

OD and Entrepreneurship Converge: Building Effective Entrepreneurial Organizations

Meghan C. Wright
Texas Wesleyan University

Entrepreneurship continues to rise at record rates with men and women alike contributing to the overall economy through startups and growth of existing small businesses. With women entering the entrepreneurial arena at record rates since the 1980s, the overwhelming majority of research to date is devoted to an exploratory analysis of the phenomenon examining relationships, traits, and typologies into general streams. Although these are worthy of the specific implications discussed and assist in the continued advancement of females, they generally do not assist with understanding the process of entrepreneurship. Specifically, our nascent research lacks a clear understanding of how to achieve success; specifically as seen through overcoming the barriers to entrepreneurship (product, financial, marketing, and human capital development). This paper will discuss the role of Organization Development and its position in conducting research that informs consulting practice to assist females in creating effective entrepreneurial organizations.

INTRODUCTION

With women entering the entrepreneurial arena at record rates since the 1980s, the overwhelming majority of research to date is devoted to an exploratory analysis of the phenomenon examining relationships, traits, and typologies into general streams. Although these are worthy of the specific implications discussed and assist in the continued advancement of females, they generally lack the information needed to support female entrepreneurs in creating effective entrepreneurial organizations. Additionally, the biggest barriers to female entrepreneur success in the US have been found to be inadequate product, financial, marketing, and human capital development (McCarthy, 2000; Roberson-Saunders, 2001; Kauffman Foundation, 2009) which could be minimized by knowledge gained through empirical research studies.

According to the American Express OPEN report, the number of “women-owned firms increased by 59%” between 1997 and 2013 (American Express OPEN Report, pg. 2). Speaking in terms of impact to the economy, the OPEN report further estimates that “there are over 8.6 million women-owned businesses in the United States, generating over \$1.3 trillion in revenues and employing nearly 7.8 million people” (American Express OPEN Report, pg. 2). This increase is due, in part, to females “opting out”, the latest catch phrase for women leaving corporate positions for alternative career paths such as entrepreneurship (West, 2011; Belkin, 2013). This rise in female self-employment appears to have been largely caused by an increase in the number of women in the labor market as a whole (Carter, 2000); however, there is currently no empirical evidence to date that supports that theory and correlates these two phenomena.

While these reports are impressive, it necessary to remain grounded in how these female entrepreneurs are successful and how long it takes them to get to that point. By this, it is being stated that more can be done to assist with overcoming barriers to success and continuing to grow thee numbers in these reports. Through research, it will be possible to develop education curriculum, training programs and general advising that assists with product, financial, marketing and human capital development. It will guide consulting work by providing a better understanding of what is needed to create an effective organization through development of key Organization Development (OD) principles. Finally, the ability to encourage larger numbers of females to enter into entrepreneurship in the US will emerge. The trait and typology literature has been beneficial with giving us an image of the entrepreneur as a craftsman or opportunist and the personality traits associated with both (McCarthy, 2000); however, additional social learning theory research developed via social and behavioral factors from the environment will offer a model for female entrepreneurs to follow for success of the business while simultaneously enjoying quality of life.

LITERATURE REVIEW

Barriers. The biggest barriers to female entrepreneur success in the US have been found to be inadequate product, financial, marketing, and human capital development (McCarthy, 2000; Roberson-Saunders, 2001) which could be minimized by knowledge gained through empirical research studies. In addition to this, the lack of education and training is a critical factor determining success of the entrepreneurial endeavor. The education process needs to include education “about” entrepreneurship followed by education “for” enterprise, with education “in” enterprise to follow (De Faoite et al., 2003: p. 432) to teach knowledge of leveraging human capital, financial backing, and adequate marketing of the product or service. With this additional multi-stage process, the entrepreneur will be equipped to manage the components of starting the business and moving through the growth phase. Thus female entrepreneurs enjoy quality of life through work/life balance, flexibility, job satisfaction, and rewards many of the traits anecdotally recognized as reasons for exiting a corporate career (Catalyst, 1998; West, 2011).

According to Drucker (1995), the “lack of capital is the most crippling ailment of infant enterprise” (as cited by Henry, Johnston, and Hamouda, 2006; p. 259) and continues to be an ongoing crisis for startups and businesses desiring to obtain financial backing for additional growth. An explicit need to understand these financial barriers that may be “crippling” females will create policies and procedures for females to gain funding. If it is not discovered, it will only perpetuate low levels of females entering entrepreneurship and succeeding through it (Henry, Johnston, and Hamouda, 2006).

