



SPROM-OLF – Entrepreneurship

SPROM-OLF - Organisation, Leadership, and Change Management

2023 Autumn term

SPROM-OLF_HT2023 contents



1. Economic foundations; Organisation Theory

2. Leadership

3. Entrepreneurship; Teams & Projects

4. Change Management

5. Business Ethics; course summary

Contents



- Approaches and concepts
- Relevance of entrepreneurship
- Startup sectors and motivations
- Founding processes
- Important choices



Different approaches to studying entrepreneurship



- No “unified” theory of entrepreneurship exists
- Blend of empirical, conceptual, and prescriptive/guidelines work

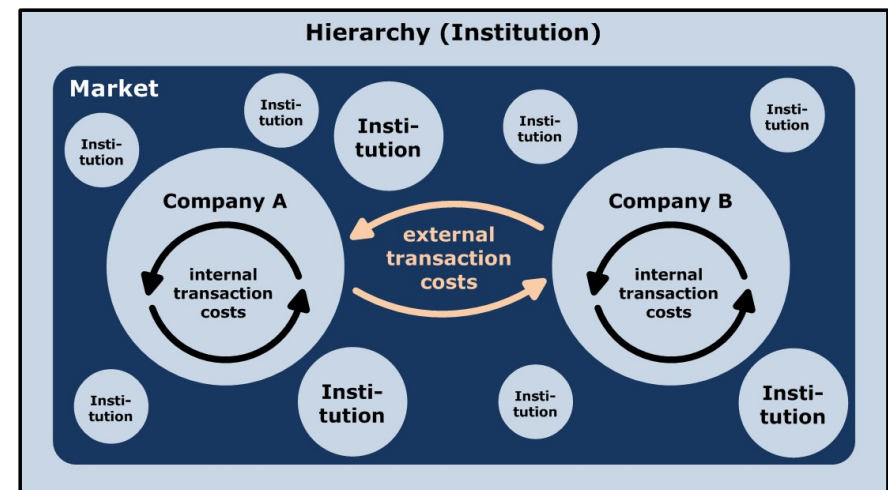


Theory of the firm: Why do firms exist?



- Serve to pursue profits
- Efficient use for generating return on investment for capitalists
- Eases matching labour with machines
- Ownership structure of production assets requires property rights and negotiation
- Team production → organisations
- Information advantages over single actors

- Economies of
 - Scale
 - Scope
 - Integration
- Learning effects (specialisation)
- Saves transaction costs



Entrepreneurship – relevance

- Firms exist because of entrepreneurship (Langlois 2007)
- Discovery, evaluation, exploitation
- Source of change in society
- Innovative problem solving
 - Local/niche
 - Global
- Source of economic growth
- Source of employment
- Source of income
- $ROI > \text{savings account}$



Types of entrepreneurship

- SME Startups

- Local markets
- Moderate growth ambitions
- Low-medium financial risk
- Medium gain potential
- Med-high failure rate

- Scale-driven Startups

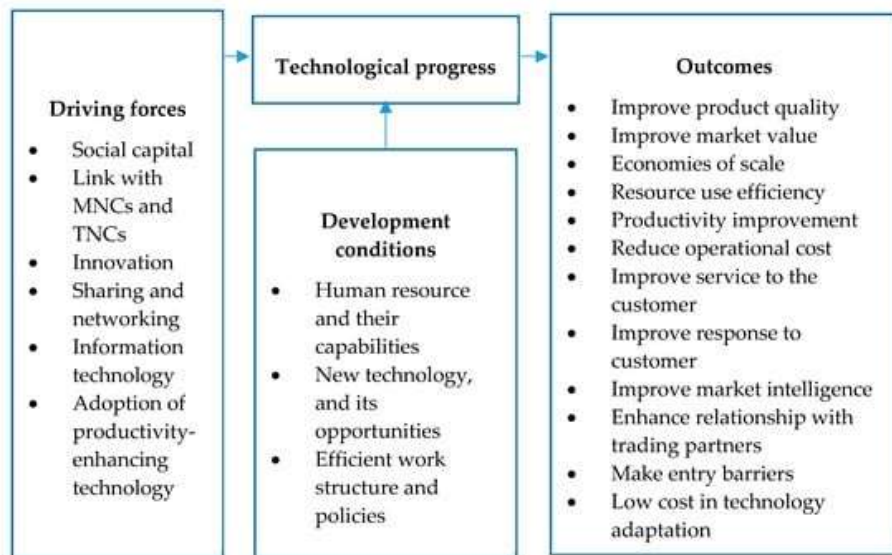
- Global market as target
- Hyper-growth targets
- High financial risk
- Large gain potential
- High failure rate

