1-31-1989

A research analysis : differences between contemporary corporate management and entrepreneurial management

Kevin A. Gugliotta
New Jersey Institute of Technology

ABSTRACT

Title of Thesis: A Research Analysis: Differences Between Contemporary Corporate Management and Entrepreneurial Management

Kevin A. Gugliotta, Master of Science in Management Engineering, 1988

Thesis directed by: John Howery, Professor of Industrial and Management Engineering

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A research analysis was conducted to distinguish the differences between contemporary corporate management and entrepreneurial management. A major difference is in the attitude, perception, and priority of the senior management and the organizational mission. Other distinguishing differences are related to individual and organizational leadership, organizational hierarchy and structure, decision-making authority, and compensation systems for employees.

A RESEARCH ANALYSIS:
DIFFERENCES BETWEEN CONTEMPORARY CORPORATE MANAGEMENT AND ENTREPRENEURIAL MANAGEMENT

by
Kevin A. Gugliotta

Thesis submitted to the Faculty of the Graduate School of the New Jersey Institute of Technology in partial fulfillment of the requirements for the degree of Master of Science in Management Engineering
1988

APPROVAL SHEET

Title of Thesis: A Research Analysis: Differences Between Contemporary Corporate Management and Entrepreneurial Management

Name of Candidate: Kevin A. Gugliotta
Master of Science in Management Engineering, 1988

Thesis and Abstract Approved:

1/12/89
Date

______________________ ________
Date

Signatures of other members of the thesis committee. ______________________ ________
Date

______________________ ________
Date

______________________ ________
Date

VITA

Name: Kevin A. Gugliotta

Permanent address:

Degree and date to be conferred: Master of Science in Management Engineering May 1989

Date of birth:

Place of birth:

Secondary education: Essex Catholic High School, 1980

Collegiate institutions attended	Dates	Degree	Date of Degree
U. of Miami	9/80-5/81	-	-
N.J.I.T.	9/82-12/88	BS I.E. MS Mgt.E.	May 1988 May 1989

Major: Management Engineering

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INTRODUCTION

It is the intention of this research to analyze the differences between "corporate management" and "entrepreneurial management" and to further define these two "styles" of management. Thus, a definition of corporate management and entrepreneurial management will help in understanding the two styles and will also help in distinguishing the practice of each.

While many readers will immediately associate people like Steven Jobs (co-founder of Apple Computer) and Wally "Famous" Amos (cookies) as entrepreneurs, there is a distinction between an entrepreneur and entrepreneurial management. It must be understood that while most entrepreneurs will run their companies under the "entrepreneurial management" style, it is not a prerequisite for an organization to employ entrepreneurs in order to be considered as practicing the "entrepreneurial management" style. Therefore, any organization can practice either "entrepreneurial management" or contemporary "corporate management" regardless of the product, service or size of the company. In the same light, many organizations started by "entrepreneurs" are now classified under the contemporary corporate management style because of the way they conduct and run their organization.

It is important to understand the evolution of management in general because it is the basis for both contemporary corporate management and entrepreneurial management.

Part I of this thesis consists of the background and organization of contemporary corporate management; Part II consists of the entrepreneurial management philosophy; and Part III gives an analysis and comparison of the two.

PART I. THE CONTEMPORARY MANAGEMENT SCHEME

"Bureaucracy" does not apply solely to the government. Many large organizations cannot elude the "bureaucratic red-tape" associated within their company. The simplist task of re-ordering a twenty-five cent pencil can become a nightmare in paperwork and approvals needed. The way in which an organization conducts its daily business and plans its future is vital to its success.

Success for private or corporate owned companies equates to how much money they made and the rate of return on stockholders investments. Success for a non-profit organization may be how much money was raised or how many people became aware of its goals and needs. Regardless, whether talking about an existing business, a new venture, or a public-service institution, the underlying direction of leadership from top management will dictate the organizations effectiveness and efficiency.

When speaking of a new venture, the top management may be one person or a cadre of experienced executives. The same can be said for the existing business or the public-service institution. We are not interested in the number of people involved in the organization but rather in a follower/leader classification of management practice. The followers usually make up a "corporate management" team while the leaders are considered to be a true "entrepreneurial management" team.

Corporate management tends to be followers as to avert risk and to assure success. The adages, "do what others do", and "follow the leader", both apply and signify the philosophy of the organization. It is only after time and many proven trials of a new item, manufacturing process, service rendered, etc., that corporate management will accept and even try this new idea or concept. Corporate management follows a set, usually well defined, philosophy, and sees no reason to "rock the boat".

The following three sections give an overview of the contemporary management structure, its operations, evolution of management thought, and the people that make the organization go.

A. Organizational Structure and Hierarchy

The description of a typical organizational structure is described in the second book of the Bible:

> "Moreover thou shalt provide out of all the people able men, such as fear God, men of truth, hating covetousness; and place such over them, to be rulers of thousands, and rulers of hundreds, and rulers of fifties, and rulers of tens:
>
> And let them judge the people at all seasons: and it shall be, that every great matter they shall bring unto thee, but every small matter they shall judge: so shall it be easier for thyself, and they shall bear the burden with thee."[1]

Moses was instructed to select leaders to be placed on four leadership (managerial) levels. There would be five levels of leadership in all. The first level, Moses himself, would judge all the great matters. The second to fifth successive levels would each lead a number of people of the level above. Each of these levels would judge smaller matters.

This example from the Bible still holds true to this day in many organizations. Most organizations consist of a system of "interrelated subsystems".[2] Each successive subsystem is in an hierarchic form and eventually there is a lowest subsystem. This organizational system can be visualized as having a pyramid shape.

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[1] King James Version, <u>Holy Bible</u> (Iowa: World Bible Publishers), Exodus 18:21-22, p. 50.

[2] Robert H. Roy, <u>The Culture of Management</u> (Baltimore: The John Hopkins University Press, 1977), p. 5.

The pyramidal structure has great potential for "red-tape" or bottlenecks. The communication lines usually correspond between each level. This means not only is the next higher level the "leader" or manager, etc., but this is usually the only direct contact with the highest level. Although the twenty-five cent pencil example at the beginning of this section is relatively ridiculous, there does exist the problem of "getting things done". If, for example, the lowest level within the organization came up with some idea which would increase production or lower cost, etc., and each higher-level manager would, in turn, present this idea to the next higher level, and so on, the process would take a long time. Not only will it take time, but it is possible that the originators of the idea will never get any credit.

Evolution of Contemporary Corporate Management

The management styles and organizational philosophies practiced today have evolved from past experiences, the way in which people thought about themselves, others, and society, and the developments of new technology.

Prior to 1700, most manufacturing utilized limited capital and uneducated workers on a small scale.[3] There were a number of major happenings that both directly and indirectly contributed to the change, or making more aware, of management practices. Namely, the growth in cities saw

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[3] Claude S. George, The History of Management Thought (New Jersey: Prentice-Hall, Inc., 1972), p. 49.

thousands of people now living in a relatively small geographic location. While many people were craftsmen and women in their own right, companies started to apply the principles of specialization. Companies were producing only a single product or a specific line of products. Also, the extended use of the printing press allowed a far greater number of people to become more aware of "what's going on". And, of course, the Industrial Revolution allowed for the most important and "radical" of changes to take place, particularly in the area of management.[4]

Mass production of products now had hundreds and hundreds of people working in factories instead of at home. The problem of control and coordination of these people and machines focused a great amount of attention on the functions and practice of management.

During these early stages, the management/worker relationship was extremely sullen for the worker. Management was interested only in producing its products at the lowest possible cost regardless of how they did it. The workers had no choice but to comply with the way they were treated or lose their much needed job.

From these times came a better understanding of people and work. Three distinct "schools of thought" emerged to contribute greatly to the management practice and organization as we know it today. The boss/slave relationship would

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[4] Ibid., p. 50.

no longer be the "norm", even though there are still some individuals today who treat employees in that manner.

The Classical Theory, the rational economic view, branched into three specific areas: Scientific Management, Administrative Principles, and the Bureaucratic Organization. Frederick W. Taylor, "the father of scientific management", tried to show the best way to do each job. Lillian and Frank Gilbreth also contributed with their time and motion studies. The Administrative Principles emphasized the one best way to put an organization together.[5] French industrialist, Henri Fayol, categorized management into its universal functions with five activities: planning, organizing, commanding, coordinating, and controlling.[6] The last area of classical theory, the Bureaucratic Organization, deals with rational and impersonal organizational arrangements. The most noted writer in this area was Max Weber. His ideas were mainly "a reaction to managerial abuses of power".[7]

Each of these three (3) branches has it advantages and disadvantages and a part of each can still be readily seen

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[5] Michael A. Hitt et al, <u>Management: Concepts and Effective Practice</u> (New York: West Publishing Company, 1983), pp. 41-43.

[6] John G. Hutchinson, <u>Organizations: Theory and Classical Concepts</u> (New York: Holt, Rinehart, and Winston, 1967), pp. 19-22.

[7] Hitt et al., p. 45.

today in one form or another.

While the classical theory was a big step, it gave way to the Human Relations or Behavioral Science Approach, called the Neoclassical Theory. Best noted are Abraham Maslow and Frederick Herzberg. Herzberg's Two-Factor Theory and Maslow's Hierarchy of Needs dealt with people as individuals in the work force.

Lastly, the Quantitative school of thought, Management Science/Operations Research, evolved from the application of some of the scientific management techniques of the classical theory. Management science combined the people aspect and the systems approach to assist management with making decisions.

Thus, the management structure and practice has evolved through many phases and is still changing to suit the needs of today.

B. Functional Aspects

The contemporary management has developed a plethora of activities used in helping to run their organizations. These activities, better known as the "functional" aspects of managing, are important to the contemporary management because they are what gives the organization its power, command and driving force. The five functions are: planning, organizing, directing, controlling, and staffing.

These five functions all have elements of being both an art and a science. Art, in the sense that it is individuals who ultimately carry out the commands of the organization. Each individual has his or her own personality and style of leadership (see next section) and therefore each will add their own mixture of "colors" into the management process. The element of science is also a part of each of the five functions because organizations have produced quantifiable formulas and equations to dictate what is happening within their "system".

These functions are the fundamental building blocks of every organization. It is important to understand these concepts because they are a part of the reason as to why organizations become impersonal and bureaucratic. These functions become routine and standard for each individual organization. The organization expects all of its employees to accept the procedures involved in every function and to follow them without exception. Exceptions are seen as nonconformance, and this is the <u>last</u> thing any contemporary management wants or needs. The contemporary management thrives on conformity and standards. It is the master of centralization and the keeper of tradition.

