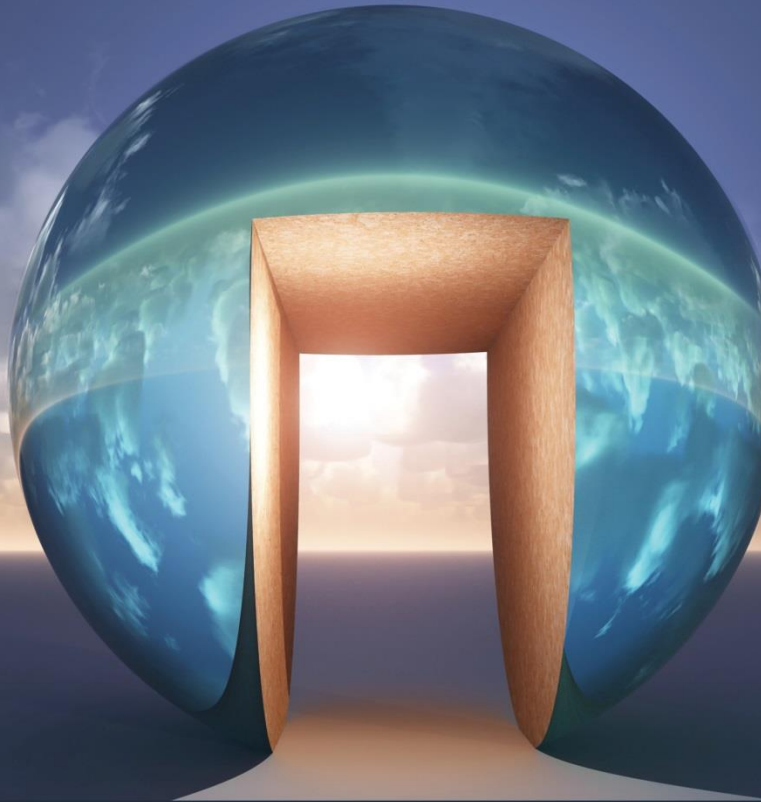


TENTH EDITION

Entrepreneurship

THEORY, PROCESS, PRACTICE



Donald F. Kuratko

Part I

The Entrepreneurial Mind-Set
in the 21st Century

Chapter 3

The Entrepreneurial Mind-Set in Organizations: Corporate Entrepreneurship

PowerPoint Presentation by Charlie Cook

Learning Objectives

1. To understand the entrepreneurial mindset in organizations
2. To illustrate the need for entrepreneurial thinking in organizations
3. To define the term *corporate entrepreneurship*
4. To describe obstacles that prevent innovation within corporations
5. To highlight the considerations involved in reengineering corporate thinking
6. To describe the specific elements of a corporate entrepreneurial strategy

Learning Objectives (cont'd)

7. To examine the methods of developing managers for corporate entrepreneurship
8. To illustrate the interactive process of corporate entrepreneurship

The Entrepreneurial Mindset in Organizations

- Response to rapid, discontinuous, and significant changes in companies external and internal environments in a global economy:
 - Restructure of operations in fundamental and meaningful ways.
 - Introduction of *corporate entrepreneurship* or *intrapreneurship*.
 - Continuous innovation which allows for pathways to accelerate their pace and cope with competition in the world markets.

Corporate Innovation Philosophy

- Important practices for establishing an innovation-driven organization:
 1. Set explicit goals.
 2. Create a system of feedback and positive reinforcement.
 3. Emphasize individual responsibility.
 4. Provide rewards based on results.
 5. Do not punish failures.

Assessing Support for Corporate Innovation

- Does the firm encourage entrepreneurial thinking?
- Does the firm provide ways for innovators to stay with their ideas?
- Are people permitted to do the job in their own way, or are they constantly stopping to explain their actions and ask for permission?
- Has the firm evolved quick and informal ways to access the resources to try new ideas?
- Has the firm developed ways to manage many small and experimental innovations?

Assessing Support for Innovation (cont'd)

- Is the system set up to encourage risk taking and to tolerate mistakes?
- Are people in the firm more concerned with new ideas or with defending their turf?
- How easy is it to form functionally complete, autonomous teams in the firm's corporate environment?

1. Encourage action.
2. Use informal meetings whenever possible.
3. Tolerate failure, and use it as a learning experience.
4. Persist in getting an idea to market.
5. Reward innovation for innovation's sake.
6. Plan the physical layout of the enterprise to encourage informal communication.
7. Expect clever **bootlegging** of ideas—secretly working on new ideas on company time as well as personal time.
8. Put people on small teams for future-oriented projects.
9. Encourage personnel to circumvent rigid procedures and bureaucratic red tape.
10. Reward and promote innovative personnel.

