

## THE FIVE ELEMENTS MODEL OF ENTREPRENEURIAL TEAM STRUCTURE\*

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**Abstract:** The behavior and performance of entrepreneurial teams are affected by many factors, whereas, the team structure is a very important one. Based on the traditional Chinese Five Elements theory, this paper puts forward a model to classify entrepreneurial team members and analyzes the team structure, meanwhile, the five elements properties of an entrepreneurial team are analyzed and the allelopathy relationship among the team is described. In addition, this paper also carries out an analysis on the vacancy of the five elements, and proposes a cover solution when vacancy exists.

**Key words:** Entrepreneurial team; the Five Elements Theory; Harmony entrepreneurial team

## 1 Introduction

In the establishment process of an entrepreneurial team, how to absorb right team members on the basis of ensuring the main functions of the team, realizing an efficient and well management, and achieving an excellent business performance, is of great significance. At present, most scholars regard that the performance is much higher in an entrepreneurial team than in an individual business. Therefore, many scholars carried out a large number of studies on the factors that affect the performance of team entrepreneurship. Hambrick (1994) held that the quality and composition of the entrepreneurial team is an important factor to determine whether the organization's performance is good or bad. Through investigating in a number of start-ups, Michael D. Ensley, and Allen C. Amaso (1999) found that the higher the heterogeneity of entrepreneurial team members, the worse the company's performance. Gary Akehurst, Jose Manuel Comeche and Miguel-Angel Galindo (2009) considered that job satisfaction and team commitment play a positive and direct role in entrepreneurship. From these results, it is evident that the composition of entrepreneurial team and the rationality of work allocation directly affect the business decision-making and performance of the entrepreneurial team.

The five elements theory is the ancient Chinese view of matter, which holds that everything in the universe is made from the operations and changes among the five basic elements, which include wood, fire, earth, metal and water. These elements are representations of the transformation that occur in the world, and they are describing how things interact and relate with each other. It emphasizes on the overall concept and the relationship between the structure and movement forms of substance. Some scholars employ the five elements theory into the analysis on the structure of top management teams in corporate, such as Wen Li, Zhang Ruixue, Bai Qinhui, they conducted an analysis on the homing problem of the five elements role in top management teams. Very few studies apply the five elements theory to the analysis of entrepreneurial team structure.

## 2 Homing Phenomena of the Five Elements in Entrepreneurial Team Members

According to the five elements theory, each person can be categorized according to his/her own characteristics into five types, namely, metal-type, water-type, wood-type, fire-type and earth-type. At the same time, the characteristics of each type are corresponding to the capacities required by different positions, in another word, corresponding relationship exists between the five elements system and the entrepreneurial team.

