



# Challenging the Status Quo

As a leader, it is essential to have a clear definition of what you believe entrepreneurial behavior is and to share it with others who are expected to behave as entrepreneurs within the organization.

*By Matt Kennedy*

**A**sk most leaders, “Do you want your people to be entrepreneurial,” and it will be followed with a resounding “yes.” Then ask them to define what being entrepreneurial is and oftentimes the question will be followed by a deafening silence or a 20-minute declamation. Leaders want their people to be entrepreneurial — they expect it, demand it, but just cannot describe what it should look like.

---

FMI recently spoke with two exceptional leaders at Zurich North America Construction about how they define entrepreneurialism, encourage it and, by understanding risk, temper it. Seth Hausman is head of Operations and Profit Management and Karen Schwartzkopf is a senior vice president at Zurich.

**Kennedy:** How do you define entrepreneurial behavior?

**Hausman:** To me, entrepreneurial behavior means to challenge the status quo and demonstrate the ability always to look beyond the current state.

**Schwartzkopf:** Merriam-Webster defines entrepreneurs as individuals who organize, manage and assume the risks of a business or enterprise. I would say it is taking ownership of your business.

**Kennedy:** What would that look like? How would a person act or behave to show that entrepreneurial spirit?

**Hausman:** People who demonstrate this behavior will always challenge the way that things are traditionally done. They always look for that next opportunity — the next way to do something different, the next way to differentiate in the marketplace — and identify those opportunities, assess their viability and act upon them.

**Schwartzkopf:** There are subtle differences between entrepreneurs and innovators. Innovators are not necessarily entrepreneurs. When I think about entrepreneurs — people who have built their business — their success is often based on identifying voids or gaps in an industry. To fill that gap they look for innovative solutions, which likely include new products, services or service delivery methods. I think about our underwriters and the way we approach business at Zurich. We really look at our underwriters to own that book of our business and to treat it as their own company.

**Hausman:** An entrepreneur is always looking at the most profitable opportunities and that could be the status quo for the short term, or it could be a combination of old and new. Either way, it is manifested as somebody who is always looking at ways to improve his or her current business profitability by shifting from something that may be less profitable to something that may be more profitable or a different way of doing business.

**Kennedy:** So what I have heard from both of you is that you are looking at it as building your business. You do that by owning it and always striving for continuous improvement, analyzing how you are doing things from the perspective of “it’s my responsibility as the owner.”

**Hausman:** Yes.

**Schwartzkopf:** Yes.

---

**When I think about entrepreneurs — people who have built their business — their success is often based on identifying voids or gaps in an industry.**

— KAREN SCHWARTZKOPF

---

**Kennedy:** The other part we are going to discuss is the risk assessment piece. How would you define good risk assessment?

**Hausman:** We are an insurance company, so we do that all of the time. I think those risk assessments actually apply across all different industries. We talk a lot about enterprise risk management with our customers as a disciplined way of assessing an opportunity. To me, the biggest part of the risk assessment is to understand the risk. It does not necessarily mean

you run away from the risk, because every time you make a business decision, you are going to have some risk. The key is to know what those risks are and anticipate what could go right and what could go wrong, so when something

does go wrong, you are not surprised by it. You build that into your model and you accept that as reasonable risk.

**Schwartzkopf:** One of the core values of our organization is that we intimately understand our customers' business. A key part of that is to recognize how our contractor clients identify risk, evaluate risk and the process they have around risk.

---

## It is much easier to understand and assess a risk that falls within a company's vision than one that is outside.

— SETH HAUSMAN

---

We look at our broad experience to help our clients consistently evaluate and improve where necessary on their risk assessment. We provide our best insight when we truly understand our clients' process.

**Kennedy:** That might be part of your risk mitigation strategy — understanding your clients' business as well as they do or as well as you can helps you to know what your risks are.

**Schwartzkopf:** Right.

**Hausman:** That is true and there are many details behind that. We always make certain that the risk fits in with the vision of the company. We talk a

lot about our visions and values, and I know many of our customers have done the same thing. Does the risk that we are taking fit into the vision and goals of the organization, or is it outside of it? I think we are currently seeing a lot of that type of additional risk in the construction marketplace, with contractors moving into different types of businesses. That might be a risk that is much more difficult for them to assess because it is not part of what their vision and culture have always been about as opposed to taking a risk that is well within that vision and their goals. It is much easier to understand and assess a risk that falls within a company's vision than one that is outside.

