Entrepreneurship 10th edition Hisrich Solutions Manual

SKU: 9780078112843-SOLUTIONS

IMChap002_2015.pdf

IPPTChap002.pdf

2

CORPORATE ENTREPRENEURSHIP

LEARNING OBJECTIVES

1: To understand the causes of interest in corporate entrepreneurship.

2: To introduce the "entrepreneurial" mode of managing firms and distinguish it from the traditional mode.

3: To provide a scale for capturing the extent to which management adopts entrepreneurial or traditional behaviors.

4: To discuss how established firms can develop an entrepreneurial culture and the challenges of doing so.

5: To acknowledge that projects fail and people feel bad about it, and to introduce the dual process model for maximizing learning from failure experiences.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

OPENING PROFILE—Robert Mondavi

I. CAUSES FOR INTEREST IN CORPORATE ENTREPRENEURSHIP

A. Interest in entrepreneurship within organizations has resulted from events occurring on social, cultural, and business levels.

1. There is an increasing interest in "doing your own thing."
    a. Individuals frequently desire to create something of their own.
    b. They want responsibility and want more freedom in their work environment.
    c. When the freedom is absent frustration can develop and result in the employee becoming less productive or leaving the organization.
    d. This has recently caused more discontent in structured organizations.
    e. When meaning is not provided within the organization, individuals often search for an institution that will provide it.
2. Corporate entrepreneurship is one method for stimulating and capitalizing on those

In the Press: In the late 1990's, 3-M executives decided innovation needed a jump-start. Larry Wendling, in charge of R&D, was tapped as the man to do this. He says, "The best ways to transfer ideas is to transfer people." Scientists had for too long worked in narrow product lines so the rotation exposed them to new people, new products, and new ideas. Income has doubled in five years. (Del Re, Daniel "Pushing Past Post-Its" *Business 2.0* November 2005, pg. 54 http://money.cnn.com/magazines/business2/business2_archive/2005/11/01/8362801/index.htm)

Learning objective 1:
To understand the causes of interest in corporate entrepreneurship.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

who think that something can be done differently and better, such as Xerox Corporation's commitment to Xerox Technology Ventures.

B. It is important to instill the entrepreneurial spirit in an organization in order to innovate and grow.
   1. In a large organization problems occur that thwart creativity and innovation.
   2. This growth and diversity that can result are critical, since large corporations are more efficient in a competitive market than are smaller firms.

C. The resistance against flexibility, growth, and diversification can, in part, be overcome by developing a spirit of entrepreneurship, called ***corporate entrepreneurship***, within the existing organization.

D. There are social, cultural, and business pressures for corporate entrepreneurship.
   1. Hypercompetition has forced companies to focus on new product development, increased productivity, and decreasing costs.

E. Entrepreneurial endeavors consist of four key elements.
   1. New business venturing refers to the

In the Press: Many firms are finding the best way to solve problems in their companies is to have executives try jobs at lower levels. At Southwest Airlines your baggage checker may be a senior officer. The registration clerk at the Regal Hotel may be the accountant getting insight into a different job. Such experiences have led to executives making better decisions about the direction of the company and have led to ideas that make them more efficient. (Pfeffer, Jeffrey "A Field Day for Executives" Business 2.0, December 2004 pg. 88 http://www.mbadepot.com/redir.php?id=5255)



Corporate entrepreneurship
Entrepreneurial action within an established organization

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

creation of new business within an existing organization.

2. Organizational innovativeness refers to product and service innovation with an emphasis on development and innovation in technology.
3. Self-renewal reflects the transformation of organizations through the renewal of the key ideas on which they are built.
4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness and boldness.

II. MANAGERIAL VERSUS ENTREPRENEURIAL DECISION MAKING

Learning objective 2:
To introduce the "entrepreneurial" mode of managing firms and distinguish it from the traditional mode.

A. Entrepreneurial management is distinct from traditional management in terms of strategic orientation, commitment to opportunity, commitment to resources, control of resources, management structure, reward philosophy, growth orientation, and entrepreneurial culture.

Text Table 2.1 "Distinguishing Entrepreneurially from Traditionally Managed Firms" (Text figure)

1. ***Strategic Orientation*** and ***Commitment to Opportunity***
   a. An emphasis on strategy in developing a deeper understanding of entrepreneurship at the firm level is not

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

surprising because both entrepreneurship and strategy have important implications for the performance of the firm.

b. ***Strategic orientation*** refers to those factors that are inputs into the formulation of the firm's strategy.

c. The strategy of entrepreneurial management is driven by the presence or generation of opportunities for new entry and is less concerned about the resources that may be required to pursue such opportunities.

d. Resources do not constrain the strategic thinking of an entrepreneurially managed firm. In contrast, the strategy of traditional management is to use the resources of the firm efficiently.

e. More entrepreneurially managed firms have an ***entrepreneurial orientation toward opportunity*** and therefore can pursue opportunities rapidly, making the most of windows of opportunity.

f. In contrast, traditionally managed firms tend to place considerable emphasis on information. If the traditionally managed firm chooses to pursue the



Strategic orientation
A focus on those factors that are inputs into the formulation of the firm's strategy



Entrepreneurial orientation toward opportunity.
A commitment to taking action on potential opportunities.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

given opportunity, it would be with a much larger initial investment and the intention of remaining in that line of business for a considerable time.

