Entrepreneurial Strategizing: Risk vs. Uncertainty Dialectics Bridging the Entrepreneurship / Strategy Divide – The Case of Private Equity

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Synopsis

The academic dialogue between the fields of strategic management and entrepreneurship has been stalled due to the intense discussion on how the two might relate to each other. Whereas such *debates* are fruitful and typical for dynamic research fields in transformation, *practice informing* approaches to theoretical model construction may advance theory even more.

A setting where strategic and entrepreneurial forces meet by definition is chosen as the starting point; the management of private equity funded firms. The core of this contribution consists of the development of a new theoretical construct, *entrepreneurial strategizing*, which is embedded in the relevant streams of both strategy and entrepreneurship literature, and to a lesser extent, behaviorist economics and the statistical notion of uncertainty.

The construct presented, does first question the widely held belief of the dichotomous nature of entrepreneurial versus managerial/administrative organizations. Second, it sets the basis for exploring a management mode that may offer relevant normative insights and opportunities for further research for both the strategic management as well as entrepreneurship fields.

1 The Quest for Solving the Entrepreneurship/Strategy Divide

Strategy research has undergone a paradigmatic shift (Kuhn 1962) in the last decade. The predominant competitive rationale derived from the macro-economic perspective (e.g. Porter 1980) has been complemented and partly replaced by a more innovation oriented view on strategy, such as the resource-based view of the firm (e.g. Penrose 1959), or popular concepts, such as Kim and Mauborgne's (2005) Blue Ocean Strategy. Schumpeter ([1934] 1983, 66) had already emphasized the role of entrepreneurship in the (re)organization of an industry. Common to all these approaches has been a focus on the new, the uncontested as a source for comparative advantage rather than on improving performance within existing frameworks. This shift of focus has not only been driven by the inherent nature of any academic debate to question common assumptions but rather by a fundamental shift in the nature of the economy towards higher degrees of competitiveness and knowledge oriented approaches fuelled by globalization and the information and communications technology revolution. The fringe

[1] We appreciate Thierry Volery's valuable comments on earlier versions of the paper

anti-globalization movement, the emerge of Asian economies fuelled by complex and peculiar institutional dynamics and the fallout of the financial crises of 2008 have led to further questioning the mainstream economic models of the pre-dominantly rational-choice, utility maximization view on strategy (Fox 2009).

Against this background and the struggle of strategy to reinvent itself, a field of research has emerged strengthened: Entrepreneurship. For decades there has been a sense that entrepreneurship was a key to understand 'the really big dissimilarities in economic life' (Haavelmo cited in (Baumol 1968, 66). Yet the vagueness and incoherence of the discipline, and the fact that there does not exist widely accepted theory of entrepreneurship, typical for any emerging field (Alavarez and Barney 1998), has often made it dubiously attractive as everybody could just see in it what he or she wanted. Unsurprisingly at the beginning of this decade researches were still in a state of theoretical disarray: 'The conundrum, as I see it, is that the totality of current academic entrepreneurship research does not espouse (nor can it espouse) an entrepreneurship theory, *per se*; rather, entrepreneurship research espouses a diverse range of theories applied to various kinds of phenomena' (Gartner 2001, 34). It did not last long until representatives from the adjacent field of strategy took notice of the adolescent discipline struggling to transition from being descriptive to explanatory by borrowing from other disciplines (Alavarez and Barney 1998). This tension points to the pivotal questions that must be addressed: What are the boundaries between strategy and entrepreneurship? Is entrepreneurship not just a specific dimension of strategy? Or does entrepreneurship, with its emerging and future theories and constructs, possess the potential to eventually condition or even overshadow strategy?

The answer to these questions hinges on how strategic management and entrepreneurship are defined (Sandberg 1992). We summarize the debate so far into four positions: the elitists, the separatists, the alliance seekers and the unionists.

The **elitist** position suggests that entrepreneurship is just a fad that will eventually disappear as a vigorous independent academic research domain. Sorenson and Stuart (2008), for instance, see the current state of entrepreneurship literature as a critical roadblock for a full emergence as an academic field.

The **separatist** see two distinct areas with clearly defined domains which both having clear separate and independent missions to fulfill. Meyer, Neck et al. (2002), for instance, propose as a distinguishing factor that strategic management deals with business performance while entrepreneurship deals mainly with business creation.

