

# Entrepreneurship

(Ch 2

Definitions and Models of E-Ship)

# The Myths of Entrepreneurship

- Myth 1: Entrepreneurs Are Doers, Not Thinkers
- Myth 2: Entrepreneurs Are Born, Not Made
- Myth 3: Entrepreneurs Are Always Inventors
- Myth 4: Entrepreneurs Are Academic and Social Misfits
- Myth 5: Entrepreneurs Must Fit the “Profile”
- Myth 6: All Entrepreneurs Need Is Money
- Myth 7: All Entrepreneurs Need Is Luck
- Myth 8: Ignorance Is Bliss For Entrepreneurs
- Myth 9: Entrepreneurs Seek Success But Experience High Failure Rates
- Myth 10: Entrepreneurs Are Extreme Risk Takers (Gamblers)

# Entrepreneurship as a Process: (as opposed to outcome and profile)

- Opportunity identification
- Defining business Concept
- Assessing resource requirements
- Acquiring those resources
- Implementing and managing the concept
- Harvesting the concept or venture

## Some noted similarities between start-up and corporate e-ship

- Both involve opportunity recognition and definition.
- Both require a unique business concept that takes the form of a product, service, or process.
- Both are driven by an individual champion who works with a team to bring the concept to fruition.
- Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism, and proactiveness with patience.
- Both involve concepts that are most vulnerable in the formative stage, and that require adaptation over time.
- Both entail a window of opportunity within which the concept can be successfully capitalized upon.
- Both are predicated on value creation and accountability to a customer.
- Both find the entrepreneur encountering resistance and obstacles, necessitating both perseverance and an ability to formulate innovative solutions.
- Both entail risk and require risk-management strategies.
- Both require the entrepreneur to develop creative strategies for leveraging resources.
- Both involve significant ambiguity.
- Both require harvesting strategies.

## Some noted differences between start-up and corporate e-ship

### *Start-Up Entrepreneurship*

---

- Entrepreneur takes the risk
- Entrepreneur “owns” the concept or innovative idea
- Entrepreneur owns all or much of the business
- Potential rewards for the entrepreneur are theoretically unlimited
- One misstep can mean failure
- Vulnerable to outside influence
- Independence of the entrepreneur, although the successful entrepreneur is typically backed by a strong team

### *Corporate Entrepreneurship*

---

- Company assumes the risks, other than career-related risk
- Company owns the concept, and typically the intellectual rights surrounding the concept
- Entrepreneur may have no equity in the company, or a very small percentage
- Clear limits are placed on the financial rewards entrepreneurs can receive
- More room for errors; company can absorb failure
- More insulated from outside influence
- Interdependence of the champion with many others; may have to share credit with any number of people

## Some noted differences between start-up and corporate e-ship

### Corporate and Start-Up Entrepreneurship: Major Differences

#### *Start-Up Entrepreneurship*

- Flexibility in changing course, experimenting, or trying new directions
- Speed of decision making
- Little security
- No safety net
- Few people to talk to
- Limited scale and scope initially
- Severe resource limitations

#### *Corporate Entrepreneurship*

- Rules, procedures, and bureaucracy hinder the entrepreneur's ability to maneuver
- Longer approval cycles
- Job security
- Dependable benefit package
- Extensive network for bouncing around ideas
- Potential for sizeable scale and scope fairly quickly
- Access to finances, R&D, production facilities for trial runs, an established sales force, an existing brand, distribution channels that are in place, existing databases and market research resources, and an established customer base

# Implications of differences

- Manage conflicting pressures
  - Performing well in “standard job”
  - Meeting self-imposed goals
  - Meeting managements (unexpected) expectations
- Why stay “intrapreneur”?
  - Resources
  - Scope and Size
  - Security

# Where is C-E-ship generated?

- R&D Division
- Ad Hoc Venture Teams
- New Venture Groups
- Champions and Mainstream
- Through acquisitions
- Through outsourcing
- Mix of the above

