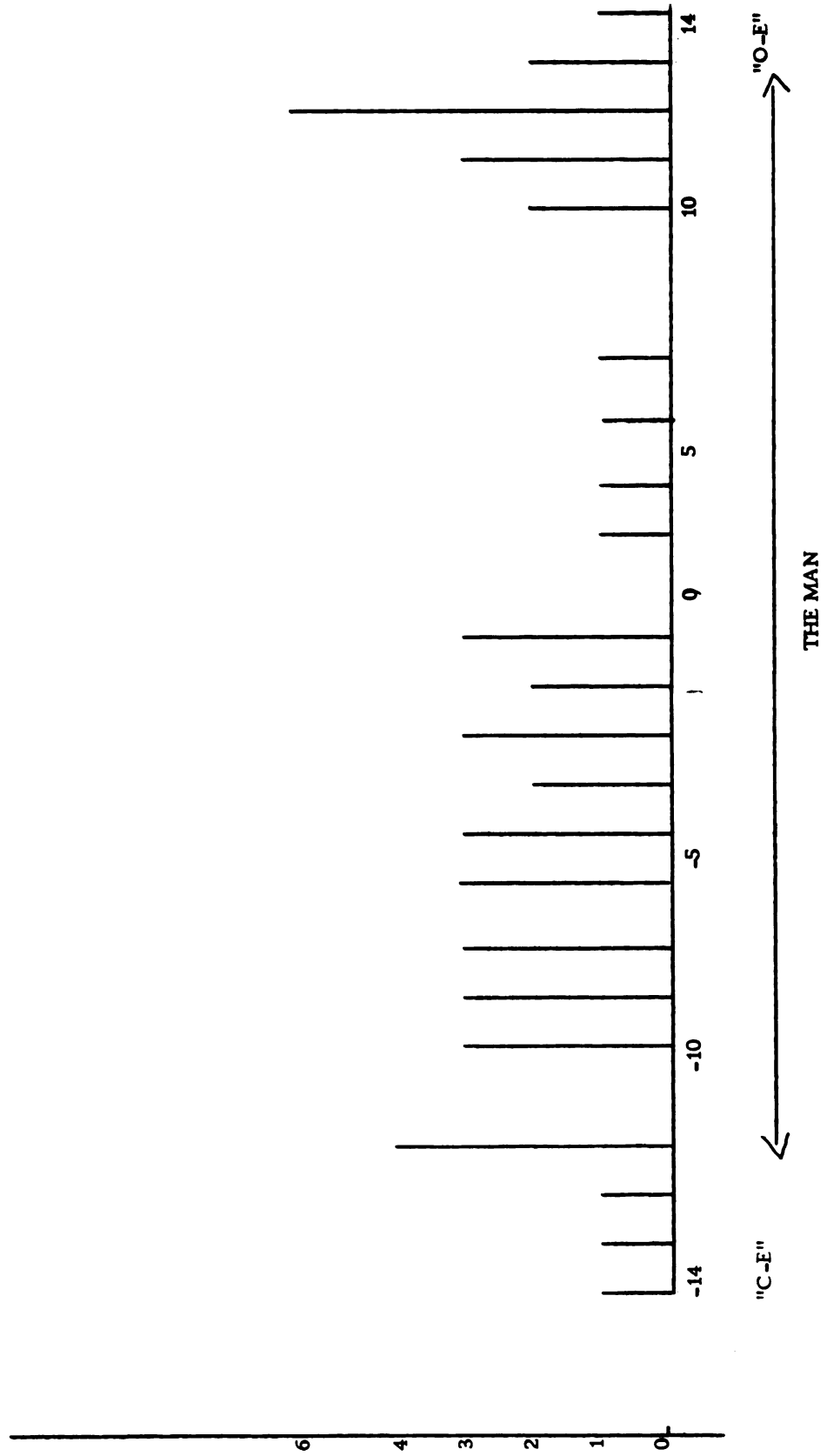
Table 1. --(Continued)

		I Breadth in Education & Training				II High School Awareness & Involvement			
Score		Formal Education	Work Experience		Reference Group Not Mgmt. Mgmt.	Mgmt. Sponsor or Role- Model	Social Involvement		Communication Ability
		Tech. Tech.	+Tech. Tech.			No Yes	Prof. High Groups Commt. only Involmt.		Effec. Many Ltd. Forms
38	-11	-		-			-		+
39	-10			-			-		-
40									
41	-4			-		+	-		
42	-6	-		-				+	
43	-13	-		-	-	-	-		-
44	2			-			-		
45	-4			+	+	-			-
47	-2			+	-	-	-		+
48	-5		+	+	+	-			-
49	12		+	+	+	-		+	+
50	-9			-	-	-		+	-
51	-3			-		-			+
52	12		+	+	+	-		+	+

III Exhibits Flexibility & Conference in Ability to Deal With Wide Range of Economic & Social Environment							IV Time Orientation				
Delegates Authority		Hiring Particu- Uni- laristic versal	Capital Sources 2 or Over less two	Sales Promotion Pers. Cont. Variety only	Competitive Strategies		Initiation No long Long Range Range Plans Plans	Future No Planned Plans growth	Employee Relations Bater- Not nalistic Pat.		
No	Yes				Limited	Various					
	+		+	+		+			+		
	+		+	+		-		+	+		
		-		-	-	-	-	-	-		
-				-	-	-	-	-	-		
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III Exhibits Flexibility & Conference in Ability to Deal With Wide Range of Economic & Social Environment						IV Time Orientation			
Delegates Authority		Hiring Particu- laristic	Uni- versal	Capital Sources 2 or Over less two	Sales Promotion Pers Cont, only Variety	Competitive Strategies Limited various	Initiation No long Long Range Range Plans Plans	Future No planned Plans growth	Employee Relations Pater-Not nalistic Pat,
No	Yes								
-		-		-	-	-	-	-	-
-				-	-	-	-	-	
-		-					-	-	+
-		-		+	-		-	-	-
-		-		-		-	-	-	-
-				+				+	+
-		-		+	-	-	-	-	+
-		-		-	+	-	-	-	+
-		-		-	-	-	-	-	-
	+		+	+	+	+	+	+	+
				-	-	-	-	-	
				-	+		-	-	
	+		+	+	+	+	+	+	+

Table 2. --Distribution of Entrepreneurial Types



score assigned them (the total of the fourteen +1, -1 and 0 scores). To simplify the subsequent analysis the entrepreneurs are arbitrarily grouped into what is considered to be appropriate clusters. This can be seen in Table 3.

At this point the analysis could be carried further. McKinney says that one could "indicate not only how many cases do not fit the type precisely but also the degree to which they deviate from it (how many attributes that they do not exhibit) and the pattern of these deviations (which attributes they do not exhibit)."<sup>5</sup> He suggests that one could use a scaling technique to accomplish this, a Likert or a Guttman technique. To pursue this analysis further is beyond the scope of this study. It is an approach that could be considered later.

McKinney holds that a manifest function of types is to

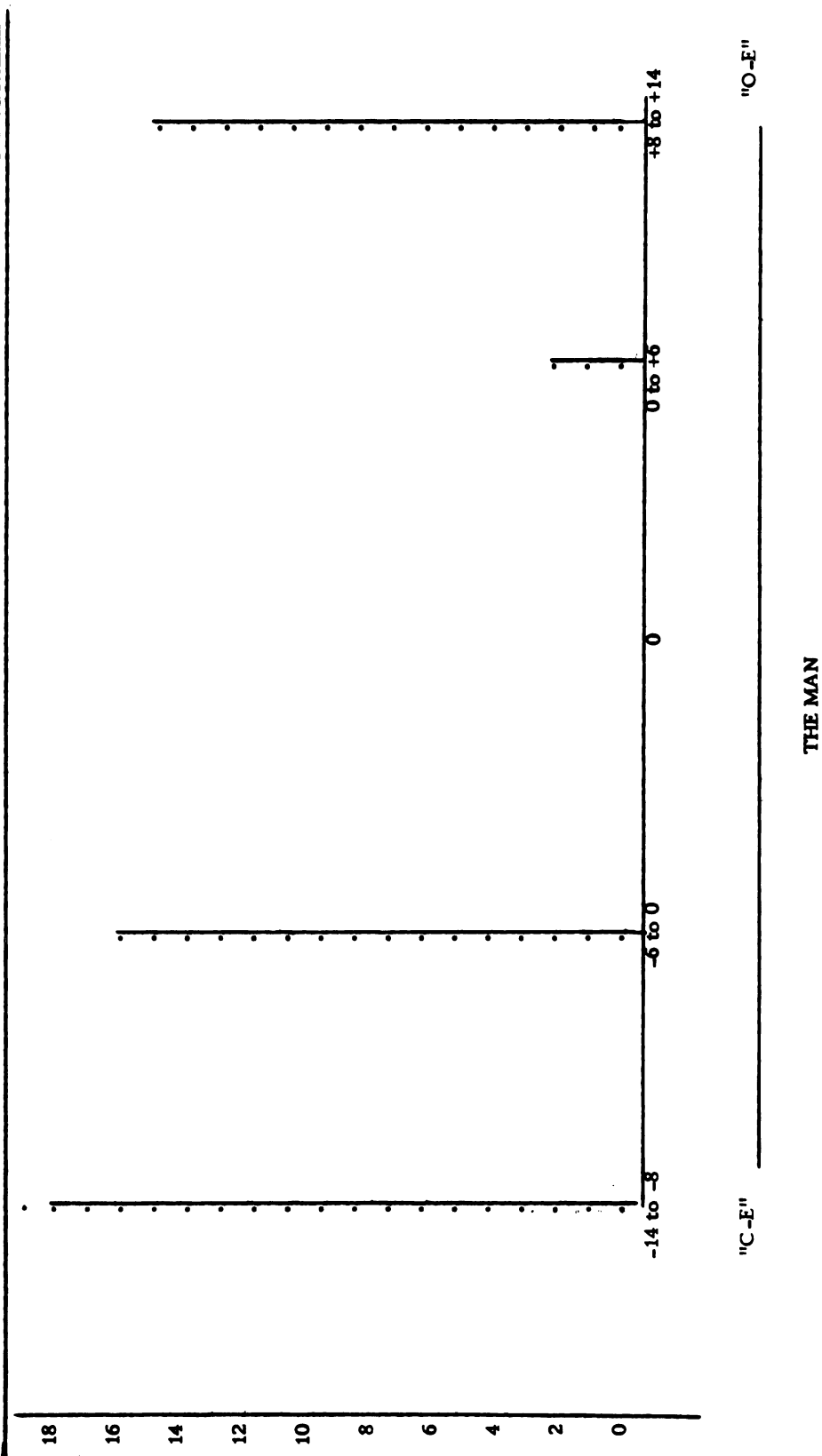
Identify, simplify and 'order' the concrete data so that they may be described in terms that make them comparable... The primary role of constructed types, however, would seem to be that of a 'sensitizing device.' Its use allows sociologists cognitively to map broad areas of sociological phenomenon through the systematic tapping of historical and secondary data. A type, in effect, constitutes a reduction from the complex to the simple, hence the careful construction and use of types, as an intermediate procedure, can potentially make many large-scale problems accessible to more refined methodology and technique.<sup>6</sup>

