

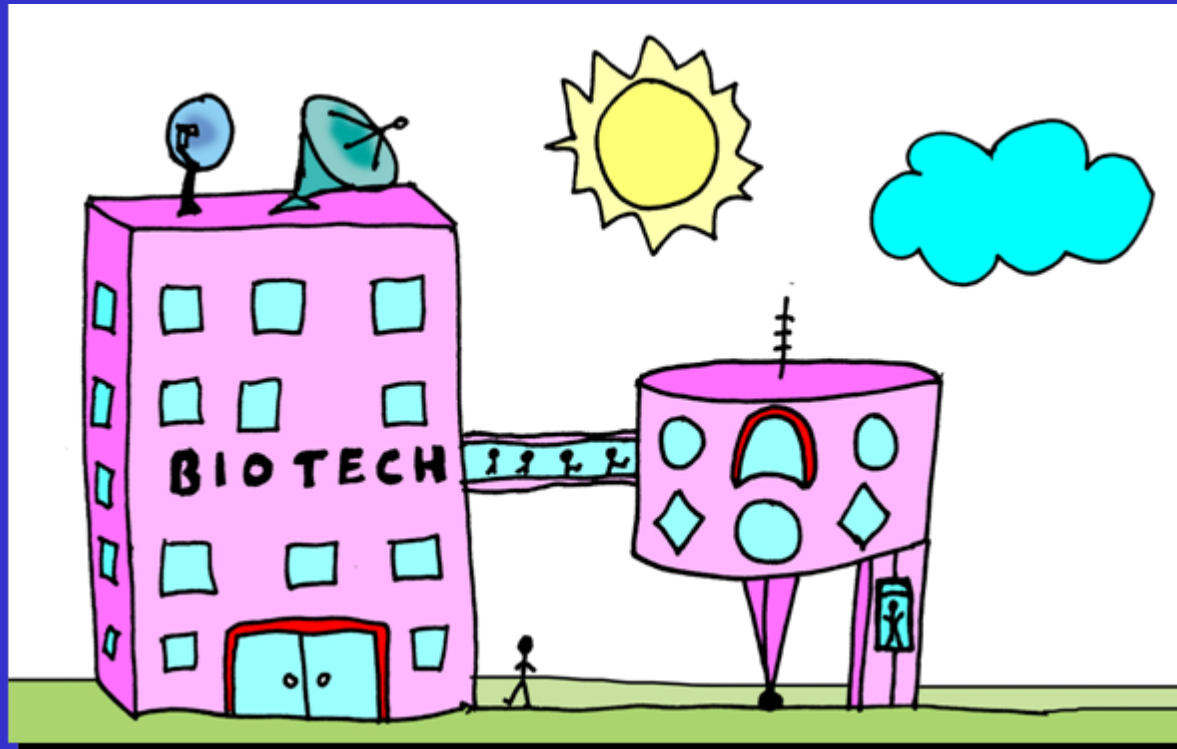
Race to the Top?
The Promise – and Challenges –
of Charter School Growth

April 6, 2009

American Enterprise Institute

www.aei.org/event1904

Charter Schools: Learning to Succeed at Scale



Monica Higgins and Rick Hess
AEI April 6, 2009

Overview

- ✓ **What does biotech have to do with it?**
 - Core idea: entrepreneurial career imprinting
- ✓ **Link to CMOs**
 - Focus on human resources/org practices
 - Associated risks/opportunities of imprinting

What does Biotech have to do with it?

