

# Identifying, Nurturing and Retaining Entrepreneurial Talent



## HCI White Paper

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By HCI Analyst



## INTRODUCTION

The type of leader needed for the 21st century is changing. Organizations will be looking for independent thinkers, rapid learners, and risk takers; individuals who want to work outside their comfort zone, says Susan Foley, author of *Entrepreneurs Inside: Accelerating Business Growth with Corporate Entrepreneurs*.

In today's market Foley believes that, "Finding the right investment areas is going to require more than rigorous analysis, it will require having the right people to lead your initiatives."

Foley believes the secret to business success lies in an organization's ability to identify corporate entrepreneurs. The best people to move an organization forward are corporate entrepreneurs, or "intrapreneurs," people who build new businesses inside an existing business. Corporate entrepreneurs design, build and implement services and processes to develop new growth, not incremental or product enhancements.

This paper will explore:

- o Growth and talent in the context of a changing business environment
- o Methods to identify entrepreneurial talent within your organization
- o How internal entrepreneurs think, act and work
- o Recommendations for nurturing and retaining entrepreneurial talent

"Today, more than ever, we are dealing with ambiguity, uncertainty, and the unknown," says Foley. "We're dealing with a global economy that is

rapidly changing. Dealing with the unexpected, managing the unknown, requires new skills and competencies that have eluded all but a few companies."

## RESEARCH PREMISE

By not harnessing internal entrepreneurs, a company's most able business builders, many organizations are missing significant growth opportunities.

Organizations are facing pressure to grow while at the same time struggling to find quality, qualified talent. "In many organizations both growth and capturing top talent are priorities but very few have explored the link between the two."

Foley quotes Dave Packard, founder of Hewlett-Packard as saying, "No company can grow revenue consistently faster than its ability to get the right people to implement growth and still become a great company."

## LINK BETWEEN TALENT AND GROWTH

Why is the link between talent and growth so important? Foley cites a recent survey that found that 72 percent of CEOs said growth through innovation was one of their top priorities, yet 40 percent said they believed they did not have the right talent for their innovation projects.

## BUSINESS REALITY

The Bureau of Economic Analysis estimates that \$2.1 trillion will be spent on new business initiatives, products and services in the upcoming years.

Yet, Foley notes that 96 percent of new business initiatives fail.

Quoting from the January 2008 issue of *McKinsey Quarterly*, Foley reports that "Research reveals a wide gap between aspirations of executives to innovate and their ability to execute."

A key factor to this problem is that everyone is in favor of innovation but "nobody much likes change." And "the largest factor to a business' success is its ability to drive and manage change, which is all about people."

### BARRIERS TO GROWTH

Foley asks, "What is more important - a culture of innovation or a process for innovation?" One is behavioral (culture) and one is operational.

