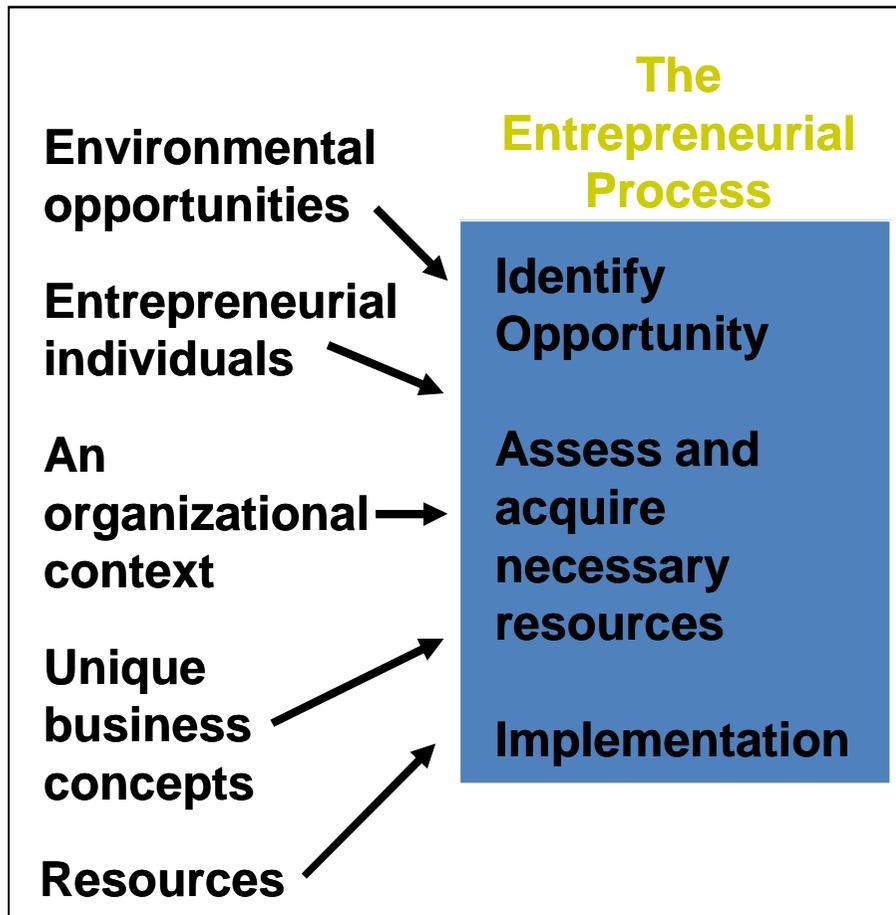# Where are we (part 1 finished)
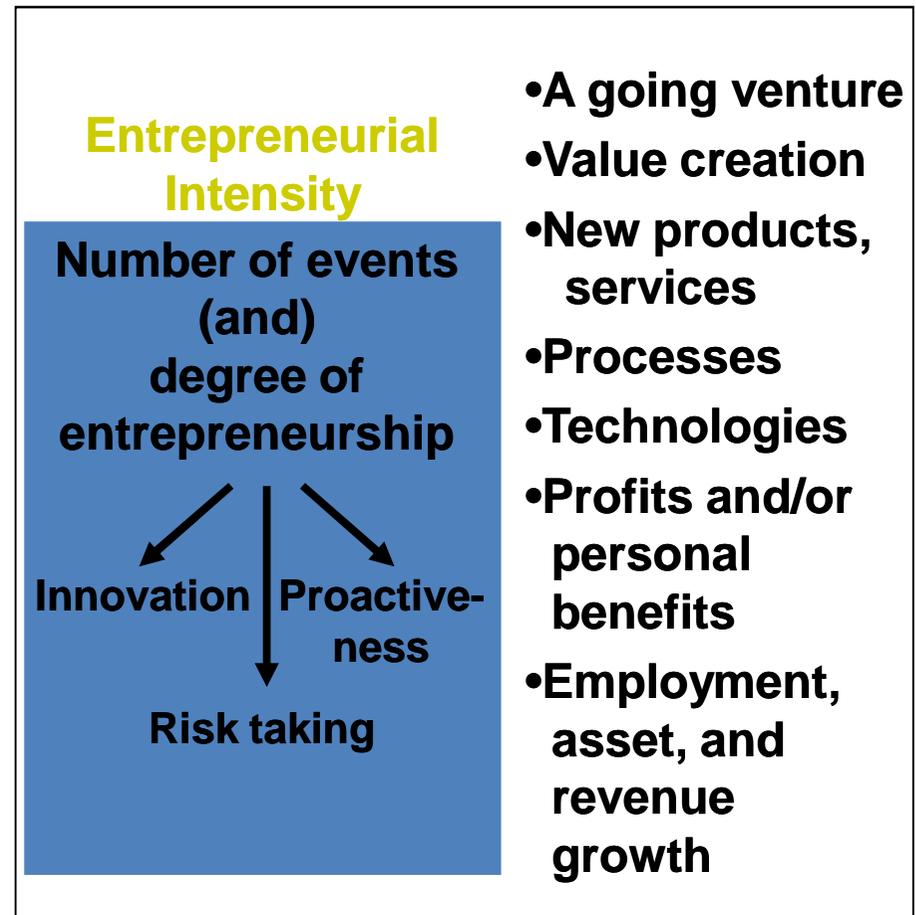
1. We have defined and analysed certain processes as "entrepreneurial" (Promoter vs. Trustee orientation)
2. We have defined certain traits of the Entrepreneur (tenacity, creative resource marshalling, failure tolerance, generosity/leadership)
3. We have identified forms of corporate entrepreneurship and identified a conceptual measure for intensity
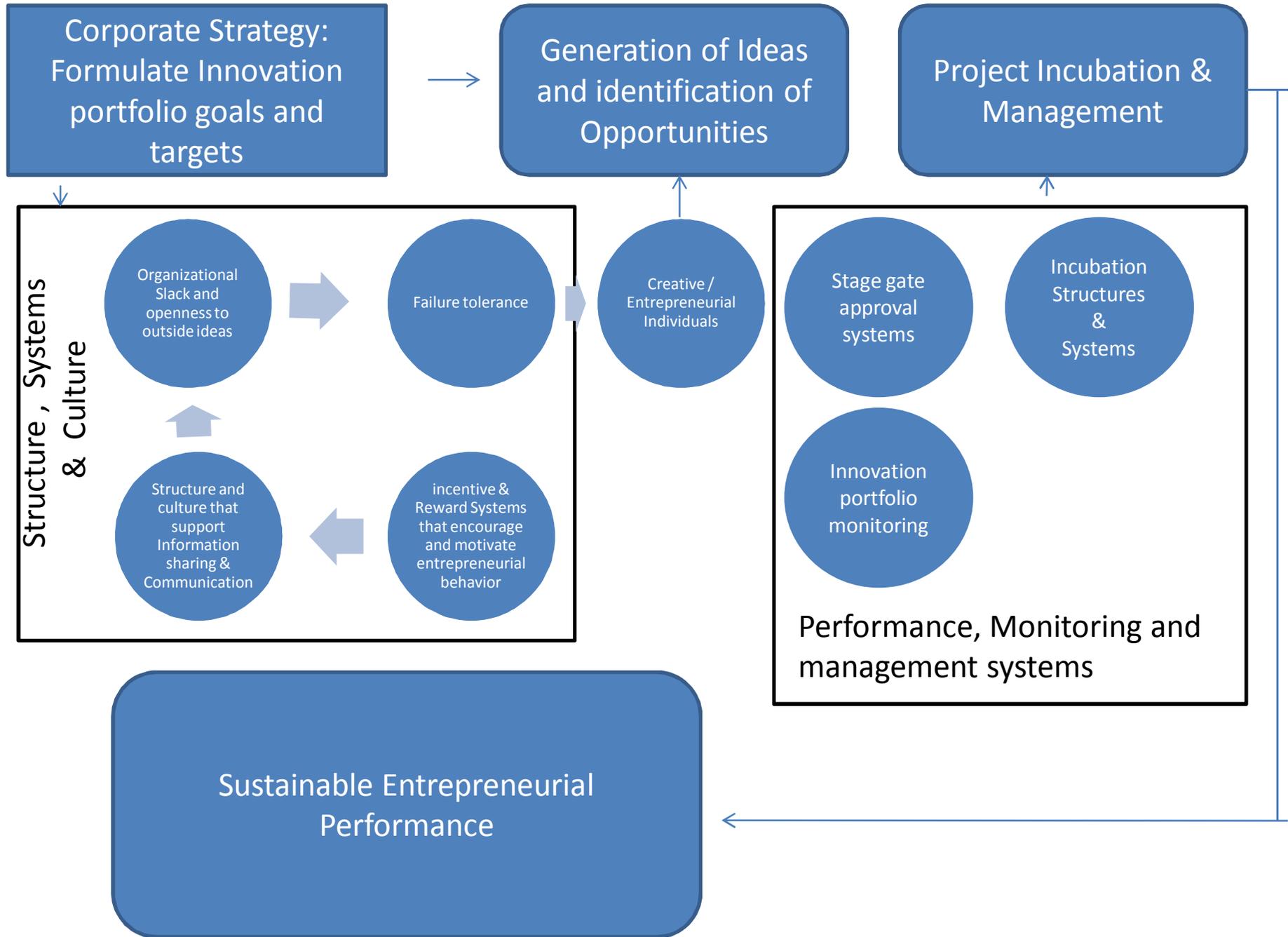4. We have looked at an input-output model describing determinants of CE

