



## The Review

INSIGHTS, IDEAS & INFORMATION

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White Maple is a strategy consulting firm. We aim to deliver results for clients that produce lasting improvements to performance through facilitating alignment between strategy, the market and brand, and the organisation's people, structure and processes.



We focus on working with service organisations. Principal sectors include:

- Commercial (business-to-business)
- Government
- Member organisations and charities
- Professional services

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## ENTREPRENEURIALISM: THE ROAD TO THE SUNLIT UPLANDS

BY BOB EMPSON

These are tough times. What alternatives are there to covering in the bunkers of cost cutting and other short term measures for survival? This article explores the concept of entrepreneurialism in established organisations and how it can be a route to the sunlit uplands of future prosperity whilst also galvanising your people and helping them cope with future uncertainties.

In the current environment there is a danger that businesses will become too focussed on short term "recession-proofing" actions by, for example, cutting costs, conserving cash, reducing capital expenditure, running down stocks and selling hard. It is, of course, often necessary and prudent to do these kinds of things.



However, we can anticipate change resulting from the global economic battering, and also from other dynamics in the macro-environment (eg hostile climate change, information technology and demographics), and these changes will create as many opportunities as they do threats. Identifying and targeting these future opportunities will require balancing short term survival measures with forward-looking entrepreneurialism; this can both create the foundations for future success and also help the organisation and its people cope with uncertainties.

### WHAT IS ENTREPRENEURIALISM?

There is considerable confusion about what an entrepreneur is and about entrepreneurialism. Some see it as being about establishing new businesses. Others see a central feature of entrepreneurialism as innovation. Drucker suggests "the entrepreneur always searches for change, responds to it, and exploits it as an opportunity" and that it involves "purposeful innovation": "entrepreneurs innovate". The Economist's recent special report defines an entrepreneur as "somebody who offers an innovative solution to a (frequently unrecognised) problem."

A common misperception is that entrepreneurialism is primarily about start-ups or smaller businesses. There are many examples of very large entrepreneurial businesses that have become world leaders (some that come to mind are 3M, Johnson & Johnson, Virgin, JCB and Accenture).

This article will focus on cultivating entrepreneurialism in larger, established businesses. An entrepreneurial culture is understood here as one in which:

- the organisation's people understand the importance of exploiting change by innovating to gain competitive advantage;
- there is purposeful, managed and systematic activity to support innovation.

### BUILDING ENTREPRENEURIALISM

If an organisation aspires to achieve an "entrepreneurial culture" it should develop its own detailed definition of its characteristics. I summarise below some generic issues regarding developing an entrepreneurial culture.

#### Strategy

The organisation's business strategy must provide the vision and context for entrepreneurship. It should, for example:

- Describe what future success will look like.
- Explain the importance of innovation.
- Highlight the strengths on which innovations can build.

### REFERENCES

Some background reading and references used for this article.

#### **Innovation and Entrepreneurship**

Essential reading from the father of management studies.

**By Peter F. Drucker**

Butterworth-Heinemann, 2007.

#### **Innovation and Entrepreneurship**

Comprehensive coverage of the topic. Practical, with examples of “innovation in action”.

**By John Bessant & Joe Tidd**

Wiley, 2007.

#### **The Beermat Entrepreneur**

How to take an idea through the stages from notes on a beermat, to start-up to established business.

**By Mike Southon & Chris West**

Pearson Education, 2005 (2nd ed.).

#### **Entrepreneurship**

A wide-ranging text about starting up a new business; and a section on managing, growing and ending a new venture.

**By Robert Hisrich & Michael Peters**

McGraw-Hill, 1998 (Int'l ed.).

#### **Global Heroes**

A special report on entrepreneurship.

The Economist, 14 March 2009.

#### **Meeting the Challenge of Corporate Entrepreneurship**

Advice for established businesses trying to create new ventures.

**By David Garvin &**

**Lynne Levesque**

Harvard Business Review, Oct. 2006.

#### **Small Business and Entrepreneurship**

A more academic look at entrepreneurialism and small businesses.

**By Paul Burns & Jim Dewhurst**

Macmillan, 1996 (2nd ed.).

- Paint the future scenarios in which the organisation might have to operate.
- Allocate resources for research and development.