Born versus made. It is not well known whether entrepreneurs are born or made and with this being a contentious argument circling for decades, the author will choose the middle road and agree most entrepreneurs can be one or the other or both. It is fair to say that whichever type of character the entrepreneur holds - born, made or both - much can be learned to enhance the entrepreneurial experience directly impacting the success rate and profitability of the business. Combining this born versus made argument is much like a marriage among the arts and the sciences. Blending these two styles together creates a successful environment for the entrepreneur. In order to facilitate a basic understanding of entrepreneurship, the author argues educating everyone on skills and strategies for starting and building a business.

Growth. We continue to know much less about female entrepreneurship than the male counterparts since females lag males in the number of businesses started and sustained beyond the startup phase. Additionally, we know that fewer women than men are successful in entrepreneurship and they also possess fewer years of managerial experience. They also grow slower than men with growth and profitability being less of a priority than men. The reasons why females enter the entrepreneurship arena, however, is yet to be determined confidently (GEM Report, 2011); however, research does exist to suggest that women are entering entrepreneurship via motivation to balance work and family as opposed to significant financial rewards. Fischer et al., (1993) report the contrary, in that, females report higher financial motivation as a reason for entering entrepreneurship (as cited in Brush, et al., 2006). This

extends beyond the scope of this paper; however, it is relevant to this paper as it will be a tie to entrepreneurship research needed in the field of organization development as per its application to quality of work life.

The lack of growth by females as opposed to the male counterparts seems to be a contentious topic. Some research suggests females intentionally do not grow in an effort to maintain a sizable business that is still manageable (Brush, et al., 2006). This is done to meet needs of the family while engaged in an entrepreneurship endeavor. This supports the notion that quality of life is more desirable than building financial wealth through the growth of the business. Strategically, it speaks to the knowledge of females to give due attention to the personal value system and not allow other factors to impede.

Entrepreneurship and the Economy

In order to stabilize the economy in the US, the ubiquitous question is related to where the jobs will come from to assist with this process. After reviewing the literature on entrepreneurship, the answer is easy. Entrepreneurship statistics contribute to net job creation in the US (Blume-Kohout, 2014). This is coupled with the entrepreneurial boom globally. The global outlook for female entrepreneurs has never before been so promising; “one in ten women” were reported self-employed in 2005 with up to “one third” of all businesses in developing countries owned by women (McClelland and Swail, 2005; p.84). This revolution has been a boom for females and entrepreneurship alike since the 1970s; however, there remains a gap in the number of females in entrepreneurship compared to their male counterparts. Specifically, the number of females in entrepreneurship worldwide is lower than half of that of men (Minniti, 2010). The gap is in need of attention specifically to assist females with a plan or model to move them through the startup phase and into the growth phase so sustainability is realized. This can be done through training and education as well as networking among entrepreneurs to include a mentoring process. However, first the entrepreneurship phenomena must be understood.

Entrepreneurship has been suggested to include “the teaching of skills, knowledge and attitudes for people to go out and create their own futures and solve their problems” (Jamieson, 1984; p.19 as seen in Da Faoite et al., 2003) which is a very general definition that covers a broad spectrum. Perhaps a more detailed and narrower approach to a definition comes from experiential knowledge as spoken by current entrepreneurs.

If we believe that entrepreneurship is the gateway to an economic recovery and economic robustness then the road to get there is understanding entrepreneurship in detail beyond the general streams researched thus far. Integrating it with training and education to provide more opportunities as well as the tools to be successful once embarking on an entrepreneurial endeavor are necessary. Specifically, the sector of entrepreneurs known as females is important so the development can be extended to understand what motivates them to begin entrepreneurship. The gender gap has been studied generally; however, the literature does not indicate a trend to identify the gender gap in entrepreneurship nor the increase number of females entering entrepreneurship in the last few decades. It also does not speak the staggering rates of failure by females as a result of not being able to create an effective entrepreneurial organization.

