

ENTREPRENEURIAL EXPERT

HENRY MINTZBERG

ENTREPRENEURSHIP & ORGANIZATIONS

By

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True entrepreneurs often have an artistic bent—they are visionaries with frequent insights. As such...many ignore MBA programs. These are individualists intent on breaking away from the crowd, while MBAs more commonly want to be in the middle of it.

—Henry Mintzberg
Managers, Not MBAs, 131

INTRODUCTION TO HENRY MINTZBERG

KEY DATA:	
Name	Henry Mintzberg
Title	Cleghorn Professor of Management Studies
Affiliation	McGill University, Montreal, PQ
Education	B.Sc. Eng. (McGill), M.Sc. Eng., Ph.D. (MIT)
Experience	He was named Distinguished Scholar of the Year (2000) by the Academy of Management, and won its George R. Terry Award for the best book of 1995 (<i>The Rise and Fall of Strategic Planning</i>). He is an elected Fellow of the Royal Society of Canada (the first from a management faculty) and has been named an Officer of the Order of Canada.
Notable Publications	Author of thirteen books, including <u>Mintzberg on Management</u> (1989), <u>The Rise and Fall of Strategic Planning</u> (1995), and <u>Managers, Not MBAs</u> (2004). Two of his articles in <u>Harvard Business Review</u> have won McKinsey prizes.

Biographical Highlights

- In many rankings, Mintzberg is one of the top management gurus in the world, based on his influential, persuasive and unconventional ideas.
- Mintzberg is an articulate and high-profile challenger of the value and nature of MBA education, which is the primary delivery mechanism for the teaching of entrepreneurship.
- He is an academic innovator through the creation of the “International Masters of Practicing Management” program, which emphasizes learning by doing, learning from experienced managers, and learning from experienced managers.
- His writings on strategic management clarify the unique nature of innovative and entrepreneurial organizations in relation to other organizations.
- His insightful critique of education in business schools, while focused on managerial training, also applies to entrepreneurship.

6.1 ENTREPRENEURIAL AND INTRAPRENEURIAL ORGANIZATIONS

The entrepreneurial organization and the innovative (intrapreneurial) organization have fundamentally different structures, and they flourish in different contexts.

Leaders around the world respect Henry Mintzberg for his insights into organizations and organizational policies. His unique nomenclature sets him apart from other entrepreneurship analysts, and his managerial wisdom gives him a distinctive approach. As well, his numerous books, honors, and awards reflect the profound magnitude of his contributions to the study and practice of entrepreneurship.

As part of Mintzberg's organizational analysis, he examines two types of organizations—"entrepreneurial" and "innovative." Those he designates "entrepreneurial" are similar to small businesses, engaging in "simple" innovations.¹ By comparison, those he calls "innovative" are generally larger organizations that engage in "intrapreneurship" (as noted previously, innovation within an existing organization). Mintzberg believes that by understanding the structure of each organization and the context in which that structure thrives, people can determine how a particular organization functions.

As Mintzberg sees it, an entrepreneurial organization is a step on a journey to somewhere else: "Most organizations in business, government, and not-for-profit areas pass through the entrepreneurial configuration in their formative years, during startup."² In the entrepreneurial organization, the focus of attention is on the leader. Mintzberg notes, "The organization is malleable, and responsive to that person's initiatives."³

He examines four questions with respect to the entrepreneurial organization:

First of all, how does it organize itself (or resist doing so)?

The entrepreneurial organization has a simple structure—few staff, a loose division of labor, and a small managerial hierarchy. Little of its activity is formalized, and it utilizes only minimal planning procedures or training routines.⁴ The power in an entrepreneurial organization belongs to its chief executive, who exercises his personal will. Formal controls on an entrepreneur's activities by way of an effective board or collaborative management structures are either not instituted or not followed.

How, then, does the entrepreneurial organization function?

Decision-making is flexible, and a highly centralized power system allows for rapid response. With that in mind, Mintzberg adds, “It is not surprising, therefore, that the resulting strategy tends to reflect the chief executive's implicit version of the world, often an extrapolation of his or her own personality.”⁵

What conditions are likely to foster an entrepreneurial organization's development?

