



Entrepreneurs, IPros and the Talent Eco-System

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Abstract. With independent professionals and budding entrepreneurs now forming the fastest growing proportion of the workforce, large corporations are losing out on the best talent. This article, based on research conducted for The Economist book *Managing Talent*, highlights the efforts talent managers are making to access and retain the skills of professional workers who are no longer motivated by the idea of life-long corporate careers. Two approaches are highlighted in depth. The first is business incubation schemes, where corporates buy stakes in business start-ups founded by young entrepreneurs, using selection methods that are far removed from the assessment centres and graduate induction campaigns of old. The second is ‘alumni’ schemes operated by large management consultancies, where staff wishing to pursue independent careers are encouraged to draw on the resources of the parent company and share their expertise in collaborative ventures. In the process, corporations are extending the boundaries of who is, or is not, a part of the organisation, turning on its head outdated notions of ‘core-periphery’ manpower planning. Indeed, in the case of ‘freelance entrepreneurs’, there are early indications that forward-looking employers are choosing them in favour of ‘insular’ internal high fliers.

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“If you join McKinsey, you join for life even though you are not necessarily still employed here.” - Emily Lawson, head of global human capital practice, McKinsey & Company

1. Introduction

Changing career aspirations and ambitions among people with leadership and strategic management potential are causing problems to large employing organisations offering traditional life-long corporate development - a trend identified in research undertaken by the author for a book on talent management published by *The Economist*, based on interviews with 50 talent managers, recruitment consultants, chief executives and participants in corporate fast-track

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development schemes (Devine and Syrett, 2014). With growing numbers of graduates and MBA students opting for entrepreneurial careers and independent self-employed professionals (IPros) proving the fastest growing proportion of the international workforce (Leighton 2013), the talent managers of large corporations are finding that they are missing out on the people they most want to attract into the organisation.

Even when the entrepreneurially minded do sign up to the company's fast track development schemes, they are often doing so as a stepping stone towards acquiring the skills, capital and industry knowledge they need to launch their own enterprise in mid-career (Pew Research Centre, 2010).

The cause of failure in traditional high flyer schemes lies in the assumptions made by an outdated model of strategic workforce planning that emerged in the 1980s.

This divides the organisation into a 'core' of 'firm-specific' workers and managers who are the focus for promotion and development. As the growing 'periphery' of the organisation are part-time, contract and associate staff who are recruited because they are cheaper to employ and whose careers and aspirations are largely ignored (Atkinson, 1984)

Aggravating this failure is a concept of retention that equates with continued permanent employment inside the organisation, at a time when the idea of committing themselves to a lifetime career in a single organisation is neither realistic nor desirable to talented people.

In the circumstances, a few forward looking corporations are seeking ways to leverage the talent of the best talent that they know they have little chance of retaining in the long term – and, in doing so, extending the boundaries of who is 'in' and 'out' of the organisational 'core'.

2. Career Planning and Intrapreneurs

In the mid-1980s, Marsha Sinetar, a researcher at the Massachusetts Institute of Technology, undertook a survey of intrapreneurs – people with entrepreneurial spirit and aspirations who choose to work inside large corporations (Sinetar, 1985). Her study of hundreds of managers with a track record of successful entrepreneurial thinking and activity revealed that they had the following things in common:

- They are easily bored, and would rather move into untried areas.
- They are comfortable with ambiguous situations.
- They are happy to take risks – and indeed enjoy doing so.

- They are intellectually curious, needing to use their minds to solve difficult, personally fulfilling problems.
- They often see their work as a calling or vocation.

Intrapreneurs, Sinetar argued, possess personalities that thrive on freedom in three important areas: freedom in the general area of their work and the way in which work gets done; freedom to come up with novel or disturbing questions; and freedom to come up with unusual solutions to the things they are currently thinking about, sometimes in the form of what seem, to others, to be impractical ideas. At the same time, she found that this singular thinking often undermined their ability to work in teams, supervise other staff or lead the organisation.

This creates a dilemma for the conventional career planning that is often a feature of talent management strategies. Unless organisations can meet the need presented by these freedoms, they are liable to lose the individual to ones that can.

The warning is amplified by Tim Levine, who gave up a traditional corporate career to pursue a life as an entrepreneur in his 20s and is now a managing partner and founder of a venture capital firm, Augmentum Capital. As he explains (this and all subsequent quotations are from interviews conducted by the author for The Economist book *Managing Talent* (2014)):

If a company's entrepreneurial talent is not being challenged, they are going to get frustrated and bored and look elsewhere. This has always been the case, but the options for corporations are more limited in the current climate of expectation and aspirations than they were.