The **alliance seekers** see legitimacy for both fields to co-exist and see their development process as co-evolutionary. Already Schumpeter considered strategy a critical skill for entrepreneurs ((Schumpeter 1992) cited in (Cheah 1990, 341). The modern representatives of this camp argue that the two fields share common grounds but have different emphases (e.g. Alvarez and Barney 2004). Alvarez and Barney (2007), for instance, define the common ground based on the shared activities.

Finally, the **unionists** go a step beyond the alliance seekers and suggest that the two fields will eventually converge. In contrast to the separatists, they not see the take-over of one field but rather the emergence of a new discipline fuelled by inputs from both. It has often been acclaimed that an entrepreneurial mindset is central to any business organization (Barringer and Bluedorn 1999) and that '(e)ntrepreneurial and strategic actions are at the core of wealth creation' (Ireland, Hitt et al. 2001, 49). They acknowledge that '(i)ndependently, the actions involved with entrepreneurship and strategic

management processes contribute to firm growth and success. When integrated, however, these actions create synergy that enhances the value of their outcomes' (Ireland, Hitt et al. 2001, 49).

Although, indecisive in its outcome, the debate has provoked a clarification of the nature of the two fields and produced a useful set of definitions that will also guide our discussion. In the context of this paper, we follow (Ireland, Hitt et al. 2001, 49) unionists' view. They see both 'concerned with decisions made by general managers who have responsibility for a total business.' Whereas strategic management has dealt mainly with 'examining influences on firm performance', entrepreneurship, on the other hand, 'has emphasized processes which lead to venture creation.' This is in line with the dichotomous relationship of manager/administrator versus entrepreneur often proclaimed (e.g. Stevenson 1983).

We suggest that that these discrete mindsets are underpinned by two fundamental business paradigms characterized by risk and uncertainty respectively. On the basis of the unionist assumption, decision-makers exploit opportunities along a continuum whose payoffs are associated with a known degree of risk or an unknown degree of uncertainty. That is, with Type II or Type III probabilities respectively (Knight 2002). This includes both exogenously formed opportunities (discovery theory: Shane 2003) as well as endogenously created opportunities (creation theory: Alvarez and Barney 2007).

Probability theory is the mathematical kernel of the risk construct. A given or measurable level of risk (variance) yields a given level of return and managers optimize along the risk-return frontier (Markowitz 1952). It is of critical importance that risk management applies to non-unique events, projects that allow them to be categorized because they have relevant precedents within the firm. Strategy essentially concerns itself with risk-return decision-making.

On the other hand, organizations can undertake unique projects where the probabilities of future outcomes cannot be precisely known to the firm. Uncertainty is the paradigm faced by a business opportunity whose outcome probability distribution is unknowable. Unsurprisingly uncertainty is implicit in entrepreneurship where undertakings revolve around 'new combinations' that are usually innovation-driven (Schumpeter 1992, 66) and hence unprecedented. Risk and uncertainty are distinguished by the fact that for risk there is a statistical knowledge of the outcome probabilities. Knight's *Risk, Uncertainty and Profit* ([1921] 2002) was the first work dealing explicitly with decision-making under uncertainty, providing a clear theoretical distinction between uncertainty and risk. 'Statistical' probability or 'Type II' chances can be determined empirically and measured on the basis of the empirical classification of instances. Third type or 'Type III' events see chances determined on the basis of subjective estimates. True uncertainty is immeasurable. There is no valid basis for classifying instances, and yet a judgment of probability needs to be made in most cases ([1921] Knight 2002).