It must be understood, however, that it is <u>not</u> the functions that require the conformity but the organization. It is up to each individual organization to define their meaning and expectations for each of these functions. The majority of the contemporary management organizations depend on these functions as their guiding premise, and therefore, demand a strict adherence to its structure and do not allow for much if any flexibility.

<u>Planning</u>

Perhaps the most written about management function is planning. Planning involves examining the past and predicting the future. The direction a company wants to go in will be dictated by its plan.

The planning process begins with an organizational objective, goal, or strategic mission. This goal or mission will be the determining factor when deciding to plan. The senior management, or top management, of an organization meet formally to discuss this objective.

After the organizational planning is completed, the senior management will develop a strategic plan. This strategic plan will sometimes include the middle managers, but depends on the organization and its policies. The strategic plan is the organization's long range (three to fifteen years) planned actions. The heart of the strategic planning process is determining the actions necessary to accomplish the organizational objectives.

Once a strategic plan has been determined , intermediate plans can be developed. These plans cover a period from one to three years and implement the strategic plan. They are usually done by the area managers and corporate planning specialist. Intermediate planning begins with the development of policies. These policies guide the decision making in the organization. Included in the intermediate planning are the production plan, financial plan, marketing plan, and personnel plan. A frequent problem with strategic planning is the expectations of "planning specialists". These specialists are not in touch with the organizations employees and plan to please only those at the senior management level.

Once strategic and intermediate plans are communicated to lower-level managers and supervisors, operating plans and corresponding budgets are then developed. Operating plans lay out actions for the current period (usually one year or less) and the corresponding budgets for those activities. Operating plans specify the procedures to be used, the schedule of activities to be pursued, and the budget to be followed. The procedures are detailed guides for performing planned activities that occur regularly. Schedules are used for the timing of the activities and the budget sets guidelines for the allocation of financial resources used for both planning and control.

After all the planning stages are completed, management initiates the actions needed to implement the plans. Once the plan is put into action then a follow-up and control phase must be undertaken. Feedback is the most commom form of control. Feedback occurs when the performance is monitored and corrective actions or improvement recommendations are made.[8]

Organizing

For jobs to be performed efficiently, they must be properly organized. That is , appropriate authority must be assigned to perform the activities, and the various tasks must be coordinated. Coordinating the activities of a wide range of people who are performing specialized jobs is critical if a manager wishes to avoid mass confusion.

An organization chart gives a detail breakdown of the chain of command within the organization. The chain of command dictates the relative communication lines between jobs or people.

Organizing also entails giving certain positions authority. Authority is the right to take action and utilize resources. Depending on the resources and limitations of the organization, the authority each position has varies. One form of authority usually associated with organizing is that of delegation. Delegation is the process of assigning

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[8] Hitt et al, pp. 99-137.

tasks, responsibility, and also granting authority to ensure that those tasks are accomplished.

Some organizations have taken the delegation concept and incorporated it into a process called decentralization, which is the giving of more decision-making authority to lower-level managers.[9] But what the contemporary management says and what it allows are two different things. Decentralization has been preached in many organizations but when it comes down to actual decision making authority, the upper-management still has the majority of control.[10]

Directing

Directing employee activities and production or service efforts is another management function. Employee activities are usually directed by means of first-line supervisers who are in turn supervised by department managers, etc. Two key aspects of directing employees involves leadership and motivation. Leadership will be discussed separately in the next section. It can be noted now, however, that some organizations rely tremendously on its leadership to attain its organizational goals.

There have been many studies and researches done in the area of motivation to try and find the best method for motivating workers. But "theorists and practioners alike

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[9] Ibid., pp. 185-204.

[10] John G. Keane, "Focusing on the Corporate Future: Not a Trivial Pursuit," Business Horizons, January/February 1987, p. 29.

are beginning to understand that one does not motivate workers, one enables or encourages them to motivate themselves."[11] Still, each successive supervisor or manager must direct the effort required to motivate his or her subordinates.

Directing production or service efforts requires managers to be technically capable and effective (not necessarily efficient, though). Management must understand the task at hand and be able to provide the means for "getting the job done". The job does not always get done in the shortest amount of time or least amount of money, but the effort must be done. Also, the flow of resources, whether material, money, or personnel, must be directed by the management in both the most effective and efficient means possible.

Controlling

Managerial control is a monitoring and adjusting process that is action oriented and designed to aid the organization in reaching performance objectives. As previously mentioned, the organization, during the planning fucntion, determines its course of action with its mission or objective. Control is used to compare the planned objectives with the actual performance.

Control actions can be either preventive or corrective in nature. The preventive controls are designed to hinder or stop some undesired performance before it occurs. Correc-

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[11] Arnold Brown, Supermanaging (New York: McGraw-Hill Book Company, 1984), p. 176.

tive controls are designed to adjust situations in which actual performance has already deviated from planned performance, such as feedback.

The managerial control process is based on organizational objectives and includes the development of performance standards at all levels in the organization. These allow for criteria to be set which coincide with the objectives. The organization must also measure the actual performance, compare the actual performance to the expected performance, evaluate the deviations, and finally, take corrective actions where necessary.

Performance is generally set at four levels: organizational, functional, departmental, and individual job. An effective control system must be well communicated, coordinated, economical, and most important, well accepted by the people it affects.

Staffing

The last function of management, staffing, involves the identifying, locating, and hiring of qualified employees. In order to fulfill its objectives and meet the expected performance, the organization must have the correct match of employee and job.

Management must first be aware of the tasks it needs to get done and must perform a job analysis. This analysis is a systematic investigation of the tasks, duties, and responsibilities in a job and the qualifications needed to perform the job. A job description is prepared and the qualifications such as skills, degrees, or knowledge required is listed.[12]

Staffing may sometimes require the organization to train new employees. Even though there may be a match between the job description and a person, there may be some discrepancy as to methods or procedures. Some jobs require training to familiarize the new employee with different operations, etc.

Training may also be a part of the ongoing process of the organizations seasoned veterans. Staffing is a continual process within organizations and the training and re-training of employees is a part of that process.

In all, the contemporary management has created many functions within its structure to keep it functioning and operational. Again, this presentation of the functional aspects was intended to serve as a management overview, and as such, did not go into great detail. It does show, however, that contemporary management is very complex, formal, and intimately standardized.

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[12] Hitt et al, p. 241.

C. Status Quo Corporate Leadership

"Leadership involves a social influence process inwhich a person steers members of a group towards a goal."[13] Corporations are run and controlled by executives and managers who must lead their subordinates. Together, their common goal is the corporate mission. In every organization however, not all managers exhibit or use the same style of leadership in accomplishing their goals.[14]

Research indicates that there are many factors involved in determining exactly which leadership style a person uses. It becomes even more complex considering that some people show tendencies of possessing more than one form of leadership style.

Leadership can be viewed in terms of three perspectives: 1) the traits approach, 2) the situational approach, and 3) the transactional approach.[15]

The trait approach suggests that leaders possess a set of traits or characteristics that set them apart from others, especially their followers. But research has revealed that while many leaders do possess certain traits and motives for behaving as they do, there is no conclusive evidence indicating that all leaders share the same set of traits.

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[13] Alan Bryman, Leadership and Organizations (London, England: Routledge & Kegan Paul, 1986), p. 2.

[14] Orvis Collins and David G. Moore, The Organization Makers (New York: Appleton-Century-Crofts, 1970), p. 44.

[15] Robert A. Baron, Behavior In Organizations (Cambridge: Allyn and Bacon, Inc., 1986), pp. 270-273.

Likewise, anyone who should happen to possess some of the more prominent characteristics supposedly possessed by leaders does not necessarily mean that that person is or can ever become a leader. "Rather, they merely suggest that personal characteristics can play a role in leadership in at least some cases, and should not be totally ignored."[16]

The situational approach, similar to the traits approach, not only considers the persons traits or characterisitics, but mainly considers the situation inwhich the leader is in. Depending on the needs and operation of the organization, this leader must respond to each situation and make decisions based only on that current state of affairs. Many times, leaders in the contemporary management do not have many choices regardless of the situation. The military, for example, prepares its personnel with training that dictates exactly what they should do within a certain situation.

The last perspective, the transactional approach, ascertains that in order to fully understand leadership, one must take into consideration three factors: leaders, situations, and followers. Not every leader is always responsible for his or her actions or the outcome of a certain event. This approach suggests that there is a vital and complex interaction between leader and followers and says that some followers have a stronger influence on their leaders and their decisions.

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[16] Ibid., p. 271.

Given these three perspectives of leadership, leaders often exhibit certain behaviors and many times, their behavior is the result of having to comply with company policy and procedure.

The two extremes of behavior are the autocratic leader and the participative leader. The autocratic leader rules with an iron hand while the participative leader is very flexible and allows his or her employees to make decisions.

In keeping with its rigid structure and need for total control, the contemporary management grooms its managers to perform in a routine and rather predictable manner. Bureaucratic organizations insist on this type of behavior so they can "clone" their leaders.

Leaders have also been classified as either production-oriented or person-oriented. The leader with high concern for production (also called "initiating structure") strives to get the work done. He or she is more concerned with activities such as organizing work, preparing schedules, meeting deadlines, setting goals, inducing subordinates to follow rules, and making leader and subordinate roles explicit. The leader with high concern for people (also called "showing consideration") - for his or her subordinates in particular - tries to establish a good working relationship with them. They engage in such actions as doing favors for subordinates, explaining things to them, and assuring their welfare.

Research indicates that "people who are high on both consideration and initiating structure are more effective than leaders who are high on only one of these dimensions. They also suggest that leaders avoid a style involving high concern for people but obvious lack of interest in productivity."[17]

There are also some theories which were introduced to distinguish the leaders behavior and action within the organization. The first of these is Fred Fiedler's contingency theory of leadership. According to his theory, a leader's effectiveness depends on the interaction of his or her behavior with certain organizational factors.[18]

A second theory is is R.J. House's path-goal theory of leadership. The path-goal theory expresses two basic notions: 1) The leader's function is to motivate subordinates by clarifying their goals and the path of these goals, enhancing their intrinsic satisfications with their tasks, and providing valued extrinsic rewards based on performance. 2) The particular style of leader behavior that will accomplish this motivational function is situationally determined by subordinate's characteristics and environmental factors.[19]

A third theory of leadership, the Vroom and Yetton

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[17] Ibid., p. 279.

[18] Bryman, p. 127.

