Welcome to the

CORPORATE ENTREPRENEURSHIP

course!
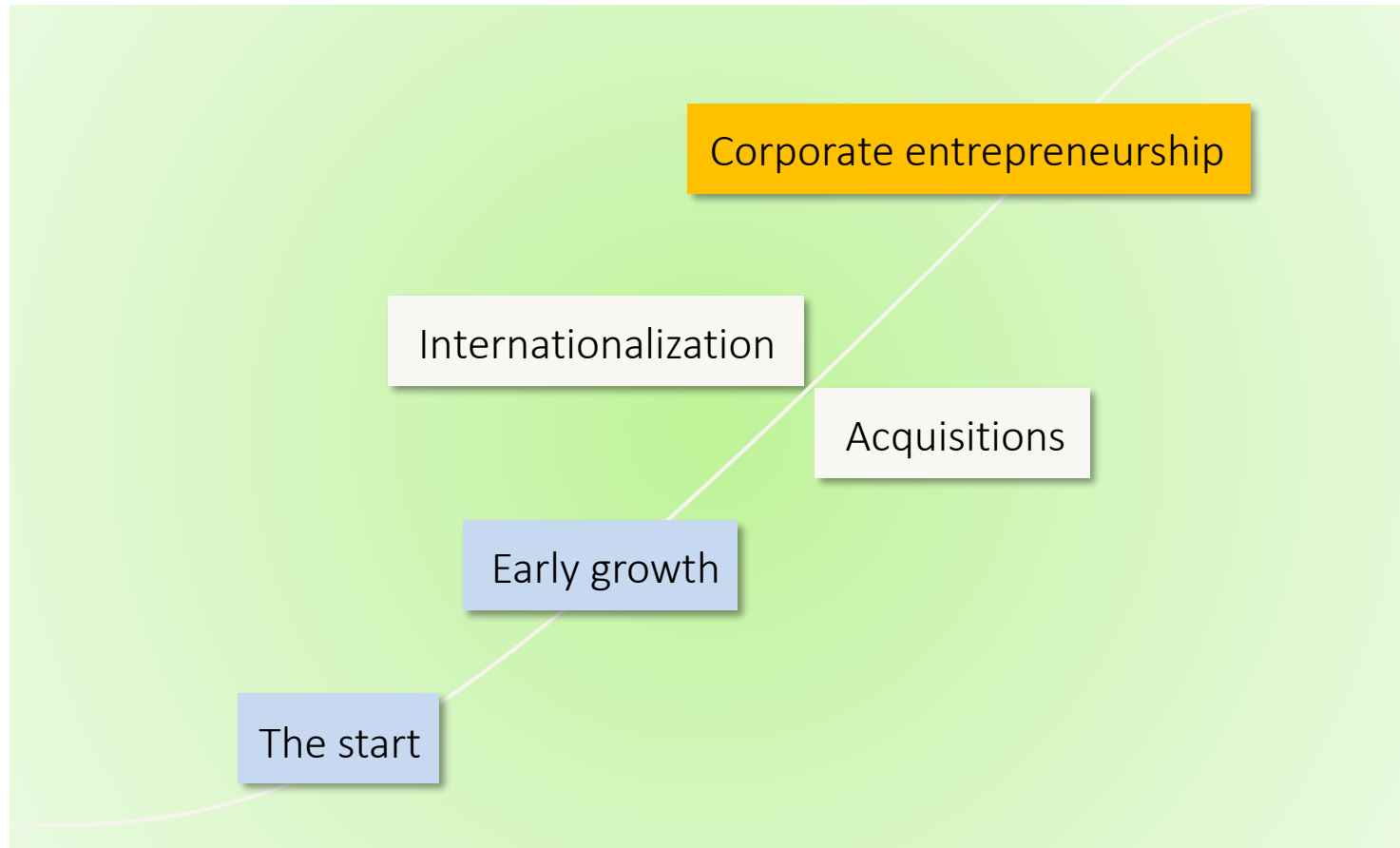
Course contents

1. Corporate entrepreneurship, conceptual foundations

2. The intrapreneur's perspective - developing new ventures inside the established corporation

3. The variation-selection interface – the newstream meets the mainstream

4. The business developer's perspective - designing the entrepreneurial corporation

Where's my future in this?

