

**"ENTREPRENEURIAL ACTIVITIES
OF EUROPEAN MBAs"**

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ABSTRACT

This paper reports on three on-going, complementary research projects examining the entrepreneurial careers of MBA graduates of the European Institute of Business Administration (INSEAD). It presents three differing "generations" of MBAs, who have graduated in very different economic climates, and who are viewed at very different stages in their careers. Its purpose is to contribute to a better understanding of the career paths of those who opt for owner-management or self-employment.

The first project concerns the motivations and attitudes of current MBA participants taking the "New Ventures" elective, examining their previous experience and family backgrounds. The second project is a clinical study of a small sample of MBAs who graduated within the last ten years and who have already launched their own businesses. The third project examines the long-term careers of MBAs who graduated in the mid-60s, comparing those who have remained within large organisations with those who have become owner-managers.

It would appear that the more recent MBAs start, and intend to start, their companies more rapidly after graduation. The drive to do this is not purely the changed economic environment but also an explicit desire for independence. The current MBA participants are also motivated by intellectual challenge, creativity and freedom. A comparison of the second and third studies suggests that the more recent MBAs are able to build larger firms (and more rapidly) than their predecessors. The picture of MBA entrepreneurs built up through the interviews shows them to be opportunistically oriented, developing several business interests and making full use of their Business School network. The third study suggests that the MBAs who create small (or medium-sized) firms are the most satisfied with their professional lives, ahead of those running family firms or of successful executives, while the independents or self-employed appears to be under greatest stress.

ENTREPRENEURIAL ACTIVITIES of EUROPEAN MBAs

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INTRODUCTION

There is a widely held belief that "Entrepreneurs are born, not made". While personality is undoubtedly a major factor in determining entrepreneurship, the above belief is often perversely used to imply that the only "true" entrepreneurs are "self-made men (and women)". A variant on this latter view is the suggestion that Education (or, at least, our present educational system) actually inhibits the entrepreneurial spirit.

We believe that these views are both outdated and based upon an unduly restrictive definition of entrepreneurship. Controversial, anti-Establishment, self-made men, such as Robert Maxwell or Bernard Tapie, may, indeed, be the trees that hide the forest. There would appear to be strong grounds for expecting that education would widen an entrepreneurial individual's perception of opportunities as well as increasing his network of contacts and improving his ability to gather and manage resources. The six-fold increase in annual new business registrations in the USA in one generation (from 100,000 in 1958 to 600,000 at present) would seem to correlate better with the boom in secondary and higher education than with a major "personality change".

Business schools have long been thought of as "grooming centres" for Big Business. Over the last 10 to 15 years, the US business schools have come to recognise that many of their alumni not merely run their own show, but feel sufficiently indebted to their Alma Mater to provide substantial endowments. At Harvard and Stanford, Alumni financing represents about one-third of the total, with Corporate financing accounting for two-thirds. It would appear that these Alumni not merely run successful private businesses, but also believe that their business schools helped them be successful. Although many of these schools have now introduced Entrepreneurship courses into their MBA programmes, relatively little systematic study seems to have been made of the careers of these entrepreneurial Alumni - especially those who did not have the benefit of any Entrepreneurship courses!

In this context, two recent studies are worthy of note. David Norburn and Sue Birley (1985) have compared the characteristics of the owner-entrepreneurs of the "Venture 100" (Venture magazine's selection of the most successful young companies in the USA) with those of top management in "Fortune 500" companies. The differences in education are remarkable - nearly three-quarters of the Venture 100 owners had a University degree, compared with only half of the Fortune 500 managers; and 43% of the Venture 100 owners had an MBA, over three times the figure (13%) for the Fortune 500 managers. Inc. magazine (1986) has also reported on the educational background of the Chief Executives of the "Inc. 500" (the fastest-growing private companies in the USA - with a minimum growth rate of over 40% annually over the last five years). The proportion of graduates is about the same as for the Venture 100, but the proportion of MBAs is only 12% (does this imply a readership bias in the statistics?) - still equal to the

level of the Fortune 500. For comparison, it should be borne in mind that only about 0.5% of these managers' generation (in the USA) took an MBA - this proportion has tripled in the last 15 years.

Most, if not all, of the business schools in Europe were founded with the explicit intention of training managers for large companies. Very little research has been carried out into the career intentions and subsequent career paths of their graduates. Until quite recently, these business schools have not perceived their Alumni as being "entrepreneurial", nor have they felt major pressures from Alumni or students to promote entrepreneurship. The INSEAD Alumni chair in Entrepreneurship is believed to be a unique example in Europe of Alumni funding for a specific Faculty member in this field.

This paper suggests that the "entrepreneurial MBAs" may be more than a marginal minority of black sheep. It reports on three on-going, complementary research projects examining the entrepreneurial careers of INSEAD MBA graduates. The first project concerns the motivations and attitudes of current MBA participants taking the "New Ventures" elective, examining their previous experience and family backgrounds. The second project is a clinical study of a small sample of MBAs who graduated within the last ten years and who have already launched their own businesses. The third project examines the long-term careers of MBAs who graduated in the mid-60s, comparing those who have remained within large organisations with those who have become owner-managers.

