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LEAD LIKE AN ENTREPRENEUR

KEEPING THE
ENTREPRENEURIAL SPIRIT **ALIVE**
WITHIN THE CORPORATION

NEAL THORBERRY

Faculty Director, Babson Executive Education

Lead Like an Entrepreneur reveals how to harness the creativity and innovative thinking that is typical of entrepreneurs and use it as a solution to the organizational sluggishness that affects so many established companies. Author Neal Thornberry, faculty director at Babson College—renowned for its entrepreneurial education program—explains how to become an entrepreneurial leader, as well as how to identify, attract, and support this new class of corporate leader. Fostering this type of risk-taking leadership creates substantial benefits because it takes only a few such people within an organization to make significant differences to the top and bottom lines.

**PROMOTE THE ENTREPRENEURIAL
SPIRIT IN YOUR ORGANIZATION BY:**

- **Integrating leadership and management within an entrepreneurial framework**
- **Identifying new business opportunities with high growth potential**
- **Focusing human energy on value-creating activities**
- **Identifying and developing the four types of entrepreneurial leaders—explorers, miners, accelerators, and integrators**
- **Attracting and supporting entrepreneurial leaders through focused management development programs**

(continued on back flap)





Lead Like an Entrepreneur





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Neal Thornberry, Ph.D.

PUSTAKA PERDANA



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Introduction

In almost all the large corporations with whom I have worked, several individuals stand out. They are frequently pointed to as having done something exceptional to move the company along, change its direction or, most important, put the company on a significant part of it on a new path of growth, renewed energy, and profitability.

Sometimes, they outlast the disruption and creative destruction that often accompanies their tenure, and sometimes they do not. They are generally spoken about respectfully and are often held in awe, because they do not appear to be the average manager or organizational leader. Not many exist in large organizations, but the few who do have proven that with strong passion, a clever mind, bureaucracy-avoidance skills, determination, and sometimes help from a mentor or two, they can bring significant value to the organization—not only through their abilities to inspire and lead but more importantly because they are significant new-value creators known as *entrepreneurial leaders*.

This book is about those entrepreneurial leaders: who they are, what they do, and how large companies can benefit significantly from identifying, developing, and supporting these new corporate leaders. Entrepreneurial leaders share many traits with start-up entrepreneurs, yet they are different. They want to ply their trade within an already existing company. Rather than beginning from scratch, they prefer to be given a “head start.” They are able to think and act in ways that are similar to

start-up entrepreneurs, but have the added talent that I call “corporate radar.” Often, they are able to run the corporate gauntlet better than their peers, and they know how to get things done despite bureaucratic rules and regulations. Few of these entrepreneurial leaders go outside their companies to start a brand-new business. Rather than going it alone, they prefer to push and prod their current organizations into action, often in directions about which the organization is ambivalent.

Entrepreneurial leaders create economic value for the organization because their drive and energy is focused on identifying, developing, and capturing new business opportunities. Sometimes this energy is focused externally, on market opportunities, and sometimes it is focused internally on creative asset management (which in turn results in growth and the creation of economic value). But creative they are—often doing and seeing things that others have missed.

Leading like an entrepreneur does not require some gift from heaven or the right genes at birth. Most managers who want to act in more entrepreneurial ways can learn to do so. The key is *wanting to*. Without the desire, leading like an entrepreneur is a nonstarter. But with desire, the entrepreneurial mindset and skill set can be learned and applied in a corporate environment. This book examines people who have the natural inclination to lead like entrepreneurs and people who have developed into entrepreneurial leaders despite their own self-perception of having not one entrepreneurial bone in their body.

Whether these talents are natural or learned, organizations derive huge benefit from finding, developing, and supporting this kind of leadership behavior, because it directly affects the organization’s ability to survive, thrive, and create economic value. As companies get larger, they often lose sight of their entrepreneurial origins and become suffocated by their own process and procedural weight. Entrepreneurial leaders are the perfect antidotes to this kind of organizational stagnation because they bring to the table risk taking, bureaucracy busting, opportunity focus, and a passion for making money that most organizations wish all their managers had.