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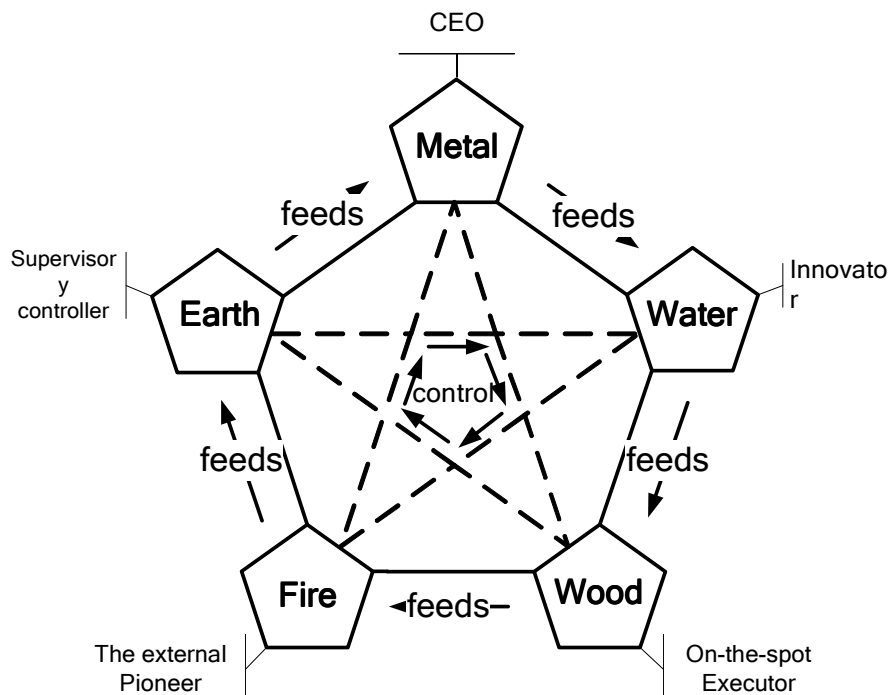
The properties associated with metal are convergence, depression and calmness, meanwhile, metal is representative of a rich sense of justice, good and evil, unyieldingness, friendship, honest, good eloquence, strength and determination, as an old saying says: "Technology can make metal soft or hard", which presents that metal-type people hold an innovation idea, dare to innovate new things, and have the reform-pushing capacity. Water is representative of coolness, fluid, going down, flexibility, and also appears as strong adaptability, optimism, diligence, well tolerance, intelligence, restriction with rules and ethics, fond of freedom, innocence and introversion, as an old saying says: "Water flows downward", indicating water-type people work with quiet dedication and have the ability to nourish all things. The properties associated with wood are a continuous growth, a fast development and a positive spirit, so wood-type people are often simple, honesty, strong, positive, helpful, responsible, careful and cautious, but lack of assertive. As the old saying goes: "Wood grows continuously", which shows that wood-type people have the capacity of growth. Fire is representative of exertion, radiation and control, and it also appears as enthusiasm, quickness of mind, kindness, well understanding, full of energy, warmth, cheerfulness, frankness, irritability, aggression, strong self-expression and social responsibility. As the old saying goes: "Fire goes upward", which shows that fire-type people have outreach capabilities. Earth is associated with the properties of gestation and a long nurturance, and it also appears as a gentle nature, open-minded, trustful, liberal, modesty, upright, thoughtful, and considerable. As the old saying goes: "earth nurtures plants," which presents that earth-type people have a good capacity of endurance and receiving.

According to the characteristics of the five elements, metal-type people has a strong determination, love adventure and dare to reform and innovation, furthermore, he/she is justice and good at unity to form the core of entrepreneurial team, thus, metal-type person is suitable to be assigned as a CEO role. Water-type people have a very strong ability of innovation, who is good at execution, but has a weak ability of decision-making, meanwhile, they are born with silent dedication for the benefit of other people's capabilities, especially their strong affinity and ability of communicating with high educated scientists and researchers, thus water-type people is very suitable for an innovator role in the entrepreneurial team for business innovation. Wood-type people are obedient but not stubborn, good at cooperating with others, simultaneously, they are born with the growth of wood, thus they command an ability of production and manufacturing, therefore wood-type people is suitable to be on-the-spot executor who is in charge of production management for the entrepreneurial team. Fire-type people have a strong implementation and a strong presentation, and they are optimistic and good at external communication, moreover, fire-type people are born with the ability of exploring outwards, therefore, they are suitable to take the role of external pioneer, who is in charge of sales management and business expansion for the entrepreneurial team. Earth-type people are good at seeking but not good at decision-making, their cooperation and innovation abilities are ordinary, while their moderate quality benefits to a deep consideration and thought, therefore, earth-type people are suitable for a supervisory controller role in charge of financial management, supervision and controlling tasks in the entrepreneurial team.

By the internal mutual assistance and restraints, the above mentioned five types people in entrepreneurial teams form a allelopathy relationship which is specified in Figure 1.

From the intergeneration relationship, metal collects water, the strategy made by CEO effectively guides innovators to the orientation of R&D for products; water nourishes wood, through improving production technology, innovators can reduce production costs, improve production efficiency, and guide on-the-spot executors to implement a better trial-manufacture process of new products; wood feeds fire, on-the-spot executor can provide product information for the external pioneers, and ensure quality of products, thus, a better exploration for the market will be done; fire creates earth, external pioneers can provide an effective basis for supervisory controllers from the acquired marketing data and customer feedbacks; earth bears metal, supervisory controllers can report promptly to CEO about

problems, and propose effective solutions for CEO to select for decisions, assisting CEO to make timely and correct decisions.