[19] Ibid., p. 137.

normative model, focuses on decision-making as a key determinant of leader effectiveness. According to this theory, different situations call for different styles of decision making (e.g., autocratic, consultative, participative) by leaders. To the extent they adopt an appropriate strategy, their effectiveness will be enhanced.[20]

Lastly, two additional theories, the vertical dyad linkage (VDL) model and the substitutes for leadership approach, attempt to define leaders and their behavior. The VDL model calls attention to the fact that a leader may have very different relationships with different subordinates. Further, it notes that the nature of these dyadic relations may strongly affect subordinates' productivity, satisfaction, and perceptions of their leader. The substitutes for leadership approach takes account of the fact that under some conditions (e.g., when subordinates are highly skilled or committed), directives or guidance from a leader may be superfluous. Thus, it emphasizes the fact that leaders are not always essential to the effective functioning of groups or organizations.[21]

Within the contemporary management, each of these leadership theories can probably be found at one level or another, but, the "organization", in general, ultimately determines its management's style of leadership.

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[20] Baron, p. 284.

[21] Bryman, p. 150 and 164.

The bureaucratic organization is rule-determined, inflexible, and concerned with mass production. This is how it expects its management personnel to perform and behave. They are overly concerned with production and task achievements. They have developed into an "institution" as such and, because of their tremendous success in the past, they feel they must continue the same way now and in the future.

Thus, status quo corporate leadership refers to the inability of the leadership in contemporary organizations to act as individuals rather than as cogs in the impersonal, bureaucratic regime of its business enterprise. The senior management is responsible for all such practices and holds a tight grip on them. Considering that contemporary management's command-and-control procedures were taken from the military, some of its leadership styles were adopted just as well. And based on the organization's structure, with its many layers of management, the chain-of-command demands more of an autocratic style of leadership. But again, the procedural manuals and rulebooks will determine just how autocratic any leader can be just as in the military.

PART II. ENTREPRENEURIAL MANAGEMENT

A. Who or What is an Entrepreneur?

Webster's New World Dictionary defines entrepreneur as "a person who organizes and manages a business undertaking, assuming the risk for the sake of profit".[22] For most needs, this definition will suffice. But, for the purpose of this research, a more detailed and comprehensive understanding is needed.

Webster's definition touches on some key factors, though, associated with the entrepreneur. First, the entrepreneur must be involved in some form of "business undertaking". This business undertaking usually starts with some form of innovative idea. There can be, however, six different types of innovation[23] an entrepreneur can undertake:

1) Introduction of a new product or service;

2) Implementation of a system or resource that differentiates an existing product or service;

3) Introduction of a new system that increases productivity (such as robotics) or decision making (such as artificial intelligence);

4) The opening of a new market;

5) A new source of supply of raw materials or alternative materials or methodologies; and

6) The creation of a new organization.

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[22] "Entrepreneur," Webster's New World Dictionary.

[23] John G. Burch, "Profiling the Entrepreneur," Business Horizons, September-October 1986, p. 14.

In his organized and systematic approach to innovation,[24] Peter Drucker does not mention specific <u>types</u> of innovation, but rather, he describes seven <u>sources</u> of innovative opportunity:

1) The unexpected - some unexpected success, unexpected failure, or unexpected outside event can trigger an innovative idea;
2) The incongruity - often taken for granted, people insist, "this is the way it's always been."; it is a discrepancy between what is and what "ought" to be;
3) Innovation based on process need - usually everybody knows this need exists, but, until someone does something about it, it goes unnoticed; once the need is filled, people accept it as "obvious";
4) Changes in industry structure or market structure;
5) Demographics - changes in population, its size, age structure, composition, employment, educational status, and income;
6) Changes in perception, mood, or meaning; and
7) Knew knowledge - scientific and nonscientific; knowledge-based innovation is usually what most people think of when they hear of an innovation.

Burch's six types of innovation and Drucker's seven sources of innovative opportunity are very similar and quite

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[24] Peter F. Drucker, <u>Innovation and Entrepreneurship</u> (New York: Harper & Row, 1985), pp. 37-129.

complimentary. The difference between the two lists, however, is in their classification. The six types of innovation are strategic in nature while the seven sources of innovative opportunity are more tactical. For instance, take type number 3, "introduction of a new system that increases production". This is considered a strategy for innovation. Now, given the seven sources of innovative opportunity, which source(s) was(were) applied to cause this increase in production? Did something unexpected occur? Was a new process introduced? Or, was a new technical knowledge added to cause the increase?

Secondly, within Webster's definition of an entrepreneur are the acts of organizing and managing the above business undertaking. According to the definition, this means the entrepreneur must not simply start the business, but, (s)he must actively participate within the business. Perhaps this might entail some or all of the functional aspects as mentioned in section B of Part I, namely: planning, organizing (as stated in the definition), directing, controlling, and staffing. The entrepreneur could also be involved in the marketing and sale of the product or service as well. Indeed, it has been noted that "entrepreneurs" usually wind up wearing many different "hats" within their venture.

Thirdly, the element of risk must be present in order for a person to be considered an entrepreneur. It has been noted that only personal financial risk[25] should be considered because this separates those who can lose their personal life savings versus those people considered "entrepreneurs" within organizations who do not usually risk anything personal, let alone substantial, to their well being.

And lastly, there is the profit and independence. "One of the key reasons to engage in entrepreneurial activity is to gain wealth."[26] This stands to reason considering the entrepreneurial activity, or business undertaking, is the lifeblood of the entrepreneur. This is not to say that profit is the only motive behind the entrepreneur's reasoning to start a business or come up with a new idea, but it is a key factor and a valid one. Independence is also important because it allows the entrepreneur the freedom to decide what he or she wants to do and how to do it.

Given this dictionary definition, further research[27] reveals that an entrepreneur exhibits certain qualities, traits, or characteristics which set them apart from others. There were well over twenty-five independent qualities supposedly embedded in the heart, soul, and mind of every entrepreneur. This research has combined and categorized them into eight distinct traits or characteristics. The

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[25] Robert E. Levinson, "Definition of an Entrepreneur," Restaurant Business, 10 April 1988, p. 18.

[26] Burch, p. 15.

[27] Ibid., p. 17.

majority of the "entrepreneurs" possess all of these qualities:

1) Entrepreneurs have both a personal and business vision. They can see where they want to be in society and strive to reach that level. In their vision, they accenuate the positive and discourage the negative. They "see" things most people do not and have innovative ideas, methods, or procedures which are usually not in the norm. Most often, their personal and work lives are completely integrated but there is a distinction of their visionary "goals". They can communicate their vision to others.

2) As defined, entrepreneurs are organized. They can bring together all the various resources needed to make their vision a success. They are extremely flexible when organizing and are ready to put a contingency plan into action without much distraction or indifference on their part.

3) Entrepreneurs are very aggressive to the point that they can become ruthless. They are constantly setting the example and want others to follow exactly as they do. Even if certain aspects of their venture, business, or idea seems headed for failure, they will not "give up the ship". They are hard workers; sometimes workaholics.

4) Entrepreneurs take risks. The risks are, more often than not, calculated ones. They are cautious business people but are not afraid to take a chance.

5) Entrepreneurs seek to simplify everything. Everything must be broken down into the smallest component so it can be evaluated and dealt with. This simplicity drives the entrepreneur to become more efficient. They are always seeking ways to improve things by making them more simple.

6) Entrepreneurs are extremely confident and optimistic. They believe everything and anything is possible. They consider themselves good leaders and usually have very litte faith in others.

7) Entrepreneurs are independent and accept total responsibility. They accept accountability for themselves, their ideas and ways - morally, legally, and mentally. Often they are called rebels or poor team players because they go against authority and do not like to follow rules.

8) Entrepreneurs seek to attain rewards from their undertakings. The reward of making a profit keeps the business, service, or ideas flowing, but, does not necessarily mean it will satisfy the entrepreneur. Yes, the profit is important but rewards other than money such

as respect and personal recognition are important to the entrepreneur as well.

The tendency of a person to be considered an entrepreneur is said to be dependent upon these qualities, traits, or characteristics. If possessed, a person is an entrepreneur. But, what of the people who possess all of the above characteristics but still work in a large bureaucratic organization? Why aren't they entrepreneurs? Is it just because they didn't start a business of their own yet? And, how about the small business owner that has been in business for twenty years, is (s)he still considered to be an entrepreneur? And, what about large organizations? Based on the definition and the given qualities, can an organization have entrepreneurs working for them?

These questions all arise partly because of the ambiguous definition of an entrepreneur and partly because of the way researchers have studied entrepreneurs. In order to solidfy this point even further, another definition of entrepreneur and a definition of a small business owner is given below by James Carland:

> "An entrepreneur is an individual who establishes and manages a business for the principle purpose of profit and growth. The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in the business."

"A small business owner is an individual who establishes and manages a business for the purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires."[28]

Both Carland's and Webster's definition of an entrepreneur are similar in that they both infuse the notion that an entrepreneur: 1) starts or establishes a business; 2) is involved in some amount of risk; 3) employs management concepts and practices; and 4) expects to make a profit from the undertaking. But, in reality, these definitions raise more questions than they answer.

In comparing Carland's definitions of entrepreneur and small business owner, many distinguishing similarities and contradictions exist. "If by definition a small business owner establishes a business to further personal goals and an entrepreneur establishes a business for profit and growth, then what do we do with the individual whose personal goal is to establish a business for profit and growth? (Are the goals of profit and growth to be considered impersonal goals?)"[29] Indeed, the definitions do no justice to answering the question of who or what is an entrepreneur.

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[28] James W. Carland et al, "Differentiating entrepreneurs from small business owners: a conceptualization," Academy of Management Review, September 1984, p. 359.

[29] William B. Gartner, "Who is an entrepreneur? Is the wrong question," American Journal of Small Business, Spring 1988, pp. 23-25.

But, this should not hault the research effort to distinguish the differences.

There are literally thousands of self-proclaimed experts and interested researhers in the field of entrepreneurship, but sad to say, there is no resounding definition or even agreement as to who or what an entrepreneur is.[30] As James Carland et al note, all the definitions given are "simply representations of concepts and are therefore frequently ambiguous."[31] If you can recall Aesop's fable concerning the blind men and the elephant, the man at the tail described the elephant as a snake, while the man at the leg described it as a tree, and so on. Just as each of these blind men described the elephant differently by only touching a certain area, neither do scholars possess the ability to "perceive motives and cognitive processes of entrepreneurs."[32]

Many people portray an entrepreneur as some kind of "everyman". Someone who is larger than life and full of contradictions; so full of those traits or characteristics that were previously mentioned. Thus, the majority of research is concerned with those traits or characteristics that seemingly "make up" the entrepreneur. This approach to

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[30] James W. Carland, Frank Hoy and JoAnn C. Carland, "Who is an entrepreneur? Is a question worth asking.," American Journal of Small Business, Spring 1988, p. 33.

