

Measuring the Integrative Impact of Managers, Entrepreneurs and Leaders in Sustaining Innovation: A Tool for Customized Executive Education Programs

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Abstract

We start with the premise that three major decision making archetypes exist in an organization — *managers* who focus mainly on the complexity of current issues, *leaders* who are responsible for facilitating change and *entrepreneurs* who identify and develop opportunities. A measurement tool was designed (the MEL-Index) that allows a firm to assess the managerial, entrepreneurial and leadership capabilities of its key personnel as well as for the company as a whole. The current

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paper describes the application of the MEL-Index during an extended executive education program with a mid-sized German high-technology company. A one-hour face-to-face interview was conducted with 22 senior executives within two of the company's business units (one operating in a mature market, the second in a high growth area). All participants provided a self-evaluation of their own MEL capabilities as well as a peer evaluation of their colleagues. In addition, they evaluated their current job, their own business unit and the entire company based on the MEL typologies. The MEL results were used as a diagnostic instrument where each participant received feedback in both written and graphic form. We show examples of individual ratings (e.g., the MEL scores for the VP of Sales and Marketing Support for BU A matched to the perceived requirements of the job) as well as the cumulative ratings for each of the business units. The executive education setting allowed for reflection on both individual (each participant privately discussed his/her scores with one of the instructors) and group scores (in-class discussion about the appropriateness of the balance of MEL capabilities, followed by suggestions for required improvements). The response to the Tool has been overwhelmingly positive with the result that the remaining business units will complete the executive program, along with the embedded MEL process, over the next two years.

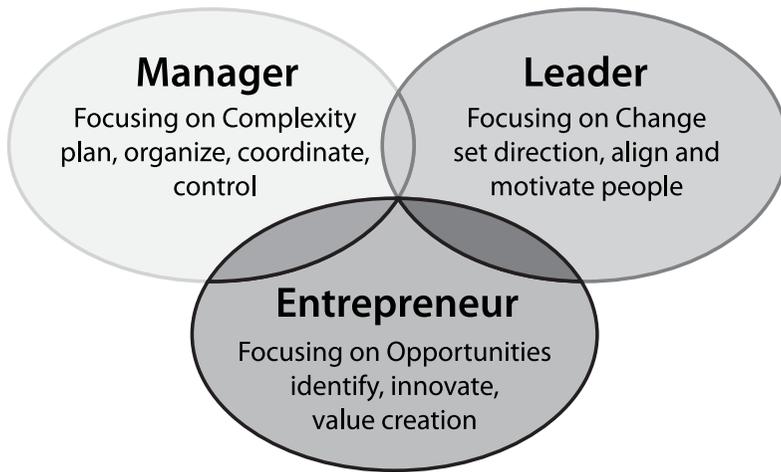
Introduction to MEL

The continued sustainability of companies depends on effective management of the present combined with imaginative ideas for the future. On the one hand, firms need to optimize processes, organizational structure, staffing procedures and the like, to be faster, more cost efficient and responsive to current markets. Such focus allows success in the present and near future. But this does not at all ensure continuity in the long run. In order to achieve this, companies must also regularly assess their vision, encourage innovation, be willing to adjust or change strategies, products and markets and more. In order then to sustain both short and long term futures companies must work simultaneously on doing the same things better while stimulating and then responding to change (doing things differently). A term increasingly used for these phenomena is the "ambidextrous organization" (O'Reilly and Tushman, 2004) where executives must continually balance "exploration" of new resource combinations with "exploitation" of existing organizational capabilities.

The authors — following many years of observing and working with both SME's and large international corporations — became fascinated by the concept of the ambidextrous organization and by the formal and informal roles played by various personnel in longitudinally guiding the firm. We took the *a priori* view that strategic and operational success depends, in large part, on the combination of skills evident in the leadership team of a firm. In particular, we became interested in the integrative impact of three types of personnel — managers, entrepreneurs and leaders — in the sustainable future of the organization.

The basic conceptual building block for this research — that three major decision making archetypes interact to direct the short and long term development of the organization — has received very limited attention within the business literature. The issues are raised but neither conceptually nor methodologically developed in such references as Kotter, 2001, Thornberry, 2006, and Darling, Gabrielsson and Seristo, 2007. We therefore suggest that managers, entrepreneurs and leaders bring different skills and capabilities to their company roles. We have tentatively summarized these as “focusing on current complexity (Manager), focusing on change (Leader) and focusing on opportunities (Entrepreneur).” Figure 1 illustrates the archetypes and implies that they may exhibit areas of interaction (Dover and Dierk (2010).

