A strategic perspective of entrepreneurship

John L. Thompson
Huddersfield University Business School, Huddersfield, UK

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Abstract *Contends that the E-V-R (environment-values-resources) congruence model provides an ideal framework for examining what entrepreneurs and entrepreneurial managers must achieve strategically in order to create and sustain organisational effectiveness and success. E-V-R shows how the environment is a source of opportunities and threats – external key success factors; and that resources constitute strengths and weaknesses, strategic competencies which either match, or fail to match, environmental needs. Sustaining and changing this strategic fit is dependent on leadership, culture and values. Goes on to show that entrepreneurship is a process which is essential for establishing winning strategic positions and, as such, is relevant and vital for all types and size of organisation. Concludes with a summary model which relates the characteristics of successful strategic leadership with the key issues of risk and crisis management.*

Introduction

The fundamental thinking behind this paper is the premise that if we examine what entrepreneurs and entrepreneurial managers achieve strategically, we can help foster enterprise in a wider range of organisations. It is widely acknowledged that entrepreneurship is not confined to any one type of business; moreover there are several types of entrepreneur. Some build businesses from nothing, invariably with determination and effort. These can be profit-seeking businesses; equally they can be community-based initiatives by "social entrepreneurs". One key challenge for all entrepreneurs is dealing with the strategic and structural changes required with growth. Some entrepreneurs cannot manage this transition effectively and their business loses direction and momentum, whilst others are able to change their style appropriately. Consequently, in this paper we are focusing on businesses and initiatives with some growth potential, albeit limited perhaps. We are less concerned with the so-called lifestyle businesses, for which growth is not a major objective, but nonetheless the messages are still relevant here. In a quite different way, but requiring many of the same qualities, company doctors who succeed in turning around companies which are in difficulty are entrepreneurial as they restore growth potential.

Success for any business is dependent upon the ability to find a valuable strategic position, whereby the company's resources, competencies and capabilities are deployed and managed to meet and satisfy the demands and expectations of key stakeholders. This invariably involves trade-offs and

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prioritisation – affected by the relative power and influence of the relevant stakeholders. In this way the business adds value in some distinctive way to achieve product or service differences, manage costs effectively and create some form of distinctiveness or competitive advantage. However, sustained success requires that positioning is strengthened constantly in a dynamic and competitive environment, and changed, perhaps dramatically, from time to time. This represents continuous improvement on the one hand, and discontinuous change to a new competitive paradigm on the other hand.

Managing these different levels of change effectively requires both single-loop learning (to strengthen an existing position) and double-loop learning to find the new competitive high ground ahead of one's competitors – always remembering that tomorrow's competitors may be newcomers to an industry or market, companies which entrepreneurially find a way to overcome any apparent entry barriers. This learning depends upon strategic awareness and the harnessing of information and knowledge inside the organisation and from the external environment. These abilities reflect the underlying strategic competency of the organisation.

The author has previously argued that a key task for an effective strategic leader is to clarify which strategic competencies – from a long list of generic competencies – can make a real difference. (See, for example, Thompson and Richardson, 1995; 1996; Thompson, 1996; 1998a; 1998b; 1998c). By focusing attention and effort on these selected competencies – and critically ensuring that performance is measured – and changing emphases and priorities over time in a dynamic environment, strategic leaders can secure growth for their organisations. In this respect, they are acting entrepreneurially. In other words, entrepreneurial behaviour implies creating an effective strategic position, and sustaining or transforming it with carefully orchestrated change in a dynamic environment.

In this paper, we examine the thinking behind the E-V-R congruence framework (environment-values-resources) which provides a valuable but simple synthesis of these key underpinning ideas. We then recraft the framework to capture a number of important themes on entrepreneurship in order to provide a strategic insight or perspective on entrepreneurial behaviour and management. Finally we develop a new model of entrepreneurial leadership which encapsulates the key issues of risk and crisis management.

E-V-R congruence

Thompson (1990) has shown how effective strategic management implies a congruence between an organisation's environment, its resources and its values and culture. The environment is the source of opportunities and threats – external key success factors. Resources constitute strengths and weaknesses, strategic competencies and capabilities which either match, or fail to match, environmental needs. In this respect, and at a point in time, the model represents a SWOT (strengths, weaknesses, opportunities, threats) analysis. Key success factors vary significantly from industry to industry and from market to market, and consequently there can be no common formulae for successful strategic positioning. Moreover, the matching of E and R must be managed in a dynamic environment. It is the values and culture of the organisation which determine first, the effectiveness of the current match between E and R, and, second, the ability and will of the organisation to change and strengthen this matching. It is, therefore, an implicit assumption that a truly entrepreneurial organisation creates E-V-R congruency and sustains the match with measured strategic change.

The value of E-V-R analysis for managers is the fact that it provides a straightforward framework for assessing the organisation's existing strategies and strategic needs. It is crystal clear at a conceptual level what organisations have to achieve and sustain strategically; the challenge then is to use the logic to explore and create opportunities and ways for achieving and sustaining E-V-R congruence by dealing with the various – but different – risks that organisations have to manage if they are to avoid crises in the face of constant uncertainty. As the arguments develop, it will be seen that entrepreneurial behaviour is a ubiquitous need for all types and size of organisation.

Congruency is illustrated in the top chart in Figure 1 and applied to the Ardgowan Hospice in Greenock, Scotland, in the Appendix, Box 1. All hospices provide a much-needed service for their local communities (their environment), but, at the same time, depend on this community for their financial viability. A hospice creates social capital and meets a need that is largely outside the scope of the National Health Service, given its stretched resources. Nevertheless, it must also compete in the community for scarce charitable donations, which provide a key resource. As well as money, the hospice needs premises, which have to be built or converted, and maintained. The staff – a very critical element – comprise full-time professionals supported by an army of volunteers. Success is doing good and being seen to do good; reputation is vital as it affects future funding. Caring, and being seen to care and help, lies at the heart of the values. Finally, hospices need a champion if they are to be built in the first place and continuing leadership to survive. To this end, social entrepreneurs will invariably be evident.

