

7-3-2014

## Shared Entrepreneurship: Toward an Empowering, Ethical, Dynamic, and Freedom-Based Process of Collaborative Innovation

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### Recommended Citation

Shipper, Frank; Manz, Charles C.; Nobles, Bill; and Manz, Karen P. (2014) "Shared Entrepreneurship: Toward an Empowering, Ethical, Dynamic, and Freedom-Based Process of Collaborative Innovation," *Organization Management Journal*: Vol. 11: Iss. 3, Article 3.  
Available at: <https://scholarship.shu.edu/omj/vol11/iss3/3>

# Shared Entrepreneurship: Toward an Empowering, Ethical, Dynamic, and Freedom-Based Process of Collaborative Innovation

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Shared entrepreneurship<sup>1</sup> (SE) is becoming recognized as an organizational model that can succeed in a rapidly changing global marketplace where the hierarchical command-and-control model seems less apt in today's environment (Alperovitz, 2013; Hamel, 2007; Kinicki, 2008; Kruse, Freeman, & Blasi, 2010). Hierarchical command-and-control stifles innovation and often fails to reward those who are responsible for an innovation (Shipper & Manz, 1993). Innovation—whether product, process, market or organizational—is the driver of success (Avermaete, Viaene, Morgan, & Crawford, 2003). That has always been true, but it is more critical today than ever before because of rapidly changing technological advances and consumer preferences. The academic evidence is sketchy because shared entrepreneurship is an emerging and growing practice, although a limited number of organizations have been using it for 50 or more years. Those that do practice it appear to have a better chance of survival than those that don't (e.g., Olson, 2013).

How shared entrepreneurship and related concepts such as shared ownership, shared governance, and shared leadership are associated with the success of organizations has not become a significant part of the academic literature (Shipper et al., 2013). Thus, this White Paper was derived primarily from hundreds of hours of formal interviews, conversations, and observations that were conducted in 13 organizations that practice shared entrepreneurship. The sample was quite diverse, from high- to low-technology industries, from local to international firms, from small (fewer than 100 employees) to large (more than 6000) firms, and from production to service firms. They were selected initially because they practiced shared ownership. Over

a period of more than 25 years, we have observed that there are common attributes that appear to be associated with their success. We endeavored to connect these practices with the academic literature.

Contrary to what some may think, shared entrepreneurship organizations do not give up control; they just do it differently. As will become evident in this article, shared entrepreneurship is a fundamental paradigm shift from the traditional command-and-control organization. Peter Drucker in his classic book *The Practice of Management* wrote about self-control and responsibility when hierarchical control was the preeminent model of management (Drucker, 1954). Herzberg identified responsibility as a key motivator (Herzberg, 1966).

Studies of shared entrepreneurship organizations, including ours, found frequent use of peer control via peer monitoring and social reinforcement (Freeman, Kruse, & Blasi, 2010; Lampel, Bhalla, & Pushkar, 2010; Knell, 2008). Sometimes this is done through formal peer-to-peer mentorship programs, and at other times informally. In addition, vision-led freedom, a shared compelling vision of success, inspires people to achieve their potential and clarifies when self and peer control should be exercised. Control in shared entrepreneurship organizations substitutes the use of self, peer, and shared vision for mechanistic and hierarchical forms of control.

Organizations that practice shared entrepreneurship, such as Southwest Airlines and NUCOR, are forcing some of their competitors into bankruptcy in their respective industries (Gittell, 2003; Iverson, 1998). Others, such as W. L. Gore & Associates, are developing new product lines (Shipper, Manz, & Stewart, 2014), and still others are reviving failing plants, as SRC Holdings has done (Stack, 2013). All of these companies practice shared entrepreneurship, but none of them do it the same way. *Shared entrepreneurship* is simply a term that captures the key operating components of these firms that have allowed them to survive and thrive in the rapidly changing global marketplace. *Shared entrepreneurship is an empowering, ethical, dynamic,*

<sup>1</sup>See Shipper et al. (2014) for an extended discussion of this topic.

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*freedom-based process where all are encouraged to share innovative ideas and then are supported with appropriate resources to develop these ideas and enabled to share in the rewards of success.* The key operating components are defined later in this article. This term is put forth to highlight the synergistic nature when this approach with its components are implemented together (Patel, Messersmith, & Lepak, 2013).

As Thomas Friedman (2005) observed in his book *The World Is Flat*, global competition is forcing companies to do things cheaper, quicker, and/or better worldwide. Price competition is moving jobs that make low value-added products from high-wage to low-wage countries. This outcome is evident in Figure 1, which reports the U.S. balance of payments from 1960 to 2011. The imbalance has grown since the early 1970s, but a breakdown between goods and services shows that the imbalance has been driven by goods such as raw materials (e.g., oil) and consumer goods (e.g., clothing and consumer electronics), products typically with low embedded value-added. Services by their very nature have a higher value-added. In contrast, the United States had a positive balance of payments for services during the same time period. There are products that are exceptions, such as the latest microprocessors that have high

value-added. These products are often produced by organizations that practice shared entrepreneurship. Such organizations are better prepared to participate in the global economy because they tend to be more innovative than hierarchical command-and-control organizations (Knell, 2008; Lampel et al., 2010). Thus, the former offer higher value-added products or services more than the latter.

The converse has also become apparent in that based on incremental productivity changes, high-wage countries cannot compete against low-wage countries. For example, the labor costs in manufacturing for the Philippines, Mexico, Poland, and Taiwan are 5%, 18%, 23%, and 24%, respectively, compared to that of the United States, according to the Bureau of Labor Statistics in 2010 (<http://bls.gov/fls/home.htm#compensation>). China's and India's labor costs are probably equal to or less than those of the Philippines. Thus, it is hard to conceive of how companies that focus on incremental productivity improvements in high-wage countries can compete against those in low-wage countries. Incremental productivity changes should not be ignored; they just should not be the focus of global competitors based in high-wage countries. They cannot compete on how much they produce; they must compete on the added value embedded in their products, processes, or services. Germany is a high-wage country that has followed this course and become the financial savior of the European Union.

Companies in high-wage countries must compete on brains, not brawn. To do so they must innovate; they must compete on disruptive process, product, or service innovations. For example, NUCOR, the second largest steel producer in the United States, has developed numerous process breakthroughs, including "Castrip" technology that produces solid sheets of steel while consuming 84% less energy than the traditional steelmaking facility (<http://www.nucor.com/responsibility/environment/leadership/benefits>). Through its development of innovative processes both in production and in human resource management, NUCOR has grown in the U.S. market and expanded overseas. It is an example of how a company that practices shared entrepreneurship can compete internationally while producing a commodity-priced product.