- In corporations

- E.g. corporate innovation management
- Global markets
- Sometimes spun off
- Innovation by acquisition

- Public Sector

- Politically motivated projects

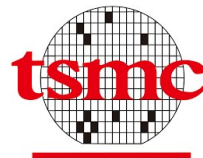


Innovation through entrepreneurship

- Innovation = **Idea/invention** + marketisation
- Types:
 - Technology / Process / Business model / Position



- Categories
 - Disruption, incremental, lateral/general

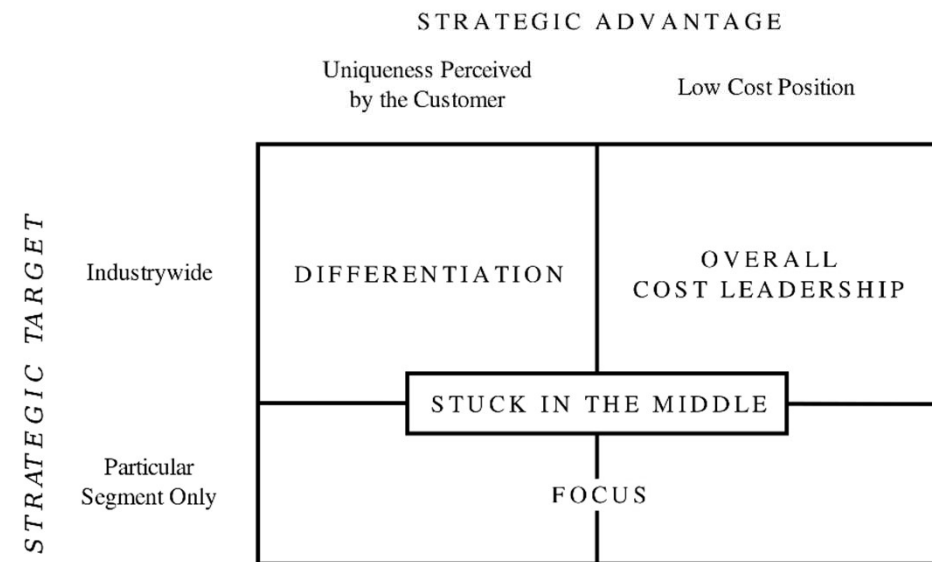


General strategy options

- Idea + **marketisation**
- Cost leadership (focus)
- Differentiation (focus)
- Core competencies
- Technology-driven
 - (e.g. disruption/scale)

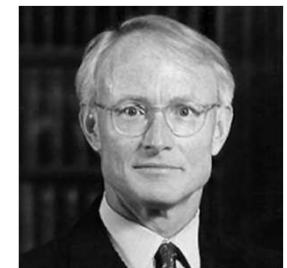


Michael E. Porter



Market/industry conditions

5 Forces of Competition model



Michael E. Porter

Important industry sectors

- 1970s: retail, real estate, manufacturing
 - 1980s: privatisations, computer tech
 - 1990s: dot-com boom (and bubble)
 - 2000: commercial web-tech, social media
 - 2020s: FoodTech, GreenTech, FinTech, MedTech
 - Social Entrepreneurship / Not-for-profit companies
- Tech as a strategic choice → Tech as standard



BREAK

See you in 10min.

"DRAT...I KNEW I FORGOT SOMETHING"



Breakout room discussions (10 min)

- Group 1
- Q: Which kind of startup would you want to found?
- Group 2
- Q: Why would you not want to start your own company?