[31] Ibid., p. 34.

[32] Ibid., p. 34.

defining the entrepreneur, and ultimately defining entrepreneurship, is known as the traits approach.

The traits approach focuses on <u>who</u> the entrepreneur is, but research should focus on <u>what</u> the entrepreneur <u>does</u>.[33] Michael Gerber denounces the "E Myth"[34] (entrepreneurial myth), that, only super people with special traits, characteristics, or qualities are entrepreneurs. Again, most people believe or want to believe that <u>only</u> entrepreneurs possess some set of unique characteristics. Gerber contends that just about any one at any given moment can become an "entrepreneur" because, basically, that's all the time that (s)he has ..... just a moment. He calls that moment an "entrepreneurial seizure".[35] At that moment, the person realizes that (s)he has a brilliant new idea or can create their own business and thus rid themselves of their dull, mundane, political, or bureaucratic job. There is no mention whatsoever about any special traits or characteristics that one needs to succeed as an entrepreneur. On the contrary, as will be seen, consultant and author Peter Drucker denounces this "flash" idea. The percentage of brilliant ideas that ever become successful ventures, products, businesses, services, etc., is very low and are

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[33] Gartner, p. 21.

[34] Michael E. Gerber, <u>The E Myth</u> (Cambridge: Ballinger Publishing Co., 1986), p. 2.

[35] Ibid., pp. 8-10.

the riskiest.[36]

Both Gartner and Gerber present logical arguements for the need to define entrepreneurs not by individualistic characteristics but by more of a "behavioral" approach. The reason is because "it is not possible to differentiate entrepreneurs from managers or from the general population based on the entrepreneur's supposed possession of such traits."[37]

Many people say "entrepreneurs" achieve far greater things than others because they possess those special inner qualities (traits). This may seem true and even be empirically proven by psychological trait analysis and the like, but we must take another perspective of the "elephant". The following story will illustrate this new perspective. "What if the United States suddenly found itself unable to field a team of baseball players that could win in world competition? One response to such a problem might be to do research on baseball players to learn "Who is a baseball player?," so that individuals with baseball playing propensity could be selected from the population. Such studies might determine that on average, baseball players weigh 185 pounds, are six feet tall, and most of them can bench press over 250 pounds. We could probably develop a very good personality profile of the baseball player. Based on upbringing and experience we could document a baseball

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[36] Drucker, p. 130.

[37] Gartner, p. 22.

players locus of control, need for achievement, tolerance of ambiguity, and other characteristics and feel confident once again in our competitive edge."[38]

This type of research, while very scientific and thorough, ignores the obvious - that a baseball player in fact plays baseball. Baseball involves a set of behaviors, namely, throwing, running, catching, batting, pitching, sliding, etc. "A baseball player is not something one is, it is something one does."[39]

Just as we do not expect every baseball player to possess the same set of traits, neither should we expect every entrepreneur to possess the same set of traits, qualities, or characteristics. This is not to say, though, that we should dismiss this facet of research and never mention these traits, qualities, or characteristics. Indeed, these characteristics <u>are</u> worth mentioning because they <u>are</u> a part of some entrepreneurs just as some baseball players are six feet tall and weigh 250 pounds.

But again, the focus should be directed at <u>what</u> an entrepreneur <u>does</u>, not on <u>who</u> (s)he is. "Entrepreneurship is behavior rather than traits."[40]

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[38] Ibid., pp. 22-24.

[39] Ibid.

[40] Drucker, p. 26.

Gartner, and Burch in his subtle way, contend that "entrepreneurship is the creation of new organizations."[41] As Burch touched upon and Gartner rationalized, this statement is not made with the intention of becoming the universally accepted definition of an entrepreneur, but it serves as a "new" perspective for researchers to look into.

One new single product or service idea is capable of starting an entire organization, and may even "create new and different values and a new and different satisfaction", or even an entire new way of living. King C. Gillette, in a moment, got the idea for a safety razor blade in 1895. But it wasn't until 1903, eight years later, that the Gillette steel blade safety razor was created.[42] This one product not only created a new organization, but it also created a new field, a new way of daily shaving for men.

While Gerber contends that the idea, or "entrepreneurial seizure" to borrow his phrase, happens in a moment, the fruition of the idea into a real, physical entity, may take a long time. Some "average Joe" might have thought about a safety razor fifty years before Gillette, but it was Gillette who did something about his idea and persisted until the Gillette Safety Razor Company was formed. While Gillette did have a "brilliant idea", it took a lot of time and hard work to finally succeed.

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[41] Gartner, pp. 26-27.

[42] William Davis, The Innovators (New York: American Management Association, 1987), pp. 156-160.

Now, what of the so called "entrepreneur" within an already existing organization? Is there such a person? And if so, should they be considered an entrepreneur at all, or should we use some other word, such as innovator, inventor, intrapreneur, or change-maker to describe their achievements and accomplishments? If we focus our research and ideas on the Gartner conceptualization of entrepreneurship, that is, entrepreneurship being the creation of new organizations, then we must dismiss the possibility of ever having an entrepreneur within an already existing organization. But, on the other hand, if we include that the entrepreneur, as Peter Drucker insists, "exploits change as an opportunity", and which may be the <u>basis</u> for the creation of a new organization, then we <u>may</u> have an entrepreneur in an organization. For example, if someone in an organization creates a new product, it might become, within the organization, an entire separate business, or instead, it may become the best selling product of all time, etc. The organization, in essence, starts another business within the existing business.[43] Indeed, an organization can employ entrepreneurs and can even practice entrepreneurial management as long as the company "vision" is to constantly seek to improve its products, services, or methods and continues to look to the future to become even better.

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[43] Larry Farrell, "Building Entrepreneurship: A Global Perspective," <u>Training</u>, July 1986, p. 48.

To sum up, the entrepreneur is an innovator. The entrepreneur focuses on opportunities and on the consistent state of flux the world is in. Entrepreneurship can be practiced in large organizations as well as by single individuals. Entrepreneurship should be organized and systematic, but above all, it takes a lot of hard work and dedication.

B. The Main Ingredient....Innovation

Innovation is the specific tool of entrepreneurs. Whether one is talking about a single individual who works alone or an entire organization, innovation must exist in order to fulfill the entrepreneurial mission. Karl Albrecht defines innovation "as the process of transforming creativity into profit".[44] He further defines creativity as the "process of coming up with ideas". Thus, an idea is the raw material used by an entrepreneur to be innovative. But Albrecht, Drucker, and others agree that the "idea" should come about in an organized and systematic process.

An organization which practices the entrepreneurial management philosophy, one that innovates, knows it must do so in order to stay competitive in todays global marketplace. A good example of this is Kodak's New Venture Organization. Kodak, a global competitor, has a "formalized structure to identify, develop, and obtain sponsorship for opportunistic ideas that do not fit in at their originating organization". The structure is overseen by the Venture Board, a senior management group whose goal is to foster innovation and entrepreneurship within the corporation. Reporting to the Venture Board is the New Opportunity Development (NOD) group. This group is composed of about 50

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[44] Karl Albrecht, The Creative Corporation (Illinois: Dow Jones - Irwin, 1987), p. 15.

people whose job is to assist and guide anyone in the organization who has a promising idea.

The process is broken into three organizational tiers: an individual initiative phase; a seed financing stage; and an implementation and commercialization stage.

Any employee can bring their idea to an "innovative office". There, the person will receive help and guidance and will have access to a network of consultants who can help validate whether the idea has any merit or not. The next stage would find funds to develop the idea and a potential market. If an idea has made it through this far, a business and financial plan is written and presented to the Venture Board. If the plan is approved, then the venture will begin.[48]

This opportunity within Kodak allows its employees to act as entrepreneurs. The employee is expected to be the "champion", the person who sees the idea through. If an idea is approved by the Venture Board, that employees "new" job will be with the new venture. If the venture fails, the employee might not be able to get his or her old job back but, every effort is made to find a comparable job the employee left. For the successful venture, there are great rewards and bonuses to reap.

Overall, Kodak's New Venture Organization offers its employees the opportunity to be corporate "entrepreneurs". Not only is this rewarding for the individual but, it's an

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[48] Rosabeth Moss Kanter et al, "Driving Corporate Entrepreneurship," Management Review, April 1987, p. 16.

investment into Kodak's future business.

From this example, it is seen that Kodak is indeed organized and systematic in fostering innovation. There are some basic premises, though, that enable organizations like Kodak, 3M, and IBM to be innovative. According to Norman B. Wright, innovative organizations possess four dominant qualities[46]; namely:

1) They provide clear standards and controls;
2) Have management directly involved in innovative efforts;
3) Foster the creation of new resources; and
4) Provide clear direction and communication.

Wright does not suggest that an organization <u>must</u> apply any or all of these principles to be innovative. He does note, however, that in crisis-hit industries and industries prided for their existing product and management superiority, one or all of these qualities is practiced.

Regarding the first quality, providing clear standards and controls, a good example is grocer Stew Leonard who makes sure his employees know what is expected of them. His innovative management technique emphasizes his policy of standards and control. He set his first name, "STEW", as the practiced standard within his company. The "S" stands

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[46] Norman B. Wright, "Rekindling Managerial Innovativeness," <u>Business Quarterly</u>, Summer 1986, pp. 38-39.

for customer satisfaction, the "T" is for teamwork, the "E" for excellence, and the "W" for Wow![47] This relatively simple, yet clear, acronym tells it all. There is nothing to guess about. When trying to encourage an innovative atmosphere, complexity will just not do.

Clear standards and controls do not inhibit innovation, as some may think, but it causes the innovation to surface and be counted for and rewarded.

Proctor and Gamble's term "Adult Business Deal"[48] is an example of the second quality; having management directly involved in innovative efforts. Many of the company's older and more traditional plants have gone to a participative style of management. The "Adult Business Deal" is a phrase to show the relationship of people at all levels within the organization. Everyone is treated with trust and respect. From top management to technician, everyone is involved in the decisions and innovation. Donald Taffi reinforces this quality by insisting that the greatest barrier to innovation is the lack of commitment by top decision makers.[49]

Again, Kodak is a good example of the third quality, fostering the creation of new resources. There is no such

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[47] Tom Peters, Thriving on Chaos (New York: Alfred A. Knopf, 1987), p. 497.

