Entrepreneurship reconsidered: the team as hero

Robert B. Reich

" 'Wake up there, youngster,' said a rough voice.

"Ragged Dick opened his eyes slowly and stared stupidly in the face of the speaker, but did not offer to get up.

" 'Wake up, you young vagabond!' said the man a little impatiently; 'I suppose you'd lay there all day, if I hadn't called you.' "

So begins the story of *Ragged Dick, or Street Life in New York*, Horatio Alger's first book – the first of 135 tales written in the late 1800s that together sold close to 20 million copies. Like all the books that followed, *Ragged Dick* told the story of a young man who, by pluck and luck, rises from his lowly station to earn a respectable job and the promise of a better life.

Nearly a century later, another best-selling American business story offered a different concept of heroism and a different description of the route to success. This story begins:

"All the way to the horizon in the last light, the sea was just degrees of gray, rolling and frothy on the surface. From the cockpit of a small white sloop – she was 35 feet long – the waves looked like hills coming up from behind, and most of the crew preferred not to glance at them....Running under shortened sails in front of the northeaster, the boat rocked one way, gave a thump, and then it rolled the other. The pots and pans in the galley clanged. A six-pack of beer, which someone had forgotten to stow away, slid back and forth across the cabin floor, over and over again. Sometime late that night, one of the crew raised a voice against the wind and asked, 'What are we trying to prove?' "

The book is Tracy Kidder's *The Soul of a New Machine*, a 1981 tale of how a team – a crew – of hardworking inventors built a computer by pooling their efforts. The opening scene is a metaphor for the team's treacherous journey.

Separated by 100 years, totally different in their explanations of what propels the American economy, these two stories symbolize the choice that Americans will face in the 1990s; each celebrates a fundamentally different version of American entrepreneurship. Which version we choose to embrace will help determine how quickly and how well the United States adapts to the challenge of global competition.

Which will we celebrate: individual heroes or teams?

Horatio Alger's notion of success is the traditional one: the familiar tale of triumphant individuals, of enterprising heroes who win riches and rewards through a combination of Dale Carnegie-esque self-improvement, Norman Vincent Peale-esque faith, Sylvester Stallone-esque assertiveness, and plain, old-fashioned good luck. Tracy Kidder's story, by contrast, teaches that economic success comes through the talent, energy, and commitment of a team – through *collective* entrepreneurship.

Stories like these do more than merely entertain or divert us. Like ancient myths that captured and contained an essential truth, they shape how we see and understand our lives, how we make sense of our experience. Stories can mobilize us to action and affect our behavior – more powerfully than simple and straightforward information ever can.

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To the extent that we continue to celebrate the traditional myth of the entrepreneurial hero, we will slow the progress of change and adaptation that is essential to our economic success. If we are to compete effectively in today's world, we must begin to celebrate collective entrepreneurship, endeavors in which the whole of the effort is greater than the sum of individual contributions. We need to honor our teams more, our aggressive leaders and maverick geniuses less.

Heroes & drones

The older and still dominant American myth involves two kinds of actors: entrepreneurial heroes and industrial drones—the inspired and the perspired.

In this myth, entrepreneurial heroes personify freedom and creativity. They come up with the Big Ideas and build the organizations—the Big Machines—that turn them into reality. They take the initiative, come up with technological and organizational innovations, devise new solutions to old problems. They are the men and women who start vibrant new companies, turn around failing companies, and shake up staid ones. To all endeavors they apply daring and imagination.

The myth of the entrepreneurial hero is as old as America and has served us well in a number of ways. We like to see ourselves as born mavericks and fixers. Our entrepreneurial drive has long been our distinguishing trait. Generations of inventors and investors have kept us on the technological frontier. In a world of naysayers and traditionalists, the American character has always stood out—cheerfully optimistic, willing to run risks, ready to try anything. During World War II, it was the rough-and-ready American GI who could fix the stalled jeep in Normandy while the French regiment only looked on.

