MANAGING CREATIVITY

JOHN J. KAO

HARVARD BUSINESS SCHOOL

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JOHN J. KAO
Harvard Business School

Preface

The present volume focuses on the topic of managing creativity. In the author's view, creativity and entrepreneurship are intimately linked—part of an overall flow of events. All entrepreneurial processes begin with the idea. The lightbulb which goes off may not necessarily conform to the commonplace notion of a breakthrough theory or a radically new product. It may equally well be an idea about a process, a different way of doing things, a perception of the market-place, or an approach to building the organization. Creative ideas are generated by people working alone or together, and thus it is worth knowing how creativity operates at both the individual level and in the setting of working groups. In addition, the management of creativity involves virtually every organizational design and human resource tool which has been identified for mainstream busi-ness organizations, including structure, work design, recruiting, reward system design, and corporate culture development. It may seem counterintuitive to talk about "managing" creativity, and yet, managing the process by which ideas are generated, whether by people working alone or together, is critical for the entre-preneurial process.

Conceptually, I view creativity as one part of a three-legged stool, a three-stage process. After the idea is generated, a person must step forward to cham-pion the idea—to run with and implement it—and in so doing to achieve some tangible result. This is the figure of the entrepreneur, who is the subject of the second volume in this series, *The Entrepreneur.* If innovation is creativity imple-mented, then the entrepreneur may be seen as the agency for innovation.

Finally, the entrepreneur, if he or she is not to work alone as a sole proprie-tor, is faced with the challenge of designing, starting, and building an organiza-tion which will provide the appropriate leverage for translating the idea into reality. These issues are taken up in the third volume of this series. *The Entrepre-neurial Organization.* Entrepreneurial organizations, with their volatility and flux, have long interested me. There is much to observe and learn in entrepreneurial environments, where standard operating procedures are lacking and organiza-tional structure, culture, and leadership style are created anew each day. Like the art of Japanese ink-brush painting, developing entrepreneurial firms re-

quires a sure and steady hand. They grow and evolve rapidly. A movement made too fast, and the ink will be too thin; too slow, and the ink will make an unsightly blot. The trick, simply stated but difficult to practice, lies in following the motion's natural course.

From a historical perspective, it is worth noting that this present volume, *Managing Creativity,* is the long-awaited offspring of a body of work begun in 1983 when I developed a course called "Entrepreneurship, Creativity, and Organization" at Harvard Business School. At that time, entrepreneurship had burst into bloom as a topic of concern among both academics and practitioners. Many central management issues of the day—competitiveness, innovation, managing change, and human resources theory—were all refracted through the new lens of entrepreneurial studies. As knowledge grew, it became clear that entrepreneurship contained broad intellectual and practical lessons for the mainstream of business. Greater perspective has since grown around the topic. Kanter and others have even begun to refer to a "post-entrepreneurial" revolution in which the dynamism of the entrepreneurial process would be coupled with the resources and organizational disciplines of the larger, more established organization.

My primary objective in developing my course was to capture some essential skills, attitudes, and experiences which I felt were not adequately included in traditional entrepreneurship courses. Through research on hundreds of entrepreneurs and their ventures, the voice of experience spoke clearly. Familiarity with human and organizational dilemmas of the entrepreneurial process was seen as critical to the success of a wide range of ventures. In many instances it was the "make or break" ingredient in a venture's progress to a desired level of organizational maturity and business success. In addition, entrepreneurs frequently reported that it was these types of responsibilities which, to their surprise, occupied the greater portion of their time. This motivated me to write the textbook *Entrepreneurship, Creativity, and Organization.* The response to this effort has been gratifying. More than one thousand MBA students at HBS have elected this course as part of their second-year program. And the course has been adopted by educational institutions around the world.

As these materials came into wider use, it became increasingly important to me that they be made available to a wider audience. In consultation with my ever-supportive editor at Prentice Hall, Alison Reeves, I conceived the idea of publishing three follow-on daughter textbooks based on the three broad topic areas of the parent course: Managing Creativity, The Entrepreneur, and the Entrepreneurial Organization.