The personal profiles included in this book should give hope to every organizational employee who ever said, “Well, that could never happen here.” Organizations don’t make things happen—people do. And entrepreneurial leaders make *significant* things happen. If you are a CEO, look for and develop more people who can lead like entrepreneurs. As you will see, it doesn’t take many of these people to make a significant difference to both the top and bottom lines.

Managers take heart: As you read this book, you will see that many ways exist to outwit, outmaneuver, and overcome the bureaucratic impediments that get in the way of your success. There is no need to wring your hands, curse the gods—or blame senior management. This book will show you examples and techniques used by successful entrepreneurial leaders to get around, through, in between, or over these types of hurdles. Cleverness is also a key entrepreneurial trait, and you will see much of it in my examples.

Education does make a difference. In this book, you will learn about an educational investment of about \$2 million in entrepreneurial leadership that led to first-year new business worth \$250 million—not a bad return on investment. You will also see several examples of an educational program developed at Babson’s School of Executive Education that involves education wrapped around real-time new business development. It was designed to teach managers to become entrepreneurial leaders and has shown some spectacular successes.

These programs not only demonstrate the amount of entrepreneurial leadership than can be learned by corporate managers, they also demonstrate that, when this education is integrated with the identification and pursuit of real opportunities, both the organization and the individual benefit. If this type of behavior is supported and replicated, it provides the best defense against organizational lethargy, stagnation, and eventual decline.



Acknowledgments

Writing a book is quite an undertaking, one that could take you to the undertaker. It has been an interesting experience. I think the real test of knowing something is your ability to communicate it to others. I hope my book will do this clearly, logically, and compellingly. While my name is on the book, a cast of characters behind the scenes always must be given credit as well. Without their help, insights, knowledge, and support, this book would never have been accomplished. Among the cast, I would like to thank and acknowledge the following:

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- *My Babson colleagues*—Special thanks to Tom Moore, former Dean at Babson Executive Education, and Stephen Flavin, Associate Dean. Tom gave me both the emotional and financial support to pursue writing this book, and Stephen has done the same. In addition, Stephen has been a stalwart supporter and architect of our corporate entrepreneurship brand at Babson. Also, I wish to thank Allan Cohen, faculty member, and Steve Spinelli, Provost, for their support of this project. Both, authors in their own right, gave me some great advice.
- *Mark Maletz*—Mark is both a friend and colleague who helped Babson with our first foray into corporate entrepre-

neurship when, as a McKinsey consultant, he introduced us to Siemens and helped design our first-ever corporate entrepreneurship management development program. Over the years, he has been an ambassador for Babson, telling others about our capabilities in this field. I probably would not have written this book without Mark's involvement in the program and his inclusion of me.

- *My Siemens colleagues*—I have a great deal of affection and admiration for this company. Siemens was our first real test case to see if the magic of start-up entrepreneurship could be infused into a large company, and Siemens was willing to take the trip with us, despite the risk. I have been associated with the company for over 8 years and have met some wonderful people and traveled to exotic locations as a result. Special thanks go to Udo Dierk, former head of Siemens Management Learning, and all his colleagues in that department, especially Toni Jakubetski, head of the S3 General Manager's Program for Europe, and Alf Keough, the acting head of Siemens Management Learning and the architect of their Senior Management Program.
- *John Kilcullen*—John's insights and emotional support have been very important to me during the course of writing *Lead Like an Entrepreneur*. John started the Dummies series of books at IDG, and he was our first Babson Executive Education-developed case study on corporate entrepreneurship. John has graciously helped us over the years as the "mystery speaker" who hides behind glasses as an anonymous faculty member while we discuss the case about him called "Corporate Entrepreneurship for Dummies." Eventually, an unwitting participant makes a negative comment about him (which I usually provoke) and then the trap is sprung. John comes to front of the room and shakes hands with the victim who made the negative remark. It is great theater and great fun (if perhaps a little sadistic on our part); the class loves it, and the learning is enhanced tenfold.
- *Sam Perkins*—I've singled out Sam for special acknowledgment. He is our superb case writer at Babson, and his insights, writing acumen, and the ability to learn the com-

plexities of things quickly impresses all of us. Sam has been incredibly helpful in developing many of the entrepreneurial leader profiles that you will read in this book. Reading business articles and cases can be deadly boring but, in Sam's hands, the profiles come alive. He not only describes the businesses scenarios well, but we also get to know a lot about the people through his perceptive lens.

