Corporate Leadership and Start-up Entrepreneurship

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What role does corporate leadership play in the success of a start-up enterprise or new business ventures? For many people the term “corporate leadership” may conjure up images and discussions of chief executive officers (CEOs) and senior management teams, boards of directors and corporate governance arrangements. It might also suggest the existence of a corporate organisation. Yet a new enterprise may begin as an idea, that eventually finds expression in the form of a start-up venture involving one or more founding entrepreneurs, operating on their own at home with the goodwill and support of family and friends and who are looking for customers and sources of income.

At an initial stage “corporate leadership” may seem an overly grandiose description to apply to the design of a website, searching for modest premises and seeking part-time help, while keeping a close watch on cash flow. Many business ventures and the entrepreneurs who conceive them begin modestly. Some may not think of themselves as “corporate leaders” until they have passed the micro-business and SME stage. This article will examine the relationship between leadership and entrepreneurship. It will also raise questions concerning the nature of contemporary leadership and its relevance to the leadership of start-up ventures and entrepreneurial activities such as innovation.

The Nature of Leadership

There is an extensive and growing literature on the qualities one needs to be an effective leader, but isn't effectiveness in senior, board and entrepreneurial roles more about what leaders do, how they cope with challenges and address opportunities, and the impact they have, rather than the sort of people they are? Isn't it possible for individuals with a wide range of personal qualities and personality types to be successful leaders if they do the right things in the situation they are in?

Is the contemporary focus upon personal qualities actually dangerous in that identified attributes may or may not be relevant, appropriate or desirable, depending upon the situation, context and stage of development? When inappropriate they can alienate people, divide people and create rivalries between people. Too much emphasis is also sometimes put upon leadership potential. Without motivation it may remain latent. Potential also needs to relate to an opportunity.

Too often perhaps the focus is upon leaders rather than followers. Courses and books on how to be a good follower do not draw the crowds. Few young and ambitious people harbour dreams of becoming followers. Are potential leaders encouraged to focus on their own development rather than upon developing others? Courses and coaching often emphasise how to motivate, monitor and inspire others, rather than how to listen, help and support or engage, share and build relationships. Do entrepreneurs need to excel in both arenas? Should they also ask questions about themselves and their aspirations and motivations to determine if entrepreneurship is appropriate and right for them at their stage of life and the situation they are in (Coulson-Thomas, 1999)?

The Context of Leadership

Early investigations of leadership by authorities such as John Adair (1962, 1968) explored what it meant in particular contexts, whether the leadership of military units or the leadership of business organisations. However, there are many other arenas in which leadership issues might arise. For example, what form of leadership is required and from whom in relation to educational institutions, vocational bodies and professional associations and firms? What different forms of leadership might
be exercised within an operating theatre? What does leadership mean within the creative arts?

Aspects of leadership can be handled differently, depending upon the context. In the world of higher education while a Vice-Chancellor and his or her team may be influential in business decisions, key academic decisions are likely to be taken by an academic board. Are there lessons here for companies, particularly those operating in knowledge dependent arenas? What can company boards and the governing bodies of universities learn from how each operate? Within the public sector, there are different models for dividing leadership responsibilities between elected politicians who hold Ministerial office and permanent officials. Might some aspects of these be relevant to a company or a professional firm that is considering how to operate more democratically?

An entrepreneur may be able to learn from a variety of contexts and different lessons will vary in their relevance according to the stage of development of a business. At the start-up stage there may be particular requirements, such as the need to articulate the vision and mission of the founders and review initial goals, objectives and priorities following contact with the market place, and to ensure these are understood by new people as they are inducted. Might Adair's (1973) notion of action-centred leadership relate more to start-up entrepreneurs than to leaders of established organisations who may be more concerned with mitigating risks than tackling them, safeguarding a reputation rather than establishing one, and conforming to expectations rather than challenging them?