Some of these options might involve moving these talented people across the organisation or giving them new roles and opportunities that make them feel they are growing.

A company might well have subsidiaries in other companies where they can put their talent into senior positions, which gives them that learning opportunity and the opportunity to act independently.

On the other hand, you could do something drastic, which some corporations are doing, which is to create spin-off enterprises which offer more entrepreneurial people the chance to play with a fully capitalised new business.

For me, the time when I am learning is when I am enjoying the greatest levels of satisfaction. This might involve making mistakes or learning from people more experienced than myself.

You might argue today that in the economic environment people are going to be hard pressed to find good jobs elsewhere – but the crème will always find the best jobs. Many will take the risk of leaving their employer if they have a strong belief in themselves. So you cannot be complacent.

Stephen Dury, managing director of strategy and market development at Santander UK, is a good example of what Levine is talking about. He moved on from a career at Royal Bank of Scotland to join Santander.

He was attracted to the Spanish bank because he believed it had an entrepreneurial culture and was willing to be innovative, targeting in particular small and medium-sized enterprise (SME) and start-up customers.

I am a marketer by background and education. I have a keen interest and passion for new market development, innovation, disruptive technology and learning from the way SMEs and entrepreneurs behave. Lots of innovation comes from SMEs.

I knew of Santander because I knew some of the people that had moved there – very good people – and you would hear that people were creating great opportunities in a creative, structured and entrepreneurial environment. Going into a business where there are very clear lines of accountability, space for innovation and sponsorship from the senior executive team makes any business more attractive – this is a culture that fosters creativity and delivery in equal measure.

The work Dury undertakes at Santander – including developing new ideas and services for start-ups and SMEs – puts him into contact with a wide variety of entrepreneurs, something that provides him with significant job satisfaction.

I love working with entrepreneurs. I'm fortunate to work on and be responsible for a lot of entrepreneurial projects. I've thought a lot about the way I try to approach challenges and it is similar to the way some entrepreneurs approach running their own businesses. I try to think of them as role models in the way in which they make decisions – their creative thinking, passion and dedication is inspiring.

Entrepreneurs think they are part of the solution and no matter what gets thrown at them they find a way of doing things differently or overcoming the challenge they face. They are confident and unwavering in their focus to make things happen and it's this drive that makes them successful. This entrepreneurial spirit and tenacity is not something I believe everybody has.

3. Business Incubation

However some intrapreneurs will never be happy with the opportunities offered by a traditional corporate career.

Ross Hall is a good example. He was headhunted by Pearson, a multinational publishing and education company with headquarters in London, on the basis of his background in setting up new businesses. He says:

They particularly wanted someone who could come in and take a fresh perspective on this particular business unit and to see if it could be turned around.

However, his restless mind and social conscience led him to explore other avenues for his talent. With Pearson, a company that has a strong commitment and business in developing new education materials, he looked at developing a new form of schooling in rural Zimbabwe and Tanzania.

This involved extending the traditional curriculum beyond normal subjects to develop qualities of mind that are most influential in creating and maintaining quality of life, with topics such as empathy, assertiveness and self-esteem.

Hall realised that this was a step too far for Pearson and that his senior management colleagues did not have the appetite for the project, which led him to consider pursuing the idea on his own.

He was appreciative of Pearson allowing him to explore the idea using its resources, but the impasse caused him to consider a deeper philosophical question about intrapreneurialism:

I have a very live question, which is: “Do companies really want people like me?” I think there is a lot of recognition that companies could benefit from having people like me. But the reality is that entrepreneurial people are difficult to manage and the value that they bring is not always immediate – these things take a long time to develop. They can also cause friction with the main business when they try to do things differently. Does the company really have the appetite and ability to execute their new ideas?

Hall is not the only person asking this question. At a talent summit in 2012, Khurshed Dehnugara, author of *The Challenger Spirit: Organisations that Disturb the Status Quo*, pointed out the contradiction between what organisations say and do when attempting to meet the aspirations of intrapreneurs (Dehnugara, 2012).