We had several motives. First, we wanted to publish some of the newer material that had been developed, including such cases as Windham Hill, The Los Angeles Olympic Organizing Committee, Activision, and Managing Entrepreneurship at the CML Group. We also felt that creating three modular textbooks would allow for expanded and more flexible "menus of use" within more traditional courses in general management, organizational behavior, and entrepreneurial studies. We hoped that courses treating such topics as leadership, innovation, managing change, managerial behavior, and managing technology

could benefit from using the material contained in these three volumes. At the same time, we decided to retain the original overview chapter in each volume because of its importance in presenting the overall conceptual scheme of the "Entrepreneurship, Creativity, and Organization" course, within which the material in each volume plays a role.

Preparing and compiling these books has been a labor of love. I hope that they find the audiences they so earnestly seek. Entrepreneurship contains important lessons for the mainstream of business practice and research. The experiences of those living on the cutting edge of organizational and product/service innovation deserve to be presented to a wider audience. In this effort, I hope to have been deemed at least partly successful.

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Harvard Business School proved to be a fertile and nurturing environment within which to incubate this venture in pedagogy. Many people contributed to the start-up. John McArthur, Dean of the Faculty at Harvard Business School, provided warm support and encouragement for the project. In many ways, he is the real champion of this corporate venture. Howard Stevenson, Sarofim-Rock Professor of Entrepreneurship, and Associate Professor Bill Sahlman, have been immensely valued colleagues and friends. Professors John Kotter, Michael Beer, John Gabarro, and Chris Argris, and Associate Professor Jeffrey Sonnenfeld from the area of organizational behavior have also given valuable feedback and encouragement. Other colleagues who provided valued help include Professors Chris Christensen and Abraham Zaleznik, Lecturer Pierre Wack, and Tony Athos. Professors Shervert Frazier, Fritz Redlich, and Thomas Detre of Harvard, UCLA, and Yale Medical Schools nurtured the development of my interest in psychiatric practice and research. The Harvard Business School Division of Research has also been supportive. Professor Jay Lorsch, my current research director, has encouraged the research agenda based on my course's concern.

Entrepreneurs and entrepreneurial managers in a variety of settings also helped immeasurably in creating *Entrepreneurship, Creativity, and Organization.* They include Lou Gerstner, Jerry Welsh, Kathi Kuhn, Fred Wilkinson, Jamie Dimond, and many others at American Express Travel Related Services Company; Jim Ferry of Creative Realities; Charlie Atkinson from The Whole Brain Corporation; Mitch Kapor, Janet Axelrod, and Cathy Faulkner of Lotus Development Corporation; Wendell Butler of the Young Astronaut Program; Bob Norton and Bob Greber of Lucasfilm Ltd; Peter Ueberroth, Commissioner of Major League Baseball; Robert Saunders and Michael Cornfeld of Robert Michael Companies; Linda Linsalata of Orange Nassau; Jim Morgan of Morgan Holland; Steve Ricci of The Palmer Organization; Art Snyder of U.S. Trust; Diana Frazier of BancBoston Ventures; Leo Castelli; Ron Shaich, Len Schlesinger, and Louis Kane of Au Bon Pain; Nolan Bushnell, Larry Calof, and John Anderson of Catalyst Technologies; Ann Piestrup and Marcia Klein of The Learning Company; Peter Schwartz of Royal Dutch Shell Group; Jan Carlzon

and John Herbert at Scandinavian Airline Systems; Al Vezza of Infocom; Bob Carpenter, David Housman, and others at Integrated Genetics; Burt Morrison of the Ladd Company; Anne Robinson and Will Ackerman of Windham Hill; Charles Leighton of the CML Group; Akira Kimishima of Dainana Securities Company; Jerry DeLa Vega of Hot Rock; Jim Levy, Ken Coleman, Linda Parker, Brad Fegger, David Crane, Ralph Guiffre, Larry Hicks, Alison Elwers, and others at Activision.

The opportunity to form intellectual partnerships with these outstanding people cannot be overvalued.

