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Chapter 02

CORPORATE ENTREPRENEURSHIP

LEARNING OBJECTIVES

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

02: To introduce the “entrepreneurial” mode of managing firms and distinguish it from the traditional mode.

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

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

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

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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. At the social level, 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 more freedom in their work environment.
   c. Frustration develops with lack of freedom and results in the employee producing less or leaving the firm.
   d. This has recently caused more discontent in structured organizations.
   e. When the organization does not provide meaning, individuals often search for it at another organization.
2. Corporate entrepreneurship is one method of stimulating and capitalizing on those who think something can be done better.

B. It is important to instill the entrepreneurial spirit in an organization to innovate and grow.

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)

The text uses the example of Xerox and their Xerox Technology Ventures (XTV) created for the purpose of generating profits by investing in promising, yet often overlooked, technologies of the company.

Learning Objective 01
To understand the causes of interest in corporate entrepreneurship.

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1. In a large organization, problems occur that thwart creativity and innovation.
2. The growth resulting from flexibility and creativity are critical, since large corporations are more efficient in a competitive market than are smaller firms.

C. Overcome resistance against flexibility, growth, and diversification by developing a spirit of entrepreneurship, called ***corporate entrepreneurship***, within the existing firm.
   1. There are social, cultural, and business pressures for corporate entrepreneurship.
   2. Hypercompetition forces companies to focus on product development, increased productivity, and decreased costs.

D. Entrepreneurial endeavors consist of four key elements.
   1. New business venturing refers to the creation of a new business within an existing organization.
   2. Organizational innovativeness refers to product/service innovation including new products, product improvements, and new production methods.
   3. Self-renewal reflects the transformation of organizations through the renewal of the key ideas on which they are built.

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)

Chapter 01 showed that acting entrepreneurially is done based on perceptions of the desirability and feasibility of pursuing an opportunity. For existing companies to create a



Corporate entrepreneurship
Entrepreneurial action within an established organization

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4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness and boldness.

culture that encourages entrepreneurial behavior, requires a different perspective on how to manage the firm.

II. MANAGERIAL VERSUS ENTREPRENEURIAL DECISION MAKING

Learning Objective 02
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 of resources, control of resources, management structure, reward philosophy, growth orientation, and entrepreneurial culture.

Table 2.1 "Distinguishing Entrepreneurially from Traditionally Managed Firms"
The nature of the differences among eight dimensions is represented in Table 2.1 and described in greater detail in the text.

1. Strategic Orientation and Commitment to Opportunity
   a. 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.



Strategic orientation
A focus on 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.

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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 place considerable emphasis on information. If the traditionally managed firm chooses to pursue the 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, but they have an ***entrepreneurial orientation toward the commitment of resources*** focused on the opportunity.

b. By minimizing the resources needed to



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



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

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pursue an opportunity, it minimizes the amount of resources at risk if the opportunity does not "pan out."

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—and the investment of resources is not easily reversed.

d. Entrepreneurially managed firms are less concerned about the ownership of resources and more concerned about having access to others' resources.

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

3. Management Structure and Reward Philosophy

a. An ***entrepreneurial orientation toward***

Entrepreneurially managed firms commit small amounts of resources with minimal risk exposure and use them as probes into the future that reveal information in an uncertain environment.

"Why do I need to control resources if I can access them from others?"



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

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management structure is organic. Therefore, entrepreneurially managed firms can capture and communicate more information from the external environment and "fluid" enough to take quick action based on that information.

There are few layers between top management and the customer and multiple informal communication channels through internal networks and external networks.



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

b. In contrast, the traditionally managed firm's structure is suited for the internal efficiencies of allocating controlled resources. Their structures typically focus inward on efficiency rather than detecting and rapidly acting on changes in the external environment.



ETHICS:
Do Entrepreneurs and Managers differ in Ethical Conduct?

c. Entrepreneurially managed firms focus on pursuing opportunities for new entry that represent new value for the firm. These firms have an ***entrepreneurial philosophy toward rewards*.**

Given the organic structure, employees often have the freedom to experiment with potential opportunities and rewarded accordingly.



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

d. Traditionally managed firms reward based on responsibilities, and responsibilities are typically determined by the amount of resources that a manager or employee controls.