–Working downwards from the top chart in Figure 1, we next see a "lost organisation". Possibly there was congruency at some time, but now products, services and markets are out of alignment and the values inappropriate. Without major changes to strategy, structure and style, almost certainly involving a change of strategic leader, this organisation has no future. This degree of incongruence is relatively unusual, but the other three illustrations are not.

The consciously incompetent organisation is aware of the needs for success in its marketplace, and managers appreciate the importance of satisfying its customers – but it is simply not achieving the desired level of service and quality. Managers may well have some insight into what might be improved but not be in a position to achieve this improvement. Maybe there is a key resource shortage of some form, a lack of investment or a person or people with key

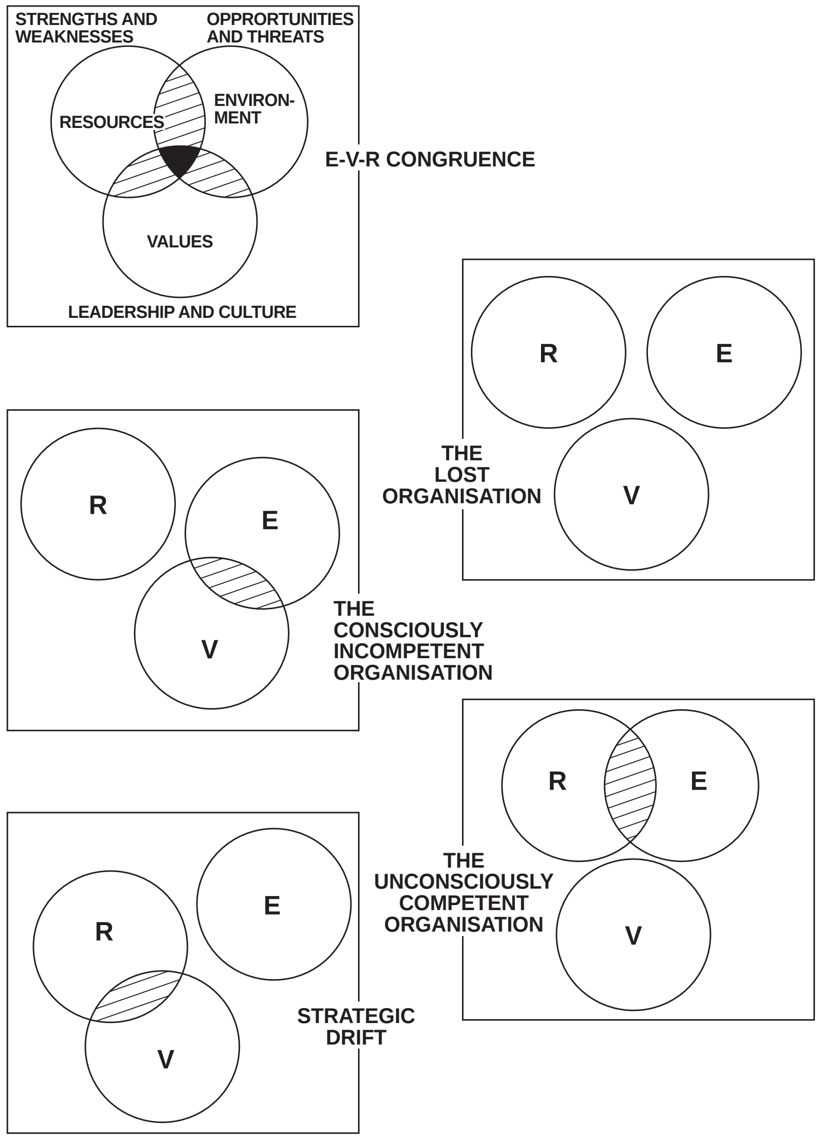

Figure 1.
E-V-R congruence

skills have left and not been replaced. Possibly too many managers are unwilling to grasp the changes that are needed and accept empowerment and responsibility. It is typical for a company in this situation to be constantly fighting crises and problems. Because of the customer orientation, there will be a commitment to resolve the problems and difficulties, and for this reason, some customers may be somewhat tolerant. But the organisation is highly reactive and consequently, again, the position cannot be sustained indefinitely. A more proactive and entrepreneurial approach is required to strengthen the resource base and restore congruency with a new strategic position.

In contrast, the unconsciously competent organisation enjoys strategic positioning without any real commitment, especially to improvement and change. Things are working – at a surface level and with an element of luck. Any success is taken for granted. The organisation is unable to exploit its strengths and if it fails to address this, then E and R will drift apart over time, possibly sooner rather than later. The required change in culture and values probably implies a change of leadership, and certainly increased decentralisation and empowerment.

Strategic drift is commonplace. An organisation which is internally cohesive simply loses touch with its environment. Demands may change; fresh competition may make the company's products or services less attractive than in the past. The challenge then concerns realignment in a dynamic environment, which certainly requires a change in management style and, possibly again, leadership. This organisation desperately needs new ideas, which may already be available inside the organisation but not captured.

A useful example of strategic drift can be seen with a UK manufacturer of textile machinery which has always been strongly focused on one process and dependent on export markets for virtually all its sales. The company grew rapidly between the 1950s and late 1970s with a patented adaption pack for carding machines – which clean and prepare cotton and synthetics ready for weaving – as well as innovative machines designed mainly by its strategic leader. Since then, sales, profits and the number of employees have tended to rise and fall, affected by the timing of new product launches and industry cycles. There has been periodic innovation with improved machines and, over time, continuous improvement. Each new product has represented a real improvement on its predecessors, to the extent that fewer machines are now required to carry out the same volume of processing. In a worldwide industry in decline, this has to mean that for continued success either the company must introduce a technological breakthrough which changes the rules of competition or diversify into new areas. Moreover, even to stand still it has to be highly flexible and competitive.