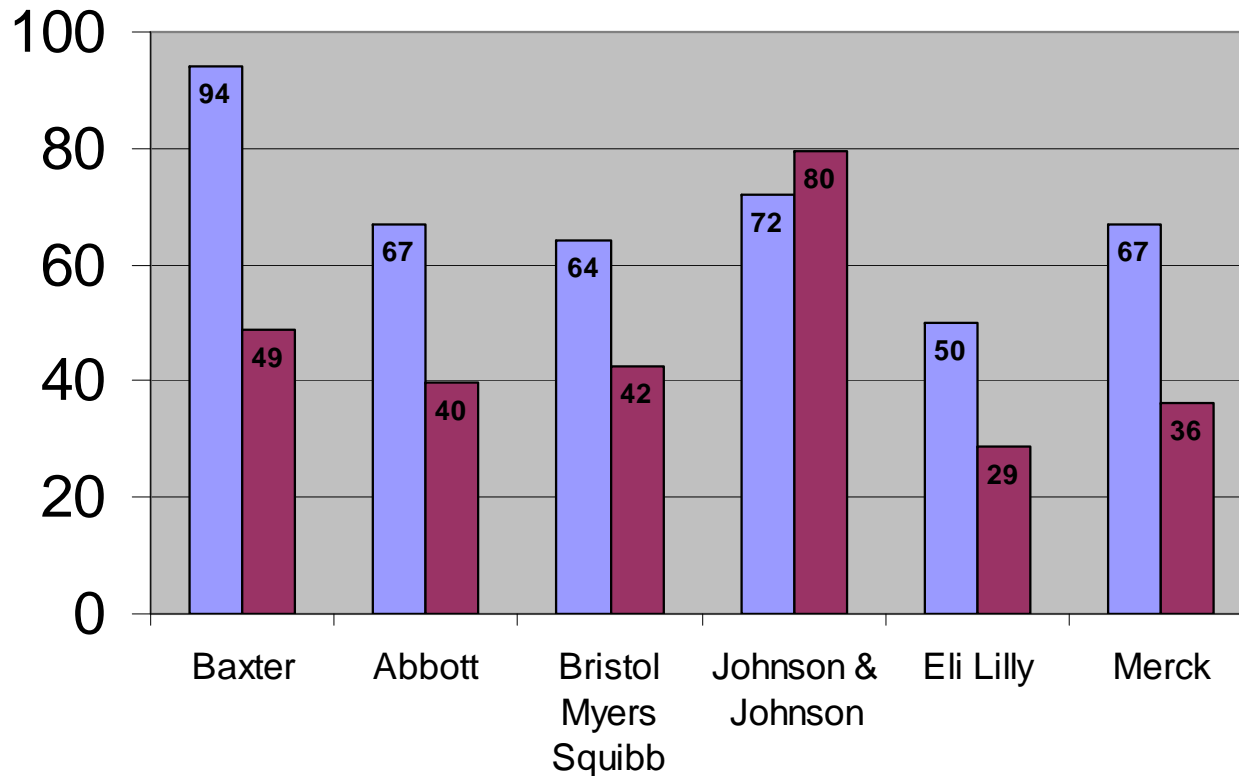
→ Entrepreneurial spawning in biotech

- 23% of 299 firms had one or more people from Baxter on IPO team at time of offering
- Next in line? Johnson & Johnson (18%)

→ Data sources

- 828 private firms, 299 public, 3200 exec career histories (1979-1996)

