Entrepreneurial Leadership Theory Supported in Business Accelerator Programs

Gregory Price, MBA

School of Applied Leadership

Abstract

Entrepreneurs start businesses that provide many benefits to the community, such as a strong tax base, lowered unemployment, and a higher standard of living. What often occurs, though, is that many business ventures fail in their first years. There is much data to support this reality, but there is little research to explain why many entrepreneurs are unable to sustain their business through start-up and into the organizational phase. Often this failure is commonly thought of as a regular occurrence in start-up development. There are organized support mechanisms available to entrepreneurs, but failure rates continue to be high. Business incubators have supported entrepreneurial start-ups for the past fifty years, but business today has become more complex. This complexity has produced another form of support for entrepreneurs following the start-up phase; they are identified as business accelerator programs. These are three- to four-month, high-intensity, concentrated learning programs that can quickly transform an entrepreneurial start-up into a sustainable organization. This research will focus on these business accelerator programs to learn and understand the applied leadership strategies used in the program and their effect on entrepreneurs. This will support the literature on entrepreneurial leadership theory and help develop curriculum in higher education designed to support entrepreneurial education.
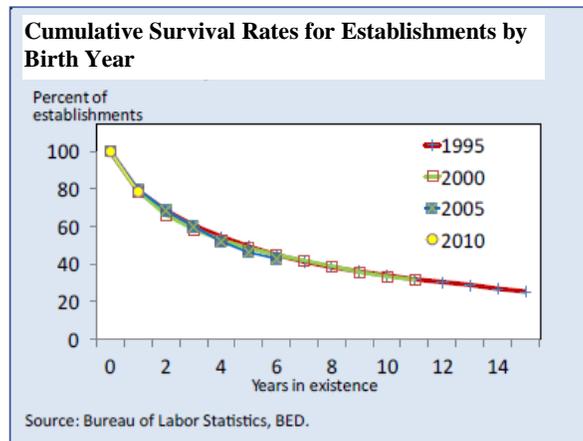
Support for Entrepreneurs Makes Economic Sense

Entrepreneurs are known risk takers and start businesses out of passion, energy, and perseverance. They also assume all "financial, psychological and social" risk. These individuals are considered "explorers" and follow paths often not followed by others,

operating under a different set of rules and relying on their own understanding of the world around them (Cook & Yamamoto, 2011). For nearly forty years, entrepreneurial research has grown significantly (Kuratoko, 2007), and though literature continues to expand our understanding, there are still many questions. With much of today's research focused on the economic effects of entrepreneurial success, or lack thereof, new research is beginning to explore the following areas: (1) entrepreneurship as a personal choice, (2) an entrepreneur's personal traits, and (3) entrepreneurial psychology (Antonakis, & Autio, 2007).

The cumulative economic effects entrepreneurs have on society are enormous as business development is considered the engine of economic expansion (Kobe, 2012). Business, industry, and government all place a premium to encourage it, and entrepreneurs make up this risk-taking segment by advancing their ideas into the shape of a business entity. Entrepreneurs take advantage of their personal characteristics to find market segments that are not being served or are underserved. They identify a business process that can be performed better or more efficiently, and they work to exploit these opportunities. They do this as much for personal satisfaction as they do for monetary rewards, and the rewards reach into the local community through job expansion, a higher standard of living, and economic vitality (Hisrich & Peers, 1992).

The fact is, though, entrepreneurial ventures often fail. There is much data to support the failure rates of small business. The Small Business Administration (SBA) presented data published in 2012 showing that 40 percent of all newly formed organizations do not survive more than three years. Looking further out, the study (United States Census Bureau, 2011) showed business failure rates were a dismal 67 percent of all business start-ups after ten years (Figure 1).

Cumulative Survival Rates for Establishments by Birth Year

Percent of establishments

Years in existence

Source: Bureau of Labor Statistics, BED.

Figure 1

In 2011, newly started enterprises with less than twenty employees made up 90 percent of all operating firms in the United States. In Washington State, this number was slightly less at 88 percent (U.S. Census Bureau, 2011). Stated another way, firms in Washington State with twenty employees or less employed approximately one of every five working adults (Table 1). It is evident that small business plays a major role in the labor markets.

