CHAPTER 1 – FOUNDATIONS OF CORPORATE ENTREPRENEURSHIP

1.1 Turbulent environments and the embattled corporation

External environments influence internal environments, it’s all about change! This change is continuous and rapid bringing new challenges from external environments. Change is complex and a combination of the environments effect many aspects of the external and internal environment.

External environment of embattled corporation:

1. **Technological** - accelerated development of new technology makes products obsolete, greater difficulty in protecting intellectual property.
2. **Economic** – unpredictability of prices, exchange rates, interest rates, tax incentive and business cycles.
3. **Competitive** - aggressive and innovative competition also from non-traditional sources and tactics. Competitors who are also customers and partners.
4. **Labour** - scarcity of skilled workers, higher labour costs, employees are more mobile and less loyal.
5. **Resource** - limited resources, becoming increasingly specialised, unknown sources of supply.
6. **Customer** - more demanding and fragmented markets, more narrowly segmented, emphasis on investment in capturing customers
7. **Legal and regulatory** – More aggressive regulation. Unlimited product liability = you are responsible
8. **Global** - products are sold anywhere anytime “internet”. Real time communication and distribution. There can be competitive advantage through global outsourcing and international strategic alliances.

All these changes have implications on how companies are managed; the modern corporation finds it embattled as it struggles to survive. This forces companies to abandon conventional business practices as managers have:

- Shortened decision windows
- Diminishing opportunity streams
- They must act more quickly or miss out
- Their clients, suppliers, partners, distributors are always changing so they need to perform better
- Resource demands result in outsourcing and leveraging
- Technology threats means the company must develop new products and improve time to market
- Existing products become obsolete quicker
- No longer are strategies “business as usual” sufficient

The embattled corporation – examples of the way in which trends in the environment force changes in management practices:

1. **Customers** – Fragmented markets, rising customer expectations, costs of higher level of customization, sustainable growth in new markets.
2. **Technology** – New information, production and service technologies, customer management, logistics and inventory, product development technologies.
3. **Competitors** – Creating new market places, they mimic anything new, playing by different rules, competition in narrow niche markets and avoid costs associated with big product range.
4. **Legal, regulatory and ethical standards** – Companies are increasingly accountable

1.2 A new path to sustainable competitive advantage: how companies react to the challenges?

Three lessons can be learnt in sustaining a business in a competitive environment:

1. External environments influence internal environments of a business.
2. There is no simple formula for success in the competitive environment, they need to experiment and find the right approach to control, right leadership style, and right way to reward employees.
3. There is an upside, turbulence mean opportunity. Changes in technology, markets and segments means some doors close and others open.
To remain in the game, companies and managers must continuously re-invent themselves with 5 key capabilities:

1. **Adaptability**: the ability to adjust timely to external environmental forces “can list them”
2. **Flexibility**: design company strategies, processes and operations that meet evolving requirements
3. **Speed**: act quickly to emerging markets
4. **Aggressiveness**: proactive approach to eliminating competitors and pleasing customers
5. **Innovativeness**: developing and launching new products/process/services: lead the market place

**The changing landscape**

Companies are operating in new competitive landscapes with increased risk, less ability to forecast, fluid boundaries between industries. Strategic inflection points occur when the old strategic picture dissolves and gives way to the new, allowing adaptive and proactive businesses to ascend to new heights. These points change the industry and the rules, once it’s reached there’s no going back.

**The four forces at work**

1. **Change**
   - Large amount of pressure on management and employees
   - The game has changed completely
   - Old management styles of hierarchy, rules, traditional and process no longer apply

2. **Complexity**
   - Change comes from different directions and at the same time
   - New markets and technology
   - Customer groups are shifting
   - Competition is also about collaboration
   - Change in one area affects another area

3. **Chaos**
   - Chaos is confusion
   - Random events cause extreme consequences
   - There is a sensitive dependence on conditions and small shocks can disrupt the system
   - Incremental changes that seem insignificant can have a major impact on the organisation

4. **Contradictions**
   - Paradox needs to be managed
   - The tyranny of or pushes people to believe it’s either a or b
   - Managers should embrace contradiction by replacing or with and

**1.3 What is Entrepreneurship.**

Entrepreneurship is defined as the **process of creating value by bringing together a unique combination of resources to exploit an opportunity.**

7 perspectives on the nature of entrepreneurship

1. **Creation of wealth** – involves assuming the risk associated with the facilitation of production in exchange for profit
2. **Creation of enterprise** – entails founding of a new business venture where none existed before
3. **Creation of innovation** – concerned with unique combination of resources that make existing methods or products obsolete
4. **Creation of change** – creating change by adapting and adjusting, modifying ones approaches and skills to meet new and different opportunities.
5. **Creation of jobs** – concerned with employing, managing and developing the factors of production, including the labour force
6. **Creation of value** – process of creating value for customers by exploiting untapped opportunities
7. **Creation of growth** – defined as a strong and positive orientation toward growth in sales, income, assets and employment
1.4 What is Corporate Entrepreneurship (CE)?

Corporate Entrepreneurship (CE) “is the sum of a company’s innovation, renewal and venturing efforts”. It is the entrepreneurship within an established business organisation.

The three most common phenomena that are viewed as entrepreneurial in established businesses are:
1. the situations where an established organization enters a new business:
2. when an individual or individuals champion new product ideas
3. when an entrepreneurial philosophy permeates an entire organization’s outlook and operations.

The forms CE takes are:
• Innovation: something new to the market
• Strategic renewal: strategic or structural changes
• Corporate venturing: creation of new business organisations within the corporation

CE is entrepreneurship within established organisations and involves:
• Fostering innovative behaviour in organisations
• Support profit making innovations by encouraging employees to think like entrepreneurs
• Giving employees the freedom to pursue their ideas without the red tape
• Champions bringing new products or services to market
• Established organisations enter new business
• Entrepreneurial philosophy permeates the entire organisations outlook and operations
• Corporations that radically change the markets and industries
• Revitalises and invents new ways to obtain competitive advantage

1.5 Management versus Entrepreneur

Management is the **process** of setting objectives and **coordinating resources** including people, in order to **attain** those **objectives**. **In essence, it involves getting things done through other people.** Management is concerned with **efficiency** and **effectiveness**. It is a **transformation process** where technical, human and conceptual skills are used to transform **inputs** into **outputs**. Disciplined management requires focus, attention to basic management principles and values and accountability. Management focus includes:
• Efficient and effective utilization of the resources under their control
• Optimizing current operations
• Efficiency: same output less cost
• Effectiveness: choose the right objectives and means of achieving them

Entrepreneurs are preoccupied with **change**, envisioning the **future**, **recognising** emerging patterns and **identifying** untapped opportunities. They come up with innovations to exploit opportunities regardless of resources controlled. Entrepreneurship requires vision, willingness to take risks, focus on creation of the future.

The table below can be used to combine the key roles to create an Entrepreneurial Manager.

<table>
<thead>
<tr>
<th>The Manager</th>
<th>The Entrepreneur</th>
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<tbody>
<tr>
<td>Planner</td>
<td>Visionary</td>
</tr>
<tr>
<td>Strategist</td>
<td>Opportunity seeker</td>
</tr>
<tr>
<td>Organiser</td>
<td>Creator</td>
</tr>
<tr>
<td>Director</td>
<td>Innovator</td>
</tr>
<tr>
<td>Staffer</td>
<td>Calculated risk taker</td>
</tr>
<tr>
<td>Motivator</td>
<td>Resource leverage</td>
</tr>
<tr>
<td>Budgeter</td>
<td>Guerrilla thinker</td>
</tr>
<tr>
<td>Evaluator</td>
<td>Change agent</td>
</tr>
<tr>
<td>Coordinator</td>
<td>Adaptive implementer of new ideas</td>
</tr>
<tr>
<td>Supervisor</td>
<td></td>
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</tbody>
</table>
1.6 Why Companies Lose Their Entrepreneurial Way: The Organisational Life Cycle

Organisational life cycle – crisis points for evolution

Stage 1: Start up and early growth
- Encompasses the launching of a new venture and the initial penetration of the market.
- Highly creative
- Work environment in early stages is exciting, stressful, demanding, and uncertain.
- Organisation run informally
- Employees feel they part of something
- CRISIS: Greater size requires more professionalised management

Stage 2: Growth through direction
- Companies fail because they will not formalise so Management put necessary systems and structures in place, and augments the leadership team with functional area professionals
- Another period of sustained success growth ensues.
- CRISIS: demand for greater autonomy on the part of lower level managers and employees

Stage 3: Growth through delegation
- Delegation takes form by creating semi-autonomous product divisions and strategic business units
- Organisational targets are given to achieve.
- Senior management focuses on major strategic moves and acquisitions
- CRISIS: Management lose control over highly diversified field operation, duplication of work efforts

Stage 4: Growth through coordination
- Companies respond to this loss of control by centralising operations.
- Head office staff is developed to co-ordinate operations
- CRISIS: Centralisation over times tends to breed bureaucracy and a crisis of red tape eventually occurs.
- Myriad of procedures and systems will be developed that exceed their utility
- Procedures take precedence over problem solving

Stage 5: Growth through collaboration
- Very nature of the enterprise has to be reinvented by transforming the machine bureaucracy into an innovation factory
- Companies must simplify structures and procedures, reduce staff
- Creation of matrix structures, encourage experimentation in all facets of the business

1.7 The Entrepreneurial Imperative: A Persistent Sense of Urgency

A new model of management and five questions why a new model of management is needed:
1. How much more cost savings can the company wring out of its current business?
2. How much more growth can the company squeeze out of its current business?
3. How much longer can the company keep propping up its share price through share buybacks, spin-offs and other forms of financial engineering?
4. How many more scale economies can the company gain from mergers and acquisitions?
5. How different are the strategies of the four or five largest competitors in the industry from the company?

Corporate entrepreneurship represents a framework for facilitating ongoing change and innovation in established organisations and include several strategies that need to be implemented:
- Need to allow freedom and resources to the CE requires.
- Management needs to be more flexible and creative and more tolerant of failure, a vital learning process.
- CE’s must be stimulated, supported and protected.
- Companies must create a constant sense of urgency to challenge assumptions, urgency to change and urgency to innovate. Innovate or dissipate must become the mantra.
1.8 A Model of Corporate Entrepreneurship and A Guide to Coming Chapters

The starting point is to develop an in-depth understanding of the nature of entrepreneurship and how it can be applied to established organisations. Building on this foundation, company leaders must then build a work environment that encourages employees to recognise and act upon their own innate entrepreneurial potential. Four key elements of this work environment include the organisation’s

1. Strategy
2. Structure
3. Culture
4. Human resources management system.

Finally, the ability to achieve entrepreneurial performance on a sustainable basis requires a clear understanding of the on-going obstacles that constrain entrepreneurship, together with specific facilitators and measures of entrepreneurial outcomes.
CHAPTER 2 – HOW CORPORATE ENTREPRENEURSHIP DIFFERS

2.1 Introduction

Entrepreneurship happens in organisations of all sizes and types. Seeking and capitalising on opportunity, taking risks, having tenacity to push an innovative idea. It is not limited to a select people but can be developed in any individual. They are ordinary people who make change happen with vision, hard work and passion. It has both attitudinal and behavioural dimensions meaning it is a way of thinking and acting.

2.2. Dispelling the Myths and Sidestepping the Folklore.

Ten myths about Entrepreneur’s:
1. “Entrepreneurs are born, not made” - Key traits are influenced by environmental conditions and anyone has the potential to be an entrepreneur
2. “Entrepreneurs must be Innovators” - Anyone can capitalise on other peoples creative ideas. Innovations can be found in operating process, price approach, packaging, anywhere
3. “There is a standard profile of the Entrepreneur”- A standard profile is hard to compile as the environment and other elements result in many different types of profiles
4. “All you need is luck to be an Entrepreneur”- People who are well prepared to exploit an opportunity seem to be lucky
5. “Entrepreneurs are extreme risk takers” - They work on moderate calculated risk
6. “They are academic and Social Misfits”- They are normally very qualified and have good social skills
7. “All you need is money”- money is no guarantee to combine the right resources and produce innovations that profit
8. “Ignorance is bliss”- Today’s markets require detailed planning and preparation
9. “Most initiatives fail” - A study has shown that about half of them don’t
10. “Entrepreneurship is unstructured and chaotic”- They are typically well organised individuals

The conclusion is that entrepreneurship is a planned activity that can be managed as a process, involves risk and requires innovation. It can be applied to any organisational context, an activity that requires dedication, perseverance and adaptability. Anyone can do it....

2.2 Entrepreneurial Realities: Understanding the Process

Entrepreneurship is a process that occurs in six stages, namely:
1. Identify the opportunity.
2. Defining the business concept.
3. Assessing the resource requirements.
4. Acquiring the necessary resources.
5. Implementing and managing the concept.
6. Harvesting the venture.

1. Identify the opportunity
   - Begins with an opportunity
   - Many concepts fail because there was no opportunity
   - Just because it is better does not mean it is needed.
   - Key questions include: source, size and sustainability of opportunity

2. Defining the business concept
   - With an opportunity clearly in mind, the entrepreneur specifies a business concept.
   - Opportunities represent potential that can be capitalised on
   - A Business concept is defined as an innovative approach for capitalising on an opportunity
   - A well conceptualised concept has certain characteristics:
Obvious benefit to a user
- unique and not easy to imitate
- Comprehensive in that it represents an entire value propositions.
- It is feasible.

3. Assessing the resource requirements
- Entrepreneurial success is often a function of other resources, some which money can’t buy.
- Need to identify nonfinancial needs require insight, judgement and patience.
- Obtaining endorsement from sponsor is key

4. Acquiring the resources
- Entrepreneurs are great at resource leveraging, meaning they know how to share and borrow resources.
- Must be a trader, bargainer, negotiator, networker and borrower.
- Leveraging means resource might be rented, leased, contracted or outsourced

5. Implementing and managing the concept.
- It is typically hectic, uncertain and ambiguous when creating the “new”
- Entrepreneur is faced with myriad of decisions that must be solved quickly.
- Obstacles arise and assumptions could be wrong – leading to a re-think
- Key at this stage is tolerance of ambiguity and adaptability
- Must set target and timeframes for concept completion at each stage

6. Harvesting the venture
- We live in age of diminishing opportunity windows and shorter life cycles.
- Therefore must have an exit strategy
- Harvesting is concerned with how returns will be realised

2.3 How Corporate Entrepreneurship Differs

Individuals are bold and often thought of as a hero which doesn’t sit well with corporations. Characteristics such as bold, aggressive, risk taking doesn’t fit well in company. As a result there is confusion as to the nature of CE and if it is actually possible within a company.

