

## **Business groups as evolutionary entrepreneurial systems**

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Paper presented at:

BKERC 2004 - Babson Kauffman Entrepreneurship Research Conference  
University of Strathclyde, Glasgow, Scotland  
3-5 June, 2004

### **ABSTRACT**

Previous research demonstrates that entrepreneurial processes underpin business group formation in small firms, but the nature and dynamics of these processes are poorly explored. Case studies of habitual entrepreneurs suggest that there are two main reasons for business group formation rather than absorbing growth in a single company: a) the need to focus resources on the new venture to enhance its growth rate and probability of success; b) the need to create a new entrepreneurial team to exploit the new business opportunities. There appears to be an evolutionary process where the number of companies expands in phases of entrepreneurial activity, and contract when established businesses are consolidated to enhance managerial efficiency.

## INTRODUCTION

During the last decade entrepreneurship researchers have shown growing interest in “habitual entrepreneurs”, i.e. entrepreneurs who successively set up or acquire more than one business, resulting in the formation of a business group. The interest in entrepreneurial business groups stems from several factors: a) the phenomenon is more widespread than usually recognised and has been somewhat overlooked by entrepreneurship literature (Wright, Westhead, & Sohl, 1998; Carter & Ram, 2003); b) the development of new ventures by previously established entrepreneurs is more important for job creation and innovation than the entry process by “novice” entrepreneurs (Storey, 1994); c) the need to focus on entrepreneurs’ career to understand entrepreneurial processes (Scott & Rosa, 1996; Westhead & Wright, 1998b).

Research since the 1980s has shown that owning more than one business is relatively common in the small business sector (Birley & Westhead, 1993; Rosa, 1998). Indeed, available statistics demonstrate that the formation of a business group may well be the normal way through which small firms grow. For this reason we observe a steady increase in the incidence of multiple business ownership related to firm size (Rosa & Scott, 1997; Loiseau, 2001; Iacobucci, 2002). Business group formation, both by setting up or acquiring new businesses, is associated with successful entrepreneurs. It is well known that only a small percentage of new ventures remain alive after a few years from start-up and an even smaller percentage attain relevant growth (Dunne, Roberts, & Samuelson, 1988; Storey, 1994). It is the small percentage of successful new entries that are mainly responsible for innovation and job creation in the economy. This justifies the recent attention given to the study of the growth process in small firms (Davidsson & Henrekson, 2002; Davidsson, Kirchoff, Hatemi-J, & Gustavsson, 2002; Delmar, Davidsson, & Gartner, 2003). This also explains the need for understanding the process of opportunity discovery and new venture creation not only by novice entrepreneurs but also by established entrepreneurs. Indeed, it has been recognized that entrepreneurship is not a single-action event (Birley & Westhead, 1993) and that in order to better understand entrepreneurial processes we need to focus on entrepreneurial careers rather than on individual ventures.

Theoretical and empirical studies conducted on habitual entrepreneurs can be broadly divided into two categories. The first is mainly concerned with exploring the differences between novice and habitual entrepreneurs in their personal characteristics, the gestation process, the features of the new ventures, etc. (Birley & Westhead, 1993; Kolvereid & Bullvåg, 1993; Wright, Robbie, & Ennew, 1997b, 1997a; Alsos & Kolvereid, 1998; Westhead & Wright, 1998b, 1998a; Ucbasaran, Wright, & Westhead, 2003). The second category of studies focuses on the characteristics of the business groups brought about by the activity of habitual entrepreneurs. The main aim of these studies is to explain the nature and processes that explain the setting up of new companies by established entrepreneurs and the characteristics of the resulting group (Rosa, 1998; 1999a).

Despite the wealth of empirical and theoretical insight offered by this literature, analysis of the entrepreneurial processes involved in the formation of business groups by habitual entrepreneurs is still at an early stage (Carter & Ram, 2003). Two issues seem specifically relevant. The first is the direction of growth followed by habitual

entrepreneurs when creating a new venture and the reasons for developing it as a new company rather than incorporating expansion within the established company. The second is the dynamics of entrepreneurial teams, as the development of business groups often involve the presence of other people playing an entrepreneurial role. The tendency to focus on the “habitual entrepreneur” tends to mask the role potentially played by others.