Risk and uncertainty do not present themselves to the decision-maker in pure states. The manager, even the administrator, is often exposed to uncertainty as the entrepreneur is to risk and routine. Persons change roles as business problems require since decision-making is dynamic. We focus on the business decisions presenting themselves along a risk-uncertainty continuum, specifically in the overlap area of the continuum, such as those exemplified by private equity and intrapreneurship. The continuum is the theoretical basis for our unionist approach. Nevertheless, a basic differentiation of action and decision modes, which we define as 'mindset' can be established (see Exhibit 1). We define mindset mental model that 'refers to the knowledge structures that top managers use to make strategic decisions.' (e.g. Huff 1982). A mindset provides the management with a perspective on how to interpret

information and translate it into action (Prahalad and Bettis 1986). Furthermore, '(m)indsets enable people to impart meaning to otherwise ambiguous information because they determine what such people can see, predict, and understand' (Wright, Hoskisson et al. 2001, 113).
Applying the risk and uncertainty logic, we need to add a third action and decision mode where neither of the two constructs apply: the administrative mode. The administrative mode is introduced for completeness but since it is neither strategic nor entrepreneurial it is not central to this article.

Exhibit 1: Action and Decision Modes in Comparison

	MINDSET MODES		
CHARACTERISTICS	**Administrative**	**Strategic**	**Entrepreneurial**
Opportunity approach	Ignore opportunities	Manage opportunities	Create opportunities
Economic objective	Nominal value protection	Relative value protection (value creation within industrial boundaries)	Value creation (beyond industrial boundaries)
Decision-making mode (informed by probability paradigm)	No risk (*A priori* Type I probability)	Risk (Statistical Type II probability)	Uncertainty (Type III probability)
Action mode	Routinizing	Strategizing	Entreprizing

One could argue that the general debate along the existing lines of inquiry prolongs productive parallel research yet aggravates fundamental advancement in better understanding how the two fundamental mindsets and business/research paradigms, entrepreneurial and strategic, interrelate and how they are combined in practice. One reason for the indecisiveness of the debate up to date can be found in the way it has been conducted. Mostly led by academics with strong convictions of their respective perspective, the debate can be described as defensive in nature. Despite initial attempts to combine the two perspectives, e.g. Foss, Klein et al. (2008) who propose to reconcile strategy and entrepreneurship by referring to subjectivism, most of the debate has been limited to the theoretical space anchored in existing perspectives. Beyond such conservative, un-entrepreneurial logic it may be worth to take a fresh look and examine the area of the uncontested.

2 Practice Informing Theory Making

The article proposes a theoretical and phenomenological way to address the strategy/entrepreneurship divide. Further to conducting the discussion at the theoretical abstract level, we follow up with a look at a specific phenomenon where strategy meets entrepreneurship head on. As a result of the inductive analysis of the phenomenon this article proposes falsifiable conjectures (Popper, [1963] 2002) and thus continues the theoretical dialogue.

There are a number of institutionalized settings where these two mindsets meet, some of them have been well researched, others have received less attention. Three approaches to research of phenomena

where both mindsets intersect can be distinguished based on how strategy and entrepreneurship relate to each other: the strategy infusion, the entrepreneurship infusion and the strategy/entrepreneurship fusion contexts. In terms of the academic approaches to the strategy/entrepreneurship divide introduced earlier, context 1 and 2 may give empirical support to either the separatist or alliance seeker argument, whereas context 3 may lend weight to the unionist approach. It may pose a challenge to explain all three contexts assuming an elitist perspective. The **strategy infusion context** describes settings where strategic capabilities are added to entrepreneurially oriented environments. One such case is venture capital in which value creation is based on strategy minded investors providing capital as well as advice to start-up firms, entrepreneurial by definition, on their way to grow and mature.
The **entrepreneurship infusion context** is well known and researched. In this case, entrepreneurial spirit is added to strategy oriented businesses. These settings have found different labels, be it intrapreneurship or corporate entrepreneurship (Burgelman 1983).

Finally, there are settings in business practice where a **combined entrepreneurial and strategic mindset** is the default modus operandi of the organization. An interesting case for the strategy/entrepreneurship fusion context is private equity, a setting where a class of investors fund established firms and then effect change to achieve rates of return higher than the rates generated by the investee's peers. (see Exhibit 2).

