

Corporate Entrepreneurship and Innovation

Prepared by Dr. Ibrahim Siam

ENT628
Entrepreneurship

Lecture 4



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Chapter 06

Leading the entrepreneurial organization

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- Leadership and management
- Defining the role of leader
- Personal attributes of leaders
- Building shared organizational values
- Building a shared vision and belief system
- Strategic intent
- Leadership style and contingency theory
- Leadership and national culture
- Leadership paradigms

Chapter
06

Structure in the entrepreneurial organization

LEARNING OUTCOMES

- Understand and explain the difference between management and leadership.
- Understand and explain what the job of a leader involves.
- Understand and explain how leadership style can be tailored to different circumstances and evaluate your preferred leadership style.
- Critically analyze the theories of leadership and how they contribute to an understanding of situational leadership in an entrepreneurial organization.

Chapter
07

Managing The Entrepreneurial Organization

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- Management challenges
- Barriers to developing an entrepreneurial architecture
- Reactions to change
- Implementing change
- Cementing change
- Sustainable Entrepreneurship



Chapter 07

Culture in the entrepreneurial organization

LEARNING OUTCOMES

- Understand the differences between leadership and management.
- Understand the barriers to developing an entrepreneurial architecture and how they might be overcome.
- Critically analyze how change can be facilitated, resistance reduced and blocks removed in an organization.
- Understand and explain the challenges faced and the critical actions needed in turning around a failing organization.

Leadership And Management

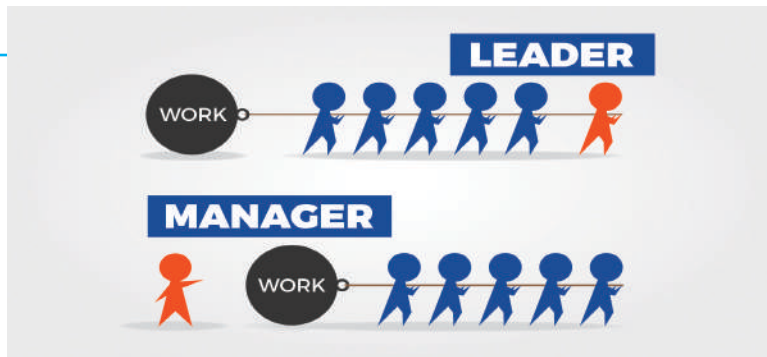
- Leadership and management are different and distinct terms, although the skills and competencies associated with each overlap and are complementary.
- overlap and are complementary.
- Managers are people who do things right whilst leaders are those people who do the right thing: However, the reality is that the two concepts overlap. Most leaders have to manage as well as lead and many managers have to lead as well as manage. A manager will find it difficult, if not impossible, to be entrepreneurial without an entrepreneurial leader.
- On the other hand, effective leadership is of little use without effective management to complement it and make things happen. Managers have to implement the policies and procedures to make an organization entrepreneurial.

Leadership And Management

- The first crisis the firm is likely to face is caused by the changes needed for the entrepreneur to become an effective leader -a transition that is not always straightforward. Leadership is concerned with setting direction, communicating and motivating. It is about broad principles, emotion and less detail.
- The role of both leader and manager is normally based on some sort of authority. Authority can derive from role or status, tradition, legal position, expert skills or charismatic personality.
- Successful entrepreneurial ventures leadership is based on knowledge and expertise rather than authority and many of the best-known, successful entrepreneurs, like Richard Branson or the late Steve Jobs, clearly also have charisma

Leadership And Management

- The **characteristics needed for good leadership are not set in stone** -they are situation specific. Some leaders are good in one situation but not in others.
- **Entrepreneurs might be good leaders at the start-up stage but poor leaders as the business grows**. At the same time, leaders of large organizations need to appreciate that their style of leadership must be adapted to suit the circumstances they face - and the style needed for a bureaucratic organization is not the same as that required for an entrepreneurial one.



Defining The Role Of Leader

- Our traditional view of **good leaders is that they are special people** - often charismatic 'heroes' -who set the **direction, make key decisions** and **motivate staff**: frequently prevailing against the odds at times of crisis and, rather than going with public opinion, they lead it. They **have vision** - something most entrepreneurs have in abundance. They create the culture within the organization to reflect their priorities.
- It believes this to be the only important thing that leaders do. **Leadership is more about guiding vision, culture and identity than it is about decision-making.** Nevertheless they are also **strategic thinkers** and **effective communicators**.
- Most leaders also need to be good managers - or have good managers working with them. At the very least they need to be able to monitor and control performance.