Previous research has already established that entrepreneurial processes are associated with business group formation by small firm entrepreneurs (Rosa, 1998; Rosa & Scott, 1999b; Iacobucci & Rosa, 2001). However, the nature and complexities of these processes have not been systematically explored or researched as an issue in its own right. Business groups are not stable over time, and there is empirical evidence from previous research that phases of growth and contraction do occur, and may have complex causes (Rosa, 1998). The paper focuses on two main issues: the nature of the relationship between the business successively set up by entrepreneurs and the original one, and how they relate to other internal and external pressures. The role of entrepreneurial team dynamics may be particularly important as the more a group grows, the more a habitual entrepreneur will be forced to delegate or seek help through partnerships. Given the small amount of empirical and theoretical literature on these issues, the paper is exploratory in its design and aims. It relies on in-depth interviews with established entrepreneurs in order to provide insight into these issues and to help develop a theoretical framework that can be used in future studies.

The paper is organized as follows. In the next section we introduce the main issues addressed in the empirical section. We then present the research methodology. In the forth section we analyse 9 cases of business groups set up by habitual entrepreneurs and develop some general propositions about the phenomenon. The final section presents the main conclusions.

## BUSINESS GROUPS AS ENTREPRENEURIAL SYSTEMS

Given the exploratory nature of the paper the aim of this section is to draw up the research questions we want to investigate and to give a first specification of the main constructs (Eisenhardt, 2002).

To what extent can business groups be considered the result of entrepreneurial processes rather than a device to efficiently manage a portfolio of businesses? Entrepreneurship, although referring to a large variety of social and economic phenomena, revolves around new venture creation (Timmons, 1999). Assessing the role of entrepreneurship in business group formation entails the analysis of the relationship between the setting up of new companies by habitual entrepreneurs and this fundamental entrepreneurial process. As an entrepreneurial device to expand controlled activities, two aspects of business group formation are worthwhile analysing. The first is the relationship between the companies subsequently set up and the ones already established by the entrepreneur. Previous studies have hypothesized that business groups in small firms are the result of a diversification policy by entrepreneurs (Rosa, 1998; Rosa & Scott, 1999a). In a previous paper (Iacobucci & Rosa, 2001) we argued that traditional measures of diversification underestimate the degree of diversity of the new businesses set up by entrepreneurs, and that the need for specializing new organizational units is especially high even when the new activities seem closely linked with the ones already established. This kind of “related diversification” is most associated with opportunistic entrepreneurial growth (Rosa &

Scott, 1999b). From conventional wisdom we would expect this closely related diversification to be more likely incorporated within the established firm, rather than spawn a new one. Why this is the case needs more research.

The second issue is the relationship between business group formation and the development of entrepreneurial teams. It is increasingly acknowledged that entrepreneurial activity is normally conducted by a team rather than by a single person (Gartner, Shaver, Gatewood, & Katz, 1994; Cooper & Daily, 1997). By an entrepreneurial team we mean a group of people who share ownership and control of a new venture (Kamm & Nurick, 1993; Watson, Ponthieu, & Critelli, 1995). Although there are more general ways to define teams in business activities, we think that ownership and control are both essential aspects for defining entrepreneurial teams and it is in this sense that we apply it in this paper.

The interest for analysing the relationship between business group formation and entrepreneurial team dynamics stems from the fact that one of the reasons for setting up a new company is the possibility to differentiate the structure of ownership and control of the new venture. Until now the relationships between team dynamics and business group formation has not received attention both at theoretical and empirical level, and varies according to study context. In the small business entrepreneurship literature most entrepreneurial activity is treated as initiated by the owner manager(s), or, in the case of family firms, by family owners. Employees are treated as agents of implementation. In the corporate entrepreneurship literature, however, it is the employees (the intrapreneurs) who play a major role in initiating new enterprises, often in the face of opposition from their employers (Zahra, Jennings, & Kuratko, 1999). The firms examined in this study are medium sized firms, and both types of phenomena could be expected to be operating. This implies that the team dynamics between owner entrepreneurs and their employees could be crucial in helping us to understand why business groups are formed.

## DATA AND METHODS

The analytical section of the paper is mainly based on the application of qualitative techniques. The choice of qualitative methods was determined by the exploratory nature of the study and by its aims: i.e. to develop a framework for understanding the role of entrepreneurial processes in business group development. In this study we focus on the analysis of the context of new venture creation by established entrepreneurs and on the reasons expressed by entrepreneurs for the setting up of new companies, resulting in the formation of a business group.