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

Inputs

The Entrepreneurial Process

Environmental opportunities →

Entrepreneurial individuals →

An organizational context →

Identify Opportunity

Assess and acquire necessary resources

Unique business concepts →

Implementation

Resources →

Outcomes

Entrepreneurial Intensity

Number of events (and) degree of entrepreneurship

- **Innovation**
- **Proactive-ness**
- **Risk taking**

- **A going venture**
- **Value creation**
- **New products, services**
- **Processes**
- **Technologies**
- **Profits and/or personal benefits**
- **Employment, asset, and revenue growth**

Part 2 of the course: Strategy, Structure, Systems & Culture

Human Resource Capabilities (ch. 6,7)

Corporate Strategy (ch 8)

The Entrepreneurial Organization

Organizational Structure (ch 9)

Organizational Culture (ch 10)
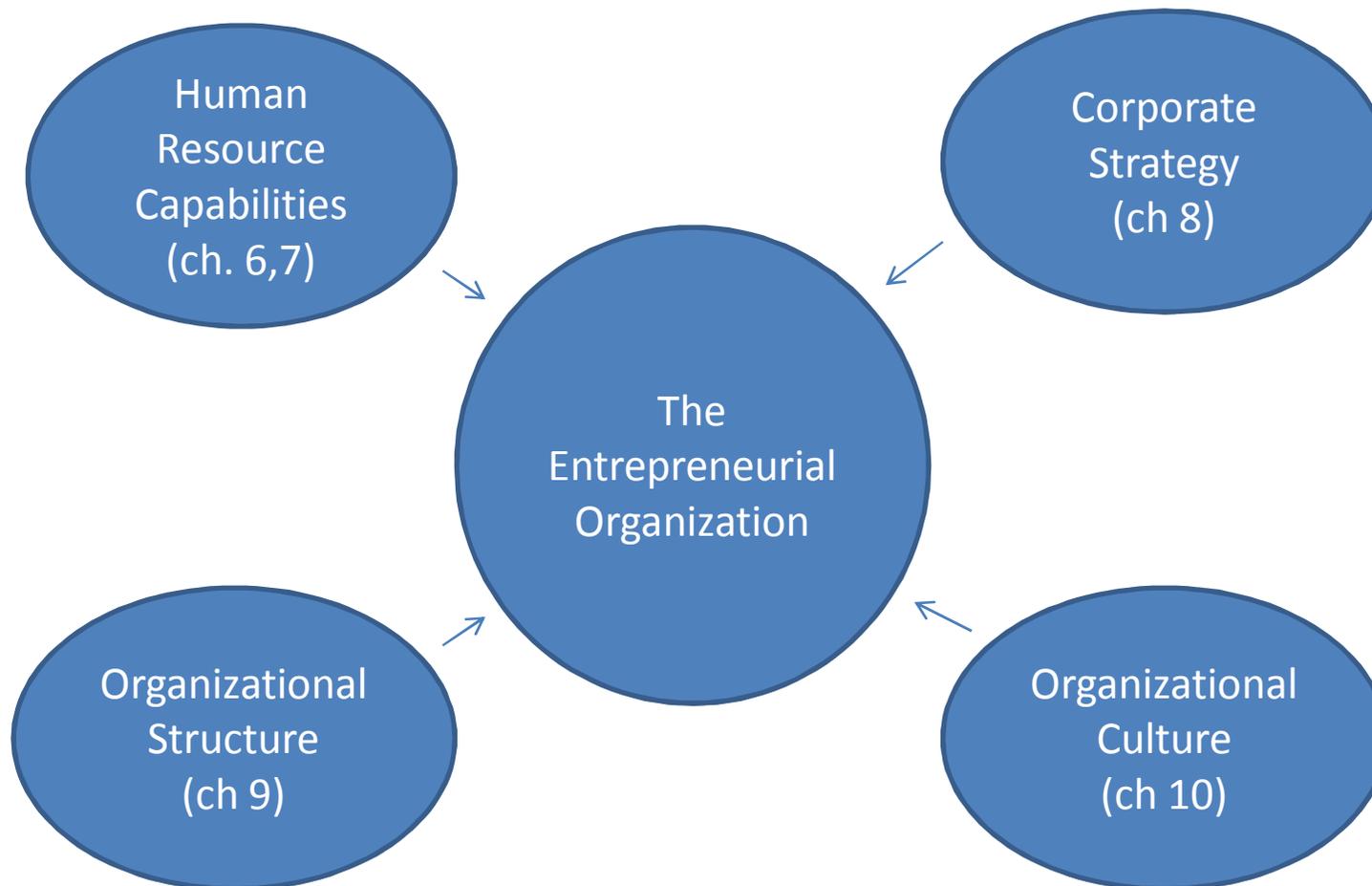
Shaping the entrepreneurial organization: Managing Creativity and HR Systems

(ch 6 & 7 both editions)

Managing Creativity

(ch 6 both editions)

What do you think?

