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How to infuse boards with entrepreneurial spirit



The subject of executive board management and entrepreneurial spirit is constantly under debate, the question is 'whether the mindset of boards can infuse entrepreneurial thinking objectively?'

We all know that entrepreneurial spirit is a mindset and then a behaviour. It is an attitude and approach to thinking that actively seeks out change, rather than waiting to adapt to change. It is a mindset that embraces critical questioning, innovation, service and continuous improvement. It is about seeing the big picture and thinking like an owner, it is being agile, never resting on your laurels, shaking off the cloak of complacency and seeking out new opportunities. It is about taking ownership and pride in your organisation.

Despite the best intentions, too much success may ultimately lead to failure as employees in well-established companies focus on maintaining the status quo and following procedures instead of looking for new opportunities. Executives ultimately get a wake-up call when a svelte competitor swoops in and seizes market share by capitalizing on an untapped opportunity.

Dr. Glen Taylor, director of MBA Programs for Global Innovation at CSU once said "When things are going well, it's natural for companies to thrive on their own logic and nurture a culture that resists change, but if you don't consider new ideas and opportunities, eventually you'll hit a dead end."

Wherever you look in business, there's a new level of interest in entrepreneurship. As attention at corporations swings away from retrenchment and toward growth, more and more people are wondering why some companies and not just start-ups are able to stimulate creativity and initiative among their employees more effectively than others. Beyond helping to trigger the impulse, what do those organisations do to convert intriguing ideas into commercial ventures?

Most managers whose companies have found success in fostering entrepreneurial activity agree that no single practice enables them to identify and capture new opportunities. For example, many companies have found that pushing decision making down into the organisation is only part of what's needed. Building a culture of entrepreneurship often requires pulling and nudging a variety of other levers as well.

Many large companies are seeking ways of reinventing or revitalising their entrepreneurial roots.

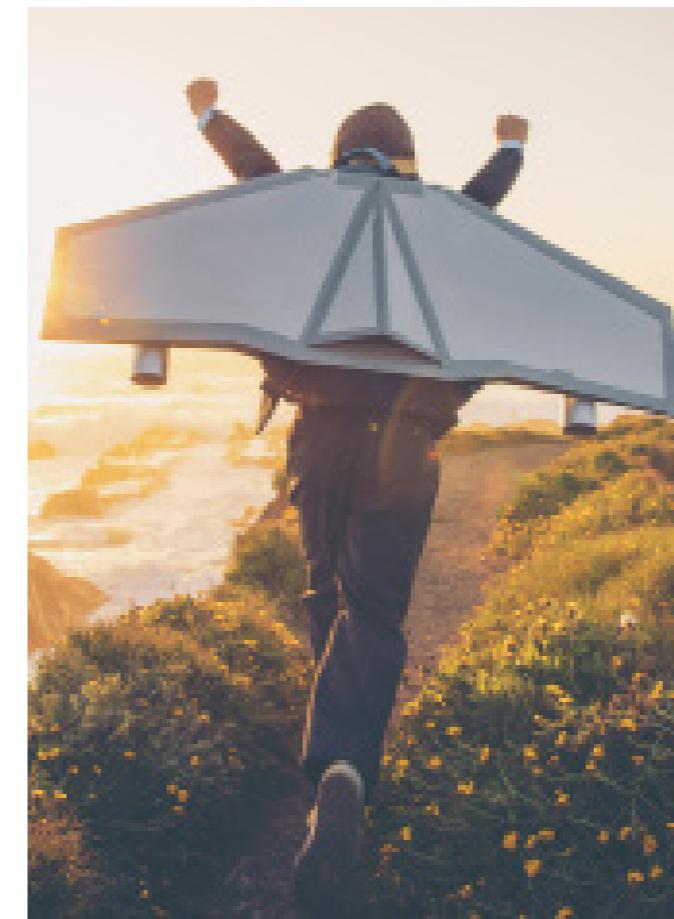
These companies often long for some of the spark, innovation, speed and risk taking that they once had, but which have slowly eroded under the weight of size, bureaucracy, complex processes and hierarchy. Corporate entrepreneurship encompasses a set of activities, attitudes, and actions that are believed to help large companies regain some of this lost magic. Although much has been written about corporate entrepreneurship over the last ten years, very little is

understood regarding its implementation within large company settings. First, the concept is little understood beyond the halls of academia, and there are very few guidelines regarding successful implementation.

Amazon.com has forced Barnes and Noble to re-evaluate and change some key aspects of its business model. Homeruns.com has changed the way many people shop for groceries, and Autobytel has forced GM and others to put up their own websites in direct competition with their own dealers. What's going on?

The little guys are taking advantage of the big guys, and the big guys have to fight back ... fast. Entrepreneurship is quickly becoming the weapon of choice for many of these large companies. It is an attempt to steal and inculcate some of the thunder from these little entrepreneurial start-ups.