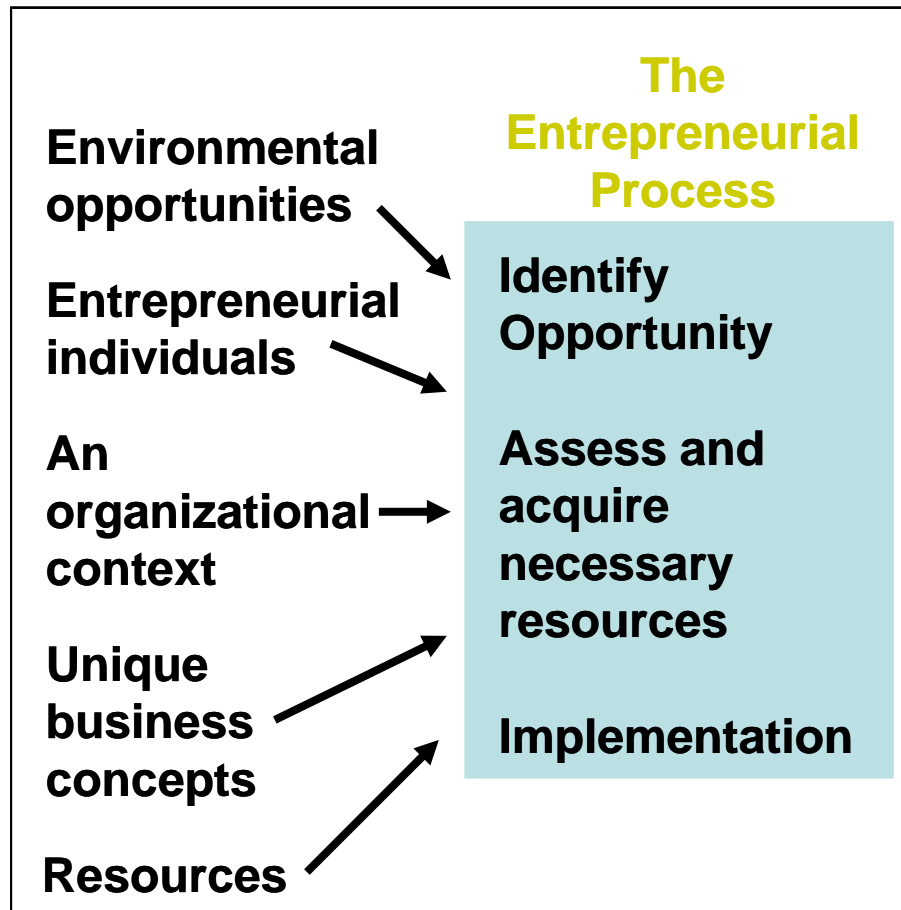


# 10 min Exercise

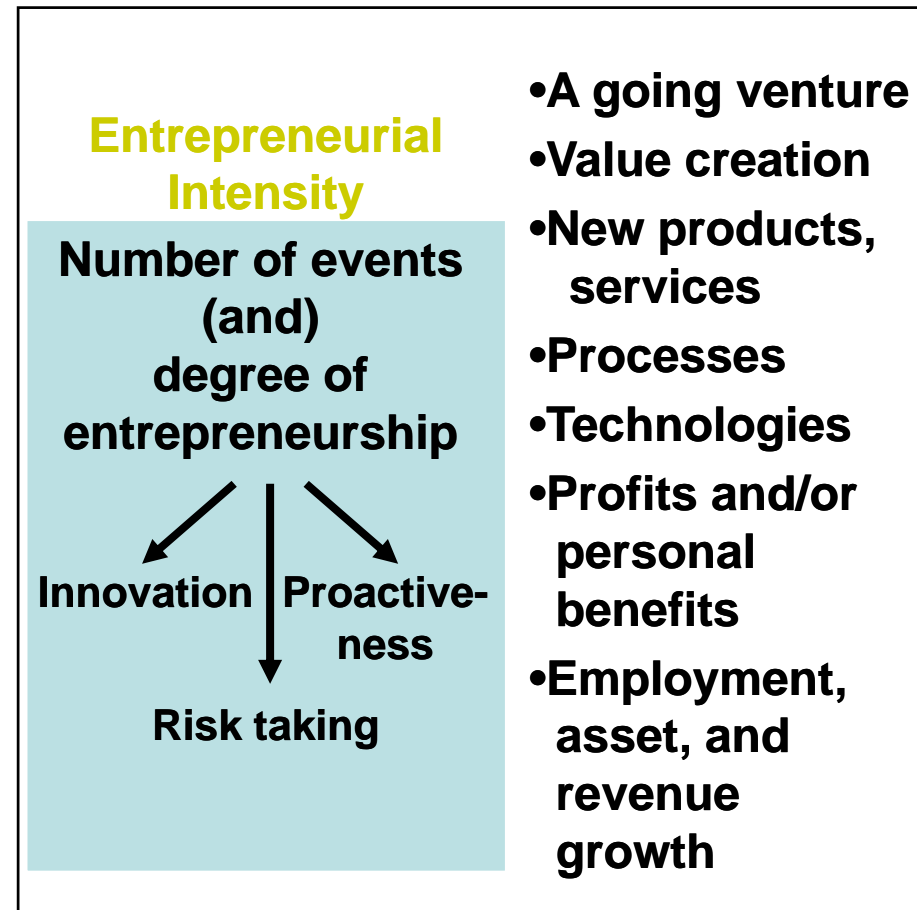
- What are the pro's and con's of the different forms?

