



THE ENTREPRENEUR'S IDENTITY STANDARD

**What entrepreneurs think about themselves and
how it influences their entrepreneurial actions**

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Published in the United States
by eBooks2go, Inc.

1827 Walden Office Square, Suite 260, Schaumburg, IL 60173

Paperback ISBN: 978-1-5457-5272-2

Hardcover ISBN: 978-1-5457-5281-4

ePUB ISBN: 978-1-5457-5273-9

Mobi ISBN: 978-1-5457-5274-6

Library of Congress Cataloging in Publication

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Chapter 1

THE GIST

I've never thought of myself as a female engineer, or founder, or a woman in tech. I just think of myself as someone who's passionate.

–LEAH BUSQUE

This is a book about how entrepreneurs see themselves. I base my writings on face-to-face interviews that I carried out with start-up entrepreneurs at the UK's digital tech incubator as part of my doctoral research programme.

Don't be alarmed: it is not an academic book! My interview interactions just provided fresh insights into what start-up founders thought about themselves and their strategic actions or choices. That is why the ideas in this book are about the entrepreneur's identity — consequently, the entrepreneur's identity standard.

Just to put the record straight: I do not predict the entrepreneurs' actions or decisions or strategic choices. Instead, I explain how the founders act or make decisions or strategic preferences. Later in this chapter, I will explain to you the critical distinction which I draw between behaviour and actions.

Basis of the entrepreneur's identity and its operation

In this section, I want to give you the basics. First and foremost, 'identity' is a concept that points to a set of meanings that represents an individual in

three different ways. For instance:

1. How he or she sees themselves in a *role* (e.g., a start-up founder, a CEO, an entrepreneur, an angel investor, a venture capitalist (VC), a retired VC, an intern, a research scientist, a product manager, an engineer, a data analyst, but also a father or mother, a brother or sister, a good friend, a member of a sports club, or a neighbour). As academics point out, identities link to roles that exist within the social structure.
2. How he or she sees themselves in a *social situation* or a particular *social group* (e.g., American or British, male or female, or a member of the Green Party).
3. How he or she sees themselves as an *individual* (e.g., easy-going, moral, honest or dishonest, cunning, witty, trustworthy, determined, or ambitious).

I apply the term ‘entrepreneur’s identity’ to an individual engaged in entrepreneurship. For example, Mark is an entrepreneur, but you may also think of him as a husband or partner, a father, a brother, and a member of a sports club.

I’ll give you another example. Sofia is a start-up founder. Despite that, she is also a graduate, the only daughter in her family, and a cheerful person. Consequently, all individuals have multiple identities. That is why the meanings of ‘identity’ are social in their nature. In other words, any social situation creates these meanings for an individual.

For scientists, the entrepreneur’s identity is inseparable from roles as a motivating factor to engage in entrepreneurship. I view ‘entrepreneurship’ as an activity of starting and running a business with the help of various resources. In my opinion, an entrepreneur is an individual who realises there is an opportunity out there and takes actions despite possible risks. This book is a practical guide to better understand entrepreneurs in their start-up environment according to their roles.

Let’s imagine these circumstances. The board of directors decides to push a CEO out of their role in a venture. In other words, to fire them and find a new, more suitable in their view replacement for the role of the CEO. Our

former CEO goes to a social event where others ask questions about their current position or plans: ‘Who are you now? What do you do? What do you want to do?’ As you may guess, this is a thoroughly unpleasant situation for the individual. ‘What is the cause of that?’ you may ask. It seems to be because their identity has been affected: the lost sense of who one is. Nobody wants *others* to put them down or humiliate them in front of everybody else. It is quite apparent that a vast majority of people will be reluctant to talk about what happened: mull events over. And this is obvious: comments from other people may psychologically hurt.

To better grasp the identity of an entrepreneur, I want you to familiarise yourself with the concept of ‘identity’ as a system, or a ‘feedback loop’, consisting of four components: the input perceptions, the identity standard, the comparator, and the output to the social situation. I will now take each of them in turn.