- As an entrepreneur:

  Changing the processes of renewal as your own company develops

- As an intrapreneur:

  Making a career by developing new products and services in established corporations

- As a business developer:

  In charge of business development at an established company

CORPORATE ENTREPRENEURSHIP

A concept with many names

Corporate entrepreneurship
Intrapreneurship
Corporate renewal
Corporate innovation
Corporate venturing
New business venturing
New venture creation
Diversification
Corporate change

A definition

"Corporate entrepreneurship concerns the questions how, through whom, and with what effects new products and services, organizational structures, practices and processes, or strategies are discovered and exploited by already established corporations."

Casales Morici & Zander (2018)

Corporate entrepreneurship research
Yearly number of published articles
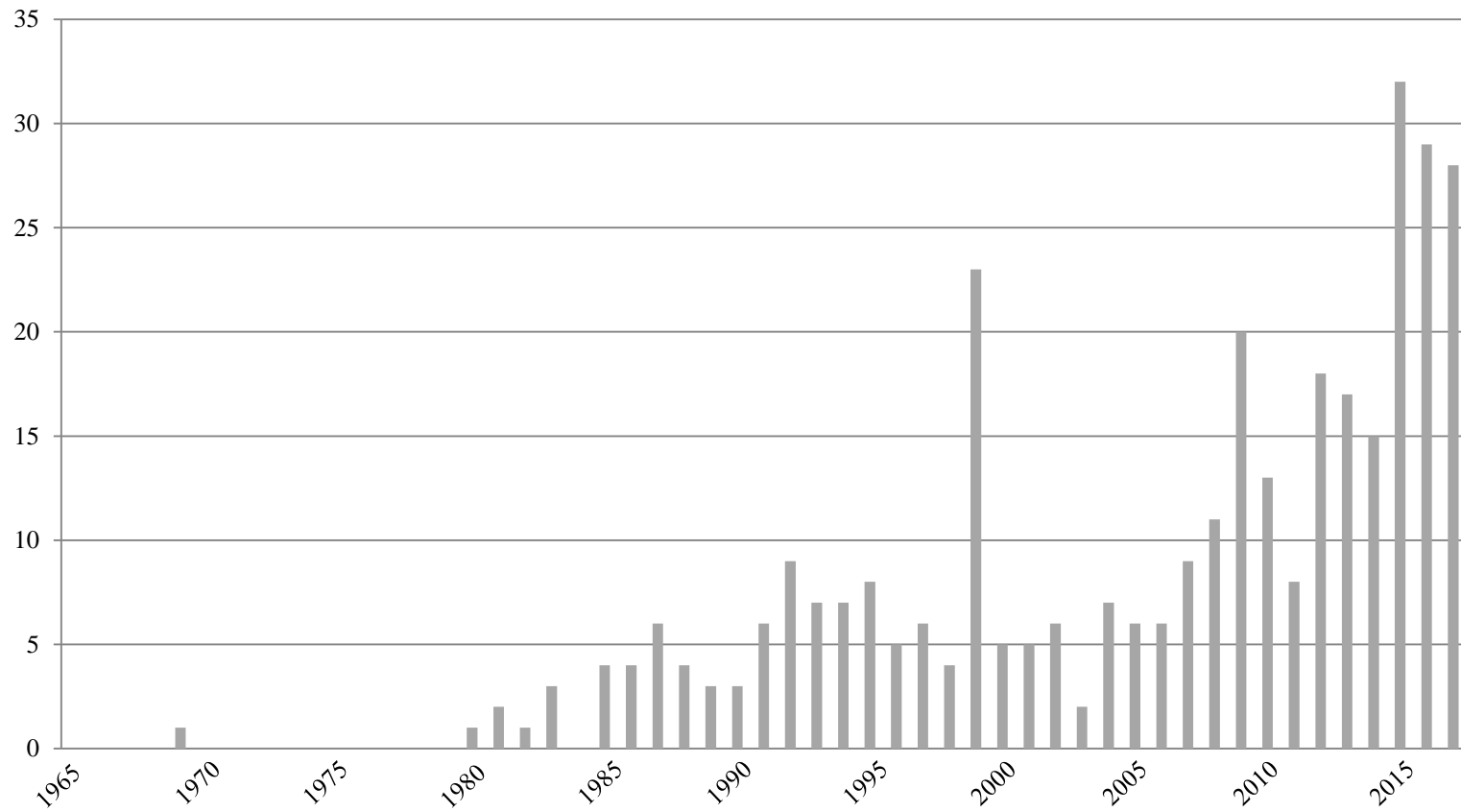
What every CEO should know about creating new businesses

