

Entrepreneurship & SME's

Chapter 2

The Entrepreneurial & Intrapreneurial Mind

- An American pharmaceuticals magnate, philanthropist, and Major League baseball owner pharmaceutical company
- Bedridden for a year at age 11
- Kauffman worked as a pharmaceutical salesman until [1950](#)
- Formed Marion Laboratories with a \$5,000 investment, operating it initially out of the basement of his home
- Ewing Kauffman's curiosity about the world, his attention to detail, and his own life experiences formed the basis for his philanthropy. He established the Ewing Marion Kauffman Foundation In 1966.
- Ewing Kauffman was the prototypical entrepreneur, who started with few resources, grew his firm into a multibillion-dollar company over four decades, and did so in an ethical and compassionate manner. He experienced first hand the rewards of education and entrepreneurship for himself, his family, his work associates, and his community. He believed philanthropy could and should promote entrepreneurship and education as means to improve lives.
- People in the company were called associates, not employees- offered a profit sharing plan
- Mr. K, philosophies rewarding those who produce & allowing decision making through out the ORG- concepts what is now called **intrapreneurship** in a company
- Like Mr. K, many other entrepreneurs and future entrepreneurs frequently ask themselves
- "Am I really an entrepreneur or an intrapreneur?"
- "Do I have what it takes to be a success?"
- "Do I have sufficient background & experience to start & manage new venture?"

Fact is that more new business ventures fails than succeed

- To be successful entrepreneurs require more than just hard work & luck
 - ✓ *Hard, honest assessment Of viability of the prospective Business*

✓ One's own strength & weakness

The Entrepreneurial Process

The process through which new venture is created by an entrepreneur

1. Identification & evaluation of the opportunity
2. Development of the business plan
3. Determination of the required resources
4. Management of the resulting enterprise

1. Identify & Evaluate the Opportunity

- ✓ The process by which an entrepreneur comes up with the opportunity for a new venture
- ✓ Results from entrepreneurs alertness to possibilities or in some cases the establishment of mechanisms
- ✓ One entrepreneur constantly looking for a need & opportunity to create a better product
- ✓ Another monitors play habits & toys of her niece- looking for unique toy product niche

Other sources

• Consumers & business associates

- best sources of ideas for a new venture
- “if only there was a product that would...”
- business executives complaining about technical writing & word processing resulted in the creation of new business

• Member of the distribution system

- Close contact with the end user, channel members see product needs
- Entrepreneurs identified business opportunities through discussion with a retailer, wholesaler & manufacturers representatives
- started bookstores- lack of service & high cost books with only bookstore on campus

• Technical people

?

- ✓ Each opportunity must be screened and evaluated– critical element of Entrepreneurial process—it allows the entrepreneur to assess whether the specific product or service has the returns needed for the resources required
- ✓ Opportunity must fit the personal skills and goals of the entrepreneur.

2. Developing a Business Plan

The description of the future direction of the business

- ✓ Title page
- ✓ Table of contents
- ✓ Executive summary
- ✓ Description of business
- ✓ Description of industry
- ✓ Marketing- financial- production-Organizational- Operational Plan
- ✓ Summary

3. Determine the resources required

- ✓ The resources needed for the opportunity must also be determined
- ✓ Maintains as large ownership as possible particularly in start-up stages
- ✓ Alternative suppliers of resources must be identified – enables the resources to be acquired at the lowest possible cost

4. Manage The Enterprise

- ✓ Entrepreneur must employ the resources acquired through the implementation of business plan
- ✓ Operational problems of the growing enterprise must also be examined
- ✓ Implementing a management style and structure
- ✓ Control system must be identified so that any problem areas can be carefully monitored
- ✓ Some “E” have difficulty managing & growing the venture they created--- diff btw entrepreneurial & managerial decision making

Intrapreneurship

- ✓ Intrapreneurship is one method of stimulating & then capitalizing on, individuals in an ORG, who think that something can be done differently and better

Causes for interest in intrapreneurship

- ✓ Individuals who believe strongly in their own talents frequently desire to create something of their own
- ✓ They want responsibility & have a strong need for individual expression & more freedom in their present ORG structure
- ✓ No freedom– frustration at work & become less productive– leave ORG to achieve self-actualization elsewhere

Xerox Corporation

Ensure that its creative employees do not leave

- ✓ Set up XTV (Xerox Technology Venture)
 - ✓ Generating profits by investing in the promising technologies of the company which would have been overlooked
- ✓ avoid mistakes of past having “a system to prevent technology from leaking out of the company”—Robert Adams President XTV
- ✓ 30 M funds supported dozen start-ups
- ✓ Dennis a Xerox employee of 25 years idea was to make a battery-operated, plain paper copier.
- ✓ 10 years idea was not approved by X operating committee
- ✓ Idea was funded by XTV & Taiwan’s Advanced Scientific Corp– all companies funded by XTV, 20 % of each company is owned by the founder and key employees
- ✓ XTV provides financial benefits to its parent Xerox
- ✓ What Xerox recognized is what hundreds of executives are also becoming aware of in their organizations
- ✓ Its important to keep the entrepreneurial spirit in an ORG in order to innovate & grow