Entrepreneurs - Founders and founding teams

- Individual or group
- Willingness to take risk
- Motivations for venture initiation:
 - Economic
 - Intrinsic
 - Entrepreneurial passion
 - Fear of failure (neg)
 - Growth (personal/business)
 - Preserve family wealth
 - Founding team relationships
- Also: Motivations for venture exit

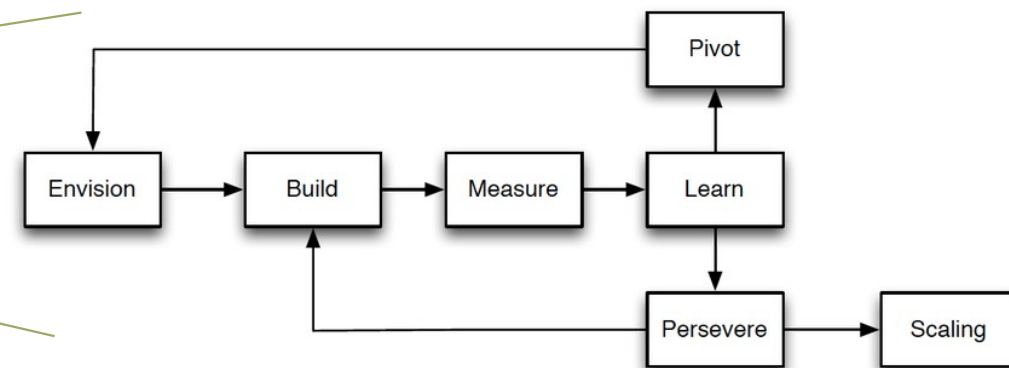
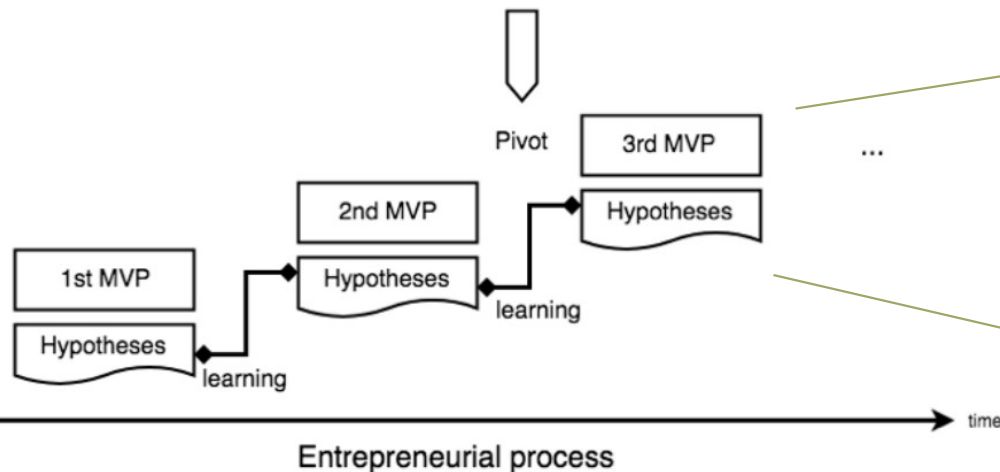
	Participants don't self-identify (design)	Participants self-identify (spontaneity)
Participants contribute products	Inside contracting Outsourcing 'Virtual' firms	Classic market
Participants contribute effort	Classic (Coasean) firm	Voluntary (open-source) production

Enterprise founding process



For software startups

Khanna et al. (2018)