Silicon Valley was built and continues to grow based on disruptive product innovations. Shared entrepreneurship is widely practiced there. Continuous innovation has displaced continuous improvement as the key to surviving and thriving. For example, distributive computing displaced mainframes, iPods displaced Walkman, and smartphones have displaced personal digital assistants (e.g., Palm Pilots) and are displacing iPods plus both still and video digital cameras and global positioning system (GPS) devices. In this competitive environment, some mistakes are tolerable, for example, Intel's Pentium 5 floating-point decimal errors or, more recently, the iPhone's Apple Maps failure, as long as they are corrected; stagnation is not. Every innovation that yields a competitive advantage has a life cycle of introduction, growth, maturity, and decline, just as markets have a parallel life cycle. Organizations that grow or even

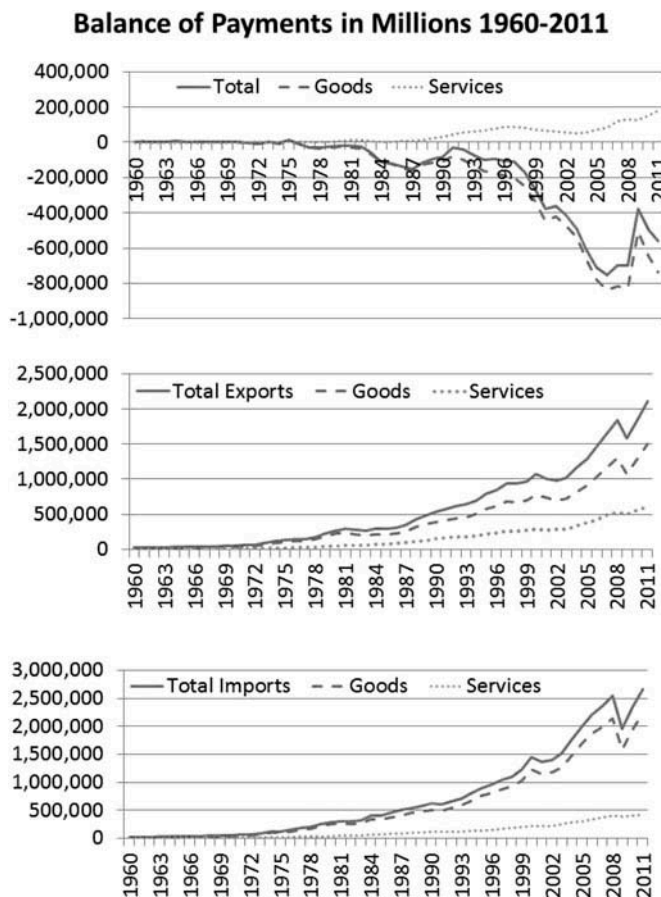


FIG. 1. Balance of payments in \$US millions, 1960–2011. Data source: U.S. Census Bureau, Foreign Trade Division.

maintain market share must continuously innovate or they will experience decline.

Some may argue that the preceding are isolated examples of companies that practice shared entrepreneurship and have success. To the contrary, a 3-year study of 780 mostly large companies found that those that practiced shared entrepreneurship had lower voluntary turnover, increased intent to stay among employees, and higher return on equity than other companies (Kruse, Blasi, & Freeman, 2012). Another study of 41,206 employees in 14 companies at 323 work sites found that shared entrepreneurship improved firm performance (Hsueh, 2011). In addition, there are studies of multiple companies that conclude that those that practice shared entrepreneurship can weather economic recessions better than those that do not (Blair, Kruse, & Blasi, 2000). Thus, there are a number of studies of firms that suggest that those that do apply shared entrepreneurship are more successful than those that don't.

Technology and the global market are evolving and co-evolving, but many organizations are not (Kaufman, 1995). Technology now provides the freedom to outsource without any time lag. In some cases, such as with medical transcriptions, on-time performance is improved because the transcriptions are frequently done in India while the West sleeps (Freidman, 2005). As the standard of living improves for people in India, the companies and employees buy more equipment and services from the West. Macro input/output can track the gross economic changes, but what will co-evolve at the micro level is unpredictable. For example, who knew that the overabundance of bandwidth created by the bursting of the technology bubble would lead to phone centers abroad or that phone centers abroad would lead to unprecedented demand for consumer products and electricity within a country such as India? The failure of organizations in India to respond to increased electrical consumption due to greater use of consumer products has resulted in unprecedented power outages. Some will say that this is an unfair example because power is a regulated industry. The failure of Kodak, Sears, IBM, AT&T, Xerox, U.S. Steel, General Motors, United Airlines, and others to evolve is more apparent. Some are mere shadows of their former selves, others are taken over, and still others are bailed out by the government. Companies that practice shared entrepreneurship, contrary to the view of some of their critics, do respond faster than hierarchical command-and-control organizations (Lampel, et al., 2010; Pierce & Furo, 1990). Thus, they are more likely to evolve and co-evolve in step with technological and market place changes.

## SHARED ENTREPRENEURSHIP

The components of shared entrepreneurship are illustrated in [Figure 2](#): shared leadership (sl), shared ownership (so), shared collaboration (sc), and freedom. The first three components are more tangible entities than freedom and can be viewed as processes or loose structures. The fourth component, freedom,

## The Four Components of Shared Entrepreneurship

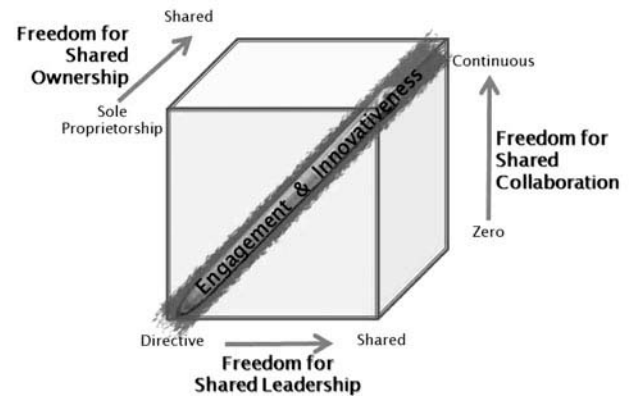


FIG. 2. The four components of shared entrepreneurship.

is a principal core value that is expressed through the first three components. The next three subsections expand in greater detail on how these principles operate. In addition, they illustrate the role that freedom, the fourth component, plays in creating and sustaining shared entrepreneurship throughout the organization.

### Shared Leadership

Shared leadership can be described as an ongoing mutual influence process where both designated and emergent leaders participate in the influence process. Here, everyone is potentially a leader, at least some of the time. Who leads at any given moment depends on the capacities and experiences of the people involved and the immediate requirements of the situation. Shared leadership is related to many other concepts, including distributive leadership, freedom-based management, shared governance, industrial democracy, employee involvement, employee engagement, servant leadership, and employee participation. Shared leadership is the term we choose because it denotes clearly the freedom for all employees to engage actively in a full range of responsibilities including leadership, and innovation throughout the organization. W. L. Gore & Associates has anchored the manner in which employees are encouraged to engage through its four guiding principles:

1. Try to be fair.
2. Encourage, help, and allow other associates to grow in knowledge, skill, and scope of activity and responsibility.
3. Make your own commitments, and keep them.
4. Consult with other associates before taking actions that may be "below the waterline" (Shipper, Manz, & Stewart, 2014, p. 268).