John Kao
Cambridge, Massachusetts

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Overview to *Entrepreneurship, Creativity, & Organization*

Entrepreneurship emerged in the 1980s as an important focus of attention for business students, practitioners, and academics across the United States, indeed around the world. Much is happening on today's campus. Would-be entrepreneurs look for appropriate courses of study to prepare for their envisioned career. Groups of student entrepreneurs practice the ancient art of networking, enhanced by the advent of the personal computer. Entrepreneurial alumni return to campus to tell their stories before packed lecture halls. Established companies position themselves on campus as "entrepreneurial," "intrapreneurial," and "creative."

Such activity mirrors the world at large. The business press is replete with accounts of the most recent public offering, the newest mousetrap. New ventures are lionized as the source of new opportunities and new jobs. Major corporations experiment with ways of introducing the "entrepreneurial spirit" into the established environment. Their tools are new approaches to organizational structure, people management, and leadership. The flow of money continues to fuel the flames of initiative, with the formation of vast, multi-billion-dollar pools of venture capital in the United States and world wide. New streams of opportunity are evident everywhere. They come from new rules of the game such as deregulation and tax policy; they depend on new technology, exemplified by the microprocessor and recombinant genetic material. These opportunities are inspired by a significant shift in social values and career expectations. They are also fueled by a new willingness to experiment with public/private partnerships.

This current interest in entrepreneurship is appropriate. We need what entrepreneurs can give us: new products; new jobs; creative work environments; new ways of doing business. And yet, we should consider critically some of the

ways entrepreneurship is being discussed today. Far from being easy, entrepreneurship is hard work, involving an unpredictable blend of calculation and luck; it is a tonic laced with the ever-present possibility of failure. Thus, it is important to put the current enthusiasm for entrepreneurship into perspective. As a nation we have spent a number of years questioning our basic business competence. Whether it be the Japanese challenge or our overvaluation of analytical management at the expense of common sense, we have had plenty of opportunity to doubt ourselves. In our search for answers, we must beware that entrepreneurship does not become a magic portion or a panacea. We do not yet know how to turn frogs into princes.

Keeping in mind, then, both the renewed attention to entrepreneurial and creative behavior and that it is not a cure-all, we can ask two questions: How do you "do" entrepreneurship well? What do you really have to know?

This textbook, and the course on which it was based, were developed to address these questions and fulfill a need. Existing entrepreneurship courses have tended to focus on technical skills: writing business plans; analyzing financial data; exploring legal issues. Yet entrepreneurship is fundamentally less about technical skills than about people and their passions. An old dictum of real estate holds that its three principles are "location, location, location." It could be said that the three principles of entrepreneurship are "people, people, people." Clearly, the entrepreneur must be skilled at identifying and pursuing opportunity. Yet, human issues are also predominant. Equally, the entrepreneur's task involves finding leverage through the efforts of others to amplify his or her own vision. Crusades are usually not entered into alone. Instead, the entrepreneur may find it necessary to enter into a partnership or start a new company. In creating the organizational means appropriate to pursuing a particular opportunity, the entrepreneur must work with and through people. By generating and communicating a vision of what is possible, the entrepreneur gathers together, leads, and inspires human beings.

The human issues of entrepreneurship also wear another, individual face. The entrepreneur must also manage him or herself effectively in dealing with the ambiguity and uncertainty that surround the creation of an idea and the organizational vehicle developed around it. The ability to take on such human challenges, indeed, to seek them out, is fundamental to entrepreneurial success and is emphasized constantly by those who have been through the process. Such knowledge is essential and complementary to entrepreneurial skills involving a mastery of technical subjects like finance, strategy, and marketing.

ENTREPRENEURSHIP, CREATIVITY, AND ORGANIZATION: GOALS AND PRINCIPLES

"Entrepreneurship, Creativity, and Organization" was originally an MBA elective developed for second-year students at Harvard Business School. Taught for the first time in 1984, it is directed to the needs of several groups of students:

- would-be entrepreneurs;
- would-be managers of entrepreneurial processes in established firms;
- would-be managers in creativity-driven businesses.

