

Entrepreneurship: A Perspective

Interview with Peter Senge

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The Indus Entrepreneurs is a non-profit organization that has been responsible for creating new companies generating \$200 billion dollars in the past 9 years. In November, on the 10th anniversary of TIE, the organization plans to release The TIE Handbook for Entrepreneurs. Dr Peter Senge, one of the foremost management thinkers of today and the author of the Fifth Discipline (and three field books that accompany the Fifth Discipline) is interviewed by Prasad Kaipa in May 2002 for the TIE Handbook.

Kaipa: What are some of the key soft skills for entrepreneurs who are building enterprises of the future?

Senge: By definition, entrepreneurial venture is a sense of shared vision; people who share common passion. It [entrepreneurial venture] is art of creating balance between convergence and divergence. People have clear idea and common focus about a particular product, particular results, or particular customer or market. They can work together with common values when all they have to work *with* in the beginning is creativity. The convergence and focus on product or customer or market should not kill the creativity. It is a sophisticated field. Classical OL [organizational learning] skills would be very useful here. Conversational skills would need to be good for building good entrepreneurial teams in the beginning. Very few people are good in dealing with conflict. Conflict, when dealt with appropriately, could be very generative but many people end up just having fights in the name of conflict management. They don't really harness the creative potential.

Kaipa: What are the critical soft skills and learning skills for building an executive team?

Senge: It takes off from where we began a minute ago. Very few executives are good in dealing with conflict in teams. I really do think that basic inquiry skills, the ability to distinguish interpretations from data, the ability to pose questions that really help people learn more from the situations in which they find themselves. I really don't know how else to say it. It is developing shared appreciation of the reality in which they are working; and it is pretty hard work. The Appreciative Inquiry (AI) work of David Cooperrider et al would be very useful here. It is about dealing with differences and potential conflicts appreciatively. That seems to be quite crucial.

Kaipa: Let me list my Top 10 soft skills that I have identified for entrepreneurs.

- Focus on Humility and Self Control
- Emotional Intelligence
- Building on Strengths and Minding Your Core Incompetence
- Integrity in Speech and Action
- Sensitivity in Context – Timing Is Everything
- Managing Perception

- Appreciating the Roles of Others
- Teamwork is the key
- Focus on Outcomes and Process
- Expecting Failures
- Continuous Learning

These key skills help entrepreneurs build sustainable and profitable enterprises that stay long after they are gone. Do you feel these cover what you would consider as key skills.

Senge: I think they are great. The only thing at this point that I detect missing is something about developing a theory of business. Peter Drucker keeps saying that people make implicit decisions and barely make the theory explicit. Without an explicit and coherent theory, a Company does not sustain for long. Mental models tools help to make that explicit but how you inter relate different images and mental models the executive team has into a coherent picture – what is our theory, where are we at, how do we generate value, key sources of distinctiveness. Are we sophisticated in building shared understanding? How do we look for disconfirming evidence that identifies what is wrong with our theory?

Kaipa: Many entrepreneurial companies that were built in the new economy model were missing the theory of business. I once invested in a company that became pretty big very quickly and it looked like they created a very successful company. The founders moved out and started other stuff and suddenly the company collapsed and disappeared. It has happened so many times recently that you wonder what the value proposition was and what its distinctive source was.

Senge: I also think you can integrate what is implicit in *doing* in an entrepreneurial venture into your *knowing-doing* gap. You should look seriously at your *doings* like how you make decisions and what you spend your money on. If I were to be an outsider looking at this, what would be the theory of business that I think you have? Compare that to what you say your theory of business actually is. You will find very interesting gaps between what you do and what you know about what you do. A slightly different way of looking at knowing-doing gap. People always beat themselves up because they don't always do what they say they will do and what they should do. The key is in finding out how to work with them. Why are we doing what we are doing? How come we are not following what we know?

Kaipa: I think that is a very good point you are raising, Peter. I also say that knowing-doing gap cannot be bridged directly. We have to understand why we do what we do and why we say what we say. We have to get into what are we feeling when we do what we do? What is the spirit behind our actions and who are we being?

These are important questions that throw light on knowing doing gap. I appreciate what you say. From global perspective, do you see things that entrepreneurs should pay attention to? Are there things that they traditionally ignore it but that they should pay more attention to them?

Senge: Well, the obvious part of that is diversity. When you are an entrepreneur, you network and connect with people who have a fair amount of commonness with you. I

think you get to be homogenous. I always think of companies like Shell. It is Dutch and English. The core of the company is bicultural. There are not too many companies like that. That type of multi-cultural, diverse team from the beginning would add a lot of value. It prepares you as you grow. You deal with more and more of different kinds of people, markets, customers, technologies. Having different points of view at the core helps you significantly. It increases your net worth.

Kaipa: That is a critical point, Peter and in Silicon Valley, the potential exists for such collaborations but does not happen very often.

Senge: Unilever is the same way. They are also Dutch and English. It is very interesting to watch how they make decisions.

Kaipa: Great. With TIE, we are getting exposed to many others. Otherwise, we create companies with others whom we are very comfortable with. There are many Indian startups, Chinese startups etc. But rarely do Chinese and Indians create an entrepreneurial venture together. It happens with Americans and Asians but still the feeling is that Asians are good technical people and we need Americans for management. We have to really look at our mental models because if we just keep doing what we are doing, we keep getting what we are getting – a mixed success.

Do you see any Asian contribution or Indian contribution – their uniqueness that we should pay attention to in building the companies that we build?

Senge: Over last 10-years, I have found tremendous alignment between the basic ideas of organizational learning and Asian cultures. I think The Fifth Discipline has sold more copies in China than any other country other than US. I think it is very popular in India as well.