The cases so far mentioned highlight the wide applicability of the E-V-R model. The textile machinery company employs some 350 people and is clearly a medium-sized (independent) enterprise. Ardgowan Hospice is much smaller, and in the charitable service sector. Organisations in this sector are, of course, very aware of the significance of culture and values and quickly perceive the value and relevance of E-V-R congruence. The model can readily be applied to a whole organisation or any part of an organisation with a clear identity.

While the E-V-R framework was developed for use at a micro, individual organisation level, it can also be useful for summarising macro issues. For example, Simon (1996) has looked for the lessons which we can learn from Germany's very successful small and medium-sized manufacturing businesses.

It can be seen how E-V-R provides an ideal framework for drawing together his arguments; he contends that the success is based on the following factors:

- *Environment*. A narrow market focus, but a global orientation; clear and sustained competitive advantage; and strong, nurtured, customer relations.
- *Resources*. Carefully selected, developed, motivated employees, leading to continuous innovation, which builds on, and exploits, carefully defined competencies and strengths.
- *Values*. Strong leadership with a clear mission, purpose and values.

The entrepreneurial organisation

We claimed earlier that creating and sustaining E-V-R congruence demands entrepreneurial behaviour. What exactly does this imply?

To begin with, congruency requires strong and effective strategic positioning, matching competencies and capabilities (resources) with key success factors (environment). This will not be achieved – and strengthened – without strategic awareness, the ability to capture and harness key information and knowledge within the organisation and from the environment. This must then be synthesised and shared to inform and support innovation and continuous improvement – the single-loop learning which improves operating efficiencies through an overlap of values and resources. Although essential, over time this is unlikely to be enough. The organisation must also create a new competitive vision and paradigm as competitors will be looking to steal an advantage by effectively destroying the value of existing positions. From time to time new products and ideas make existing products dated and redundant. New technologies and new processes meet or create new demands and affect the overlap between environment and values.

These points are brought together in Figure 2 and illustrated in Box 2. British Airways has experienced substantial change as it has emerged from privatisation to become one of the world's leading airlines. It has worked hard on its culture and values to establish and exploit E-V-R congruence. Naturally it views the other leading global players as its competitors. These include US, European and Far Eastern airlines. Nevertheless, the much smaller, focused and entrepreneurial Virgin has also proved to be a competitive threat. Richard Branson has deliberately targeted selected routes and destinations for businesspeople and holidaymakers, gained access to prime slots at London Heathrow and offered a high level of service at competitive prices. Virgin is clearly differentiated and successful. BA underestimated the threat and was forced into reactive mode. In the face of new low price/no frills competitors such as EasyJet, Debonair and Ryanair, BA has shown it is determined to react and not lose a major presence in important sectors of the short-haul market.

The pioneer of this competitive paradigm is the visionary and entrepreneurial Herb Kelleher, founder of the very successful Southwest

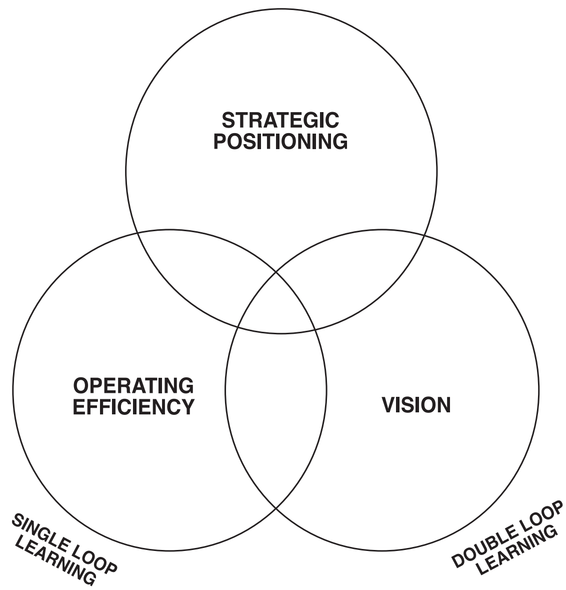

Figure 2.
The entrepreneurial organisation

Airlines in the USA. Southwest concentrates on domestic US routes and flys between cities rather than adopting the hub-and-spoke patterns of the more established US airlines. With an objective of flying people safely, cheaply and conveniently, Southwest does not serve meals during flights; seats are not pre-assigned, even at the airport; and hand-baggage is limited. Travel is ticketless because bookings are direct with the airline by phone or Internet and fully computerised; travel agents do not sell tickets for Southwest flights. All of these strategies contain costs and speed up the turnaround time at airports. In addition, only Boeing aircraft are used to simplify maintenance. But its real secret lies with its people who are allowed considerable freedom and encouraged to be “mavericks” in the way they deal with issues and problems. Southwest can boast very high standards for timekeeping and baggage handling; they are also recognised for having very few complaints.

It is interesting to compare and contrast the E-V-R issues for both BA and Go. BA’s environment is one of deregulation around the world, intense rivalry and a mixture of state-owned (and sometimes subsidised) and private-sector airlines. BA, of course, was privatised in the early 1980s. Its key resources are its fleet, its people (fundamentally it is a service business), information technology (to maximise load factors in line with the best prices it can get for its seats), alliances (to increase the number of destinations it can offer) and its image (reputations matter in this industry). Its values are a commitment to service, quality and safety to justify its claim to be the “World’s favourite airline”. The essential features of Go’s environment are price competition and congested airports (Heathrow and Gatwick, in particular). Cost-conscious customers are willing to accept lower standards of on-board service on short trips if their journey traumas can be eased. Go's resources, therefore, comprise Stansted airport (easily accessed from London, less congested and with shorter turnaround times between trips), its focus on a single type of aircraft (Boeing 737-300s), information technology (this time for direct ticket sales) and its people (whose conditions are different from those of BA). Again Go must be seen to deliver safety, quality and service, but customer perceptions of service and quality are again different from those of BA. Having BA as a parent is in one sense a resource (financial and advisory) but BA is part of Go's environment.