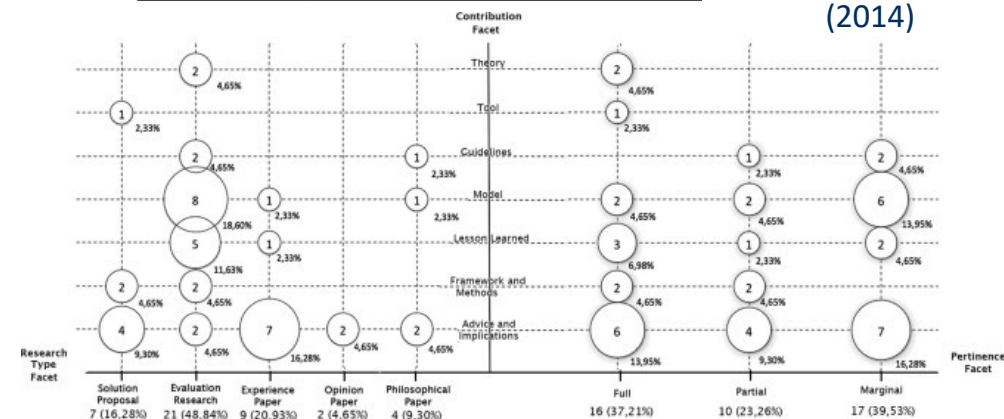
Research on software/IT startups

- Khanna et al. (2018): MVP: minimum viable product; non-systematic and non-linear learning through testing and pivoting
- Bohn & Kundisch (2018): technology pivots are due to system performance, viability and maintainability; cost reduction seeking opportunities
- Baijwa et al. (2016): re-framing project 'failure' customer needs drive most technological pivots
- Paternoster et al. 2014:
 - systematic mapping of research

Pivot type	Description
Zoom-In	A single feature becomes the whole product
Zoom-Out	Whole product becomes a single feature of a much larger product
Customer Segment	Change of targeted customer segments
Customer Need	Other customer need targeted / satisfied
Platform	Change from application to platform and vice versa
Business Architecture	A switch from high margin, low volume to low margin, high volume
Value Capture	Changes to the way how value is captured
Engine of Growth	Changes in strategy to seek faster growth
Channel	Switch to channels with better effectiveness
Technology	Replacing existing technology with different technology
Team	Changes of key members (e.g. co-founder) or development of completely new team
Complete	All aspects are changed, only the original entrepreneurial team remains
Market Zoom-In	Narrow down target market from a broader market to a more specific market segment
Side Project	A side-project becomes the main business idea

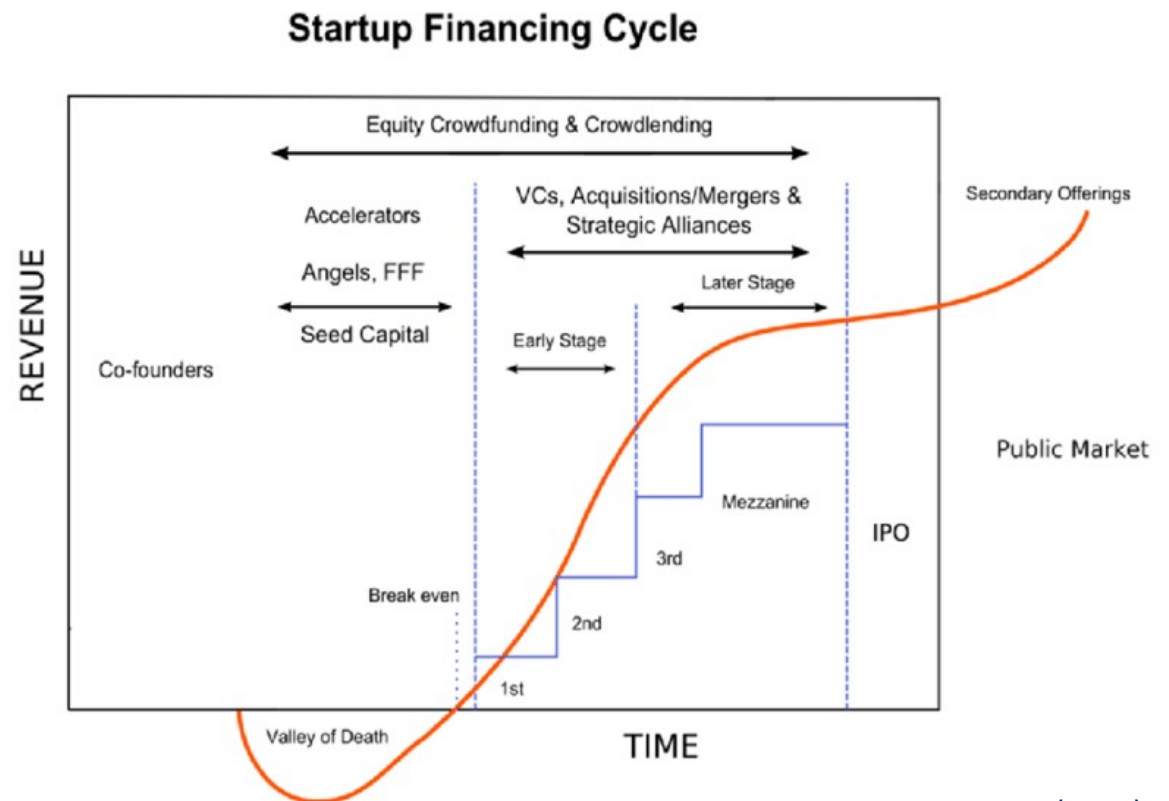
Bohn
& Kundisch (2018)

