

The content:

Section I: Foundations of corporate entrepreneurship

Section II: Designing entrepreneurial organizations

Section III: Continuous entrepreneurial performance



3rd edition

Corporate
Innovation &
Entrepreneurship

Donald F. Kuratko
Michael H. Morris
Jeffrey G. Covin

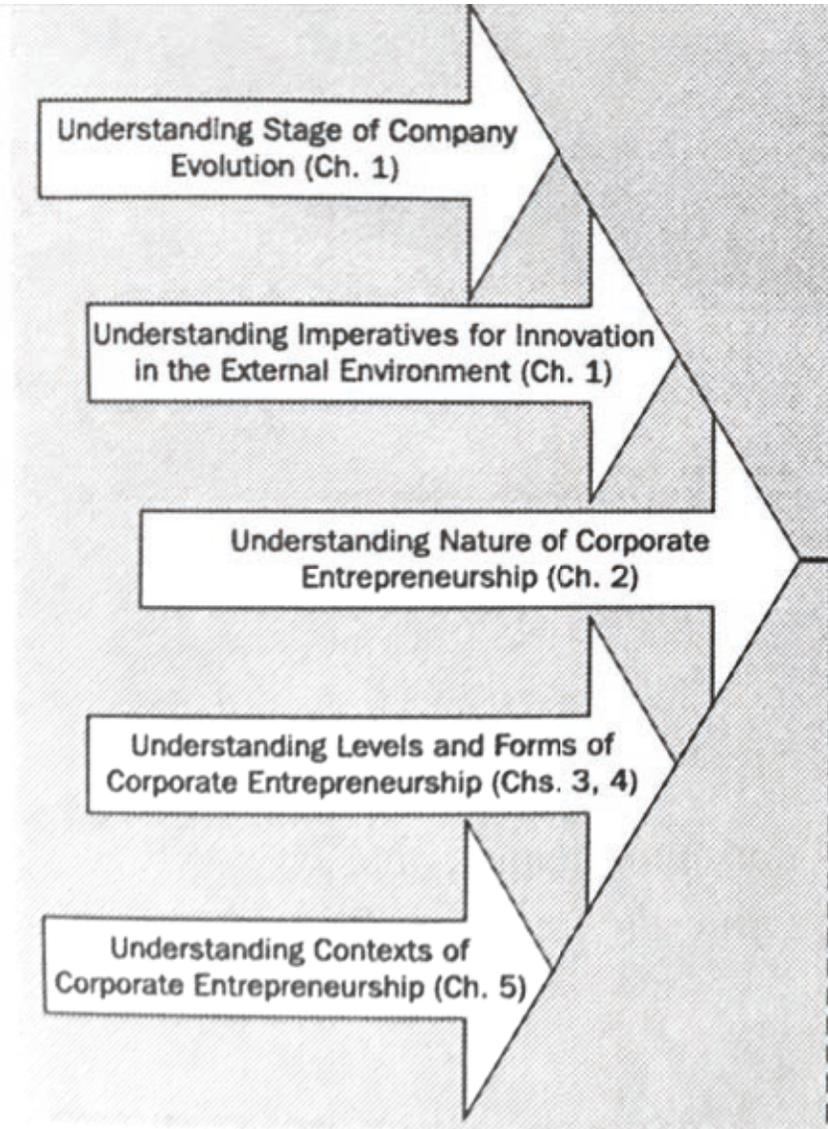
International
Edition

Designing entrepreneurial organizations

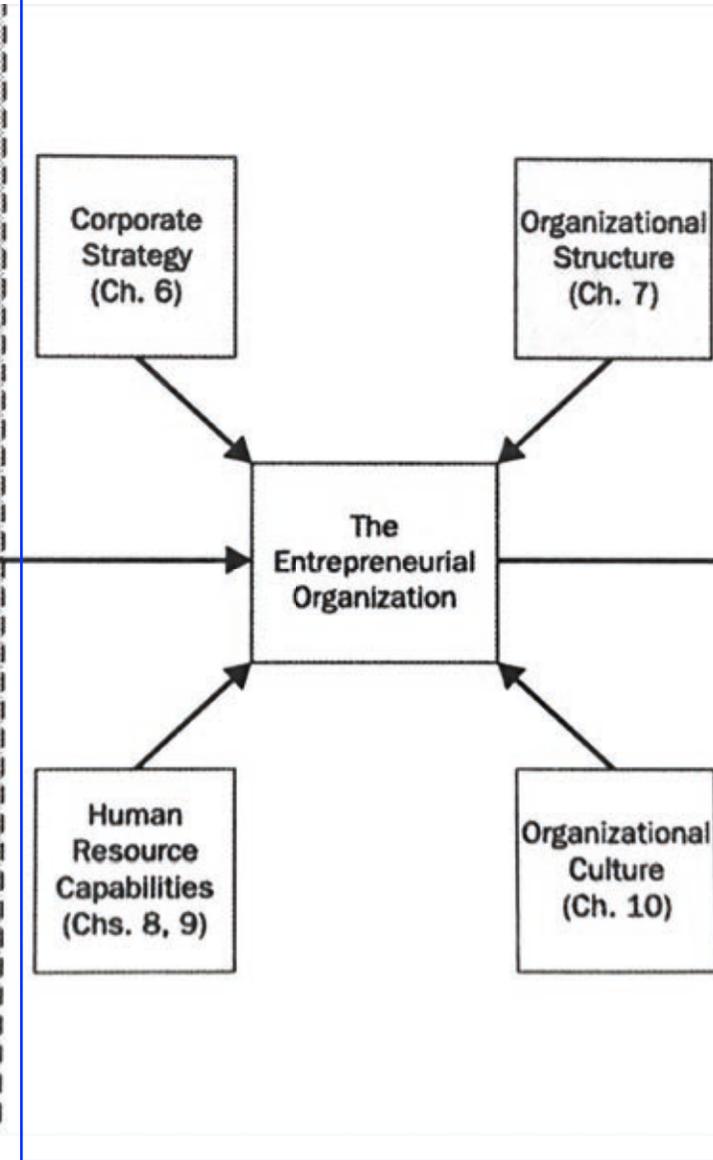
- Chapter 6: Corporate strategy and entrepreneurship
- Chapter 7: Structuring the company for entrepreneurship
- Chapter 8: The people factor I: Fostering creativity within organization
- Chapter 9: The people factor II: Human resources management
- Chapter 10: Building culture to support entrepreneurship

= How can companies become more entrepreneurial?