He argues that companies send out messages that encourage staff to be creative, disruptive and risk-taking while at the same time punishing people who “mess up and fail to keep everything nice and stable”. As he concludes:

Faced with this contradiction, people take up the default position of staying safe so that nothing can go wrong. My concern is that future talent is desperate for something more groundbreaking.

Some telecoms and digital companies have accommodated the entrepreneurial aspirations of their most talented intrapreneurs and those of people they would not normally attract by setting up business incubation schemes, offering start-up funding to help them create their own enterprises.

This offer of help is in return for a stake in the business or access to the new technology or thinking of the start-up. This is an effective way of extending the

organisation's reach to young entrepreneurs who have opted out of corporate employment.

As Tim Levine observes:

I started having a conventional corporate career – but it all felt very bureaucratic and restrictive.

What I started to see were new technologies coming on board and what I hoped would happen was that the next generation of entrepreneurs would be empowered by new platforms such as the internet, which it certainly has been. That has changed the whole dynamic of young graduates with aspirations to be an entrepreneur.

It is a hell of a lot easier now than 10–15 years ago. You are empowered.

In the 1980s if you were talented and entrepreneurial, you needed capital and you needed large office space. Today you can create a website if you have a good idea and your requirement of capital is minimal.

There has been a huge shift of ambition among young people of school leaving age. If I told my father when I left university that I was not going into conventional business but I was going to be an entrepreneur, he would have thought I was going to be unemployed for the next three or four years.

It is now a much more acceptable path for people leaving university or even school to have this ambition. They are no longer regarded as mavericks.

There are probably lots of people in their early 20s building really successful businesses. The barriers to entry are nowhere near as considerable as they were. I think that is a real challenge for corporations. The ambition is there and these people do not want to be pigeon-holed.

There is a greater level of impatience among talented young people and if they are not getting what they want, they are going to leave. It doesn't mean that they will be successful and won't come back, but the question for corporations is what they do with these ambitious young people. Do you encourage them? Do you try to incubate them? There are a lot of options.

The most well-developed incubation initiative is the Wayra Academy, the brainchild of José María Álvarez-Pallete, chairman and chief executive of Telefónica Europe. This provides start-ups with €50,000 in funding in return for a 10% stake, and Telefónica gets the right of first refusal on buying the company.

It was originally launched in Latin America and Spain, where there are nine business incubation schemes, and has been more widely extended in Europe. At its London offices, for example, Wayra accommodates about 20 start-ups for six months, after which it will help them pitch for follow-on funding from other sources of venture capital. If a start-up does not find other sources of funding in

six months, it may be granted another six months. If after that things are still not working out, Wayra will sell its stake for €1.

Simon Devonshire, manager of Wayra's London offices, took the unusual step of selling the idea in bars, clubs and coffee houses. As he explains:

Entrepreneurs are quite a difficult bunch to identify. I can't think of a conventional advertising medium you could use. I have always been passionately obsessed about networking and informal means of connectivity. If you send the right message out and you have the right touch points, the first respondents become ambassadors for the project.

The first night we tried it, our people at Telefónica went nuts, saying we would only get 12 people. It netted us 30 people. The next time we got 50 people. By the fourth time out we had 300 people. The word soon spread and the numbers grew in leaps and bounds. The bars were really an instrument of that strategy rather than being the strategy itself.

Telefónica Europe plans to open other Wayra Academies in Berlin, Dublin and Prague. Ultimately it plans to fund around 350 start-ups. As Devonshire argues, Wayra is as much a part of its talent management strategy as its high-potential schemes for senior managers, extending its reach far further than most of its competitors:

It is not just about the ideas. It is about attracting talented people. We are using Wayra as a way of acquiring great talent for the benefit of Telefónica. And like many talent management schemes, we bring mentors into the academy to help and support and realise their best potential.

4. Linked-in Internships

Both Santander UK and Telefónica recruit interns for their start-up schemes from Enternships, an online company that finds places in SMEs for university graduates with entrepreneurial ambitions. For example, Enternships has a partnership with Santander to supply interns for the bank's SME customers, linked to the Santander Universities Programme, which embraces 60 universities and funds 500 internships.

As Rajeeb Dey, the founder and CEO of Enternships, explains, the enterprise enables companies to contact and build relationships with young talent who would otherwise not think of working in a conventional employee relationship:

Companies, big and small, need people who are entrepreneurial or think like an entrepreneur – that is the ability to spot opportunities, to take risks and to hit the ground running.