The Basics apply no matter what.
- Basic nature of entrepreneurship is universal (use definition and expand).
- Entrepreneurships can occur in start-ups to large corporations.
- The process can be applied anywhere.

Similarities between Corporate and Start-up Entrepreneurship: Both require/involve/have
1. Both involve opportunity recognition and definition.
2. Both require a unique business concept, i.e. a product, service or process.
3. Both are driven by an individual champion working with a team.
4. Both require entrepreneurial balance between vision, managerial and entrepreneurial skills
5. Both involve concepts that are most vulnerable in the formative stage and require adaptation over time
6. Both entail identifying the window of opportunity
7. Both are based on value creation and customer satisfaction
8. Both find resistance and obstacles requiring innovative solutions
9. Both entail risk and require risk management strategies
10. Both find creative ways to leverage resources
11. Both involve ambiguity
12. Both require harvesting strategies

You need to understand the similarities because:
1. CE is not just a fad. Sustainable competitive advantage is impossible without entrepreneurship.
2. Management and employees need to understand the risks and act like entrepreneurs.
3. Most of the research is on start-ups context and execs can learn from this information and what we know about the start up context.

The important differences for start-up and CE’s

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Corporate Entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Takes all the risk</td>
<td>1. Company assumes risk</td>
</tr>
<tr>
<td>2. Owns the concept</td>
<td>2. Company owns the concept</td>
</tr>
<tr>
<td>3. Owns the business</td>
<td>3. May have no equity in the business</td>
</tr>
<tr>
<td>5. Easy to fail</td>
<td>5. More room for errors</td>
</tr>
<tr>
<td>6. Vulnerable to outside influence</td>
<td>6. More insulated</td>
</tr>
<tr>
<td>7. Independent</td>
<td>7. Interdependence of champion with others sharing credit</td>
</tr>
<tr>
<td>8. Flexibility in changing course</td>
<td>8. Rules and procedures = less flexible</td>
</tr>
<tr>
<td>10. Little security</td>
<td>10. Job security</td>
</tr>
<tr>
<td>11. No safety net</td>
<td>11. Dependable benefits package</td>
</tr>
<tr>
<td>12. Few contacts</td>
<td>12. Extensive network</td>
</tr>
</tbody>
</table>

The political factor difference with CE
Politics within an organisation will be instrumental in the success or failure of any entrepreneurial initiative within an established company. Three factors that need to be overcome:

1. **Credibility**: for the concept and the individual. Overcome by giving others a reason to believe, building a network, getting a good sponsor
2. **Acquiring resources**: Overcome by identifying underutilised resources, convincing resource owners to share, borrow and scavenge resources.
3. **Overcoming resistance**: The biggest obstacle, people see change as a threat to job security and the current status quo

Implications of the differences for CE’s

1. Don’t have to start up their own business
2. Their motivation is a desire to create something successful in an idea they believe in, put their mark on something.
3. They have a healthy cynicism of company systems and appreciate the need to be politically savvy.
4. They enjoy the security of getting a salary
5. They are self-driven with self-imposed time lines and performance benchmarks
6. They measures of performance is not clear cut, they need to identify measures that will influence and build their plans into reality. The challenge becomes one of:
   - Performing satisfactorily on performance measures
   - Meeting one’s own goals for project development and completion
   - Ensuring ones goals exceed those of senior management.
7. They tend to take greater risks within the company

What can management do to help out CE?

- Create an environment where employees have a sense that resources can be accessed
- Let anyone in the company have the ability to champion an idea
- Invest in the development of people first, understand that value creation for customers follows, recognise productive employees and satisfied customers creates wealth for stockholders

Rules for Fostering an Innovative organisation

**Rule 1 – Unreasonable expectations**

- When people subscribe to unreasonable goals, they search for breakthrough ideas.
- There are no mature ideas, only managers who accept a definition of what is possible
Rule 2 – Elastic business definition
  • Too many companies define themselves by what they do, know and what they own. Be elastic and flexible.

Rule 3 – A Cause, Not a business
  • Revolutionaries draw strength from their allegiance to a cause beyond growth, profits and wealth.
  • The courage to strike out and accept that change is good.

Rule 4 – New voices
  • Let the youth be heard, listen to periphery, let new comers have their say.

Rule 5 – An open market for ideas
  • Create a market for entrepreneurial ideas inside the company
  • New ideas are currency of the realm

Rule 6 – Create an open market for talent
  • Make funds available for new ideas and give the resources necessary.

Rule 7 – Open the market for talent
  • Provide incentives for employees who are willing to take risks.

Rule 8 – Low-risk Experimentation
  • Being revolutionary does not mean being a high-risk taker
  • Cautious follower vs. High-risk taker. neither is likely to pay off in the age of revolution.

2.4 Where to Find Entrepreneurship Within a Company

Corporate entrepreneurship takes many different forms in the organisation and it can be manifested in different ways.

7 ways in which entrepreneurship is manifested in established companies are:

1. Traditional R&D
   • Many companies have dedicated staff who are technically qualified that work on improving existing products and developing new ones.
   • Any numbers of projects are underway at a given time.
   • Projects are closely tied to strategic direction
   • Makes it easy for everyone else in the company to escape responsibility for innovation

2. Ad hoc venture team
   • Senior management commits to an opportunity, or finds itself needing to respond to an impending competitive threat.
   • Put together a team of employees, charge them with coming up with a specific innovation and set them up autonomously, out of the mainstream.
   • Demanding deadline but ample resources
   • Good at accomplishing mission but not sustained entrepreneurship

3. New venture divisions
   • Permanent unit is established where the objective is breakthrough innovation and the creation of new markets.
   • Difficulty in getting mainstream to accept the innovation

4. Champions and mainstream
   • Entrepreneurship can originate from any person in company
   • Develop concepts and attempt to sell to senior management

5. Acquisitions
   • Achieve entrepreneurial growth through acquisitions of other companies
   • Challenge is to instil its value and culture on acquisition

6. Outsourcing innovation
   • Companies buying some of the intellectual capital of other companies and individuals

7. Hybrid approaches
   • Reality is that organisations are experimenting today to spur entrepreneurial performance.
   • Try various approaches
2.5 General Frameworks for Understanding Corporate Entrepreneurship

There are three integrative frameworks for understanding corporate entrepreneurship in the organisation. These frameworks make it clear that corporate entrepreneurship is an organisation-wide phenomenon and that it should be interwoven with every aspect of the organisation. Together they help paint a picture of the kinds of factors they must come together for entrepreneurship to happen. The three frameworks are:

1. The domain framework
2. The sustaining framework
3. The strategic integration framework.

1. Domain Framework
Guth and Ginsburg argue domain of corporate entrepreneurship has two types of processes:
   a. *Internal innovation* - venturing to create new business with existing organisations
   b. *Strategic Renewal* – design of corporate initiatives that transform organisations
The extent that CE occurs and how it is manifested are driven by factors organized into four domains:
   a. *External environment*: turbulence is a driver for entrepreneurship
   b. *Leadership within the company* and their focus and characteristics.
   c. *Aspects of work environment* such as strategies, structures, processes and cultures.
   d. *Company performance* and the extent of that performance which is driven by innovative behaviour

2. Sustaining Framework
• Organisations ability to sustain entrepreneurship on an on-going basis
• Dependant on individuals undertaking innovative activities and positive perceptions of the organisation and continuing to pursue these innovations
• The framework indicates that a transformation trigger (internal or external) initiate need for strategic changes
• The model centres on an individual employees decision to behave entrepreneurially.
• Sustained entrepreneurial behaviour is sustained by the belief that there is top management support, rewards, resources and flexible boundaries.

3. Strategic Integration Framework
• The focus is on on-going integration of entrepreneurship throughout the entire organisation and not viewed as a discrete event or behaviour.
• It should capture the essence of what an organisation is about and how it operates
• This model is manifested through the presence of three elements;
  1. A entrepreneurial strategic vision
  2. A pro-entrepreneurship organisational architecture
  3. A entrepreneurial processes and behaviours across the organisational hierarchy
• This model has six linkages which include:
  1. Individual entrepreneurial cognition of the organisations members
  2. External environment condition that invite entrepreneurial activity
  3. Top managements entrepreneurial strategic vision
  4. Organisational architecture that encourages entrepreneurial processes.
  5. The entrepreneurial process that is reflected in entrepreneurial behaviour.
  6. Organisational outcomes that result from entrepreneurial actions.

This model can be used to illustrate the perspective that entrepreneurship is an overall orientation in an organisation. The focus is on the integration of entrepreneurship throughout the entire organisation, as opposed to viewing entrepreneurship as a discrete activity or behaviour, or a one-off event. The model illustrates that Entrepreneurial intensity has a direct and positive influence on company performance. It does this by integrating or interweaving the vision and mission of the firm, the strategies, Objectives and structures of the organisation, and the overall organisational culture.
Here we focus on how we measure the CE of an organisation through the dimensions of innovation, risk taking and proactiveness against the frequency or timelines that they do it in.

Corporate entrepreneurship is reflected in top management’s risk taking with regard to investment decisions and strategic actions in the face of uncertainty, the extensiveness and frequency of product innovation, the related tendency toward technological leadership and the pioneering nature of the firm, as is evident in the propensity to compete aggressively and proactively with industry rivals.

### 3.1 Exploring the Dimensions of Entrepreneurship

Corporate entrepreneurship is reflected in top management’s risk taking with regard to investment decisions and strategic actions in the face of uncertainty, the extensiveness and frequency of product innovation, the related tendency toward technological leadership and the pioneering nature of the firm, as is evident in the propensity to compete aggressively and proactively with industry rivals.

The three dimensions of corporate entrepreneurship are:

1. **Innovativeness**
2. **Risk taking**
3. **Proactiveness**

#### 3.1.1 Dimension: Innovativeness

Innovativeness refers to the extent to which an organization, simply stated, does things in *novel, different and unique* ways. A range of possibilities exist:

1. New or improved products
2. New or improved services.
3. Process innovation – new and better ways to accomplish a task such as innovative production techniques.

Pressure to innovate comes from both internal and external forces.

**External forces** include:
- Emergence of new and improved technologies
- The globalization of markets increasing competitive pressures
- Fragmentation of markets intensifying customer pressure.
- Government regulation
- Dramatic social change.

**Internal forces** include:
- Pressure to cut cost and develop new capabilities
- Ability to attract and retain high-quality employees

The **push for innovation** manifests in various ways:
- An increase in the number of innovation projects underway within a company
- Companies must become faster to reduce time from idea innovation to launch
- Ability to innovate faster requires more departments and functional areas to be involved in the process

The **heightened impact of innovation** activity on success rates is less clear, one would expect the more a company innovates, the better they will get at it. This is not the case. Maximizing innovation success rates may be less important than minimizing the costs of innovation failures, this can be done by making resources available in stages. **Management of innovation** may be considered an oxymoron, management is about control, while innovation is unknown and unpredictable. Innovators often break rules to accomplish tasks, a dilemma in that employees who break rules do not last in companies.
Dilemmas of Innovation

1. Not all entrepreneurs are innovators but successful entrepreneurship involves continuous innovation
2. Innovation is about the unknown, management is about control
3. Innovation breaks rules, people who break rules don’t last in companies
4. Successful innovation needs to have both freedom and discipline, the issue of balance
5. Failure of innovation is likely, if companies don’t innovate they will fail
6. An innovation succeeds because it address customer needs.
7. Innovation can be risky, not innovating can be risky to
8. Innovation can be revolutionary or evolutionary, the costs, risks and returns differ for both.
9. Innovating new products may make existing products obsolete
10. Some innovations are not wanted by the customers
11. While associated with breaking the rules of the game, it’s about an entirely new game
12. Being first to market doesn’t always mean success

The best practices of companies that innovate have been identified in two studies of innovation success:

1. Synectics
2. Best practice survey (Product Development and Management Association)

Synectics, an analysis produced three categories of firms:

1. Stars – High-performing companies that had successfully integrated innovation and creativity.
2. Seekers – Companies that displayed a number of innovative practices but came short in innovative performance.
3. Spectators – Tend to acknowledge the importance of innovation but provide little support for it.

Stars have a number of characteristics that distinguish them from the others, Synectics found they are crucial sustained innovation, these include:

1. CEO fosters innovation
2. Innovation is critical to long term success
3. Concept of managing change
4. Having words innovation and creativity in the mission statement
5. Openness to outside ideas
6. Formal programs to harvest ideas and problem solving
7. Focus on cross functional communications
8. Encouraging employees to talk to customers
9. More investment in research and development
10. Creating budgets for innovation
11. Providing rewards for innovation
12. Having highly productive meetings

Best practice survey (Product Development and Management Association) attempted to establish norms in the across companies in the new product development area. The results indicated a few key findings

• A tendency to have a formal innovation strategy
• Rely heavily on cross-functional teams
• Use formal criteria to measure new product performance
• Firms anticipated the number of new products they would introduce over a time period, for every 11 new products only 1 was launched.

The study differentiates ‘The Best’ from the ‘The Rest’.

• The Best were identified as
  o The most successful or top third in their industry success rate for new product development
  o Reported innovation success rates
  o Percentage of sales and profits generated from newly introduced products.
• The Rest – all the companies that failed to meet these criteria.
3.1.2 Dimension: Risk taking

Risk taking involves the willingness on the part of the organisation to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies. Loss is measured in terms of the probability of loss and the magnitude of loss. In corporate entrepreneurship the emphasis is on moderate and calculated risks. Successful innovations by organisations are a function of both the success average and the frequency of market incursions.