Baxter as a Spawner

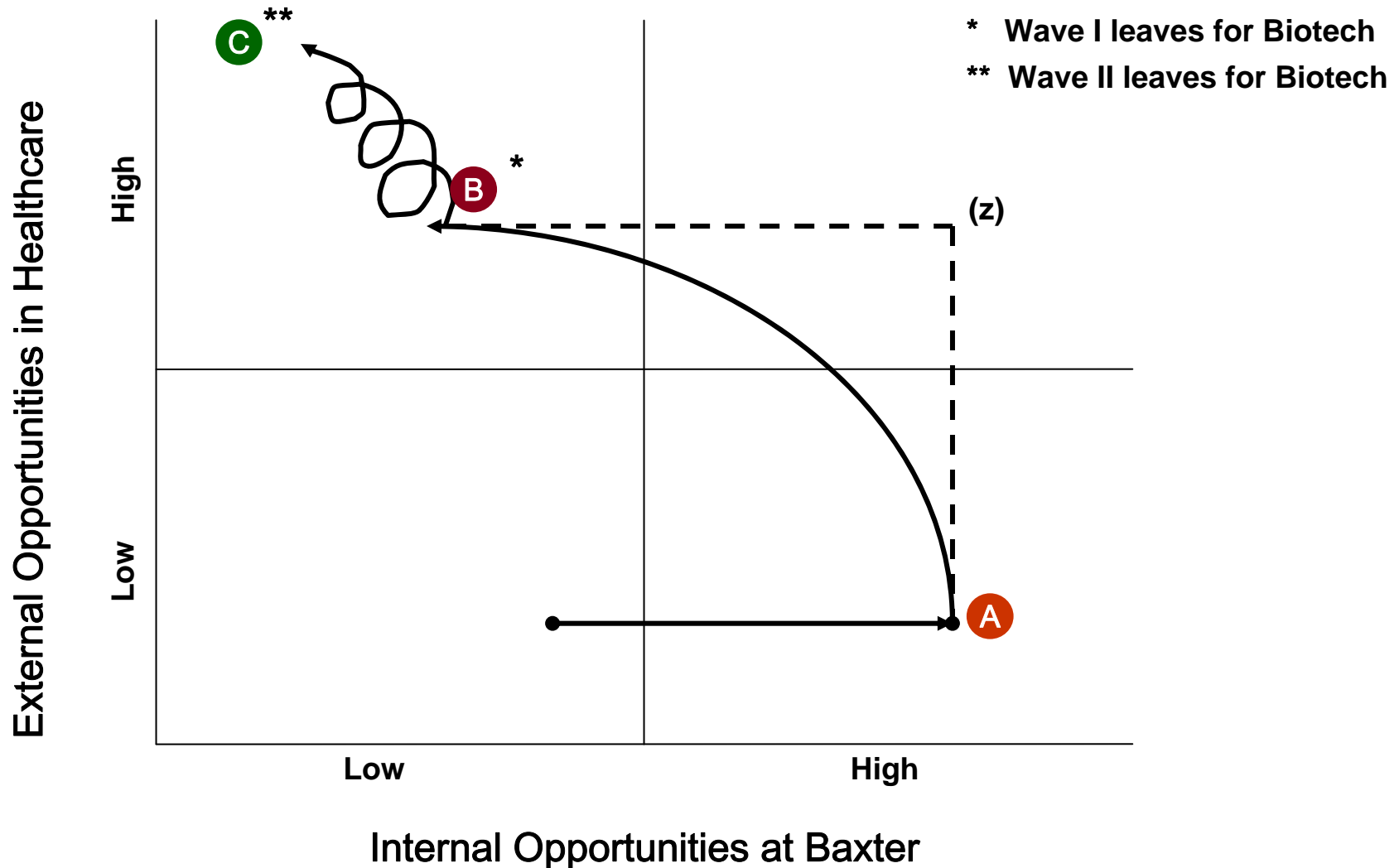


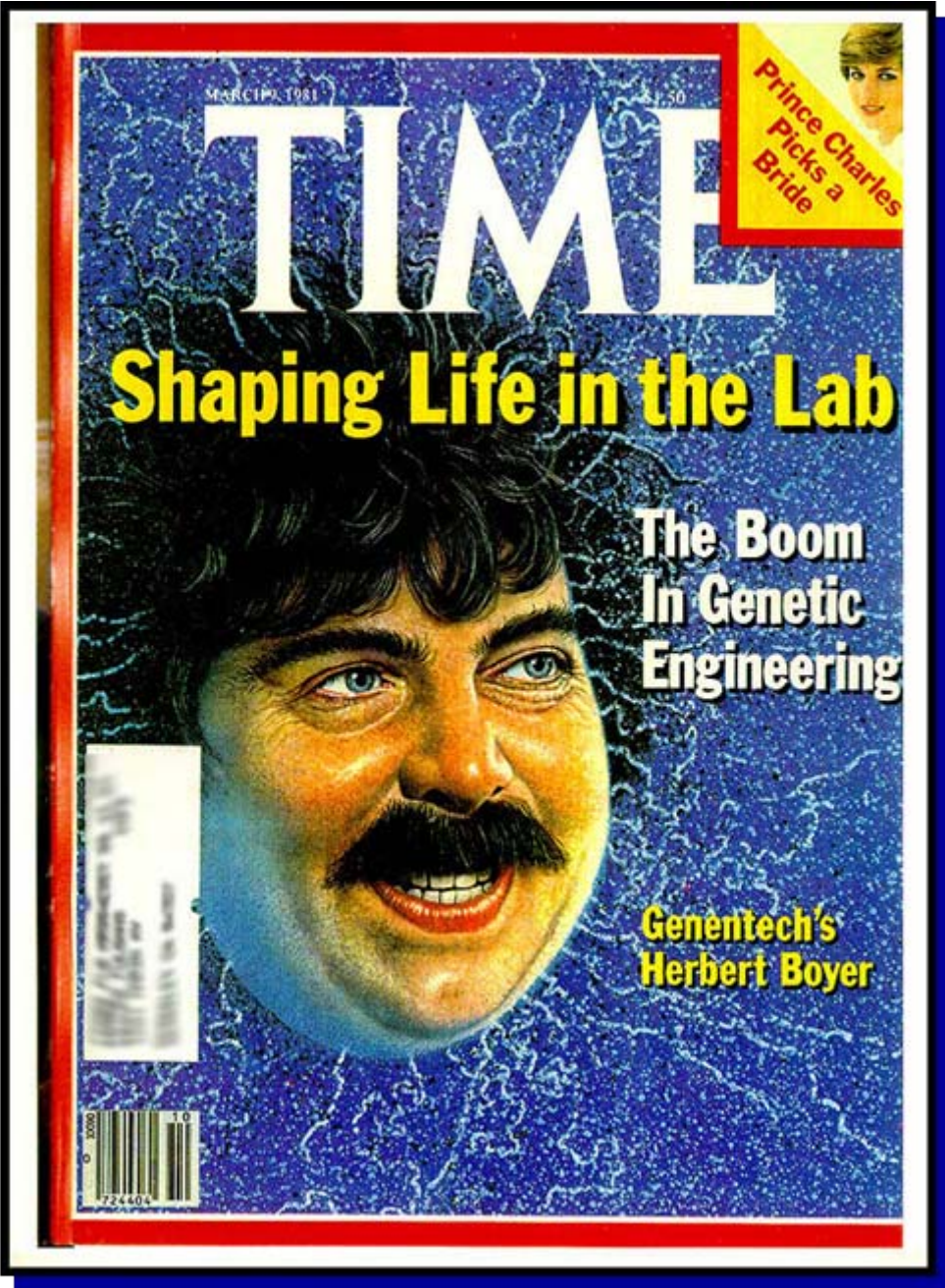
* Chi-square analyses show Baxter's 94 to be the most over-represented value when compared to all six other companies together.

■ Number of People in IPO Dataset ■ Average Size of Company (thousands)