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<sup>5</sup> McKinney and Kerckhoff, p. 133.

<sup>6</sup> McKinney and Kerckhoff, p. 135.

Table 3. --Grouping of Entrepreneurial Types



In this analysis the type-construction-methodology has been used merely as an intermediate step and as a way of ordering the data. Here we have been talking about the man, in the next chapter we will go on to discuss the firm. Then we will bring these two together and try to determine to what extent they may fit logically together.

## CHAPTER VI

### DYNAMICS OF COMPANY CHARACTERISTICS

#### Constructing Types of Firms

In this chapter we will construct two polar types of firms.<sup>1</sup> We will then look at the cases and place various firms, according to their characteristics, on the continuum bounded by the two polar types. For the purposes of this analysis these polar firms will be constructed on the basis of their strategy.<sup>2</sup> We will assume that there is a continuum and locate firms on this continuum according to the criteria to be discussed below. On this basis we will label one polar type of firm a Rigid Firm and the other polar type an Adaptive Firm.

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<sup>1</sup>The theoretical justification for applying the ideal type method of analysis to an abstraction such as a firm, company, or corporation has considerable precedence. See D. Martindale, "Sociological Theory & the Ideal Type," op. cit.

<sup>2</sup>Strategy is used in a similar sense as defined by D. G. Moore in discussing "Managerial Strategies." "A strategy might be regarded as one of the important influences in decision-making. The term plan is much too static for our purposes unless qualified. There is not enough of the idea of scheming or calculation with an end in view in it to satisfy us. Plans are used to build ships. Strategies are used to achieve ends among people. You simply do not deal strategically with



It is held that the construction of the types of firms can be best done by classifying them on the basis of strategic behavior which has changed the character of the firm. The following criteria have been chosen as being significant in determining the character of the firm. The criteria chosen are in the areas of (1) customer-mix, (2) product-mix, (3) production methods, (4) concentration of production facilities, (5) concentration of markets, (6) concrete plans for changes in any of the foregoing areas. These criteria are not meant to be exhaustive but rather indicative of the character of the firm in terms of its strategies of adjustment and adaption to the relevant external economic and social environment. These will be discussed in the following section.

### Criteria Chosen for Classifying Firms

#### 1. Customer-Mix

In this area the focus is on the stability or change, over time, in terms of sales to more than one type of industry. For example, one company might initially sell to the big three of the automobile industry and five years later these customers still will account for

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inanimate objects." op. cit., p. 226. However, it should be noted that in the context of the present chapter we are using the term in connection with the total organization and not an individual manager.

over 80% of the total sales. Contrast this situation to a company which starts with the same big three as customers but five years later may have their customers located in four or five different industries - autos, appliances, drugs, household goods, sports equipment.

The change in customer-mix will affect the marketing problems and the internal organization. It is held that these two contrasting patterns -- a static customer-mix vs. a changed one -- indicate a different orientation and approach to the external environment by the firms. To stay with one industry and group of customers through upswings and downswings in the business cycle is one pattern. However, to actively search out, find, and successfully establish a working relationship with customers in different industries having different problems, values, and social structures is a different pattern.

It might be assumed that if a company has a product that can be used in a number of industries, it will naturally attempt to sell to all these potential customers. This is not necessarily so. In many cases there are distinct differences between industries in terms of accepted procedure and methods of doing business. In addition, the individuals to be dealt with will be different and so a personal relationship must be established and a reputation built. Therefore, to go into other industries to develop customers takes additional effort. Because of all these reasons it is held that change

in customer-mix is one clue to separating the Rigid Firm from the Adaptive Firm.

## 2. Product-Mix

This criterion parallels the first. However, in the customer-mix a company might sell only one product but to a number of different industries. In the product-mix category the company may be selling only one or a number of different products. In the latter case these products may be sold to different industries or may be sold to the same industry. The use of product-mix as a criterion in distinguishing types of firms is justified by the fact that various combinations of product-mix will entail different organizational and marketing problems.

The first step in classifying the firms will be to distinguish between those producing only consumer goods and those producing only industrial goods.

The term consumer goods is used to indicate those goods destined for the ultimate consumer that will be purchased in substantially the same form as they leave the factory. Industrial goods are defined as those products which are to be converted into more finished products. Relatively few of the companies in the sample are involved in the production of consumer goods. However, because of the diversity in industrial goods these will be further subdivided

on the basis of similarity of marketing problems.<sup>3</sup>

a) Installation and Equipment

Installation: Major items of production equipment regarded as part of the fixed plant, such as lathes, punches, etc.

Equipment: Not regarded as part of fixed plants such as small motors, tools, portable drills, etc.

b) Semi-Manufactured Goods

Those items subject to additional changes in form when used in manufacturing processes, such as extruded aluminum for windows, lumber, and chemicals.

c) Parts

Manufactured articles which can be installed as part of a larger product without further processing; includes items like plastic parts, chrome molding for cars, tubing in refrigerators and small motors.

d) Supplies

Items essential to a business operation that are consumed in a relatively short period of time, such as sandpaper, oils, polishing compounds and wiping materials.

3. Production Methods

Production methods, for our purposes, can be best divided into three different categories. Each is different enough in its

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<sup>3</sup> This classification follows that developed by Beckman and Davidson, Marketing 7th ed, 1962 (N. Y., Ronald Press Co.), pp. 294-295.

effect on the character of a company to act as a distinguishing factor.

These three categories are the following:

- a) Custom-made products produced for a specific customer.
- b) Standardized products that are produced only after they have been ordered by a customer.
- c) Standardized products that are produced for inventory.

It is assumed that there are enough differences in these three production methods to cause significant variances in the character of the firms using different combinations of them. For example,

"custom-made products" might be products that are turned out by tool and die workers or are produced by building prototype models.

Such work requires a certain type of skilled workman. Also there are unique requirements for producing products on this basis. For example, the firm has to have a close and personal relationship with its customers because of the needs for effective and immediate communication regarding the products.

In contrast to this, a production item which is produced to order entails different problems. An example of this type of product would be stamped parts for automobiles or other machinery. In this case the type of labor used can be semi-skilled production-line labor. Also the relationship to the customer need not be close.

The way price is negotiated may be different. For example, in the custom-made product, the price may be based mainly on a cost

plus basis. That is, the firm will bid on the basis of the amount of skilled labor hours estimated for a job plus some percentage above this to cover overhead and profit. Also in the production type of item, the labor cost is a much smaller portion of the final cost of the item, and therefore the cost of materials becomes a more important item in bidding.

The third production method involves a standardized product as in the second case above, but in addition to being produced to fill an order it is also produced for inventory. That is, the firm will produce or manufacture more items than are required to fill orders on hand. This means the firm has to carry the risk of not being able to sell the products in the future.

These three types of production methods will affect the internal organization of a firm. The differences evolve from the type of labor required, pricing of products, and the importance of purchasing materials. Also, the production methods involved in these three categories will affect the external posture of the firm. For example, in all three cases, the relationship between the firm and its customers differs.

The essential point here is that the company that is involved in all three types of production methods will have a greater variety of problems to solve than the company that is in only one of these types of production.

#### 4. Concentration of Production Facilities

If the company has production facilities or plants dispersed geographically this will, at the least, increase the problems of communication and the delegation of authority and responsibility. Therefore, it is held that the problems arising for a company that has dispersed production facilities will be more complex than for a company that has just one plant. It is held that this is another element contributing to the differences in the character of any two firms.