Risk is high when companies:
- Ignore new PPS opportunities and don’t innovate.
- Companies that don’t innovate are faced with higher risk of market and technology shifts exploited by competitors.
- With breakthrough innovations that create new markets

Risk is low when companies:
- Do more manageable trial and error experiments regularly
- A balanced portfolio of projects is managed

A distinction can be drawn among 4 innovation types and their risks: (see right figure )

1. **Discontinuous innovation**: breakthrough innovation addressing a new need or market e.g. Cell phone, high risk
2. **Dynamically continuous innovation**: a dramatic improvement over existing state-of-the-art-solution that is not disruptive to the buyer. e.g. Electric tooth brush, moderate risk
3. **Continuous innovation**: incremental innovation enhances existing products with new features, e.g. light bulb that burns longer. Companies devote to this type the most, moderate risk
4. **Imitation** – copying competitors, high risk.

From an entrepreneurial standpoint there are two sides to the risk equation:

1. ‘Sinking the Boat’ risk – What happens if the concept does not work. This may be as a result of not enough planning, poorly thought out concept, bad timing and already well-satisfied market and inappropriate price levels.
2. ‘Missing the Boat’ risk - Delaying the actions due too much planning and being too cautious or conservative and often needs more security in terms of additional market research.

3.1.3 Dimension: Proactiveness

Pro-activeness is concerned with implementation, with taking responsibility and with doing whatever is necessary to bring an entrepreneurial concept to fruition. It usually involves perseverance, adaptability and willingness to assume responsibility for failure. Its acting not reacting, leading and not following the market and competitors.

The proactiveness of an entrepreneur lies in recognising, properly defining and effectively communicating the potential of the invention and then in achieving acceptance for the invention within the company, getting it implemented (if it is a process), launching it (if it is a product) and achieving commercial success or failure.
Reactiveness manifests in 3 key ways
1. Seeking new opportunities that may not be related to the current line of operations
2. Introducing new products and brands first
3. Strategic elimination of operations that are in the mature and declining stages

3.1.4 Combination of the Dimensions: The Concept of Degree

The extent to which events are innovative, risky and proactive.
E.g. a firm adopts a radically different (high innovativeness) and unproven (high risk) production technology, yet lags behind the industry leaders (low Proactiveness)

Degree of entrepreneurship can be thought of as the additive function of the dimensions of entrepreneurship i.e. 

Degree of entrepreneurship = the degree of innovativeness + the degree of risk-taking + the degree of pro-activeness.

Degree of entrepreneurship can be thought of as the multi-plative function of the dimensions of entrepreneurship i.e. 

Degree of entrepreneurship = the degree of innovativeness x the degree of risk-taking x the degree of pro-activeness.

3.2 Entrepreneurial Intensity: Combining The Degree and Frequency of Entrepreneurship

The degree of entrepreneurship refers to the level or extent to which each of the dimensions, innovativeness, risk taking and proactiveness occurs in the organisation and can be related to technological change. The frequency of entrepreneurship refers to how many entrepreneurial events take place within a given period of time and can be related to the intensity of competition. If the degree of entrepreneurship and the frequency of entrepreneurship are combined, we can measure the intensity of entrepreneurship in the organisation.

- Companies that display a low degree and frequency of entrepreneurship are periodic/ incremental in entrepreneurial intensity.
- Companies that display a low degree and high frequency of entrepreneurship are continuous/incremental in entrepreneurial intensity.
- Companies that display a high degree but low frequency of entrepreneurship are periodic/discontinuous in entrepreneurial intensity.
- Companies that display a high degree and frequency of entrepreneurship are revolutionary in entrepreneurial intensity.
- Companies that display an average degree and average frequency of entrepreneurship are dynamic in entrepreneurial intensity.

Entrepreneurship is more evident in companies with flat structures, control systems contain slack, appraisal systems include innovation and risk taking criteria, jobs are broad in scope and reward systems encourage a balance of individualism and group orientation

| Low | Periodic/ Incremental | Periodic/ Discontinuous |
| High | Continuous/ Incremental | Revolutionary |

THE ENTREPRENEURSHIP GRID

Degree of Entrepreneurship (Innovativeness, risk-taking, proactiveness)
3.3 Applying the Entrepreneurial Grid to Organisations

The entrepreneurial grid is a useful tool for managers who are attempting to determine the role of entrepreneurship within the organisation.

The entrepreneurial strategy of a company can be defined by plotting companies on the grid. Both internal and external factors can determine where a company falls on the entrepreneurial grid.

3.4 Applying the Entrepreneurial Grid to the Level of the Individual Manager

The entrepreneurial grid can be used to determine the entrepreneurial intensity of individual managers. The entrepreneurial intensity of an individual is not only determined by the frequency and degree of entrepreneurship, but also by the individual’s response to environmental circumstances and the individual’s personality traits.

3.5 Things We Know and Do Not Know About Entrepreneurial Intensity

- Entrepreneurship in organisations matters, because research has proven that organisations with a stronger entrepreneurial orientation perform better. The exhibition of entrepreneurial intensity generally improves the functioning and performance of the organisation.
- There is no best place on the entrepreneurial grid. The ideal point is industry and market specific.
- Within companies, the entrepreneurial orientation can be expected to differ significantly between various divisions, units, departments and areas.
- It is not known under what conditions entrepreneurial degree is the strongest contributor to company performance, or if entrepreneurial frequency is the strongest contributor to company performance.
- What is not known is the types and amounts of costs associated with entrepreneurial intensity.
- Entrepreneurial intensity is likely to play a role in determining the relationships between the nature of the external environment of the organisation, the strategy of the organisation, and the internal structure of the company. It will also play a role in integrating these three variables.
- It is not clear whether high levels of entrepreneurial intensity can be sustained.
CHAPTER 4 - HOW ENTREPRENEURSHIP TAKES DIFFERENT FORMS

High levels of entrepreneurial intensity (degree and frequency of entrepreneurship) can be achieved in many ways. Entrepreneurship is manifested in companies either through corporate venturing or strategic entrepreneurship. Each of these concepts is explained. The different forms that corporate entrepreneurship can take are delineated in figure Corporate venturing includes various methods for creating, adding to, or investing in new business. Strategic entrepreneurship involves innovations for competitive advantage in any of the 5 areas being: strategy, products offered, markets served, internal organisation or the business model.

Corporate Entrepreneurship

<table>
<thead>
<tr>
<th>Corporate Venturing</th>
<th>Strategic entrepreneurship</th>
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<tbody>
<tr>
<td>• Internal corporate venturing</td>
<td>• Strategic renewal</td>
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<tr>
<td>• Cooperative corporate venturing</td>
<td>• Sustained regeneration</td>
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<tr>
<td>• External corporate venturing</td>
<td>• Domain redefinition</td>
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<td></td>
<td>• Organizational rejuvenation</td>
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<td></td>
<td>• Business model reconstruction</td>
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4.1. CORPORATE VENTURING: BRINGING NEW BUSINESS TO THE ORGANISATION

4.1.1 The concept of corporate venturing and its modes

Corporate venturing includes various methods for creating, adding to, or investing in new business and is done in three ways:

1. **Internal corporate venturing:**
   - New business is created and owned by the organisation
   - Typically resides within the corporate structure
   - Occasionally may be located outside the firm

2. **Cooperative corporate venturing:**
   - Refers to entrepreneurial activity in which new businesses are created and owned by the corporation together with one or more development partners.
   - They exist as external entities and operate beyond the organisational boundaries

3. **External corporate venturing:**
   - Entrepreneurial activity in which new businesses are created outside the organisation and subsequently invested in or acquired by the organisation
   - New business might be developed through a single, double or all three venturing nodes. A firm's total venturing activity is equal to the sum of the ventures enacted.

4.1.2. What is New Business?

Corporate venturing is essentially the creation of an entirely new business in the organisation. There are two ways of defining a new business.

The first is using the product/market growth matrix.

- Growth in current market with new products = product development strategy
- Growth in current market with current products = market penetration strategy
- Growth in new markets with current products = market development strategy
- Growth in new markets with new products = diversification strategy

The second, less restrictive, definition of a new business includes intermediate-level variations of market and product novelty.

4.1.3. Motives for Corporate Venturing

Research has identified two sets of motives for embarking on internal venturing, leveraging and learning.
1. **Leveraging:** To exploit existing corporate competencies in new product or market arenas.
   a. Exploit underutilised resources, build a new business around internal capabilities
   b. Extract further value from existing resources for product markets not currently being served
   c. Apply pressure on internal suppliers, make new business that becomes the supplier
   d. Spread the risk and cost of product development
   e. Divest noncore activities, new business to pursue opportunities that the firm is in a good position to exploit

2. **Learning:** To acquire new knowledge that may be useful in existing products and market arenas.
   a. Learn about the process of venturing, new business is an experiment
   b. Develop new competencies, new business for getting skills and technologies
   c. Develop managers, new business is a training area for individual developments

### 4.1.4 Corporate venture capital

Internal capital funds are used to invest in external new ventures that are strategically important or financially attractive. External venture funds are owned and controlled by multiple partners that target new business in technology product development areas. **CV investments** are either strategic or financial objectives or the degree of the operational capabilities of the new business.

**Four types of venture capital investment**

1. **Driving investments:** - strategic rationale with tight operational links between start-ups and the investing company. These investments extend the organisations presence in product-market or technological arenas.
2. **Enabling investments:** - strategic rationale with loose operational links between start-ups and the investing company. These investments compliment the strategy of the corporation by stimulating demand for its current products through the development of larger ecosystems.
3. **Emergent investments:** - financial rationale and tight operational links between start-ups and the investing company. These investments are targeted towards start-ups who’s success may have strategic relevance.
4. **Passive investments:** - financial rationale for investments with loose operational links between start-ups and the investing company. These investments are diversification actions where the company acts as a money manager or investment intermediary.

### 4.2. Strategic Entrepreneurship: Innovating in Pursuit of Competitive Advantage.

Strategic entrepreneurship is a second major category of approaches to corporate entrepreneurship. Essentially, it involves organisationally consequential innovations that are adopted in the pursuit of competitive advantage. The innovations can represent either fundamental changes from the organisation’s past strategies or based on which the organisation is fundamentally differentiated from its industry rivals. Strategic entrepreneurship takes 5 forms:

1. **Strategic renewal:** - Seeks to redefine its relationship with its market or industry competitors by fundamentally altering how it competes
2. **Sustained regeneration** - Continuously creates new products and services or enters new markets. They are in constant pursuit on entrepreneurial opportunities.
3. **Domain redefinition** - Proactively creates a new product market arena that others have not recognised or actively sought to exploit. Firms move into uncontested markets (‘blue oceans’) which can give rise to new industries or redefine existing boundaries.
4. **Organisational rejuvenation** – A firm seeks to sustain or improve its competitive standing by altering its internal structure and processes. The objective is to create a superior organizational vehicle which the strategy can be implemented.
5. **Business model redefinition** - Finds the firm applying entrepreneurial thinking to the design or redesign of its business model in order to improve operational deficiencies or otherwise differentiate itself in ways valued by the market.
4.3 THE BUSINESS MODEL AS A VEHICLE FOR CORPORATE ENTREPRENEURSHIP

A business model can be defined as a “concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture and economics will be addressed to create sustainable competitive advantage in defined markets”

The business model should address six questions:
1. How does the firm create value?
2. For whom does the firm create value?
3. What is the source of internal advantage or core competency?
4. How does the firm externally differentiate itself in the marketplace?
5. What is the model for making money?
6. What are management’s growth ambitions over what time?

Decisions can be made at three levels regarding the above questions:
1. **Foundation level** - management makes generic decisions regarding what the business is and is not, and ensures such decisions are internally consistent. This level addresses basic decisions in each of the six areas.
2. **Proprietary level** – entails innovation that is unique to a particular entrepreneur and venture. This level is strategic specific and the approach is not easy to copy
3. **Rule level** – Delineates guiding principles that govern execution of the decisions made at levels one and two.

These guidelines help ensure the models foundation are reflected in ongoing strategic actions of the firm.

4.4 OPEN INNOVATION REVOLUTION

An open innovation revolution is a general approach to innovation that implies that the organisation is not solely reliant on its own resources for technology, product or business development. Inputs in innovation are obtained from outside sources.

Four reasons why companies are increasingly pursuing an open innovation model:
1. **Importing new ideas is a good way to multiply the building blocks of innovation.** External technology helps innovation outputs
2. **Exporting ideas is a good way to raise cash and keep talent.** These ideas can be marketed and create value
3. **Exporting ideas gives companies a way to measure an innovation’s real value** and to ascertain whether further investment is required.
4. **Exporting and importing ideas helps companies clarify what they do best.** Helps identify where the true competitive advantage lies
TOPIC 2 - DESIGNING ENTREPRENEURIAL ORGANISATIONS
The work of creative and innovative employees, appropriate human resources practices and organisational strategy, structure and culture that foster the development of innovation all contribute to the creation of an entrepreneurial organisation.

CHAPTER 6 CORPORATE STRATEGY AND ENTREPRENEURSHIP

Organisational strategy attempts to determine where a firm wants to go and how it is going to get there. When entrepreneurship is added to strategy, where the firm can go and how fast it gets there are greatly enhanced. Some of the reasons why entrepreneurship is added to strategy are because of the changing landscapes. They are filled with chaos, complexity, contradiction and change:

Change

No organisation is immune to immense pressure of change. In the past the playing field was level, if not to their advantage. The rules were obvious and structure was the manager’s friend. Hierarchy provided context and orientation. There was always sufficient time. Today’s environment is nothing like the past. Uncertainty is common place.

Complexity

Complexity is another critical force in the new landscape. Change comes from many different directions, often at the same time. There are new markets, technologies, economic realities, demographic patterns etc. customer groupings are shifting and becoming more differentiated. Competitors come and go. Further, change in one area interacts with change in other areas. The net effect is that there is more change to manage and it is much more complex!

Chaos

The common language meaning of term chaos is confusion, and confusion describes the new business landscape. Random events can cause extreme consequences in business. Small changes or shocks to the system, in which the business operates, can have a major impact on the business itself.

Contradiction

Finally, the business environment is filled with many contradictions, and dealing with paradox becomes a critical aspect of managing the new competitive landscape.

Not 1 or another but rather 1 and another. Embrace it and accept ambiguity

Dominant logic – does it fit the landscape?