# Morris: An Integrative Model of Entrepreneurial Inputs and Outcomes is needed to understand E.I.

## Inputs



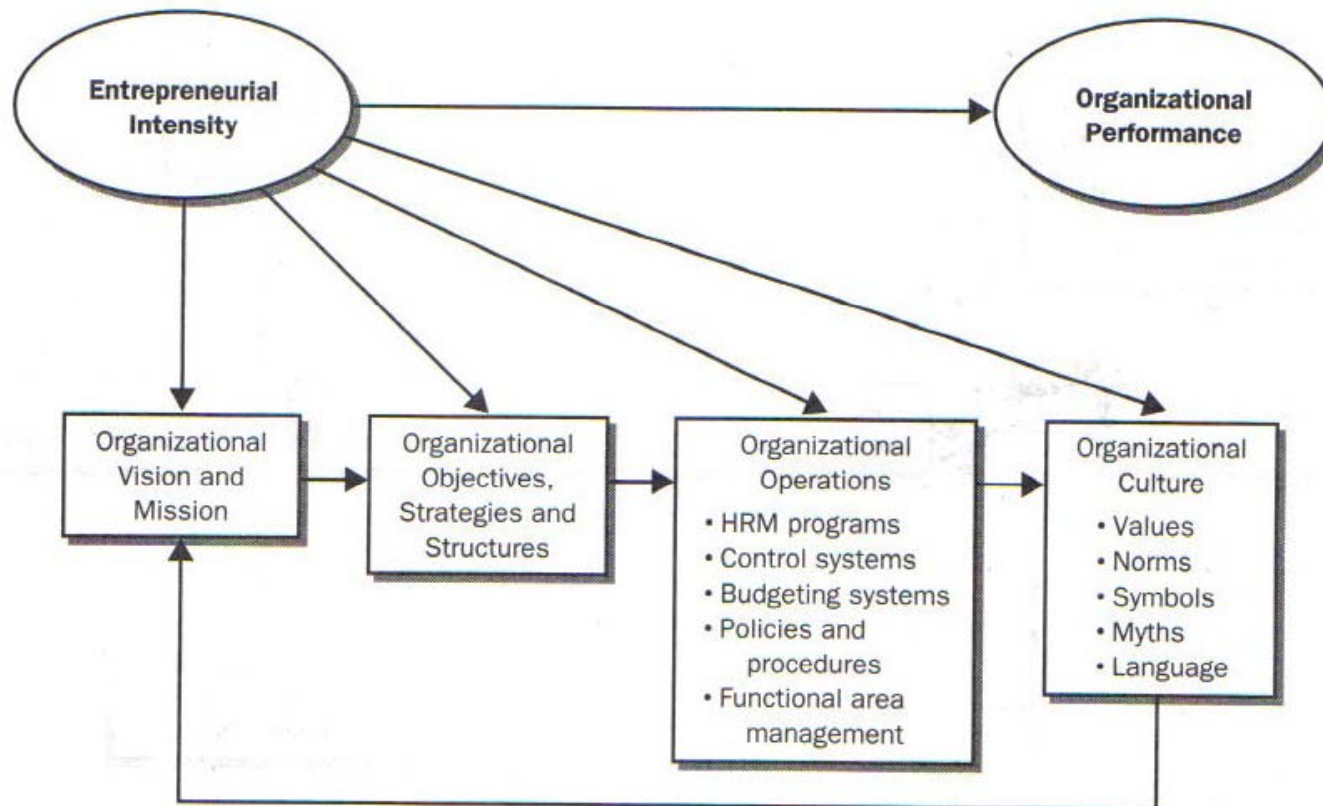
## Outcomes



# Strategic Orientation

■ FIGURE 2.5

STRATEGIC INTEGRATION OF ENTREPRENEURSHIP THROUGHOUT THE ORGANIZATION



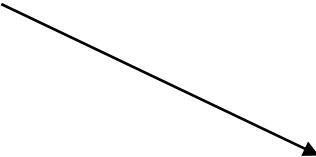
SOURCE: Adapted from Covin, J. G., and D. P. Slevin. 1991. "A Conceptual Model of Entrepreneurship as Firm Behavior," *Entrepreneurship Theory and Practice* 16, No. 1 (Fall): 7-26.