Developing opportunities, launching the firm, managing the growing firm

1. Ultimately, growth means starting new businesses
2. Most new businesses fail
3. Starting a new business is essentially an experiment
4. New businesses proceed through distinct stages, each requiring a different management approach
5. New business creation takes time
6. The best predictors of success are market knowledge and demand-driven products and services

Corporate entrepreneurship

7. New businesses need help fitting in with established systems and structures
8. An open mind is hard to find
9. Corporate culture is the biggest deterrent to business creation
10. Separate organizations don't work – or at least not for long

From: Garvin (2004)

Why corporate entrepreneurship?

The corporate perspective

- Current assets and operations offer a unique foundation for sensing and responding to new business opportunities.

- Corporate entrepreneurship has been shown to have a positive effect on performance.

- New ventures generate excitement among external stakeholders.

- Proactiveness means hedging against future competition and threats.

- Ultimately, existing products and services will become obsolete and must be replaced.

- An entrepreneurial profile and culture can help attract and retain talent.

The individual's perspective

- An opportunity to develop ideas and practice entrepreneurship while still earning a monthly paycheck.

- The existing organization offers access to skills, resources and distribution for rapid entry into large markets.

- The brand of the established firm offers legitimacy, credibility, and bargaining power in contacts with external stakeholders.

- Successful intrapreneurship helps build your career in the company.

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"It typically takes some 15-20 years to get a new company to the point where it sells for $ 5 million.

How long would it take for an established corporation, with all those accumulated resources and market channels, to add another $ 5 million to sales of half a billion?"
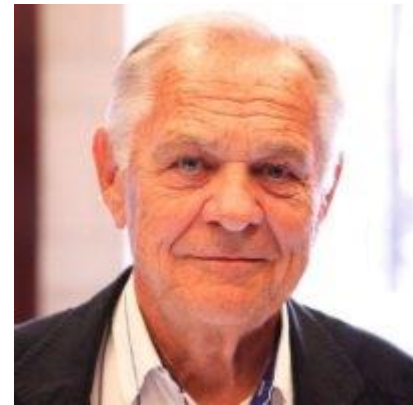
Töive Kivikas, former CEO Studsvik

Corporate entrepreneurship drives performance

Bierwerth, M., Schwens, C., Isidor, R., & Kabst, R. 2015. Corporate entrepreneurship and performance: A meta-analysis. *Small Business Economics*, 45 (2): 255-278.

Bojica, A.M., & del Mar Fuentes-Fuentes, M. 2012. Knowledge acquisition and corporate entrepreneurship: Insights from Spanish SMEs in the ICT sector. *Journal of World Business,* 47 (3): 397-408.

Rauch, A., Wiklund, J., Lumpkin, G.T., & Frese, M. 2009. Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory & Practice*, 33 (3): 761-787.

Yiu, D.W., & Lau, C.-M. 2008. Corporate entrepreneurship as resource capital configuration in emerging market firms. *Entrepreneurship Theory and Practice*, 32 (1): 37–57.

Zahra, S.A. 1991. Predictors and financial outcomes of corporate entrepreneurship: An exploratory study. *Journal of Business Venturing*, 6 (4): 259-285.

Zahra, S.A., & Covin, J.G. 1995. Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing*, (10) 1: 43-58.

Why not?

Reasons for not even trying

- Lack of top management attention and support.

