Entrepreneurship

from opportunity to action

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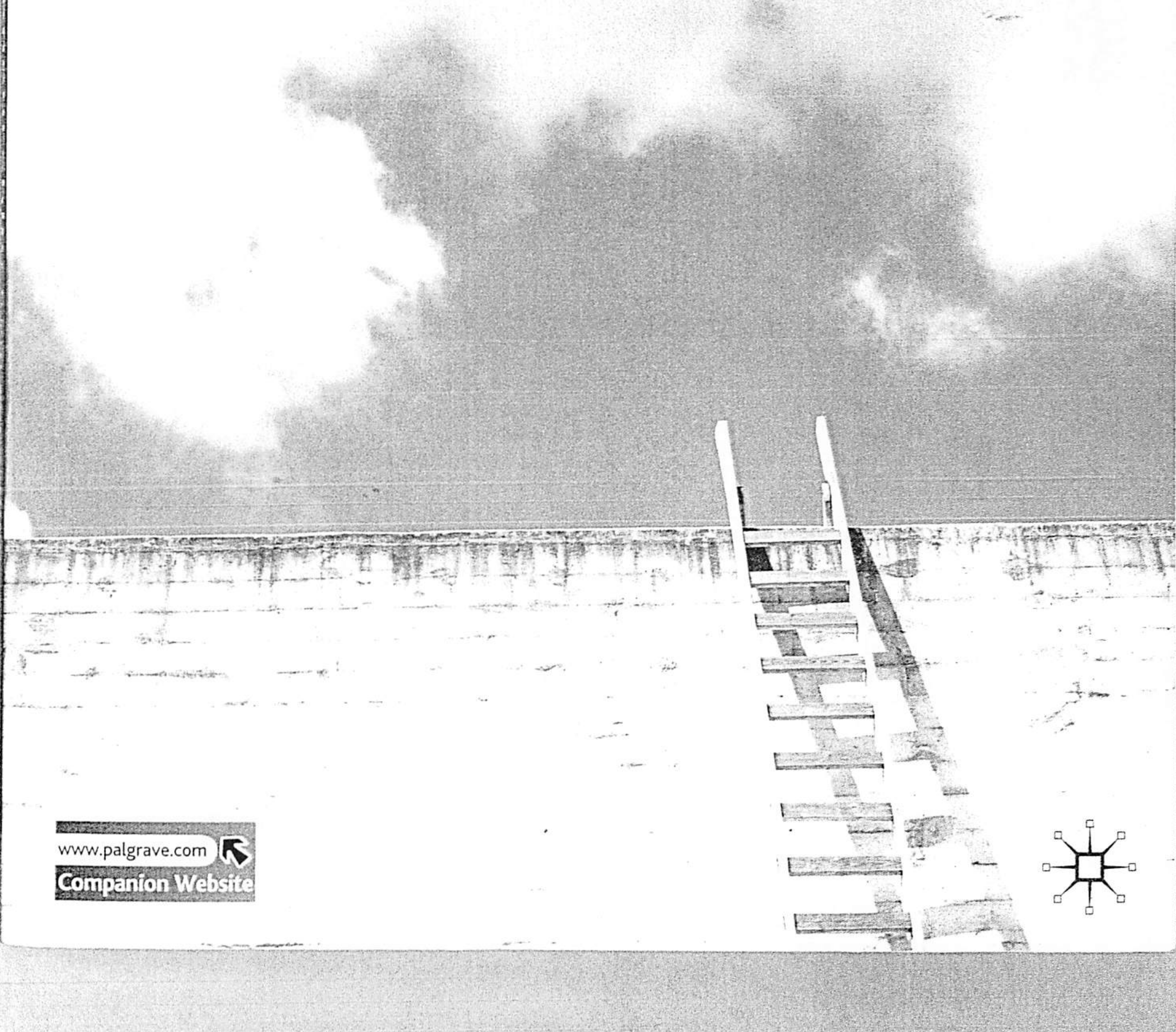

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exposure for their message among target groups they wish to attract, and who are receptive and culturally attuned to their messages.

What are the boundaries within which it works?

Independent commercial media including print, radio, TV and Internet.

activity

- Identify a business or organisation which you are familiar with, for example as a customer, and which is successful or effective in what it does.
- Apply the practical theory framework to it and use this to identify:
  - What works for them? How does it work, and why? Who does it work for and with? What are the boundaries within which it works?
- Is this practical theory transferable to other organisations?

Having a base of defined and understood practical theories gives a business important advantages. These include being able to grow, by being able to recruit managers and employees to work or be trained in ways which are known to work. The practical theory may be used to franchise or license the business model, or to sell the business as an effective going concern. Practical theory is therefore an aid to growth strategy and a means of reducing risk; you would not be likely to invest in a business which did not know 'what worked' for it.

entrepreneurial management

Entrepreneurial management connects entrepreneurial and managerial skills to enact opportunities. This section proposes that both are required to start and more importantly to grow and sustain an organisation over time. This builds on the model of entrepreneurial and managerial skills introduced in Chapter 3 (and available in the toolbox) which we will return to at the end of this section.