#### 5. Concentration of Markets

The problems confronting a company marketing its products to many foreign nations in contrast to a company selling in one small community are different in terms of content and quantity. Between these two extremes there are numerous possible situations. For example, a company could limit its marketing efforts to one state, a particular region such as the Midwest, or to the whole nation. The target chosen, be it neighborhood, suburb, city, state, region, nation, continent, hemisphere, or world will affect both the content and quantity of the problems and opportunities that have to be met. Therefore, it is held that this is a distinguishing element in evaluating the character of a company.

## 6. Concrete Plans for Change

This element or area is included to take into account the fact that a firm may be planning a change in one of the preceding factors but has found that, until this time, it has not been appropriate for it to make this change.

### Working Definitions of the Elements Making Up the Company Characteristics

It is necessary to set up working definitions<sup>4</sup> to use in analyzing the cases and to place the firms in one category or another in each of the foregoing areas. If for the criteria, customer-mix, product-mix, or production methods, the company has not changed or diversified significantly (to be defined below) from the time of its initiation to the time of its interview, then we will give this firm a numerical value of -1 and define this as a factor which would move the firm towards the Rigid Firm end of the continuum. If there has been a significant change, however, a +1 is assigned, which moves the firm towards the Adaptive Firm end of the continuum. For factor no. 4, Dispersed Production Facilities, no. 5, Dispersed Markets, and no. 6, Concrete Plans for Change, if the answer is no (to be defined

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<sup>4</sup>See Chapter III.



operationally below) to any of these items, a -1 value is given, which will move the firm towards the Rigid end of the continuum. If the answer is yes to any of these three, a +1 is given, moving the firm towards the Adaptive end of the continuum.

1. Customer Mix

a) Same (-1)

Operationally, same is defined as the state where a firm is still selling approximately two-thirds of its total sales to the same type of customers (that is, in the same industrial classification) that it had during the initiation phase of the business. The U. S. census S. I. C. classification was not used because the data were not in this form. Rather, the judgment of the reader was used to designate that one industry differed from another. This judgment was based on the perception of the respondent as to whether or not he had moved into a new type of industry. That is, if he considered it to be a different type of industry, his belief was accepted.

b) Changed (+1)

2. Product Mix

a) Same (-1)

b) Diversified or changed (+1)

It should be recalled that products were divided into consumer and industrial ~~types~~ of goods and that the latter were classified further

into four sub-types of industrial goods. In this section, a company will be placed in the "diversified or changed" category if: 1) the company started manufacturing only one of either consumer-goods or industrial-goods and then, at the time of the interview, had added the other; or 2) if a firm which at the time of the interview is manufacturing industrial goods only had added at least two of the sub-types of industrial goods since it started in business. For example, if the firm started out manufacturing two of the industrial sub-types and is now manufacturing only three of the four items, then it would be placed in the "same" category.

3. Production Methods

- a) Same (-1)
- b) Changed (+1)

In order to fill the requirements for the "changed" category, the firm would now have to be using all three methods of production as defined in the previous section. If the firm at its initiation used one of the production methods only and in the intervening time added a second, it still would not be put in the category of changed. If, however, the firm had moved from utilizing two of the methods to utilizing three of the methods, it would be included in the "changed" group.

**4. Dispersed Production Facilities**

- a) No (-1)
- b) Yes (+1)

The cut-off point here is quite clear. If a firm has production facilities in two different geographic locations (minimum of three miles apart) it is considered to have dispersed production facilities.

**5. Dispersed Markets**

- a) No (-1)
- b) Yes (+1)

In this category, if a firm sells outside of its own state it is defined as having dispersed markets. The problem of a firm located in a city on the border between two states did not arise and so was not considered.

**6. Concrete Plans for Change**

- a) No (-1)
- b) Yes (+1)

As with the other criteria there was considerable judgment used in placing a firm in this category. What the researcher looked for was some evidence that there were concrete plans which would lead to change or growth. That is, that there were plans already made or already instigated and steps already taken for change in one of the five preceding items. Mere wishful thinking, dreaming,

or conjecturing was not enough to put the firm in the "Yes" category.

On the basis of the foregoing operational definitions, firms were assigned a +1 or -1 for each of the six criteria and tabulated in Table 4. The scores were totalled for each company. The distribution of firms on the continuum is shown in Table 5. The +6 are those that are closest in fit to the Adaptive Firm. The -6 are those that are closest in fit to the Rigid Firm.

It is held that in light of the preceding criteria the "character" of a firm with a -6 rating will be different from that of a firm with a +6 rating. In relating to external economic and social environment, the posture and strategies employed will be qualitatively different. It is held that all of these criteria in combination are meaningful. However, in using one criterion by itself we are on less firm ground. The firms with a -6 rating and a -4 rating have only one criteria not in agreement, as is the case with the +6 and the +4's. Therefore, a closer examination and comparison of these firms will throw light on the usefulness of the criteria in delineating qualitatively minor differences among firms.

#### An Examination of the -4 Firms

A firm falling in the -4 range will have one element or factor which moves it towards the Flexible end of the continuum. For three

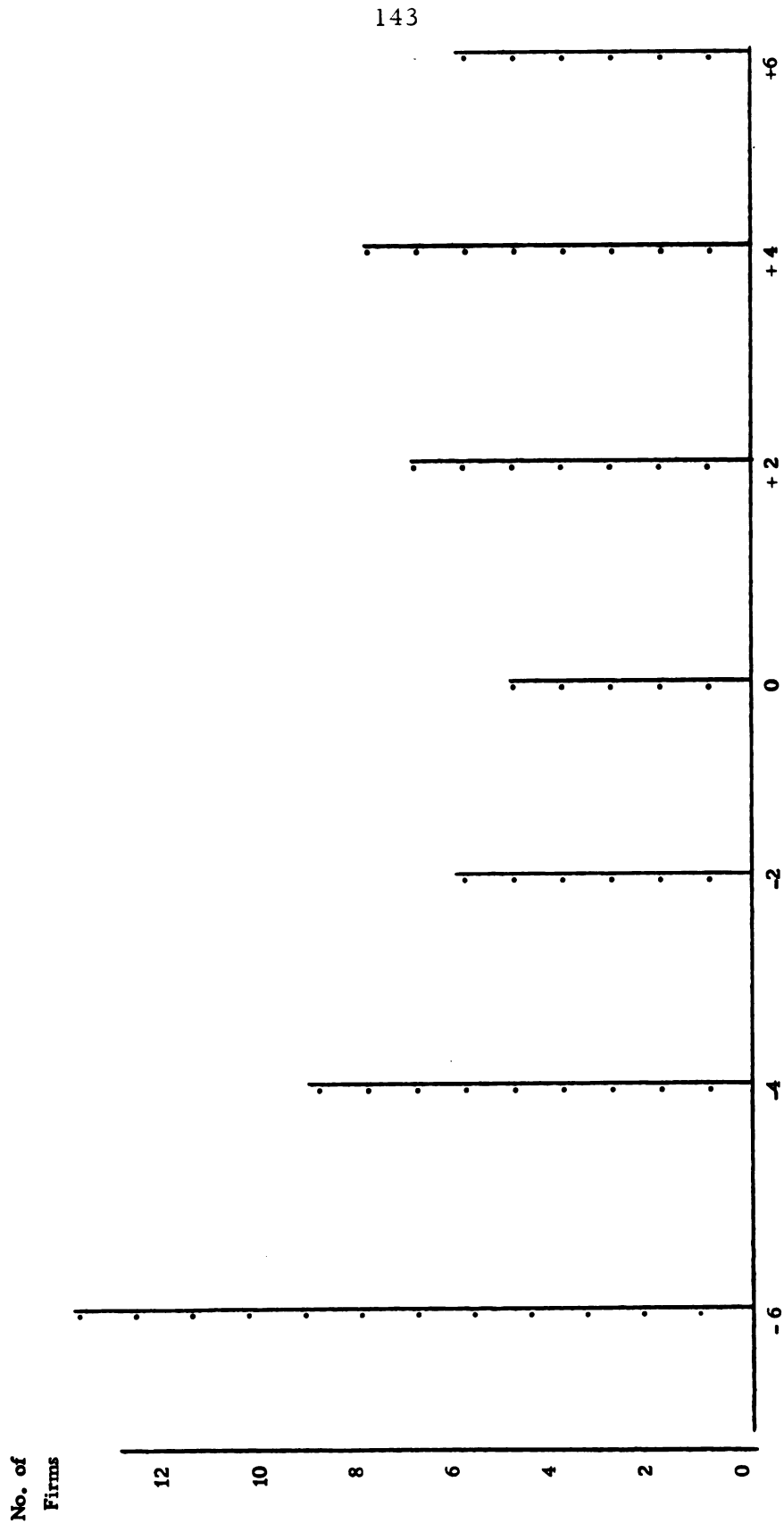
Table 4. ---Analysis of the Firms

	I		II		III		IV		V		VI	
	Customer-Mix		Product-Mix		Production Methods		Dispersed Prod. Facilities		Dispersed Markets		Steps taken To Effect Change	
	Same Diversified Changed	Same Diversified Changed	Same Diversified Changed	Same Diversified Changed	Same Diversified Changed	Same Diversified Changed	No	Yes	No	Yes	No	Yes
1944	X		X		X			X		X		X
1951	X		X		X		X		X			X
1944	X	X	X		X		X		X		X	
1957	X	X	X		X		X		X		X	
1951	X		X		X			X		X		X
1954	X		X		X		X		X		X	
1943	X		X		X		X		X		X	
1947	X	X	X		X		X		X		X	
1958	X		X		X		X		X		X	
1947	X		X		X		X		X		X	
1950	X		X		X		X		X		X	
1945	X		X		X		X		X		X	
1952	X		X		X		X		X		X	
1953	X		X		X		X		X		X	
1957	X		X		X		X		X		X	
1948	X		X		X		X		X		X	
1954	X	X	X		X		X		X		X	
1958	X	X	X		X		X		X		X	
1953	X		X		X		X		X		X	
1945	X		X		X		X		X		X	
1949	X		X		X		X		X		X	
1952	X		X		X		X		X		X	
1947	X	X	X		X		X		X		X	
1952	X	X	X		X		X		X		X	
1948	X	X	X		X		X		X		X	
1947	X	X	X		X		X		X		X	