The material that makes up the course derives from field research questions, and the case study serves as the primary vehicle for the educational process. Students are introduced to a range of people, companies, and industries—some well known, others obscure. Because of the importance of these human stories, interview material appears from time to time. The use of video material, specifically developed for this course, is recommended as a means of making these human dramas more vivid and sharpening diagnostic and analytical skills.

Not all the course material chronicles success by any means, nor is there an underlying assumption that any one approach is "correct." Rather, the course presents students with a variety of people and situations from which they can extract general principles regarding the recurring issues and problems of entrepreneurs and entrepreneurial organizations.

Entrepreneurship, Creativity, and Organization's aim is *to contribute to the success* of the entrepreneurial and/or creative venture by helping students recognize—and anticipate—these recurring issues; to improve their sensitivity to human and organizational factors in the entrepreneurial environment; and to enhance their ability to make effective decisions and to find resolution of these issues. As a concentrated dose of preventive medicine, the course encourages a pattern recognition approach to learning, whose objective is an internalized sense of how things should be done. This does not derive from intellectualizing or theory but is lived; it is not free of charge but comes primarily from extensive and often painful personal experience.

The course is predicated on three underlying beliefs. First, entrepreneurship and creativity are seen as intimately related, timeless human qualities. Creativity implies generating new ideas and approaches. Entrepreneurial behavior involves the ability to identify opportunities based on these new ideas and approaches, and to turn them into something tangible. Outstanding organizations have always sought to mobilize both these qualities. Entrepreneurship and creativity are not topics of the moment but valuable corporate resources that can be managed for competitive advantage.

Second, the would-be entrepreneur needs facility in an array of human and organizational skills: self-understanding; interpersonal understanding; leadership; conflict resolution; stress management; tolerance for ambiguity; team and project management; creating appropriate rewards and incentives; and organization design.

Third, rigorous examination of entrepreneurial and creativity-dependent companies provides fresh insights into the relationships between organizations, strategies, and environments. Such companies operate in highly uncertain environments and exhibit great fluidity in their internal structure. Thus, they are continually challenged to generate mechanisms for fostering organizational integration and coherence. In addition, these firms evolve rapidly. Studying them reveals a panorama of the stages and dilemmas of leadership and organizational

development. Put another way, they provide a significant laboratory for examining issues of generic importance to all managers.

Building on themes of basic organizational behavior and human resource management courses, *Entrepreneurship, Creativity, and Organization* poses some recurrent questions:

- What are the issues and concerns SPECIFIC to entrepreneurial companies?
- What is the impact on entrepreneurial organizations of:
  rapid growth;
  lack of established structure;
  balancing short-term and long-term decision making;
  shortages of resources such as managerial skills, time, and money;
  value conflicts between founders and newcomers;
  interaction patterns among functional groups in embryonic and rapidly changing organizations;
  the ongoing need to deal with stress and ambiguity
- What are the differences and similarities between entrepreneurial and managerial behavior at individual, group, and organizational levels?
- How do the human and organizational challenges of fostering entrepreneurship and creativity in large established firms and small entrepreneurial ones compare?

This course is organized around a process flow model. Four modules, each adopting a different point of view, and a group of related questions comprise the "golden thread" of this course. They are:

Managing creativity. This module adopts the perspective of the manager of creative processes. It poses such basic questions as: Where do ideas come from? Which processes—individual and organizational—facilitate creativity?

The entrepreneur. This module includes cases written from the entrepreneur's perspective. It allows students to clarify for themselves such issues as: What characterizes the person who recognizes the opportunity in an idea and translates it into reality? Is there a prototypical entrepreneurial personality?

The evolving organization. This module also takes the entrepreneur's perspective. Once the idea and the people have been found, how can an appropriate company organization be developed and nurtured? How can the external environment influence the progress of an evolving firm? What are the predictable crises of organizational life that affect the viability of the enterprise?

The established organization. This module adopts two related perspectives, that of the entrepreneurial leader/CEO and of the entrepreneurial middle manager.

