



How the leadership team's experience can enhance strategy and performance

Hakan Ener, a PhD candidate in strategy at INSEAD, comes from Turkey where there is an abundance of entrepreneurial firms. “My family runs an entrepreneurial business in textiles, so I drew on personal experience when looking at research that would interest me.”

“What I noticed from my family’s firm is that it is difficult to give up executive power. Decisions have to be made about who should join the leadership team to make, and execute strategy. Wrong choices can lead to major problems in performance, especially for young entrepreneurial firms.”

At INSEAD, Ener began working with Ha Hoang, Associate Professor of Entrepreneurship, who shares his interest in the growth of entrepreneurial firms. Hoang has maintained a detailed database of entrepreneurial biotech firms, and they collaborated for research that focuses on the new product development strategies and performance of biotech firms, with data covering an average of 15 years for each firm following its inception.

“I believe that biotech firms are very important as they are key to the improvement of human health,” Ener says. “We were able to find a wealth of information on their product development activities because the biopharmaceuticals industry is highly regulated and the firms have to be accountable for everything they do when testing their products on humans.” Ener’s thesis is still ongoing but already the results can be of interest for fledgling entrepreneurial businesses in biotech and other industries. The first part deals with the strategic choices companies make in the context of their

rivalry with other entrepreneurial firms.

“The model we developed helps to predict firms’ new product development decisions by analysing over 1,200 decisions that have been made in the past. The results show that as the firm’s own performance goes below its rivals, it will be more likely to enter into new product segments. For example, a firm may concentrate on developing cancer drugs but when it falls behind competitors, it’s very likely to move into a different segment, such as drugs for heart disease. ”

The importance of diversity on boards

Strategic moves made by entrepreneurial firms depend very much on who serves on their board of directors. “There are huge differences in how firms choose new opportunities in the market,” Ener notes, “And my research shows that it is the composition of the leadership team that makes the difference with their career experiences.”

He argues that entrepreneurial firms should bring in board members who can take a broader look at new market opportunities. One way to do this is to recruit directors with experience in related industries, such as suppliers or customers within the industry’s value chain. In biotech, that means

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directors who can anticipate the needs of customers in the broader healthcare industry, translate the scientific expertise of universities, and import the business discipline of established pharmaceuticals firms. Leadership teams with these characteristics would be more likely to recognize and explore entirely new opportunities. “They are better prepared to say ‘let’s take a fresh look at our resources and what we can do with them’.” He proposes that entrepreneurial firms must leverage the experiences of these board members to enhance organisational learning and innovation.

The next stage of Ener’s research will look at how ‘C-level’ executives’ experience can contribute to the success of new product development projects that are pursued by these companies. “The executives are key because they are the ones who actually implement the projects,” Ener says. He will be looking at which types of managerial experiences are most valuable to entrepreneurial firms.

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