As is common in qualitative analysis, purposive sampling rather than statistical sampling was used (Silverman, 2000, p. 104; Bryman, 2001, p. 324). Interviewed entrepreneurs were chosen from the population of small and medium sized manufacturing groups (about 100 groups) located in the Marche region (Italy). From these groups we selected the cases that were specifically relevant to the aims of the study. The selection criteria were: a) the group was founded and is still controlled by the interviewed entrepreneur; b) the group contains more than two manufacturing companies, providing a sufficiently rich context for analysing the development process; c) most of the companies were new ventures rather than acquired businesses. These selection criteria isolated about 15 groups. The results reported here refer to 9 groups whose entrepreneurs agreed to be interviewed (see Table 1).

The aim of the interviews was to collect data and information about the process of group formation and about the reasons entrepreneurs report for setting up new

companies. The interviews were based on a semi-structured questionnaire that comprises questions on four main topics: the beginning of the entrepreneurial activity; the growth strategy followed after the formation of the original activity; the reasons for developing new businesses and setting up new companies; whether other members of the entrepreneurial team played a role in these processes. Table 1 shows some general characteristics of the groups interviewed.

## RESULTS

The analytical section is divided in two parts according to the main issues addressed by the study: i.e. diversification and entrepreneurial team dynamics.

Data collected on large samples show that the companies belonging to business groups can be broadly divided into three categories (Iacobucci & Rosa, 2001): foreign companies (when present); financial companies (like holding companies, property companies, etc.); production domestic companies. Foreign based companies are not very interesting for this study given that by definition they must be managed as independent legal units. Financial companies are normally set up for fiscal or other financial advantages. For these reasons we concentrated our attention on production domestic companies. Apart from representing the main companies in terms of employees and sales, they are specifically interesting for understanding the reasons why habitual entrepreneurs set up new legal units rather than develop new ventures within established companies. That is the reason why we included in our sample groups with at least two production companies located in Italy. From now on the term “new company”, unless otherwise specified, will refer to a production domestic company.

### Diversification

When there are no opportunistic reasons (such as fiscal or other financial benefits) the setting up of a new company is commonly associated with the development of a venture that has some degree of diversity with the existing businesses. Recent studies have demonstrated that firms tend to diversify in activities that show a high degree of relatedness or coherence (synergies) with existing activities (Teece, Rumelt, Dosi, & Winter, 1994). Entrepreneurial groups follow the same pattern: the degree of diversification is very low as habitual entrepreneurs expand their control in activities that are closely connected to the original one (Iacobucci, 2002).

In a previous study we hypothesized that traditional measures of diversification, based on classification codes of business activities, underestimate the degree of diversity of new businesses even when they appear closely connected to the existing ones (Iacobucci & Rosa, 2001). This is due to the high segmentation of markets served by small firms and the increasing differentiation of technologies needed to serve them. In manufacturing this often manifests itself in establishing specialised production systems to cater for niche markets. The entrepreneurs interviewed often indicated that the need to focus resources is the main reason for setting up a new company, even when it is dedicated to products that seems very close to the existing ones.

In the following case the new company produced almost the same product (according to standard classification) but created new separate companies to address different customers and needs.

Case #5 – “In 1984 we began producing paper shopping bags. At the beginning we were the only company in Italy able to produce paper bags with handles and we began serving the main distribution chains. ... [The respondent then described the formation of two new companies, one for paper 1Kg sacks in 1988 and another manufacturing sacks for the cement industry] ... The setting up of a new company was justified by the fact that the production was completely different [from the original one]. Compared with other paper bags the technology is completely different, the machinery is different.”...

“Apart from differences in technology there is a completely different way of operating. In one case [the original company] there are large lots for which you need maximum efficiency. In the other sectors quality is important and you need to focus on other issues as well as efficiency. As each company works with a different production philosophy it is better to keep them apart.”

Why did respondents prefer to set up new companies rather than managing the new activities through sub-divisions within the same company (the classic response in the main management literature)? A reason may lie in how we consider the relationship between diversification and business group formation. This is very different depending on whether we take into account the *initial development* of new activities (new venture creation) rather than the *management* of these activities at later stages. All the entrepreneurs stressed the importance of setting up a new company for the initial development of a new business. When the business is consolidated there are other organizational forms that can be used to efficiently manage the bundle of resulting activities. Business groups are dynamic devices that are expanded or contracted by entrepreneurs depending on the development stage of new ventures. Indeed, in two of the cases examined (case #3 and case #8) after having set up a group of several companies, the entrepreneurs later decided to merge most of the production companies and set up a multidivisional company. This was now motivated by managerial efficiency.