When an organization is established in size, complexity, history, and corporate culture, how can the creative and entrepreneurial spirit be preserved and stimulated? What are the advantages and disadvantages of an established organi-

zation in pursuing these objectives? How do they influence the corporate or "internal" entrepreneur? What are important contrasts between bureaucratic and entrepreneurial organizations?

The four course modules suggest a number of additional questions specific to business students as they develop their career objectives and strive to achieve the highest possible level of professional effectiveness. These issues provide a subtext to the flow of course topics and include:

Managing creativity.　How can I understand the creative process better in terms of my own experience? What facilitates or blocks it for me? How effective am I in managing creative people? How do I evaluate the quality of a creative environment? How can I enhance creative results in a given organization?

The entrepreneur.　Where do I fall on a spectrum of entrepreneurial and managerial behavior? What aspects of my interpersonal and problem-solving style affect my potential as an entrepreneur or a productive member of an entrepreneurial and creativity-dependent organization?

The evolving organization.　How do I assess the fit between myself and an evolving and dynamic organization? Am I comfortable with the ambiguity inherent in such an environment? What must I do to enter successfully such a company and manage my career within it?

The established organization.　How can I create greater discretion for myself within the boundaries of an established organization? How do I gain the right to pursue entrepreneurial objectives? How do I make new things happen within the traditions and rules of an established company?

THE ENTREPRENEURSHIP, CREATIVITY, AND ORGANIZATION (ECO) ANALYTICAL FRAMEWORK

A basic assumption of this course is that entrepreneurship and creativity cannot be studied exclusively from one frame of reference such as the person or the organization, but must be dealt with more holistically. Entrepreneurship and creativity result from the interrelationship of three elements as shown in Figure 1:

- the person
- the task
- the organizational context

The first element, the "person," is obvious. New ideas are not generated or implemented by organizations or technology but come into being through the efforts of dedicated people. Thus, it is important to understand people's personalities, motivations, skills, levels of experience, and psychological preferences. It

FIGURE 1 THE ECO ANALYTICAL
FRAMEWORK

The Person

The Environment

The Task   The Organizational
                        Context
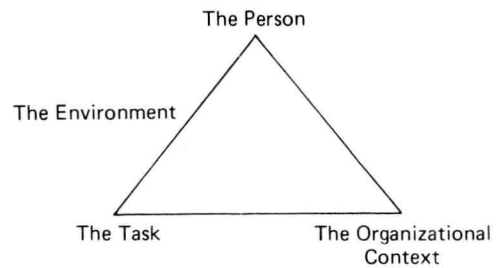
may be useful to know, for example, that someone has problems with authority
stemming from previous relationships (personality issues); or is highly driven by
a need for achievement (motivation); or has a particular facility with interper-
sonal relationships (skills); or has had work experience only in large bureaucratic
organizations (level of experience); or finally, that someone prefers unstruc-
tured environments where intuition can be extensively used (psychological pref-
erences).

The "task" is what a given group of people or an organization does. Tasks
may be determined by an individual's personality or private vision. They are
shaped by organizational strategy, as well as influenced by the external environ-
ment. For the entrepreneur, relevant tasks include generating new ideas or
insights about new opportunities (creative tasks) and making those ideas come
into some tangible form (operational/managerial tasks). As the entrepreneur
develops an organization to serve as an appropriate lever for his or her vision,
the nature and variety of tasks must inevitably change as the organization evolves
and becomes more complex.

The "organizational context" is the immediate setting in which creative and
entrepreneurial work takes place. Such issues as organizational structure and
systems, the definition of work roles, and group culture affect significantly the
nature of the creative or entrepreneurial environment. Such factors may limit or
facilitate creativity and entrepreneurship, and become an increasing factor to
contend with as the organization evolves.

Finally, these elements exist in an "environment," which refers to the out-
side world surrounding the organization. It is obviously significant as a source of
external resources such as capital, people, information, and expertise, as well as
various forms of professional services. It, too, can facilitate or impede creative
and entrepreneurial endeavor to the extent that an appropriate infrastructure,
for example, is either absent or present. The environment also defines the
competitive situation, which may be composed of such factors as competitors,
regulatory forces, and the development state of technology. Figure 2 summa-
rizes the ECO analytical framework.