I think people appreciate the fact that you don't have to follow the model of western capitalism. It is very important for two reasons. One, if you are helping the country, you will develop your own style. Number two, a new model is needed in the world because the Western capitalism is the dead-end. You cannot grow the world economy based on western capitalism because of its extreme levels of waste and its disregard for human capital. I think there is enormous potential for the Asian Economies. They will pioneer the kind of capitalism that respects natural capital, social capital and human capital. I think, It could be to be a discontinuous big contribution of the 21st century. I really believe that.

Kaipa: That is a great point, Peter. If I might follow up on that, you said western capitalism disregards the human capital and Asian approaches enhance it. Can you say how we can enhance human capital from either western or eastern perspective?

Senge: Of course. There are lots of things we can say about messages and practices and we have already talked a bit about that. Lying behind all these tools and messages is a matter of point of view. The reason I say that about Asian cultures they have a different degree of integration about the spiritual perspective. In western cultures, by and large, we have almost externalized spirituality. What I mean by that is that we have to go to church to experience spirituality. In the extreme form, we do whatever we do during the

week and go to church to repent on Sunday. There is a lot of spirituality in the western world, don't get me wrong. But it is more on the periphery than central to every day life. Especially Christianity is not based on every day development. It is based on repentance and redemption.

Asian cultures have more integral concept of spirituality. It is more practice-oriented approach. That means it is not about what you believe but it is what you practice and it is a matter of discipline. What practices do you commit to on a day-by-day or hour-by-hour basis? It gives a very different orientation. If you really experience and you are continually cultivating your ability to experience spiritual orientation moment by moment, you naturally relate to people. You naturally relate to all natural systems in a very different way than if you are trying to add on the top of your every day way of doing things a spiritual orientation. There is a possibility of contributing something very different like that to business world.

That affects the ability to naturally gravitate to the primacy of human capital. That really is the key. Are the living systems primary or secondary? If they are the beginning to the orientation, if you naturally respect all life, and that is your starting point, then everything is secondary. That would be very different approach.

Kaipa: Can you suggest some simple guidelines that entrepreneurs can take on and keep in mind in developing human capital?

Senge: Let us start with something simple. What practice are you taking on to guide your day-to-day life? It is not enough to say, I run, I go to gym because they are physical exercises (that are important by themselves) but not sufficient in my opinion. Start out with some spiritual exercises. Each individual has to choose his or her own personal practice whether it is meditation, or tai chi or yoga; I don't care. It is a discipline that they have to cultivate. Secondly, there are team practices. Simple dialogue practice like check-in. I think any of the mental model practices like acknowledging their left-hand columns or where they are on the ladders of inference. Also, you can explore different scenarios and spiritual development. You pick some and then maintain some practice.

Kaipa: Any cultural practices that you recommend?

Senge: Culture is a bit of problematic word. What I would focus on is very particular settings like meetings. Develop skills that will help you run very productive and focused meetings. It does not mean that they are always focused, but that there is good balance between focus and divergence as well as between inquiry and task. Most people hate going to meetings. They think meetings are a waste of time. If they can learn how to run productive meetings, that would be good. Inquiry and collaborative learning, practice in meetings.

Let us take a couple more examples. Performance reviews, let us try. How do we go about reviewing performance? Do we do it the way it leads to learning? Are there particular practices that allow performance to be reviewed in appreciative way? Similarly budgets, how do you deal with them productively? My main point is don't spend so much time thinking about your culture. Take particular practices that are relevant particular kind of work, so that they can impact the meetings, performance

reviews, and budgets. Take routine things that you have to do and make them *learningful*. Particular practices for developing particular skills.

Kaipa: Any last comments that you want to make?

Senge: We need to recognize the importance of entrepreneurs to national economies. So far, dealing with social and environmental problems has been central government's issues particularly in developed economies. These developed economies are trying to work with developing economies. There is no hope for developing economies without strong vital entrepreneurs. The problem of working with big multi-nationals is that you develop the skills but you do not develop the infrastructure. I think there needs to be a balance. There is nothing wrong with multi-nationals in the developed countries, but they tend to squeeze out the entrepreneurial sector and that has been the pattern. I was talking with a banker from a Nigeria. He pointed out to me that Shell is 60%, six-zero percent of Nigerian economy. He founded a very successful bank in Nigeria. He was very clear that there is no hope for Nigeria without an entrepreneurial sector. It is very difficult. In all kinds of ways big companies make it very difficult for the entrepreneurs. We have to learn to work with each other. That is the key. Entrepreneurs and big businesses have to learn to work together.

Kaipa: Can you comment on the entrepreneurs and their role in building sustainable enterprises of the future.

Senge: Now, I am assuming you are talking about natural capital and environment when you use the word sustainability. Nobody has really looked at building sustainable enterprises so far, at least thoroughly. Somebody in SFO is looking at criteria for investors - very specific things in terms of social and environmental impact. Social investment has been growing a lot. Long-term financial performance is not compromised. It is about setting standards. Big businesses have to do that just like quality standards have been set by them before. It is still a mystery why we drive these cars instead of cars that give 200-miles a gallon. Only companies that are financially stable are doing hybrid vehicles – Honda and Toyota. Many other companies cannot venture into working on risky propositions.

My recommendations to entrepreneurs: form associations and develop various kinds of networks. *There is so much to learn here and the biggest problem for entrepreneurs is isolation.* This is the area there is so much to learn and it seems like a natural place for share best practices. Don't do it alone.

It is best if we learn together. It is something that you have to work together as coalitions.

Kaipa: Thank you very much. We really appreciate your support and wonderful comments. I am sure, readers will find them thought provoking and many of them are actionable. Again, I appreciate this opportunity to talk with you during your very busy time.