# 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 uniqe 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 differencies between start-up and corporate e-ship

| *Start-Up Entrepreneurship* | *Corporate Entrepreneurship* |
|---|---|
| • Entrepreneur takes the risk | • Company assumes the risks, other than career-related risk |
| • Entrepreneur "owns" the concept or innovative idea | • Company owns the concept, and typically the intellectual rights surrounding the concept |
| • Entrepreneur owns all or much of the business | • Entrepreneur may have no equity in the company, or a very small percentage |
| • Potential rewards for the entrepreneur are theoretically unlimited | • Clear limits are placed on the financial rewards entrepreneurs can receive |
| • One misstep can mean failure | • More room for errors; company can absorb failure |
| • Vulnerable to outside influence | • More insulated from outside influence |
| • Independence of the entrepreneur, although the successful entrepreneur is typically backed by a strong team | • Interdependence of the champion with many others; may have to share credit with any number of people |

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

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

| *Start-Up Entrepreneurship* | *Corporate Entrepreneurship* |
|---|---|
| • Flexibility in changing course, experimenting, or trying new directions | • Rules, procedures, and bureaucracy hinder the entrepreneur's ability to maneuver |
| • Speed of decision making | • Longer approval cycles |
| • Little security | • Job security |
| • No safety net | • Dependable benefit package |
| • Few people to talk to | • Extensive network for bouncing around ideas |
| • Limited scale and scope initially | • Potential for sizeable scale and scope fairly quickly |
| • Severe resource limitations | • 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

**Rules for Fostering an Innovative Organization**

**Rule #1 – Unreasonable Expectations**

- Only when people subscribe to unreasonable goals will they start searching for breakthrough ideas.
- There are no mature industries, only mature managers who unthinkingly accept someone else's definition of what is possible.

**Rule #2 – Elastic Business Definition**

- Too many companies define themselves by what they do rather than by what they know (core competencies) and what they own (strategic assets).

**Rule #3 – A Cause, Not a Business**

- Revolutionaries draw much of their strength from their allegiance to a cause that goes beyond growth, profits, or even personal wealth accumulation.
- The courage to leave some of oneself behind and strike out for parts unknown comes not from some assurance that "change is good" but from a devotion to a wholly worthwhile cause.

**Rule #4 – New Voices**

- Let the youth be heard.
- Listen to the periphery.
- Let newcomers have their say.

**Rule #5 – An Open Market for Ideas**

- Create a market for entrepreneurial ideas inside your company.
- New ideas are the currency of the realm.

**Rule #6 – Create an Open Market for Capital**

- Within a corporation, why set the hurdle for accessing a small investment for the purpose of funding an unconventional idea, building a prototype, or designing a market trial at the same difficulty as obtaining a large investment in an irreversible, existing business?

**Rule #7 – Open a Market for Talent**

- "A" people work on "A" opportunities.
- Provide incentives for employees who are willing to take a "risk" on something out of the ordinary.

**Rule #8 – Low-Risk Experimentation**

- Being revolutionary does not mean being a high-risk taker.
- False dichotomy: Cautious follower vs. high-risk taker. Neither is likely to pay off in the age of revolution.