2. ***Commitment of Resources and Control of Resources***
   a. It is important to note that entrepreneurs still care about the resources they must commit to the pursuit of an opportunity, but they have an ***entrepreneurial orientation toward the commitment of resources*** that is focused on the opportunity.
   b. By minimizing the resources that the firm must invest to initially pursue an opportunity, the amount of resources at risk if the opportunity does not "pan out" is also minimized.
   c. In contrast, when traditionally managed firms decide to commit resources to an opportunity, they do it on a large scale. They use in-depth analysis of available information to go for it or not—and if they do go for it, then the investment of resources is not easily reversed.
   d. Entrepreneurially managed firms are less concerned about the ownership of



Entrepreneurial orientation toward commitment of resources.
A focus on how to minimize the resources that would be required in the pursuit of a particular opportunity

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

resources and more concerned about having access to others' resources.

e. In contrast, traditionally managed firms focus on the ownership of resources and the accumulation of further resources. They believe that if they control their own resources then they are self-contained. For these firms, the control that comes with ownership means that resources can be deployed more effectively for the benefit of the firm. They have an ***entrepreneurial orientation toward the control of resources***.

3. ***Management Structure and Reward Philosophy***

   a. An ***entrepreneurial orientation toward management structure*** is organic. Therefore, entrepreneurially managed firms are able to capture and communicate more information from the external environment and are sufficiently "fluid" to be able to take quick action based on that information.

   b. In contrast, the traditionally managed firm has a structure well suited for the internal efficiencies of allocating



Entrepreneurial orientation toward control of resources.
A focus on how to access others' resources A focus on how to access others' resources



Entrepreneurial orientation toward resources.
A focus on how to minimize the resources that would be required in the pursuit of a particular opportunity and how to access others' resources



Entrepreneurial orientation toward management structure.
More organic focus—has few layers of bureaucracy between top management and the customer and typically has multiple informal networks



ETHICS:
Do Entrepreneurs and Managers differ in Ethical Conduct?

(Box in text)

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

controlled resources. They have structures that are typically inwardly focused on efficiency rather than on detecting and rapidly acting on changes in the external environment.

c. The entrepreneurially managed firm is focused on pursuing opportunities for new entry that represent new value for the firm. It is not surprising then that entrepreneurially managed firms have an ***entrepreneurial philosophy toward rewards*****.**

d. The traditionally managed firm rewards management and employees based on their responsibilities, where responsibilities are typically determined by the amount of resources that this manager or employee controls.

4. ***Growth Orientation and Entrepreneurial Culture***

a. In a firm that has an ***entrepreneurial orientation toward growth***, there is a great desire to expand the size of the firm and do so at a rapid pace.

b. Traditionally managed firms prefer growth to be slow and at a steady pace.

c. ***Culture*** also distinguishes



Entrepreneurial philosophy toward rewards.
One that compensates employees based on their contribution toward the discovery/generation and exploitation of opportunity



Entrepreneurial orientation toward growth.
A focus on rapid growth



Culture.
The environment of a particular organization



Entrepreneurial orientation toward culture.
A focus on encouraging employees to generate ideas, experiment, and engage in other tasks that might produce opportunities

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

entrepreneurially and traditionally managed firms.

d. A firm with ***entrepreneurial orientation toward culture*** encourages employees to generate ideas, experiment, and engage in other tasks that might produce creative output.

e. In contrast, the traditionally managed firm begins with an assessment of the resources that it controls, and this is reflected in its organizational culture.

f. It is unlikely that there are many firms that are "purely" entrepreneurially managed or purely traditionally managed; most firms fall somewhere in between.

Text Table 2.2 "Scale to Capture How Entrepreneurially a Firm Is Managed"

5. ***Establishing a Culture for Corporate Entrepreneurship***

a. In establishing a corporate entrepreneurial environment, certain factors and leadership characteristics need to be present.

b. The organization operates on the frontiers of *technology*.

i. Research and development are key

Learning Objective 3
To provide a scale for capturing the extent to which management adopts entrepreneurial or traditional behaviors.