Other shared entrepreneurship organizations encourage shared leadership through values statements. For example, at one minority employee stock ownership plan (ESOP) company, any proposed action can be questioned by anyone based on the corporate values.<sup>2</sup> In an organization practicing shared leadership, everyone has the freedom and the responsibility to emerge as a leader.

Leadership can be viewed as a performance art. As Douglas McGregor (1960) pointed out, individual leaders take their cues from their underlying assumptions about the nature of people. He labeled two common sets of assumptions Theory X and Theory Y. People who adopt one or the other have a certain mind set, and this is going to carry over to the way that they attempt to lead people. To practice shared leadership will require leaders to have a Theory Y mindset. In other words, these leaders believe employees can contribute far more to organizational success if given the freedom to fully develop and utilize their potentials and if they share in the rewards of their success through stock ownership and profit sharing. In reality, long-term studies have found that 60–75% of managers have probably a Theory X, command-and-control, mindset relative to their employees (Hogan, Raskin, & Fazzini, 1990). Thus, those who want to be leaders in a firm that practices shared entrepreneurship will have to make a conscientious effort to adopt a Theory Y mindset and exhibit role-appropriate behaviors.

For example, at Mondragon Corporation, a federation of worker cooperatives based in Spain, the roles of the central leaders are defined in terms of facilitation and coordination, and not based on more typical top-down executive roles (Shipper & Manz, 2014). With more than 270 cooperatives participating in industries as diverse as supermarkets to the production and servicing of high-tech computer-aided design and manufacturing equipment, it would be foolish to concentrate decision-making power in the hands of a few. For shared leadership to be effective on a wide scale, it has to be embedded throughout the organization. In other words, the corporate mindset has to change throughout the organization as to what is an effective leader. The old model of command-and-control that stresses employees to get results has to change to a shared leadership model that stimulates and engages employees to make commitments.

Shared governance is complementary and essential to the long-term survival of shared leadership. Leaders who practiced shared entrepreneurship often left the organization without changing the formal structure and processes. During their time as the chief executive officer (CEO), they ignored the formal structure and processes. When they were replaced by a traditional leader, the organization reverted to command-and-control because there was no check on the new CEO's power that would have been created by formalized shared governance. In at least one case, we observed an organization that practiced shared governance reject a traditional leader hired by the board. It changes the role of leaders from planning, organizing,

managing, directing, and controlling to motivating, facilitating, and coordinating. Shared governance is not something a company has or does not have. Rather, it is a matter of degree. Cooperatives such as Mondragon and egalitarian ESOPs such as Equal Exchange tend to have a high degree of shared governance where all members of the cooperative have one vote (Harris, Shipper, Manz & Manz, 2014). The members of these firms can literally vote out the president or change the strategic direction of the company. In one diagram of its organizational structure, Equal Exchange places its members at both the top and the bottom to signify that they have the ultimate authority and are workers too. At Mondragon, the term “worker-owners” is used to indicate the dual roles of employees. There are other elements to the practice of shared governance. However, this brief description indicates that shared governance complements shared leadership because authority and responsibility are merged. In contrast, in hierarchical organizations authority and responsibility are often separated.

### Shared Ownership

Shared ownership consists simultaneously of two parts. The duality of this concept has been described previously as a “dual creation, part attitude, part object, part in the mind, part ‘real’” (Etzioni, 1991, p. 466). The first part is the formal structure that Kruse et al., (2010) refer to as shared capitalism. The second part is intellectual financial engagement, also referred to as psychological ownership (Pierce, Kostova, & Dirks, 2001). The former can occur in a number of forms including ESOPs, employee-owned cooperatives, profit sharing, and gain sharing. Other terms such as employee-owned businesses (EOBs), democratic capitalism, and mutual companies are sometimes used to refer to companies that practice shared ownership. Shared ownership is the preferred term because multiple forms of financial participation can be encompassed by this term, and for it to be present, employees must be involved actively. As with shared leadership, there is no one way to achieve shared ownership.

Shared ownership can vary by degree from one organization to another. For example, ESOP companies are sometimes categorized by the percentage of stock held by employees. In one study, the breakdown was 1 to 50%, 51 to 99%, and 100% owned by employees (Pendleton, 2009). Another important way to measure employee ownership is the average amount of value each employee has in an individual stock account. For example, the average employee in the largest 100% employee-owned company, Publix Super Markets, had \$48,000 in their individual stock account in 2010. According to a 2010 National Center for Employee Ownership (NCEO) analysis of ESOP company government filings, the average ESOP participant had an account balance of \$55,836 in 2008. This analysis included approximately 2,500 companies. Within a company, the value of stock held in an individual's account can vary widely by both longevity and organizational level. New employees start

<sup>2</sup>Name of company withheld at its request.

with little or no stock in their individual accounts. Long-term employees approaching retirement have exceeded \$1,000,000 in their ESOP accounts at some companies. In some cases, these were production or floor-level employees. Jack Stack, President of SRC Holdings, maintains that all employees who have been with the company for 25 years have more than \$400,000 in their ESOP account, even those who began and still work on the shop floor (Stack, 2013).

Not all companies that have some form of employee ownership practice intellectual financial engagement. For example, some companies set up ESOPs to take care of financial issues such as assisting the founders in getting money out of the firm, or to take advantage of special tax provisions. Financial information is infrequently shared and no attempt is made to have employees understand the financial statements, how what they do impacts them, or how they could improve them. Shared financial engagement does not exist because the employees in such a situation have no meaningful participation relative to uses and sources of funds. In this type of organization, firm performance is probably no greater than its rivals. It is just another company in the industry. It is missing intellectual financial engagement. Until that occurs, employees do not see how their work impacts their rewards.

The need to instill psychological ownership has been recognized by the companies practicing shared ownership for decades. At SRC Holdings, the employees are taught to understand financial statements, including the income statement, the balance sheet, and the funds flow statement and such concepts as net contribution to overhead (Stack, 2013). There is even the SRC Financial Quiz that everyone takes. Every week, workers in an operational work unit come together to review these statements and learn how well they are doing. Such meetings are common in companies that practice shared entrepreneurship. Another common practice is open-book management. Open-book management means that the financial statements are open for review by all employees. In practice, management more often reviews financial statements with the employees at quarterly, monthly, or weekly meetings than employees seeking out this information. This is one of the major premises for success at what SRC Holdings refers to as the Great Game of Business (Stack, 2013).

When shared ownership is combined with shared leadership, there is a synergistic effect leading to psychological ownership and feelings of “possessiveness and of being psychologically tied” to the firm and its success (Pierce et al., 2001). As previously mentioned, such companies do not suffer as drastically in a recession and recover faster from the recession than companies that have neither or just one of the two—shared leadership or shared financial engagement. The reason for their success is a third concept underlying companies that practice shared entrepreneurship—shared collaboration. When employees have psychological ownership, they believe that what benefits the company benefits them and vice versa.