- Focus on short-term profitability and operational efficiency.

- Preference for incremental and low-risk improvements.

- Concentration on core strategic areas in new business development.

- Perceived threat of cannibalization.

- Return to the 'core' during periods of weakened profitability.

Reasons for failure

- Insistence on management practices and evaluation criteria that are not aligned with the demands of new ventures.

- Internal competition and power games.

- Difficulties in finding an organizational home for deviant new ventures.

- Better prospects for entrepreneurs elsewhere…

A common observation

"The founding of the Department of Explorative Research at Pharmacia Biotech in the early 1990s was a personal initiative from Björn Ekström who also was made Chief of Department. In his view there needed to be company resources focusing particularly on novel ideas with unknown potential and outcomes ... some five years later, Pharmacia was holding negotiations with British Amersham International, one of the largest pharmaceutical and biotech tooling companies in the world. The negotiations concerned a possible merger of the two companies. Because of this possibly forthcoming change, Pharmacia enforced reorganizations which affected some of the company's departments and ongoing projects. As a direct effect of these organizational changes, the Department of Exploratory Research was shut down and all its projects were terminated."

From: Ingemansson (2010).

Mainstream

Newstream

11

3

From: Chakravorti (2010)

1. By design, corporate entrepreneurship is something of an oxymoron.

2. If left to its own devices, the corporation will be run by the mainstream.

3. Corporations *can be designed* in ways that promote corporate entrepreneurship.

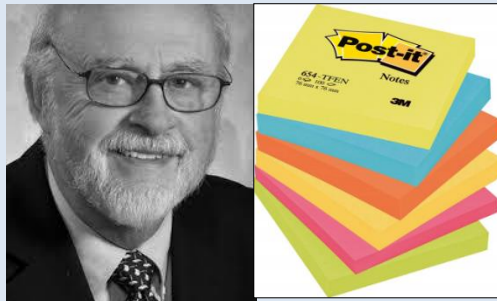4. There are several ways to go about it, but no quick, perfect, or universal fixes.