In the Press: Seth Godin a serial entrepreneur can sum up a successful entrepreneur in one sentence. "You have to figure out how to fail and how to fail often," he says. (Krauss, Michael "Godin Offers Old-Schoolers New Growth Tips" *Marketing News*, May 1,

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

sources for new product ideas.
   i. The firm must operate on the cutting edge of technology and encourage and support new ideas instead of discouraging them.

c. *Experimentation*, or trial and error, is encouraged.
   i. Successful new products usually do not appear fully developed; instead they evolve.
   ii. A company has to establish an environment that allows mistakes and failures.
   iii. Without the opportunity to fail, few corporate entrepreneurial ventures will be developed.

d. An organization should make sure that there are no initial organizational obstacles, such as turf protection, inhibiting creativity in new product development.

e. The *resources* of the firm need to be available and easily accessible.
   i. Often, insufficient funds are allocated to creating something new, but instead to problems that have an immediate effect on the

2006, pg. 7
http://www.marionpartners.com/publications/marketingnews/mkn05012006.htm)

Text Table 2.3 "Characteristics of an Entrepreneurial Environment"

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

bottom line.

ii. Some companies, such as Xerox, 3M, and AT&T have established separate venture capital areas for funding new internal and external ventures.

iii. Even when resources are available, the reporting requirements can become obstacles to obtaining them.

f. A *multidiscipline team approach* needs to be encouraged.

i. One key to corporate entrepreneurial success is the existence of "skunkworks" involving key people.

ii. Another complication is the fact that a team member's promotion within the corporation is based on performance in the current position, not in the new venture.

iii. The corporate environment must establish a long time horizon for evaluating the success of the overall program and that of each individual venture.

g. The spirit of corporate entrepreneurship

Entrepreneur in Action: Carl Zeiss, a 160 year old German optics firm has its Research and Development teams present their concepts to a "venture board" which decides which ones to fund using the same criteria a venture capitalist would use. (Meyer, Jens "Priming the R&D Machine" *Business 2.0* September 2006, pg. 60) Motorola is another firm that uses the same technique (Lev-Ram, Michel "Unwiring Motorola" *Business 2.0* September 2006, pg. 103)

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

cannot be forced on individuals; it must be voluntary.

i. Most managers in a corporation are not capable of being successful corporate entrepreneurs.
ii. Those that emerge must be allowed to carry a project through to completion.
iii. A corporate entrepreneur falls in love with the new venture and will do almost anything to ensure its success.

h. The seventh characteristic is a *reward system*.

i. The corporate entrepreneur needs to be appropriately rewarded for the energy and effort expended on the new venture.
ii. An equity position in the new venture is one of the best motivational rewards.

i. A corporate environment favorable for corporate entrepreneurship has sponsors and champions throughout the organization who not only support the creative activity but also have the planning flexibility to establish new

Discussion point: Going back to your students' first or current job, if their boss gave them complete power, what might they change to encourage entrepreneurship? Be specific.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

objectives and directions as needed.

j. The corporate entrepreneurial activity must be wholeheartedly supported by top management.

6. ***Leadership Characteristics of Corporate Entrepreneurs***

a. A corporate entrepreneur needs to understand all aspects of the environment.

i. Creativity tends to decrease with age and education.

ii. The individual must be creative and have a broad understanding of the internal and external environments of the corporation.

b. The corporate entrepreneur must be a visionary leader—a person who dreams great dreams.

i. Leadership is the ability to dream great things and communicate them in a way that people say "yes" to being part of the dream.

ii. To establish a successful new venture, the corporate entrepreneurial leader must have a dream and overcome all obstacles to achieve it.

Text Table 2.4 "Leadership Characteristics of a Corporate Entrepreneur"

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

c. The corporate entrepreneur must be flexible and create management options.
   i. A corporate entrepreneur is open to and encourages change.
   ii. By challenging the beliefs and assumptions of the corporation, a corporate entrepreneur can create something new in the organization structure.

d. The corporate entrepreneur needs the ability to encourage teamwork and use a multidiscipline approach.
   i. In forming a new venture, putting together a variety of skills requires crossing established departmental structure and reporting systems.
   ii. The corporate entrepreneur must be a good diplomat to minimize disruption.

e. Open discussion must be encouraged to develop a good team for creating something new.
   i. Many corporate managers have forgotten that frank, open discussion is part of the learning process.

Discussion point: Most entrepreneurs at one point of their life may find themselves in a corporate environment. Have the students do a self-assessment to see how many traits of a corporate entrepreneurial leader they have.