# Corporate Entrepreneurship

Ch 3

(Degrees of E-Ship in Organizations)

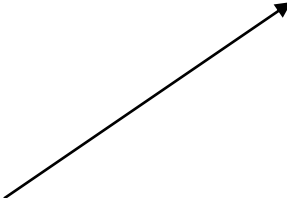
**Innovativeness**



**Risk-Taking**

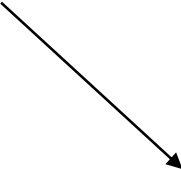


**Proactiveness**



**Entrepreneurial  
Degree**

**Frequency**



**Entrepreneurial  
Intensity**

# Degrees of product/service innovativeness



# Process Innovation

A Range of Options: Innovativeness as it Applies to Processes

<i>Degree of Innovation</i>	<i>Type of Process</i>
Major new process	Administrative systems Service delivery systems
Minor new process	Production methods Financing methods
Significant revision of existing process	Marketing or sales approaches Procurement techniques
Modest improvement to existing process	Compensation methods Supply chain management techniques Distribution methods Employee training programs Pricing approaches Information management systems Customer support programs Logistical approaches Hiring methods

# Anticipation of discussion: What spurs innovation in companies



# Some known factors stimulating innovation

- Having CEOs that were heavily involved in fostering innovation
- Defining innovation as critical to long-term company success
- Attaching great importance to the concept of managing change
- Having the words *innovation* and *creativity* in the mission statement
- Demonstrating an openness to outside ideas
- Having formal programs for idea generation and problem solving
- Placing strong emphasis on cross-functional communications
- Implementing programs to encourage employees to talk to customers
- Increasing levels of investment in R&D and a strong focus on product development
- Creating budgets allocated exclusively to innovation
- Providing rewards for individual creativity and innovation
- Spending time in meetings that were highly productive