Some of the main barriers to growth she found

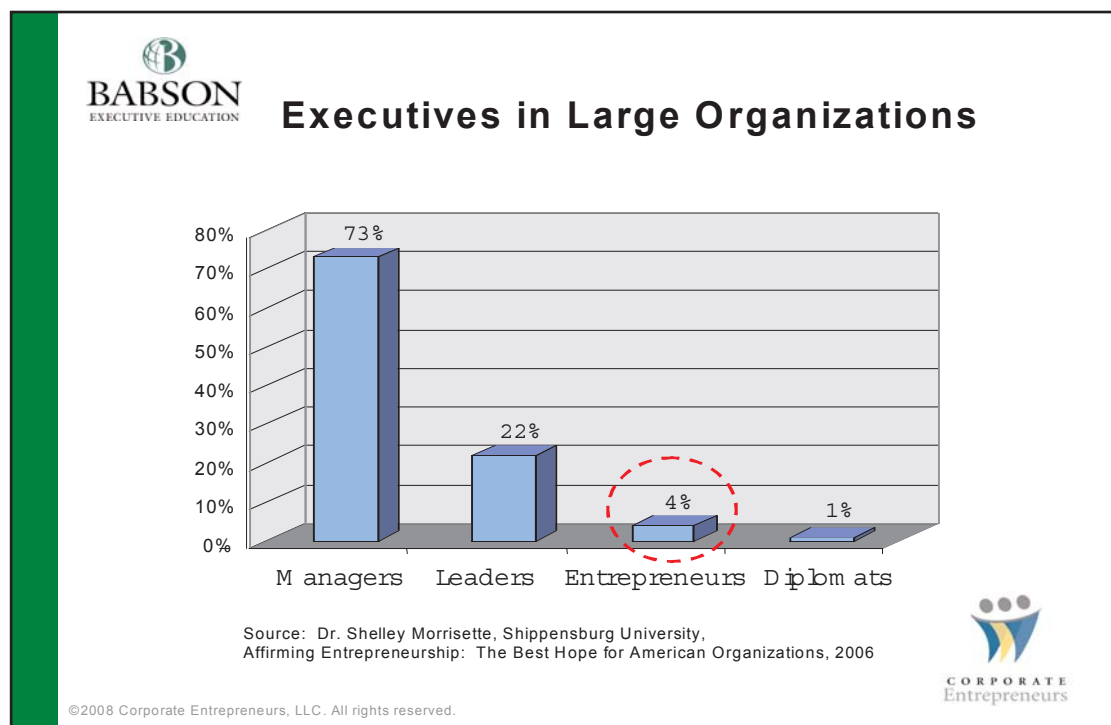
while conducting research include:

- o Short term focus
- o Lack of time and resources
- o Not enough insight into customers
- o Risk adverse culture/ resistant to change
- o Entrepreneurial leadership

Why is entrepreneurial leadership a barrier to growth? Because, says Foley, there is a lack of entrepreneurial leadership at the top of most organizations. "It requires an environment that most leaders are not accustomed to." Yet entrepreneurial leadership is one of the barriers that organizations can do something about. "The right entrepreneurial leaders can live with these other barriers."

Foley found academic research to support her theory. Figure 1 highlights the shortage of entrepreneurial role models.

Figure 1



Among the benefits of entrepreneurs as leaders, Professor Shelley Morrisette of Shippensburg University in Pennsylvania found them to be "bold, daring, intuitive" and "unpredictable and imaginative." He also said they use intuition over analysis for decision making.

The entrepreneur/leader is exceptionally rare. "They are the most exceptional of executives," Foley observes. These individuals have the ability to not only create new opportunities but also to develop and successfully lead organizations.

### WHO IS THE ENTREPRENEURIAL LEADER?

Foley shares a quote she feels best describes this type of person:

*"The most sought after professional for the 21st century economy will be a breed of corporate entrepreneurs, or 'intrapreneurs' whose education and experience are both broad and deep and who have skills for identifying and exploiting opportunities, fostering team-based innovation, and creativity and managing change."*

- Elizabeth W. McBeth

### RESEARCH FINDINGS

Foley identifies the three elements critical for entrepreneurial success:

- o **People:** Entrepreneurial competencies
- o **Process:** Operating framework
- o **Place:** Entrepreneurial mindset and infrastructure

Foley's research focuses on the people. How do you identify hidden talent, entrepreneurial leaders, within your organization? She suggests examining:

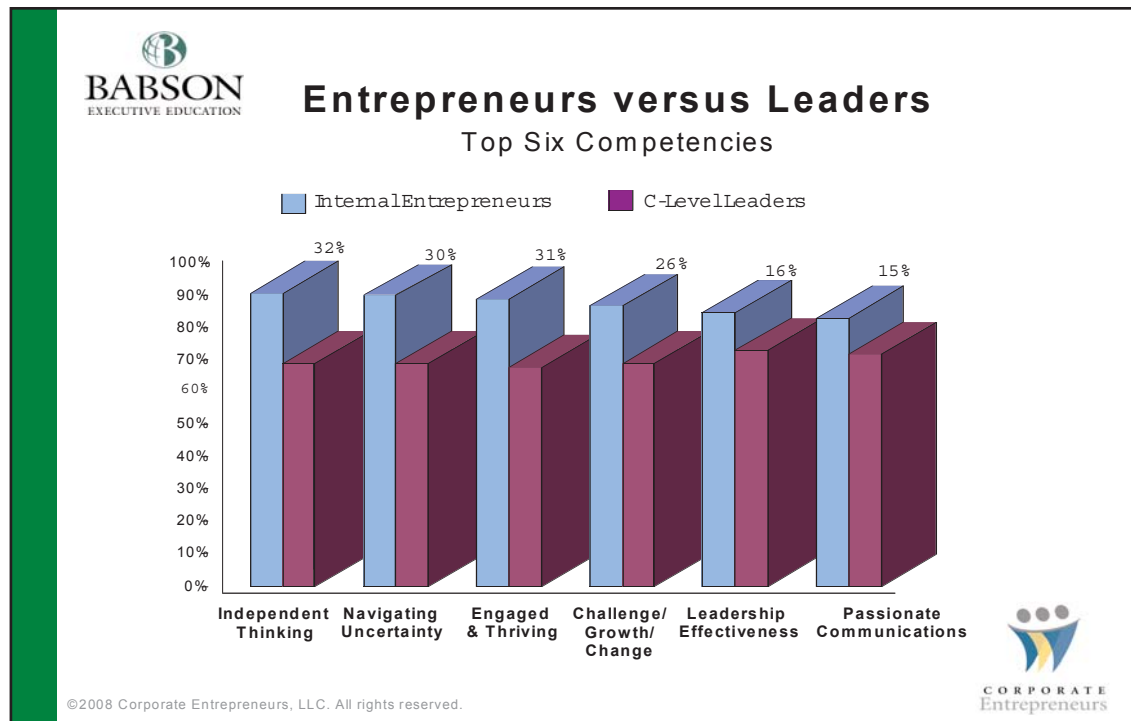
- o How do they think?
- o How do they act?
- o How do they work?
- o How do you keep them engaged?

### CORPORATE ENTREPRENEUR PROFILE

Foley developed a tool to identify the competencies and behaviors of successful corporate entrepreneurs. Using a CEO profile, she evaluated 33 behaviors, 17 competencies, Beta tested corporate entrepreneurs, modified her profiles based on results and compared her results to those of traditional leaders. She found the following top competencies among entrepreneurial leaders:

- o Independent thinking
- o Navigating uncertainty
- o Engaged and thriving
- o Challenge/Growth/Change
- o Leadership effectiveness
- o Passionate communications

Figure 2: This graph shows how internal entrepreneurs compare to C-level executives (CEOs, CFOs, and COOs) in the top six competencies.



In fact, in Foley's study, the entrepreneurs outscored the executives in 15 out of 17 competencies.

### INDEPENDENT THINKERS

Internal entrepreneurs are independent thinkers. They have a thirst for knowledge, openly question authority, challenge traditional approaches, are willing to explore the unknown, and see opportunity in every problem.

Foley found that internal entrepreneurs navigate uncertainty well. They are pioneers, builders and change agents. They possess an intellectual curiosity to explore and a deep desire to build something. They are early adopters of ideas, are not attached to structures and enjoy creating new systems.

### ENERGIZED WHEN CHALLENGED

These internal entrepreneurs are energized and motivated when challenged, says Foley.

"Remember, they are creating something new, something that may never have been done before . . . they will do what it takes to get from strategy to execution. Think of it like coloring outside the lines."

Some common challenges that internal entrepreneurs easily overcome include:

- o Strategies and structures that impede progress
- o Systems and processes that don't support them
- o Policies and procedures that slow them down
- o Cultures that are rigid and inflexible
- o People who resist change

## CONTEXT FOR WORK

Foley found the following values notable among corporate entrepreneurs:

- o Making a difference is what's important
- o A strong belief in what they are doing
- o They do what it takes to get things done
- o Willing to put their job on the line
- o Value is in the experience itself
- o Loyal to the project, then the company

## WORK ENVIRONMENT

"Corporate entrepreneurs tend to work best in the beginning, in the start-up phase of a new project, business or product. Once it gets up and running they start to get bored."