In The Press: Google has two white boards approximately 30 feet long

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

ii. A successful venture can be formed only when the team feels the freedom to disagree and to critique an idea.
iii. The degree of openness among the team depends on the degree of openness of the corporate entrepreneur.

f. Openness leads to the establishment of a strong coalition of supporters and encouragers.
i. The corporate entrepreneur must encourage each team member, particularly during hard times.
ii. A good corporate entrepreneur makes everyone a hero.

g. Only through the corporate entrepreneur's persistence will a new venture be created and successful commercialization result.

devoted to corporate graffiti. Employees are encouraged to draw cartoons, write jokes, speak their minds – and are encouraged to stay entrepreneurial. (Kaihla, Paul "Best Kept Secrets of the World's Best Companies" *Business 2.0*, April 2006, pg. 82. For a detailed and interesting article about how Google stays entrepreneurial see Warner, Melanie "What Your Company Can Learn From Google. How did the Internet search firm become the hottest company on the planet? It wasn't the lava lamps, or the Segways in the halls, or the massages, or…wait a minute. Maybe, indirectly, it was." *Business 2.0,* June 2004 pg. 100)

III. ESTABLISHING CORPORATE ENTREPRENEURSHIP IN THE ORGANIZATION

A. An organization wanting to establish a more entrepreneurial firm must implement a procedure for its creation.

Learning objective 4
To discuss how established firms can develop an entrepreneurial culture and the challenges of doing so.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

1. This can be done internally, but it is easier to use an outsider to facilitate the process.
2. This is particularly true when the environment is very traditional.
3. *Step 1*: The first step is to secure a commitment to corporate entrepreneurship in the organization by top, upper, and middle management.
   a. Without ***top management commitment***, the organization will never be able to make the necessary changes.
   b. Once top management has committed to corporate entrepreneurship for a sufficient length of time, the concept is introduced throughout the organization.
   c. This is effectively accomplished through seminars.
   d. General guidelines need to be established for corporate entrepreneurial venture development.
   e. Next, corporate entrepreneurial leaders need to be identified, selected, and trained.
4. *Step 2*: Ideas and general areas that top management is interested in supporting should be identified, along with the amount

In the Press: SmithKline Beecham was running out of new ideas in January 2000. Their top researcher, Tachi Yamada, was assigned the task of changing this. He did it by making entrepreneurs out the 15,000 scientists. Now they have more than 20 products that could be outstanding successes. (Kelleher, Kevin "The Drug Pipeline Flows Again" *Business 2.0* April 2004 pg 50 http://money.cnn.com/magazines/business2/business2_archive/2004/04/01/366201/index.htm)



Top management commitment. Managers in an organization strongly supporting corporate entrepreneurship

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

of risk money that is available.

   a. The overall program expectations and the target results of each corporate venture should be established
   b. As much as possible, these should specify time frame, volume, profitability requirements for the new venture, and impact of the organization.
   c. A mentor/sponsor system needs to be established.

5. *Step 3*: A company needs to use technology to make itself more flexible.
   a. Technology has allowed small companies to behave like big companies.
   b. Large companies can use technology to make themselves responsive and flexible.
6. *Step 4*: The organization should be a group of interested managers who will train employees and share their experiences.
   a. The training sessions should be conducted one day per month for a specified period of time.
   b. Information about corporate entrepreneurship in general—and about the specifics of the company's

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

activities in developing ideas into marketable products or services that are the basis of new business venture units—should be well publicized.

7. *Step 5*: The organization needs to develop ways to get closer to its customers by tapping the data base, hiring from smaller rivals, and helping the retailer.
8. *Step 6*: An organization must learn to be more productive with fewer resources.
   a. With middle management cutbacks, more control has been given to lower levels of the organization.
   b. The span of control should be increased.
9. *Step 7*: The organization needs to establish a strong support structure.
   a. Because they do not immediately affect the bottom line, corporate entrepreneurial activities can be overlooked and receive little funding.
   b. These ventures require flexible, innovative behavior, with the corporate entrepreneurs having total authority over expenditures and access to funds.
10. *Step 8*: The support must involve tying the rewards to the performance of the corporate

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

entrepreneurial unit.
   a. This encourages team members to work harder and compete more effectively.
   b. Because the corporate venture is a part of the larger organization, the equity portion of the compensation is particularly difficult to handle.

11. *Step 9*: The organization needs to implement an evaluation system that allows successful units to expand and unsuccessful ones eliminated.

B. Problems and Successful Efforts

1. One study found that new ventures started within a corporation performed worse than those started independently.
2. The reasons cited were the corporation's difficulty in maintaining a long-term commitment, a lack of freedom to make decisions, and a constrained environment.
3. There are many examples of companies that have successfully implemented corporate entrepreneurship.
   a. 3M allows employees to devote a percent of their time to independent projects.
   b. After failing to recognize the potential of Steven Wozniak's proposal for a

AS SEEN IN BUSINESS NEWS: Opportunity or Not?
(Box in text)

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

personal computer, Hewlett-Packard has taken steps to ensure that it will be recognized as a leader in innovation and not miss future opportunities.

c. IBM has developed the independent business unit concept in which each unit is a separate organization with its own mini-board of directors and autonomous decision making authority.

4. The problems of corporate entrepreneurship are not insurmountable, and implementing corporate entrepreneurship can lead to new products, growth, and the development of an entirely new corporate environment and culture.