- *Roger Stewart and McGraw-Hill*—I found out after I wrote about 80 percent of the book that I had done things the wrong way. Most authors write a proposal and one or two chapters and then shop the book around to either agents or publishers. This allows the publisher to have more direction over the chapters to come. Very fortunately for me, Roger and McGraw-Hill saw the value in my material and agreed to publish it despite my unorthodox approach.



Chapter One

In Search of Entrepreneurial Spirit

About 10 years ago, we began to notice that something new was happening with many of our executive education clients at Babson College (which has a reputation as one of the world's leading educational institutions in the field of start-up entrepreneurship). We started getting calls from top executives at large companies wanting our help in figuring out how to take the widely perceived “magic” of start-up entrepreneurship and infuse it into their managers and the fabric of their organizations. They wanted to make their managers more entrepreneurial as leaders and their organizations more entrepreneurial as entities. These first few requests, which grew into a steady stream by the end of the 1990s, were our introduction to the realm of “applied corporate entrepreneurship.”

In all honesty, we didn't really know where to start at the time. The whole notion of corporate entrepreneurship and the development of entrepreneurial leaders within large companies had only been introduced to the business world in 1985, when Gifford Pinchot wrote a groundbreaking work on something labeled “intrapreneurship.”¹ This concept was broadly characterized as an attempt to apply those entrepreneurship principles derived from research on start-ups to already existing medium- and large-sized companies.

For the most part, only other academics read this work; thus, little in the way of real implementation of the concept was apparent in large established companies. Some of my colleagues in the start-up side of entrepreneurship actually told me there was no such thing as corporate entrepreneurship. They said it was an oxymoron, like “jumbo shrimp.” And they were right: *oxymoronic* is a perfect term to describe the concept of corporate entrepreneurship.

The words *corporate* and *entrepreneurship* seem somehow incompatible. We often associate *corporate* with words like *large, organized, bureaucratic, formal, stiff, and hierarchical*. *Entrepreneurial*, in contrast, conjures up associations like *creative, inventive, small, quick, driven, winning*. These associations have a positive connotation in our society; whereas corporate, as in corporate headquarters, seems to have a more negative aura around the water cooler.

But corporate entrepreneurship, or something like it, was the perceived solution many of our corporate clients were requesting. While several forms of corporate entrepreneurship have since evolved, in the early days, what most of these companies actually wanted was for their managers to act more like entrepreneurs in their leadership roles.

So, what stops companies from staying entrepreneurial? Most were started by entrepreneurs, but somewhere along the way, this essential spirit was eroded, sometimes to the point of disappearing completely. And the erosion process often is not obvious. It can be slow, happening over years of policy making, structure building, and the development of an increasingly risk-averse culture. In the remainder of this chapter, we look at this erosion process to understand why many companies need to rekindle their entrepreneurial roots.

Symptoms of Corporate Inertia

One of the first questions we posed to those pioneers who sought our help in making their corporations more entrepreneurial was, “If you think corporate entrepreneurship is the answer, what’s the problem?” Before recommending a dose of

entrepreneurship or to help managers lead like entrepreneurs, we needed to know exactly what organizational ills they thought this medicine might help them cure.

In many respects, their answers were similar to what a doctor hears when the patient says, “I don’t know exactly what’s wrong, but I just don’t feel well.” And, as with many patients, these companies had myriad presenting symptoms. We heard things like:

- “Our employees just don’t seem to take initiative.”
- “Our managers usually wait for someone higher up to make decisions.”
- “Our growth has been flat for the past 2 years.”
- “Competitors are kicking our butt.”
- “We just don’t seem to be able to attract the bright young graduates anymore.”
- “We have gone through so many cost-cutting exercises that people are worn out and very cynical about the overused mantra of doing more with less.”
- “We need our managers and our employees to think and act more like owners.”

