Entrepreneurship & Entrepreneurial Management

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About Myself

- SDA Professor of Entrepreneurial and Strategic Management. In SDA since 1995. PhD in entrepreneurship. Studied (and taught) courses on start-up entrepreneurship for the last 15 years, over the last 3-4 interested in corporate e-ship. In house training on the subject (Whirlpool, Solvay..)

- My entrepreneurship teaching is influenced and inspired by the extensive train-the-trainer courses I did between 2005-2008 at IMD (ITP) , HBS (ECPCL- Prof. Stevenson), Babson College (SEE – Prof. Timmons) and Whitman/Syracuse (EC – Prof. Morris)

Contents

- The course is about Corporate Entrepreneurship: What it is, In which contextsis it useful and how we can encourage and manage it

- A word of caution: We'll work on cases and most of the learning is NOT going to be from the text-book. YOU are going to synthesize the logics

Logical Structure of Contents & Sessions

E-ship

> The Nature of Entrepreneurship

> The Entrepreneurial Imperative

> Contexts of E-ship

Focus on CE

> Creating the entrepreneurial organization

> Strategy, Leadership & Cult.

> Creativity Management.

> HRM and Control Systems

> Org. Structure

Workflow

- Case based course (with some traditional lectures)
- To work, cases need to be prepared before classes
- In true HBS-style all case discussions will be kicked-off by cold-calling a participant to introduce the case.
- Case-conclusions and learning synthesis is written up (1 page) . and mailed to me (mikkel.draebye@sdabocconi.it). . REMEMBER to putt ALL group members names on the presentation
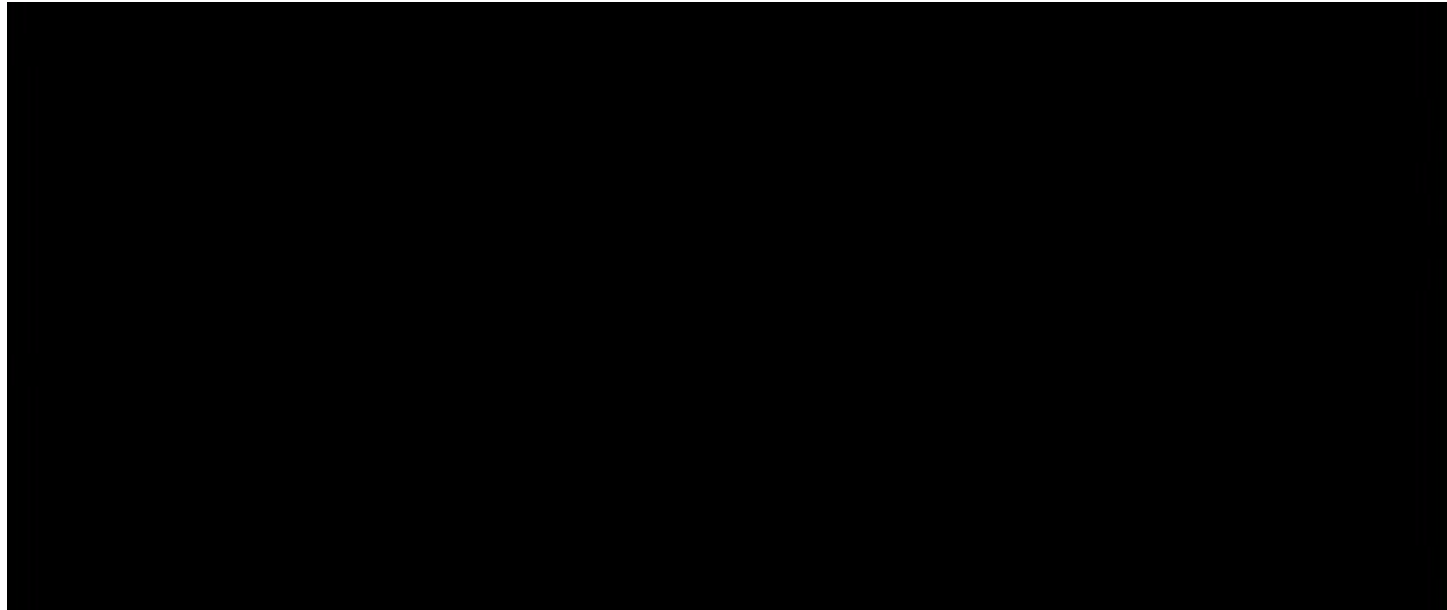
Evaluation

- See syllabus

The Nature of Entrepreneurship

Cases of Entrepreneurial Processes and Entrepreneurs

R&R

October Sky

Part 1: Intro and Context

Part 2: Idea & Vision

Part 3: Starting up

Part 4: Team and resources

Part 5: Resource acquisition

Part 6: Perserverance

Part 7: Happy ending

Learning Synthesis

- Prepare and mail me 2-3 slides in which you, using bullet points, summarizes what entrepreneurship is , what characterizes entrepreneurial processes and entrepreneurs

Models and definitions used in academia

We sometimes define entrepreneurship as an orientation that differs from a traditional "managerial" approach (Stevenson Perspectives)

Entrepreneur / Promoter		Manager / Trustee
Driven by perception of opportunity	*Strategic Orientation*	Driven by resources currently controlled
Revolutionary with short duration	*Commitment to opportunity*	Evolutionary with long duration
Multistaged with minimal exposure in each stage	*Commitment of resources*	Single staged with complete commitment upon decision
Episodic use or rent of required resources	*Control of resources*	Ownership of required resources
Flat with multiple informal networks	*Management structure*	Formalized hierarchy

Entrepreneurship is:

- Manifest in certain activities such a
  - Starting up new business ventures (start-up entrepreneurship)
  - Starting up social ventures (social entrepreneurship)
  - Business Development, Innovation, New Product Development within larger corporations (corporate entrepreneurship)

- Defined academically as:
  - *"The pursuit of opportunity beyond the resources you currently control"*

The entrepreneurial Proces

Idea Generation/
Opportunity identification

Concept Definition

Assessing resource Requirements

Resource Acquistition

Harvesting

But also: Entrepreneurship as work in progress/ a series of experiments

- New ventures are work in progress; What you start out to do is never what you end up with doing

- Speed, adroitness of reflex, and adaptability are crucial.

- The key to success is failing quickly and recouping quickly, and keeping the tuition low

- The best entrepreneurs specialize in making new mistakes only

Traits, desirable and acquirable attitudes of the entrepreneur

- Commitment and determination
- Leadership
- Opportunity obsession
- Tolerance of risk, ambuiguity and uncertainty
- Creativity, self-reliance and adaptability
- Motivation to excel

The Entrepreneurial Imperative

Entrepreneurship & Economic Thought
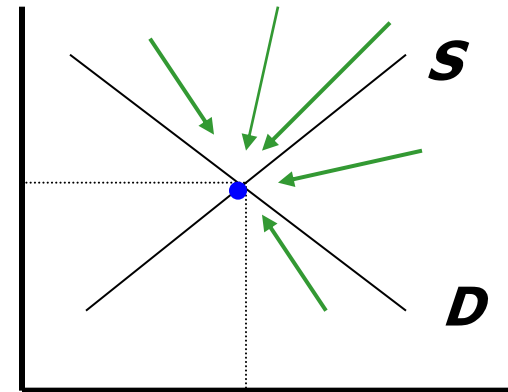
Joseph Schumpeter (1930s)
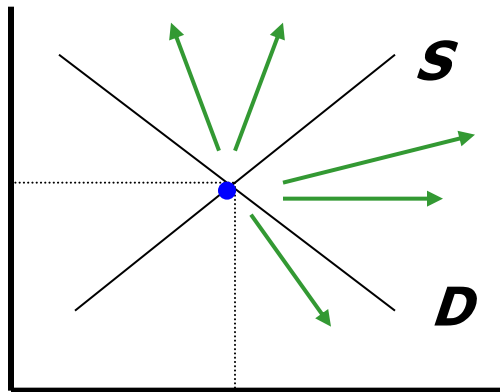
"CREATIVE DESTRUCTION"
Entrepreneurship moves market <u>away</u> from equilibrium

New combinations: new goods, methods of production, new markets, sources of supply, organizations.

Israel Kirzner (1970s)

"ENTREPRENEURIAL DISCOVERY"
Entrepreneurship moves market <u>toward</u> equilibrium.

Entrepreneur alert to opportunities that already exist and are waiting to be noticed.

- Through the process of creative destruction, independent entrepreneurs create new economic combinations that enhance productivity growth and raise living standards (Schumpeter, 1934).
- The contribution of independent entrepreneurship to living standards, goes beyond that created by improvements in the way in which capital, labor and technology are employed by professionally managed firms.

- The determination of whether independent entrepreneurship enhances economic growth above that generated by the activities of professionally managed firms is not a trivial issue.

- These entrepreneurial profits result from organizing "the relationship between factors of production and market opportunities in ways that create value that would not otherwise have been generated."

- The thesis is that individuals are less likely to create new combinations that generate surplus value if they are agents in professionally managed organizations than they are if they are independent entrepreneurs (Schumpeter, 1934).

- Agency theory provides a framework for understanding why this is the case.
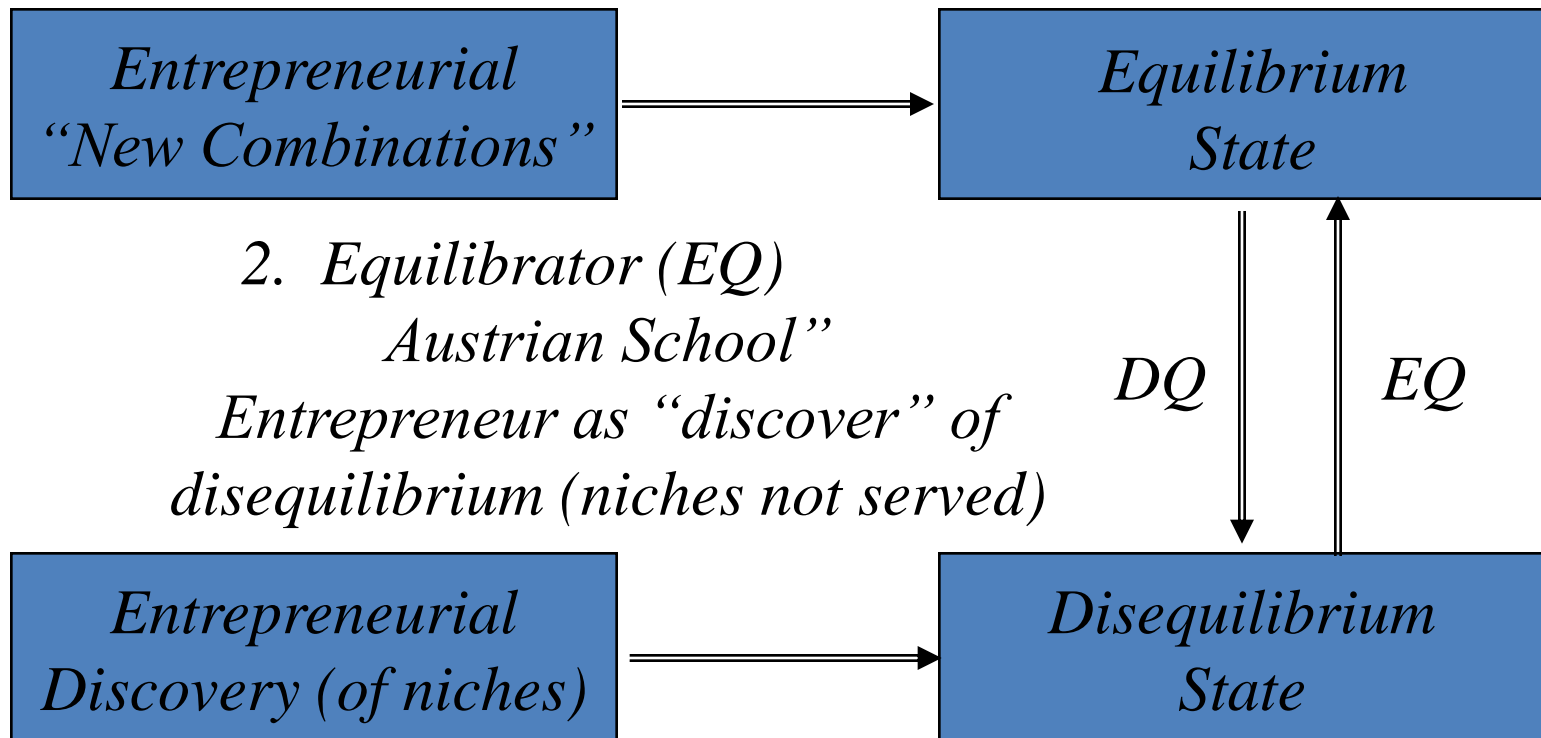
- The incentive for individuals with entrepreneurial ability to act entrepreneurially is greater when they form their own organizations than when they work for professionally managed ones.

- This means that when individuals with the ability to be entrepreneurs leave large organizations to become principals of their own firms, the economy has more people in it that are in a position to create new combinations that add surplus value.

- Aggregated across the economy this situation leads to real economic growth.

- Schumpeter argued that new combinations do not usually come from old firms but from new firms producing beside them.

- Entrepreneurs and managers require different incentives, and that the provision of appropriate incentives through the opportunity to found firms has enhanced the growth of real income in the United States since the end of WWII in 1946.

Two Views of the Role of Entrepreneur

1. Disequilibrator (DQ)
   Schumpeter: Entrepreneur
   as force in "creative
         destruction of an equilibrium"

Entrepreneurial "New Combinations"	→	**Equilibrium State**

2. Equilibrator (EQ)
   Austrian School"
   Entrepreneur as "discover" of
   disequilibrium (niches not served)

DQ   EQ

Entrepreneurial Discovery (of niches)	→	**Disequilibrium State**

Some empirical data

GLOBAL ENTREPRENEURSHIP MONITOR
Countries Involved: 1999, 2000, 2001, & 2002
[34 national teams in 2002]

1999 Teams [10]
- **Canada**
- **Denmark**
- **Finland**
- **France**
- **Germany**
- **Italy**
- **Israel**
- **Japan**
- **United Kingdom**
- **United States**

2000 Teams [11]
- **Argentina**
- **Australia**
- **Belgium**
- **Brazil**
- **India**
- **Ireland**
- **Korea**
- **Norway**
- **Singapore**
- **Spain**
- **Sweden**
- **UK: Scotland**
- **UK: Wales**

2001 Teams [8]
- *Hungary*
- *Mexico*
- *Netherlands*
- *New Zealand*
- *Poland*
- *Portugal**
- *Russia*
- *South Africa*

*Portugal was not involved in 2002.

2002 Teams [9]
- *Chile*
- *China*
- *Chinese Taipei (Taiwan)*
- *Croatia*
- *Hong Kong (SAR, China)*
- *Iceland*
- *Slovenia*
- *Switzerland*
- *Thailand*

GEM Program Objectives

- Are there national differences in entrepreneurial activity?

- Is entrepreneurial activity related to national economic growth?

- Why are some countries more entrepreneurial than others?

- What can be done to enhance entrepreneurial activity?

What is entrepreneurship?

Who or what is entrepreneurial?

- Person
- Business
- Industry
- Entire society

What makes "it" entrepreneurial?

- Special trait
- New and innovative ideas, products, services
- High growth activity
- Exploitation of opportunity, people
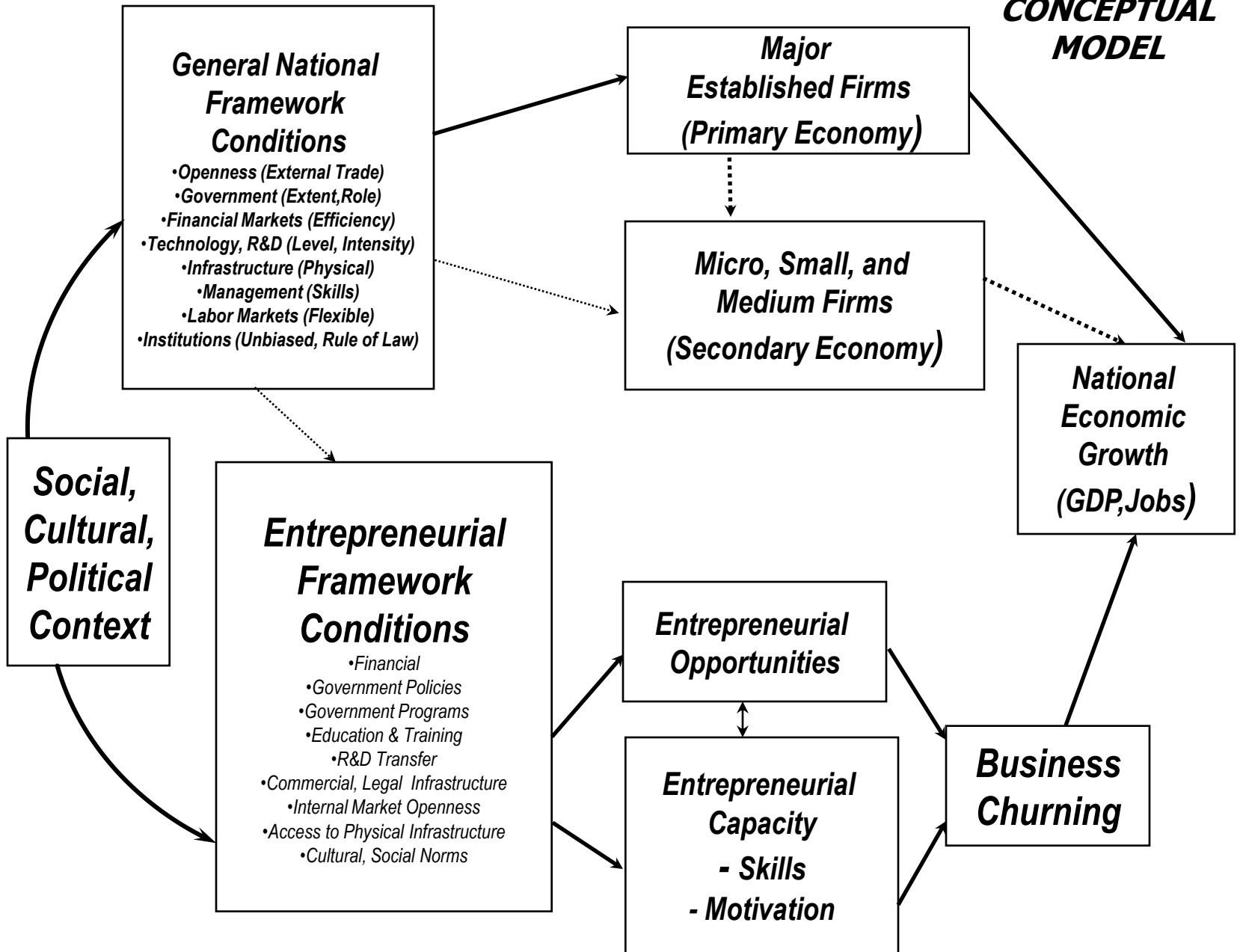- Creation of new markets, new economic sectors

GEM CONCEPTUAL MODEL

General National Framework Conditions

•*Openness (External Trade)*
•*Government (Extent,Role)*
•*Financial Markets (Efficiency)*
•*Technology, R&D (Level, Intensity)*
•*Infrastructure (Physical)*
•*Management (Skills)*
•*Labor Markets (Flexible)*
•*Institutions (Unbiased, Rule of Law)*

Major Established Firms (Primary Economy)

Micro, Small, and Medium Firms (Secondary Economy)

National Economic Growth (GDP,Jobs)

Social, Cultural, Political Context

Entrepreneurial Framework Conditions

•*Financial*
•*Government Policies*
•*Government Programs*
•*Education & Training*
•*R&D Transfer*
•*Commercial, Legal Infrastructure*
•*Internal Market Openness*
•*Access to Physical Infrastructure*
•*Cultural, Social Norms*

Entrepreneurial Opportunities

Entrepreneurial Capacity
- Skills
- Motivation

Business Churning

FIGURE 1: TOTAL ENTREPRENEURIAL ACTIVITY (TEA) BY COUNTRY
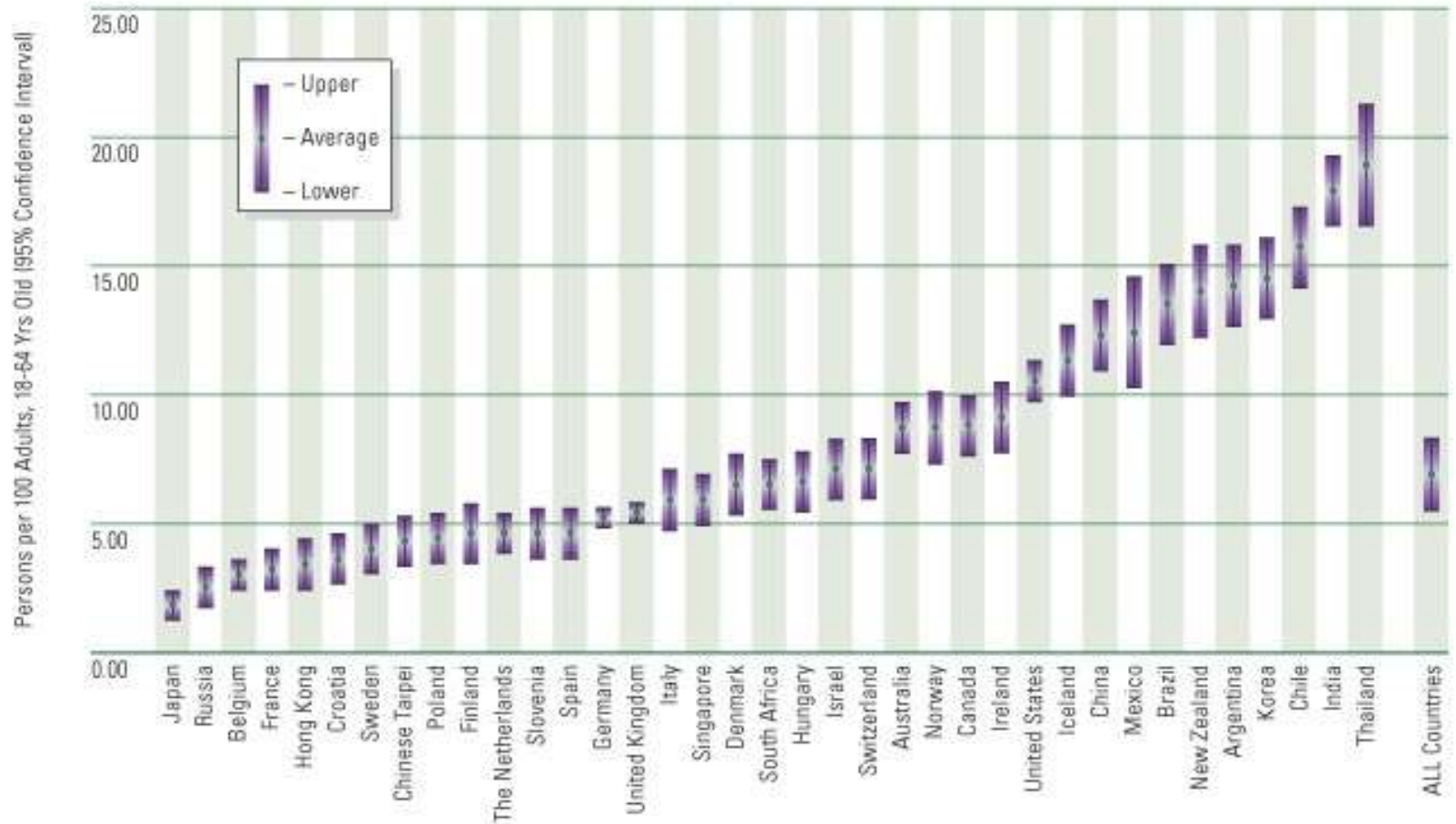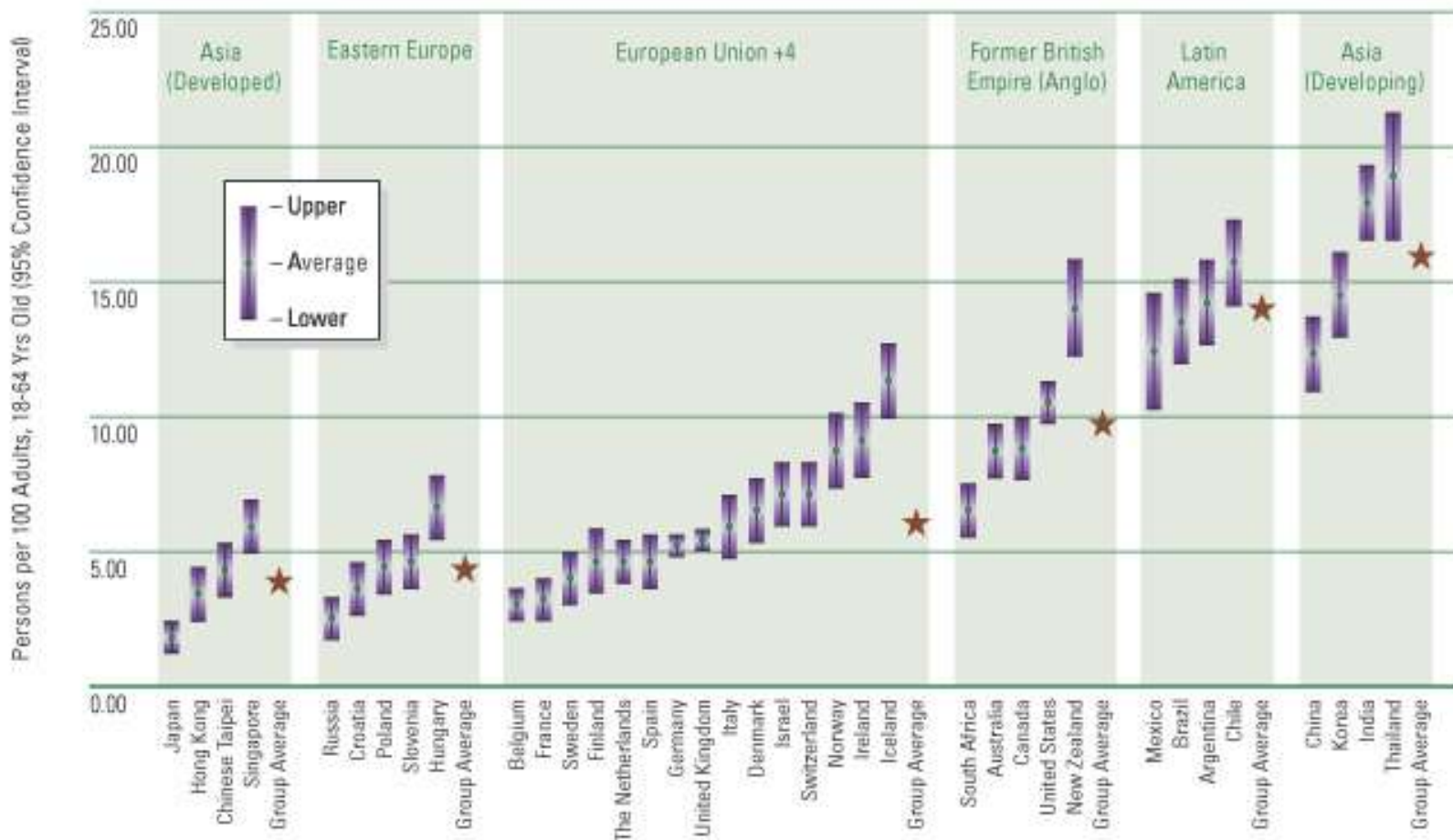
FIGURE 2: TOTAL ENTREPRENEURIAL ACTIVITY (TEA) BY GLOBAL REGION

Opportunity vs. Necessity

Are you involved

- **To take advantage of a business opportunity or**

- **Because you have no better choices for work?**

<u>Willing volunteers or draftees?</u>

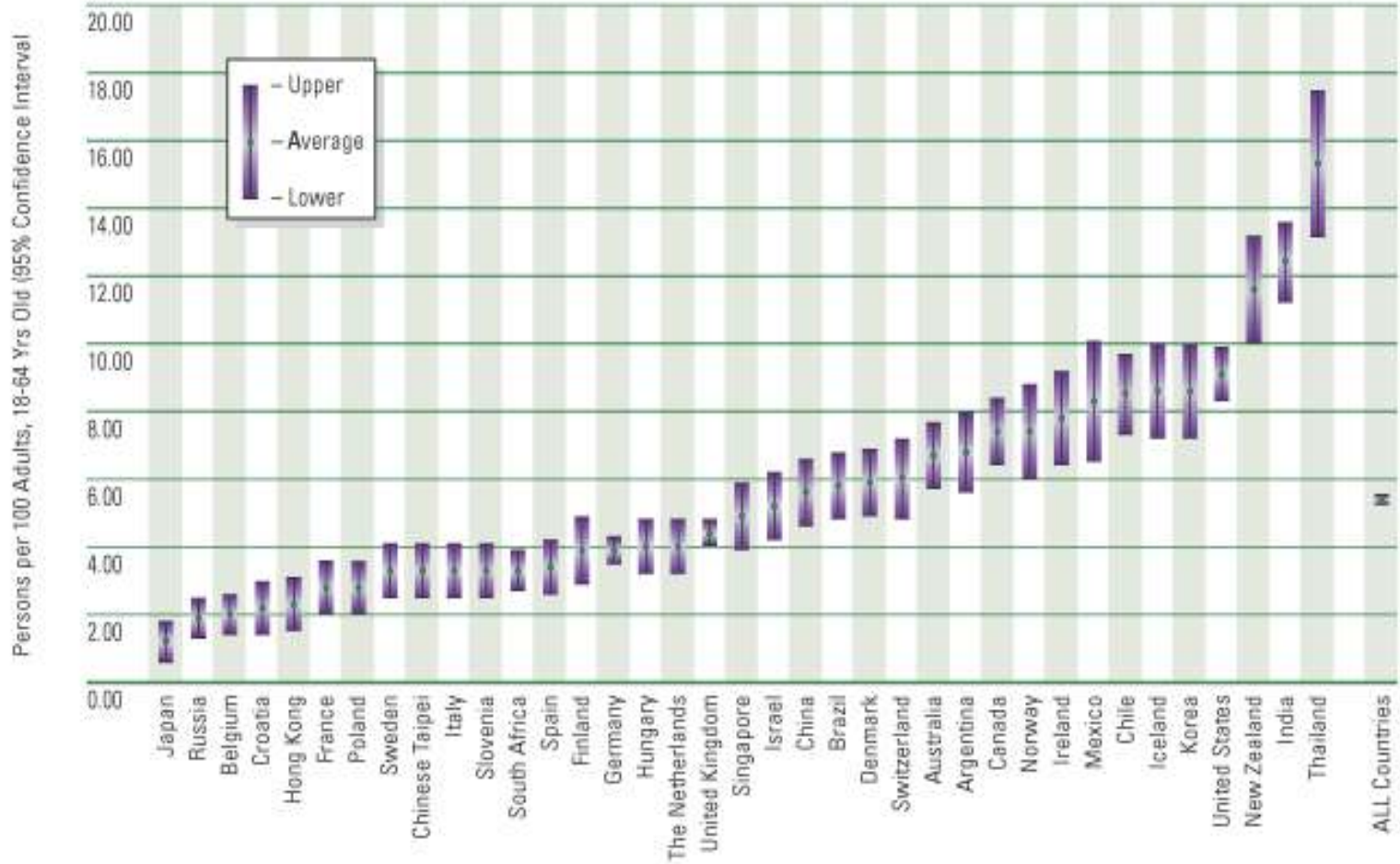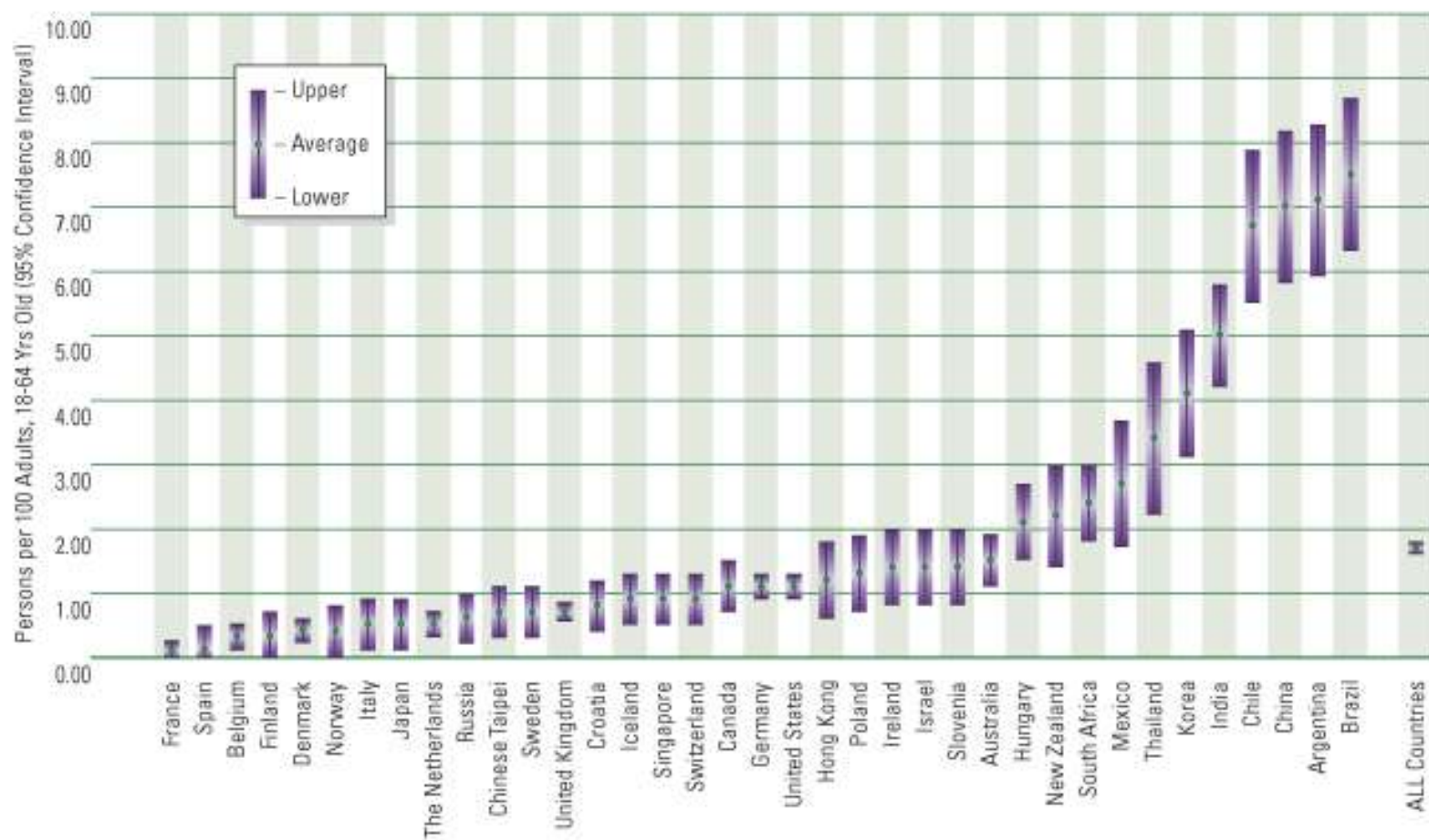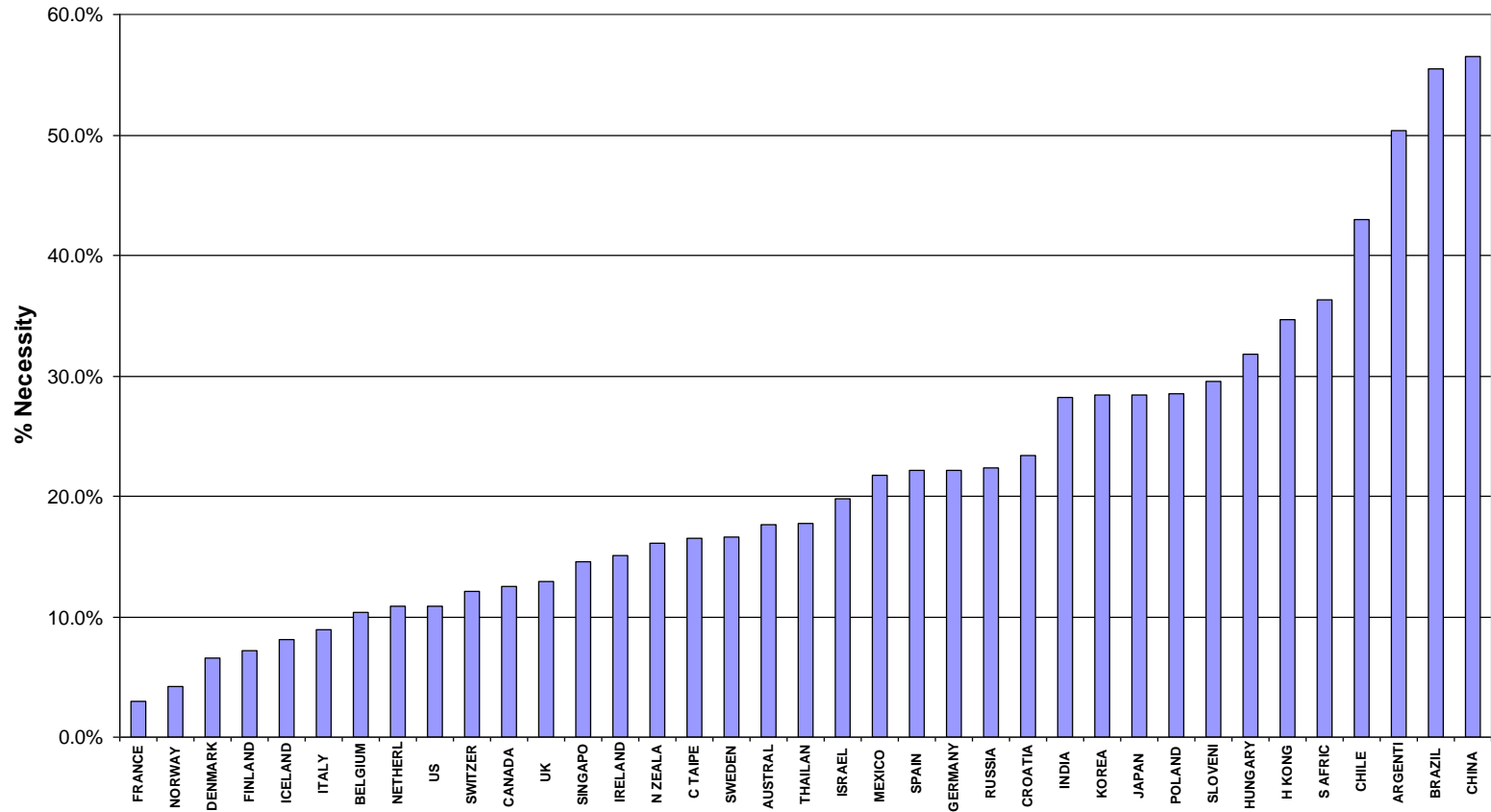**FIGURE 4: OPPORTUNITY-BASED ENTREPRENEURIAL ACTIVITY BY COUNTRY**