## Shared Collaboration

The third attribute of shared entrepreneurship is shared collaboration. The term “shared collaboration” may seem redundant, but what is called collaboration in many organizations is at best cooperation (Hackman, 2011). Shared collaboration “can obtain results that far exceed what could be achieved either by any person working alone or by the” individual inputs of many people (Hackman, 2011, p. 30). Our use of this term denotes the embeddedness of the shared entrepreneurship core value “freedom to engage and innovate” (Shipper, Manz, Manz, & Nobles, p. 15). Everyone shares in the practice of shared collaboration and thereby creates a widespread sense of freedom. When freedom is deeply distributed within the organization, it energizes and directs effort in both challenging times as well as during periods of extraordinary opportunity.

On the careers page of the Herman Miller website, the need for all to share in the development of innovations is emphasized to prospective employees by the following: “We’re all challenged to design solutions” (<http://www.hermanmiller.com/about-us/careers.html>). Why innovations will occur more readily when knowledge is shared has been explained through NK ( $N$  = number of attributes, and  $K$  = the number of interactions) diagrams (Afuah & Tucci, 2012; Kaufman, 1995). NK diagrams look like topographical maps with peaks and valleys. They are used to represent the difficulty of solving complex problems. The peaks can be considered potential competitive advantages through differentiation, and the valleys can be considered potential competitive advantages through low cost. For firms to be successful, they must find either peaks or valleys they can dominate. Economists hypothesize that a rational human being, when considering the landscape (containing the peaks and valleys), will tend to conduct only local searches and identify negative slopes leading to a low-cost position or positive slopes leading to a differentiation position. Since there can be multiple positions of low cost and of differentiation, an individual will miss other opportunities and likely the optimal opportunity. Making the problem even more difficult, the landscape is not static. The peaks and valleys are constantly changing due to global competition. An individual acting alone has little chance of maintaining competitiveness. Even a group of individuals acting in a hierarchical command-and-control structure has little chance of being responsive enough to remain competitive due to communication issues such as overload, filtration, and delays.

A suggested alternative is an organic structure that is self-organizing (Morgan, 1997). For example, one of the firms in Silicon Valley meets the challenge of short product life cycles in a number of ways. First, it dispenses with hierarchical command-and-control structure. It does not even attempt to have an organizational chart because it “would be obsolete before the ink was dried.”<sup>3</sup> Second, the most common form of structure is a task force. A task force is formed to pursue a new

<sup>3</sup>Identity of the speaker and the company withheld at the request of the company.

opportunity. For example, in the beginning a task force will be loaded with scientists and engineers, with a few production and marketing people. They are assigned an open office area and the freedom to arrange themselves as they see fit. Additional people are asked to join the task force as needed by other task force members. As the new product advances from the development stage to the production stage, some of the scientists and engineers go on to new task forces and additional production and marketing people are added. Such task forces are sometimes referred to as sand dune teams. “Just as sand dunes change in number and shape as winds and times changes, [sand dune] teams . . . form and reform . . . as external demands and requirements change” (Hackman, 2011, p. 34).

Individuals no longer needed on a task force and who have not been asked to join another one will be declared surplus. They then have a fixed amount of time to find a new position within the company or they will be terminated. This process may sound harsh, but in reality forced turnover is very low. Employees know from the beginning that they must contribute, and build their skills and reputation. What this firm has done is develop an organic, self-organizing, self-correcting organization.

The wiring of integrated computer chips is a useful analogy for explaining why shared collaboration occurs more frequently in an organization that practices shared entrepreneurship than one that practices hierarchical command-and-control. They can be wired in either a parallel or a series configuration. When wired in parallel, simultaneous processing of information can occur, whereas in serial form, sequential processing occurs. This dichotomy is roughly equivalent to a group of individuals receiving all the information at the same time versus having all the information pass from one individual to another without distortion. Passing all information rarely worked well when attempted in the childhood game of telephone (whispering a message in the ear the first person, who then whispers the message he/she heard to the next, and so forth), and there is little evidence that it works well in a hierarchical organization. To make matters more complicated, the game of telephone required only one-way communication, whereas organizations require two-way communication at a minimum to achieve a common understanding. Thus, organizations where information is shared, innovation is fostered, rapid implementation is encouraged, and independent decision making is the norm will outperform traditional hierarchical organizations where bureaucratic delays in information processing, decision making, and implementation are typical. The failure of hierarchical command-and-control companies to innovate was criticized extensively in 1982 in the best-selling business book *In Search of Excellence* (Peters & Waterman, 1982), but an alternative business model such as the shared entrepreneurship model was not offered at that time.

Shared collaboration is enhanced by a strong collaborative culture from our observations. A strong collaborative culture can be thought of as the binding force that keeps an organization

together and focused on its mission. Organizational culture typically includes values, beliefs, common practices, communication, rituals, and corporate symbols that help create an organization’s identity and sense of employee affiliation to the company.

In traditional organizational theory literature, cultures are often classified as weak and strong (Arogyaswamy & Byles, 1987). The problem is that some organizations have strong negative cultures that perpetuate “we–they” and not collaborative behaviors. For example, in labor–management environments, the strongest predictor of union certification is peer communications (Davy & Shipper, 1993). The more acrimonious the history between management and labor, the stronger the negative culture, and the higher the strong negative binding force will be. Strong negative binding forces will contribute to the dissolution of the organization. For example, when employees of a company with strong positive culture are interviewed, they will proudly identify themselves as a member of the organization, for example, “I am an associate at Gore.” In contrast, when employees of an organization with strong negative binding forces are asked, they will respond, “I am an engineer.” The difference can also be seen in clothing. In the former, the employees will proudly wear clothes with the company logo on them. In the latter, they will proudly wear clothes with the union logo on them, often devoid of the company logo.

Binding forces as used here can be thought of as being analogous to the binding forces in particle physics. Organizations with strong shared collaborative cultures will have strong positive binding forces. Such forces translate into higher stability, lower turnover, lower absenteeism, and greater sharing of innovative ideas, as cited earlier. The converse is true for organizations with negative binding forces, either weak or strong. Both the strong positive and negative binding forces in organizations are embedded in the culture of the organization, and the weak binding forces stem from the structure and governance processes. The strong binding forces are reinforced intrinsically and sometimes socially, while weak binding forces depend on extrinsic reinforcement. Fred Herzberg (1966) recognized intrinsic motivation as stronger than extrinsic motivation. He went on also to recognize that organizational structure and processes had weaker influence on behavior than intrinsic forces. Fred Fiedler shared this position in his contingency theory of leadership as he stated that formal power derived from organizational structure and processes had relatively little ability to influence employee behavior in comparison to group cohesiveness (Fiedler, 1967). In addition, Herzberg (1966) asserted that intrinsic and extrinsic motivation should be aligned to achieve optimal effectiveness, which is what we observed in firms practicing shared entrepreneurship.