Corporate entrepreneurship can be a powerful solution to large company staleness, lack of innovation, stagnated top-line growth, and the inertia that often overtakes the large, mature companies of the world. Corporate entrepreneurship can also be hugely positive, a novel approach to new business development that often sits uncomfortably, sometimes impossibly, next to the planning, structure and careful organization many large companies have often built so carefully over the years.



Big companies are turning towards corporate entrepreneurship because they are not getting the continual innovation, growth, and value creation that they once had. Unfortunately, many CEOs look around their own company, and see very few entrepreneurially-minded executives. Perhaps they never showed up to work because of their dislike of large company bureaucracy and politics. Or those who did show up were either pushed out or learned to stop pushing. We may all love entrepreneurs, but large companies have a way of eroding their entrepreneurial underpinnings. In large companies, most managers are rewarded for minimizing risk, following the rules, and performing their functional roles to the best of their abilities. They look forward to a predictable rewards and, in many instances, a fairly predictable bonus.

Most big company executives would be hard pressed to call themselves value creators. They are quota and budget watchers. They are planners and organisers and more rule adherents than rule breakers. Big companies have slavishly gone after waste and redundancy with, sometimes, spectacular success. But these machinations rarely create long-term sustainable value for the shareholders. It helps the bottom line, but not necessarily the top line.

So how then can a corporate leader try to re-establish this start-up kind of mentality in his or her large company where the organisation's sheer size and bureaucracy have managed to kill this type of behaviour?

- **Corporate venturing** involves starting a business within a business, usually emanating from a core competency or process. A bank, for example, which has a core competency in transaction processing, turns this into a separate business and offers transaction processing to other companies who need mass processing of information. In some organizations, functions like product development are tasked with being the people responsible for new venture creation. Ventures usually involve the creation, nurturing, and development of a new business that comes from within the old business, but represents a significantly new product or market opportunity.
- **Intrapreneuring**, first espoused by Pinchot (1985), is an attempt to take the mindset and behaviours that external entrepreneurs have, and inculcate these characteristics into their employees. Sometimes the company wants every employee to act like an entrepreneur, but a more typical approach involves

the targeting of a subset of managers to act as corporate entrepreneurs. Companies usually want this cadre of corporate entrepreneurs to identify and develop spin-ups (innovations in current businesses that can lead to substantial growth opportunities) or to create an environment where more innovation and entrepreneurial behaviour is evidenced.

- **Organisational Transformation** is another variation or flavour of corporate entrepreneurship concept especially if the transformation results in the development of new business opportunities. This type of entrepreneurship only fits the original Schumpeterian definition if the transformation involves innovation, a new arrangement or combination of resources, and results in the creation of sustainable economic value. Clearly, some transformations meet these requirements, while others do not. Transforming an organization by de-layering, cost cutting, re-engineering, downsizing, and using the latest technology does not guarantee that the organization will recognize or capture new opportunities.
- **Industry Rule-Bending** is another type of transformation, but focuses on changing the rules of competitive engagement. Stopford and Baden-Fuller (1993) label this behaviour as 'frame-breaking change'. Toyota, for example, changed the rules of the game in the automobile industry by producing low cost automobiles with exceptionally high quality. As a result, US and European auto manufacturers were forced by Toyota and other Japanese automakers to follow suit. Thus, Toyota not only transformed itself, but also helped to start a wholesale transformation of the industry.

Companies can take a number of different approaches to becoming more entrepreneurial. AVCO Financial Services, a large international finance company was a very organized, detailed organization controlled by many governmental requirements in the management of their business. These governmental requirements demanded great attention to detail, complex systems, and daily financial reporting mechanisms. Not the stuff of entrepreneurial, fast companies. Nonetheless, AVCO was quite entrepreneurial.

They did not try to change the whole culture, or create a mass of internal entrepreneurs, nor dabble too far into corporate venturing, but it was still entrepreneurial. AVCO has operations all over the

world, but mainly in the Americas, Europe, and in Asia. Much of their innovation and branch operations experiments were done in Australia.

Their reasoning was quite sound. First, Australia was far enough away from corporate headquarters in Irvine, California that the experiments could be undetected for months. And even if sanctioned, the experiments were being done in that odd country down under that seemed so remote to many at headquarters that it didn't make much of an image on the corporate radar screen.

If innovation is the ability to recognize opportunity, then the essence of being an entrepreneur is being able to mobilise talent and resources quickly to seize that opportunity and turn it into a business. Particularly for big companies, the challenge is to find ways to nourish the activities that give rise to innovation while at the same time cultivating the ability to move decisively once an opportunity presents itself.

Finally, despite all of the aforementioned, when corporate entrepreneuring works, it can work spectacularly. And, if the company is serious and supportive of internal entrepreneurs, corporate entrepreneurship can be a powerful tool for innovation, growth, and personal fulfilment if approached thoughtfully and with courage of conviction.

As John C. Maxwell once said:

"A leader is one who knows the way, goes the way and shows the way."



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