Theory E²: Working with Entrepreneurs in Closely-Held Enterprises X: Interplay between Entrepreneurship and Organizational Structures and Operations, and Organizational Culture

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In the previous essay we examined four characteristics that we believe interplay with entrepreneurial style in a significant (but often subtle) manner. We examined maturity level (of the individuals and groups with which entrepreneur is working), convening task(s), convening problems, and external environment. In this essay we will examine two other characteristics that influence and are influenced by entrepreneurial style: organizational structures and operations, and organizational culture. As was the case in the previous essay, we will suggest ways in which each of the four entrepreneurship styles relates to each of these characteristics.

Organizational Structure and Operations

This fifth characteristic concerns the structure of the closely-held enterprise and, more specifically, ways in which the organization uses information and makes decisions. We will consider both traditional, hierarchical structures and newly emerging distributive structures.

Hierarchical Structures

Closely-held enterprises have traditionally been based on hierarchical and centralized structures. Clear boundaries exist between the top and bottom of the organization. Information is collected and distributed primarily at the top of the organization. These organizational structures are still dominant in our society. Appropriate styles must be found to serve this type of closely-held enterprise.

Typically, an assertive style is most welcome in hierarchical, centralized organizations. Just as participating leaders are products of the new corporate commitment to people, so assertive leaders are products of the traditional emphasis on control, predictability and efficiency. Assertive entrepreneurial leaders operate very effectively in hierarchical organizations and thrive under conditions where authority is clearly defined and responsibility flows downward A more participatory approach to entrepreneurship may be needed, however, if the leaders of a traditional closely-held enterprise are concerned about keeping their employees committed, creative and flexible.

The participating leader can make this work through her emphasis on training all employees in communication, conflict-management, problem-solving, and decision-making skills which has been reserved traditionally for managers. A participating entrepreneur can also help the closely-held enterprise make more effective use of technology (e.g. computer networks) so that all employees can gain access to vital information related to their work.

Nonhierarchical Structures

Many contemporary organizations are typified not by centralized and hierarchical structures, but rather by decentralized and dispersed structures. They look more like networks than like pyramids. The boundaries that exist between units of the organization and between this organization and other organizations are unclear.

Information usually is found at, distributed by and distributed to all levels of the organization. In such an organization, decisions are being made not at the top of the organization but at lower levels of the organization where there is maximum relevant information.[i]

In this nonhierarchical setting, the closely-held enterprise is most in need of entrepreneurial leaders that can help hold the together. The inspiring entrepreneur can fulfill this function through her emphasis on building commitment and community. Dispersed organizations also need informational networks to keep everyone in touch with what is going on in the organization. The dispersed organization needs a communication system that is complex and flexible. It needs a network through which all members can directly access all other members.

Members of dispersed organizations are not restricted to information about their own jobs and related functions; they can access and contribute to a shared data base that is constantly being updated as the organization, in its many forms and functions, interacts with a turbulent environment. The thoughtful approach to entrepreneurship is particularly appropriate in such a setting. Valid and useful information is the critical element in a dispersed network, and the thoughtful leader can be of great value in ensuring that information is made broadly available.

Organizational Culture

Closely-held enterprises are likely to thrive if three cultures co-exist in the organization. One of these organizational cultures encourages the generation and sharing of information. This information-rich culture helps keep entrepreneurial leaders in touch with constantly shifting realities. A second organizational culture is filled with conversations about (and expressions of) the intentions that under-gird the organization. This intention-rich culture encourages clarity of mission and ongoing reflection on organizational vision and purpose, as well as personal aspirations. A third

organizational culture encourages and sustains the generation of ideas. This idea-rich culture promotes risk-taking and learning from experience, moving an organization from reflection to action.

Contemporary entrepreneurs will be successful to the extent that they embrace all three of these cultures and support the production and use of information, the clarification and monitoring of intentions, and the generation and enactment of ideas. Each of the approaches to entrepreneurship that we have identified seems to be particularly aligned with one or more of these organizational cultures. The challenge for many leaders, therefore, is to find a way to feel comfortable in and recognize the important role played by each of these three cultures.

Culture of Information

In an information-rich culture, data are widely generated and shared among members of the organization. Information also helps to animate the organization and clarify mission. When it is successful, the climate of an information-rich culture is conducive to reflections about the functioning of a work team and about the relative success of the overall operation of this team. Feedback regarding performance is welcomed. Mistakes are acknowledged and learning from mistakes is encouraged. Successful members of this culture also tend to be flexible in their response to problems and creative in identifying or generating alternative solutions.

This culture tends to reward analytic competence. Successful members tend to be skilled in group problem-solving. Conflicts between group members and between groups are successfully managed and resolved. Group members are successful if they have group decision-making skills or if they can effectively manage a group, insuring that group decisions are efficient and clear.