The two components of corporate entrepreneurship

The intrapreneur

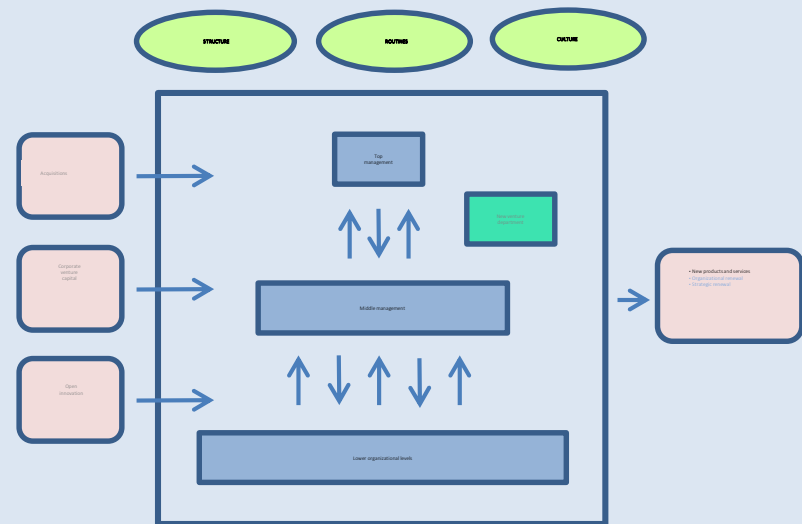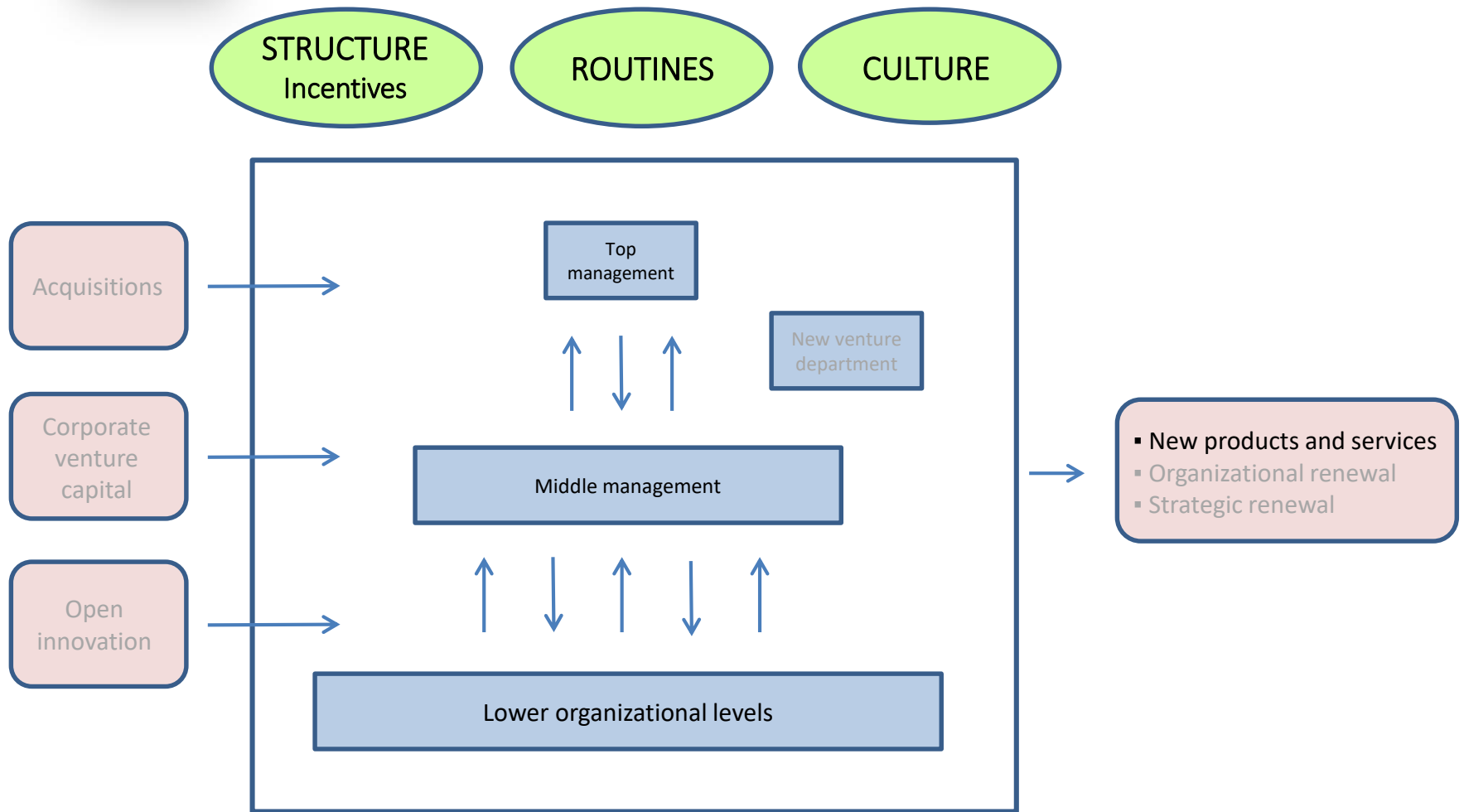https://www.youtube.com/watch?v=INwxlAKdx7c

https://www.youtube.com/watch?v=AUX4As-QpdM

The system

DESIGN THINKING AT APPLE

Apple Computer

https://www.youtube.com/watch?v=2zfqw8nhUwA

https://www.youtube.com/watch?v=2B-XwPjn9YY

1. What, in your view, makes Apple so successful at innovating?

"The Macintosh team was what is commonly known as intrapreneurship... a group of people going, in essence, back to the garage, but in a large company."