When a project gets to the growth stage corporate

entrepreneurs tend to lose interest and they often prefer to return to the next new venture.

Given this mentality, corporate entrepreneurs often prefer to move or leave an organization, rather than mature with a project.

While some may move on to start their own companies, the true corporate entrepreneur really prefers building a new business inside an existing organization, said Foley.

## INDIVIDUAL TRANSFORMATION

At the beginning of most ventures, says Foley, everyone is excited and energized-and then reality sets in. "Things slow down and the excitement is replaced with pressure and stress." Then comes what she calls "The Valley of Despair."

Figure 3

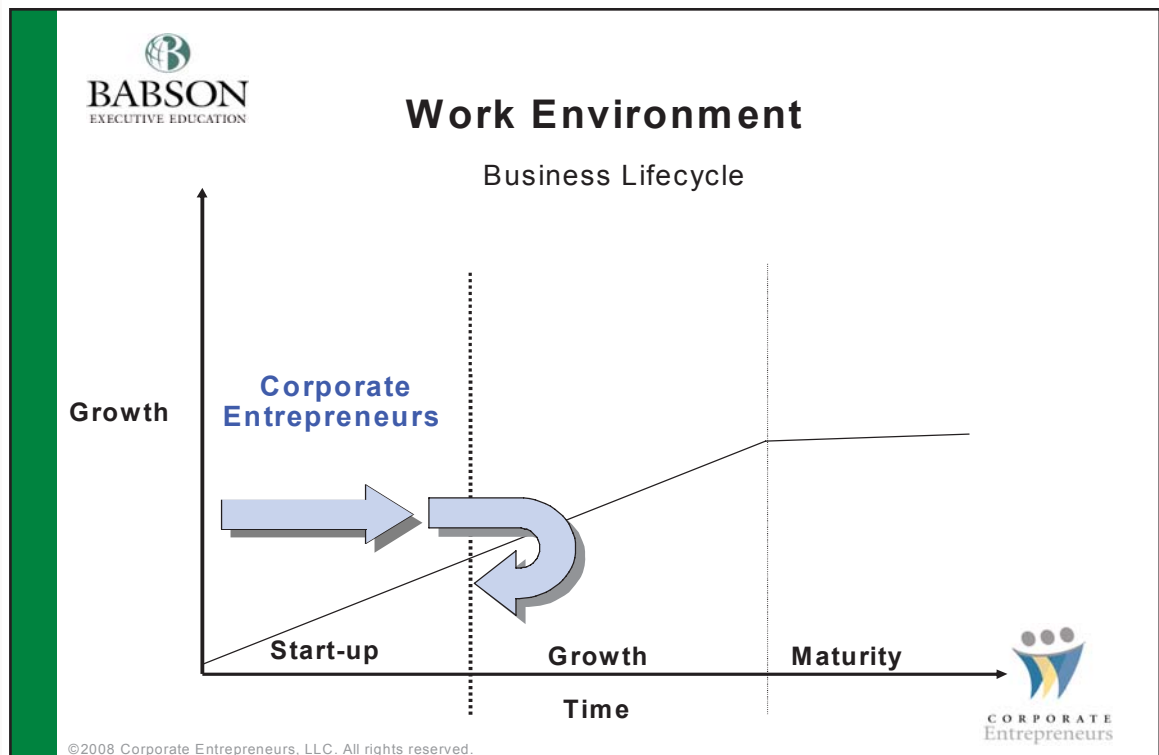
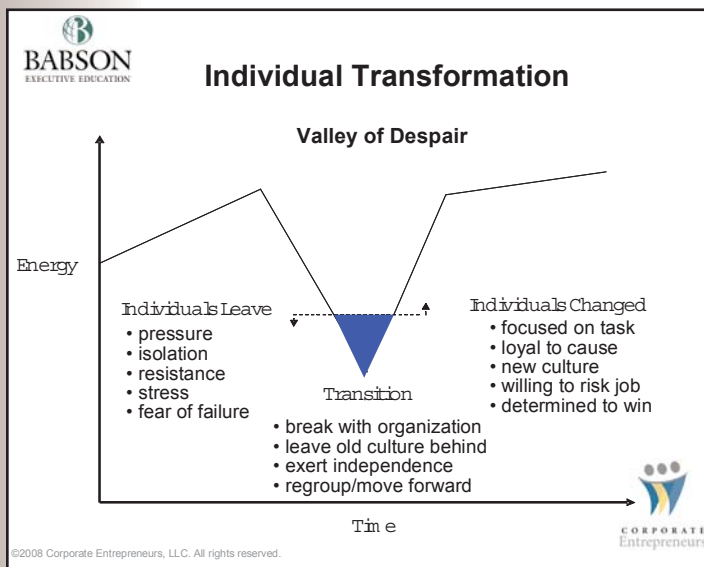