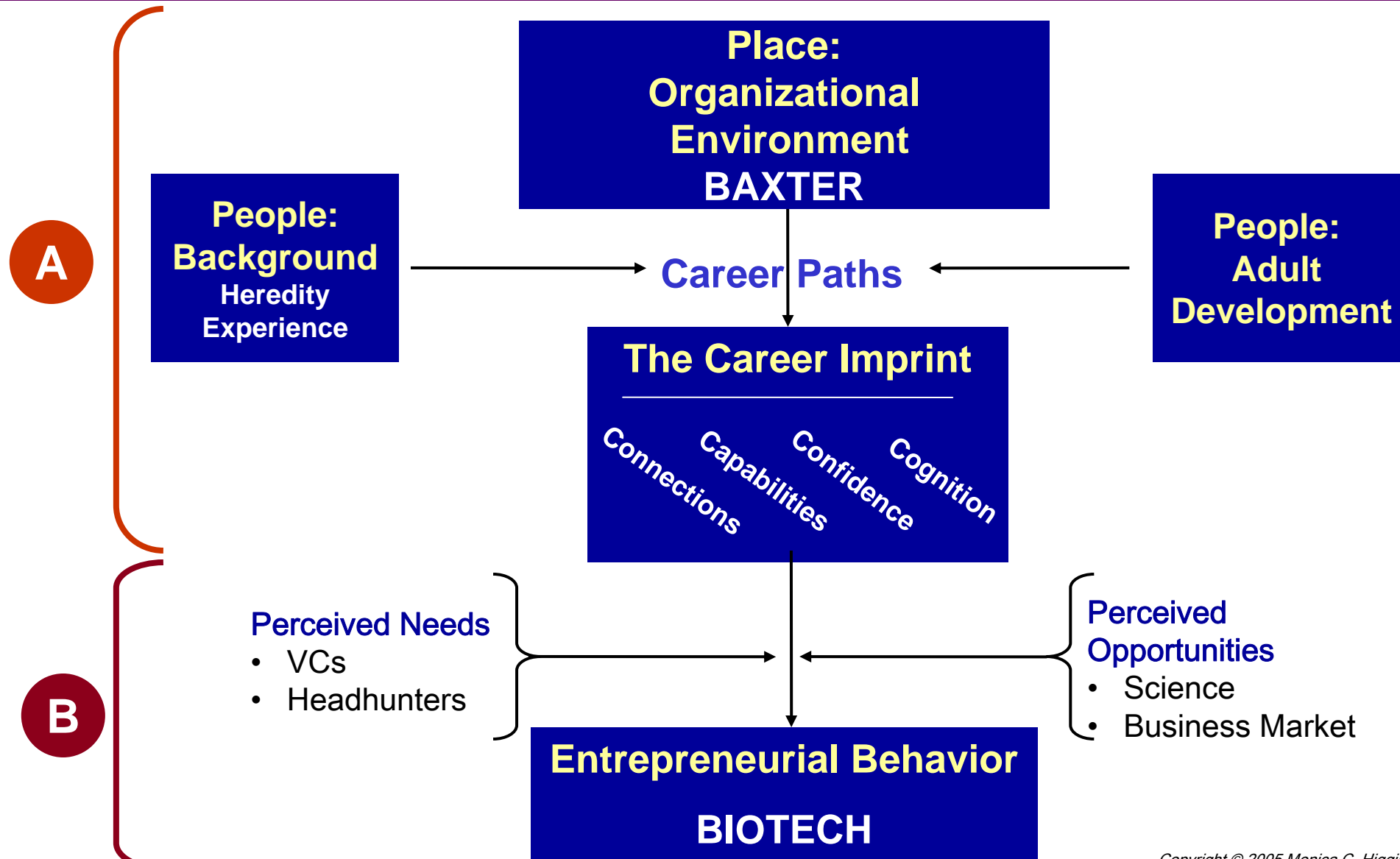
The Baxter-Biotech Connection

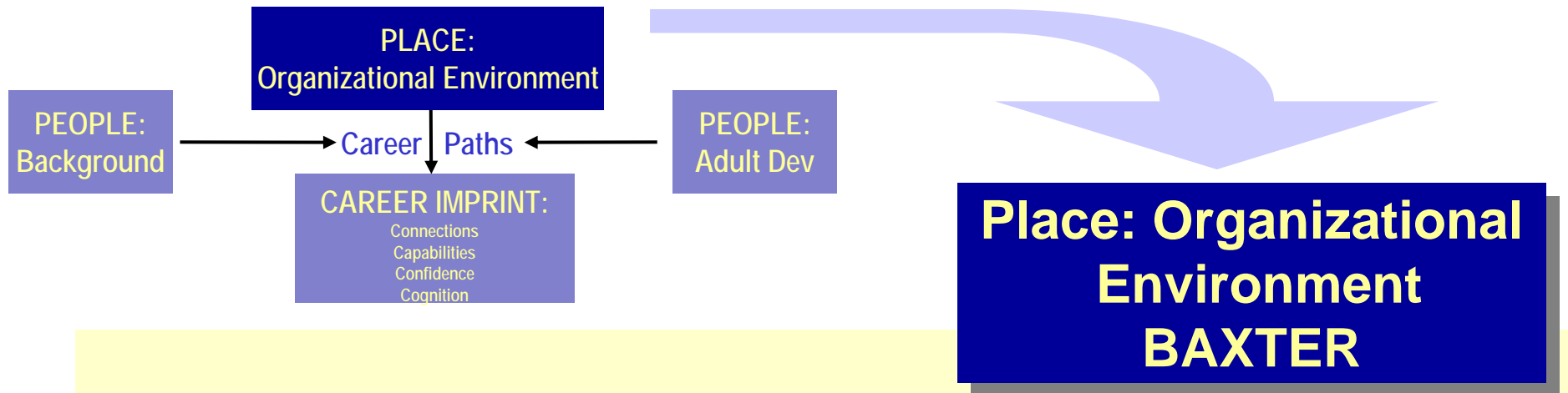
What Happened





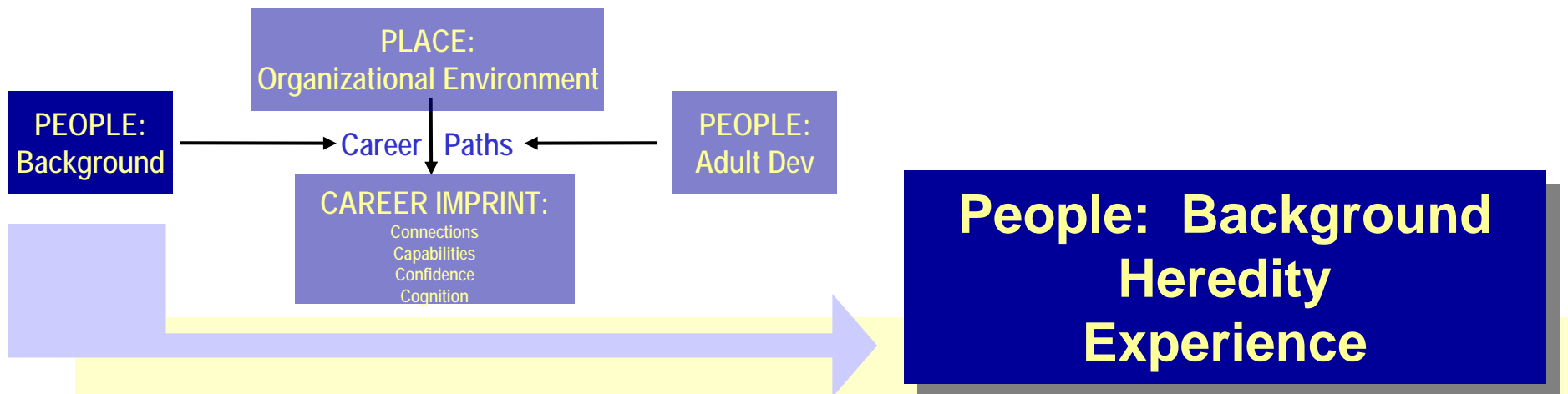
Idea #1: Career Imprinting





Baxter from 1970-1980. That was when the health care industry in general was pretty dynamic. HMOs hadn't become restrictive in any way and so it was a great time to be in health care. Baxter was growing at this very constant rate. They were starving for management talent and so they developed this strategy of recruiting a bunch of MBAs each year. Some years they'd recruit 15 or 20. So, you were bringing these people in; you were giving them