Source: Reprinted by permission of the publisher from "Corporate Venturing Obstacles: Sources and Solutions," by Hollister B. Sykes and Zenas Block, *Journal of Business Venturing* (winter 1989): 161. Copyright © 1989 by Elsevier Science Publishing Co., Inc.

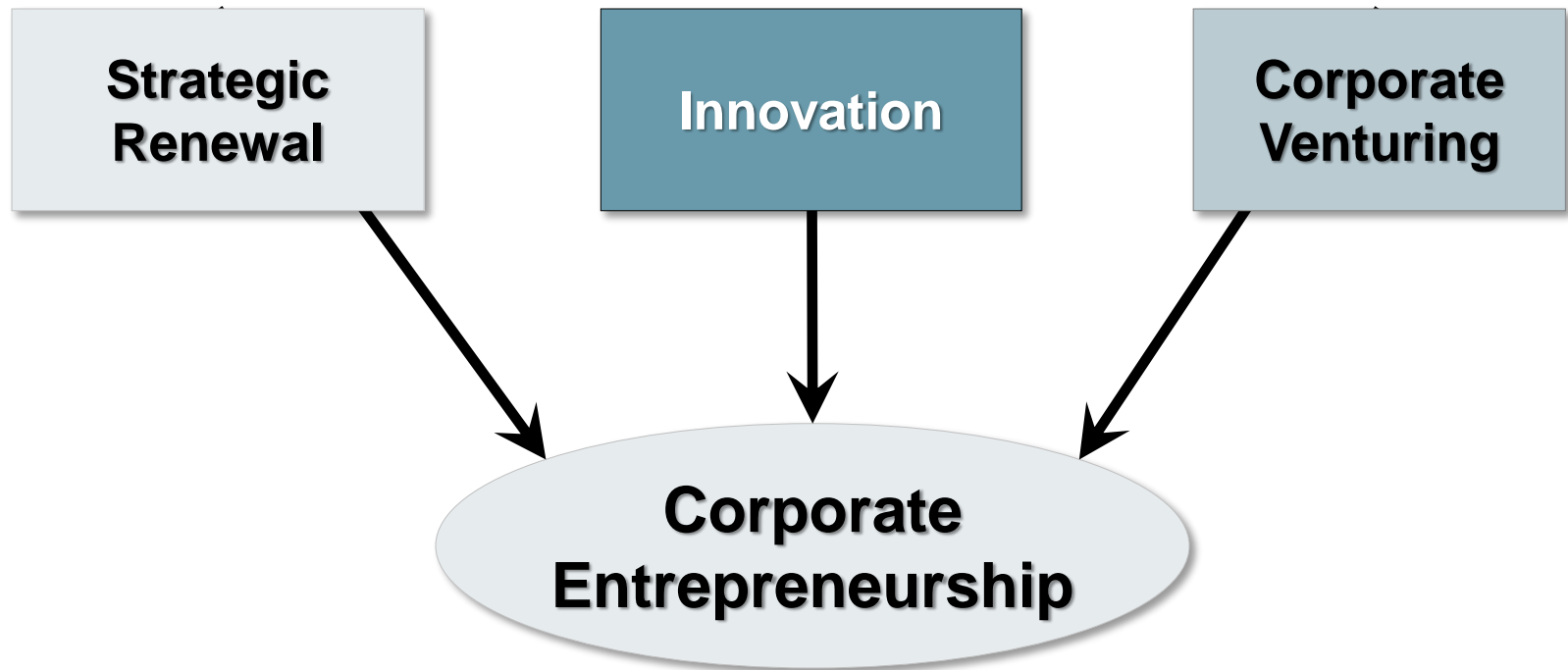
Encouraging an Intrapreneurial Environment

- Steps to help restructure corporate thinking and encourage an intrapreneurial environment:
 1. Early identification of potential innovators
 2. Top management sponsorship of innovative projects
 3. Creation of innovation goals in strategic activities
 4. Promotion of entrepreneurial thinking through experimentation
 5. Development of collaboration between innovators and the organization at large

