



Entrepreneurship vs. Professional Management: What's the Difference?

There is a qualitative difference between entrepreneurship and a professionally managed company. The former tends to be characterized by informality, lack of systems and a free-spirited nature. The latter is defined by more formality, well-developed systems and proud of its disciplined, profit-oriented approach.

Eric Flamholtz in his book, *Growing Pains* offers good insight into the differences between the two (see table on page 2).

Successfully moving from a small to large(r) organization does not happen automatically as sales grow and employees are hired. At each stage of growth, a thoughtful look at where your company is, and where it needs to go, is essential for rapid scale and successful execution. As you look at the table on the next page, think about which column your company (or team) falls into for each category. What work needs to be done to move from Entrepreneurial to Professionally Managed? Are there areas in which it makes sense to stay Entrepreneurial for now? Are there areas that have gone too far into the Professionally Managed category and are slowing growth or curbing innovating?

As a senior leader, you should be actively thinking about and strategizing where you want to be in terms of the professionalization of your company. Engaging in this process takes time and expertise; we've seen time and again how investing in a strategic partner to help with this dramatically increases speed to scale.



Comparison of Professional Management and Entrepreneurial Management

Key Results Areas Management	Professional Management	Entrepreneurial Management
Profit	Profit orientation; profit as an explicit goal	Profit as a by-product
Planning	Formal, systematic planning: Strategic, Operational, Contingency	Informal, ad hoc planning
Organization	Formal, explicit role descriptions that are mutually exclusive	Informal structure with overlapping and under-defined responsibilities
Control	Formal planned system of org control: Objectives, measures, evaluation, rewards	Partial, ad hoc control, seldom with formal measures
Management Development	Planned: Requirements identified, programs designed	Ad hoc, primarily on the job
Budgeting	Management by standards and variances	Budgets not explicit; little follow up on variances
Innovation	Orientation to incremental, calculated risks taken	Orientation toward major innovations; major risks taken
Leadership	Consultative or participative	Vary from directive to laissez –faire
Culture	Well defined; intentional	Loosely defined, "family" oriented culture