Horatio Alger captured this spirit in hundreds of stories. With titles like *Bound to Rise*, *Luck and Pluck*, and *Sink or Swim*, they inspired millions of readers with a gloriously simple message: in America you can go from rags to riches. The plots were essentially the same; like any successful entrepreneur, Alger knew when he was onto a good thing. A fatherless, penniless boy—possessed of great determination, faith, and courage—seeks his fortune. All manner of villain tries to tempt him, divert him, or separate him from his small savings. But in the end, our hero prevails—not just through pluck; luck plays a part too—and by the end of the story he is launched on his way to fame and fortune.

At the turn of the century, Americans saw fiction and reality sometimes converging. Edward Harriman began as a $5-a-week office boy and came to head a mighty railroad empire. John D. Rockefeller rose from a clerk in a commission merchant's house to become one of the world's richest men. Andrew Carnegie started as a $1.20-a-week bobbin boy in a Pittsburgh cotton mill and became the nation's foremost steel magnate. In the early 1900s, when boys were still reading the Alger tales, Henry Ford made his fortune mass-producing the Model T, and in the process became both a national folk hero and a potential presidential candidate.

Alger's stories gave the country a noble ideal—a society in which imagination and effort summoned their just reward. The key virtue was self-reliance; the admirable man was the self-made man; the goal was to be your own boss. Andrew Carnegie articulated the prevailing view:

"Is any would-be businessman...content in forecasting his future, to figure himself as labouring all his life for a fixed salary? Not one, I am sure. In this you have the dividing line between business and non-business; the one is master and depends on profits, the other is servant and depends on salary."[1]

The entrepreneurial hero still captures the American imagination. Inspired by the words of his immigrant father, who told him, "You could be anything you want to be, if you wanted it bad enough and were willing to work for it," Lido Iacocca worked his way up to the presidency of Ford Motor Company, from which he was abruptly fired by Henry Ford II, only to go on to rescue Chrysler from bankruptcy, thumb his nose at Ford in a best-selling autobiography, renovate the Statue of Liberty, and gain mention as a possible presidential candidate.[2] Could Horatio Alger's heroes have done any better?

Peter Ueberroth, son of a traveling aluminum salesman, worked his way through college, single-handedly built a $300 million business, went on to organize the 1984 Olympics, became *Time* magazine's Man of the Year and the commissioner of baseball. Steven Jobs built his own computer company from scratch and became a multimillionaire before his thirtieth birthday. Stories of entrepreneurial heroism come from across the economy and across the country: professors who create whole new industries and become instant millionaires when their inventions go from the laboratory to the marketplace; youthful engi-

1 Andrew Carnegie, *The Business of Empire* (New York: Doubleday, Page, 1902), p. 192.

2 See Lee Iacocca and William Novak, *Iacocca: An Autobiography* (New York: Bantam Books, 1984).

3 George Gilder, *The Spirit of Enterprise* (New York: Simon and Schuster, 1984), p. 213.

4 Ibid., p. 147.

neers who quit their jobs, strike out on their own, and strike it rich.

In the American economic mythology, these heroes occupy center stage: "Fighters, fanatics, men with a lust for contest, a gleam of creation, and a drive to justify their break from the mother company."[3] Prosperity for all depends on the entrepreneurial vision of a few rugged individuals.

If the entrepreneurial heroes hold center stage in this drama, the rest of the vast work force plays a supporting role—supporting and unheralded. Average workers in this myth are drones—cogs in the Big Machines, so many interchangeable parts, unable to perform without direction from above. They are put to work for their hands, not for their minds or imaginations. Their jobs typically appear by the dozens in the help-wanted sections of daily newspapers. Their routines are unvaried. They have little opportunity to use judgment or creativity. To the entrepreneurial hero belongs all the inspiration; the drones are governed by the rules and valued for their reliability and pliability.

Our Big Ideas travel quickly to foreign competitors.

These average workers are no villains—but they are certainly no heroes. Uninteresting and uninterested, goes the myth, they lack creative spark and entrepreneurial vision. These are, for example, the nameless and faceless workers who lined up for work in response to Henry Ford's visionary offer of a $5-per-day paycheck. At best, they put in a decent effort in executing the entrepreneurial hero's grand design. At worst, they demand more wages and benefits for less work, do the minimum expected of them, or function as bland bureaucrats mired in standard operating procedures.

