

AN INCIDENT APPROACH TO IDENTIFY THE TRAINING AND DEVELOPMENT NEEDS OF CORPORATE MANAGERS

Theresa Lau, Teresa Brannick, Aidan Kelly*

Introduction

Eighty-five percent of the Fortune 1,000 companies down-sized between 1987 and 1991 with the aim of keeping organizations mean and lean (Brockner, *et al.*, 1993). Smallness is believed to be beautiful and managers in large organizations are today addressing questions such as “how can an organization remain large yet act small?” and “how can one make an elephant dance?”.

Big companies are usually not entrepreneurial. As an organization grows, speediness, adaptability and innovativeness are gradually replaced by bureaucratic structures and systems. Innovativeness and creativity tend to be stifled by increasing size due to specialization of functions, problem of communication, committed budget, risk avoidance and preoccupation with short term problems and results. These render large organizations less flexible and as a consequence, they tend to lose their competitiveness to smaller but more entrepreneurial firms (Kuratko, *et al.*, 1993).

It is clear therefore that large organizations need to enforce entrepreneurial culture if they intend to maintain their competitive advantage. Much popular business literature also stresses the importance of infusing entrepreneurial thinking into large organizations and the revolution of bureaucratic structures (Kuratko, *et al.*, 1993). In addition, some suggest that intrapreneurship and innovativeness ought to be a very important part of the manager’s job (Drucker, 1985).

However, what precisely is the desirable entrepreneurial behaviour? Perhaps an attempt to define ‘entrepreneur’ can shed some light on this question. Webster’s dictionary defines the term as “an organizer of an economic venture, especially one who organizes, owns, manages and assumes the risk of a business.” In this respect, “entrepreneur” is often referred to as the founder of a new business, or a person “who started a new business where there was none before”. As the first economist who used the term “entrepreneur”, Mill considered direction, supervision, control and risk-taking to be the functions of the entrepreneur and pointed out risk-taking as the main distinguishing feature between managers and entrepreneurs. Schumpeter, meanwhile, emphasised the role of innovation as the key distinguishing factor for entrepreneurs (Schumpeter, 1934).

* Theresa Lau is an Assistant Professor in Department of Management, Hong Kong Polytechnic University; Teresa Brannick, Business Research Programme, University College Dublin; Aidan Kelly, Business Administration Department, University College Dublin.

The different approaches used in examining characteristics of entrepreneurs also give rise to different kinds of definition. Small business owners/managers might be described as entrepreneurial if they display all the characteristics of the “typical” entrepreneur. Similarly, organizational managers might be regarded as entrepreneurial if the same set of characteristics is found in them. One example of such a definition is Pinchot’s concept of intrapreneur – “those who take hands-on responsibility for creating innovation of any kind within an organization” (Pinchot, 1995). In general, all past research studies seem to suggest that in order to identify entrepreneurs from non-entrepreneurs one needs to examine the characteristics possessed by entrepreneurs.

Clearly, these characteristics are not conceptually the same as entrepreneurial behaviour and characteristics do not explain or predict entrepreneurial behaviour accurately. The study of characteristics alone does not take into consideration the changing situations in which entrepreneurs interact. It is what an entrepreneur actually does and how he behaves in the organization that makes him an entrepreneur. Therefore, it is necessary to either follow the entrepreneurs closely and record their observed behaviour or to examine a set of behavioural attributes that are commonly found among entrepreneurs. The use of observation as a means of collecting data on entrepreneurial behaviour is similar to Mintzberg’s approach in studying the managerial behaviour of big companies (Mintzberg, 1973). In this paper, we use the latter approach by collecting managers’ responses to various incidents and examining their behavioural attributes that contribute to entrepreneurship.

Development of Behaviour Incidents

In order to predict entrepreneurial behavioural patterns, common entrepreneurial attributes are identified by reference to past research studies. As a result, ten attributes are identified as the bases in developing incidents. For example, in reviewing entrepreneurial behaviour in large organizations, Reilly and DiAngelo stressed the attributes of adaptive-orientation, future orientation and modification of standard operating procedures, as vital to the success of an organization’s continuing development (Reilly and DiAngelo, 1987). Gilad, supported by Kirzer, state that the most important entrepreneurial element is the ability to discover opportunity (Kirzer, 1982).

Innovation and risk-taking are two significant attributes most frequently noted in research studies as common factors among entrepreneurs (Schumpeter, 1934; McClelland, 1986). Miner distinguishes between entrepreneurs and managers in terms of personal innovation and other differences found were in terms of feedback of results, and self-achievement (Smith and Miner, 1984). The findings of Sexton and Bowman confirm that risk, autonomy and change are important for entrepreneurs, whereas conformity is found to be negatively related to entrepreneurship (Sexton and Bowman, 1986).