# 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

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

## Inputs

Environmental opportunities

Entrepreneurial individuals

An organizational context

Unique business concepts

Resources

**The Entrepreneurial Process**

Identify Opportunity

Assess and acquire necessary resources

Implementation

## Outcomes

**Entrepreneurial Intensity**

Number of events (and) degree of entrepreneurship

Innovation

Proactive-ness

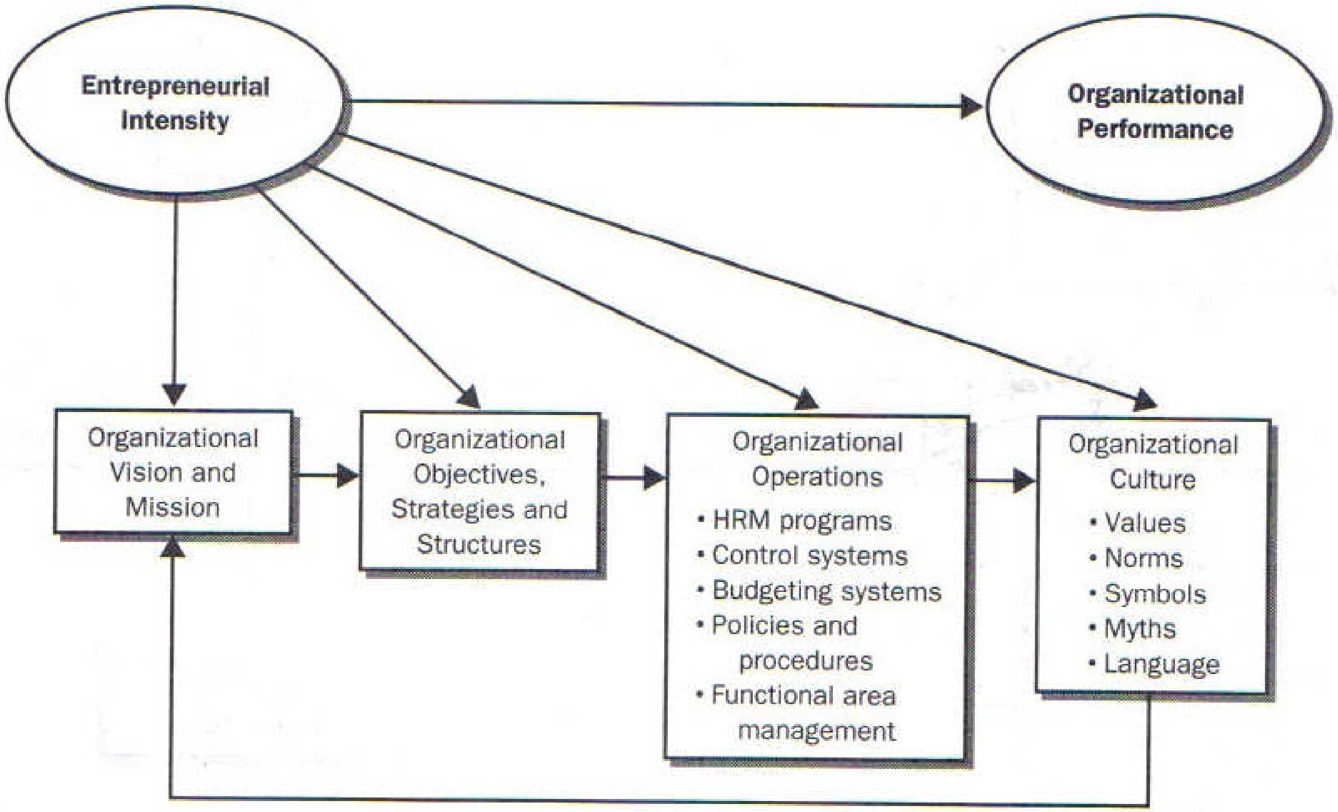
Risk taking

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

# Sustaining entrepreneurship: CE as Strategic Orientation

■ FIGURE 2.5

STRATEGIC INTEGRATION OF ENTREPRENEURSHIP THROUGHOUT THE ORGANIZATION

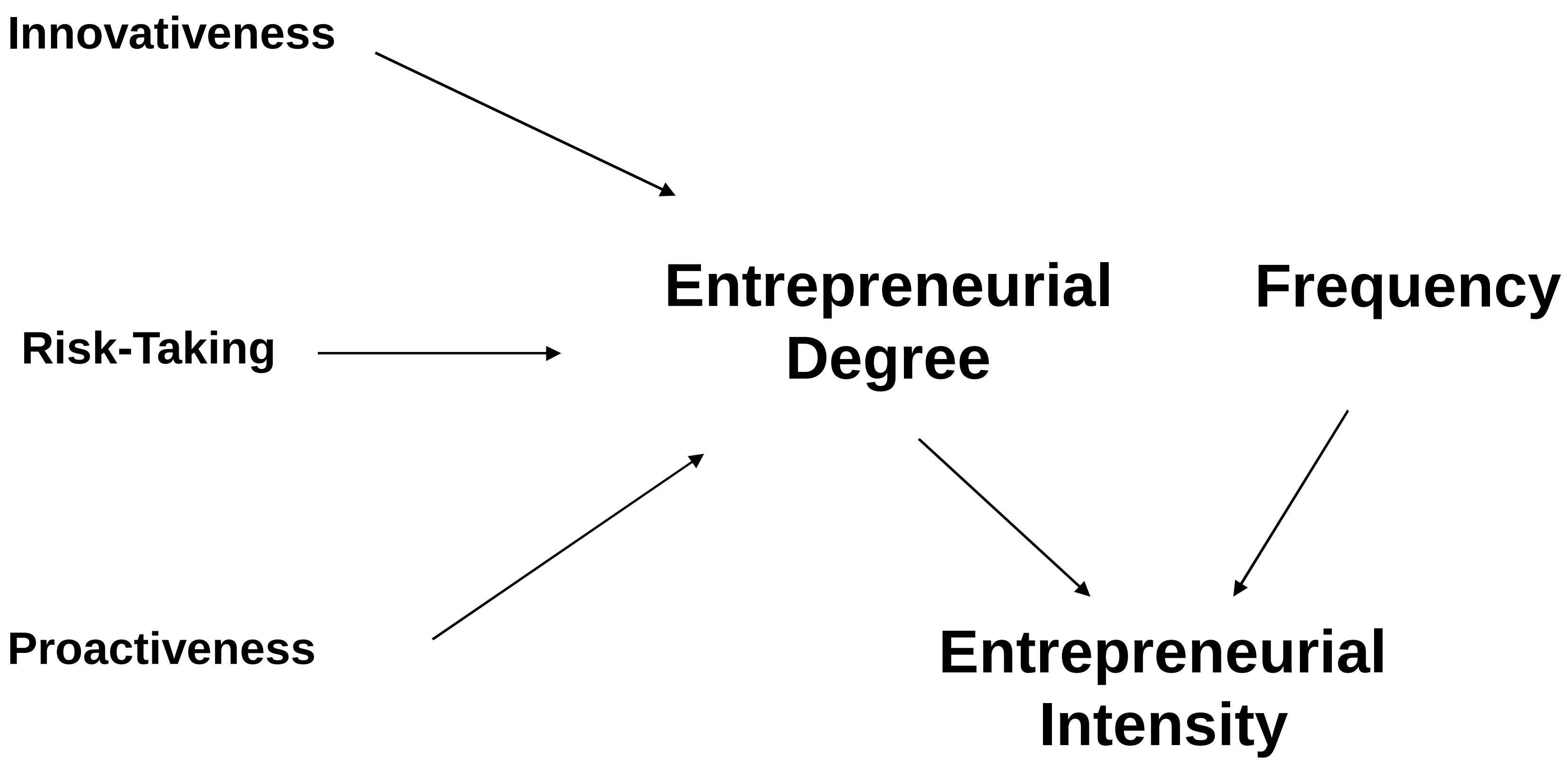



SOURCE: Adapted from Covin, J. G., and D. P. Slevin. 1991. "A Conceptual Model of Entrepreneurship as Firm Behavior," *Entrepreneurship Theory and Practice* 16, No. 1 (Fall): 7–26.

