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What Makes a Good Entrepreneurial Leader? Ask Middle Managers

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According to a recent *Industry Standard* article, the highly successful entrepreneur John Peters, now CEO of broadband service provider Sigma Networks, characterizes himself as a "serial entrepreneur" who tends to spend about four years on each of his startups. "I just thrive on the uncertainty, the challenge and the creativity of starting a company. I like the blank piece of paper."

It's no surprise that Peters, and other entrepreneurs like him, crave new beginnings, risk and change. Indeed, those characteristics almost define the breed. But according to a paper by Vipin Gupta, management professor at Fordham, and Ian C. MacMillan, director of Wharton's Sol C. Snider Entrepreneurial Center, entrepreneurs aren't the only ones who should be able to embrace the challenge of that "blank piece of paper." In their analysis, *Entrepreneurial Leadership: Developing a Cross-Cultural Construct*, Gupta and MacMillan use a term coined by MacMillan – "entrepreneurial leader" – to encapsulate the style they believe today's managers must cultivate. They outline the qualities of an entrepreneurial leader and back up their assertions using a 60-society survey of middle managers around the globe. The survey suggests that a majority of businesspeople worldwide agree upon the 'ingredients' for leadership success.

As the rate of new technology development – and the pace of competition – accelerate, traditional approaches to management just aren't cutting it, the authors say. Managers must operate in a highly unpredictable atmosphere in which competitive advantage may dissolve at any time. "It's increasingly important for people to lead entrepreneurially," says MacMillan, author of a book called *The Entrepreneurial Mindset,* which also addresses this subject. "The world is becoming too turbulent and unpredictable to use conventional leadership strategies. You need to create a spirit in the form of continuous, careful but rapid

experimentation, capturing opportunities that emerge from your experiments. Our survey indicates that this style, this set of characteristics, is seen by managers in many different cultures as being important to outstanding leadership."

Over the last century, the authors say, the concept of entrepreneurship, once seen as an integral part of business leadership, has become split off from it. Entrepreneurship is now associated with starting and managing only small or medium-sized companies. Studies of entrepreneurs have characterized them as achievement-seekers who tend to falter as competition intensifies and a dominant paradigm is established. Furthermore, entrepreneurial initiatives have been seen as "competence-destroying" rather than "competence-enhancing," since they imply disregarding the value of accumulated experiences.

But more recent studies recognize that entrepreneurship is beneficial for managing established businesses, not just for radical breakthroughs or the early stages of an industry. Mature, conservative businesses need entrepreneurial leadership so they can perform the continuous renewal that has become a requirement for survival. According to Gupta and MacMillan, a company that behaves entrepreneurially is able to:

• gain first-mover advantage in new products or markets

• provide a more fulfilling climate to employees, making it possible to acquire, develop and retain a talented, motivated human resource pool

• succeed, through flexible resource deployment, in adapting capabilities to meet the emerging competition

• effectively translate future options into a platform for continuous value creation and corporate transformation.

What qualities characterize entrepreneurial leadership? Gupta and MacMillan assert that the entrepreneurial leader must perform two functions: First is "transformational enactment," or envisioning possible outcomes in the face of uncertainty. Second is "cast enactment," or motivating a group of people to help create new business models that reduce the uncertainty. The authors break down transformational enactment into three tasks:

1. Absorb uncertainty: Shoulder the burden of responsibility for the uncertain outcome of a new project. As MacMillan explains, "It's saying to your people, 'If I'm wrong, it's my problem, not yours. Therefore you can behave as if the world is going to be the way I have set it up.'"

2. Frame the challenge: Set forth a project that pushes employees up to, but not beyond, the limits of their ability.

3. Underwriting/pathclearing: Create a conducive environment for the entrepreneurial transformation, negotiating support from key stakeholders inside and outside the firm.

To perform cast enactment, the entrepreneurial leader must fulfill two charges:

1. Build commitment: Promote a willingness among employees to work toward a common goal, in the sense of traditional, motivating team-building.

2. "Define gravity:" Break down team members' self-imposed perceptual barriers and stereotypes about what can and can't be done, in order to produce integrative and decisive actions. An entrepreneurial leader will have a sense of the degree to which people resources have been undervalued.

Fulfilling these five roles is the key to the kind of leadership that today's businesses need to thrive, the authors say. MacMillan holds up Jack Welch, CEO of General Electric, as an example of an entrepreneurial leader. "He's created a spirit in the organization in which people are continuously pursuing opportunities. Gary Wendt, when he was running GE Financial Services, is another good example." On the other hand, firms suffering because they lack entrepreneurial management include "many companies in the traditional manufacturing sector that have not been able to cope with change."

To develop measures of entrepreneurial leadership, Gupta and MacMillan drew on existing data collected by Wharton management professor Robert House that surveyed more than 13,000 middle-level managers over a two-year period in 60 societies worldwide. The managers came from three industries – financial services, food processing and telecommunications – and represented 10 cultural "clusters": Latin America, Anglo, Germanic Europe, Nordic Europe, Latin Europe, Eastern Europe, Confucian Asia, Southeast Asia, Arab and tribal Africa.

In an extensive series of questions, the managers rated a large number of behaviors on their importance to outstanding leadership. Gupta and MacMillan identified survey items that correspond to the five entrepreneurial leadership roles cited earlier and measured how those items scored. Their analysis shows that transformational and cast enactment are universally considered essential. "We would have thought that in non-Anglo cultures you wouldn't get as powerful a set of results," says MacMillan. "The surprise we had was that these beliefs about what makes a successful leader are so globally pervasive" across the 10 different cultural clusters.

However, the overall emphasis on entrepreneurial leadership tended to vary significantly across cultures. Anglo cultures had the greatest belief in the significance of entrepreneurial leadership, followed by Nordic/Germanic and Southeast Asian societies. Latin societies in Europe and the Americas placed a moderate emphasis on it, and African/Middle Eastern societies and Eastern European/Confucian societies placed the least emphasis on it. Although this ranking of different clusters of societies generally supports

researchers' beliefs about the entrepreneurial spirit across cultures, Gupta and MacMillan note that some of the findings are hard to explain relative to economic development. For example, why do Southeast Asian societies rate high on entrepreneurial leadership, and Confucian Asian societies quite low? And why do Latin American and Latin European societies show similar levels of belief in entrepreneurial leadership?

MacMillan speculates that the weak relationship between entrepreneurial leadership and observed economic development may be traced to different cultures' ethical approaches; levels of recognition and reward for entrepreneurs; or access to knowledge, technology and finance. Moreover, in societies in Confucian Asia and Eastern Europe, for example, there may be roadblocks in the form of institutional rigidities beyond the power of entrepreneurial managers to overcome. Such factors might determine how vigorously entrepreneurial leadership is actually pursued in some cultures.

Having found out what managers believe makes a good leader, MacMillan says his next project is to find out how many good leaders currently exist. "We have developed a survey you can administer to employees in order to find out the extent to which the management of a firm has the necessary entrepreneurial leadership qualities," MacMillan says. In the meantime, it seems that managers in all industries would do well to start working some entrepreneurial spirit into their management styles. "What we're saying is that in today's environment, managers of existing firms need to start behaving like entrepreneurial leaders," MacMillan asserts. "If you want your company to continuously innovate, you need to deliver the qualities we found in our survey."

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