Table 4. --(Continued)

	I		II		III		IV		V		VI	
	Customer-Mix	Product-Mix	Same Diversified	Same Diversified	Production Methods	Dispersed	Dispersed	Dispersed	Dispersed	Dispersed	Steps taken	To Effect Change
	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified	Same Diversified
	Changed	Changed	Changed	Changed	Changed	Changed	Changed	Changed	Changed	Changed	Changed	Changed
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1952	X				X				X		X	
1946	X								X		X	
1946		X		X							X	
1946	X	X		X					X		X	
1946		X		X					X		X	
1952	X	X			X				X		X	
1947		X		X							X	
1944	X	X		X					X		X	
1945	X	X		X					X		X	
1947	X		X		X				X		X	
1945	X		X		X				X		X	
1946	X		X		X				X		X	
1946	X	X		X					X		X	
1953	X	X		X					X		X	
1955	X	X		X					X		X	
1949	X	X		X					X		X	
1947	X	X		X					X		X	
1950	X	X		X					X		X	
1953	X		X		X				X		X	
1946	X		X		X				X		X	
1953	X	X		X					X		X	
1950	X		X		X				X		X	
1952	X	X		X					X		X	
1948	X		X		X				X		X	
1948	X		X		X				X		X	
1954	X	X		X					X		X	
1949	X	X		X					X		X	

Table 5. --Distribution of Types of Firms



of the firms this was the second criteria, Product Mix. These three firms had diversified their product-mix since their initiation phase. Four of the firms have the "Dispersed market" factor as the determining Flexible criterion.

Note that for the Rigid Firm with a -4 rating the only positive factor falls under either dispersed markets (5.) or a change towards a diversified product mix (2.). However, their customer mix has not changed and is not diversified. That is, they are still serving the same customers in the same industry. Also, they are using the same production methods. They have only the one production plant and have no concrete plans for change in any of the foregoing factors.

An examination of the three firms that have had a change in the product mix toward diversification (that is, they have added another type of product) is interesting because it does not indicate a real contradiction to the other criteria. For example, in the one case, the individual started producing rubber stamps for companies. His addition was a steel stamp which is very similar and is sold mainly to the same types of customers. In addition to this, he added plastic signs. As he says, "This is a complementary item for me. Whenever I go some place and call on people with my rubber stamps, I would ask them if they were interested in a plastic sign. This, to me, is a means of diversifying."



In the second case, the type of business started as a pattern shop. Subsequently, this entrepreneur made a decision to go into plastic tools. The entrepreneur was asked, "How did you get into plastic tools? Do you have any background in this or in chemistry?"

The answer was:

Well, no. There isn't much to it, really. I've just learned from the people we buy from, but the reason I got into it is this. You see, when I started my shop we leased a small place. There were, oh, about six pattern makers around here, and they had some of these firms well tied up, so I had to do something. I couldn't break into some of the firms; they were so closely tied in with the established concerns. So, I decided a good strategy would be to go into the plastic tooling; that is what I did.

In the third case, the firm started out making flat irons. However, they were selling this as a non-branded item to a company which subsequently went out of business leaving them in very shaky circumstances. The entrepreneur struggled along for about five years trying to straighten out the affairs and make a business out of it. Then in 1953 he got the idea of making automatic tire removal equipment. This was about the time the tubeless tires came out and there were considerable problems in getting suitable equipment to remove this type of tire. He now manufactures tire removal equipment for cars, sport cars, and trucks. In addition, he has done some consulting work for the automobile industry producing equipment for mounting tires onto the rim on a moving assembly line.

However, in terms of his growth orientation, he indicated that he felt he had the best product in the industry. When asked, "Well, if your product is so good, why can't you get to the top with an active sales promotion?" he answered,

I prefer to build slowly. When you are at the top it is too easy to come down. I would like to progress with the business at this pace. I am not in much of a hurry provided I can stay ahead of competition. I'm still interested in moving along gradually. I've got plenty of room on the land around the plant to expand but I don't foresee any major expansion in the next five years. I'm third or fourth in size among those who compete with me and I feel that this is a pretty comfortable position to be in.

In light of the foregoing discussion, we cannot claim with certainty that the -4 and -6 firms are qualitatively different in character. Therefore firms falling in the -4 category will be grouped with the -6 firms for the purposes of analysis. That is, in Chapter VII where the man and the firm are brought together, the -4 and the -6 will be grouped together for analysis.

#### An Examination of the +4 Firms

In this group, all of the firms have changed from their initial character and moved to a position of diversification in customer-mix and product-mix.

Only one firm of the +4's has not changed its production methods. This firm buys sheet aluminum and fabricates it into finished awnings,

or sells the final lengths and lets its distributors assemble the size of awning required. This company is in a growth industry and has been able to expand and diversify in customer-mix and product-mix without changing the basic methods of production.

Only one company in this group of 4's does not have dispersed markets. This company sells mainly in one state. However, this firm is considering moving into Europe in production and sales. The plans were well formed and then had to be shelved when the Congo left Belgium and austerity strikes hit Brussels. Consequently, it is reasonable to assume that a move in the direction of dispersed markets can be expected.

Two of this group do not have more than one plant. Of these, one produces mainly consumer products which are standardized, relatively high priced, quite small in size and light in weight. Therefore, because of low shipping costs, they can benefit from having only one production plant which will give them the advantage of high production runs. The other company also manufactures a product which goes to the ultimate consumer in relatively unchanged form. It produces kitchen cupboards and other items and delivers them to major contractors and home builders throughout the Great Lakes area with trucks owned by the firm. These products are also distributed throughout the United States using commercial carriers.

It is surprising that three of the seven which would be considered in the Adjustable Firm range do not have concrete plans for growth. However, a closer inspection reveals that they can still be growth oriented. For example, one firm has three subsidiary companies which the entrepreneur has bought out in recent years. Thus, the firm has gained product diversification and customer diversification by trading stock in the initial company to obtain the assets, customers, and key personnel of smaller companies. This was the method of growth up to the time of the interview. Although there were no concrete plans for the purchase of another subsidiary at that time, there also was no indication that this strategy would be discontinued.

In the second case, the firm had shown a growth orientation in the past. However, at the time of the interview there were no plans for further expansion. In response to the question, "Where do you expect to go from here?" the entrepreneur answered,

Well, now that is the best question of all. I feel we have leveled off; we have lost the urge to expand. The hazards are greater than ever today. I feel that the basic incentives are not there as they were in the start; the profit motive is gone. There is some personal incentive to build an organization to satisfy the employees, but you can't get anywhere trying to make profits now. Actually, we are not standing still -- that would be death. Retirement? I just don't believe in it! Retirement is just the same as death. I suppose one could expand and if you wanted to sacrifice through selling it again. This seems sort of negative to me. Here you are only concerned with personal gain. I question whether it's worth leaving a large fortune. It's not really good for your

kids -- they don't have any incentive. However you still can make a fortune in capital gains if you want to. Myself? I don't want to go outside for equity capital with this company so I can't expand, although I must say that this field of precision machinery is expanding and growing. There is a lot of new equipment in this business but it is just too costly to buy; we're not advancing too fast and so in buying new equipment it would be putting us in a worse position. You see equipment loses its precision in about six months to a year and so from then on you have to start fighting it and working on it to get the necessary precision.