Benefits of an Entrepreneurial Philosophy

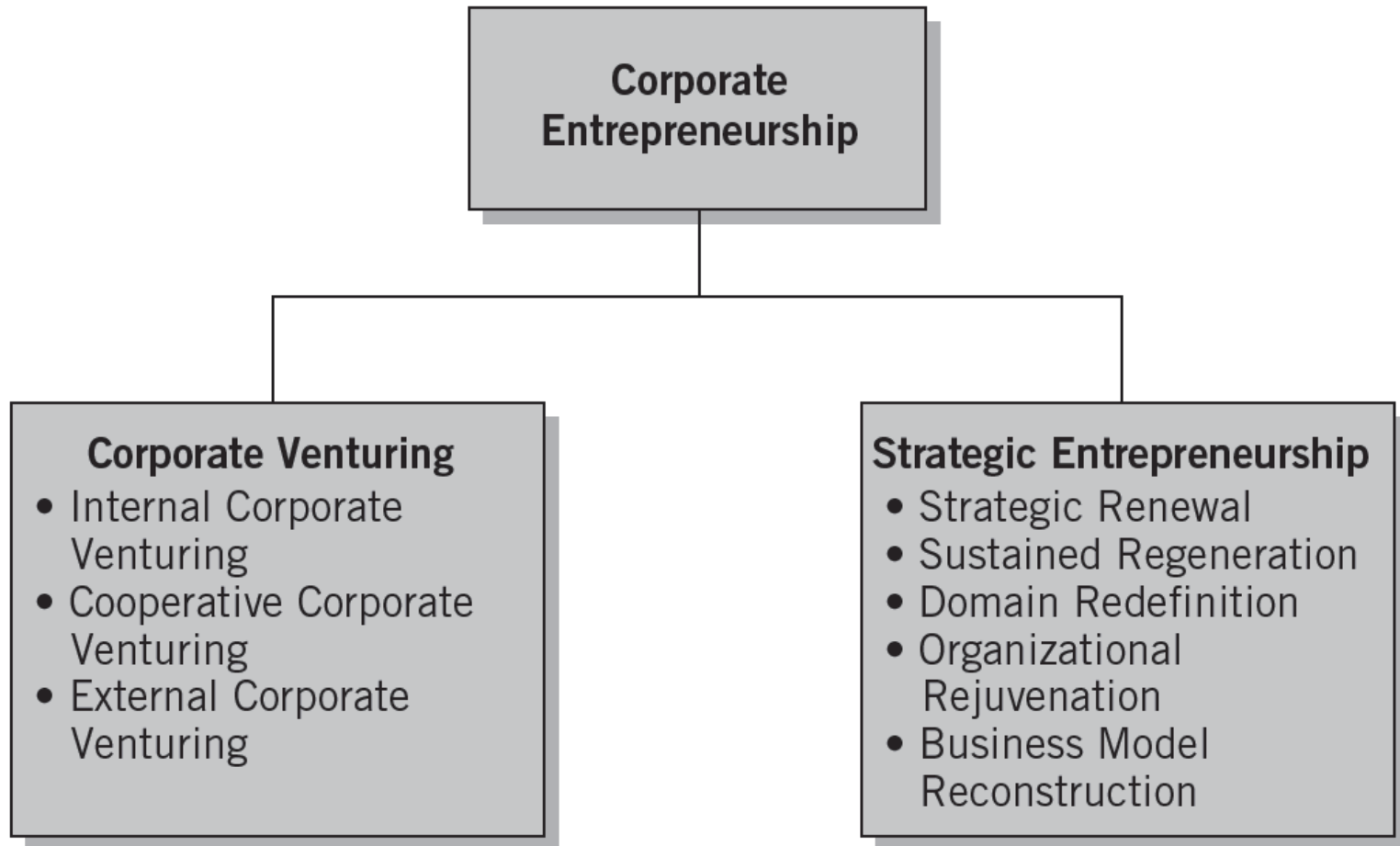
- Leads to the development of new products and services and helps the organization expand and grow.
- Creates a work force that can help the enterprise maintain its competitive posture.
- Promotes a climate conducive to high achievers and helps the enterprise motivate and keep its best people.

Corporate Entrepreneurship and Innovation



Defining the Concept of Corporate Entrepreneurship and Innovation

- Corporate Entrepreneurship
 - A process whereby an individual or a group of individuals, in association with an existing organization, creates a new organization or instigates renewal or innovation within the organization.
- Corporate Entrepreneurship Strategy
 - A vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity.



Source: Michael H. Morris, Donald F. Kuratko, and Jeffrey G. Covin, *Corporate Entrepreneurship & Innovation* (Mason, OH, Thomson), 2008, p. 81.