Exhibit 2: Company Types by Ownership Structure and Maturity

	FIRM FUNDING STRUCTURE	
FIRM EVOLUTION STAGE	**Private capital funding**	**Public market funding**
Start-up firm	- Privately financed firm (family and friends) - Business angels - Venture capital portfolio firm	Seldom (usually it is after the start-up phase that firms are able to list.)
Established firm	- **Private equity portfolio firm** - Family business	Public stock firm

The relationship between entrepreneurship and private equity has already been noted in literature (e.g. Wright, Hoskisson et al. 2001; Bruining and Wright 2002). Private equity in our context defines companies whose 'capital involved has been raised privately and will not be deployed by investing in publicly traded securities' (Cheffins and Armour 2007, 5).' Yet the investees are not entrepreneurial firms at the start-up stage either. Their primary owners are not households but large institutions and high net-worth individuals that designate agents to manage and monitor on their behalf and bind those agents with large equity interests and contracts governing the use and distribution of cash' (Jensen 1989, 117). Furthermore, private equity funds often invest in established firms lacking entrepreneurial spirit or the proclivity to innovate. It is their specific ownership structure that defines the context condition for private equity portfolio firms: A strategy minded investor attempts to emulate a firm context of a start-up to overcome the inertia of mature companies to 'exploit opportunities others have not identified or exploited' (Ireland, Hitt et al. 2001, 50) and rejuvenate the value creation engine. Wealth creation is the primary objective of firms at the start-up phase as well as those in declining growth,

maturity stages who decide to 're-invent' themselves to either prosper or, oftentimes, just survive (Filatochev 2007). The idea behind private equity is to provide a context for successful innovation at established firms (Ireland, Hitt et al. 2001, 50).[2] In other words, non-start up firms are being asked by to undertake uncertainty or Type III probability projects while their functioning mindset is of ordinary strategic risk-taking dealing with statistical Type II probabilities.

This paper takes a strategy/entrepreneurship fusion position and postulates that referencing business phenomena where the two forces interact will help advance the general debate. To that end we now consider practice informing insights.

3 Entrepreneurial Strategizing as A Mindset in Private Equity

Our attempt to look into phenomena to inform theory cannot be limited to an analysis of secondary sources and so includes primary sources as a structuring element (Hilb 2008). Although sparse, there have been some attempts to decipher the value creation mechanisms of private equity.

As the modern type of private equity constitutes a recent, cyclical and peculiar business model, i.e. gains and looses occur in relatively short intervals, it has benefited from only limited research efforts. Revealingly, a first set of studies followed the first wave in the 1980s, whereas a second wave emerged during the second surge in private equity investments that reached its pinnacle in 2007.

Given the financial nature of private equity, the main focus of research has been the investment rather than the management perspective. Most studies tried to assess whether **private equity as an asset class performed** better than other forms of investments asserting that performance of private equity as an asset class is highly cyclical (Gottschalg 2007; Kaplan 2007) with different types of investors achieving different returns (Lerner, Schoar et al. 2007). Unsurprisingly no definite answer has emerged regarding overall performance given different risk profiles in investment categories (Moskowitz and Vissing-Jorgensen 2002; Phalippou and Gottschalg 2007).

A second category of studies has tried to analyze how the **performances of different private equity funds** compared with each other. They discovered significant variation between funds that perform well and those that perform badly (Kaplan and Schoar 2005) and in some case even a high consistency in performance of fund managers (Kaplan and Schoar 2005; Kaplan 2007).

A final group of these performance oriented studies analyzed how **private equity portfolio firms perform**. Whereas some researchers indicated that firms owned by private equity funds perform better than publicly traded firms, even when assuming that public firms too are leveraged (Gottschalg 2007), others found out that firms formerly owned by private equity firms perform better in IPOs than others, but returns worsen over time (Cao and Lerner 2006). For all these performance studies, the limitations are obvious; they all depend on the selection of time and performance metrics.

Although performance research is non-conclusive, a more relevant class of findings for our purposes would be research related to modeling the drivers of performance or non-performance. Articles with

[2] A look into private equity practice reveals that there is great variance in how well these conditions are established as private equity mangers lack critical capabilities or are motivated by other incentives. Private Equity has become epitome of an era of business that has been described by greed and the failure of financial capitalism and the uncertain future of what was dubbed 'financialization' (Cappelli 2009) and criticized for the over-reliance on the financial markets (Davis 2008). Although some practices of PE firms contributed with their extensive leveraging behavior to the recent financial crisis, the substance of the approach is not just a fad but rather a distinct governance approach that could be traced back to the 15th century.

a stronger practice orientation have approached the topic purporting to have identified drivers behind value creation in private equity (e.g. Rogers, Holland et al. 2002; Barber and Goold 2007; Pozen 2007; Shivdasani and Zak 2007; Acharya, Kehoe et al. 2009). These articles, however, are often meet with skepticism too as their empirical base is limited and some may suffer from common methodological weaknesses such as success bias or oversimplification (Kieser 2008). Nonetheless these findings, if translated into a more theoretical language, can be classified into four key arguments: (1) cash flows, (2) autonomy, (3) cognition and (4) capabilities (Hilb 2008).