First are the ‘input perceptions’ of self-relevant meanings from the situation of interaction, which include both how the individual sees him or herself (individual’s perceptions) and how others see him or her (also called ‘reflected appraisals’). What do *others* believe the entrepreneur should do in their role?

By ‘others’ I mean other entrepreneurs, angel investors and VCs, employees, vendors, business partners, and other stakeholders who have a vested interest in the start-up. How do they see that entrepreneur? For example, comments from *others* about the lost CEO position when others talk about him or her. The self-relevant meanings are about the entrepreneur because they are only relevant to them – they are about their identity. The self-relevant meanings are about who the entrepreneur is in that role.

Second is the ‘entrepreneur’s identity standard’ – the subjective meanings of that identity. What does the entrepreneur think he or she should do in a particular position, and how does he or she view themselves in that role? For instance, how the entrepreneur sees him or herself as an entrepreneur, an owner, a founder, a co-founder, or a leader. What is so special about a founder – and maybe a CEO position – for the entrepreneur personally? What do entrepreneurs think about it when they hold it? Also, what does the

entrepreneur think *others* should do in their roles in a start-up? How do they hire people, and what do they feel about them?

My answer to all these questions is that the entrepreneur's identity standard manifests itself in the entrepreneur's actions: it is the core of the entrepreneur's identity. That is why they perform a particular action. That is why they think about *themselves* and *others* in a certain way.

I want to illustrate this point with one example. What does the entrepreneur think about him or herself when signing a term sheet with an investor? My observation would be that the entrepreneur's identity and the entrepreneur's identity standard of motivations would shine through when negotiating the terms of this agreement (i.e. term sheet provisions). The actual signing of documents is the action of the entrepreneur. They direct this action towards the term sheet because they do what's right for them from their perspective. What the entrepreneurs think is right for them always refers to their identity standard of motivations first. The bottom line is that this identity standard will come into play with the 'how' and 'what' they are signing.

I use the word 'action' for the entrepreneur in the context of what they are *doing* or what they *can do* based on how they think about themselves in a particular fashion. I seldom refer to the word 'behaviour' because it is often about opinions or comments expressed, values communicated, questions, and gestures. 'Action' is a much stronger word than 'behaviour' and therefore more accurate. The environment that surrounds the entrepreneur serves as the action's context. They usually direct their efforts towards a particular mission, or purpose, or goal.

Consider the following situation. A CEO has demoted or is inclined to downgrade one of the members of his executive team. Let's assume that the CEO directs this action towards a bigger purpose in mind: improvement of the overall company's performance and long-term survival. However, the way to do this would depend on the CEO's identity standard. For example, his or her love of power. It is a clear manifestation of the CEO's identity. The consequences of the reduction in rank or status would depend on what feels comfortable to the CEO, and whether or not he or she thinks about *others* in the company and their inevitable reactions following the CEO's

decision. This example shows the CEO's true colours because it reveals their identity standard of power.

Third is the 'comparator' – the mechanism that operates to compare the inputs from the environment with the identity-standard meanings. To put this differently, how the entrepreneur's head takes the situation and compares it with a deeply ingrained identity standard of some sort before undertaking any action.

Fourth is the 'output' to the environment or social situation in the form of meaningful social behaviour based on the difference between the self-relevant perceptions and the meanings held in the identity standard. In other words, what you say and do in a given situation. What will you tell them about your CEO position? Will you tell the real story: the story behind the story, as it were?

Four types of disturbances

We can now talk about 'disturbances' or 'interruptions' because they are critical to the entrepreneur's identity. These may be *external events*, such as tech conferences, rising start-up pitch competitions, meetings with a mentor, various kinds of communication with vendors, meetings with partners, networking events, and other types of events. For example, a start-up founder finds themselves at a tech conference they do not want to be at because they think they are wasting their time. Such an event is a disturbance for them. It is also a significant disturbance to the meanings that they have about themselves and about what they really should be doing.

