

# Creating the Entrepreneurial Company



In an economy that rewards nimbleness and reinvention, manufacturers strive to introduce an entrepreneurial spirit into their companies, no matter how old they are.

**By Steve Minter**

It didn't take Eric Lofquist many years before he decided he wasn't cut out for the corporate life. "I looked a little young and you had to look a certain way and be a certain way in order to move up in the corporate world rather than strictly performance," he recalls. At 28, he struck out on his own.

Now 52, Lofquist is reaping the rewards of an entrepreneurial career. He founded Magnus International Group, based in Independence, Ohio, in 2007. The growing company produces a variety of sustainable products, including all-natural waxes, renewable

fuels and animal feeds. In November, he was honored by Ernst & Young as Entrepreneur of the Year for distribution and manufacturing.

The United States is still the land of opportunity, according to the Global Entrepreneurship Barometer. The measure of productive entrepreneurial performance, developed by George Mason University's Center for Entrepreneurship and Public Policy, ranked the U.S. first among 80 countries. Approximately 3 million new jobs are created each year by new firms in the U.S., according to the Kaufmann Foundation.

Companies that have been finalists for the Entrepreneur of the Year award are creating jobs and posting revenue growth at a far higher rate than U.S. businesses as a whole, according to a report released in November by Kaufmann and Ernst & Young.

What makes these firms successful? The report identified characteristics such as a passion to solve unmet needs in the market, the ability to bounce back quickly from setbacks, and an embrace of innovation. The report also noted that entrepreneurs made their people a priority and were able to communicate their vision and instill great passion in their teams.

These entrepreneurial characteristics are precisely what a growing number of companies are trying to promote in their organizations. These efforts range from small "skunkworks" units designed specifically to pursue innovative projects to allocating time to employees so that they can pursue new ideas that intrigue them.

**"It is incredibly important in today's hypercompetitive environment where technology and the macro-economy are changing so quickly that companies think much more entrepreneurially," says Bruce Bachenheimer, clinical professor of management at Pace University.**

"Promoting corporate innovation goes hand in hand with how a company creates and maintains an entrepreneurial environment," says John Zeger, director of the Georgia Center of Innovation for Manufacturing, a division of the Georgia Department of Economic Development. "Entrepreneurial activities are ones in which you are doing something to create new opportunities, and innovation activities are ones in which you are doing something new to gain a benefit in your product, process or technology. I believe it takes an entrepreneurial spirit in order to innovate."

## Fighting the Innovation Implosion

If established companies tend to become less entrepreneurial and innovative over time, it might be because they tend to reflect their top leadership, says Hal Gregersen, a professor of leadership and innovation at INSEAD and co-author of "The Innovator's DNA" (with Jeff Dyer and Clay Christensen). These companies develop a business model and operations that are familiar and are working well.

"If I am a senior manager or executive, I probably built this business model. My imprimatur is on many parts of this company. Many chunks of that are my creation and, I got promoted because it worked," says Gregersen. "You add all these things up and it becomes increasingly nonmotivating for a senior manager to shake it up."

Moreover, stresses Gregersen, company leaders need to engage in the behavior that leads to innovation and the launch of significant new businesses or products. He says many ask provocative questions, an important element, but they fail to engage in other necessary activities such as closely observing the world, developing networks of diverse contacts and actually engaging in experiments and prototyping.

"Established leaders engage in creative activities less and less over time," says Gregersen. "Their companies reflect that subtle but significant shift in their own orientation." Both leaders and staff become increasingly focused on delivering results rather than on creating new products and processes.

Gregersen contrasts that with an entrepreneurial CEO such as Scott Cook, founder of Intuit. "He is constantly peppering the worlds with questions like what was surprising, what was unexpected in whatever you just experienced. How many senior leaders care about that? He cares."

Because Cook continues to demonstrate that behavior, says Gregersen, it is hard for the Intuit organization to "let go of that entrepreneurial bent when you have somebody at the top of the organization who doesn't." He adds: "I think the innovation implosion that has occurred in a lot of mature industries is a function of this complete lack of an innovation habit at the top of the organization. They just don't do it anymore, if they ever did."

## Hearing a Different Drum

Companies that want to encourage innovation and entrepreneurship, or intrapreneurship, in their ranks must ensure that they provide the right incentives to employees. Too often, Bachenheimer says, companies say they want innovative, entrepreneurial employees but "what they really want is disciplined employees that are polite, respectful, come in well-dressed and are not insubordinate." That isn't necessarily the profile of a creative, strong-willed employee who wants to march to a different drum.

The first thing companies should consider is how they will handle risk and reward. "If you have some really bright, innovative employees, if they take the risk to do something

and it doesn't work, is their career derailed?" posits Bachenheimer. "On the other hand, what happens if it is wildly successful, if it saves or makes the company millions and millions of dollars? What kind of reward do those employees get?" The reward doesn't have to be as lavish as a large grant of stock options, he says, but it should be "more than some kind of nominal \$1,000 bonus."

Ideal, a designer and producer of corrugated package and point-of-purchase displays headquartered in Chicago, faced exactly that challenge when it began a transformation five years ago. The family-owned company was a successful box manufacturer but faced increasing pricing pressures as a commodity producer. Brothers Scott and Yale Eisen sought to add value to their customers by providing design services for packaging and retail display units. Providing those services meant not only hiring new employees but also taking a different approach to hiring.

The challenge for Ideal, he says, was to go from a culture in which it told people what to do to "taking the next step and saying, 'We think you're great, we want to hire you and we're going to give you some of the authority to do what you want to do.' That means not only recruiting well but having a long-term memory of why you recruited them."



Dan Hendrix, CEO of Interface Inc.

## Supporting Idea Generation

Atlanta-based Interface Inc., the largest manufacturer of carpet tile, was founded by an entrepreneur, Ray Anderson, who was a global thought leader in corporate sustainability. That focus on sustainability, a "higher purpose," has been "the best thing we have ever done as far as cost savings and innovation," says CEO Dan Hendrix. Moreover, he says, "We get the best people in the industry that want to work for a company like Interface."

Hendrix believes entrepreneurship and innovation feed on each other, and that they are vital to a company such as Interface that operates in a global economy where "the biggest form of flattery is copying." Hendrix has taken a number of steps to promote an innovative, collaborative culture, including supporting idea generation, investing in good ideas and minimizing bureaucratic red tape in the company's decisionmaking process.

One pilot project he has found particularly productive is the "Innovation Farm," a collaborative intranet/extranet system that allows both employees and customer to generate ideas, comment and suggest refinements, and then vote on whether to proceed with the idea offline. Because of the "crowdsourcing" aspect of this approach, Hendrix says, "You get a more robust conversation around an idea when you do it this way. People have ideas of their own about an idea. It gets more refined and vetted better though this process."

Hendrix says company efforts to promote innovation already have provided improvements in production processes, waste reduction, aligning innovation with customer needs and new products. **IW**