responsibility way beyond what they should have expected at the time... I was given responsibility to start up their operation in Ireland. I was 25. And I wasn't alone; there were a lot of guys who got a lot of responsibility quickly, through the same method... Then, it almost seemed to be a pattern, after 8 or 10 years: guys were leaving because as the pyramid narrowed, you started to bump into the sides.

-- an early Baxter MBA hire



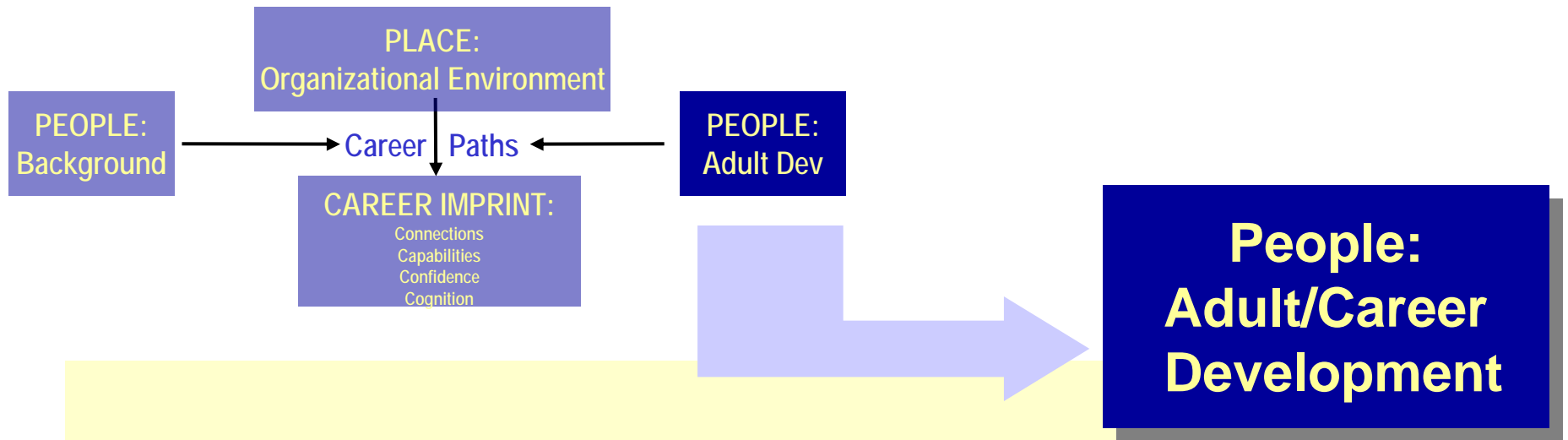
Educational backgrounds

- ✓ MBAs: Baxter: the most over-represented company (30%)
- ✓ PhD's: Baxter most under represented (16%)
- ✓ MD's: Baxter most under represented (2%)

