

Week 12 Chapter 13

Strategic Entrepreneurship

IMPORTANT DEFINITIONS

- **Organisational culture:** The complex set of ideologies, symbols and core values shared throughout the organisation that influence how the firm conducts business.
- **Strategic entrepreneurship:** Entrepreneurial actions through a strategic perspective.
- **Corporate entrepreneurship:** The use or application of entrepreneurship within an established organisation.

ENTREPRENEURSHIP AND ENTREPRENEURIAL OPPORTUNITIES

- Entrepreneurship is concerned with:
 - discovery of profitable opportunities
 - exploitation of profitable opportunities.
- Entrepreneurship is the process by which individuals or groups **identify** and **pursue** entrepreneurial **opportunities** without the immediate constraint of the resources they currently control.

ENTREPRENEURSHIP AND ENTREPRENEURIAL OPPORTUNITIES

- Entrepreneurial opportunities:
 - opportunities others do not see or for which they do not recognise the commercial potential.
 - conditions in which new products or services can satisfy a need in the market.
 - exist as a result of competitive market imperfections and unevenly distributed information
 - are studied at the level of the individual firm
 - may be the economic engine driving many nations' economies in the global competitive landscape.

INNOVATION

- Three types of innovation activities according to Schumpeter:
 - Invention
 - Innovation
 - Imitation
- Three ways to innovate:
 - Internal innovation (autonomous vs induced)
 - Cooperative strategies (e.g. strategic alliances)
 - Acquisitions

INNOVATION

- According to Drucker, innovation is the ‘specific function of entrepreneurship’.
 - It is ‘the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth’.
 - It is a source of competitive success, especially in turbulent and highly competitive environments.
 - For global markets, innovation is key for competitive parity at a minimum, much less for competitive advantage.

INNOVATION:

INVENTION

- The act of creating or developing a new product or process
 - Brings something new into being
 - Success of an invention determined by technical criteria

INNOVATION:

INVENTION

INNOVATION

- Process of creating a commercial product from an invention
- Brings something new into use
- Success of an invention determined by commercial criteria

INNOVATION:

INVENTION

INNOVATION

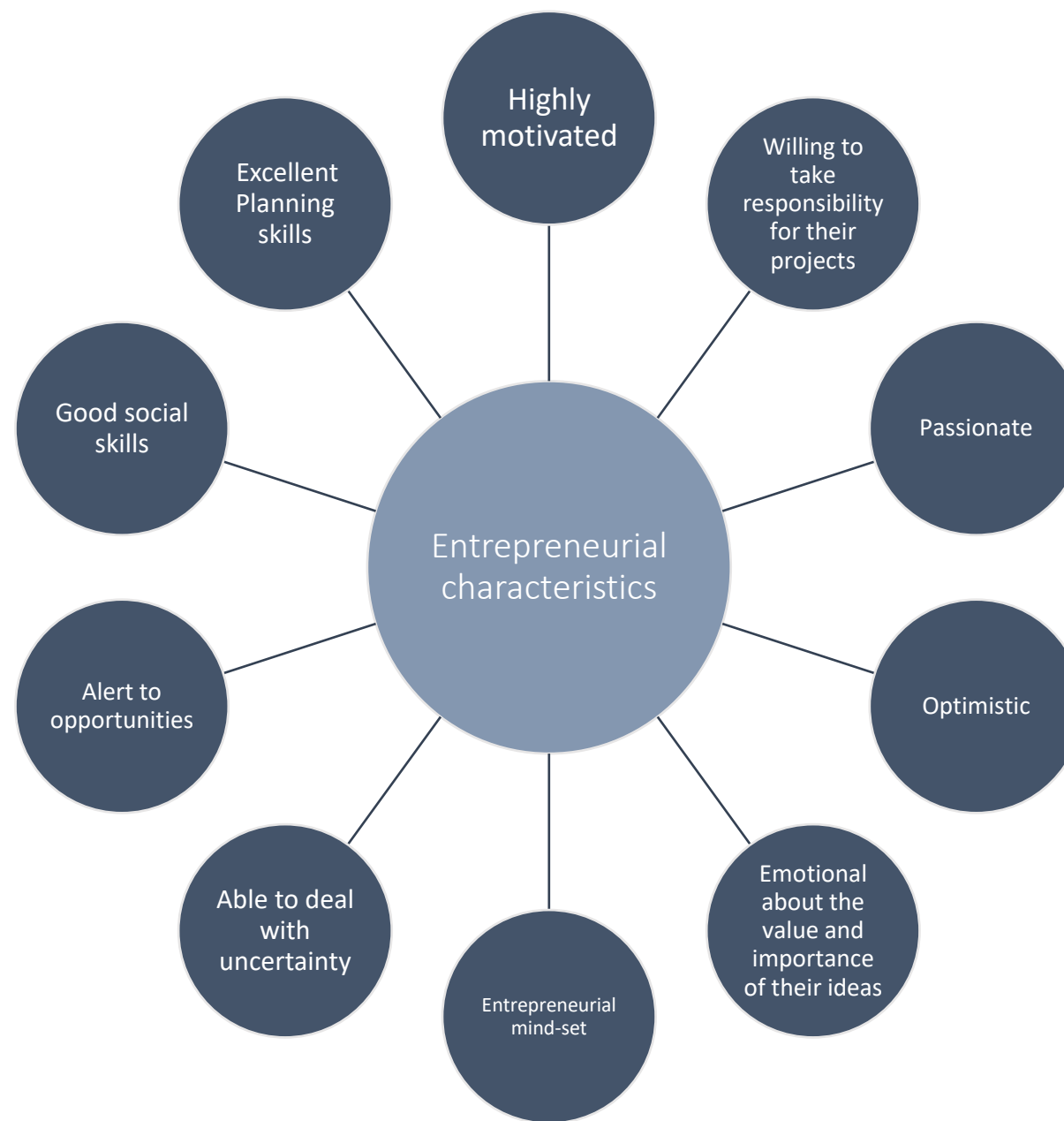
IMITATION

- Adoption of an innovation by similar firms
- Usually leads to product or process standardisation
- Products based on imitation often offered at lower prices and without as many features
- Results of imitation
 - Product or process standardisation
 - Products with fewer features
 - Products offered at lower prices

ENTREPRENEURS

- **Entrepreneurs** refers to individuals, acting independently or as part of an organisation, who see an entrepreneurial opportunity and then take risks to develop an innovation to exploit it.
- The **entrepreneurial mind-set** values uncertainty in the marketplace and calculated seek to continuously identify opportunities with the potential to lead to important innovations.

ENTREPRENEURS



INTERNATIONAL ENTREPRENEURSHIP

- Firms creatively discover and exploit opportunities outside their domestic markets in order to develop a competitive advantage.
 - Example: Large multinational companies generate roughly 54 per cent of their sales outside their domestic market, and more than 50 per cent of their employees work outside of the home country.

INTERNATIONAL ENTREPRENEURSHIP

- Risks include:
 - unstable foreign currencies
 - inefficient markets
 - insufficient infrastructure to support businesses
 - limitations on market size and growth

INTERNATIONAL ENTREPRENEURSHIP

Rates of entrepreneurship differ across countries because of:

- impact of national culture
 - Entrepreneurship declines as collectivism increases.
 - Exceptionally high levels of individualism can be dysfunctional for entrepreneurship.
 - Balance between individual initiative and cooperative spirit versus group ownership of innovation is required.
- level of investment outside of the home country made by new ventures
- top executives with international experience.
 - Internationally diversified firms are generally more innovative.

INTERNAL INNOVATION

- Firms take deliberate efforts to develop inventions and innovations within the organisation, selecting from several types of innovation and the specific processes through which each type is produced.
- Most innovation is due to R&D.
 - The outcomes of investments are uncertain and often not achieved in the short term.
 - Firms innovate internally in two ways:
 - autonomous strategic behaviour
 - induced strategic behaviour.