Paternoster et al.
(2014)



Start-up financing

- Different sources depending on industry/market
- Implied progression from low levels of capital to IPO

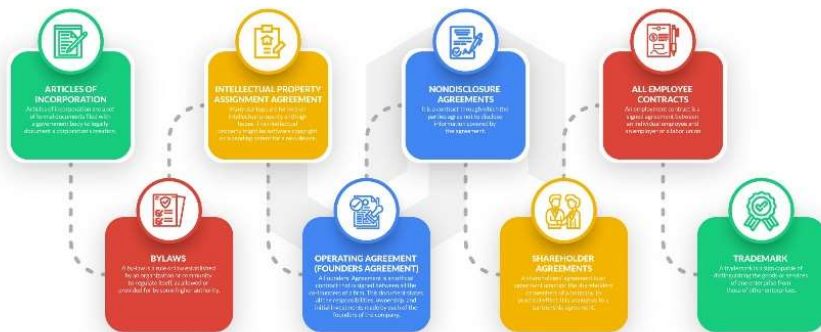


Ojeaga (2015)

Growing the organisation

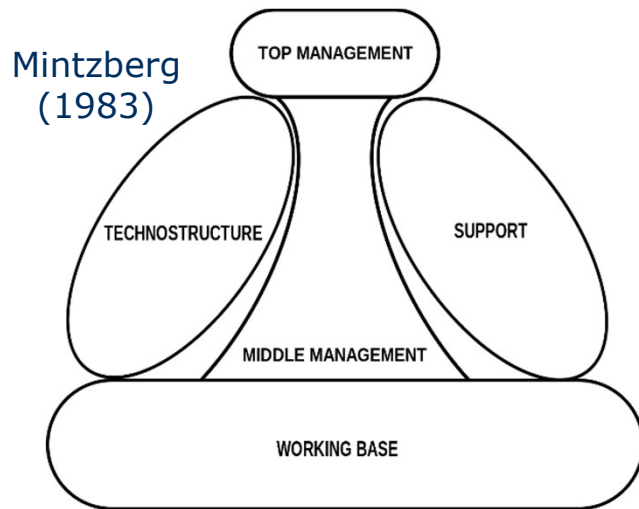
- Legal structures/documents:
- Strongly depend on legislative environment
 - Sole proprietor
 - (limited) partnerships
 - corporation (with stocks traded)
- Growth depends on:
 - Industry
 - Initially (0-4 years)
 - Founder know-how
 - External network(ing)
 - Subsequently (5-8 years)
 - Internal networks
 - (Littunen & Niittykangas 2010)
- Long-term studies are difficult
- Success / failure not universally definable