As defined earlier, we see private equity as a particular context where dealing with uncertainty (Type III) and risk (Type II) is both necessary and simultaneous to dealing with risk. Hence, the four performance categories need to be seen in that context and ought to be assessed on how well they help explain dealing with both uncertainty and risk.

One core argument is built around the **cash flow theory** proposed by Jensen (1989). It suggests that if managers have too much cash flow available, they invest wrongly. Hence, limiting cash flow available to managers has a positive impact on value creation, which is a common occurrence in leveraged buyouts which consume a large part of cash flows to serve debt holders (Jensen 1898). This argument assumes the efficient market hypotheses, and has been challenged by behavioral theory which notes the positive effects of slack (Cyert and March 1963; Bourgeois 1981). In private equity, first and foremost we find an accentuated operationalized cash focus as part of the value protection and recovery efforts based on standard management techniques. Thus there is a shared and undisputed belief in the metric of performance: cash flow. This is reflected in the clear incentive targets set for managers and owners and is explained by the relatively high debt leverage implicit in PE deals making generation of cash flow pivotal for survival. Yet at the same time PE firms work on complementary and yet opposite assumptions where the cash flow target is an insufficient performance metric. Rather, various other objectives are translated into operational key performance indicators that can be easily understood by operations and middle management, and even more importantly, clearly measured. In that sense, we see a combination of what Simons (1994) calls a diagnostic control system helping monitor and motivate achievements along a boundary system which sets limits on opportunity seeking. In other words, a balance between risk (cash flows) and uncertainty (diagnostic systems) is sought for the opportunities and projects undertaken by the mangers of firms invested by private equity aiming at rejuvenation and new wealth creation. A strong cash focus can be seen as an important approach of management to create transparency on risk and mitigation measurements. Every decision to spend or not to spend cash comes with an inherent risk assessment. At the same time, this assessment process enables management to assemble the resources and information necessary to recognize uncertainty and react effectively to changes in the environment while accepting that not all outcomes are predictable. Slack is inherently tolerated by focus on non-cash performance metrics

A second reasoning commonly referred to is the **autonomy argument** (e.g. Wruck 2007). It attributes the special value creation potential – if existing at all – of private equity deals to the special autonomy given to managers in such companies. This reasoning is in line with the control school of thought. Bruining, Bonnet et al. (2004), for instance, suggest that successful buyout managers put a special emphasis on complementing the traditional controlling instruments with alternatives to stipulate opportunity-seeking and learning. The phenomenon can be best described by meritocracy-based structural empowerment. Under this condition managers are expected to perform regardless of their status or heritage. Meritocracy is a major motivator giving people opportunity to perform regardless of

politics or other influencing factors. This condition is coupled with a strong sense of empowerment, a cognitive state that is influenced by perceived control, perceived competence and goal internalization (Spreitzer 1995). The operations managers are given a lot of freedom to execute coupled with strong expectations to deliver. This can mainly be explained by investors who are not versed in the operations or the industry and are not keen on becoming involved in the operational area. The positive impact of employee empowerment on organizational effectiveness has been noted in the literature (Conger and Kanungo 1988). In the context of private equity a combination of all three types of empowerment as described by Allen and Mayer (1990) can be observed: Affective (emotional), continuance (financial) and normative (guilt) commitment.

The meritocracy-based structural empowerment provides, on the one hand, structures necessary to manage risks. On the other hand, it promotes the emergence of entrepreneurial minded who are able to deal with uncertainties. By providing a structured approach to autonomy, i.e. setting clear targets, managers are set clear boundaries necessary to limit the exposure to risks. At the same time, meritocracy and performance related incentive system means that managers have the autonomy and incentives to undertake uncertainty (new projects, new R&D, new markets) because as long as they manage known risks they will be rewarded for the undertaking of unknown risks they are encouraged to undertake. Uncertainty is an accepted context condition where not all outcomes can be foreseen and, hence, fast and autonomous reaction is necessary.