In the third case a similar pattern emerges as in the preceding case. The firm was certainly growth oriented in the past. Again, the entrepreneur expressed the feeling that the peak had been reached. For example, in response to the question, "Now that you have a half-a-million-dollar business, where do you go from here?" he says:

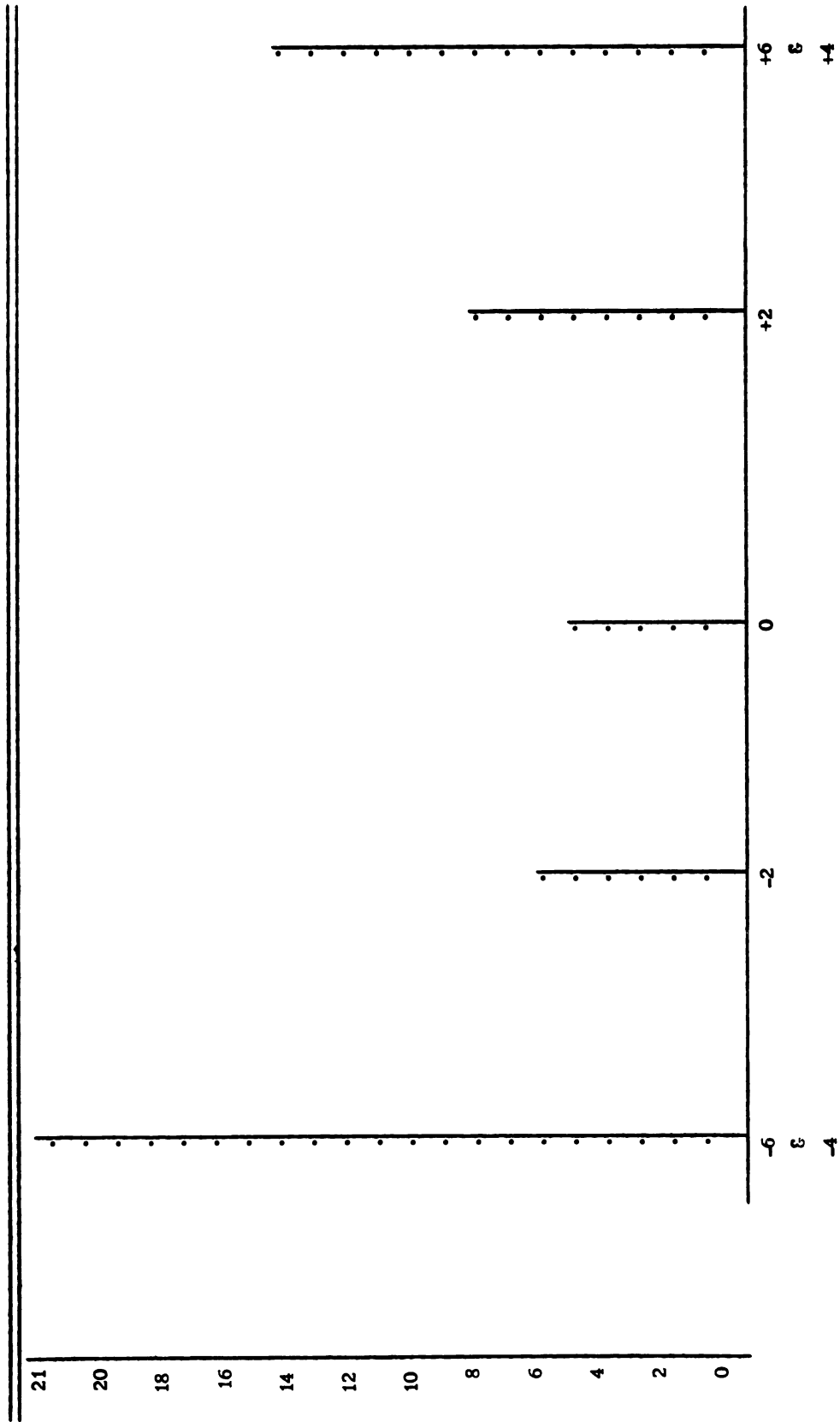
That's a good question. I might add, in all these things in starting a business, certain things happen which you have to go along with. You have to take advantage of the things that happen. So, one goes along with the trend. In this type of business, I am content to stay just as we are. Experience has shown that when operations like this get too large, ownership gets too far removed and they go bankrupt. This kind of business requires a lot of personal attention both with customers and operations. There are very few large operations such as this. You can count them on the fingers of one hand.

In response to the question, "Do you have any plans about new products?" he answered:

No, I don't have any particular plans about a new product. I don't see much point in spending a lot of money developing a new product because of this foreign competition. It's overcrowding us from every angle. For this reason I wouldn't attempt any new product -- particularly one which would take considerable money to develop. Of course, some small item costing \$2,500 is different. But why spend a lot of money when they are going to copy it anyway?

In the light of the above discussion, we again cannot claim with any degree of certainty that there are qualitative differences in the character of firms falling at the +4 or +6 positions on the continuum. Therefore, the +4 firms will be grouped with the +6 firms in Chapter VII, where the man and the firm are brought together for analysis. Table 6 which follows shows the distribution of firms on the continuum with -6 and -4 firms grouped together and the +6 and +4 firms grouped together.

Table 6. --Grouping the Types of Firms



## CHAPTER VII

### THE MAN AND HIS FIRM: THE LOGIC OF FIT

In Chapters III and IV, we constructed two types of entrepreneurs, the Craftsman-Entrepreneur and the Opportunistic-Entrepreneur. It was assumed that they represent polar positions on a continuum that was constructed in the area being analyzed. In addition, we constructed and described two types of firms. Again, the assumption was made that there is a continuum with the one polar type being the Adaptable Firm and the other polar type, the Rigid Firm. Using this method of analysis, we arrived at the negative and positive scores for the men and also for the firms. These can now be plotted on a plane with the coordinate set of axes as shown in Table 7. (The scores of the men were placed on the horizontal axis and the scores of the firms were placed on the vertical axis.) In the lower left-hand corner of quadrant III fall the cases in which the entrepreneur has a -15 score and his firm has a -6 score. Thus, the cases falling in the left-hand corner of quadrant III are those of the C-E with a Rigid Firm. Those falling in the upper right-hand corner of quadrant I are those of the O-E and the Adaptable Firm.



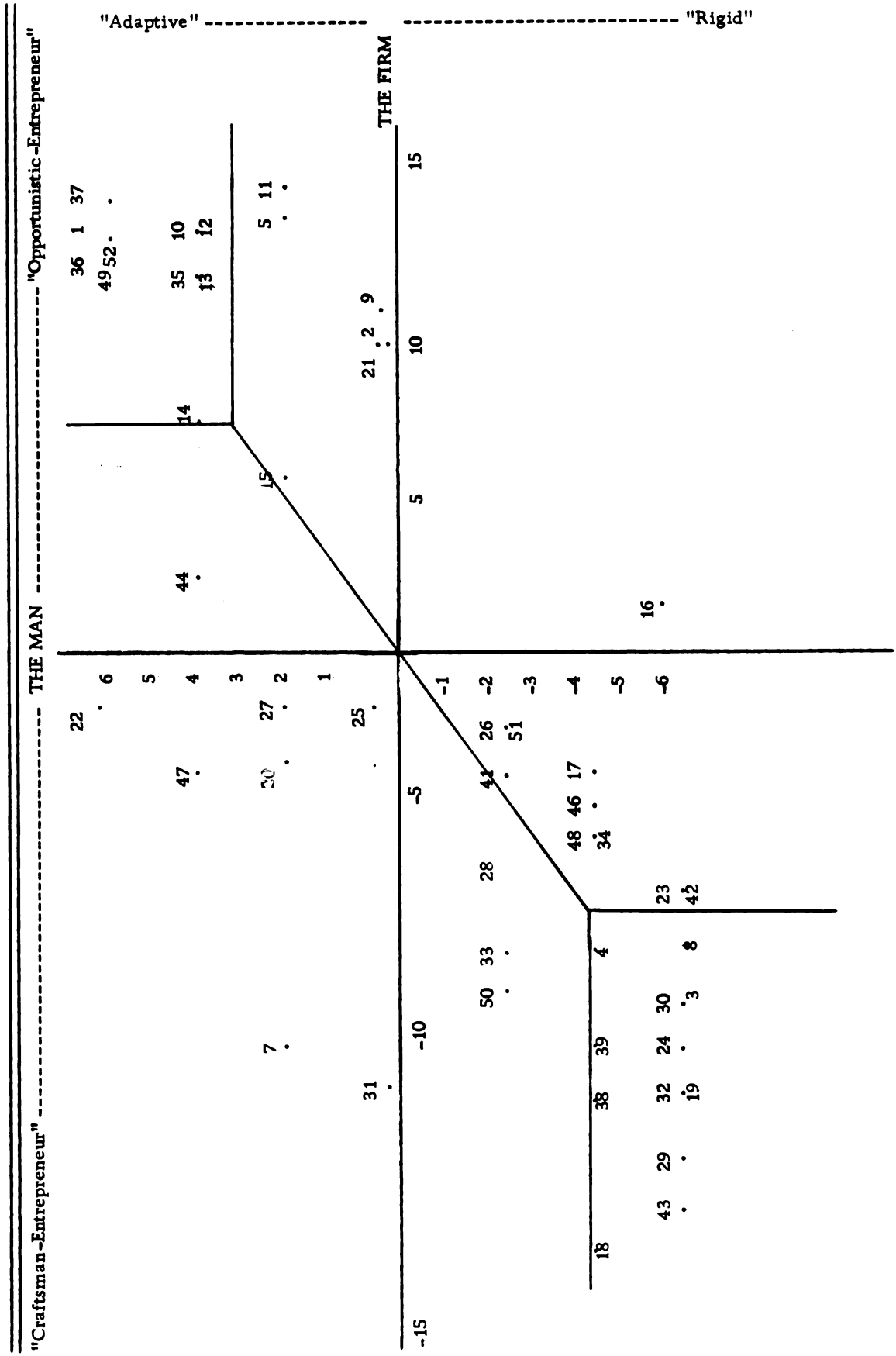
As can be noted in Table 7, there is a clustering of cases at either end of a line drawn through the origin from the lower left-hand corner of quadrant III to the upper right-hand corner of quadrant I.

As the cases plotted fall away from this line, they are moving away from the situation where the characteristics of the individual fit the characteristics of the firm. (For example, if there were a case falling in the upper left-hand corner of quadrant II, this would show a C-E associated with an Adaptable firm.) There are a few cases falling in quadrants II and IV that are a good distance from the 45 degree line through the origin. An examination has been made of these cases.