# Corporate Entrepreneurship

Ch 3

(Degrees of E-Ship in Organizations)


Innovativeness
Risk-Taking
Proactiveness
Entrepreneurial Degree
Frequency
Entrepreneurial Intensity

# Degrees of product/service innovativeness

**New to the World Products/Services**

⇑

**New to the Market Products/Services**

⇑

**New Product/Service Lines in a Company**

⇑

**Additions to Product/Service Lines**

⇑

**Product Improvements/Revisions**

⇑

**New Applications for Existing Products/Services**

⇑

**Repositioning of Existing Products/Services**

⇑

**Cost Reductions for Existing Products/Services**

# Process Innovation

A Range of Options: Innovativeness as it Applies to Processes

| *Degree of Innovation* | *Type of Process* |
|---|---|
| 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

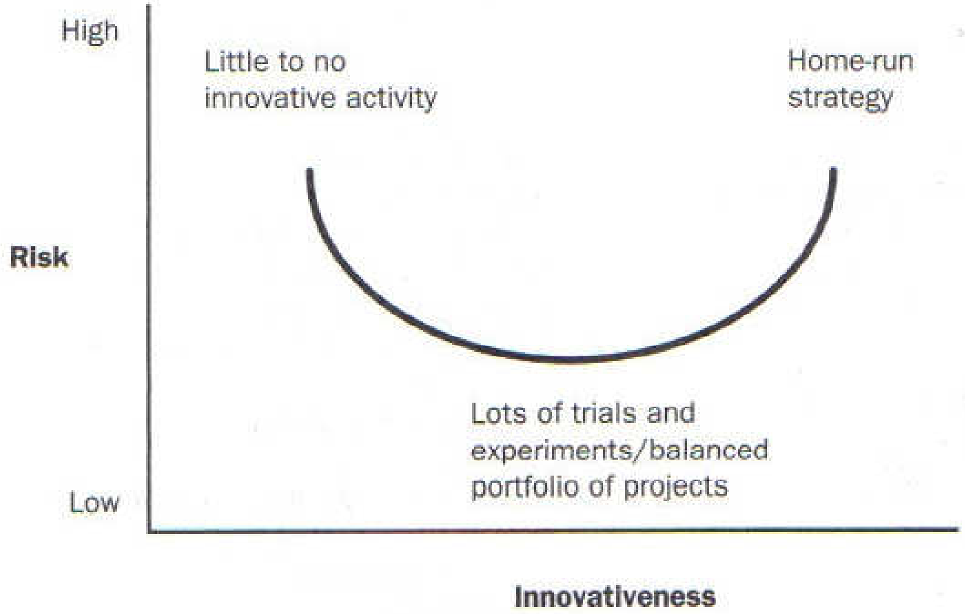
# 10 minute groupwork

- Provide examples of each innovation type

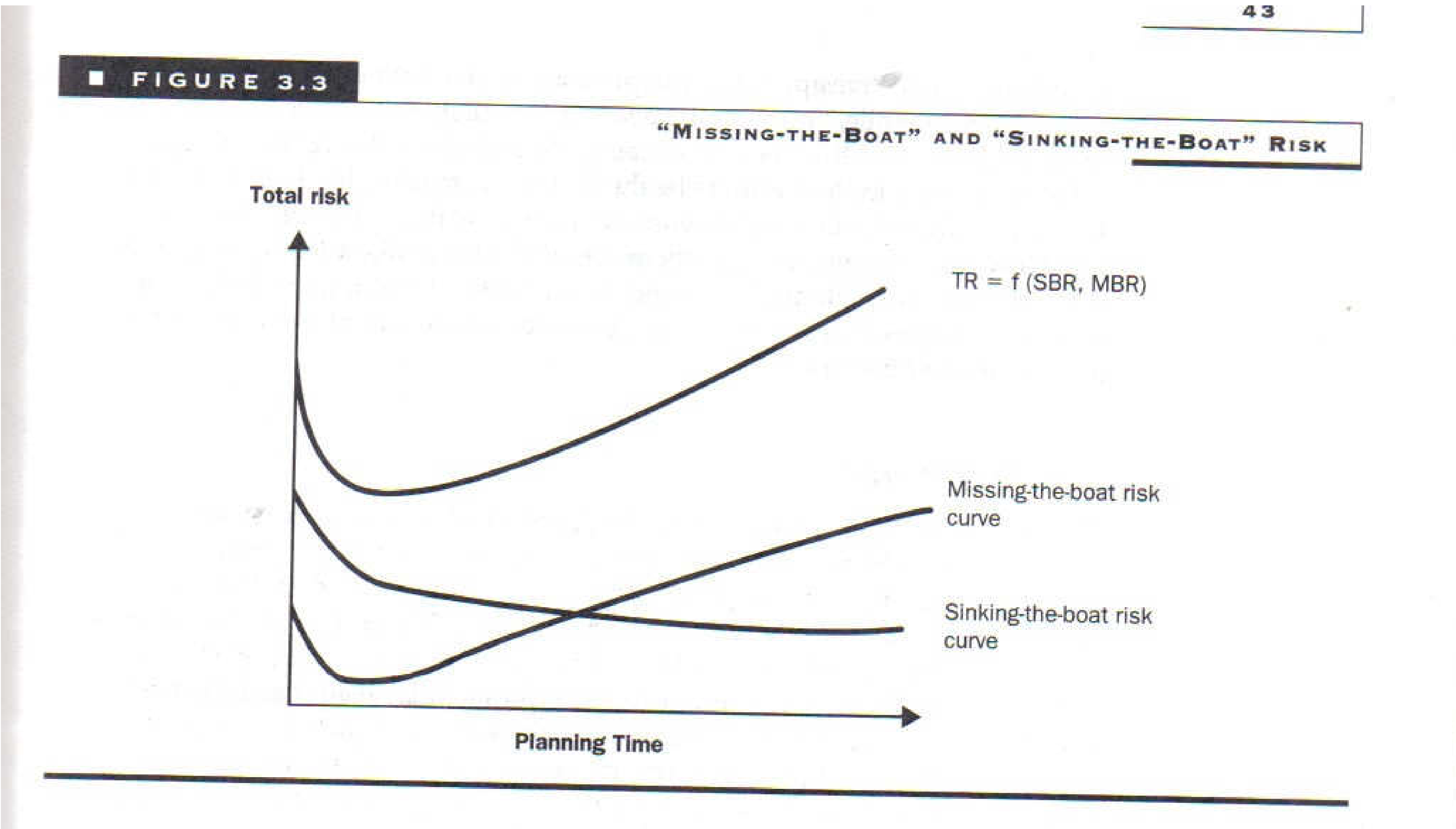
# Risk Taking (baseball batter logic)