FIGURE 5: NECESSITY-BASED ENTREPRENEURIAL ACTIVITY BY COUNTRY

Necessity Entrepreneurship as % of Total : GEM 2002

Market Replication vs. Market Expansion

- Market Replication
  - Customers know product or service well
  - Lots of competition
  - Using established technology or procedures
- Market Expansion, Creation
  - Customers unfamiliar with product or service
  - No competition
  - New technology or procedures

Market Impact by Firm Life Course Stage

☐ Market Replication ☐ Some Market Expansion
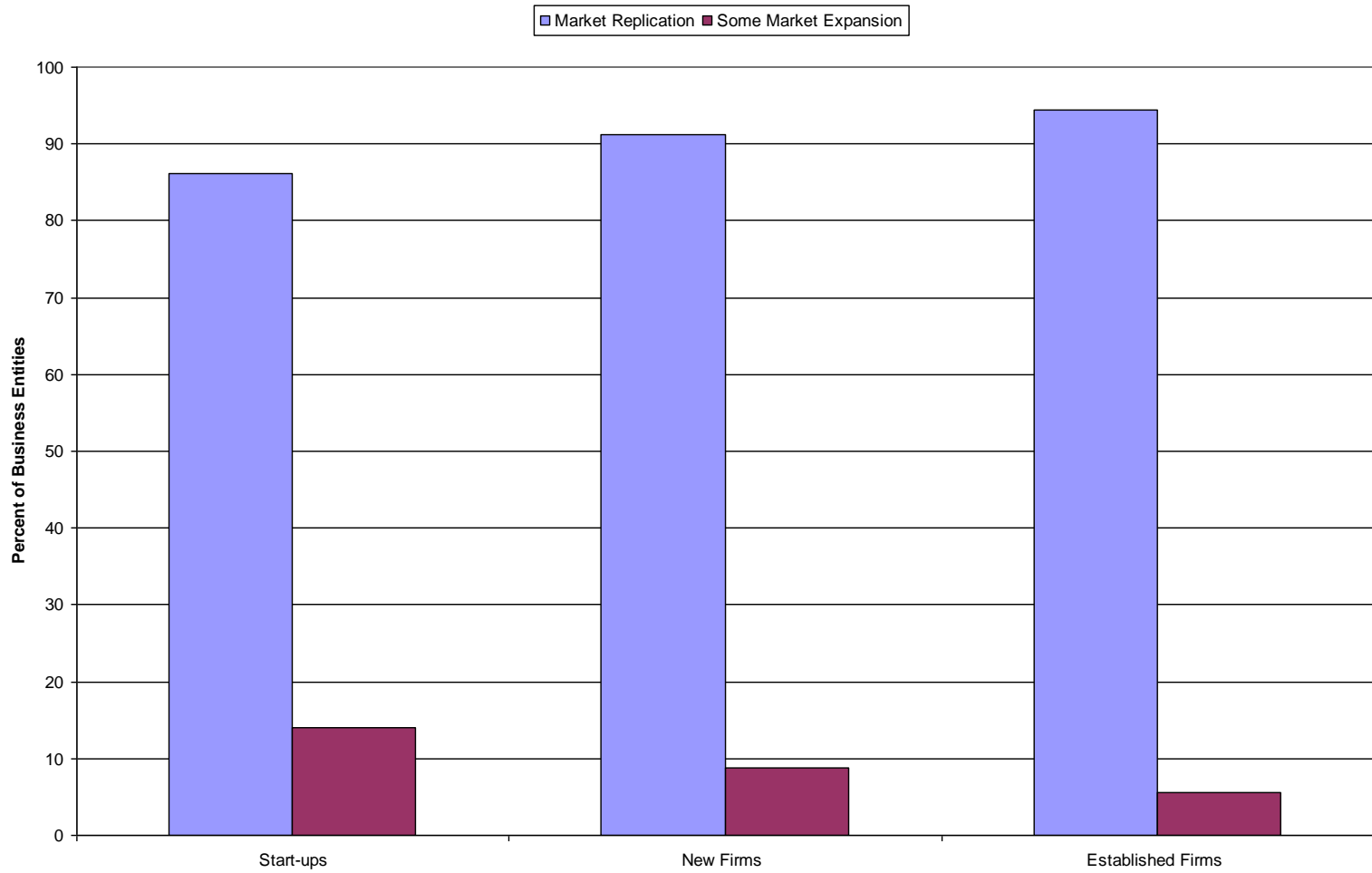
TEA Entities - Replication versus Market Expansion by Global Type

Legend: ☐ Asian Advanced ■ Former Centralized ☐ EU Europe + 4 ☐ Former British ■ Latin American ■ Asian Developing

#/100 Adults 18-64 Years Old (y-axis)

Categories: Market Replication, Some market Expansion
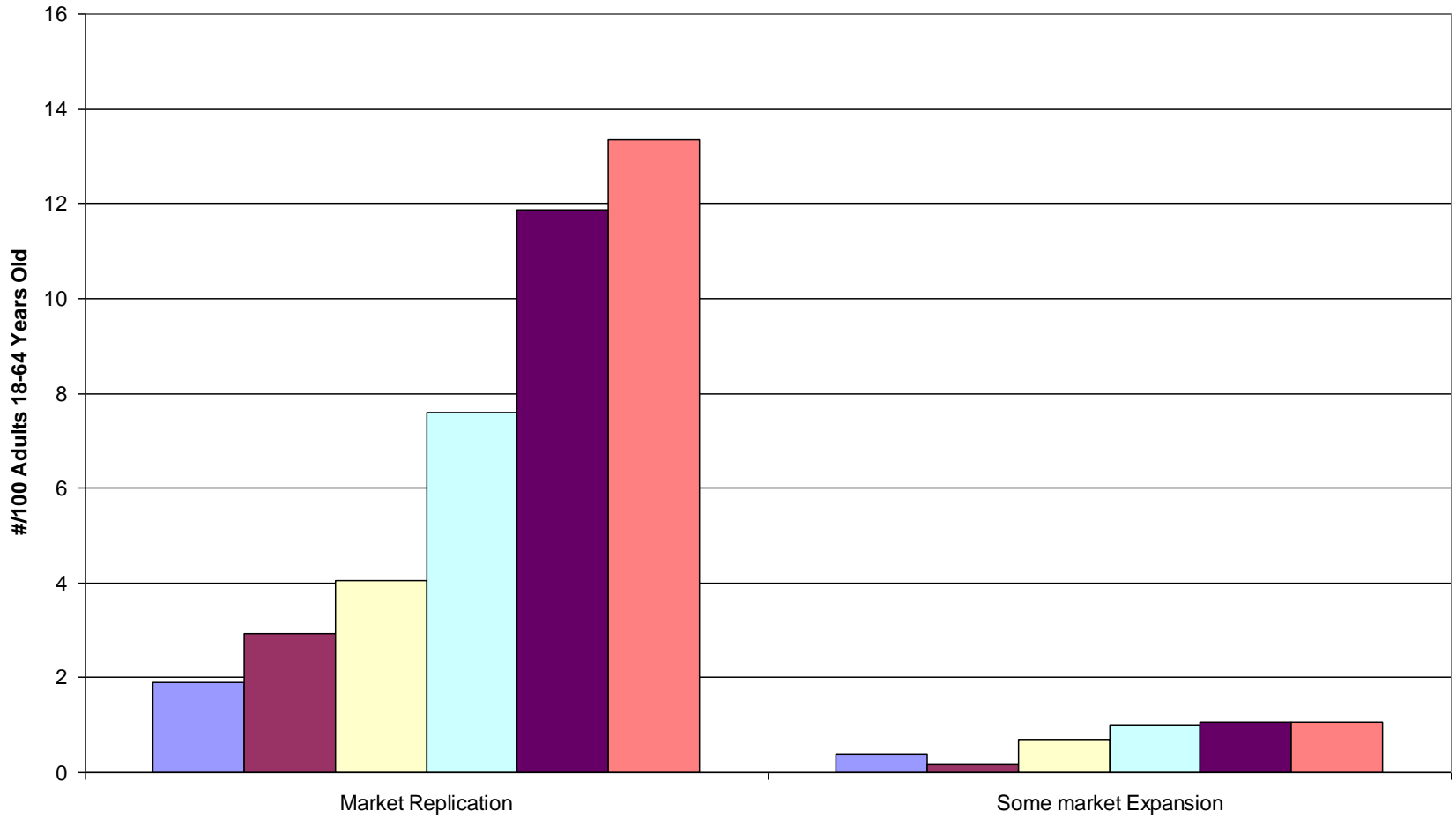
TEA Indices and National Economic Growth
[GEM 2000,2001,2002 Pooled Data; * = statistical significance]

	Concurrent	One-year lag	Two-year lag
TEA Overall	0.19	0.22*	0.42**
TEA Opportunity	0.20	0.22	0.26
TEA Necessity	0.23	0.35**	0.49**

TEA Overall and National Economic Growth: 2 Yr Lag

R = 0.41 (0.01)

#/100 18-64 Active in Entrepreneurship

% Growth in GDP 2 yrs later
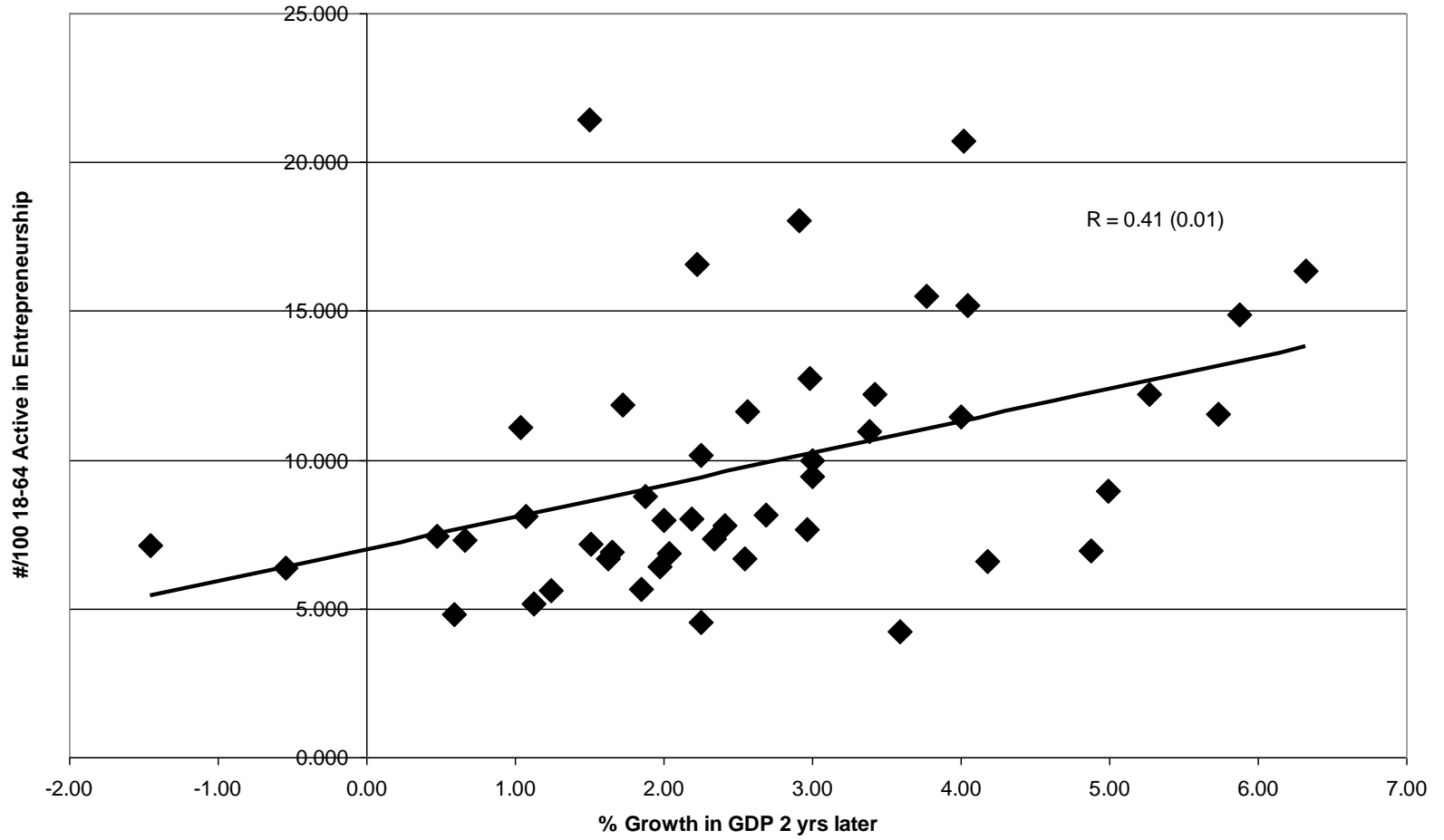
TEA Opportunity and National Economic Growth: 2 Yr Lag

R = 0.27 (0.17)

Y-axis: #/100 18-64 Yrs Active in Opportunity Entrepreneurship

X-axis: % Growth in GDP 2 Yrs Later
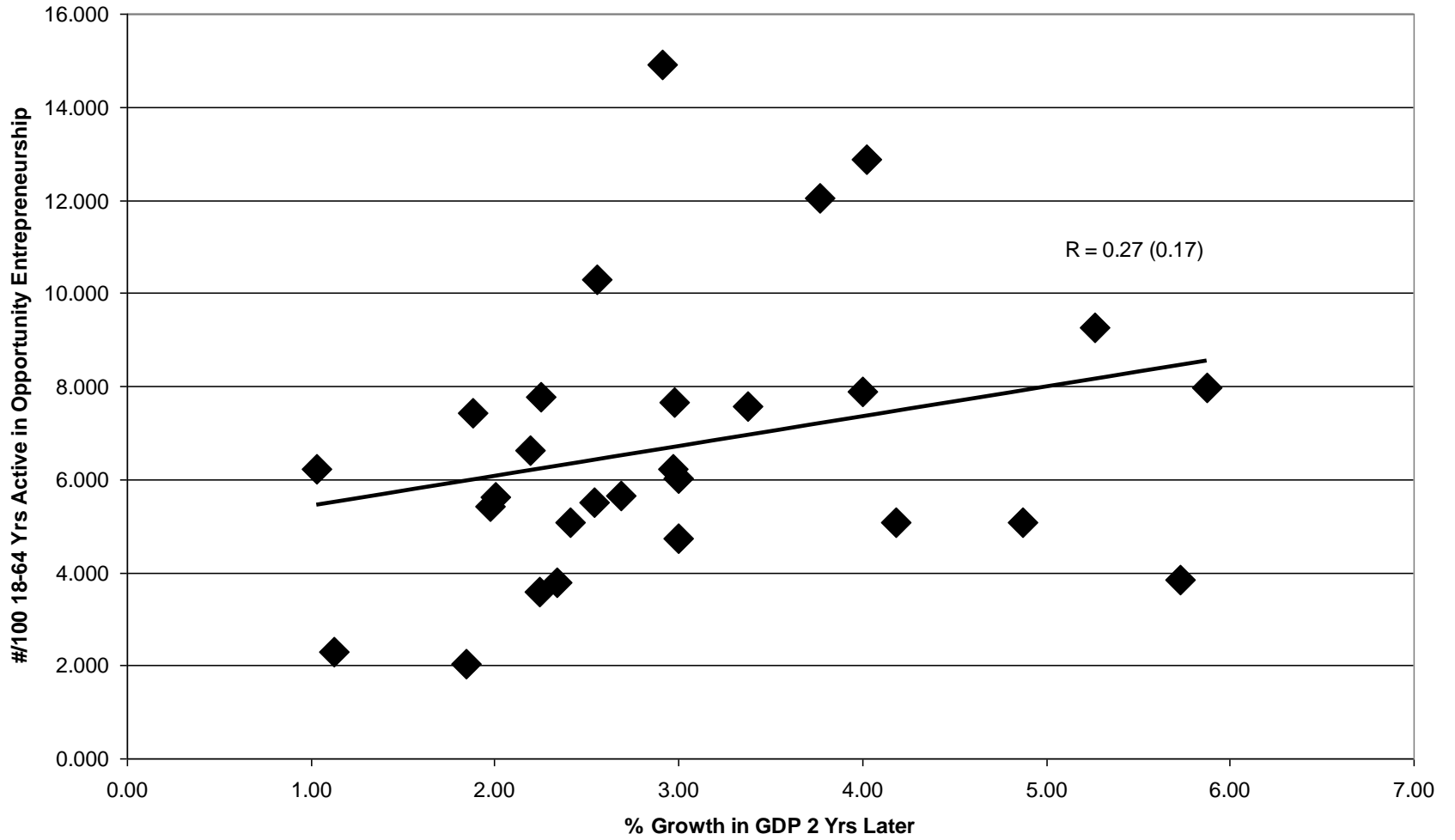
TEA Necessity and National Economic Growth: 2 Yr Lag

R = 0.47 (0.01)

X-axis: **% Growth in GDP 2 Yrs Later**

Y-axis: **#/100 18-64 Years Active in Necessity Entrepreneurship**

FIGURE 7: ENTREPRENEURIAL ACTIVITY BY GENDER AND AGE

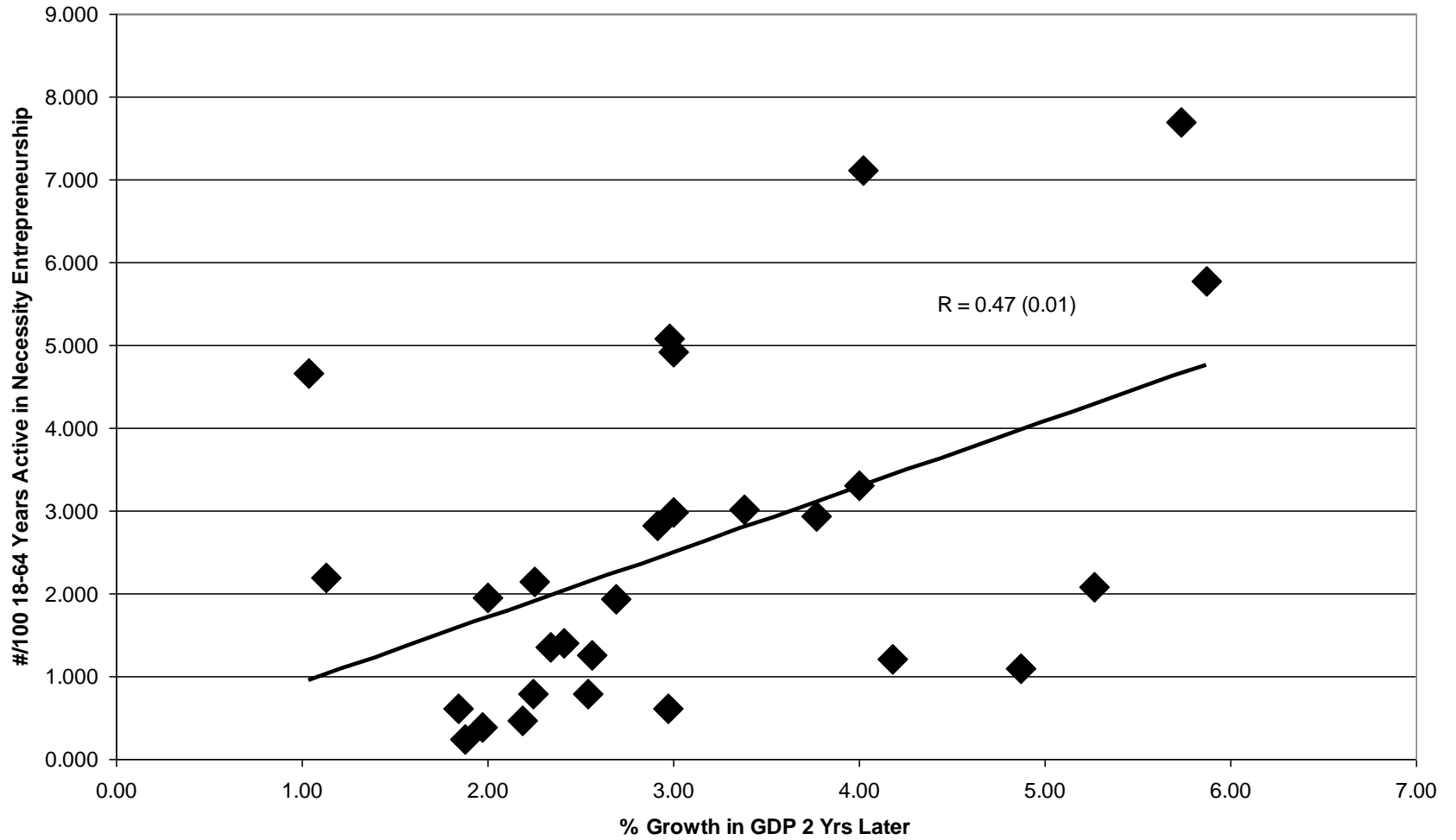|	Number per 100			Number per 100
		Women	Men	
TEA All				
18-24 yrs.	7.7			13.2
25-34 yrs.	12.8			19.7
35-44 yrs.	10.2			14.6
45-54 yrs.	6.2			11.2
55-64 yrs.	5.0			6.8
TEA Opportunity				
18-24 yrs.	5.6			10.8
25-34 yrs.	7.6			13.3
35-44 yrs.	5.2			9.8
45-54 yrs.	3.2			7.1
55-64 yrs.	2.5			3.7
TEA Necessity				
18-24 yrs.	1.9			1.8
25-34 yrs.	5.0			6.0
35-44 yrs.	4.8			4.3
45-54 yrs.	3.0			4.1
55-64 yrs.	2.4			2.8
Nascent Firms				
18-24 yrs.	4.1			8.1
25-34 yrs.	7.3			10.6
35-44 yrs.	6.0			7.9
45-54 yrs.	3.7			6.2
55-64 yrs.	3.0			3.8
New Firms				
18-24 yrs.	3.7			6.1
25-34 yrs.	6.1			10.3
35-44 yrs.	4.7			7.0
45-54 yrs.	2.8			5.3
55-64 yrs.	2.2			3.3

14 12 10 8 6 4 2 0 2 4 6 8 10 12 14 16 18 20
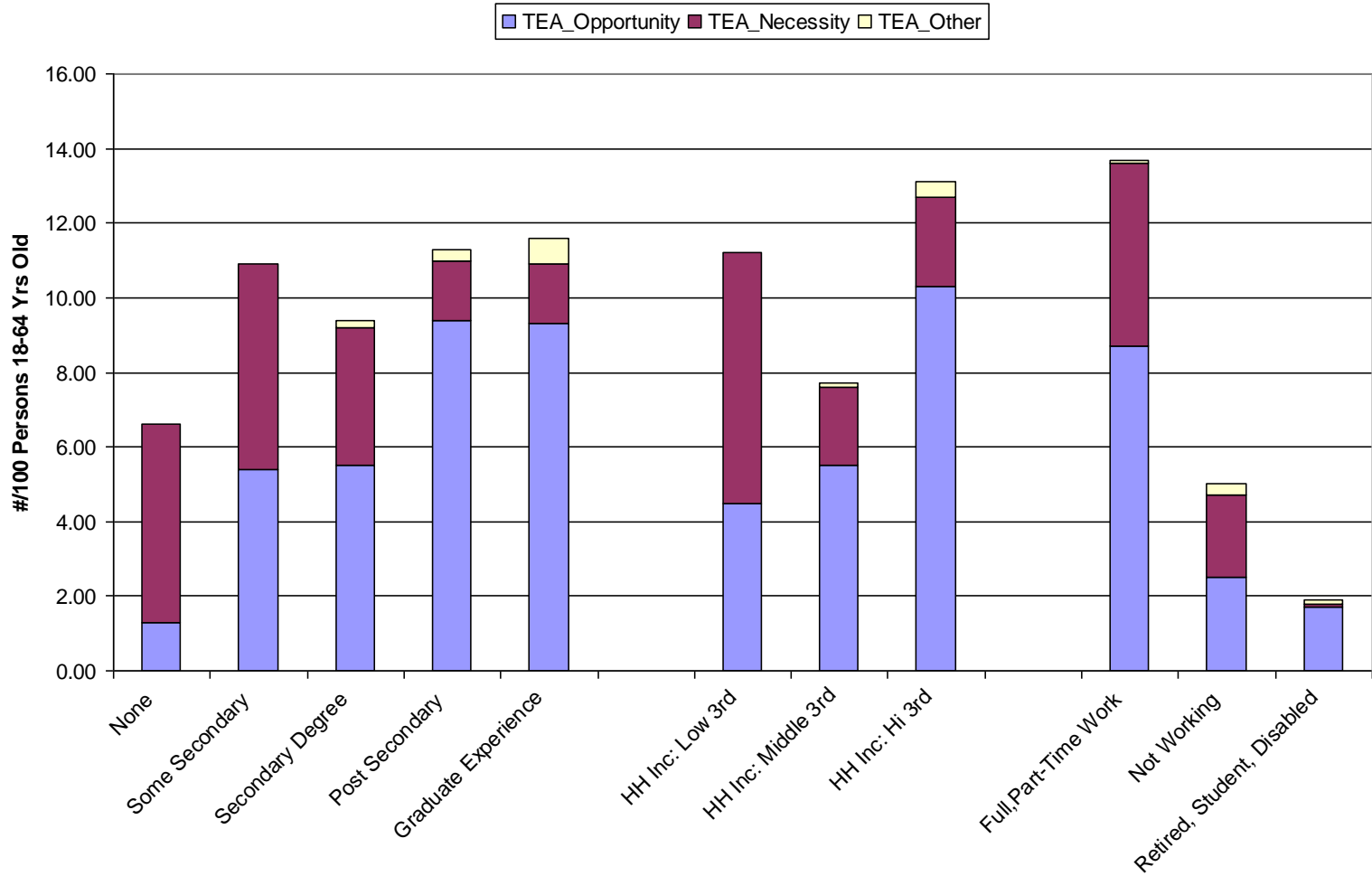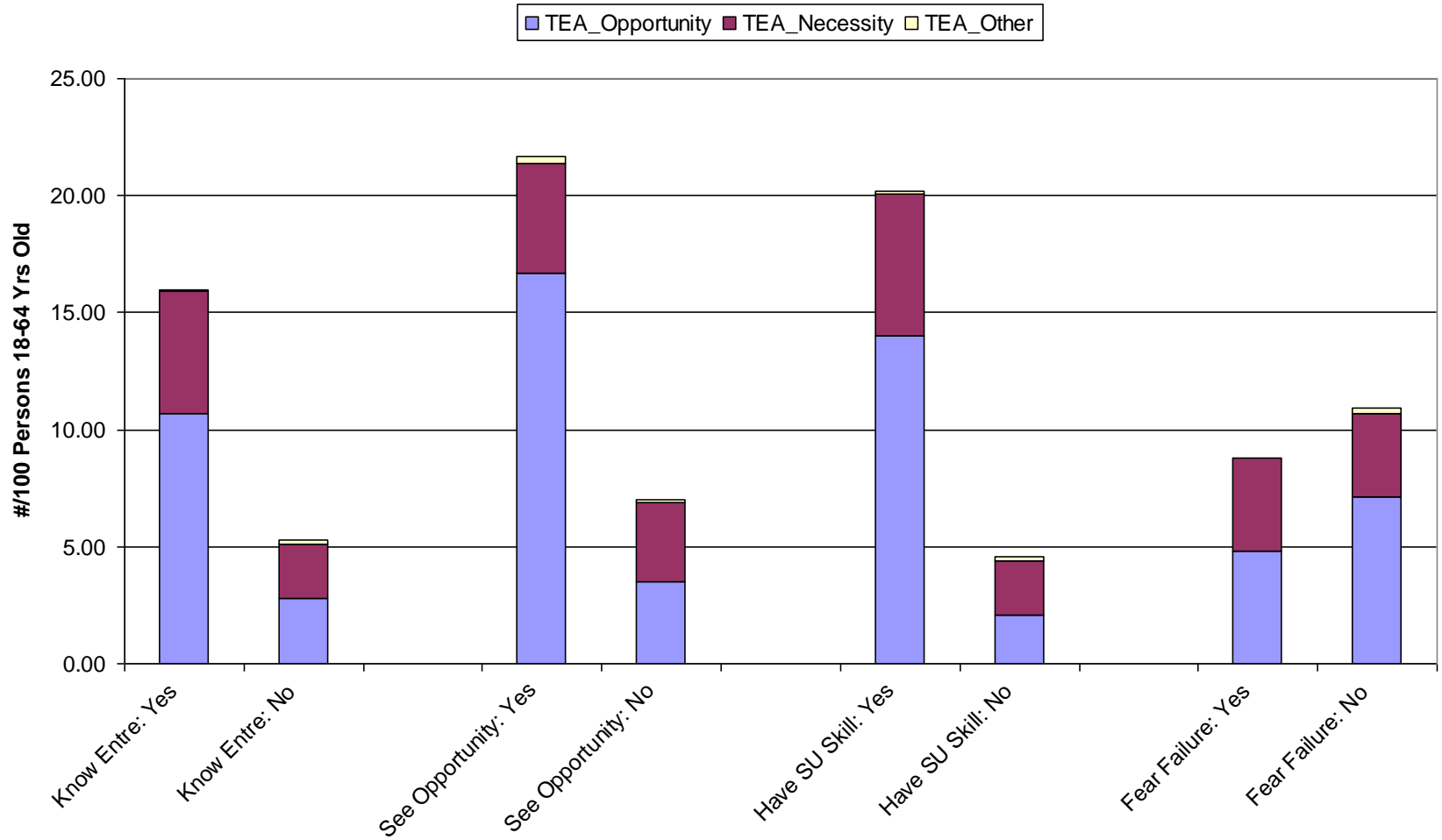
Entrepreneurial Activity [TEA] by Gender by Global Type