The underlying systemic disease that these symptoms revealed was, of course, a lack of both sustained profitable growth and the creation of economic value for the owners. Organizations that are not able to grow or create economic value don’t last very long.

That Lost Entrepreneurial Spirit

It was ironic that many of the struggling companies who came to us for help were founded by entrepreneurs—people who had an innovative idea, saw an opportunity in the marketplace, and turned their dreams into a shining reality.

But, at some point in the growth process, these same companies became overlarge, multilayered, highly structured, and bureaucratic. The founding entrepreneurs were no longer present, and these companies started to evolve into entities in which the ability to nurture new ideas into real products and

customer-attracting services was often hindered by processes, procedures, structures, systems, executive perks, and the maintenance of power. In many respects, these organizations were increasingly trapped by their own success. Often, people in these organizations agreed that they needed more entrepreneurial spirit, increased cleverness, and enhanced innovation, but feared that their company could not get out of its own way to accomplish these things.

Over time, these established organizations often get so focused on doing things the *right way* that they lose sight of doing the *right things*. For instance, in bad economic times, opportunity focus gives way to cost focus, with companies bringing in “hired guns” famous for management styles steeped in deconstruction. DEC’s Robert Palmer, Robert Allen at AT&T, “Chainsaw” Al Dunlap at Sunbeam, and others have brought their gunslinger’s approach to the top seats in organizations. (A few leaders—longtime GE chairman and CEO Jack Welch and Lou Gerstner at IBM—have been able to rekindle entrepreneurial spirit in their organizations from the ashes of deconstruction, but most have been unable to find or sustain a new spark of innovation.)

While gunslingers can be effective at cutting costs, they usually are not equally effective in creating sustained value. For example, Procter & Gamble (P&G) went through a major cost-cutting program and found that, while it improved the bottom line, it did not really help them with new product development. As a result, they created a department called Corporate New Ventures,² which was well-funded and reported to the highest levels in the company. This department was able to foster greater innovation and had an entrepreneurial orientation aimed at finding the next million-dollar hit product.

The Cost of Cost Savings

A brief story from my own experience illustrates the kind of decisions often made by many large, bureaucratized organizations when they become more concerned with cost savings than with seizing new business opportunities.

Several years ago, I was about to begin a new fall semester teaching my college's required organizational behavior (OB) class. Book salespeople often visit faculty members to showcase their latest textbooks. So, it was not unusual that Rich, a salesman from a prominent publisher, visited my office regularly with updates on his company's latest entries into the field. In mid-August—only a few weeks from the start of the semester—he showed me a new OB textbook, one that I was quite keen to use in the upcoming semester. I had several sections of this course, as did my colleagues. We agreed to use the book and asked Rich to order it for us.

Several days later, he called to tell us that there was a problem. The book was new and was being printed. It would be ready just before classes started, but the book would have to be shipped via overland truck—it would be approximately 2 to 3 weeks late for the start of the semester. This was, of course, a real problem considering the fact that this was a 14-week course. So, I suggested to Rich that he send the books by air freight. He told me that the company had a policy against air shipments.

I patiently explained that, if we did not get the books in time for the start of the course, I would have to choose a more readily available text from another publisher. Rich appealed to his manager and to his manager's manager to countermand the policy in this case—but to no avail. Both higher level managers agreed that this was an unfortunate policy, but both said their hands were tied. Clearly, at this company, efficiency and expense control had “evolved” to the degree at which they stood in the way of business growth and value creation.

The upshot of all of this was that the publisher lost a significant order, as well as the potential for ongoing future orders, as a direct result of a rigid cost-containment policy. And, the lost opportunity goes much further than our book orders. The academic world is very small, and I have told many of my peers outside the school's walls about this incident. Perhaps worst of all, the company also lost a dynamic salesperson when Rich left in disgust shortly after this incident.