**Steve Jobs**
September 30, 1985
"Newsweek"

Imprinting

Imprinting is based on three fundamental components:

(1) A brief period of transition during which a focal entity is particularly susceptible to various forms of external influences,

(2) a process by which the focal entity comes to adopt and reflect the elements of the external environment during the sensitive period, and

(3) a long-lasting imprinting effect despite subsequent environmental changes.
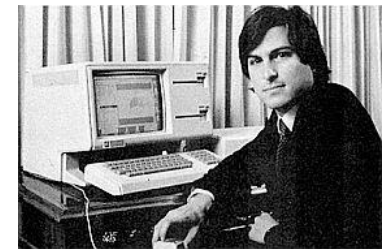
Top management support

"Jobs took immediate action upon his return to the company in August 1997… On the design, development, and execution levels, many things were likewise revived: the quest for "insanely great products" was picked up anew, as Jobs put himself back into the innovation process."

Apple vision statement

"*We believe that* *we are on the face of the earth to make great* *products* *and that's not changing. We are* *constantly focusing on* *innovating*."

Tim Cook, CEO Apple

Design thinking experimentation as a routine

"The real measure of success is the number experiments that can be crowded into twenty-four hours."

Thomas Alva Edison

The electric light bulb involved >1,000 experiments with materials, regulators and vacuum technologies

→

Simplicity

"Insanely great products"

Apple vision statement

"We believe that we need to own and control the primary technologies behind the products that we make, and *participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects**, so that we can really focus on the few that are truly important and meaningful to us."*

Tim Cook, CEO Apple

Focused innovation

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Platform

OS X operating system

Apple mission statement

"Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App store, and is defining the future of mobile media and computing devices with iPad."

Risk taking

Flops

The G4 Cube
Set-top boxes for TVs
Personal digital assistant, Newton

Successes

Apple Stores

Ambidexterity

The ability to use the left or the right hand equally well.

"Apple is a very disciplined company, and we have great processes. Process makes you more efficient."

Steve Jobs

"Apple routinely pulls off the miraculous: unveiling revolutionary products that have been kept completely secret until they magically appear in stores all over the world … the consistently seamless orchestration of Apple's product introductions and delivery is nothing short of remarkable."
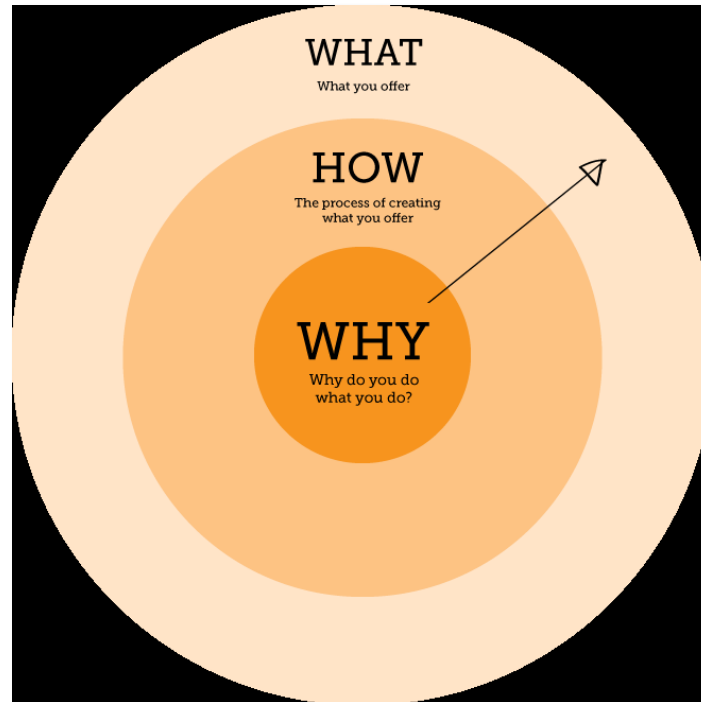
Fortune Magazine