The Need for Leadership

Approaches to leadership sometimes appear to assume that the people of organisations are apathetic, disinterested and bored. It is as if they don't know what they are doing or why, and they are sitting around in a dormant state waiting for a leader to come along who will breath life, purpose and motivation into them. Is this an accurate portrayal of people in many organizations today? What do some approaches to leadership tell us about the respect we have for others? In contexts where highly qualified and engaged people are involved, do we need leaders (Ingram & Emery, 2015)?

Are boards of established businesses failing to provide strategic direction? Are talented and motivated people just waiting for a leader to show them the light? Are they so empty or misguided that they need a corporation to provide them with a corporate culture and a set of values? In reality, some individuals lack inward direction and not all corporate visions, missions and goals are properly communicated. However, many people are competent, responsible and know what they are about. They may have joined a company because they support its aims and want it to succeed.

In start-up situations, rather than inherit people entrepreneurs have the opportunity to select their teams. They can choose those who demonstrate required qualities and have a strong interest in what they are setting out to do. They can avoid the apathetic and disinterested. Some of those who play games are time wasters. They become walking overheads in larger organisations. They avoid start-ups where they might feel more visible and exposed. Individuals looking for a quiet life and a steady income may also see a new venture as a less secure option, whereas the adventurous and ambitious eager for a challenge might be attracted to it.

Most entrepreneurs try to assemble teams with relevant qualities and experience. To what extent do confident, responsible and talented people who understand the purpose of an organisation and situation they are in need direction? Do those who are prepared to take ownership of issues and have the competence to address them need to be led? Can self-managed work groups and the trusted teams who are closest to customers and best know their requirements be left to get on with it? At what point does management and leadership become unnecessary interference? Can unwelcome and inappropriate involvement become a distraction and counter-productive?
Leadership, Creativity and Innovation

Many of the most pressing challenges facing companies and mankind may not be effectively addressed by incremental improvements to existing activities and excellence in the performance of them. More imaginative and innovative responses may be required. A key function of leadership is to encourage and support the free enquiry and creativity that will enable them to occur. Leadership is often associated with activities such as giving a lead, judging and selecting, yet creative thinking may be best enabled by standing back, inviting challenge and encouraging diversity and debate. In the case of some start-ups the innovation upon which the enterprise is based is the brainchild of a founding entrepreneur, who then needs to assemble a team with the complementary qualities that are needed to successfully commercialise, protect and generally exploit and further develop it.

In 1997 I set out ten essential freedoms for removing constraints and liberating latent talent by allowing people to work, learn and collaborate in ways, at times and places, and with support that best allow individuals and teams to give of their best and be creative and productive (Coulson-Thomas, 1997). When the conditions are right for the people and relationships involved they can flourish, and practical and desirable outcomes can emerge that address particular problems and/or meet the requirements of individual customers. The focus of the leader in such a context may be upon removing obstacles to the creative process rather than determining individual outcomes.

The challenge for start-up entrepreneurs is to prevent barriers and constraints from arising. At some point one may also need to cope with the retirement of a founding innovator. For later stage organisations, whose people and customers embrace a variety of cultures, nationalities, religions, situations, requirements and aspirations, successful organic evolution, growth and development can depend upon a multitude of local decisions and interactions. Where central decisions have to be taken, these may be best addressed by a relevant committee, or where appropriate a board rather than by a CEO or members of a senior management team who may not themselves be innovators.

In competitive and dynamic situations and where windows of opportunity may be limited, quick, and front-line responses may be required. Those responsible need to be able to easily access the help they require and increasingly this needs to be available on a 24/7 basis. Support requirements and what might enable people to be more effective can sometimes be best determined by those in the front-line. Individuals who are allocating resources need to ensure that staff involved are aware of available alternatives and that the most relevant and appropriate options are considered.