Embracing these premises led us to a number of intriguing questions: Examples included — What is the weighting of these managerial, entrepreneurial and leadership practices that result in optimal short and long-term corporate performance? If different kinds of capabilities are required to simultaneously work on both short and long-term initiatives, how can they be balanced to ensure smooth operations and minimize conflict? How best to control the sometimes contradictory goals of the ambidextrous organization? These and similar concerns drove us to develop and validate a measurement instrument (the MEL-Index) that allows an organization to assess the managerial, entrepreneurial and leadership skills of its key personnel as well as for the company as a whole. This paper reports on the development of such a tool and its prescriptive use within an on-going executive education program.

Figure 1. Archetypes: Manager — Entrepreneur — Leader

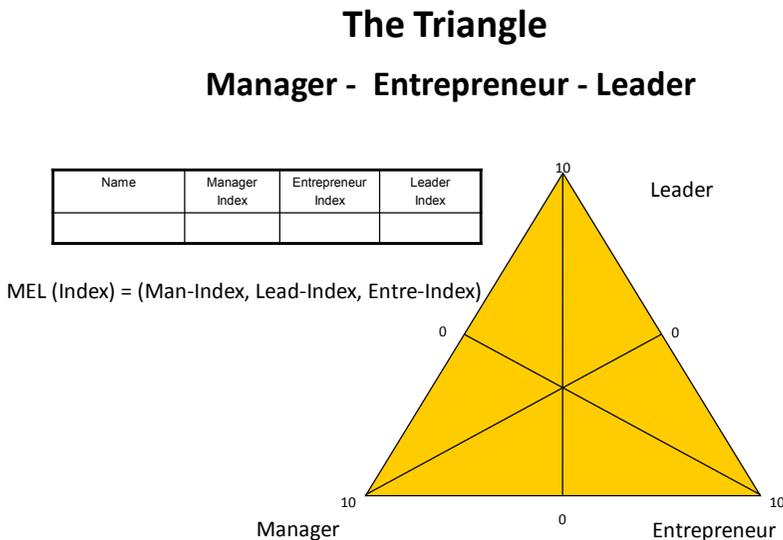
Note that this diagram can be interpreted at an individual or institutional level. At the individual level it suggests that any executive contains elements of all three archetypes. The amount and importance of each may depend on both intrinsic (i.e., personal proclivities) and extrinsic (e.g., competitive setting) features. At the firm level, at any point in time, there may be more or less of each of the MEL capabilities available. Similarly, the degree of archetype interaction may vary, the extent of which may have a marked effect on the success or otherwise of the pursuit for the “ambidextrous organization.”

Measuring MEL

How best to measure the managerial, leadership and entrepreneurial capabilities of key personnel? We chose to use a triangle (see Figure 2) to visually represent executive perceptions of individual and organizational competencies on the three archetypes. Respondents are asked “Please take a look at the triangle. We would like you to rank yourself/colleague/company on the manager, entrepreneur and leader dimensions. On each of the dimensions allocate yourself/your colleague/your company a score between 0 and 10, with 0 equalling no capabilities and 10 indicating truly outstanding skills.”

In addition, we collect considerable open-ended information from participants. This includes a description of the skills required for their current job, perceptions of the generic roles and responsibilities of managers, entrepreneurs and leaders as well as verbatim comments on their own and their company's capabilities on these archetypes. Examples of such questions are shown in Exhibit 1. Typically data collection requires individual face-to-face interviews (although we have developed an on-line version of the measurement instrument), each lasting 45 to 60 minutes. We undertake MEL projects in a number of settings — a) as an applied academic exercise in which we work with interested companies to add to a growing data base of findings. This allows us to observe the impact on MEL roles of such variables as cross-cultural differences (e.g., German vs. US firms), size of organization (e.g., SME vs.

Figure 2: The MEL-Triangle



multinational) and ownership (family vs. publicly owned). This also permits us to engage in continuous improvement of the measurement tool, b) as a consulting intervention in which the MEL tool is used to examine organizational challenges around such topics as strategic growth and sustaining/disruptive innovation, and c) as a tool to embed within

executive education programs that allows for the identification of both individual and institutional MEL capabilities, along with the diagnostic opportunity to suggest ways of improving individual/institutional performance. We will discuss this latter application by describing an on-going executive education intervention with a mid-sized German client.