In general, the form an organization assumes and the tasks it undertakes
are defined by and depend on both its strategy and environment.[1] Strategy gives

[1] John P. Kotter, "Organizational Design," *Organizational Behavior and Administration*, Paul
Lawrence, Louis Barnes, and Jay Lorsch, eds. (Homewood, Ill.: Richard D. Irwin, 1976).

FIGURE 2 THE ECO ANALYTICAL FRAMEWORK

THE PERSON	THE TASK	THE ORGANIZATIONAL CONTEXT
Motives	What the person does	Structure
Personality	Inner/outer influences	Culture
Skills		Roles
Experience	Creative tasks	Policies
Psychological preferences	Operation/managerial tasks	Human resource systems
		Communication systems
		May limit or facilitate creativity and entrepreneurship

KEY ISSUE		
Modes of influence may change as the organization evolves	Nature and variety of tasks change as the organization evolves	Becomes more significant as the organization evolves
		Need for coordination, integration, and leadership increase

THE ENVIRONMENT

External resources
    capital
    people
    expertise
Infrastructure
Competitive pressures
Social values/mores
Regulation
State of technology

shape to tasks by defining the overall goals and purpose of the organization. The environment's influence on tasks comes from the relative availability of resources and influences on the operating environment. An organization's viability depends significantly on how it fits with its strategy and environment.

Regardless of their strategy or environment, all organizations must address several basic challenges. First, they must handle information effectively. For some organizational theorists, such as Galbraith, organizations are information processing mechanisms whose central tasks include getting information, disseminating it within the organization, and using it to make decisions.[2] Information

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[2] Jay Galbraith, *Designing Complex Organizations* (Reading, Mass.: Addison-Wesley Publishing Company, 1973).

processes define an organization's relative ability to interact efficiently with its environment and to pursue its specific goals.

Second, they must balance the need for what Lawrence and Lorsch[3] label differentiation and integration. Differentiation refers to diversity in cognitive and emotional point of view that characterizes people with different functional orientations. For example, software designers and marketing managers may see problems and priorities in a significantly different light. Integration means an organization's ability to effect needed collaboration between functional specialists and organizational units to meet the challenges of the environment. Achieving integration is a guiding objective of the entrepreneurial firm, where tasks are highly diverse, interdependent, and important. The more diversity and interdependence, the more potential for information and work overload and for organizational conflict, requiring different organizational strategies. Differentiation also affects the ability of an organization to respond to change. Specialization may lead to a decrease in flexibility at both individual and operating unit levels. Changes in the environment, strategy, and available resources can also cause difficulty in achieving a required level of integration.

Third, organizations must achieve a degree of structural formality appropriate to the degree of uncertainty and ambiguity that characterizes their key tasks. For example, a high degree of task certainty encourages the development of formal structures to attain operational efficiency. On the other hand, a high degree of task uncertainty suggests a need for flexibility and greater informality. Obviously, entrepreneurial organizations are those with the highest degree of uncertainty and ambiguity, as Figure 3 indicates.

THE CRITICAL ROLE OF A HUMAN RESOURCE MANAGEMENT (HRM) PERSPECTIVE IN ENTREPRENEURIAL FIRMS

It is a basic orientation of this course that the concepts and skills represented by a human resource perspective are critical for the pursuit of creative and entrepreneurial objectives. The traditional entrepreneur's job description includes responsibilities like product development, business planning, and finance. But unless the company is a sole proprietorship, the entrepreneur quickly discovers that a substantial amount of time in the early phases of a company's life is taken up with human resource issues. The right people must be found, hired, and integrated into the organization; they must share the entrepreneur's vision of the future, be given appropriate direction, goals, and measures. The entrepreneur also must define agendas, make compensation deals and reward standards, clarify responsibilities, allocate status, resolve conflict, and manage interpersonal trade-offs, as well as evaluate and develop key people.

[3] Paul Lawrence and Jay Lorsch, *Organization and Environment* (Homewood, Ill.: Richard D. Irwin, 1967).