Figure 3 recrafts the E-V-R congruence framework to explain how entrepreneurship supports strategic success. Entrepreneurs and entrepreneurial managers obtain resources and exploit organisational competencies and capabilities to seize or even open windows of opportunity in their selected environments – for better positioning. They are opportunity driven. Macmillan and Block (1997) explain that there are two key types of need-driven opportunity. First, there is the ability to satisfy identified and created market needs more effectively, and, second, the need to overcome a perceived internal crisis or shortcoming. Visionaries are simply able to see or craft opportunities that other people miss, even though the data or information which generates the idea is often there for them to see. They are able to synthesise the available information and clarify patterns which escape others. They are comfortable with ambiguity and believe they can bring clarity. McGrath (1997) highlights how this often implies piecing together previously unrelated messages and signals. Entrepreneurship is not a flash of inspiration or luck; it is the conscientious application of discipline to exploit resources which are already to hand and which can be somehow found. It is rooted in flexibility and a willingness to embrace and champion change; but it needs information to flow freely through an organisation to support sharing and learning.

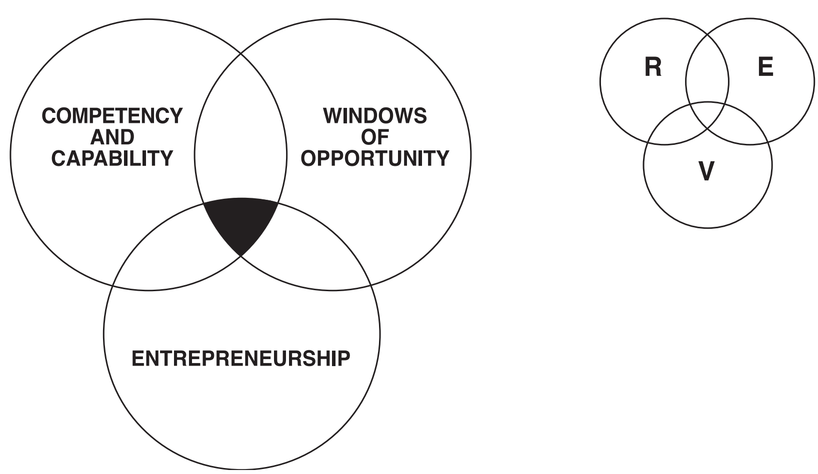

Figure 3.
E-V-R congruence and entrepreurship

In the 1980s Tim Waterstone left W H Smith after the company's US interests, for which he was responsible, failed to meet their targets. Using part of his redundancy money he opened the first Waterstone's bookshop, and from this base helped to build a substantial chain. Waterstone appreciated that a wide choice of titles and the opportunity, even the encouragement, to spend time browsing and looking through the stock results in purchase. Unlike most other leading retailers, Waterstone empowered individual store managers to select their own stock; typically this is a centralised decision for retail chains. Eventually Waterstone's was sold to W H Smith and Tim Waterstone stayed for an agreed period of years before retiring. In 1998 Tim Waterstone is returning as chairman of his successful bookstore chain. It is being bought from W H Smith and merged with the Dillons (books) and HMV (music) stores currently owned by EMI but which are being floated off. The underlying success of Waterstone's lies in its vision about bookselling. In this respect there has been an element of learning from successful US organisations. A similar parallel would be Kwik Fit. Sir Tom Farmer had seen the concept of fast-fit tyres and exhausts at an embryo stage in the USA and introduced it into the UK. Nevertheless, without continued leadership, E-V-R congruency and operating efficiency, these businesses would not have grown to achieve the levels of success that they have enjoyed. Significantly, Tim Waterstone had tried unsuccessfully to become the strategic leader at W H Smith in 1997; he offered a vision of a new strategic focus on three product ranges – books, periodicals and stationery – and a culture of "doing better than anyone else on the high street", but his bid for the troubled store group was not successful.

Entrepreneurship, then, is a pattern of behaviour, a style of management which is concerned with obtaining and managing resources to exploit opportunity. Bhide (1994) argues that entrepreneurs deal with risk in strategy creation with a quick initial screening using a careful, but limited, analysis to evaluate the quality of an idea, but then they stay flexible throughout the process of implementation. Stevenson (1997) emphasises that the pursuit of opportunities is not constrained by resources which are currently available and controlled. Resource exploitation is, therefore, seen as a manageable challenge, but this in turn demands a clear appreciation of risk and, invariably, a strongly developed ability to network within the organisation and its environment. Churchill (1997) stresses that entrepreneurs should not attempt to "cross a bridge too far"; instead they should concentrate on perpetual movement and improvement, continually finding and exploiting manageable risks and opportunities. The process is continuous, not periodic major steps with nothing in between.

The growth and success of Stagecoach Group illustrates a number of these points. Begun in 1980 by the son and daughter of a long-time bus driver, Stagecoach began with just two buses and an overnight service between Dundee and London. When the bus industry was privatised, Stagecoach bid for the maximum number of franchises available to it; three in England and two in Scotland. Opportunistically it has since acquired several others, often purchasing companies that had originally been management buy-outs at preferential rates, thus allowing it to grow without paying over the odds. More recently Stagecoach has expanded overseas (into Hong Kong, China, Malawi, Kenya and New Zealand) and diversified when the railways were privatised. Characterised by enthusiasm, flamboyance and a strong competitive spirit, Stagecoach has been forced to change some of its local operating strategies by the UK competition authorities. Stagecoach quickly learnt the skills necessary to absorb new acquisitions speedily; and, on the face of it paradoxically, it employs a conservative style of devolved management. Tight performance systems stir people out of their existing comfort zones. Stagecoach thus succeeds by blending strategic flair with sound management controls.