Chief Executive Officers (CEOs) and Leadership

The ultimate leadership prize for the ambitious is to be appointed a CEO. Why should anyone expect a new CEO who may need time to settle in and adjust to the role, while possibly being worried about whether he or she has taken a step too far, to quickly provide “leadership” that adds value to that given by continuing members of a board and management team? An external appointee may also be unfamiliar with a company's situation and context and face the challenge of re-location. Are some expectations of so-called “leaders” unrealistic, undesirable and dangerous?

Employees with experience of organisation charts may visualise a CEO at the apex of a pyramid and master or mistress of all they survey from this lofty position. In reality, a CEO sits at the interface of two sets of relationships, those involving the people of a company and those with its board, including a board chair and independent directors, some of whom may have been involved in his or her appointment. There may also be investor and other stakeholder interests to accommodate.

Would it be in the best long-term interests of long-established organisations for more people to ignore instructions from newly appointed CEOs and other leaders and ensure these new arrivals
share responsibility for important decisions until they have completed an induction process and demonstrated they fully understand the options, issues, constraints and other considerations involved? One often encounters companies who have been spared the negative consequences of bad board decisions and corporate initiatives because further down an organisation people have rolled their eyes and then either frustrated or ignored them.

Founder entrepreneurs can appoint themselves to head up a new venture. They build organisations rather than climb them. When not taking over an existing enterprise, rather than inherit a business a start-up entrepreneur has to create one. Rather than steer a company and keep it on track and ensure its survival, entrepreneurs often challenge an existing order and create new choices (Coulson-Thomas, 2001). The process they go through is often one of preparation rather than induction and settling in. While they have few people around them who can help, and with whom they can share responsibility, and it may be some time before a properly functioning board is appointed, a business can be very dependent upon its founder or founders. While they may invite comments and seek advice from others, owner managers and directors usually expect their staff to respect them.

Top-down Leadership

There are people who care and who are competent, responsible and talented. They may also be committed to the vision and purpose of an organisation, project or venture. They may quietly work for it to succeed. In an established organisation it can be irritating to find oneself reporting to an opinionated person who is paid a small fortune in comparison, and who has just returned from a leadership programme eager to build their personal reputation and practice what they have learned about leading people. Effective leadership, like good film direction, may need to be light-touch and subtle. However, in start-up situations one sometimes needs to be more direct.

How do traditional notions of top-down leadership apply to virtual, network and start-up organisations, where the key relationships can be with collaborating peers, partner organisations and potential customers rather than junior subordinates? Do they assume a relatively bureaucratic organisation with a leader at its apex? What if the priorities are communication, coordination and prospecting and people are in roles that do not enable them to issue instructions? Start-up founders cannot assume their peers and external parties will listen to them, let alone defer to them?

The nature of work and organisations continue to evolve. As technological developments, automation and expert systems replace people with intelligent apps, robots, drones and easy to use and low-cost 24/7 on-line and on-demand solutions, more leaders may find themselves presiding over options, systems and processes rather than people (Ford, 2015; Kaplan, 2015). What will this mean for their roles, how they should prepare for them and - where there is a separation of ownership and control - the qualities that those appointing them will seek?

In the past, has traditional leadership attracted the abnormal and the ambitious, people who feel inadequate or unloved, or who have something to prove, or who want to dominate others? Has it appealed to those who want to be listened to, rather than those who want to listen to others and serve and support them? To get ahead, has one needed to be ruthless, self-interested and single minded, rather than caring, open and devoted to a cause? Perhaps so, in relation to some traditional positions of power, such as those at the top of certain large organisations, but is entrepreneurial leadership becoming the norm among those seeking to build their own businesses?

Leadership and Entrepreneurship

Having greater independence and more control of one's own life appears to have increased in popularity. Over the last twenty years, more courses in entrepreneurship have been established at
business schools and other departments at universities, and they are attracting larger numbers of students. Falmouth University (2016) in Cornwall prepares people for entrepreneurship and careers in the creative arts. Undergraduate students are encouraged to set up and develop businesses with like-minded fellow students. They receive support in the development of their enterprises.

