

Chapter 3
Entrepreneurial Intentions
and
Corporate Entrepreneurship

The Intention to Act Entrepreneurially

- Entrepreneurial intentions - Motivational factors that influence individuals to pursue entrepreneurial outcomes.
- Intention is stronger when an action is perceived to be feasible and desirable.
 - **Entrepreneurial self-efficacy** - Belief that one can successfully execute the entrepreneurial process.
 - **Perceived desirability** - The degree to which an individual has a favorable or unfavorable evaluation of the potential outcomes.
 - Higher the perceived desirability and feasibility, the stronger the intentions to act entrepreneurially.

Entrepreneur Background and Characteristics

- In the following, we investigate the background characteristics of entrepreneurs to understand why some individuals are more likely to engage in entrepreneurship than other individuals.
- **Education**
 - The education level of entrepreneur has received a special attention. Although some may feel that entrepreneurs are less educated, research findings indicate that this is clearly not the case.
 - Education's importance is reflected not only in the level of education obtained but also in the fact that it continues to play a major role in helping entrepreneurs cope with problems they face.
 - Provides a background about starting a business.
 - Helps in the development of communication skills and problem-solving skills.
 - Provides individuals with a larger opportunity set.
 - **Does not determine whether an entrepreneur will create a new business to exploit the discovered opportunity.**

Entrepreneur Background and Characteristics (cont.)

- Age

- The relationship of age to entrepreneurial career process also has been carefully researched. Entrepreneurial experience is one of the best predictors of success.
- Most entrepreneurs initiate their entrepreneurial careers between the ages of **22 and 45**. A career can be initiated before or after these ages, as long as the entrepreneur has the necessary experience and financial support and high energy level needed to launch and manage new venture successfully.
- Individuals are more inclined to start an entrepreneurial career at milestone ages every five years (25, 30, 35, 40, and 45).
- Male entrepreneurs tend to start their ventures in their early 30s, while women entrepreneurs do so in their middle 30s.

Entrepreneur Background and Characteristics (cont.)

- Work History

- Work history not only can be a negative displacement in the decision to launch a new entrepreneurial venture, but it also plays a role in the growth and eventual success of the new venture.
- The decision to launch a new venture can be influenced by:
 - Dissatisfaction with one's job.
 - Previous technical and industry experience.
- Managerial skills and entrepreneurial experiences are also important once the venture starts growing.
- Previous start-up experience is a relatively good predictor of starting subsequent businesses.

Role Models and Support Systems

- Role models - Individuals influencing an entrepreneur's career choice and style
 - Can be parents, family members, or other entrepreneurs.
 - Successful entrepreneurs are viewed as catalysts by potential entrepreneurs.
 - Role models can serve in a supportive capacity as mentors by providing information, advice and guidance.
 - Entrepreneurs need to establish connections and networks in the venture formation process.

Role Models and Support System (cont.)

- Moral-Support Network
 - It is important for entrepreneurs to have a cheering squad—individuals who provide psychological support.
 - Friends can provide honest advice, encouragement, understanding, and assistance.
 - Relatives can be strong sources of moral support, particularly if they are also entrepreneurs.

Role Models and Support System

(cont.)

- Professional-Support Network: individuals who help the entrepreneur in business activities.
 - Entrepreneurs need advice and counsel throughout the establishment of the new venture which can be obtained from:
 - Mentors.
 - Business associates.
 - Suppliers.
 - Trade associations.
 - Personal affiliations.
 - Entrepreneurial activity is embedded in networks of interpersonal relationships.

Entrepreneurial Intentions Within Existing Organizations

- Entrepreneurially fostering environment: is an environment that enhances organizational members' perceptions of entrepreneurial actions as both feasible and desirable.
- Top management must create an environment that encourages employees to think and act entrepreneurially.
- A common theme across studies focusing on entrepreneurial intentions within existing organizations is that organizations differ in the extent to which they offer an environment that fosters entrepreneurial activity. Such 'fostering' environments have been characterized by for example;
 - Appropriate reward systems and top management support
 - Explicit goals and appropriate organizational values.

Managerial Versus Entrepreneurial Decision Making

- The interest in entrepreneurship within established businesses has intensified due to a variety of events occurring on social, cultural and business levels.
- On social level, there is an increasing interest in ‘doing your own thing’ and ‘doing it on one’s own terms’. Individuals who believe strongly in their own talents frequently desire to create something of their own. When this freedom is not there, frustration can cause that individual to become less productive or even leave the organization to achieve self-actualization elsewhere.

