

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



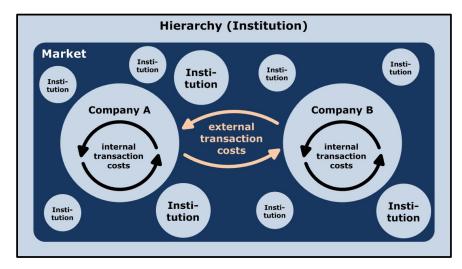
Theory of the firm: Why do firms exist?



RECAP

- 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 > savings account







3 GOOD HEALTH AND WELL-BEING





5 GENDER EQUALITY







Types of entrepreneurship



SME Startups

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

Technological progress Outcomes Improve product quality Driving forces Improve market value Social capital Economies of scale Link with Resource use efficiency MNCs and Development Productivity improvement **TNCs** conditions Reduce operational cost Innovation Improve service to the Human resource Sharing and customer networking and their Improve response to Information capabilities technology New technology, Improve market intelligence Adoption of and its Enhance relationship with productivityopportunities trading partners Efficient work enhancing Make entry barriers technology structure and Low cost in technology policies adaptation

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

STRATEGIC ADVANTAGE

Uniqueness Perceived by the Customer

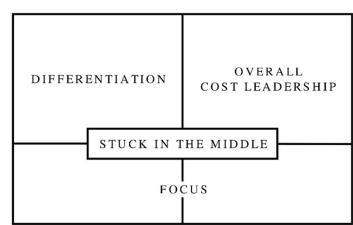
Industrywide

Particular

Segment Only

STRATEGIC

Low Cost Position



Market/industry conditions



RIVALRY AMONG EXISTING COMPETITORS:

- Number of competitors
- Diversity of competitors
- Industry concentration
- Industry growth
- Quality differences
- Brand loyalty
- Barriers to exit
- Switching costs

POWER OF SUPPLIERS

BARGAINING POWER OF SUPPLIERS:

- Number and size of suppliers
- Uniqueness of each supplier's product
- Focal company's ability to substitute

THREAT OF SUBSTITUTE PRODUCTS:

- Number of substitute products available
- Buyer propensity to substitute
- Relative price performance of substitute
- Perceived level of product differentiation
- Switching costs

THREAT OF NEW ENTRANTS



AMONG

EXISTING

COMPETITORS



THREAT OF NEW ENTRANTS:

- Barriers to entry
- Economies of scale
- Brand lovalty
- Capital requirements
- Cumulative experience
- Government policies
- Access to distribution channels
- Switching costs

BARGAINING POWER OF BUYERS

BARGAINING POWER OF BUYERS:

- Number of customers
- Size of each customer order
- Differences between competitors
- Price sensitivity
- Buyer's ability to substitute
- Buyer's information availability
- Switching costs

5 Forces of Competition model



Michael F. 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







See you in 10min.



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)	Participants contribute
•	Preserve family wealth	products

Founding team relationships

Also: Motivations for venture exit

Participants contribute effort

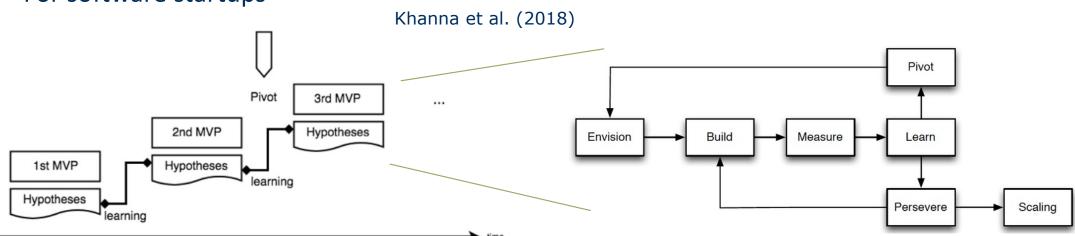
Participants don't self-identify (design)	Participants self-identify (spontaneity)
Inside contracting Outsourcing 'Virtual' firms	Classic market
Classic (Coasean) firm	Voluntary (open-source) production

Enterprise founding process





For software startups



Entrepreneurial process

Research on software/IT startups

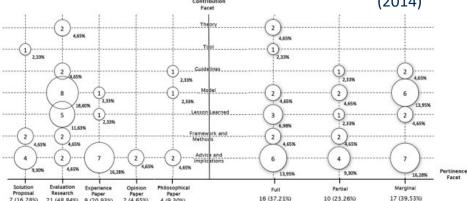
Stockholm University

- Khanna et al. (2018): MVP: minimum viable product; nonsystematic 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 entre- preneurial 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)

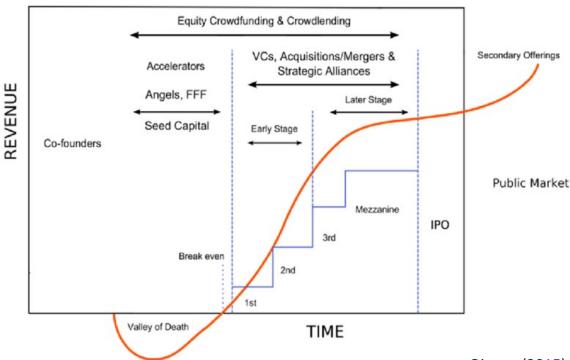


Start-up financing



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

Startup Financing Cycle



Ojeaga (2015)

Growing the organisation



- Legal structures/documents:
- Strongly depend on legislative environment
 - Sole proprietor
 - (limited) partnerships
 - corporation (with stocks traded)

TOP 8 LEGAL DOCUMENTS EVERY STARTUP SHOULD HAVE



- 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

Organisation structures Stockholm University **TOP MANAGEMENT** Mintzberg CEO (1983)Divisional (functional) **Division Product Division Product** Division Product structure TECHNOSTRUCTURE SUPPORT R&D R&D R&D MIDDLE MANAGEMENT Marketing Marketing Marketing **WORKING BASE** Finance Finance Finance Matrix Traditional centralized system **Decentralized Autonomous** organisation Organization structure CEO HR Marketing Operations Finance Project A Project B Project C

Research: Organisational (population) ecology

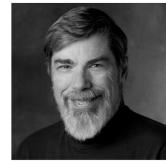


- Darwinian research tradition
 - Unit of analysis: firm population
 - Organisational inertia
 - Survival of the best adapted 'type'
 - Competences = genes
 - Variation = mutations
 - Selection through market
- Liability of smallness, newness, adolescence/aging, imprinting of founding conditions, industry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

Elements in the Population Ecology The Process of Change in the Population



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



Michael T. Hannan



John H. Freeman (1945-2008)



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?