This vignette illustrates how a company can lose sight of its real purpose and how managers and employees can become so

distant from this purpose that they fail to act in ways that actually help protect their long-term employment. Following the “ship only by truck” rule kept these managers out of trouble today, but will surely put them in harm’s way tomorrow. Thus, the absence of an entrepreneurial viewpoint and the failure of managers to lead like entrepreneurs can have dire consequences for large organizations struggling to survive in an increasingly turbulent and competitive environment.

The Challenge of Turbulent Environments

In addition to the tendency for long established companies to be suffocated by their own processes and procedures, living in turbulent times and environments only exacerbates the problems. Figure 1.1 shows a scale that I frequently use in my corporate entrepreneurship courses and speaking engagements. As you can see, it is really a five-point scale that moves from *Steady and stable* (1) to *Chaotic and unpredictable* (5). I ask course participants to use this scale to rate for their particular companies the turbulence in the industry or marketplace. By “turbulence,” I mean the speed at which market conditions change, the frequency of the arrival of new competitors on the scene, and the rate of change in the technology involved in their particular business.

Over the last 10 years, in my executive development programs and speeches, only two people have rated the turbulence of their company’s environment as stable or changing slowly. One of these people worked for the Registry of Motor Vehicles (no surprise there!) and the other for the India Coal Company.

The India Coal Company manager actually shocked the class when he described his organization as a huge bureaucracy hoping to grow even larger and more cumbersome. I had just finished sermonizing about the need for speed in large companies when he told us that 500,000 people were working directly and indirectly for the company and that it hoped to add as many employees as possible. In fact, he informed us, he and his co-workers wanted to have a bloated bureaucracy with many

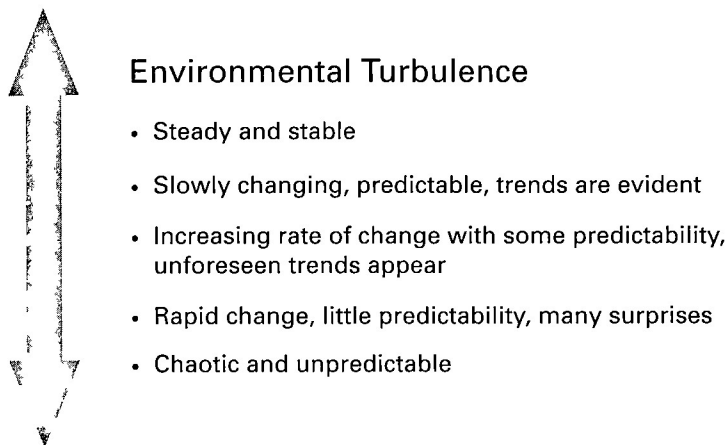


FIGURE 1.1 Rating scale for environmental turbulence.

layers of management, and were not the least bit interested in being more entrepreneurial.

The explanation for the company's rampant bureaucracy? It is government-supported and directed more toward creating employment than making money. The government subsidizes the company, the manager explained, as a means of employing thousands of people, keeping crime under control, and feeding hungry mouths.

Notwithstanding these two exceptions, everyone else I've asked this question of in the past 10 years has rated their industries at 3 or higher, ranging from *Some predictability* to *Chaotic and unpredictable*.

Why should this state of affairs drive companies to seek out and develop entrepreneurial leaders? Well, as environments become less predictable, some of our most favored and widely hyped models of strategic planning and control become less effective, perhaps even obsolete. It is interesting to note that many large companies use very static planning and diagnostic models—like Michael Porter's "Five Forces"³—even when operating in dynamic environments. It is almost as if their "genetic code" forces them into yet another process-oriented approach with the hope that this will somehow stabilize an unstable environment.