The entrepreneurial hero and the worker drone together personify the mythic version of how the American economic system works. The system needs both types. But rewards and treatment for the two are as different as the roles themselves: the entrepreneurs should be rewarded with fame and fortune; drones should be disciplined through clear rules and punishments. Considering the overwhelming importance attached to the entrepreneur in this paradigm, the difference seems appropriate. For, as George Gilder has written, "All of us are dependent for our livelihood and progress not on a vast and predictable machine, but on the creativity and courage of the particular men who accept the risks which generate our riches."[4]

Why Horatio Alger can't help us anymore

There is just one fatal problem with this dominant myth: it is obsolete. The economy that it describes no longer exists. By clinging to the myth, we subscribe to an outmoded view of how to win economic success—a view that, on a number of counts, endangers our economic future:

- ☐ In today's global economy, the Big Ideas pioneered by American entrepreneurs travel quickly to foreign lands. In the hands of global competitors, these ideas can undergo continuous adaptation and improvement and reemerge as new Big Ideas or as a series of incrementally improved small ideas.
- ☐ The machines that American entrepreneurs have always set up so efficiently to execute their Big Ideas are equally footloose. Process technology moves around the globe to find the cheapest labor ar d the friendliest markets. As ideas migrate overseas, the economic and technological resources needed to implement the ideas migrate too.
- ☐ Workers in other parts of the world are apt to be cheaper or more productive—or both—than workers in the United States. Around the globe, millions of potential workers are ready to underbid American labor.
- ☐ Some competitor nations—Japan, in particular—have created relationships among engineers, managers, production workers, and marketing and sales people that do away with the old distinction between entrepreneurs and drones. The dynamic result is yet another basis for challenging American assumptions about what leads to competitive success.

Because of these global changes, the United States is now susceptible to competitive challenge on two grounds. First, by borrowing the Big Ideas and process technology that come from the United States and providing the hardworking, low-paid workers, developing nations can achieve competitive advantage. Second, by embracing collective entrepreneurship, the Japanese especially have found a different way to achieve competitive advantage while maintaining high real wages.

Americans continue to lead the world in breakthroughs and cutting-edge scientific discoveries. But the Big Ideas that start in this country now quickly travel abroad, where they not only get produced at high speed, at low cost, and with great efficiency, but also undergo continuous development and improvement. And all too often, American companies get bogged down somewhere between invention and production.

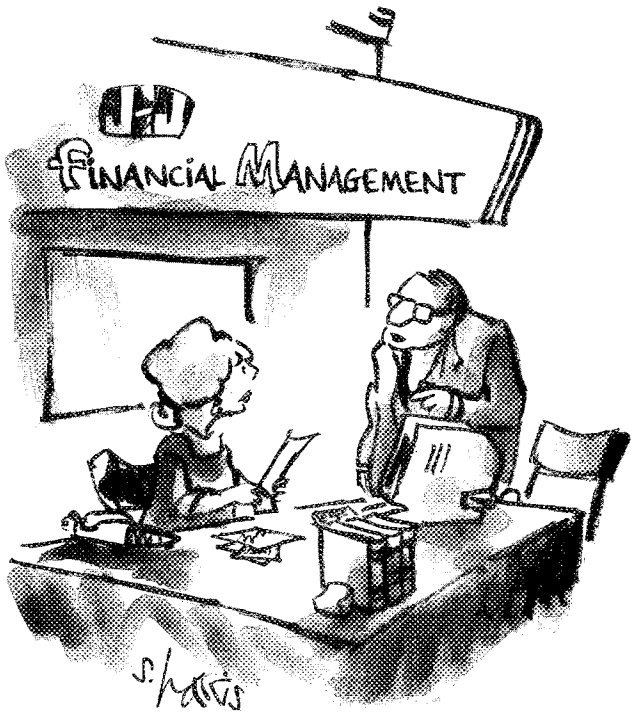
Several product histories make the point. Americans invented the solid-state transistor in 1947. Then in 1953, Western Electric licensed the technology to Sony for $25,000—and the rest is history. A few years later, RCA licensed several Japanese companies to make color televisions—and that was the beginning of the end of color television production in the United States. Routine assembly of color televisions eventually shifted to Taiwan and Mexico. At the same time, Sony and other Japanese companies pushed the technology in new directions, continuously refining it into a stream of consumer products.

