


Chapter 15

Portfolio Entrepreneurship and Strategic Decision Making in the Global Context

Nermin Kişı

 <https://orcid.org/0000-0002-6247-5445>

Zonguldak Bülent Ecevit University, Turkey

ABSTRACT

In recent years, emerging trends in entrepreneurial activity have been changing constantly, and new entrepreneurship types are developing in the global world. Especially, a number of studies have drawn attention to the alternative entrepreneurship approaches. This chapter reviews an alternative entrepreneurship opportunity called portfolio entrepreneurship, also known as multiple business ownership. The main purpose of this chapter is to investigate the importance of strategic decision-making of portfolio entrepreneurs. This chapter also aims to provide a framework that is three-box solution for portfolio entrepreneurs to improve their decision-making performance. The results of the study are expected to be a source for researchers and practitioners in the areas of entrepreneurship and decision making.

INTRODUCTION

Entrepreneurship which is acknowledged as a significant tool in economic growth, regional development, innovation, and generating new jobs (Carree & Thurik, 2003; Parker, 2009; Wagner, 2012; Cieslik, 2014; Baptista & Leitao, 2015; Hakobyan, 2017) has been the subject to much research within multiple disciplines for many years. The evolution of entrepreneurship has created new opportunities and led to new managerial challenges due to the globalization of businesses (Etemad & Wright, 2003). The reflections of economic, political, social, and cultural changes on entrepreneurship have revealed new trends in entrepreneurship. In particular, innovative approaches to entrepreneurship and multiple business entrepreneurship have become significant themes in entrepreneurship researches. From the perspective of contemporary entrepreneurship, entrepreneurs are generally categorized in three types: *nascent* who considers establishing a new venture; *novice* who has just started businesses; and *habitual* who always

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starts, or purchases several businesses (Morrish, 2009; Balunywa, Sejjaaka & Ntamu, 2013). Habitual entrepreneurs have multiple businesses either respectively (i.e. serial entrepreneurs), or concurrently (i.e. portfolio entrepreneurs) (Baptista, Karaöz & Mendonça, 2014; Westhead, & Wright, 2015). Among the different types of entrepreneurship, an alternative entrepreneurship approach namely portfolio entrepreneurship is analyzed in this book chapter.

There have been numerous attempts to define and conceptualize portfolio entrepreneurship. The concepts of multiple business starters (Donckels, Dupont & Michel, 1987), or multiple business owners (Rosa & Scott, 1998; Carter, 1999) are also used instead of this entrepreneurship type in the literature. The phenomenon of portfolio entrepreneurship appears when business founders hold, run and control multiple ventures contemporaneously, and that the ownership of the new enterprise differs from existing enterprise (McGaughey, 2007). According to Carter & Ram (2003), portfolio entrepreneurship is the concurrent ownership of a number of businesses. To sum up, portfolio entrepreneurs own several businesses at the same time (Plehn-Dujowich, 2010), and they operate more than one business in parallel (Parker, 2014; Radicic, Bennett & Newton, 2017). Thus, they gain great experience in running the businesses (Carter & Ram, 2003; Thorgren & Wincent, 2015). Moreover, portfolio entrepreneurship represents value-creating behaviors that seek to identify and utilize opportunities. It refers to a process through which product development or diversification occurs (Carter, Ram & Dimitratos, 2004). Importantly too, as the portfolio entrepreneurs can deploy assets from their existing companies, they are less likely to encounter a variety of financial barriers to launch a new initiative. Besides, they have greater network contacts and customer knowledge apart from the necessary skills to deal with financial barriers (Baptista, Karaöz & Mendonça, 2014). In addition to all these, the main motives that drive people to start a portfolio investment can stem from diversification of risk, growth-seeking, easier resource acquisition, and succession (Carter & Ram, 2003; Morrish, 2008). Despite the fact that ownership of more than one enterprise by a single entrepreneur is initially seen as a tool to reduce the operational risk, it is now considered a remarkable growth strategy (Carter, 1998a; Rautiainen, 2012). The potential benefits of portfolio investments are described as risk management through diversification in multiple risk initiatives and economies of scope in entrepreneurship activities (Plehn-Dujowich, 2010). That is why, these investments can be introduced as a significant tool in terms of spreading risk, creating new ventures, lowering average cost, steadily growth, contributing to the survival of firms, and so on.

On the other hand, portfolio entrepreneurs face many potential investment opportunities in a highly complex environment. The ability to identify and implement entrepreneurial opportunities provides competitive edges through innovations that create new line of business to them (Hitt, Ireland, Camp & Sexton, 2002). Entrepreneurs may lose sight of strategic decision-making process, if they only focus on short-term decisions related to daily activities. Whereas, they can realize short-term plans more easily by clarifying the firm's big picture objectives (Gartenstein, 2019). Furthermore, the portfolio decisions (i.e., choice decisions, partial termination decisions, and removal decisions) handle uncertain information, and need a long-term foresight (Kester, Hultink & Lauche, 2009). Hence, unlike nascent and novice entrepreneurs, portfolio entrepreneurs need to make strategic decisions regarding multiple investments involving both current and next business ventures. So, they need to have a strategic decision-making mindset that takes into account past, present and future actions. This indicates that the issue of strategic decision-making concerning with investment areas of the portfolio entrepreneurs has greater importance for the sustainability of the business process. Therefore, there is clearly a need for an understanding of strategic decision-making of portfolio founders, and an innovative structure that will facilitate to make strategic decisions of them.

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