Figure 4



"It's all about breaking away from the old systems and embracing the new."

### THE CONCEPT OF COEXISTENCE

One of the things that differentiates the entrepreneur/leader from the traditional leaders is that they can and must co-exist in the core business while they are building a new one.

It's important for corporate entrepreneurs to co-exist with fellow business leaders. For corporate entrepreneurs this can be difficult. They "have one foot in both worlds." They must understand where the core business is flexible and where it's not. They must adhere to corporate policies and procedures as they are creating new ones. They can work effectively in both worlds.

To quote Professor Morrisette again: "It is possible for leaders to have a high degree of entrepreneurial talent and for entrepreneurs to have a great deal of leadership talent-but these individuals are rare."

### NUTURING

"Identifying these individuals is one thing, but nurturing them is another," notes Foley.

The following are steps corporate entrepreneurs feel their managers can take to ensure their success:

- o Acknowledge differences
- o Freedom to experiment
- o Give them the toughest challenges
- o Provide them with meaningful opportunities
- o Allow them to be direct and to the point
- o Give them a voice in decision making
- o Encourage them to take calculated risks

### RETAINING TALENT

Retaining entrepreneurs is not easy. Foley offers important ideas on how to retain corporate entrepreneurial talent:

- o Executive sponsorship of innovation
- o Funding and resources for innovation investments

Figure 5



- o Flexible, collaborative and network structures
- o Systems and processes that support innovation
- o Align metrics and incentive systems
- o Encourage learning through experimentation
- o Create a culture that tolerates failure

## CONCLUSION

"It is my belief that organizations will need entrepreneurs and entrepreneurial talent if they intend to accelerate their business growth," Foley says. Though rare, organizations must take the time to identify, develop and nurture internal entrepreneurs/leaders.

Corporate entrepreneurs are different. "It is the small nuances that set them apart from traditional leaders." Referring back to the three elements critical for entrepreneurial success: People, Process and Place, she says, "It's people that can move the company forward further than you can imagine."

Foley hopes that managers will realize that one of the most critical assets their organization has are their internal entrepreneurs. "I believe organizations will have to start thinking about these people as investments. Look beyond traditional job descriptions and start thinking about the role of this internal entrepreneur."

Based on the Human Capital Institute Master's webcast, *Identifying, Nurturing and Retaining Entrepreneurial Talent*, May 1, 2008.

## MODERATOR

**Joy Kosta**

**Senior Director of HCI communities  
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As Director of Talent Development and Leadership Communities at The Human Capital Institute, Joy brings twenty-five years of experience in multiple facets of organizational development, human resources and business management with an emphasis in customer satisfaction, service quality, process improvement, and applying the Malcolm Baldrige Criteria for Performance Excellence. As founder and President of Performance Partners in Health Care, a company dedicated to building better patient experiences, she has authored several curriculum in leadership and staff development, and co-authored with Harold Bursztajn, MD Senior Clinical Faculty member, Harvard Medical School, *Building a Treatment Alliance with Patients and Families*.

## PRESENTER

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