C. ***Learning From Failure***

1. Sometimes entrepreneurial initiatives fail to achieve their objectives and, as a result, are terminated.
2. These represent an opportunity to learn.
3. By learning why an entrepreneurial initiative failed, entrepreneurs can avoid such mistakes in the future.
4. Individuals who use a ***dual process model of coping with negative emotions*** or grief recovery can more quickly recover from the negative emotions generated by the failure

Learning objective 5
To acknowledge that projects fail and people feel bad about it, and to introduce the dual process model for maximizing learning from failure experiences.

KEY TERM

Dual process model of coping with negative emotions.
Involves oscillation between a loss orientation and a restoration orientation

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES

of an entrepreneurial initiative.

5. This dual process model requires oscillating between two alternate approaches to loss.
6. The first is a **loss orientation**, which involves focusing on the loss event, to create an account of the failure.
7. The second alternative—**a restoration orientation**—involves distracting oneself from thinking about the failure and focusing one's energy on addressing other problems that have arisen as a result of the failure.
8. The dual process of learning from failure has a number of practical implications:
   a. The knowledge that the feelings and reactions being experienced by the entrepreneur are normal for someone dealing with such a loss may help to reduce feelings of shame and embarrassment.
   b. Realizing the psychological and physiological outcomes caused by the feelings of loss are "symptoms" can reduce secondary sources of stress and assist with the choice of treatment.
   c. There is a process of recovery from failure to learn, which offers entrepreneurs some comfort that their



Loss orientation.
An approach to negative emotions that involves working through, and processing, some aspect of the loss experience and, as a result of this process, breaking emotional bonds to the object lost



Restoration orientation.
An approach to negative emotions based on both avoidance and a proactiveness toward secondary sources of stress arising from a major loss

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

CHAPTER OUTLINE AND TEACHING NOTES		
current feelings of loss, will eventually diminish. d. The recovery and learning process can be enhanced by use of the dual process model of coping with negative emotions. e. Recovery from loss offers an opportunity to increase one's knowledge of entrepreneurship. **IV. IN REVIEW: SUMMARY** See **"Learning Objectives Revisited"** below.		

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

LEARNING OBJECTIVES REVISITED

Learning objective 1: To understand the causes of interest in corporate entrepreneurship.

- Interest in entrepreneurship within organizations has resulted from events occurring on social, cultural and business levels. There is an increasing interest in "doing your own thing."
- Corporate entrepreneurship is one method for stimulating and capitalizing on those who think that something can be done differently.
- It is important to instill the entrepreneurial spirit in an organization in order to innovate and grow.
- The resistance against flexibility, growth and diversification can be overcome by developing corporate entrepreneurship within the organization.
- There are social, cultural, and business pressures for corporate entrepreneurship.
- Entrepreneurial endeavors consists of four key elements:
  - New business venturing
  - Organizational innovativeness
  - Self-renewal
  - Proactiveness

Learning objective 2: To introduce the "entrepreneurial" mode of managing firms and distinguish it from the traditional mode.

- Entrepreneurial management is distinct from traditional management in:
  - Strategic orientation
  - Commitment to opportunity
  - Commitment of resources
  - Control of resources
  - Management structure
  - Reward philosophy
  - Growth orientation
  - Entrepreneurial culture

Learning objective 3: To provide a scale for capturing the extent to which management adopts entrepreneurial or traditional behaviors.

- The organization operates on the frontiers of technology.
- Experimentation, or trial and error, is encouraged.
- There are no initial organizational obstacles inhibiting creativity in new product

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

development.

- The resources of the firm are available and easily accessible.
- A multidisciplinary team approach is encouraged.
- The spirit of entrepreneurship cannot be forced on individuals; it must be voluntary.
- The corporate entrepreneur is appropriately rewarded for the energy and effort expended on the new venture.
- The environment has sponsors and champions who support the creative activity and resulting failures.
- The activity is whole-heartedly supported by top management.
- Individual characteristics that constitute a successful corporate entrepreneur include understanding the environment, being visionary and flexible, creating management options, encouraging teamwork, encouraging open discussion, building a coalition of supporters, and being persistent.

Learning objective 4: To discuss how established firms can develop an entrepreneurial culture and the challenges of doing so.

- An organization wanting to establish a more entrepreneurial firm must implement a procedure for its creation.
  - Secure commitment to corporate entrepreneurship in the organization by top, upper, and middle management levels.
  - Ideas and general areas that top management is interested in supporting should be identified, along with the amount of risk money that is available to develop the concept further.
  - A company needs to use technology to make itself more flexible.
  - The organization should be a group of interested managers who will train employees as well as share their experiences.
  - The organization needs to develop ways to get closer to its customers.
  - An organization that wants to become more entrepreneurial must learn to be more productive with fewer resources.
  - The organization needs to establish a strong support structure for corporate entrepreneurship.
  - Support also must involve tying the rewards to the performance of the entrepreneurial unit.
  - The organization needs to implement an evaluation system that allows successful entrepreneurial units to expand and unsuccessful ones to be eliminated.