Case # 3 – “In 1989 we decided to rationalize the group ... and decided to merge the different companies. Notwithstanding the merger, from an operating point of view the factories remained autonomous. The specialization was retained at the level of production units.”

Case #8 - “In 2003 we decided to merge all these companies [those production units operating in the same sector: i.e. industrial automation]. Within the new company we created four divisions that reproduce the specialization of the merged companies.”

To summarise so far, the analysis of the relationships between diversification and business group formation suggests the following propositions:

- Proposition 1:* Business groups are the result of the development of new business activities by established entrepreneurs often inspired by related diversification opportunities.
- Proposition 2:* The setting up of new companies is especially needed in the early development phase of the new venture(s), while at later stages other organizational forms can be adopted.
- Proposition 3:* The presence of business groups is dependent on the development phase of new ventures rather than on its degree of diversification from existing businesses.

## Entrepreneurial team dynamics

In section two we suggested that team dynamics between the owner entrepreneurs and other established entrepreneurs, and with enterprising employees, could be important in helping us to understand why business groups are formed. From the case studies analysed three different patterns emerged. The first is when joint ventures are established with other entrepreneurs. The second is when the entrepreneur gives a stake in the new company to an employee to secure his/her involvement in the development of the new business. We refer to this as “employee upgrading”, as the employee changes status to part-owner of the new venture. The third pattern is “intrapreneurship”, when the new business is established as a result of the inspiration of an “intrapreneurial” employee.

**Pattern 1: when a new company emerges as a joint venture with other established entrepreneurs.** A minority of cases followed this practice:

Case #1 – “...we had [*at the beginning of the seventies*] an important customer in Rome to whom we sold paper rolls for telex. The demand was expanding and we decided to buy a new automatic machine. I talked about the idea to this customer. We went to Germany together to see the machine and we then decided to make a joint venture for this new production”.

Case #7 - I had always the idea that the future of printing was on rotary press. Then there was an opportunity with an Italian newspaper that wanted to print in the Marche region. We set up a new company in which the newspaper company took the one third and we took the remaining two thirds.

In both cases the involvement of other established entrepreneurs is made for two reasons: to raise capital for the initial investment, to secure the demand for the new product and to some extent, to spread the risk.

**Pattern 2: “Employee upgrading”, following the need to develop a venture initiated by the owner entrepreneur.** This was the most interesting pattern, both in terms of quantitative importance (see Table 2) and for the aim of our study. The former employee does not participate in the opportunity discovery phase but only in new venture development. The following examples belong to this pattern.

Case #8 – “The new company was set up as a rib of the original company. At the beginning the original company made both moulds and production lines. The two activities could not coexist for technical reasons. Moreover the new company could also work for other customers. The new company was set up in 1990 associating an employee I trusted and who is now the production supervisor of the new company. I gave autonomy and trust to this employee.”

Case # 9 – “Together with printed circuits we began to produce membrane keyboards. It was low technology by our standards. The product was initially developed within the original company at the end of the eighties but never reached large volumes. It was a languishing department because no one was really interested in it. I found a person who took 10 per cent in the new company and who was interested in developing it... It was an activity which already existed in the original company. But if it had remained there it would have died.”

We report just a few cases although this pattern is rather widespread both among and within cases. The association of former employees in the new companies responds to several needs, sometimes overlapping. The first and most important is to overcome the entrepreneur’s limit in developing new businesses while controlling the older ones. The respondents tended to feel that just putting a manager in charge was not good enough, as it was a new venture that requires special levels of motivation,

interest and dedication. This was combined with a shrewd appreciation of the need to prevent employees establishing the same business in competition and stealing customers. Direct ownership not only made them partners, but ultimately also helped spread risk.

**Pattern 3: where the new venture arises from the activities of an “intrapreneurial” employee.** In this pattern, the former employee actively participates in the new business from the opportunity discovering phase. In this case the dominant entrepreneur plays a supporting role (in terms of financial resources, market credibility, network relationships, etc.) in the development of the new business.

Case #4 – “In the same years [*end of the Seventies*] a young man who was also a friend, employed in one of our companies, suggested we started a commercial activity that he would supervise. At the beginning my brother and I took 60% and the former employee 40%. For some years this company developed the commercial activity but then this employee champed at the bit and started a production activity for one of our companies ... This new company grew rapidly driven on by this former employee and helped, financially and commercially, by the group.”