The world is moving fast, and companies need people who are able to adapt quickly, who are agile and can operate in a time of flux and help the business grow. In a start-up, these qualities are obvious because you are part of a small team, everybody needs to pull their weight and there is no space for dead wood.

You will be spotted quickly if you are not adding value. At the same time, large corporations are spotting that they need entrepreneurial talent within their organisation. But the challenge is that corporate structures may not be right to enable the talent to flourish because in order to have truly entrepreneurial talent, you need to enable risk-taking and give a level of autonomy and freedom. Because of the way many reporting systems and appraisals work, a large company is not conducive to a truly entrepreneurial and maverick individual.

Having said that, the spectrum of entrepreneurial skill is broad. There is the through-and-through entrepreneur who you would struggle to get into a corporate environment (like myself). Then you have people who have entrepreneurial aspirations or tendencies yet crave the comfort of security and structure around them – and therefore would be more of an intrapreneur.

Companies, big and small, need to identify the individuals who will keep the business one step ahead, spawn new opportunities and help the company to grow.

Schemes like Enternships are important because the proportion of young people with entrepreneurial ambitions is increasing. In the United States, a nationwide cell-phone and landline survey, conducted by the Young Invincibles in 2011 in conjunction with Lake Research Partners and Bellwether Research and funded by the Ewing Marion Kauffman Foundation, polled 872 “millennials” (young people aged between 18 and 25) on their thoughts about the economy and entrepreneurship.

Carl Schramm, president and chief executive of the Kauffman Foundation, says:

This poll reveals a generation that is enthusiastic about entrepreneurship, and that is good news for the US; 54% of the nation’s millennials either want to start a business or already have started one. They recognise that entrepreneurship is the key to reviving the economy.

An even higher percentage of young people from ethnic minorities – 64% of Latinos and 63% of African-Americans – expressed a desire to start their own companies.

However, despite young people’s strong entrepreneurial drive, just 8% of the people polled owned businesses at the time of the survey, and only 11% intended to start businesses within the next year; 38% of the potential young entrepreneurs said they had delayed starting a business because of the economy.

Aaron Smith, co-founder and executive director of Young Invincibles, says:

An astounding number of young people want to start a business one day. And they overwhelmingly support action on the part of their leaders to remove barriers to these dreams.

The poll highlights specific barriers to entrepreneurship, including the inability to access the capital needed to get a business going, a lack of knowledge needed to run a small business, concerns with overcoming current debt burdens and a lack of mentors from whom young people can learn.

Some 65% of the people polled think that making it easier to start a business should be a priority for Congress, with 41% saying it should be a top priority; 83% believe that Congress should, at a minimum, increase the availability of start-up loans. Even more respondents – 92% – support increased access to the education and training needed to run a small business as a way to encourage people to become entrepreneurs, and 81% support student loan relief for young people who start companies.

5. Alumni and Associates

An equal priority for organisations is retaining relationships with talented people who leave organisations in midcareer and do not aspire to corporate leadership roles.

Large management consultancies such as Accenture, McKinsey and the Boston Consulting Group are champions of the idea that former employees should be seen as and encouraged to see themselves as “alumni” of the organisation.

They take the pragmatic and realistic view that at least 50% of the consultants they recruit will leave the organisation within their first decade of employment, either to pursue a corporate career or to set up their own enterprise.

Far from attempting to handcuff their staff, many consultancies actively encourage their corporate or entrepreneurial ambitions on the grounds that they will wind up being future clients or collaborators, bringing in new business to their former “alma mater”.

As Emily Lawson of McKinsey explains:

We constantly challenge and review our processes to try to ensure that we are bringing in the best, managing them well and offering them fantastic opportunities and ensuring that they feel good about the firm, whether or not they decide to stay or go. We manage our alumni network very actively.

So if you join McKinsey, you join for life even though you are not necessarily still employed here. We manage much less through systems and much more through values. Our risk management systems are about embedding a common set of values and holding that very visibly. There is a set of norms about how you

behave that are well understood and are inculcated early on within your first year.

Tim Levine found this was also true of Bain & Company, a global management consulting firm, for which he worked before pursuing an entrepreneurial career. As he explains:

They certainly don't hold you back. They take the attitude that if you are going to leave, you are going to leave. They take pride in the success of their alumni and in my case, they allowed me to continue to work in the office and use it as a resource centre – and keep my desk for a period of six months. This was critical for me when I was setting something up and short of capital.