The Need for Corporate Entrepreneurship

- Rapid growth in the number of new and sophisticated competitors
- Sense of distrust in the traditional methods of corporate management
- An exodus of some of the best and brightest people from corporations to become small business entrepreneurs
- International competition
- Downsizing of major corporations
- An overall desire to improve efficiency and productivity

Traditional Management Practices	Adverse Effects	Recommended Actions
Enforce standard procedures to avoid mistakes	Innovative solutions blocked, funds misspent	Make ground rules specific to each situation
Manage resources for efficiency and ROI	Competitive lead lost, low market penetration	Focus effort on critical issues (e.g., market share)
Control against plan	Facts ignored that should replace assumptions	Change plan to reflect new learning
Plan for the long term	Nonviable goals locked in, high failure costs	Envision a goal, then set interim milestones, reassess after each
Manage functionally	Entrepreneur failure and/or venture failure	Support entrepreneur with managerial and multidiscipline skills
Avoid moves that risk the base business	Missed opportunities	Take small steps, build out from strengths
Protect the base business at all costs	Venturing dumped when base business is threatened	Make venturing mainstream, take affordable risks
Judge new steps from prior experience	Wrong decisions about competition and markets	Use learning strategies, test assumptions
Compensate uniformly	Low motivation and inefficient operations	Balance risk and reward, employ special compensation
Promote compatible individuals	Loss of innovators	Accommodate “boat rockers” and “doers”

Source: Reprinted by permission of the publisher from “Corporate Venturing Obstacles: Sources and Solutions,” by Hollister B. Sykes and Zenas Block, *Journal of Business Venturing* (winter 1989): 161. Copyright © 1989 by Elsevier Science Publishing Co., Inc.

Successful Innovative Companies

- Factors in large corporations that are successful innovators:
 - Atmosphere and vision
 - Orientation to the market
 - Small, flat organizations
 - Multiple approaches
 - Interactive learning
 - Skunk Works



Conceptualizing Corporate Entrepreneurship Strategy

- Corporate Entrepreneurship Strategy
 - A vision-directed, organization-wide reliance on entrepreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity.
 - It requires the creation of congruence between the entrepreneurial vision of the organization's leaders and the entrepreneurial actions of those throughout the organization.

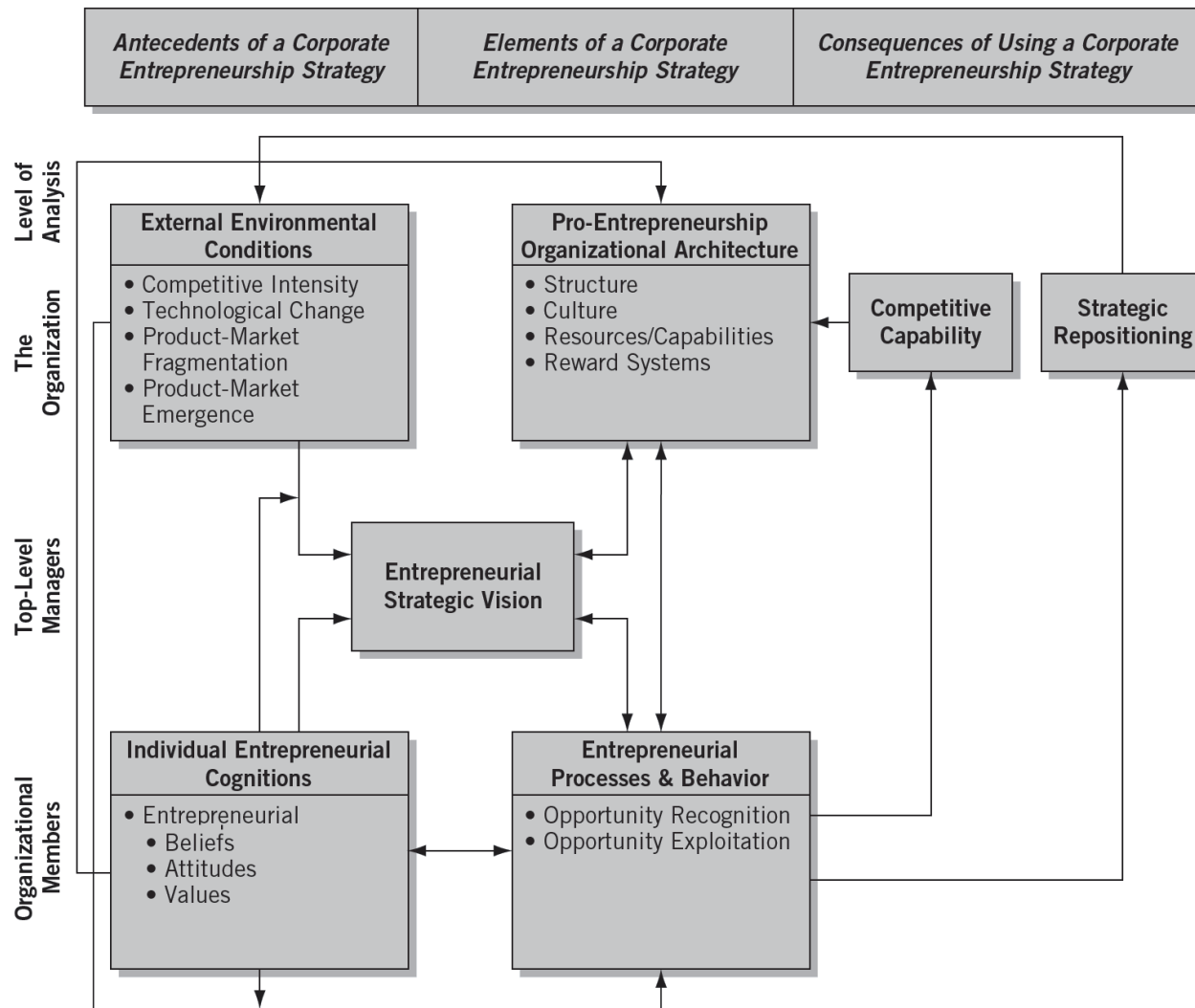
Modeling the Corporate Entrepreneurship Strategy Process