[48] D. Quinn Mills, "Innovative Managers, Innovative Employees," Financial Executive, July 1985, p. 36.

[49] Donald J. Taffi, The Entrepreneur; A Corporate Strategy for the '80's" (New York: AMACOM, 1981), pp. 16-17.

thing as a "resource" until man finds a use for something in nature and thus endows it with economic value.[50] Before the penicillin mold was found to be a bacterial killer, it was a pest, hardly a resource. Kodak's New Venture Organization fosters creativity by allowing its employees to work on ideas and "pests". Kodak has invested in its future resources by realizing the importance for individual entrepreneurship.

Blaming subordinates for mistakes while managers take credit for all successes; turning down suggestions and recommendations because they were tried earlier or were not presented in the approved format; and expecting efforts for improvement and new resources to be derived from management models and "other" managers or employees, are all practices in organizations that do not foster innovation.[51]

The last quality, providing clear direction and communication, is evident at Rohm & Haas Bayport Inc., a specialty chemical plant in LaPorte, Texas. In this 67 employee processing plant, all the employees are totally involved and responsible for the entire operation. All the employees are trained in various, if not all, of the aspects of the process. In other words, there are no "specialists" who _just_ operate a machine or work in the lab. The employees know what is expected of them and understand it is up to

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[50] Drucker, p. 30.

[51] Wright, p. 40.

them, as a team, to get the job done. In this type of environment, communication is essential.[52]

Once an organization realizes that innovation is necessary to remain competitive, if not essential for its future, it will change its ways and begin its entrepreneurial management philosophy.

As mentioned in the previous section, there are strategic "types" of innovation and tactical "sources" for innovation. Together, they assist the entrepreneur in organizing and systematizing the process to innovate. But, does knowing how to integrate an innovative practice in an organization and knowing how to strategically and tactically innovate mean that an organization is, indeed, innovative? What constitutes innovation in the first place? Should a company, who copies others, be considered innovative or entrepreneurial?

In the real world, everything is relative. To a millionaire, ten dollars will not make or break him or her. But to a twelve year old who helped out dad all week to earn the ten dollars so (s)he can buy a birthday gift for mom, it means everything. The point is, when one company utilizes some revolutionary management technique or comes out with some revolutionary new product, and it works, others will follow suit. From their organizational perspective, each company is an innovator. The organization that was "first"

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[52] Don Nichols, "Taking Participative Management To The Limit," Management Review, August 1987, pp. 28-32.

may indeed practice entrepreneurial management. To them, any innovation, especially the ones they create, are trully unique and puts them in front of the pack. But in the same sense, the organization that uses or copies someone else's innovative product, service, or idea also considers itself to be innovative. The reason is simple. Because they never did anything that way before, they <u>feel</u> innovative. And upon notice, the employees, customers, and business world will indeed say, "Ah, they are <u>being</u> innovative." Maybe not original ideas of their own, a copier, but, an innovative one none the less.

"Even in the Soviet Union and China, awareness is dawning that innovation and economic revitalization can be achieved through individual enterprise."[53] In centrally controlled economies, what could be more innovative than for an individual to open up a business? In America, we have the luxury of free enterprise. Sometimes, we can take this opportunity for granted. Anyone can start his or her own business in the United States. To some, there is nothing innovative in starting a new business. Many people in the past have done it, and it stands to reason that many more people will do it in the future. But, it <u>is</u> an innovation in countries such as Russia and China.

So, innovation is relative. As Peter Drucker points out, "...innovation is both conceptual and perceptual."[54] What

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[53] James Abnor, "The Spirit of Entrepreneurship," <u>Journal of Small Business Management</u>, January 1988, pp. 3-4.

[54] Drucker, p. 135.

may be innovative to one person, group, organization, or entire country, does not necessarily mean it has to be innovative to the next. If some undeveloped and primitive people were to see an airplane, they wouldn't be able to immediately learn how to fly it. They will not have to "reinvent the wheel" either; others will show them all about it. But, they will have to progress slowly. The same is true even now. While many "innovative" companies are way ahead of others, the "others", as they perceive themselves, are still being innovative.

One way to rate innovativeness can be by a qualitative "degree". By this method, researchers and people in business can attain a "reading" as to their particular degree of innovativeness. At one end of the innovative scale would be the originators who develop revolutionary ideas. At the other end of the scale would be those (people, companies, etc.) who, based upon their past performance, actions, service, products, or management, have made some form of revolutionary "step". They are, again, being innovative, but not to the same degree as those at the upper end of the scale.

A description of the conditions[55] of innovation will further support the qualitative degree approach. The first condition is that innovation effects the economy and society in general. Innovation might mean more jobs or money. It

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[55] Ibid., pp. 138-139.

usually affects many people, both directly and indirectly. The "domino effect" might also occur with a given innovation. The widespread use of computers is an example of this effect that computers has had on the world. Originally, computers were only going to be used as "number crunchers" for universities. But now, computers are a part of everything: universities, businesses, and homes. The computer has indeed effected the world's economy and many societies.

A second condition of innovation is for the individual or organization to build on their strengths. The example of the primitive, underdeveloped people as given before, can be shown to apply rather well. These people, theoretically, do not even know what a bicycle is. Therefore, they must begin with the basics.....learning about the wheel. Only after they are familiar with the wheel can they progress to the bicycle, then wagon, then car, etc. All people and organizations have strengths and weaknesses. They must concentrate on the strengths.

The last condition of innovation is hard work. This is supposedly one of the qualities an entrepreneur possesses. But remember, we did not define the entrepreneur as one <u>who</u> works hard, but rather, we defined <u>what</u> the entrepreneur <u>does</u>, which is hard work. William Lear, the creator of the Lear jet, worked hard his entire life as did many other notable entrepreneurs. He began working as an auto mechanic at the age of thirteen, but his passion was always for airplanes and flying. He started and sold the Motorola company and developed aircraft radios before he developed his Lear jet.[56] His success with the jet came about because of his dedication and hard work.

So, innovation is the tool of the entrepreneur. Whether on the "cutting edge" or trying to "catch up" with the rest of the world, it is still innovation. There are many theories and proven strategies that innovative people and organizations are using to be successful. This will be discussed in section D of Part II. Indeed then, innovation is the main ingredient for the entrepreneur.

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[56] Davis, pp. 227-229.

C. The Element of Change

The previous two chapters dealt with the entrepreneur and what (s)he (or "it" in reference to an organization) does. Innovation is the specific tool the entrepreneur uses. Given the six types of innovation,[57] namely, (1) introduction of a new product, (2) implementation of a system or resource that differentiates an existing product or service, (3) introduction of a new system that increases productivity or decision making, (4) the opening of a new market, (5) a new source of supply of raw materials or alternative materials or methodologies, and (6) the creation of a new organization, there must be some <u>reason</u> for <u>wanting</u> to innovate by applying one or a combination of the above undertakings.

The reason an individual or an organization wants to innovate or in some cases <u>has</u> to innovate is due to some change. The definition of innovation and "change" are sometimes used interchangeably, but there is a distinction. To innovate necessitates that a change will come about, but not all changes will be innovative. For example, the discovery of the transistor (innovation) "changed" the entire world by enabling the personal computer to be developed. Whereas, Coca-cola's "innovation" (or change) of its popular soft drink from its original formula to the new formula was a disaster. No one could suggest that the

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[57] Burch, p. 14.

"new" formula was an innovation.

"To want to change" is the reason to innovate. If a person or an organization wants to innovate, they must change something. A "change" for the better (or even worse) can be either a cause or an effect in both an economic and social sense.[58] The entrepreneur innovates for personal satisfaction as well as for wealth. The economics of an innovation can effect the individual, company, and possibly some portion of the community or society. A profit can be realized by either increased sales of the new product, service, etc., or by a cost reduction in the methods and/or processes.

Also, there are different perspectives when trying to define change. It can be looked at in four ways[59]: "1) by a member of the group who is personally affected by a set of events, 2) by a change agent who is deliberately attempting to produce new and different responses in members of the group, 3) by a group member who is not affected but who observes what may be happening to fellow group members, or 4) an outside observor or historian reconstructing events." There will be times when the "change" is innovative but will only affect a certain group. Take for instance, a computer programming department of an organization that switches to a

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[58] Drucker, p. 88.

[59] Edgar H. Schein, Organizational Culture and Leadership (California: Jossey-Bass Publishers, 1985), pp. 297-298.

new programming system. This switch is considered innovative and will increase the departments programming capabilities and will thus reduce costs and allow the department to be more competitive. While the entire organization will benefit indirectly from this new system, it is the personnel in the programming department that are affected by the change. So, different perspectives of the change will result in different definitions of that same change.

In an holistic view, those organizations that practice entrepreneurial management know they must be "flexible, pourous, adaptive, and fleet-of-foot"[60] in order to keep up with the competition and to survive in the future. The Peters "fleet-of-foot" organization is the one that invites change. "Change must become the norm, not cuase for alarm."[61]

Change can be either a short or long term strategy within an organization. In order for it to be effective, though, change must occur in both. Those organizations that feel "safe with the way things are going now" attitude, might be in for a surprise in the future. Play-it-safe strategies cannot guarantee profit or successes in this complex and global marketplace.[62]

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[60] Tom Peters, "Creating the Fleet-Footed Organization," Business Week, April 18, 1988, p. 38.

[61] Peters, p. 474.

[62] Keane, p. 31.

Change must start with senior management and must be "injected" into the culture of the organization with as little pain as possible. But management must realize that "culture resides in the hearts and minds of individuals, not on bulletin boards, in mission statements, or even new organizational procedures and structure."[63] It is therefore imperative that the change come about in an adjustable and acceptable speed for everyone in the organization but at the same time fast enough so the organization can remain profitable and competitive.

It is evident that change is not just a fad or some quick-fix scheme for innovation. Everything in the world is always changing and the business world is no exception. It has often been said that the only thing constant in this world is change itself. With this notion in mind, we must understand that "change, upheaval, and restructuring are going to be with us for good"[64] and must be included within the business plans of the organization. To include this philosophy in the organization means the organization is willing to accept the entrepreneurial torch. This, then, can be said to be the start of innovation...the start of entrepreneurial management.

Just as ideas can be organized and systematized to

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[63] Franck A. DeChambeau, "Keeping the Corporate Tall Ships Afloat," Across the Board, March 1987, p. 56.