The examination seems to indicate that a new sub-type may be appearing. For example, cases #22, 47, 20, 27, 25, 26, 28, 33, 17 and 16 appear to exhibit the characteristics of another type of entrepreneur. An appropriate name for this type might be Inventor-Entrepreneur. In all of these cases the entrepreneur has taken out a large number of patents. It appears that his orientation is not to attempt to build a business or to turn out the best product. Rather, his major concern seems to be to develop an organization, not as an end in itself, but rather as a vehicle to allow him to invent and produce various products.

This typical pattern seems to be as follows: The individual worked in a technical capacity for a large manufacturing firm and

Table 7. --The Entrepreneurial Types and the Firm Types Plotted on a Rectangular Coordinate System



invented products or processes either as a part of his job or in his spare time. In some cases the patents for his inventions were accepted by his company and signed over to the company. In other cases he did not feel that his ideas were properly accepted and put into use. In the first case, where the individual's ideas were accepted, he seemed to feel that he should start a business to gain more personal benefit from these inventions. In the second case, where the individual's ideas were not accepted to his satisfaction, he seemed to feel that he should start a business so that he could prove the worth of his ideas. In both cases, the motivating force to start a business was to provide a proper vehicle for the inventions. A more detailed analysis of the Inventor-Type is not included in the scope of this study.

A Comparison of Growth Between the C-E -- Rigid  
Firm and the O-E -- Adaptable Firm

At the lower left-hand corner of quadrant III in Table 7 there is a cluster of cases where the most typical C-E is associated with the most typical Rigid firm. At the upper right-hand corner of Quadrant I, there is a cluster of cases where the O-E is associated with the Adaptable firm. The first group consists of twelve C-E's who have Rigid firms and the second group consists of the ten O-E's who have Adaptable firms. A comparison of the growth of the first

group to the growth of the second group will be made.

Because of the limitations on information resulting from the use of unstructured interviews we do not always have complete information on each firm. Therefore, we will take as an indicator the gross sales volume of these firms. Table 8 shows the extent of information we have on sales figures. These were gathered through the interviews and through Dunn and Bradstreet reports. The most complete sales figures are those of 1959 and 1960. Therefore, the average sales for each group is based on 1960 and, where a 1960 figure is missing, on the 1959 figure.

A startling contrast between the growth of these two groups, based on the average 1960 gross sales figures, is exhibited by a bar graph in Table 9. The O-E with the Adaptable firm has an average gross sales of twelve times that of the C-E with the Rigid firm.

Another consideration that must be made in this comparison of the two groups is the average number of years the firms have been in business.<sup>1</sup> The C-E Rigid firm group has been in business an average of 9.5 years. The O-E Adaptive firm group has been in business an average of 11.9 years. Since the latter group has attained average sales of twelve times that of the former group, it

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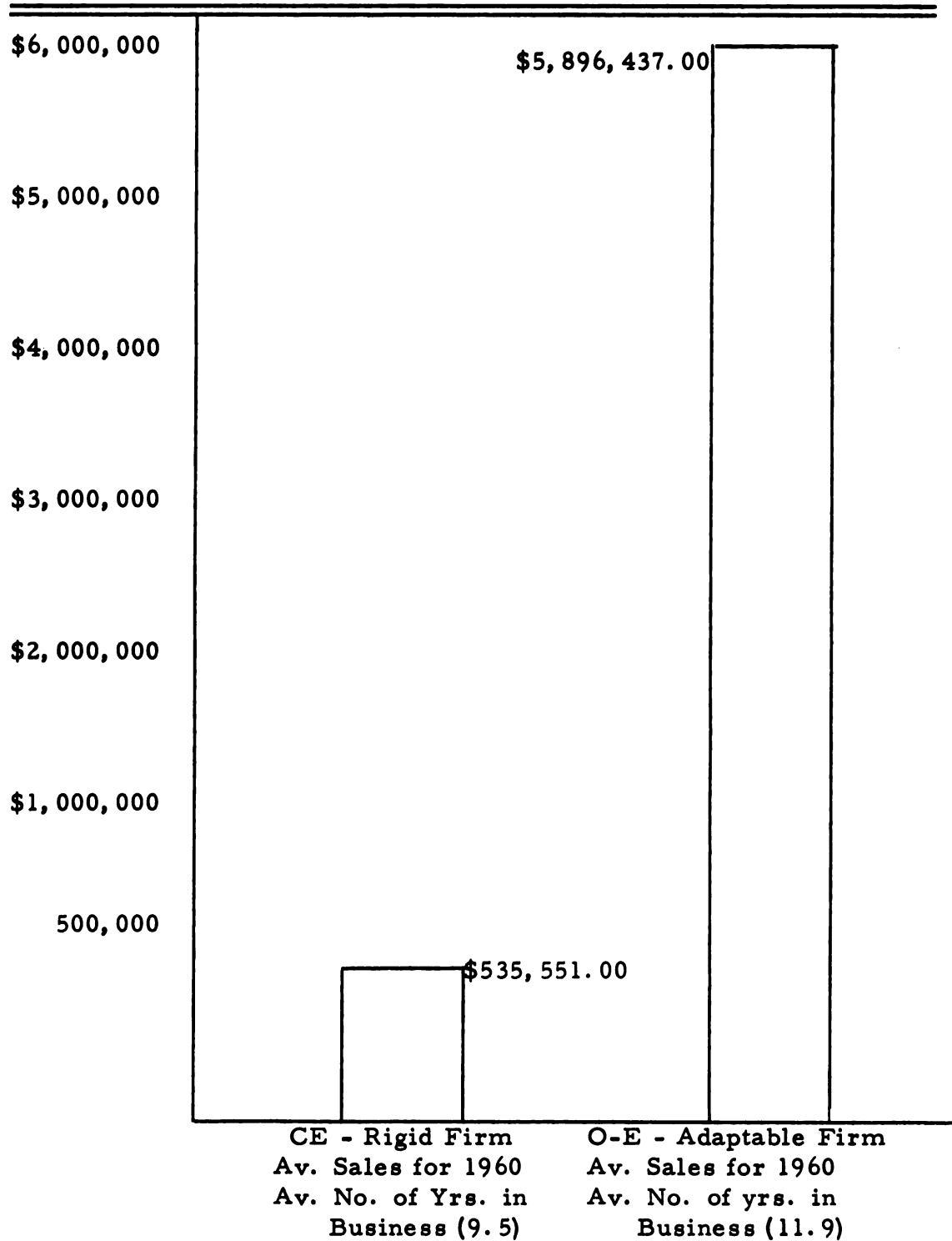
<sup>1</sup>In Table 8 there is a note made beside each numbered firm of the year the business started.

**seems logical that this difference is not solely attributable to the difference of only 2.4 average years longer in business.**

Table 8. -- Gross Sales of Selected Firms

"CRAFTSMAN ENTREPRENEUR - RIGID FIRM"														
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
18 1958										(started mid '58)	57,000	226,000	231,000	
39 1953										507,500	512,217	661,134	850,000	
4 1957											325,000	270,000		
8 1958											110,000	150,000		
30 1946	75,000									(stable at \$150,000 a yr.)	150,000			
24 1952						20,000					32,000		150,000	
19 1953				"sales steady"				("sales steady")			1,000,000	1,278,060		
32 1947	600,000			1,000,000						1,100,000	1,500,000	1,000,000		
29 1946		90,000									983,509	771,720	900,000	1,000,000
43 1950											126,438	134,211		212,000
38 1946											750,000	400,000	586,000	600,000
3														(no information on sales figures)
"OPPORTUNISTIC-ENTREPRENEUR - ADAPTABLE FIRM"														
35 1947											4,000,000	10,000,000	10,000,000	12,000,000
12 1948														9,000,000
10 1957	58,386	104,720	109,067	245,475	645,800	38,645	1,189,008	829,684	607,754	833,032	713,486	438,886	616,890	713,947
14 1953										7,000,000		5,300,000		6,000,000
52 1947											3,000,000	4,800,000		
49 1948					612,000			924,000	1,644,000	1,968,000		1,812,000	3,048,000	4,704,000
37 1946												1,255,000	1,350,000	
36 1960													2,500,000	
1 1946											18,000,000			12,000,000
13														(no information on sales figures)

Table 9. --Sales Comparison of Selected Firms



## CHAPTER VIII

### CONCLUSIONS AND IMPLICATIONS

#### FOR FURTHER STUDY

This is an exploratory or formulative study with the goal of evoking hypotheses rather than proving them. The analytical tool of constructing ideal types has been used as a sensitizing device to gain a better understanding of the individuals who are primarily concerned with initiating, maintaining, and aggrandizing a company and the type of firm that develops in association with the individual. We do not say that we have proved with any degree of certainty that the type of entrepreneur will determine the type of company that develops. Rather, we present a type of individual and a type of firm<sup>✓</sup> and indicate there is a strong tendency for the character of the firm to reflect the type of entrepreneur who builds it.

We can say about the entrepreneur who falls in the lower left-hand corner of quadrant III (Table 7, Chp. VII) that he has a technical education in some formal institution and his work experience is technical only. When he was an employee, his reference group was not management. He did not have a sponsor or a role-model in management. We can say that he has a very low level of social



involvement compared to the O-E. If he belongs to any associations they will be professional in nature only. He belongs to few if any community organizations. He is not effective in his ability to communicate. He realizes he has limited effectiveness in verbal and other forms of communication in areas outside of the plant or practical work-world.