I. CURRENT MBA ATTITUDES to ENTREPRENEURSHIP

At the start of the "New Ventures" elective, participants are requested to complete a short questionnaire concerning their personal and professional background and their career orientation. The questionnaire also seeks information on their rating of desirable job factors and entrepreneurial characteristics. The following results are drawn from 94 responses from the classes of March 1985, September 1985, March 1986 and September 1986 (corresponding to 16% of the total number of INSEAD participants).

Personal Background

Age : 25 or less = 13%; 26 to 30 = 69%; 31 or more = 18%
 86% Male - 14% Female 76% Single - 24% Married
 Nationality : European = 75% (GB = 20%, F = 18%, D-A = 9%);
 USA-Cdn = 16%; Rest of World = 8%
 Field of Studies : Tech = 42%; Econ = 29%; Other = 30%
 Professional Experience :
 None or 1 yr = 9%; 2 to 5 yrs = 64%; 6 yrs or more = 27%

Relative to the overall INSEAD population, the group is more concentrated in the 26 to age group (the proportion of 25 or less is about half the INSEAD average). The proportion with little or no experience is consequently lower. Interestingly, the proportion

of older (31 or more) participants is about average, but there are fewer participants with more than 5 years experience and fewer married participants (the average is over 30%).

The proportion of European participants corresponds to the overall INSEAD population, but the French are under-represented (average 25%). As one might expect, the North Americans are over-represented (average 12%), while the Rest of the World are under-represented (average 13%). The distribution of prior studies is very similar to the overall average, although the classes appear to attract a relatively higher proportion of participants having taken "Other Studies" (Law, Languages, Politics, Liberal Arts, etc.) (average 23%).

Own Business Background

Have you ever run your own business ?	26% (of 94)
IF NOT - Have you ever :	
- been responsible for hiring someone ?	56% (of 70)
- been responsible for firing someone ?	34% (..)
- sold anything ?	80% (..)
- sold by "cold calling" ?	36% (..)
- kept the accounts of an organisation ?	30% (..)
- approached a Bank Manager for a loan ?	54% (..)

The proportion of participants who have already run their own business is quite high. It is also surprising to find that a significant number of the others have already been exposed to "key" business decisions (hiring and firing, selling goods or services and borrowing money). It is, of course, unlikely that these figures reflect the backgrounds of the average INSEAD participant.

Family Business Background

Have either of your parents ever owned or run their own business ?	48% (of 94)
Have any close relatives ever owned or run their own business ?	72% (..)
Have any good personal friends ever owned or run their own business ?	81% (..)
Do you feel that the above people have influenced you strongly in favour of having your own business ?	54% (of 83)

The high proportions with parental business backgrounds (48%) and with "close" contact with business owners (88%) is also surprising. In view of the literature on the formative impact of such contacts, it was interesting that only 54% felt they had been strongly influenced in favour of having their own business by these contacts - this observation is reinforced by the interviews reported in Part II of this Paper.

Career Orientation

Do you have a firm view of the type of business you wish to join on leaving INSEAD ?	54% (of 94)
IF SO - Do you wish to work for (multiple replies) :	
- yourself or a firm you control ?	63% (of 51)
- a small organisation (not your own) ?	61% (..)
- a large organisation ?	16% (..)
Do you plan on running your own business at some time in the future ?	95% (of 94)
IF SO - When (multiple replies) ?	
- shortly after INSEAD.	45% (of 89)
- 3 to 5 years from now.	57% (..)
- 5 to 10 years from now.	13% (..)
- more than 10 years from now.	7% (..)

The fact that about half are still undecided on the sort of company they will join on leaving INSEAD is to be expected, since the questionnaires were completed 4 months before the end of the programme and one month before job interviews had begun. However, it is clear that a high proportion of the participants plan to run their own business or to join a small firm straight after graduating - this will include self-employment and free-lancing. "Big business" is not favoured. This contrasts with Scott's (1986) study of the attitudes of UK graduates, which found that, of the two-thirds with firm ideas about their "ideal" employers, nearly half wanted to work in large organizations and only a quarter preferred their own firm. As always, it must be remembered that this is not a representative sample of Insead MBAs.

Given the orientation of the "New Ventures" elective, it is not surprising that everybody planned to run their own business, but the planning horizon appears quite short - with nearly half aiming for "shortly after Insead" and most of the others intending to start within 5 years.

In responding to the question "Why do you plan to have your own business ?", Independence was clearly the major motivation, being cited by about half the participants. This was followed by a variety of expressions of Personal Satisfaction and Accomplishment. Money and Material Rewards appear low on the scale of motivations, being cited by only a quarter of the participants, principally among the older ones.

Rating Job Factors

Participants were asked to rate ten job factors on a scale of 1 (unimportant) to 5 (vital) in terms of their personal requirements, and also to indicate which would be best satisfied in a large or a small organisation (or equally satisfied).