Case # 7 – “There was a designer who was employed for some time in a company of the group. He had a difficult character. After some time he resigned and went to France to work for a cartoon firm. I had always wanted to enter the cartoon industry. After a few years he resigned from the French firm and came back to Italy and proposed some ideas to me. I proposed setting up a company together. I gave him 30% of the new company although he did not pay anything in cash.”

In all the cases the original entrepreneur retained control of the new company, although giving a significant stake to former employee. The latter played an important role both in structuring the new business and in developing it, although the new activity received full support from the established entrepreneur and remained part of the group. In these cases, as well as in similar cases, the relationship is not simply a financial relationship. The controlling entrepreneur played an active role in the structuring and development of the new business.

Whatever the nature of the associated entrepreneur - established entrepreneurs or former employees - the development of an entrepreneurial team to structure and exploit new business opportunities is one of the most important aspects associated with the setting up of a business group. It is interesting to note that in no case new companies were set up to associate members of the entrepreneur’s family.

When the enlargement of the entrepreneurial team involves a former employee, two different abilities are used by established entrepreneurs. In the first pattern (employee upgrading) entrepreneur’s capacity is that of recognising and leveraging on the entrepreneurial attitudes of employees to manage the new venture creation phase. In the second pattern (intrapreneurship) the capacity of the established entrepreneur is that of accommodating the intrapreneur’s project within the group. The length of the employee relation allows the entrepreneur to evaluate the entrepreneurial attitude of employees and develop the trust relationship needed for associating them to the entrepreneurial team.

In both cases the development of a group of independent companies is especially needed during the new venture creation phase. Once the ventures have been developed, rationalization in managing existing activities prevails. Nevertheless, the collapse to a divisionalized organization is less likely when the group has been developed through the establishment of an entrepreneurial team.

This discussion suggests the following additional propositions:

*Propositions 4:* The setting up of a new company is more likely when habitual entrepreneurs need to enlarge the entrepreneurial team, both to exploit opportunities he/she already discovered or to accommodate and support business opportunities discovered by novice entrepreneurs.

*Proposition 5:* The team developed by habitual entrepreneurs are predominantly formed by former employees.

*Proposition 6:* Groups developed by enlarging the entrepreneurial team are less likely to collapse into a divisionalized structure when the development phase of the new businesses is completed.

#### A conceptual model of business group formation by habitual entrepreneurs

From the propositions previously established we can try and develop a preliminary conceptual model for explaining business group formation by habitual entrepreneurs. The model is synthesized in

Figure 1.

The fundamental process for explaining business group formation in small firms is the new venture creation by established entrepreneurs. Whether this process results in the setting up of new companies depends on some features of the new ventures. Specifically: a) the degree of diversification from already established businesses; b) the involvement of other people in both ownership and control of the new venture. In turn these aspects depend on several structural and behavioural variables. The most important structural variable is the sector of original activity. The presence of business groups is highly dependent on the sector of activity of entrepreneurs. Indeed, it has been demonstrated that technological trajectories and the competitive forces characterising a sector, influence the intensity and direction of new venture exploitation by entrepreneurs (Teece et al., 1994). The most important behavioural variable influencing new venture development by established entrepreneurs is the nature of the learning process and of the human capital accumulated by entrepreneurs (Ucbasaran et al., 2003).

The second important, and until now almost neglected, process in explaining business group formation by habitual entrepreneurs is the development on an entrepreneurial team, i.e. the involvement of other people in the ownership and control of new ventures. The empirical analysis showed that this is done for three main reasons: the formation of joint ventures with established entrepreneurs; the leveraging on employees' entrepreneurial attitudes to enhance the success and growth possibility of the new ventures; the accommodation of entrepreneurial projects proposed by intrapreneurs. As reported by interviewed entrepreneurs, the employee relationship allows the entrepreneur to know the attitudes of the employee and to develop the trust needed to co-opt his/her in the entrepreneurial team.

#### CONCLUSIONS AND IMPLICATIONS

The main aim of the paper was to further our knowledge of entrepreneurial processes involved in the setting up of new companies by established entrepreneurs, resulting in the formation of a business group. The process of new venture creation by habitual entrepreneurs is an important factor for justifying the presence of business

groups in the small firm sector. The setting up of new companies comes about for two main reasons:

- a) the need to specialize (focus) the new organizational unit to enhance the growth rate and the probability of success of the new venture;
- b) the need to create or enlarge an entrepreneurial team to exploit new business opportunities.