Company Background

One of the authors was invited in late 2010 to design a “Mini-MBA” program for executives at a German industrial (largely high technology) company. The MEL concept was employed as an action-based component within the Leadership module. Before describing the MEL process it would help to understand a little about the participating company.

The company was founded nearly 90 years ago and is still family-owned and family-driven. It operates in the industrial electro-technical industry, making connectors for a wide range of applications (e.g., connectors for PCBs in industrial electronics; efficient surge protection for production plants and buildings). It does business in more than 80 countries around the world, with its own subsidiaries in more than 40 countries. Production facilities are located in Europe, Asia, and North and South America. Their current revenue is in excess of €1.5 billion, achieved with nearly 13,000 employees worldwide. Their average top and bottom line growth rate over the past few years has been about 15% per annum, a favourable rate compared to major competitors. Continued family control of the company very much determines institutional beliefs and values which, in turn, greatly impacts the way operational activities are undertaken. They focus strongly on remaining independent from outside investors, which requires a healthy cash flow position, strong margins and above-average returns on capital employed. Their values emphasize long-term-sustainability for the company along with the creation of trust with their customers, suppliers and employees. They have a revenue goal of €2.5 billion by 2020, to be attained largely through organic growth. In short, success will require efficiently managing the present while imaginatively preparing for the future.”

“Govindarajan and Trimble (2005, 2011) have imaginatively extended the ambidextrous organization concept by classifying a firm’s business model into three boxes — Manage the Present; Selectively Forget the Past; Create the Future.

To help reach their growth targets, the company launched a leadership development program to be attended by all senior and mid-level managers. The target of this program is to build general management skills and thinking and was consequently designed as a “Mini MBA”. It consists of a series of functional (e.g., marketing, finance) and cross-functional (innovation, globalization, etc.) workshops to be delivered over a period of two years. Each workshop lasts for a period of two to three days.

The first group of participants — and the subjects for this paper — comprised senior and middle-managers from two of the company’s five business units. The group consists of the two business unit heads, their direct reports and some high potential executives seen as particularly promising.^{***} An integral part of the two-year learning process is an action based team project that aims to employ the concepts raised in the workshops to evaluate a live company challenge or opportunity (e.g., devising a coherent business strategy to meet the threat of disruptive technologies from developing nations). These projects are facilitated by an external learning coach who guides the team dynamics and ensures the projects are on track to achieve business relevance. One learning module within this Mini MBA was on leadership and it was in this context that the MEL-Index was administered to all attending managers. We explained to program participants that the MEL project aimed to examine the skills needed to manage both in the short and longer term. In particular, we expressed interest in the integrative impact of three types of personnel — managers, leaders and entrepreneurs — in the longitudinal fortunes of the organization.

MEL Research Process

The Mini MBA was designed for up to 25 people per flight, with this group from the two initial business units involving 22 participants. These relatively small numbers allowed for individual feedback to all participants on their respective MEL capabilities as well as providing an

^{***}Shortly after commencing the initial program a second flight was started with managers only from the Human Resources (HR) department. The goal of this group was to gain a better understanding of the work of the business units, by improving their own business acumen and by learning the language of business. Although it is interesting to compare the MEL results of operational and HR managers, this is not the purpose of the current paper.

intimate setting for an organisational MEL assessment by the complete management team for each business unit, as well as a cross-group comparison of results.

Immediately prior to the Leadership module we conducted the one hour face-to-face interview with all of the participating managers where we asked them to conduct a self evaluation of their own MEL capabilities, plus answer a set of related, open-ended questions (see Exhibit 1). Later, during the Leadership workshop, we requested them to do a peer MEL evaluation of those colleagues with whom they had previously worked and were professionally familiar. For each participant we received from 7 to 15 peer evaluations. In addition, we asked all attendees to answer a structured questionnaire containing 34 questions about the archetypical attitudes and behaviours of Leaders, Managers and Entrepreneurs. This instrument was designed by the authors from prior inventories appearing in the business literature (e.g., Ireland et al., 2006) and from their own personal experience (for example questions see Exhibit 2). From these various evaluative tools, we now had 3 MEL-Indices for each participant — one from their self evaluation, one from their peer evaluation (calculated as an average of the individual peer evaluations), and one from their responses to the structured inventory.