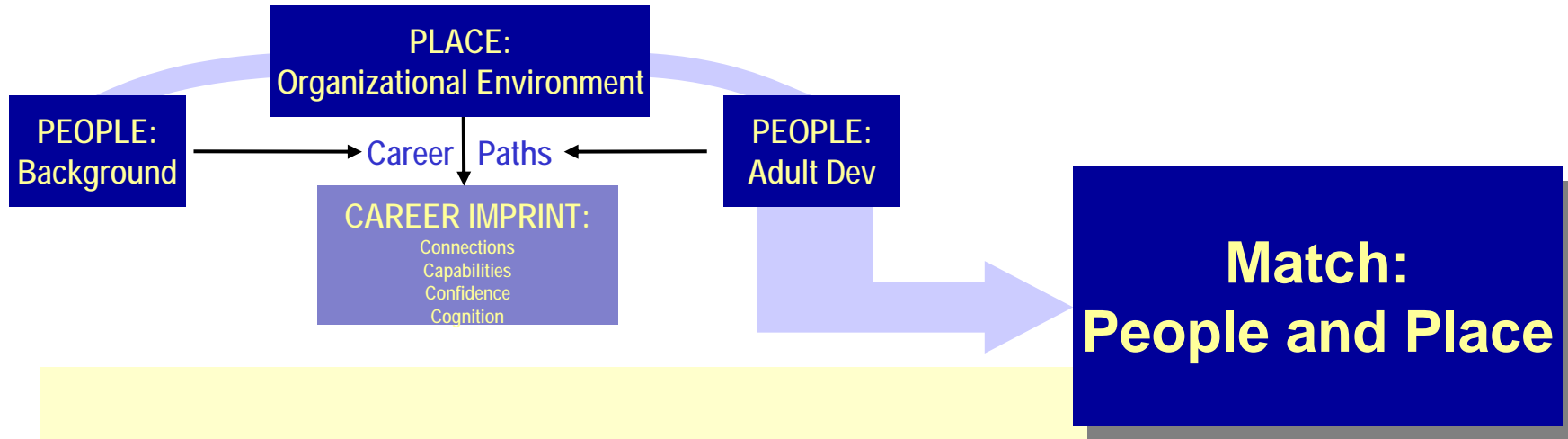
Age

- ✓ Baxter – younger

The people who were running divisions at Bristol Myers or Lilly were in their late 40s, early 50s. We were in our early 30's – [Baxter] guys running 20-30% of the company in their mid-30s or late 30s, which just didn't happen elsewhere.



- ✓ Vulnerable period in their adult development
 - Desire to feel part of a larger system*
- ✓ Baxter as a total institution
 1. No social comparison beyond Baxter
 2. Limited view of “life beyond Baxter”



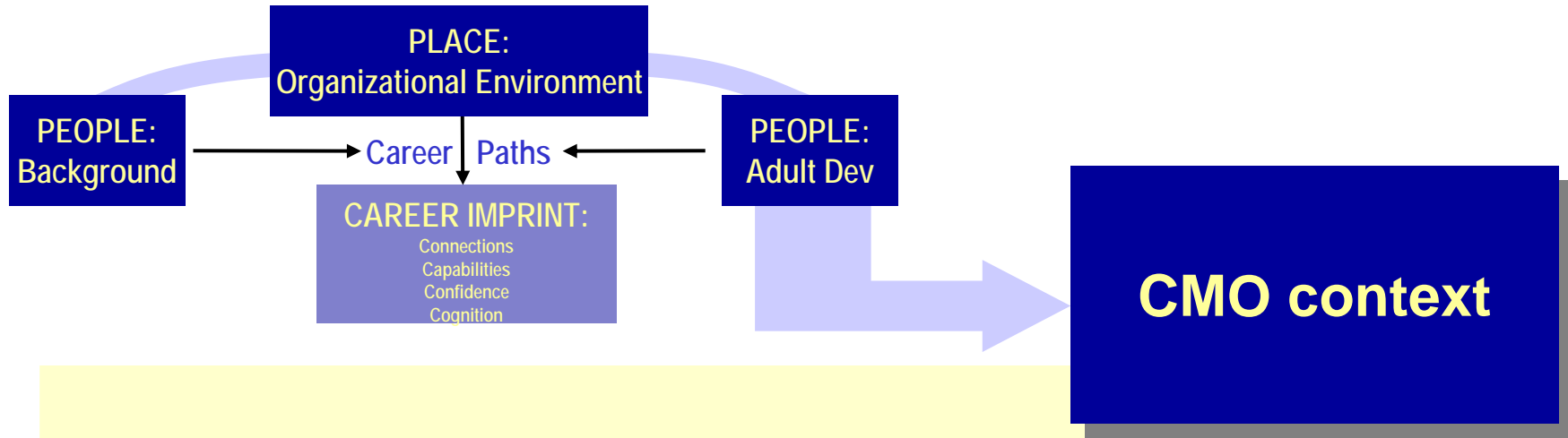
✓ **Baxter's GM jobs**

- Build own institutions; “you were an entrepreneur”

✓ **Baxter's performance mgt systems**

- Proving ground; meritocracy with known “rules”