[64] Albrecht, pp. 6-7.

produce innovation, so too can change be organized in a systematic way. A hierarchy[45] exists which explains the stages or roles of people which detect or foster change. While it does not take an entrepreneur to be a part of this process, the cumulative affect of the roles leads to an entrepreneurial type management. The least difficult "change" role is that of the "change sensor". This is basically the early detection stage of change. At this level, anyone can "sense" some change or need for a change. The next level is the "change analyst". Upon "sensing" some change, the analyst learns as much as possible to assess the situation. In the analyst stage, if there comes the need to actually induce change, then the next level, "change informant", must take affect. At this level, in order to change something or make a change, a line of communication must be established with the right "people" who have the capability to foster the needed change. Next, comes the "change agent". This phrase has been mentioned a few times, but until now, no functional definition was given. The "change agent" is the catalyst. This is the person or group of people who can actually induce change. Whether it be by words, deeds, actions, or whatever, the change agent is the inertial twister that engulfs everyone. And lastly, the most difficult role, is that of the "change controller". This requires mastering change after the change has been implemented.

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[45] Keane, p. 33.

Within the organization, these levels or roles, might be played by five different people or groups. However, this hierarchy <u>is</u> the single process for the individual as entrepreneur.

With all the research and evidence presented on the need for organizations to keep changing to survive, there are some actions that inhibit or slow down the change process. By far the most obvious and often cited is the bureaucratic structure and hierarchy of the organization. The bureaucratic environment does not allow for innovation to occur because it is something that's not supposed to happen. Once an organization is on "go", no one or nothing should disturb it. The mentality behind this thinking is, "if it ain't broke, don't fix it".

Another deterent to change is resistance.[66] As mentioned previously, change must start at the top but it must be accepted and believed by everyone it effects. Management must create a climate that is conducive to positive change and must encourage and applaud personal initiative at every level.[67]

The desire for certainty is yet another reason for impeding change. Not to belinger the point, but, the only thing certain is change itself.

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[66] Watts S. Humphrey, <u>Managing for Innovation</u> (New Jersey: Prentice-Hall, 1987), pp. 184-185.

[67] Thomas R. Horton, "Creating Bottom-Up Change," <u>Management Review</u>, August 1987, p. 5.

The majority of the reasons for not changing rest upon managements shoulders. There have been cases where the workers were the ones to initiate the change but the approval of such action will ultimately always depend on top management.

To innovate is to change. The entrepreneurial management philosophy seeks this goal. Their mission is to constantly look to change their ways. There is, however, two ways of approaching this "change": one is a productive change and the other is a reactive change.[68] While both are definetly positive approaches to change, from the organization's point of view, it is making productive changes that will allow for an organization to be successful in the future.[69] But regardless, whether productive or reactive, the important thing is to change. The organization that utilizes the reactive change philosophy can only hope, at best, that they react fast enough. Anyway, it is better to foster a reactive change rather than not to change at all. At least the reactive organization is taking a step in the right direction.

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[68] Mark L. Goldstein, "Just Managing Won't Be Enough," Industry Week, April 18, 1988, p. 21.

[69] Ibid.

D. Entrepreneurial Strategies

The previous three sections focused on some of the reasons and motivational forces of entrepreneurs. Mentioned were the reasons for organizations to practice the entrepreneurial management philosophy - mainly to change some aspect of their business by some form of innovative means to remain competitive.

The entrepreneurial framework, as understood up to this point, talked of innovation, commitment of senior management, and especially the flexibility needed to react quickly to change. However, this chapter title, "Entrepreneurial Strategies", is a direct contradiction if we consider that entrepreneurship is anything <u>but</u> strategic. If we accept the fact that the world is constantly changing and we know that we cannot be sure of what products or services will be used and needed in ten, five, or even two years from now, then how can there possibly be any "entrepreneurial strategy" at all?

The answer lies in what we consider to be a strategy. Entrepreneurial strategy will <u>not</u> include traditional long-range plans that every organization relies so dearly on. These will be less useful than before. We cannot define strategy as something being "long-term" anymore.

Glenn Carroll and David Vogel analyze strategy and offer an excellent and thorough definition of it. According to their research, strategy can be defined in terms of the five

P's: plan, ploy, pattern, position, and perspective.[70] A strategy can be used and defined by any one "P", or a combination of all five "P's".

First, strategy is a plan. It is a "consciously intended course of action, a guideline to deal with a situation".[71] This is the most common definition of strategy and the way inwhich most large organizations practice it. Again, this is a viable assumption, but it is not the only aspect of strategy and represents only a partial definition. We could not define entrepreneurial strategy simply as some "guideline to deal with a situation". Yes, there are guidelines, but remember, if the world is changing, that means the business world is changing just as well, and sooner or later, those situational "guidelines" will become obsolete.

One plan for the entrepreneurial management, already mentioned a few times, was that of the need to be organized and systematic. There should be no voluminous guidelines directing employees because this is how a bureaucracy operates. Recall Peter Drucker's view that fostering ideas should be organized and systematic. This is his planned strategy. He states that the person with a "bright idea" is less successful in seeing the idea through than the person who operates in a systematic manner and by analyzing the

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[70] Glenn R. Carroll and David Vogel, Organizational Approaches to Strategy (Cambridge: Bollinger Publishing Company, 1987), pp. 7-13.

[71] Ibid., p. 7.

seven sources of innovation.[72]

Defining strategy as a ploy is a "specific maneuver intended to outwit an opponent or competitor".[73] In particular, new and innovative management techniques are used as ploys just as advertising and marketing are. This thesis is based on the abilities of such organizations who are extremely innovative and use their entrepreneurial management techniques to gain an advantage in industry. Thus, it can be said that the entrepreneurial management strategy is a ploy.

Carroll and Vogel also define strategy as a pattern which is a stream of actions consistent in behavior. The entrepreneurial management culture and atmosphere should be adaptive and, as Tom Peters says, "fleet-footed". This strategy demands the organization to be flexible and it allows the people to be innovative. This is its pattern.

Position, which is the location of the organization within the external environment, is yet another aspect of strategy. Regardless of the type of management philosophy practiced - entrepreneurial or contemporary - every organization can be assessed and ranked in a quantifiable manner. Market share, sales volume, profit, etc., can all be

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[72] Drucker, p. 131.

[73] Carroll, p. 8.

measures to ascertain the position of the organization within the same environment with respect to all other competitors. Ideally, every organization wants to be the leader. But at any given time, realistically, only one organization can be in first place. This does not mean that only one organization is good or profitable; many organizations are both good and profitable at the same time. The point is there is just one who is number one.

Many organizations today try to establish themselves with some form of "niche"[74], or specialty. By doing this, they have created their own market and can now acquire a number one ranking.

The last aspect in defining strategy is that it is a perspective. This is the way the organization "perceives" the world and itself. It is a "shared concept". The way an organization wants to conduct business and the way it wants its employees to work and act is all part of its culture. This "perspective" is the key to the vitality and innovative spirit that is needed in an entrepreneurial management. As the saying goes, "if it looks like a chicken, walks like a chicken, smells like a chicken, and sounds like a chicken, in all probability, it is a chicken". If employees believe, think, feel, and perform with an entrepreneurial spirit, they will indeed be entrepreneurial.

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[74] Peters, p. 52.

Also, strategy is needed to set direction and focus efforts, and to reduce uncertainty and provide consistency.[75] From Part I, section A, we stated that entrepreneurs and an entrepreneurial management must have a vision and be able to communicate that vision to others. Nothing will get done if others don't know what is expected of them. Even the employees in the most ideal entrepreneurially managed organization must <u>know</u> that they are allowed to <u>be</u> entrepreneurial.

A contradiction evolves when trying to reduce uncertainty to its lowest possible factor. This means the organization must try to standardize and conform everything. Theoretically, if the organization tries to eliminate risk and standardize everything, it must <u>resist</u> change. But the acceptance of change and the need to change has been a constant theme throughout. The entrepreneurial management is innovative because it <u>seeks</u> to change things. Therefore, the entrepreneurial management does not try to resist change, but rather it tries to foster change.

Overall, Carroll and Vogel have helped to show where and how strategy is important for the entrepreneurial management. But again, strategy is used by the entrepreneur to foster change not to resist it. It is agreed upon that entrepreneurs try to reduce risks and "every shred of serious research indicates that entrepreneurs are cautious

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[75] Carroll, pp. 21-27.

business people".[76] But this does not imply that they resist change. Perhaps a better way of stating this is to say that entrepreneurs need strategy to reduce uncertainty for the purpose of increasing the chance of successfully fostering some change.

The organizational strategy developed by the entrepreneurial management begins with its intent and mission. First and foremost, understanding that "profit is the fuel of the enterprise and not the end result"[77] is a fundamental factor in determining the organization's structure and mentality. Too many contemporary, or bureaucratic, organizations believe that just because they are in business, they will make a profit. Many top management personnel and the majority of the line workers also feel this way. But a product or service without a customer is not a product or service; and a customer without a product or service is not a customer. It also goes to say that if an organization does not have any customers, products, or services, it cannot make a profit. No profit means no fuel and no fuel means it can't do anything anymore. It becomes unproductive, useless, and eventually will disappear.

The entrepreneurial management organization focuses on the customer. This ensures the organization of a unified bond between the two. But this is just the beginning. Next

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[76] Farrell, p. 49.

[77] Ibid., p. 44.

the organization must focus on the worker. Unhappy workers are not productive and can become destructive. Then the focus should be on the owners and finally senior management itself.[78]

Only after top management prioritizes its customer, and then focuses on the worker, owners, and finally itself, will it be able to continue the process of becoming an entrepreneurial management. Some people in senior management think it's more important to expand their own power and influence rather than satisfying customers and rewarding the owners of the organization.[79] The only way the employees on the line will take to this attitude will be if the senior management believes it and practices it. So, the strategy must come from the top.

The organization "perspective" must be one of commitment to the entrepreneurial mission and one which allows flexibility within.[80] It is up to the senior management to initiate this "pattern" of behavior and let everyone know that they are serious about it by setting the example. Depending on how the organization was run in the past, an important factor in determining whether or not this commitment is taken seriously is dependent upon the credibility of

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[78] Ibid.

[79] Carl Icahn, "What Ails Corporate America - And What Should Be Done," Business Week, October 27, 1986, p. 101.

[80] Oliver L. Niehouse, "Building Better Mouse Traps," Management World, November/December 1986, pp. 10-11.

the senior management. Their credibility is essential. Chrysler Corporation's Lee Iacocca summed it up when he said that "credibility is something you can earn only over time. And if you haven't earned it, you can't use it."[81] If the employees trust the senior management, anything is possible. If there was distrust in the past, the new ways might take longer to be accepted.