In addition to this personal MEL evaluation of individuals, we asked all participants from the BUs to evaluate their current job, their business unit and the entire company in terms of the three MEL types. These two latter tasks required the translation of the individual capabilities of Leaders, Managers and Entrepreneurs into broader organisational assessments. Most found this very easy to do and had no problem in visualising, for example, what a mainly Manager-oriented, Leader-oriented or Entrepreneur-oriented unit or company may look like. Our *a priori* assumption was that a mainly Manager-oriented company would be largely driven by processes and efficiencies, a Leader-oriented company would be strongly guided by vision, strategic direction and people motivation, while an Entrepreneur-oriented company would place considerable focus on the identification and exploitation of market opportunities.

Executive Education Process

Within the executive education program (the Mini-MBA) we used the results from the MEL tool as a feedback instrument for all participants. Each received three MEL-Indices based on their own self evaluation, the

evaluation of their peers, and the findings from their inventory responses. The self evaluation MEL-Index and the inventory MEL-Index are both based on the participants' perceptions of their own capabilities. The peer evaluation MEL-index is a perception by others and therefore works like a mirror for the individual manager. The simultaneous presentation of results from these two classes of personal indices (self vs. other) caused both considerable interest and some surprise among participants.

Each participant was presented feedback on their self and peer evaluations in written and graphic form. The graphic form was based on a triangle (see examples of results below), whereas the written report was a one page outline of key observations provided in confidence by one of the authors. This included comment on the differences and similarities among the various MEL-Indices (see a partial example in Exhibit 3). A particularly valuable piece of feedback was analysis of the variance between individual self- and peer-evaluations. This two-sided perspective gave much fruit for thought as executives recognized, in some cases, how their own views of their capabilities differed noticeably from those of their colleagues with whom they had worked for a number of years.

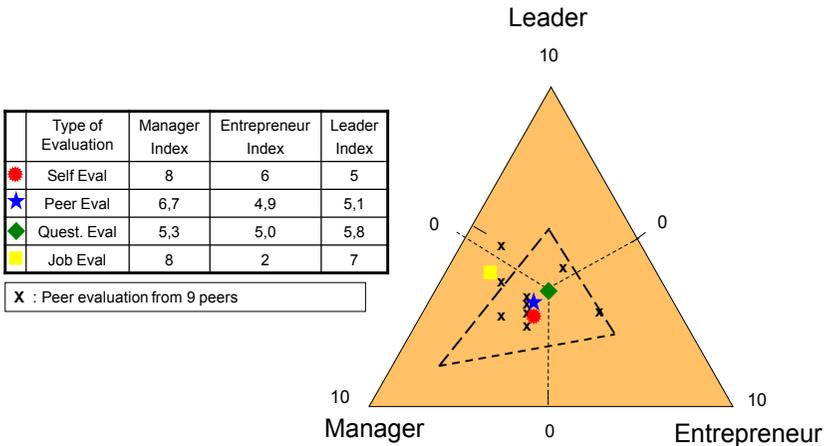
Another component of the feedback was the comparison — on the one hand — of an individual's self perception of the MEL capabilities he/she brings to the table with — on the other hand — the required skills they feel their particular job demands. This was especially interesting (and concerning) for some participants as this led to the suspicion that they may struggle to be successful in their current job because individual capabilities and job requirements did not match well at all.

In addition to this individual level feedback, we also offered insights on the organisational results. In one analytical approach we calculated an MEL-Index from the aggregation of each individual's perception of the MEL capabilities of their BU. A second analytical approach to assessing the BU capabilities is shown on Case 4 and 5 in the Selected Findings section. Participants were encouraged to consider and explain their own evaluation of their BU in comparison with the aggregate score for the group as a whole. For example, why would an executive believe a unit to be well lead when this viewpoint was not shared by colleagues? This type of feedback was openly solicited in the plenary session from all seminar participants, including the two BU heads.

Selected Results

Let us start with a few individual case examples:

Case 1: Head of Sales & Marketing Support (BU A) — Individual MEL Evaluation

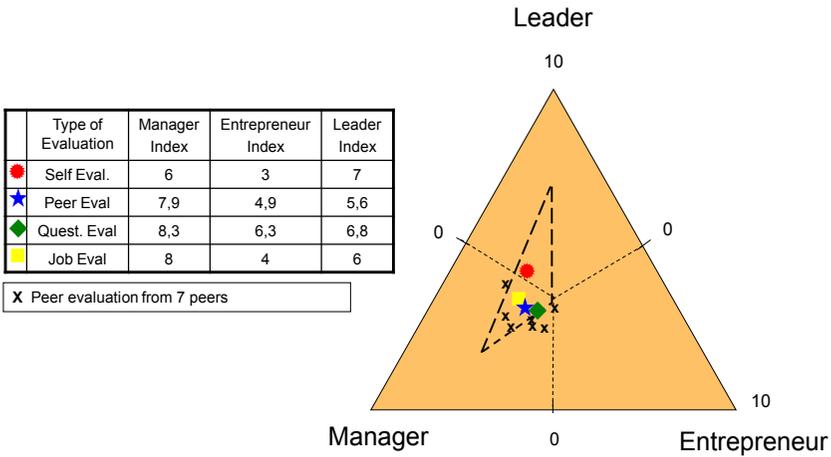


Note: The dotted line ---- triangle represents the Self-Evaluation on the 3 archetypes while the coloured symbols represent the balance point for the respective evaluations.

The self and peer MEL-Index evaluations show a Manager-dominant executive with a tendency to be balanced on the two other dimensions, Leader and Entrepreneur. The scoring on two of the dimensions (Manager, Entrepreneur) of the self-evaluation MEL-Index is somewhat higher than the scoring from the peer and the questionnaire MEL-Index. This is not unusual as our self-perception of our capabilities is often stronger than the views of our colleagues on these same competencies — although some participants can be self-critical, there is a tendency for us to emphasize our strengths and minimize our weaknesses. Regular feedback from peers provides an important grounding for the individual by allowing him/her to see themselves through the eyes of significant others and make possible adjustments in behaviour. In the case of this Head of Sales and Marketing Support executive, the self-evaluation of the job requirements

demanded a very high level of Manager-orientation (8 out of 10), strong leadership skills (7) with little emphasis on entrepreneur ability (2). To date we have not measured the evaluations of job requirements by using the inputs of significant others (peer executives, HR personnel, etc.) but will start to do this in the future. In the above situation, peers to the Head of Sales and Marketing Support would stipulate both the needs of the job (e.g., a VP Sales & Marketing Support should have the following MEL traits...) and how well the individual fulfils the MEL demands. Is this person in the right job? Self-, peer and questionnaire evaluation ratings show a deficiency in leadership capabilities. Even perceived Manager competencies fall short of job requirements, according to peer assessment. An Entrepreneur-orientation is seemingly not required in the person`s job. An alternative explanation is that, despite the job being in a support role, there may well be opportunities for entrepreneurial application which are not being recognized by the incumbent and thus he/she is not fully exploiting the opportunities present in the position. As can be seen, our measurement tool still leaves much room for interpretational license although we believe it is encouraging a more focused debate on matching (and subsequently developing) individual capabilities with specific occupational needs. Partial feedback to this executive is shown in Exhibit 3.

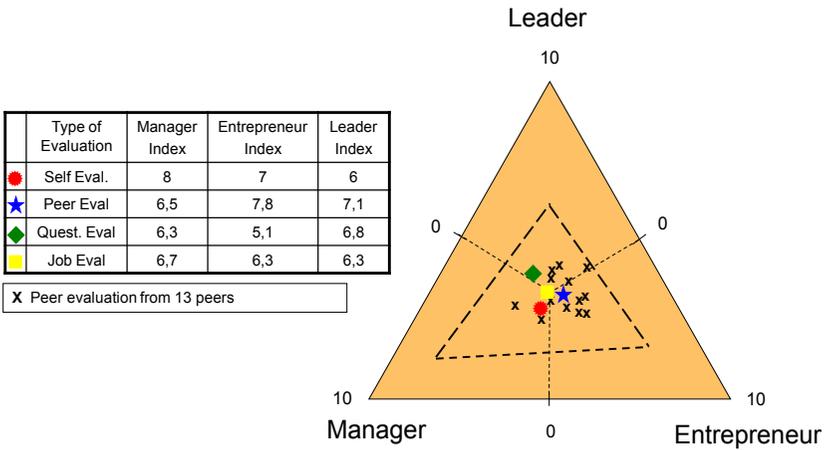
Case 2: Head of International Production (BU B) — Individual MEL Evaluation



Note: Again the dotted line - - - represents the MEL Self-Evaluations with the coloured symbols summarising the various individual ratings.

This individual shows high consistency in terms of strengths and weaknesses on the self, peer and questionnaire MEL-Indices. All of the measures reveal strong capabilities in the Manager area. The job requirements, at least in the person’s self-perception, are more or less the same as his/her ratings on individual capabilities. The conclusion from this picture is that this executive appears well suited to the demands of the job and should remain in an environment where high Manager-orientation is the priority. Note that although the “fit” between task and skills is sound, we cannot yet assume that the job is being performed well. We intend to subsequently devise a test that can determine whether the job evaluation/self-evaluation “fit” can act as an effective surrogate for performance.