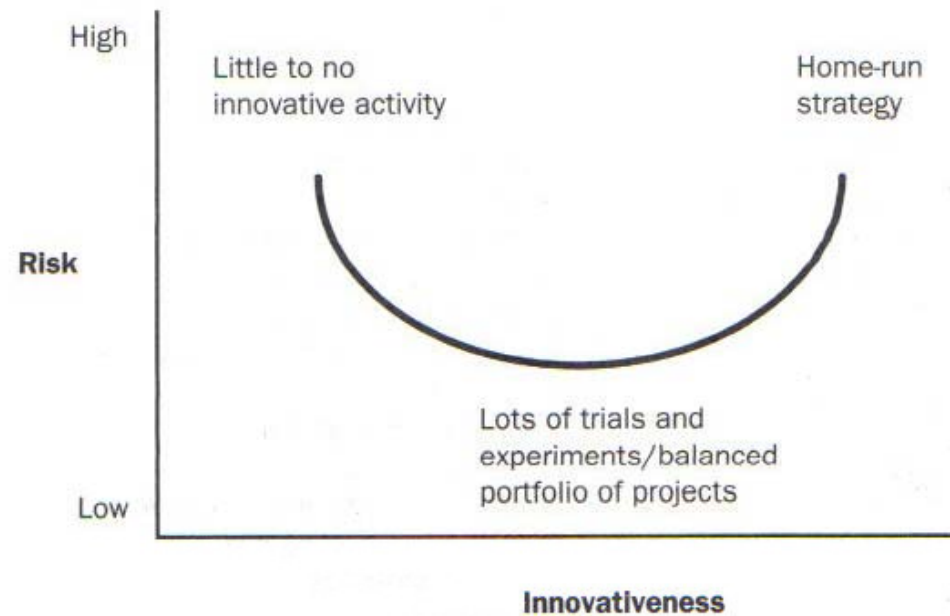
# 10 minute groupwork

- Provide examples of each innovation type

# Risk Taking (baseball batter logic)

■ FIGURE 3.2

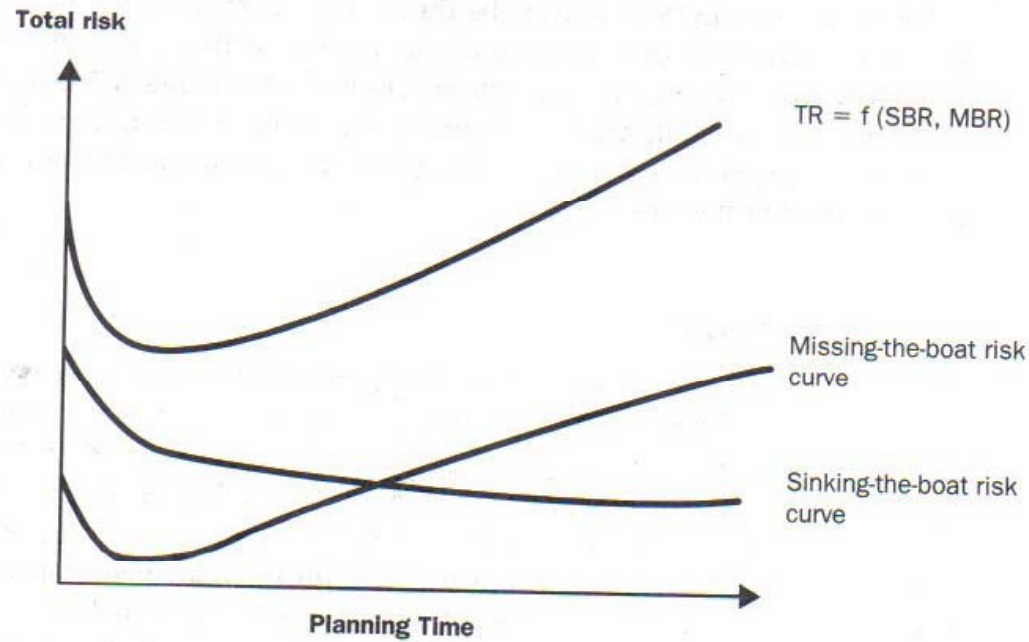
RELATING INNOVATIVENESS TO RISK



# Risk Taking: Evaluating different type of risks

■ FIGURE 3.3

**“MISSING-THE-BOAT” AND “SINKING-THE-BOAT” RISK**



# Proactiveness

- Venkatraman:
  1. Seeking new opportunities
  2. Introducing new products ahead of competition
  3. Strategically eliminating mature or declining products

