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Abstract

To avoid chaos, lack of efficiency, or the rapid obsolescence of their strategy, fast-growing ventures need to ensure effective organizational processes. This capacity is often a challenge for European start-ups and large corporations, which typically struggle to scale their innovative projects. Consequently, these organizations may face significant economic, social, and ecological setbacks, as they fail to implement new business models or scale their organizations. To navigate this turbulent world, several authors underline the value of implementing company principles to steer change at individual and collective levels. However, the design and implementation of this organizational practice remain a very difficult point. In this impact paper, we describe a new method that we label the *plasticity method*. Based on multiple research projects and hands-on experience, we detail how this participatory strategy-making approach can support the design and implementation of company principles. Central to this approach is the concept of plasticity, an existing brain mechanism that we adopt and apply in our research to define the malleability of the principles to fit multiple contexts. In doing so, this method facilitates the transition from a chaotic entrepreneurial project to a sustainable organization, avoiding the pitfalls of excessive bureaucratization.

Keywords: entrepreneurship, strategy, company principles, decision-making.

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Beyond entrepreneurial chaos: Establishing company principles through the plasticity method

For emerging entrepreneurial ventures going through rapid development stages and experiencing high turnover rates, there is an increased risk of quickly losing internal stakeholders' adherence to rules and processes. This challenge is further complicated by substantial pressure from investors and the market to achieve profitability within novel shorter timeframes, which in turn undermines the scalability and long-term sustainability of rapidly expanding ventures. Compressed timeframes undermine the ability to reinforce these processes.

One solution to tackle these issues is the implementation of company principles. Fuchs, Sandell, and Shanker define company principles as a guide for decision-making that assists companies in clarifying their choices to key stakeholders (2023). While inspired by company values or mission statements, company principles are distinct from them: they are clear and instructive, aiding companies in making better choices amidst complexity. They operationalize the values, mission and vision of the company into actionable principles and behaviors for every employee of the company.

However, designing and putting them into tangible action isn't simple. In this paper, we propose a new approach to answer this challenge: the *plasticity method*. It is a way to make organizational practices malleable to fit changing situations. Inspired by neuroplasticity, or brain plasticity, that characterizes the ability of neural networks in the brain to change through growth and reorganization, this method can help create and implement company principles. Entrepreneurs don't just need to come up with new business models; they also need to learn how to design, and especially redesign, their organization as it grows.

Organizing: critical work for entrepreneurs

Company principles as a way to design a new organizing logic

As companies grow, the personal charisma of entrepreneurs becomes more diffuse, formalization processes emerge, and internal organizing tasks require entrepreneurs to delegate power to employees. Entrepreneurs encounter the challenge of transitioning from a personalized approach of their businesses' internal organization to a more collective approach of managing affairs (Champenois, Devigne, Anderson, 2021). Moving from individual entrepreneurship (vision, mission, values) to collective efforts (behaviors, actions, rules), it becomes crucial to adopt a new organizing logic. Company principles offer a solution to this challenge.

Many organizations define values, a vision, and a mission statement for themselves. While values express aspirations, and mission statements help create company culture, they both lack practical guidance for strategy implementation at all levels of the company. Principles, on the other hand, offer a clear and instructive framework for how an organization should pursue its strategy (Fuchs et al., 2023). They translate company mission and values into well-articulated and actionable behaviors and practices that can be used everyday within the organization.

According to strategy and dynamic capabilities literature (Eisenhardt, Furr, and Bingham, 2010), company principles are based on the idea that simple rules can be highly effective in fast-paced environments (Ott & Eisenhardt, 2020). They provide tailored guidelines that balance clear direction with the freedom to use judgment and latitude to exercise

discretion (Eisenhardt & Sull, 2015). In essence, company principles are a heuristics-based strategy: by simplifying behaviors through a handful of rules, mental shortcuts ease the cognitive load of making a decision. These principles enable a straightforward, speedy, and effective decision-making process. Moreover, they are collectively agreed upon and can be applied across various situations within an organization.

Company principles: some illustrations

"Disagree and commit" is a classic example of a company principle. It originated at Sun Microsystems and gained popularity when Amazon adopted it. How does this principle aid growing ventures in making better decisions? Firstly, it encourages individuals to voice their opinions, even if they disagree with top management, during important discussions. However, once a decision is made, everyone must commit to implementing it, regardless of their disagreement. This fosters an action-oriented culture that avoids indecision, promotes collective goal achievement and speeds up decision-making.

"Think big and bold" is another instructive principle used by fast-growing companies to strengthen decision-making in uncertain or transitional times. In opposition to thinking small, this principle provides guidance on how leaders should dare think out of the box and take bold decisions accordingly. Inspiring ambitious results, this principle requires individuals to develop a broad-minded attitude to look around corners for novel solutions. This encourages an innovative culture that avoids the consensus trap and develops unique positioning externally and internally.

Principles enable individuals to act independently while adhering to a common framework, aiding management in communicating decision rationales and activating the company's strategy. To implement such practices effectively, understanding how to design and implement company principles is essential.

The plasticity method: a participatory process to design and implement company principles

The legitimization of company principles: a necessary condition

If stakeholders don't see principles as relevant or fitting for their situation, they won't use them, or they'll use them poorly. To gain widespread acceptance, two main challenges need to be addressed: making the principles understandable and practical. Firstly, the principles must be easy to grasp. This isn't always simple because new principles often challenge previously accepted norms. Implementing company principles doesn't happen in isolation. Employees need to rethink their understanding of the company's practices and question what they used to consider normal. The first aim is to gain this cognitive legitimacy so these new principles make sense to the most important audience—employees understand what they mean and how they could improve the current situation.