The entrepreneurial configuration grows in an external context that is both simple and dynamic. It must be simple for one person at the top to retain dominant influence. (In the classic case, the leader is the owner.) Yet, at the same time, the small firm's flexible structure allows it to outmaneuver bureaucracies. Often the entrepreneur who owns such a firm loathes the bureaucratic system, so he/she keeps his/her organization lean and flexible.

Mintzberg explains, “Entrepreneurs often found their own firm to escape the procedures where they previously worked.”⁶ These organizations are typically young and aggressive, but avoid complex markets. Thus, Mintzberg concludes, “[M]ost organizations in business, government, and not-for-profit areas pass through the entrepreneurial configuration in their formative years, during start-up.”⁷

What problems does an entrepreneurial organization encounter?

Mintzberg's response is concise: when power belongs to a single individual, company growth suffers.

What is the structure and context of the innovative organization?

Mintzberg refers to the innovative organization as an “adhocracy,” based on the Latin term “ad hoc” (“because of this”). This organization's basic orientation is “intrapreneurship”: Mintzberg describes, “[W]hereas the entrepreneurial configuration innovates from a central individual at the top, this one depends on a variety of people for its strategic initiatives.”⁸

The adhocracy provides sophisticated innovation—and possibly a good deal of disruption, chaos, and wasted resources. The antithesis of a machine organization with relatively stable, well-organized systems of operation, the adhocracy features an absence of structure so extreme that it may even resemble chaos. But, strangely enough, this unruly approach is a type of structure in itself; moreover, in its proper context of complex and unpredictable environments, it is a very logical and reasonable approach. Sophisticated innovation is able to fuse experts from different disciplines into smoothly-functioning “ad hoc” project teams.⁹

Innovative organizations tend to display little formalization of behavior, though there are specialized jobs based on expert training, and there is a tendency to group specialists. However, since innovation involves breaking away from established patterns, an innovative organization cannot rely on standardization for coordination. While the entrepreneurial organization also retains a flexible, organic structure, and so can innovate, it is restricted to simple situations that a single leader can comprehend. Thus, sophisticated innovation demands a more complex—and seemingly crazy—structure.

	<u>Entrepreneurial Organization</u>	<u>Intrapreneurial Organization</u>
Structure	<ul style="list-style-type: none"> • Simple, informal, flexible, with little staff or middle-line hierarchy • Activities revolve around the chief executive, who controls the company personally, through direct supervision 	<ul style="list-style-type: none"> • Fluid, organic, selectively decentralized, “adhocracy” • Functional experts deployed in multidisciplinary teams of staff, operators, and managers to carry out innovative projects • Coordination by mutual adjustment is encouraged by liaison personnel, integrating managers, and matrix structure
Context	<ul style="list-style-type: none"> • Simple, dynamic environment • Strong leadership, sometimes charismatic, often autocratic • Company is a startup, or in a crisis, or in the middle of a turnaround phase • Small organizations, “local producers” 	<ul style="list-style-type: none"> • Complex and dynamic environment, including high technology, frequent product change (due to severe competition), and temporary and mammoth projects • Organization becomes more bureaucratic e longer it is in existence • Common in young industries • Two basic types: operating adhocracy for contract project work, or administrative adhocracy for own project work—the latter often applies when operating core is truncated or automated

6.2 ENTREPRENEURIAL AND INTRAPRENEURIAL STRATEGIES

An entrepreneurial organization has a “visionary model” for strategy formation: strategy is bold, and wrapped up in the founder’s vision, with a precise execution method. By contrast, the innovative (intrapreneurial) organization has a “grassroots model”: unconventional strategies respond continuously to a complex, unpredictable environment.

Entrepreneurial and innovative (or intrapreneurial) organizations have different structures that flourish in different contexts. How does this affect their strategies? While many definitions of strategy exist, Mintzberg provides a complementary definition rooted in five different dimensions.¹⁰

As a “plan,” strategy deals with how leaders try to establish direction for their organizations, to set them on predetermined courses of action. As a “ploy,” strategy takes us into the realm of direct competition, where companies use threats, feints, and various other maneuvers to gain advantage. As a “pattern,” strategy focuses on action, reminding us that the concept is an empty one if it does not take behavior into account. As a “position,” strategy encourages us to look at organizations in their competitive environments. Lastly, as a “perspective,” strategy raises intriguing questions about an organization’s intention in a collective context.