Analoui and Karami (2003) stated that success in business is probably most related to an individual's leadership capacity. But there is still limited research regarding the process of entrepreneurship and how this translates into starting and growing a sustainable business, especially one that becomes high performing (Rae & Carswell, 2000). The link between leadership and entrepreneurship can be made by examining an individual's historical and internal personal leadership experiences (Byrd, 2010). These experiences are subjective in nature and are influenced by the individual's "conditioning, socialization and acculturation" (Byrd, 2010, p. 1). The behavioral traits exhibited are the tools the individual brings to the entrepreneurial platform.

As stated, entrepreneurs start their business out of passion, and successfully guiding the business into a sustainable organization delivers economic utility for the community. This utility generates revenue, a strong tax base, employment, and an improved quality of living. Yet, starting a business has never been the problem for entrepreneurs; it is the continuing of the

business that presents the issue. Entrepreneurship, at its core, is experiential learning; learning while doing, learning from mistakes, and learning to do it all over again (He, 2013). This learning

Table 1 (United States Census Bureau, 2011).

Employment in Categorized Sized Firms (%)	Percentage of Firms Operating Nationally	Employees against total U.S. Employment (%)
62%	1 – 4 employees	5%
89%	< 20 employees	18%
98%	< 100 employees	35%
Employment in Categorized Sized Firms (%)	Percentage of firms operating in Washington State	Employees against total Washington State employment
1 – 4 employees	61%	6%
< 20 employees	88%	21%
< 100 employees	96%	38%

helps the entrepreneur grow as an individual, adding experiential development that helps the individual grow into a balanced leader. This accumulated know-how helps to develop a high level of leadership agility and competency. He (2013) noted that some entrepreneurs have the capacity to develop highly successful businesses, while others do not.

History of Entrepreneurial Incubators

The early years for support centers, otherwise known as incubators, looked to develop their base of support. It was in 1953 that the U.S. Small Business Administration was formed, which helped to create a solid foundation and framework from which further work could be accomplished (Shepard, 2013). This was accomplished, albeit slowly.

Jumping ahead thirty years, the economic environment in the 1980s saw severe layoffs in the corporate sector, causing a spike in the unemployment rate. It was during this

period of time that incubators ramped up their service offerings and government and industry began increasing the number of incubators to help revitalize economically suppressed regions of the country (Shepard, 2013). Congress enacted the Small Business Innovation Research Program in 1992, which was to help assist small business to develop technological advances. This one act provided enough economic support to increase the nation's gross domestic product (GDP) and provided the structure to support the critical advances necessary for business to integrate these innovative technologies. This period was important as it helped solidify the recognized need for innovative advances in business and technology brought on by the entrepreneur (Shepard, 2013). Today, researchers are finding that incubators are supporting two definitive population groups: one that follows a path conducive to business coaching, which has a more growth emphasis structure, and the other has developed its infrastructure to support more cost minimization strategies (Todorovic & Moenter, 2010).

The idea behind incubators are many including a place where the entrepreneur can bring up a question, find low-cost services, gain another's expertise, share rental space and technological necessities, network with other entrepreneurs, and find opportunities for funding (Shepard, 2013). All of these activities and services make up many of the aggregate needs an entrepreneur requires to run and manage a start-up business while also reducing their operating costs. Since 1980, the National Business Incubator Association (NBIA) has estimated that of the thirty-five thousand start-up ventures that have left incubator support, these businesses have created eighty-two thousand full-time jobs and generated annual revenues of more than $7 billion (Scillitoe & Chakrabarti, 2010). Shepard (2013) has added that as of 2007, there existed 1,115 incubators across the United States and about 20 percent supported a business-academic partnership.

