NURTURING ENTREPRENEURSHIP

Shaping and implementing a renewal project

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In an earlier Tomorrow’s Challenges article “Are you a frustrated entrepreneurial manager?”, the authors profiled a special kind of manager who is needed to drive entrepreneurship in a firm. In this sequel they describe how the design of a firm’s planning and control systems is crucial for nurturing entrepreneurship.

**Shaping ideas**

Shaping an entrepreneurial idea is in part top-down and in part bottom-up. Unlike in a stand-alone external entrepreneurial venture, an entrepreneurial idea cannot be left to the passions of the initiator alone. It has to fit the corporate vision. After all, unlike an external entrepreneur, entrepreneur-managers look to fund their ideas not through their own personal resources but through corporate funding. The challenge for the senior executive sponsor is to manage the delicate balance between nurturing the creativity of the entrepreneur-manager while directing his/her creativity to serve the corporate purpose. This balance is achieved by managing the interactions and iterations in the firm’s planning process.

Interactions in the planning process refer to the communication between the sponsor and the entrepreneur-manager in shaping the firm’s renewal strategies. The greater the interaction, the richer are the alternatives considered; also, the alignment with the corporate vision is better.

Another design consideration is the degree of iteration in the planning process. There are typically three distinct phases in a strategic planning process: agenda setting, strategic programming and budgeting. The first of these phases refers to the sharing and translation of the firm’s vision into individual goals, whether for running operations or managing renewal projects. In the strategic programming phase, the job is to explore alternative means of achieving these goals and to put together a multi-year program of action. In the budgeting phase, yearly resource commitments are made to implement parts of this approved program. The more ambitious an entrepreneurial idea, the greater is the need for frequent iterations. The original idea will be modified through this learning; and, on occasion, it may even have to be abandoned altogether.

While lack of interactions in the planning process can misdirect the entrepreneurial effort, lack of iterations can dampen creativity by limiting trial and error learning.
A well-tailored fit

A complementary role for the executive sponsor is to ensure the disciplined execution of the entrepreneurial project. “Controlling entrepreneurship” may sound like an oxymoron; but all projects, regardless of how creative they are, must be controlled.

Clearly, what to control will depend on the project. It is useful here to distinguish the capital and expense budgets needed to maintain the momentum of a business from those required for renewing and transforming it — one is a momentum budget, the other a renewal budget. All entrepreneur-managers should have both budgets, but their relative mix will vary – the more ambitious the scope of the project greater should be the renewal budget.

Importantly, when it comes to control, momentum and renewal budgets are qualitatively different. The output delivered against what was promised is a good measure of performance for the momentum budget. But the renewal budget has a longer time horizon. The promised outputs may not be realizable within a single budget year, and no one should be unfairly punished for taking a long view. It may be more appropriate in some cases to measure whether the promised effort in the renewal budget was expended and whether the corresponding milestones were actually reached. Also, failure to meet the promised milestones may not point only to performance shortcomings but, in fact, may suggest that the chosen strategy or even goals need revision. Renewal requires trial and error; thus, corporate leaders cannot demand error-free execution.

Pulling the plug quickly when a project begins to stall is another key skill that sponsors must have. A simple rule is to abandon a project when the experiment does not yield the positive results that were expected before either the allocated money or time is spent.
It takes two to tango

In sum, there are strong sponsors behind all successful entrepreneurs. The context they set for shaping and implementing a renewal project is vital to its success. Renewal requires taking risks that sponsors must manage through their interactions and iterations with the entrepreneur-manager in the planning process. Sponsors must also deploy a control system that enforces discipline in implementation without killing the entrepreneurial spirit needed for renewal efforts to succeed.

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