**Figure 1 The Allelopathy Relationship among Entrepreneurial Team**

From the inter-restriction relations, metal chops wood, CEO restricts on-the-spot executors to implement a low-quality and excessive production; water quenches fire, innovators control the external pioneers by defining the direction of R&D of new products, as well as the speed of R&D; wood parts earth, on-the-spot executors utilize the on-the-spot records to restrain supervisory controllers' untrue and incorrect feedbacks; fire melts metal, the external pioneers restrict CEO's blind decision-making by the control of expansion speed and scope; earth absorbs water, supervisory controllers constraint innovators' slack innovation, low innovation span and wasted innovative behaviors by the control of R & D costs.

### 3 Structural Analysis of Different Entrepreneurial Teams

From the perspective of system theory, the five elements system is a stable system composed of the five cells, thus, this paper takes a five-member entrepreneurial team as an example to analyze the impact of different entrepreneurial teams' structures on entrepreneurship.

The best ideal situation is that each member of the entrepreneurial team occupies one distinctive position separately in the five elements system, and then a balance has been achieved among the abilities of the members at five different positions in the entrepreneurial team, which forms a complete allelopathy relationship. The integrated and well-structured entrepreneurial team is often able to choose right market entries, update products and services constantly, and develop new markets rapidly with a good quality production and operation, at an aim of gaining the core competence.

However, from most actual cases, the composition of the entrepreneurial team is not often the ideal situation of a complete five elements, and vacancies usually exist in incomplete teams, whose structures can be divided into four categories according to the number of defects, namely, one vacancy

in the five elements, two vacancies in the five elements, three vacancies in the five elements, four vacancies in the five elements. Because many and various cases may be found in these four categories, this paper only selects one to two typical cases to represent the analysis process and result for each category. All kinds of structures, position adjustments, and consequences are shown in Table 1.

**Table 1 Analysis Table of Incomplete Structures of Entrepreneurial Teams**

Categories	Incomplete structures	Position adjustments	Consequences
One vacancy in the five elements	Two metal no earth	The weaker one of two metal assists in production management, the external pioneer takes the role of earth, in another word, the external pioneer also plays as a part-time supervisory controller.	CEO exceeds his power and interferes in production management, and makes unrealistic strategic decisions.
	Two Earths no wood	The weaker one of two earth assists in innovation work, the innovator takes the role of wood, in another word, the innovator also plays as a part-time on-the-spot executor.	Low efficient implementation on strategy, low quality of products, over restrictions on innovation work.
Two vacancies in the five elements	Two fires Two metals no water no earth	The weaker one of two metals takes the role of water as an innovator, and the weaker one of two fires takes the role of earth as a supervisory controller.	CEO makes decisions without the consideration on the sales situation, and expands the enterprise blindly.
	Three water no metal no wood	Supervisory controller takes the role of metal as CEO, the weakest one of three water assists the external pioneer, and the middle weak one takes the role of wood as an on-the-spot executor.	Enterprise keeps innovating, but blindly, ignoring product quality, and it is lack of outreach capacity, thus, results in slow business development and a huge waste in capital.
Three vacancies in the five elements	Three woods two earths no metal no water no fire	The middle weak one of three earths takes the role of metal as CEO, and the strong one takes the role of water as the innovator. The weakest one of wood takes the role of fire as the external pioneer; the middle weak one assists the supervisory controller in supervision management.	Enterprise focuses on the blind production, overstock of products, excessive pursuit of product quality, but ignoring innovation, no exploration on the market, very slow business development.
	four fires no earth no water no wood	The weakest one of four fires takes the role of wood as an on-the-spot executor, the next weaker one takes the role of earth as a supervisory controller, the stronger one assists CEO in his work, and CEO also plays as a part-time innovator.	Enterprise focuses on the blind expansion, does not attach importance to product quality and technological innovation, and make risky strategy, which may trigger crisis.
Four vacancies in the five elements	Five metals	In proper sequence, from the weakest to the strongest in five metals, they play as a supervisory controller, an external pioneer, an on-the-spot executor, and an innovator.	Entrepreneurial team members go their own ways, all of them are full of unrealistic planning, but never pay attention to the implementation of business strategy.