Importance	Factor	Organisation size (S - L in %)
4.5	Opportunity to be creative & original	66%
4.5	Opportunity to take responsibility	57%
4.3	Intellectual challenge	21%
4.0	Freedom from supervision	52%
4.0	Interesting colleagues	2%
3.8	Opportunity to manage & to lead others	7%
3.2	Long-term promotion opportunities	-48%
3.1	Opportunity to put management techniques and training into practice	-20%
3.0	High starting salary	-42%
2.1	Job security	-73%

The ten factors have been ranked in three groups (not their original order in the questionnaire), according to participants' expressed importance. The first group of four factors may be regarded as "nearly vital", while the last group of three are clearly of minor importance. There is an evident correlation between the desirable job factors and the perception that they would be best satisfied in a small organisation.

In Scott's (1986) study mentioned above, UK students perceived similar differences between large and small companies, but with differential scores which were more favorable to larger companies. Thus, the Opportunity to be Creative and Original had a Small - Large differential of 54% in Scott's study (compared with 66% above), while Job Security had a Small - Large differential of -64% (compared with -73% above).

Rating of Entrepreneurial Characteristics

Participants were asked to rate ten entrepreneurial characteristics on a scale of 1 (unimportant) to 5 (vital) according to their perception of the characteristics of successful entrepreneurs. They were also asked to rate themselves on each characteristic relative to their peers at INSEAD.

Importance	Characteristic	I rate myself in the	
		Top 5%	Top 25%
4.5	Desire for Independence	71% (2.1)	97%
4.4	Taking Initiative	51% (1.5)	85%
4.1	Resourceful	46% (1.3)	91%
4.2	Acceptance of Risks	41% (1.2)	97%
4.3	Opportunity-Seeking	38% (1.2)	88%
4.4	Drive & Energy	36% (1.1)	85%
3.2	Moderate Risk-Taking	34% (1.0)	80%
4.3	Self-Confidence	33% (1.0)	83%
3.8	Desire to make Money	24% (0.7)	74%
3.0	Long-Term Involvement	10% (0.3)	53%

The ten characteristics have been ranked according to the extent that participants placed themselves in the "Top 5%". It will be seen that there are three broad groups: four characteristics which participants both perceive as important and feel they possess; four that participants regard as important but seem unsure of possessing; and two characteristics viewed as less important. The figure in brackets indicates a sort of "Self-Confidence Factor" (thus, 63 participants put themselves in the Top 5% of their class as regards Desire for Independence - 63 is 2.1 times the theoretical maximum (5% of 606)!).

As has already been noted, it is evident that Independence is the driving motivation, as well as being perceived as being the principal characteristic of their entrepreneurial rôle-models. It would also appear that, relative to their peers, the participants do not attach much importance to Money or to Commitment. Participants' self-evaluations on many of these characteristics are surprisingly modest, especially considering that Self-Confidence is a desirable characteristic. This may result from the artificial nature of the question, thereby precluding a meaningful interpretation of the absolute percentages.

Conclusions

This group of MBA participants is evidently self-selected (by virtue of their registration in the "New Ventures" elective). Nonetheless, they show that at least a significant minority of participants come from backgrounds which are strongly predisposed to owner-managership, and that they expect to establish their own business within five years of graduation.

Their rating of job factors and their perceptions of the differences between large and small firms is not unexpected, emphasising a strong orientation towards smaller organizations.

On the other hand, their rating of entrepreneurial characteristics is somewhat disconcerting, with its very strong emphasis on independence and lower rating of the more pragmatic aspects of entrepreneurship.

Taken overall, the picture is of a recreational approach to entrepreneurship - with an emphasis on the freedom and creativity of short-term deal-making.

II. The BACKGROUND and MOTIVATION of RECENT MBA ENTREPRENEURS

The following section reports on a more detailed examination of a small sample of INSEAD Alumni who have graduated in the past ten years and who have already founded their own businesses. The sample is composed of 13 MBAs in 12 businesses (one partnership), half located in the Paris area and half in the London area. The sample was not intended to provide a representative cross-section of all entrepreneurial Alumni, and it is clearly "un-typical" in two respects - all but one of the MBAs are resident in their country of nationality, and over 60% established their firms within three years of graduating.

Business Activities and Performance

The following table identifies the Alumni by initials, shows their year of graduation and the time taken from graduation to creating their own firm, and indicates the different business activities and their size (the "medium-sized" firms have sales in excess of £5 millions or 50 million FF, and employ about 100).

<u>Name</u>	<u>MBA (a)</u>	<u>Nat</u>	<u>Sector</u>	<u>Size</u>	<u>Activity</u>
GB	77 3	F	Service	Medium	Publishing
PDr	76 5	F	Service	Medium	Video production
PDu	75 7	F	Manuf.	Medium	Surfboards
AE	78 3	F	Manuf.	Small (b)	Textiles
CF & NW	80 3	GB	Service	Small	Finance
KH	78 0	GB	Service	Small	Investment advice
WH	76 5	GB	Retail	Small	Cheese (F)
JLM	78 3	F	Service	Small	Advertising
AP	83 0	GB	Service	Small	Insurance
MS	76 0	GB	Manuf.	Medium	Small engines (L)
AS	76 6	F	Wholesale	Med-Small	Frozen food (S)
RW	76 8	F	Service	Small	Technology consulting

(a) - Year of graduation, and time (in years) to start-up.