The latter reason seems specifically important for analysing the role of entrepreneurial processes in explaining business group formation. Beside joint ventures with established entrepreneurs, it is the phenomena of “employee upgrading” and “intrapreneurship” that is the most widespread and the most interesting.

In the first case the established entrepreneur leverages on his/her employees to enhance the capacity of creating new ventures. Entrepreneurial attitudes are drawn out from employees to form an entrepreneurial team, while opportunity recognition remains a prerogative of the established entrepreneur. In the second pattern the entrepreneur is able to accommodate employees who want to develop their own businesses. In the latter case the established entrepreneur must reconcile the new project within the group activities and accommodate the emerging entrepreneur in a coherent team.

Whatever the reason for setting up a new company the benefits of legal autonomy are especially important in the phase of new venture creation. Once the new venture has been consolidated the need for legal autonomy diminishes and the group sometimes tends to reduce to a divisionalized organization. This is more likely when the justification for setting up new companies is only based on specialization, while the group structure tends to be retained when an entrepreneurial team has been developed.

The analysis of cases suggests the existence of an **evolutionary pattern** of business groups with the expansion of production companies when new businesses are added to the group and the contraction of them when the new businesses are consolidated. In some cases the number of companies is not reduced but the structure of the group is rationalized through the creation of holding companies and a better definitions of centralized and autonomous activities.

While the relationships between business groups formation and diversification has already received attention in the entrepreneurship literature, the main result of this paper is that of showing the importance of entrepreneurial team dynamics in explaining business group formation by habitual entrepreneurs. Being an exploratory study it has some drawbacks that require further development and analysis. A larger sample is needed to explore the relationships between the degree of diversification and the entrepreneurial team dynamics. We plan to increase the sample in the next phase of the research. Moreover, it would be interesting to analyse whether the model applies just to manufacturing sectors or also applies to service sectors.

We showed that the consideration of entrepreneurial processes can contribute to understanding business group formation by habitual entrepreneurs. We are also convinced that the study of business groups shed light on important aspects of entrepreneurship. Specifically, the analysis of the companies successively set up by habitual entrepreneurs can further understanding on how previously established businesses influence the process of opportunity discovery and new venture creation. This is an area in which much work has already been done. Nevertheless existing literature has not taking into consideration the overall process and dynamics of business group formation and the existence, as suggested by our study, of a development pattern of business groups along with the entrepreneur’s career.

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**Table 1 – Characteristics of the groups interviewed**

Case	Original activity	Main direction of expansion	Companies in 2003	Domestic Production Companies (a)	Overall employees
1	Paper rolls for printers and calculators	Several segments of paper roll market Design and production of cash registers and other small electric household appliances	7	3	222
2	Batteries for motor vehicles	Several segments of the battery market Electric vehicles (scooter, cars, etc.)	9	2	154
3	Footwear soles	Several segments of footwear soles (leather and synthetic) Vertical integration in compound production for synthetic soles	3	3	293
4	Chemical treatment of metals	Printed circuits Assembly of electronic components Systems for car safety	4	2	142
5	Paper sacks (for industrial use)	Several types of paper sacks (for industrial use) and paper bags	8	3	210
6	Industrial electric systems	Industrial automation systems for household appliances, automotive and aerospace industries	3	2	205
7	Publishing	Printing industry Cartoon industry Products and services for the printing industry	7	5	216
8	Industrial Automation for metal working	Complete range of activities for the design of automation systems in manufacturing plants	5	2	244
9	Printed circuits	Several types of multilayer printed circuits Other products and activities related to the main business (rapid prototyping, membrane keyboards, etc.)	6	3	223

(a) Excluding the original company and the acquired companies

**Table 2 – Production domestic companies set-up by entrepreneurs and employee up-grading**

Case #	Companies established by entrepreneurial team development				Production domestic companies (b)	(a) / (b) %
	Joint venture with established entrepreneurs	“Employee upgrading”	Intra-preneurship	Total (a)		
1	1	1		2	3	67
2	1			1	2	50
3		2	1	3	3	100
4	1		1	2	2	100
5					3	
6	1			1	2	100
7	2	2	1	5	5	100
8		1		1	2	50
9		1	1	2	3	67
<b>Total</b>	<b>6</b>	<b>7</b>	<b>4</b>	<b>17</b>	<b>25</b>	<b>68</b>

(a) (b) Excluding the original company and the acquired companies

**Figure 1 – A conceptual model of business group formation by habitual entrepreneurs**