Defining The Role Of Leader

- If there were ever a job description for a leader, therefore, it would probably include five elements:



PERSONAL ATTRIBUTES OF LEADERS

- A key attribute of a leader is the ability to become a **strategic thinker**. Strategic thinkers are able to move away from day-to-day operational detail to see the broad, strategic, organizational perspective. This involves taking a longer-term, holistic view of the organization.
- Strategy sets a **framework** within which short-term actions can be judged. Leaders understand where they have come from -knowledge **of the past -and also how it affects the current situation**, where they are going to and how to get there. They are also engaged in perpetually 'scanning' the environment, both for opportunities and risks, strategizing and considering options.

Personal Attributes Of Leaders

- **Leadership is also about persuading people to become followers** - and this is not just about a question of charisma. There are a number of styles that can be adopted to persuade people to do this; however, they all require empathy and emotional intelligence. Emotional intelligence derives from four personal qualities:

Personal Attributes Of Leaders

- Emotional intelligence derives from four personal qualities:
- A key skill in developing emotional intelligence is the ability and time to undertake honest reflection.
- This involves the leader cross-checking that their perception of themselves and of the situations they face corresponds with the perceptions of other

Social skills -This is the ability to relate to people and collaborate with them and, above all, build relationships with them.

Self-awareness -This is the ability of leaders to understand themselves, their strengths, weaknesses and emotions.

Self-management -This is the ability to adapt their behaviour to meet different circumstances, and requires control, integrity, initiative and conscientiousness.

Social awareness -This is the appreciation of different circumstances, both of people and the environment or context in which they find themselves, and requires empathy, sensing other people's emotions.

Building Shared Organizational Values

The first task of a leader is to develop a vision for the organization that is built on shared values that are truthful and ethical.

The values of the organization are an essential ingredient of its culture. A culture of creativity and innovation originates from the shared organizational values and control and coordination structures within an organization .

Organizations with strong values tend to recruit staff who are able to identify with them. In this way those values are reinforced. Strong values can also help create the same bond with customers and suppliers. They can have great commercial value if used to underpin a strong brand identity.

Building Shared Organizational Values

- Values are articulated through actions, not just words. They are based in trust and need to be proved. It therefore follows that it is very difficult to pretend to have values that are not real. Like the leader, the organization will be caught out when it fails to carry them out in practice.
- Values are not negotiable and need to be reinforced through recognition and reward of staff.

Building Shared Organizational Values

Value need to be embedded in the **systems, structures and norms** of behaviour expected in the organization. These exist to enforce its values and ensure conformity with the culture. They should **be reflected in the vision** the organization has, the strategies it adopts and the decisions it makes. Every organization develops a distinctive culture that reflects certain underlying values, even if they are never made explicit. However, if these values are not made explicit - written down -there is always the risk that the culture that develops might be undesirable.

An **entrepreneurial organization may struggle** with norms of behaviour because one natural norm might well be to always ask the question '**Why?**'; and to question the norms themselves. If the norms are to be questioned, it is all the more important to have some deep values and beliefs that underpin them.

Measuring An Individual's Culture

The values of an organization should endure in the long term. They should be consistent and reflected in its mission (a statement of business purpose and scope - what it aims to achieve and how it will do it) and its vision (see next section).

there may be rapid changes in strategies and tactics in an entrepreneurial organization, its vision and values are more enduring. Together, they form the 'road map' that tells everyone where the organization is going and how it might get there, even when one route is blocked in the short term.



Building A Shared Vision And Belief System

- vision is a shared mental image of a desired future state -an ideal of what the enterprise can become - a new and better world. It must be sufficiently realistic and credible that people believe it is achievable but at the same time be an attractive future that engages and energizes people .
- It is usually qualitative rather than quantitative {that is, focusing on the firm's objectives). It can be intrinsic, directing the organization to do things better in some way, such as improving customer satisfaction or increasing product innovation. It can be extrinsic for example, beating the competition. Vision is seen as inspiring and motivating, transcending logic and contractual relationships

Building A Shared Vision And Belief System

- Visions should motivate people Two strong motivations for people are fear and aspiration.
- **Fear** is probably the strongest motivation, galvanizing action and forcing people to change, but it tends to have a limited life.
- **Aspiration** - that is, what we might become - has greater longevity and is an altogether more positive motivator. It is the one that underpins most entrepreneurial organizations.
- Some entrepreneurial leaders can find this difficult and frustrating as they are more used to setting goals and seeking compliance. To succeed in a larger organization, however, leaders need to develop their listening as well as influencing skills.