EVA as an Innovation Driver

Simply put, EVA is a company's net operating profit after taxes and after deducting the cost of capital. The capital is all the money tied up in such things as heavy equipment, real estate, and computers, plus so-called working capital—mainly cash, inventories, and receivables. The cost of capital is the minimum rate of return demanded by lenders and shareholders, and it varies with the riskiness of the company. When you are making more money than your cost of doing business plus your cost of capital, you are creating wealth for your shareholders.⁴

With the arrival of EVA, the playing field has become both more level and more visible. The formula can be applied unemotionally and uniformly. The advent of EVA has put tremendous pressure on companies to demonstrate that they are adding value. Cost cutting does not do this any more than downsizing does. Only the development of new products, services, and markets achieves this added value for shareholders. And—as anyone who follows the markets knows—the vast number of options open to investors means they will not spend a single cent on a company that is not consistently adding value to its shares.

It is no wonder then, that large, publicly traded companies increasingly stress the importance of EVA to their managers and ask them to focus their activities around this concept. Although increasing numbers of critics now question whether the search for EVA has become too limiting and short-sighted, it seems that this concept is here to stay. Value creation is and always will be the domain of entrepreneurs, because they know they must accomplish it for themselves, their investors, and for society. Thus, developing a cadre of entrepreneurially focused organizational leaders seems a prudent action in today's EVA-driven, turbulent environment.

Strategic Plans or Strategic Handcuffs?

Consultants and academics have made an awful lot of money creating a science out of strategic planning. Managers and

executives are fully immersed in the lingo of strategic planning. They know about competitor analysis, Porter's "Five Forces," scenario planning, and so on. Most organizations follow some sort of strategic thought process. In many cases, large companies have found that strategic plans, and the budgeting process that often accompanies this sort of planning, also can create strategic handcuffs. This is largely because static models aren't valuable tools in planning for dynamic markets. They can certainly help to identify a company's strengths and weaknesses and outline certain current opportunities and threats. But building an inflexible three- to five-year plan based on current realities could become a very dangerous approach in a rapidly changing and chaotic environment.

Companies can be so thoroughly engaged in planning that they miss real opportunities. Managers at a well-known global conglomerate with over 400,000 employees often lament that, by the time the budgeting process has been completed, they have to wave bye-bye to some good new opportunities because they no longer have the time, resources, or energy to go after them. Perhaps this is one of the reasons why this company is now investing so heavily in innovation and entrepreneurial leadership development, and they are seeing a return on this investment.

Strategic planning can, in fact, limit opportunities unless the strategy builds in opportunity focus. Some companies are actually creating internal venture capital funds so that they can exploit unforeseen opportunities as they arise or are identified. Not all these efforts have been successful, mostly due to the "business as usual" bureaucratic handling of internal venture capital funds, but this is a move in the right direction. Entrepreneurial leaders recognize the importance of having an opportunistic mindset, and they push and prod their organizations to be ready when a good opportunity comes along. Often, these entrepreneurial leaders seek outside funds if their own budgeting and planning processes get in the way. We will see some good examples of this in later chapters.

I am not advocating the elimination of plans or budgets. Without them, a corporation's finances would be sheer chaos.

RUN YOUR ORGANIZATION LIKE A RISK-TAKING STARTUP

Featuring in-depth profiles and success stories from some of today's top companies, including IBM, 3M, Intel, General Electric, and many others, ***Lead Like an Entrepreneur*** reveals how to foster innovation at all levels of the corporation and how to employ entrepreneurial leadership qualities to turn ideas into economic value.

"In Lead Like an Entrepreneur, Thornberry has cracked the code on how to replicate the successful behaviors of entrepreneurial leaders. ...Should be required reading for companies that desire to inject world-class entrepreneurial IQ into the DNA of their company cultures."

—John Kilcullen, President and Publisher, Billboard and former Chairman and CEO of IDG Books

"In an age where sustainable competitive advantage is increasingly difficult to achieve, this book provides a platform upon which to build it. ...I recommend this book to anyone responsible for developing and improving leadership in their company."

—Peter Wright, Vice President of Human Resources, Refining & Marketing, British Petroleum, PLC

"Developing entrepreneurial leaders is the key to finding hidden value in any organization. Learn how to create or rekindle the entrepreneurial spirit in your organization, and all of your stakeholders will benefit."

—Gary Acinapura, President, Alcoa Exteriors

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