Learning objective 5: To acknowledge that projects fail and people feel bad about it, and to introduce the dual process model for maximizing learning from failure experiences.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

- New ventures started within a corporation perform worse than those started independently.
- There are many examples of companies that have successfully implemented corporate entrepreneurship, like Xerox, 3M and IBM.
- The problems of corporate entrepreneurship are not insurmountable, and implementing corporate entrepreneurship can lead to new products, growth, and the development of an entirely new corporate environment and culture.
- Sometimes entrepreneurial initiatives fail to achieve their objectives and, as a result, are terminated.
- By learning why an entrepreneurial initiative failed, entrepreneurs can avoid such mistakes in the future:
  - Individuals who use a **dual process model of coping with negative emotions** or grief recovery can recover more quickly from the failure of an entrepreneurial initiative.
  - This dual process model requires oscillating between two alternate approaches to loss. **Loss orientation** and **Restoration orientation**.
- The dual process of learning from failure has a number of practical implications:
  - First, knowledge that the feelings and reactions being experienced by the entrepreneur are normal
  - Second, realizing the "symptoms" can reduce secondary sources of stress and assist with the choice of treatment.
  - Third, there is a process of recovery from failure to learn, which offers entrepreneurs some comfort.
  - Fourth, the recovery and learning process can be enhanced by use of the dual process model of coping with negative emotions.
  - Finally, recovery from loss offers an opportunity to increase one's knowledge of entrepreneurship.

KEY TERMS

Corporate entrepreneurship: Entrepreneurial action within an established organization
Culture: The environment of a particular organization
Dual process model of coping with negative emotions: Involves oscillation between a loss orientation and a restoration orientation
Entrepreneurial orientation toward commitment of resources: A focus on how to minimize the resources that would be required in the pursuit of a particular opportunity
Entrepreneurial orientation toward control of resources: A focus on how to access others' resources
Entrepreneurial orientation toward culture: A focus on encouraging employees to generate ideas, experiment, and engage in other tasks that might produce opportunities

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

Entrepreneurial orientation toward growth: A focus on rapid growth
Entrepreneurial orientation toward opportunity: A commitment to taking action on potential opportunities
Entrepreneurial orientation toward management structure: More organic focus—has few layers of bureaucracy between top management and the customer and typically has multiple informal networks
Entrepreneurial philosophy toward rewards: One that compensates employees based on their contribution toward the discovery/generation and exploitation of opportunity
Loss orientation: An approach to negative emotions that involves working through, and processing, some aspect of the loss experience and, as a result of this process, breaking emotional bonds to the object lost.
Restoration orientation: An approach to negative emotions based on both avoidance and a proactiveness toward secondary sources of stress arising from a major loss.
Strategic orientation: A focus on those factors that are inputs into the formulation of the firm's strategy
Top management commitment: Managers in an organization strongly supporting corporate entrepreneurship

RESEARCH TASKS AND CLASS DISCUSSIONS

The text includes several topics for student research and class discussions. These questions are open-ended, and the answers will be different for each student. There are no "correct" answers.

Research tasks:

1. Speak to three entrepreneurs and find out what motivated them to become entrepreneurs. Also find one person who, at one time, considered becoming an entrepreneur but did not do so. Find out why.
2. Interview three individuals employed within the research and development (R&D) departments of large, well-established companies. From the interview, gain an understanding of what the company does to foster corporate entrepreneurship, what it does to inhibit corporate entrepreneurship, and what it could be doing better toward further enhancing entrepreneurship throughout the whole organization.
3. Search the Internet for four accounts of successful corporate entrepreneurship. What key factors for success are common across all of these accounts? Which are unique? If one company can foster an entrepreneurial climate within an existing firm, what stops another company from copying its process and taking away the initial advantage?
4. Request the participation of managers from two companies and then ask them to

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

fill out an "entrepreneurial management" scale (see Table 2.2). Based on the scale, which firm is more entrepreneurially managed? Does this coincide with your "gut feel" about the businesses?

5. Interview three employees that have worked on projects that were terminated. Ask them how they felt about the project, how they felt after it was terminated, and how they feel today. How did they deal with the loss of the project?

Class Discussions

1. Isn't "corporate entrepreneurship" an oxymoron? Do the characteristics of an established organization, such as its routines and structure, increase efficiency but at the same time kill any entrepreneurial spirit? Is there any way that a company can have the best of both worlds?
   Answer:
   Student answers will vary. The discussion should concentrate on (a) whether established firms can be considered entrepreneurial and (b) the differences between firms that are more entrepreneurially managed and those that are more traditionally managed.
   Corporate entrepreneurship is most strongly reflected in entrepreneurial activities as well as in top management orientations in organizations. These entrepreneurial endeavors consist of the following four key elements: new business venturing, innovativeness, selfrenewal, and proactiveness.