### **Freedom—The Fourth Element of Shared Entrepreneurship**

Freedom is essential to each of the other three components. It is the freedom to examine the financial statements, the

freedom to lead, the freedom to develop ideas, and much more. It means the freedom to make decisions on how to pursue objectives, the freedom to communicate without being restricted by hierarchical silos, the freedom to make decisions on such mundane things as travel and purchases, and so on. Freedom can be defined also more broadly as:

- Freedom to develop.
- Freedom to make mistakes and to fail.
- Freedom to question and to investigate.
- Freedom of access to information.
- Freedom from boundaries.
- Freedom from arbitrary limitations such as work hours, location, dress, and so on (Nobles & Staley, 2010, p. 6).

In essence, freedom is the right to be treated like an adult, to make decisions like an adult, and to be trusted. For example, an engineer who left IBM to go to work for W. L. Gore & Associates was amazed that he could purchase items without approval by others. At IBM, he had to get approval from a vice-president to purchase any software package regardless of cost and whether IBM made a comparable product. He could purchase also precious metals such as gold without having to justify the expenditure to anyone. All employees at Gore can use “dabble” time to develop new products (Shipper, Manz & Stewart, 2014), and all employees at Equal Exchange are encouraged to use “10% time” to develop new products or new skills. Freedom is not an abstract concept at these companies; it is encouraged and practiced by the employees every day. At the same time, the employees are held responsible for making good use of the resources they expend. It is still okay to make a mistake, but there is an expectation that overall there will be payoff.

Some will argue that freedom in organizations is analogous to empowerment. Conceptually, we do not disagree. Unfortunately, “empowerment” is bantered about in traditional organizations without any real significant changes in authority. Fred Herzberg and Gary Hamel, writing more than 30 years apart, both lamented that discretionary power has not increased (Herzberg, 1976; Hamel, 2007). When we use the word “empowerment,” we mean the freedom to make and implement decisions without running them up the hierarchy. As David Marquet wrote, “Don’t Empower, Emancipate” (Marquet, 2013, p. 212).

With this freedom comes the expectation that employees will act responsibly and use company resources wisely, even frugally every day. During Andy Grove’s time as CEO of Intel, one of the company jokes was it is all right to fly any class domestically as long as it is coach. Another joke was that the Intel limo was a Ford Escort. Not a joke, but fact, was that everyone could have an office as long as it was a cubicle. In addition, Andy Grove did not have a private secretary or a conference room. He followed the first rule of good leadership: Be a good role model by going above and beyond these expectations.

A president of a typical company who was considering making the transition to shared entrepreneurship was visiting in another shared entrepreneurship company. What pushed him into making the change were not all the good things that he was hearing from the upper level employees, but what he observed the lower level employees doing. A driver had carelessly wrecked a truck. The other employees were mad and they were letting the driver know about it. One had already made a quick calculation about how the cost of the repairs was going to decrease their profit sharing. The visiting president was astounded and said that at his company the driver and the employees “would all be standing around laughing.” The driver might receive some razzing, but it would all be treated like a joke. The impact on the company would never be considered.<sup>4</sup>

Another expectation that must come with freedom is absolute honesty. For example, all employees at one company can turn in their travel expenses directly via the Internet for reimbursement; no approvals or documentation is required except what is required by tax law. The bank account of the employee is immediately credited. In other words, no employee has to float the company a loan waiting for approval and processing of the expense report. On occasion, the employee will be asked for documentation. If the employee is found to have falsified the expense report, firing is immediate.

At another company, it came to the president’s attention that reports were being falsified. The person falsifying the reports was a long-time friend of the president and a vice-president. The president called in the vice-president, fired him, and told him how much it hurt him to have to do this, but that the vice-president had given him no choice because if he was going to expect absolute honesty from lower level employees, he had to hold upper level managers to the same standard. Again, this president recognized that the first rule of good management is to be a good role model.

## THE GOAL OF SHARED ENTREPRENEURSHIP

The goal of creating shared entrepreneurship within a firm is to create an ethical, dynamic, empowering, freedom-based organization. A manager who increases the productivity of the organization or a portion of it without an increase in resources could be considered a catalyst. In a firm that practices shared entrepreneurship, all members of the organization have the freedom and responsibility to serve as catalysts to make products, processes, and service better, faster, cheaper. As more and more members of the organization take advantage of the opportunity, the organization becomes autocatalytic, self-sustaining and self-renewing. It takes advantage of the wisdom of the crowd both within and beyond the organization; the autocatalytic organization is an open organization. The fuel that keeps it running, that prevents disintegration due to negative entropy, is the importation and development of ideas throughout the organization.

<sup>4</sup>Name of company withheld at the request of the president.



These organizations innovate and re-innovate products, processes, and services that have high value embedded into them. They try to make their own products, processes, and services obsolete before their competitors do. Some well-known companies have followed this strategy and also practiced shared entrepreneurship. For example, Intel, a minority ESOP, has followed this strategy with its microprocessor (Moore, 1965). Instead of an organization that tries to function as a closed system with rigid hierarchies and fixed channels of communications, an autocatalytic organization welcomes and cultivates new ideas and innovations from anywhere. These organizations practice crowd sourcing both within and beyond the organization.

This description may sound like some theoretical utopia of shared entrepreneurship, but it is going on in organizations as diverse as Equal Exchange, the largest Fair Trade firm in the United States, and W. L. Gore & Associates, the world's largest manufacturer of breathable fabrics and vascular grafts. At Equal Exchange (EE) every employee is encouraged to participate in "Exchange Time" every Thursday morning for 1½ hours (Harris et al., 2014). Exchange Time lectures and discussions cover topics such as Fair Trade, co-op history, or issues affecting their farmer partners. New employees are strongly urged to participate. The discussions are recorded and shared via EE's intranet with remote employees and regional offices. Cody Squire, who joined EE right out of college a few years ago, enthusiastically described Exchange Time:

It's one structured thing that you can depend on having every week just to learn about something new, to look deeper into something you already know about, or to hear from somebody who has just returned from working with farmer co-ops in Peru. (Harris et al., 2014, p. 164)

In addition to Exchange Time, Equal Exchange has "ten percent time." Employees can use 10% of their work time for purposes unrelated to their core functions. This time can be used to cross-train, work on governance committees, or learn more about the product. From these efforts developed a program called "Brew Crew," which made every participant a potential quality control inspector for its largest product—coffee.

As touched on earlier, all associates at W. L. Gore & Associates are encouraged to set aside some "dabble" time (Shipper, Manz, & Stewart, 2014). Dabble time is when people have the freedom to develop new products and evaluate their viability. For example, after several months of exploring the possibility, a team of excited and passionate associates developed a set of GORE RIDE ON products. In their exploration, the team learned that the road bike market is larger than the trail bike market, and there might potentially be a product for the racing market.

A presentation, referred to within Gore as a "Real-Win-Worth" presentation was prepared and presented to the Industrial Products Division (IPD) leadership team. Real-Win-Worth is a rigorous discipline that Gore uses to help hone

in on the most promising new opportunities. The three questions that must be addressed in "Real-Win-Worth" are (1) is the idea real, (2) can Gore win in the market, and (3) is it worth pursuing? Gore, through its associates and processes, actively seeks out multiple peaks of product differentiation to dominate, as described in the discussion of NK diagrams. After listening to and questioning the presenters, the IPD leadership team responded, "You know what? You do have some really good ideas. Let's do a market study on it. Let's see if the market is interested." The market study indicated that the market was interested and now there is a whole series of GORE RIDE ON products, for the recreational biker to the serious competitor.