Strategic Intent

- Sometimes leaders **know what they want to achieve but not how they might achieve it**. **Ambitious goals might exceed the obvious resources available to achieve them**. In other words, there is no obvious, logical way of achieving the vision and creative tension is stretched to breaking point. When this happens vision is replaced by strategic intent.
- **Strategic purposeful**: identifying potential obstacles and how they might be overcome; setting staged goals that are achievable; and creating a route to a destination that followers see as both desirable and attainable. Strategic intent underpins creative.
- **Entrepreneurial leadership is about the systematic and purposeful development of leadership skills and techniques** at all levels within an organization. It is about developing enduring relationships based on trust and self-interest.

Strategic Intent

Staff need to be motivated to achieve these intents but also empowered to achieve them using knowledge from the marketplace. This approach is essential in an entrepreneurial organization that is looking to launch disruptive innovations.

Seven principles for successfully communicating a vision (or strategic intent):

Keep it simple



Use metaphors, analogies and examples



Use many different forums



Repeat the message



Lead by example

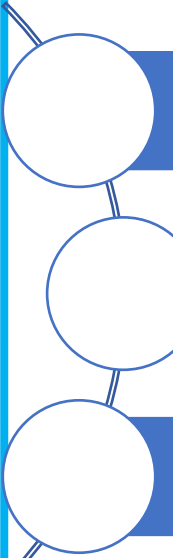


Listen and be listened



Leadership Style And Contingency Theory

Three broad styles of leadership have been popularized, each involving different degrees of freedom or control for the employees :



Authoritarian -This style focuses decision-making powers in the leader. It is most appropriate in times of crisis but usually fails to win 'hearts and minds

Democratic -This style favors group decision-making and consensus-building. It is more appropriate in circumstances other than a crisis.

Laissez-faire -This style allows a high degree of freedom for followers. However, a leader adopting this style is often perceived as weak.

Leadership Style And Contingency Theory

- **Contingency Theory** emphasizes that there is no one 'best' style of leading. It depends on the interaction of all the factors - **leader, group, task, and situation** or context. The appropriate style to adopt depends upon the interaction between these factors and may vary from one department to another, one unit to another, or one division to another.



Leadership And National Culture

- Many studies have shown significant national differences in leadership and management styles.

US leaders	have a 'tough; results-orientated style in dealing with subordinates {high individualism and high masculinity).
The French	like formality (high power distance) and 'intellectualism' {high individualism).
German	leaders like routines and procedures and close control of apprentices (high uncertainty avoidance).
The Japanese	are high on both masculinity and collectivism, producing a 'nurturing father' style of management.
Arab countries	value loyalty and the avoidance of interpersonal conflict (high power distance).

Leadership Paradigms

- Notwithstanding contingency theory's assertion that the appropriate leadership style depends on group, task, and context, a number of leadership paradigms have emerged in the literature:

Transactional Leadership	This is more emotional and is about inspiration, excitement and intellectual stimulation.(rewarding individuals)
Transformational Leadership	This is more emotional and is about inspiration, excitement and intellectual stimulation .(uncertain environments EO)
Visionary Leadership	This style as providing a clear vision that focuses people on goals that are part of that vision and on key issues and concerns. (creative opportunities EO)
Dispersed Leadership	This style draws on models of dispersed or distributed leadership which focus on leadership across all levels and in different forms. (effective relationships)

Entrepreneurial Leadership

- In leadership and management, **context is everything**, dictating the approach that needs to be taken. The context we are looking at is one that encourages and facilitates entrepreneurial innovation.
- leadership needs to be both **visionary and transformational** but, importantly, they need to set out to build and embed leadership into the organization -and this is more than just dispersed leadership.