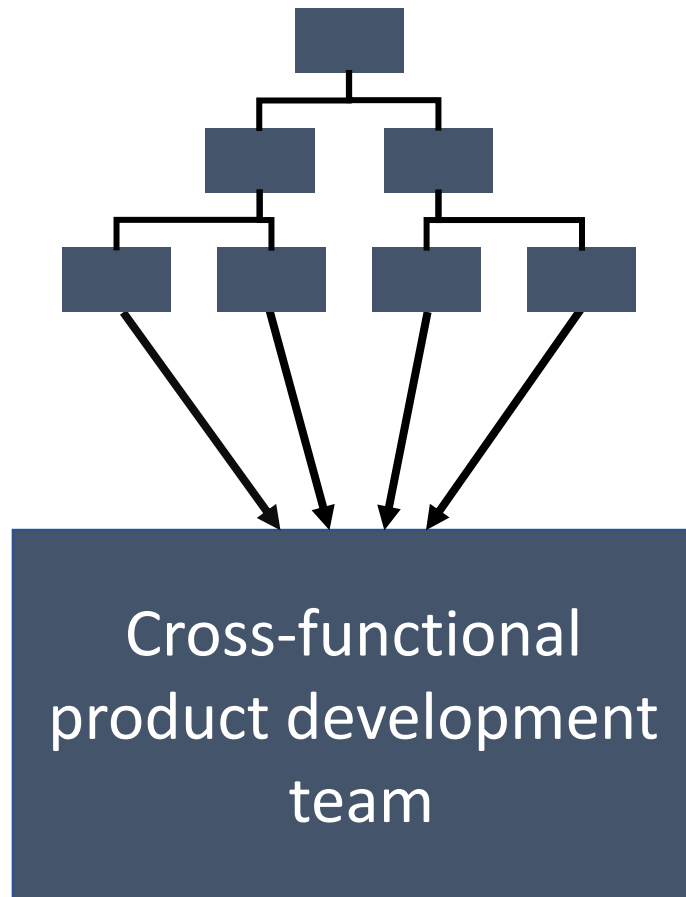
IMPLEMENTING INTERNAL INNOVATIONS

- An entrepreneurial mind-set is:
 - required for internal corporate ventures
 - a viewpoint that values uncertainty in the marketplace and seeks to continuously identify opportunities with the potential to lead to important innovations.
- Value creation through internal innovation processes
 - Cross-functional product development teams
 - Facilitating integration and innovation
 - Creating value from internal innovation