These are just two examples of how companies that practice shared entrepreneurship tapped the innovative potential of the crowd within their organizations. Again, there is no one way to implement shared entrepreneurship.

These organizations also practice tapping the crowd outside for innovative ideas. For example, W. L. Gore & Associates depends on internal organic growth as its primary way to increase sales, but a second source of growth can come from external acquisitions. Gore evaluates opportunities to acquire technologies and even companies based on whether they offer a unique capability that could complement an existing, successful business. The leadership at Gore considers this strategy a method to stack the probability deck in its favor by moving into market spaces its associates already know well. To facilitate this growth strategy, Gore has a few associates who evaluate acquisition opportunities at the enterprise level. They do so in concert with leaders within each division.

Herman Miller recognized the significance of importing outside ideas back in 1930 when D. J. De Pree agreed to produce and sell a bedroom suite designed by Gilbert Rhode based on a 3% commission. It was not until 1942 that Herman Miller produced its first office furniture—a Gilbert Rhode design. Throughout the association with Gilbert Rhode and later with Charles and Ray Eames, designers of the famous Eames Lounge chair, they continued under contract with Herman Miller, never as employees. Furthermore, Herman Miller never had exclusive rights to their designs. Herman Miller continues to this day to have contracts based on sales commission with outside designers (Shipper, Manz, Adams, & Manz, 2014).

Simultaneously, Herman Miller does not ignore their employees. For example, an employee team was charged with developing the "Thrive Collection." Products included in this collection are the Ardea Personal Light, the Leaf Personal Light, Flo Monitor Arm, and C2 Climate Control. All of these are designed for improving the individual's working environment. Continuing Herman Miller's tradition of innovative design, the Ardea Personal Light earned both gold and silver honors from the International Design Excellence Awards (IDEA) in June, 2010.

Herman Miller was one of only four organizations, and the only non-high-technology organization, selected to *Fortune's*

*100 Best Companies to Work For* and *Most Admired Companies* and *FastCompany's Most Innovative Companies* in both 2008 and 2010 (Shipper, Manz, Adams, & Manz, 2014). The three high-technology organizations, Microsoft, Cisco, and Google, were unusual company for a firm in a mature industry, and definitely unusual company for an office furniture company (Shipper, Manz, Adams, & Manz, 2014). The use of internal and external crowd sourcing while committing to other practices compatible with Shared Entrepreneurship has at least partially contributed to the creation of a company where the unusual is usual.

Organizations that practice shared entrepreneurship have discovered the need to create permeable organizations. Information and ideas flow freely within the organization. Open-book management (Stack, 2013), discussed earlier, is just one example of shared information. Innovations come frequently from shared ideas. In a shared entrepreneurship environment, many employees participate in free-form brainstorming without any formalized structure or facilitation. Every employee has the freedom to be either a node or tendril on the corporate neural network. This network happens both internal to the corporation, as with “ten percent time” at Equal Exchange and “dabble time” at W. L. Gore & Associates, and external to the organization as with Herman Miller’s use of external designers. Employee-owners at other companies such as HCSS and TEOCO serve informally as boundary spanners. As they work with their clients, they look for new product ideas that can provide additional services for their clients, additional revenue streams for the company, and additional rewards for the employee-owners. Organizations that practice permeability try to prevent organizational silos and ceilings. They construct their buildings with alcoves and other design elements that naturally foster informal meetings, and minimize the use of organizational structure and titles to foster the free exchange of information and ideas. They build offices that are open so employee-owners are aware of what others are working on, and have egalitarian parking lots and cafeterias to foster camaraderie and communications. The goal of creating a permeable organization is to expedite the development of new products, processes, and services. Furthermore, increased communications reduces the duplication of effort and wasting of other resources.

## DEVELOPING INTELLECTUAL CAPITAL

Organizations that practice shared entrepreneurship also engage in practices to enhance the intellectual capital of the people. For example, Mondragon has its own accredited degree-granting university. Equal Exchange has a fabulous library of which the employee-owners are very proud. Increasing the intellectual capital of employee-owners is in the best interest of the firm because it should enhance shared collaboration (Hackman, 2011) and the firm’s financial returns (Tan, Plowman, & Hancock, 2007).

Continuously increasing the intellectual capital of the worker-owners seems to be linked to the organization’s ability to continuously innovate. For example, one employee-owned firm did not pay for additional training for any of its worker-owners, including its engineers. The justification was that since not all worker-owners could or would take advantage of this benefit, it should not be available to any worker-owners. When robotics became a major competitive force in the industry, it fell behind. The firm changed its policy to support work-related training. In addition, it has participated with multiple universities providing grants and speakers, and has developed its own technology center to ensure the company’s leadership position in product development. Today, it is recognized as an industry leader both domestically and overseas.<sup>5</sup>

Developing intellectual capital can be thought of as a four-step process—attracting, selecting, retaining, and increasing. The large companies that were studied are well known for their advanced human resource management policies that underlie shared entrepreneurship, such as Herman Miller and W. L. Gore & Associates. They attract a large number of applicants any time they are hiring. Even the small companies such as Equal Exchange attract many applicants in their geographic areas of operation when they are hiring. Sometimes it appears that it is harder to get a job at a company that practices shared entrepreneurship than to get into an Ivy League school. For example, Herman Miller in 2009 hired only 1 out of every 278 applicants, for an acceptance rate of 0.5% (Shipper, Manz, Adams, & Manz, 2014) whereas the Ivy League schools admitted 11.9% in 2009 for the class of 2013 (Hernandez College Consulting, 2009). Effective human resource management strategies are critical to the success of these companies. The leaders of these companies don’t just mouth the words that, “people are our most important assets”; they ensure that their companies operate that way, every day.

Shared collaboration and shared ownership mesh with employees’ willingness to share their intellectual capital with the organization. Approximately 30 years ago two large organizations were introducing elements of shared leadership into their organizational processes. Both successfully introduced autonomous teams with documented results. In one of the organizations, they decided to tie the results to a profit-sharing scheme. The results increased even further. In the other, the executives were frequently citing the results of the autonomous teams. At one large meeting, a worker asked, “What’s in this for us?” The executive answered gruffly, “Your jobs.” The program died. When employees have a tangible financial stake in the outcome, they are more willing to contribute their labor and brains, the essence of shared entrepreneurship, and extraordinary results can be achieved.<sup>6</sup>

<sup>5</sup>Name of company withheld at its request.

<sup>6</sup>Name of company withheld at its request of the interviewee.