The academic literature on entrepreneurship started to find points of convergence with strategic management during the 1980s, for example through Kanter (1983), Drucker (1985), and Burgelman (1983). These proposed that established corporate organisations could rejuvenate their fortunes by systemising entrepreneurial behaviour and innovation, as conceptualised in Guth and Ginsberg's integrative model (1990). Although the related concepts of corporate entrepreneurship and corporate venturing were developed partly to meet the needs of large corporations, the literature reflected a tension between the qualities of corporate strategic management and of entrepreneurship. Aiming to reconcile this, Stevenson and Jarillo (1990) advanced a set of propositions for corporate entrepreneurship, focusing on the pursuit of opportunity regardless of resources controlled: the orientation of employees towards detecting and exploiting opportunities; connecting resource networks to opportunities; and organisational risk-taking. Kanter (1983) more recently proposed a dynamic model of innovation within a networked organisational context as a framework for corporate entrepreneurship, advocating cross-functional working within very small business units.

These are principally North American perspectives on the transformation of corporate organisations through adopting entrepreneurial approaches; British writers have also explored this territory. Watson (1995) argued against a 'fatal distinction' between entrepreneurship and professional management, suggesting in accord with Drucker (1985) that entrepreneurship requires the application of complementary management practices, especially in the area of strategic exchange of organising, shaping and giving direction to people's work. Carr (2000) offered a critique of the culturally produced discourse of entrepreneurial management, stressing the role of government in creating this. She also noted the dialectic contradiction, yet necessary co-existence, between entrepreneurial freedom and rational control-centred management. More recently, Burns (2004) has explored corporate entrepreneurship in depth.

Significantly, Gibb (2000), like Kanter, advocates the virtue of 'smallness' in organisational thinking to stimulate entrepreneurial behaviour, arguing that large organisations are agglomerations of small ones. In enacting the 'entrepreneurial lifeworld' concept, he proposes the need for autonomy in strategy making, ownership, linking responsibility with reward, holistic management and networked, trust-based, rather than hierarchical relationships.

These perspectives still leave a gap in the literature on entrepreneurial management. Entrepreneurship theory continues to focus on creating opportunities and new ventures, whilst corporate and entrepreneurial management literature concentrates on how established large firms can become more effective in achieving corporate renewal through innovation and new ventures. The gap is in an understanding of how the new venture, whether independently or corporately owned, is managed in order to exploit the opportunity and to grow the business to its full potential. This requires an understanding of how management principles and practices can be applied to the growth of the entrepreneurial business.

A simple conceptual framework for entrepreneurial management is shown in Figure 7.3. This demonstrates the relationship between entrepreneurial and managerial working in which both modes can work in synergy within an organisation to create new value by stimulating and meeting customer demand in new ways, without the tension identified between the implicit values of each mode (Stevenson and Jarillo, 1990; Carr, 2000). The two modes are successfully integrated, with an entrepreneurial focus on customer attractiveness and rapid innovation in response to new opportunities, whilst managing the direction, processes, relationships and resources of the business organisation.

Entrepreneurial working

In this model the business has a strong *opportunity focus*, constantly searching to anticipate and identify potential opportunities by being close to its chosen market. It *innovates rapidly* to create and implement new business models, products and services, which are presented as attractive buying propositions to stimulate the customer demand. The business behaves dynamically in the market, *challenging the orthodox* business models, often being first to introduce change or responding swiftly and energetically to competitive or environmental threats. It uses new and existing ideas and technologies to engage the customer in new ways, to reduce costs and continually improve efficiency or service, while approaches which do not work are quickly rejected.