Figure 4 is an attempt to synthesise these important points. Entrepreneurs respond to environmental turbulence and uncertainty, attempting to establish a strong strategic position, albeit temporary in nature; they also create uncertainty for others with proactive initiatives. They create opportunities by disturbing the existing status quo, they spot and seize new opportunities ahead of any competitors, and they stay vigilant to potential threats. Porter (1996) argues that positioning is critical for strategic success; opinions differ between Schumpeter (1949) and the so-called Austrian school (see, for example, Kirzner, 1973) about how entrepreneurs achieve this. Schumpeter argues they create disequilibrium in a market; the Austrians contend they are

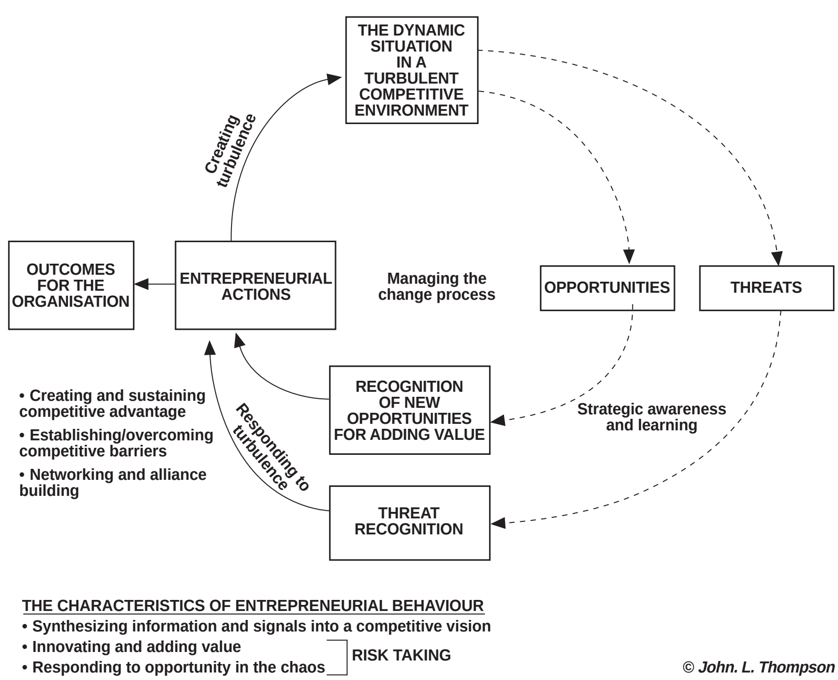

Figure 4.
Entrepreneurial behaviour

actually establishing equilibrium in an environment of chaos. In effect, strategic awareness and learning informs effective change management to create positive strategies and outcomes. This invariably benefits from the ability of entrepreneurs to network with key stakeholders in their added value chain. They synthesise the information they have into a successful and competitive vision, which is frequently innovative and adds value for consumers. It is this process which encapsulates the risks they take; through insight and flexibility they attempt to manage risk rather than become unnecessarily exposed, an issue which is developed in the final section of this paper.

Entrepreneurial leadership and management

Figure 5 summarises ideas in Kets de Vries (1996) where he argues that effective leaders perform charismatic and architectural roles to ensure the organisation has a clear and understood vision and direction, supported by an appropriate organisation structure and management control and reward systems, to ensure that employees are empowered and committed. In this way all key stakeholders can be satisfied.

Kets de Vries shows how these characteristics can help explain the success of three internationally renowned organisations, all of which have strong, effective, visionary leaders – and all of which are opportunistic and entrepreneurial but in very different ways. Richard Branson has built up and, with several changes of strategic direction, grown the entrepreneurial Virgin

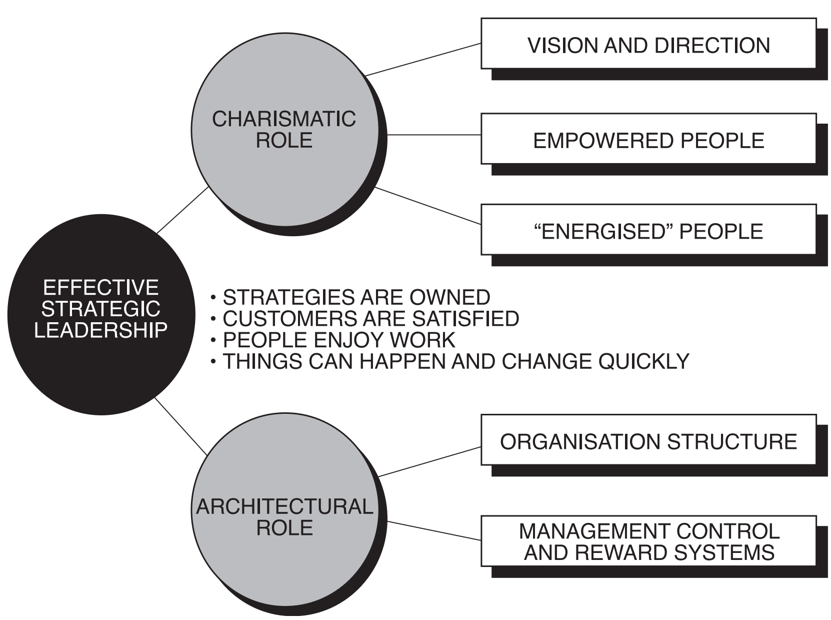

Figure 5. Strategic leadership

organisation. Jack Welch has transformed the underperforming and complex General Electric into one of the USA's most profitable companies by enabling the effective sharing and learning of ideas across diverse businesses; GE has remained largely diversified at a time when many conglomerates have become increasingly focused. Percy Barnevik has successfully integrated two European heavy engineering businesses, Asea and Brown Boveri, with an effective matrix structure. In both 1996 and 1997 ABB was judged by its peers to be the most admired company in Europe.

It is the author's view that in different ways these – and other – successful organisations have created and sustained E-V-R congruence at both the strategic and operational levels. They understand the requirements for being a strong competitor in those industries and markets in which they compete. They have developed strategic, structural and managerial competencies and capabilities which allow them to exploit the key success factors. They are aware of the dynamics of their environment and they manage the relevant change pressures by engineering both continuous, emergent, improvemental changes and, periodically, more dramatic sea changes of paradigm.