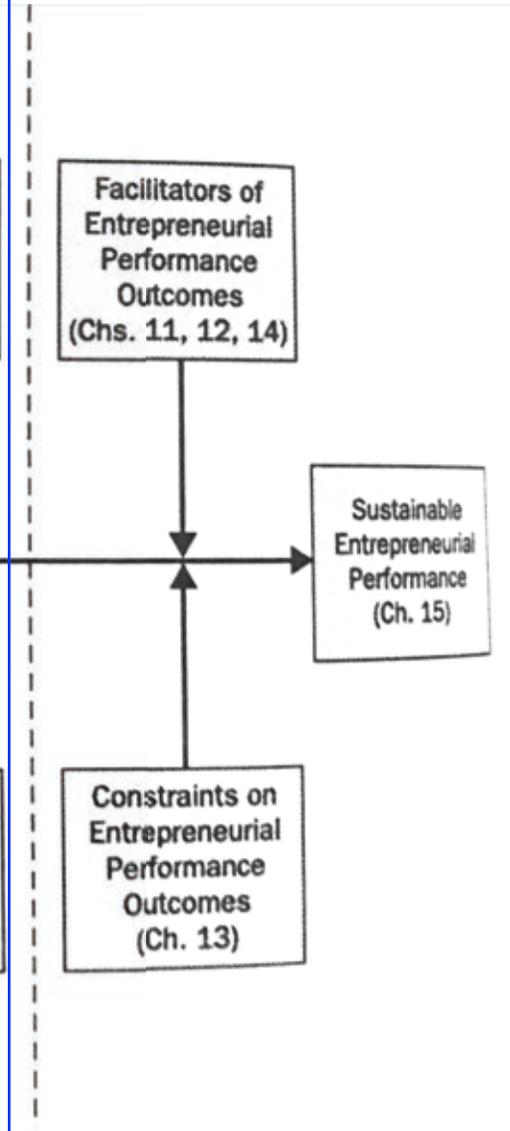
Section I: Foundations of corporate entrepreneurship



Section II: Designing entrepreneurial organizations



Section III: Continuous entrepreneurial performance



”Entrepreneurial thinking and acting is changing the way business is conducted at every level.”

Kuratko et al. (2011, p.3)

”Corporate entrepreneurship is a term used to describe entrepreneurial behaviour inside established mid-sized and large organizations.

--

It involves the generation, development and implementation of new ideas and behaviours by a company (Damanpour, 1991)”

Kuratko et al. (2011, p.11)

Organizational entrepreneurship

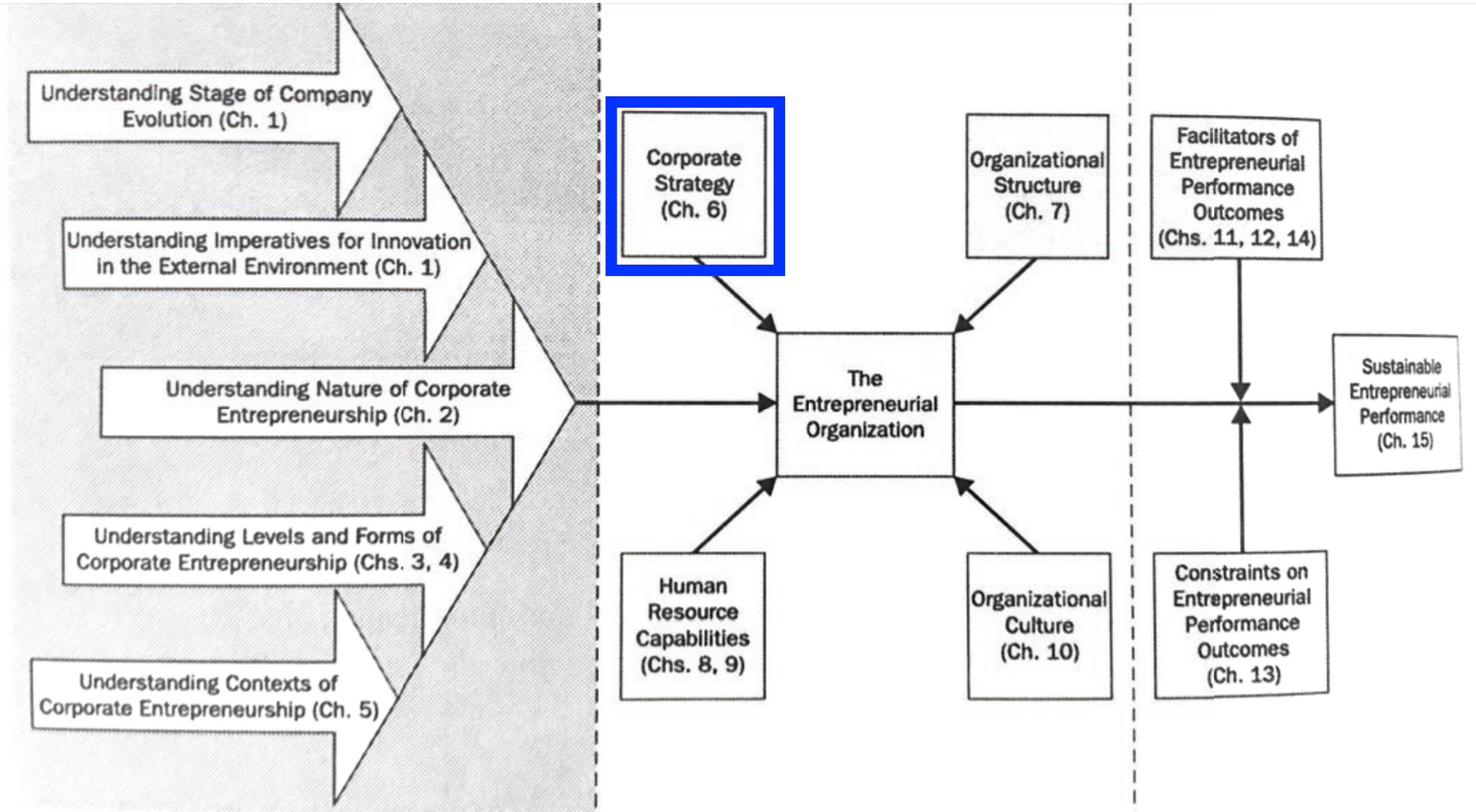
Intrapreneurship

Corporate venturing

Section I: Foundations of corporate entrepreneurship

Section II: Designing entrepreneurial organizations

Section III: Continuous entrepreneurial performance



Corporate strategy and entrepreneurship

- The ever changing competitive landscape requires companies to develop entrepreneurial capacity (newly fashioned behaviour through which companies exploit opportunities that others haven't yet noticed or exploit).