He exhibits little flexibility or confidence in his ability to deal with his economic and social environments. That is, he does not delegate responsibility within his company to enable him to build an organization of any great size. He hires individuals on a particularistic basis, on personal recommendations and knowledge of individuals. He expects these individuals to perform in a way much above usual standards. He utilizes very few sources of capital to initiate his business. He relies exclusively on personal contact to gain customers. His customers are those individuals whom he has developed a close personal relationship with over many years in his particular industry. He does not perceive of various ways of approaching a market to improve his competitive position. Rather, he limits his vision to competing on price, quality and service reputation. His time orientation is to the present and to the past. This is evidenced by the fact that he does not have a long-range plan to initiate his company, nor does he plan to make any changes in the character of his company in

the future. In his employee relations he is paternalistic. This is probably a result of his feeling that he has never really left the work-force. He still wants to be just "one of the boys."

We can say that the entrepreneurs who fall in the lower left-hand corner of quadrant III exhibit the above characteristics. Also, we can say that their firms exhibit certain characteristics which seem to be appropriate in light of the major orientation of the entrepreneur. That is, the orientation of the man seems to logically fit the orientation of the company. For example, we can say that the customer-mix of the firm will be essentially the same as it was when the company was initiated. The product-mix will also be the same. Production methods will not have changed. Neither production facilities nor markets will be dispersed geographically. Rather, the firm will sell only to a relatively local market. There will be no concrete plans to change the character of the company.

We can also approximate the average gross sales attained by these firms. We can see that the sales are much lower for this group than for the upper right-hand group in quadrant I. Also, the characteristics of this latter group, the OE-Adaptable firm, can be described in terms that would be in complete contrast to the foregoing description of the CE-Rigid firm.

In quadrants II and IV, the fit of firm and man are not on the proposed continuum. On reviewing these particular cases it seems that perhaps there is a qualitatively different type of entrepreneur. A cursory examination of these cases seems to indicate that we have a type here that can be called Inventor-Entrepreneur. The qualifying difference seems to lie in the motivation of this individual entrepreneur to start his own company. The motivations of the C-E and of the O-E can be briefly described as building a better product vs. building a better company or organization. Neither of these motivations fits the Inventor-Entrepreneur, and there is some indication that he builds a company as a means to an end. To continue to invent and have these inventions produced and used by industry appears to be his main goal for initiating and maintaining the company. It appears that a further study of these cases would be fruitful because a further type could be constructed following the methodology used in constructing the C-E and the O-E. However, to construct this Inventor-Entrepreneur type is beyond the scope of this particular study.

A question could be raised about the validity of the conclusions derived from this study. Might not the individuals falling in the lower left-hand corner of quadrant III, who have been defined as the C-E and their firms defined as being Rigid, fall there because of the industry they are in and not because of their orientations and

characteristic behavior patterns. (This question cannot be raised with respect to the group in the upper right-hand corner of quadrant I since by definition these firms are diversified into a number of industries and in all cases cross industry lines.) This question can be answered by looking at the eleven cases in this group and noting that these firms are not all in the same industry but are in a number of different industries. Some of them are manufacturing products for the ultimate consumer, while others manufacture only industrial products.

Another reason that the question does not seem to be valid is that, among the O-E's in the upper right-hand corner of quadrant I, we have some individuals who started out in the same industries as some of the C-E's in the lower left-hand corner of quadrant III. The entrepreneur associated with company number one started a tool-and-die company in 1946 and now falls in the category OE-Adaptable firm. In contrast, the entrepreneur associated with company number thirty-three also started his company as a tool-and-die shop, and yet today, on the basis of our criteria, he falls in the category CE-Rigid firm.

Similarly, it seems that there is no single industry that would produce the Inventor-Entrepreneur. For example, a preliminary analysis of the cases indicates that the Inventor-Entrepreneur is

located in such industries as drug manufacturing, signs, performance-measurement instruments, electronic products, hydraulic accessories, tools and supplies, automotive-spring manufacturing and heavy machinery companies.

### HYPOTHESES DERIVED FROM THIS STUDY

1. Hypothesis: There are at least two types of entrepreneurs which can be differentiated on the basis of their orientation and characteristic behavior patterns. These are polar types termed Craftsman-Entrepreneur and Opportunistic-Entrepreneur.

"Entrepreneur" has been defined in the preceding chapters, and the definition used is that posited by Cole. The term "type" is defined as used by McKinney and Becker. The concept "orientation" is used in the same sense as employed by Merton in his analysis of local versus cosmopolitan influentials.

#### a) Sub-Hypotheses

(1) The C-E perceives and reacts to a limited range of culture when compared to the O-E. Perceiving and reacting to a limited range of culture is defined operationally as follows:

(a) The C-E exhibits narrowness in education and training.

- i) Formal education--technical only.
  - ii) Work experience--technical only.
  - iii) Reference group other than management.
  - iv) No management sponsor or role-model.
- (b) The C-E exhibits low social awareness and low social involvement.
- i) Belongs to professional associations only.
  - ii) Limited effectiveness in communication ability.
- (c) The C-E exhibits a lack of flexibility and confidence in his ability to deal with the economic and social environments.
- i) Does not delegate authority or responsibility in order to allow him to build a large organization.
  - ii) Hires on a particularistic basis.
  - iii) Does not utilize over two sources of capital for the initiation of his business.
  - iv) Organizational sales made mainly on the basis of personal contact and reciprocity.
  - v) Competitive strategy envisaged by the C-E limited to quality, price, and reputation of the company.

(d) The C-E exhibits a time orientation circumscribed to the present and the past.

i) The C-E had no long-range plans for the initiation of his company.

ii) Has no plans to change the basic character of the company or attempt to bring about an increase in growth rate.

iii) The C-E is paternalistic in his employee relations.

(2) The O-E perceives and reacts to a broad range of culture.

Perceiving and reacting to a broad range of culture is defined operationally as follows:

(a) The O-E exhibits breadth in education and training.

i) Formal education -- technical plus.

ii) Work experience -- technical plus.

iii) Reference group -- management.

iv) Management sponsor or more than one role-model.

(b) The O-E exhibits high social awareness and high social involvement.

i) Belongs to community associations as well as professional associations.

- ii) Effective with many forms of communication.
- (c) The O-E exhibits flexibility and confidence in his ability to deal with the economic and social environment.
  - i) Delegates authority or responsibility in order to allow himself to build a large organization.
  - ii) Hires on a universalistic basis.
  - iii) Utilizes over two sources of capital for the initiation of his business.
  - iv) Uses a variety of marketing methods to gain customers.
  - v) Various competitive strategies are employed in addition to price and quality.
- (d) The O-E exhibits an awareness and orientation to the future.
  - i) The O-E makes long-range plans to initiate the company when the time is ripe.
  - ii) The O-E makes plans for his company's growth.
  - iii) The O-E is not paternalistic in his employee relations.



2. Hypothesis: The character of the organization will reflect the orientation of the entrepreneurial type associated with it.

a) The C-E will build an organization which can be termed Rigid in character.

b) The O-E will build an organization which can be termed Adaptive in character.

3. Hypothesis: The Adaptable Firm that has associated with it an O-E will show a higher growth rate in terms of sales than the Rigid Firm that has associated with it the C-E.

### IMPLICATIONS

In the initial analysis of the unstructured interviews a premature specification of the problem was made. It seemed upon first examination that there were two types of entrepreneurs based on differences in their orientation to growth, namely growth-oriented entrepreneurs and non-growth oriented entrepreneurs. This line of thought was followed for some time. However, it was finally discarded because of its limited scope in enhancing understanding of these individuals and their behavior. Rather, it was found that the types of entrepreneurs could be delineated on a much broader basis. That is, the difference between these types was more than just the orientation to growth although this was one factor or element in their orientation.

As was indicated in the previous chapters, these individual entrepreneurs were different in many ways. Within the limitations of the data, the differences between the entrepreneurs, the effect on the type of company they build, and the effect on sales have been demonstrated.

With this broader focus, additional light can be thrown on some constructs that have been developed by other writers in the field. Using only the undimensional focus of the growth-oriented versus the non-growth oriented entrepreneur does not allow one to analyze these constructs. For example, Leland Jenks, in discussing entrepreneurial types, breaks them down into two polar types which he calls the "owner-manager and the entrepreneurial-executive."<sup>1</sup> He says of the first type:

In this situation one individual personally buys and sells, procures capital and invests it in plant and equipment, hires and manages his employees directly, and carries on any relations that there are with competitors, government, and various community agencies. . . . The opposite pole is approximated by what Knauth and others have been saying about the contemporary giant corporation. In this it appears that a managerial group with no ownership function share or even to some extent divide the responsibility of making the decisions which may be called entrepreneurial, and to delegate to others virtually all performances by which

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<sup>1</sup> Jenks, Leland H., "Role Structure of Entrepreneurial Personality," in Change and The Entrepreneur; Research Center in Entrepreneurial History, Harvard University Press, 1949, p. 110-113.

decisions are made effective. Apart from managing immediate subordinates, their actions within their business unit tend to reduce merely to making crucial decisions and coordinating activities on a company-wide scale. Even these latter processes involve 'the organization' to a great extent. At the same time, such high executives are increasingly called upon to act outside the organization, on its behalf, with respect to affairs of the larger community. . . . Whether personality is viewed as a resource for or produce of these two typical situations, we should expect a great deal of difference between the individuals involved, even when in the same field of endeavor in the same time and place.