(b) - small by virtue of extensive use of sub-contractors.

(F) - recently failed, owner now in property development.

(L) - loss-making.

(S) - recently sold to partner, following financial problems.

It will be seen that most of these companies are small and based on services using the founder's know-how. However, a quarter are in manufacturing, and several have reached a reasonable size, considering the relatively short time since their inception. It is interesting to observe that all three "unsuccessful" cases (noted F, L and S) correspond to firms where the founder was not familiar with the business before entering it. Of the nine other businesses, only one has a founder who is "new" to the activity (AE moved from children's books to textiles).

Family Background

Despite the much-reported link between rôle models in the family and entrepreneurship, only five of the thirteen interviewees had

entrepreneurial families (2 fathers, 2 grandfathers and one uncle). One other had an "unconventional" father.

"My grandfather was an entrepreneur, and had his own public works contracting business; I can still remember the fun of going with him on his trucks, back in 1955, and the feeling that he had about his company. Although my father elected not to continue with the business, he was always a man who did things for himself." (AS)

"My parents were both mathematics teachers and had very little money, but my uncle made lots of money from his furniture business. That was my initial motive for going into business, since it gave me the impression that it was very easy to make money for yourself." (GB)

On the other hand, in five of the seven cases of non-entrepreneurial origins, the parental background was mentioned specifically as being very conventional. In these cases, entrepreneurship appeared to be a clear reaction against the heavy conventionality of childhood.

"My family always emphasized the benefits of working for a large company which took care of its employees. My father was a banker and often spoke of the importance of a good position with a large firm. Someone who ran his own business probably did so because he had no choice, because he did not fit into the class norms expected in certain organizations." (PDr)

Finally, there was some evidence of a link between being the eldest son and undertaking an entrepreneurial career, though this can also be a "reaction" effect as much as the advantage of primogeniture.

"I was the eldest son, but my parents always considered my younger brother to be better at school than I was. I wanted to prove something to them and so I worked very hard to get into a good University." (GB)

Partnership

Somewhat surprisingly, considering the apparent tendency (noted in Section I) for MBA entrepreneurs to be heavily independence oriented, the vast majority of the cases (10 businesses out of 12) involved partnerships. Of these, five were close operating partnerships - one between two MBAs who had been through INSEAD together. In many cases the central idea for the company came to them as part of a "package", including a friend or someone that they trusted. There also seemed to be a clear division of labour between the partners.

"Nigel is a good complement to me; he is incredibly thorough, goes into a lot of the detail, checks everything, and generally works much harder than I do. I am more in a merchant banking rôle, doing the deals and arranging finance. I was in business for a year before Nigel joined me and the worst thing about that was wondering all the time, "Am I actually working hard enough?". With Nigel around, its much easier to see that we are making progress." (CF)

"Pierre has played, and continues to play, an essential rôle in the success of my business; I know that I can test my ideas on him, and he cheers me up when I get down." (PDU)

Partnerships are renowned for being difficult to maintain, and four cases of breakdown were reported, a 40% failure rate in about five years. In two of these cases, the breakdown was cited as one of the main causes of business failure. However, the MBAs seemed optimistic about establishing future partnerships.

"One of the major questions about starting your own business is, should you have associates? I think that, on balance, I would take them on again, despite the problems that I have had. The situation is analagous to being married. It is very important to work out your mutual expectations at the start." (AS)

"I have had two partnerships, of which one has failed. This latter project started after a chance meeting with an old acquaintance. He suggested a business opportunity and I put up all the capital. He turned out to be very unreliable and I had to pay him to leave the company, because he was killing it. It is important to have a partner you can trust implicitly. this has become my golden rule." (WH)

Opportunism

The great majority (11 out of 13) of these entrepreneurs are also participating in other ventures "on the side". They do not see themselves as being in any particular business, but as being deal-makers operating around a core activity. They underlined the importance of keeping options open and preserving contacts with people outside the principal business area.

"I have taken on some new ventures, including 50% of a music company and a small investment in television. I have received many proposals, and it is difficult to say no to people; but I am not reinvesting everything." (GB)

"I am always interested in a new venture. For example, a friend has an idea for a new type of forest fire detector which we may try to sell to the Government." (PDr)

Personality - Control and Independence

Most of the interviewees would be considered "strong personalities" and many admitted having had difficulties in fitting into established large organizations. Amongst problems cited were slowness of promotions, politics, inability to get on with superiors and battles over money. Several admitted to being "difficult to get on with" and to having idiosyncrasies which made it hard for them to fit into the normal structure of work.

"A lot of people at INSEAD had said that I might not be diplomatic enough to work for a big company. In most big companies I could not choose the clothes I want, choose the car I like to drive and I certainly could not bring my dog to the office. I would never be

accepted because the firm would view me as anti-social." (JLM)

Many of the interviewees were uncomfortable with the political processes that govern large organizations and disliked the ambiguities and the delays. They preferred the "straight forward" challenges of the market place.