A third argument stream sees **cognition** at the center (e.g. Fox and Marcus 1992; Wright, Hoskisson et al. 2000). These scholars believe that successful managers in a private equity context have a special set of heuristics in common which has a positive impact on performance. In particular, the managers share a common aligned option thinking. The initial premise is that the thinking of all decision makers involved, be it the director or chief executive officer, is very much in alignment. The strong organizational alignment (Floyd and Lane 2000) observed has been posited to have a positive impact on performance (Powell 1992). The clear ownership structure is likely a condition supporting this behavior. Moreover, strategy is primarily seen as a set of options as addressed in the literature (e.g. Kogut and Kulatilaka 2001; Grundy 2004). Hereby, the economic actors apply what Kogut and Kulatilaka (2001) call the real option theory rationale. It is in particular the rationalization of different options, i.e. risks and uncertainties, that ask for certain heuristics to be applied.

Aligned option thinking is central to dealing effectively and simultaneously with risk and uncertainty. The formal separation of roles and responsibilities between the board, management and the teams promotes the establishment of a culture of structured risk management. The governance bodies are forced to think systematically on risks involved in any business decision they take. At the same time, the concept of uncertainty is deeply ingrained in the management and owner's view on the future as an value creation expectation. As a result, option thinking is a *de facto* mindset create the mental flexibility and shared understanding (alignment) to deal with uncertainty Hence, with the engagement of uncertainty is mentally institutionalized.

Linked to this stream is the **capability school** of thought which argues that it is the quality of people, i.e. mangers, that plays a key role in value creation in a private equity context (Wruck 2007). In the particular case of private equity, managers are sought to show a strong sense for core competence complementation. They put a lot of emphasis on identifying missing capabilities in their organizations and filling the gaps by, for example, bringing in talents. In that sense, they value the

importance of competences to business success and hence see the value of core competencies, a capability that is central to a firm's value-generating activities (Andrews 1971; Prahalad and Hamel 1990).

Simultaneous risk and uncertainty management requires a specific skill set and, hence, a specific composition of experience and capabilities. It is the complementation of ordinary risk and 'unknown complexity' management skills that are needed. Or to put it differently, the managerial competence of risk management is combined with the entrepreneurial competence of dealing with uncertainty.

In combination, these four elements form are the initial building blocks of a construct described here as entrepreneurial strategizing, a mindset that drives value creation in the private equity context. The common mindset expresses itself here in four dimensions that describe the management behavior in value creation private equity portfolio companies: aligned option thinking, operationalized cash focus, meritocracy-based structural empowerment and core competence complementation. Common to all the elements in the construct is the underlying role of risk and uncertainty as summarized in Exhibit 3 below. Hereby, the shared mindset is shaped by a dual structure and a strong sense to bridge and at the same time this duality.

In summary, entrepreneurial strategizing is described as follows: Decision and action modes characterized by synonymously managing risks and uncertainty. This decision and action mode which engages both risk and uncertainty is pursued by economic actors to create economic value while principles and techniques of both strategy and entrepreneurship are applied side by side.

There are two streams of literature in which the construct of entrepreneurial strategizing can be embedded: Strategizing and entrepreneurial orientation. The research into strategizing (e.g. Balogun, Huff et al. 2003; Rivkin and Siggelkow 2006) offers a relevant basis on which the research into entrepreneurial orientation (e.g. Miller 1983; Lumpkin and Dess 1996; Krueger 2000) can build on. In particular, the link of these two streams with the risk and uncertainty perspective is of great relevance in this context. In its essence 'strategizing is the application of heuristic frames to analyze the world and to generate normative evaluations of potential avenues of implementation' (Kogut and Kulatilaka 2001, 744). In that senses, strategizing is related to our understanding of mindset as described above. This definition indicates that the outcome very much depends on the quality of the heuristic. Heuristics can be useful but also come at a cost. 'Strategizing is, then, the application of imperfect heuristics to problem solving and implementation' (Kogut and Kulatilaka 2001, 746).