- Corporate entrepreneurship strategy is manifested through the presence of three elements:
 - An entrepreneurial strategic vision
 - A pro-entrepreneurship organizational architecture
 - Entrepreneurial processes and behavior as exhibited throughout the organization

Modeling the Corporate Entrepreneurship Strategy Process (cont'd)

- Linkages in the model:
 1. Individual entrepreneurial cognitions of the organization's members
 2. External environmental conditions that invite entrepreneurial activity
 3. Top management's entrepreneurial strategic vision for the firm
 4. Organizational architectures that encourage entrepreneurial processes and behavior
 5. The entrepreneurial processes that are reflected in entrepreneurial behavior
 6. Organizational outcomes resulting from entrepreneurial actions.

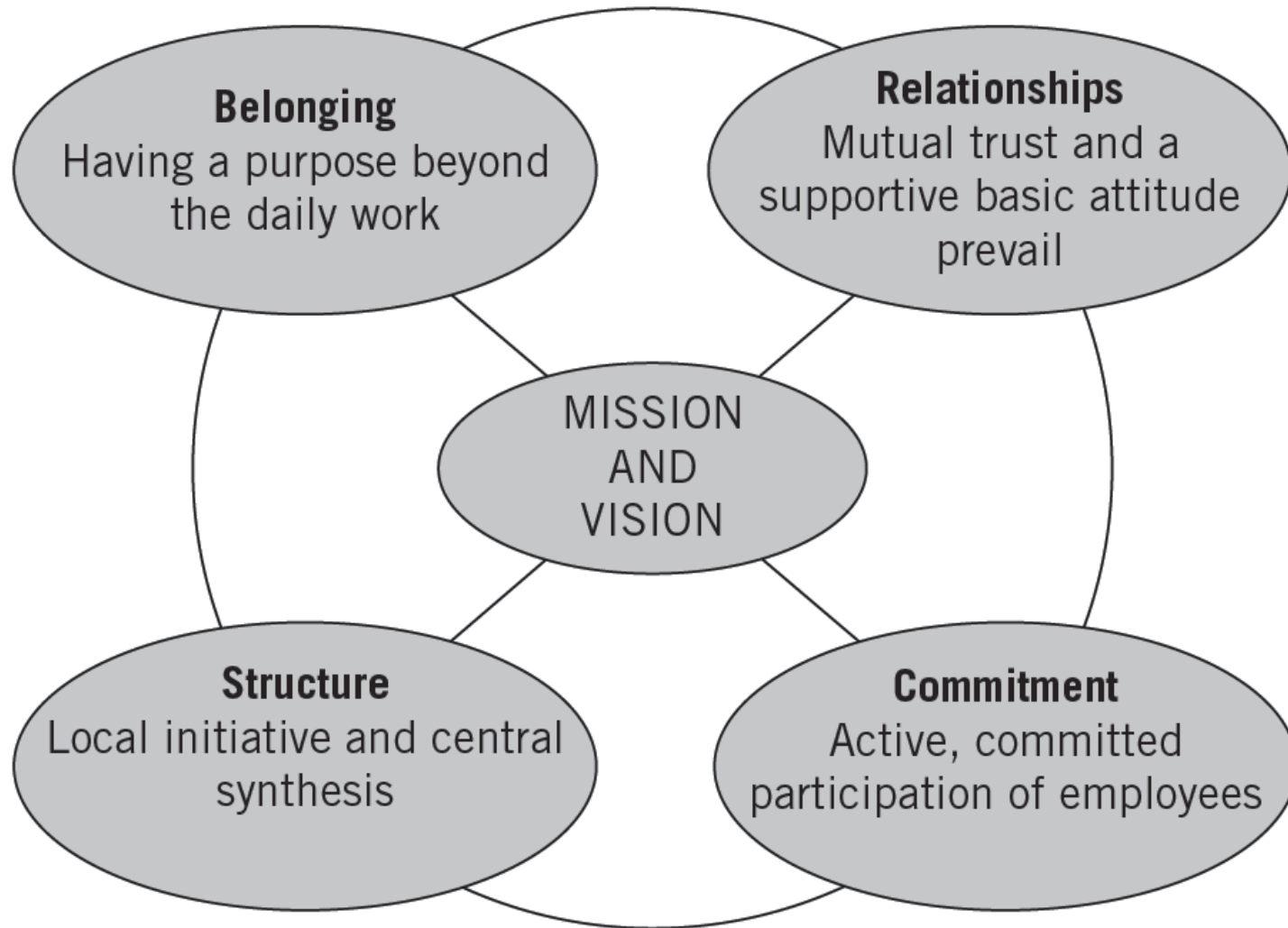
An Integrative Model of Corporate Entrepreneurship Strategy



Source: R. Duane Ireland, Jeffery G. Covin, and Donald F. Kuratko, "Conceptualizing Corporate Entrepreneurship Strategy," *Entrepreneurship Theory and Practice* 33, no. 1 (2009): 24.

Conceptualizing a Corporate Entrepreneurship Strategy (cont'd)

- Critical steps of a corporate entrepreneurial strategy:
 1. Developing the vision
 2. Encouraging innovation
 3. Structuring for an intrapreneurial climate
 4. Developing individual managers for corporate entrepreneurship
 5. Developing venture teams.



Source: Jon Arild Johannessen, "A Systematic Approach to the Problem of Rooting a Vision in the Basic Components of an Organization," in *Entrepreneurship, Innovation, and Change* 3, no. 1 (March 1994): 47. Reprinted with permission from Plenum Publishing Corporation, New York.

Types of Innovation

- **Radical Innovation**

- The launching of inaugural breakthroughs.
- These innovations take experimentation and determined vision, which are not necessarily managed but must be recognized and nurtured.

- **Incremental Innovation**

- The systematic evolution of a product or service into newer or larger markets.
- Many times the incremental innovation will take over after a radical innovation introduces a breakthrough.

Objectives

Make sure that current systems, structures, and practices do not present insurmountable roadblocks to the flexibility and fast action needed for innovation.

Provide the incentives and tools for intrapreneurial projects.

Seek synergies across business areas so new opportunities are discovered in new combinations.

Programs

Reduce unnecessary bureaucracy, and encourage communication across departments and functions.

Use internal “venture capital” and special project budgets. (This money has been termed *intracapital* to signify a special fund for intrapreneurial projects.) Allow discretionary time for projects (bootlegging time).

Encourage joint projects and ventures among divisions, departments, and companies. Allow and encourage employees to discuss and brainstorm new ideas.

Source: Adapted by permission of the publisher from Rosabeth Moss Kanter, “Supporting Innovation and Venture Development in Established Companies,” *Journal of Business Venturing* 1, no. 1 (Winter 1985): 56–59. Copyright © 1985 by Elsevier Science Publishing Co., Inc.

