

# Entrepreneurship in an Era of Digital Transformation

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Entrepreneurs face many challenges when building a new company from an innovative idea -- financial pressures, networking for seed money, satisfying venture investors who have their own expectations and timetables, stress from work-life imbalance, and building organizational structures and talent strategies to bring new products to market. Now add another complicating factor: the “fourth industrial revolution,” a digital revolution accelerated by the Covid-19 pandemic. Both established organizations and startups are now navigating the new work terrain of hybrid and fully remote workforces. And as this happens, people are taking stock of their career objectives, leading to the *Great Resignation* and making it more difficult to attract and retain team members.

This revolution requires significant reskilling and upskilling (Bennett & McWhorter, 2021). With the current labor shortages, entrepreneurs must not only have technical expertise for product development but must also manage the cultural side of organizing people. Not everyone is equally comfortable with both tasks. This article strives to show entrepreneurs how to build the leadership skills and positive organizational culture their companies need during this era of profound digital transformation.

## Startups with Digital Workforces

*Digital Transformation* is a new term that indicates technology is no longer added-on incrementally, but fundamentally changes business processes for competitive advantage. Going forward, leaders will need a combination of technology skills and soft skills. They can no longer afford to have only one side developed. Artificial intelligence and automation will take over many jobs, requiring “learning agility” and rapid adaptation at both the individual and organizational levels.

Moreover, their digitally connected employees will require a new kind of management and culture-building.

Networked technology and knowledge management systems create a culturally relevant environment for work and learning. My research into *virtual human resource development* (Bennett, 2009, 2014) illustrates how employees learn cultural values and norms through technology, such as an intranet, and how this process shapes the way employees interpret new information and work within technology. Many startups now do not need central offices, but use shareware and conferencing tools to create virtual offices. This saves money, health and commuting, but choreographing the work flow can be challenging for leaders.

## Organizational Lifecycle and Innovation

Startups by nature are organizational infants. As they grow in size and maturity, they move beyond technical urgency to stabilizing structures so that products/services can be scaled and reliably produced. Stabilizing structures are formed when members learn by solving myriad problems as the venture grows. This includes developing uniformity through policy, practices, and strategies for attracting and retaining talent.

Entrepreneurs new to organizational development may find that the leaders hired at a firm’s infancy may not have what it takes to move the company to young adulthood. As an example, one of my students researched a biotech startup (Jenkins, 2020) that realized that some managers who were critical during the firm’s early stages were not able to build the positive culture it needed to maintain and enhance success. The startup identified the leaders with excellent soft skills, and made deliberate efforts to engage employees through surveys and company social events. Human Resources was an important partner in this process. The company found that sustaining high performance and financial success required flexibility, trust building, and leadership that allowed for taking reasonable risks and learning from mistakes. How entrepreneurs build culture, positively or negatively, is a key component of



longevity. The paradox of organizational lifecycle is that longevity can also create more bureaucracy, which can stifle the free flow of ideas or the ingredients for innovation and set the stage for organizational decline.

## Leading Learning and Culture

One thing many companies found about surviving past crises is that learning is not a “nice-to-have” but rather a “must-have” feature within the organization. Even the most technical function within the firm needs leaders who can shape people, learning, and culture. This is why people in professions like information technology and finance are showing more interest in leadership and human fluency. Likewise, those in service and people-oriented professions are seeking to build their skills in data and technology fluency (Bennett & McWhorter, 2021). Humans constantly learn, both informally and experientially, and these lessons can either support business needs or undermine them. When leadership clearly communicates instructions and direction, as well as rewards and punishments, it shapes employees’ future behavior.

Innovation depends on taking just the right amount of risk. With too little support for risk-taking, ideas tend to be non-creative and “safe.” With too much risk-taking, ideas are significantly misaligned with mission and not feasible. Rather, entrepreneurs seek a high functioning “Goldilocks Zone” through the intentional leadership of learning and culture development that strategically aligns with business objectives.

## Strategies that (don’t) Work

Management strategies that predate the pandemic show that virtual teams are derailed through over-management. Heavy-handedness comes across stronger in a technology-mediated environment, as with text-based communications and emails. Off-the-cuff texts can seem set-in-stone and inflexible. Management and relationship problems became more pronounced during the pandemic, when almost everyone working remotely became part of a virtual team. In some cases, leaders who didn’t know how to manage virtual employees doubled-down on tactics of distrust -- such as requiring employees to turn on their cameras every hour to prove they were at their desk, or demanding cumbersome work status reports that distracted people from tasks. These tactics can lead to a culture of distrust and disengagement and drive employees away, which could spur venture investors to call for a change

in management.

Since technology can simultaneously isolate and bring people together, regular check-ins are a good idea when intentionally crafted to build trust and create mechanisms of support. Good strategies include clearly stating objectives and how employees will be evaluated; developing online knowledge resources and dashboards so employees can check progress and anonymously benchmark with others; and allowing them time to learn and recover from mistakes.

Additionally, recognize what type of work is required at a given moment. Is it a well-established task or creative? It is true that group brainstorming can spur creativity, but it is also true that quiet isolation helps a person incubate and improve an idea. Alexander Graham Bell, for example, had his famous dreaming place where he conceived the telephone in the isolation of nature.

## Five Questions to Ask Yourself Now

Below are some questions to ponder:

1. How do venture investors indirectly monitor and supervise the startup? What are the implications for running the company?
2. Which leadership skills do venture investors want to move beyond the start-up phase?
3. How do successful entrepreneurs transition from being the entrepreneur to leading other entrepreneurs?
4. How does the startup’s technology support both high performance and learning? Consider how your intranet is a hub for learning, development and community building.
5. What culture is being built over time? Does the startup live the values or are they only words on the wall?

Ultimately, how entrepreneurs guide a nascent organization is up to their specific priorities, but these questions help them understand the differences between the ideal and reality, and balance competing interests. Some best practices include taking stock of the different levels of staff in the organization, engaging in listening tours, and adapting when change is needed.

Leaders should realize that their actions may be perceived very differently by staff than originally intended, whether that staff is on site or virtual. Larger

organizations are even more difficult to change, so it's critical for leaders to make employees feel safe contributing ideas. For example, consider the reaction of employees who are asked to submit ideas for new projects, only to receive an email bashing the ideas as "not bright" or "out in left field." We know that brainstorming often yields less creative ideas at first, but people will be bolder and contribute more if they are not harshly judged or criticized. A good leader will appreciate employees' contributions and then leverage the process to spur more.

These types of processes can be more difficult for a virtual workforce connected by technology, but videoconferencing and threaded discussions have been used for idea generation as well as project management. Along with rewarding their creative workers, leaders must also reward the employees who help the mundane but important day-to-day operations run smoothly -- as unexciting as they may be -- and those who exemplify the values of the company. People learn from interaction, and that learning in time translates into culture.

## Remember what Remains after Startup

Many startups fail. It's a fact of entrepreneurial risk taking. Failure is also important for learning, when it is not emotionally overwhelming. We have the famous example of Thomas Edison failing over a thousand times before he made one light bulb that worked, with each failed bulb a learning experience. Organizations learn as well when new ideas are communicated and shared, potentially reshaping the infrastructure and culture. Culture is embedded into technology, not just people. During crisis and intensive learning, well-managed human relationships survive even as the organization evolves and grows. In this era of digital transformation, professional relationships are mediated through technology. The challenge is balancing the startup work with using technology the right way to build the company's future state.

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