(1) Two metals but no earth. CEO's excessive strong capability is bound to interfere with the function of the on-the-spot executor, at the same time, the external pioneer also plays as a part-time supervisory controller, and thus the external pioneer is weakly constrained by CEO. In addition, the support from the supervisory controller for CEO is feeble, which leads some incorrect decisions have been made by CEO, furthermore, rush advanced decisions will leave start-ups at risk. (2) Two Earths but no wood. Although CEO might get a rich support from the supervisory controller and has the ability of making correct decisions, due to the vacancy of on-the-spot executor, start-up cannot have a healthy development without production quality management. Moreover, the

supervisory controller's excessive strong capability is bound to control the innovator in cost management, which may lead a very low efficiency of product innovation. (3) Two fires and two metals, no water and no earth. Due to the weak ability of supervision and control, CEO is unable to get enough and effective feedback information to make correct decisions and strategies, while the ability of the external pioneer is too strong, who is out of the control of the innovator, the external pioneer is easier to take aggressive and blind expansion. Additional, the weak innovation results in a low efficiency of technological innovation and product innovation, the R & D capability and financial strength of the start-up is usually weak, so the unpractical development may lead to the risk of over-expansion. (4) Three water, but no metal and wood. Due to the weak capability of CEO's decision-making, no correct strategic guidance for innovation, at the same time, the supervisory controller acts as two roles and holds a feeble control over the innovator. So the enterprise wastes a lot of funds on blind innovation. Moreover, waste a lot of money. In addition, the weak ability of on-the-spot executor leads to a loose control of products quality, so it is very difficult for the start-up to build its brand and explore its market. The capital problem is a key issue for the start-up, the excessive waste and low sales amount may result in the breakup of enterprise capital chain. (5) Three woods and two earths without metal, water and fire. In this case, the weak ability of CEO brings the blind production with a very low control over production. However, the external pioneer cannot expand the market and obtain good sales, on the contrary, many products are over-stocked. Simultaneously, under the over-constraint by the supervisory controller, the weak ability of innovator cannot exert high efficient product innovation, resulting in the elimination of the start-up with low technology and low market occupying rate. As the general manager of weak and can not effectively control the production output, resulting in blind production, while the Blazers could not be timely to expand foreign markets, selling products, prone to product backlog. At the same time, due to weak innovators, but also subject to supervision and control over those limits, leading to product innovation can not be efficient, leading to start-ups can not be due to backward technology to open up markets and eventually eliminated by the market. (6) Four fires but no earth, no water and no wood. As the fire-type members occupy most positions and have an absolutely advantages, leading to an anxious, impatient but too radical air in the entrepreneurial team. CEO is restrained over by the external pioneer, while CEO cannot get effective and enough feedback, and cannot make correct strategic decisions. Furthermore, this team never attaches importance to production management and R & D, no fundamental protection for product quality, no innovation designed for production technology and products, therefore, the start-up will face crisis soon due to the lack of preparations for expansion. (7) Five metals. All members of the entrepreneurial team have almost the same characteristics, so it is hard to allocate positions, each member has a very strong determination, but a weak implementation, likes fantasy and adventure, rather than feet on the ground implementation. The start-up will eventually die of fantasy and adventure.

#### **4 Conclusion**

Through the above analysis of the five elements model, four conclusions can be drawn: (1) The heterogeneity of entrepreneurial team members is very important for the composition of entrepreneurial team structure, their differences, characteristics and advantages may match up with each other. (2) Team members should be selected to the suitable positions according to their prosperities, when their characteristics are compatible with the requirements of the positions, the business performance will be greatly improved. (3) In addition, team members not only perform their duties, but also assist each other, through mutual cooperation and constraints, and then a complete and coordinated system is formed. (4) The concept of harmony entrepreneurial teams focuses on the "harmony" between the "harmony" of the entrepreneurial team characteristics and the "harmony" of the commitment to each role of the entrepreneurial team, also hints the "harmony" relationship between the team assistance and restrictions among different positions. The business performance achieved by harmony entrepreneurial teams is far higher than the performance in normal entrepreneurial teams.

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