Trends in Entrepreneurship – US

For the last three decades, nearly all net job creation in the US has come from young firms, contributing nearly 8 of the 12 million jobs reported in the 2007 Census data (Stangler and Litan, 2009). This continued growth in entrepreneurship is being fueled by females seeking to gain some autonomy, authenticity, and balance in the work and life domains. The ability to gain in these three dimensions or some part of these three is appealing specifically to females within middle management positions in corporate America. Thus, the importance for the field of organization development to elevate their role in the research of entrepreneurship and understanding how to create effective entrepreneurial organizations for females to enjoy these quality of work life aspects.

History of Female Entrepreneurs

For the last three decades, the United States (US) has seen record numbers of new firms, startups, which has been the primary reason a net job creation statistic has been reported annually. With the number of jobs created by corporate America, large firms, and the additional downsizing by other large firms, the job creation is a negative net creation until the number of jobs created from startups is added to the roster. With each new startup adding an average of 4 jobs, the impact being made on the economic environment is worth noticing. This startup phase is known as “birth” to five years at which point the firm becomes no longer regarded as a startup. (Stangler, 2009; The Kauffman Firm Survey, 2009; GEM 2013)

Although many new firms are starting and females are overwhelmingly entering the entrepreneurial journey, the success rate still begs attention. The male counterparts are outperforming the females in profitability, employment, and payroll activity (The Kauffman Firm Survey, 2009) and have a distinct disadvantage in the business credit score. Therefore, men are able to gain more financial capital through bank loans and other private resources that females can't which immediately puts the female-owned firms behind the male counterparts. Additionally, this funding gap could be one of the primary indicators of success as the female-owned firms seek to survive through the startup phase with such limited financial capital. Specifically, over sixty percent (60%) of these firms are starting with less than \$25,000 while nearly sixty-five percent (65%) of the male counterparts start with \$25,000 or more. With forty-five percent (45%) of female-owned firms being sole proprietors, it is evident that building assets and revenues to a point of sustainability could be a daunting task for many of these females seeking an entrepreneurial career. (The Kauffman Firm Survey, 2009)

There is a common thread throughout this paper and review of literature. In general, females desire integration of work and life obligations with a desire to make society better through the entrepreneurial venture. This may be related to an environmental or service oriented business or a retail/wholesale business that seeks to offer a product purposed to make some aspect of society or life better. In sum, the overarching goal of these females is related to a better quality of life for the female entrepreneur that ultimately filters down to the family unit through more integration among the work and life coupled with improving society for the future of the family unit or next generation. This was visible in articles read albeit the performance gap that continues to exist between female entrepreneurs and their male counterparts.

Firms younger than five years of age, the young firms, are the most volatile in terms of failure and job destruction yet the least amount of attention is being directed toward this cohort. Specifically, most findings on survival rates report “roughly a third of new firms fail to survive to age two.” (Stangler and Litan, 2009, pg. 11) It seems fitting to begin looking at the reasons why these firms are failing and find ways to reverse this negative effect on net job creation each year.

METHOD

Procedure and Participants

Data was collected from females who had exited a corporate career track or large organization during the 21st century. Participants were invited to participate in this research via multiple methods: the Women's Business Development Center (Chicago) sent out a call to membership in a monthly newsletter, the research was introduced at the 2012 Greater Chicago Leadership Summit, and professional social media venues were also used. Females interviewed were from all regions of the United States with one managing her Midwestern business from London. Not only are these females busy with their small businesses, they are also occupied by motherhood either in the advanced stages of child-rearing or beginning stages

The positions held by these females varied from manager of a department such as human resources or marketing to executive vice president of a large corporation. Only a few of them had exited before tracking to the management level.

The average age of these females was 48 years old, with the two youngest participants at 29 and 30 and the oldest at 71. These females told a story of the present but also reflected on how their perceptions

and views have changed as they have endured changes in their life. For example, some noted how they view things differently with grown children versus being immersed in the child-rearing years.

In addition to holding important positions in the large organizations or corporations, they were also well educated, with two having a Ph.D., two a J.D., eleven a master's degree, and four a bachelor's degree.

These females had exited from companies on the Fortune 200 list, with some of those listed on the Fortune 100 list in 2012. The remainder of the participants were from very large organizations and corporations that were not on the list or not large enough to be publicly traded and recognized by *Forbes* (2012). This annual list is variable as it seeks to name America's best companies to work for. This is not to imply that these females exited a company when it was in a specific position on the Fortune list. However, history has proven that many companies stay in close proximity to the previous year's rank, and thus it can be inferred these companies were doing well at the time these females chose to leave their company.