Just as Mintzberg uses the term “craft” with respect to doing management, he uses the “craft” framework with respect to developing strategy. He explains, “My thesis is simple: [t]he crafting image better captures the process by which effective strategies come to be. The planning image, long popular in ... literature, distorts those processes and thereby misguides organizations that embrace it unreservedly.”¹¹

Furthermore, when discussing strategy as a “plan,” the entrepreneurial organization is generally disinterested.¹² According to Mintzberg, “Planning, plans, and planners are likely to meet considerable resistance in the entrepreneurial form of organization....[E]verything revolves around the chief executive; that person controls activities personally, through direct supervision.”¹³ In fact, “Serious planning may get in the leader’s way, impeding free movement...”¹⁴ He goes on:

I have always maintained that good entrepreneurs are very plugged into their business, and very hands-on. Formulation and implementation tends to be a closed loop—they go back and forth, and what they are doing on the ground feeds back to what they are thinking about. So, their strategies evolve.

These are people who are usually very dedicated to their industry. They do adapt, unless the change is very fundamental—then they may be stuck in their thinking.¹⁵

Mintzberg further explains, “I don’t think entrepreneurs look at risk at all. They are so dedicated that they just drive forward and don’t think of failure. They don’t worry, ‘There is a risk; I will fail!’ They are totally dedicated.”¹⁶

In addition, as discussed earlier, entrepreneurial organizations pursue bold ideas with precise execution.¹⁷ The leader’s intimate, detailed knowledge of the business, or of analogous business practices, is critical in these situations. As a result, “clear, imaginative, integrated strategic vision depends on an involvement with detail, an intimate knowledge of specifics.”¹⁸ By closely controlling implementation, the leader is able to reformulate en route. The strategy is a personal vision: “decisions concerning both strategy and operations tend to be centralized in the office of the chief executive,” Mintzberg observes. “This centralization has the important advantage of rooting strategic response in deep knowledge of the operations.”¹⁹ He concludes: “[E]ntrepreneurship is very much tied up with the creation of strategic vision, often with the attainment of a new concept.”²⁰

But how does planning occur in an innovative organization? In Mintzberg's view, it entails "...a very loose form of strategic programming, which outlines broad targets and a set of milestones while leaving considerable flexibility to adapt to the dead-ends and creative discoveries along what must remain a largely uncharted route."²¹ In other words, strategy formation in an innovative organization is unconventional—it responds continuously to a complex, unpredictable environment. It cannot rely on deliberate game plans.²²

Mintzberg refers to a "grassroots" model of strategy formation for innovative organizations, comprised of six points. First, "Strategies grow initially like weeds in a garden; they are not cultivated like plants in a hothouse." Plainly, let the strategy emerge: don't over-manage it. Second, "Strategies can take root in all kinds of places, virtually anywhere people have the capacity to learn and the resources to support that capacity." At the outset, no one knows which strategy will succeed in the marketplace.

Third, "such strategies become organizational when they become collective—that is, when the patterns proliferate to pervade the behavior of the organization at large." In this manner, an emergent strategy may replace an existing one. Fourth, "the processes of proliferation may be conscious, but they need not be; likewise, they may be managed, but they need not be." The response of the environment—the market—can determine a strategy's adoption into the company.

Fifth, "new strategies, which may be emerging continuously, tend to pervade the organization during periods of change, which punctuate periods of more integrated continuity." Basically, there is a seasonal fluctuation: a time to sow, a time to reap. Lastly, "to manage this process is not to preconceive strategies, but to recognize their emergence and intervene when

appropriate.” Like gardeners, companies must prune their branches when necessary. In essence, Mintzberg’s “grassroots” strategy grows from the base of an organization, rooted in the earth of its operations rather than in managerial imposition.

Strategy Formation in an Entrepreneurial Organization

Steinberg's was a Canadian retail chain that began in 1917 with a tiny food store in Montreal. During its almost sixty-year reign in the industry, it grew to boast sales in the billion dollar range. Most of the growth was from supermarket operations.