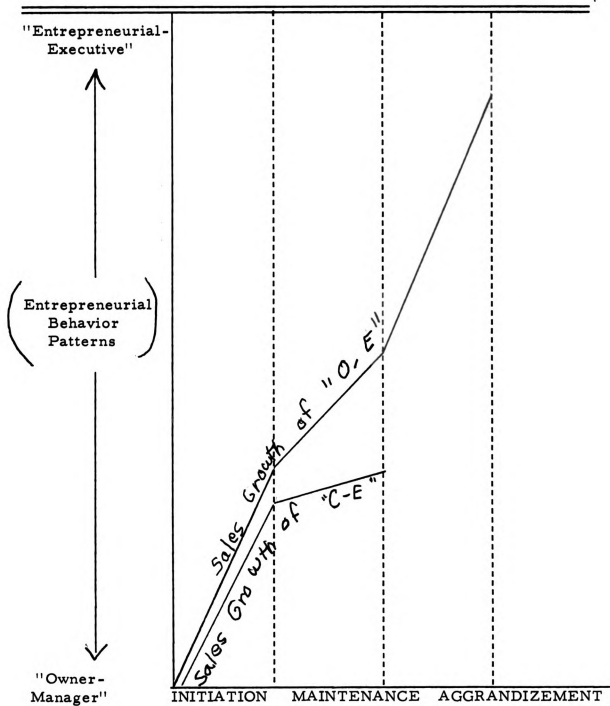
. . . . .  
In the first place, as Professor Cole's essay makes clear, the conception of a 'business unit' (firm, business, going concern, enterprise) is a commonly implied element in entrepreneurial actions. The notions of 'owner-manager' and 'business executive,' as commonly phrased, are specifically relative to such an entity. It is first of all the difference in what they do with respect to such a firm that make the 'owner-manager' and the 'entrepreneurial-executive' seem so different.

. . . . .  
It is in the name of and for the initiation, maintenance, aggrandizement, or other change in such business units, our definition asserts, that individuals exercise the functions of entrepreneurship.

In this somewhat protracted quote, the important aspects to us are the fact that Jenks makes the distinction between the "owner-manager" and the "entrepreneurial-executive" and notes that there are differences in requirements of personality for functional performances. He holds that one would expect differences between individuals fulfilling these two different roles and that these differences affect what they do with respect to a firm during the stages of initiation, maintenance, and aggrandizement.

The preceding is what we have demonstrated within the limitations of our data. We showed that there are entrepreneurial types with different orientations and background and consequently that the C-E and the O-E are different in terms of their behavior patterns. Because of these differences the C-E and the O-E develop companies which have different characters (in relating to their relevant environments). Therefore, our conclusion is that, if the firm is to go through the phases of initiation, maintenance, and aggrandizement, it is necessary that the entrepreneur move from a position of being "owner-manager" to being an "entrepreneurial executive." With the aggrandizement of the firm (the growth in terms of sales, etc.), it is apparent that the complexities of the entrepreneur's job will increase. He will have to delegate authority, responsibility and utilize his organization as a vehicle. He will have to, in the terms of Jenks, reduce his activity to more or less making crucial decisions and coordinating activities on a company-wide scale. He will no longer be able to go out into the plant and get his fingernails dirty. As we have shown, the social personality and orientations of the C-E are not conducive to this behavior. We can hypothesize therefore that the C-E will not be able to take his firm beyond the stage of maintenance because this requires an increased complexity in role structure which he is not able to handle. We can diagram this as in table 10.

Table 10. --Complexity of the Entrepreneurial Role Structure Related to the Developmental Phases of the Firm



Another dimension of this relationship between the entrepreneurial types and the developmental phases of a firm is delineated by Cole<sup>2</sup> in the art of decision making. He breaks down the types of decisions required for a company to go through the stages of initiation, maintenance, and aggrandizement. He says that these decisions can be classified on the basis of the objectives according to their economic character. Decisions can be classified as to whether they are (1) management, (2) adjustment to external conditions, and (3) innovations. Management consists of the routine decisions which keep the business going. The adjustments to external conditions are not usually routine and would include such decisions as price changes to meet competition, imitations of others' technical processes, and so on. The second type of decision requires more business judgment than the first. Cole perceives of the third type, innovations, as being the most important because it is related to the economic process and to the business cycle where entrepreneurial judgment of the highest order is required. If we plot against this the stages of development of initiation, maintenance and aggrandizement as posited by Cole, we can then place our entrepreneurial

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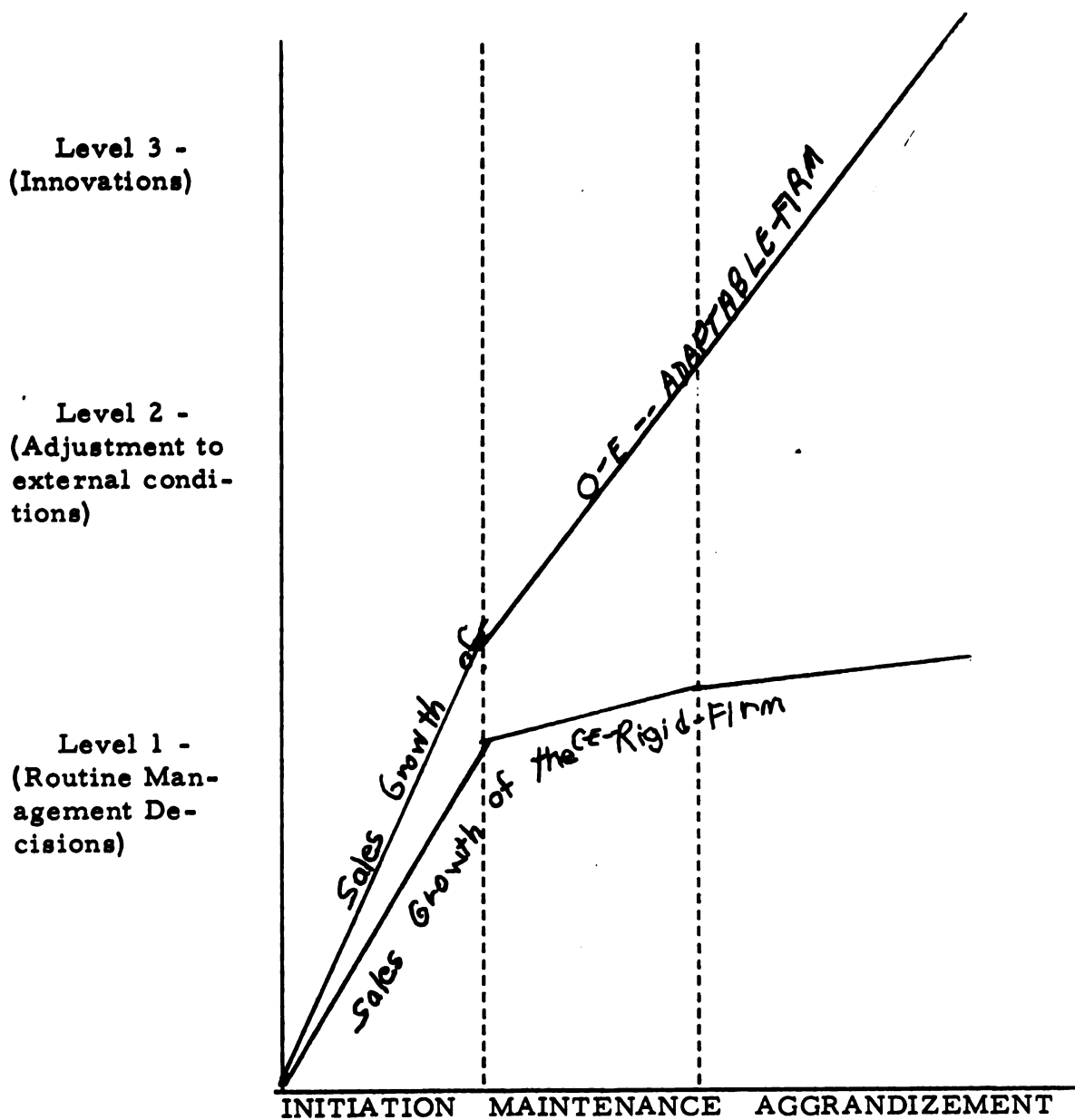
<sup>2</sup> Cole, Arthur H., "Entrepreneurship and Entrepreneurial History," Change and the Entrepreneur; Ed. Research Center in Entrepreneurial History (Cambridge, Mass.: Harvard University Press, 1949), pp. 94-96.

types in this grid. This will help us see how far the different types of entrepreneurs can go along these stages of development in light of their decision-making ability. We can diagram this as shown in table 11.

In light of the foregoing study and hypothesis that the C-E is least effective when it comes to the innovative type of decision, the entrepreneurial judgment as defined by Cole is of a lower order for the C-E than for the O-E. This seems logical in light of our hypothesis that the C-E is oriented to and perceives a narrow range of culture. Also, in terms of his adjustment to the external environment he would probably not be as effective as the O-E. The C-E would be able to adjust only to a relatively unchanging external environment. His whole career has been spent learning the appropriate values and behavior patterns of his chosen industrial social structure and he cannot easily adjust to major changes in this.

Table 11. --Level of Judgment in Economic Decisions Related to the Developmental Phases of the Firm

Amount of  
Judgment  
Required  
for Decision





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