Entrepreneurship is more than mindset (course of action), in the organizational setting it can provide a theme or direction for the entire operation of the company.

Entrepreneurship can and should work as integral part of company's strategy. There are two aspects to it:

- Entrepreneurial strategy = means that the entrepreneurial actions are taken to form competitive advantages and exploit them through their strategy. This is vision directed, organization-wide reliance on the entrepreneurial behaviour (Ireland et al., 2009).
- Strategy for entrepreneurship = means that company establishes direction and priorities for the product, service and process, innovation efforts of the company

Dominant logic sets the context for company's overall direction and strategy and strategic management defines the direction in more detail and determines how well it is accomplished.

Corporate strategy and entrepreneurship

Entrepreneurial strategy as a dominant logic

- Promotes strategic agility, flexibility, creativity and continuous innovation throughout the company
- The focus of the company is opportunity identification, discovery of new sources of value, and product and process innovation that will lead to greater profitability
- The strategy is translated into the objectives, reward systems, control systems, planning approaches, structure and human resource management practices of the company
- This all is reinforced through the company culture
- Technology is a tool for corporate entrepreneurship
 - Triggering event for innovation - freeing people from established ways of doing
 - Challenge is to interpret the technology horizon, where the market is going and make this the basis for entrepreneurial action and leadership – distinguish sustaining technologies from disruptive ones.

DOMINANT LOGIC as a context for company's overall direction

STRATEGIC MANAGEMENT is a process that

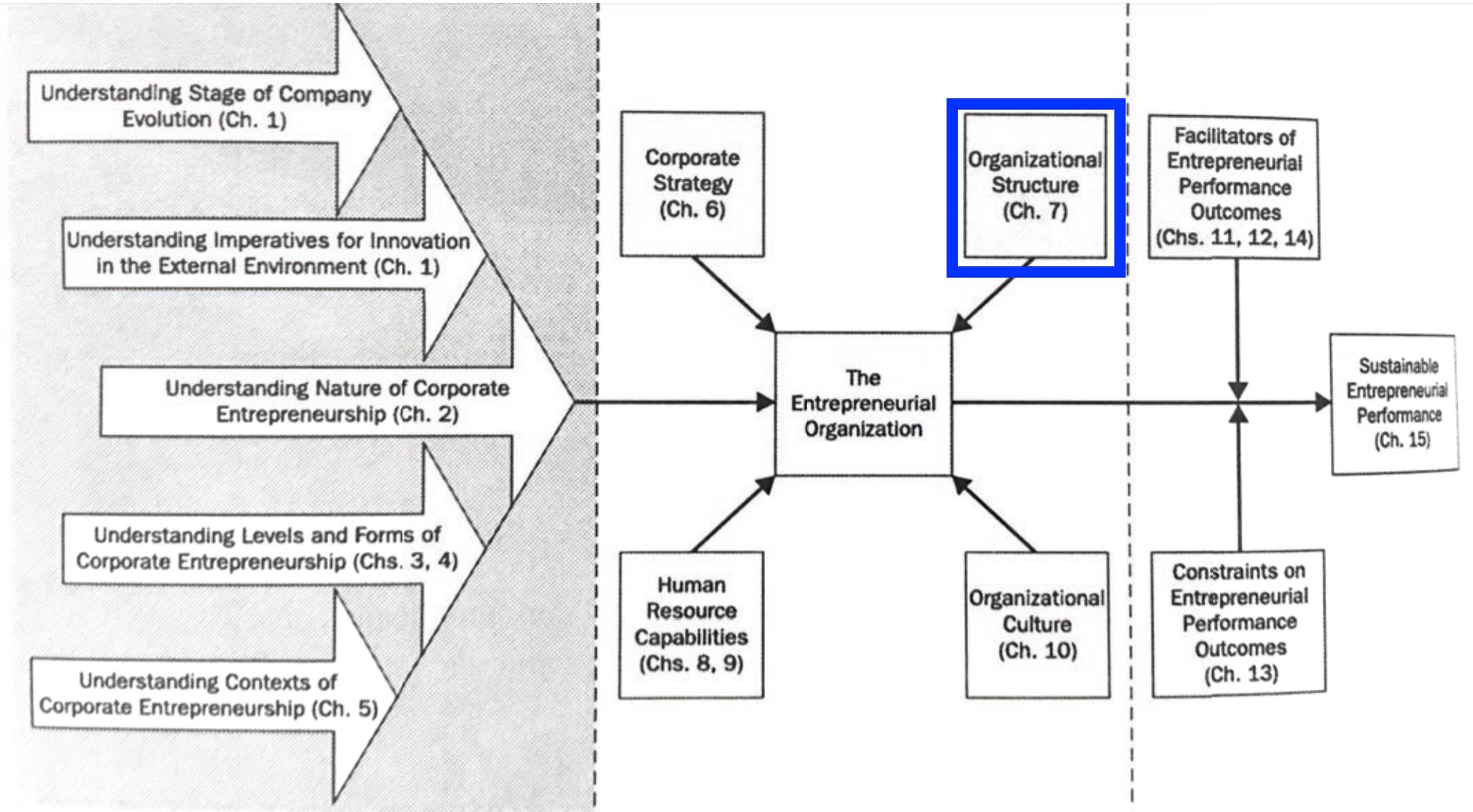
- 1) guides how the basic work of the organization is approached (way of thinking),
- 2) ensures the continuous renewal and growth of the company,
- 3) provides a contexts for developing and implementing the strategy to drive the company's directions

STRATEGY is a statement regarding what the company wants to be and how it plans to get there. Strategy creates a sense of unity or consistency of action throughout organization. IF employees don't see how the innovation is important part of the bigger picture they wont contribute to that innovation.

Section I: Foundations of corporate entrepreneurship

Section II: Designing entrepreneurial organizations

Section III: Continuous entrepreneurial performance



Structuring the company for entrepreneurship

Three overarching design elements in organization

- A) Communication flows B) Control system C) **Company structure**
 - = a formal pattern of how people and jobs are grouped, how activities of different people or functions are connected
 - Brings order and logic to company operations
 - The new ventures, start-ups often work flexible and with high speed without structures but larger companies have to create structures in order to be efficient and effective

Structure is a way to manage the existing demands of the business whereas entrepreneurship is about creating new things and moving to new directions.