**FIGURE 3.2**

RELATING INNOVATIVENESS TO RISK



# Risk Taking: Evaluating different type of risks



# Proactiveness

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

# 10 minute groupwork

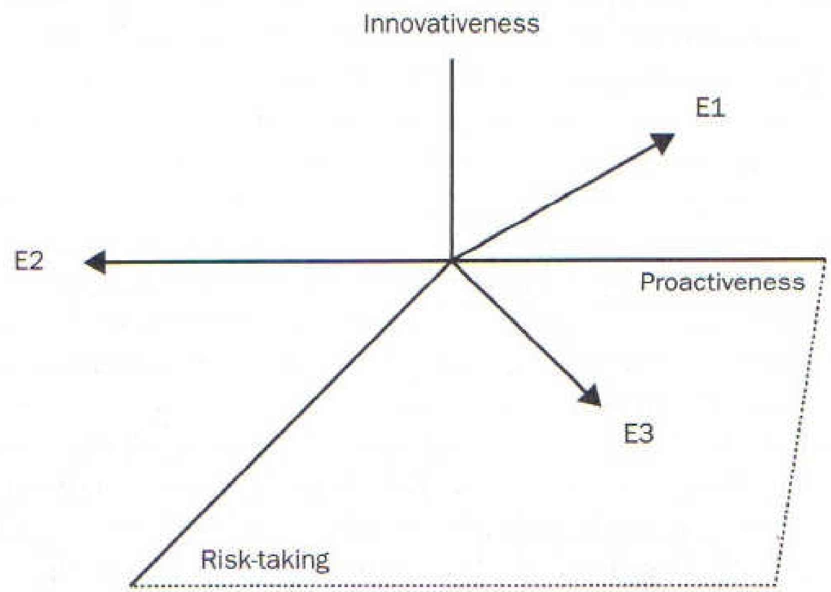
- Provide 2 examples of pro-activeness

# Combinations of dimensions -1



■ FIGURE 3.4

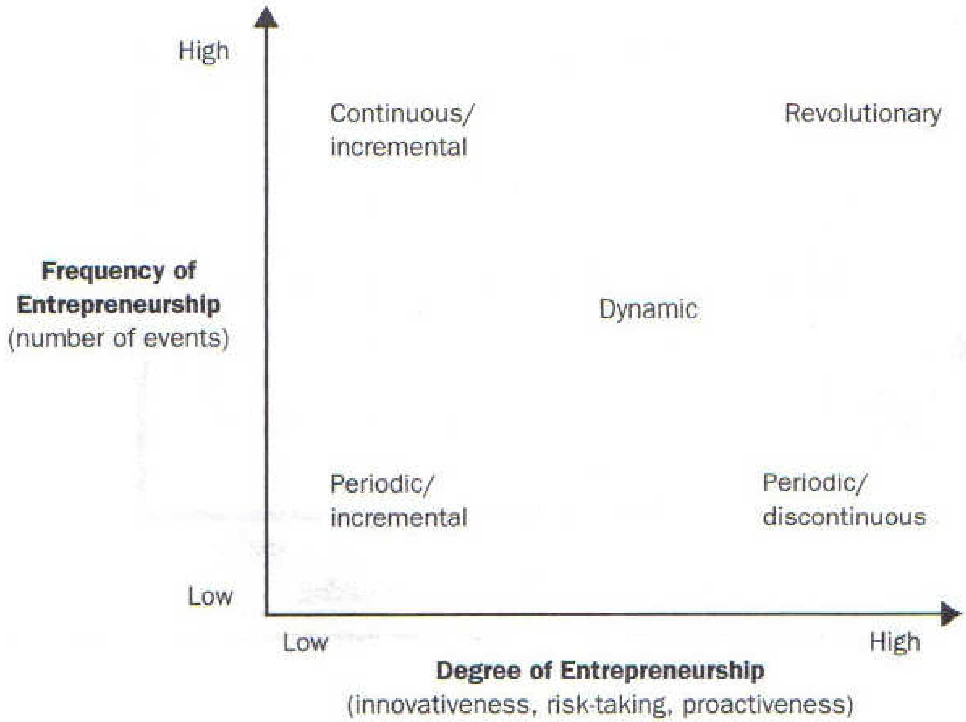
ENTREPRENEURSHIP AS A VECTOR



# Combinations of dimensions -2

■ FIGURE 3.6

THE ENTREPRENEURIAL GRID



# Entrepreneurial Grid Exercise

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

# IKEA Case Preparation

- Based on the theories and concepts presented in ch 1-3 of the book, please prepare an academic analysis/presentation of the IKEA case history as a story of start-up and corporate entrepreneurship. Try for example to answer these questions
  - Which entrepreneurial attitudes and behaviors does Ingvar Kamrad posses
  - Does the IKEA case "honour" the rules for for fostering an innovative organization?
  - Where is entrepreneurship "located" in the company
  - Try to explain the ikea story by using the sustained corporate entrepreneurship model (2-2) and the "strategic integration of e-ship" model (p50)
- 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)

# Format

- Max 15 slides
- 15-20 min. Presentation