Figure 13.1 Creating value through innovation processes

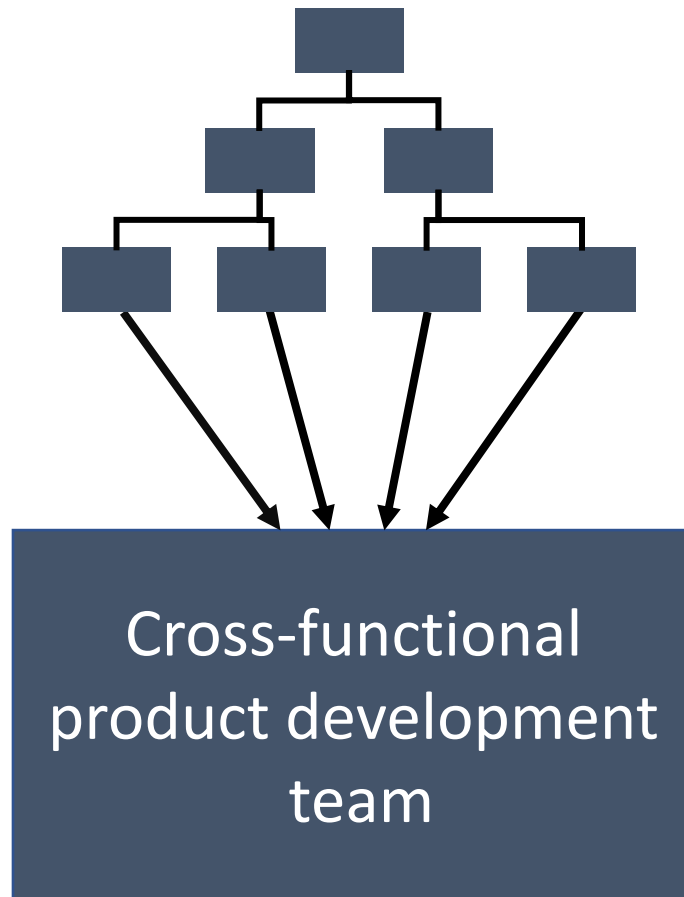


IMPLEMENTING INTERNAL INNOVATIONS: CROSS-FUNCTIONAL PRODUCT DEVELOPMENT TEAMS



- Teams aim to integrate and coordinate activities and apply knowledge from different functional activities to maximise innovation.
- New product development processes can be completed more quickly.
- Products can be more easily commercialised when cross-functional teams work effectively.

IMPLEMENTING INTERNAL INNOVATIONS: CROSS-FUNCTIONAL PRODUCT DEVELOPMENT TEAMS



- Horizontal structures support the use of cross-functional teams.
- There are two primary barriers to success:
 - independent frames of reference of members with distinct specialisations
 - organisational politics that create competition for resources and inter-unit conflict.

IMPLEMENTING INTERNAL INNOVATIONS: FACILITATING INTEGRATION AND INNOVATION

- Shared values:
 - are framed around the firm's strategic intent and mission
 - become the glue that promotes integration between functional units

 - Effective leadership:
 - sets goals (e.g. integrated development and commercialisation of new goods and services) and allocates resources
 - Effective communication
- ▶ All are important to successfully innovate and facilitate cross-functional integration.

IMPLEMENTING INTERNAL INNOVATIONS: CREATING VALUE FROM INTERNAL INNOVATION

- Requires an entrepreneurial mind-set
- Manager support
- Cross-functional teams
- Effective leadership and shared values

INNOVATION THROUGH COOPERATIVE STRATEGIES

- To successfully commercialise inventions, firms may need to cooperate and integrate knowledge and resources.
 - Entrepreneurial new venture firms may need investment capital and distribution capabilities.
 - More established companies may need new technological knowledge possessed by newer entrepreneurial firms.
- To innovate via cooperative relationships, firms must share their knowledge and skills.
 - Strategic alliances and joint ventures allow this to occur.

INNOVATION THROUGH ACQUISITIONS

- Innovation through acquisitions allows a firm to:
 - rapidly extend its product line
 - increase its revenues.
- A key risk is that a firm may substitute its ability to buy innovations for its ability to produce innovations internally.
- A firm may lose:
 - its intensity in R&D efforts
 - its ability to produce patents.
- Research demonstrates that subsequent to acquisitions, firms introduce fewer new products into the market.

CREATING VALUE THROUGH STRATEGIC ENTREPRENEURSHIP

Entrepreneurial ventures:

- Produce more radical innovations
- Possess strategic flexibility and willingness to take risks
- Do more opportunity seeking
- Must learn how to gain a competitive advantage (advantage-seeking behaviours).

Larger, well-established firms:

- Produce more incremental innovations
- Possess more resources and capabilities to exploit identified opportunities
- Must re-learn how to identify entrepreneurial opportunities (opportunity-seeking skills).

CREATING VALUE THROUGH STRATEGIC ENTREPRENEURSHIP

The objective is to help firms develop successful incremental and radical innovations. To do this, firms must:

- be flexible and willing to take risks
- identify and exploit opportunities with sufficient resources and capabilities to launch strategic actions
- sustain a competitive advantage while identifying and exploiting opportunities
- foster an entrepreneurial mind-set among managers and employees
- emphasise resource management, particularly human capital and social capital
- seek to enter and compete in international markets.