Quoting Jacques (1976), Bird further pointed out that entrepreneurs are involved with all aspects of organizations and have a wide range of responsibilities, each with a

different future time span (Bird and Neiswander, 1987). In addition, past studies also support the idea that “strategic management practice” is one of the crucial elements in entrepreneurial behaviours (Lau & Chan, 1993; Bird, 1989; Chell *et al*, 1991). The making of strategic decisions by managers usually requires a broad perspective, a future-orientation and a conceptual analysis of environmental relationship: in short, entrepreneurs have the ability to integrate various organizational activities.

In Begley and Boyds’ study, entrepreneurs are found to be more flexible and do not like to conform or adhere to formality. These characteristics are confirmed by Schere’s study; having regard to complexity and novelty, entrepreneurs are found to score lower than managers (Schere, 1982). Consequently, we believe that entrepreneurs tend not to be congenial with complex systems and formal structures. A large number of research studies also support the importance of the entrepreneur’s ability to ‘network’. Networking provides entrepreneurs with more than the opportunity of merely influencing others; it enables access to resources, and serves training and psychological related needs. These things are particularly important at the start-up and during periods of rapid change (Aldrich, Rosen and Woodward, 1987). Previous research also indicates that the entrepreneur is self-confident, goal-oriented and has an internal locus of control (Swayne and Tucker, 1973). He tends to believe in his own destiny, does not go “by the book” nor follow rigid control processes (Brockhaus, 1975; Pandey and Tewary, 1979).

Given the above research studies, entrepreneurial behaviour attributes can be characterised as non-system bound, opportunistic, innovative, risk-taking, result-oriented, change-oriented, integrative, informal, network-oriented and less control-oriented. Company incidents, which fall within the category of the above behavioural attributes were collected. Five possible responses to each incident, representing different degrees of entrepreneurship were then presented to the participants. Their task was to make a choice of their own preference, when asked to put themselves in the incident situations. One example of an incident and the scoring system is given below.

Example One

On a busy day, you receive a telephone call from an employee who works at two levels below you in the chain of command. He wants to see you personally to discuss a work problem and would also like to make some suggestions for change in company policy because he thinks that you have the authority to make these changes. How will you respond?

- A) Advise him to talk to his immediate boss first.
- B) Ask him to put it in writing and submit it to you.
- C) Arrange another appointment time when you will be less busy.
- D) Ask him to come to see you immediately.
- E) Ask him to talk over the phone and keep the conversation short.

Participants are asked to choose one of the five answers as their most likely response.

B	C	A	E	D
Formality				Informality
1				5

The scale ranged from 1 to 5. Upon completion of the incident form, participants' choices are placed on the correspondent continuum scale, with 5 points indicating the most entrepreneurial behaviour and 1 point indicating the least entrepreneurial. This scoring method applies to all other incidents. After working out the score for each incident, we arrive at a total score for each participant. The higher the total score, the more entrepreneurial their behaviour.

Need Identification

Based on the ten attributes of entrepreneurial behaviour in the incident questionnaires, the degree of entrepreneurship in each of these attributes can easily be identified for company managers. Once the measurement is obtained, training and development programmes can then be developed accordingly. However, it is important that an organizational analysis be conducted first in order to determine whether entrepreneurship is desirable in a given organization. It may not necessarily be a good thing for some organizations to have managers who are change-oriented, risk-taking and innovative. An example of this would be where an organization operates in a very stable environment and where operations and efficiency are therefore major concerns, not product innovation. Covin and Slevin (1989) found that in a benign environment, mechanistic structure, conservative strategic posture and conservative, risk adverse, financial management tend to promote performance. However, in dynamic and hostile environment, an organization may be required to act in a more entrepreneurial way; in this kind of environment an entrepreneurial strategic posture contributes to high performance (Covin and Slevin 1989). If corporate entrepreneurship is found to be a desirable strategy an individual needs analysis can be applied to see whether individual managers demonstrate the necessary behavioural attributes.

A review of the literature with regard to personnel management reveals that the methods of individual analysis include performance appraisals, observation, interviews, questionnaires, tests, assessment centres and coaching. Despite the extensive list of methods for determining training needs, they are not without problems. Interview, assessment centres and observation are time-consuming and results derived are very difficult to analyze and quantify at a later stage. Questionnaires are of limited utility in analyzing the causes of problems or deriving possible solutions. Furthermore, only a relatively small number of tests are validated and available for testing entrepreneurship, and all of them are utilized to test entrepreneurial characteristics rather than behavioural

attributes. In view of these problems, an incident approach is believed to be a better way for identifying the training and development needs of managers in organizations.

