



TenStep Supplemental Paper

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Distinction Between an Entrepreneur and a Manager

The terms Entrepreneur and Manager are considered one and the same. But the two terms have different meanings.

The following are some of the differences between a manager and an entrepreneur.

- The main reason for an entrepreneur to start a business enterprise is that he envisions the venture for his individual satisfaction and has a personal stake in it, whereas a manager provides his services in an enterprise established by someone else.
- An entrepreneur and a manager differ in their standing. An entrepreneur is the owner of the organization, and he bears all the risk and uncertainties involved in running an organization, whereas a manager is an employee and does not accept any risk.
- An entrepreneur and a manager differ in their objectives. An entrepreneur's objective is to innovate and create, and he acts as a change agent, whereas a manager's objective is to supervise and create routines. He implements the entrepreneur's plans and ideas.
- An entrepreneur is faced with more income uncertainties, as his income is contingent on the performance of the firm, whereas a manager's compensation is less dependent on the performance of the organization.
- An entrepreneur is not motivated to involve in fraudulent behavior whereas a manager can be. A manager may cheat by not working hard because his income is not tied to the performance of the organization.
- Entrepreneurs are required to have certain qualifications and qualities like high accomplishment motive, innovative thinking, forethought, risk-bearing ability, etc. Conversely, it's mandatory for a manager to be educated in the fields of management theories and practices.
- An entrepreneur deals with faults and failures as a part of the learning experience, whereas a manager makes every effort to avoid mistakes, and he postpones failure.

An entrepreneur is intensely dedicated to developing business through constant innovation. He may employ a manager to perform some of his functions, such as setting objectives, policies, rules, etc. A manager cannot replace an entrepreneur in spite of performing the allotted duties because a manager has to work through the guidelines laid down by the entrepreneur.

On the downside, the typical manager brings professionalism into the workings of an organization. They bring fresh perspectives, ideas and approaches to trouble shooting that can be invaluable.



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Lately there has been convergence of the entrepreneur and the manager in certain sectors, like software. An employee is being given highly valuable stock options, which make a typical 'manager' a part owner.