In very uncertain environments, strategies need to provide direction without being too rigid. Innovation can be constrained by too much focus on short term performance. A balance needs to be found between the paradoxes of now and the future, conservatism and opportunism, tight and loose.

Working with clients, I have found that strategy development not only identifies paths to the future but also generates energy for coping with today's challenges.

#### **Customer insight**

Entrepreneurial opportunities can often be identified by developing deep insight into how customers think, behave and use products and services. Such insight rarely comes from standard survey techniques and statistics. Insight can be derived, for example, from observing customers in their homes and workplaces ie where they choose and use products and services.

#### **Build on strengths**

Beware diversification as a means to innovate; it is likely to take the business into areas where it has limited experience: very risky. It is best to innovate in areas of expertise and strength; for example exploiting assets and capabilities relating to existing customers and sectors, logistics, distribution channels, brands and technology.

#### **Leadership**

Effective leadership is vital to building an entrepreneurial culture. Some of the leadership behaviours that will support the development of such a culture include:

- Communicating the organisation's strategy.
- Explaining how people can be involved with innovation.
- Visibility on the front-line.
- Talking about the future.

#### **Accountability for innovation**

Whilst every manager should understand her/his responsibilities regarding innovation, there can be merit in making one director accountable for driving entrepreneurialism and delivering innovations.

#### **Systematic search for change**

Entrepreneurial organisations do not leave identification of ideas to chance. As Drucker suggests, most “successful innovations exploit change”. Thus a systematic approach is needed to examine sources of change for opportunities. Drucker highlights seven sources of opportunities for innovation:

- Unexpected successes or failures (ensure management focus on over-performance as well as under-performance).
- Changes in market or industry structures.

- Incongruities (see his referenced book).
- Processes; looking for potential improvements or new processes.
- Demographics.
- New knowledge.
- Changes in attitudes and perceptions.

#### **Ideas management**

Once you have started the process of identifying opportunities, you will probably find that many ideas are forthcoming. It is important to sift and validate ideas against objective criteria so that resources are focussed on those that will most likely deliver.

#### **Innovation networks**

Entrepreneurs know they need extensive networks. And so, also, organisations wishing to develop an entrepreneurial culture need to take a proactive approach to developing networks. Bessant & Tidd call these innovation networks: “formal networks which are deliberately set up to help make innovation happen”. Innovation networks can deliver a wide range of benefits, for example: generating ideas, developing knowledge, sharing risks, accessing new markets, and gaining complementary skills and assets. Networks can be internal (eg to share knowledge) or external (eg relating to a sector, geographic proximity, technology, or standards).

#### **Developing and acquiring people**

Your people will need developing to grow the competences for an entrepreneurial organisation. This need not mean spending money on external training courses. Productive techniques include establishing project teams to deliver the innovations and providing entrepreneurial coaches.

Now can also be a good time to recruit people with the entrepreneurial competences, technical skills and networks. Many good people are finding themselves in the job market or want to escape organisations with an uncertain future.

The economy will recover. But change is a certainty. Opportunities will be, and are being, created. Entrepreneurialism, with its emphasis on exploiting change through innovation, is a key to both survival and success. The sunlit uplands will more likely be gained if we drive now the entrepreneurial road.

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# Directors' duties and your reputation...

BY JAMES SINCLAIR TAYLOR (OF RUSSELL-COOKE LLP SOLICITORS)

The Companies Act 2006 has introduced some new obligations for company directors and charity trustees using a company by limited guarantee format. Many directors are still not aware of these. This article provides an overview of the changes and some practical advice to help you to manage the risks, including to your personal reputation!

## DEVELOPMENTS IN GOVERNANCE DUTIES

There has been a major redefinition of the duties of directors of companies and those of trustees for the many charities which use a company limited by guarantee format. While many of the new rules codify old practices, there are new and somewhat convoluted obligations particularly with the management of conflicts of interest.

The Companies Act 2006 which brought these changes in, spells out for the first time in statute what a director's duties are. Some are fairly straightforward and self-explanatory, but others on management of conflict of interests will require new steps to be taken if directors are not to breach these statutory obligations.