It is also hard to work on your own and you have plenty of smart people around you. It really helps the transition. And they were keen for me to know that if the enterprise didn't work out, my old job with them was still there. They stated frequently that they would love to have me back but at the same time they wished me every success in my endeavours to be an entrepreneur. That is a very nice position to be in.

6. Conclusion: First Choice, Not Second Best

Every organisation should consider how it can widen its access to talent. The proportion of employees who will do what it currently takes to climb the corporate ladder is shrinking and what used to be termed 'the periphery' is growing.

People at the periphery consist of those who have opted for part-time, self-employed or contract work from choice and not necessity and who possess skills that previously would have been confined to the core.

There are also growing numbers of young people who are opting out of corporate employment and whose skills and entrepreneurial flair are needed by the companies they are forsaking.

Within large corporations, there are mavericks, intrapreneurs and specialists who are not catered for by traditional talent management programmes but who, again, have skills that are increasingly relevant to an uncertain commercial environment.

Professor Andrew Burke of Cranfield School of Management, for example, has tracked the enthusiasm of forward-looking employers to leverage the skills of freelance entrepreneurs (Burke, 2012): employers like Tony Lahert spent who 20 years with international retailer Argos from 1973 when it launched. In that time his executive roles included Buying Director where he managed a £1 billion budget and a print run of 22 million catalogues.

Tony was responsible for the creation of Argos Direct. He launched and managed the development of this new corporate venture in three stages. The first

stage involved the creative process of developing the idea for Argos to offer large sized goods for direct delivery to customers and to convince the company to support this innovation. Tony managed this process with a small team. The next stage involved the implementation of the strategy and bringing it to market.

This stage required a product development team and Tony Lahert opted to hire freelancers rather than employees. His view was that he “did not want to hire people on a project that might not work and who he might have to sack”. He also wanted to set up a structure to enable the supply of a fully outsourced entrepreneurial function i.e. creativity and start-up. He describes freelancers in this role as “light of foot” where they can “act fast and innovate in order to make a value-added impact in less time.

Equally illustrative, in Burke’s study, is the career of Philip de Lisle, who became a freelancer with no employees trading under the name ‘Enhancing Clarity’. He provides mentoring, advisory and non-executive chair roles mainly for SMEs with a turnover of between £1 million and £10 million and who have growth potential. He mainly gets involved in projects on strategy, innovation and corporate governance. He does not take on interim manager roles and will hire other freelancers to take on these tasks on an as needed basis. He says that the freelancer role allows him “to be independent and to think in a less pressurised environment”. In this freelancer role Philip de Lisle is able to ‘stand back’ from the business and map out a way forward. By contrast, he says that owner-managers find this task difficult as they are too close to the business.

Philip de Lisle sees himself as an entrepreneur in terms of wanting to maximise the impact of his innovative and creative talent. He says that this is where his passion lies and enacting it in a freelancer rather than owner-manager capacity makes it most enjoyable: “I get to play in other people’s sand boxes and I get paid for it. How good is that?”

He points out that as an owner-manager his creative output was limited by the scope of the business and the demands that it placed on his time. As a freelancer he works with roughly nine businesses per year. Therefore, in terms of his creative output and impact on the economy, he argues that it has increased by around a factor of nine as a freelancer over what it was previously as an owner-manager. He argues that he has “affected more change as a freelancer than as an entrepreneur and with greater ease can see the wood from the trees.”

From these examples, we can see that the growth of IPros and freelance entrepreneurs, and their newly dominant place in international labour markets requires fresh thinking from traditional talent managers and a new, more flexible approach to their task. Caroline Curtis, head of talent, succession and leadership development at Santander UK, observes that this means opening up the talent management programme and focusing more on enabling the business units to assess and evaluate their own talented individuals in terms of their strengths, aspirations and future potential.

Stephen Dury of Santander UK concludes:

When I am given an innovative, challenging project, which is about developing a new proposition, changing the business or shaping the organisation, often what I am looking for within the business are intrapreneurs and talented people from all backgrounds that feel an individual responsibility for doing things better and want to help make a difference.

The challenge is identifying those people who might not appear on our talent map but you know from working with them that they fit the talent profile that is needed within Santander. It is also about finding the talent that might not be available to you in your own organisation – and finding it at the right time and collaborating effectively for the benefit of everyone concerned. That can catapult talented people into a place where they want to stay.

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