Case 3: Head of BU B — Individual MEL Evaluation



This graphic initially suggests a reasonable level of consistency among the three MEL-Indices (self, peer, questionnaire). But a closer look shows that while the self evaluation indicated particularly strong Manager-capability, the peer evaluation points to a greater Entrepreneur strength in the BU Head. The job itself requires a good balance between the three capabilities. In the near and middle future this BU has been given the goal of expanding faster than the company itself, which means growth of more than 15 % per year. It is likely, therefore, that this BU needs an Entrepreneur-oriented head or at least a strong Leader who can facilitate the activities of an entrepreneurial team. The majority of the executive peers see this person with these strengths, although the individual is not quite so sure! This is the type of personnel problem most companies would love to have — an evident talent that needs further fostering and encouragement!

Some Organisational Results

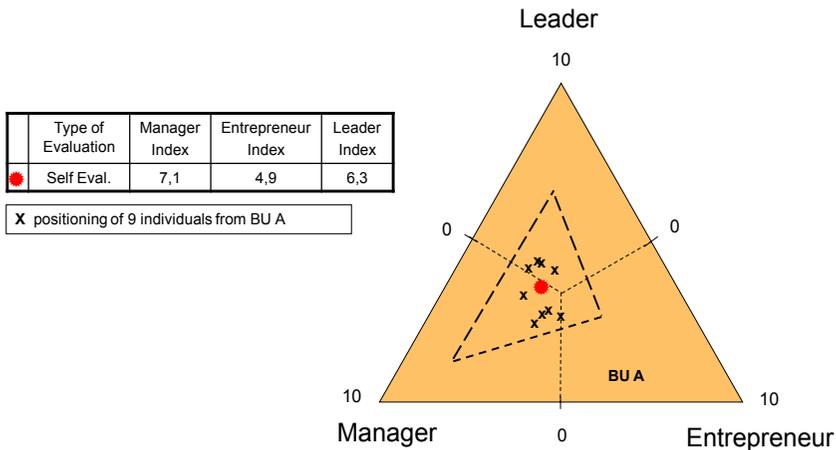
Before discussing their MEL scores, it would help to provide a short description of the two business units. BU A is the cash cow of the company,

with a very low sales price and high production volume, decentralized production and product development in various countries in Europe and North America. Products of BU A are mainly mature, mechanical products that can be considered commoditized. As a consequence, BU A needs to be highly efficient in its processes. A major challenge for BU A is to both expand their production capabilities into Asia and South America and commercially enter these new markets while maintaining success in traditional regions. Growth in sales and production volume are needed while keeping productivity high and margins competitive. Finding market opportunities for mature products requires some Entrepreneur capability (at least to pursue incremental innovation), while efficiency demands considerable Manager-skills.

BU B is active in a technologically sophisticated electronic business area where the margins are much higher than in BU A. The markets of BU B are growing in all geographic locations. So far BU B is quite centralized in production and R&D effort, while decentralized in sales. The main challenge for BU B is continued profitable growth at above the corporate and industry average which makes particular demands on strong Leadership and Entrepreneurial capabilities.

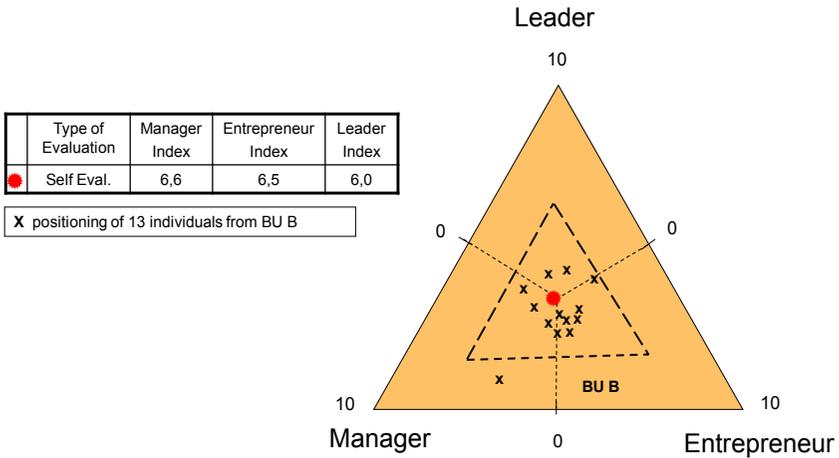
We have two ways of determining MEL scores for the organization (or, in this case, the Business Unit). The first and indirect measure — shown in the next two graphics — is to take the aggregate of the individual MEL scores of those participating in the executive program. This limits the assessment to the self-evaluations of a select group of senior and middle managers. We could also use an aggregate of the peer evaluation ratings. Although this gives us a smaller sample it may provide us a more “objective” measure of the BU MEL capabilities in the upper ranks of the company. We also use a more direct measure by asking each participant to tell us “how would your BU rate on the Manager, Entrepreneur and Leader dimensions?” The results of this analysis are summarized in the final graphic.