- ✓ The resistance against flexibility, growth and diversification can, in part, be overcome by developing a spirit of entrepreneurship within the existing ORG, called *intrapreneurship*
- ✓ *Intrapreneurship increased due to Hyper competition, both at home and abroad--- forced US companies to increase interest in such areas*

as new product development, diversification and increased productivity

- ✓ reduction in companies labor force
- ✓ 500 companies decreased by several million people
- ✓ these and new individuals absorbed into the WF (small business-start ups)

Entrepreneurial efforts consist of following elements

New business Venturing

- ✓ Creation of businesses within existing Org
- ✓ creating something new- redefining Co. current product Or services, develop new markets
- ✓ new ventures are the most salient manifestations of intrapreneurship

Innovativeness

- ✓ Emphasis on Product development- product and service innovation - innovation in technology

Self-renewal

- ✓ don't let the business stay stagnant
- ✓ changing the venture to suit market needs in a timely manner
- ✓ self renewal indicates that u must be strategic and change the ORG

Pro activeness

- ✓ Proactive Org take risks by conducting experiments- take initiative & is bold & aggressive in pursuing opportunities
- ✓ Org with proactive sprit lead rather than follow competitors in business areas-- intro to new products etc

Corporate versus Intrapreneurial Culture

- ✓ Employees of other organization catch the "entrepreneurial fever" many CO's now attempting to create the same spirit, culture, challenges & rewards of "E" in the ORG
- ✓ What are the diff btw Corporate & entrepreneurial cultures?
- ✓ Among managers, entrepreneurs and intrapreneurs

Corporate culture

- ✓ Climate & reward system that favor conservative decision making
- ✓ Risky decisions are often postponed until enough hard facts can be gathered
- ✓ Many approvals required for a large scale project that no individual feels personally responsible
- ✓ Guiding directives in traditional corporate culture:
 - ✓ Do not make any mistakes
 - ✓ Do not fail or take initiative but wait for instructions
 - ✓ Stay with in your turf & protect your backside
 - ✓ Environment not conducive to creativity- independence or risk taking

Intrapreneurial Culture

- ✓ Develop visions, goals & action plans; to be rewarded for actions taken;
- ✓ To suggest, try and experiment; to create & develop regardless of the area; & to take responsibility & ownership

Intrapreneurial Leadership Characteristics

- Understands the environment
- Visionary and flexible
- Encourages teamwork
- Encourages open discussion
- Builds a coalition Of supporters
- Persists

Summary of the chapter

- ✓ There is more to successful business than a good idea; there must be a good entrepreneur
- ✓ Ideal entrepreneur cannot be profiled; Xcitics & trends they may follow
- ✓ Entrepreneur goes through E process- Finding-evaluating & developing opportunities for creating a new venture
- ✓ There are both formal & informal mechanisms for identifying business opportunities
- ✓
 - I. Found within a more established company
 - II. Informal sources is to be sensitive to The complaints & chance comments of friends And associates

- ✓ Opportunity identified now evaluation process begins- basic screening is to understand the factors that create opportunity: *technology, market changes, competition or changes in govt regulations*
- ✓ Idea should fit the *personal skills & goals* of the entrepreneur
- ✓ Required resources should be- *obtain at the lowest possible cost*
- ✓ Managing new venture differs from managing an existing operation- along five dimension
- ✓ Distinctly *diff sets of skills* often needs to be developed to run entrepreneurial venture by a manager than corporate manger- either through experience or through education: *MBA*
- ✓ *Social & business pressures* caused an increase in new venture creation both: *outside & inside corporate structures*
- ✓ Within corporate structures, this entrepreneurial spirit and effort is called *intrapreneurship*
- ✓ Develop *successful innovation*, a corporation should establish a conducive *organizational climate*
- ✓ Traditional mangers: Strict to establish hierarchical structures Less risk oriented-emphasis on short term results which inhibit creativity, risk required for new ventures

- ✓ Org desiring *intrapreneurial climate*- encourage new ideas- experimental efforts- eliminate opportunity parameters- make resource available-promote teamwork approach & voluntary intrapreneurship- top mangt support
- ✓ Intrapreneur must have leadership characteristics – addition to visionary, creative- must also work within corporate culture
- ✓ Encourage teamwork & work diplomatically across established structures
- ✓ Org must carefully choose *intrapreneurial leaders*, develop general guidelines for ventures- establish strong support system- incentives & rewards to encourage team members

Product champions

Manager who takes "ownership" Of a project & provides the leadership & vision that take a product from the idea Stage to the final customer

• Skunkworks

•Group of intrapreneurs who are deliberately separated from the normal operation of an org to encourage them to devote all their attention to developing new products

New venture division

•An autonomous division that is given all the resources it needs to develop and market a new product
 • managers become intrapreneur & in charge of product develop