The Study of Bank Managers

A set of 40 incidents were presented to a group of 13 bank managers of a local bank in Hong Kong in a training session to identify the degree of entrepreneurship. The rank and positions of our sample varied and included such titles as general manager, deputy general managers, assistant general managers, senior managers of various functions and regions. The bank was established 40 years ago in Hong Kong and its employment size is approximately 1,000 staff.

Explanation and clarification were given to participants on the incidents and choice responses. Participants' scores for each attribute and their total score were then calculated. Analysis of the scores of each participant can aid us in identifying the specific area of entrepreneurship which that individual lacks. Analysis of the total aggregated scores of bank managers indicates the deficiencies of the managers in general. In this particular bank, the mean scores of each attribute are listed below.

TABLE 1: The Mean Score & Entrepreneurial Attributes of Bank Managers

Attributes	Mean
Risk-taking	3.726
Networking	3.469
Innovation	3.294
Non-System bound	3.274
Integration	3.171
Less Control-orientation	3.106
Informality	3.024
Opportunistic	2.995
Change-orientation	2.991
Result-orientation	2.534

Table 1. indicates that, in general, bank managers in the study are scored relatively lower in three entrepreneurial attributes: "result-orientation", "change-orientation" and "opportunistic". Table 2 shows a detailed comparison of the scores of all the entrepreneurial attributes for the a group of bank managers and a group of small business owners/managers. Compared to the entrepreneurial attributes displayed by small business owner/managers in another study, it is interesting to note that both groups are quite similar in "result-orientation" and "opportunist". However, bank managers are significantly less change-oriented than small business owner/managers (Lau and Chan 1993).

Apart from “change-orientation”, bank managers and small business owner/managers are also significantly different in “informality” and “non-system bound”. In short, bank managers tend to be more reliant on formality and system to perform their jobs than are small business owner/managers. Furthermore, the t-test of the overall mean score of both groups indicates that small business owner/managers are more entrepreneurial than bank managers. This is consistent with the findings of past studies that small business owner/managers always behave in a relatively more entrepreneurial manner (Brockhaus, 1982; Sexton and Bowman, 1983; Schere, 1982).

TABLE 2: A Comparison of Entrepreneurial Attributes Between Bank Managers and Small Business Owner/managers

Attributes	Bank Managers (n = 13)		Small Business Owner/Managers (n = 14)	
	Mean	S.D.	Mean	S.D.
Result-driven	2.372	0.541	2.774	0.612
Less Control-oriented	3.452	0.476	3.184	0.369
Opportunistic	3.064	1.037	3.096	0.938
Informality*	2.961	0.514	3.595	0.407
Change-oriented*	2.667	0.733	3.441	0.794
Innovativeness	3.677	0.496	3.286	0.525
Network-oriented	3.115	0.666	3.732	0.683
Non-System bound*	3.000	0.736	4.107	0.813
Risk-taking	3.769	0.725	3.643	0.795
Integration	3.308	1.052	3.429	0.917

(*significance at 0.01 level)

Given the results that bank managers are scored relatively low in the incident test with regard to “opportunistic”, “change-orientation”, “result-orientation” and “informality”, it can be inferred that they tend to emphasize long-term results; are rational and analytical rather than intuitive; move cautiously and slowly and are more concerned with future consequence; try to seek superiors’ approval before taking actions so that responsibility can be shared. Secondly they are not flexible and prefer to retain the status quo when dealing with any task; have formal controls, thus making changes might be difficult and costly. Thirdly opportunity seeking is not the bank managers’ major concern since they already have a large number of loyal customers. Finally they tend to follow formal procedures, policies, rules and regulations as required

by the bank. In general, managers at this particular bank rely on formal planning and policies, adopt a rigid working style and are not quick to grasp opportunities.

Summary and Conclusion

This paper describes some of the methods commonly used in identifying training needs for managers and presents an alternative approach which is based upon managers' responses to real incidents. All incidents are written and designed to include ten entrepreneurial behaviour attributes: result-driven, non-system bound, risk-taking, innovative, opportunistic, informal, network-driven, less control-orientation, change-orientation and integration. Having been validated, this method is used to identify the training needs of 13 managers in a Hong Kong bank.

There are several advantages to using this methodology for identifying the training needs of managers. 1. Incidents are generated from real at-work situations with which participants are familiar, rendering their responses more reliable. (2) This approach can incorporate the interaction and reaction of manager to specific situations, which is more effective in checking out behavioural aspects, rather than personality and psychological aspects, of managers. (3) This method can reach a large number of people in a short time and the result is easily measurable and comparable. (4) Individual deficiencies in managers with regard to the ten attributes can be clearly identified and can therefore be used for tailored-made training programmes.

In conclusion, this paper provides some explanation of, and justification for, the incident method in identifying the training needs of managers in the area of entrepreneurship. Incidents on other managerial behaviour attributes such as problem solving style, communication and leadership style can be included where an organization has needs in these areas.

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