While successful organisations will be characterised by strong leadership which drives the creation and maintenance of E-V-R congruence, entrepreneurial behaviour (or intrapreneurship, as it is sometimes called) by managers throughout the organisation is also essential. Organisations need managers who are willing to challenge existing norms, not accepting that things have to always stay the way they are, but who are also willing to take responsibility for their actions. Without this decentralisation and empowerment, organisations, especially those which have grown in size and complexity, will simply not be able to deal with the threats and opportunities in their environment.

Managers are not all alike, of course, and the secret lies in balance and teamworking. Adizes (1988) isolated four basic managerial roles and argued that it is essential that most managers embrace all the roles to some degree, although they will have a dominant and preferred style, rather than pursue one and ignore the other three. The four roles are:

(1) *Producing*. Using technical skills to "get things done".

(2) *Innovating*. Entrepreneurially looking into the future and communicating ideas to others.

(3) *Integrating*. Persuading and motivating others and harnessing the resources necessary for implementing change.

(4) *Implementing*. Administrating to plan, organise, co-ordinate and control efforts.

In order to achieve all of these demands, managers in successful organisations collectively appreciate, understand and manage the various uncertainties and risks that they face. Specifically, they are neither unduly risk averse nor do they take unnecessarily high risks by venturing into areas of considerable uncertainty. Clearly when organisations innovate, try out new ways of adding value, seize opportunities and introduce new strategies, they are taking risks. They may have to acquire or develop new skills and competencies, for example; they may be entering new markets; new technologies may be involved. There is an element of the unknown. While it is imperative that they appreciate the potential downside and prepare accordingly, it is also essential that at appropriate times they do, in fact, innovate and change.

In relation to this, Hurst (1995) explains how new entrepreneurial organisations, when they start-up, exhibit a degree of innovation and vision, but, as the business succeeds, develops and grows, increasing reliance is placed on learning and emergent strategy. However, this is largely concerned with improving the existing competitive paradigm, not rethinking it. Managers later become more systematised and professional in order to maintain control amidst the increasing complexity; they rely more and more on planning. The danger, then, is that the real value of the original vision gradually wanes and disappears and the start-up entrepreneurialism is lost. There is strategic drift. Hurst contends that a crisis will eventually rock the business and demand major change to restore E-V-R congruence. Hurst further argues that when inertia and entropy take over, it can be sensible to engineer some form of internal crisis – or at least a feeling of discomfort – before external pressures threaten to bring the organisation down.

Organisations which are unaware of potential opportunities, or which ignore them, or which are similarly ignorant of developing threats, lay themselves open to externally-generated crises. They become reactive and fragile and seem to spend most of their time and managerial effort fighting crises in order to survive. Ironically managers can get enormous satisfaction from this, despite the stress, whilst ever they succeed in fighting the crises and dealing with the problems. But the organisation does not enjoy E-V-R congruence.

At the same time, some organisations fail to evaluate the risks of certain decisions and strategies, they over-expose themselves, and they too are crisis-prone in a different way. Derr (1982) uses the term adventurer entrepreneurs to describe very high risk takers who take chances very intuitively and with little analytical rigour, which sometimes pay off handsomely, but which are also prone to fail. Their decisions and strategies are always based more on hope than judgment.

With these arguments we are really adding another layer to the complexity of strategic management. Figure 6 shows how strategic planning was the original dominant paradigm, and remained so until the end of the 1970s. Through the 1980s new contributions from a variety of authors, Michael Porter, Henry Mintzberg and Gary Hamel in particular, added competitive advantage, emergent strategy and resource-based strategies (dependent on core competencies) to our understanding of the subject. More recently strategic leadership has been recognised more widely as a vital ingredient; here we are arguing that risk and crisis management is also a vital element.

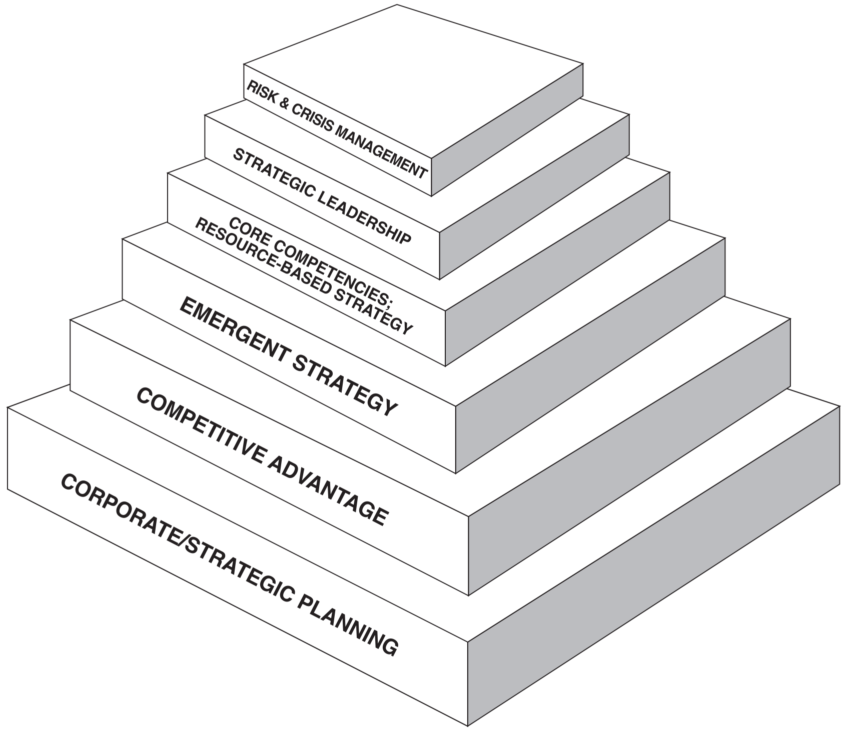

Figure 6.
Emergent views of strategic management

A summary model

To conclude this paper, Figure 7 endeavours to pull together the points discussed in this section. The fundamental argument is that entrepreneurial leaders and managers are required to create and sustain E-V-R congruence. This implies that the organisation manages the risks it faces; it is neither risk averse nor taking risks unduly. It is able to seize valuable opportunities and thereby avoid being crisis prone, which it would be if it was too opportunistic or too slow, rigid, procedural and bureaucratic to seize opportunities and innovate.