"At the age of 36, I asked myself: "What am I doing with my life? In 10 years, I shall be a general manager and, when I look at my general manager, I don't want to end up like him!" The nationalisation of the company meant that my job had become highly political and I was spending 70% of my time solving artificial problems." (AS)

"Working at (my previous job), I found out that I had many difficulties in supporting structure, especially in being under the control of a boss. To succeed, you need not only to work hard, but also to be able to do diplomacy. I also thought the people under me were not very good. So, when I started my own company, it was not really for money, because I was already very well paid, and I didn't make anything from the business for the first two years, but more because of the structure problem." (GB)

"When I was working for a big company, I found that the slow process of waiting to take somebody else's place was very wearing." (AE)

There were also battles over money. In two cases, this was directly responsible for the break. In both cases, the interviewee had taken over a loss-making or small operation and had built it rapidly to a situation of healthy profitability. The owners then started to take a much closer interest in the venture and disputes ensued.

"The organization was a real mess when I arrived and it took me several months to get everything under control. The fund did very well under my direction, perhaps too well. The relationship between myself and the Board began to go sour after about a year. They thought I had too much personal control over the fund. When I returned from a business trip I found a letter of dismissal on my desk. Considering what I had done for that company, I was furious. I threatened to sue and they settled out of court. From that point on, I vowed never to work for anyone else again." (WH)

Some of the interviewees completed a test of "locus of control" and showed a strong internal locus of control. This expresses itself in a strong need to control their environment, with an inability to accept a boss and, once in their own business, with an inability to let go of the business or to trust their subordinates. Often this difficulty comes out in a sense of bitterness about mistakes that have been made in trusting people.

"You need lots of precision to run a business. I have learned by mistakes that it's important to go into the smallest details of things even at my level. Some of my biggest mistakes have been in trusting people, and I have lost 1 or 2 years in terms of product development. Is there a science of hiring people? I don't know." (PDU)

"Finding the right people has always been a big challenge for me. I don't think that I have a very good character and I feel that employees have to learn to adapt to the way I do business and the environment I want to have in the office. I never worry about letting someone go, because it is very important to be able to trust your employees all the time." (JLM)

This desire for control may run counter to the requirements of growth. Starting any new business requires a close attention to detail, and later on the entrepreneur needs to relinquish direct control of the details if he is to allow growth. In some cases, the interviewees had set clear limits to growth in order to maintain control.

"I have a fair number of people working for me, but I need to control them. It's not good to leave people alone and, as I grow, I have to accept that my profit margins will fall, since I can't be everywhere at once. I think that four magazines are enough; the more people you have, the more you have to fire." (GB)

"I like to have complete control of the day to day operations of the firm and I check all material thoroughly. For these reasons, I do not foresee much growth beyond the 7 or 8 people that I currently employ. I like to bring in relatively inexperienced people and have them learn the business my way. I want to retain overall control and with a small-sized firm I know that I can." (JLM)

Money

Money did not appear to be a main motivating force. Only one interviewee (the oldest) mentioned it as being a decisive factor. Some felt that the prospects of a capital gain were more attractive than that of a steady salary, but this seemed to be more related to the control issue (a desire for the entrepreneur to control the fruits of his efforts, rather than see them allocated arbitrarily elsewhere).

"The profits we were making were going to cover losses in other areas of the group." (AP)

Many of the interviewees were already acting as "intrapreneurs" in their previous organizations and their logic appeared to be: "since we are busting a gut anyway and taking the responsibility, why not do it for ourselves and reap the rewards as well?" The desire to be "entrepreneurial" appears anterior to the desire to make money.

"When I was working for (my previous employer), I realised that I was dedicating myself totally to the business, but I wasn't always getting the full return. I thought that, since I was having the headaches anyway, I might as well have the benefits too. I do expect material returns, but it is not an obsession with me. Money makes life easier, but I don't push profits to the limit. Some people always express success in terms of percentages, but I concentrate on building good relationships." (AE)

Many of them took the view that the way to earn lots of money is to work for a large company, rather than being in your own business.

"I understand that people in the City are now paid huge amounts for doing what I was doing, but I like business and I think it was very good for me to come here. Although money is important as a way of showing success, and we have always paid ourselves reasonable salaries, I'm not too concerned about the money side of things." (MS)

Clearly, non-monetary rewards were very important, such as building something tangible, having fun, being respected by customers, etc.

"In essence, I think that I like running my own thing because I "like" difficulties, or at least I accept them as being part of my way of life. I also have a strong need to create and develop things." (PDU)

"It was great fun talking to merchant banks and moving machines around. My degree was in History, so it was interesting to learn how machines worked." (MS)

Attitudes towards Risk-taking

In almost every case, they had prepared very detailed business plans (probably due to their formal training) and were very aware of the need for detailed market forecasts. Although, objectively speaking, they may be facing higher risks than in salaried employment, their perception was one of facing more acceptable risks. They seem to feel that they can control the risks of the market place through careful planning, whereas the risks associated with being at the mercy of someone else's arbitrary judgement are much more difficult to cope with.