Other roles or identities could be a source of disturbance: identities within the individual. For example, the entrepreneur identity and the parent or spouse identity may conflict with one another. 'How can I be a successful entrepreneur and a good father?' one might think. In this case, the third description would kick in.

Here is what I mean: if an entrepreneur holds tightly to his or her entrepreneur's identity, any disturbance from another identity – father or mother or partner – will be unthinkable. Adverse emotional reactions,

worries or anxieties are inevitable. However, if an entrepreneur does not hold tightly to his or her identity as an entrepreneur, he or she will allow the disturbances to occur and will not respond to them as strongly. ‘All right, I think I can be a decent parent and a successful entrepreneur,’ they may tell themselves.

The third type is interruptions by *periodic* or *episodic identities*. As the name suggests, they activate during a particular period. When identity activates, it means it is in operation. For example, when a founder or CEO has to appear in the media but does not like it. One possibility may be because they consider it to be another role for them. Some entrepreneurs may allude to the fact that media appearances boost a company’s image. Others disagree on the grounds that such events do not directly relate to day-to-day operations inside a start-up. They even call it ‘being a fake CEO’. If you think about it, this uncomfortable identity in our example is periodic and in operation for a short period. Nevertheless, it is undoubtedly an interruption for the founder.

The final type of disturbances is the disturbances from *other individuals*, such as other start-up founders, investors, mentors, partners, vendors, employees, and other stakeholders. ‘What do they think about me and my performance?’ an entrepreneur might think. If a start-up founder has a good relationship with an investor who happens to be candid, trustworthy, and reliable, each individual’s identity supports the identity of the other. These are ‘mutually relevant identities’ because both of them verify the meanings they hold about themselves in their identity standard of how the relationships between a founder and an investor should look. One is happy to work with the other, which confirms the identity-standard meanings they hold for each other. ‘He is a pleasure to work with,’ one can think to themselves. ‘He knows what I am going through, and he is eager to help me. He is the one I can trust,’ an entrepreneur might think about their investor.

I want to make one thing abundantly clear for you: the problem is not whether entrepreneurs verify or not verify their identity standard of, say, success. In essence, the problem is their actions afterwards. Naturally, it is nice to work with people who have similar identity standard to your own

because their thoughts and justifications of these thoughts will be close to your heart. Most problems arise because of the opposite scenario. For example, when an investor has an entirely different view about money than an entrepreneur. Lack of alignment or the total absence of it will ultimately lead to identity non-confirmation on both sides. Therefore, it may result in all sorts of challenging behaviours and indecisive leadership. For instance, potentially confusing term sheets which work solely to the investor's advantage.

A real-world story

At this point, I would like to describe to you an excerpt from a publicly available conversation between Sam Altman and Craig Cannon from the YC podcast of 8th November 2018 before delving into the examples from my doctoral research data. You may be wondering who the people I have just mentioned are. Here is their quick biography.

Sam Altman is a CEO of OpenAI LP and former president of Y Combinator, and Craig Cannon is a former director of marketing at Y Combinator (YC) and a legendary host of YC podcasts. YC is the most famous seed accelerator and fund for tech start-ups in Silicon Valley. The whole conversation is available online, and this is what Sam had to say that intrigued me about the entrepreneur's identity and the entrepreneur's identity standard:

Let me try to frame in like in an area when a lot of things went wrong at once but in a way that was really good. So I sold my start-up when I was like twenty-six or something like that ... and then I took a year off. And in that year (which is hard to do, it is really hard to do in Silicon Valley). Because in a place where social status is determined by your job and what you are working on. Like ... when, you show up at a party, and someone says, "What are you working on?" and you are like, "Ah. I am kind just taking the year off." You can, sort of, see in real-time their eyes like look for someone else in the room to talk to. Doesn't feel that good. But it's an incredibly privileged thing to be able to do this.

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