- What is creativity really?
- Who are creative, who are not?

Creativity in a company setting

**The Arenas in Which People are Creative at Work**

William Miller argues that people often do not recognize when they are being creative, and they frequently overlook opportunities to be creative. He suggests that the path to creativity begins by first recognizing all of the ways in which we are or can be creative. People in organizations can channel their creativity into seven different arenas:

- **Idea Creativity**—thinking up a new idea or concept, such as an idea for a new product or service or a way to solve a problem.
- **Material Creativity**—inventing and building a tangible object, such as a product, an advertisement, a report, or a photograph.
- **Organization Creativity**—organizing people or projects, and coming up with a new organization form or approach to structuring things. Examples include organizing a project, starting a new type of venture, putting together or reorganizing a work group, and changing the policies and rules of a group.
- **Relationship Creativity**—innovative approaches to achieving collaboration, cooperation, and win-win relationships with others. The person who handles a difficult situation well or deals with a particular person in an especially effective manner is being creative in a relationship or one-on-one context.
- **Event Creativity**—producing an event or occasion, such as an awards ceremony, team outing, or annual meeting. Finding a way to bring two opponents together. The creativity here also encompasses décor, ways in which people are involved, sequence of happenings, background, and so forth.
- **Inner Creativity**—changing one's inner self. Being open to new approaches to how we do things and thinking about ourselves in different ways. Achieving a change of heart, or finding a new perspective or way to look at things that is a significant departure from how one has traditionally looked at them.
- **Spontaneous Creativity**—acting in a spontaneous or spur-of-the-moment manner, such as coming up with a witty response in a meeting, an off-the-cuff speech, a quick and simple way to settle a dispute, or an innovative appeal when trying to close a sale.

One perspective on creativity (Brabandere)

- Creativity is seeing reality through a different "lense"
- It's not thinking "outside the box", it's creating new boxes to think in
- We all think in "standard" boxes and try to fit reality into these boxes
- Creative thinkers "invent" new lenses