Dominant logic refers to the way in which managers conceptualise their business and make resource allocation decisions. Accordingly, the dominant logic that is optimal for an organisation today may not be appropriate for that organisation five years from now.

• It’s the prevailing mind-set of the business
• Managers focus on current climate and only consider information if it believes it fits with the dominant logic of the company
• Will limit future potential
• Captures the current competitive advantage
• Must be periodically unlearnt
• One means of creating a dynamic dominant logic is to make entrepreneurship the basis upon which the organisation is conceptualised and resources are allocated.
The role of Strategic management in Corporate Strategy

Entrepreneurship may serve as the dominant logic of the organisation and can play an important role in its strategy. While dominant logic sets the context of the company’s overall direction, strategic management more specifically defines that direction and determines how it will be accomplished.

Strategic management basically involves the formulation of long-term plans for the effective management of external opportunities and threats in view of the company’s internal strengths and weaknesses.

- Process that guides how the basic work of the organisation is approached
- Ensures continuous renewal and growth
- Provides context for developing and implementing the strategy that drives operations
- Is a continuous search for new sources of competitive advantage
- Creates a sense of unity and consistency of action throughout the organisation
- People work towards a common objective
- Sees the big picture 3 to 5 years from now

Integrating Entrepreneurship with Strategy

The integration of entrepreneurship with strategy has two aspects, namely:

- Developing a corporate strategy that is entrepreneurial – that is, applying creativity and entrepreneurial thinking to the development of a core strategy for the organisation.
  - Highly entrepreneurial strategies are not obvious
  - They have a high risk
  - Corporate venturing and strategy are weakly linked (one drives the other)
- Develop a strategy for entrepreneurship – this refers to developing strategies for entrepreneurial activities in the organisation.

Managing an Innovation Strategy

Most companies do not have a strategy for innovation. Their innovation efforts are irregular, infrequent and often reactive. If a company did have a strategy for innovation, specific goals and objectives for innovation would exist, and these goals and objectives would be monitored and performance would be measured. Adjustments would be made to keep the company on track in terms of its innovation strategies and goals.

7 core components of a Strategic Innovation

1. Company commits to finding and developing new products
2. Innovation is a companywide task
3. Strategies are formulated for the nature of new products and innovations
4. Strategies are formulated for the nature of technologies utilised
5. Strategies are formulated for the type of markets to be served
6. Clear sense of how aggressive or defensive the innovation efforts of the company are intended to be
7. A planned approach for sourcing new product ideas
Just as a company manages a portfolio of products and services and business units, it also needs to manage a portfolio of innovations. Management should attempt to balance innovation projects by balancing

- high-risk, high-return projects against low-risk, low-return projects
- discontinuous or dynamically continuous innovations against continuous innovation and imitations
- products and services intended for markets the company currently serves against ones for markets that are new to the company
- projects with shorter development cycles and pay-offs against ones with long-term outcomes
- projects utilising new technologies

Companies should move away from a project mentality to a portfolio mentality when involved in innovation projects. With a portfolio approach the company is concerned about the overall success of innovation projects, accepting the possibility that some failures may occur. The portfolio approach allows trade-offs between projects and allows a continuous stream of innovation. Integrating entrepreneurship and strategy within the corporation requires an understanding of the role of technology as a determinant of organisational success.

**Technology, entrepreneurship and strategy**

In recent years, technology has played a big role in every business. In fact, the high levels of technological development and proliferation have resulted in a drive for the commercialisation of new technology and high levels of entrepreneurship. It has provided the entrepreneur with both opportunity and threats.

We can define technology as the tools; devices and knowledge that help transform inputs into outputs.

Technology is an important trigger for entrepreneurial activity. Represents opportunity and threat.

Innovation strategy should be complemented by a technology strategy. Technology strategy consists of the overall decisions and actions that relate to a company’s acquisition and utilisation of technology.

Elements of technology strategy include:

- Technological choices: what type of technology
- Technological Sources: developed internally or bought external
- Competitive timing: do we lead or follow
- Technological investment level: how much R&D at what cost
- Technological policies: criteria for evaluation of R&D
- R&D focus: what are we working on PPS
- Model of technological innovation: is the company product driven, market or technologically driven

**Technologies push versus Market Pull**

Organisations usually have a technology-push and/or market-pull orientation to innovation. With technology-push, employees try to find technological possibilities and develop products based on them. They focus on the technology and assume that the market will want the product. Market-pull approaches to innovation, on the other hand, start with customers’ needs. Customers are the source of new product ideas and their input is instrumental in the design and development of products. Usually technology push approaches result in breakthrough innovation – both discontinuous and dynamically continuous innovation. But these innovations may not be what customers want. Market-pull approaches result in incremental advances – both continuous innovation and imitation. However, these innovations usually have short-term pay-offs. Management should ensure that there is a match between technology-push and market-pull innovation. Technological possibilities have to be explored within the limits of understanding customer segments and customer needs now, and in the future.
Key Strategic Concepts: Entrepreneurship as the driver

Innovation is the key to developing successful exploitation of competitive advantage. Coupled with continuous learning provides a competitive edge.

Strategic formulation:

- Strategic advantage. This refers to establishing in customers’ minds an enduring value difference between the products and services of the organisation and those of competitors.
- Strategic positioning. This refers to the way the organisation wants to be perceived in the marketplace.
- Strategic flexibility and adaptation. Strategic flexibility involves a willingness to rethink continuously and make adjustments to the current action plans, strategies, structure, culture and managerial systems as needed, in order to remain competitive.
- Strategic leverage. Leveraging is a creative process that results in doing more with fewer resources by finding and using resources more intelligently and in a more focused manner.

Entrepreneurial strategies will fail if not accompanied by management practices that support and reinforce the strategies.

How to make an Entrepreneurial Strategy work: some contributing factors

Developing an entrepreneurial vision

- Great organisations are driven by clear visions. It is important that senior management conceptualise and communicate a vision of organisation wide entrepreneurship

Increasing the perception of opportunity

- Entrepreneurial behaviour is opportunity seeking behaviour. Entrepreneurial strategy represents a quest to find and exploit untapped opportunities. The organisation should broaden the opportunity horizon.

Institutionalising change

- Change is good. It enriches people, adding experience and deepening insights. It represents new opportunities. You must challenge the status quo.

Instilling the desire to be innovative

- Innovation must be expected from people who do not see themselves as innovators. The desire to be innovative stems from a sense of involvement in and responsibility for innovative projects.

Investing in people’s ideas

- Ideas, together with people’s personal commitment to them, represent the single greatest asset in a company.

Sharing risk and rewards with employees

- Sustainable entrepreneurship requires that employees experience some of the risk and meaningfully participate in the rewards.

Recognising the importance of failure

Implementation Issues: Fatal Visions

Flaw 1: misunderstanding industry attractiveness
There is a tendency to associate attractiveness with those industries that are growing rapidly. Attractiveness has much more to do with high barriers to entry, the ability to differentiate, the existence of few effective substitutes and the ability to influence suppliers and customers. The more high tech and glamorous a business is, the more likely there will be higher competitors entering the market and thereby making it unprofitable.

Flaw 2: no real competitive advantage
Merely copying, imitating, or slightly improving upon the strategy of competitors is not entrepreneurial. It may seem easier and less risky but it means the venture has no real competitive advantage. To succeed, new ventures must be unique.

Flaw 3: pursuing an unsustainable competitive position
Companies try to be customer service leaders when customer service innovations are easy to mimic. They attempt to be technology leaders when they do not have the necessary internal capacity to continually produce desirable technical innovations. Alternatively, they pursue strategies that place conflicting demands on different parts of the company.

Flaw 4: compromising strategy for growth
A careful balance must exist between growth and the competitive strategy that makes a business successful. Pressure exist for companies to maximise sales growth, which often means capitalizing on short term opportunities that distract management from the core strategy.

Flaw 5: failure to explicitly communicate strategy internally
It is essential to clearly communicate the company’s strategy to every employee. The assumption that employees know the strategy and understand its implications for how they deal with particular issues or decisions is a dangerous one. Management must be explicit regarding the strategy and what it means for each functional department.
CHAPTER 7 - STRUCTURING THE COMPANY FOR ENTREPRENEURSHIP

7.1 The Components of Structure

Structures are created to bring order and logic to a company’s operations. Start-ups begin with very little structure, but as the company evolves and grows, the structure becomes increasingly complex. Organisational structure is defined as the arrangement of workflow, communication and authority relationships within an organisation. It includes the organisation of departments or work units. Designing a structure deals with issues of differentiation and integration;

- **Differentiation** - Refers to the ways in which decision making authority is distributed, tasks are grouped and people assigned to the tasks.
- **Integration** – Refers to the ways in which people and functions are coordinated

In designing the organisational structure, four major policy areas are considered:

1. **Specialisation** – Is concerned with the number and types of specialties to be used in performing the work of the company. More specialisation means more specific tasks and leads to integration issues. Environments that produce discontinuous or dynamically continuous innovations require more specialisation than continuous and imitation innovations

2. **Shape** - The number of people forming departments in each area at hierarchical levels. More people in a department require fewer levels. More people imply a broader span of control while fewer levels means the organisation is flatter. Flatter structures result in better communication and faster decision making, greater delegation of responsibility. Hierarchical structures tend to rely on power to settle issues rather than debate

3. **The distribution of power** - Occurs both vertically and horizontally. Vertically, power is concentrated in the higher levels, suggesting more centralised structure or it can be pushed down in the organisation empowering lower levels to make decisions. Decentralised structures are consistent with the encouragement of individual initiative, experimentation and innovation but it’s hard to control all the individual efforts and see if they are in line with the strategic direction

4. **Departmentalisation** - Forming people into department’s, groups and areas once the organisation reaches a certain size, normally grouped according to functions

7.2 How Structures Evolve

An organization has to adjust its structure continually to provide for external pressures and internal priorities. As a new structure is incorporated into the organization, new relationships between the structural components, the company age and size, the technology of, the conditions of industry, etc.

- Initial structure is highly informal, no titles
- a functional structure is put in place with centralised control
- decentralised and geographical organisational structures built around profit centres
- movement towards merged product groups or strategic business units with centralised admin and staff functions at head office
- then matrix structures, cross functional teams and the process of integration

7.3 Types of Structure: Links to an Entrepreneurial Strategy

When an organizational structure is designed, it is linked to the organizational strategy and the external environment in which the organization operates. Four types of structure exist:

1. **Simple Structure**
   - Highly informal with coordination of tasks accomplished by direct supervision
   - Strategies determined at the top
   - Little space for specialisation of tasks
   - No rules, procedures
• Little bureaucracy, simple information systems and little integration needs
• Works well in small rapid growth ventures operating in fragmented industries

2. Machine Bureaucracy
• Rigid structure
• Coordination of tasks achieved through standardisation of work
• Hierarchical and bureaucratic
• Formal guidelines and plans in place
• Large techno structure exists to design and plan operations
• Technology is integrated into operations
• Power is among top executives
• Work well in stable predictable environments, produce high volumes efficiently

3. Organic
• Limited hierarchy and flexible structure
• Groups of trained specialists from different work areas collaborate to design and produce rapidly changing products
• Emphasis is on person interaction and face to face communications
• Decentralised power and authority is linked to experts
• Few rules
• Facilitate the ability of entrepreneurial strategies to enhance financial performance

4. Divisional
• Self-contained profit centre for products and marketing lines
• Can differ from one another in structure
• Pressure to conform and formalise standards and procedures
• Operate independently and become bureaucratic over time
• Decision making authority at divisional managers
• Controlled by complex information management systems
• Communication is via head office

Structures that enhance corporate entrepreneurship
• A flat and flexible structure would allow efficient communication between the different levels of management and between staff. It would also facilitate collaboration between staff.
• Decentralised decision-making authority would allow employees to take the necessary actions to solve problems in their work environment.
• A structure that allows employees to experiment with new products and that does not require of them to adhere rigidly to their job descriptions.
• A structure in which employees are encouraged to participate in entrepreneurial teams and projects.

7.4 An Entrepreneurial Structure and the Concept of Cycling.

There is an art to designing entrepreneurial structure, conventional thought should be abandoned. Organisational designs that facilitate variety, change, and speed are sources of competitive advantage. Below are 20 unconventional approaches.

1. Insist on a maximum of two levels of management.
2. Most business can be done in independent operating units of 250 or few people.
3. In the next nine months, eliminate all fist-line supervisors
4. Within the next year, transfer one-third of all staffers at the division level or above to customer focused operating units and then transfer another one-third. The following year.
5. Within four years, reduce corporate staff to a maximum of ten people per billion dollars of revenue.
6. Require remaining members of all central staff to sell their services to line units at market rates.
7. Destroy all organisation charts.
8. All top division/corporate managers pledge days to visit customers, suppliers and outside industries.
9. Aim for one-third employee ownership in five years.
10. CEO’s and division managers should promote a position of significant responsibility at least one rabble rouser.
11. No one serves on a strategic planning staff for more than 24 months.
12. Make sure all work teams are largely self-contained.
13. Allow CEO’s to sit on a maximum of one outside board.
14. Vacate all facilities more than three stories high.
15. In 24 months, end all physical segregation of functional departments.
16. At all off-site meeting, make sure at least 25% of attendees are outsiders.
17. Create corporate vice-presidents for various positions in companies over $250 million.
18. In 4 years, at least one third of divisional chiefs should be 32 or younger.
19. In 24 months make sure there is at least one non-US/SA board member.
20. Let no senior manager have an office of more than 225 square feet.

The type of structure where entrepreneurship should flourish include:

- Where there are fewer layers or levels and spans of control are broader.
- The general tendency is for a more horizontal design than vertical.
- Decentralization and empowerment are the watchwords of operations, while clear vision and strategy come from the top.
- The dominant direction in terms of flow of ideas is bottom-up, not top-down.
- Smallness and simplicity meaning units operate autonomous and teams are empowered.
- Cross-functional interactions and clash of ideas is also encouraged.
- There is less formalization of roles and positions of the structures.
- Empowerment efforts are designed to be systematic and consistent.
- Staff functions are kept lean.