"Ultimately, starting your own thing is less risky than being employed, because you have control of your own destiny; you don't have to get on with your boss." (NW)

Few of them had staked everything on the business. They had been able to arrange financing without guarantees, perhaps because their formal business training and qualifications gave them above-average credibility with the financial institutions.

"We have been close to bankruptcy a couple of times. The biggest burden is the possibility of disappointing those who have trusted you. But I have never been one to put everything on the line. I know some people who engaged their house and their mother's house, but I think that that would interfere with one's commercial decision-making." (PDU)

On the financial down-side, many of them felt that they had little to lose.

"I did not have many responsibilities, just my dog and my horse, so there was really nothing to lose." (JLM)

"I've never had much money, and therefore I've never had the sense of giving it up." (MS)

On the other hand, they did have a real sense of risking their credibility and careers.

"The biggest risk was simply the risk of failure itself. I would have been out of the market place for a few years and been branded by the business community as not only a failure but as someone who can't work with others." (CF)

Lifestyle

In only one case was lifestyle important (the desire to have a more flexible work situation in order to enjoy non-work activities).

"I don't want to work too hard and I want to have time to buy more art and to enjoy my collection." (WH)

One interviewee mentioned that the drop in his standard of living and the constraints his business placed on his family life were major factors in his decision to sell out to his partner. In general, the attitude was that one had to make sacrifices in order to run one's business.

Impact of the INSEAD MBA Programme

Interestingly, the greatest benefits cited are in the "people" area - through the Organisation Behaviour course and the wide network of personal contacts among Alumni. Technical management skills appear through the fact that interviewees gained confidence in their management abilities and gained credibility in the eyes of financiers and the business environment. The Small Business and Creating Your Own Business courses (not regularly offered during the period 1975 to 1980) received mixed reviews - useful to some, criticised for operating "in vacuo" by others. Several interviewees did not consider the course, since they were not envisaging their own businesses.

"When I applied, I wanted the chance to think about the future and to change perspective for some time. At INSEAD, I found lots of people to talk to about business in general and entrepreneurialism in particular. As an entrepreneur, I am glad that I have the background that INSEAD gave me in many different areas. It makes it much easier to deal with other MBAs in a business situation, allows me to see through the bull-shit and ask the right question. It also provides a wonderful network." (KH)

"A real entrepreneur doesn't need to go to business school. He'll just go out and make money. However, I suppose that one learns a lot about dealing with business people in O.B. and it is important to be confident on the finance and marketing sides, especially if they are not your forte." (WH)

CONCLUSIONS

Given the limited scope of this study, it is only possible to draw some tentative conclusions about recent MBA entrepreneurs.

- There is no clear evidence of a link between the family background and entrepreneurship. In a significant minority of cases, the subject appears to be deliberately rejecting a conventional family background in starting his own business.
- Partnership emerged as a very strong force, which is somewhat surprising in view of the equally strong emphasis on independence and control. It may be that these partnerships are still too recent to see the long-term balance with the drives for independence and control. It is also possible that the technical nature of many of the businesses required know-how and support from other parties.
- The interviewees generally conform to the extraverted "entrepreneur as innovator", with their emphasis on opportunism, using networks and deal-making, rather than the introverted "entrepreneur as craftsman" model.
- The desire for independence and control over the environment appear as the main motivating factors. There is a high degree of agreement between the interviewees that this is the central reason for their entrepreneurship. These factors have made it difficult for many to work in larger organisations, and also have lead some to set limits on the growth of their own companies.
- The interviews show that money is not really a major motivating factor in itself. Money seems to have a symbolic value, denoting success. It is likely that most of them are too busy to have time to spend it in any case. Non-monetary rewards, such as satisfaction, fun and personal relationships, appear more potent.
- In terms of risk, the picture is one of calculated risk-taking rather than impulsiveness. The strong need to prove something to themselves and to the world in general, and to control their own future, precludes the taking of rash decisions.
- The benefits of the INSEAD Programme to these entrepreneurs appear more in terms of "people skills" than in improved management techniques. This reinforces the view of the importance of "entrepreneurial know-who" over "entrepreneurial know-how".

III. The CAREER PATTERN after 20 YEARS

The present study updates two earlier examinations of the career paths of INSEAD MBAs graduating in the mid-60s. Jean-Claude Willig (1970) studied the career aspirations of a large sample of about 800 MBAs in Europe (60% were INSEAD graduates, and 40% were American MBAs). In the context of the present study, his most interesting finding concerned the graduates' views of their employment patterns after 5, 10 and 15 years.

"What sort of company do you plan to work in ?"

	Now	in 5 years	in 10 years	in 15 years
- In a large company	39%	26%	23%	22%
- In a small or medium-sized firm	43%	42%	25%	17%
- In your own company	12%	26%	43%	44%
- In a non-profit organization	6%	6%	9%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Bearing in mind that "Small was hardly Beautiful" (this study was contemporary with the Bolton Report on Small Business in Britain), it is surprising that such a large proportion of MBAs were already expressing the intention of running their own business by the time they were about 40. It also effectively answers the somewhat cynical view that the move to small firms only follows failure in large firms. Unfortunately, the original replies were not stored (and were probably anonymous), so it is not possible to relate intentions and practice at the individual level.