□ TEA02 - Men ■ TEA02 - Women
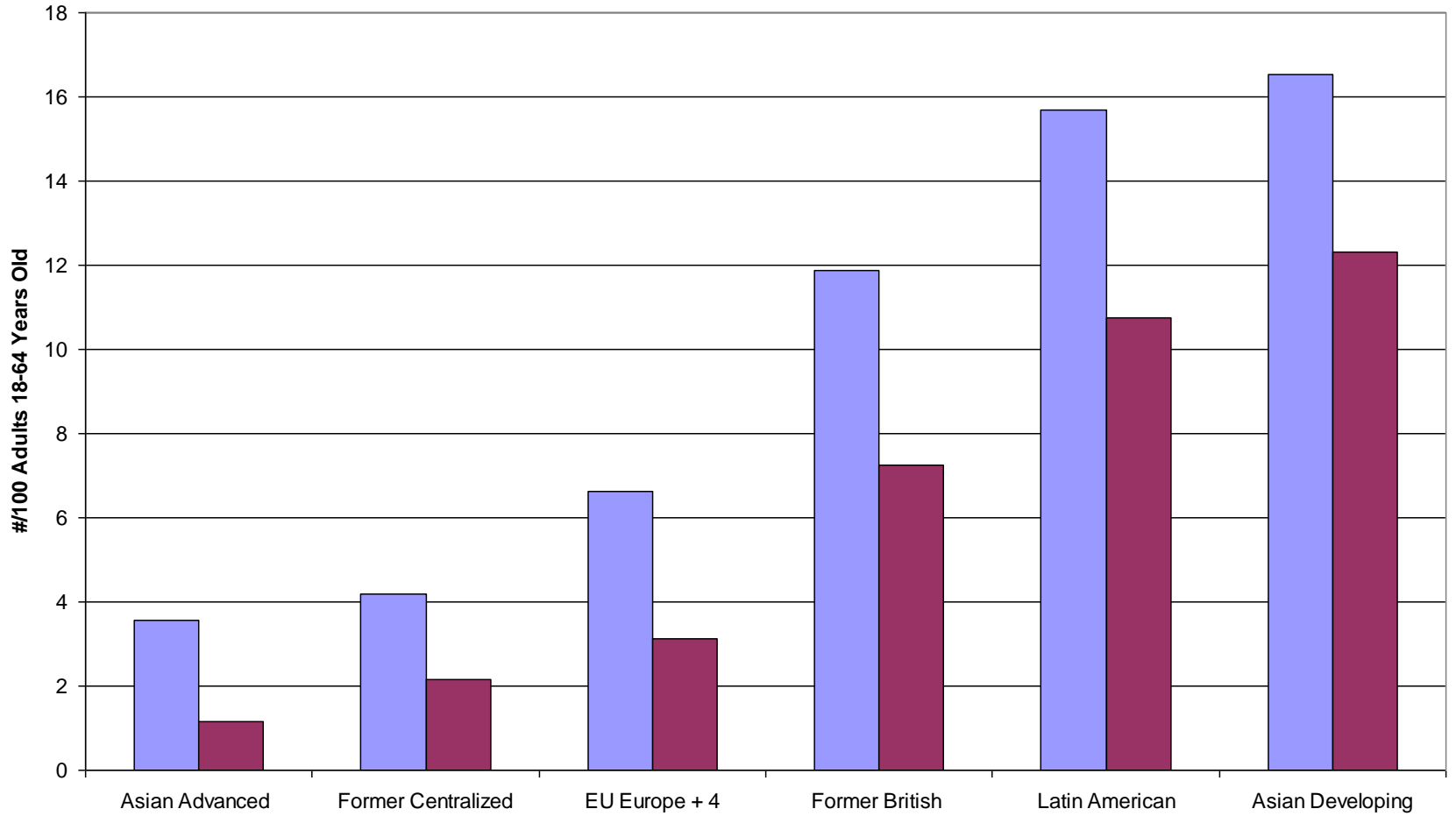
Education, Relative HH Income, Labor Force Participation and Entrepreneurial Activity: 30 GEM 2002 Countries

Legend: ■ TEA_Opportunity ■ TEA_Necessity □ TEA_Other

Y-axis: #/100 Persons 18-64 Yrs Old (0.00 to 16.00)

X-axis categories: None, Some Secondary, Secondary Degree, Post Secondary, Graduate Experience, HH Inc: Low 3rd, HH Inc: Middle 3rd, HH Inc: Hi 3rd, Full, Part-Time Work, Not Working, Retired, Student, Disabled

Personal Responses and Entrepreneurial Acdtivity: 30 GEM 2002 Countries

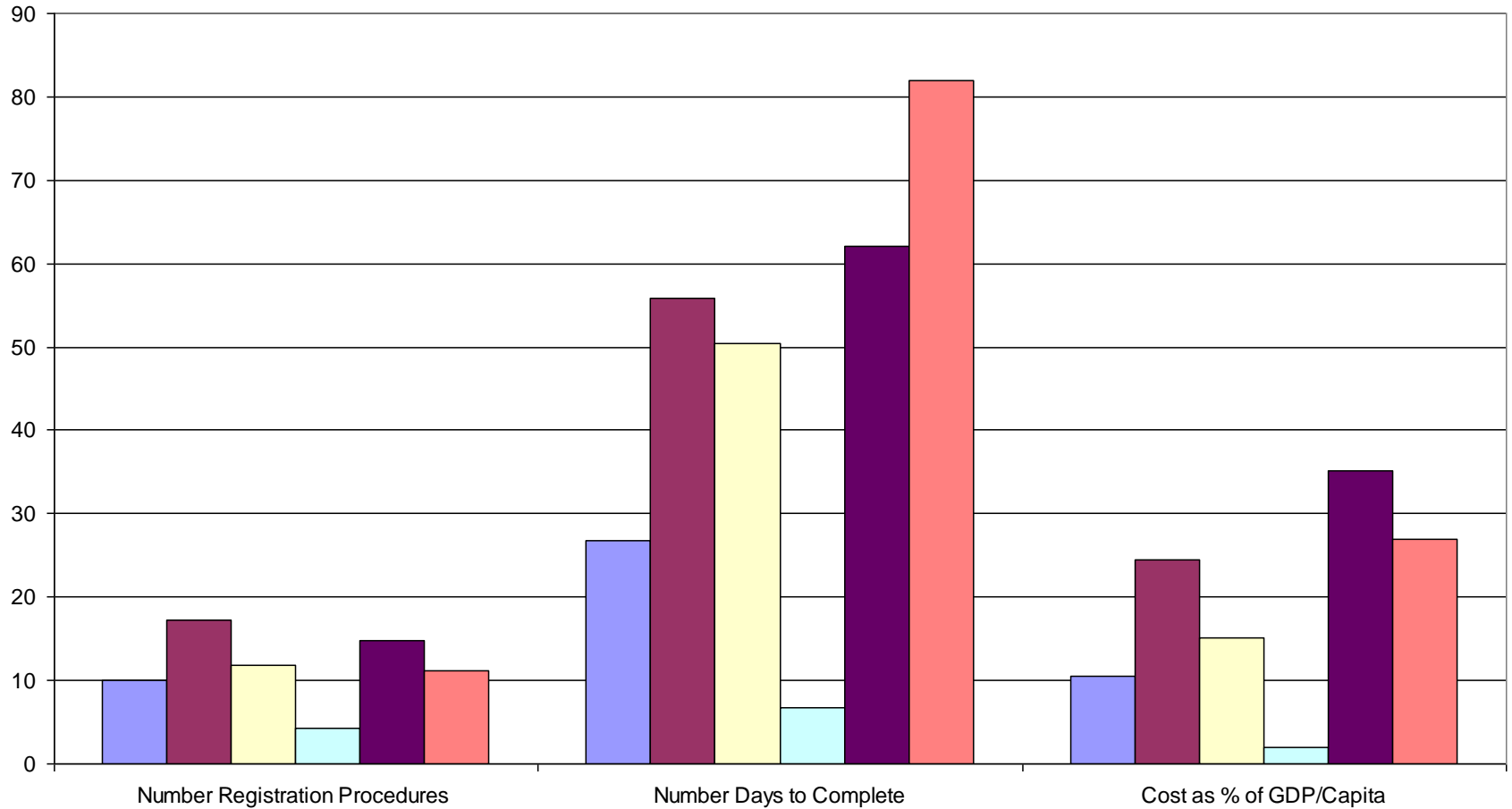■ TEA_Opportunity ■ TEA_Necessity □ TEA_Other
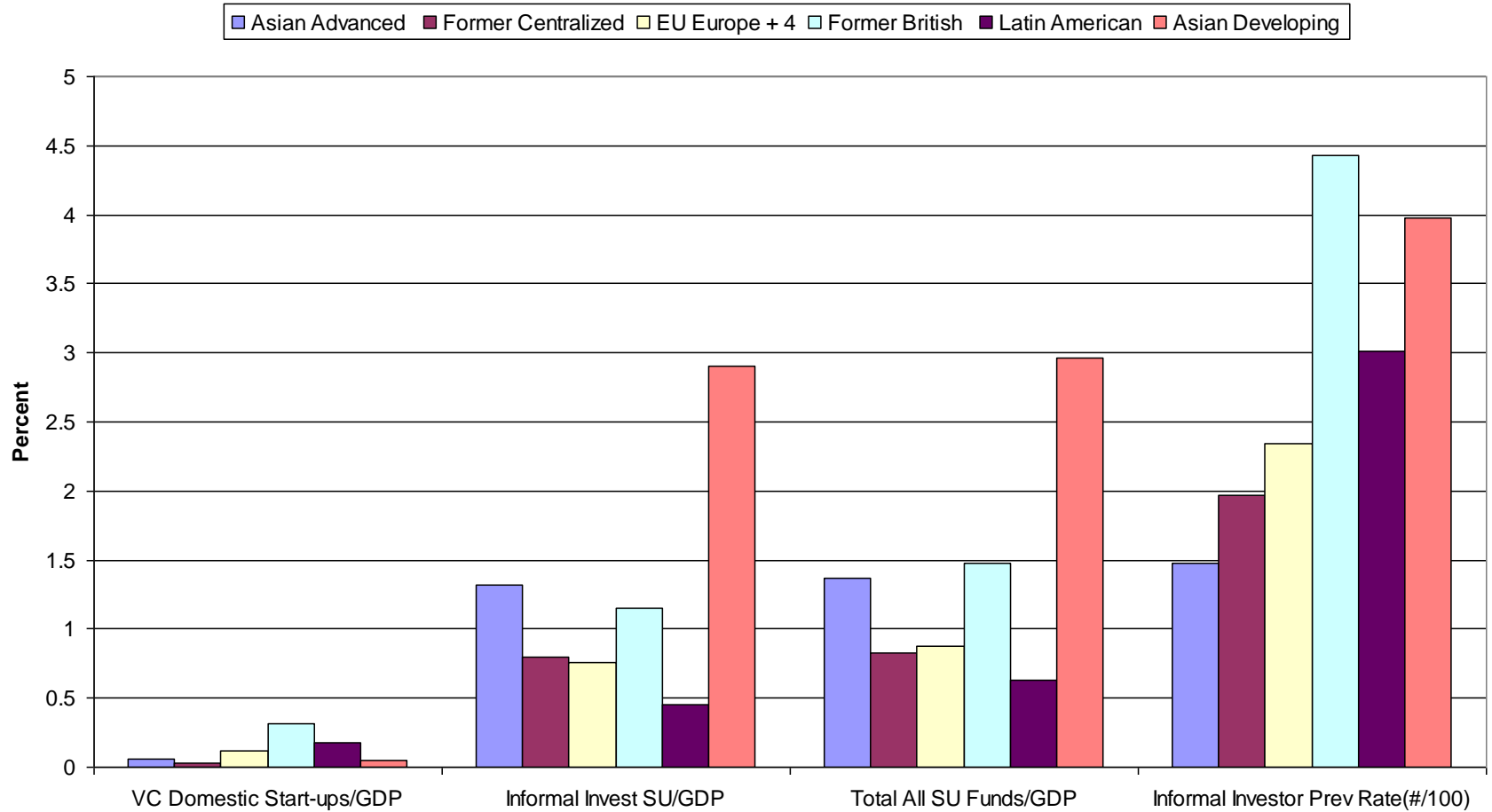
Entrepreneurial Activity by Global Type
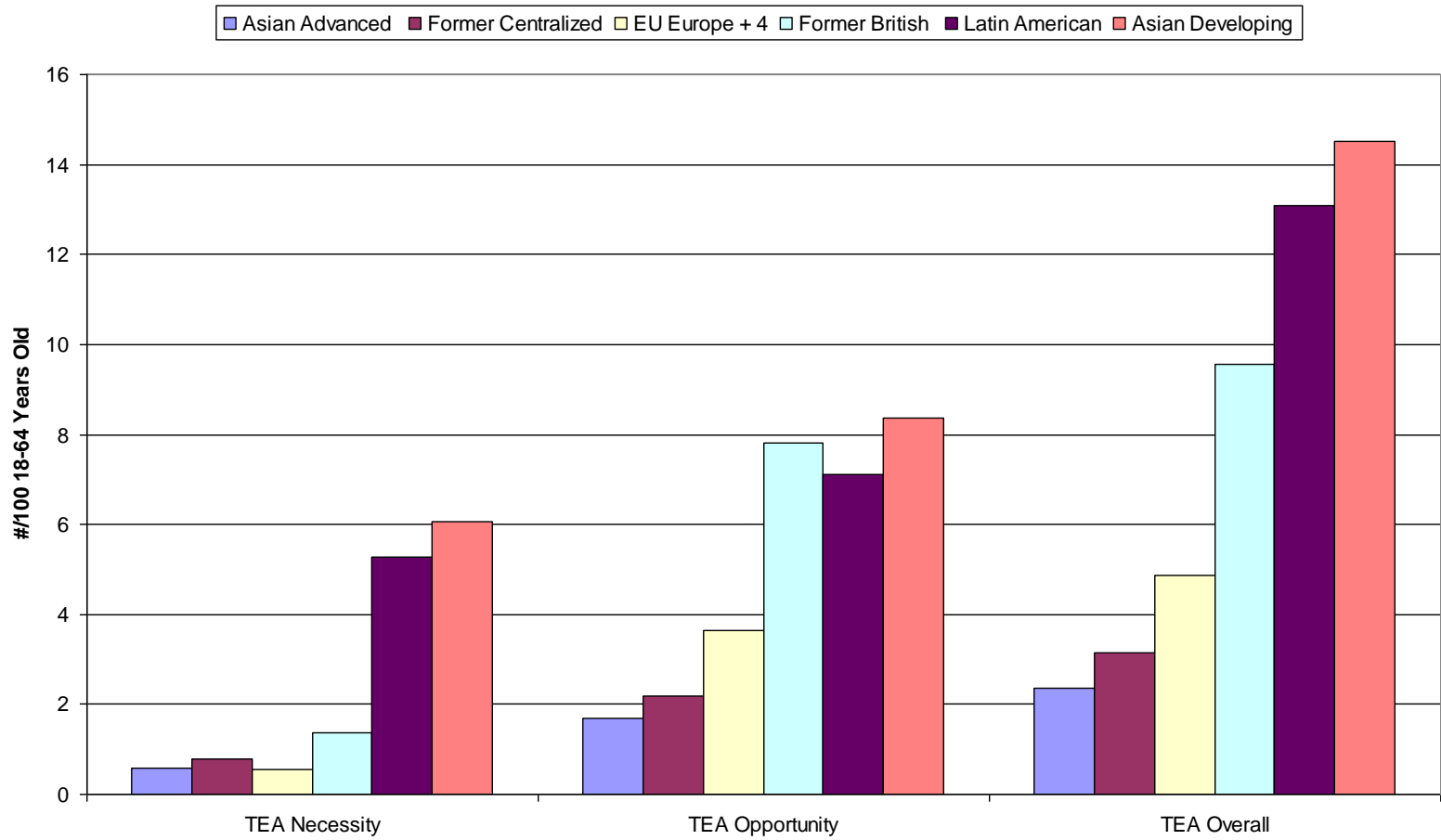
Barriers to New Business Registration by Global Type

Legend: ■ Asian Advanced ■ Former Centralized □ EU Europe + 4 □ Former British ■ Latin American ■ Asian Developing

Start-Up Financing: Informal and Venture Capital Support by Global Type

Legend: Asian Advanced, Former Centralized, EU Europe + 4, Former British, Latin American, Asian Developing

Categories: VC Domestic Start-ups/GDP, Informal Invest SU/GDP, Total All SU Funds/GDP, Informal Investor Prev Rate(#/100)

Y-axis: Percent

Developed Asian
[Chinese Taipei, Hong Kong, Japan, Singapore]

- Opportunity TEA Low
- Necessity TEA Very Low
- Market Expansion TEA Low
- Women low Relative to Men [32%]
- **Small** percent adults
  - See business opportunities
  - Know an entrepreneur
  - Think they know how to start a business
- Low income disparity

- Post-materialism values widely accepted
- Political System
  - Political rights well developed
  - Open access to system
  - Moderate corruption
  - Strong property rights protection
- Low barriers to firm registration
- Low VC, informal financing
- Public sector
  - Moderate scope
  - Low cost

Eastern European
[Croatia, Hungary, Poland, Russia, Slovenia]

- Opportunity TEA Low
- Necessity TEA Very Low
- Market Expansion TEA Very Low
- Women low Relative to Men [51%]
- **Small** percent adults
  - See business opportunities
  - Think they know how to start a business
- Some know an entrepreneur
- Substantial farm sector
- Very low illiteracy
- Moderate income disparity

- Strong support for materialism values
- Political System
  - Political rights undeveloped
  - Open access to system
  - Very low levels of corruption
  - Low property rights protection
- Moderate barriers to firm registration
- Low VC, informal financing
- Public Sector
  - Major presence
  - Rated as ineffective

European Union + 4

[Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Israel, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK]

- Opportunity TEA Moderate
- Necessity TEA Very Low
- Market Expansion TEA Moderate
- Women low Relative to Men [47%]
- Many adults
  - See business opportunities
  - Think they have start-up skill
  - Know an entrepreneur
  - Have high fear of failure
- Very low illiteracy
- Low income disparity
- High social security costs

- Strong post-materialism values
- Political System
  - Political rights well developed
  - Open access to system
  - Low levels of corruption
  - Strong property rights protection
- Moderate firm registration barriers
- Moderate VC, informal financing
- Public Sector
  - Massive presence
  - Considered effective
  - Relatively expensive

Former British Empire (Anglo)

[Australia, Canada, New Zealand, South Africa, United States]

- Opportunity TEA High
- Necessity TEA Low
- Market Expansion TEA High
- Women low Relative to Men [61%]
- Many adults
  - See business opportunities
  - Think they have start-up skill
  - Know an entrepreneur
  - Have low fear of failure
- Low illiteracy
  - Very high post-secondary emphasis (CA, US)
- Moderate income disparity

- Low social security costs
- Low support for post-materialism values
- Political System
  - Political rights well developed
  - Open access to system
  - Low levels of corruption
  - Strong property rights protection
- Lowest firm registration barriers
- Moderate VC, informal financing
- Public sector
  - Moderate scope
  - Rated as effective
  - Appears to be efficient

Latin America
[Argentina, Brazil, Chile, Mexico]

- Opportunity TEA High
- Necessity TEA High
- Market Expansion TEA High
- Women Approach Equality   [68%]
- Many adults
  - See business opportunities
  - Think they have start-up skill
  - Know an entrepreneur
- Low illiteracy
  - Less emphasis on secondary and post secondary education
- Substantial farm sector
- High % unemployed < 25 yrs old

- Highest income disparity
- Moderate social security costs
- Political System
  - Some political rights present
  - Reduced access to system
  - High levels of corruption
  - Weak property rights protection
- Highest firm registration barriers
- Moderate VC, informal financing
- Public sector
  - Moderate scope
  - Considered ineffective

Developing Asian
[China, India, Korea (South), Thailand]

- Opportunity TEA High
- Necessity TEA High
- Market Expansion TEA High
- Women Approach Equality   [74%]
- Many adults
  - See business opportunities
  - Think they have start-up skill
  - Know an entrepreneur
- Low illiteracy
  - Less emphasis on secondary and post secondary education
- Substantial farm sector
- High % unemployed < 25 yrs old

- High income disparity
- Almost no social security costs
- High emphasis on materialism
- Political System
  - Some political rights present
  - Reduced access to system
  - High levels of corruption
  - Weak property rights protection
- Highest firm registration barriers
- Moderate VC, informal financing
- Public sector
  - Substantial scope
  - Low cost
  - Rated as ineffective

Policy Considerations

- Enormous amount of human effort devoted to starting new businesses
- Majority of activity in developing countries
- Critical factor associated with economic growth
  - Causal role is unclear
- Policy recommendations need to be tailored to the unique situation of each country
  - Best practices may be country—or country type--specific

Developed Economies

- Strong infrastructure
  - Medium to high opportunity entrepreneurship
  - Low necessity entrepreneurship
- Major aversions to work career uncertainty
  - Reflected in substantial social support systems
- Accept Post-Materialism Value System
  - Assumes national economic success is assured!
- Dramatic personal career success is "suspect"
  - Are young adults encouraged to pursue low risk occupational options?

Developing Economies

- Incomplete infrastructure
  - Medium to high opportunity entrepreneurship
  - Medium to high necessity entrepreneurship
    - <u>Massive waves of draftees</u>
  - Less technically sophisticated entrepreneurship

- Helpful structural improvements
  - Expand education, general and entrepreneurial specific
  - Systematize recognition of property rights
  - Enhance access to institutional finance
  - Improve efficiency of government, reduce corruption

- May become strong global competitors

How Many People Are Involved?

- 37 GEM 2002 countries
  - 3,882 million people
  - 2,374 million in labor force age range (18-64 years old)
  - 62% of world population
  - 92% of world GDP
- Estimate 286 million active in start-ups
  - 205 million in India and China
  - 18 million in the US
  - 11.6 million EU + 4
  - 4.0 million Eastern European 5
- 140 million business entities (2 per start-up)
- Estimate 460 million active in the world
  - Compare to 132 million new human births each year
  - More that total population of North America (415 million)

What arguments has been put forward to claim that this "entrepreneurship thing" is actually useful in a corporate setting

- The turbulent environment argument

- The organizational lifecycle argument

- The "Blue Ocean" argument (or the fallacy of Porter's generic strategies)

Customers

Fragmented markets require firms to adopt multiple approaches to serve different target audiences

Rapidly rising customer expectations force firms to customize their products, customer support function, and communication approaches, and yet do so in ways that can be standardized

The costs of higher levels of customization require firms to cultivate longer-term customer relationships

Sustainable growth means learning new skills in serving global markets

Technology

Firms have to change the ways they operate internally and how they compete externally based on:

- New information management technologies
- New production and service delivery technologies
- New customer management technologies
- New logistics and inventory management technologies
- New sales force management technologies
- New product development technologies

The turbulent environment

Competitors

Competitors lead customers to entirely new market spaces, forcing firms to spend greater amounts on product development

Aggressive competitors move quickly to mimic anything new attempted by the company, making it harder to differentiate the firm in the eyes of customers

Firms find themselves competing with companies in other industries that play by completely different rules—making current competitive approaches irrelevant

Competitors specializing in narrow, profitable niches avoid costs of competing across a broader product and customer range, while attacking the firm's most profitable areas of business

Legal, Regulatory, and Ethical Standards

Firms are increasingly accountable to multiple stakeholders, and their actions are more visible to these stakeholders, forcing management to make difficult choices and deliver results while behaving responsibly
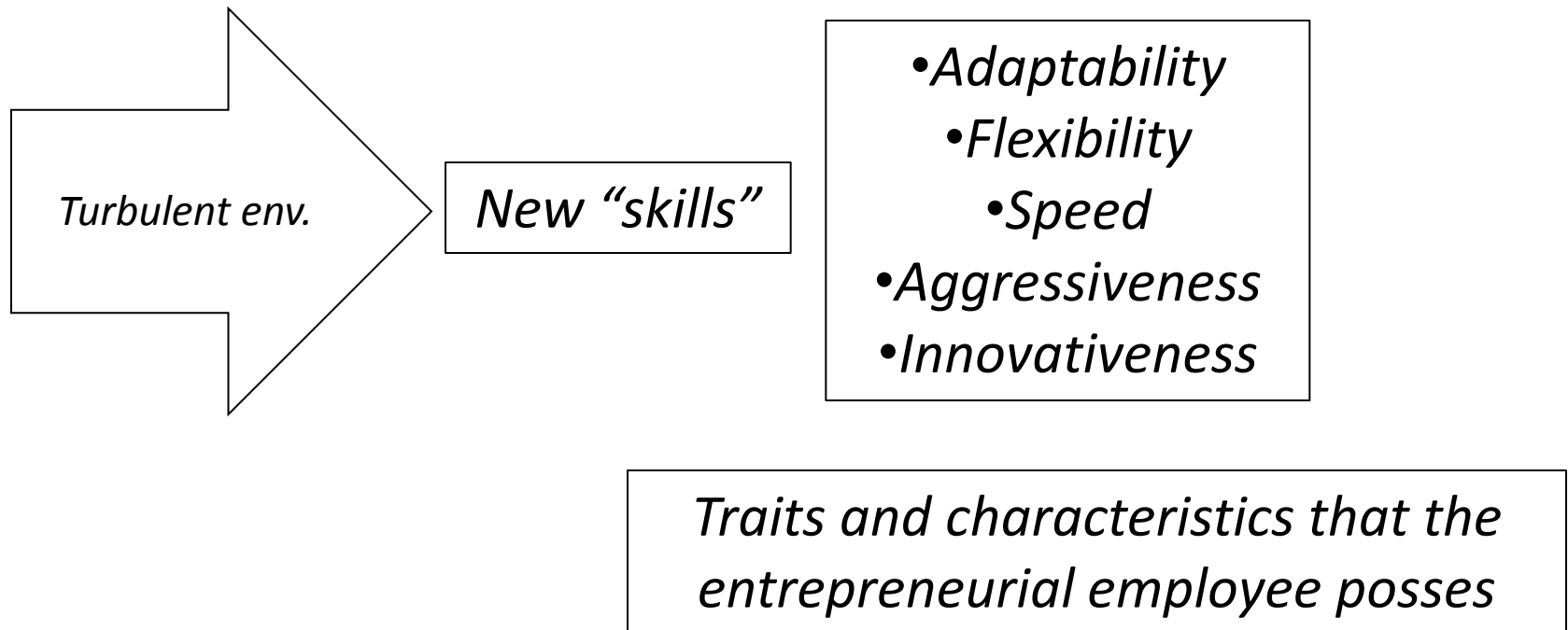
An increasingly litigious environment raises the stakes on company liability for products and how they are used; more lawsuits increase company costs and penalize innovative actions

Regulatory restrictions limit choices while forcing firms to learn new ways to compete

Growing affluence enables society to hold firms more responsible for the environmental and social implications of their actions

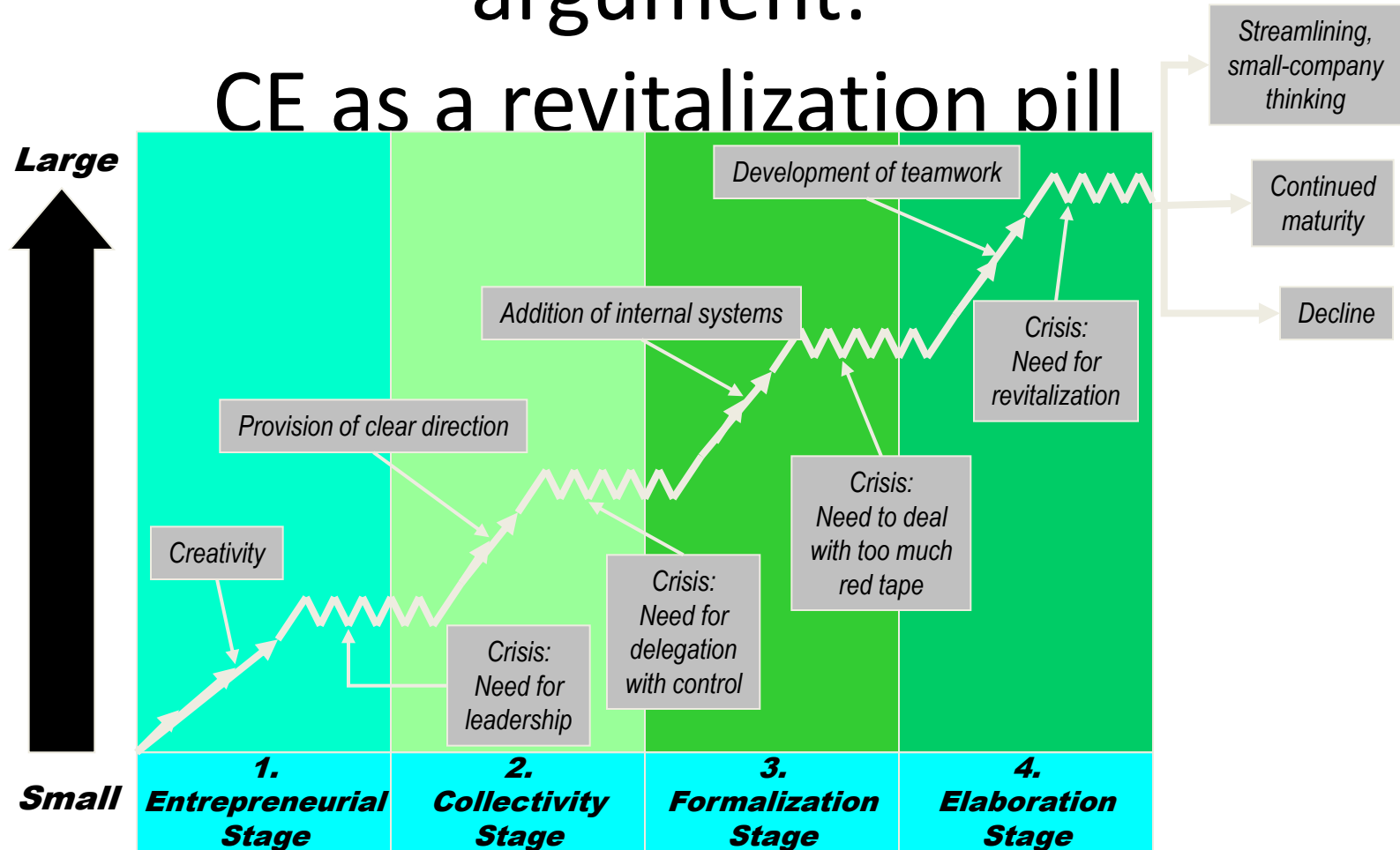# A more dynamic industry environment necessitates more dynamic employees and organizations

Turbulent env. → New "skills"

- Adaptability
- Flexibility
- Speed
- Aggressiveness
- Innovativeness

Traits and characteristics that the entrepreneurial employee posses

The organizational lifecycle argument:
CE as a revitalization pill

Large

Small

Creativity

Provision of clear direction

Addition of internal systems

Development of teamwork

Crisis: Need for leadership

Crisis: Need for delegation with control

Crisis: Need to deal with too much red tape

Crisis: Need for revitalization

Streamlining, small-company thinking

Continued maturity

Decline

1. Entrepreneurial Stage

2. Collectivity Stage

3. Formalization Stage

4. Elaboration Stage

The "Blue Ocean" argument
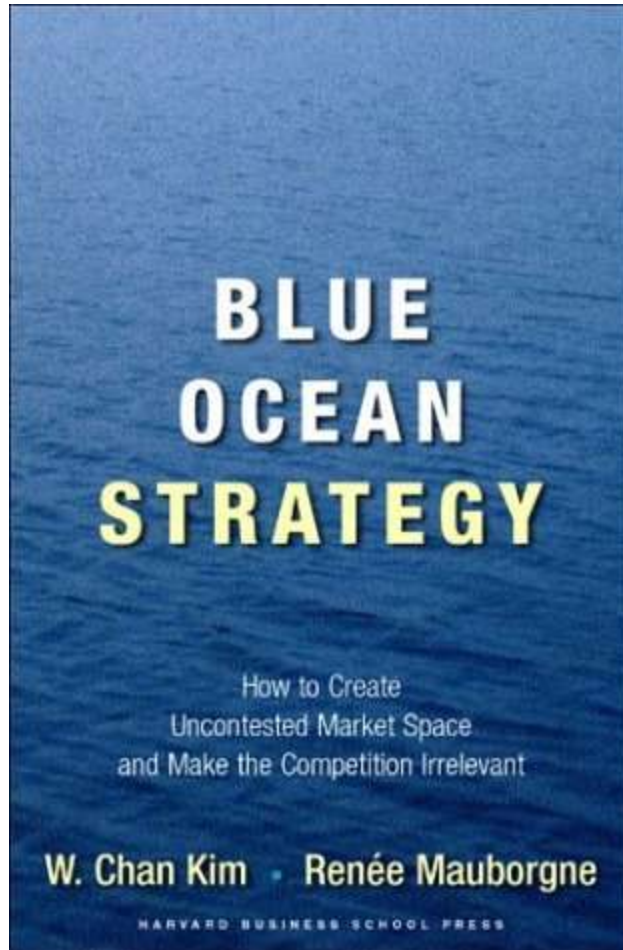
- Based on 150 case studies

- Evidence found for the fact that sustained superior performance CANNOT be explained by generic strategy

- Authors argue that we are better off developing new value propositions and creating new market space than reacting to competition

Red vs. Blue Ocean Strategies

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade off
Align the whole system of a strategic firm's activities with its choice *of* differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation *and* low cost **VALUE INNOVATION**

"Blue Ocean" is becoming an umbrella notion including also the "older" ideas of "New Game" and "time-based" competition
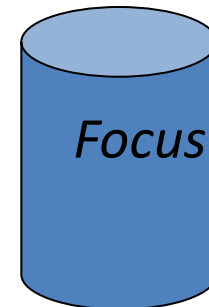
- Wal-Mart
- Nokia
- Dell
- Zara

- Amazon
- Ryanair
- Swatch
- Nike
- Cirque du Soleil

- iPod
- Ferrari
- Harley Davidson
- BIC
- Husky

SPEED

New Game

Low Cost

Diff.