8 elements to enhance corporate entrepreneurship (Colin and Selvin) – a good corporate entrepreneurship structure

1. Managers can freely vary operating styles
2. Authority is assigned based on individual expertise
3. Free adaptation of the organisation to changing circumstances
4. An emphasis on results rather than process and procedures
5. Loose, informal controls with an emphasis on norm of cooperation
6. Flexible on the job behaviour, shaped by requirements of situations and employee personalities
7. Frequent participation and group consensus
8. Open channels of communication with free flow of information

Other elements of mechanic versus organic organisational structure include:

<table>
<thead>
<tr>
<th>Organic Structure</th>
<th>Mechanic Structure</th>
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<tbody>
<tr>
<td>1. Channels of communication</td>
<td>1. Channels of communication</td>
</tr>
<tr>
<td>Open with free flow information</td>
<td>Highly structured, restricted information flow</td>
</tr>
<tr>
<td>2. Operating styles</td>
<td>2. Operating styles</td>
</tr>
<tr>
<td>Allowed to vary freely</td>
<td>Must be uniform and restricted</td>
</tr>
<tr>
<td>3. Authority for decisions</td>
<td>3. Authority for decisions</td>
</tr>
<tr>
<td>Based on expertise of the individual</td>
<td>Based on formal line management</td>
</tr>
<tr>
<td>4. Free adaption</td>
<td>4. Reluctant adaption</td>
</tr>
<tr>
<td>By the organisation to changing circumstances</td>
<td>Insistence on holding fast tried and tested management principles.</td>
</tr>
<tr>
<td>5. Emphasis on getting things done</td>
<td>5. Emphasis on formal laid down plans</td>
</tr>
<tr>
<td>Unconstrained by formally laid out procedures</td>
<td>Reliance on tried-and-true management principles</td>
</tr>
<tr>
<td>Emphasis on norm of cooperation</td>
<td>Through sophisticated control systems</td>
</tr>
<tr>
<td>7. Flexible on-job behaviour</td>
<td>7. Constrained on-job behaviour</td>
</tr>
<tr>
<td>Permitted to be shaped by the requirements of the situation and personality of the individual</td>
<td>Required to conform to job descriptions</td>
</tr>
<tr>
<td>8. Participation and group consensus used frequently.</td>
<td>8. Superiors make decisions with minimum consultation and involvement of subordinates.</td>
</tr>
</tbody>
</table>
Patterns develop in companies over time. There is a need to fit between management style and organization structure. Cycling occurs when the successful company is able to move back and forth between cells 1 and 3. The inference is that companies move back and forth through periods of stability and conservatism and periods of innovation and change. The phenomenon of cycling recognises that organic structures and mechanic structures can each facilitate the accomplishment of certain tasks required for successful innovation.

7.5 Structures to Support New Product/Service Development Projects

Studies of the new product development process reveal that five individual and organisational related factors are related to new product success:

1. A cross-functional new product development team
2. A strong and responsible project leader
3. A new product development team responsible for the whole project
4. The commitment of the project leader and team members
5. Intensive communication among team members during the course of the new product development process.

<table>
<thead>
<tr>
<th>Structures for product/service development</th>
<th>Types of organisational structure</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New product division</td>
<td>Large and self-sufficient division</td>
<td>Centralised coordination and control</td>
<td>Coordination with other divisions</td>
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<tr>
<td></td>
<td></td>
<td>Top management attention assured</td>
<td>Inflexibility due to size</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Resources adequate</td>
<td>Opportunity for vested interests</td>
<td></td>
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<tr>
<td></td>
<td>New product department</td>
<td>Department within division</td>
<td>Specialisation</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Integration of efforts</td>
<td>Few resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New product manager</td>
<td>One manager who is responsible for a new product</td>
<td>Simplicity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Can overwhelm one manager</td>
<td>Can overwhelm one manager</td>
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<tr>
<td></td>
<td></td>
<td>Cooperation from others difficult</td>
<td>Cooperation from others difficult</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product or brand manager</td>
<td>New product responsibility added to normal duties</td>
<td>Best for line extensions or modifications</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Not suited to truly innovative products</td>
<td>Not suit</td>
<td>ed to truly innovative products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Manager torn between regular and new product duties</td>
<td>Manager torn between regular and new product duties</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New product committee</td>
<td>Standing committee with diverse representation</td>
<td>Several functional areas involved</td>
<td>Dilutes responsibility across members</td>
</tr>
<tr>
<td></td>
<td>Cross-functional project team</td>
<td>New product group set up for the duration of a project</td>
<td>Flexible, fluid, involves diverse perspectives</td>
<td>Often hard to get functional department support</td>
</tr>
<tr>
<td></td>
<td>Task force or ad hoc committee</td>
<td>Temporary matrix approach</td>
<td>Tap specialised managers on full- or part-time basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Venture team</td>
<td>Internal as well as external</td>
<td>Brings in outsiders expertise</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>May garner resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel used</td>
<td>Greater than the worth of the project</td>
<td></td>
<td></td>
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<td>--------------------------------------</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Outside suppliers</strong></td>
<td>Contract with another company to develop product</td>
<td>Utilises specialists for independent work</td>
<td>Can be costly Coordination and control problems</td>
<td></td>
</tr>
<tr>
<td><strong>Multiple organisation forms</strong></td>
<td>Use of hybrid forms depending on nature of project</td>
<td>Form designed to fit needs of the project</td>
<td>Difficulties in managing, coordinating and evaluation the several efforts of several unique structural forms.</td>
<td></td>
</tr>
</tbody>
</table>

In deciding on the structure of the organization, management is, in effect, deciding on the extent to which the structure will be more:

- Simple or complex
- Centralized or decentralized
- Formal or informal
- Autonomous or integrated
- Highly specialized or more generalist
- Full time or part time

Studies show, companies today are experimenting with new structures and the greatest trend appears to be toward the use of multiple structural forms.

### 7.6 Entrepreneurial Projects: Structures Within Structures

Entrepreneurial projects require a structure in themselves and a key issue is the concern about how project structures will fit within the overall organisational structure.

Companies are recommended to adopt an approach where in innovation opportunities are produced through three different internal channels or mechanisms.

**1. Ray-of-light projects**
- Resources obtained in clever, creative and informal ways
- Employees are encouraged to pursue their ideas
- The employee is concerned with formulating the concept and demonstrating the existence of a market.
- End product is a plan to be sold to management

**2. Emerging potential projects**
- Concepts that are brought about by a review committee
- The committee reviews and approves the processes and allocates seed capital.
- The end product is a formal business plan that is submitted to directors, if approved, the emerging potential product becomes a mainstream development project

**3. Mainstream development projects**
- New product, service and process efforts prioritized by senior management
- Formal budgets are allocated and structure is put in place
- Systematic process is followed with key performance benchmarks monitored at each stage
- End product is major product launch by may be dropped or terminated along the way.

**Benefits of the three mechanisms:**

1. More innovation is likely to result
2. Innovation is defined as a corporate wide task and not just R & D.
3. Inter functional involvement and coordination is much greater
4. Employees will take responsibility for the innovations, champions are likely to emerge and accountability for the design and implementation.
5. Ray of light and emerging potential approaches bring more flexibility and speed to the innovation process and cost less money than mainstream development projects.
7.7 Structuring Relationships Between Entrepreneurial Initiatives and The Corporation: Some Organization Design Alternatives

How can companies be structured to support entrepreneurship should consider two fundamental issues:
1. Whether the initiative should be part of the internal or external structure and
2. If it is internal, what type of structural design to employ.

Nine distinct design possibilities are suggested, a company can use one or many of them if warranted, they are:
1. **Direct integration** – High strategic importance, strong operational relatedness. The initiative is perused in mainstream operations.
2. **New product/business development** – high strategic importance, partial operational relatedness. A separate department for the initiative is created where skills and capabilities can be shared.
3. **Separate business units** – high strategic importance, low operation relatedness. A separate specially designed unit is created, operationally and dedicatedly distinct.
4. **Micro new ventures department** – uncertain strategic importance, strong operational relatedness. A new unit is created where autonomously emerging entrepreneurial initiatives are perused without constraint of corporations strategy.
5. **New venture division** – uncertain strategic importance, partial operational relatedness. A division is designed to house a wide range of potentially interesting initiatives that may or may not fit with the company.
6. **Independent business units** – Uncertain strategic importance, low operational relatedness. A specially dedicated and independent is created outside the corporate structure.
7. **Nurturing plus contracting** – low strategic importance, strong operational relatedness. The company’s knowledge and competencies are leveraged in entrepreneurial initiatives by outsourcing some parts and consist of strategic assets for the initiative.
8. **Contracting** – low strategic importance, partial operational relatedness. The company’s knowledge and competencies are leveraged in entrepreneurial initiatives by contracting to an outside company where the knowledge adds some value to the initiative.
9. **Complete spin off** – low strategic importance, low operational relatedness. The total separation of the entrepreneurial initiative from the corporation.

A key premise is that not all entrepreneurial initiatives are the same and thus it should be reflected in the structures employed to house the initiatives. A one-size-fits-all will not work.
CHAPTER 8 - THE PEOPLE FACTOR I: FOSTERING CREATIVITY WITHIN ORGANISATIONS

8.1 The Creative Individual in a Company

Creativity can be defined as the application of a person’s mental ability and curiosity to discover something new. Creativity is, therefore, the capacity to develop new ideas, concepts and processes. In corporate entrepreneurship, creativity is necessary to find new ideas for products, find sponsors, obtain management buy in, form teams, acquire resources and overcome obstacles. Three perspectives of successful creativity in organisations:

1. **Expertise** - Encompasses what a person knows and can do. It defines the intellectual space used to solve problems.
2. **Motivation** – Can be extrinsic (desire to achieve company rewards) or intrinsic (internal, intangible factors), the latter being more important. It is the person’s interest, passion and desire to do something.
3. **Creative thinking skills** – The ways in approaching problems and solutions and the techniques they use for looking at problems differently.

Management can influence the above components of creativity, managerial practices that result in employees being challenged, provide freedom and give access to resources. Well-designed work teams and encouragement from supervisors for creative outputs that are reinforced by the organisations values, systems, structures.

8.2 The Creative Process

It’s easier to find a creative solution if one follows a logical process and then uses some creative problem solving techniques. It is a frustrating, learning process that leads to many dead ends.

**Stage 1: Preparation** - The creative process begins with a problem or challenge where the individual gathers information and where it is defined.

**Stage 2: Frustration** - At this stage a solution to the problem is sought and problem is magnified because of creative blocks. A solution may be difficult to come by and may settle for an uncreative solution.

**Stage 3: Incubation** - Incubation refers to placing the problem “at the back of your mind” or on the “back-burner” where you would consciously or unconsciously remove some of the key blocks and try to find a solution or work through the problem.

**Stage 4: Illumination** - This is the “aha” moment when you discover the outline or core of an answer which often needs to be adapted, refined, expanded and tested upon.

**Stage 5: Elaboration** - At this stage the solution or “aha” moment is refined, adapted, expanded and tested.

However, the creative process might not be quite that simple and straightforward. A person could for a while be stuck in a stage, or there could be some to and fro between the stages. If the idea is discarded at a certain stage, the person has to go back to the previous stage. There may be a number of problems or creative blocks that can hamper the process.

8.3 Creative blocks

The same type of thinking that allows a person to function efficiently on a day-to-day basis becomes a major constraint when trying to be creative. The ability to master the creative process is linked to removing these creative blocks.

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<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. The right answer</td>
<td>Fallacy that there is only one solution.</td>
</tr>
<tr>
<td>2. That’s not logical</td>
<td>The belief that logic kills creativity.</td>
</tr>
<tr>
<td>3. Be practical</td>
<td>The idea to allow practical considerations halts search for new ideas.</td>
</tr>
<tr>
<td>4. Follow the rules</td>
<td>Ignoring the fact the revolutionary ideas are disruptive.</td>
</tr>
<tr>
<td>5. Avoid ambiguity</td>
<td>Strict adherence to one perspective on a situation.</td>
</tr>
<tr>
<td>6. To err is wrong</td>
<td>Failure to see the connection between error and innovation.</td>
</tr>
<tr>
<td>7. Play is frivolous</td>
<td>Unwillingness to acknowledge the creative power of play.</td>
</tr>
<tr>
<td>8. That’s not my area</td>
<td>Restriction of creativity through thinking that is overly narrow and focused.</td>
</tr>
<tr>
<td>9. Don’t be foolish</td>
<td>Fear of the unconventional and of appearing foolish.</td>
</tr>
</tbody>
</table>
Blocks to creativity originate from three sources:

1. **Self-imposed blocks**, that is, the employee may believe that he/she is not creative
2. **Creative blocks imposed by other employees**, that is, other employees may indicate that a certain employee could never be right, or that what he/she proposes is not logical
3. **Creative blocks imposed by the organisation**, for example, the organisation may not tolerate failure.

Once the creative blocks are removed, the creative employee can avail himself/herself of a number of problem-solving styles and creative techniques to develop new ideas.

### 8.4 Creative Techniques and Quality

The benefit of using creative problem-solving techniques, such as brainstorming and mind-mapping, and understanding problem-solving styles is that it allows a systematic approach to problem solving, which in turn yields better solutions.

The following three standards for judging the quality of an individual’s or group’s creativity:

- **Obvious benefit** - To what extent does the idea have a clear benefit or advantage for the customer/user?
- **Reason to believe** - What supporting evidence is the employee able to provide? Is the customer/user likely to believe that the concept or idea will deliver the same level of benefits?
- **Dramatic difference** - How different is the idea from conventional solutions?

### 8.5 Entrepreneurial Personality

In addition to being creative and finding the solution to a problem, the corporate entrepreneur is responsible for implementing the solution. He/she has to find resources, overcome obstacles and find a sponsor. What traits and personality should the corporate entrepreneur possess to be a success in the organisation?

- Achievement motivation
- Strong internal locus of control
- Calculated risk taker
- Tolerance of ambiguity
- Degree of autonomy when accomplishing a task, self-motivated.
- Tenacious and demonstrate significant perseverance

We can conclude that no single prototype of the entrepreneur exists and that it is possible to develop entrepreneurial characteristics.