Therefore, entrepreneurship almost always challenge the structures of the companies creating conflicts/crises.

- The structure is not static, it is continually changing and constantly balancing between differentiation of activities and people with the integration of activities and people. The challenge is too bureaucratic structure which kills the entrepreneurship.

”Structure gives a sense of room to manoeuvre and innovate while also allowing their integration with others in the organization.”

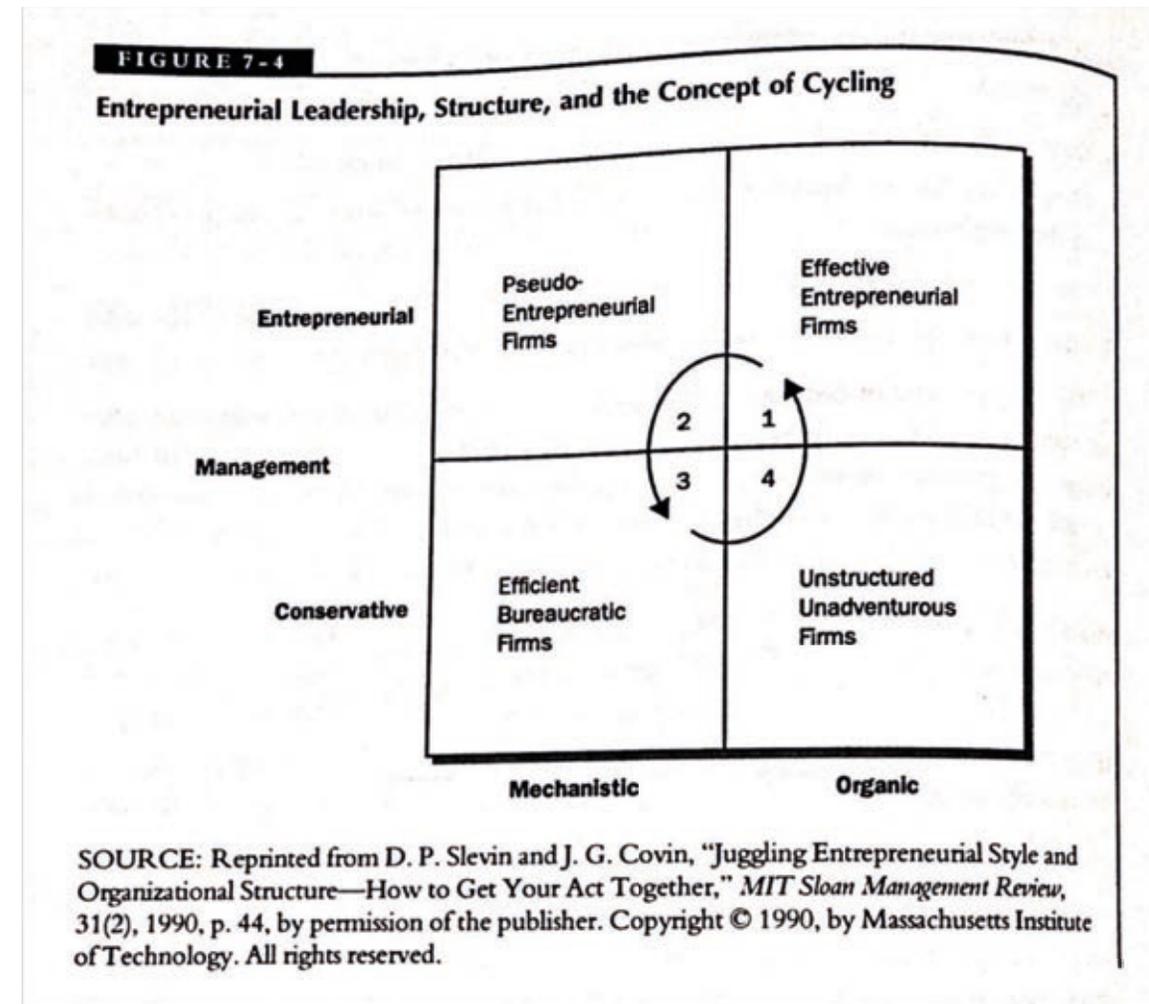
Structure as a facilitator of entrepreneurship

Kuratko et al. (2011, p.xx)

Entrepreneurial structure (elements that support entrepreneurial actions):

- Only few layers or levels in the structure
- Spans of control are broader
- Towards more horizontal than vertical design
- Decentralization and empowerment in terms of operations
- Clear vision and strategic direction come from the top
- Flow of ideas bottom-up
- Simplicity and smallness of structure (companies within companies, empowered teams, pseudo-autonomous units)
- Cross-functional interaction and cooperation are priorities, clash of ideas from inter-functional interaction also encouraged
- Extensive and rapid communication at all levels and all functions (vehicles in place for that)
- Less formalization of roles and positions within the structure
- Empowerment efforts are not token or random, designed to be systematic and consistent
- Staff functions are kept lean