Sam Steinberg joined his mother in the first store at age 11, and maintained all voting control of the firm until his death in 1978. He also exercised close managerial rule over all its major decisions, at least until the 1960s, when the firm began to diversify into other forms of retailing.

In over sixty years, the company underwent only two forms of major strategic reorientation. One was in 1933, when *Steinberg's* moved into self-service: one of the firm's eight stores was incurring unacceptable losses, so Sam Steinberg closed the store on a Friday evening. Over the weekend, he converted it to self-service, changed the name from *Steinberg's Service Stores* to *Wholesale Groceteria*, slashed prices by 15-20 percent, printed handbills and stuffed them into neighborhood mailboxes, and reopened on Monday morning. The new strategy worked. The ideas were bold, the execution deliberate.

Steinberg's ability to change strategies was rooted in an intimate understanding of the grocery industry.

But this strength was also a source of failure. When success in the core business encouraged diversification into new ones (new regions, new forms of retailing, new industries), the organization moved beyond the ability of the founder's comprehension. In short, "Strategy-making became more decentralized, more analytic, in some ways more careful, but at the same time less visionary—less integrated, less flexible, and ironically, less deliberate."

SOURCE: Mintzberg on Management, pp. 116-130

	<u>Entrepreneurial Organization</u>	<u>Intrapreneurial Organization</u>
Model	Visionary Model	Grassroots Model
Strategy	<ul style="list-style-type: none"> • often visionary process, broadly deliberate but emergent and flexible in details • leader takes on many responsibilities • organization thrives in protected niches 	<ul style="list-style-type: none"> • Primarily a learning, or “grassroots,” process • Largely emergent, evolving through a variety of bottom-up processes, shaped rather than directed by management • Strategic focus has characteristic cycles of convergence and divergence
Issues	<ul style="list-style-type: none"> • Responsive, sense of mission BUT • Vulnerable, restrictive • Danger of imbalance toward strategy of operations 	<ul style="list-style-type: none"> • Combines more democracy with less bureaucracy, so the structure is fashionable • Effective at innovation (an extraordinary configuration) BUT • Effectiveness achieved at the price of inefficiency • Also faces human problem of ambiguity and the danger of a possibly inappropriate transition to another configuration

Mintzberg's Key Points

6.1 - The entrepreneurial organization and the innovative (intrapreneurial) organization have fundamentally different structures, and they flourish in different contexts.

6.2 - An entrepreneurial organization has a "visionary model" for strategy formation: strategy is bold, and wrapped up in the founder's vision, with a precise execution method. By contrast, the innovative (intrapreneurial) organization has a "grassroots model": unconventional strategies respond continuously to a complex, unpredictable environment.

ENDNOTES

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- ¹ Mintzberg, Mintzberg on Management, 117.
 - ² Mintzberg, Mintzberg on Management, 120.
 - ³ Mintzberg, Mintzberg on Management, 128.
 - ⁴ Mintzberg, Mintzberg on Management, 117.
 - ⁵ Mintzberg, Mintzberg on Management, 118.
 - ⁶ Mintzberg, Mintzberg on Management, 118.
 - ⁷ Mintzberg, Mintzberg on Management, 120.
 - ⁸ Mintzberg, Mintzberg on Management, 196.
 - ⁹ Mintzberg, Mintzberg on Management, 199.
 - ¹⁰ Mintzberg, The Strategy Process, 9.
 - ¹¹ Mintzberg, Mintzberg on Management, 26.
 - ¹² Mintzberg, The Rise and Fall of Strategic Planning, 410.
 - ¹³ Mintzberg, The Rise and Fall of Strategic Planning, 410.
 - ¹⁴ Mintzberg, The Rise and Fall of Strategic Planning, 410.
 - ¹⁵ Mintzberg Interview #2.
 - ¹⁶ Mintzberg Interview #2.
 - ¹⁷ Mintzberg, Mintzberg on Management, 125.
 - ¹⁸ Mintzberg, Mintzberg on Management, 125.
 - ¹⁹ Mintzberg, Mintzberg on Management, 128-9.
 - ²⁰ Mintzberg, Mintzberg on Management, 128.
 - ²¹ Mintzberg, The Rise and Fall of Strategic Planning, 408-9.
 - ²² Mintzberg, Mintzberg on Management, 210.