In 1968, Unimation licensed Kawasaki Heavy Industries to make industrial robots. The Japanese took the initial technology and kept moving it forward. The pattern has been the same for one Big Idea after another. Americans came up with the Big Ideas for videocassette recorders, basic oxygen furnaces, and continuous casters for making steel, microwave ovens, automobile stamping machines, computerized machine tools, integrated circuits. But these Big Ideas—and many, many others—quickly found their way into production in foreign countries: routine, standardized production in developing nations or continuous refinement and complex applications in Japan. Either way, the United States has lost ground.

Older industrial economies, like our own, have two options: they can try to match the low wages and discipline under which workers elsewhere in the world are willing to labor, or they can compete on the basis of how quickly and how well they transform ideas into incrementally better products. The second option is, in fact, the only one that offers the possibility of high real incomes in America. But here's the catch: a handful of lone entrepreneurs producing a few industry-making Big Ideas can't execute this second option. Innovation must become both continuous and collective. And that requires embracing a new ideal: collective entrepreneurship.

The new economic paradigm

If America is to win in the new global competition, we need to begin telling one another a new story in which companies compete by drawing on the talent and creativity of all their employees, not just a few maverick inventors and dynamic CEOs. Competitive advantage today comes from continuous, incremental innovation and refinement of a variety of ideas that spread throughout the organization. The entrepreneurial organization is both experience-based and decentralized, so that every advance builds on every previous advance, and everyone in the company has the opportunity and capacity to participate.



"We've decided to tell individuals we treat them like institutions, and tell institutions we treat them like individuals."

While this story represents a departure from tradition, it already exists, in fact, to a greater or lesser extent in every well-run American and Japanese corporation. The difference is that we don't recognize and celebrate this story—and the Japanese do.

Consider just a few of the evolutionary paths that collective entrepreneurship can take: vacuum-tube radios become transistorized radios, then stereo pocket radios audible through earphones, then compact discs and compact disc players, and then optical-disc computer memories. Color televisions evolve into digital televisions capable of showing several pictures simultaneously; videocassette recorders into camcorders. A single strand of technological evolution connects electronic sewing machines, electronic typewriters, and flexible electronic workstations. Basic steels give way to high-strength and corrosion-resistant steels, then to new materials composed of steel mixed with silicon and custom-made polymers. Basic chemicals evolve into high-performance ceramics, to single-crystal silicon and high-grade crystal glass. Copper wire gives way to copper cables, then to fiber-optic cables.

These patterns reveal no clear life cycles with beginnings, middles, and ends. Unlike Big Ideas that beget standardized commodities, these products

undergo a continuous process of incremental change and adaptation. Workers at all levels add value not solely or even mostly by tending machines and carrying out routines, but by continuously discovering opportunities for improvement in product and process.

In this context, it makes no sense to speak of an "industry" like steel or automobiles or televisions or even banking. There are no clear borders around any of these clusters of goods or services. When products and processes are so protean, companies grow or decline not with the market for some specific good, but with the creative and adaptive capacity of their workers.

Workers in such organizations constantly reinvent the company; one idea leads to another. Producing the latest generation of automobiles involves making electronic circuits that govern fuel consumption and monitor engine performance; developments in these devices lead to improved sensing equipment and software for monitoring heartbeats and moisture in the air. Producing cars also involves making flexible robots for assembling parts and linking them by computer; steady improvements in these technologies, in turn, lead to expert production systems that can be applied anywhere. What is considered the "automobile industry" thus becomes a wide variety of technologies evolving toward all sorts of applications that flow from the same strand of technological development toward different markets.

In this paradigm, entrepreneurship isn't the sole province of the company's founder or its top managers. Rather, it is a capability and attitude that is diffused throughout the company. Experimentation and development go on all the time as the company searches for new ways to capture and build on the knowledge already accumulated by its workers.