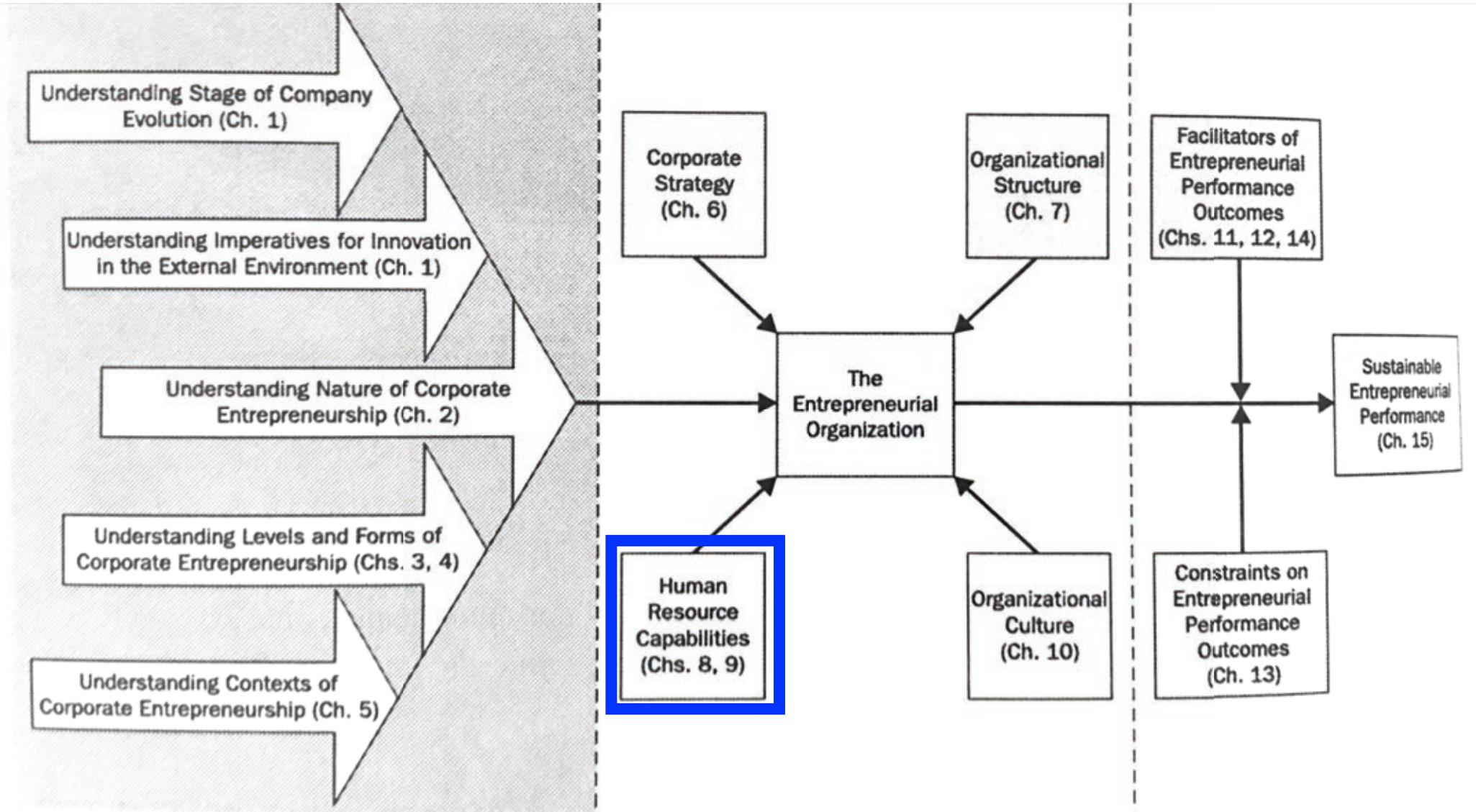
There is a need to find fit between management style (the relative emphases on entrepreneurship) and organizational structure (more organic versus mechanistic)



Section I: Foundations of corporate entrepreneurship

Section II: Designing entrepreneurial organizations

Section III: Continuous entrepreneurial performance



” Of all the elements, the individual champion or corporate entrepreneur is the most critical.

--

Someone have to come up with a concept, vision or dream. They must translate this dream into products and processes within organizational context.”

Kuratko et al. (2011, p.214)

The people factor I: Fostering creativity within organization

- The most critical element of organization is the individual champion or corporate entrepreneur.

Creativity is the foundation which entrepreneurship is build on because creativity gives a fresh start, new way to look at the constrains as they are and create opportunities after that. **Elements to support creativity:**

- Managerial practices that result in employees being challenged
- Provide employees freedom
- Give access to resources
- Well-designed, mutually supportive, diverse work teams are likely to spur creativity
- Encouragement from supervisors for creative outputs
- Reinforcement in terms of values, systems and structures of the organization
- Types of entrepreneurs – capturing the set of variables that lead an individual to pursue an opportunity
- It is not enough to be creative, one must act as an entrepreneur. In the business context, creativity is more than originality. It has pragmatic dimension, in that creative approaches or solutions must also be useful and actionable in the context of the company and its competitive situation.

The people factor I: Fostering creativity within organization

There are entrepreneurial potential in everyone and the organization can have a huge role in developing that potential. The elements to develop to achieve potential

- Achievement motivation (degree of autonomy, supporting individual action)
- Tolerance of ambiguity
- Appreciation for calculated risk-taking
- There are different types of entrepreneurs. Understanding the types entrepreneurs can better develop individuals entrepreneurial potential.
 - Artist, dreamer, planner, inventor, doer, manager and intrapreneur. Corporate entrepreneurs have strong mix of vision and action.
 - The personal achiever (classic entrepreneur) The super-salesperson (achieves success through networking, selling and people skills), The real Manager (strong managerial skills combined with aggressive growth orientation), The Expert Idea Generator (expertise combined with creativity)
- Sustainable entrepreneurship is depended on the ongoing ability of companies to fill a set of key roles. Entrepreneurship needs to considered as “team sport” where are some key players:
 - Initiator, sponsor/facilitator, champion, innovation midwife, supporter, reactor.
 - The sponsor and champion being most important. Champion should have many hats the same time. Responsibility areas should all be covered therefore corporate entrepreneurship doesn't happen without teams and the fit of different responsibilities.

Four types of entrepreneur (Miner 1996)

The personal achiever (*classic entrepreneur*):

- high need for achievement
- need for performance feedback
- desire to plan and set goals
- strong individual initiative
- strong personal commitment and identification with their organization
- internal locus of control
- belief that work should be guided by personal goals, not those of others

The super-salesperson (*achieves success through networking, selling and people skills*):

- capacity to understand and feel with another, to empathize
- desire to help others
- belief that social processes, interaction, and relationships are important
- need to have strong positive relationships with others
- belief that the salesforce is crucial to carrying out company strategy
- background often includes selling experience

The real Manager (*strong managerial skills combined with aggressive growth orientation*):

- desire to be a corporate leader
- desire to compete
- decisiveness
- desire for power
- positive attitudes to authority
- desire to stand out from the crowd

The Expert Idea Generator (*expertise combined with creativity*):

- desire to innovate
- love of ideas, curious, open-minded
- belief that new product development is crucial component of company strategy
- good intelligence; thinking is at center of their entrepreneurial approach;
- intelligence as a source of competitive advantage
- desire to avoid taking risks

“How do we create a work environment that supports entrepreneurial employees?”

Kuratko et al. (2011, p.214)

The people factor II: Human resources management

- Corporate entrepreneurship takes unique characteristics and becomes subject of many constraints not found in independent start-ups
- The magnitude of these constraints suggest the need for different approaches to company design and management

Human resource management has the biggest impact into the working environment

- There has been huge transformation concerning HRM function in companies:
 - before HRM was about employee benefits, rules and procedures on employee hiring, promotions, and firing.