## WHY IS SHARED ENTREPRENEURSHIP SUCCESSFUL?

Why are firms practicing shared entrepreneurship more successful than ones that don't? There are no easy answers to that question. However, just as functional magnetic resonance images of brains are discovering that the brain has greater plasticity than previously believed (Adult brain shows more plasticity than previously believed, 2004), ethnographic studies of firms that practice shared entrepreneurship suggest that they have greater plasticity than firms that don't. Such a finding makes eminent sense in that if a firm is dependent on the plasticity of the mind to continuously innovate, the firm must also have a high degree of plasticity in its structures and processes to enhance innovation. In studies since the early 1960s, structures and processes with a high degree of plasticity (a.k.a. organic; Burns & Stalker, 1961) have been recognized to be more effective in turbulent environments than hierarchical command-and-control (a.k.a. mechanistic) ones. A high degree of plasticity in their structures and processes may explain why through constant innovation such firms can respond better to recessions than those with more traditional structures and processes.

For example, rather than having layoffs, W. L. Gore and Associates as well as Mondragon will move people from one business area to another depending on the demand for the various products. At Herman Miller, all employees took a cut in hours from 40 to 36 to preserve jobs during a difficult time. When the company recovered, the workers did not have to be recalled and retrained. Therefore, the company was able to respond to orders more quickly than if it had to hire and train new employees or recall laid off employees. Thus, time to ramp up production and cost of training were reduced.

Earlier we discussed how teams are formed and evolved in an organization that practices shared entrepreneurship. In traditional organizational theory, there are no terms to describe such transformations. Drawing inspiration from biologist Stuart Kaufman's (1995) book *At Home in the Universe: The Search for the Laws of Self-Organization and Complexity*, concepts such as permeability, self-organization, autocatalysis, and plasticity have been used to describe what happens in organizations that practice shared entrepreneurship. Another concept that can describe how these organizations operate is chaining, as in the molecular chaining that occurs in organic compounds. The properties of organic compounds can vary widely by increasing or decreasing their molecular length (or chains). For example, polytetrafluoroethylene (PTFE) is used by DuPont to produce Teflon, and by W. L. Gore & Associates to produce Gore-Tex fabric, vascular grafts, industrial seals, guitar strings, and a host of others products (Shipper, Manz, & Stewart, 2014). Teams (a.k.a. task forces) can be formed by linking individuals together to achieve current goals. As discussed earlier, scientists and engineers are linked together in the early stages of product development to move from the ideation to the prototype stage at another employee-owned company. At that point, production specialists are linked to the team to move to the production

stage, and some of the scientists and engineers may link together to develop other new products while still being available when needed by the first team. Marketing specialists are linked to the team when a marketing strategy becomes imperative. In reality, some production and marketing people will be linked to the team early in the development stage. However, the nucleus, the leadership of the team, is changing over time; members with different expertise share in the leadership as the essential functional know-how changes. At Gore, knowledge-based decision making is practiced. As a team undergoes its metamorphosis, knowledge-based shared leadership occurs. To optimize the expertise of its members, arguably, the team has to be as pliable as a polymer molecule and ready to change to meet different needs as they arise.

Other components or explanations for why shared entrepreneurship has been successful in the organizations that we have studied can be given. By identifying the components that we observed in common, we hope to advance this field of inquiry and the understanding of why shared entrepreneurship firms are successful.

## THE CHALLENGES AHEAD

There appear to be challenges for business, government, and academic leaders if shared entrepreneurship is to become more widely used. Without all three groups, the progress toward creating more companies practicing shared entrepreneurship will be slow.

### Challenges for Business Leaders

Business leaders need to acknowledge that hierarchical command-and-control is not what will be needed in a globally competitive economy. They must also acknowledge that there is no one action, no silver bullet, to provide a sustainable organizational competitive advantage. To develop a shared leadership organization from its startup—a “greenfield” (undeveloped; Businessdictionary.com, 2014) site—requires leadership with the right values and the right mindset such as that of Bill Gore of W. L. Gore & Associates or Atul Jain, of TEOCO. The personal values of leaders, such as courage and integrity, are critical for leading a new shared entrepreneurship venture. Many will need to have the courage of Rene McPherson, who, when he was turning around Dana Corporation, replaced the corporate policy manual with a one-page statement of values. He believed “that all employees were entitled to control their own work and to share in the company's profits” (Rene C. McPherson Biography, 1997). He radically changed Dana Corporation even when he had board opposition. The hope is that, as in an organization with a history of over 30 years of shared entrepreneurship, anyone can question whether a proposed action fits the organizational values.

To make the change in a company with a tradition of hierarchical command-and-control requires a systematic analysis of

the organization, including the leadership, the governance structure and processes, the organizational culture, and the human resource management strategy and processes. How each can be changed to move the organization forward needs to be examined.

As a first concrete step, shared entrepreneurship leaders usually institute some form of broad-based employee ownership. Such a step signals that things are not as they have always been. From what has been observed, it appears that a combination of a short-term form, such as profit sharing, and a long-term form, such as an ESOP, is better than either one alone. Actually, corporate America seems to be doing fairly well in this area, as almost 36% of the workers in the private sector are now included in some form of broad-based employee ownership plan (Data Show Widespread Employee Ownership in U.S., n.d.). Second, financial ownership must move to psychological ownership. In interviews with new employees, many did not understand the broad-based employee ownership program in which they were included. One executive estimated that it took 5 years before the typical employee understood the program, and another estimated that it did not happen until the value of an employee-owner's account equaled one year's pay.<sup>7</sup> Whatever the case, this period is too slow. Companies such as Equal Exchange with Exchange Time every week and SRC Holdings with its weekly meetings and its Great Game of Business approach to keeping everyone's focus, and keeping it fresh and interesting, appear to shorten the time between when someone joins the firm and when they understand how what they do impacts their own personal bottom line, whether it be through profit sharing, an ESOP, or both.

The second step is for the organization to increase the freedom of workers to make contributions. One large-scale study found that only 10% of employees are given the freedom to make decisions and extensive training and information on the business performance, especially relative to competitors (Lawler, Mohrman, & Ledford, 1996). Freedom is the area where the greatest improvement by business leaders is needed. All employees must be given the freedom, training, and information to become entrepreneurs, to go for the brass ring.

### Challenges for Political Leaders

There are challenges for political leaders, too. The largest one is to improve the educational system. This improvement is imperative, as intellectual capital has become the critical capital in the age of innovation. It is estimated that the American education system hit its zenith in 1963 and has been on a downward slope since; the evidence is overwhelming that the U.S. education system is in trouble. By one estimate, the United States ranks 17th in the world in reading, 31st in mathematics, and 23rd in science (Organization for Economic Cooperation and Development, n.d.). The SAT (Scholastic Aptitude Test) scores

have been readjusted upward for both English and mathematics, but especially for mathematics. In 2009–2010, only 78.2% of that student cohort graduated with high school diplomas. According to the OECD, the United States ranks 21st from the top. In addition, other countries' graduation rates are increasing while that of the United States is stagnating (Cardoza, 2012). In other words, 21.8% of the 2009–2010 cohort will have only the skills needed to do the most menial of minimum wage jobs (Brenchley, 2013). By one estimate, 3,000,000 STEM (science, technology, engineering, and mathematics) related jobs were unfilled in 2012 because of a lack of qualified graduates (Sternheim, 2013). Such outcomes are unacceptable.