THE PAOMNNEHAL PWEOR OF THE HMUAN MNID. Aoccdrnig to a rscheearch at Cmabrigde Uinervtisy, it deosn't mttaer in waht oredr the ltteers in a wrod are, the olny iprmoatnt tihng is taht the frist and lsat ltteer be in the rghit pclae. The rset can be a taotl mses and you can sitll raed it wouthit porbelm. Tihs is bcuseae the huamn mnid deos not raed ervey lteter by istlef, but the wrod as a wlohe.
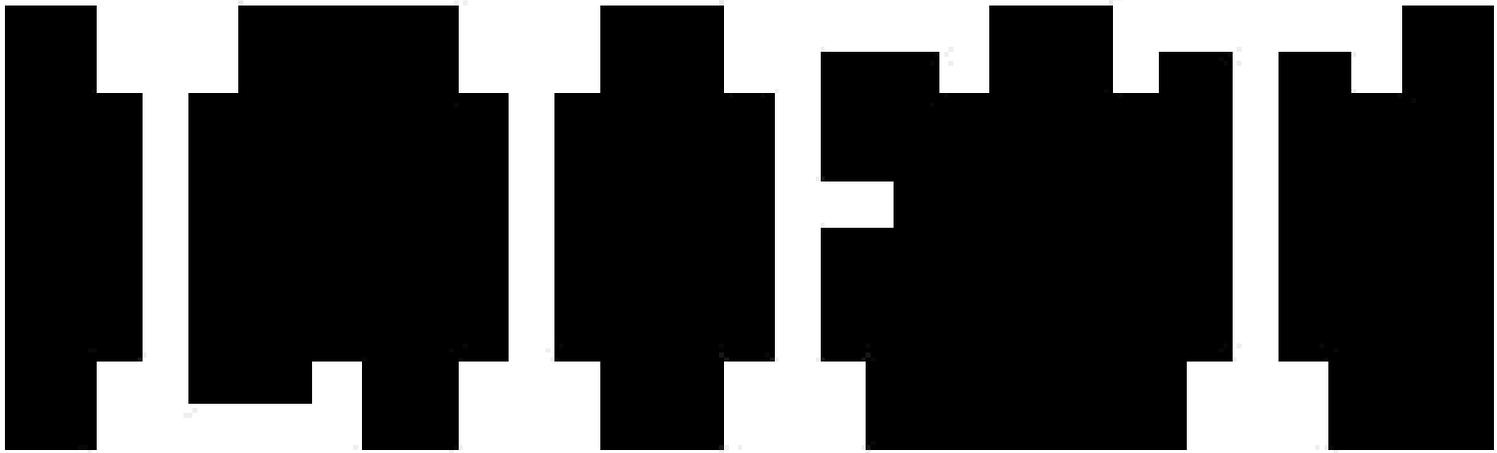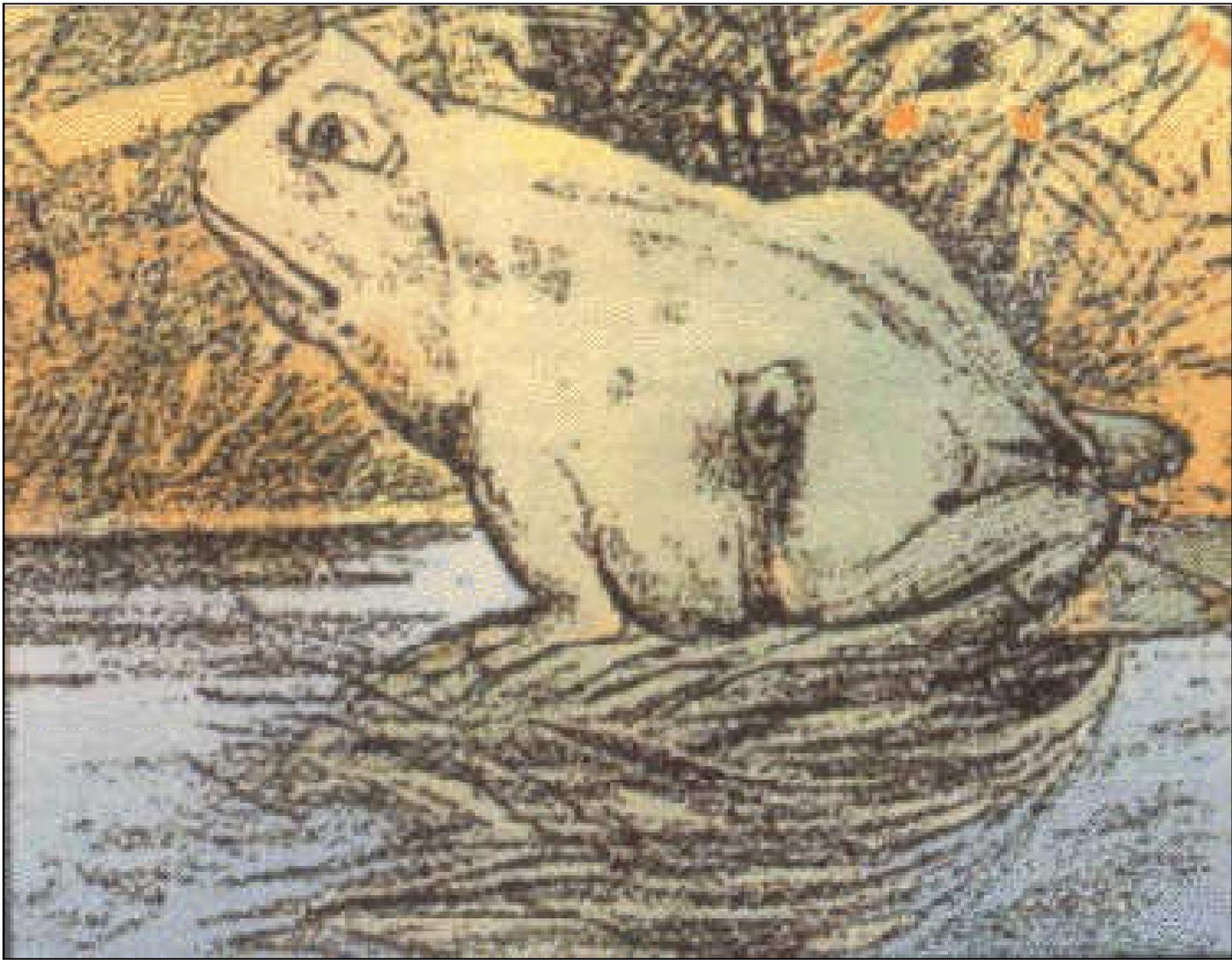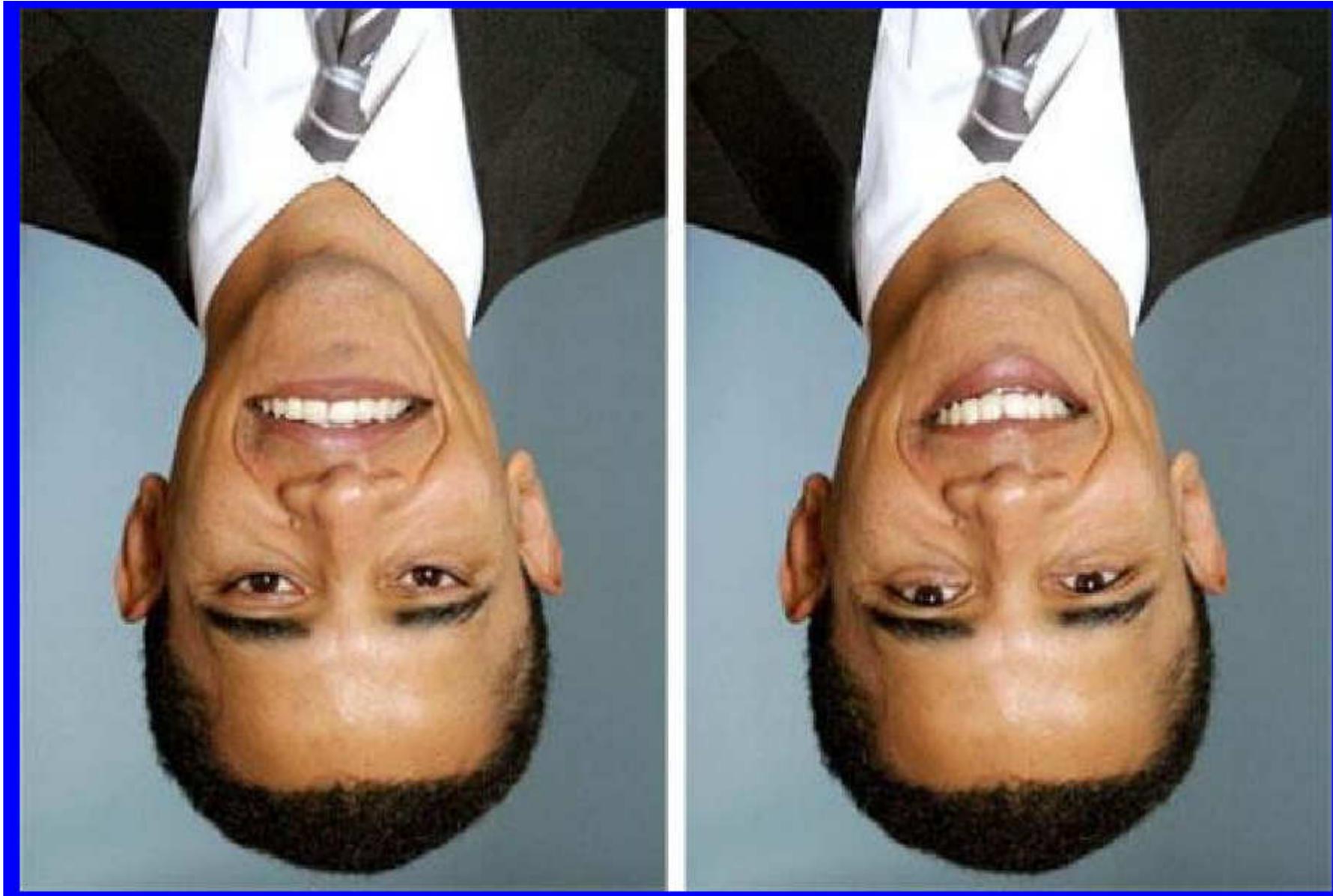
Look at the chart below and say the **COLOR** not the word

YELLOW ORANGE BLUE

BLACK GREEN RED

YELLOW PURPLE RED

ORANGE GREEN YELLOW

Left-Right Conflict

Your Right Brain Tries To Say The Color But Your Left Brain Insists On Reading The Word

Conclusion

- The mind "wants" us to interpret reality in pre-determined ways.

- Creative thinking is about getting away this predetermined way of thinking

A Process view of generating creative ideas

- Preparation
  - What is the problem
- Frustration
  - Difficult to find solutions
- Incubation
  - The time you think about solutions
- Illumination
  - When you find the solution
- Elaboration
  - When you refine, adapt, expand, test , revise and "package" the idea

10 min exercise (in groups of 3)

How could Laurent-Perrier

Differentiate vis-a-vis other

Champagne manufacturers?

3 min individual exercise

- Were your fellow group members creative?
- What (if anything) blocked the creativity?