2. Is increasing the entrepreneurial orientation of a firm always a good thing? Or are there circumstances or environments in which the further pursuit of opportunities can diminish firm performance?
   Answer:
   Student answers will vary. Entrepreneurial orientation would involve commitment of resources, orientation toward opportunity, commitment of resources, control of resources, management structure, growth, and culture.
   The discussion should also focus on whether the following characteristics of a good entrepreneurial environment can diminish firm performance: Operating on the frontiers of technology, encouraging experimentation—trial and error, ensuring that there are no initial organizational obstacles that inhibit creativity in new product development, ensuring that resources of the firm are available and easily accessible, encouraging a multidisciplined team approach, ensuring that the spirit of corporate entrepreneurship is voluntary, a good reward system, having sponsors and champions throughout the organization, and ensuring that entrepreneurial activity is wholeheartedly supported and embraced by top management.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

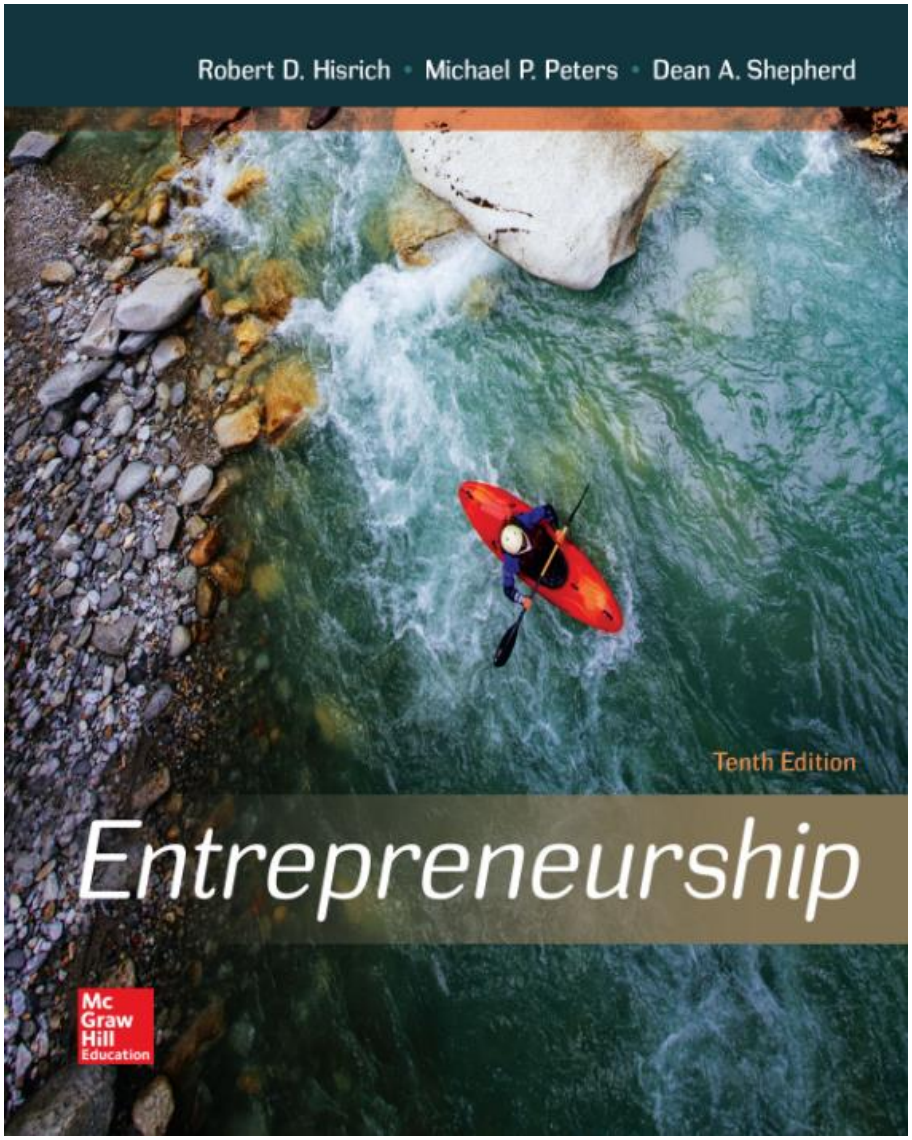
Entrepreneurship 10th edition Hisrich Solutions Manual

3. What does it mean to say that something is important to you? Who has lost something that was important to them? How did it feel? What did you do to recover from the loss?
   Answer:
   Student answers will vary. Entrepreneurial actions are essentially experiments with unknown outcomes. Sometimes they do not work out as expected and fail to achieve their objectives and as a result terminated. This is a loss for an entrepreneur. Strong negative emotions are generated from the loss felt by the failure. The more important the entrepreneurial initiative is to an entrepreneur, the greater his or her negative emotional reaction to the loss of that initiative will be. While these negative emotions can interfere with the learning process, those individuals who can more quickly recover from the emotions of failure can more quickly and effectively learn from the experience and are often more motivated to try again.