**Kennedy:** When you are going into new experiences, your ability to understand the risks goes down dramatically.

**Hausman:** In our case, we do not walk outside of what that core vision is, and any risk that we take is going to fit within that core vision that we have not strayed from in 15 years. That does not at all mean, however, that we have a narrow vision or scope. In fact, the opposite is true. Our vision allows for many market adjustments and opportunities, and it also lets us know when we are over the boundary.

**Kennedy:** I think what our clients are faced with right now is, "How do I maintain that discipline not to step outside of what my vision and culture are, when times are difficult and I really need to grow the revenue line and ultimately the bottom line?" How does your organization maintain that type of commitment?

**Schwartzkopf:** We are no different from our clients. We recognize that having discipline at this time brings value to our clients today, but even greater

value as the market turns. It is building a culture that supports a long-term view and commitment to the market as opposed to only short-term gains.

**Hausman:** You also have to ask the tough questions about whether or not you actually have the organizational knowledge if you move outside of your vision. If you start asking questions about a risk or an opportunity or something that is outside of your core vision, you come to the realization that the answer may often be “no.”

---

**We intimately understand our customers' businesses and are innovative in supporting their needs, while at the same time we continuously improve ourselves.**

— KAREN SCHWARTZKOPF

---

**Kennedy:** So it's asking the tough questions and being brutally honest with yourself and the organization about what your capabilities are.

**Hausman:** Yes.

**Kennedy:** How do you encourage entrepreneurial behavior while coupling it with good risk assessment?

**Schwartzkopf:** I think it goes back to our core values. We intimately understand our customers' businesses and are innovative in supporting their needs, while at the same time we continuously improve ourselves. We built this culture by recognizing and rewarding entrepreneurial behavior.

**Hausman:** I think it is also

important for us to encourage entrepreneurship and innovation at all levels of the organization and then match that risk taking with experience. There is really nobody in our organization who is not in a position to be creative, innovative and entrepreneurial about what he or she does every day. Employees may not make the \$100 million bet that our CEO might make, but they could make a bet that changes the work flow or a process in their office that improves the business and our profit margin. You have to match the skill set and the knowledge, but you also have to encourage it up and down throughout the organization. When you do that — allow everyone the opportunity and the vehicle in which to experiment a little within a reasonable boundary, learn from mistakes (without criticizing those mistakes) and match the risk taking with the level of expertise — you will not get to a place where a colleague is in over his or her head and taking risks the company was not prepared for.

**Schwartzkopf:** As leaders, sometimes the hardest thing to do is just to be quiet through the exploratory process. Let the ideas flow for new products or new services without shutting down any type of brainstorming. Let the risk analysis begin after the identification rather than during the process.

**Hausman:** We have some set ways for employees to raise ideas, thoughts and suggestions up through the organization that they may not be able to implement themselves. All of those ideas are very valuable. We recognize and reward those

who developed the ideas and include them in the process as we start building the work we select.

**Kennedy:** So for everybody in the organization, he or she has something that is his or her business, whether it is a process or a procedure, such as making a risk assessment and a final decision on a client or a product. At every level, people have things within their boundaries that are their responsibility. If they own them and continuously look for improvement, then they are acting entrepreneurial within the organization.

**Hausman:** That's right.

**Kennedy:** How do you set the boundaries so people will know "within this boundary I can operate, I can own it and I can make changes or, if it is outside of this boundary, I should make recommendations to others to make change"? How do you manage that process?

**Hausman:** We are a structured and disciplined organization and try not to put our employees in a position to make a decision or change a direction outside of that person's knowledge base or comfort zone. That same model promotes collaboration throughout the organization in order to move forward. This culture also ensures that an employee is aligned within the organization before taking a risk.

**Schwartzkopf:** As Seth said, we are structured. We have guidelines that say, "This is within my purview." However, even if it is within that purview, many times we have that collaborative discussion because we do recognize that two heads are better than one. We have many unique industry insights within the organization that we can tap into to help us all make better decisions.

**Hausman:** This model also lets the group place the bets instead of one individual placing the bets. If everybody is aligned together, you never need to point to one person for success nor for failure.