Radical	Incremental
Stimulate through challenges and puzzles.	Set systematic goals and deadlines.
Remove budgetary and deadline constraints when possible.	Stimulate through competitive pressures.
Encourage technical education and exposure to customers.	Encourage technical education and exposure to customers.
Allow technical sharing and brainstorming sessions.	Hold weekly meetings that include key management and marketing staff.
Give personal attention—develop relationships of trust.	Delegate more responsibility.
Encourage praise from outside parties.	Set clear financial rewards for meeting goals and deadlines.
Have flexible funds for opportunities that arise.	
Reward with freedom and capital for new projects and interests.	

Source: Adapted from Harry S. Dent, Jr., "Growth through New Product Development," *Small Business Reports* (November 1990): 36.

3M's Innovation Rules

- Don't kill a project
- Tolerate failure
- Keep divisions small
- Motivate the champions
- Stay close to the customer
- Share the wealth



Structuring the Work Environment

- Reestablishing the drive to innovate:
 - Invest heavily in *entrepreneurial activities* that allow new ideas to flourish in an innovative environment.
 - Provide nurturing and information-sharing activities.
 - Employee perception of an innovative environment is critical.
- Corporate Venturing
 - Institutionalizing the process of embracing the goal of growth through development of innovative products, processes, and technologies with an emphasis on long-term prosperity.

Preparing for Failure

- “Learning from Failure”
 - Recognizing the importance of managing the grief process that occurs from project failure.
 - Understanding how organizational routines and rituals are likely to influence the grief recovery.
 - Ensuring that the organization’s social support system can encourage greater learning, foster motivational outcomes, and increase coping self-efficacy in affected individuals.

Developing Individual Managers for Corporate Entrepreneurship

- Corporate Innovation Training Program:
 1. The Entrepreneurial Experience
 2. Innovative Thinking
 3. Idea Acceleration Process
 4. Barriers and Facilitators to Innovative Thinking
 5. Sustaining Innovation Teams (I-Teams)
 6. The Innovation Action Plan

Corporate Entrepreneurship Assessment Instrument (CEAI)

- Key Internal Climate Factors in Determining an Organization's Readiness for Entrepreneurial Activity:
 - Top management support
 - Autonomy/work discretion
 - Rewards/reinforcement
 - Time availability
 - Internal organizational boundaries

Facilitating Corporate Entrepreneurial Behavior

- Organizations foster entrepreneurial behavior by:
 - Encouraging—not mandating—innovative activity
 - Human resource policies for “selected rotation”
 - Committing to projects long enough for momentum to occur.
 - Bet on people, not on analysis.
- Rewarding Entrepreneurship:
 - Allow inventor to take charge of the new venture
 - Grant discretionary time to work on future projects
 - Make intracapital available for future research ideas

1. Come to work each day willing to give up your job for the innovation.
2. Circumvent any bureaucratic orders aimed at stopping your innovation.
3. Ignore your job description—do any job needed to make your innovation work.
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 to the corporate management.
6. Find a key upper-level manager who believes in you and your ideas and will serve as a sponsor to your innovation.
7. Permission is rarely granted in organizations, thus always seek forgiveness for the “ignorance” of the rules that you will display.
8. Always be realistic about the ways to achieve the innovation goals.
9. Share the glory of the accomplishments with everyone on the team.

Developing Innovative (I) Teams

- Innovative (I) Team

- A semi-autonomous self-directing, self-managing, high-performing group of two or more people who formally create and share the ownership of a new organization.
- The leader is called a “innovation champion” or a “corporate entrepreneur.”

- Collective Entrepreneurship

- Individual skills are integrated into a group; this collective capacity to innovate becomes something greater than the sum of its parts.

Sustaining a Corporate Entrepreneurship Strategy

- Sustained Corporate Entrepreneurship Model
 - Based on theoretical foundations from previous strategy and entrepreneurship research.
 - Considers the comparisons made at the individual and organizational level on organizational outcomes, both perceived and real, that influence the continuation of the entrepreneurial activity.
 - Transformational trigger
 - Something external or internal to the company that initiates the need for strategic adaptation or change.