However, understanding isn't enough; company principles also need to be accepted by those who will put them into action. Employees and managers need to see tangible benefits and how these principles will improve their work and performance. This pragmatic legitimacy is crucial for the successful adoption of company principles.

In the next section, we'll explain how the plasticity method helps legitimize company principles by ensuring they're understood (cognitive legitimacy) and seen as useful (pragmatic legitimacy). In other words, people need to believe in and see the value of

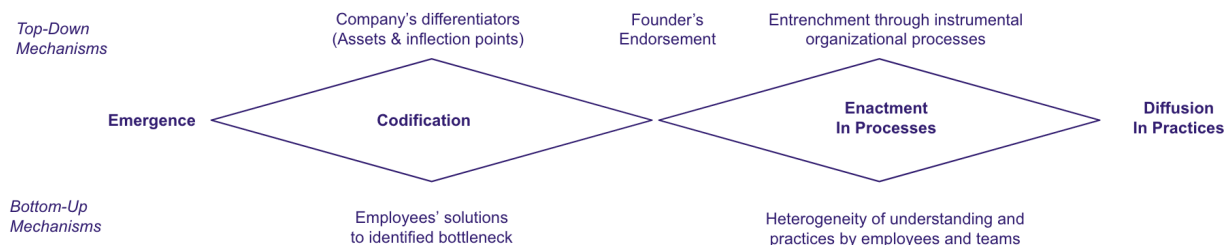
principles before they'll use them. Principles need not only to be effective, but also attractive. Allowing customization of the principles at the individual and team levels is crucial in this acceptance process, which we call plasticity.

The plasticity method: a participatory process in four main stages

The plasticity method requires that principles work much like the human brain, which can change through two important mechanisms. First, the brain isn't fixed from birth; your parents' DNA doesn't determine everything, the environment will also have a key impact. Second, the brain's neural system can change its activity in response to internal or external stimuli by reorganizing its structure, functions, or connections to adapt to new situations, especially after a trauma. Similarly, company principles shouldn't be set in stone by the company founders. They should also be malleable, meaning they can be interpreted and used in different ways.

However, for this flexibility in decision-making to be effective and spread throughout the entire organization, a rigorous orchestration process is required. Building on successful previous work with scale-ups, we've developed a formalized process. This process is inclusive and open, combining the best of both worlds: on one side, the founder(s) maintain a high level of authority, embodying the culture and values of the company; on the other side, a collective of employees is inspired and motivated to take part in the innovative initiative of creating new organizing principles.

Figure 1: Model of the plasticity method to establish company principles



Stage 1 – Emergence: Understand the problem you face. Simply put, emergence characterizes the moment when a difficult situation occurs, requiring your company to operate differently. This turning point often kicks off a transition time between an actual complicated stage A and a desired stage B. This inflection point is key in the history of a company: it opens the possibility of rewiring the strategy and its enablers, such as the principles, as much as it signals to stakeholders the reflexivity that founders and entrepreneurs are capable of for the pursuit of their business.

Stage 2 - Codification: Bring together employees, executives, and founders to develop and refine principles. This involves a two-fold approach: bottom-up and top-down.

- Start with a bottom-up approach: engage with a representative working group of employees to identify bottlenecks and challenges they face in their daily work. Close to the facts on the ground, consider your employees as the primary source for identifying any internal or external issues your company needs to address. Use this information to develop important categories for principles development.
- Concurrently, discuss with founders and top executives what sets your company apart from competitors. These distinguishing factors are crucial for determining the company's competitive advantage. Additionally, reflect on key turning points and

difficult decisions throughout the company's history. These insights will help identify what is distinctive about the company's culture, which can then be translated into principles guiding daily practices.

This process of formalizing principles is meaningful when it allows for a diverse range of voices to be heard. In other words, encourage inputs from employees of different ages, genders, hierarchy levels and expertise to ensure a variety of perspectives are considered and shared.

Stage 3 - Enactment: Embedding plasticity in various company processes (e.g., integrating new principles into procedures like annual performance assessments or new employee recruitment) is crucial. However, formalizing this step doesn't imply identical implementation across the board. It's essential to maintain a high level of flexibility. In other words, some principles may be less utilized in certain entities because they're not as central, or their interpretation may vary among business units. These variations aren't negative; they actually contribute to the legitimization process. Principles become meaningful and practical when they align with people's understanding and are relevant to their daily practices.

Stage 4 - Diffusion: By deliberately allowing organizational members the freedom to develop different interpretations or question official ones, the company establishes a mechanism that legitimizes the new strategy. This ongoing process of legitimization within the organization, facilitated by plasticity, aligns with the micro-foundations approach (Bitektine & Haack, 2015; Jacqueminet & Durand, 2020): macro changes can only occur alongside micro-level practices emerging from individuals. However, this flexibility can sometimes result in increasing misunderstandings and contradictions across the organization. To prevent significant disparities and growing divisions, it's crucial to organize regular discussions throughout the organization, such as annual events, management gatherings, and all-hands meetings to ensure that company principles remain relevant and understood.

Conclusion

Often initiated by the founder(s) themselves, the creation of company principles serves the vital structuring needs of a growing venture while remaining agile and flexible. This poses a significant challenge for entrepreneurs as they transition from individual perspectives of their own beliefs and values to a broader and more diffuse entity. In contrast to prevailing managerial and decision-making practices, new company principles will play a crucial role in enabling the company to collectively meet its strategy's objectives with success.

Despite the apparent uniformity of company principles across the organization, the diversity in understanding and practices underscores the importance of plasticity in successfully implementing a new organizing logic. Effective company principles require a subtle, everyday adaptability: new approaches and organizational forms emerge from actors in their daily routines, reinforcing the legitimacy of these rules as they are lived out on the ground. Just like your brain, your organization needs plasticity to learn. Leverage company principles by keeping them malleable!

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