

The Entrepreneur Managing Talent for Creative Destruction

Don Fowke FCMC and Bonnie Fowke CMC



Brian Fowke, Chef, PaEi, doing Level V Work

Our son Brian Fowke runs, with a partner, two fine dining restaurants in Vancouver. He is a chef by profession, who apprenticed with Michael Bonacini at the Windsor Arms in Toronto and learned the fine art of profitable operations with Vancouver's famous restaurateur, Bud Kanke. Brian's is a startup business, with **Rare** opening in 2006 and **Metro** in 2007. Both restaurants are critically acclaimed and making money¹.

Last September we took our WPO Forum to Vancouver to get the inside story from the entrepreneur himself, enjoy the food, and offer long-in-the-tooth advice. Afterwards Brian said, "I don't think of myself as an entrepreneur, as a guy who starts companies. I'm a chef who loves the experience of food, and has a clear idea of how to bring it to people in a new and exciting way, and how there are efficiencies in operating more than one fine dining establishment, and how the profitability of one restaurant can finance the next."

The biggest, some would say the only, problems an entrepreneur has are people problems. Managing talent is the key to converting a business dream into a commercial success. And there is psychological know-how to help.

Getting to the Next Level

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the next level. Each transition, from a start-up Level III enterprise, to a generally managed business at Level IV, to fully articulated multi-unit business at Level V, to a multi-business or global business at Level VI is a major passage. Understanding the psychology of the several levels of cognitive capability is important for the entrepreneurial leader as he puts managers, functional managers and general managers in place in an orderly way. A clear conception of these distinct organizational levels ensures a lean chain of accountability where each level adds value to the one below it, and ensures that personal and role requirements are matched.

Understanding Levels of Work is Key

The principles of Global Organization Design², pioneered by Elliott Jaques³, are important for entrepreneurial companies, both in designing

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organizations for them and managing the talent to staff them. Jaques is noted for discovering the scientific principles governing the “accountability hierarchy”. This phrase tends to turn entrepreneurs off, because basically they recognize themselves as incapable of working for somebody else, and hate the idea of hierarchy, seeing hierarchy as bureaucratic. Global Organization Design is based on the psychology of cognitive capability as it applies to managerial tasks, and the developmental psychology that accompanies it. Simply put, it means that a manager has to be smarter than his subordinate in order to add value, and also that people’s cognitive capability increases predictably with age.

Each higher level in an organization needs to be able to handle greater complexity, which is how more senior managers add value. Getting roles and structures right is a key to adding A or system to an entrepreneurial business. Argentina’s Atilio Penna has articulated the transitions needed for entrepreneurs to take their businesses from infancy toward maturity, especially the development of CEO, governance and shareholder roles, and those marking the creation of front line manager and middle-management roles⁴. His work involves coaching start-up business leaders who may be professionals in other fields, like physicians, who operate at Level III professionally. They certainly lack managerial skilled knowledge and experience, but may be cognitively capable at Level IV or V as entrepreneurs. Indeed it is common that entrepreneurial businesses in fast growth have leaders driving them a full Level higher than the inherent level of the operating business.

Transitions to Higher Levels are Tough

Getting the levels right often stumbles over basic things, like appropriate compensation. For example, an

Levels of Work

	Time Span	Typical Roles
VII	20 - 50 years	CEO International Corporation
VI	10 - 20 years	Group VP International Company
V	5 - 10 years	Business Unit President, CEO Mid sized co.
IV	2 - 5 years	General Manager, Large Plant Manager
III	1 - 2 years	Line Manager, Dept. Manager
II	3 Mo - 1 Year	Front Line Manager, Supervisor
I	< 3Months	Front Line employee, lead hand

entrepreneur who is capable at Level V may be leading a level IV business that is being managed by functional managers at Level III: perhaps an operations manager, a sales manager and a controller. To get the business to the next level means putting in place one, perhaps more than one, general or senior functional manager at Level IV. A Level IV manager will command twice the compensation of one at Level III. Sometimes the entrepreneur himself will be drawing

only Level III pay, with everything else being poured back into the business with the hope of eventually getting the business mortgage off the family home. For the

“entrepreneurs hate the idea of hierarchy”

entrepreneur to step up and pay twice what he himself is drawing to a general manager is a very high hurdle indeed. Yet the logic of Levels, and the felt fair pay pattern that goes with it, makes it clear why biting this bullet is essential to moving to the next level.