Critical Strategic Entrepreneurship Roles

Senior-level Managers

Have ratifying, recognizing, and directing roles that in turn are associated with particular managerial actions

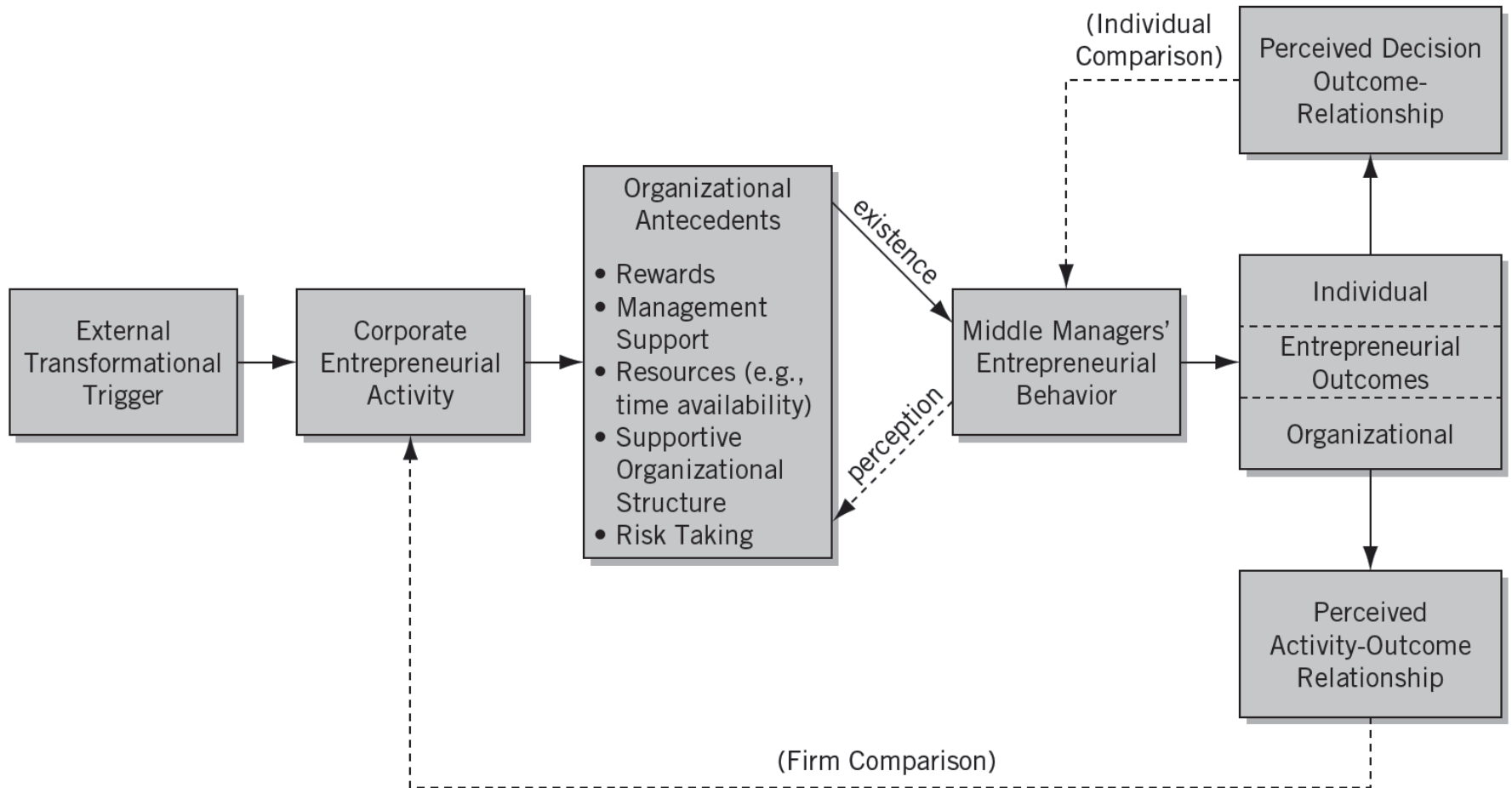
Middle-level Managers

Endorse, refine, and guide entrepreneurial opportunities, and identify, acquire, and deploy resources needed to pursue opportunities

First-level Managers

Experiment with change, promote adjustment to change, and foster conformity in the development of competencies needed to execute the strategy

A Model of Sustained Corporate Entrepreneurship



Source: Donald F. Kuratko, Jeffrey S. Hornsby, and Michael G. Goldsby, "Sustaining Corporate Entrepreneurship: Modeling Perceived Implementation and Outcome Comparisons at Organizational and Individual Levels," *International Journal of Entrepreneurship and Innovation* 5, no. 2 (May 2004): 79.

Key Terms and Concepts

- bootlegging
- champion
- collective entrepreneurship
- corporate entrepreneurship
- Corporate Entrepreneurship Assessment Instrument (CEAI)
- corporate venturing
- incremental innovation
- innovation team (I-team)
- interactive learning
- intracapital
- intrapreneurship
- radical innovation
- Skunk Works
- strategic entrepreneurship
- top management support