Focus
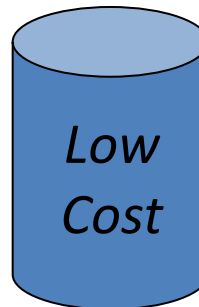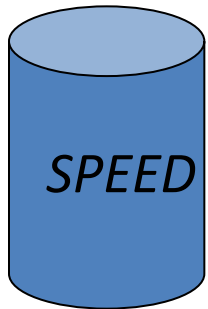
Empirical research supports the idea that "entrepreneurial"/"innovative"/"blue ocean" companies, outperform their "traditional" strategy peers:

- Covin & Slevin 1989, 1990 (New Market Development)
- Davis, Morris & Allen 1991 (New Product Development)
- Morris & Sexton 1996 (Entrepreneurial Intensity)
- Shaker 1999 (NMD
- Hornsby 2001 (EI)
- Goosen 2002 (NMD, NPD)
- Hindle 2004 (EI)
- Yiu 2008 (NPD)
- Jaakko Aspara, Joel Hietanen & Petri, 2008 (Blue Ocean)

Conclusion: Interesting, but not an absolute imperative

- "Entrepreneurial" organizations tends to be
  - More aggressive (higher sense of urgency)
  - Faster
  - More flexible
  - More adaptable
  - More innovative & creative
- But also
  - Less cost efficient
- In function of the key success factors of the industry, the potential of transforming the organization towards being more entrepreneurial varies

Different forms and contexts of Entrepreneurship

Ikea Case Discussion

- Is this a case of start-up entrepreneurship, International entrepreneurship, corporate entrepreneurship or social entrepreneurship. What are the elements for each?

- What is actually "Entrepreneurial" about the IKEA start-up history ?

- What is the key to IKEA's success over time?

Start-up Entrepreneurship

As similar and different from independant (start-up e-ship)

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

The different forms of entrepreneurship (defined by outcome)

Entrepreneurship

Independent Entrepreneurship

Corporate Entrepreneurship

Strategic Renewal

Innovation

Corporate venturing

Potential outcomes:
- Domain Redefinition
- Org. Rejuvenation
- Process Innovation
- Business Model Redifinition

External corporate venturing

Potential outcomes:
- Joint ventures
- Spin off
- Venture capital initiatives

Internal corporate venturing

Potential outcomes:
- Integration of new "ventures" into existing units
- Creation of new organizational units

Source: Sharma / Chrisman (1999)

Organizational "embeddednes" of CE

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

Corporate entrepreneurship metrics

The Concept of Entrepreneurial Intensity

Innovativeness
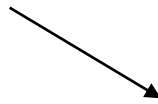
Entrepreneurial Degree

Risk-Taking
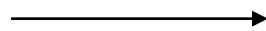
Frequency

Proactiveness
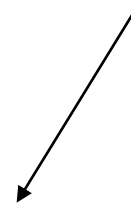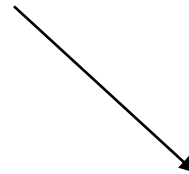
Entrepreneurial Intensity

"classroom" metrics

- Size of seed fund
- Funded ideas
- % of sales spend on R&D
- Patent claims filed
- Patents granted
- Cost of marketing x clinical trial
- NPV for year
- Mkt size in terms of customers

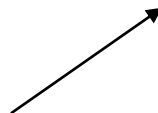# Degrees of product/service innovativeness

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

Risk Taking: Mapping different type of risks

Total Risk

TR = f (SBR, MBR)

Missing the boat risk curve

Sinking the boat risk curve

Planning Time
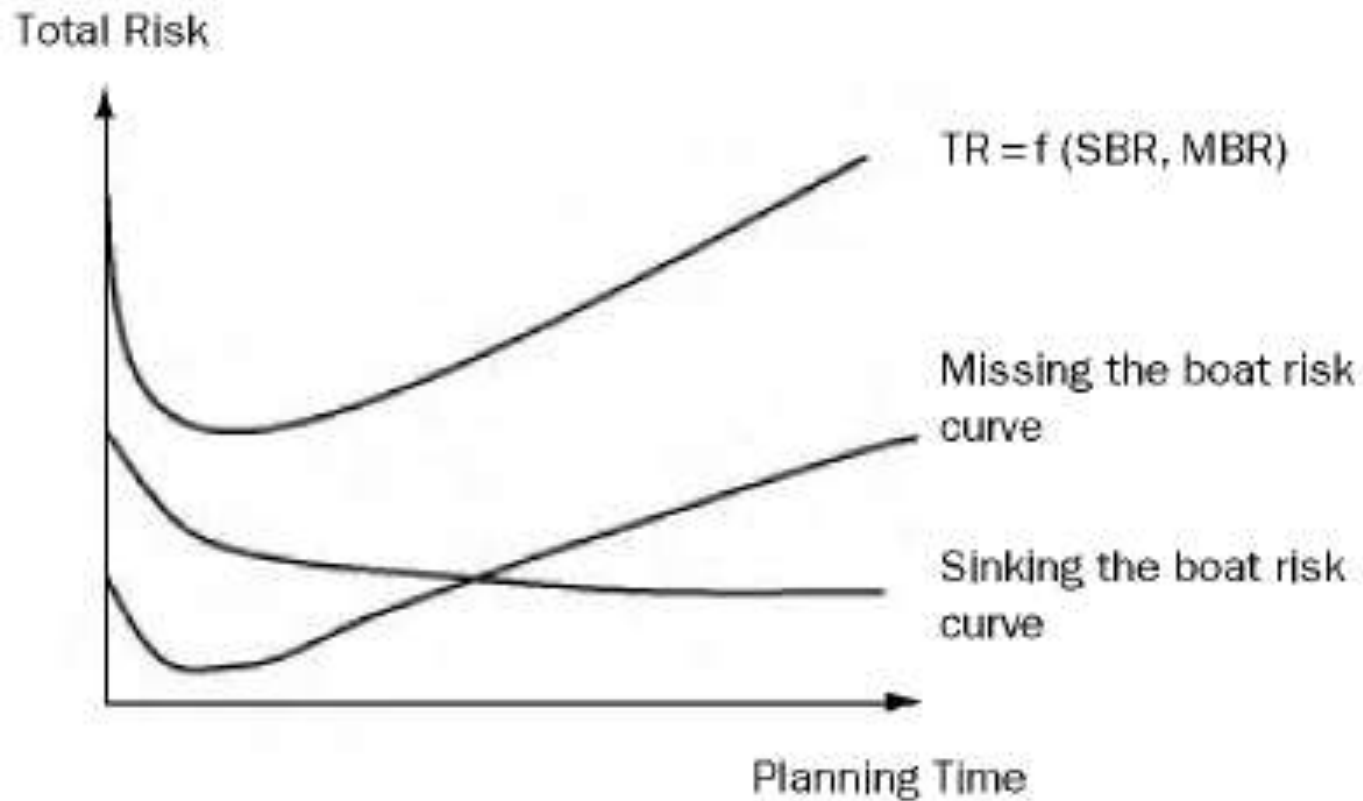
Linking different type of innovation approaches to risk
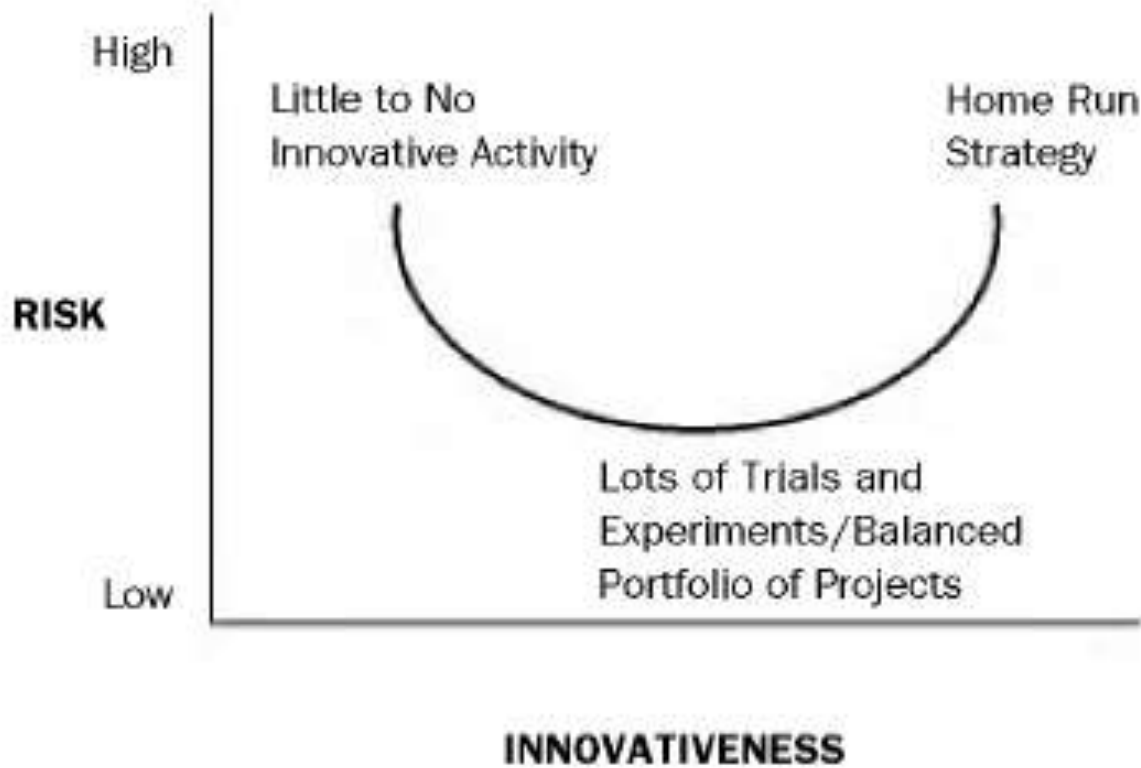
Linking different type of innovation approaches to risk
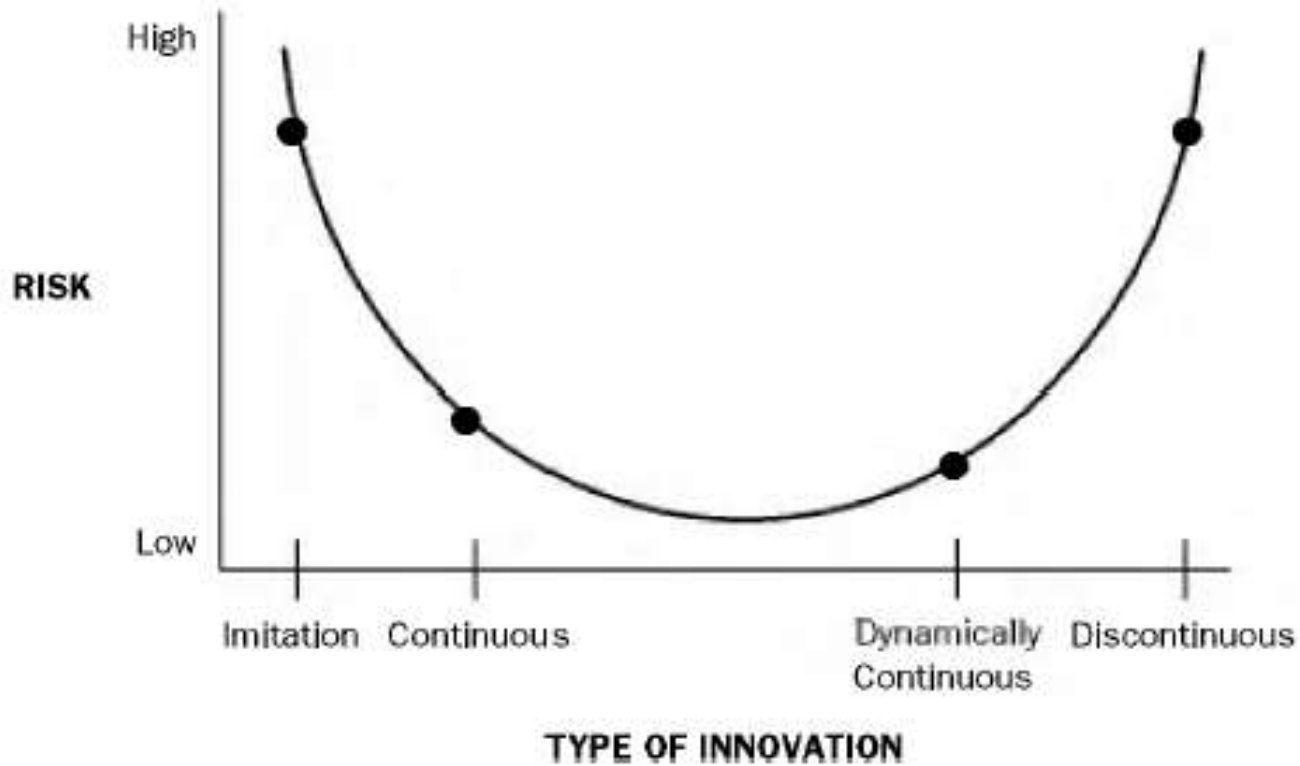
Proactiveness

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

Combinations of dimensions

The Entrepreneurial Grid
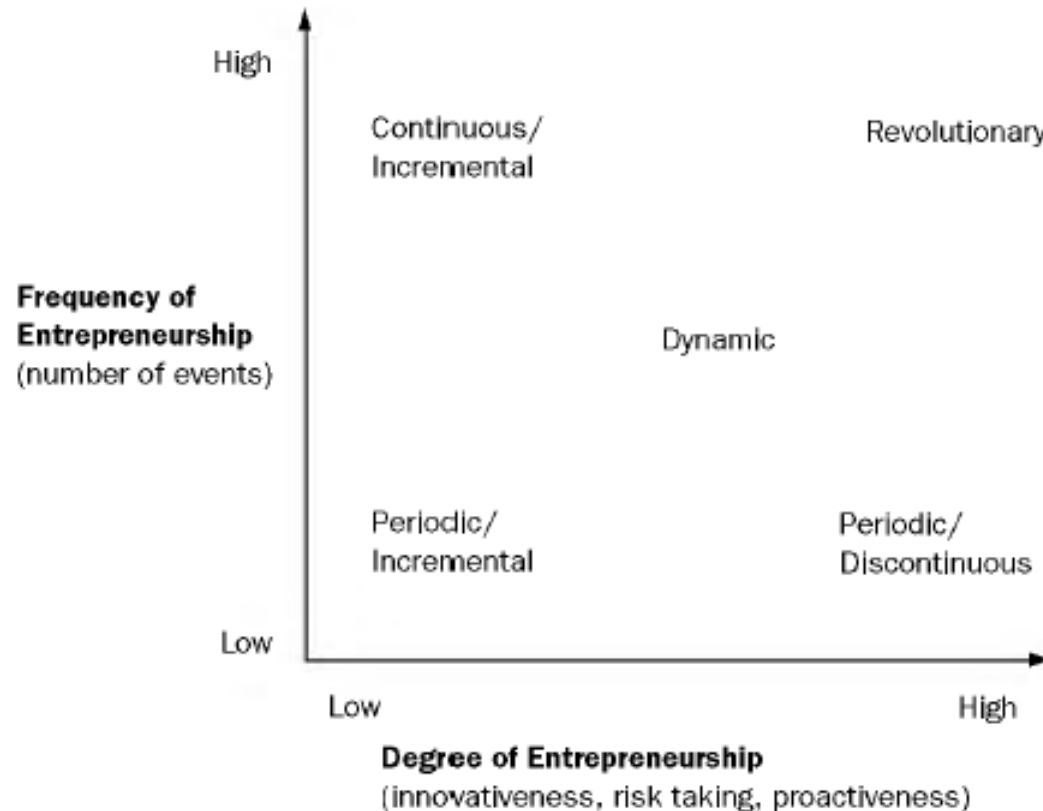
Entrepreneurial Grid Exercise

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

Use and Implications

- Where does your company position itself on the entrepreneurial grid ?
- Where would you like to be?
- Are there indications that Entrepreneurial Frequency is important in the industry?
- Are there indications that Entrepreneurial Degree is important in the industry?
- How many entrepreneurial events did your company record last year? How innovative?
- What could you do the next 3 years to increase the Entrepreneurial Intensity?

TABLE 13-1

Measuring the Firm's Entrepreneurial Intensity (EI)*

(Please note that questions 4, 6, 7, and 11 are reversed scaled)

I. Company Orientation

For the following statements, please circle the number that best corresponds to your level of agreement with each statement.

Our company is characterized by:

	Strongly Agree				Strongly Disagree
1. A high rate of new product/service introductions, compared to our competitors (including new features and improvements)	1	2	3	4	5
2. An emphasis on continuous improvement in methods of production and/or service delivery	1	2	3	4	5
3. Risk taking by key executives in seizing and exploring chancy growth opportunities	1	2	3	4	5
4. A "live and let live" philosophy in dealing with competitors	1	2	3	4	5
5. Seeking of unusual, novel solutions by senior executives to problems via the use of "idea people," brainstorming, etc.	1	2	3	4	5

(Continued)

TABLE 13-1 (Continued)

Measuring the Firm's Entrepreneurial Intensity (EI)*

6. A top management philosophy that emphasises proven products and services, and the avoidance of heavy new product development costs

| | 1 | 2 | 3 | 4 | 5 |

In our company, top-level decision making is characterized by:

	Strongly Agree			*Strongly Disagree*	
7. Cautious, pragmatic, step-at-a-time adjustments to problems	1	2	3	4	5
8. Active search for big opportunities	1	2	3	4	5
9. Rapid growth as the dominant goal	1	2	3	4	5
10. Large, bold decisions despite uncertainties of the outcomes	1	2	3	4	5
11. Compromises among the conflicting demands of owners, government, management, customers, employees, suppliers, etc.	1	2	3	4	5
12. Steady growth and stability as primary concerns	1	2	3	4	5

II. New Product Introduction

1. What is the number of new products your company introduced during the past two years?

	Significantly Less		Same	Significantly More	
2. How many product improvements or revisions did you introduce during the past two years?	1	2	3	4	5
3. How does the number of new product introductions at your organization compare with those of your major competitors?	1	2	3	4	5
	Not at all			To a great extent	
4. To what degree did these new product introductions include products that did not previously exist in your markets ("new to the market")?	1	2	3	4	5

III. New Service Introduction (for those who sell services)

1. What is the number of new services your company introduced during the past two years? _____

	Significantly Less		Same		Significantly More
2. How many existing services did you significantly revise or improve during the past two years?	1	2	3	4	5
3. How does the number of new service introductions your company made compare with those of the competitors?	1	2	3	4	5
	Not at all				To a great extent
4. To what degree did these new service introductions include services that did not previously exist in your markets?	1	2	3	4	5

IV. New Process Introduction

1. Please estimate the number of significant new methods or operational processes your organization implemented during the past two years. Examples of process innovations include new systems for managing customer service or inventories, an improved process for collecting receivables, a major new sales or distribution approach, etc.

_____

*El Questionnaire adapted from D. Miller, "The Correlates of Entrepreneurship in Three Types of Firms," _Management Science_, 29(3), 1983: 770–791 and M. H. Morris, and D. F. Kuratko, _Corporate Entrepreneurship_, Dallas, TX: Harcourt Press, 2002.

Drivers of Corporate Entrepreneurship

Factors that can influence the entrepreneurial activity in a company: The Corporate Entrepreneurship Value Chain

Strategy & Leadership			
Corporate Culture			
HR Systems			
Control Systems			
Organizational Structure			
Entrepreneurial Individuals	Creativity Management	Innovation Process Management	Corporate Venture Management
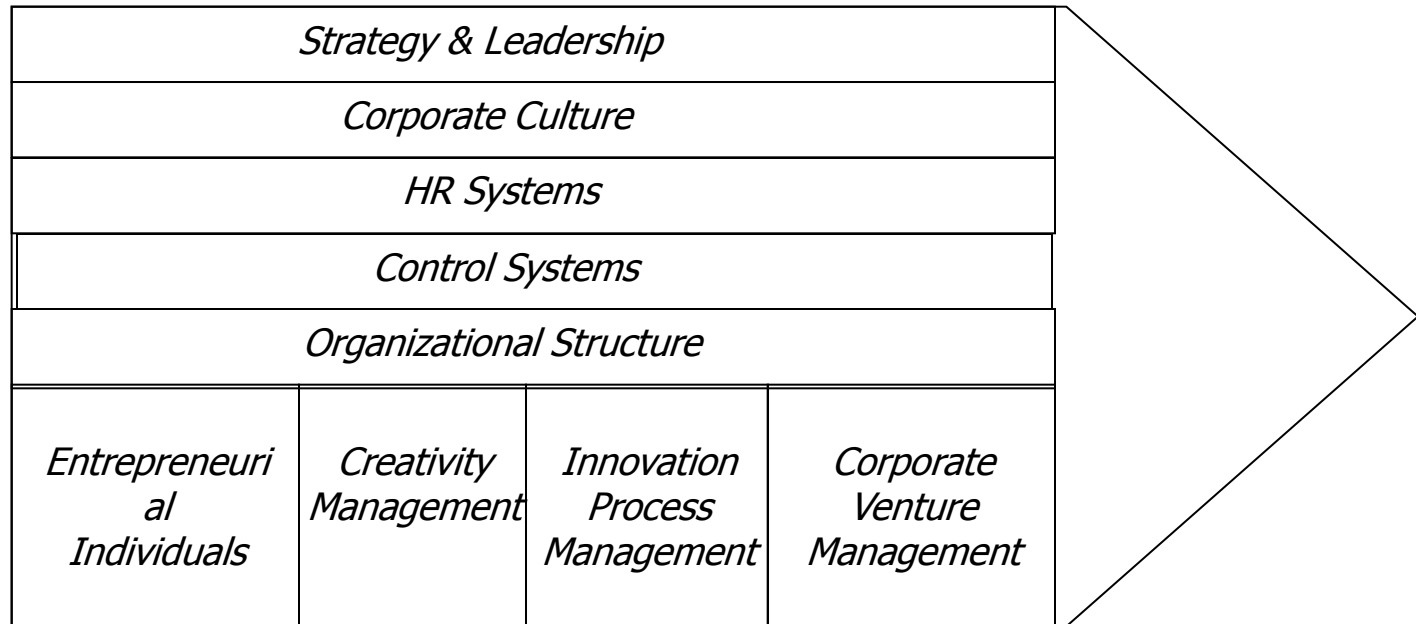
Source: Draebye, Forthcoming

Strategy, Leadership & Culture

Strategy & Leadership

- It's obviously important that the company has a strategy for entrepreneurship and innovation

- Strategy is defined as actions and decisions aimed at obtaining a specific goal. Without clear goal and objectives a strategy can not be crafted

- Companies can (should) as themselves a number of guiding questions that can help them define entrepreneurship & innovation goals (see next slides)

Towards a strategy for entrepreneurship

1. Where does the firm want to position itself on the entrepreneurial grid (see Chapter 3)? From an overall standpoint, is the firm's strategy one of high frequency and low degree of entrepreneurship, high degree and low frequency, or some other combination? What is the firm's desired risk profile?

2. To what extent is the entrepreneurial emphasis in the company that of growing new businesses and starting new ventures outside the mainstream of the firm versus transforming the existing enterprise and its internal operations into a more entrepreneurial environment?

3. In what areas does the firm want to be an innovation leader versus innovation follower vis-à-vis the industry?

4. In what areas of the firm is management looking for higher versus lower levels of entrepreneurial activity? Which business units or product areas are expected to innovate the most? Which departments are expected to be the real home for entrepreneurship, setting direction and providing leadership for the rest of the firm?

5. What is the relative importance over the next three years of product versus service versus process innovation? What is the relative importance of new versus existing markets?

6. To what extent is innovation expected to come from senior management, middle management, or first-level management? Is there clear direction in terms of the types of innovation expected at each level?

Towards a strategy for Innovation

1. The company makes a strong commitment to an active policy of finding and developing new products, with top management heavily involved in project initiation and support.

2. Innovation is defined as a company-wide task, not simply the responsibility of an R&D department or new product development department in isolation.

3. Strategies are formulated for the nature of the new products and services to be developed, including the extent to which innovation projects are concentrated around the firm's current product line or are more diversified, and the desired levels of innovativeness, quality, and customization.

4. Strategies are formulated for the nature of the technologies to be utilized in new products and processes.

5. Strategies are formulated for the types of markets to be served through the firm's innovative efforts, including how new or mature these markets are in general, and the newness of these markets to the firm.

6. There is a clear sense of how aggressive or defensive the innovation efforts of the firm are intended to be and a clear understanding of the planned levels of resource commitment to innovation as a percentage of company revenues.

7. The company has a planned approach for sourcing new product ideas, and a policy regarding the relative reliance on external (i.e., outsourced or licensed) versus internal product development.

Innovation Portfolio Goals

- Portfolio goals is an alternative to the more undifferentiated "project" approach
- With a portfolio approach, projects are classified to manage the innovation pipeline in terms of
  - Risk/degree of innovativeness
  - Development stage/Lead Time/Project Time
  - Industries (Business Units)
  - Investment/Costs
  - Expected Returns

Innovation Portfolio (Development Projects)

FIGURE 8-2

The Innovation Portfolio: Classifying Innovation by Type and Level of Newness
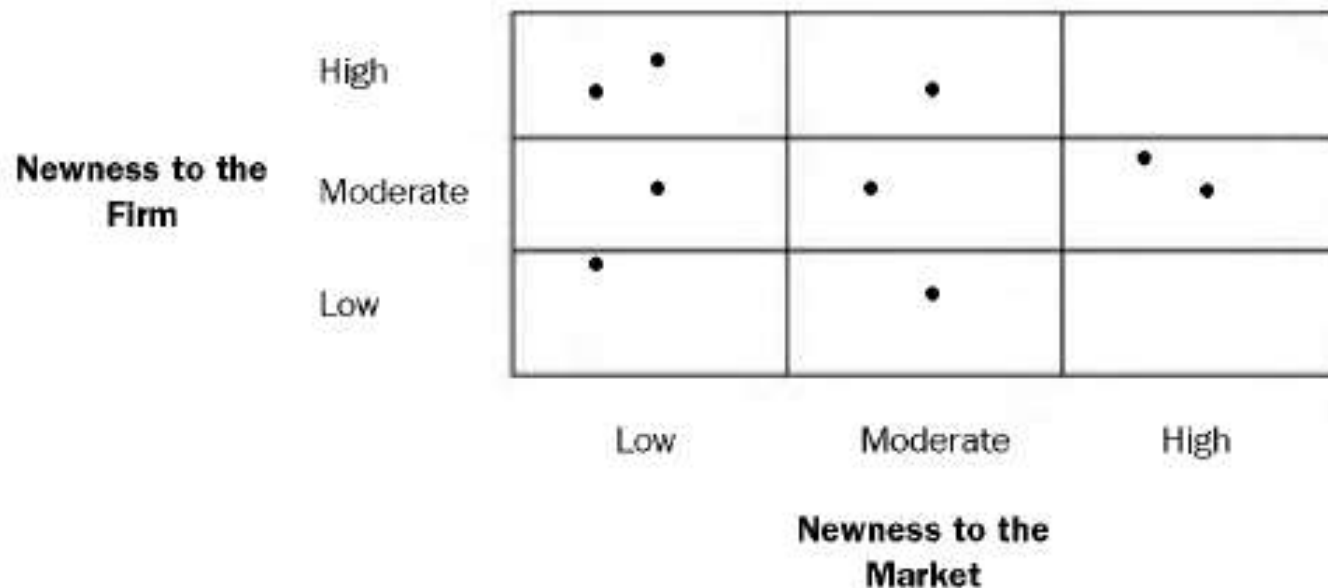
Key: Each dot represents an innovative product or service or process project on which the firm is working.

Innovation Portfolio – Risk Profiles 1

TABLE 8-3

Characteristics of Different Types of Innovation

Category	Risk	Potential Return	Investment Required	Number of People Involved	Level of Management Approval	Development Cycle
New to the world	High	High	Major	20–35	Director level	3–4 years
New to market	High	High	Major	10–15	Director level	2–4 years
New product line	Moderate	High	Major	10–15	Director level	1–3 years
Extension of existing line	Moderate	Moderate	Moderate	5–6	Business unit level	18 months
Product revision	Low	Moderate	Low	3–5	Product manager	6–12 months
Product support innovation	Low	Low	Low	1–3	Functional manager	3–6 months

Innovation Portfolio – Risk Profiles 2

FIGURE 8-3

New Product/Service Opportunity Matrix

Firm's Knowledge Pertaining to the New Products'/Service's Targeted Market		Low	Medium	High
	High	Moderate Innovation Success Probability	High Innovation Success Probability	Highest Innovation Success Probability
	Medium	Low Innovation Success Probability	Moderate Innovation Success Probability	High Innovation Success Probability
	Low	Lowest Innovation Success Probability	Low Innovation Success Probability	Moderate Innovation Success Probability

Firm's Knowledge Pertaining to the New Product's/Service's Core Technology

Setting goals and objectives: Example

A. Projects in development at any one point	11
New products	
■ New to the market	1
■ New to company/new product lines	1
■ New products in existing lines	2
Product revisions	
■ Product improvements/new features	2
■ Products in new markets/market segments	1
■ Product repositionings	1
Product support	
■ New selling approaches	0
■ New distribution approaches	1
■ New marketing approaches	1
■ New administrative approaches	1
B. New product launches	4 per year
C. Average development cycle time*	
■ New products	18 months
■ Product revisions	6 months
D. Average development cost	
■ New products	$2 mil
■ Product revisions	$1.1 mil
■ Product support	$240,000
E. Percentage of total company revenue in three years' time that is to come from products not currently on the market	35%
F. Percentage of each manager's time spent on innovative activity	10%
G. Average ROI on new product development projects	30%

Best Innovation Practises -1

- CEO Support
- Giving Priority to Innovation
- Change Management Skills
- Innovation and creativity in mission statement
- Openness to outside ideas
- Formal programs for idea generation and problem solving
- Cross functional communication
- Encouraging employees to talk to customers
- R&D budgets and focus on product development
- Having an innovation budget
- Providing rewards for individual creativity and innovation
- Productive meetings

Some other findings (not best practises). Survey of 189 large US active product innovators

- Average project development time: 2.95 years
- Only 56% of companies adopted a portfolio / goal approach
- Tracking of financial performance of development projects in place in 76% of companies
- Average idea-to-development project ratio is 7:1
- Average yearly new product launch for sample was 37.5 (median 12). Number expected to increase to 45 (20)
- 30% of revenues in sample stemmed from products launched in last 5 years
- 56% of projects met financial succes-criteria

Source: Page: "Assesing NPD practises and performance"
Journal of Product Innovation Management

In addition to hard objectives an entrepreneurship and innovation friendly environment also rely on

1. **Values:** The things that employees think are worth having or doing or are intrinsically desirable; values express preferences for certain behaviors and outcomes; entrepreneurial values might include creativity, integrity, perseverance, individualism, achievement, accountability, ownership and change, among others;

2. **Rules of conduct:** Accepted norms and rules in the company; the behaviors that represent accepted ways to attain outcomes; the general understanding regarding everything from ethical behavior to how an employee dresses, to whom an employee speaks, and appropriate behavior styles in a meeting;

3. **Vocabulary:** The language, acronyms, jargon, slang, signs, slogans, metaphors, gestures, gossip, and even songs that are commonly used in the company—could include proverbs such as 3M's "never kill a product idea";

4. **Methodology:** The perception of how things actually get accomplished in the company, such as the reliance on rational processes, politicking, or rule-bending—for instance, having a sponsor and preparing a business plan with certain key ingredients might be part of the methodology for innovating in a company;

5. **Rituals:** Rites, ceremonies, and taboos, including random recognition ceremonies, annual off-site conferences, Christmas parties, as well as how employees are welcomed, let go, retire; the awarding of a pink Cadillac at Mary Kay Cosmetics is a ritual;

6. **Myths and Stories:** The histories, sagas, mythologies, and legends of an organization; includes a sense of "who are the heroes in this company"; entrepreneurial companies not only have legends and ways to continually retell stories of how past heroes did unusual things but they also create new heroes and role models all the time;

Levels of culture
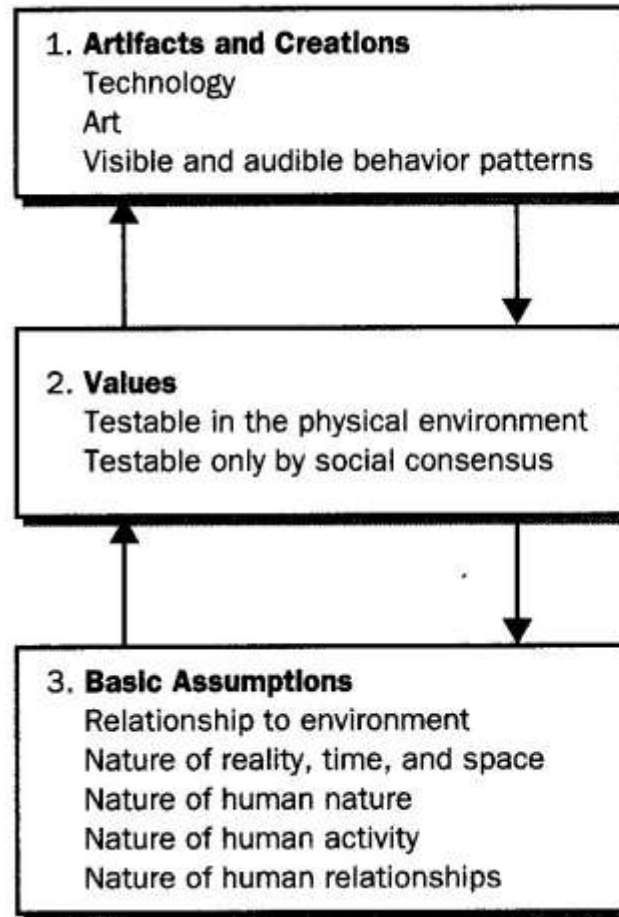
Traits of E-Culture

- People and empowerment focused;
- Value creation through innovation and change;
- Attention to the basics;
- Hands-on management;
- Doing the right thing;
- Freedom to grow and to fail;
- Commitment and personal responsibility;
- Emphasis on the future and a sense of urgency.