Today it is understood as a strategic role in developing the core competencies and achieving sustainable competitive advantage through people.

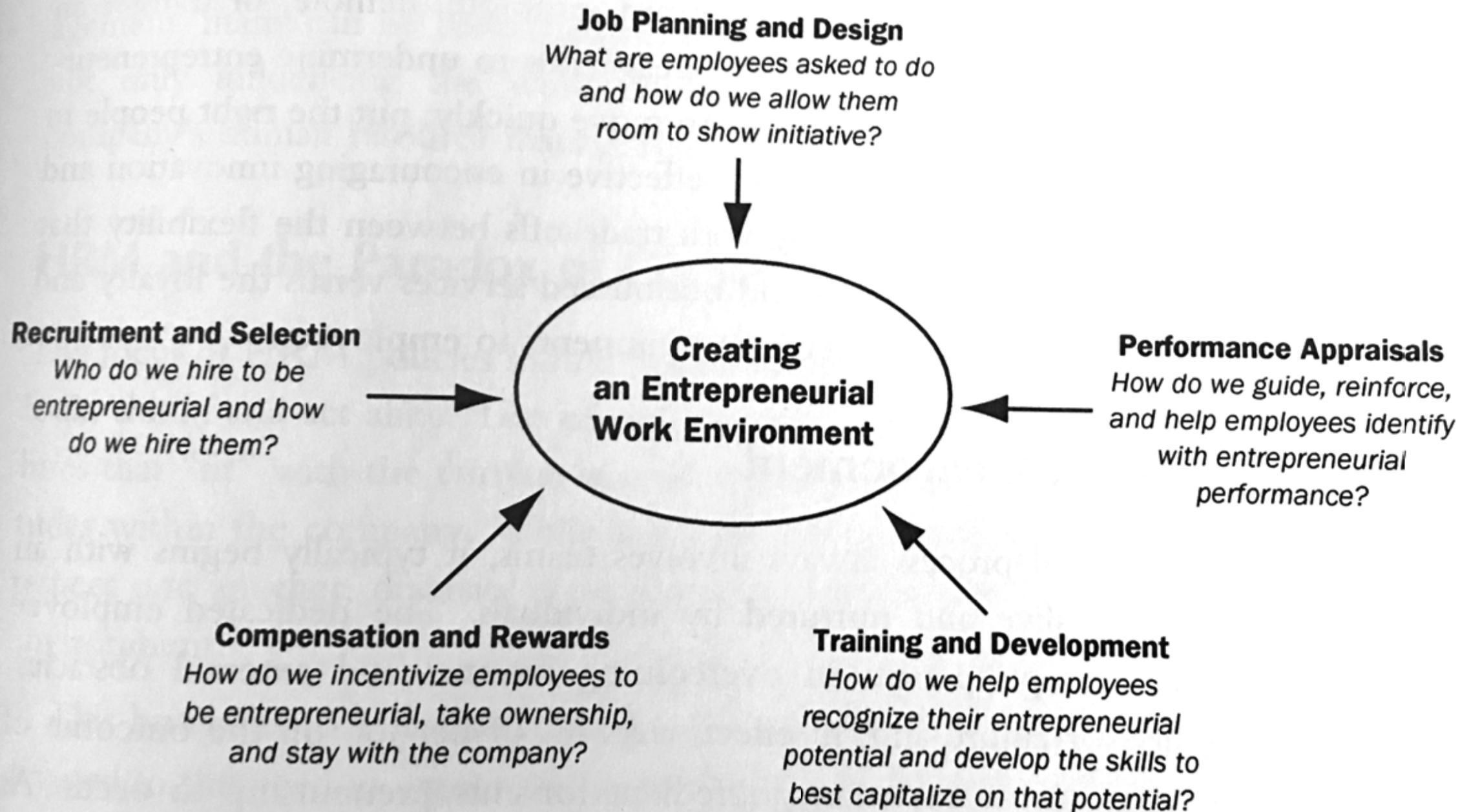
- HRM becomes a means for achieving the company's strategic direction (Hornby and Kurtako 2005).

The people factor II: Human resources management

Based on the case studies entrepreneurship is higher in companies when (where to focus when company wants to foster entrepreneurship)

- Training programs are more group than individual oriented
- Training that represents an effective venue for helping employees appreciate the value of cooperative behaviours and cross-functional perspectives
- Where compensation/reward practices emphasize job security over high pay (as often entrepreneurial events fail)
- Company demonstrate internal consistency
- Individual appraisal and reward practises: awards and recognition
- Challenge is to ensure strategic control in the multitude of entrepreneurial events and ventures
- It is not important to declare that innovation and champion culture is needed but organization should go to next level
 - Formal champion program to provide rewards and resources to support innovative efforts
- There are still many questions to be answered like does the HRM needs differ in different levels of the company or how does low/high salary affect and so on.