### 8.6 Motivating Entrepreneurial Behaviour

The decision to be entrepreneurial is based on a person’s personal characteristics, personal goals, personal environment, current business environment and the nature of the idea. Before a person acts on an idea, he/she makes a comparison between the probable outcome of successfully implementing the idea (based on past experience with the company) and the personal outcomes he/she has in mind (in other words, what he/she will get out of it). If the organisation rewards entrepreneurial efforts and is supportive of corporate entrepreneurs, if the environment is conducive to the idea and the entrepreneurial characteristics are present in employees, then corporate entrepreneurship and innovation will be the result.

### 8.7 Are Corporate Entrepreneurs Different

Corporate entrepreneurs are not necessarily the inventors of a product, but they often turn ideas into profitable realities. They are the drivers and team builders behind an idea, i.e. ordinary people who do extraordinary things. Corporate entrepreneurs can be thought of conceptualisation (dreaming) and then implementation (doing)
When faced with a setback they employ an optimistic approach:

1. They do not admit they are beaten
2. They view themselves as responsible for their own destiny.

Insert Table 8-6 page 230.

### 8.8 Categories of Corporate Entrepreneurs

Corporate entrepreneurs take on various forms and exhibit different styles. They differ in terms of their risk profile, sources of motivation, managerial capabilities and other characteristics, they are:

1. **The personal achiever** – the classic entrepreneur
   - High need for achievement
   - Need for performance feedback
   - Desire to plan and set goals
   - Strong individual initiative
   - Strong personal commitment
   - Internal locus of control
   - Work should be guided by personal goals, not others

2. **The super salesperson** – achieves success through selling, networking and people skills.
   - Empathise with others
   - Desire to help others
   - Believes in social process and interaction and relationships
   - Needs strong positive relations with others
   - Believes sales force is crucial to carrying out strategy
   - Background in sales

3. **The real manager** – Strong managerial skills combined with aggressive growth orientation
   - Desire to be a corporate leader
   - Desire to compete
   - Decisiveness
   - Desire for power
   - Positive attitudes to authority
   - Desire to stand out from the crowd

4. **The expert idea generator** – expertise combined with creativity
   - Desire to innovate
   - Loves ideas, curious, open minded
   - Believes new product development is crucial to strategy
   - Good intelligence, thinking centres entrepreneurial approach
   - Intelligence as a source of competitive advantage
   - Desire to avoid taking risks

### 8.9 Critical Roles in Corporate Entrepreneurship

In order to achieve continuous innovation in the organisation, a number of key role players should be involved for an entrepreneurial event to occur. These key players are identified as follows:

1. **Initiator** - Triggers the new entrepreneurial event, recognises the opportunity or external threat. Normally filled by the champion

2. **Sponsor/facilitator** – the leader or major sponsor of the initiative, pushing for its acceptance and completion. Is as major advisor and mentoring role in protecting the initiative. A high-level person that acts as a buffer protector and modifier of rules and policies that help the venture obtain resources

3. **Champion** – Takes the lead and drives the project, oversees implementation process. Sustains through obstacles and adapts key concepts along the way to bring project to completion
4. **Innovative midwife** - Translator between the language, culture and needs of the sponsors world with the language, culture and needs of the champions world. Nurtures innovations that might be rejected by the organisations core

5. **Supporter** - Augments the team, playing a secondary role providing expertise, market insights for the initiative.

6. **Reactor** – Plays devil’s advocate. Provides market intelligence and insights that serve to either pinpoint weakness in the idea or ways in which it should be revised or refined

Of all these, the two most critical are the champion and the sponsor. However, they cannot be expected to wear all the hats, a well-constructed team is important. Fifteen specific responsibility areas must be filled:

1. **Research/analyser** - Gather intelligence, assess potential
2. **Interpreter/strategist** - Identify patterns, trends and draw implications for project
3. **Visionary/inventory** - Creative intuition to recognise opportunities
4. **Catalyst or leader** - Provide motivation, get project off the ground
5. **Endorser** - Lend credibility to project champion
6. **Team player** - Collaborative role with others
7. **Resource provider** - Assist with resource requirements
8. **Problem solver** - Solves problems the innovation team cant
9. **Coordinator** - Coordinates resources and inputs over time
10. **Negotiator** - Bridge differences amount various parties involved
11. **Politician** - Overcome internal resistance
12. **Change manager** - Change management for impacts of new
13. **Missionary** - Motivate and inspire management about the new project
14. **Opportunist** - React quickly to emerging developments to provide direction
15. **Critic/judge** - Identifies flaws, downsides and risks

### 8.10 Myths about Corporate Entrepreneurs.

<table>
<thead>
<tr>
<th>Myths</th>
<th>Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Primary motivation is a desire for wealth. Money is the prime objective</td>
<td>Primary motivation is the process of innovation, freedom and ability to innovate</td>
</tr>
<tr>
<td>2 They are gamblers and high-risk takers</td>
<td>They are moderate risk-takers. Smaller analysed and calculated risks are preferred stepping-stones.</td>
</tr>
<tr>
<td>3 They lack analytical skills so have the philosophy of luck is all you need</td>
<td>They are fairly analytical. They are well prepared, understand innovation and perceive market needs very well.</td>
</tr>
<tr>
<td>4 They do not act as a team player. They act like a bull in a china shop.</td>
<td>They often have strong political skills, adept at working around the rules, procedures and constraints.</td>
</tr>
<tr>
<td>5 They lack moral ethics due to their desire to succeed.</td>
<td>They tend to be highly ethical and have high moral convictions.</td>
</tr>
<tr>
<td>6 They have a power hungry attitude and only interested in building an empire.</td>
<td>Most ideas are small and relatively conservative. More interested in profit or growth of the venture.</td>
</tr>
</tbody>
</table>
CHAPTER 10 – BUILDING CULTURES IN ENTREPRENEURSHIP

It can be said that the culture of an organisation refers to the personality of the organisation. One of the “personality” characteristics that we should try to develop in organisations is entrepreneurship, so that they may be described as being entrepreneurial.

10.1 The Nature of Culture in Organisations

Culture is a system of shared meaning held by members of the organisation that distinguishes the organisation from other organisations. Culture serves as a steering mechanism that guides and shapes the attitudes and behaviour of employees. It allows organisations to develop a core set of assumptions, understandings and implicit rules that govern day-to-day behaviour in the workplace. It is collective, meaning it is shared by most employees, emotional. Cultures are a collection of a group of people interacting over time and are inherently symbolic.

Cultures differ along some key dimensions:

1. **Positive verses negative** – Positive cultures aligns with organisational vision, mission and strategies. Good fit with culture and competitive environment. Turbulent environment’s require cultures built around entrepreneurship
2. **Strong or weak** cultures - depending how deeply followed within the organisation
3. **Homogeneous** (shared by all) versus **heterogeneous** (subcultures within cultures)
4. **Consistent or inconsistent** cultures - if elements conflict such as the thing a company does to reinforce conservatism and avoidance of failure.

The role of culture in influencing employee behaviour is increasingly important in today’s workplace. Organisations have wider spans of control, flatter organisational structures, empowered employees and teams. Therefore, the shared meaning provided by a strong culture ensures that everyone is pointed in the same direction.

10.2 Pieces and Parts of Culture

Classifying the many components of culture involves distinguishing among the following six elements.

1. **Values** - the things employees think are worth having or doing, express preference for certain behaviours and outcomes, entrepreneurial values might include creativity, integrity, perseverance, individualism, accountability and change
2. **Rules of conduct** - accepted norms and rules in the company, the behaviours represent accepted ways to attain outcomes, from ethical behaviour to what you wear
3. **Vocabulary** - the language, acronyms, jargon of the company
4. **Methodology** - the perception of how things get done in a company, rational processes or rule bending
5. **Rituals** - ceremonies including recognition ceremonies
6. **Myths and stories** - legends of an organisation, who the super hero was

Culture has substance and form, substance refers to shared systems of values, beliefs and norms. Forms are the concrete ways in which the substance manifested in the organisation.

Culture exists at three different levels:

1. **Basic assumptions** - people are unaware at this level. What it takes to be successful and the importance or unimportance of entrepreneurship.
2. **Values** - people more conscious or aware, commonly held values and have meaning but not visible or tangible.
3. **Artefacts and creations** - symbolise the company culture, highly visible or observable manifestations of the culture

If the goal is to create work environments that support entrepreneurship, culture underlies all the other components of the workplace, that is, reward systems, company structures, control systems, the strategic direction of the firm.
10.3 Core Ideology and Envisioned Future

Entrepreneurial organisations have a vision; such organisations have a sense of what they are and where they want to be. A vision has two parts:

1. **What the organisation is – the core ideology**
   The concept of core ideology, which includes core values (what the organisation stands for) and the core purpose (the reasons for the organisation’s existence). The core ideology should not change as products mature, markets evolve, technology emerges, or the leadership of the company changes.

2. **What the organisation aspires to become – the envisioned future**
   Entrepreneurial organisations also have an envisioned future. While the core purpose can be a never-ending quest, the envisioned future is about setting clear and challenging goals which the organisation is compelled to achieve over the following ten or twenty years. Goals motivate people and evoke passion and conviction.

10.4 Generic Cultures Types (prototypes)

Companies are social environments, with tribal habits, well-defined cultural roles for individuals, and various strategies for determining inclusion, reinforcing identity, and adapting to change. Cultures generally fall into one of four prototypes:

1. **Process Culture**: little to no feedback where employees find it hard to measure what they do, concentrate on how it is done. Tight hierarchy and cautious employees, avoid failure and are bureaucratic
2. **Tough guy Culture**: competitive individuals who regularly take high personal risks and get quick feedback on actions. Fluctuation of structures, financial stakes of not succeeding are high, high employee turnover
3. **Work hard play hard culture**: fun and action, employees take few risks with quick feedback, encourages employees to take a high level of low risk activity, much is done in this culture as it is action orientated
4. **The bet the company culture**: big stakes decisions where considerable time passes before employees know if their decisions paid off. High risk, slow feedback with a clear cut hierarchy. On-going pressure and production of major technological breakthroughs and high quality inventions.

Culture types that facilitate high or managed risk encourage entrepreneurial behaviour, while cultures that have a strong process orientation are likely to discourage entrepreneurship.

10.5 Elements of an Entrepreneurial Culture

While it may appear that a variety of elements are at play, there is a commonality. The entrepreneurial culture has the following elements:

1. **Focus on people** and empowerment
2. **Value creation** through innovation and change
3. **Rewards** for innovation
4. **Learning from failure**
5. **Collaboration** and teamwork
6. **Freedom** to grow and to fail
7. **Commitment** and personal responsibility
8. **Emphasis on the future** and a **sense of urgency**

Entrepreneurial culture is complex and is not only about identifying important values, but about choosing between values that conflict with one another and coexist with one another. A balance must therefore be struck between values.

For an organisation to be entrepreneurial the following values should be adhered to:

1. **Singular purpose**
2. **Strong focus on excellence**
3. Common class/group interests, while respecting differences
4. Guided more by organisational goals/purposes than personal purpose
5. A leaning towards consensus decision making
6. **Qualitative decision** making balanced with empirical decision making
7. Expediency balanced by **integrity**
8. Driven more by **performance-based rewards** than tenure-base rewards
9. Stronger career focus than job focus
10. Intimate concern with the organisation, without intruding into people’s personal lives

### 10.6 Entrepreneurial Development Through Culture: Eli Lilly & Co.

To survive, Eli Lilly believes that four major elements directly inspire innovation:

1. An innovative environment in which all stakeholders are rewarded for their innovations
2. Continuous investment in R & D
3. Encouraging talented people with their ideas.
4. World-class facilities to facilitate the innovation process.

### 10.7 Exploring a Key Value: Individualism

Entrepreneurship requires a champion – an individual to keep the idea alive, keep the entrepreneurial project going, or to fight through politics and rejection. However, in the entrepreneurial organisation there may be a downside to individualism, which may result in entrepreneurs pursuing their own goals at the expense of the group, project or Organisational goals. The ability to achieve sustained entrepreneurship is dependent on a balance between individualism and collectivism.

**Individualism** – refers to a self orientation, an emphasis on self-sufficiency and control, the pursuit of individual goals and a value system derived from their own accomplishments.

**Collectivism** – a group or collective involve the subordinations of one’s own personal interest to the goals of the larger work group.

<table>
<thead>
<tr>
<th>Individualism</th>
<th>Positive</th>
<th>Collectivism</th>
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<tbody>
<tr>
<td>1. More self confidence</td>
<td>2. Greater synergies from combined efforts of people</td>
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</tr>
<tr>
<td>3. Achievement motivation</td>
<td>3. Incorporate diverse perspectives for comprehensive view</td>
<td></td>
</tr>
<tr>
<td>4. Stronger sense of personal responsibility</td>
<td>4. Relationships more personalised and harmonious</td>
<td></td>
</tr>
<tr>
<td>5. Lineage between personal effort and rewards</td>
<td>5. More consensus regarding direction and priority</td>
<td></td>
</tr>
<tr>
<td>5. Lineage between personal effort and rewards</td>
<td>5. Credit for failures and success</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Individualism</th>
<th>Negative</th>
<th>Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Personal gain at others expense</td>
<td>2. Loss of group collective</td>
<td></td>
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<tr>
<td>3. Less commitment (loyalty is for sale)</td>
<td>3. Emotional dependence on individuals in group</td>
<td></td>
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<tr>
<td>4. Differences amongst individuals are emphasized</td>
<td>4. Less personal responsibility for outcomes</td>
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### 10.8 A Culture with a Different View on Failure

Failure is a stepping stone to success. Although a concept or a new product or service may fail a few times before succeeding, failure is a learning curve. However, many organisations that purport to be entrepreneurial do not accept failure or promote safe and trusted methods, and may punish staff for failure. Accordingly, the culture of the entrepreneurial company will celebrate failure. There are three types:

1. **Moral failure**
2. **Personal failure**
3. **Uncontrollable Failure**
10.9 Cultures Within Culture

Within the culture of the organisation, a number of subcultures usually exist. One is likely to find different cultures in different functions, business units or divisions. Subcultures can impact the ways in which entrepreneurship is manifested. Conflicts may occur with other parts but the entrepreneurial ideas are adapted and redefined to make them stronger.