4. Growth Orientation and Entrepreneurial Culture

a. In a firm that has an ***entrepreneurial orientation toward growth***, there is a



Entrepreneurial orientation toward growth.
A focus on rapid growth

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desire to expand the firm, rapidly.

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

Traditional firms prefer a "manageable" growth pace that does not "unsettle the firm" by putting at risk the resources the firm controls and so does not put at risk the jobs and power of top management.

c. ***Culture*** distinguishes entrepreneurially and traditionally managed firms.



Culture.
The environment of a particular organization

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



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

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

Only considering ideas related to currently controlled resources reduces the scope of opportunity.

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

Table 2.2 "Scale to Capture How Entrepreneurially a Firm Is Managed"
The higher the score, the more entrepreneurially managed is the firm.

Learning Objective 03
To provide a scale for capturing the extent to which management adopts entrepreneurial or traditional behaviors.

5. Establishing a Culture for Corporate Entrepreneurship

a. The organization operates on the frontiers of technology.

i. Research and development are key sources for new product ideas.

ii. The firm must support new ideas

Table 2.3 "Characteristics of an Entrepreneurial Environment"

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instead of discouraging them.

b. Experimentation is encouraged.
   i. Successful new products usually do not appear fully developed; instead they evolve.
   ii. A entrepreneurial spirit allows mistakes and failures.
   iii. Without the opportunity to fail, few corporate entrepreneurial ventures will be developed.

c. Entrepreneurial firms remove obstacles to creativity in product development.

d. The resources of the firm need to be available and easily accessible.
   i. Firms often allocate funds not for something new but to solve a problem affecting the bottom line.
   ii. Even when resources are available, reporting requirements can become obstacles to obtaining them.

e. Entrepreneurial firms encourage multidisciplinary teams.
   i. This open approach is antithesis of typical corporate structure.
   ii. Another complication is that a team member's promotion within the corporation is based on job

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

Some companies – like Xerox, 3M, and AT&T – have established separate venture-capital areas for funding new internal and external ventures.

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performance in the current position, not in the new venture.

iii. A long time horizon is needed for evaluating the success of the overall program and that of each individual venture.

f. Corporate entrepreneurial spirit must be voluntary, not forced on individuals.

i. Most managers cannot succeed as corporate entrepreneurs.

ii. Those managers that do emerge must be allowed to carry a project through to completion.

iii. A corporate entrepreneur loves their new venture and will do almost anything to ensure success.

g. Entrepreneurial firms create a reward system that encourages creativity, risk taking, and even failure.

i. Corporate entrepreneurs need appropriate rewards for the energy and effort spent on a new venture.

ii. An equity position in the new venture is one of the best motivational rewards.

h. An entrepreneurial firm develops and then matches sponsors and product

There is a difference between corporate thinking and entrepreneurial thinking (discussed earlier and summarized in Table 2.1).

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)

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champions who exist throughout the organization and not only support the creative activity but also have the planning flexibility to establish new objectives and directions as needed.

i. Most importantly, top management must wholeheartedly support employee's entrepreneurial actions.

"For a new business venture to succeed, the corporate entrepreneur needs to be able to alter plans at will and not be concerned about how close they come to achieving the previously stated objectives."

6. Leadership Characteristics of Corporate Entrepreneurs

a. A corporate entrepreneur needs to understand all environmental aspects.

i. Part of this ability is reflected in the individual's level of creativity.

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

Table 2.4 "Leadership Characteristics of a Corporate Entrepreneur"
These include understanding the environment, being visionary and flexible, creating management options, encouraging teamwork, encouraging open discussion, building a coalition of supporters, and being persistent.

Those with high creativity are able to "connect the dots" to form an opportunity belief.

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

"A leader is like a gardener. When you want a tomato, you take a seed, put it in fertile soil, and carefully water under tender care. You don't manufacture tomatoes; you grow them."

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. The corporate entrepreneur must have a dream and overcome all

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obstacles to achieve it.

c. Corporate entrepreneurs are 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.

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.

d. Corporate entrepreneurs encourage teamwork and use a multidisciplined approach.
   i. 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 for the team to create something new.
   i. Many managers forget that the learning process involves open discussions and disagreements.
   ii. A successful venture needs a team who feels the freedom to disagree and to critique an idea.

There are two types of conflicts occurring in team interactions: conflict over the nature of the task which reveals information for enhancing performance on the task, and conflict where the discussion becomes personal and this obstructs performance on the task. When eliminating conflict, do not eliminate task conflict.