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

Chapter 2



Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.

Entrepreneurship 10th edition Hisrich Solutions Manual

Learning Objectives

- To understand the causes of interest in corporate entrepreneurship
- To introduce the “entrepreneurial” mode of managing firms and distinguish it from the traditional mode
- To provide a scale for capturing the extent to which management adopts entrepreneurial or traditional behaviors

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Learning Objectives

- To discuss how established firms can develop an entrepreneurial culture and the challenges of doing so
- To acknowledge that projects fail and people feel bad about it, and to introduce the dual process model for maximizing learning from failure experiences

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Causes for Interest in Corporate Entrepreneurship

- Corporate entrepreneurship
  - Entrepreneurial action within an established organization
  - Capitalizes on individuals who can do things differently and better

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Causes for Interest in Corporate Entrepreneurship

- Causes for interest
  - Desire for responsibility
  - Strong need for individual expression and freedom
  - Discontent within the structured organization

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Table 2.1- Distinguishing Entrepreneurially from Traditionally Managed Firm

Entrepreneurial Focus	Conceptual Dimension	Administrative Focus
Driven by perception of opportunity	Strategic orientation	Driven by controlled resources
Revolutionary with short duration	Commitment to opportunity	Evolutionary with long duration
Many stages with minimal exposure	Commitment of resources	A single stage with complete commitment out of decision
Episodic use or rent of required resources	Control of resources	Ownership or employment of required resources
Flat with multiple informal networks	Management structure	Hierarchy
Based on value creation	Reward philosophy	Based on responsibility and seniority
Rapid growth is top priority; risk accepted to achieve growth	Growth orientation	Safe, slow, and steady
Promoting broad search for opportunities	Entrepreneurial culture	Opportunity search restricted by controlled resources; failure punished

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Managerial Versus Entrepreneurial Decision Making

- Strategic orientation
  - Focuses on factors that are inputs in formulation of the firm's strategy
- Entrepreneurial orientation toward opportunity
  - Commitment to take action on potential opportunities

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Managerial Versus Entrepreneurial Decision Making

- Entrepreneurial orientation toward commitment of resources
  - Minimizes resources that would be required in pursuing a particular opportunity
- Entrepreneurial orientation toward control of resources
  - Focuses on how to access others' resources

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Managerial Versus Entrepreneurial Decision Making

- Entrepreneurial orientation toward management structure
  - More organic focus
    - Has few layers of bureaucracy between top management and the customer

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Managerial Versus Entrepreneurial Decision Making

- Entrepreneurial philosophy toward rewards
  - Compensation is based on generation and exploitation of opportunity
- Entrepreneurial orientation toward growth
- Entrepreneurial orientation toward culture
  - Encourages employees to generate ideas, and engage in tasks that might produce opportunities

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

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

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

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

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Establishing Corporate Entrepreneurship in the Organization

- Step one
  - Secure a commitment from top, upper, and middle management levels
  - Identify, select, and train corporate entrepreneurs
- Step two
  - Identify ideas and areas that interest top management
  - Identify amount of risk money available

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Establishing Corporate Entrepreneurship in the Organization

- Establish overall program expectations and target results
- Establish time frame, volume, and profitability requirement
- Establish mentor/sponsor system

- Step three
  - Use of technology to ensure organizational flexibility

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Establishing Corporate Entrepreneurship in the Organization

- Step four
  - Identify interested managers to train employees
- Step five
  - Develop ways to get closer to the customers
- Step six
  - Learn to be more productive with fewer resources
- Step seven
  - Establish a strong support structure for corporate entrepreneurship

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Establishing Corporate Entrepreneurship in the Organization

- Step eight
  - Tie rewards to the performance of the entrepreneurial unit
- Finally
  - Evaluation system should be such that:
    - Successful entrepreneurial units thrive
    - Unsuccessful ones are eliminated

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Problems and Successful Efforts

- Compared to new ventures started within a corporation, independent start-ups:
  - Perform better
  - End up twice as profitable
- Reasons cited
  - Corporation's difficulty in maintaining a long-term commitment
  - Lack of freedom to make autonomous decisions
  - Constrained environment

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Learning from Failures

- Dual process model of coping with negative emotions
  - Oscillation between a loss orientation and a restoration orientation
- Loss orientation
  - An approach to negative emotions that involves:
    - Working through and processing some aspect of the loss experience
    - Breaking emotional bonds to the object loss

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual

Learning from Failures

- Restoration orientation
  - An approach to negative emotions based on:
    - Both avoidance and proactiveness toward secondary sources of stress arising from a major loss

Copyright © 2017 McGraw-Hill Education. All rights reserved. No reproduction or distribution without the prior written consent of McGraw-Hill Education.
Entrepreneurship 10th edition Hisrich Solutions Manual