➔ **Result: tightly wound system, ripe for imprinting**



✓ CMO School Leader Roles

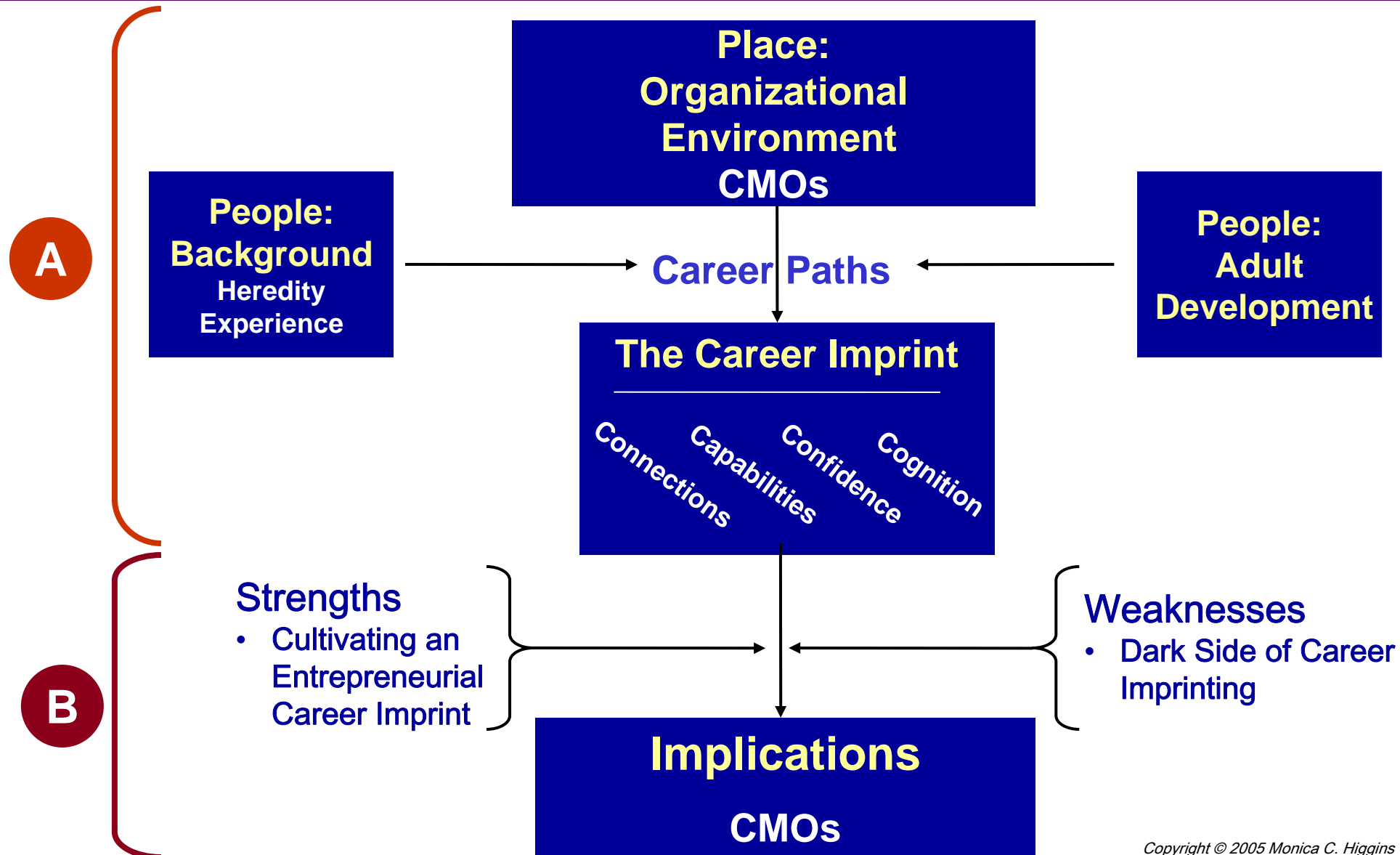
- Build own institutions; entrepreneurial roles

✓ CMO performance mgt systems

- Proving ground; meritocracy with known “rules”

➔ **Result: tightly wound system, ripe for imprinting**

Entrepreneurial Career Imprinting in CMOs



Factors that Strengthen Entrepreneurial Career Imprinting: 1) Stretch Assignments

Initial Strengths

- Distributed Leadership
- Sense of empowerment responsibility, accountability
- High self-efficacy

Later Weaknesses

- Talent Drain
 - Burnout leads to turnover
 - Limited career path leads to turnover
- Talent Dearth
 - Scarcity of qualified recruits

Implications: 1) Intrapreneurial Roles, 2) Adopt an Ecosystem Perspective

Ecosystem Perspective

Baxter vs. Abbott

Leave door open

When you left Baxter, there might be a little bit of grumbling, but basically the attitude of [Baxter senior managers] was 'OK, that's life; now what can we do together?'

Celebrate successes

'I look at the market value of the firms you are at and the market value of Baxter and I realize I should have kept all of you versus the guys I have back at Baxter!' This was very clever. He was saying 'I am proud of you guys.'

Close door

[Abbott management would say],
'When are you leaving? You're never going to be happy again. Do you realize what's *out there*? I mean, look at what *we* have... But by the way, if you do choose to leave, don't let the door hit you on the way out...'

Result

Abbott alumni association never took off

Factors that Strengthen Entrepreneurial Career Imprinting: 2) Social Reinforcement

Initial Strengths

Strong Social Networks

- Strong commonality of values, mission
- Fast peer-peer learning, role-modeling

Later Weaknesses

Nepotism

- Reduced cognitive flexibility
- In-hiring

Implication: Build External Social Capital

Factors that Strengthen Entrepreneurial Career Imprinting: 3) Demonstrated Success

• Initial Strengths

- Highly motivated, inspired workforce
- High org commitment
- Clarity re. norms, behaviors
- Collective sense of success

• Later Weaknesses

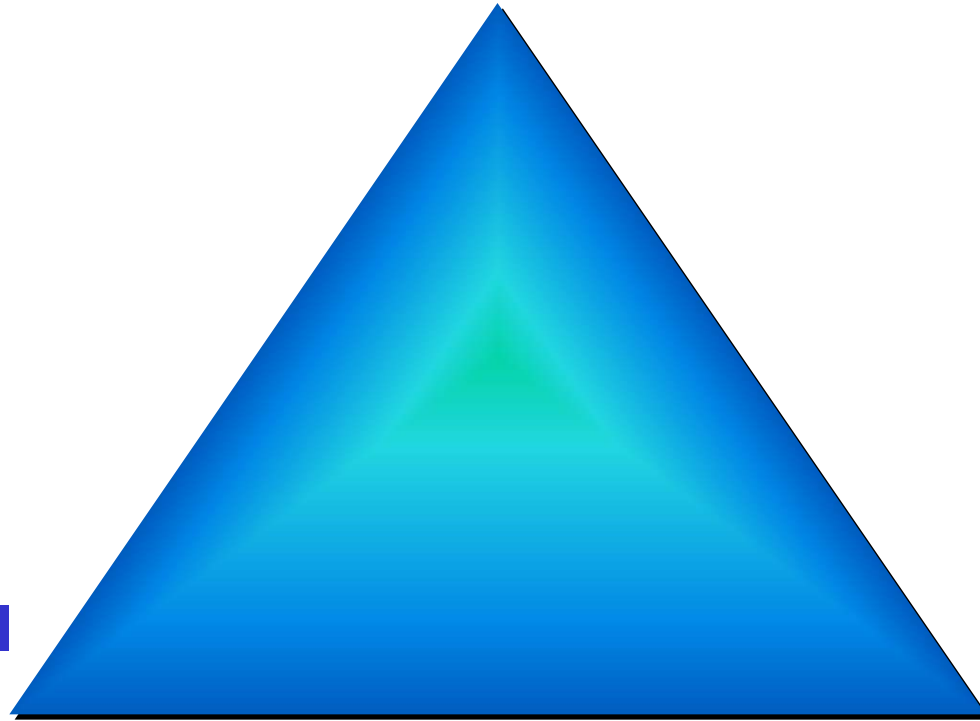
- Insulation
- Overly focused on execution of prior models
- Limited reflection on possibilities for change