Case 4: MEL Capabilities of BU A — Average of Individual Self Evaluations



The self evaluation by the executives of BU A reveals a fairly strong Manager capability. This is consistent with the core needs of BU A at the time of our research. One question, of course, is where to find the Entrepreneur strength to pursue growth opportunities in emerging markets. Note that a commodity product in a developed market may be viewed as an innovative product in developing markets, especially when the underlying technology platforms are fairly sophisticated. Previous work by the authors indicates that it is difficult — at least in the short or medium term — for individuals or organisational units to significantly shift from one MEL archetype to the other, especially between the Manager and Entrepreneur archetypes (Dover and Dierk, 2010.) This observation led to a discussion within BU A that concluded it was better to recruit Entrepreneur talent from outside rather than try to convert/train existing personnel. This is now being done, especially in key regional markets. At the same time, they are pursuing productivity and efficiency measures by opening plants in Asia and South America. Such a mixed strategy (an emphasis on cost economies while extending the product life cycle by pursuing largely incremental innovation in selected markets) allows them to remain the cash cow of the company while attaining competitive margins.

Case 5: MEL Capabilities of BU B — Average of Individual Self Evaluations



This picture shows a balance of the three MEL archetypes in the executive team of BU B. They have executives who are strong in Manager-orientation, others who have Entrepreneur-orientation and finally those with Leader-orientation. We noted earlier that the BU Head was seen by his/her peers as having entrepreneurial proclivities. A major challenge for him/her, of course, is to fill future positions with the appropriate balance of people, given the units aggressive growth goals. Growth-relevant positions require strong Leader and Entrepreneur talent while the maintenance of current productivity calls largely for Manager-capability. Since our research was conducted, BU B is managing to exceed its growth targets. This is been accomplished, in part, by some reorganisation in which increased emphasis has been placed on training and hiring personnel with Leader and Entrepreneur abilities.

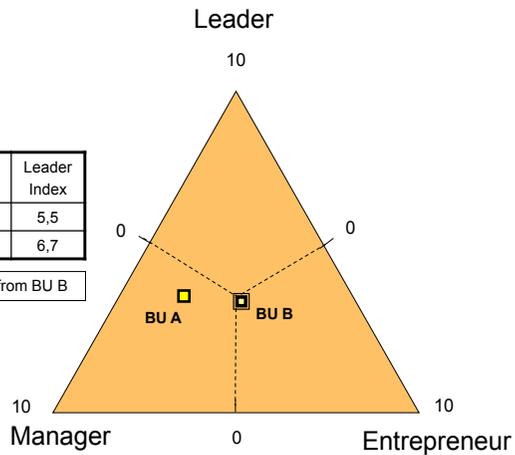
Finally, we show the perceived MEL job evaluations required to meet stated goals in both BU A and B (Case 6) as well as the actual evaluation of current MEL capabilities in the two business units (Case 7). In summary, job requirements in BU A are seen by their own executives to favour a Manager orientation, whereas BU B executives view their needs as being more balanced. When asked to rate the existing MEL capabilities of BU A as a whole, participants felt it lent heavily towards being Manager-oriented. Interestingly, participants saw BU B as possessing a strong Entrepreneur focus, an assessment not shared as clearly in their own self-

evaluation of their entrepreneurial skills (see Case 5). It would appear that entrepreneurial flair lies mainly below the senior executive level in BU B. If this is the case, it is important that senior personnel (especially the BU Head) facilitate a creative environment for such high potentials. It is also pertinent that the unit continues to consciously seek Entrepreneur and Leader-talent in search of their ambitious growth goals.