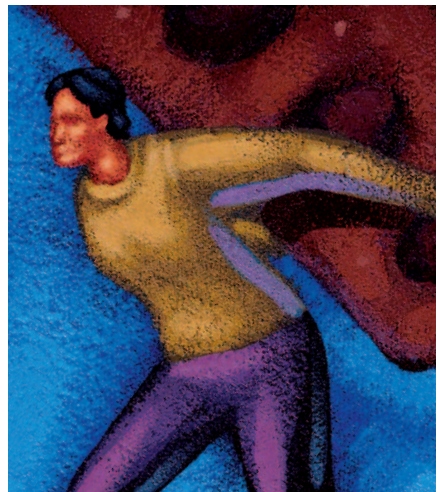
**Kennedy:** Some people may look at the guidelines as a limiting factor. Do you think that promotes or hinders an entrepreneurial spirit?

**Schwartzkopf:** I think that it promotes collaboration.

**Hausman:** Absolutely. I think it promotes collaboration and allows for more informed, thoughtful decisions.

**Kennedy:** How are companies that encourage entrepreneurialism keeping risks in mind? If you are continuously looking for new and better ways to do things, how do you constantly balance that with risk that comes with change?

**Hausman:** It goes back to understanding what those risks are



and understanding what those bets are. A company needs to make some bets and take some risks, but none that are going to put your company in jeopardy if they do not work out as planned. In the aggregate, you need to feel comfortable that if enough of them succeed and a few fail, you are still going to wind up ahead overall. If you do not go through that risk assessment process, you are not going to know what the negative risks are on one or more of your bets not turning out how you like and jeopardize the rest of them.

**Schwartzkopf:** Right. I think that you have to get them all out there, because some will perform better than others will. The other piece of it is the commitment side. For insurance companies it may take some time before we fully see what some of the results of these decisions are — to go into uncharted territories for our contractors is probably similar.

**Kennedy:** So building your business through entrepreneurialism means to look for new ways to do things and fighting against complacency.

**Hausman:** One of my favorite lessons from a leader that I admired was that you couldn't beat something with nothing. For example, if you are looking at six potential entrepreneurial opportunities, you have a few choices. You can try all six without fully understanding the risks. You can do a risk analysis and pick three of these to focus on and implement. Or you can choose to do nothing new or different. The first option puts your company in jeopardy by not understanding what can go wrong. The last option is the complacency option, which almost ensures failure because others in the industry will be more creative and innovative and you will be left in the dust. The middle option will usually provide the best opportunity for success, and risk assessment helps you get that right

**Kennedy:** Outside of the vision, what is the No. 1 thing that leaders should consider when trying to mitigate their risk?

**Hausman:** It depends upon what the actual issue is and understanding what could go wrong — what could go bump in the night — and fully vetting that and being comfortable that you fully absorb that risk if in fact that happens. We do that on the underwriting side when our underwriters look at risk. We sell a policy and we agree to a policy limit, and we know full well what the worst-case scenario could be if, in fact, something goes wrong. I think the same applies for a business risk. You have to vet fully what could go wrong and feel confident that you could absorb that if in fact it happens. If you look at that risk and say, "If this occurs, then we're out of business" — it's probably not a risk worth taking.

**Kennedy:** What do leaders need to do to encourage entrepreneurial behavior?

---

One of my favorite lessons from a leader that I admired was that you couldn't beat something with nothing.

— SETH HAUSMAN

---

**Schwartzkopf:** They need to recognize it and make it part of the culture and the core values of the organization. One of the things we did was develop a steering committee of some of our clients that we call our “innovation council” to make sure we do not lose sight of the needs of our clients and changes in their worlds, such as project delivery methods, BIM, green building, LEED certification and additional risks associated with these. We look to this steering committee to keep us advised and informed of the evolution of risks and how they are viewed from our clients’ perspectives.

**Hausman:** Celebrating success in many different ways throughout the organization is important to continue to encourage that spirit, and that includes celebrating success on risks taken and risks not taken. We do celebrate risks not taken as a success when that is the right decision. We also continue to encourage people to feel that they are in a comfortable enough environment that making a mistake when we fully understood the risks is an acceptable way of conducting business.

**Kennedy:** I would like to hear a little bit more about that. What is a leader’s response to an opportunity seized when the risk is realized and the opportunity fails?

**Hausman:** I’ll come back to the insurance world. Let’s say an underwriter underwrites an account and it meets all of our criteria and guidelines and it is an acceptable risk, and then we have a large claim. After looking at that particular transaction, the leader’s response should be, “I would do that deal again because the risk was acceptable and it was the right risk to take. It went wrong, but I would do it again.” A company can get in trouble when that leader looks back and says, “That was not a very good deal — we probably should not do that again.” Leaders need to build enough discipline into the organization that the answer is more of the former.