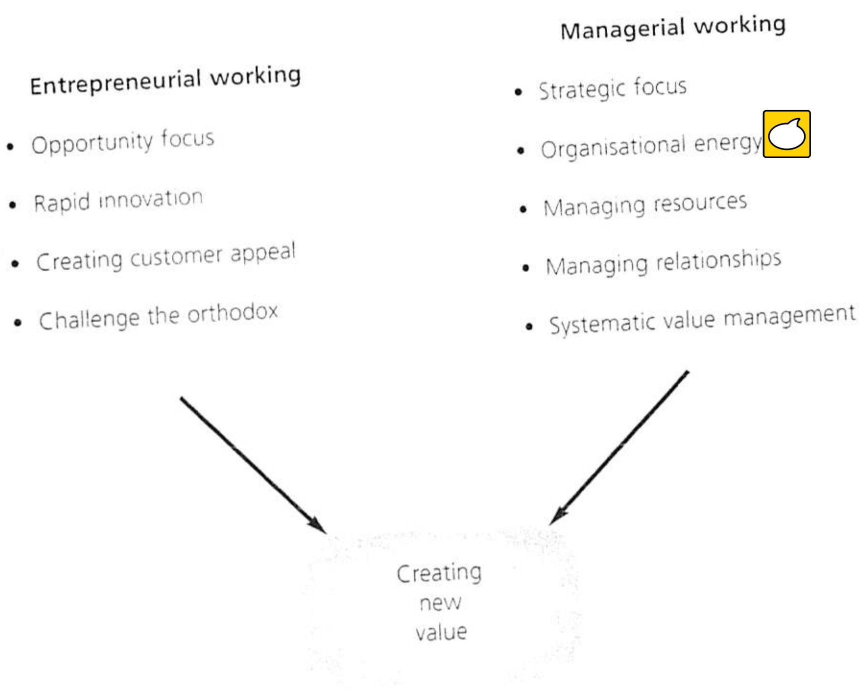

FIGURE 7.3 **Entrepreneurial management**

The business creates a strong *customer appeal*, using its own images, myths and stories
to personalise the brand identity and using public media effectively to meld an affinity
with its customer base, knowing that their loyalty is temporary and can quickly be lost.

Managerial working

The business is managed with a strong *strategic focus* through which the mission, strategic goals and business values are tightly focused, interdependent, mutually consistent, and communicated effectively. Staff enact the strategy and values through their everyday actions in managing the business.

There is *organisational synergy*, co-ordinating and communicating effectively between
all parts of the business. Hierarchy is minimal and people are empowered to make opera-
tional decisions, with self-managing teams and a no-blame culture of dealing with
problems quickly as they arise. Attention is paid to *managing relationships* effectively both
within the organisation and externally, with groups such as investors, suppliers, customers
and government agencies.

The business focuses on capturing and *managing resources*, of people, finance,
technology and those related to capacity, which are needed to grow the business and to
meet customer demand. At the core of the business there is a robust economic model of
systematic value management, which optimises demand, resources and profit through
making pricing and cost control decisions which enable the business to operate more
efficiently in the market place than its competitors whilst offering 'best value' to the

customer. Operational processes are robust, simple and designed to achieve maximum efficiency at least cost.

Creation of new value

The result of entrepreneurial management is the creation of new value, which may take multiple forms, including:

- developing new market opportunities
- introducing product, service or process innovation
- growing sales revenue and profit stream
- increasing asset value and share value of the business
- increasing demand for employees and supply chain businesses.

The practice of entrepreneurial management is demonstrated in the low-cost airline case study in Chapter 8.

Entrepreneurial management capabilities

Entrepreneurial management capabilities are essential for the effective development and management of the entrepreneurial venture over time, and as the scale of the business grows, the level of management capabilities required will become more advanced and sophisticated. The type of strategy pursued, as shown in the next section, will affect the balance of capabilities required, but both entrepreneurial and managerial skills are needed. However few people could justifiably claim to be equally capable in both these forms of working, and there is the need for venture teams to include a combination of both. The map introduced in Chapter 3 is repeated in Figure 7.4 to remind you of these capabilities.

activity

- Use Appendix 1 in the toolkit to assess your management capabilities.
- How does your self-assessment of entrepreneurial and managerial capabilities compare? Which are stronger?
- How could this preference be explained? In what ways could it affect your career choices?
- What roles would you be most capable of adopting in a venture management team?

strategic business growth

In acting on an opportunity, the decisions and actions required to pursue a strategic direction are vitally important. It is assumed that, in exploring and planning the opportunity, decisions will be been taken regarding the market segment, product or service

FIGURE 7.4 **Entrepreneurial management capabilities**

combination, the fit between the product/service offer and the market opportunity, the differentiation from competitors, pricing, the business model and other issues. These are all strategic decisions, even if they did not appear to be so at the time they were taken. It is surprisingly easy in starting new ventures to make what seem to be 'natural' or 'obvious' choices without realising the strategic implications these can have later on.

It is therefore important to be able to evaluate how effective these decisions are and to confirm, modify or re-think the business strategy. You may remember that two of the features of successful companies identified earlier in this chapter were their readiness to reinvent themselves together with courage to change. It makes sense to review the effectiveness of the business strategy regularly, and the framework in Table 7.4 provides a means of doing this.

Strategic framework

A regular review of the strategic framework should inform and evaluate the business strategy. The scope of key items from the review can be determined by the characteristics of the business and many will review the operational issues of sales and financial performance weekly. It may not be necessary to review the vision every month, for example, but the effectiveness of strategies in achieving the vision should be reviewed. This applies even in the smallest business where it is normal for the founders to be so enmeshed in the tactical day-to-day issues that they feel unable to 'work on the business rather than in it.' Yet it is essential to do so regularly. Perceptions from customers, employees, community and intelligence on competitor behaviour should be reviewed because no business can afford to be isolated from these stakeholders.