This participant information is summarized in Table 1.

**TABLE 1
PROFILE OF PARTICIPANTS**

Industry	Number of Participants
Consulting	4
Financial/Technology	3
Insurance	1
Journalism	2
Manufacturing	1
Public Service	2
Utility	2
Title	Number of Participants
Executive	2
Senior Level	2
Manager	3
Managing Director	3
<i>Note: Some did not hold a title.</i>	
Degree	Number of Participants
Doctorate (includes Juris Doctorate)	4
Masters/MBA	10
Bachelors	15

Note: Some held multiple degrees

Measures and Process

The study was designed to gain insight into the reasons these females left the corporate career while building a greater understanding as to how this transferred to the newly entered entrepreneurial organization and its overall effectiveness. Interviews were conducted in person with participants or via an electronic conferencing method. The average for these semi-structured interviews was approximately 45 minutes with three questions asked of each participant and follow-up or conversational questions asked as necessary to gain more insight into a response or comment or to clarify any confusion about the context of the response. The interview started with a brief summary about the participant's background and education. Next, the participants were asked to reflect on the definition of quality of life as it relates to the

life journey. Finally, the interview closed with a reflection on the exit from a corporate career and the transferability of talents used in the corporate career to the entrepreneurial organization and success created through general effectiveness.

Specifically, the questions asked were:

Introduction/Background

1. What does quality of life look like for a female entrepreneur?
2. What attributes lead to the entrepreneurial journey for a female?
3. What elements or traits are necessary to be successful?

RESULTS

The first step in the data analysis was to listen to recorded interviews and transcribe them all manually. For the purpose of staying connected to the data, it was the choice of the researcher to personally transcribe all interviews and immediately engage in the coding process which ultimately resulted in clear identification of themes. The Atlas.ti software was used in addition to manual coding. At

**TABLE 2
SUMMARY OF THEMES AND CATEGORIES**

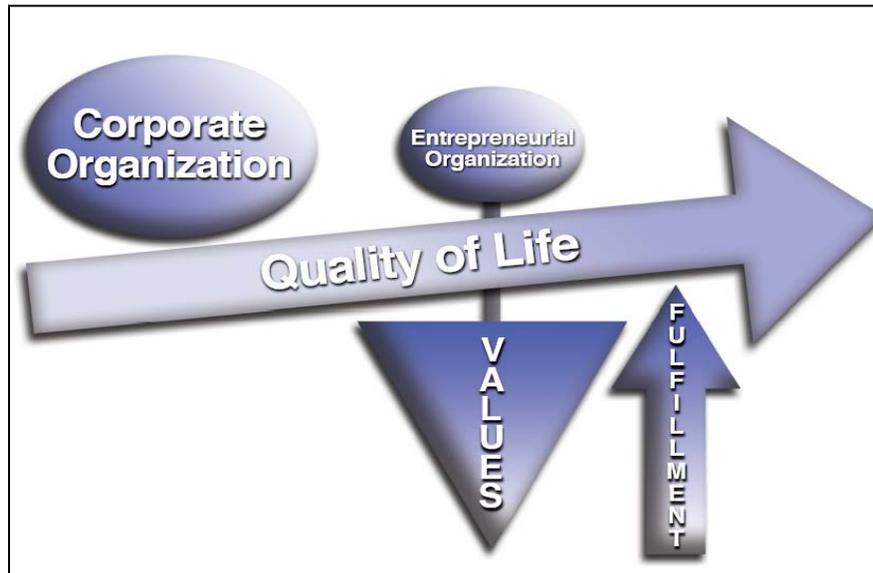
Interview Question and Theme	Codes Related to Theme
Corporate Culture – Reason for Exit (Background question – conversational)	Need for challenge/diversity Values misalignment Limitations Culture injustice Something bigger
Quality of Life – Values alignment (Question 1: Participant definition of quality of life)	Autonomy/Authenticity Societal impact Relationships Mentors Support system Family Development Personal Professional Faith
Quality of Life – Fulfillment through lived values (Question 2: situations or circumstances that led to entrepreneurial journey)	Fulfillment Balance Satisfaction Control Flexibility Happiness Passion
Entrepreneurial Success (Question 3: traits or attributes regarded as success factors for sustaining entrepreneurial venture)	Work Vision Focus Relentless Positivity Risk-taker Business acumen Confidence Self-aware

two times during the coding process two interraters were consulted to verify the process. This was done in a fashion that allowed the data to drive the theory since this project is a grounded theory approach. Conversational questions used as follow-up in the interview process added to this large amount of data. Clear themes emerged during analysis and surfaced from all three questions or variations of questions, along with the introductory question asked about background. These themes are summarized in Table 2.