How do traditional views of leadership relate to start up entrepreneurs who may begin a business without anyone to lead? In many cases the few people they start an enterprise journey with may be supportive family members, friends or business partners, rather than dependent employees. Others who join them and risk their careers by putting their trust in an early stage venture may do so because they share a vision, see an opportunity, or believe in a cause. These can also be among the reasons why people seek employment with larger and more established businesses, but as already mentioned the latter may also attract those looking for greater certainty and security.

In what areas and to what extent are entrepreneurial owner-leaders of start-up enterprises different from other people who have either advanced on merit or used guile, cunning and political skills to reach a leadership position at the top of a large and bureaucratic organisation? Does it make sense to call start-up entrepreneurs “leaders”? Is there a separate category of “entrepreneurial leader”? Would it make more sense, and say more about the challenges they face in the early stages of a new venture, to just call them “entrepreneurs” and to use leadership terminology at a later stage?

According to the Peter Principle, people rise to a level at which they may be perceived as incompetent and so further advancement does not occur (Peter & Hull, 1969). Should one expect leaders at the top of organisations to be competent? How does one assess the contribution of people in leadership positions when corporate performance may be the aggregation of many other contributions? Paradoxically the effective leader whose leadership style helps, builds and supports others and who encourages them to take ownership may be less visible than headline grabbing peers. In comparison with those at the top of large and established organisations, the influence of many founder entrepreneurs is as visible as muddy finger prints all over their enterprises.

Shared and Collective Leadership

Some leaders do not inspire people, support them or enable them to excel. In larger and more bureaucratic organisations they sometimes centralise, constrain and consolidate. How can boards prevent too much power accruing to an individual who may be incompetent, deluded, mistaken, naïve or out of his or her depth? What checks and balances can be introduced? How can one reallocate roles and responsibilities or reclaim power from a strong CEO? Governance arrangements should address these issues and in such a way as to achieve a balance between governance, risk and performance considerations (ACCA, 2014).

Some leaders struggle and certain leadership roles may be difficult to fill. Offering more money to possible candidates may not be the answer. If the demands of leadership roles become too onerous, how does one achieve some form of shared leadership in which complementary people collectively cover all the different aspects of what needs to be done? Might sharing a leadership role better accommodate those who have family responsibilities or are seeking a different work-life balance?

There is a tendency to focus upon the advantages of effective leadership rather than the risks and consequences of inadequate or destructive leadership? Perhaps this is because people like to be associated with positives and to avoid association with negatives. If bad news and negative thoughts are unwelcome, and they do not win coaching assignments or sell books on leadership, should directors and boards themselves peer into dark corners and address downsides and risks?

The Role and Contribution of Boards
Where there is separation of ownership and control, directors play a central corporate governance role. In addition to providing strategic leadership and good governance, directors and boards should investigate the nature and exercise of leadership across an organisation. They can play a vital role in ensuring that checks and balances are in place to prevent an excessive concentration of power and ensure there is collective leadership. To avoid the dictatorship of a strong-willed and charismatic CEO one may need to strengthen the remits and powers of other executive directors, as well as ensuring that a board has a suitable and effective contingent of independent directors whose first duty is to the best long-term interests of a company.

A programme I delivered for the European Union involved the support of the entrepreneur owners of 50 small and medium sized enterprises (SMEs). My experience suggests many owner directors remain unconvinced that the benefits of appointing independent non-executive directors (NEDs) and instituting formal board meetings will exceed their costs and add significant value, although entrepreneurs who understand how to build an effective boardroom team can secure considerable advantage (Coulson-Thomas, 2007a & b). Some owner directors reported bad experiences of NEDs who had retired from head office roles with large companies and with little direct experience of serving customers or managing a cash flow. Potential NEDs sometimes seemed more interested in generating incremental income for themselves than they were in helping to build a business. Founder owner entrepreneurs are well advised to be wary, as the wrong board appointments can introduce a malign element. A proportion of potential candidates may be primarily concerned with their own interests, especially if they encounter a start-up with potential. They might spend more time seeking an equity stake than enquiring about customers and offerings. Some may alert their friends and then seek to secure a controlling interest, replace a founding entrepreneur with one of their own nominees, and then make a short-term financial gain by floating or selling the company. Unwary entrepreneurs can be ejected from enterprises they started and denied their just rewards.