Improving the Creative Process

- Preparation
  - Try to understand the "real question" or be sure that you really understand the problem
  - Reinterpret the problem
  - Break assumptions
- Frustration
  - Don't make it a problem ("yes and" rule)
- Incubation
  - Remove creative blocks
  - Use formal creative techniques (Brainstorming, Mind-Mapping…)
- Illumination
- Elaboration

Creative Blocks

"The Right Answer"	The fallacy that there is only one correct solution solution to a problem
"That's not logical"	The belief that logic is fine for the development and application of ideas, but stifles creativity
"Be practical"	The tendency to allow practical considerations to kill concepts, halt the search for ideas, and deter us from considering alternative solutions
"Follow the rules"	Ignoring the fact that most revolutionary ideas are disruptive violations of existing systems and beliefs
"Avoid ambiguity"	Strict adherence to one fixed perspective on a situation
"To err is wrong"	Failure to see the connection between error and innovation: when you fail, you learn what doesn't work and can adjust
"Play is frivolous"	Unwillingness to acknowledge the creative power of play
"That's not my area"	Restriction of creativity through thinking that is overly narrow and focussed
"Don't be foolish"	Unwillingness to think unconventionally out of fear of appearing foolish
"I'm not creative"	The worst of the blocks: self-condemnation that trumps talent, opportunity, and intelligence

The Most Common Idea Stoppers

1. "Naah."
2. "Can't" (said with a shake of the head and an air of finality)
3. "That's the dumbest thing I've ever heard."
4. "Yeah, but if you did that . . ." (poses an extreme or unlikely disaster case)
5. "We already tried that – years ago."
6. "We've done all right so far; why do we need that?"
7. "I don't see anything wrong with the way we're doing it now."
8. "That doesn't sound too practical."

The Most Common Idea Stoppers

9. "We've never done anything like that before."

10. "Let's get back to reality."

11. "We've got deadlines to meet – we don't have time to consider that."

12. It's not in the budget."

13. "Are you kidding?"

14. "Let's not go off on a tangent."

15. Where do you get these weird ideas?"

Diversity as a tool

- If you wish to improve creativity, it helps to look for different or unorthodox relationships among the elements and people around you

- Use different types of "intelligence"
  - Right brain, Left Brain
  - Hermann Brain
  - Different type of people in the team

Processes Associated with the Two Brain Hemispheres

Left Hemisphere

- Verbal
- Analytical
- Abstract
- Rational
- Logical
- Linear

Right Hemisphere

- Nonverbal
- Synthesizing
- Seeing Analogies
- Nonrational
- Spatial
- Intuitive
- Imaginative

Hermann Brain Intelligence

EMPLOYEE PROBLEM-SOLVING STYLES
AND THE HERMANN BRAIN DOMINANCE PROFILE

B. Logical, fact based, bottom line oriented

Working solo
Accomplishing
Applying formulas
Analyzing data
Mechanical aspects
Financial aspects
Putting things together
Making things work
Solving tough problems
Making the numbers
Being challenged
Analyzing and diagnosing
Explaining things
Clarifying issues
Feasability analysis

A. Intuitive, rule breaking, imaginative

Visualizing
Taking risks
Inventing solutions
Providing vision
Having variety
Designing
Bringing about change
Opportunity to experiment
Selling ideas
Developing new things
Seeing the big picture
Having a lot of space
Playing around
Integrating ideas
Dealing with the future
Seeing the end from the beginning

C. Organized, planned, detailed

Getting things done on time
Building things
Being in control
Having an ordered environment
Preserving the status quo
Papework tasks
Establishing order
Planning things out
Stabilizing
Maintenance
Attending to detail
Structured tasks
Providing support
Scheduling
Administrating safety

D. Interpersonal, emotional, people-focused

Getting groups to work well together
Communication aspects
Solving customer issues
Expressing ideas
Building relationships
Teaching/training
Listening and talking
Working with people
Being part of a team
Persuading people
Sensing the climate
Expressive writing
Helping people
Partnering
Coaching
Counseling

Different roles

■ FIGURE 6.3

THE CREATIVE PROCESS:

CREATIVITY

The Explorer	The Artist	The Judge	The Warrior
Searches for information by:	Turns information into ideas by:	Evaluates and incorporates ideas through:	Implements ideas by:
Being curious	Adapting	Objectivity	Being bold
Setting objectives	Imagining	Positivity	Developing plans
Observing other fields	Reversing	Negativity	Motivating
Generating lots of ideas	Linking	Probability	Being courageous
Following unexpected leads	Evaluating	Salvaging	Getting started
Shifting focus	Discarding	Timing	Using resources
Looking for simplicity	Parodying	Deadlines	Developing skills
Attending to small facts	Pausing	Bias	Knowing the product
Broadening perspective		Validity	Handling criticism
Facing difficulty		Noting assumptions	Following up
Using obstacles		Arrogance	Being efficient
Using known ideas		Humor	Being persistent
Looking for fun things		Deciding	Learning
Writing ideas down			

SOURCE: von Oech, R. 1986. *A Kick in the Seat of the Pants*. New York: Harper and Row.