Implication: Organize to Learn (vs. Execute)

Career Imprints

Implications for CMOs

**Leader
Development**

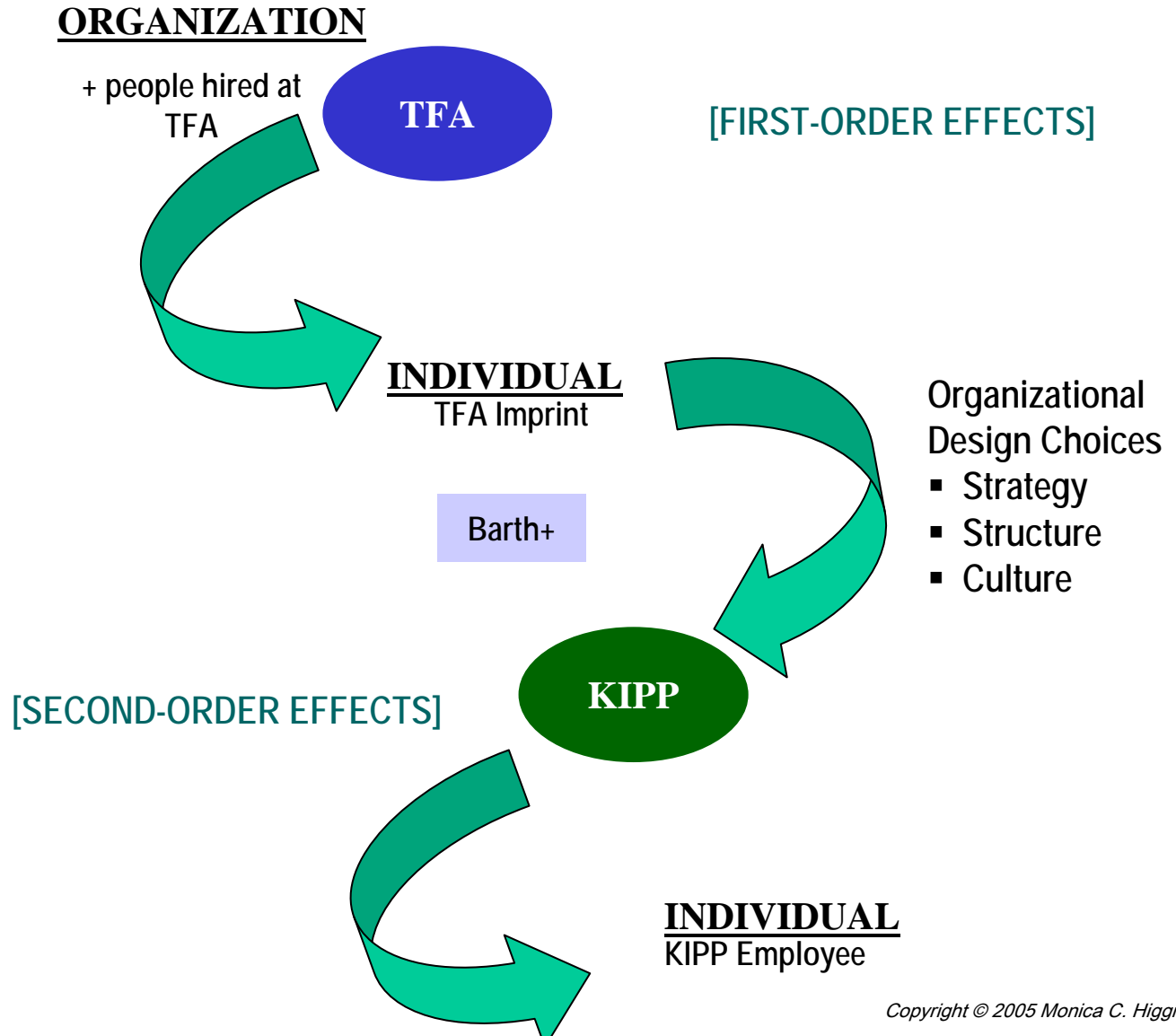


**Entrepreneurial
Spawning**

**Hiring
Practices**

Scaling Beyond One Provider...

The Case in Education???



Organizing to Execute versus Organizing to Learn

Management Practice	Organizing to Execute	Organizing to Learn
Hiring preference	Conformers, rule followers	Problem solvers, experimenters
Training	Learn before	Learn during
Performance Measurement	Did YOU do it right?	Did WE learn?
Employees motivated by	Doing a repeated task well	Trying new things to see what happens
Empowerment means	Can choose among options	Can experiment with a new approach
Work structures	Separate expertise	Integrate expertise
Process goal	Drive out variance	Utilize variance to enhance and improve
Business goal <i>Organizational goal</i>	Make money now <i>Results now</i>	Make money later <i>Results later</i>