Flexibility is the other important "perspective" of the entrepreneurial organization. Management must allow for functional flexibility which results in decentralizing decision making and encouraging autonomy. Given the opportunity, most people will accept responsibility. In the work environment, management and labor share an ultimate goal, so both should have an input to the decisions.[82] This whole idea of flexibility is the exact opposite of the contemporary organization with its rigid, structured, and defined order. To achieve flexibility, the entrepreneurial management must empower its employees. Bureaucratic rules that hinder the entrepreneurial mission must be eliminated; self-managing teams should be allowed to form; employees should be involved in all aspects of the organization; simplify or reduce the hierarchical structure; listen to the employees and allow for their input; and provide incentive pay and employment guarantees.[83]

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[81] Humphrey, p. 9.

[82] Nichols, p. 30.

[83] Peters, p. 283.

Once this is understood, the next step is to focus on innovation or in some way "check out" what needs to be changed in order to be more innovative. Ideas must be developed and senior management must support the ideas that seem worthwhile and promotable. To begin, this strategy will require, what Donald Taffi calls, the Doctrine of Separateness.[84] The strategy behind this doctrine, or principle, is to create a separate vehicle within the organization. This is also called the "business within the business" concept.[85] Recall Kodak's New Venture Organization and its creation of an entire separate Venture Board and support services to promote innovation. This is the type of "separate vehicle" that is needed. Taking this concept to a lesser degree, Tom Peters describes a "small start" rather than the creation of a whole separate entity within the existing organization.[86] With "small starts", anyone in the organization will be able to immediately contribute to new ideas, changes, and innovation. For example, 3M has a general rule which enables all of its scientists to devote fifteen percent of their time on choice projects. This is their small start. But 3M also offers their employees, with outstanding track records as entrepreneurs, the opportunity to participate in its Venture Career Track program. This is a separate "business within the

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[84] Taffi, pp. 30-31.

[85] Carroll, p. 48.

[86] Peters, p. 206.

business" with the purpose of allowing its employees to be innovative and entrepreneurial.

Peter Drucker offers four specific, rather superficial, entrepreneurial strategies for organizations. These strategies deal explicitly with "positioning" the organization within the competitive environment. His strategies are to be the "fustest with the mostest, hitting them where they ain't, finding a niche, and changing the economic characteristic of a product, market, or industry."[87] But in reality, these strategies do not necessarily distinguish the entrepreneurial management from the contemporary management. The real difference lies in the management process. If senior management does not encourage innovation, is not flexible, and still gives commands from the control tower, then it does not practice the entrepreneurial management philosophy even if one of its strategies is, for example, to find some special niche. It is not just finding that special niche that makes an organization "entrepreneurial", but it is how it was found, the process, that makes the difference. Entrepreneurial management has a culture which says it must look for change, be flexible, encourage its employees to think on their own and give them freedom to act, and in general, be innovative.

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[87] Drucker, pp. 209-252.

The overall entrepreneurial strategy is a combination of plan, ploy, pattern, position, and perspective and can be summarized as follows: 1) senior management presents its entrepreneurial mission and intent; focus is on customer and commitment is expected from all levels; 2) allow for flexibility by giving more power to people and loosening the structural tight ropes that choke innovation; and 3) encourage innovation and ideas; support and reward all innovation.

E. Structure and Life-Cycle

The degree of innovation and entrepreneurship required, or expected, by the entrepreneurial management, will determine the overall structure of the organization. But whether it is an entire company effort or will merely consist of "small starts", either intention will require a structure different from the contemporary, bureaucratic one familiar to most people who work in large organizations today.

There are some premises[88] that affect the organizational structure and must be understood in order to successfully implement the entrepreneurial philosophy. The first premise is the separation of the old ways and ideas from the new. There will always be the tendency for people to want to "hang onto" the way things used to be done. The "new" management must preach and practice the theory of constant change. If people in the 1950's were told that one day they would be able to walk on the moon or instantly send a letter to another part of the world from their home or office, in all probability, they would have declared you insane. Impossible, they would say. But the truth of the matter is, there are new innovations and improvements occurring every day. What is here today does not necessarily mean it will be here tomorrow. This task of separating the old from the new will certainly come as a shock to many traditional type

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[88] Taffi, pp. 161-162.

people.

The entrepreneurial organization should not seek to set standards but instead try to change them. The biggest effect is in the decision-making authority of personnel. People down the line are expected to make decisions that were once made by a middle-manager. "Failure to accelerate the decision-making process wil slow and hurt entrepreneurial efforts."[89] The myth that "people aren't paid to think" is old. People are expected to think. Organizations, such as 3M challenge their employees. They give them the opportunity to make decisions, think, create, and even fail.[90]

A second premise is that the organization must create a special locus for venture. Again, the organization may opt for and try to involve all areas and departments in the entrepreneurial mission, but Donald Taffi and Tom Peters suggest not starting on that grand a level. Perhaps an existing group or a newly formed one should first adapt to the entrepreneurial ways and then as time goes on, other groups and departments can be intergrated into the system until eventually the whole organization is involved. Senior management must be committed to this group and show their loyal support.

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[89] Niehouse, "Building Better Mousetraps," p. 10.

[90] Lewis W. Lehr, "The Care and Flourishing of Entrepreneurs at 3M," Directors & Boards, Winter 1986, p. 18.

A third premise that will affect the organizational structure is the compensation system. A base salary is expected in the contemporary organization. The entrepreneurial organization has the option of keeping such a similar pay system and/or pay its employees based on their innovations and changes. Not all ideas and innovations will become successful money-makers for the organization, so it is important to realize and compensate the failures.[91] The founder of the Honda Motor company, Soichiro Honda, is quoted as saying, "...success represents the 1 percent of your work which results only from the 99 percent that is called failure." That one percent success, though, is what keeps organizations going. Failures are inevitable and expected especially when dealing with new challenges and trying to find innovative products, services, or processes.

The fourth and final premise deals with accountability. The entrepreneurial leadership and structure calls for more decision-making authority down the line. While failures must be compensated for, they must also be accounted for. Allowing employees to be innovative will result in some risks being taken. Individual entrepreneurs usually risk their own personal resources. The employees in the organization must understand that the resources they are using belong to the owners, its stockholders. The entrepreneurial management gives its approval and support for such under-

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[91] Peters, p. 259.

takings but even for the innovative organization there must be constraints such as time, money, etc.

Given these four premises, the organizational structure, in an holistic sense, must be extremely flexible and allow for as much autonomy as can be allowed. The ideal organizational structure will encourage and focus on synchrony.[92] This is the interaction of employees and departments in all phases of the innovative process. This concept resembles that of a project management type undertaking.

Thus, the structure and operation of the entrepreneurial organization should resemble some form of continuous project.[93] A project team usually consists of members from various disciplines. Together, they must analyze, design, develop, and implement the particular project or problem at hand. In the entrepreneurial organization, the employees must be dedicated to the "project" i.e. the entrepreneurial mission. The entrepreneurial mission, in general, is to be innovative and develop new, even radical, ideas for products, services, and processes.

The team members all work together and are headed by a single group leader just as an orchestra is headed by a conductor. Each member of the orchestra has a different instrument but all play by the same musical score. The

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[92] Peter F. Drucker, "The Coming of the New Organization," Harvard Business Review, Jan/Feb 1988, p. 47.

[93] Humphrey, p. 144.

conductor is the facilitator who keeps the music playing at the right tempo. The same holds true for the organization. The team leader, or manager, is a facilitator who must keep the project going within the given constraints.

This type of structure allows for only three or four levels of management within the organization, in particular, the bottom two layers are the project leader and the various department or sectional managers. As in the case of the orchestra, each musician is responsible for reading the score and correctly playing each note. A wrong note played will be noticeable, but if everyone plays his or her part as written, then their common goal should be reached.

One difference between the orchestra and the organization is in their mission. The orchestra already has a proven score to allow it to reach its goal, but the entrepreneurial organization must play as it goes. It is continuously writing its "score". But the main point is, that it is possible for the organization to be structured in this fashion and for most entrepreneurially managed organizations, this reduction of layers is essential.

Based on the scheme of things as they stand now, this type of management structure poses some serious problems. The first is the supply, preparation, and testing of senior management. With no middle-management or a very limited one, the "advancement into "management" will be the exception."[94] A second problem is the reward system and general employee advancement opportunities.[95] As previously mentioned, an adequate and fair compensation system must be worked out for both successful and unsuccessful innovations. Also, as innovation teams or departments work on projects as a team, there is less advancement within the organization in general. Advancement can come by either joining another group in the same organization, which is an unrealistic functional change due to specialties, or by leaving the organization and joining another one.

A third problem and perhaps the most serious, is creating the "project-like" environment. Many disciplines, especially in the engineering field, believe each is more important than the next and tries to dominate the group effort. In the orchestra, there are times when each musician must play louder than the rest and than there are the times when they must not play at all. While there is no such thing as "perfect innovation", the employees (groups, departments, etc.), must understand that, just as in the orchestra, there will be times when they must "play" the loudest and times when they must not "play" at all.

The last part of this section deals with the life-cycle of the entrepreneurial management. If we were to use the Gartner interpretation of entrepreneurship, which if you may

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[94] Peters, "The Coming of the New Organization", p. 51.

[95] Nichols, pp. 31-32.

recall considers the entrepreneur as one who creates an organization, then the entrepreneurial life-cycle is from the moment of the idea until the creation stage of the organization.[96] According to Gartner, there is a definite beginning and end to the entrepreneurial endeavor.

Also, considering that the entrepreneurial structure is similar to that of a project team, would this imply that once the "project" is finished, the entrepreneurial activity is finished?

The entrepreneurial management organization is so called because of its purposeful intention to continuously change as required to remain competitive. Therefore, the life-cycle of the entrepreneurial management can be likened to a viscious circle; it never ends. But, this is the overall philosophy or mission of the organization and does not have any bearing on the specific activities that occur within the system. Take for example, an organization that creates a spacecraft that could travel at the speed of light. This innovation will undoubtedly bring much success (financial, personal, etc.) to the organization. This is a specific activity within the cycle of innovation. The organization's mission is to be innovative - not just for one product - but always. Today is the speed of light craft, tomorrow may be the cure for cancer. Now if the organization's mission was to develop such a craft and manufacture it, then their

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[96] Gartner, p. 26.

mission was accomplished and the "cycle" has ended.