Linking stages to different intelligence

TABLE 6.3

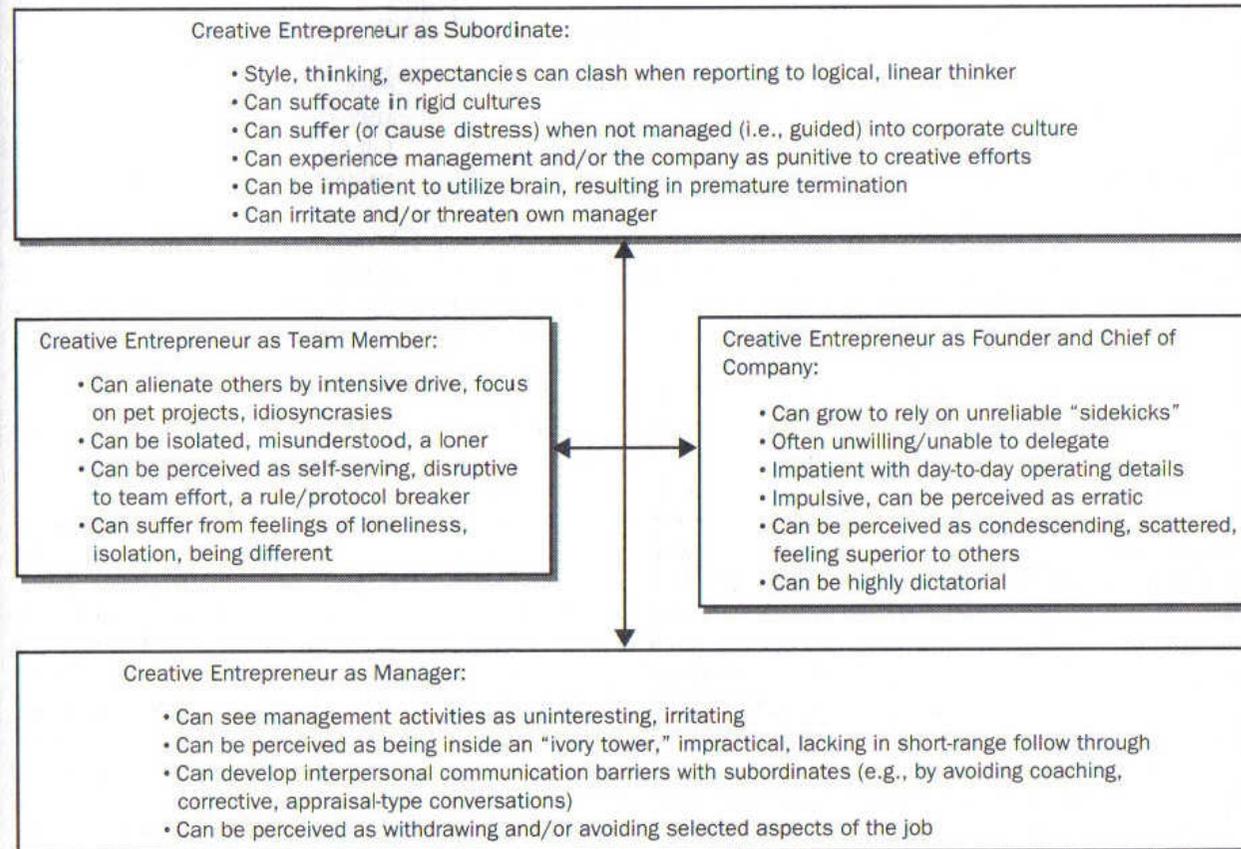**LINKING STAGES IN THE PROCESS TO PROBLEM-SOLVING APPROACHES**

Creativity Stage	Activity	Psychological Style
Interest	Environmental scanning	Intuition/emotion
Preparation	Preparing the expedition	Details/planning
Incubation	"Mulling things over"	Intuition
Illumination	The "eureka" experience	Intuition
Verification	Market research	Details/rationality
Exploitation	Captain of industry	Details/rationality

SOURCE: Kao, J. J. 1989. *Entrepreneurship, Creativity and Organization*. Englewood Cliffs: Prentice-Hall.

Common challenges

COMMON CHALLENGES FACING THE CREATIVE CORPORATE ENTREPRENEUR

Creative Entrepreneur as Subordinate:

- Style, thinking, expectancies can clash when reporting to logical, linear thinker
- Can suffocate in rigid cultures
- Can suffer (or cause distress) when not managed (i.e., guided) into corporate culture
- Can experience management and/or the company as punitive to creative efforts
- Can be impatient to utilize brain, resulting in premature termination
- Can irritate and/or threaten own manager

Creative Entrepreneur as Team Member:

- Can alienate others by intensive drive, focus on pet projects, idiosyncrasies
- Can be isolated, misunderstood, a loner
- Can be perceived as self-serving, disruptive to team effort, a rule/protocol breaker
- Can suffer from feelings of loneliness, isolation, being different

Creative Entrepreneur as Founder and Chief of Company:

- Can grow to rely on unreliable "sidekicks"
- Often unwilling/unable to delegate
- Impatient with day-to-day operating details
- Impulsive, can be perceived as erratic
- Can be perceived as condescending, scattered, feeling superior to others
- Can be highly dictatorial

Creative Entrepreneur as Manager:

- Can see management activities as uninteresting, irritating
- Can be perceived as being inside an "ivory tower," impractical, lacking in short-range follow through
- Can develop interpersonal communication barriers with subordinates (e.g., by avoiding coaching, corrective, appraisal-type conversations)
- Can be perceived as withdrawing and/or avoiding selected aspects of the job

SOURCE: Sinetar, M. 1985. "Entrepreneurs, Chaos and Creativity: Can Creative People Really Survive Large Company Structure?" *Sloan Management Review* 65 (5): 57–62.

Developing an environment to Support Entrepreneurship:
Human Resource Management
Ch 7 new edition, Ch 12 old edition

What is a Human Resource Management

- Your definition
- Which HR practise do you know of?
- Does it really matter? Why?
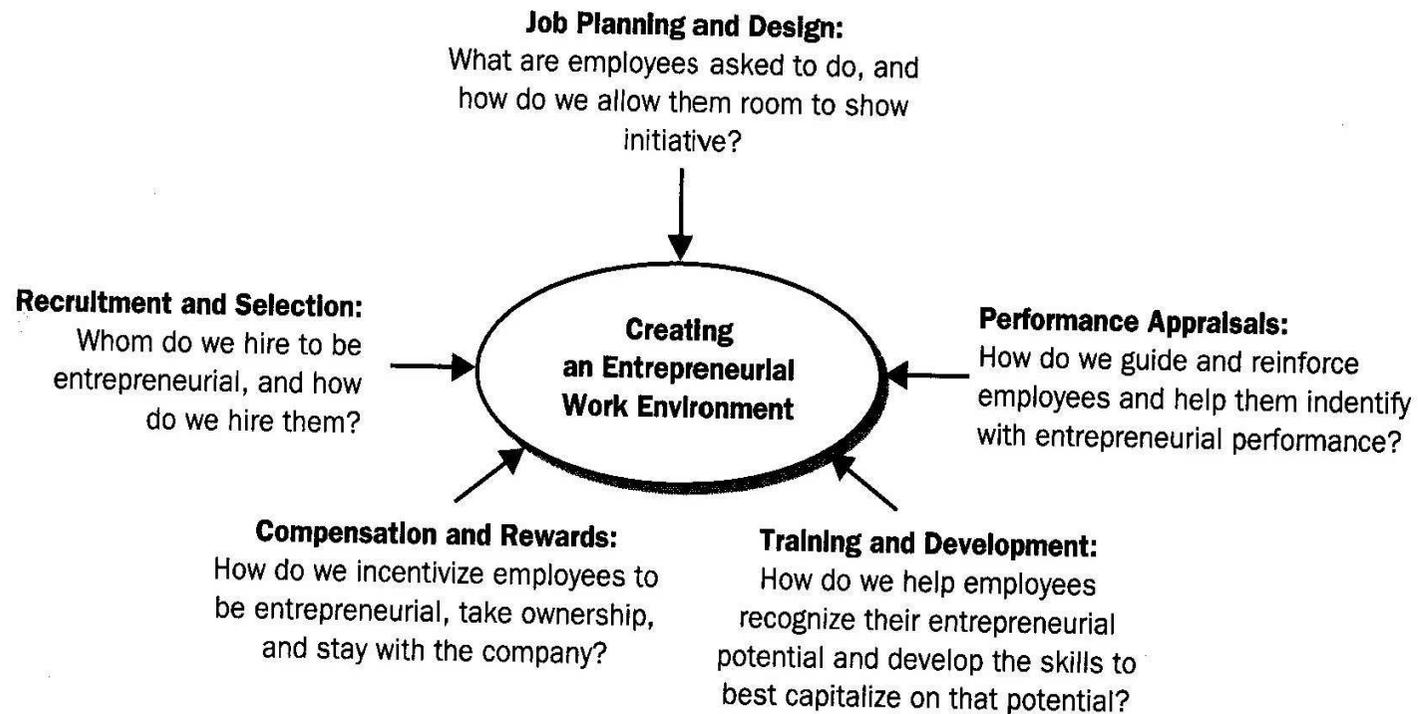
Examples of HR activities