Distinctions between innovation and production, between top managers and production workers blur. Because production is a continuous process of reinvention, entrepreneurial efforts are focused on many thousands of small ideas rather than on just a few big ones. And because valuable information and expertise are dispersed throughout the organization, top management does not solve problems; it creates an environment in which people can identify and solve problems themselves.

Most of the training for working in this fashion takes place on the job. Formal education may prepare people to absorb and integrate experience, but it does not supply the experience. No one can anticipate the precise skills that workers will need to succeed on the job when information processing, know-how, and creativity are the value added. Any job that could be fully prepared for in advance is, by definition, a job that could be exported to a low-wage country or programmed into robots and computers; a routine job is a job destined to disappear.

In collective entrepreneurship, individual skills are integrated into a group; this collective capacity to innovate becomes something greater than the sum of its parts. Over time, as group members work through various problems and approaches, they learn about each others' abilities. They learn how they can help one another perform better, what each can contribute to a particular project, how they can best take advantage of one another's experience. Each participant is constantly on the lookout for small adjustments that will speed and smooth the evolution of the whole. The net result of many such small-scale adaptations, effected throughout the organization, is to propel the enterprise forward.

You have to constantly reinvent the company.

Collective entrepreneurship thus entails close working relationships among people at all stages of the process. If customers' needs are to be recognized and met, designers and engineers must be familiar with sales and marketing. Salespeople must also have a complete understanding of the enterprise's capacity to design and deliver specialized products. The company's ability to adapt to new opportunities and capitalize on them depends on its capacity to share information and involve everyone in the organization in a systemwide search for ways to improve, adjust, adapt, and upgrade.

Collective entrepreneurship also entails a different organizational structure. Under the old paradigm, companies are organized into a series of hierarchical tiers so that supervisors at each level can make sure that subordinates act according to plan. It is a structure designed to control. But enterprises designed for continuous innovation and incremental improvement use a structure designed to spur innovation at all levels. Gaining insight into improvement of products and processes is more important than rigidly following rules. Coordination and communication replace command and control. Consequently, there are few middle-level managers and only modest differences in the status and income of senior managers and junior employees.

Simple accounting systems are no longer adequate or appropriate for monitoring and evaluating job performance: tasks are intertwined and interdependent, and the quality of work is often more important than the quantity of work. In a system where each worker depends on many others – and where the success of the company depends on all – the only appro-

priate measurement of accomplishment is a collective one. At the same time, the reward system reflects this new approach: profit sharing, gain sharing, and performance bonuses all demonstrate that the success of the company comes from the broadest contribution of all the company's employees, not just those at the top.

Finally, under collective entrepreneurship, workers do not fear technology and automation as a threat to their jobs. When workers add value through judgment and knowledge, computers become tools that expand their discretion. Computer-generated information can give workers rich feedback about their own efforts, how they affect others in the production process, and how the entire process can be improved. One of the key lessons to come out of the General Motors-Toyota joint venture in California is that the Japanese automaker does not rely on automation and technology to replace workers in the plant. In fact, human workers still occupy the most critical jobs – those where judgment and evaluation are essential. Instead, Toyota uses technology to allow workers to focus on those important tasks where choices have to be made. Under this approach, technology gives workers the chance to use their imagination and their insight on behalf of the company.

The team as hero

In 1986, one of America's largest and oldest enterprises announced that it was changing the way it assigned its personnel: the U.S. Army discarded a system that assigned soldiers to their units individually in favor of a system that keeps teams of soldiers together for their entire tours of duty. An Army spokesperson explained, "We discovered that individuals perform better when they are part of a stable group. They are more reliable. They also take responsibility for the success of the overall operation."

In one of its recent advertisements, BellSouth captures the new story. "BellSouth is not a bunch of individuals out for themselves," the ad proclaimed. "We're a team."

Collective entrepreneurship is already here. It shows up in the way our best run companies now organize their work, regard their workers, design their enterprises. Yet the old myth of the entrepreneurial hero remains powerful. Many Americans would prefer to think that Lee Iacocca single-handedly saved Chrysler from bankruptcy than to accept the real story: a large team of people with diverse backgrounds and interests joined together to rescue the ailing company.