Indeed then, there is no such thing as the "end" of an entrepreneurial management unless the senior management wants it to end or is tired of its ways. "It is reasonable to expect that most organizations will tend to drift back toward static, introverted, and routinized ways of operating. There must be a continuing process of stimulating awareness, reinforcing the (innovation) and renewing the organizational commitment to creativity and adaptation."[97]

In summary, the organization must reduce the number of layers of management to its bear minimum. Even the lowest level must be allowed to make decisions, but must be held accountable. It must perform as a project team with senior management continuously reinforcing the need for innovation and change.

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[97] Albrecht, p. 209.

PART III. ANALYSIS AND COMPARISON

One major difference between entrepreneurial management and contemporary corporate management is the beliefs and expectations of senior management. It is their organizational mission that separates the two so drastically. The entrepreneurial management looks at the changing world and understands that it too must change right along with everything else or will become obsolete. The single-most common factor prominent in the mission of each entrepreneurial management organization is their focus on innovation. For some, there is a strong propensity to be highly innovative i.e. their mission is to design or develop something never done before. For others, merely copying an already exisiting idea is considered innovative enough. But regardless of the nature or degree of innovation sought, their main objective is to be innovative as they perceive it to be.

The main driving force behind this innovation is the constantly changing environment. Demographics, taste preference, interest rates, lifestyle, stock market prices, and other such indicators dictate to the business world what people need or want and also gives an indication of their spending power. If an organization doesn't pay attention to these things, there is the chance that they'll eventually fall by the wayside. An example of this is the Model T Ford. Henry Ford, while very innovative, had developed such a narrow vision and insisted that people didn't care what color their car was, that he almost lost the company. What Henry Ford learned was that people wanted a new style of car every year. It was actually other competitors that opened Ford's eyes and made him realize the importance of knowing what the people who bought his cars really needed and wanted.

Today's contemporary management organization is focused too heavily on short-term profits instead of long-term gains. This focus is part of their mission. But some bureaucratic organizations are not blind to the fact that something must be done to allow them to continue their success in the future. They see the entrepreneurial organizations and the advances they are making, and want the same success. But instead of setting their organization on a new mission by redefining their goals, they answer by putting out little brush fires here and there and even insist that it's working. Yes, it is effective at the time, but it says nothing for their future.

Without the direction of the senior management to see, believe, and commit themselves to an entrepreneurial philosophy, there is little hope for their continued success in the future.

This step is really a matter of perspective and attitude. The entrepreneurial management "sees" something happening and then has the ability to respond in a positive and agressive manner. The contemporary management can "see" the same thing and yet, their response is either do nothing or do exactly the opposite of what the entrepreneurial organization would do. It takes both the ability to "see" the need for a change and the right attitude to be able to do something to make that change come about.

It may take as little as one person to be the visionary or champion of the cause in the organization. This one person may have a difficult time though, convincing the others that his or her way is the way to go, unless of course, (s)he is the CEO or sole owner of the organization.

What it comes down to is the senior management and the organizational mission. Only with their approval and commitment will the organization stand the best chance to be innovative and entrepreneurial.

The organizational structure and hierarchy is also extremely different in the two management styles. The contemporary management organization is structured in the form of a pyramid. The chain of command begins at the apex of the pyramid and progresses downward until it reaches the bottom.

This structure dictates the decision-making authority and can be seen to be time consuming and often redundent. It has been pointed out that the "middle-manager's" primary function in the pyramid is that of a human information relay. What the entrepreneurial management organization has realized is that with the capabilities and power of computers, this information can flow from the top-down and bottom-up but with little or no need of a middle-management.

The entrepreneurial management's structure is flattened by the reduction of the layers of middle-management. The senior management is responsible for setting the organization's goals and direction. The workers at the bottom must see that the products are manufactured or services are rendered so they will reach the organizational goal. The people in the middle are not needed in the entrepreneurial management organization. This is not to say though, that their jobs are totally useless. Some of their functions are indeed necessary, but on a percentage basis, those whose jobs are trully valuable and cannot be eliminated are very small compared to the majority of the jobs that aren't.

In order to restructure the organization and allow for more decision-making authority where the work is actually being performed, the entrepreneurial management tends to decentralize its operations. With decentralization, management gives more control to its employees as groups, teams, departments, or areas. This places more responsibility in the position than did before and each becomes accountable for their work and performance.

Bureaucratic organizations have mastered centralized management which is the reason for the tremendous build up of layers and layers of middle-management. Everything in the organization becomes routine and standardized. Their policies and procedures are documented and distributed to all of its employees to follow. If information or work is needed from another department or area, the "proper" procedure must be followed. "Going over your boss' head" is not tolerated because you might offend him or her. The offense is taken because it is <u>they</u> (the boss) who should communicate with the next layer of management, not the employee. But the real offense is commited against the organization in the form of lost time, suppressed ideas, vital information, and other pertinent matters. Some decisions must be made quickly, but because of the channels an employee must follow, they want to speed up the process. And sometimes an employee has a good idea or important information but it never gets to the right person who can actually do something about it. The boss can reprimand his subordinate, but the "organization" can't reprimand anyone, especially if it doesn't even know that something is wrong! And indeed, there <u>is</u> something wrong when an innovative idea or some useful information is ignored.

It takes a different kind of person, though, to work in a decentralized environment. Those managers who were groomed to accept everything as is, and who always nod in agreement with their superior will not like the entrepreneurial management. But research indicates that most people would <u>prefer</u> to be in an entrepreneurial atmosphere. They will accept responsibility and want to make decisions. In this way, they are more productive and useful to the organization and feel better about themselves.

Leadership in any type of management is usually dependent upon the individual. While the contemporary management employs a wide range of leadership styles, from the strict autocrat to the person who practices a group consensus approach, the leader in the entrepreneurial management must allow for group consensus and total employee interaction the majority of the time. This is not to say though, that it must apply for every situation. There will be times when the manager must make the decision alone.

The model of the project team was given as an example of how the organization should function. Everyone must work together to reach the organizational goals. There are tradeoffs involved and just as in an orchestra, some will have to "play" louder than others at certain times and then sometimes they must not "play" at all.

The autocratic leadership style will not work in the entrepreneurial management, nor will a passive and intimidated style work. There is the "in-between" but the scale tips to the leader who can delegate and allow people to do their job and make decisions. What good will it be if the organization decentralizes its authority only to find a manager who wants to make all the decisions by him/herself all the time? To foster the kind of innovation needed to change, workers, not just managers, need to be involved in the operation. Therefore, it is seen that the entrepreneurial management has a larger number of leaders/managers who can delegate authority and who allow their subordinates to make decisions, even if they are the wrong ones. The manager is by no means a superperson but understands that in order to be innovative, (s)he must also be flexible and genuinely concerned with both the employees and the production aspects.

The priority of concern for the senior management in the contemporary organization seems to be themselves first. They make sure their jobs and future are secure without any regard for how they do it or whom they do it to. The owners, workers, and finally their customers, are the next order of concern for them.

The order of concern for the entrepreneurial management, however, is the exact opposite. Their first concern is the customer, then the worker, owner, and lastly themselves. Once again, this difference between the contemporary management and the entrepreneurial management is nothing more than a matter of attitude. This concern "list" might even be part of the mission. It is the entrepreneurial management that understands and practices a fundamental rule in business: You don't have a business unless you have customers.

There is nothing more to this concept than a refocusing of priority, and yet, this is one of the most innovative management philosophies that is allowing the entrepreneurial management to pull ahead of their contemporary counterparts. By focusing on and working with the customer, the company can learn what it needs and demands. Some organizations even <u>ask</u> their customers for their suggestions.

The contemporary management listens to a customer complaint but doesn't do anything about it. Some don't listen, and even try to avoid their customer. But again, every employee in the organization would be unemployed if there were no customers. The customer is the reason for being able to be in business.

The contemporary management not only has a low focus on its customers, but they also have a low focus on their product. This low customer/product focus stems mainly from the inertial build-up of their organization. In fact, many organizations start out with an entrepreneurial fervor only to be enventually swallowed up by their size. Remember, success begets size begets bureaucracy.

The organization that focuses on its customer <u>is</u> being innovative, as compared to past management practices, and is at least pointed in the entrepreneurial management direction.

The entrepreneurial management then concerns itself with the workers. Having an organizational mission that focuses on innovation, allowing employees to be more participative, and making the customer number one, will be useless and ineffective if the workers are treated as slaves. It was already emphasized that employees want and will accept responsibility. The entrepreneurial management works <u>with</u> its employees instead of always trying to tell them how to work.

The contemporary management often treats its employees as objects rather than as people. The Japanese treat their employees as lifelong members, not just as transient laborers. The entrepreneurial management has learned this valuable asset from the Japanese and also treat their employees with dignity, trust, and respect.

With satisfied customers and happy and productive employees, the entrepreneurial management then focuses on its owners and finally themselves. In contrast, the contemporary management begins with pleasing and worrying about itself and then works to please its customers afterwards, if even at all.

Any organization can take a hard look at their priority list, and if it's not in the customer, worker, owner, senior management order, they must make that their first innovative change.

The entrepreneurial management also initiates programs to purposely create ideas. An employee suggestion box has stimulated vast amounts of innovation in both management practice and product or service improvements within companies. The senior management must incorporate, no matter how small, as many of these "idea incubators" as possible to keep the innovative atmosphere fervent.

Many entrepreneurial management organizations start innovation teams and venture groups whose primary purpose is to create and improve their products, services, and methods. Contemporary organizations do not do this because they cannot or will not free up experienced people to work on such endeavors. They believe entrepreneurship and innovation is too risky and too uncertain, and they opt not to seek new ventures and opportunities.

Compensation is also different between the two managements. The traditional pay for employees is either an annual salary or hourly wages. But the entrepreneurial management goes beyond this traditional pay system. Employees are paid according to their performance and innovation. "Regular" pay increases or bonuses are not the norm except in direct relationship to the new improvements.

These are the major differences that separate and distinguish the entrepreneurial management from the contemporary corporate management practices. While some are relatively obvious, such as creating new and innovative products, others are not so obvious, such as focusing on the customer.

The analysis of these two management practices, or philosophies, has shown them to be, for the most part, exactly opposite. While the entrepreneurial management is innovative, flexible, and seeking opportunities to change, the contemporary management is traditional, rigid, and content with the way things are.

In conclusion, any organization can practice entrepreneurial management, but there are no short-cuts or magic formulas for success. Just as contemporary management has evolved into its current organizational state, it is possible to reverse the process and become a thriving, innovative entrepreneurial management instead. But, once again, it will take the full commitment and leadership of the senior management and hard work throughout the entire organization to fulfill this necessary management practice needed for future success and survival.

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