Words extracted from case quotes

"Really excited, love, heart and soul, great, creativity, ingenuity, innovation, not commoditized, explore, unusual way, best, superfine, disciplined, great process, new idea, coolest thing ever, new markets, miraculous, magically appear, amazing interest, think ahead, trial and error, tests, vague notion, iterate, testing, build from scratch, create, ultimate sophistication, solution, beautiful, progress."
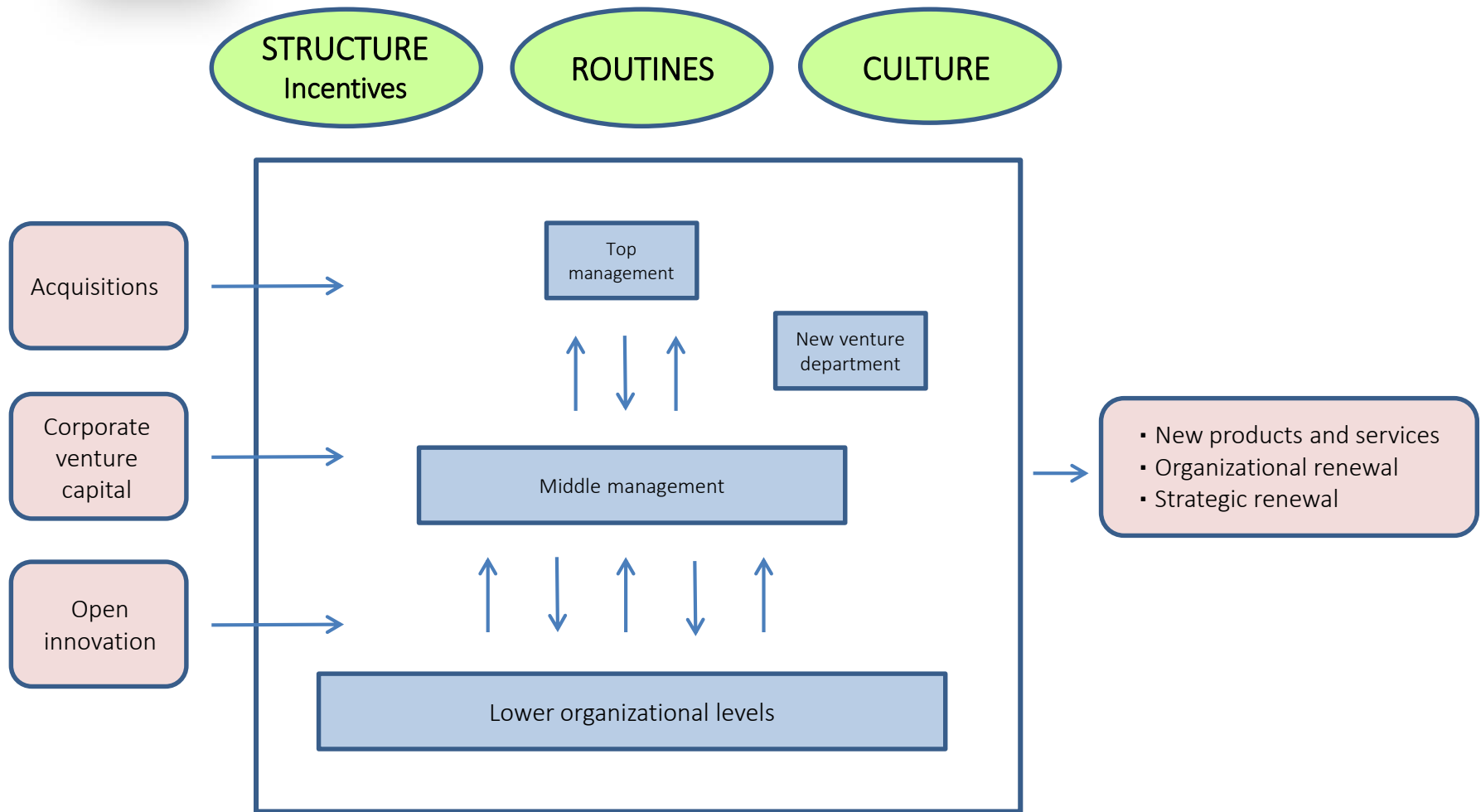
The golden circle

https://www.youtube.com/watch?v=IPYeCltXp xw

Dedicated users

Performance

200 | 0,17 USD 21 Jan 1983

150

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1993   2003   2013   2023