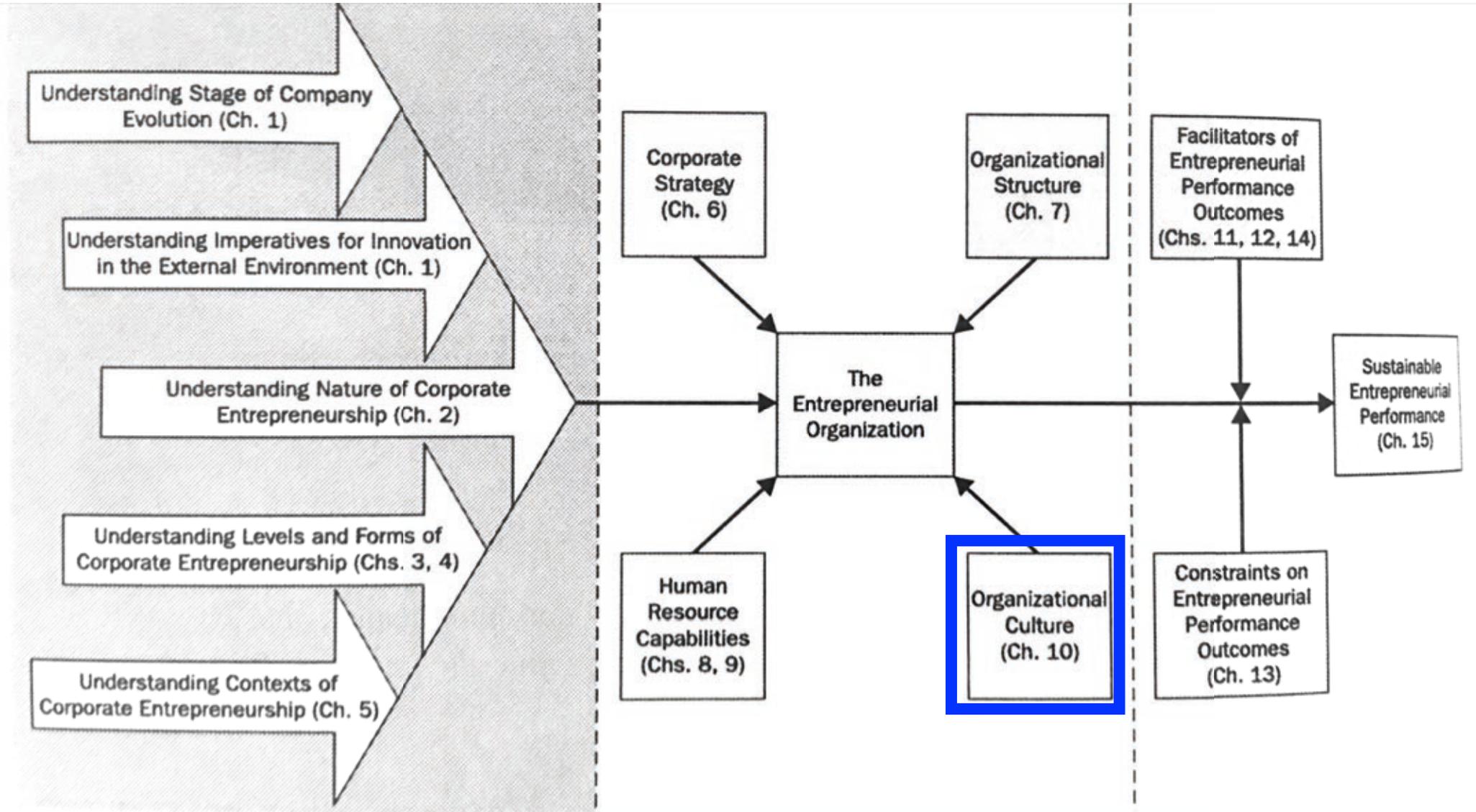
Using Key Elements of the HRM System to Create an Entrepreneurial Environment



Section I: Foundations of corporate entrepreneurship

Section II: Designing entrepreneurial organizations

Section III: Continuous entrepreneurial performance



“Culture changes only after you have successfully altered people’s actions, after the new behaviour produces some group benefit for a period of time and after people see the connection between the new actions and the performance improvement”

Kotter (1996, p. 156), Kuratko et al. (2011, p.289)

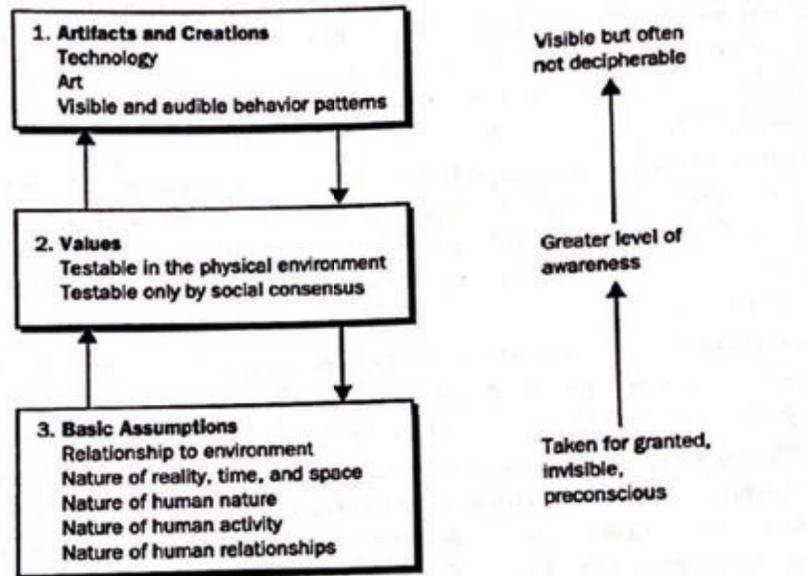
Building culture to support entrepreneurship

Culture = organizations basic beliefs and assumptions about what the company is about, how its members should behave and how it defines itself in relation to its external environment.

- Culture is complex and not easily changeable, but it can be managed
- Characteristic of a company culture:
 - They are collective (shared by all)
 - Emotional aspect (employees identify and define with the culture in emotional level)
 - Dynamic even though historically based (group of people interacting over time)
 - Fuzzy (include contradictory and paradoxal things)

Culture exists at different levels and manifests itself through variety of symbols

FIGURE 10-1
The Levels of Culture



SOURCE: Schein, E. H. (1999), *The Corporate Culture Survival Guide*, San Francisco: Jossey-Bass. Reprinted with permission of John Wiley & Sons, Inc.

Substance

Forms

controllable and some that don't readily lend themselves to management control. One way to classify the many components of culture involves distinguishing among the following six elements:

- **Values**—the things that employees think are worth having or doing, or are intrinsically desirable; values express preferences for certain behaviors and outcomes; entrepreneurial values might include creativity, integrity, perseverance, individualism, achievement, accountability, ownership, and change, among others.
- **Rules of Conduct**—accepted norms and rules in the company; the behaviors that represent accepted ways to attain outcomes; the general understanding regarding everything from ethical behavior to how one dresses, who one speaks to about or how much one questions a particular issue, and appropriate behavior styles in a meeting.
- **Vocabulary**—the language, acronyms, jargon, slang, signs, slogans, metaphors, gestures, gossip, and even songs that are commonly used in the company; can include proverbs such as 3M's "never kill a product idea."
- **Methodology**—the perception of how things actually get accomplished in the company, such as the reliance on rational processes, politicking, or rule-bending. For instance, having a sponsor and preparing a business plan with certain key ingredients might be part of the methodology for innovating in a company.
- **Rituals**—rites, ceremonies, and taboos, including random recognition ceremonies, annual off-site conferences, Christmas parties, as well as how employees are welcomed, let go, and retire. The awarding of a pink Cadillac at Mary Kay Cosmetics is a ritual.
- **Myths and Stories**—the histories, sagas, mythologies, and legends of an organization; includes a sense of "who are the heroes in this company." Entrepreneurial companies not only have legends and ways to continually retell stories of how past heroes did unusual things, but they create new heroes and role models all the time.