Excellence, Innovation and the Board

A start up phase can be dominated by considerations of customers, cash-flow and premises, but in later stages and as a company grows many boards need to also develop and widen their horizons. What sort of leadership should a board provide in relation to business excellence and areas such as innovation, quality and sustainability? What does excellence mean in the contemporary business environment and in relation to the board's own performance? How should one assess and judge excellence, for example against a standard model produced in the past, or against issues, challenges and opportunities currently facing an organizations and how one is responding or should respond?

Directors should ask: do we need to excel at everything as some business excellence enthusiasts suggest, or should we just aim to excel at the critical success factors for competing and winning, while being “good enough” elsewhere? Will customers be prepared to pay for excellence in areas that do not directly affect them? A start-up entrepreneur with limited resources may need to think carefully about where and when and in relation to what opportunities excellence can be funded. In relation to change, knowledge and talent management and other areas are considerations such as relevance and affordability more important than “excellence”?

Should the focus be upon creating a culture of excellence and innovation, or providing the conditions and performance support for people from a diversity of backgrounds and cultures to excel where it matters. How does one encourage, unleash and support innovation across an organisation and its value chain, and ensure there are synergies between strategy, entrepreneurship and innovation? One also needs to capture innovation and learning in the form of human capital that can be captured, managed and exploited to grow shareholder value (Perrin, 2000). How might a
responsible business also make innovation work for wider society? Do start-up entrepreneurs have a different take on such a question? Is a societal dimension a potential differentiator or a distraction?

How should a board and corporate leaders set about building more innovative, entrepreneurial and sustainable business models? What are the governance implications? How might one achieve more innovation and entrepreneurship in governance itself, including in terms of relating it to the situation, requirements and stage of development of particular enterprises? What approaches to corporate governance would better reflect the changing nature of organizations and the contemporary business environment? Do board agendas, corporate priorities and approaches to management, leadership and governance make sufficient reference to creativity and how it can best be stimulated, enabled and harnessed? Innovation is the result of creativity that leads to something that is adopted and which can hopefully be monetized. It is a result and creativity is the cause.

Leadership and Human Capital

Inventor entrepreneurs and business founders setting out to offer something new may themselves be the source of innovation. Their challenge may be to sustain it. There are many opportunities for knowledge entrepreneurship. In many cases the know-how required may already exist, waiting to be packaged and made available in a form that can be monetized by an alert entrepreneur (Coulson-Thomas, 2003). In other cases, it may have to be created or otherwise accessed if the potential rewards justify the effort involved. The initial people decisions of entrepreneurs can be critical. Human capital has topped the list of issues of concern to CEOs (Conference Board, 2015). Founding entrepreneurs, CEOs and boards all need to ensure their companies have the human, financial and technological resources to achieve their corporate visions and goals. Many boards also face human capital challenges such as achieving greater diversity and raising productivity, while teamwork, group dynamics and creativity can be issues at all levels across an organisation.

Leaders are expected to maximise the value of an organisation’s human capital and derive as much benefit as they can from the team of people for whom they are responsible. Selection committees look for whether candidates for leadership roles have “people skills” and a “people orientation”. However, can a company be over invested in human capital as opposed to expenditure on technology or moving activities on-line? Can one be too people oriented? What is the role of human capital in the face of artificial intelligence (AI) and robotic revolutions (Ford, 2015; Kaplan, 2015)? Many people assume human capital is a good thing, but humans can be expensive, variable in their performance and they are not always reliable and motivated. Are there better alternatives? How many HR professionals are so preoccupied with recruitment, employment and disciplinary issues that they have little time to consider the interface of people and technology and trade-offs between them. Is the combination of people and technology and understanding e-business opportunities the key to increasing the productivity and operational excellence of an existing business, and a route to cost-effective operation and rapid and international growth for the start-up entrepreneur?