Five years ago, one of the present authors (Vickery, 1982) examined the entrepreneurial activities of a 20% random sample of MBAs graduating from INSEAD in 1965, 1966 and 1967 (i.e. roughly 15 years after graduation). The main findings of this study were:

- A quarter of the MBAs had created their own businesses. Half of all the MBAs had been involved in a creation, personal acquisition or owner-management situation at some time since graduation. Over a third were active owner-managers or self-employed at the time of the study.
- Among the 21% of MBAs with a family business background, one third were running the family firm, one third had left to set up their own business and the remaining third had left for a salaried job.
- There was no particular correlation between Age, Educational Background or Nationality and Entrepreneurship, except that German MBAs were particularly unlikely to establish their own firm. There was a marked correlation between international mobility and entrepreneurship - 38% of the MBAs living outside their country of nationality (nearly one third of the total) had set up their own firm, compared with 21% of those who resided in their "home" country.
- A curious finding was the relationship between Age at Graduation and Entrepreneurship. MBAs who graduated at 25 or younger were more likely to set up their own firm (52%) than those who

graduated later (15%). They also set up their businesses more rapidly after graduation (2 to 13 years, average 6.8 years) and cited idealistic reasons (creativity, independence), compared with 6 to 14 years (average 11.8 years) and materialistic motivations (building up capital, family illness).

- Virtually all the new businesses were in the tertiary sector, and many corresponded to self-employment (consultancy, brokerage, etc.). The manufacturing businesses were mainly inherited family firms.

The recent Twentieth Anniversary of the 1966 graduates provided an opportunity to update the information through the Anniversary Year-Book. Half of the Class responded to a personal questionnaire and provided a curriculum vitae.

The questionnaire showed that the move towards owner-managership had continued during the past five years:

- 12% run the firm they created and employ more than 5 staff;
- 16% are self-employed or employ 5 staff or less;
- 13% run a family business;
(44% being the wife's family)
- 12% own a share of the equity;
(25% own 25-50%; 12% own 10-25%; and 63% own under 10%)
- 46% are in none of the above cases.
(12% of these will "certainly" or "probably" create or buy their own company; and 32% "may" do so)

(N = 67)

Type of Business Activity

Since the purpose of the questionnaire was to gather personal information, only very limited data is available on the companies concerned.

Most of the MBA-founded companies are in the tertiary sector, but a third are in manufacturing. Employment levels are split evenly between the 6-25 category and 26-200 employees. The self-employed and small independents are virtually all in the consulting or financial services field, except for two in the retail business. The family businesses are significantly larger, with a third employing over 1,000, and the majority being in manufacturing.

As regards the timing of start-up, the first off the mark were the MBAs moving into family businesses - which they joined within a couple of years of graduation (maximum 6 years). The companies with more than 5 staff were (with one exception) established in the 1970s, when the MBAs had had about ten years of post-INSEAD experience. Self-employment and the smaller firms appear more recently - 60% of them dating from 1982 onwards.

In the following analysis, it is useful to compare the replies of the different categories of MBAs, even if the sample sizes are insufficient for the differences to be more than indicative. The following categories have been used:

- C (Creator) = Founders of firms employing more than 5 staff.
- I (Independent) = Self-employed or employing 5 staff or less.
- F (Family) = Managers of family businesses.
- S (Share) = Those with equity stakes.
- P (Potential) = Those who "may" start their own firm.
- E (Executive) = All other cases.

International Mobility

The MBAs live up to INSEAD's international reputation, with over a third living outside their "home" country and a quarter having a "foreign" wife. The finding of the previous study about the relationship between international mobility and entrepreneurship seems to be confirmed, as may be seen from the following table:

	C & I	F	S, P & E
- Residing "abroad"	53%	11%	36%
- "Foreign" wife	37%	22%	23%
	(N=19)	(N=9)	(N=39)

Professional Satisfaction

A number of the questions addressed various measures of job satisfaction. Although most of the MBAs seemed very satisfied, there were some clear differences between the categories.

	C	I	F	S	P	E	
- Job Satisfaction (on a scale of 1 to 4 = "very satisfied")	3.7	3.6	3.4	3.7	3.1	3.7	
- Salary Level (on a scale of 1 to 5 = "very well paid")	4.6	3.8	4.1	3.8	3.4	3.9	
- Average Working Week (in hours)	49	58	52	59	54	52	
- Wife's perception of workload (from 1 to 4 = "works too much")	3.3	3.5	2.8	3.0	3.3	3.2	
- Desirable changes in professional life (1):							
- more free time	**	***	*	***	**	***	69%
- more pay				*	**		23%
- different people						*	18%
- more security		*		*		*	17%
- different work				*			12%
- more power						*	11%
- more job satisfaction					*		12%
	(N=7)	(N=11)	(N=9)	(N=8)	(N=14)	(N=16)	(N=65)

Note 1: multiple answers (up to 3 per respondent) possible.