If we consider these elements in more basic terms, cultures consist of *substance* and *forms* (Trice and Beyer, 1993). Substance refers to shared systems of values, beliefs, and norms. Forms are the concrete ways in which the substance is manifested in the organization. They are observable, and include everything from vocabulary, myths, rituals and ceremonies, ways of dressing, and office décor. The forms are the means by which the substance of the culture is expressed, affirmed, and communicated.

Different types of cultures and elements that support entrepreneurship

Key elements of entrepreneurial culture are

- Focus on people and empowerment
- Value creation through innovation and change
- Rewards for innovations
- Learning from failure
- Collaboration and teamwork
- Freedom to grow and fail
- Commitment and personal responsibility
- Emphases on the future and sense of urgency.

More likely to act entrepreneurially

Companies are social environments, with tribal habits, well-defined cultural roles for individuals, and various strategies for determining inclusion, reinforcing identity, and adapting to change. Moreover, their cultures will generally be related to one of four prototypes:

- **The Process Culture**—a world of little or no feedback where employees find it hard to measure what they do. Instead, they concentrate on how it is done. The hierarchy is tight and employees are cautious “fence sitters.” Avoidance of failure is important. Processes themselves can stifle the company and become quite bureaucratic.
- **The Tough Guy/Macho Culture**—a world of competitive individualists who regularly take high personal risks and get quick feedback on whether their actions were right or wrong. The structure fluctuates. Financial stakes of not succeeding can be high, as can rewards from succeeding. Orientation is more short term, and employee turnover can be high.
- **The Work Hard/Play Hard Culture**—fun and action is the rule here, and employees take few risks, all with quick feedback. To succeed, the culture encourages employees to maintain a high level of relatively low-risk activity. Much gets done in this culture, as it is very action-oriented. Orientation here is also fairly short term. Often a strong customer focus and sales orientation.
- **The Bet-the-Company Culture**—an environment of big-stakes decisions, where considerable time passes before employees know whether decisions have paid off. It is a high-risk, slow-feedback environment with a clear-cut hierarchy. Decisions are deliberate because of the risk. Pressure is ongoing. They often produce major technological breakthroughs and high-quality inventions.

Building culture to support entrepreneurship

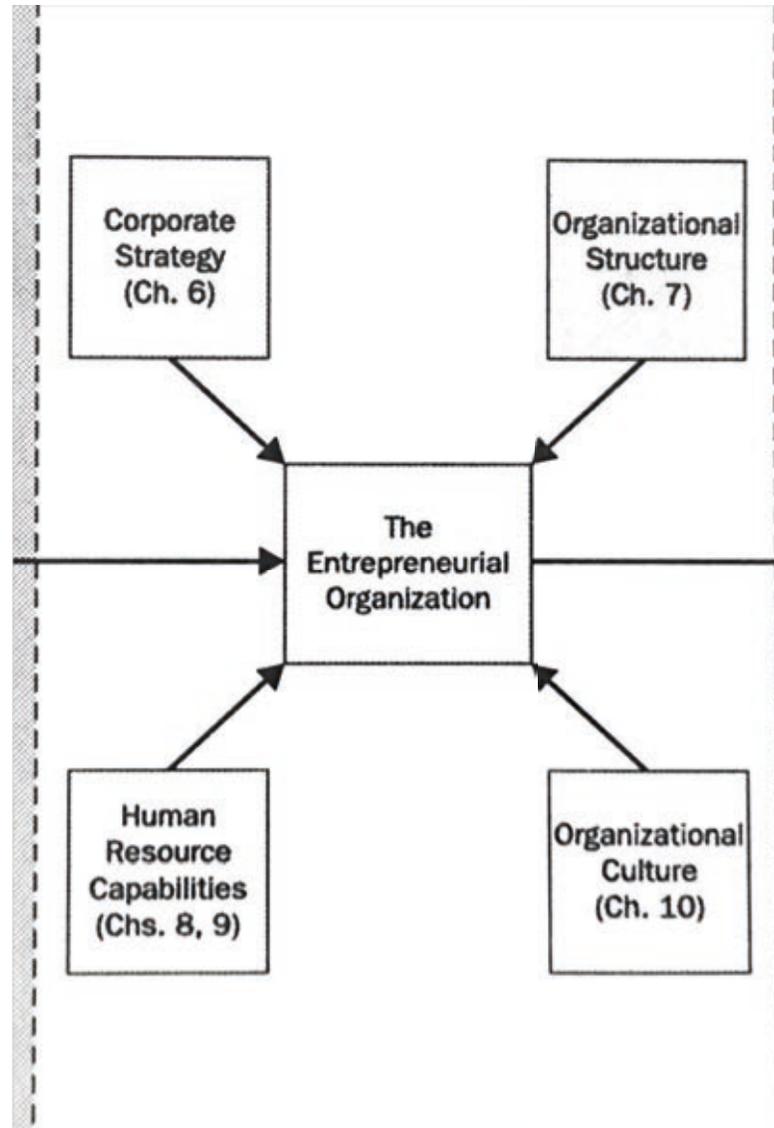
Entrepreneurship is embedded into the culture in Entrepreneurial organizations

- Individualism versus collectivism
 - the balance is important: the different elements of organizations like structures and performance appraisals should be balanced with individual initiative and risk taking of the group
- Concept of failure as part of the culture (critical in entrepreneurial success)
 - It is a part of progress, the absence means that nothing new is happening
 - The culture needs to embrace the systematic management of failure where philosophy of failure is widely communicated, grief recovery methods are employed, rewards and awards are given for entrepreneurial initiatives that do not work out, and efforts are formally organized to document and derive learning lessons from failed efforts

Section II: Designing entrepreneurial organizations

Main insights

- Entrepreneurship as integral part of strategy
- The strategy is translated into the objectives, reward systems, control systems, planning approaches, structure and human resource management practices of the company
- There are entrepreneurial potential in everyone and the organization can have a huge role in developing that potential
- Creativity is the foundation which entrepreneurship is build on
- Today it is understood as a strategic role in developing the core competencies and achieving sustainable competitive advantage through people.



- Three overarching design elements in organization A) Communication flows B) Control system C) Company structure
- There is a need to find fit between management style (the relative emphases on entrepreneurship) and organizational structure (more organic versus mechanistic)
- Entrepreneurship impeded into the culture
- Complex but possible to manage
- Culture exists at different levels and manifests itself though variety of symbols