Entrepreneurial Leadership

- The entrepreneurial leader realizes that organizations are **networks of individuals**, all exercising some form of leadership and with no one person in total control, but with everyone open to influence through patterns of relationship .
- The defining characteristics of entrepreneurial leadership are the embracing of change and **commitment to innovation**. Innovation is at the center of everything they do.
- These entrepreneurs demonstrate their **commitment to innovation** in everything they do and make its importance crystal-clear to all employees.

Management Challenges

- Management **is concerned with handling complexity in organizational** processes and the execution of work. It is linked to the authority given to managers within a hierarchy.
- There are many day-to-day challenges in managing an entrepreneurial organization. Often, these are the same as managing any organization; **handling complexity in processes** and the **execution of tasks such as detailed planning, deciding on priorities, organizing, coordinating, and controlling people** to undertake tasks.
- Probably the most important skill is **the ability to plan** - and that is difficult enough in an uncertain, changing environment. Planning involves being able to decide which activities are most important and prioritizing them.

Barriers To Developing An Entrepreneurial Architecture

1. focus on efficiency or return on investment -An entrepreneurial organization is one that is going places, fast. It is probably first into a new market and needs to grow quickly.
2. Plan for the long term and then control against plan - In a turbulent, changing environment the future is uncertain, meaning that five-year plans are of little use.
3. Enforce standard procedures, rules and regulations -This tends to block innovation and lead to missed opportunities. The entrepreneurial organization needs to be flexible.
4. Avoid risk - Avoiding risk means missing opportunities. By way of contrast, an entrepreneurial organization will be willing to take measured risks.
5. Make decisions based on past experience - In a changing environment, the past is not always a good predictor of the future.

Barriers To Developing An Entrepreneurial Architecture

six structural barriers to corporate entrepreneurship -all of which we would recognize as the opposite of the entrepreneurial architecture we are trying to build:

Systems : Inappropriate evaluation and reward systems, excessive and rigid control systems.

Structures : Too many hierarchical levels, top-down management, an overly narrow span of control.

Strategic direction: No formal strategy for entrepreneurship, no vision from the top, no entrepreneurial role models at the top

Barriers To Developing An Entrepreneurial Architecture

Policies and procedures : Long, complex approval procedures, excessive documentation requirements, unrealistic performance.

People : Fear of failure, resistance to change, parochial bias, complacency, the protection of their own sphere of activity.

Culture : defined values, lack of consensus over priorities, lack of congruence, values that conflict with those of an entrepreneurial culture.

Reactions To Change

People find change unsettling or threatening and can become emotional over it. To some extent, this depends on their personalities. Individuals who are seen as reliable, steady or dependable often find change difficult, as do process-orientated people.

An entrepreneurial organization will face changing aplenty, often seeming like a succession of crisis. As the organization passes through each change, individuals can encounter a roller coaster of human emotion as they find themselves facing a different role with new demands and responsibility rests with the managers of the organization

Reactions To Change

. The psychologist Kurt Lewin originally proposed a three-phase change model: unfreeze > change > refreeze.

Getting used to the new situation (**unfreeze**) : After the shock of the change event, individuals might question or deny the need for change

Relearning (**change**): Hard demands are now being made and individuals experience real stress as they realize that they do have to develop new skills to keep up with the job

Becoming effective (**refreeze**): This is the stage when, having accepted the changes, individuals start learning and testing out new skills.

Implementing Change

- An entrepreneurial architecture should embrace and encourage change. The key to a culture of continuous improvement and change is the acquisition of new knowledge - the development of what is called a learning organization. Learning organizations 'combine an ability to manage knowledge with an ability to change continuously so as to prove their effectiveness.

Implementing Change

- There needs to be a compelling reason for change -often a crisis -and it needs to have the full and unequivocal commitment of all managers in the organization. And that compelling reason for change together with a vision for how the organization will look after the change is made must be communicated effectively by the leader - a narrative needs to be constructed around it.
- This is best done on a face-to-face basis rather than through emails or notices. Staff should be consulted, not so much on the need for change but on the process of change, and in this respect project teams or task forces are invaluable. Change should not be piecemeal; as much as possible should be undertaken, as quickly as possible so that a clean break can be made with the past. The change should aim to achieve clear, tangible results quickly so that success can be readily demonstrated.