Using the charismatic and architectural leadership roles through the centre of the chart, we can see that the key lies in balancing an appropriate degree of vision with control. The term “cowboy” is adopted to describe those organisations and managers which are highly visionary, intuitive and innovative, but which fail to put in place the control systems which are necessary to deal with the pressures of growth. We are using the term “cowboy” to describe a person who “behaves wildly or irresponsibly” (Chambers Twentieth Century Dictionary). Adizes (1988) similarly uses the term “arsonists” for visionary managers who fail to follow their ideas through to effective implementation. These managers may, for example, fail to control cash flow through the organisation and over-trade. At the other end of the spectrum are organisations which are so tightly controlled that they have no vision and consequently lose touch with the needs of their environment.

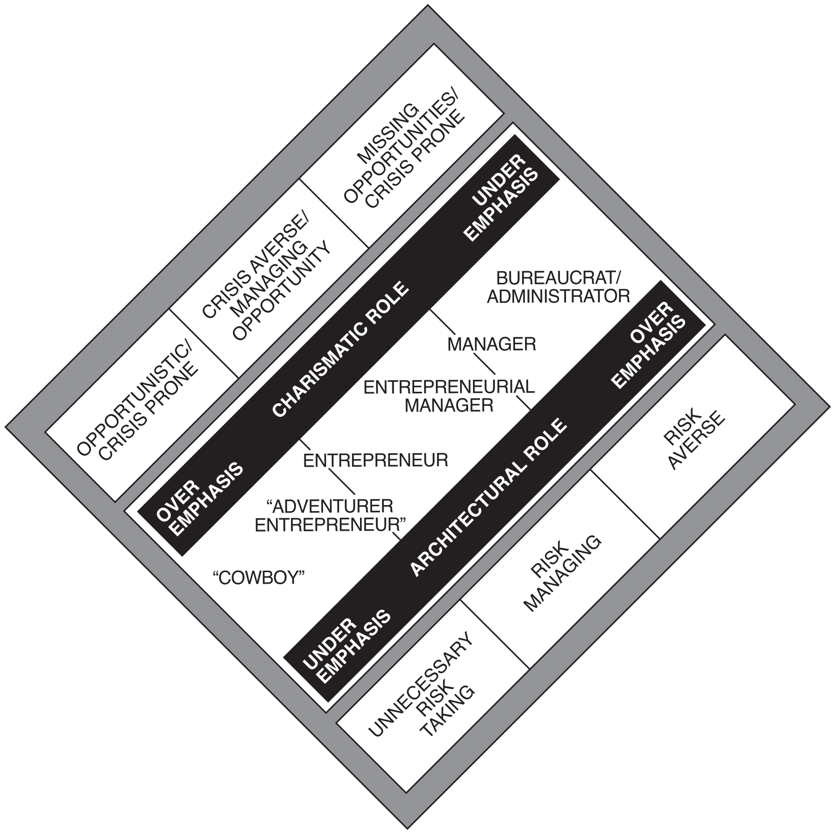

Figure 7.
Entrepreneurship,
opportunity and risk

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Appendix

Box 1

Ardgowan Hospice. The Ardgowan Hospice is located close to the town centre of Greenock, West of Glasgow on the Clyde estuary. The area experiences an above-average incidence of heart disease and cancer, due in part to dietary choices and to drinking and smoking habits. Fish and chips are a local favourite!

Really we could be looking at any one of the 148 voluntary hospices in the UK and Ireland; the underlying principles and issues are similar. As hospices go, Ardgowan is relatively small. Its annual revenues are just 35 per cent of those of "an average larger" hospice. Its relative dependency on legacies is in line with the national average; but donations from a relatively deprived community are below average. This implies a greater dependency on support from the local health council and from general fund raising. Ardgowan, typically, organises collections and special events as well as running three charity shops.

Aggregated together, the independent hospices are the most successful fund raisers in the UK. Concentrating mainly on cancer and motor neurone disease, they serve a need which is clear and visible. The NHS simply does not have the resources to provide the equivalent level of care for terminally ill patients and their relatives. Focusing on pain control, respite care and counselling, hospices require relatively high levels of staffing in relation to the numbers of people they care for. They are certainly not in the business of always trying to achieve more from an ever-decreasing resource! There is, however, an important link between the local health council or authority and a hospice for financial and other resources.

Ardgowan has an eight bed unit together with day-care and counselling facilities. Helped by a recent grant from the Lottery Fund it now runs a series of workshops to help recently diagnosed patients and their relatives and carers "learn to live" with cancer. With its Macmillan nursing team it also provides home care for patients.

Ardgowan came about through the initiative of local people. Probably typically, it had a champion who had recently experienced a bereavement and wished to increase the level of care and support for other sufferers. A steering committee was formed in 1980, with immediate support from the local Inverclyde health council, which offered the use of a derelict eye hospital.

As a consequence, and unlike many hospices which are located away from town centres and sometimes in quiet parkland, Ardgowan is on a street near the town centre and has no dedicated parking facilities.

Projects such as this are driven by a clear desire to do good in a particular way for a particular cause. Those who give active support do it for a range of motives.

Initiatives can only succeed if they are appropriate, feasible and desirable – the market for the necessary funds and resources is extremely competitive. The actual cause determines the appropriateness; personal motives constitute the desirability; and the ability to "beg, steal or borrow" the necessary resources (frequently in a truly entrepreneurial fashion) dictates the feasibility. In keeping with its physical and geographic environment, Ardgowan represents a satisfactory level and standard of resourcing which "will do the job" rather than the best of everything.