The Next Phase of Entrepreneurial Support

Once past the start-up phase though, entrepreneurs find they may not have the needed skills to develop the organization into an ongoing, sustainable business platform. According to Jones (2011), leadership skills may be the most important skill set to support the growth of a successful business venture. Entrepreneurs come to find that passion, energy, and perseverance may not be enough to sustain an organization; they realize that leadership strategies are necessary skills to develop their business through the organizational development phase (Shafer, 2012). Though leadership skills may not be a necessary part of the entrepreneur's capacity through the start-up phase, they are needed in the organizational development phase, and they are skills that can be learned.

One of the many challenges for incubator phases is to understand which services support the start-up venture. The varied services and inconsistent delivery that incubators offer require an understanding to identify which of these services drive entrepreneurial success (Yusuf, 2014; Scillitoe & Chakrabarti, 2010; Todorovic & Moenter, 2010). Additionally, because incubators do not incorporate a selection process as to who is accepted into their incubator, it is unknown what effect the self-selection process has on an entrepreneur's start-up success (Yusuf, 2014; Shepard, 2013).

Communication and engagement between entrepreneurs and incubator management can be as frequent as necessary, yet understanding what constitutes successful knowledge transfer and what works and what does not has become an area of great interest to social scientists (Scillitoe & Chakrabarti, 2010). Researchers are looking at the many different variables associated with the incubator services, such as the needs of the entrepreneur, and the links and correlations between them and incubator personnel. To an entrepreneur client, the incubator management comprises the incubator's social capital and expertise, knowledge, and contacts (Scillitoe & Chakrabarti, 2010).

This transfer of knowledge is taking center stage in today's research and the business community has noticed that filling a gap in consumer demand supports this entrepreneurial need. Consequently, the next phase of entrepreneurial support comes in the form of a business accelerator program. Business accelerators are the next

iteration of an incubator. They are a relatively new business idea starting as recently as 2007 (Carr, 2012), and the number of accelerator facilities has grown quickly (Andruss, 2013). Since their inception, they have focused heavily on technology and health-care companies, but more recently, they have started to open up access to other industry segments such as fashion and food, and there is significant interest in those businesses that focus on socially conscious endeavors (Andruss, 2013). Millennial entrepreneurs tend to incorporate social consciousness into their business as an intrinsic value, and though they may think that investors will shy away from their start-up due to higher initial costs, entrepreneurs quickly realize this value supports investor interest.

There is a big difference between an incubator and an accelerator. Incubators support a start-up business by laying a foundation of support for entrepreneurs that can last anywhere from a few months to a few years. Accelerators, on the other hand, take the start-up and move the business into an intense training program. Accelerators support entrepreneurial development through a structured curriculum designed to help with marketing, team development, funding and financing, and leadership functions. The training is like turning on a fire hose to get a drink of water with the idea of moving the business into quick and sustainable profitability. Most accelerator programs charge client businesses anywhere from 5 to 8 percent of the equity in their business, and in return the client business receives a stipend range of $15,000 to $100,000 along with the training. The average is about a 5 percent stake in equity for a cash stipend of $20,000. Though the cash is a helpful boost, an accelerator's real benefit for the client business comes from the knowledge and expertise, as well as the networking and fund-raising opportunities (Andruss, 2013); upon graduation, the business success rate from these client businesses is quite good. In the end, the high failure rate experienced following the start-up phase of a business idea may have found a solution through these supportive accelerator programs.

From this success, expansion is occurring and today's business accelerator programs are becoming increasingly complex. It has been learned that the personnel needed to run these programs must be entrepreneurs themselves as well as highly skilled individuals

(Shepard, 2013). Accelerators have also learned from their incubator predecessors what Shepard (2013) identified as indirect services. Indirect services are becoming more necessary and would include applied educational services. These services would help the entrepreneur better understand how to innovate and organize strategic plans, develop organizational leadership competencies, as well as decision making and critical thinking agility (Shepard, 2013).

Experiential learning is a key component to entrepreneurial success, but why not learn necessary strategies from others who have previously followed the same path? Why not learn from those who have already been down the path of trial and tribulation? By moving through the accelerator process, entrepreneurs learn from executives and the learning is focused on just these things—leadership and agility development.