Bookstores bulge with new volumes paying homage to American CEOs. It is a familiar story; it is an engaging story. And no doubt, when seen through the eyes of the CEO, it accurately portrays how that individual experienced the company's success. But what gets left out time after time are the experiences of the rest of the team – the men and women at every level of the company whose contributions to the company created the success that the CEO so eagerly claims. Where are the books that celebrate their stories?

Most people would rather think that Lee Iacocca saved Chrysler than know the truth.

You can also find inspirational management texts designed to tell top executives how to be kinder to employees, treat them with respect, listen to them, and make them feel appreciated. By reading these books, executives can learn how to search for excellence, create excellence, achieve excellence, or become impassioned about excellence – preferably within one minute. Managers are supposed to walk around, touch employees, get directly involved, effervesce with praise and encouragement, stage celebrations, and indulge in hoopla.

Some of this is sound; some of it is hogwash. But most of it, even the best, is superficial. Lacking any real context, unattached to any larger understanding of why relationships between managers and workers matter, the prescriptions often remain shallow and are treated as such. The effervescent executive is likely to be gone in a few years, many of the employees will be gone, and the owners may be different as well. Too often the company is assumed to be a collection of assets, available to the highest bidder. When times require it, employees will be sacked. Everybody responds accordingly. Underneath the veneer of participatory management, it is business as usual – and business as usual represents a threat to America's long-term capacity to compete.

If the United States is to compete effectively in the world in a way designed to enhance the real incomes of Americans, we must bring collective entrepreneurship to the forefront of the economy. That will require us to change our attitudes, to downplay the myth of the entrepreneurial hero, and to celebrate our creative teams.

First, we will need to look for and promote new kinds of stories. In modern-day America, stories of collective entrepreneurship typically appear in the sports pages of the daily newspaper; time after time, in accounts of winning efforts we learn that the team with the best blend of talent won – the team that

emphasized teamwork—not the team with the best individual athlete. The cultural challenge is to move these stories from the sports page to the business page. We need to shift the limelight from maverick founders and shake-'em-up CEOs to groups of engineers, production workers, and marketers who successfully innovate new products and services. We need to look for opportunities to tell stories about American business from the perspective of all the workers who make up the team, rather than solely from the perspective of top managers. The stories are there—we need only change our focus, alter our frame of reference, in order to find them.

Second, we will need to understand that the most powerful stories get told, not in books and newspapers, but in the everyday world of work. Whether managers know it or not, every decision they make suggests a story to the rest of the enterprise. Decisions to award generous executive bonuses or to provide plush executive dining rooms and executive parking places tell the old story of entrepreneurial heroism. A decision to lay off 10% of the work force tells the old story of the drone worker. Several years ago, when General Motors reached agreement on a contract with the United Auto Workers that called for a new relationship based on cooperation and shared sacrifice, and then, on the same day, announced a new formula for generous executive bonuses, long-time union members simply nodded to themselves. The actions told the whole story. It is not enough to acknowledge the importance of collective entrepreneurship; clear and consistent signals must reinforce the new story.

Collective entrepreneurship represents the path toward an economic future that is promising for both managers and workers. For managers, this path means continually retraining employees for more complex tasks; automating in ways that cut routine tasks and enhance worker flexibility and creativity; diffusing responsibility for innovation; taking seriously labor's concern for job security; and giving workers a stake in improved productivity through profit-linked bonuses and stock plans.

For workers, this path means accepting flexible job classifications and work rules; agreeing to wage rates linked to profits and productivity improvements; and generally taking greater responsibility for the soundness and efficiency of the enterprise. This path also involves a closer and more permanent relationship with other parties that have a stake in the company's performance—suppliers, dealers, creditors, even the towns and cities in which the company resides.

Under collective entrepreneurship, all those associated with the company become partners in its future. The distinction between entrepreneurs and drones breaks down. Each member of the enterprise participates in its evolution. All have a commitment to the company's continued success. It is the one approach that can maintain and improve America's competitive performance—and America's standard of living—over the long haul. ▽