Successful fund raising allowed home care to begin in 1984, followed by day care facilities a year later. In-patient care began in 1990 and the "Living with Cancer" programme in 1996. While funds have to be raised for the physical buildings and equipment (visible resourcing), they also have to be raised to keep the place open. This is less visible and requires a recognition that the hospice is genuinely serving an important local need effectively. Its on-going activities also demand a steady stream of volunteers to support the remunerated specialist staff. This can range from help in the kitchen to help in the reception area as well as a fleet of volunteer drivers. The culture therefore represents a blend of professionals and amateurs who share a common purpose and commitment.

Further developments require additional funds. To achieve fund-raising targets, creativity, innovation and entrepreneurship is often required. At the same time, the same qualities are also important for seeking out new opportunities. Obviously Ardgowan could think of increasing the number of beds, as demand continues to outstrip supply, a common incidence. However, it is physically constrained by the size of its building which realistically cannot be extended. One costly alternative would be a second satellite building or a new, larger site. Alternatively it can look to do more in the educational area and perhaps focus on prevention issues as well as helping those who have been diagnosed with cancer. After all, the local environment has an acknowledged high level of need for this.

Success can be measured with finite analyses such as bed occupancy, numbers of day-care patients and numbers of home visits. These have to be important, but an over-concentration on these numbers would miss the point. To succeed in the medium- to long-term a hospice must achieve and sustain E-V-R congruence. Successful caring work, with all that this implies, helps both patients and the relatives who survive them to deal with their dilemma. Afterwards the relatives often want to help others in some way, using whatever talents or resources they might have; others tell their friends and the word spreads. The hospice is recognised for its good work, and it must both create and exploit this. Without it, it simply cannot continue to raise the funds it requires to stay in existence, let alone develop new services. There is a virtuous circle of doing good and raising funds, vital for every charity, and this depends critically on the values and behaviours of all the professional and volunteer helpers.

Box 2

British Airways. Since it was privatised in the 1980s, British Airways has grown to become one of the most successful and profitable airlines in the world. In achieving this it has been influenced markedly by three strategic leaders, Lord John King, Sir Colin Marshall and latterly Robert Ayling. The success has been earned in an industry which has become increasingly competitive and global. The airline industry has been systematically deregulated throughout the world, dramatically changing the nature of competition. Cost control and service differentiation have been essential for survival, let alone above-average success.

BA has agreed a number of joint ventures and strategic alliances to give it greater access to world markets. Although it flies to most European capitals from the UK, BA is also an international long-haul carrier and provides access to much of the globe. However, onward, shorter-distance flights are often required, and suitable partners can be ideal for ensuring these are available. For selected routes, in particular within the UK, BA franchises its flights to a number of small airlines.

The potential of information technology has been harnessed in several ways. BA is part-owner of one of the leading international reservation systems, essential for ensuring high seat occupancy at the best prices obtainable. These systems are also required to support a frequent-flyer programme, vital for encouraging customer loyalty in a very competitive industry.

Non-core activities, such as fleet maintenance, aircraft servicing and in-flight catering have been divested to trim costs. A series of efficiency and productivity drives has further helped to reduce staff numbers and costs. The quality, skills and commitment of people have all been essential for achieving the level of change required to make BA a key player with the theme "the world's favourite airline". Staff development programmes have focused on customer service, and front-line staff have been increasingly empowered in various ways.

Much has been achieved with continuous improvement and new strategies. But not everything has gone smoothly. It is arguable that BA underestimated the potential damage it could suffer at the hands of Virgin. Richard Branson's foray into the industry had a dramatic impact; Virgin implied new competition from an unexpected source and took BA by surprise. Branson had learnt from the earlier failure of Freddie Laker's Skytrain and he was determined to offer a differentiated, high quality service at very competitive prices. He was allowed access to key slots at Gatwick and Heathrow and his airline has grown relatively quickly. He has also succeeded occasionally in making BA look clumsy in respect of its image and public relations. Moreover, in 1997, BA was involved in a well-publicised dispute with its trade unions for implementing changes without adequate negotiations.

The lessons from these two incidences have been important for informing recent strategic developments.

A number of low-cost, few frills airlines such as EasyJet, Ryanair and Debonair have been successful in opening up new routes within the UK and between the UK and selected European cities with cheap flights from regional airports. Although this competition has succeeded in expanding the overall market, BA still felt threatened and decided to start its own low-cost airline, redeploying a successful manager, Barbara Cassani, to mastermind this new entrepreneurial venture. This is a tricky sector of the market. Whilst airlines such as Southwest Air in America have been very successful, others, such as People Express, have not.

BA's new venture, called Go, is separate from the parent BA, and operates flights from Stansted to cities in Italy, Spain, Scandinavia, France and Germany. Costs are reduced by operating out of the less congested Stansted, where turnaround times between flights can be shortened. There are additional savings from using just one type of aircraft, Boeing 737s. IT systems allow passengers to book direct rather than through travel agents, and there are no tickets. Go hopes to attract holidaymakers and business-people looking for the extra convenience; BA is hoping that existing routes will not be threatened.

To create E-V-R congruence for Go, BA has a number of difficult issues it must deal with. The link between the parent and new venture must be carefully established; if BA is perceived to be subsidising Go and enabling excessively low prices, it will be subject to complaints from the existing low-cost carriers and this may invoke the interest of the competition agencies in the UK and Brussels. Go can only succeed if it is able to keep its costs – including staff costs – below those of BA. This may well imply wage differentials between employees doing similar jobs in the two airlines. Given the industrial unrest of 1997, this must be treated sensitively, or morale could suffer. In turn this could affect the level of service which remains essential for success. In addition, safety cannot be compromised.

In simple terms, achieving E-V-R congruence with Go must not threaten the status quo and existing E-V-R congruence of its parent.