10.10 Leadership and Culture

A distinction is made between entrepreneurial leadership and entrepreneurial culture. When an entrepreneurial leader who drives innovative performance exits from an organisation that did not have an entrepreneurial culture, innovative performance will leave as well.

Vision coupled with learning produces an entrepreneurial mind-set through the organisation. Accountability and responsibility for innovative initiatives is assigned and assumed, as employees take ownership of these initiatives and of the organisation itself.
CHAPTER 11 – DESIGNING ENTREPRENEURIAL CONTROLS SYSTEMS

Control systems in organizations tend to start out simple. Over time they steadily evolve, becoming more sophisticated and complex. As more procedures, systems and documentation requirements are added, managers are increasingly inclined to micromanage each and every activity, and to establish quantitative benchmarks in as many activity areas as possible. Benchmarks can become ends in themselves, while conveying a lack of trust in employees.

There is also an issue of efficiency versus effectiveness. **Efficiency** is concerned with minimizing the expenditure or resources needed to complete a task, while **effectiveness** is concerned with ensuring that the correct tasks are being accomplished. However, the control systems in organizations have placed the emphasis on efficiency and have ignored effectiveness.

Control systems have an effect on the level of entrepreneurship exhibited in an organization. The crucial question here is how can control systems in the organization facilitate control over its resources and encourage entrepreneurial behavior?

### 11.1 The Nature of Control in Organizations

Control systems can be defined as those formal and informal mechanisms that help individuals regulate their jobs and all resources. Controls ensure that people perform their jobs in a manner that is consistent with the organizations purpose. The three areas of control:

1. **Inputs** - Includes things such as hireing and purchasing policies
2. **Behaviors and processes** – regulation the activities of members through operating procedures
3. **Outputs** – Setting targets for measuring achievement, i.e. performance goals, performance tracking

A control system can comprise a number of elements. The various control measures and mechanisms can be grouped into four general categories:

1. **Simple control** – Direct personal supervision
2. **Technological control** – Technology based control used in production and service delivery process
3. **Bureaucratic/administrative control** – Covers the formal rules, procedures and policies.
4. **Concretive/cultural control** – Controls brought about by shared values, norms and conformance to the organizations beliefs.

### 11.2 Organizations Out of Control: A Story of Unintended Consequences

Control is vital in organizations and control mechanisms may be well intended; however, they may have unintended consequences such as the following:

1. **Trust problem** - Employees may conclude that they are not trusted, which might undermine their willingness to tap their creative energies and come up with innovative ideas.
2. **Slowness problem** - Controls can evolve to the point where they slow the organization down. If there are detailed documentation requirements and elaborate steps that employees must follow, then activities take longer to complete and people work more slowly as well.
3. **Means–end problem** - Managers may get so caught up in trying to create control mechanisms that they lose sight of what the controls were meant to accomplish.
4. **Efficiency–effectiveness problem** - Control measures may be able to achieve efficiency, but they ignore effectiveness.

It is clear that a control mechanism could be controlling the wrong thing or nothing at all. In terms of entrepreneurship, entrepreneurial employees waste a considerable amount of time and effort finding ways and means through bureaucratic controls; the effort could be better spent on inventing new products.
11.3 Dimension of Control and Entrepreneurship

A control system can be characterized by a number of key attributes. The principal outcomes sought through the control effort are:

1. Risk reduction
2. Elimination of uncertainty
3. Highly efficient operations
4. Goal performance
5. Specific role definitions

To facilitate entrepreneurship, the focus of these control outcomes should shift as follows:

- **From risk reduction to risk tolerance** – Less rigidity with a greater degree of empowerment and autonomy
- **From the elimination of uncertainty to the management of uncertainty** – Less formality and rigidity on planning for the future. More focused on achieving goals rather than prescribing means
- **From highly efficient operations to enlightened efficiency** – Where a level of discretion or sack is deliberately designed into cost controls and budgeting and performance is not measured as fixed intervals.
- **From goal conformance to goal congruence** – A greater degree of freedom and autonomy where self-control and social-control play a large role in procedural controls.
- **From specific role definition to role flexibility** – Employees are empowered to exercise discretion and personal initiative and controls focus on the outer boundaries for activities and behaviors.

The Entrepreneurial Philosophy of Control

Two general philosophies dominate the theory of control, namely:

1. Command and control
2. No surprises

There are 11 elements inherent in an entrepreneurial philosophy of control.

1. Control based on no surprises
2. Looser but effective control elements
3. A mindset of giving up control to gain control
4. Empowerment and discretion that is built into the job
5. Mutual trust
6. Emphasis on self control
7. Organizational slack in terms of resource availability
8. Pools of internal venture capital
9. Varying levels of control based on the types of entrepreneurial behavior being sought
10. Open and shared control information
11. Simultaneous loose-tight properties.

The principles of an entrepreneurial philosophy of control include the following:

1. A sense of trust
2. Managers must give up control to gain control by addressing issues such as ownership, accountability and empowerment

The relationship between entrepreneurship and control is not one of getting more entrepreneurship if there is less control. The real issue is the nature and intent of the control, and how it is used. Furthermore, the degree of control can be expected to vary with the types of entrepreneurship the company seeks.

11.4 A Paradox: Simultaneous Looseness and Tightness

Entrepreneurship poses a dilemma for control efforts in the organization. In theory, the organization designs control systems that facilitate effective organizational outcomes such as efficiency, risk reduction and conformity. In the
entrepreneurial organization, however, we require the management of uncertainty, risk tolerance, empowerment and experimentation. Given these two perspectives, it is evident that there has to be a balance between the tightness and looseness of control in the organization.

The concept of balance is illustrated in terms of three characteristics of control systems, namely:

1. **Administrative formality/informality** – The extent to which the organization relies upon explicit, stated or documented control mechanisms.

2. **Managerial flexibility/inflexibility** – The degree to which discretion and/or freedom is given to junior members to interpret or ignore rules to perform their jobs.

3. **Budgetary tightness/looseness** – The extent to which budgets impose strict restrictions on how resources are allocated and how performance is evaluated.

It would seem the relationship between the various dimensions of control and entrepreneurship should be curvilinear, an inverted ‘U’. Entrepreneurship will be at the highest at intermediate levels of administrative formality, managerial discretion and resource and budgetary tightness. Levels of entrepreneurship will be lower when things are too informal or highly formal where there is total discretion or virtually no discretion and where budgets are extremely loose or extremely rigid.

**11.5 Approaching Control and Entrepreneurship as Complementary**

There is a tendency to regard control processes as the antithesis to the interests of corporate entrepreneurship. However, the evidence suggests that control systems can positively contribute to the successful introduction of new products and technologies. Three important implications for managing entrepreneurial activities include:

1. Managers should design and develop innovation-facilitating and control-facilitation mechanisms that complement one another such the potential entrepreneurial potential resides within the organization.

2. Managers should understand innovation as a process that amenable to the applications of structured, disciplined oversight.

3. Successful innovation is part product or organizational systems in which control elements and entrepreneurship elements operate in concert.

**11.6 Expanding on the Concept of Slack**

Organizations have limited resources, and departments and sections in the organization compete for these resources. Entrepreneurial organizations have yet to find ways to make resources available for informal experimentation. The concept of organizational slack, which implies a degree of looseness in resource control and availability. Employees should be able to tap into resources without going through formal approval processes. They should be able to borrow expertise, research, money, materials, equipment and other resources as they develop, test and refine new ideas and products. Ways in which to create organizational slack and focus on a few issues, namely:

- Managing slack involves a fine balancing act.
- Slack is tied to the budgeting process in companies.
- Slack depends on the types of resource in question and the demand for those resources.

**11.7 Internal Venture Capital Pools**

Simply having slack in the organization is not enough for entrepreneurial initiatives; the organization has to make seed capital and venture capital available, sources of funding for innovative projects include:

- Include a deal structure where the employee gets an equity stake in the concept once it develops past a certain point or shares in returns.
- The employee may also share in the downside risk, should the concept fail.
  - **Intra-capital** – a resource bank account awarded to employees who successfully pursue entrepreneurship within the company.

The most important funding criterion is the strategic fit of the project with the company.
11.8 Control and Costs: The Open-Book Revolution

The prevalent belief seems to be that employees must not know what money is spent on in the company. Open-book management strives to get all employees to think and act like owners of the business, to focus on the bottom line and to take joint responsibility. The financial records and all information are shared with all the employees, who are then expected to ask “why” questions to increase their understanding.

It is an approach built around the following six principles:

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

11.9 The Concept of Profit Pools

The profit-pool concept involves analyzing the total profit earned in an industry at all points along the industry’s value chain. All profit and service segments in the value chain are identified and each is assessed in terms of its present and future profitability.

By analyzing where and how money is being made, management can determine where to concentrate entrepreneurial efforts.

With the profit-pool method, new sources of revenue within the value chain can be identified, priorities can be established for acquisitions and expansions, insight can be obtained for targeting new customer groups and distribution channels, and internal operations can be refocused. Ultimately, profitability is improved and the business model of the firm is enhanced.
In the large traditional organisation management practices are focused on controlling costs, efficiencies and resources. As such, entrepreneurship clashes with the mainstream operation, because it requires flexibility in terms of budgets and resources and changes to plans. Therefore, traditional management and the operations of the organisation are barriers or obstacles to corporate entrepreneurship, as companies tend to develop in ways that allow them to manage the present efficiently. Consequently, companies are not geared to creating the future and, as a result, entrepreneurship clashes with the mainstream operations of the company.

**Why control systems are bad?**

- **Trust problem** - As control measures evolve, they intrude further and further into the way an employee does their job. The eventually leads employees to believe employers don’t trust them and this undermines their willingness to tap into their creative energies.
- **Trust problem** - Controls evolve to the point where they actually slow the organisation down. No flexibility and extremely detailed documentation requirements.
- **Means end problem** - Control systems are meant to be a means to an end. The goal is lost and the control system just becomes an end in itself. They look good in the control measure but the actual goal is not being met / enhanced.
- **Efficiency – effectiveness problem** - Efficiency is doing things right, while effectiveness is doing the right things. Sometimes efficiency is considered more important than effectiveness and ignores how effective the control measure is.

**13.1 A Framework for Understanding the Obstacles**

The corporate entrepreneur faces a number of barriers or constraints. Barriers should be critically reviewed to determine how to overcome them. The following questions should be answered in this regard:

- Which constraints can be ignored?
- Which can be worked around?
- Which can be eliminated?
- Which can be converted into facilitators of entrepreneurship?
- Which must be accepted, even if they limit the scope or scale of what the corporate entrepreneur can accomplish?

Barriers should be critically reviewed to determine how to overcome them. There are six categories of obstacles or barriers:

1. **Systems** - There is a misdirected rewards and evaluation system. The control systems are oppressive and display a lack of trust. The budgeting system is inflexible. Overly rigid planning systems
2. **Structures** - There are too many hierarchical levels and there are narrow spans of control. There is responsibility without authority. There is a top down management and restricted communication channels. Lack of accountability for innovation or change.
3. **Strategic direction** - There is an absence of innovation goals. No formal strategy for entrepreneurship. No vision from top management. No role models
4. **Policies and procedures** - There is a long and complex approval cycle + extensive red tape and documentation requirements. There are unrealistic performance criteria
5. **People** - There is a fear of failure, resistance to change, turf protection and complacency. Inappropriate skill and talents for making entrepreneurial change.
6. **Culture** - Ill-defined values, lack of consensus over value and norm priorities, values that conflict with innovativeness, risk taking and proactiveness
13.2 Coming up Short: Limitations of the Entrepreneur

Apart from the major sets of obstacles, entrepreneurial initiatives can be hampered because of a number of shortcomings in the corporate entrepreneur:

1. **Lack of political savvy: learning to work the system** – To implement entrepreneurship, an innovative entrepreneur must attempt to influence and identify key stakeholders on whom the concept depends.
2. **Lack of time: crisis management** – Making time during the day away from the ‘job’ to spend on ‘pet projects’.
3. **Lack of incentives to innovate: beyond tokenism** – Making sure rewards and risks are suited to the concept or venture.
4. **Lack of financial credibility: inability to project believable numbers** – Successful entrepreneurs must either be adept at financial projections and calculations to develop a venture plan.
5. **Lack of people development skills: autocracy rules** – The difﬁculty of managers to trust or empower employees.
6. **Lack of legitimacy: untested concept and untested entrepreneur** – The internal scepticism that is encountered.
7. **Lack of “seed” capital: the problem of early resources** – Securing the necessary resources, even if conceded with reluctance and resentment.
8. **Lack of open ownership: protecting turf** – The entrepreneur will often run into ‘power plays’ and battle for control over decision making occurring between key responsible people.
9. **Lack of a sponsor: someone to watch over you** – The act as coaches, buffers against bureaucratic interference and allow the entrepreneur to concentrate on their project or venture.
10. **Lack of energy and shared enthusiasm: the inertia problem- the lack of movement, support, envy or resistance of the idea. Five causes of the problem of inertia:**
   - Indifference – Small concept is not considered significant relative to other ongoing ventures.
   - Distraction – by the day-to-day pressures of the organisation.
   - Competition – their clout distributors and suppliers to deny support to fledgling ventures.
   - Disaffection – Resistance to the entrepreneurs progress because of envy or jealousy.
   - Direct threat – Can be from inside or outside the organisation.
11. **Lack of personal renewal: the issue of reinforced denial** – Not being able to adapt to the changing environment due to past venture success. Past strengths may not be relevant any longer.
12. **Lack of urgency: fear as good and bad** – Treating fear as a positive to create a since of urgency and a reminder that failure is not an option.
13. **Lack of appropriate timing: the resources shift dilemma** – The timing of resource allocation needs to be balanced from the old to the new to avoid heavy costs.

13.3 Corporate Innovators or Rogue Managers: An Ethical Dilemma

Many international companies that have gone bankrupt in recent years (owing to the unethical behaviour of their senior managers) were also entrepreneurial. There are distinctions between entrepreneurial behaviour and unethical behaviour. Some reasons why managers may act unethically are:

- They are unethical to begin with.
- Their excessive drive over time and overly ambitious personal goals may result in unethical behaviour.
- They do not clearly grasp their professional responsibilities.
- The authors discuss three models of management approaches toward business ethics – moral, immoral and amoral models.