Individualism vs Collectivism

- Good or bad for e-ship

Individualism vs Collectivism

Positive Aspects

Individualism

- Employee develops stronger self-concept, more self-confidence
- Consistent with achievement motivation
- Competition among individuals encourages greater number of novel concepts and ideas; breakthrough innovations
- Stronger sense of personal responsibility for performance outcomes
- Linkage between personal effort and rewards creates greater sense of equity

Collectivism

- Greater synergies from combined efforts of people with differing skills
- Ability to incorporate diverse perspectives and achieve comprehensive view
- Individuals treated as equals
- Relationships more personalized, synchronized, harmonious, while interpersonal conflicts are discouraged
- Greater concern for welfare of others, network of social support available
- More consensus regarding direction and priorities
- Credit for failures and successes equally shared
- Teamwork produces steady, incremental progress on projects

Negative Aspects

Individualism

- Emphasis on personal gain at expense of others, selfishness, materialism
- Individuals have less commitment/loyalty, are more "up for sale"
- Differences among individuals are emphasized
- Interpersonal conflicts are encouraged
- Greater levels of personal stress, pressure from individual performance
- Insecurity can result from overdependence on self
- Greater feelings of loneliness, alienation, and anomie
- Stronger incentive for unethical behavior, expediency
- Onus of failure falls on the individual

Collectivism

- Loss of personal and professional self to group/collective
- Greater emotional dependence of individuals on the group or organization
- Less personal responsibility for outcomes
- Individuals "free ride" on efforts of others, rewards not commensurate with effort
- Tendency toward "group think"
- Outcomes can present compromises among diverse interests, reflecting need to get along more than need for performance
- Collectives can take more time to reach consensus, may miss opportunities

Balance is needed
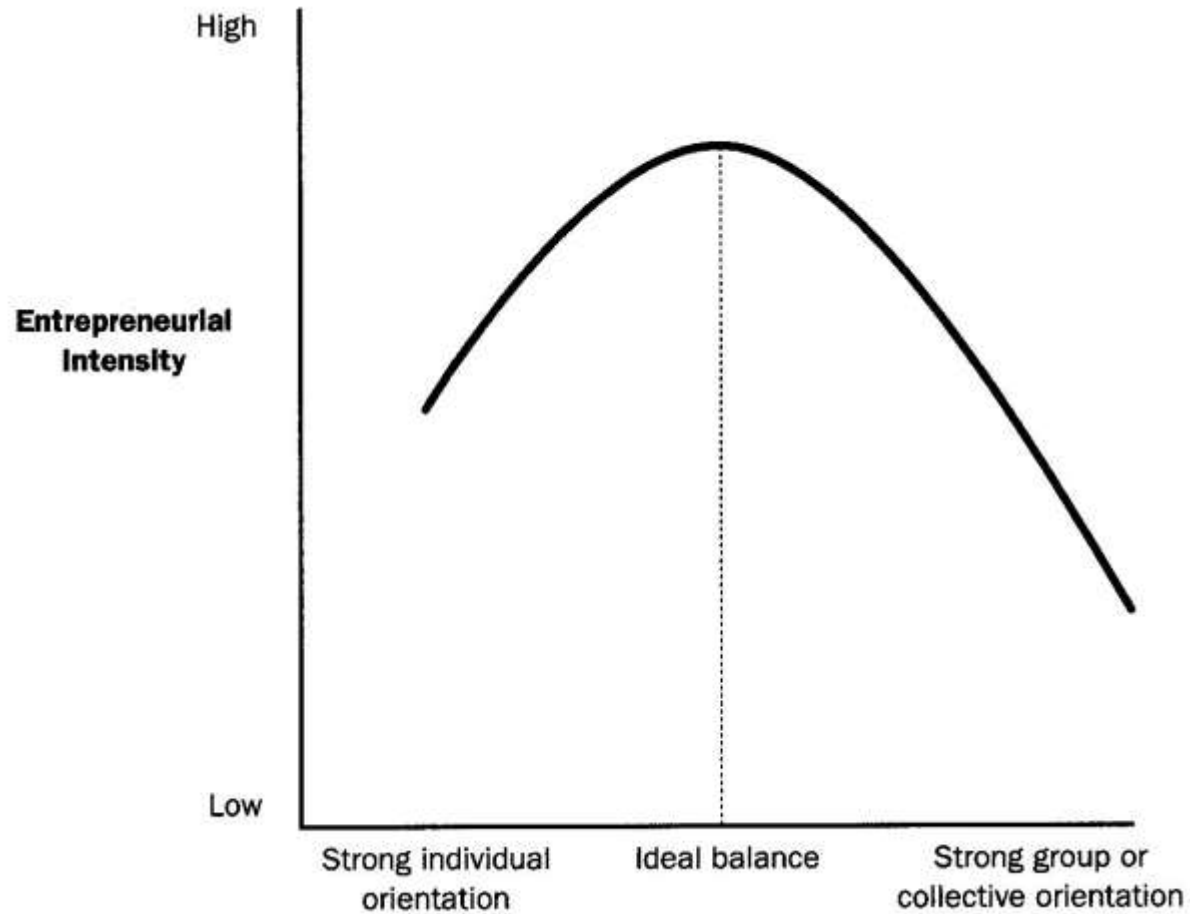
Other important element:
Failure tolerance

Failure ————————————————|—— **Success**

10

Vs.

Failure ————————————————|—————————→ 10

10

Success
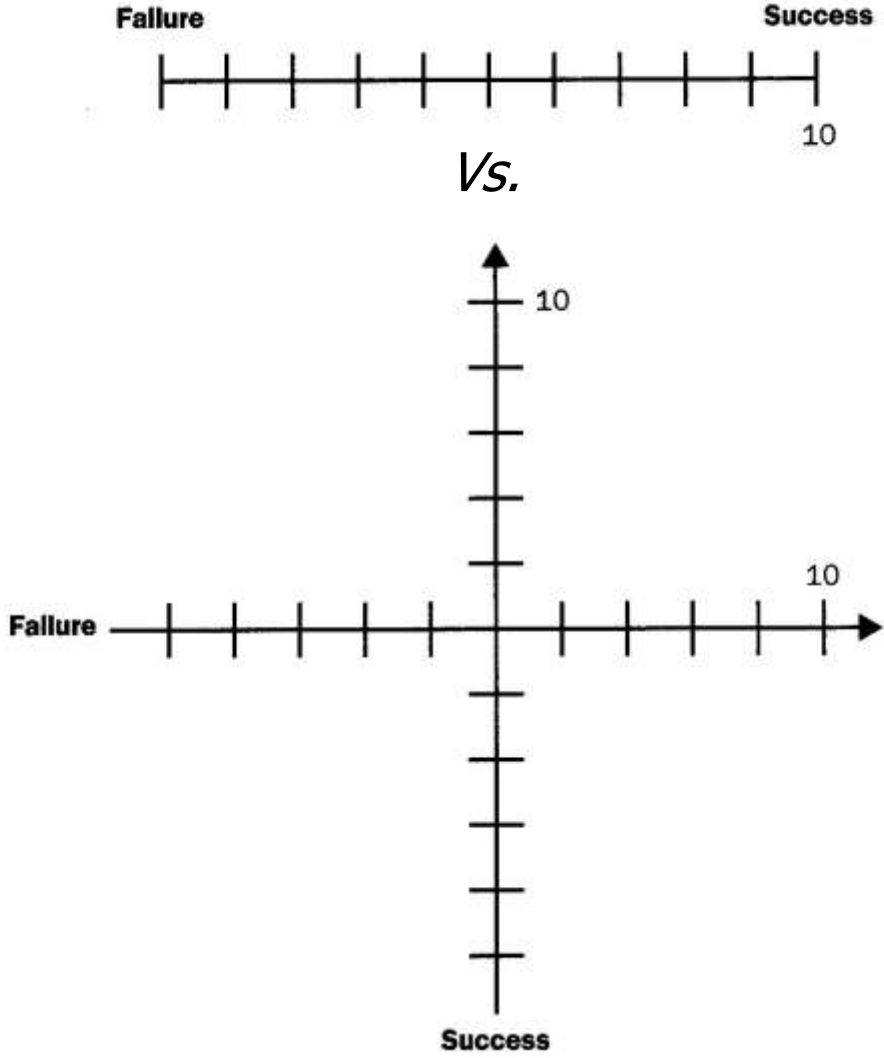
Creativity management

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.
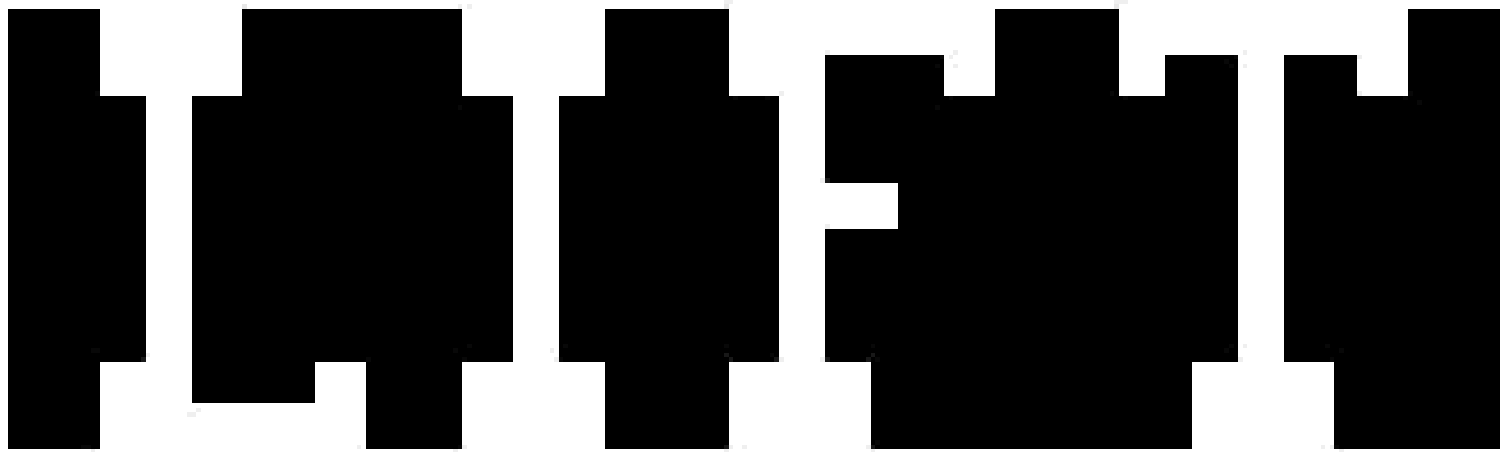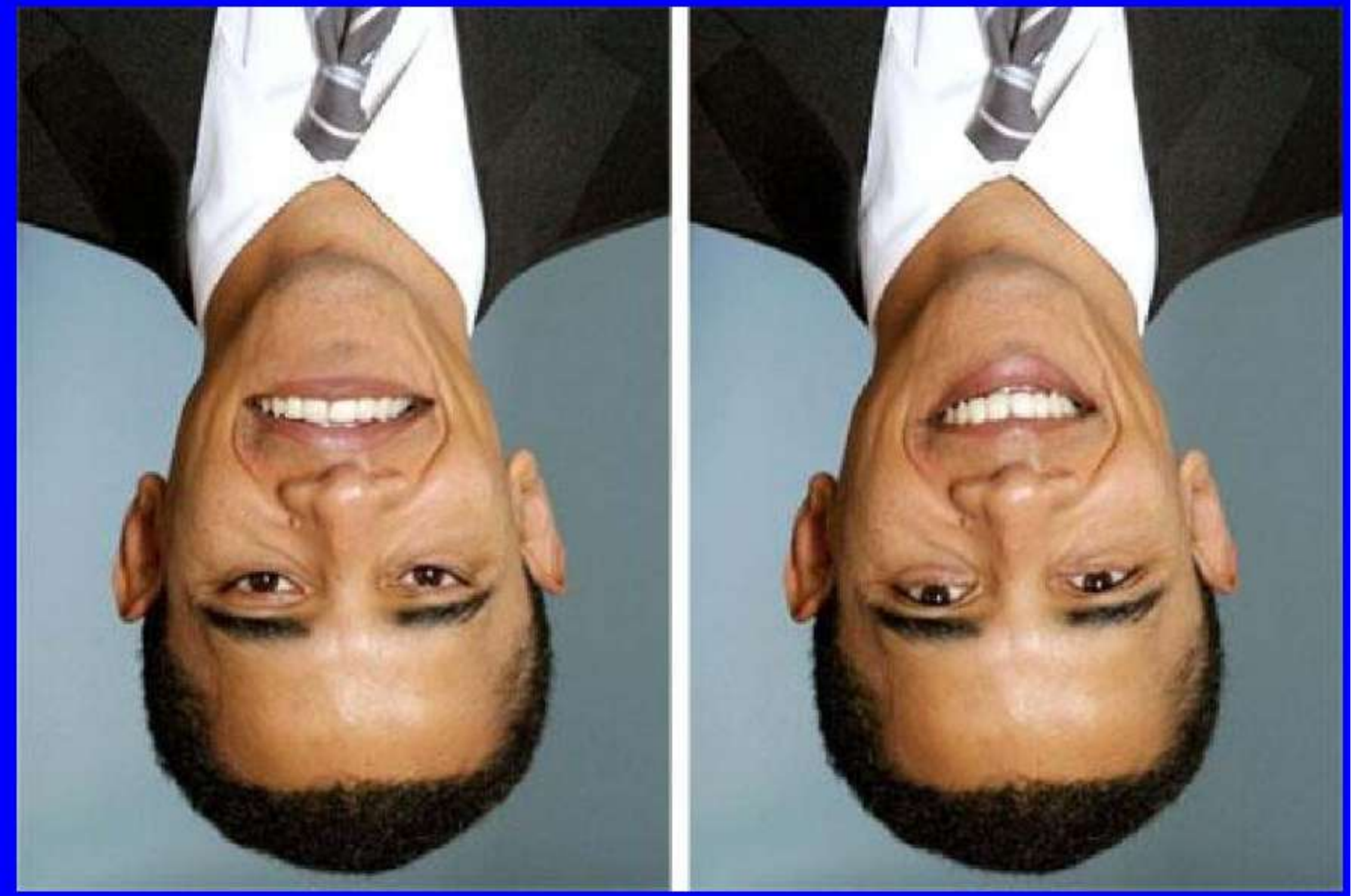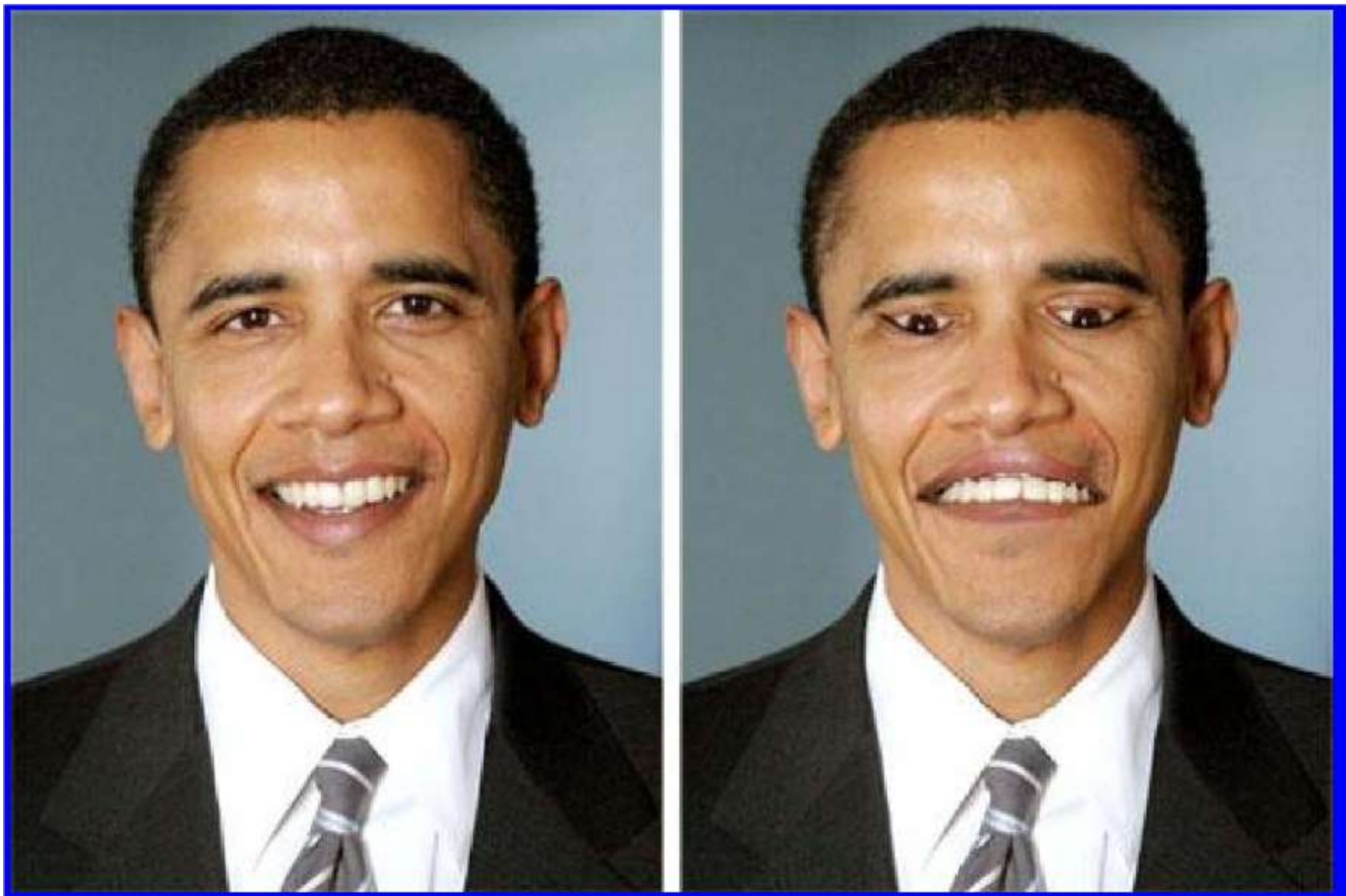
Look at the chart below and say the **COLOR** not the word

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

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

FIGURE 6.2

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

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

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

C. Organized, planned, detailed

D. Interpersonal, emotional, people-focused

SOURCE: Ned Herrman Group.

Different roles

THE CREATIVE PROCESS:

116

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                          CREATIVITY
```

The Explorer	The Artist	The Judge	The Warrior

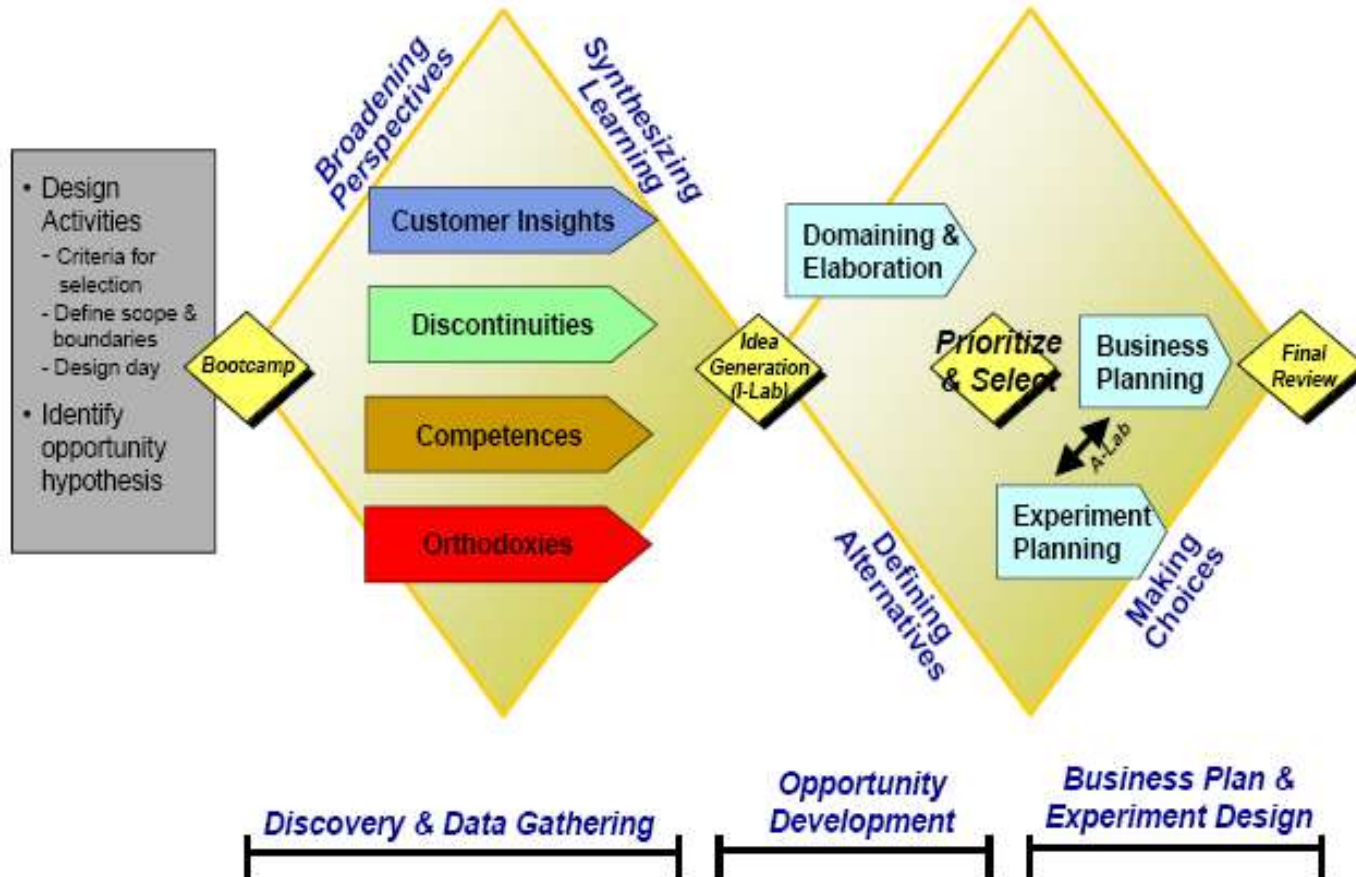| Searches for information by:	Turns information into ideas by:	Evaluates and incorporates ideas through:	Implements ideas by:
Being curious	Adapting		Being bold
Setting objectives	Imagining	Objectivity	Developing plans
Observing other fields	Reversing	Positivity	Motivating
Generating lots of ideas	Linking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

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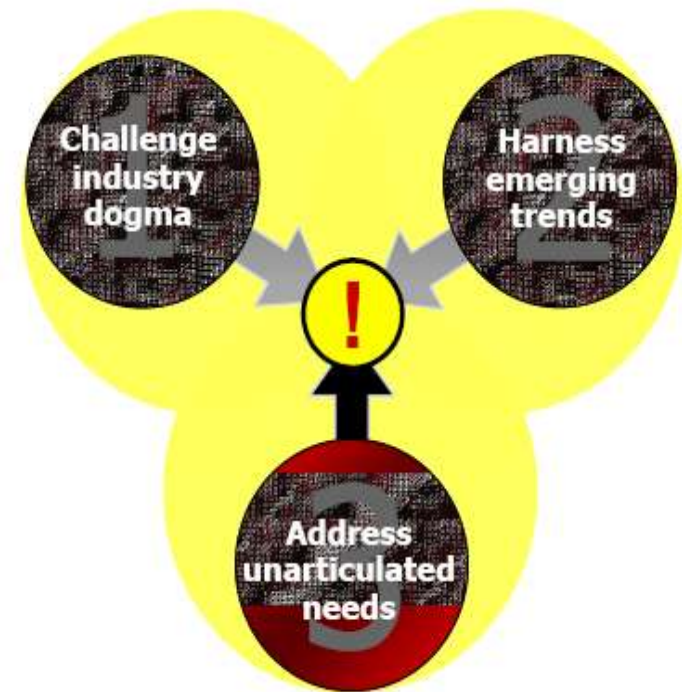
Innovation Lab

Source: Strategos

Framework for forcing Ideation

- Client need perspective
  - Unmet
  - Unsolved problems
  - Unarticulated
- Client experience perspective
  - Tool: Describe-Value-Appreciate (adopt)
    - IKEA
    - Benetton
    - Swatch
    - Amazon
- Challenging Industry orthodoxies
  - Tool: Identify – Appreciate
- Trends
  - Tool: Identify - Appreciate
- |Core competencies

Source: Strategos Innovation Lab

Customer Insights:

- Men are relegated to the garage

New Needs?

- Heavy duty appliances suitable for the garage

Orthodoxies:

- Appliances are sold to women

Challenge?

- Who else would use appliances?

Core Competence:

- Low cost, high-quality, stationary electro-mechanical

Leverage?

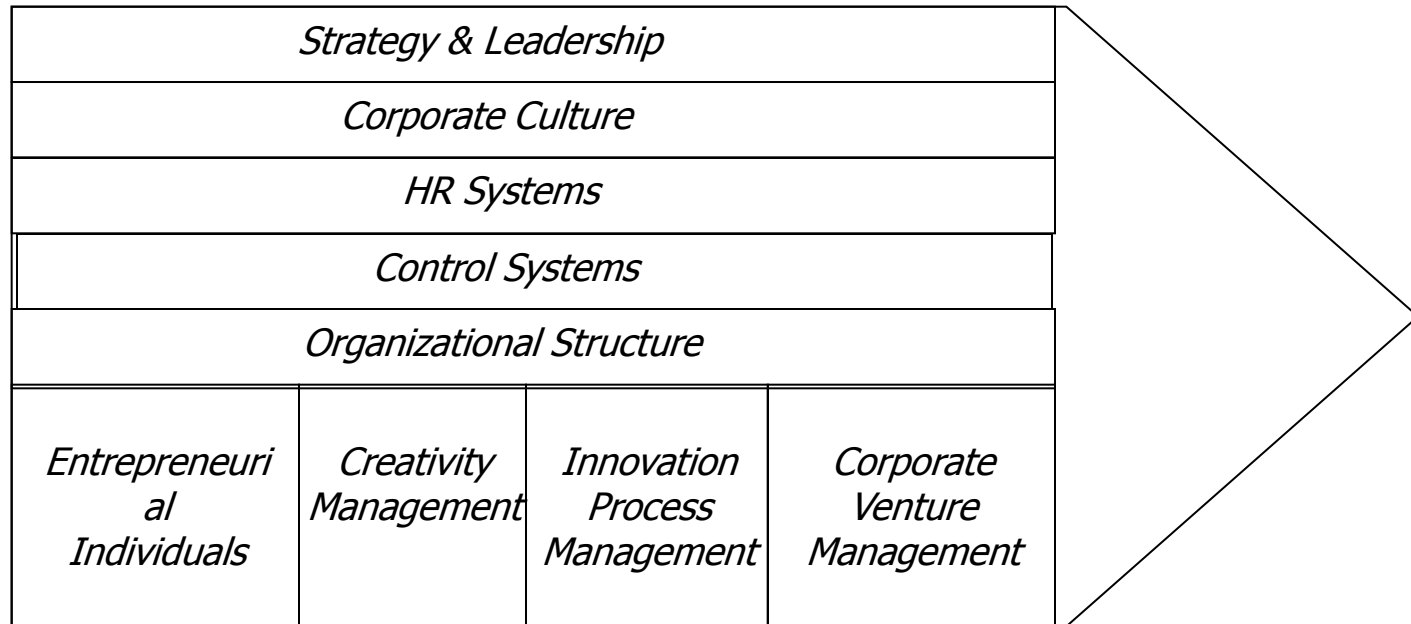- What other types of boxes could we produce beyond fridges, etc.?

Whirlpool HOME APPLIANCES

Example: Gladiator

IT'S TIME TO RETHINK THE GARAGE.™

Agenda day 3

- Mid-way pop quiz on chapters 1-7 + 14 and cases
  - NOT, but I would like us to do a half-way recap of what we have established so far
- Strategy, Leadership, Culture Lecture – Follow up questions & comments
- Creative processes : Strategos Innovation Lab add-on
- Theme of the day: How HRM and OD can affect the entrepreneurship and innovation climate of an organizations
  - Brain-cell warm-up break-out session
  - 2 lectures (theory, research findings and examples)
  - Oticon case study discussion
- Whirlpool Guest Speakers

Factors that can influence the entrepreneurial activity in a company: The Corporate Entrepreneurship Value Chain

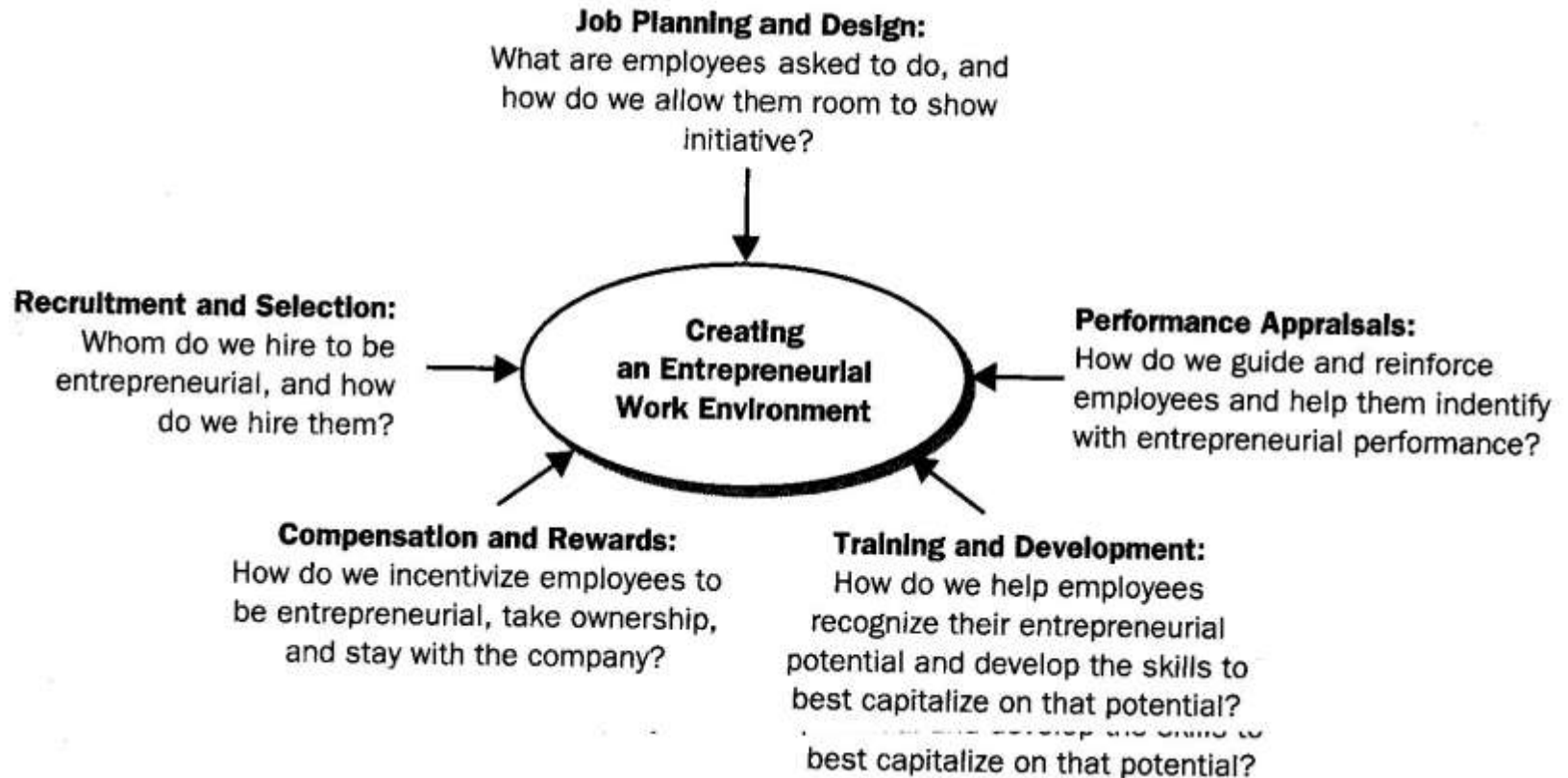| Strategy & Leadership			
Corporate Culture			
HR Systems			
Control Systems			
Organizational Structure			
Entrepreneurial Individuals	Creativity Management	Innovation Process Management	Corporate Venture Management

Source: Draebye, Forthcoming

Human Resource Management

Examples of HR activities

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)

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?
best capitalize on that potential?

Small Break-Out session (30 min). Plenary debriefing on point 2

- For each of the 5 groups of HR activities:

1. Share your company's practises and reflect on their relation with creating and entrepreneurship "friendly" work-environment. Be ready to share "friendly" and "unfriendly" practises (we'll leave "neutral" alone)

2. If the purpose was to "increase friendliness", do you have any ideas / suggestions on practises that could be implemented?

| 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

	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	4.21	6.17	.015

SOURCE: M. H. Morris and F. Jones, "Relationships Among Environmental Turbulence, Human Resource Management, and Corporate Entrepreneurship," Journal of Business and Entrepreneurship, 7 (1995): 161–176.

Motivating and encouraging Entrepreneurial Behavior
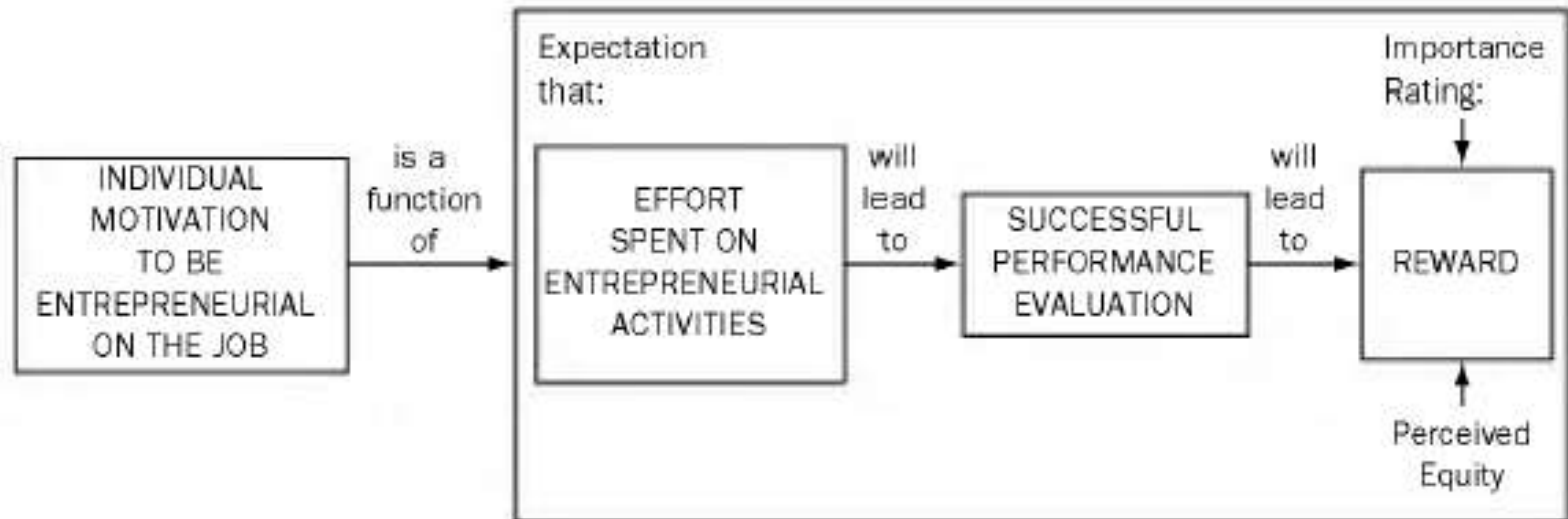
Obstacles

- 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 without 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 observed e-ship friendly HR practises

- 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 the previous table
- Pick your top 3 notties from the previous table

What the Gurus Say:
9 general principles for e-ship friendly

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 R. Kanter, *Innovative Reward Systems for the Changing Workplace*, New York: McGraw–Hill Publishers, 1994.

Not just output -1

- Pearce (1997) asked 1500+ employees evaluate their bosses on 11 variables that had been identified as characteristic for the "entrepreneurial manager":

  - Efficiently gets proposed actions through red tape and into practice

  - Displays enthusiasm for acquiring skills

  - Quickly changes course of action when results are not being achieved

  - Encourages others to take the initiative for their own ideas

  - Inspires others to think about their work in new and stimulating ways

  - Devotes time to helping others find ways to improve products and services

  - Goes to bat for good ideas of others

  - Boldly moves ahead with a promising new approach when others might be more cautious

  - Vividly describes how things could be in the future and what is needed to get there

  - Gets people to rally together to meet a challenge

  - Creates an environment where people get excited about making improvements.

Not just output -2

- 6 months after the evaluation, Pearce surveyed job satisfaction and found that high levels of job satisfaction was found in 62% of subordinates working with entrepreneurial managers – 3 times higher the level found in subordinates working with non-entrepreneurial managers. Levels of high levels dissatisfaction was reversely three times higher in this group (69%)
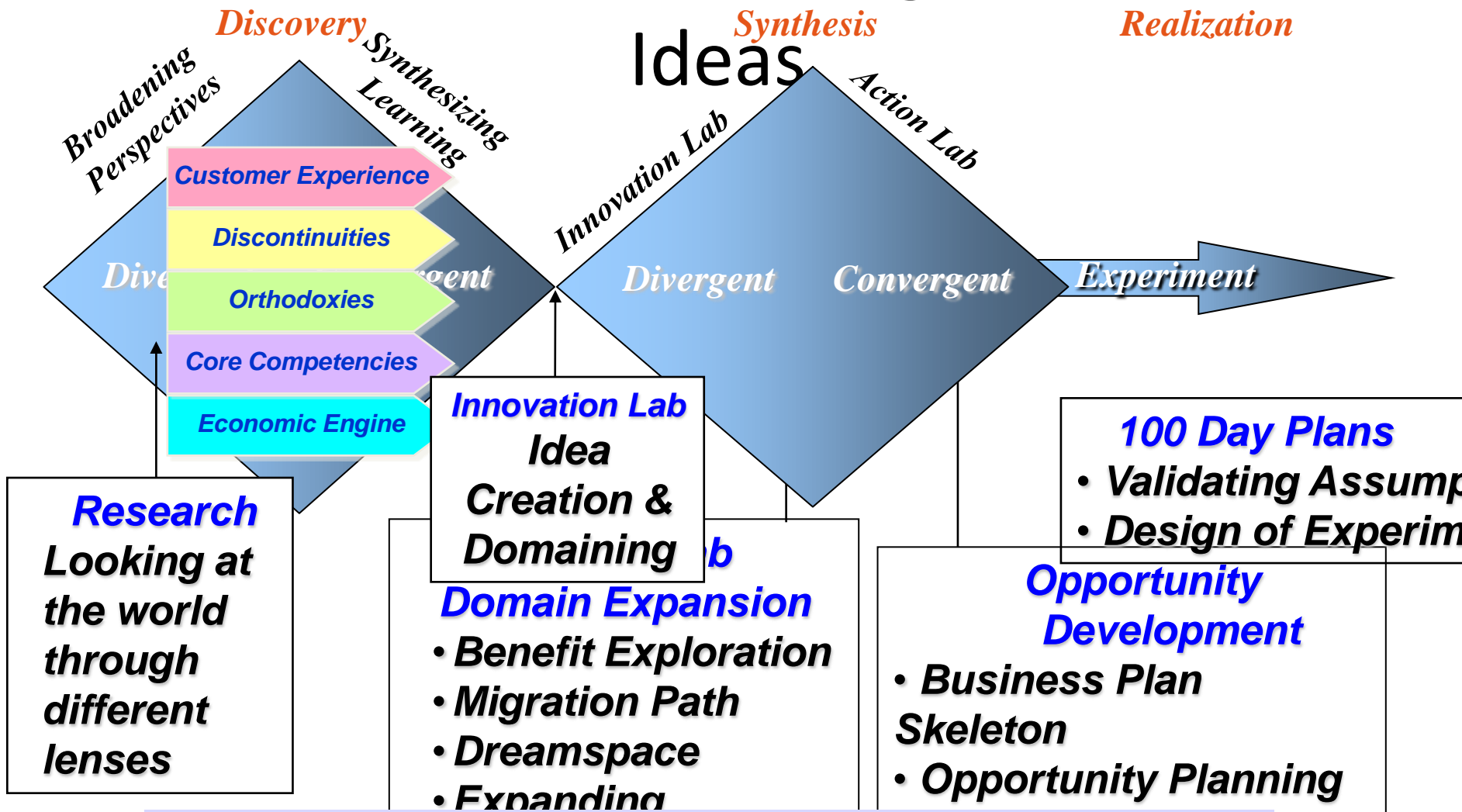
Agenda day 4

- Whirlpool follow-up
  - Some more detail on their (old) metrics and stage-gate model
  - Presentation of Strategos' Innovation Lab approach
- Oticon "theory": Organizational Systems and Structure
- From general context conditions (generic drivers of e-ship) to specific management tools and choices
  - Stage-gates, planning tools and organization of innovation projects in Lego
- Amplifon Guest Speaker
- Stage-gates, planning tools and organization of innovation projects in IBM

Whirlpool Innovation performance indicators

- 1. Customer loyalty index

- 2. Revenues generated by new, innovative products

- 3. New products gross margins and ROI
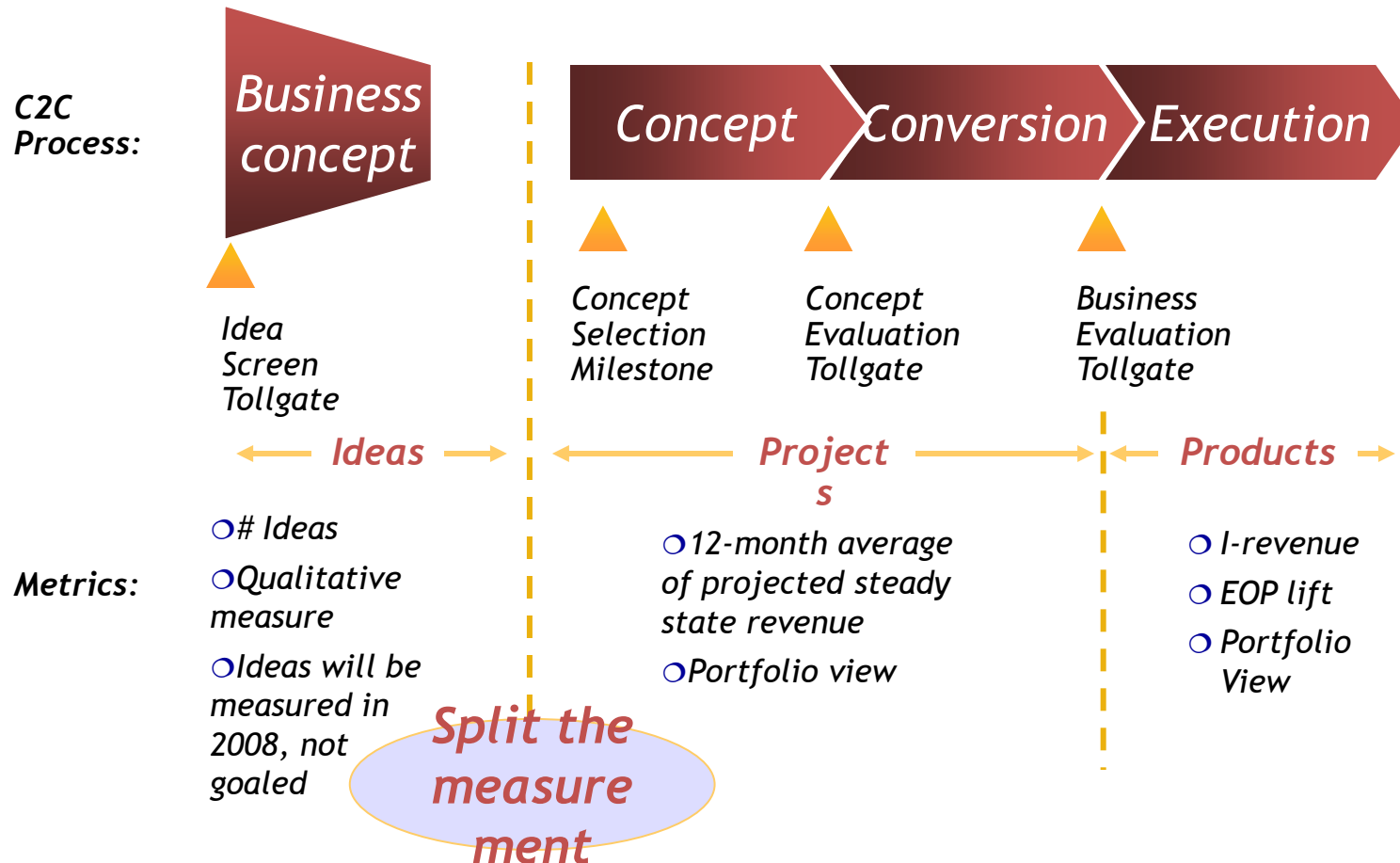
The Innovation Process
Structured Brainstorming to Generate Ideas

Discovery · Synthesis · Realization

Broadening Perspectives · Synthesizing Learning · Innovation Lab · Action Lab

Divergent · Convergent · Divergent · Convergent · Experiment

Customer Experience

Discontinuities

Orthodoxies

Core Competencies

Economic Engine

Research
Looking at the world through different lenses

Innovation Lab
Idea Creation & Domaining

Domain Expansion
- **Benefit Exploration**
- **Migration Path**
- **Dreamspace**
- **Expanding**

100 Day Plans
- **Validating Assump**
- **Design of Experim**

Opportunity Development
- **Business Plan Skeleton**
- **Opportunity Planning**

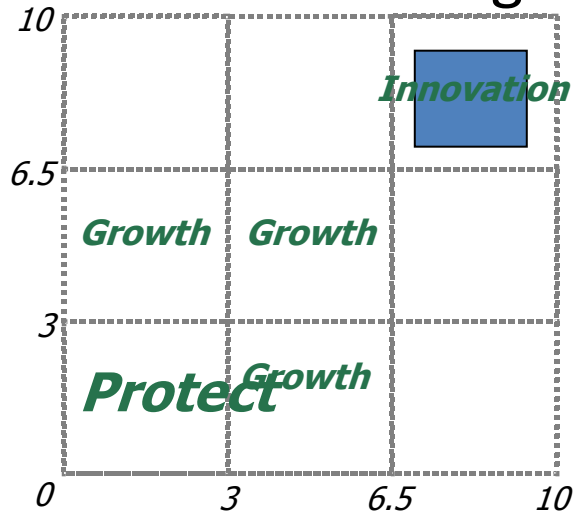*The tools are just tools – their real power comes from the dialogue and the ideas they stimulate.*

I-Pipe measurements

In order to monitor the health of the Innovation pipeline, a new indicator was added:

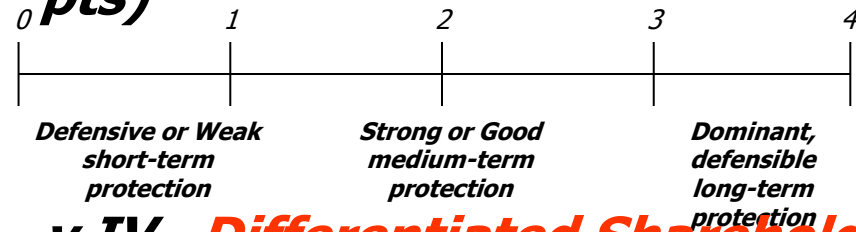*'potential revenues of products under development'.*

C2C Process:

Business concept

Concept **Conversion** **Execution**

Idea Screen Tollgate

Concept Selection Milestone

Concept Evaluation Tollgate

Business Evaluation Tollgate

← *Ideas* →   ← *Projects* →   ← *Products* →

Metrics:

- # Ideas
- Qualitative measure
- Ideas will be measured in 2008, not goaled

- 12-month average of projected steady state revenue
- Portfolio view

- I-revenue
- EOP lift
- Portfolio View

Split the measurement

Screening for Innovation – the I-Box Tool

Shareholder Value

10				
			Innovation	
6.5				
	Growth	*Growth*		
3				
	Protect	*Growth*		
0	3	6.5	10	

Customer Loyalty Relevance

x I. Compelling Solution Aligned to our Brands (5 pts)