Addressing Digital Opportunities

Just as some stars of silent films failed to survive the introduction of sound, so not all leaders may adapt to the requirements for excellence, innovation and success in the digital economy. Are these requirements sufficiently stressed in leadership development courses? Are business excellence and other models and approaches also too preoccupied with people considerations? Boards need to ensure their organisations embrace 'new leadership' with its emphasis upon helping and supporting. They must ensure key work-groups are equipped and enabled to adopt, integrate and benefit from greater connectivity, and big data, knowledge and information management systems, and provided
with the 24/7 performance support they need to stay current and address new challenges and opportunities wherever and whenever they arise (Coulson-Thomas, 2012a & 2013).

Available and affordable digital technologies and capabilities are rapidly evolving. Many of their applications have long had the potential to be disruptive and terminal for unaware or disinterested laggards, whether in transforming supply chain relationships (Bartram, 1996) or transforming public services (Coulson-Thomas, 2012b). Developments in information and communication technologies in areas ranging from design tools to gamification have implications for the innovation process, the design, development, communication and support of new products and services, and relationships with customers, partners and users. What are the implications of the digital economy for leadership, entrepreneurship, working, learning, buying and selling, the nature and pace of business development, organization and governance?

Entrepreneurs and business leaders also need to be aware of sectoral issues and opportunities. Applications of technology to enhance agility, improve productivity, drive performance, support innovation and mitigate and manage operational, strategic and governance risks can vary by sector. So can aspirations, requirements and expectations. Continuing awareness is needed as to what customers and users might consider to be affordable, excellent, innovative and relevant. In some markets, senior executives and board members need to think more like entrepreneurs.

Entrepreneurial Leadership

In many sectors, the implications of various challenges and opportunities are uncertain. For example, in relation to financial services will traditional banks and their branch networks continue to be relevant? In an era of crowd sourcing, AI and automated and on-line transactions do we actually need banks as we know them today? Government interventions should be about creating public value (Moore, 1995), but are regulatory and licensing practices preventing a revolution in banking? While founder entrepreneurs may not have direct access to the resources that larger organisations can command, they have an interest in removing barriers to entry and removing restrictive practices and obstacles to competition. Whether individually or collectively, should they also seek to influence public decision makers and engage with wider society (Browne et al, 2015)?

It is over half a century since Peter Drucker (1969) wrote about the age of discontinuity and put the case for innovation and entrepreneurship. Many of today's organisations and mankind generally face such a combination of challenges that perhaps survival cannot be taken for granted (Harari, 2014). Innovation, entrepreneurship and greater creativity are required. Corporate leadership has to become more entrepreneurial. Corporate leadership and entrepreneurship may have to converge.

Many established companies need entrepreneurs to help them to quickly adapt and evolve and remain relevant. Companies of all sizes need to find better ways of working together. In the digital economy more start-up companies have the potential to grow more quickly than before. Those who have wrestled with the problems of corporate bureaucracies may able to advise on how to avoid them. Those who have succeeded at renewal and re-invention may speak a language that a start-up entrepreneur would understand.

In time more leaders may move between established and start-up businesses where the priority is to articulate a vision or cause and operate more sustainably in order to reach and engage others, especially younger people. Those who fail to adapt and embrace the requirements for effective ‘new leadership’ will fall by the wayside. Innovation is required in terms of how we think about leadership and the nature of leadership that is required in relation to the changing nature of work, organisation, learning and entrepreneurship.
Note

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