Cementing Change

- A final perspective on the scale of the task involved in leading and managing change was given to us by Mintzberg (1998). He agreed that to make change happen both strategy and organizational issues need to be addressed. He also observed that changes in strategy can range from the conceptual {abstract} to the concrete {tangible}.
- The most conceptual element of strategy change is vision , followed by strategic positioning {repositioning, reconfiguring} then programmes {reprogramming, re-engineering}, whilst the most concrete are products or services {redesigned, replaced}.

Sustainable Entrepreneurship

- Whilst survival may be a very immediate and compelling reason to justify the change, the need to be more socially and environmentally responsible and sustainable (CSR) can be just as important for a company - and for society as a whole. Many business practices can have a negative social or environmental impact, yet because they have been in place for such a long time they can become part of the accepted way of doing things, the dominant logic of the organization.
- The threats and opportunities presented are enormous but may not seem quite so immediate, which can make it more difficult to change an organization. Nevertheless, an entrepreneurial architecture needs to have sustainability embedded in it through its culture (values and beliefs) and its strategies.

Sustainable Entrepreneurship

- There are four reasons for this:
- Many of the measures to become more sustainable and reduce pollution involve measuring and controlling inputs, and many environmental initiatives therefore also reduce costs (e.g., reducing waste and recycling, having better control of building temperatures or reducing the use of agrochemicals)
- Ex Yahoo saved 60 percent of its electricity costs simply by opening windows where servers are located so as to let out the hot air.

The Yahoo! logo is displayed in white text on a solid purple rectangular background. The logo consists of the word "yahoo!" in a lowercase, sans-serif font, with an exclamation mark at the end.

Sustainable Entrepreneurship

- There are four reasons for this:
- The need to reduce waste alongside developing sustainable energy sources and means of using them can present opportunities for both radical and incremental innovation as consumers press for change. A whole new industry has been spawned in waste recycling.
- Ex :Battery technology is now improving to such an extent that electric-powered cars (and other products) will become a common sight on our streets over the next decade.



Sustainable Entrepreneurship

- There are four reasons for this:
- Actions to improve working conditions, lessen environmental impact or increase employee involvement in decision-making can improve workforce productivity. For example, actions to improve work conditions in the supply chain have been seen to lead to decreases in defect rates in merchandise. Many social initiatives can increase employee motivation and cut absenteeism and staff turnover. An increasing number of graduates take CSR issues into consideration when making employment decisions.

Sustainable Entrepreneurship

- There are four reasons for this:
- Having a brand or a company associated with high levels of CSR can promote a more distinctive brand identity, attract new customers and increase loyalty by helping to differentiate it from competitors,
- like Lush and Patagonia To be effective, these differentiating factors need to be real rather than just being reflected in marketing and PR.



- CSR needs to be built into the strategic decision-making of the organization.

Google case study

From that point things seemed to change, albeit slowly. There were some subtle but significant signs. For example, over an extended period the famous 'Don't be evil' motto was changed to the less restrictive 'Do the right thing' for both Alphabet and later Google. But, even in 2016, both Alphabet and Google were at the forefront of the 'Black Lives Matter - we need racial justice now' campaign in the USA. In 2017 Google was still described by Fortune magazine as one of the best companies to work for in the country. But changes have started to become evident. The use of personal data from customers to allow targeted advertising, the abuse of its oligopoly powers to squeeze and ultimately eliminate competitors and its involvement with the US military showed there was a very serious competitive edge to Google.

Google Case study

In a 2018 article Google was described as moving from being 'one of the good guys' to becoming part of the 'evil empire' (The Sunday Times, 23 December 2018) . The article highlights how things started to change when long serving managers who had helped shape Google's original culture started to leave after the company's restructuring in 2015. New managers came in with a different ethos. Ruth Porat, an investment banker described as a 'Wall Street person; joined in 2015 to become CFO of both Alphabet and Google. She is credited with bringing greater financial discipline to Google and forcing it to become more commercially orientated. Her management style, and the financial discipline she introduced, seems to have been the catalyst for change. She is known as a cost-cutter; for example, she cut spending on Alphabet's 'moonshot' divisions, which account for less than 1 per cent of revenue. The article says that a board-level decision was made to make Google less political.

Google Case study

- Do you agree that Google has gone from being 'one of the good guys' to becoming part of the 'evil empire'?
- What do you think of the reaction of employees and how might customers react to these changes?

Thank You