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iii. The degree of team openness depends on the degree of openness of the corporate entrepreneur.

f. Openness leads to 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. A new venture and successful commercialization results due to persistence by the corporate entrepreneur.

III. ESTABLISHING CORPORATE ENTREPRENEURSHIP IN THE ORGANIZATION

A. An organization wanting to establish a more entrepreneurial firm must implement a procedure for its creation.
   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. The first step is to secure a commitment to corporate entrepreneurship in the

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organization by top and middle managers.

a. Without ***top management commitment***, the organization will be unable to make the necessary changes.
b. Once top management has committed for a sufficient time, the concept is introduced throughout the organization.
c. This is effectively accomplished through seminars.
d. Establish general guidelines for corporate venture development.
e. Next, corporate entrepreneurs need to be identified, selected, and trained.

4. Second, ideas and general areas of interest to top management should be identified, along with the amount of money available.
   a. Establish the overall program expectations and the target results of each corporate venture.
   b. Targets should specify time frame, volume, profitability requirements, and impact on the organization.
   c. A mentor/sponsor system needs to be established.
5. Third, a company needs to use technology to make itself more flexible.
   a. Technology has allowed small

"sufficient time" is noted as at least three years.

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.

KEY TERM

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

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companies to behave like big ones.
   b. Large companies can use technology to make themselves responsive and flexible like smaller firms.
6. Fourth, the organization should be a group of interested managers who will train employees and share their experiences.
   a. Training sessions should be one day a month for a specified period of time.
   b. Information about corporate entrepreneurship in general—and specifics of the company's activities in developing ideas into marketable products or services—should be well publicized.
7. Fifth, the organization needs to develop ways to get closer to its customers by tapping the database, hiring from smaller rivals, and helping the retailer.
8. Sixth, an organization must learn to be more productive with fewer resources.
   a. Middle management cutbacks means more control is given to lower levels.
   b. The span of control should increase.
9. Seventh, the organization needs to establish a strong support structure.
   a. Because they do not immediately affect

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

Span of control may be as high as 30-1 (employees to manager) in some company divisions. The concept of "lean and mean" needs to exist for corporate entrepreneurship to prevail.

Learning Objective 04
To discuss how established firms can develop an entrepreneurial culture and the challenges of doing so.

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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. Eighth, support must tie rewards to the performance of the 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. Finally, implement an evaluation system that allows successful units to expand and unsuccessful ones to be 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

The organization also needs to make sure that rewards are tied to the process rather than the outcome.

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 of 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)

AS SEEN IN *BUSINESS NEWS*:
Opportunity or Not?

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have successfully implemented corporate entrepreneurship.

a. 3M allows employees to devote a percent of their time to independent projects.
b. One of the most successful entrepreneurial activities was the development of Post-it Notes by 3M chemical engineer Arthur Fry.
c. Obtaining approval to commercialize the idea was a barrier until samples were distributed to 3M secretaries and other companies, creating a demand.

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

C. Learning From Failure

1. Sometimes entrepreneurial initiatives fail to achieve their objectives and 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

Learning Objective 05
To acknowledge that projects fail and people feel bad about it, and to introduce the dual process model for maximizing learning from failure experiences.



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

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recovery can more quickly recover from the negative emotions generated by the failure 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 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 experienced by the entrepreneur are normal may 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

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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.		

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LEARNING OBJECTIVES REVISITED

Learning objective 01: 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 02: 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 03: 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

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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 04: 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 05: To acknowledge that projects fail and people feel bad about it, and to introduce the dual process model for maximizing learning from

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failure experiences.

- 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 and 3M.
- 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

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Entrepreneurial orientation toward culture: A focus on encouraging employees to generate ideas, experiment, and engage in other tasks that might produce opportunities
Entrepreneurial orientation toward growth: A focus on rapid growth
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 orientation toward opportunity: A commitment to taking action on potential opportunities
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. 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.
2. 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?
3. Request the participation of managers from two companies and then ask them to fill out an "entrepreneurial management" scale (see Table 2.2). Based on the

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scale, which firm is more entrepreneurially managed? Does this coincide with your "gut feel" about the businesses?

4. 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:
   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, self-renewal, 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:
   Entrepreneurial orientation would involve commitment of resources, orientation toward opportunity, 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 multi-disciplined 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.

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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:
   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.

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