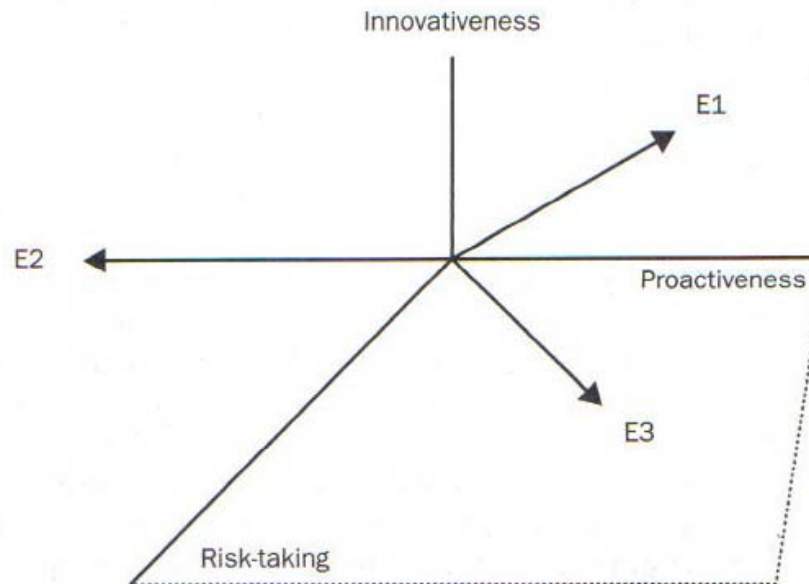
# 10 minute groupwork

- Provide 2 examples of pro-activeness

# Combinations of dimensions -1

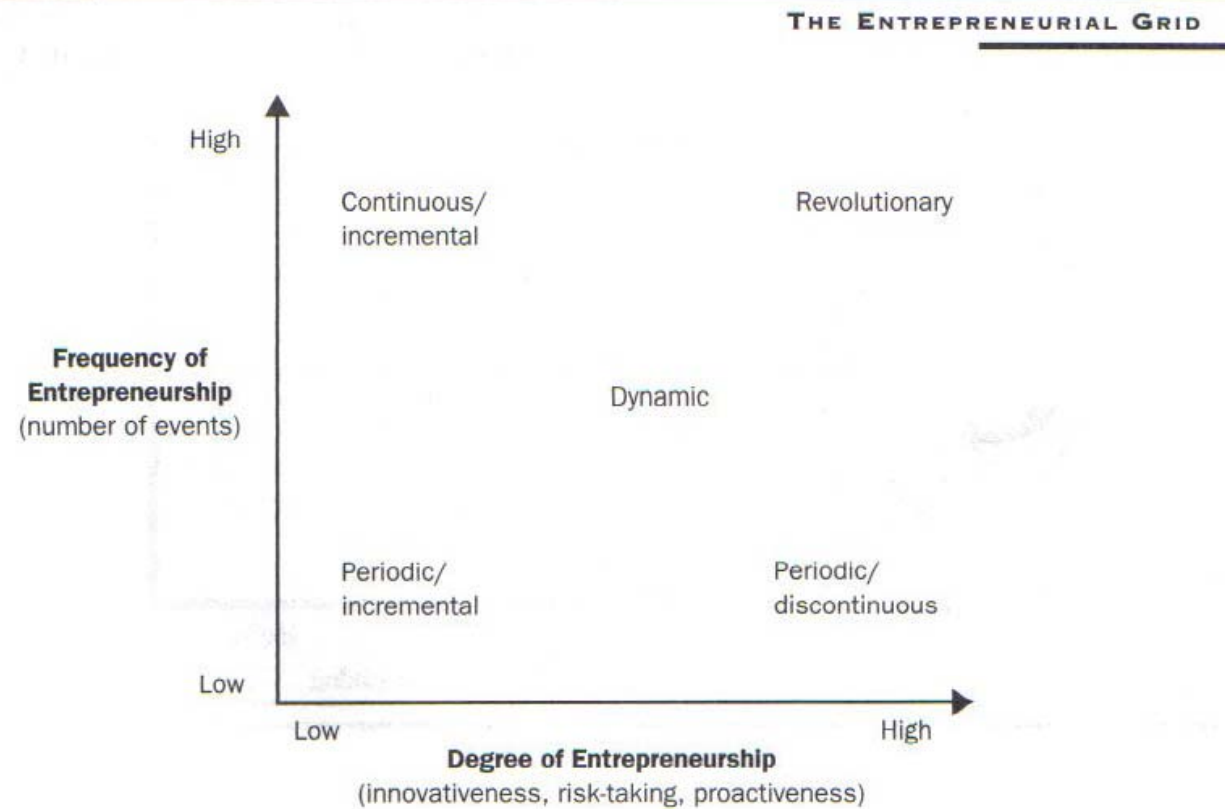
■ FIGURE 3.4

ENTREPRENEURSHIP AS A VECTOR



# Combinations of dimensions -2

■ FIGURE 3.6





# Entrepreneurial Grid Exercise

- Where would you put the following companies?
  - Ryan Air
  - MTV
  - Sony
  - Apple
  - .....

There are plenty of empirical studies that show a correlation between firm performance and degree of entrepreneurship and innovation (Covin & Slevin 1989, 1990, Davis, Morris & Allen 1991, Morris & Sexton 1996, Shaker 1999, Hornsby 2001, Goosen 2002, Hindle 2004, Yiu 2008 etc.)

**Why is that?**

# IKEA Case Discussion

- Applying Morris' "Integrative Model of Entrepreneurial Inputs and Outcomes":
  - Which entrepreneurial outcomes are described in the case?
  - Which of the "inputs" are at play in the case? Provide examples for each
- How entrepreneurial is IKEA (see also table 13.1)
  - Degree of product innovation (provide examples, what additional info would you need to answer the question)
  - Degree of process-innovation (provide examples, what additional info would you need to answer the question)
  - Risk taking (provide examples, what additional info would you need to answer the question)
  - Proactiveness (provide examples, what additional info would you need to answer the question)
  - Frequency (what additional info would you need to answer the question)
- What "entrepreneurial" challenges is IKEA facing
- How would you resolve these