TABLE 12.1

ACTIVITIES OFTEN INCLUDED UNDER HUMAN RESOURCE MANAGEMENT

Interviewing
Vacation/leave processing
Insurance benefits administration
Recruiting (other than college recruiting)
Personnel recordkeeping/information systems
Promotion/transfer/separation processing
Induction/orientation
Wage/salary administration
Workers' compensation administration
EEO compliance/affirmative action
Unemployment compensation
Job descriptions
Payroll administration
Performance appraisal, management
Disciplinary procedures
Job evaluation
Performance appraisal, nonmanagement
Administrative services
Maintenance/janitorial services
Exit interviews
Job analysis
Award/recognition programs
Complaint procedures
Skills training, nonmanagement
Supervisory training
Security/property protection
Safety training/OSHA compliance
Employee communications/publications
Risk management/business insurance
Human resource forecasting/planning
Travel/transportation services

Pension/retirement plan administration
Tuition aid/scholarships
Recreation/social programs
Pre-employment testing (other than drug tests)
Executive compensation
Employee assistance plan/counseling
Organization development
Productivity/motivation programs
Thrift/savings plan administration
Incentive pay plans
Relocation services
Career planning/development
Food service/cafeteria
College recruiting
Suggestion systems
Health/wellness program
Attitude surveys
Outplacement services
Drug testing
Preretirement counseling
In-house medical services
Library
Flexible benefits plan administration
Union/labor relations
Flexible-spending account administration
Profit-sharing plan administration
Stock plan administration
International personnel/HR administration
Child-care center
Community relations/contribution programs
Management development

Classification (grouping of activities)

USING KEY ELEMENTS OF THE HRM SYSTEM TO CREATE AN ENTREPRENEURIAL ENVIRONMENT

Job Planning and Design:
What are employees asked to do, and how do we allow them room to show initiative?

Recruitment and Selection:
Whom do we hire to be entrepreneurial, and how do we hire them?

Creating an Entrepreneurial Work Environment

Performance Appraisals:
How do we guide and reinforce employees and help them indentify with entrepreneurial performance?

Compensation and Rewards:
How do we incentivize employees to be entrepreneurial, take ownership, and stay with the company?

Training and Development:
How do we help employees recognize their entrepreneurial potential and develop the skills to best capitalize on that potential?

Exercise

- Company A
  - Stable environment
  - Efficiency focus
  - Low Cost Strategy
  - Functional Structure

- Company B
  - Fast changing environment
  - Innovation focus
  - Entrepreneurial Strategy
  - Organic Structure

How would you perform the activities
listed in table 12.1 for each of the 2 companies?

Answer to the exercise for company "B"

HRM POLICIES CONSISTENT WITH ENTREPRENEURIAL BEHAVIOR

General Area	Practices Encouraging Entrepreneurship
Planning/Overall Job Design	Reliance on formal planning
	Long-term orientation in planning and job design
	Implicit job analysis
	Jobs that are broad in scope
	Jobs with significant discretion
	Jobs that are less structured
	Integrative job design
	Results-oriented job design
	High employee involvement
Recruitment and Selection	Reliance on external and internal sources for candidates
	Broad career paths
	Multiple career ladders
	General, implicit, less formalized selection criteria
	Extensive job socialization
	Open recruitment and selection procedures
Training and Development	Long-term career orientation
	Training with broad applications
	Individualized training
	High employee participation
	Unsystematic training
	Emphasis on managerial skills
	Continuous/ongoing training
Performance Appraisal	High employee involvement
	Balanced individual-group orientation
	Emphasis on effectiveness over efficiency
	Result oriented (vs. process)
	Based on subjective criteria
	Emphasis on long-term performance
	Includes innovation and risk criteria
	Reflects tolerance of failure
	Appraisals done based on project life cycle
Compensation/Rewards	Emphasizes long-term performance
	Decentralized/customized at division or department levels
	Tailored to individuals
	Emphasizes individual performance with incentives for group efforts
	Merit and incentive based
	Significant financial reward
	Based on external equity

There is scientific evidence that HR practises affects Entrepreneurial Behavior

■ TABLE 12.3

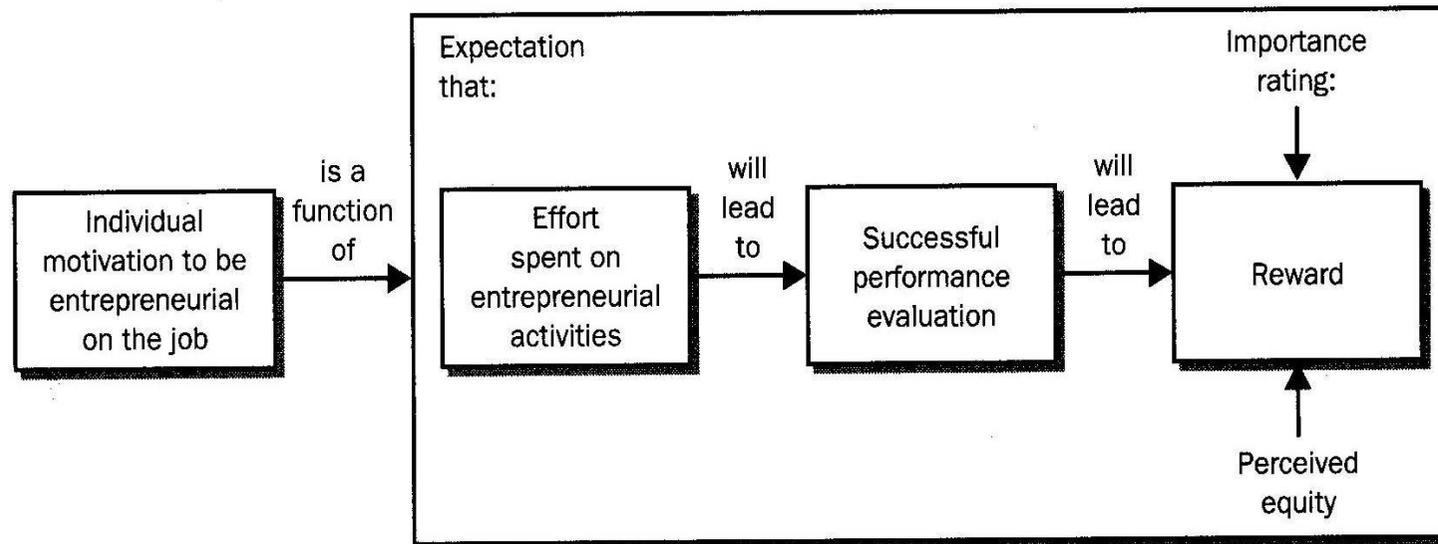**SUMMARY OF SIGNIFICANT DIFFERENCES IN INDIVIDUAL HRM PRACTICES BASED ON THE FIRM'S ENTREPRENEURIAL ORIENTATION**