The three models of management approaches to business ethics:

1. **Moral management model** – Respect ethical considerations and hold the organisation to the highest moral standards and demonstrate a strong ethical leadership to all stakeholders.
2. **Immoral management model** – Based on the premise that economic opportunities are to be exploited whenever and however possible. Ethics are seen as obstacles.
3. **Amoral management model** – While not necessarily acting with malicious intent, the belief that rules of business are different from those of the greater society.
13.4 Overcoming the Obstacles

For the corporate entrepreneur to get his/her idea/new product concept through red tape and bureaucracy, he/she should develop an understanding of the methods that may gain influence and shape behaviour.

1. **Building social capital** - Corporate entrepreneurs need to rely on their ingenuity and persistence to build social capital – an inventory of trust, gratitude and obligation that can be cashed in when the new product is in demand. Social capital can be developed by sharing information, creating opportunities for people to demonstrate their skills and competence building and using influence networks.

2. **Gaining legitimacy** - For projects to gain legitimacy, the corporate entrepreneur can use personal influence or influence networks, his/her experience or small successes to convince the necessary people of his/her viability and credibility.

3. **Political tactics** - Some political tactics that the entrepreneur could use to overcome inertia or resistance include:
   - rule-oriented tactics()
   - rule-evading tactics(dealing with unreasonable requests from departments)
   - personal-political tactics(adverse situations)
   - educational tactics(explain, persuade unreasonable views)
   - organisational-interactional tactics(gain greater autonomy)

4. **Resource acquisition** - By hook or by crook, the corporate entrepreneur has to acquire the resources needed to develop the new concept. The following strategies have been identified for acquiring these resources:
   - **Borrowing** - temp use of resource
   - **Begging** - appealing to the owners good will
   - **Scavenging** - extract usage from resources others would not use
   - **Amplifying** - get more value out of existing resource

5. **An ethical component in training corporate entrepreneurs** - A holistic approach should be used to address ethics in the entrepreneurial organisation and that ethics should be woven into the entire fabric of the organisation.

**Examples of obstacles**

1. Employees may not be interested in helping you develop and implement the new system, because they are rewarded and promoted on how well they do their jobs, meet their goals and manage resources.
2. There may not be the resources available to develop your new system if the organisation rigidly adheres to set budgets.
3. The development and implementation of the new system will require cross-functional communication and collaboration. If the organisational structure is very hierarchical and rigid, then cross-functional communication may not be possible.
4. If managers do not buy into your idea and support and champion it, your idea may never become a reality. You need the support of management.
5. Organisational policies and procedures that are bureaucratic will hinder the development and implementation of the new system. There will be lots of delays and red tape to manoeuvre through, which would be frustrating to any entrepreneur.
6. People may be preoccupied with their day-to-day tasks and may resist being involved in something different.

13.5 Focusing on the Right Obstacles at the Right Time.

Corporate entrepreneurs should consider both the immediate and long-term objectives of their new projects. Obstacles that the project faces within the different timeframes can be identified and then the entrepreneur can prioritize efforts and say where they should be focused.

It is essential for people or parties involved in the entrepreneurial project to agree on what their respective tasks will be. The particular issues that must be addressed are:

1. Who will take what specific action against which opponent
2. What key implementation steps must be taken, and how should those steps be timed.
3. How can we tell if things are not going as planned?
4. What major contingency plans are needed, and what event will trigger those plans.
Entrepreneurship can be incorporated in the strategy, culture and structure of an organisation. We also find that entrepreneurship varies across departments and across time. Organisations go through cycles and some are characterised by a great deal of innovation, while others have none. Some organisations have mastered the art of being continually entrepreneurial and others battle to incorporate entrepreneurship.

15.1 A Personal Approach to the Entrepreneurial Process

There are many ways in which a project may be implemented and successful. The effectiveness depends on the approach and scope, scale of the project, the team, nature of the organisation and conditions in the environments. There are a few principles that apply to all entrepreneurs and champions:

8 principles representing a foundation around a personal model:

1. **Solidify relationships with a sponsor** - someone with power and credibility.
2. **Build a flexible team structure** - use your social skills to get a team that believe in the concept.
3. **Insulate the project and keep it quiet for as long as possible** - vulnerable in early stages, threatening to stakeholders, protected from detailed scrutiny, place project outside the mainstream.
4. **Become a guerrilla** - gain access to resources
5. **Promise less and deliver more** - manage expectations
6. **Experiment and produce early wins** - time horizons for entire project, build on small wins, produce evidence that its working incrementally, get more sponsors on board.
7. **Manage project momentum**
8. **Attempt to set the parameters** - influence the rules of the game, working in someone else’s rules is harder to succeed, negotiate other ways to win

As the corporate entrepreneur develops a personal model or process for managing entrepreneurial initiatives, they may want to refer to the Corporate Innovator Commandments

**The Ten Commandments**

1. Come to work each day willing to give up your job for innovation
2. Circumvent any bureaucratic orders aimed at stopping your innovation
3. Ignore your job description
4. Build a spirited innovation team that has the fire to make it happen
5. Keep your innovation underground until it is prepared for demonstration
6. Find a key upper level manager who believes in you and your ideas, i.e. a sponsor
7. Permission is rarely granted, thus always seek forgiveness
8. Share the glory
9. Convey the innovations vision through strong venture planning

15.2 The Importance of the Sponsor

High end corporate managers are willing to protect champions. They aid in gaining access to resources and information, believe in the corporate entrepreneur’s vision and capabilities. They help hide the project and protect the entrepreneur from being fired if rules are violated.

Questions to ask when selecting a sponsor:

- has the person been challenged and proceeded anyway
- does the person have a commitment to innovation
- can you gain their respect
- how important is a step up in the ladder for this person
- does the person know when to fight and when to be graceful
- does the person understand the corporate decision making structure
- does the person have respect of other key decision making people
Establishing mutual trust with the sponsor is most important. Three aspects of the project itself that the entrepreneur should consider when choosing a sponsor

- **nonfinancial resources**(time, equipment)
- **investments needed**(venture money)
- **critics**(political opposition)

### 15.3 Beware Of The “Dark Side” Of Entrepreneurship

The benefits of being an entrepreneur are known by all. We hear of successful entrepreneurs in the media all the time. However, there is a downside to being an entrepreneur. Three potentially destructive aspects that could permeate the personality of the entrepreneur:

**The confrontation with risk** - The entrepreneur is faced with varying categories of risk, these risks include

- **Financial risk** - company knows entrepreneur is responsible for losing money)
- **Career risk** - could lose out on that security
- **Family and social risk** - no time for family or friends
- **Psychic risk** - the failure could be too hard to handle

**Entrepreneurial stress** - The entrepreneur can experience stress as a result of a struggle for resources, role overload, time constraints and working alone.

**Entrepreneurial ego** - In addition to the challenges of risk and stress, the entrepreneur may become overconfident. This has the following negative effects:

- **an overbearing need for control** - desire to control venture and destiny, become obsessed for control and doing things on their terms
- **a sense of distrust** - distrust the motives of others
- **an overriding desire to succeed** - ego and belief that they are indispensable, the project will not succeed without them
- **unrealistic optimism** - too much thanks, I think you are fake

The decision to act entrepreneurially occurs as a result of interaction between organisational characteristics, individual characteristics, and some kind of precipitating event or trigger. In order to sustain entrepreneurship, the organisation should be able to identify and manage these triggering events.

### 15.4 Recognising and Managing the Trigger Events

**Trigger Events** are events that trigger corporate entrepreneurship can be of either external or internal origin:

- **External triggers** - Entrepreneurial management and entrepreneurial ideas are forthcoming when organisations face diminishing opportunities, rapid changes in the external environments and increasingly short decision windows. The trigger for corporate entrepreneurship in an organisation could be aggressive competitor moves, or changes in the industry or market structure.
- **Internal triggers** - Employees sometimes say that they pursue an idea when it intrigues them and they believe in it, or when they take exception to the fact that one of their ideas has been rejected.

Triggering events can be grouped into five broad categories, namely:

1. internal/external triggers
2. opportunity-driven/threat-driven triggers
3. technology-pushed/market-pulled triggers
4. top-down/bottom-up triggers
5. Systematic or deliberate search/chance or opportunism
Implications of sustainable entrepreneurship

Managers need to identify the triggers in the company first and determine if any key triggers are not occurring for a particular reason. There is a need to systematically review both successful and unsuccessful pps that have been pursued by the company over the past 5 years.

Managers should look for the groupings given and associate them with projects and their outcomes. If management understands these triggering events, it will know which triggers to emphasise given specific circumstances, how resources and incentives can be allocated to facilitate certain triggering events, and how organisations should be structured to take advantage of certain triggering events.

15.5 Building an Adaptive Organisation

Organisations that operate in continuously changing external environments have to adapt continually, which requires various forms of innovation. Ultimately, adaptation and innovation depend on the organisation’s ability to learn..

Learning organisations are organisations that continually improve through their capacity to learn from their experiences. Learning, in this context, refers to the acquisition of new knowledge by employees who are willing to apply the knowledge in making decisions or influencing others in the organisation.

10 critical areas that should be focused on for learning:
1. Styles of champions that work and don’t
2. Venture team structures that are most effective for types of innovation
3. Models of successful projects in terms of key steps of stages
4. Approaches to goal setting and monitoring that kept project on track
5. Methods of opportunity identification that took place
6. Way of achieving balance between autonomy and control on innovation
7. Venture funding approaches
8. HRM policies
9. Techniques of optimally managing the allocation of resources
10. Change management for adoption of innovation

Four “rules” that enhance an organisation’s chances of remaining adaptive and innovative both through and beyond the growth stage:
1. Share the entrepreneurial vision.
2. Increase the perception of opportunity.
3. Institutionalise change as the organisational goal.
4. Instil the desire to be innovative.

15.6 Creating a Sense of Urgency

When there is a crisis, employees feel a sense of urgency, management must create an environment where a sense of urgency is felt all the time. It is built into the core values of the company and the survival of the company depends on it.

It’s a call for immediate action, pressing need to do things differently and a belief that time is running out.

The challenge for any organisation that wishes to achieve sustainable entrepreneurship and to counteract complacency is to create an on-going sense of urgency throughout the organisation. in creating a sense of urgency, it is important to rethink the fundamental assumptions that underpin business. Companies have to reprogram themselves to think:

• Our best employees and even our good employees have professional options that do not involve our company.
• Customer loyalties are fleeting – creating a “wow experience” for customers is impossible if we are not continually finding new and better approaches.
• The gap between us and the competition is smaller than we think in those situations where we are ahead, and it is larger than we think in those situations where we are behind.
• The latest, greatest technology has problems, but we cannot afford to ignore it.
• Our business model is working, and yet it needs to be fixed. The firm could be out of business in 24 months.
15.7 The New Strategic Imperative: Embrace Paradoxes

In this section we shall look at the paradoxes found in an entrepreneurial organisation. Throughout the textbook we have come across many such paradoxes, for example the need for the organisation to be flexible despite the need for control in the organisation. We have come across the importance of the individualistic characteristics of the entrepreneur in getting his/her idea accepted and developed into a marketable product; yet we have also studied the importance of the venture team (collectivism) in developing the new idea. There are numerous other paradoxes in managing an entrepreneurial organisation. The imperatives or challenges that an organisation faces, these include:

- **The paradox of size and scope**
  - smaller companies are quick and flexible, innovate on the fly
  - the technology revolution has allowed them to operate on a larger scale
  - as a result large companies are transforming themselves into confederations of small independent firms
  - the paradox of economies of scale

- **The paradox of risk and return**
  - doing something highly innovative may not produce returns

- **The paradox of the individual and the team**
  - A dedicated team of specialist and generalists are also needed as well as a visionary champion
  - The Corporate entrepreneur will have to be loss of a dictator and more of a team player
  - The object is to build a project based on core competencies and focus on continued development

- **The paradox of flexibility and control**
  - large companies have downsized and restructured to become faster and flexible
  - it’s hard to maintain flexibility and a sufficient level of control

- **The paradox of constructive and destructive behaviour**
  - CE requires both stability and turbulence
  - Entrepreneurship is both constructive and destructive making existing operations obsolete
  - New innovative products replace old established ones

- **The paradox of success and failure**
  - entrepreneurs are replacing conventional managers who have a need for success but some innovations fail
  - within failure are the seeds for success

15.8 The Entrepreneurial Mind set

Even entrepreneurial managers may lose their entrepreneurial edge. The demands of day-to-day administration and organisational policies, procedures and systems tend to force the entrepreneur to become more administratively oriented.

In order to maintain the entrepreneurial mind set, the manager must assume four on going responsibilities. These include;

- **framing the challenge** - clear definition of the specific challenges everyone in the innovative project should address
- **absorbing the uncertainty** - make uncertainty less daunting
- **defining gravity** - what is accepted and what is not accepted
- **clearing obstacles** - internal competition for resources, must secure them

15.9 The Twenty-First Century Entrepreneurial Company: A Dynamic Incubator

The capabilities that the organisations of tomorrow should have. They differentiate between strategic management and entrepreneurship, but point out that strategic management provides the context within which entrepreneurial actions are pursued.
The organisations of tomorrow will be the ones that will be capable of merging strategic actions with entrepreneurial actions on an on-going basis in six dominant domains:

- **Innovation** - innovation efforts must be managed strategically
- **Networks** - networks of cooperation between organisations
- **Globalisation/internationalisation** - exploitation of global networks and opportunities
- **Organisational learning** - strategic commitment to learning
- **The top management team and governance** - must have a shared entrepreneurial vision
- **Growth opportunities** - changes in environments

Entrepreneurial organisations in the twenty-first century will be conceptualised as a collection of four major portfolios:

- **Portfolio of competencies** - skills and capabilities within the organisation that the strategic direction will be built around. The ability to innovate, adapt and manage change
- **Portfolio of resources** - financial, physical, human relational and intellectual resources that are innovating and enabling
- **Portfolio of innovations** - balance between new pps. Pursue multiple innovations and learn systematically. Cycles of rapid evolution and periodic revolution
- **Portfolio of ventures** - devolution of the company into smaller ones that can be seamlessly coordinated

From a portfolio perspective, the organisation becomes a dynamic incubator for concepts, products and ventures.