



A Competitive Advantage in Any Period

We are witnessing a unique period of sharp contractions in the world economy. The perception is that we are facing a change of cycle that will result in all-encompassing shifts. While some countries and sectors are struggling, others continue to grow by exploiting the full potential of opportunities presented by the convergence of new forms of consumption, new ways of working and new ways of doing business.

In short, we live in a more global, more integrated world, with sharp imbalances and a break-neck pace of change. But at the same time it is a world full of opportunities where the potential for creating value has grown on an unprecedented scale. Obviously, all this is taking place in a much more complex and intense competitive environment aggravated by the difficulties brought on by a full-blown economic crisis.

One of the questions that may arise is whether entrepreneurship makes sense in times of crisis. Is it worth the effort? The question is relevant and is particularly worth asking when uncertainty levels are higher than usual.

During the period of sustained growth we experienced from the mid-1990s to the financial crisis, a host of factors forced companies to innovate continuously and become more creative and flexible. Factors such as the emergence of more hostile competitive environments, the increase in market fragmentation, the reduction of product life cycles and technological change forced firms to step up the pace.

This often took precedence over the objective of maximizing operational quality and efficiency that any self-respecting organization should aim for if it wants to compete successfully in any market.

Many companies have been aware, and in a sense have rediscovered, the advantage of promoting entrepreneurial leadership and management within the organization and focusing on exploiting opportunities in their arena by adapting their means and resources and learning on the go.

Entrepreneurship: a continual challenge

A potential effect of the current crisis, above and beyond the easily prescribed "long [economic] winter," is that it might result in restricting or diluting a company's entrepreneurial focus and drive. If entrepreneurship comes to a halt, two potential consequences may emerge.

Firstly, a company's vulnerability relative to its competitors, particularly in the eyes of its customers, is more likely to increase. Secondly, it will fail to exploit the extraordinary opportunities to further penetrate niche markets; take over complementary businesses or assets; enter international markets in countries with high potential; and hire talent that was inaccessible in other times.

Ultimately, ensuring that a company is entrepreneurial is a key challenge and an important part of its competitive advantage, in periods of prosperity as well as recession. Where the focus should be placed and how measures are implemented is another matter altogether that hinges on the organization's structure and operating environment. Whether in times of expansion or adjustment, the challenge of preserving entrepreneurship is an ongoing one.

Executive Summary

In the midst of the challenging current economic environment, many companies are discovering or rediscovering the advantage of promoting entrepreneurial leadership and management within the organization. By adapting their resources and learning on the go, these firms are exploiting the full potential of opportunities presented by the new economic panorama.



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Vision and strategy: focused but also flexible

In the current environment, it is more important than ever that we first identify how the company's strategy is focused on the core business, how related products or services are focused on niche markets, and how R&D is aimed at strategic areas and maximizing its distinctive capabilities. But that's not all. We also have to ask how flexible the combination is. Is the company capable of restructuring unprofitable business activities and scrupulously exploring key future opportunities, for example?

Also, in times of uncertainty we must be particularly careful when communicating an exciting long-term business plan to all members of the organization. We must acknowledge the contribution of each member in achieving this vision, without

losing the company's sense of realism. It boils down to focusing on the basics, the core business and its distinctive capabilities, while spurring an exciting and "opportunist" spirit to pursue new ventures.

Viable financial model

A second crucial issue in any entrepreneurial initiative is whether the financial model is viable. Access to financing is always complex and even more so in the current credit crunch. However, besides the difficulty of obtaining funds due to the economic climate, the absence of an appropriate financial structure is often attributable to senior managers' and owners' shortcomings.

These shortcomings consist of a failure to search for, select and evaluate alternative funding sources. Among other notable deficiencies are a failure to develop medium-term business plans and business leaders' ability to appropriately communicate the business plan.

Therefore, companies should not only seek financing. They also need to address their medium-term needs, evaluate alternatives, present the business plan, negotiate periodically at the appropriate level and avoid delegating this task to the CFO. There is a tendency to delegate such decisions, out of inertia, to the financial department, which normally acts as a control system.

What is needed instead is for the entrepreneur or CEO, or even the board, to get directly and proactively involved in financial decisions affecting the overall philosophy of the company with regard to seeking funding. Similarly, the entire organization should be cognizant of the importance of funding, with all functions pitching in to optimize investment in working capital and facilities.

People: administrator versus "sponsor" behavior

Thirdly, in the current environment it is crucial that companies ask themselves whether their team is adequately equipped to exploit entrepreneurial activities. In particular, they should consider what kind of behaviors and attitudes make up the organization's culture. For example, employees with an "administrator" behavioral profile focus on management, coordinating resources, risk management and handling transactions. For entrepreneurial activity to occur, the company must counterbalance this type of

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employee with staff members with a "sponsor" profile who are focused on clients, opportunities, action and value creation.

What we can learn from the most entrepreneurial companies is particularly enlightening in this regard. They are very flexible at adapting to their environment, both in terms of their team's headcount and skill set. In particular, their strategic focus is always trained on the exploration and development of internal or external opportunities as an imperative and also as a key to making the business sustainable for all members of the organization.

Management teams equal to the challenge

Fourth, a crucial question that we should ask is whether we have the right management team to confront the current challenges. Great leaders in times of expansion may not be so appropriate in recessionary periods. Moreover, we note that entrepreneurial companies build management teams which are balanced, experienced, and somewhat "oversized," not only to manage the day-to-day, but also to harness the extraordinary opportunities that present themselves and to address the often unknown challenges that surface in periods of high uncertainty.

Active and efficient government bodies

Finally, in fifth place, companies should consider the role and contribution of its board of directors. The company's model of governance is key to its viability in the medium and long terms, the aptitude of its management team and its ongoing entrepreneurial culture.

There is no denying that many boards do not always perform, and that their contribution to the company's bottom line does not always reach its full potential. Therefore, having formal bodies of corporate governance (and family governance in family businesses) is not enough.

We must ensure that these bodies are active and efficient in facing the challenges thrown up in these times of rapid change. Beyond its formal role as the controlling body, the board should actively support management in defining medium-term strategies and making decisions concerning property strategy, mergers and acquisitions, or joint ventures, to exploit the opportunities of an increasingly challenging global competitive environment.

In conclusion, entrepreneurship as a competitive advantage is more important now than ever. But the way we manage it and where we place our focus has to be consistent with the challenges we face.

Today, more than ever, it is essential to have a shared, focused, realistic and exciting business vision and strategy in the medium term, while scrupulously taking advantage of every opportunity that emerges.

Today, more than ever, as in any entrepreneurial initiative, we must also evaluate whether we have the financial and business model that fits the new realities of the financial system, taking responsibility at the owner or executive level to ensure viability in the medium term, recapitalizing the company with share capital or debt if necessary.

And today, more than ever, we must assess whether we have the staff, management and governance team with the right profile and level of commitment to exploit the exciting and challenging times we are living in. ■