**Session 13 BUSA 7800 - Strategic Management Chapter 12**

Learning Outcomes

At the end of this session you should be able to:

1. Differentiate between the different types of innovation.
2. Explain the various challenges of innovation.
3. Describe the importance of financing, as well as human capital and social capital in supporting new ventures.
4. Differentiate between the three types of entry strategies – pioneering, imitative, and adaptive – commonly used to launch a new venture.
5. Explain how the generic strategies of overall cost leadership differentiation, and focus are used by new ventures and small businesses.

Chapter 12 – Managing Innovation and Fostering Entrepreneurship

This chapter addresses how innovation and corporate entrepreneurship help firms create competitive advantages.

Why must firms innovate and initiate new ventures?

The two options for strategies of growth and change are:

1. *Innovation and*
2. *Entrepreneurship*

**I. Managing Innovation**

What are the two main areas of innovation?

What are some sources of new knowledge?

**A. Types of Innovation**

*i. Product Innovation & Process Innovation*

How do we describe *product innovation*?

How is *product innovation* related to the industry life cycle and business level strategy?

What occurs with *process innovation*?

How is *process innovation* related to the industry life cycle and business level strategy?

*ii. Radical Innovation and Incremental Innovation*

What are the characteristics of *radical innovations*?

How are *incremental innovations* described?

*iii. Sustaining Innovations and Disruptive Innovations*

How do we know if an innovation is a *sustaining innovation*?

What are some examples of *sustaining innovations*?

What are the characteristics of *disruptive innovations*?

What are some examples of *disruptive innovations*?

**B. Challenges of Innovation**

Why is innovation essential to sustaining competitive advantages?

What makes innovation so difficult?

What is meant by the "seeds verses weeds" dilemma?

What must the firm decide in "experience versus initiative" dilemma?

Who will work on the innovation project?

Should we develop the innovation internally or seek an outside partner?

Should we roll out the innovation a little at a time or have a large-scale launch?

**C. Defining the Scope of Innovation**

Why would a firm want to define their scope of innovation?

What are some examples of how firms can define their scope of innovation?

**D. Managing the Pace of Innovation**

How long will it take for an innovation initiative to realistically come to fruition?

How can time pacing of innovation be a source of competitive advantage?

**E. Staffing to Capture Value from Innovation**

What kind of experience should employee have to work on innovation projects?

**F. Collaborating with Innovation Partners**

What are some sources of innovation partners?

**II. Corporate Entrepreneurship (CE)**

What are the two primary aims of Corporate Entrepreneurship (CE)?

* 1. The pursuit of new venture opportunities and
  2. Strategic renewal.

What the two distinct approaches to corporate venturing that is found among firms that pursue entrepreneurial aims?

* 1. *Focused corporate venturing*
  2. *Dispersed corporate venturing*

How does focused corporate venturing work?

How does diverse corporate venturing work?

**III. Launching a New Venture**

What are the three factors that are needed to successfully proceed with a new venture (Exhibit 12.3)?

(1) Opportunity, (2) Resources, and (3) Entrepreneur(s)

**A. Entrepreneurial Opportunities**

Where do new business opportunities come from for established firms?

How can we judge if an opportunity is viable?

**B. Entrepreneurial Resources**

What are the types of resources that a new venture needs?

1. *Financial Resources, (2) Human Capital, and (3) Social Capital*

*1. Financial Resources*

Why do start-ups have a particularly tough time seeking financial resources?

What is bootstrapping?

How is an angel investor different from venture capital?

*2. Human Capital*

Bankers, venture capitalists, and angel investors that invest in start-up firms and small businesses agree that the most important asset an entrepreneurial firm can have is strong and skilled management.

3. Social Capital

Why are new ventures founded by entrepreneurs who have extensive social contacts more likely to succeed?

**C. Entrepreneurial Leadership**

*i. Vision*

What is an important aspect of an entrepreneurial vision?

*ii. Dedication and Drive*

How can an entrepreneur demonstrate dedication and drive?

*iii. Commitment to Excellence*

How can an entrepreneur show their commitment to excellence?

**IV. Entrepreneurial Strategy**

What industry conditions must a new venture be aware of?

**A. Entry Strategies**

New-entry strategies typically fall into one of three categories: (1) pioneering new entry, (2) imitative new entry, or (3) adaptive new entry.

1. *Pioneering New Entry*

When would a young firm engage in pioneering?

What are some potential pitfalls of pioneering?

1. *Imitative New Entry*

What do imitators do?

1. *Adaptive New Entry*

What makes the adaptive new entry strategy different?

What does research indicate where the greatest opportunities are for new entrants?

**B. Generic Strategies for Entrepreneurial Firms**

* 1. *Overall Cost Leadership*

Why would new ventures find it difficult to achieve overall cost leadership?

* 1. *Differentiation*

What are a few of the difficulties that newer firms would have executing the differentiation strategy?

*iii. Focus*

Why does the focus or “niche” strategies provide an effective entry strategy for many new firms?

*iv. Combination Strategies*

Why can the combination strategy work so well for new businesses?

**Next Session:**

Catch up / Review for Final Exam