## DIRECTORS' DUTIES

The main statutory duties are called "general duties". The overarching duty is to promote the success of the company for the benefit of its members if it is a commercial company. If the company is set up like a charity to benefit people other than its members, then the duty is to promote the success in achieving its purposes. When the directors make decisions, they now have to have regard to a list of statutorily defined issues which include the interests of the staff, the impact on the environment and the community and the need to maintain a reputation for high standards of business conduct.

The reason the other directors' duties need to be taken seriously is the broadened right under the Act for shareholders to make claims against directors. These are known as derivative claims and the Act has expanded the ability of shareholders to make claims, to include allegations that the directors have been negligent.

It has to be said that despite this expansion of the right for shareholder action and a general increase in shareholder activism, there has not been a rash of cases where directors have been successfully sued by shareholders, not least because taking such an action requires the court's consent; but, particularly in these difficult times, directors need to be aware of this new weapon in the armoury of shareholders and other members of the company.

Directors also have duties to:

- Act within the powers.
- Exercise independent judgment.
- Avoid accepting benefits from third parties.
- And to exercise reasonable care and diligence.

The Act makes it clear that doing your best is not good enough. A director has to be able to show they have exercised the level of care skill and diligence of a diligent person with the knowledge, skill and experience that would be expected of someone carrying out the functions of director. This is likely to mean that a higher degree of skill is required for directors of large companies. It may also create problems for some charities bent on achieving the maximum level of user involvement. It is difficult to see how some users, particularly those with a learning disability or mental health issues, can readily be involved as directors when they have to meet a test like this.

## CONFLICT OF INTEREST

The unfortunately complex rules apply when any sort of conflict of interest or conflict of duty occurs. The Act introduces a clear division between conflicts that arise in transactions between the organisation and the director, for example, if directors provide services to it. Here the duty is to make full declaration.

There is a specific duty to avoid other conflict of interest situations where there is no transaction between the company and directors. Here declaration alone is not enough. What will be required is that the board specifically approves the conflict by passing a resolution which will need to be carefully minuted and set out any conditions that apply. Some examples of conflict of interest situations which are likely to occur are:

- A director is also a director of a potential competitor or has a financial interest in a competitor.

- A trustee who is a director is also a trustee of another charity in the same field or is a funder.
- A director or trustee advises another organisation which may have differing interests.
- A director becomes aware of some information through its board membership which the company decides not to follow up. He will still be prevented from utilising this in another context.

All these problems can be managed, but unfortunately, there are technical hurdles. For charities the process of approving conflicts arising from "situations" will only generally be possible where the articles are specifically changed to allow approval. For other companies, the shareholders can approve. Again, for charitable companies, transactions by the director with the charity will normally only be permissible if the Charity Commission order or if the Articles or Memorandum actually permit it.

## SOME PRACTICAL SOLUTIONS

Without wanting to introduce too much bureaucracy, companies are going to need to set up systems which ensure that they don't trip over these new rules. Key tools will be:

- Clear job descriptions for directors with pointers to these new statutory duties.
- A well-run process for declaring interests. Generally, this involves a register of interests.
- A form of recording of board resolutions as to the management of conflicts.
- Occasional legal advice to ensure that things are being done correctly.

These rules are backed up by the risk of breaching a statutory duty and even the risk of litigation by members of the company or the company itself. However, frankly, the real risk is the reputational damage to individuals who, because of some later difficulty, find themselves accused of acting in clear breach of their statutory duties.

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WEB SITES

These sites provide useful information and services for both novice and experienced exporters.

British Chambers of Commerce  
www.britishchambers.org

The Export Zone provides information about the services available through it and/or its Accredited Chambers. Services include the Export Marketing Research Scheme, Export Communications Review, training and advice and information on export documentation. Links to the Link2exports site with information about a range of countries and sectors.



Business Link  
www.businesslink.gov.uk

Information about exporting (and importing) is in the international trade section. Much of the site seems to be driven by issues relating to regulations, tariffs and taxes. Probably more relevant for the novice exporter or smaller business.



China-Britain Business Council (CBBC)  
www.cbcc.org

CBBC exists to help British businesses do business in China. This site is a good starting point to learn about a wide range of services offered by CBBC and its partners. CBBC has offices in key cities in China and the UK. Free background information about doing business in China.



Institute of Export  
www.export.org.uk

The Institute is dedicated to enhancing export performance. A member organisation, its principal services relate to education and training. Probably only of interest for those looking for training in export related issues.