**Schwartzkopf:** And part of it is the analysis afterwards. What happened? What went wrong? Is it something that is repeatable? Is it something that can be fixed in the process? Is it something that we did not anticipate?

**Hausman:** If it is something that we anticipated, the leaders should say, “It didn’t work, but we’ll try it again.”

**Kennedy:** How do leaders encourage risk assessment behavior? How do we keep that in the forefront of our people?

**Schwartzkopf:** For us, that is what we do every day. A large part of it is education — providing information to our underwriters about risks or emerging trends so that they are knowledgeable and have tools in their arsenal to make decisions every day.

---

We do celebrate risks not taken as a success when that is the right decision.

— SETH HAUSMAN

---

**Kennedy:** How valuable is sharing that information with the organization?

**Schwartzkopf:** It is vital. To be able to assess risks, you have to know what is out there. You have to know what is emerging and what has happened in the past. That is an essential piece of being successful in the process.

**Hausman:** One concept that may help an organization that is not normally in the risk business is the ability to find the right way to track progress and identify the triggers that are going to be leading indicators of concern. Let's assume you start to go forward on a particular project. You must have enough measurements available to you with goals and objectives so when you start seeing something trending in the wrong direction, you can make an effort to quickly recover or adjust rather than continuing to just move forward blindly.

**Kennedy:** How important is it to have follow-up plans once you have started the project or implemented the policy?

**Hausman:** If the risk is not controllable, you might come back and ask why you are taking it in the first place. If the risk is controllable, then you need to have some sort of plan in place that dictates how you are going to manage this risk and how you are going to minimize any negative impact.

**To be able to assess risks, you have to know what is out there. You have to know what is emerging and what has happened in the past.**

— KAREN SCHWARTZKOPF

with quite as much discipline when in a familiar territory. The key is to take that extra step and add those extra resources to make sure to confirm that the people on the jobsite know exactly how and what to do.



**Kennedy:** I like the idea that even after it is done, it is still controllable and you should be able to put plans in place to do that.

**Hausman:** For example, if a contractor is going into a geographic area and building a project where the labor force is unfamiliar, it still might be a risk worth taking and a project worth building. However, it is also important to have a plan in place to manage the risk of an unfamiliar workforce. That might include a more robust safety and training program with all of the new employees. The contractor may not need to do this

**Kennedy:** And then you continue to track it so if it does not perform as you hoped it would, you know what your risk exposure is. For example, here is what the worst-case labor scenario is on this project — I may realize it or I may not, but this is where it is heading.

What are the benefits to having entrepreneurial behavior within your organization?

**Schwartzkopf:** People have a lot of pride in the organization and in their contributions.

**Hausman:** The absence of it is the driver for organizational failure, because your competitors will have it and they will continue to look for those opportunities moving forward and you will be left behind.

**Schwartzkopf:** You are also going to be able to attract talent, retain talent and keep employees engaged.

**Kennedy:** So what if you have a culture that promotes entrepreneurial behavior within your organization and your people are always looking for the next improvements they can make on their process or their products — how much is that a competitive advantage for your firm?

**Hausman:** It is a huge competitive advantage, but one that is not going to be around long if you do not continue to push. When you have that advantage, you will be chased constantly. Unless you continue to work doubly hard to stay in front of the pack, you will quickly be caught.

Being entrepreneurial and having an entrepreneurial spirit is crucial for every contractor and customer that we work with. Understanding the risks you are taking on and then having mitigating plans in place when you have risks are requirements of success.

## CONCLUSION

Is entrepreneurial behavior defined by taking ownership with a responsibility to improve what a person has control over? That is one definition. As a leader, it is essential to have a clear definition of what you believe entrepreneurial behavior is and to share it with others who are expected to behave as entrepreneurs within the organization. Maybe the definition at your organization is slightly different — one can debate the pros and cons of each. What cannot be disputed is the immeasurable value that a culture of entrepreneurial behavior brings to an organization. If your organization needs more engagement from its employees, then start today to get them to own something and then challenge them to make it better. ■

---

**Unless you continue to work doubly hard to stay in front of the pack, you will quickly be caught.**

— SETH HAUSMAN

---

**CONTACT THE *FMI* QUARTERLY**

**CUSTOMER SERVICE:**

**[quarterly\\_info@fminet.com](mailto:quarterly_info@fminet.com)**

**SUBSCRIPTIONS:**

**1.800.877.1364**

**ARTICLE REPRINT PERMISSION:**

**919.785.9236**

**VISIT FMI ONLINE:**

**[www.fminet.com](http://www.fminet.com)**