The results show these participants exited a corporate career due to a general misalignment of values which resulted in the realization that talents could be transferred to an entrepreneurial organization. The subsequent path to an effective entrepreneurial organization was then revealed and paralleled research presented in the literature review section of this paper. Creating an entrepreneurial organization through knowledge and experience gained in the corporate career was helpful but did not completely eliminate the barriers presented in the literature review. The entrepreneurial organization provided a culture that aligned with their espoused values; however, it did not contain an environment free of product, financial, networking, marketing, and human capital development barriers but did lend insight into advancements to help female entrepreneurs of the future.

The model shown in Figure 1 depicts the themes identified and the journey from a corporate organization exit to the entrepreneurial organization. The alignment with values in the entrepreneurial organization indicates an increased level of quality of life. Fulfillment plays a key role in this increase as it symbolizes the additional heightened level of quality of life. Through this entrepreneurial organization, females are able to link the values with the organization and allow them to be an “anchor” in the quest for quality of life. However, the model does not depict the struggles that faced these female entrepreneurs along the way.

**FIGURE 1
QUALITY OF LIFE MODEL**



DISCUSSION

Continuing the growth of female entrepreneurs into the next decade will belie the impact on the economy if females are not better equipped to maneuver through the startup phase of entrepreneurship. As the model indicates, the females interviewed desire an entrepreneurial organization as opposed to the corporate career to have alignment among culture of the organization and espoused values. The issue then lies in making the entrepreneurial organization as effective as possible by limiting the barriers to success.

This will increase the success rate of female entrepreneurs while creating a path to success for future female entrepreneurs. The field recognized by fitting this need to assist female entrepreneurs is Organization Development (OD); this is the group challenged with understanding the barriers to female entrepreneurs and developing theories that inform consulting work to facilitate more effective entrepreneurial organizations. The most widely used and cited OD textbook by Cummings and Worley (2009) does not include the category of female entrepreneurs or how to transfer general OD theories to entrepreneurship. Additionally, the book *Practicing Organization Development: A Guide for Leading Change* (Rothwell, Stavros, Sullivan and Sullivan, 2010) fails to mention working with organizations smaller in size but rather introduces ideas around large systems. Although it could be argued that transferability lies in the perspective of the reader, it is necessary for this field to create a tangible item that clearly does this. Additionally, the inclusion of entrepreneurship initiatives at many universities is on the rise but do they clearly identify these barriers in general and specifically for females? This question has yet to be determined but within the nascent information collected by this researcher to date is has not been identified.

This paper is merely the start of the imminent need to conduct research with female-owned business leaders who have successfully continued the entrepreneurial endeavor beyond the five-year mark to gain additional insight into their process. Specifically, questions will be directed toward gaining insight into how female entrepreneurs created effective entrepreneurial organizations as seen through an OD scholar/practitioner conducting the research. Further investigation on how and if they transferred management knowledge and experience will be investigated to identify how they were able to overcome the pervasive barriers to success. With female-owned business growing “six-fold over the last 20 years” (Carter, 2000), the need to increase the number of successful startups is relevant and necessary. Additionally, it will give insight into the reasons why so many startups are not creating more jobs per company which would inform the process of what is needed to assist with overcoming the development of human capital barrier. The number of employees in women-owned firms is roughly the same in 2013 as found in 2007. It could be argued they are not growing by choice of the female owner; however, this researcher will not make that assumption. It could be due to the notion that general knowledge of creating an effective organization is lacking which again would be decided empirically (American Express OPEN Report, 2013). The findings will serve a dual purpose, in that, the female entrepreneurs of the future will be able to have knowledge of what is needed to succeed beyond the startup and consultants will have theory to inform practice. Also, university entrepreneurship programs will be able to tailor the curriculum to help minimize the financial, networking, marketing and human capital development barriers identified. The researcher has already begun using this information to build more leadership and general OD principles into the management curriculum at a university in the south. Archival data from the alumni office will reveal the path taken by female alumni and will serve as a baseline. Adding leadership events and a business accelerator to the university will provide empirical data to determine if the addition these and mentoring via the accelerator are a means to create more effective entrepreneurial organizations for current and future students. Use of an evaluation framework will further measure impact of these additions and intentionally build strong networking bonds with successful female entrepreneurs and the university so continued mentoring can occur.