UK Trade & Investment (UKTI)  
www.uktradeinvest.gov.uk

UK Trade & Investment is the Government agency that helps UK businesses to grow overseas. Giving access to a variety of free services (eg reports about markets overseas; details of business opportunities overseas), this site also describes the wide range of services available in the UK and overseas.



# Book Reviews

Two excellent but very different books. *The Pleasures and Sorrows of Work* is philosophical, prompting us to explore new dimensions of the world of work. *The Storm* is analytical, helping us to understand the economic crisis facing the world.

## The Pleasures and Sorrows of Work By Alain de Botton

This is an attempt to produce "a hymn to the intelligence, peculiarity, beauty and horror of modern work" through the detailed description of an eclectic selection of ten occupations and activities.

You might find this book exhilarating or profoundly depressing (or both!). Exhilaration can be found from the emotions, images and ideas prompted by the revelations about individuals at work and about human creativity and ingenuity. For example, the saga of a 5-year-old tuna finding its way from the Indian Ocean on to 8-year-old Sam's plate in Bristol is not a boring and banal description of logistics but is a vivid ("rich red blood explodes from the creature's brain") story combining a plot, characters, diverse settings and de Botton's reflections.

Other readers might be more depressed than exhilarated. Perhaps this is because de Botton himself has self-declared "tendencies to pessimism and suspiciousness" and has his own work life sorrows including days on his bed "wondering about the point of my work". For example, having observed the life and work of a career counsellor, he reflects that the "bourgeois ideology... condemns us to solitary feelings of shame and persecution for having stubbornly failed to become who we are".

When considering the work of an artist who has spent years studying the same oak tree in East Anglia, de Botton suggests "we might define art as anything which pushes thoughts in important yet neglected directions". In this sense, this beautifully written book (which is illustrated with evocative photography) is, indeed, art.

OVERALL RATING   
Hamish Hamilton (Penguin), 2009. £18.99

## The Storm By Vince Cable

For a concise and authoritative summary of the causes of the current global economic and financial crisis, you need go no further than *The Storm*. A highly complex situation is analysed and explained in plain English. Cable also provides valuable insights into potential future scenarios and possible implications for a swathe of issues ranging from regulatory reform and economic policy to society's values and international relations.

Written by an active and influential politician, *The Storm* has, unsurprisingly, an undeniable political dimension. There are swipes at the Labour government (eg referring to Gordon Brown's "contemptuous dismissal" of Cable's early and prescient warning about rising household debt in 2003) and at the Conservatives (eg regarding their legislation allowing demutualisation of building societies and the relevance of this to the failure of Northern Rock). He praises Keynes and reminds us he was "a Liberal (and liberal)". And the postscript gives hints about his (and, presumably, Liberal Democrat) philosophies and policies for the aftermath regarding a wide range of issues including, amongst others, taxation ("genuinely redistributive taxation"), public services ("generous but efficient provision") and welfare ("solid safety nets for working families and pensioners").

Although well-written, there is not a single graph, chart or diagram to help explain the points being made, and there are no summaries, sub-headings or other devices to guide the reader through 157 pages of unrelenting text.

Don't be put off by a very slight whiff of politics. *The Storm* is for anyone affected by the current crisis and its aftermath; that is, it is for everyone.

OVERALL RATING   
Atlantic Books, 2009. £14.99

## WHITE MAPLE NEWS

### PRESTIGIOUS AWARD

White Maple has won the Institute of Business Consulting's (IBC) 2008 award for "Most Outstanding Practice in Building a Sustainable Client/Consultant Relationship" for its longstanding relationship with Russell-Cooke, the London and UK Top 100 firm of solicitors. The award was announced and presented at a ceremony in London on 4 December 2008 at the Waldorf Hilton hotel. Other nominees for the award included KPMG and Defence Management Consulting Services (an arm of the Ministry of Defence); the joint winner was Moorhouse Consulting. The IBC is the professional body for management consultants; White Maple is a Recognised Practice at the IBC.



### ONLINE RESOURCE

All sixteen issues of *The Review* are available for your personal use on our website. There is a new indexing system so that you can find more easily the articles that interest you. We also provide a page dedicated to *The Review's* cartoons!