TOP 8 LEGAL DOCUMENTS EVERY STARTUP SHOULD HAVE

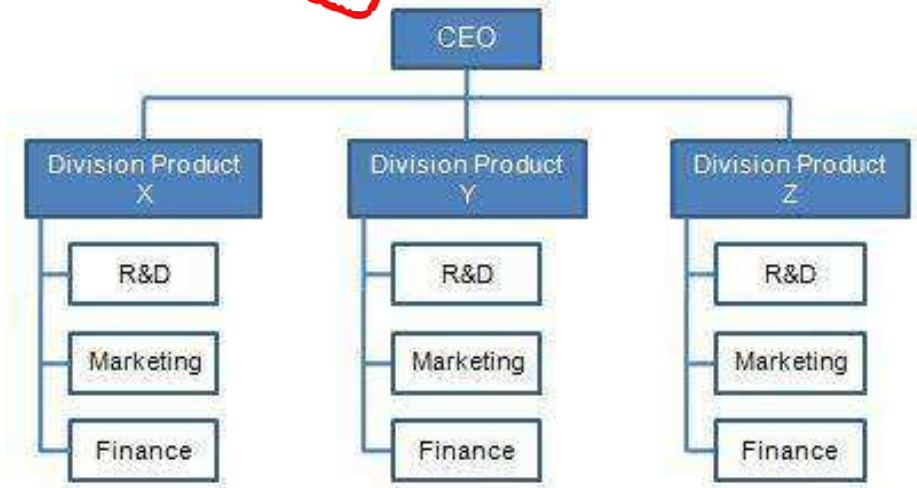


Organisation structures

RECAP



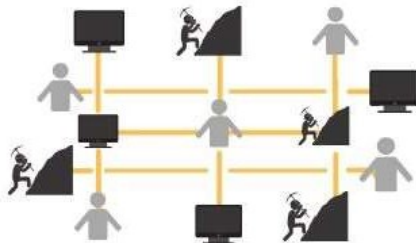
Divisional (functional) structure



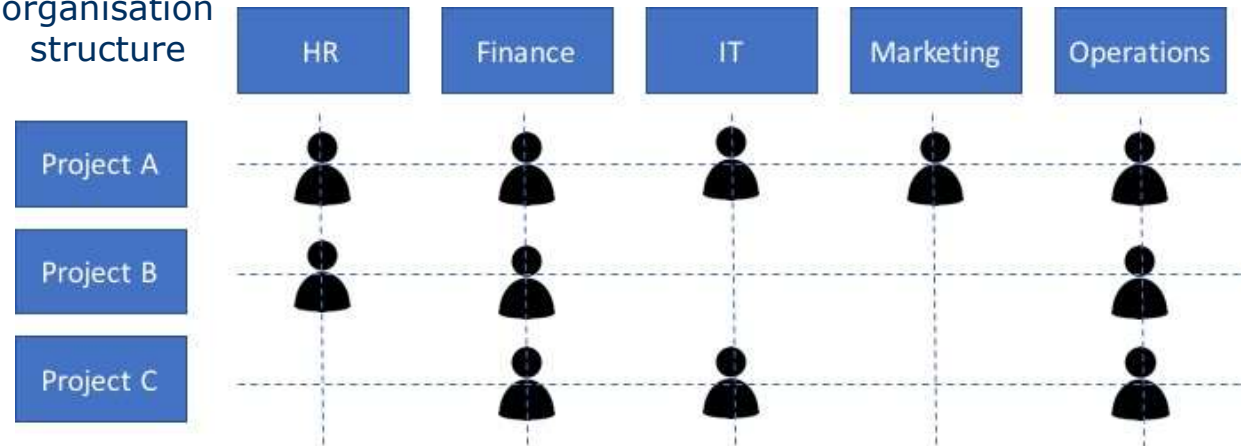
Traditional centralized system



Decentralized Autonomous Organization

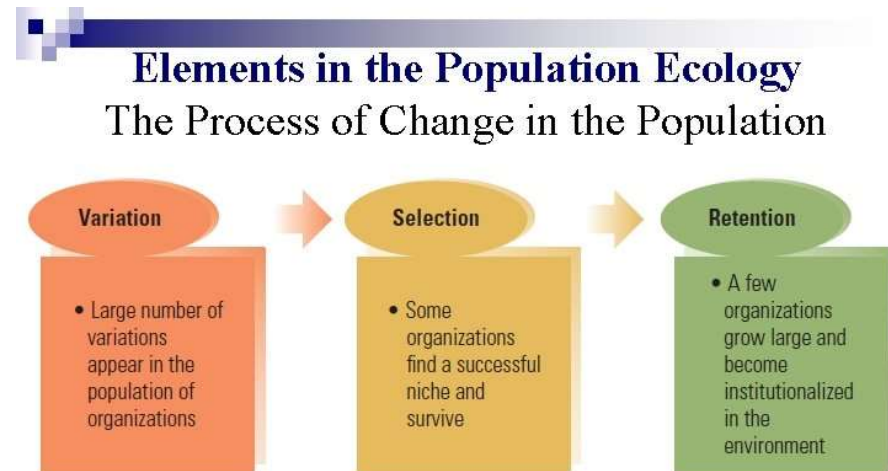


Matrix organisation structure

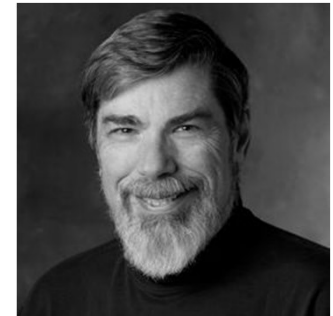


Research: Organisational (population) ecology

- Darwinian research tradition
 - Unit of analysis: firm population
 - Organisational inertia
 - Survival of the best adapted 'type'
 - Competences = genes
 - Variation = mutations
 - Selection through market
- Liability of smallness, newness, adolescence/aging, imprinting of founding conditions, industry development, disruptive vs. incremental change...



