

## Lecture 6

### Entrepreneurial- business - practices and policies

**Entrepreneurial management** requires policies and practices in four major areas

- I. The organizations must be made more **receptive to innovation** and willing to perceive change as an opportunity rather than threat. Policies and practices are needed to create such an entrepreneurial climate within the organization.
- II. **Systematic measurement or appraisal of company's performance** as entrepreneur and innovator is mandatory as well as built in learning process to improve performance.
- III. Entrepreneurial management requires **specific practices pertaining to organizational structure** to staffing and managing and to compensation, incentives and rewards.
- IV. There are **don't things** that are not to be done in an entrepreneurial management.

#### **I. Receptiveness of Organizations to Innovation - Entrepreneurial policies**

Specific entrepreneurial policies are required to make innovation as a part and parcel of the ordinary, the norm to address the following reasons.

1. Innovation must be made more attractive and beneficial to managers rather than holding on to what already exists.
2. There must be clear understanding inside the organization that innovation is the best means to preserve and perpetuate the organization and that it is the foundation for individual managers' job security and success.
3. Importance of the need for innovation and dimensions of its time frame must be both defined and spelled out.
4. There needs to be an innovation plan with specific objectives laid out.

## **Receptive to innovation - Policy Implementation at Organization level**

A. As a first step, every three years or so, the enterprise must put every single product, process, technology, market, distributive channel on trial for its life.

- Innovation requires a major effort. It requires hard work on the part of performing, capable people, the scarcest resource in any organization
- To allow innovating, the business has to be able to free its best performers for the challenges of innovation
- Equally the enterprise has to be able to devote financial resources to innovation
- If the company executives clearly know that they have to innovate or get abandoned, they would be motivated to innovate by turning themselves in to entrepreneurs - A form of organizational hygiene

B. The second step is to face up the fact that all existing products, services, markets, distribution channels, processes, technologies have limited and usually short health and life expectancies.

C. The enterprise should be continuously diagnosed which requires judgment, knowledge of the business, products markets, customers, its technologies and experience. This kind of analysis may be termed as business X-ray. Business X-ray is a tool for decision making. It enables us and forces us to allocate resources to results in the existing business. It also makes possible for us to determine how much is needed to create the business of tomorrow and its new products, new services and new markets. It enables us to turn innovative intention to innovative performance.

The Business X-ray furnishes the information needed to define how much innovation a given business requires, in what areas within what time frame.

## **Michael Kamis Approach**

The company lists each of its products, services, the markets that each serves, the distribution channel it uses, in order to estimate their position on the product life cycle. This enables the company to estimate where to confine itself and shows the gap between what can be expected realistically and what a company still needs to do to achieve its objectives in sales, market share or profitability.

Finally the one thing certain about any major innovative effort is that there are going to be last minute hitches and last minute delays.

#### **D. Systematic Abandonment**

The Business X ray and the definition of innovation gap and innovation need altogether help the company to formulate an entrepreneurial plan with objectives of innovation and deadlines.

Such a plan ensures that the budget for innovation is adequate and it determines how many people are needed with what abilities and capacities. The people are provided with tools, money and the information to work on the innovation with clear deadlines.

There are the fundamental policies needed to endow a business with entrepreneurial management; to make the business and its management greedy for new things, to make the business to perceive innovation as a healthy normal, necessary course of action.

#### **Receptive to innovation - Entrepreneurial Practices**

Entrepreneurship in the existing business also requires managerial practices.

##### 1. Focusing managerial vision on opportunity

- People only see what is presented to them and what is not presented gets overlooked.
- What are presented to most managers are problems like areas where performance falls below expectations.
- Management even in small companies gets a report on operating performance once a month which lists,
  - ❖ Areas in which performance has fallen below budget
  - ❖ Areas in which there are problems.
- The operating report should have two “first pages” The traditional one must list the areas of poor performance and problems the other one list all the areas in which performance was better than expected, budgeted or planned for.
- The unexpected successes in ones own business is a symptom of innovative opportunity.
- Typically in companies that are managed for entrepreneurship there are two meetings on operating results. One to focus on the problems and the other one to focus on opportunities.

2. The other practice is to hold a two day management meeting for all executives. The top performing executives are made to present before the group their achievements and the measures that have been required to achieve it. The opportunities are also explained. This has a huge impact on the attitude and values of other executives to plan and execute opportunities and to be more enterprising and successful.

Entrepreneurial companies always look for the people and units that do better and do differently. They single them out, feature them and constantly ask them

- What are you doing that explains your success?
- What are you doing that the rest of us are not doing?
- What are you not doing that the rest of us are doing?

3. The third practice in a large company is organizing a session where a member of top management group sits down with junior people from research, engineering, manufacturing, marketing so on, to listen to them on their personal aspirations, opportunities for the company and any possible threats. This gives the seniors badly needed insights in to the values, vision and concern of their younger colleagues. Above all these sessions are one of the most effective ways to instill entrepreneurial visions throughout the company.

## **II. Measuring innovative performance**

In the normal assessments of a business, innovative performance is conspicuous by its absence.

1. The first step is to build suitable mechanisms for feed back of expectations and results from each innovative project
2. The second step is to develop a systematic review of innovative efforts altogether
3. The efforts that need more attention, more resources, emerging new opportunities, the not really improving areas and the meeting of deadlines for the efforts could be documented and discussed.
4. Entrepreneurial management entails the company's total innovative performance against the company's innovative objectives, against its performance and standing in the market, and against its performance as a business altogether.