Case 6: Perceived Job Requirements for BU A and BU B

	Job Evaluation	Manager Index	Entrepreneur Index	Leader Index
■	BU A	8,0	3,5	5,5
■	BU B	6,7	6,4	6,7

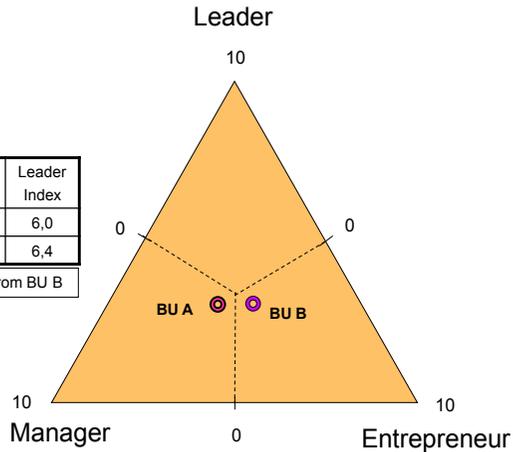
9 evaluations from BU A and 13 evaluations from BU B



Case 7: Overall MEL Evaluation for BU A and BU B

	BU Evaluation	Manager Index	Entrepreneur Index	Leader Index
①	BU A	7,2	5,9	6,0
②	BU B	6,9	8,1	6,4

9 evaluations from BU A and 13 evaluations from BU B



Conclusion and Outlook

The MEL-Index was applied as part of an in-house, customised executive education program as an individual and organisational-level evaluation, feedback and planning tool. It has demonstrated that the MEL concept has significant diagnostic capacity to aid firms and their key personnel in identifying capabilities required to operate effectively in differing growth environments. Moreover, it is a tool that was both intuitively understood and well accepted by senior executives. Consequently the company will continue to use the MEL-Index in further programs over the next 2 years. These additional programs will contain at least 40 participants from three more BUs, allowing further application of MEL insights into strategic and organizational decision making.

We will continue to work on improving the MEL instrument. For example, we have given considerable thought on how best to visually represent the data collected (for instance, how can we illustrate — and subsequently interpret — the variance in the ratings?). We have

developed an online tool to possibly replace some of the face-to-face interviews, as the latter are extremely time consuming. We have been reluctant to make this shift, however, as there are clear learning benefits in taking the time to talk to executives. We have repeatedly found that questionnaire responses can be fully probed while useful additional information is often voluntarily offered by participants. We will definitely maintain the self, peer and questionnaire MEL evaluation as well as the job and organisational assessments. Not surprisingly, it appears that the organizational MEL evaluation (rating the BU/Company on MEL dimensions) becomes more operationally relevant the closer the participants get to the C-suite. It is here that balancing the needs of the constantly changing ambidextrous organization become more acute. As we continue to collect MEL data across various types of organization we will gain in confidence in mapping MEL profiles to disparate growth agendas and shifting environmental conditions. We are at an early stage of our journey but feedback from executive education and other clients suggest we are helping companies answer the question of “do we have the combination and level of human capabilities to achieve our short and longer term growth goals?”

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Exhibit 1: Examples of Open-Ended Questions Used in MEL Interviews

The Role of Managers, Leaders and Entrepreneurs

Think about the job of a manager — how would you describe his/her role?

What are the skills/capabilities required to be a good/great manager?

Please identify and describe an *outstanding manager* within your company — why is he/she so good at their job?

Overall, how well do you think your company is managed? Please briefly explain your answer.

(Questions repeated for leaders and entrepreneurs)

Exhibit 2: Examples of Questions Asked on the Structured MEL Inventory

(All questions used a 1–5, Strongly Agree to Strongly Disagree scale)

- E3 I always look for new and better ways to do things (+)
- E7 I like to act on solid facts and know what is ahead of me (-)

- L2 I try to implement good ideas and suggestions from my team members (+)
- L7 I like to think about the future and find ways to deal with the inevitable uncertainty (+)

- M2 I closely monitor the schedule to ensure a task or project will be completed on time (+)
- M8 Breaking large projects into small manageable tasks are second nature to me (+)

E = Entrepreneur; L = Leader; M = Manager

Exhibit 3: Extract from Written Feedback from MEL Coach

Case 1 (Head of Sales and Marketing Support)

“There is considerable dispersion in the feedback from your colleagues, indicating that they share a very varied picture of you. We need to give this some thought and understand what it means. ...Your job requires considerable Manager-skill and you and others see you possessing this. However, your apparent Entrepreneur capabilities are not needed by the job and therefore may go largely unused.... All together we need to ask whether your balance of skills fits the job well and, if not, how to move ahead for both your and the company’s benefit...”