Population-Ecology focuses on organizational diversity and adaptation within a population of organizations.



Michael T. Hannan



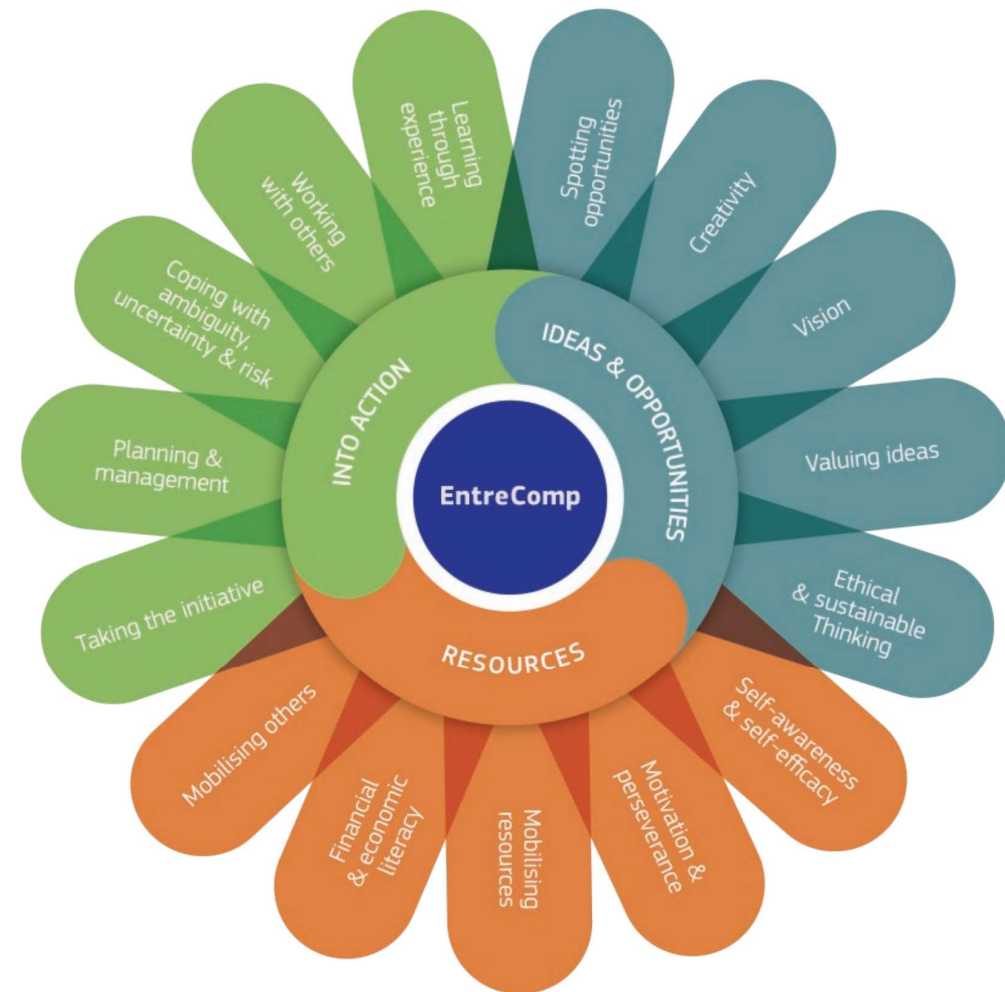
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John H. Freeman
(1945-2008)

RECAP

Entrepreneurship support

- Educational resources
 - SSES.se
 - Drivhuset.se (SU)
 - European Union
 - EntreComp - Competence development framework
- Financial support in many countries/regions/cities
- Incubators, Accelerators, startup studios, co-working spaces...
 - OpenLab STHLM





Reflection discussion

What of the learned rings true / makes sense?