*** = more than 75% of respondents cited this change;

** = 50 to 75% of respondents cited this change;

* = 25 to 50% of respondents cited this change.

It will be seen that "satisfaction" can be interpreted in a variety of manners. At the overall level, as perceived by each individual, it would appear that differences are minor between the groups, though the Family business owners do not seem to be as satisfied as their fellow-MBAs and the Potential Entrepreneurs are clearly less satisfied.

In terms of salary, the Creators believe they are "very well paid", followed by the Family business owners ahead of most other groups, though the Potential Entrepreneurs believe they are least well paid. They are also the only group to be seriously seeking "more pay". It must be remembered that this question did not address the question of absolute remuneration, but asked whether the MBA felt he was "well paid". Since the phrasing associated pay with potential job mobility, the higher scores of the Creators and the Family businesses may correspond to their lower job mobility.

It is not clear why the longest hours should be worked by those with an equity share, particularly as their wives do not seem to feel that they are working "too much"! It does seem, however, that the Independents work the most, and 90% of them cited "more free time" as a desirable change. It is interesting to see that the wives of the Family business owners had the lowest perception of their husbands' workload, perhaps they were conditioned by the workload of their fathers. The range of working hours was higher among the owner-managers (C, I & F) than among the salaried managers (S, P & E) - two-thirds of those reporting working weeks of less than 40 hours were in the former group, as were half of those reporting over 60 hours.

It will be seen that the owner-managers (C, I & F) seek distinctly fewer changes in their professional lives. The Creators and the Family business owners seemed very contented with their jobs. The Independents were virtually unanimous in seeking more free time and also were concerned about their job security. The salaried managers are keen to have more free time, but also have a number of other sources of dis-satisfaction. Curiously, a significant minority of those with an equity share sought more pay. The Potential Entrepreneurs convey an impression of seeking to change because of frustration.

Impact of INSEAD

The questionnaire asked about the impact INSEAD had made on the MBAs' professional lives. The main difference between the categories was in the proportion of "Don't knows". For most categories, about a quarter used this reply, but the proportion rose to 44% for the Independents and fell to zero for the Family business owners. A similar result could be observed in response to a question on whether the MBAs would like their children to attend INSEAD (30% replying "Yes, definitely"!) - the Independents were least enthusiastic, while the Creators were the most enthusiastic.

Test of the "Age Effect"

This study seems to reverse the idea (reported in Vickery, 1982) that Entrepreneurship is more frequent among young MBAs. Of the 8 Creators, only one was 25 or less at graduation, while the proportion of Independents equals the average age distribution (one-third of the respondents were 25 or under at graduation). There was no clear relationship between Age and the timing of start-up.

On the other hand, the Family business owners and the Potential Entrepreneurs were significantly younger than average (55% and 60% being 25 or younger) - conversely, the Executives were older (only 2 out of 19 being 25 or less).

CONCLUSIONS

This examination of MBAs twenty years after graduation shows a continuing movement towards Entrepreneurship, with two-fifths running their own business and a further sixth owning an equity share.

Comparison of the different categories of MBAs permits the following overall observations:

- Creators appear well-satisfied with their professional lives, seeing themselves as well-paid. While some appear to have contained their work-load, others put in long hours.
- Independents appear to be the most over-worked, both to themselves and to their wives. They remain relatively satisfied with their jobs and their remuneration.
- Family business owners appear to be the least stressed and to seek the fewest professional changes, while also being well-paid. If they show a little uncertainty about their satisfaction, they firmly believe in the positive impact of INSEAD.
- Executives, whether with an Equity stake or not, declare satisfaction with their jobs and their pay, but would like a number of changes to their professional lives - especially more free time, but also greater security.
- Those Executives who still consider branching out on their own show clear signs of dis-satisfaction, both with their jobs and their pay. They appear to be drawn from the younger MBAs.

OVERALL CONCLUSIONS

This paper set out to present three different views of MBAs and to contribute to a better understanding of the career paths of those who opt for owner-managership or self-employment. The differing approaches adopted in the three studies preclude direct comparison. In any case, the MBAs concerned are of three differing "generations", graduating in very different economic climates, and are viewed at very different stages in their careers.

Beyond the conclusions of the individual studies, it would appear that the more recent MBAs start, and intend to start, their companies more rapidly after graduation. The drive to do this is not purely the changed economic environment but also an explicit desire for independence. On the basis of the sizes of the companies examined in the second and third studies, it also seems that the more recent MBAs are able to build larger firms (and more rapidly) than their predecessors.

There remain two implicit questions for the teaching of Entrepreneurship. Firstly, should Entrepreneurship courses within the MBA curriculum be designed for the general requirements of "MBA entrepreneurs", or should they be targetted to the type of MBA participants examined in the first study? Secondly, how best should we serve those MBA participants who have only a limited interest in Entrepreneurship during the MBA programme, but who choose to start or to acquire their own business later in their career?

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