```
1        2        3        4        5
├────────┼────────┼────────┼────────┤
```

Offering Delivers Benefits for Points of Parity (squares)   **Offering Delivers Benefits for the Supporting Brand Attributes (triangle)**   **Offering Delivers Benefits for the Main Brand Attribute (star)**

x II. Unique Customer Value (5 pts)

```
0     1     2     3     4     5
├─────┼─────┼─────┼─────┼─────┤
```

Nominal Advance (generally meets competition or competitive offering not met)   **Significant Advance (clearly above or generally outperforms competition)**   **Disruptive or Drastic Advance (no competitive comparison or step change above competition)**

y III. Competitive Advantage / Sustainable Migration Path (4 pts)

```
0        1        2        3        4
├────────┼────────┼────────┼────────┤
```

Defensive or Weak short-term protection   **Strong or Good medium-term protection**   **Dominant, defensible long-term protection**

y IV. Differentiated Shareholder Value (6 pts)

Steady-state annual inno net sales:

Regional brand / category net sales :

% of total branded product group sales:

Margin %:

Regional brand / category margin %:

Tollgate financial EVA:

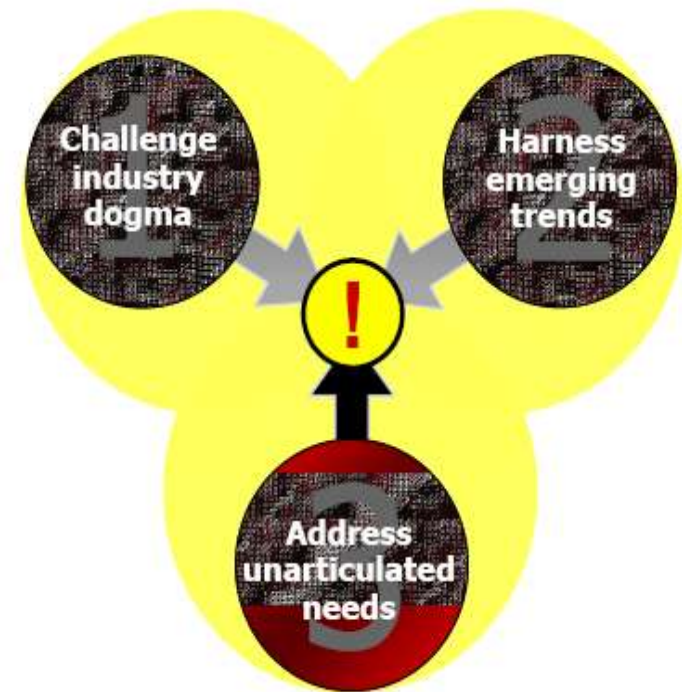Innovation Product project launches
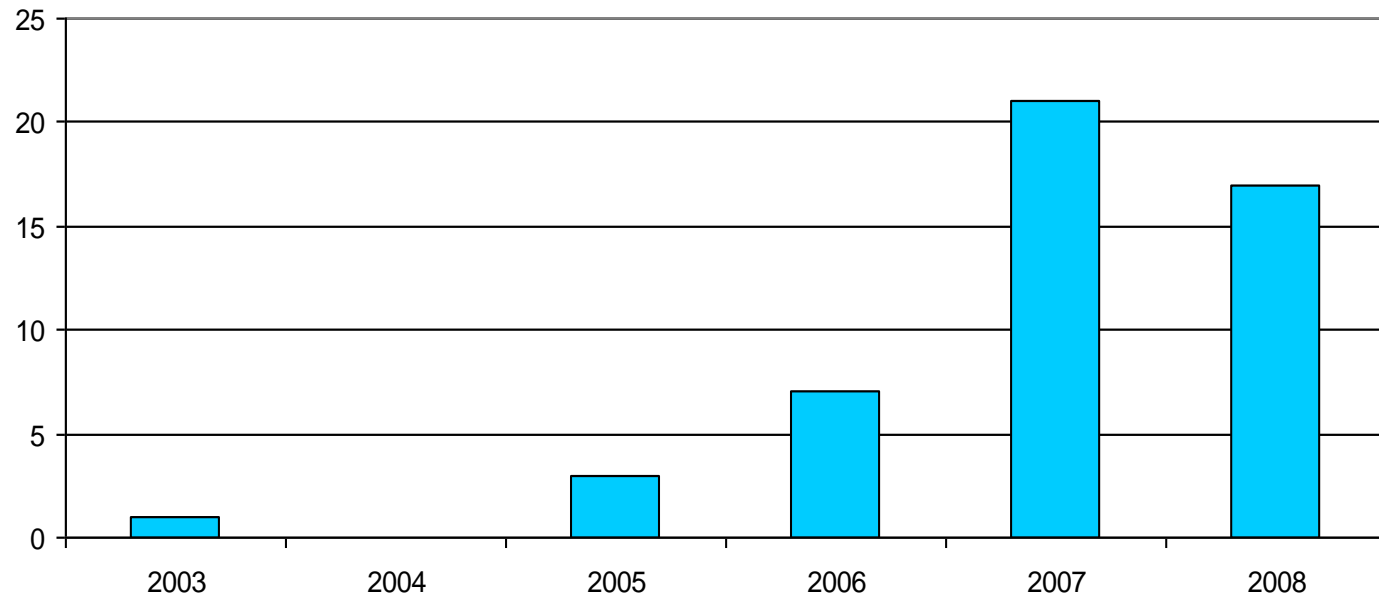
**WER innovation revenues
(M€ and % of Net Sales)**

Framework for forcing Ideation

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Leverage?

- What other types of boxes could we produce beyond fridges, etc.?

Whirlpool HOME APPLIANCES

Example: Gladiator

IT'S TIME TO RETHINK THE GARAGE.

Basic concepts and theories linking structure and control-systems to CE (Oticon theory)

In addition to "classical" HR Functions, also control systems can affect the degree to which employees engage in entrepreneurial events

- Elements to consider
  - What do we control
    - Input
    - Output
    - Process
    - Behavior

Some examples of Control Systems

Budgets
Production testing and monitoring equipment
Time clocks
Objectives
Purchasing policies
Hiring rules
Annual employee, department, and division reports
Production schedules
Customer satisfaction surveys
Job descriptions and job analysis
Sales quotas
Cameras
Efficiency measures
Expense reimbursement procedures
Hierarchical sign-offs on expense requests

Travel policies
Performance reviews
Strategic and operational plans
Timetables
Rules governing internal communications
Procedure manuals
Financial and resource audits
Sales activity reports
Schedules
Financial statements
Employee tests
Spending approval processes
Security systems and ID cards
Sexual harassment policies
Complaint handling procedures

Some consequences of excessive control

- Trust Problem ("Don't they trust me", Do they think I'm Stupid")

- Slowness Problem (Excessive control procedures will slow down responsiveness)

- Go-after-the-man-not-the-ball Problem (control becomes a mean in itself)

Towards more e-ship friendly control systems
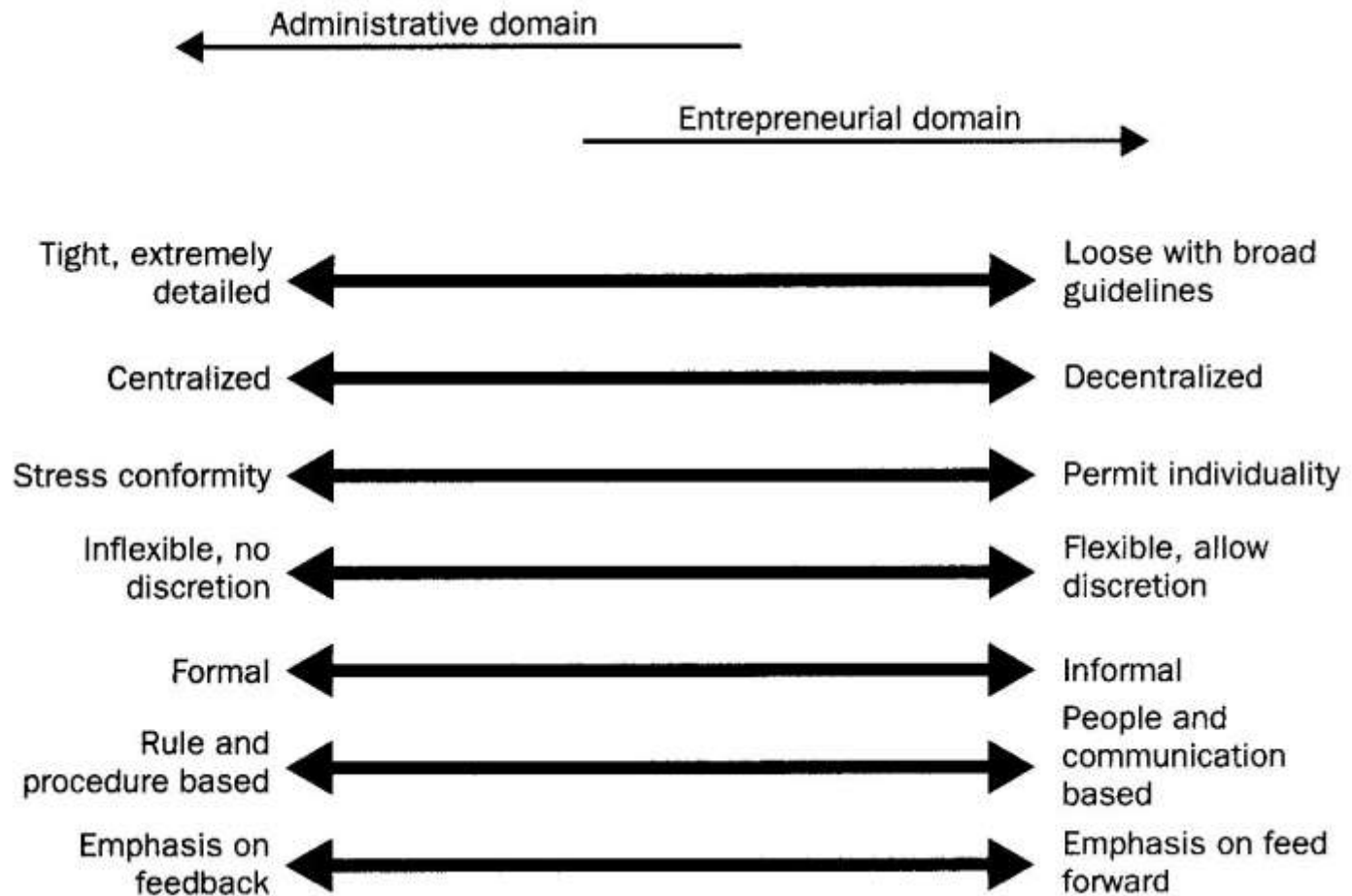
What the Gurus Say (Stevenson/Jarillo): Entrepreneurial Philosophy of control

- Control based on "no suprises"
- Looser but effective control elements
- A mindset of giving up control to gain control
- Empowerment and discretion that is built into the job
- Mutual trust
- Emphasis on self-control
- Organizational slack in terms of resource availability
- Pools of internal venture capital
- Varying levels of control based on the types of entrepreneurial behavior being sought
- Open and shared control information

The Give-up to Gain Control Paradox

- Some scholars and managers believes that you have to give-up control to gain control. Does that make sense?

Linking degree of control to degree of needed e-ship

Degree of Control

The Control-Autonomy Continuum

Degree of Autonomy

| Projects assigned and closely monitored by senior executives | Initiatives in mainstream departments or functions | Projects in centralized R&D departments | Independent venture team projects | Projects in separate venture division | Completely self-appointed intrapreneurial projects |
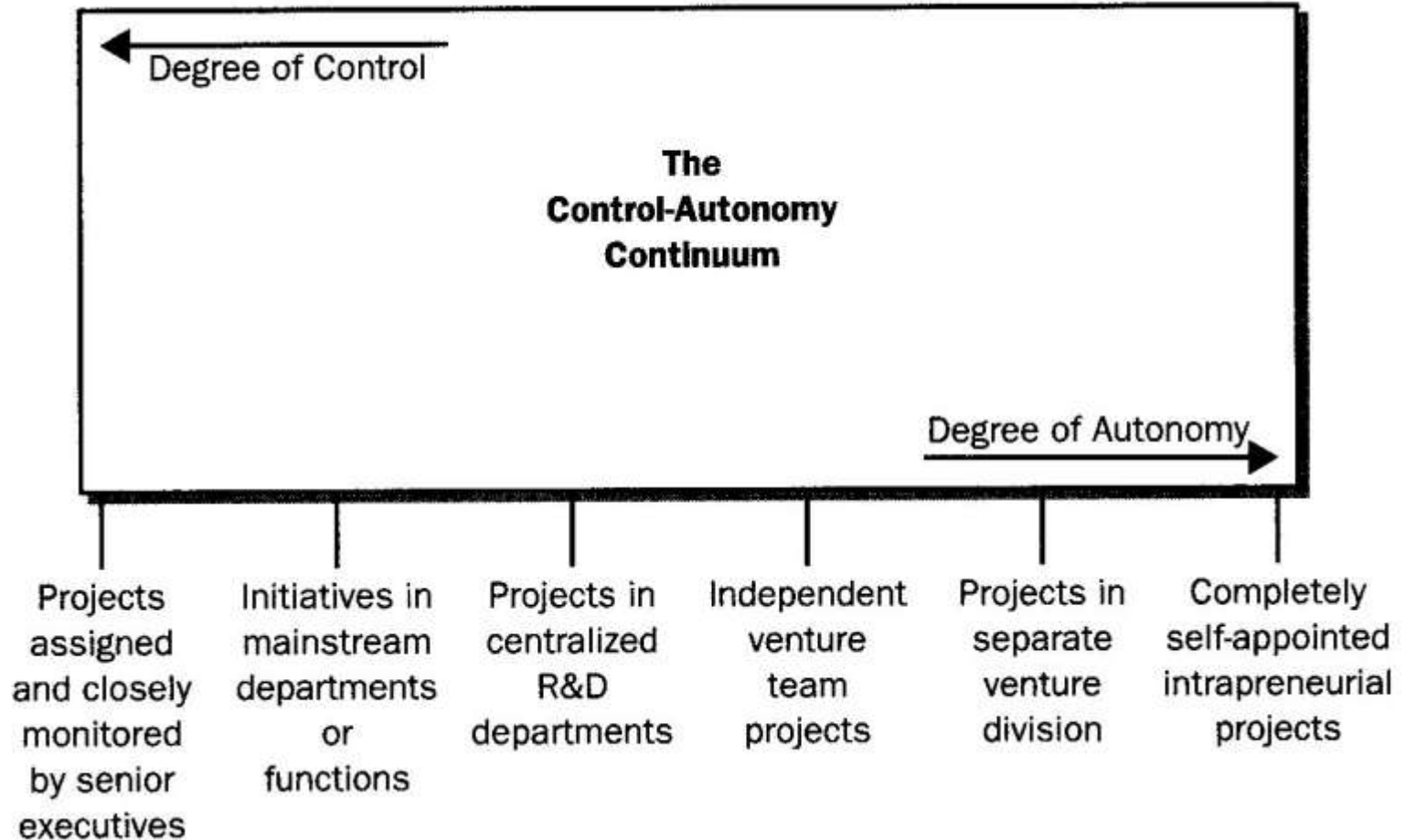
What the Gurus Say (Gadiesh/Gilbert):

Open Book Management and Entrepreneurship: The Ingredients

Open book management is a way of running a company that gets everyone to focus on helping the business make money. It is an approach to business built around the following six principles:

- Every employee has access to the company's financials and all the other numbers that are critical to tracking the firm's performance.
- There is an overt and ongoing attempt to get the information in front of employees.
- The company teaches the basics of the business (what the numbers mean) to everyone.
- Employees learn that, whatever else they do, part of their job is to move the numbers in the right direction.
- People are empowered to make decisions in their jobs based on what they know.
- Employees have a stake in the company's success, and share in the risk of failure.

Organizational Slack as a mean to free up initiative

- Some free time (15% bootleg rule in 3M, Google 20% personal projects)
- Pool of non-allocated resources (venture fund)

Designing appropriate organizational structures

What characterizes different organizational structures?

- Levels
- Span of control
- Degree of centralization
- Degree of formalization
- Degree of specialization
- Degree of control
- Degree of flexibility

Organic Structure	Mechanistic Structure
Channels of Communications	**Channels of Communications**
Open with free flow of information throughout the organization	Highly structured, restricted information flow
Operating Styles	**Operating Styles**
Allowed to vary freely	Must be uniform and restricted
Authority for Decisions	**Authority for Decisions**
Based on expertise of the individual	Based on formal line management position
Free Adaptation	**Reluctant Adaptation**
By the organization to changing circumstances	With insistence on holding fast to tried-and-true management principles despite changes in business conditions
Emphasis on Getting Things Done	**Emphasis on Formally Laid Down Procedures**
Unconstrained by formally laid out procedures	Reliance on tried-and-true management principles
Loose, Informal Control	**Tight Control**
With emphasis on norm of cooperation	Through sophisticated control systems
Flexible On-Job Behavior	**Constrained On-Job Behavior**
Permitted to be shaped by the requirements of the situation and personality of the individual doing the job	Required to conform to job descriptions
Participation and Group Consensus Used Frequently	**Superiors Make Decisions with Minimum Consultation and Involvement of Subordinates**

Some inspiration:structural initiative to make the organization more friendly to entrepreneurship

1. Insist on a maximum of two levels of management between the bottom and top in any division-sized unit.
2. Most business can be done in independent operating units of 250 or fewer people (with their own boards of directors, including outsiders): Reorganize accordingly within the next 18 months.
3. Within the next nine months, eliminate ALL first-line supervisors.
4. Within the next year, transfer one-third of all staffers at the division level or above to customer-focused operating units (of 250 or fewer people — see No. 2) and then transfer another third the following year.
5. Within four years, reduce corporate staff to a maximum of 10 people per billion dollars in revenue (and no squirreling away "temporary assignees" stolen from divisions).
6. Require remaining members of all "central" (corporate, division) staffs to sell their services to line units at market rates; allow those line units, in turn, to buy any and all services from anybody, anywhere.
7. Destroy all organization charts. Now.
8. All top division/corporate managers: Pledge two days per month to customer visits, two days per month to supplier and distributor visits. And visit, in depth, at least three "neat" companies per year (*outside your industry*).
9. Aim for one-third employee ownership of the corporation within five years.
10. Chief executive officers and division general managers: Within the next 12 months, promote to a position of significant responsibility at least one rabble rouser who doesn't like you or agree with you (on much of anything).
11. Insist that no one serve on a strategic planning staff for more than 24 months. (Twenty-five percent of all strategy staff members should have worked for a customer or competitor.)
12. Make sure all work teams are largely self-contained, encompassing almost all functional skills within their confines.
13. Allow the CEO to sit on a maximum of one outside board.
14. Vacate all facilities more than three stories high.
15. Within 24 months, end all physical segregation of functional departments.
16. At all off-site meetings, make sure that *at least* 25 percent of all attendees are "outsiders" (customers, vendors, etc).
17. In companies with at least $250 million in revenue, create corporate vice president positions for the following: knowledge management, perceived quality and brand-equity management, innovation, industrial design, horizontal systems integration, cycle-time management. (Incumbents will each be supported by a one-person professional staff — max.)
18. Within four years, at last one-third of division-level chiefs should be 32 or younger.
19. Within 24 months, make sure you have at least one non-U.S. board member (firms of $50 million to $1 billion). Companies over $1 billion should have 25 percent non-U.S. board members within four years.
20. Let no senior manager have an office of more than 225 square feet.

Summary

Categories of Organizational Constraints on Corporate Entrepreneurship

Systems	Structures	Strategic Direction	Policies and Procedures	People	Culture
• Misdirected reward and evaluation systems	• Too many hierarchical levels	• Absence of innovation goals	• Long, complex approval cycles	• Fear of failure	• Ill-defined values
• Oppressive control systems	• Overly narrow span of control	• No formal strategy for entrepreneurship	• Extensive red-tape and documentation requirements	• Resistance to change	• Lack of consensus over value and norm priorities
• Inflexible budgeting systems	• Responsibility without authority	• No vision from the top	• Over-reliance on established rules of thumb	• Parochial bias	• Lack of fit of values with current competitive context
• Arbitrary cost allocation systems	• Top-down management	• Lack of commitment from senior executives	• Unrealistic performance criteria	• "Turf" protection	• Values that conflict with innovativeness, risk taking, and proactiveness
• Overly rigid, formal planning systems	• Restricted communication channels	• No entrepreneurial role models at the top		• Complacency	
	• Lack of accountability for innovation and change			• Short-term orientation	
				• Inappropriate skills and talents for managing entrepreneurial change	

SOURCE: Adapted from M. Morris, *Entrepreneurial Intensity*, Westport, CT: Quorum Books, 1998: 97.

TABLE 13-2

The Corporate Entrepreneurship Climate Instrument* (CECI)

We are interested in learning about how you perceive your workplace and organization. Please read the following items. Using the scale below please indicate how much you agree or disagree with each of the statements. If you strongly agree, write "5." If you strongly disagree write "1." There are no right or wrong answers to these questions so please be as honest and thoughtful as possible in your responses. All responses will be kept strictly confidential. Thank you for your cooperation!

Strongly Disagree	*Disagree*	*Not Sure*	*Agree*	*Strongly Agree*
1	2	3	4	5

Section 1: Management Support for Corporate Entrepreneurship

_____ 1. My organization is quick to use improved work methods.

_____ 2. My organization is quick to use improved work methods that are developed by workers.

_____ 3. In my organization, developing one's own ideas is encouraged for the improvement of the corporation.

_____ 4. Upper management is aware and very receptive to my ideas and suggestions.

_____ 5. A promotion usually follows from the development of new and innovative ideas.

_____ 6. Those employees who come up with innovative ideas on their own often receive management encouragement for their activities.

_____ 7. The "doers on projects" are allowed to make decisions without going through elaborate justification and approval procedures.

_____ 8. Senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track.

(Continued)

TABLE 13-2   (Continued)

The Corporate Entrepreneurship Climate Instrument* (CECI)