Commitment in the information-rich culture focuses on support for broad-based participation in group-based deliberation; general agreement is reached in the group regarding the way in which it will operate in various settings and in response to many different issues. Members of this culture are fully supportive of procedures, policies and practices that help to create and maintain a safe environment for both the exploration of new task-related ideas and the disclosure of personal task-related information.

Thoughtful entrepreneurial leaders tend to thrive in this culture. Thoughtful leaders compliment the concern for information with their commitment to careful analysis and reflection. Frequently, an information-rich culture produces an excess of information that is valid but not very useful. The thoughtful leader encourages careful research and the formulation of questions that produce useful information. In an information-rich culture, the thoughtful entrepreneurial leader will find enthusiastic support for rational discourse and the systematic training and education of employees for a constantly changing world.

Culture of Intentions

This culture is characterized by a climate in which members of the organization are sensitive to (and fully appreciative of) a diversity of experiences, ideas, values and aspirations. When it is successful, differences among members with regard to gender, race, ethnicity, nationality and world view are viewed as strengths and valuable resources. Participants in this culture, when it is successful, also tend to be knowledgeable about and supportive of the traditions and history of their group and organization. They frequently honor the past contributions of current and former members. Members of the organization enjoy celebrating the distinctive features and accomplishments of their group and organization.

The intentions-rich culture tends to be particularly supportive of employees who are skillful in providing personal assistance to other members of the group when requested.

Furthermore, competent members of this culture provide assistance in a manner that is responsive to the other person's needs and that respects the other person's autonomy and sense of self-worth. Successful members of the intentions-rich culture also tend to be skillful in communicating clearly and consistently with other group members and listening actively to others to insure interpersonally accurate communication; open, systematic and effective patterns of communication are considered a high priority and given frequent attention by the group.

Commitments tend to be made by members of this culture to interpersonal and group activities. Members are consistently aware of and actively participate in activities that instill, enhance and preserve the self-confidence of all group members; a sense of self-worth is considered central to the successful operation of groups in this culture. Personal risk-taking and learning among all group members is encouraged in this culture. Professional development is considered central to its successful operation.

Inspiring leaders are usually quite compatible with this organizational culture. Inspiring entrepreneurial leaders focus on values and the vision, purposes and personal aspirations that are derived from these values. The inspiring leader in this culture will find enthusiastic support for her concerns about the welfare of employees and the building of community and commitment.

Culture of Ideas
In this culture, there is a strong emphasis on risk-taking and performance. When this culture is working effectively, a climate is established in which employees are inclined to work very hard in accomplishing the convening task. Employees pitch in to assist others who are faced with heavy workloads. Furthermore, employees are fully satisfied with their work only when it yields an exceptional product or service. Quality improvement programs are readily accepted in this type of organizational culture.

The idea-rich culture tends to honor and encourage people who are very skillful and knowledgeable in specific area(s) of expertise. Task-related competence is critical in this culture. This culture also supports those people who possess and make effective use of the technical competencies that are needed to perform their appointed functions. When this culture is successful, employees want to be effectively supervised by the formal management of their group. Managers are formally designated and they, in turn, delegate appropriate responsibility with a comparable amount of authority to members of their work group. With regard to commitment and priorities, people working in a culture of ideas want to be clear about the goals, purposes and aspirations that have been assigned to their group. They also want to be compensated fairly and appropriately for their accomplishment of assigned tasks. Ideally, timely rewards and promotions are given for both individual and group achievements.

In general, the culture of ideas is most closely aligned with the assertive approach to entrepreneurship. The assertive leader encourages risk-taking and the generation of innovation practices. When trusted (with regard to intentions, competencies and perspective), the assertive entrepreneurial leader provides a safe holding environment that encourages the generation and enactment of new ideas.

Culture of Diversity
In addition to the three distinctive cultures just identified, there is a fourth culture that blends the other three cultures. The culture of diversity is one in which all three perspectives are honored. Information flows throughout the organization, intentions are given serious and ongoing consideration, and ideas are generated and actions are taken at all levels of the organization. A participating approach to entrepreneurship is clearly needed if a culture of diversity is to flourish, for diversity inherently requires the emergence of entrepreneurship at all levels of the organization.

Conclusions

The central message of our contextual model of entrepreneurship is quite simple: everyone can be and should be an entrepreneur at certain times and in certain places in the ongoing life of the closely-held enterprise. There is a context within which anyone in the enterprise can be effective and can provide valuable leadership. When entrepreneurship is exhibited at all levels of the organization, then each of the four approaches to leadership and entrepreneurship will find its unique time and place to flourish.

Appropriate settings will be found or created to ensure the successful movement of the closely-held enterprise toward its central mission and social purpose. To the extent that a contemporary closely-held organization embraces this contextual model, we firmly believe that its entrepreneurial leader(s) can effectively meet the remarkable challenges of today's complex, unpredictable and often chaotic business environment.

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[i] Bennis (1969)