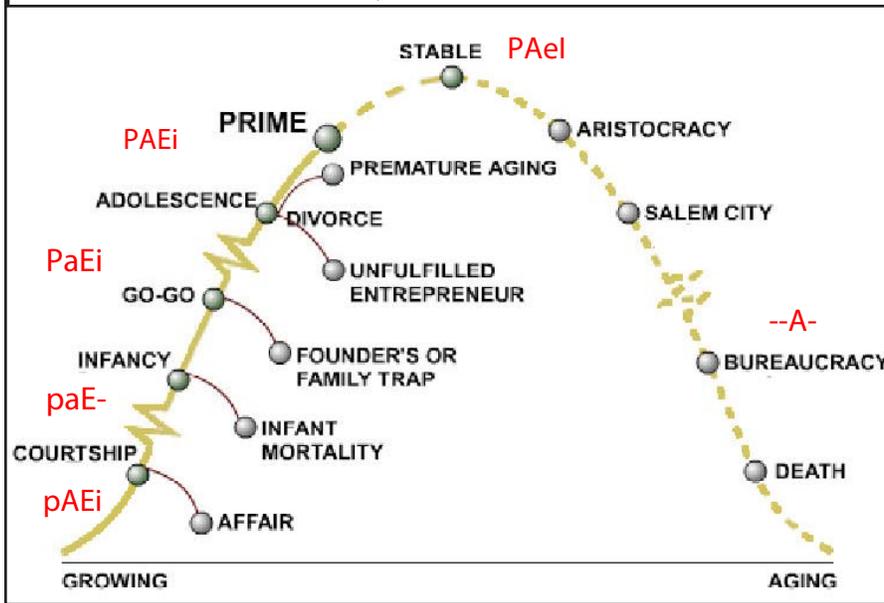
Reinventing the Business Model is Level V Work

Back to Brian, our entrepreneur/chef. As an executive chef when he was working for another owner, Brian’s role was Level III, and he still rolls up his sleeves in the kitchen to do Level II work as a chef. Getting his new restaurants off the ground has been Level IV work. He is just putting managers in place in charge of the individual business units, and these roles are high III, maybe in due course Low IV roles. Brian himself has created and is implementing a new business model for fine dining, and this is Level V work.

Entrepreneurship is a Matter of Personal Style

UCLA’s Ichak Adizes has been a hit with the Young Presidents’ Organization over many years, especially because he provided clarity on the entrepreneurial function and had practical ideas about what to do to make it more effective. This has been important in YPO, where maybe a third of the members are genuine entrepreneurs – the others being “lucky sperm” and hired guns. Dr. Adizes describes four managerial functions, all necessary and together sufficient to make a business run effectively: the Producer (P), the Administrator (A), the Entrepreneur (E), and the Integrator (I)⁵. Most individuals have two of these functions as naturally strong, the other two less so, so that a typical entrepreneur could be described as PaEi, where producer and entrepreneurial

The Adizes Lifecycle



functions are dominant. These functions tend to be hardwired in people, part of their temperament, or the psychology of personal style.

A Business Needs PAEI

The idea is that a business needs all functions working to succeed. As a business grows, therefore, it needs to pay systematic attention to this aspect of talent management, which is selecting people who round out the team. So a PaEi entrepreneur needs support from others with good Administration and Integration capabilities. Adizes relates all of this to the stage in the life cycle of the business, as indicated in the exhibit ⁶.

A Business needs “A” to get beyond Go-Go

To get off the ground a business needs both P and E: the creative vision and the drive to make it happen. But the next real hurdle is taking in A, or the system and order that Administration brings. This is no easy matter, because E and A are like oil and water. Adizes describes the Entrepreneur as the arsonist who lobbs creative grenades into the organization. “A” provides needed discipline, but limits options and clips the entrepreneur’s wings. But internalizing A is the key to escaping “the founder’s trap”.

Talent management for the entrepreneurial organization is about maintaining balance. At a later stage when A is firmly ensconced,

there is a danger that it will drive out E. Arguably, that is what happened when John Sculley displaced Steve Jobs from Apple in the 1980’s. Staying at Prime, which is where every company wants to be, requires a continuous re-injection of E. That, of course, is what Apple did when they brought Jobs back,

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but every entrepreneurial company needs to rejuvenate its E, placing new entrepreneurial talent in key roles as the company matures.

So What is an Entrepreneur Anyway?

In our experience, the men and women who create new businesses and build them usually have an idea that nobody else understands or shares, and have an obsession with making the idea a reality, come hell or high water, and the drive to push it through. In the economic literature the entrepreneur was one who took risk to combine the factors of production: land, labor and capital, a dry description that Brian certainly wouldn’t relate to. In the 1930’s Joseph Schumpeter, the Austrian/Harvard economist, coined the term “creative destruction” to describe the havoc the entrepreneur wreaked on slow-footed competitors in the process of realizing the idea⁷. We can see this process of creative destruction working all around us today, the result of entrepreneurs in silicon valley, Chinese manufacturing, Japanese automakers, and of course Vancouver restaurants.

Notable entrepreneurs would include Ted Rogers, Steve Jobs, Bill Gates, Frank Stronach, Richard Branson, Frank Dottori and now Brian Fowke.

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