Corporate Entrepreneurship

- Corporate entrepreneurship is one method of stimulating, and then capitalizing on, individuals in an organization who think that something can be done differently and better.
- The resistance against flexibility, growth and diversification, in part be overcome by developing a spirit of entrepreneurship within the existing organization, called **corporate entrepreneurship**.

Corporate Entrepreneurship

- An increase in corporate entrepreneurship reflects an increase in social, cultural and business pressures. Hyper-competition has forced companies to have an increased interest in such areas as **new product development, diversification, increased productivity, and decreasing costs by methods such as reducing the company's labor force.**

4 key elements of Corporate Entrepreneurship Efforts

1. **New business venturing:** refers to creation of a new business within an existing organization. These entrepreneurial activities consist of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semi autonomous units or firms. E.g. apple watch
2. **Innovativeness:** refers to a product and service innovation, with an emphasis on development and innovation in technology. It includes new product development, product improvements, and new production methods and procedures. E.g. ios 9.2.1, GoPro
3. **Self renewal:** is the transformation of an organization through the renewal of key ideas on which is build. It includes a re-definition of the business concept, reorganization, and the introduction of system wide changes to increase innovation. (word doc example)
4. **Proactiveness:** includes initiative and risk taking, as well as competitive aggressiveness and boldness, which are particularly reflected in the orientations and activities of top management. A pro-active organization tends to take risks by conducting experiments and takes initiatives and pursue opportunities. E.g. Nike is another example of a company that took a proactive stance, responding to criticisms about the labor conditions in the company's supply chain. Kingfisher, a company that owns the British chain B&Q;, has successfully implemented a proactive stance on waste reduction, chemicals and green issues.

Managerial Versus Entrepreneurial Decision Making (cont.)

- Corporate entrepreneurship is most strongly reflected in the following endeavors:
 - New business venturing (corporate venturing) - The creation of a new business within an existing organization.
 - Innovativeness - Product and service innovation, with emphasis on development and innovation in technology.
 - Self-renewal - Transformation through renewal of the key ideas on which an organization is built.
 - Proactiveness - Includes initiative, risk taking, competitive aggressiveness, and boldness.

Table 2.3 - Characteristics of an Entrepreneurial Environment

- Organization operates on frontiers of technology
- New ideas encouraged
- Trial and error encouraged
- Failures allowed
- No opportunity parameters
- Resources available and accessible
- Multidiscipline teamwork approach
- Long time horizon
- Volunteer program
- Appropriate reward system
- Sponsors and champions available
- Support of top management

Table 2.4 - Leadership Characteristics of a Corporate Entrepreneur

- Understands the environment
- Is visionary and flexible
- Creates management options
- Encourages teamwork
- Encourages open discussion
- Builds a coalition of supporters
- Persists

Establishing Corporate Entrepreneurship in the Organization

- Step one:
 - Secure a commitment to corporate entrepreneurship in the organization by top, upper, and middle management levels.
 - Establish initial framework and embrace the concept.
 - Identify, select, and train corporate entrepreneurs.

Establishing Corporate Entrepreneurship in the Organization (cont.)

- Step two:
 - Identify ideas and areas that top management is interested in supporting.
 - Identify amount of risk money available to develop the concept.
 - Establish overall program expectations and target results of each corporate venture.
 - Establish mentor/sponsor system.
- Step three:
 - Use of technology to ensure organizational flexibility.

Establishing Corporate Entrepreneurship in the Organization (cont.)

- Step four:
 - Identify interested managers to train employees and share their experiences.
- Step five:
 - Develop ways for the organization to get closer to its customers.
- Step six:
 - Learn to be more productive with fewer resources.

Establishing Corporate Entrepreneurship in the Organization (cont.)

- Step seven:
 - Establish a strong support structure for corporate entrepreneurship.
- Step eight:
 - Tie rewards to the performance of the entrepreneurial unit.
- Finally:
 - Implement an evaluation system that allows successful entrepreneurial units to expand and unsuccessful ones to be eliminated.

Establishing Corporate Entrepreneurship in the Organization (cont.)

- Problems and Successful Efforts
 - A study found that new ventures started within a corporation performed worse than those started independently by entrepreneurs.
 - Reasons cited:
 - Corporation's difficulty in maintaining a long-term commitment.
 - A lack of freedom to make autonomous decisions.
 - A constrained environment.
 - On average, independent start-ups become:
 - Profitable twice as fast.
 - End up twice as profitable.

Establishing Corporate Entrepreneurship in the Organization (cont.)

- Companies that have adopted their own version of the implementation process to launch new ventures successfully:
 - Minnesota Mining and Manufacturing (3M).
 - Hewlett-Packard (HP).
 - IBM.