The numbers do not tell the whole story. The core issue is that the education system in the United States does not provide its students with the skills needed to allow them the freedom to participate fully in the 21st century economy. Father José María Arizmendiarieta realized a similar problem in the Basque region of Spain in the 1940s. In 1943, he founded a Polytechnic School (Whyte & Whyte, 1991). Today it has grown into multiple polytechnic centers and Mondragon University, a democratically administered educational center open to all young people in the region. The Mondragon Corporation was not founded until 1956. The resulting improvement in the quality of life for the region has been spectacular. For example, the gross domestic product (GDP) per capita for this region in 2010 was \$43,385 with an unemployment rate of 7.99%. In comparison, the GDP per capita and unemployment rate in Spain were \$30,020 and 20%, respectively (Atlasa.net, 2012). In other words, in 2010 the Basque region was more comparable on key economic indicators to the Netherlands or the United States than to the rest of Spain during the Great Recession (National Statistics Office, 2011; International Monetary Fund, 2011). According to Eurostat (2013), more than 35% of the adults ages 25–64 years have attained a tertiary education level in the region. This is the highest educational attainment level recognized by Eurostat. In addition, the violence due to the Basque Separationist Movement has practically disappeared. These outcomes echo the proposition of former CEO of ADT, Inc., Ray Carey, who believed that the practice of shared entrepreneurship can contribute to both peace and prosperity (Carey, 2004).

A skilled workforce is a necessary condition for having a vibrant economy (Berman, 2012). The positive impact of high-quality education is evident in other countries. In India, the Indian Institute of Technology (IIT) has led to an economic miracle. The same can be found in China. Within the United States, economic miracles can be found around Stanford University (Adams, 2005) and the Massachusetts Institute of Technology (MIT). High-quality education has the ability to lift people out of poverty. It has the ability to strengthen the middle class. Businesses must demand more and assist the educational system.

Another public challenge is to realign public policy with broad-based ownership of economic capital. Before the industrial revolution, the critical economic capital was land.

<sup>7</sup>Names withheld to protect confidentiality of interviewees.



Public policies were established to prohibit primogeniture (the inheritance of all by the oldest son) and to sell as much public land to as many citizens as possible. As the critical economic capital has changed to business ownership in the 20th century, public policies were established to encourage small-business ownership and various forms of profit-sharing and employee ownership (Blasi, Freeman, & Kruse, 2013).

During the Clinton and Bush administrations in the United States, laws were enacted that had the opposite effect, however. For example, Section 162(M) of the Internal Revenue Code limited the deductions for fixed pay to the top five executives to \$1,000,000, but left unlimited other forms of compensation such as stock grants, profit sharing, and gain-sharing packages (U.S. Tax Code On-Line, 2014). In contrast, ESOPs are restricted to a modest amount, 25% of covered payroll (this limit also includes employer contributions to other defined contribution plans) for corporate tax deductions (ESOP Tax Incentives and Contribution Limits, n.d.). In other words, the tax code favors the top five executives over the typical employee (Blasi et al., 2013). This unequal treatment is antithetical to creating a favorable environment for shared ownership, a key cornerstone for shared entrepreneurship.

Some argue that government policies supportive of broad-based employee ownership are needed (e.g., Alperovitz, 2013; Blasi et al., 2013). Obviously, they would be helpful to expedite the growth of shared entrepreneurship. Shared entrepreneurship when effectively implemented can be, however, such a competitive advantage that as long as adverse policies are not implemented, shared entrepreneurship companies will succeed. Both aggregated statistics and companies cited in this article support this assertion. A growing number of shared entrepreneurship companies are becoming industry leaders. The challenge is for leaders in other companies to take the initiative to make the change.

### Challenges for Academic Leaders

In the process of writing this White Paper, having it reviewed, and responding to those reviews, we have observed that the practitioner and the academic worlds are more similar than some might think. Nobles and Staley (2010) observed that multiple companies have developed shared entrepreneurship independently and by trial and error. To some extent this is also true in the development of nontraditional/radical organizational theory. Only one set of nontraditional organizational theorists seems to be referenced consistently: Burns and Stalker (1961). As stated earlier, Shipper et al. (2013) found that limited coverage was provided for a variety of significant concepts, many of which are addressed in this White Paper. In the process of doing this White Paper, we learned that the work of nontraditional/radical organizational theorists such as Kaufman (1995) and Morgan (1997) is also not included in many textbooks. Obviously, they should be. In addition, exposing current leaders in executive courses and future leaders in traditional

courses to these concepts could expedite the successful adoption of shared entrepreneurship.

### SUMMARY

To summarize, we have defined shared entrepreneurship and introduced its four major components: shared leadership, shared ownership, shared collaboration, and freedom. We have sought to briefly describe how these four principles of shared entrepreneurship have been observed in a variety of highly successful companies. Through multiple qualitative studies, we have observed that the employee-owners need to have multiple forms of meaningful engagement and that the engagement has to occur in a nonthreatening, egalitarian atmosphere. As noted earlier, there is limited academic research to support our observations, but it is beginning to emerge (e.g., Patel, Messersmith, & Lepak, 2013). To emphasize the need for multiple forms of engagement, each of the three core components begins with “shared”—shared ownership, shared leadership, and shared collaboration. The fourth and equally important component is freedom; the freedom to grow and develop, the freedom to go for the brass ring, as Jack Stack (2013) would say, has to be emphasized. Patel et al. (2013) supported offering multiple forms of engagement as complementary practices to create a synergistic effect on corporate performance, and cited five calls in the literature for such research. Little has been done, and these calls are repeated in this article.

Through the active implementation of the four components, employees are engaged; ideas bubble up throughout the organization; rewards are shared; a collaborative ownership culture develops; ideas become innovations continuously throughout the organization; and a self-perpetuating system of shared entrepreneurship is created. The literature on ambidextrous organizations suggests this is essential for innovation to occur (e.g., Raisch, Birkinshaw, Probst, & Tushman, 2009). In the competitive, global knowledge-based economy, innovation is the global competitive advantage (Hamel, 2007). It is not enough to be as good as the competition. Companies must leapfrog the competition, expect to be leapfrogged by their competitors, and be ready to respond. The mantra of the 1980s of continuous improvement has changed in the 21st century to continuous innovation. To make innovation happen, every employee must have the skills and the freedom to think and act as an entrepreneur, which will not happen unless every employee has both a financial and psychological stake in the process and outcomes. There are many others better qualified to discuss the pros and cons of various forms of employee ownership and how they can be set up. The focus of this article was to describe multiple ways employee-owners can be engaged individually and in teams in the ownership, in leadership, and in innovations of the firm. It is our belief that readers of this White Paper will wonder why more firms do not practice shared entrepreneurship. In the section “The Challenges Ahead,” we have tried to lay out what it will

take for greater shared entrepreneurship to occur. From our study of shared entrepreneurship through both firsthand observations of firms and literature review, leaders who respond to these challenges should help additional firms to practice shared entrepreneurship.

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