	Nature of the HRM System		Low Entrepreneurial Orientation	High Entrepreneurial Orientation	f	Sig. of f
V11	Multiple/single career path	x = s.d.=	3.29 .86	2.25 1.01	21.80	.000
V12	Extensive/little socialization	x = s.d.=	3.31 .90	2.23 1.16	19.87	.000
V13	High/low employee participation in appraisals	x = s.d.=	3.00 1.26	2.46 1.16	3.72	.050
V16	Long/short-term performance criteria	x = s.d.=	3.57 .88	2.97 1.11	6.43	.013
V17	Encourage/discourage risk-taking	x = s.d.=	3.20 .87	2.79 .92	3.76	.051
V18	Emphasize innovative/status quo behavior	x = s.d.=	2.97 1.04	2.15 .90	13.05	.001
V21	Active/passive involvement in training	x = s.d.=	2.71 1.18	1.92 .90	10.67	.002
V22	Group/individually oriented training	x = s.d.=	2.94 1.30	2.25 1.25	5.33	.024
V23	Long-/short-term training orientation	x = s.d.=	3.23 1.00	2.33 1.84	17.49	.000
V24	Training designed for all/specific employees	x = s.d.=	2.83 1.10	3.87 1.00	18.22	.000
V26	Ongoing/intermittent training	x = s.d.=	3.54 1.09	2.54 1.21	13.90	.000
V27	Long-/short-term basis for incentives	x = s.d.=	3.66 1.24	3.00 1.30	4.95	.029
V30	Emphasis on job security/high pay	x = s.d.=	2.89 .83	2.41 .94	3.79	.051
V32	Rewards for group/individual performance	x = s.d.=	3.60 1.12	4.21 .98	6.17	.015

SOURCE: Morris, M. H. and F. Jones. 1995. "Relationships Among Environmental Turbulence, Human Resource Management, and Corporate Entrepreneurship," *Journal of Business and Entrepreneurship* 7: 161–76.

Logical Link - Motivation

A MODEL OF MOTIVATION FOR ENTREPRENEURIAL BEHAVIOR

Expectation that:

Importance rating:

Individual motivation to be entrepreneurial on the job

is a function of

Effort spent on entrepreneurial activities

will lead to

Successful performance evaluation

will lead to

Reward

Perceived equity

Obstacles

- Effort
    1. Employee does not understand what e-ship means
    2. Believe it's not possible
    3. Percieve he/she is not capable
- Performance evaluation
    4. No appraisal system
    5. Performance criteria unclear
    6. No innovativeness in criteria
    7. More emphasis on non entrepreneurial activities
    8. Arbitrary evaluations
    9. Good evaluations obtainable with e-ship
- Reward
    10. Reward independant from e-ship (get bonus anyway)
    11. Other ways to get reward
    12. Rewards too small
    13. Rewards not relevant to employee
    14. Unfair rewards

EXAMPLES OF CREATIVE APPROACHES TO REWARDING EMPLOYEES

Below are some examples of what some companies are doing with rewards and awards to encourage entrepreneurial behavior among their employees:

- Employees put a percentage of their salary at risk and then can either lose it, double it, or triple it based on team performance;

- Personalized "innovator" jackets, shirts, and leather folders are given to employees who make entrepreneurial contributions;

- When a new idea is accepted by the firm, the CEO awards shares of stock to the employee;

- Employees are given $500 to spend on an innovative idea that relates to their job;

- A firm rents out a major sports stadium, fills the stands with employees, families, and friends, and then has innovation champions run onto the field as their name and achievement appears on the scoreboard;

- A company sets targets, and then 30 percent of incremental earnings above target is placed into a bonus pool that is paid out based on each employee's performance rating;

- Small cash awards are given to employees who try something new and fail—and the best failure of the quarter receives a larger award;

- Some companies have point systems where employees receive differing amounts of points for different categories of innovation contributions. Points are redeemable for computers, merchandise, free daycare, tuition reimbursement, and other types of rewards;

- Small cash amounts are given for innovative suggestions, and then redeemable points (for more significant cash awards) are earned based on how far the suggestion moves through the process of development, approval, implementation, and impact (cost savings or revenue generation);

- A parking spot is reserved for the "innovator of the month";

- Team members working on a major innovation are awarded shares of zero value at project outset, and as milestones are achieved (on time) predetermined values are added to the shares. Milestones not achieved lead to a decline in share value;

- Another firm ties cash awards for employees to a portfolio of innovation activities produced over time, including ideas generated, patents applied for, prototypes developed, and so forth;

- Employees receive recognition for innovation suggestions, and then a drawing is held at the end of the year of all accepted suggestions, with the winner receiving a sizeable financial award;

- One firm has a "frequent innovator" that works like an airline frequent flier program;

- "Hero biographies" are written about an employee, his/her background, and an innovation that he/she has championed. The stories are full of praise and a little humor;

- One firm provides gift certificates within a day of an employee idea being implemented, and another takes employees to a "treasure box" where they can claim from among a number of gifts;

- A company gives employees 15 percent of out-of-pocket savings achieved by their ideas in the first two years of use and, if the idea is for a product, 3 percent of first-year sales;

- The top performing team in terms of innovation is sent to a resort for a week;

- A company gives a savings bond to the employee who raises the most challenging question in management meetings;

- One organization has $500 "on-the-spot" awards for anyone showing special initiative;

- Firms have their own olympics, rodeos, competitions, game shows, hit parades, and murder mysteries in an attempt to recognize initiative and excellence;

- Others have praise and recognition boards, threshold performance clubs, atta-person awards, and some allow innovators to appear in company advertisements.

Exercise: What's Hot and was is Not?

- Pick your top 3 hotties from table 12.4
- Pick your top 3 notties from table 12.4

9 general principles

PRINCIPLES TO GUIDE THE USE OF AWARDS PROGRAMS TO ENCOURAGE ENTREPRENEURSHIP

Principle 1:	Emphasize success rather than failure. Managers tend to miss the positives if they are busily searching for the negatives.
Principle 2:	Deliver recognition and reward in an open and publicized way. If it is not made public, recognition loses much of its impact and defeats much of the purpose for which it is provided.
Principle 3:	Provide recognition in a personal and honest manner. Avoid providing recognition that is too slick or overproduced, too cheap or superficial.
Principle 4:	Tailor your recognition and reward to the unique needs of the people involved. Having many recognition and reward options will enable management to acknowledge accomplishment in ways appropriate to the particulars of a given situation, selecting from a larger menu of possibilities.
Principle 5:	Timing is crucial. Recognize contributions throughout a project. Reward contributions close to the time an achievement is realized. Be sure people understand why they receive awards and the criteria used to determine rewards.
Principle 6:	Avoid the perception that the awards are being given in a manner that is paternalistic and that seems random and casual.
Principle 7:	Strive for a clear and well-communicated connection between accomplishments and rewards. Be sure people understand why they receive awards and the criteria used to determine awards.
Principle 8:	Follow up on the recognition or award. Reinforce it in meetings, in newsletters, at end-of-the-year meetings, and in employee annual reviews.
Principle 9:	Recognize recognition. That is, recognize people who recognize others for doing what is best for the company.

SOURCE: Adapted from Kanter, R. 1994. *Innovative Reward Systems for the Changing Workplace.* New York: McGraw-Hill Publishers.