_____ 9. Many top managers have been known for their experience with the innovation process.

_____ 10. Money is often available to get new project ideas off the ground.

_____ 11. Individuals with successful innovative projects receive additional rewards and compensation beyond the standard reward system for their ideas and efforts.

_____ 12. There are several options within the organization for individuals to get financial support for their innovative projects and ideas.

_____ 13. People are often encouraged to take calculated risks with ideas around here.

_____ 14. Individual risk takers are often recognized for their willingness to champion new projects, whether eventually successful or not.

_____ 15. The term "risk taker" is considered a positive attribute for people in my work area.

_____ 16. This organization supports many small and experimental projects, realizing that some will undoubtedly fail.

_____ 17. An employee with a good idea is often given free time to develop that idea.

_____ 18. There is considerable desire among people in the organization for generating new ideas without regard for crossing departmental or functional boundaries.

_____ 19. People are encouraged to talk to employees in other departments of this organization about ideas for new projects.

Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1	2	3	4	5

Section 2: Work Discretion

_____ 20. I feel that I am my own boss and do not have to double check all of my decisions with someone else.

_____ 21. Harsh criticism and punishment result from mistakes made on the job.

_____ 22. This organization provides the chance to be creative and try my own methods of doing the job.

_____ 23. This organization provides the freedom to use my own judgment.

_____ 24. This organization provides the chance to do something that makes use of my abilities.

_____ 25. I have the freedom to decide what I do on my job.

_____ 26. It is basically my own responsibility to decide how my job gets done.

_____ 27. I almost always get to decide what I do on my job.

_____ 28. I have much autonomy on my job and am left on my own to do my own work.

_____ 29. I seldom have to follow the same work methods or steps for doing my major tasks from day to day.

Section 3: Rewards/Reinforcement

_____ 30. My manager helps me get my work done by removing obstacles and roadblocks.

_____ 31. The rewards I receive are dependent upon my innovation on the job.

_____ 32. My supervisor will increase my job responsibilities if I am performing well in my job.

_____ 33. My supervisor will give me special recognition if my work performance is especially good.

_____ 34. My manager would tell his/her boss if my work was outstanding.

_____ 35. There is a lot of challenge in my job.

Section 4: Time Availability

_____ 36. During the past three months, my work load kept me from spending time on developing new ideas.

_____ 37. I always seem to have plenty of time to get everything done.

_____ 38. I have just the right amount of time and work load to do everything well.

_____ 39. My job is structured so that I have very little time to think about wider organizational problems.

_____ 40. I feel that I am always working with time constraints on my job.

_____ 41. My co-workers and I always find time for long-term problem solving.

Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1	2	3	4	5

Section 5: Organizational Boundaries

_____ 42. In the past three months, I have always followed standard operating procedures or practices to do my major tasks.

_____ 43. There are many written rules and procedures that exist for doing my major tasks.

_____ 44. On my job I have no doubt of what is expected of me.

_____ 45. There is little uncertainty in my job.

_____ 46. During the past year, my immediate supervisor discussed my work performance with me frequently.

_____ 47. My job description clearly specifies the standards of performance on which my job is evaluated.

_____ 48. I clearly know what level of work performance is expected from me in terms of amount, quality, and timelines of output.

Section 6: Specific Climate Variables

_____ 49. This company definitely rewards employees who take calculated risks and innovate.

TABLE 13-2 (Continued)

The Corporate Entrepreneurship Climate Instrument* (CECI)

_____ 50. Jobs in this company tend to be broadly defined with considerable discretion in how tasks are performed.

_____ 51. In this company, employees can pursue multiple career paths.

_____ 52. This company tries hard to develop the creative potential of employees.

_____ 53. Annual performance appraisals in this company include an evaluation of employee innovativeness.

_____ 54. Around here, it seems like there is more concern with process than with performance.

_____ 55. This company does a good job of balancing incentives for individual initiative with incentives for team collaboration.

_____ 56. If you are not innovating on the job, you cannot get ahead in this company.

_____ 57. An overly bureaucratic structure takes away from our ability to be entrepreneurial in this company.

_____ 58. Our company is organized in a way that encourages managers to "micromanage" employees and projects.

_____ 59. We have too many levels of management in this company.

_____ 60. I would characterize the company structure as being highly flexible.

_____ 61. A rigid chain of command limits our ability to experiment with new ideas.

_____ 62. Red tape and slow approval cycles are problems in this company.

_____ 63. Managers in this company strongly believe in delegating decision-making responsibility.

_____ 64. Controls are very tight in this company; we tend to count every dollar and every hour.

_____ 65. Senior management focuses on eliminating any slack within budgets.

_____ 66. Once budgets are finalized and accepted, they are difficult to revise.

_____ 67. The lines of command clearly allocate authority and responsibility to each business unit/department.

_____ 68. The organizational structure is very clearly defined and delineated.

Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1	2	3	4	5

_____ 69. In this company, employees have a lot of say in how things are done.

_____ 70. Ours is a culture that rewards the tried and the true.

_____ 71. This is a company that celebrates innovative achievements.

_____ 72. We have a culture that strongly discourages failure.

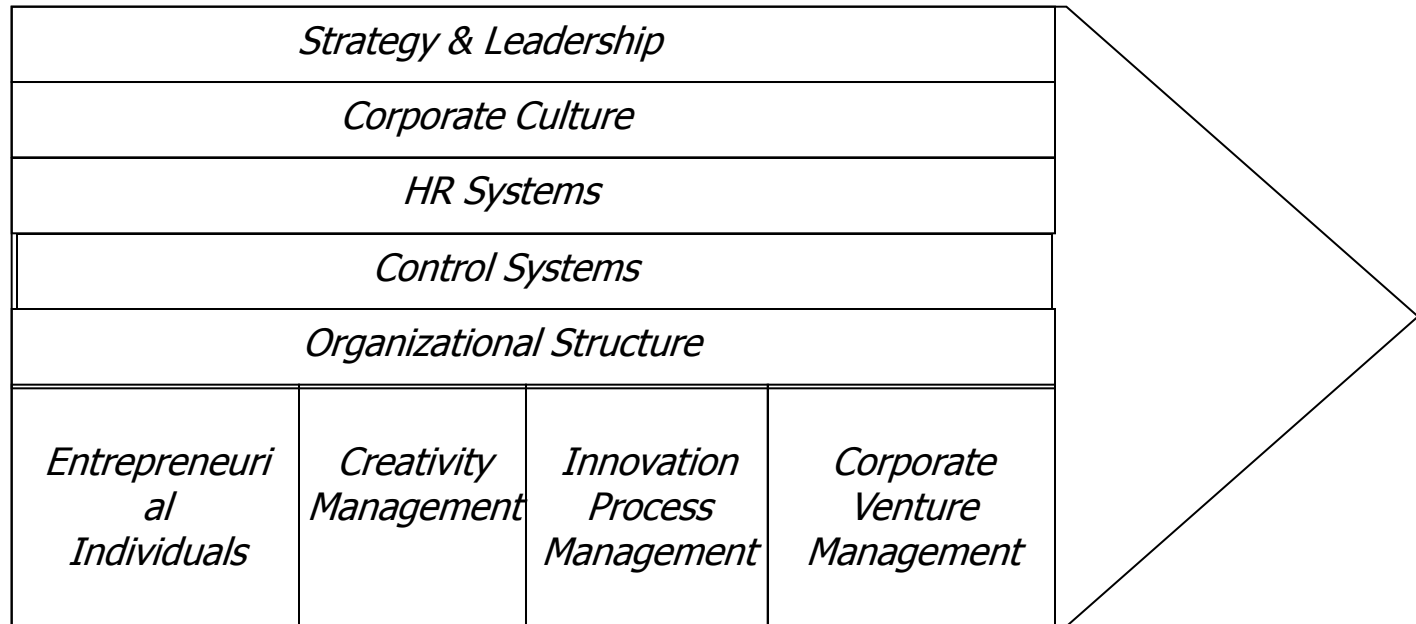_____ 73. There is a sense of urgency in this company regarding the importance of change and innovation.

(Continued)

_____ 74. This company subscribes to the motto "if it ain't broke, don't fix it."

_____ 75. Innovation and risk taking are core values in this company.

_____ 76. Lines of command clearly allocate authority and responsibility to each business unit/department.

_____ 77. New ideas tend to receive quick go/no go decisions from management in this company.

_____ 78. The company's environment encourages people to talk openly with others about ways to improve the firm's operations.

*CECI is adapted from original work done by J. S. Hornsby, D. F. Kuratko, and S. A. Zahra, "Middle Managers' Perception of the Internal Environment for Corporate Entrepreneurship: Assessing a Measurement Scale," *Journal of Business Venturing*, 17, 2002: 49–63.

Planning/managing entrepreneurial ventures
(from context conditions to management tools)

Factors that can influence the entrepreneurial activity in a company: The Corporate Entrepreneurship Value Chain

Strategy & Leadership			
Corporate Culture			
HR Systems			
Control Systems			
Organizational Structure			
Entrepreneurial Individuals	Creativity Management	Innovation Process Management	Corporate Venture Management

Source: Draebye, Forthcoming

Lego

Break-out session (30 Min)

- On page 4 of the case it is stated " The results were impressive. The revamped process, coupled with the separation of revolutionary new play experiences (now assigned to the Concept Lab), shortened the development time for new product variants from 36 to 12 months. And Hjuler saw the new process also greatly boosted the percentage of ideas that made it to the market and satisfaction of designers"

WHY IS THAT? WHAT ARE THE ELEMENTS OF THE "NEW" INNOVATION MANAGEMENT SYSTEM; AND WHY ARE THEY IMPORTANT. (SEE ALSO HANDOUTS)

Why does it work (better)

1. Go-To-Market Project Portfolio forces "market" thinking and allows for better resource planning and stage-gate screening

2. Innovators (designers) are now assigned to product groups and is co-measured on P/L (create interdependencies)

3. Breakthrough project and subprojects (Redefine) are managed by different people (concept lab) than incremental changes (Adjust) that are managed in the product groups.

4. Extensive use / integration / leverage on outside inputs (Steve Hassenplug, communities like Lego factory and ad-hoc events)

IBM Emerging Business Opportunities

Agenda Day

- Close IBM EBO Discussion
- 2 slides on stage -gates and project lifecycles + Corporate Venture Plan Structure
- Business Model Innovation
  - I-mode discussion
  - Lecture on BMs
- Continuum session (11.30-13.30, they need 2 hours so let's be in class on time)
- Afternoon
  - 30 minutes of individual "meditation" time on lessons learned and action-implication
  - Q&A, Help with assignment structuring, free chatting

EBO at IBM Discussion Questions

1. Why do large companies like IBM find it so difficult to create new businesses? What are the primary barriers to success

2. What is your evaluation of the "horizons of growth" model? What are the distinguishing features of emerging, H3 businesses

3. How did the EBO management system evolve over time? What was accomplished during
   - The Thompson era
   - The Corporate Strategy era

4. What are the key elements of the current EBO management system? What is your evaluation of the system

5. How should Harreld
   - Deal with those businesses now reaching H2 status
   - Increase the number of EBOs?

Evaluation

- Diagnostically: Super. It nails the problem
- Structurally: Simple, Well aligned. Ex H3: Encourages experimentation and creativity while providing oversight and strategic advice. EBO leader ARE pushed to meet milestones. Metrics are aligned with lifecycle and controlled. Resources are secured..
- Separation vs Integration: separation bias with some integration elements (division head, in principle, are responsible for staffing and sourcing H3 projects, though lead by Corporate Strategy. If "undernurtured" fingers are slapped – so separation
- H3 bias. Focus is on developing H3. Not so much on the specific requirements of H2 projects.
- No transistion system. 2 EBO has +1bn in sales –
- Not scalable (Corp strategy is exhausted with 7 EBOs)

2 different levels of venture management and planning

1. ## Project level: Guidelines and formats for

   - Concept plans (what is the idea, who is the customer, what problem is solved, how big and growing is the target market, wherein lies the competitive advantage)
   - Business case (revenue forecast, capex forecast, opex forecast)
   - Corporate venture plans (see next slide)

2. ## Corporate level: Procedures, Rules and structures for

   - Stages, procedures and requirements for project approval and financing
   - Venture team composition
   - Approval committees

Corporate Venture Plan (BP)

Venture Plan Structure

I. Executive Summary

- No more than three pages. This is the most crucial part of your plan because you must capture the reader's interest.
- What, how, why, where, etc. must be summarized.
- Complete this part after you have finished the plan.

II. Venture Description Segment

- The name of the venture.
- A background of the industry with history of your company (if any) should be covered here.
- The potential of the new venture should be described clearly.
- Any uniqueness or distinctive features of this venture should be clearly described.

III. Marketing Segment

- Convince executives that sales projections and competition can be met.
- Use and disclose market studies.
- Identify target market, market position, and market share.
- Evaluate all competition and specifically cover why and how you will be better than your competitors.
- Identify all market sources and assistance used for this segment.
- Demonstrate pricing strategy since your price must penetrate and maintain a market share to produce profits. Thus the lowest price is not necessarily the best price.

IV. Location Segment (if applicable)

- Describe the advantages of your location (zoning, tax laws, wage rates). List the production needs in terms of facilities (plant, storage, office space) and equipment (machinery, furnishings, supplies).
- Describe the access to transportation (for shipping and receiving).
- Indicate proximity to your suppliers.
- Mention the availability of labor in your location.
- Provide estimates of manufacturing costs—be careful, too many entrepreneurs underestimate their costs.

Venture Plan Structure

V. Management Segment

- Supply resumes of all key people in the management of your venture.
- Carefully describe the legal structure of your venture (sole proprietorship, partnership, or corporation).
- Cover the added assistance (if any) of advisers, consultants, and directors.
- Give information on how and how much everyone is to be compensated.

VI. Financial Segment

- Give actual estimated statements.
- Describe the needed sources for your funds and the uses you intend for the money.
- Develop and present a budget.
- Create stages of financing for purposes of allowing evaluation by investors at various points.

VII. Critical Risks Segment

- Discuss potential risks before executives point them out, e.g.,
  - *Price cutting by competitors.*
  - *Any potentially unfavorable industry-wide trends.*
  - *Design or manufacturing costs in excess of estimates.*