The goal of this paper has been to present data collected on female entrepreneurs who have exited a corporate career to create an effective entrepreneurial organization. The call has been made to the field of OD to embrace these females and provide them with the knowledge to overcome barriers to success through an understanding of financial, networking, marketing, and human capital development.

REFERENCES

- American Express OPEN Report. *The 2013 state of women-owned businesses report*. Commissioned by American Express. www.americanexpress.com. Last accessed 10/12/15.
- Belkin, L. (2013, August 7). The opt-out revolution. *New York Times*. Retrieved from <http://www.nytimes.com>

- Blume-Kohout, M. (2014). Understanding the gender gap in STEM entrepreneurship. SBA: Office of Advocacy. Albuquerque, NM.
- Brush, C., et al. (2006). Women's entrepreneurship in the United States, in Brush, C., Carter, N., Gatewood, E., Greene, P., and Hart, M. (eds.). *Growth-oriented women entrepreneurs and their businesses: A global research perspective*. Massachusetts: Edward Elgar Publishing.
- Carter, S. (2000). Improving the numbers and performance of women-owned businesses: Some implications for training and advisory services. *Education + Training*, 326-333.
- Catalyst. www.catalyst.org. Last accessed 2/5/12.
- Cummings, T. & Worley, C. (2009). *Organization development & change*. Mason, OH: South-Western Cengage Learning.
- De Faoite, D. H. (2003). Education and training for entrepreneurs: A consideration of initiatives in Ireland and The Netherlands. *Education + Training*, 430-438.
- GEM Report, 2013. www.gemconsortium.org. Last accessed 10/12/14.
- GEM Report, 2011. www.gemconsortium.org. Last accessed 1/12/13.
- GEM Report, 2009. www.gemconsortium.org. Last accessed 11/12/12.
- Henry, C., Johnston, K., Hamouda, A. (2006). Access to finance for women entrepreneurs in Ireland: A supply-side perspective, in Brush, C., Carter, N., Gatewood, E., Greene, P., and Hart, M (eds.). *Growth-oriented women entrepreneurs and their businesses: A global research perspective*. Massachusetts: Edward Elgar Publishing.
- McCarthy, B. (2000). The cult of risk taking and social learning: A study of entrepreneurs. *Management Decision*, 563-574.
- McClelland, E. S. (2005). Following the pathway of female entrepreneurs: A six-country investigation. *International Journal of Entrepreneurial Behaviour & Research*, 84-107.
- Minniti, M. (2010). Female entrepreneurship and economic activity. *European Journal of Development Research*, 294-312.
- Minniti, M. a. (2010). What do we know about the patterns and determinants of female entrepreneurship across countries? *European Journal of Development Research*, 277-293.
- Roberson-Saunders, P. (13). Minority and female entrepreneurship. *Entrepreneurial Inputs and Outcomes*, 223-280.
- Rothwell, W., Stavros, J., Sullivan, R., & Sullivan, A. (Eds). *Practicing organization development: A guide for leading change*. San Francisco, CA: John Wiley and Sons, Inc.
- Stangler, D. (2009). *The coming entrepreneurship boom*. Missouri: Ewing Marion Kauffman Foundation.
- Stangler, D. & Litan. R. (2009). *Where will the jobs come from?* Missouri: Kauffman Foundation Research Series.
- The Kauffman Survey. (2009). *Characteristics of new firms: A comparison by gender*. Missouri: Kauffman Foundation of Entrepreneurship.
- West, S. (2011). The leadership resource report. www.leadershipresource.com. Last accessed May 2015.
- US Small Business Administration Office of Advocacy (2009). The small business economy: A report to the President. <http://www.sba.gov>.