4 Conclusions

The construct entrepreneurial strategizing, derived from observation and practice informing insights and substantiated by two theoretical concepts, describes a specific management decision making and action modus operandi that is prepared to deal with risk and uncertainty. A great deal of analysis has been spent on differentiating entrepreneurial and managerial/administrative mindsets e.g. (e.g. Drucker 1974; Stevenson 1983; Busenitz and Barney 1997). Our analysis of a specific phenomenon gives support for the proposal of a third mindset that combines elements of both worlds, the entrepreneurial and strategic, but is in its particular characteristic distinct.

The analysis and discussion allow for conclusions on two levels, the content and theory level.

Exhibit 3: Deconstructing Entrepreneurial Strategizing in Private Equity

	Theoretical Arguments in Private Equity			
	Cash flows	**Autonomy**	**Cognition**	**Capabilities**
Performance Construct	Operationalized cash focus	Meritocracy-based structural empowerment	Aligned option thinking	Core competence complementation
Main Argument	Cash flow focus encourages actors to plan carefully and behave economically with scarce resources	Managers are provided with autonomy to take action swiftly and bear responsibility	As owner and manager are cognitively aligned on option thinking, they can take decisions very swiftly and decisively	Combination of complementary managerial and entrepreneurial competencies is pivotal to performance
Risk Perspective	Cash flows are well planed and monitored to incorporate risk considerations	Autonomy granted is within clearly defined boundaries set to minimize risks	Discourse between owners and mangers, necessary for alignment, leads to systematic view on risks	Infusion of managerial competence as important means to manage risks
Uncertainty Perspective	Stringent cash management sets aside reserves for dealing with uncertainty	Autonomy and performance targets encourage managers to cross the risk boundaries to engage in activities with uncertain outcomes	Option thinking as a thought framework assumes uncertainty as a valuable option available to manager	Infusion of entrepreneurial competence as enabler to engage in action with uncertain out come
Entrepreneurial Strategizing	A decision and action mode that assumes a simultaneous pursuit of risk and uncertainty by economic actors to create economic value by applying simultaneously entrepreneurial and strategic mindsets			

On the **content level**, the findings of this analysis show first that a operating mindset may come into play if people act in certain condition that emulate a combination of entrepreneurial and strategic settings. This is a mindset that has been mostly been overlooked in research as the focus was on neither the administrative (no risk), the managerial (risk) nor the entrepreneurial (uncertainty) modes. The entrepreneurial strategizing mode may merit further exploration, refinement and finally empirical testing. Further research may also help overcome the limitations of the type of study just presented: An unconventional way of combining insights from the literature with the results of an exploratory study introducing novel ideas, hypothesis embedded in a theoretical framework. It will also ascertain these hypotheseisin for its 'falsifiability, or refutability, or testability' (Popper 2002, 48) and the robustness of our framework. A first specific follow-up question is whether this entrepreneurial strategizing relevance is limited to the world of private equity or whether it can be seen as a broader phenomena

relevant to other business activity types in the economy. On the one hand, it could be argued that other types of economic organizing resembling the private equity context to a degree sufficient to produce a similar operating mode that is not represented adequately enough in the currently dominant research streams. One such candidate may be what commonly is called the family-owned business as well as small and medium sized enterprise (SME).

On the **theoretical level** and as to the initial challenge, to bridge the strategy/entrepreneurship divide, the findings seem to offer indications for further inquiry. First of all, the findings show clearly that the desire to bridge strategy and entrepreneurship is not just a theoretical matter but ought to be grounded in phenomena identified in practice. Going back to the introduction, the question should not be whether one field should be subordinated to another one but rather what theoretical contributions can provide insights to build novel theoretical frameworks which explain relevant business phenomena. Ideally new theory would be unionist, capable of explaining both management and entrepreneurial processes from a single unified perspective. Our discussion suggests that both fields, the mid-aged field of strategy in the midst of a mid-life crisis, as well as the adolescent field of entrepreneurship, dealing with the confusion of puberty, may offer relevant insights to describe the wide arch of business practice, from value protection to value generation. Hence, the emphasis of further research should be on better understanding comprehensive business practice as we witness it in action and transition, rather than on an over-emphasis in theoretical discourses.

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