  - *Sales projections not achieved.*
  - *Product development schedule not met.*
  - *Difficulties or long lead times encountered in the procurement of parts or raw materials.*
  - *Greater than expected innovation and development costs to stay competitive.*
- Provide some alternative courses of action

Venture Plan Structure

VIII. Harvest Strategy Segment

- Outline a plan for the orderly transfer of company assets (ownership).
- Describe the plan for transition of leadership.
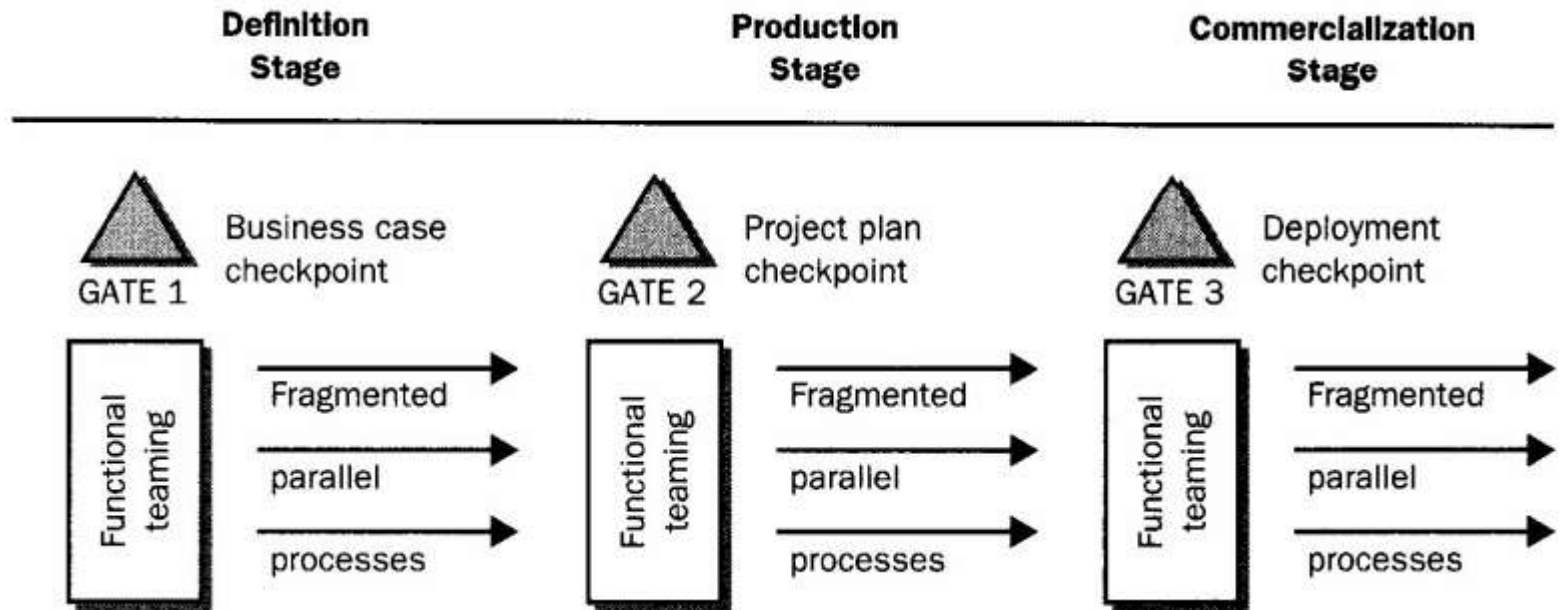- Mention the preparations needed for continuity of the business.

IX. Milestone Schedule Segment

- Develop a timetable or chart to demonstrate when each phase of the venture is to be completed. This shows the relationship of events and provides a deadline for accomplishment.

Stage-Gates and Project Development Cycles

Managing the process: Using stages and gates

Definition Stage	Production Stage	Commercialization Stage

GATE 1 — Business case checkpoint

GATE 2 — Project plan checkpoint

GATE 3 — Deployment checkpoint

Functional teaming
- Fragmented
- parallel
- processes

Functional teaming
- Fragmented
- parallel
- processes

Functional teaming
- Fragmented
- parallel
- processes

Development Project Lifecycle

Characteristic	Ray of Light Projects	Emerging Potential Projects	Mainstream Development Projects
Project financing	No budget	Seed capital	Formal budget
Management approval	Not approved	Approved by Opportunity Review Board	Approved by senior management/directors
Supportive research	Exploratory research	Formal market research	Extensive industry, competitive, and customer intelligence
Process followed	Early conceptualizing	Concept refinement/ Prototype testing	Formal NPD process
Initiator/Leader	Driven by initiator/ anyone in company	Champion assigned (20–30% of his/her time)	Driven by new products manager & integrated team
Degree of project risk	Low to medium	Medium	Medium to high
Period of development	Short	Medium	Medium to high
Innovativeness	Low to medium	Medium to high	Medium to high
Outcomes	Produces short (3–5 pages) concept plan	Produces formal business plan	Results in launch or gets canned
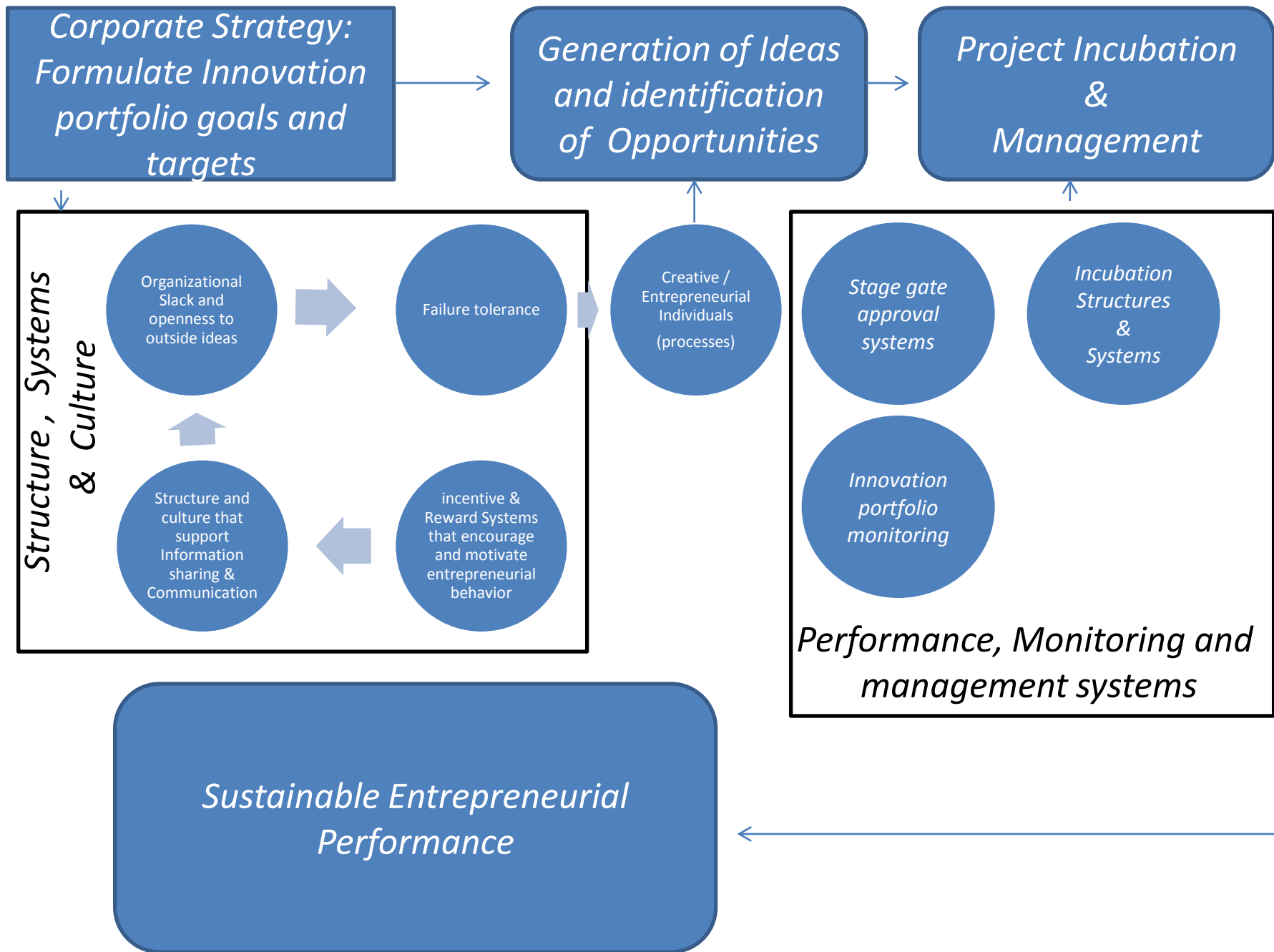
Strategic Renewal: Special focus on Business Model Innovation
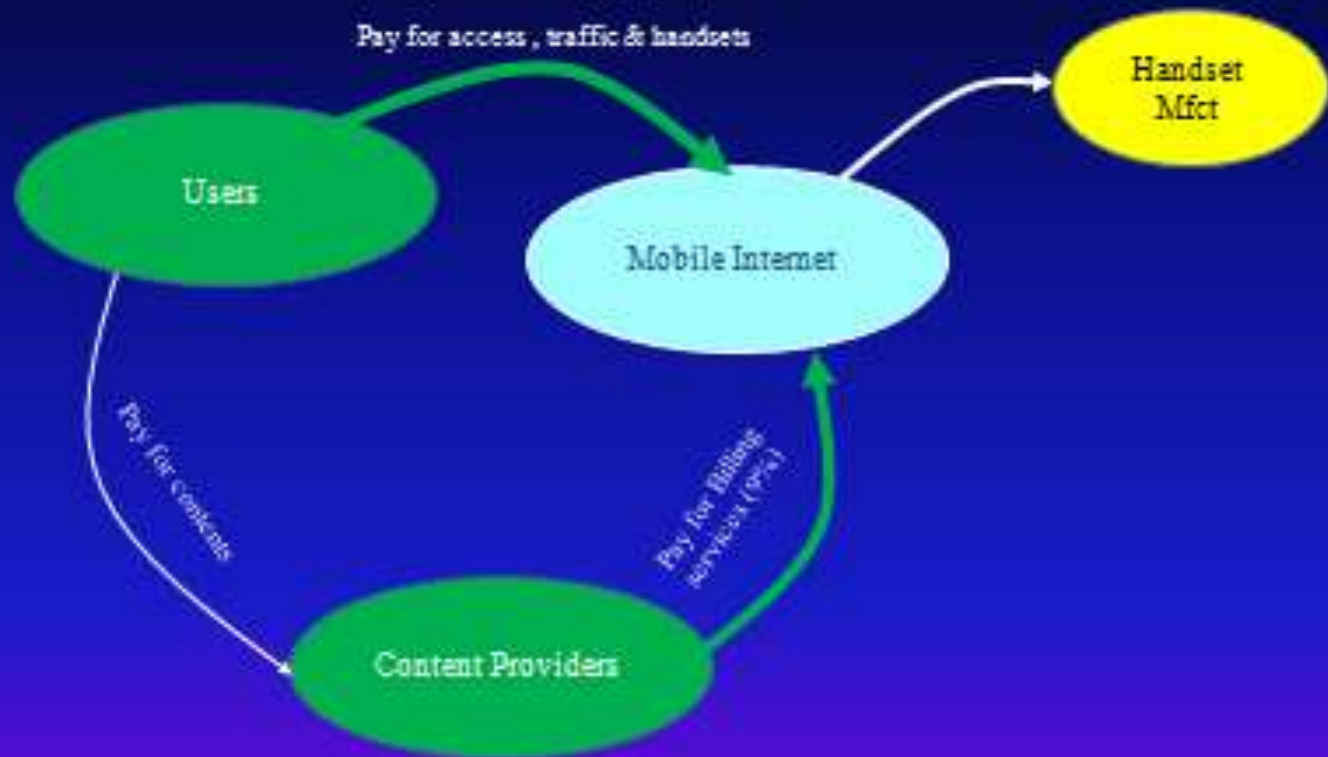
i-mode

I-mode discussion

- What is a Business Model?
- How would you describe I-modes BM?
- Is it innovative ? ("Value innovation at NTT DoCoMo) ?
- Is I-modes "Mobile Internet" BM innovative?
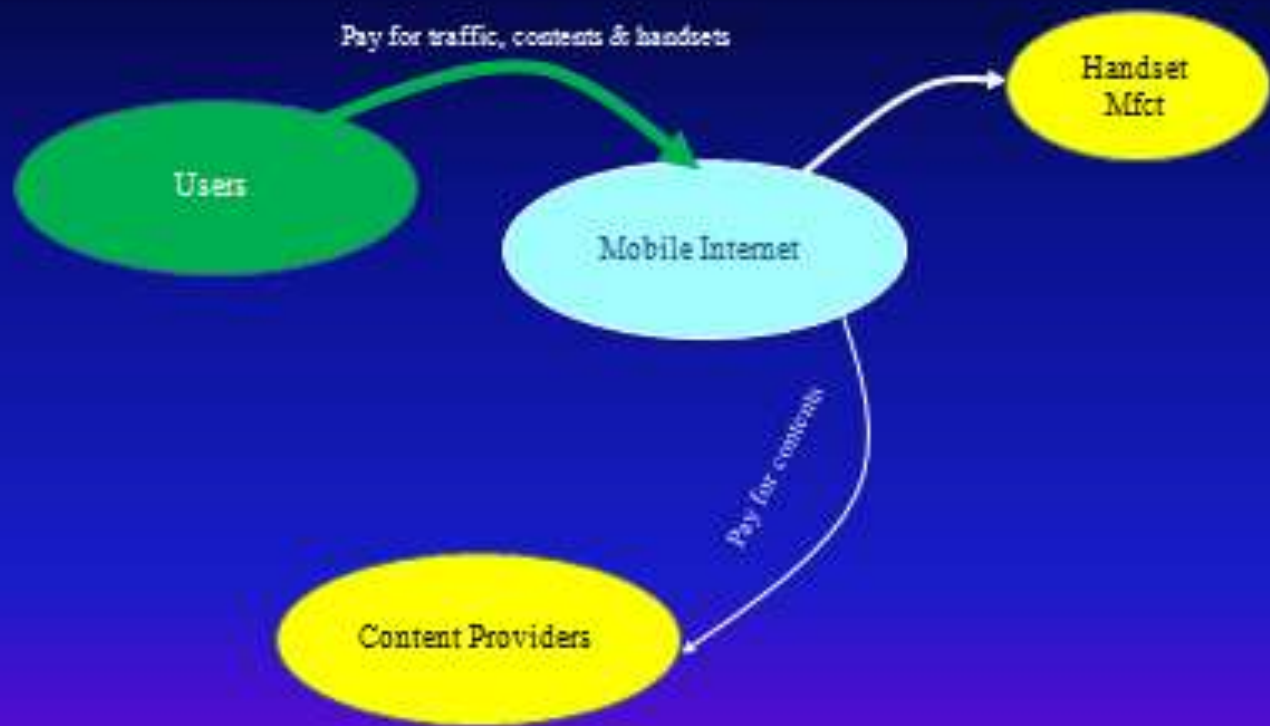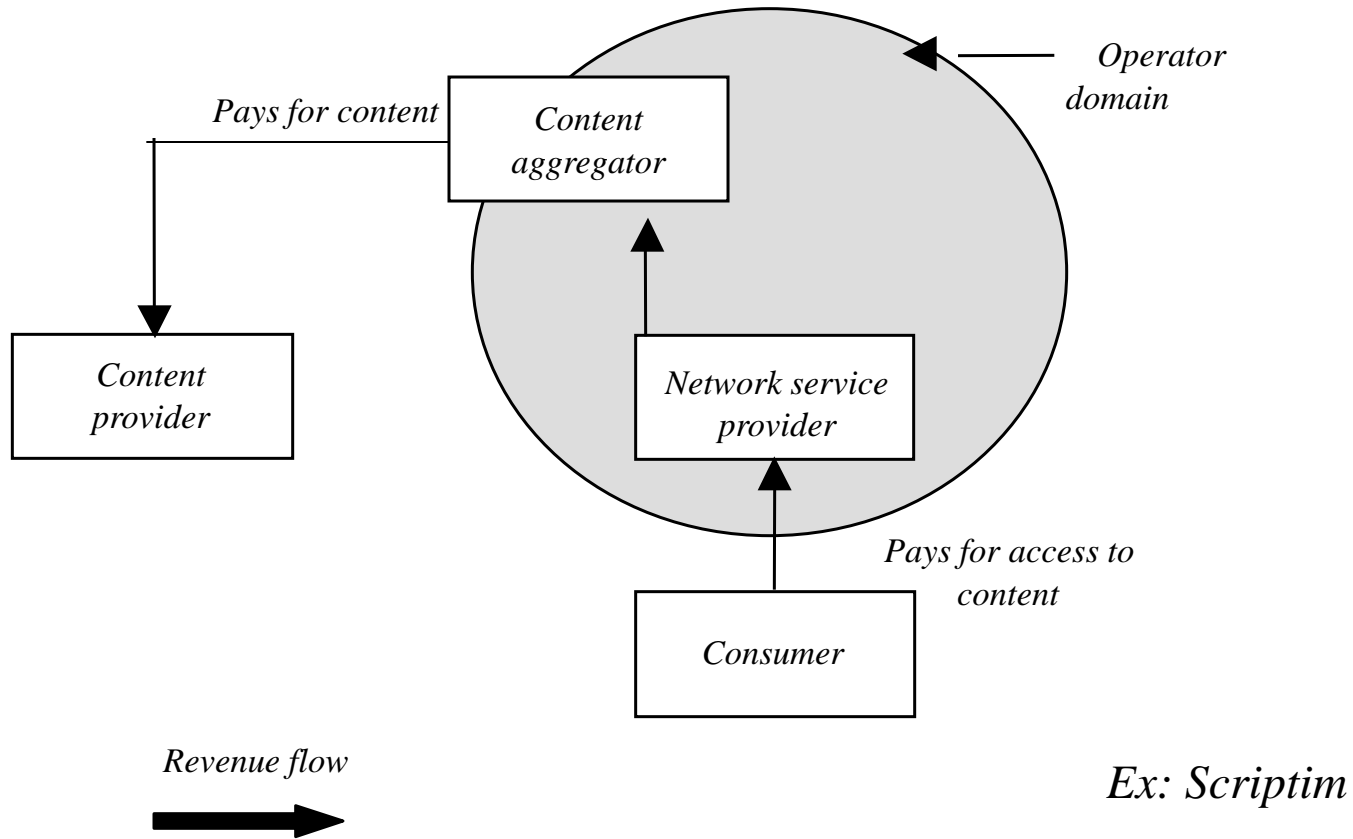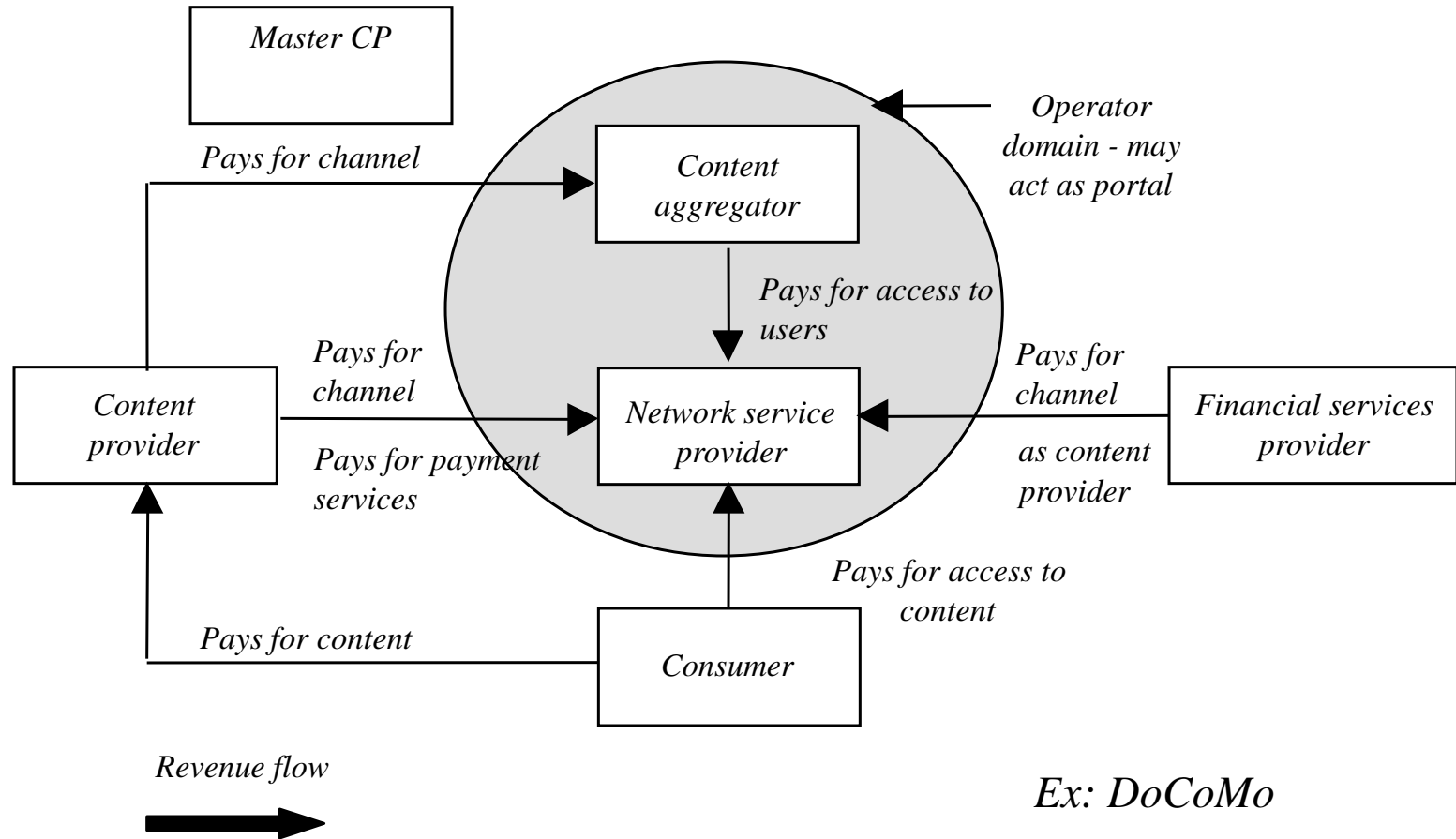
I-Mode Business Model
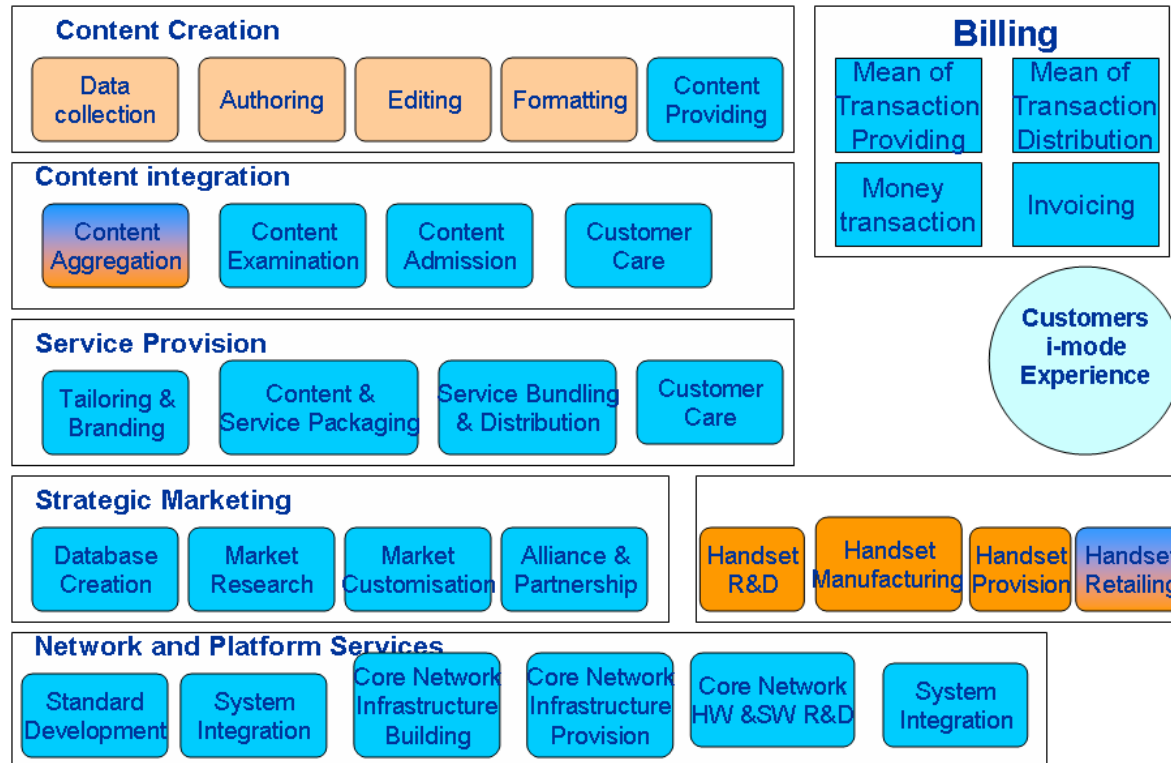
Business Models
The operator-do-it-all model

Operator domain

Pays for content

Content aggregator

Content provider

Network service provider

Pays for access to content

Consumer

Revenue flow

Ex: Scriptim

Business Models
The operator-portal model

Master CP

Pays for channel

Content aggregator

Operator domain - may act as portal

Pays for access to users

Content provider

Pays for channel

Pays for payment services

Network service provider

Pays for channel

as content provider

Financial services provider

Pays for access to content

Pays for content

Consumer

Revenue flow

Ex: DoCoMo

i-mode BM

i-mode BM

Content Creation
- Data collection
- Authoring
- Editing
- Formatting
- Content Providing

Content integration
- Content Aggregation
- Content Examination
- Content Admission
- Customer Care

Service Provision
- Tailoring & Branding
- Content & Service Packaging
- Service Bundling & Distribution
- Customer Care

Strategic Marketing
- Database Creation
- Market Research
- Market Customisation
- Alliance & Partnership

- Handset R&D
- Handset Manufacturing
- Handset Provision
- Handset Retailing

Network and Platform Services
- Standard Development
- System Integration
- Core Network Infrastructure Building
- Core Network Infrastructure Provision
- Core Network HW &SW R&D
- System Integration

Billing
- Mean of Transaction Providing
- Mean of Transaction Distribution
- Money transaction
- Invoicing

Customers i-mode Experience

Legend
- ACTIVITIES PERFORMED IN-HOUSE BY DOCOMO
- ACTIVITIES CONTROLLED IN CLOSE COOPERATION WITH DOCOMO
- ACTIVITIES PERFORMED by INDEPENDENT ACTORS
- ACTIVITIES PERFORMED BY DIFFERENT ACTORS

Chesbrough's Definition

The Business Model

- Identifies a market segment
- Articulates the value of the proposed offering
- Focuses on the key attributes of the offering
- Defines the value chain to deliver that offering
- Creates a way for getting paid
- Establishes the value network needed to sustain the model

Source: Chesborough, 2006

Example of Business Model
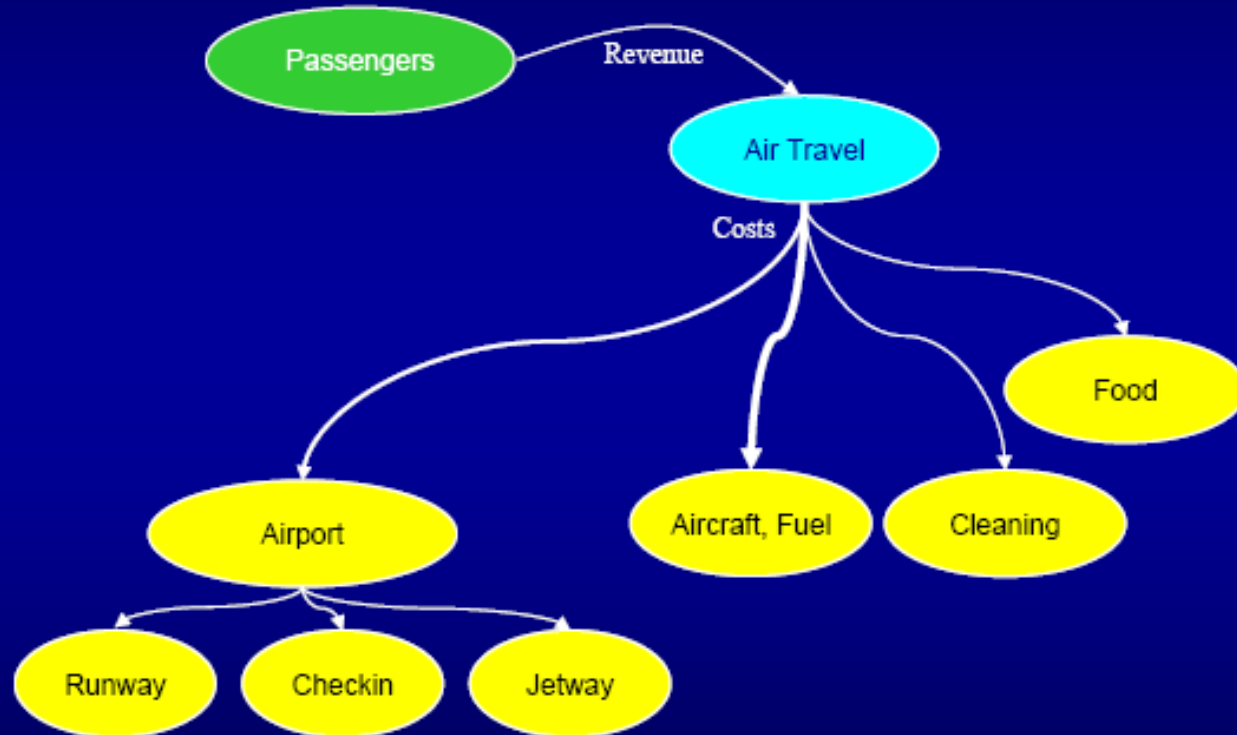
Source: Chesborough, 2006

Ryan Air Business Model -1

Ryan Air

- Ryan Air is a regional low-fare airline operating in the United Kingdom and northern Europe.

  - Only flies into regional airports, no landing fees.

  - Guarantees airport certain # passengers in their terminal

  - Airport pays Ryan Air to operate out of its airport

  - Airport provides Ryan Air a percentage of the revenues from shops, restaurants, car hire and hotels at airport.

Source: Chesborough, 2006

Ryan Air Business Model -2
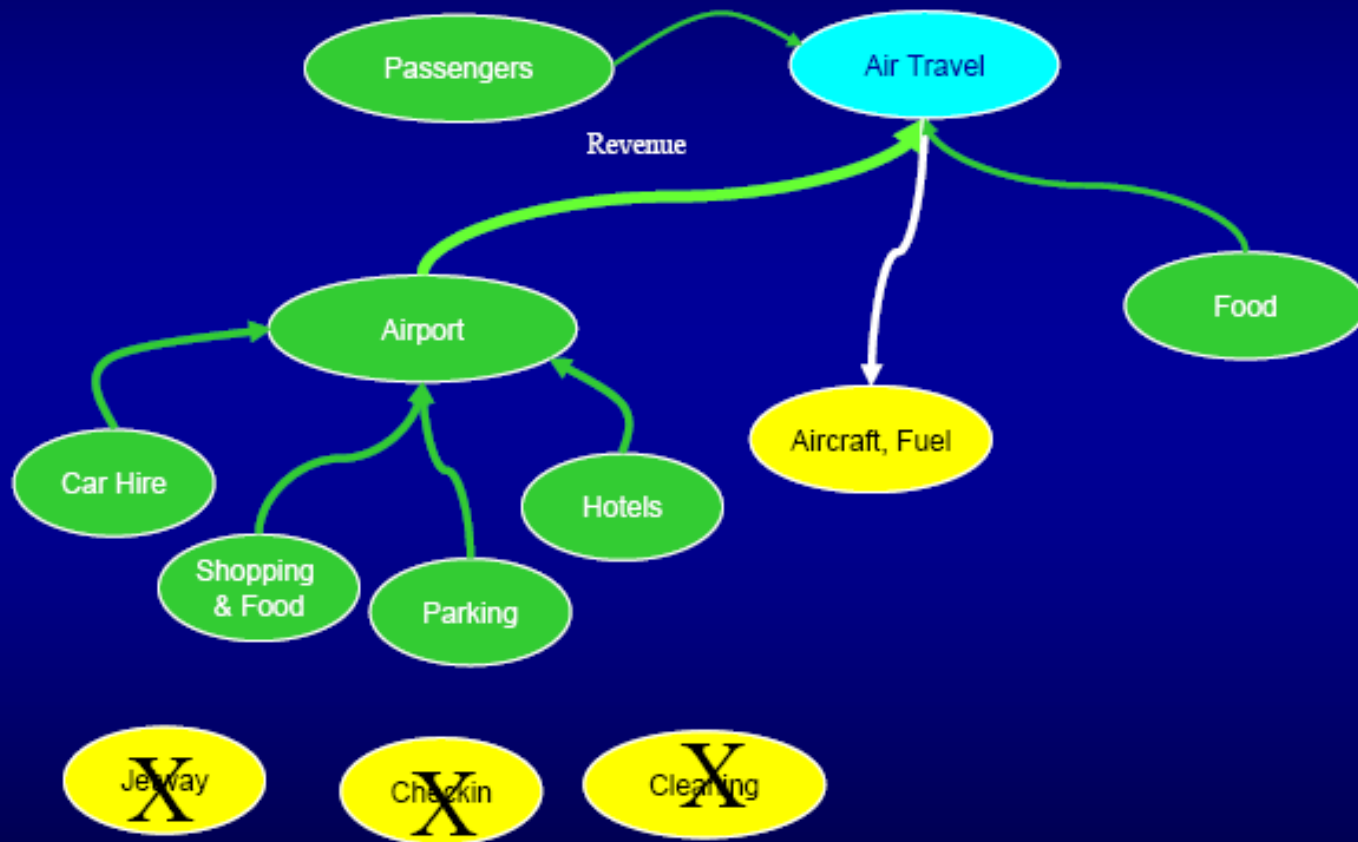
Source: Chesborough, 2006

Changing Business Models -1

Cam ltd

Vs.

AdShell

Changing Business Models - 2
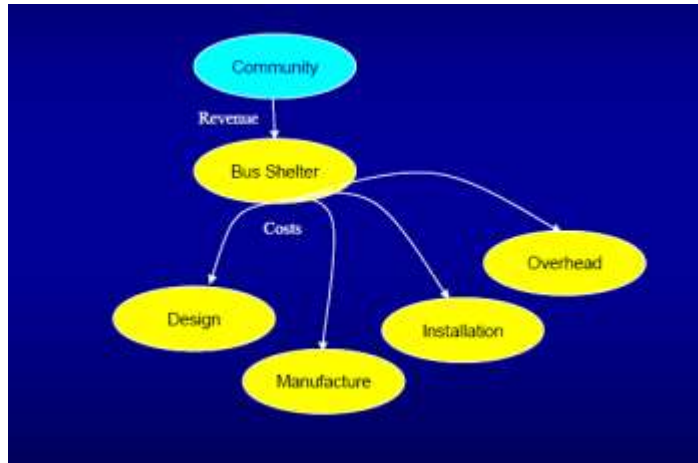
*Classical (generic)
Business Model*

VS.

*Segmented
Business Model*
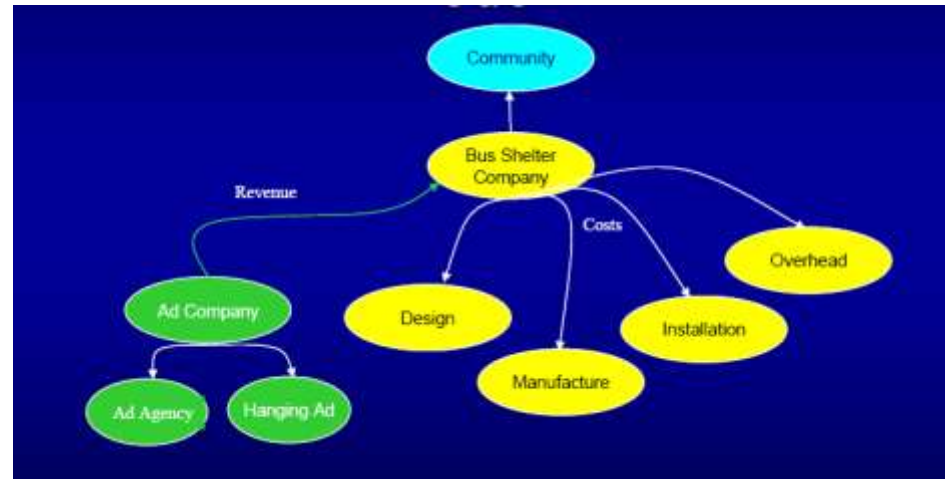
Are some business models better than others?

- Chesbrough: YES – There is an absolute hierarchy
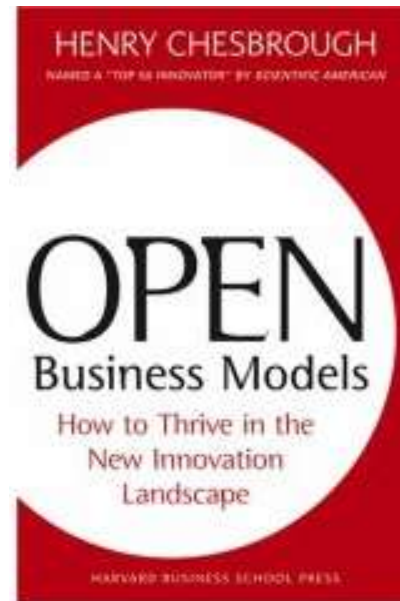
Chesbroughs Business Model Hierarchy and Typology

- Type 1: Undifferentiated business model
- Type 2: Some differentiation in business model
- Type 3: Company develops a segmented business model
- Type 4: Company has an externally aware business model
- Type 5: Company integrates its innovation process with its business model
- Type 6: Company's business model is build around platform leadership

For Chesbrough the degree of openness is what makes a BM better than another

Business Model Maturity Stages

6 stages

closed
1. Undifferentiated business model
2. Differentiated business model
3. Segmented business model

open
4. Externally aware business model
5. Integrated business model
6. Platform leadership business model

Stage 1-Undifferentiated

- Commodity
- No differentiation
- Hard work, hustle, luck
- Can't attract capital, can't scale

- Example: most restaurants

Stage 2-Differentiated

- Performance advantage
- Ad hoc processes
- Hard to sustain
- "one hit wonders"

- Example: most technology startups

Stage 3 - Segmented

- Can serve multiple segments
- More profit, more volume (low cost)
- More sustainable
- Still too internally focused

- Example: many industrial firms; Xerox

Stage 4 – Externally Aware

- Now harnesses external sources of technology to complement internal
- More "at bats" with same dollars
- Share risks as well as rewards
- Broader market now available to serve

- Example: SAP R/3; Big Pharma

Stage 5 - Integrated

- External sources routinely utilized to fuel your business model
- Unused internal ideas allowed to flow outside to others' business models
- Company becomes a systems integrator of internal and external technologies

- Examples: Millennium, other biotechs; IBM Global Services

Stage 6 - Platform

- Penultimate stage, an ideal
- Company now benefits from investment of others in the platform. Company can induce investment.
  - Suppliers, customers, third parties
- Ecosystem created
  - Company must balance value creation with value capture
  - Cannot become predatory, destroys ecosystem
- Examples: iPod; .NET, WebSphere, Dell, WalMart

TABLE 5-2

## Diagnostic questions for assessing your business model

	Type 1	Type 2	Type 3	Type 4	Type 5	Type 6
Description	Undifferentiated	Differentiated	Segmented	Externally aware	Integrated with business model	Platform player shapes markets
Examples	Mom-and-pop restaurants	Start-up technology companies	Technology push companies	Mature industrial R&D firms	Leading financial firms	Intel, Wal-Mart, Dell
Diagnostic questions	• Is there anything that differentiates this business from its competitors? • Why do customers buy from us? • Why do customers leave us? • What control do we have over the future direction of our business?	• Do we earn a price premium for our product or service? • Can we sustain our differentiation over time? For how long? • Are we likely to develop a second successful offering? When?	• Are we an engineering-driven company? • Have we created new market segments, or did our customers find us? • Can we further segment our markets? • Can we extend our markets?	• Do we look outside regularly for new ideas and technologies? • Do our key customers and suppliers know about our future road maps? • Is marketing an equal partner in the innovation process?	• Is our business model widely understood within our company? • Do our key customers and suppliers share their road maps with us? • Is innovation managed as a business or as a technology function?	• Can we direct the future evolution of our markets? • Will customers and suppliers fit their business models to ours? • Do other companies routinely invest in projects that require our technology as a platform?
How different from previous type	NA	• There is innovative work being done within the type 2 firm. • Some differentiation is achieved by the company through its innovations and perhaps through its business model. • Some IP is being generated and defended.	• Innovation is a planned organizational process. • Innovation is treated as an investment in the company's future. • The company segments its markets and serves multiple segments. • Functions beyond engineering or R&D are part of the innovation process. • IP management is coordinated inside the firm as someone's responsibility.	• The type 4 company looks outside for innovations. • There is a role for suppliers and customers in the innovation process. • The business model can be extended to adjacent markets for new growth. • Innovation becomes a cross-functional activity. • IP is managed as a corporate asset, with occasional outlicensing of underused internal technologies.	• The company's internal and external R&D activities are integrated through the company's widely understood business model. • The company's innovation road maps are widely shared, and access is reciprocated by those parties. • The company's business model is focused on new markets and new businesses, as well as current business, and the company is able to align its business model with customers and suppliers. • Innovation is a business function. • IP is managed as another kind of financial asset.	• The company's business model is interconnected with the business model of its key suppliers and customers. • Innovating the company's business model itself is part of the company's innovation task. • External partners share technical and financial risks and rewards with the company in the innovation process. • IP is managed as a strategic asset, helping the company enter new businesses and exit existing businesses. • The management of innovation and IP is embedded in every business unit of the company.

The Economic Logic behind the argument

1. Cost of R&D is Sky-Rocketing
2. Shortening lifecycle of new products
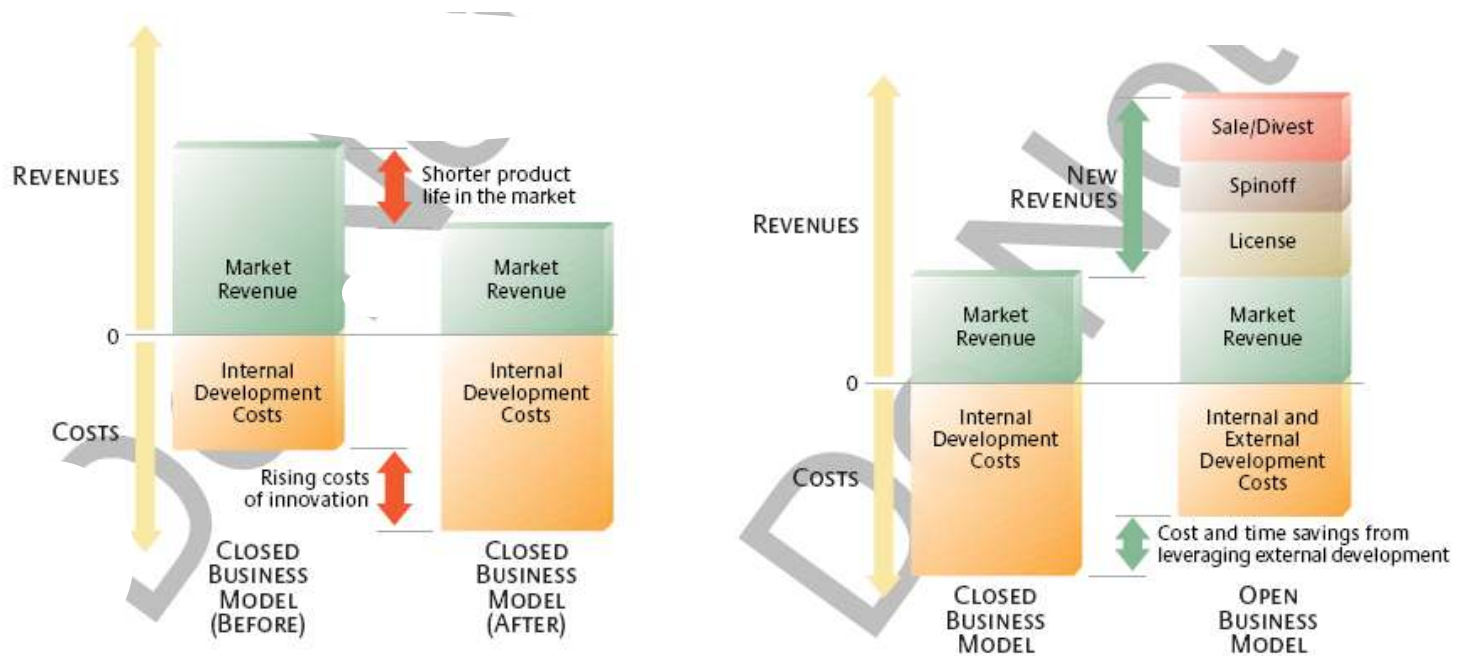
The argument is in line with what several scholars   has concluded
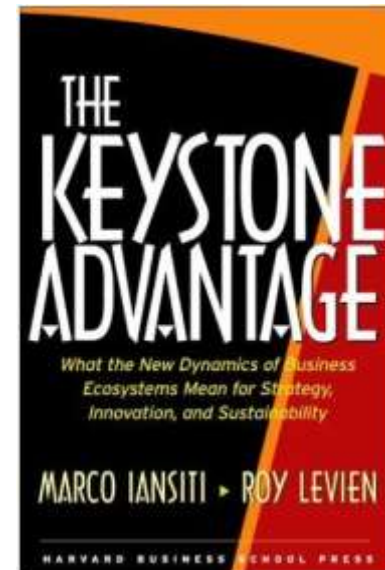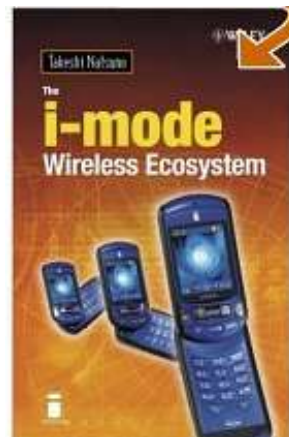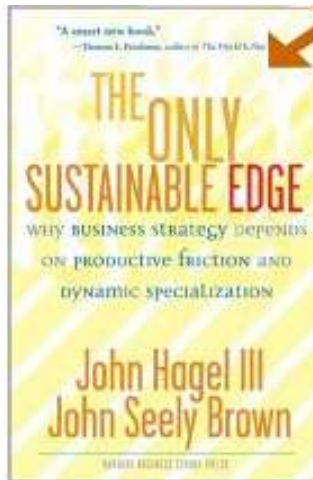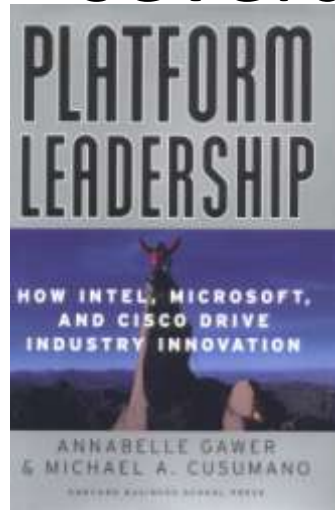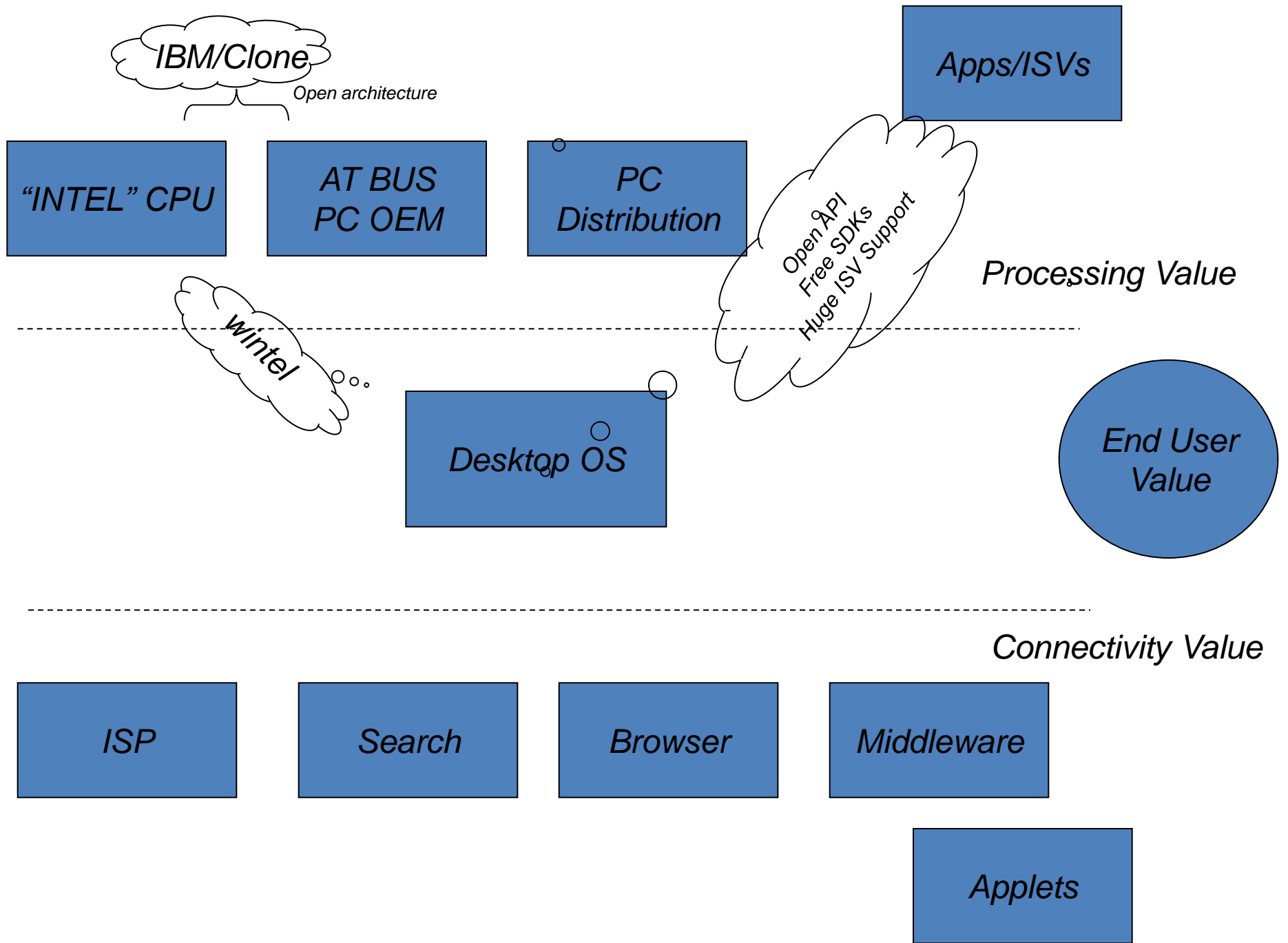
Eco System / Platform Models Examples

A known example discussion (pre-itunes)

1. What are the business models adopted by Microsoft, Apple and OSI in developing and marketing windows, apple os and linux respectively

2. What are the pro's and cons of the 3 different models

Summary

	Apple OS (SAP, Unix..)	Linux	Windows
Ownership of IP	Proprietary	Open	Mixed (proprietary kernel, but API and SDKs available to 3° party developers)
Size, dynamism and costs of ecosystem	Limited and costly	Large and free	Large and costly
Pro	Control, All value can be appropriated by company	Dynamic community, quality of OS	WTA platform, good nurturing of ecosystem, good possibility of value appropriation
Cons	Cost, time of development Richness of complementary products and services	Value appropriation Sustainability of model if going towards more commercial models	Quality

IBM/Clone

Open architecture

"INTEL" CPU

AT BUS
PC OEM

PC
Distribution

Apps/ISVs

*Open API
Free SDKs
Huge ISV Support*

Processing Value

wintel

Desktop OS

End User
Value

Connectivity Value

ISP

Search

Browser

Middleware

Applets

Other Examples

- Barilla ?

- Academia Barilla?

- Oticon?

- Lego?

- IBM ?

- I-mode ?

- ……….. Mention a few

Steps in Business Model Innovation
(Value-Net approach)

1. Map existing Value-Net
2. Analyse net and identify key nodes
3. Focus on nodes that are key to the system
4. Engage in strategies to grow network

The
VALUE NET
A Tool for
Competitive Strategy

Cinzia Parolini

WILEY