

## **Managerial Versus Entrepreneurial Decision Making**

The difference between the entrepreneurial and the managerial styles can be viewed from five key business dimensions—strategic orientation, commitment to opportunity, commitment of resources, control of resources, and management structure. Managerial styles are called the administrative domain.

### **Strategic Orientation**

The entrepreneur's strategic orientation depends on his or her perception of the opportunity. This orientation is most important when other opportunities have diminishing returns accompanied by rapid changes in technology, consumer economies, social values, or political rules. When the use of planning systems as well as measuring performance to control current resources is the strategic orientation, the administrative (managerial) domain is operant, as is the case with many large multinational organizations.

### **Commitment to Opportunity**

In terms of the commitment to opportunity, the second key business dimension, the two domains vary greatly with respect to the length of this commitment. The entrepreneurial domain is pressured by the need for action, short decision windows, a willingness to assume risk, and few decision constituencies and has a short time span in terms of opportunity commitment. This administrative (managerial) domain is not only slow to act on an opportunity, but once action is taken, the commitment is usually for a long time span, too long in some instances. There are often no mechanisms set up in companies to stop and reevaluate an initial resource commitment once it is made—a major problem in the administrative (managerial) domain.

### **Commitment of Resources**

An entrepreneur is used to having resources committed at periodic intervals that are often based on certain tasks or objectives being reached. These resources, often acquired from others, are usually difficult to obtain, forcing the entrepreneur to maximize any resources used. This multistage commitment allows the resource providers (such as venture capitalists or private investors) to have as small an exposure as possible at each stage of business development and to constantly monitor the track record being established. Even though the funding may also be implemented in stages in the administrative domain, the commitment of the resources is for the total amount needed. Administratively oriented individuals respond to the source of the rewards offered and receive personal rewards by effectively administering the resources under their control.

### **Control of Resources**

Control of the resources follows a similar pattern. Since the administrator (manager) is rewarded by effective resource administration, there is often a drive to own or accumulate as many resources as possible. The pressures of power, status, and financial rewards cause the administrator (manager) to avoid rental or other periodic use of the resource. The opposite is

true for the entrepreneur who—under the pressure of limited resources, the risk of obsolescence, a need for flexibility, and the risks involved—strives to rent, or otherwise achieve periodic use of, the recourses on an as-needed basis.

### **Management Structure**

The final business dimension, management structure, also differs significantly between the two domains. In the administrative domain, the organizational structure is formalized and hierarchical in nature, reflecting the need for clearly defined lines of authority and responsibility. The entrepreneur, true to his or her desire for independence employs a flat organizational structure with informal networks throughout.

Hisrich, PhD, Robert D., Michael P. Peters, PhD and Dean A. Shepherd, PhD. Entrepreneurship. 6 ed. New York: McGraw-Hill Irwin, 2005.