The Need for Entrepreneurial Leadership

Entrepreneurship is not just for startups. It’s a lens through which all organisations should view strategy and leadership in the 21st century to address societal problems.

Management theories come about in response to particular problems. At the turn of the 20th century, the most notable organisations were large and industrialised and carried out routine tasks to manufacture a variety of products. This led Frederick Taylor to develop the scientific management theory, which advocated optimising tasks by breaking big complex jobs into small ones, measuring what workers did and linking pay to performance.

Management practice of that era was designed to seek out efficiencies, improve productivity and make “the trains run on time.” Theory started to evolve by the 1930s, when unions began to reject the dehumanising effects of earlier practices. This formed the beginning of the human relations movement when researchers started realising that treating people nicely was even better for productivity.

These management theories, however, have a disadvantage in today’s business world. They were founded on the assumption of stable environments and the preeminence of shareholder value as a central motivation in business. They work poorly in more dynamic environments where creating stakeholder value is equally, if not more important.

Filling the gaps

I would posit that entrepreneurial leadership will (and should) define the next era of management theory. Entrepreneurs have always existed to improve society by spotting gaps and filling them. Henry Ford’s mass market automobile made travel exponentially more efficient and comfortable. The iPhone put a portable computer in our pockets, giving us information on demand. Entrepreneurs today are going one step further, from addressing market opportunities to addressing market failures. James Chen’s new venture, Adlens, which aims to provide adjustable and affordable spectacles to the sight challenged, with goals of eventual profitability, is one such example. It has a related social venture, Vision for a Nation, that aims to make the glasses available in the developing world.

Ninie Wang, an INSEAD alum and CEO of Pinetree Care Group, is another. She addresses the urgent need of home care for the aged in China who have been left behind by their migrating children and a government healthcare system starting to feel the strain of an ageing population. Her latest innovation is automated in-home healthcare systems that can put them in touch with doctors, nurses, nutritionists and even their own children.

From health care to the environment to education, governments are facing budget constraints that leave many citizens underserved. The need for
entrepreneurial ideas and strategies to address this shortfall has never been greater. Furthermore, business leaders already have to grapple with new strategies for growth, innovation, regeneration and turnarounds whether they’re in start-ups or multinational companies. Therefore, all organisations require entrepreneurial mindsets and entrepreneurial leaders.

An executive MBA elective I teach is designed to demonstrate that start-ups, family businesses, innovation, and social ventures all fit under the entrepreneurship umbrella. Students wear the shoes of an entrepreneur growing a venture, a corporate executive faced with innovation challenges and family business leaders challenged by succession and next generational issues.

Entrepreneurship as a continuum

Entrepreneurship in its different forms are a continuum of behaviours related to strategy and leadership often driven by organisational lifecycles. The challenge for all organisations is sustainability based on creating value for stakeholders. I teach my students that there are four entrepreneurial contexts, which require different types of entrepreneurial leadership and strategies.

1. Achieving organisational innovation: This requires leaders to strengthen the alignment between strategy and culture by providing leadership that enables creativity and change.

2. Starting a new venture: Leaders need to be more hands on, identifying new opportunities and engaging teams and investors. They have to operate differently to big organisations that have access to resources by low-cost probes, teams and partnering. They have to be flexible and closer to customers and aim at ensuring the venture survives.

3. Social ventures: The main purpose is meeting the unaddressed social or economic needs. Leaders in social ventures should spend more time on partnerships, developing relationships with community, government, NGOs and foundations. Funding is less conventional, coming from a combination of sources including sales of products and services, government and NGO grants and project loans with social impact as the main aim.

4. Family enterprise: Leaders in this environment have to focus on the parallel planning of the family and business to ensure a successful transition to the next generation. They’re backed by family values and capital and have the ability to play the long game. Ultimately their aim is grow the family capital be it economic, emotional, social or spiritual.

The challenge for management educators is to teach managerial practices that focus on entrepreneurial strategy and leadership that can be applied across a range of organisational contexts. It’s clear that new approaches are needed and the evidence suggests that entrepreneurship in most organisational contexts works. From 3M’s flexible attention policy, allowing 15% of budgets to pursue personal projects, or the Ford family quarterly shareholders meeting to consider the future, or James Chen’s team struggling with disruptive technology to improve peoples’ sight, entrepreneurial leadership is central to growth and social impact in the 21st century.

Randel S. Carlock is Senior Affiliate Professor of Entrepreneurship and Family Enterprise and the Berghmans Lhoist Chaired Professor in Entrepreneurial Leadership at INSEAD. He was the first academic director of the Wendel Centre for Family Enterprise and is the director of The Family Enterprise Challenge, an Executive Education programme for family business leaders.

Find article at https://knowledge.insead.edu/blog/insead-blog/the-need-for-entrepreneurial-leadership-4395

Download the Knowledge app for free

Visit INSEAD Knowledge http://knowledge.insead.edu

Copyright © INSEAD 2019. All rights reserved. This article first appeared on INSEAD Knowledge (http://knowledge.insead.edu).