From the Start-Up to Organizational Phase

To bring the problem back into focus, it is the frequent failure of small business, which may be caused from a lack of entrepreneurial leadership agility to carry the business into the organizational development phase. It is understood that the start-up phase supports an entrepreneur's core competency, yet the start-up phase has limited opportunity to develop the necessary leadership skills to move it forward. The organizational development phase is where these leadership skills play an important role, and business accelerator programs target this phase of the entrepreneur's development. The importance of supporting small business at becoming successful is clarified in Table 2 where businesses of under five hundred employees generate just over 30 percent of total government receipts and employ just under half of total U.S. employment (Kobe, 2012). Developing improved methods of supporting entrepreneurs through leadership education at critical points of the entrepreneurs' business may help support a higher sustainable business success rate.

Table 2 (Kobe, 2012).

| Nonfarm Corporate and Non-corporate Shares of Receipts and Employment 2007 |

	Revenue			Employment	
	Small Business	Large Business		Small Business	Large Business
Total	30%	70%		49%	51%
Source: *Statistics of U.S. Businesses, 2007 and Non-employer Statistics. U.S. Census Bureau*					

Theories for Further Study

The literature supports the belief that entrepreneurs learn by doing, which is simply known as experiential theory. This same belief is found in leadership theory (Kempster & Cope, 2010). Experiential theory can be broadly defined as learning that is developed through knowledge, skills, and values that are not directly accrued through an academic setting. It is learning through a variety of activities experienced through real-world experiences. Another theoretical framework that is incorporated into this research is entrepreneurial leadership theory. This is a relatively new theory where, independently, the two words have been well established in the research, but together they are not often combined as one theory (Roomi & Harrison, 2011). Defining each term briefly, *entrepreneurship* is generally the creation of opportunity beyond the resources the individual controls, whereas *leadership* combines strategic vision and influence with the goal of motivating others through a cultural process in the organization (Roomi & Harrison, 2011).

It is common thought to consider an entrepreneur and a leader as two individuals moving down different career paths, yet when looking at the job function for each, they have many common qualities. It can be observed that a leader performs duties within an established organization with organizational structure firmly established while an entrepreneur engages in more complex solo roles where organizational structure is not so developed. Additionally, it would also appear that the personality traits and skills needed to create and develop a new entrepreneurial venture support the idea that entrepreneurial character traits could be far more complex (Vecchio, 2003; Mattare,

2008). Thus, because the functions of each can be somewhat similar, both theories can be used to support the newer theoretical approach of entrepreneurial leadership theory (Cogliser & Brigham, 2004).

There is little evidence in current literature that supports entrepreneurial leadership theory. Because little research supports any understanding of the contribution that business accelerator programs provide to the literary community, further research to convey both "what" and "how" type questions is necessary to advance these theoretical foundations. "What" questions can be answered by way of explanatory study, while "how" type questions can be answered through the use of a descriptive study format. Both descriptive and explanatory study questions postulate an element supported by the case study approach (Creswell, 2014).

Significance and Contributions for Further Research

Business accelerator programs are fairly new business operations; they support the entrepreneur's world of getting a business into quick profitability. The learning experiences offered within the program are short, delivered quickly, and provide the entrepreneur a highly structured environment wherein to take risks while decision making is supported with expertise. The premise of the business accelerator program is to generate income for the program investors, and because of this stake in an entrepreneur's business, the stakeholders will want to ensure that the business is successful.

Though research has only begun to understand how business accelerators can develop the entrepreneurial community, further literary contributions can add significantly to the field of entrepreneurship. Because entrepreneurs add value to the general population through economic variables, further research is encouraged in this field to develop an accessible entrepreneurial culture to the general population. The second area of emphasis is to further research business accelerator programs so that they may continue to learn and develop their specific brand of business development.

Finally, the third area of significance is to support university initiatives to further develop entrepreneurial leadership education that would help "teach students to cultivate their entrepreneurial capability in leadership roles and their leadership capability in entrepreneurial contexts" (Roomi & Harrison, 2011, p. 31).

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