Corporate Entrepreneurship

Bharti Venkatesh, Naila Iqbal

ABSTRACT

Corporate Entrepreneurship (CE) seems to depend both on the capabilities of operational level participants to explore entrepreneurial opportunities, and on the perception of corporate management and its needs for entrepreneurship at a particular moment in its development. From the perspective of top management, CE is not likely to be a regular concern. Rather it is a kind of insurance against external disturbances or a safety valve for internal tensions resulting from pressures to create opportunities for growth.

This paper explores the traits, characteristics and the importance of CE. It also finds out that in India presently CE is gaining its continuum but there is a need to articulate the conceptual meaning and to develop the framework of CE. Moreover, there is a need to explore the inter-relationship between the leadership styles and management.

INTRODUCTION

Entrepreneurship and entrepreneurs are normally discussed in the context of new venture creation. Lately, the importance of entrepreneurship is being recognized within the corporate environment.

Corporate Entrepreneurship (CE) can be defined as the development of new products, services and innovative technologies within a large, mature organization. Sometimes this is referred to as intrapreneurship indicating that the activity is within an existing business.

In short, we can define CE as, the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization. This definition succinctly imbibes the paradigms of CE, namely the co-existence of 'new' and 'existing' and the close association of the 'individual' and the 'organization', which, usually, are located on different planes.

In the corporate environment, entrepreneurship is not an all-or-nothing phenomenon. Parts of the corporation may be mature, stable and oriented towards professional administrative management. However, other parts of the firm, new product development groups, venture teams, applied research task forces may be entrepreneurial. These parts of the firms possess entrepreneurial mindset and try to recreate for the corporation the environment that stimulates innovation and creativity. The entrepreneur's patterns define the entrepreneurial process by asking the following questions:

1. Where is the opportunity? Entrepreneurial teams are sensitive to changes in market conditions and buyer preferences. They monitor improvements in product manufacturing technology and product quality characteristics. These teams are empowered by the corporation to take political action to mobilize the firm.
2. How can we take advantage? The action oriented venture group must be able to act

quickly to gain an advantage once opportunities are identical. These groups are risk takers. Corporations must be willing to tolerate and accept failure since many, if not most, products never prove to be commercially successful.

3. What resources do we need? Entrepreneurial teams make imaginative use of limited resources. They borrow people, equipment, material and money from other parts of the corporation where these resources exist.
4. How do we control our resources? When entrepreneurial groups receive their borrowed and formal appropriations from the firm, the emphasis is on the result that can be obtained. Since the team has limited resources and may exist on a temporary basis, entrepreneurs avoid owning equipment or hiring people. This is valuable because the teams can have greater resources specialization and avoid the risk of obsolescence.
5. What structure is best? Entrepreneurs within a large corporation prefer a flat organizational structure with multiple lateral networks. These lateral networks are groups of colleagues who can help the entrepreneurs get things done. They facilitate coordination and provide a buffer between the administration's need for stability, hierarchy and orders and the entrepreneur's challenge to hierarchy and desire for independence.

> "The new challenge is to search for emerging 'white space' opportunities that would meet the unmet needs of customers in emerging markets. The value created for the firm is maximum when there is perfect synergy between the internal and external ventures of the firm."

REASONS FOR CORPORATE ENTREPRENEURSHIP

Building a new venture within the walls of an established corporation is an uncommon initiative. According to Kuratko et al. (1990), the need to pursue CE has arisen from a variety of pressing problems such as:

- Required changes, innovations and improvements in the market place to avoid stagnation and decline.
- Perceived weakness in the traditional methods of corporate management.
- The turnover of innovative-minded employees who are disenchanted with bureaucratic organization.

However, the pursuit of CE as a strategy to counter these problems creates a newer and potentially more complex set of challenges on both a practical and a theoretical level.

TRAITS OF CORPORATE ENTREPRENEURSHIP

CE often reflects the organization's culture and the values of its executive team and leaders. However, in today's fast moving global arena five common traits emerge, which need not be born but can be acquired through conditioning and training. These traits are:

- Credible communicator
- Skilled negotiator
- Accountable business owner
- Entrepreneurial leader
- Savvy relationship manager

CHARACTERISTICS OF CORPORATE ENTREPRENEURSHIP

CE activities can be internally or externally oriented.

Internal Orientation: Internal activities are typified as the development within a large organization of internal markets and relatively small and independent units designed to create internal test markets or expand improved or innovative staff services, technologies, or production methods within the organization. These activities may cover product, process and administrative (management of research and development) opportunistic (search and exploitation), initiative (internalization of an external development, technical or organizational) and acquisitive (acquisitions and mergers and divestments) aspects.

External Orientation: External entrepreneurship can be defined as the first phenomenon that consists of the process of combining resources dispersed in the environment by individual entrepreneurs with his or her own unique resources to create a new resource combination independent of all others. External efforts entail mergers, joint ventures, corporate venture, venture nurturing, venture spin-off and others (see Exhibit 1)

Whether internal or external in focus, CE can be formal or informal. Informal efforts occur autonomously, with or without the blessing of the official. Such informal activities can result from individual creativity or pursuit of self-interest and some of these efforts eventually receive the organization's formal recognition and thus become an integral part of the business concept. Accordingly, a comprehensive CE must incorporate both formal and informal aspects of corporate venturing as *"Corporate Entrepreneurship refers to formal and informal activities aimed at creating new business in established companies through product and process innovations and market developments."* These activities may take place at the corporate, division (business), functional, or project levels, with the unifying objectives of improving a firm's competitive position and financial performance.

In the light of these manifestations, it is evident that CE is not confined to a particular business size or a particular stage in an organization's life cycle, such as the start-up phase. In a competitive environment, entrepreneurship is an essential element in the long-range success of every business organization, small or large, new or long established.

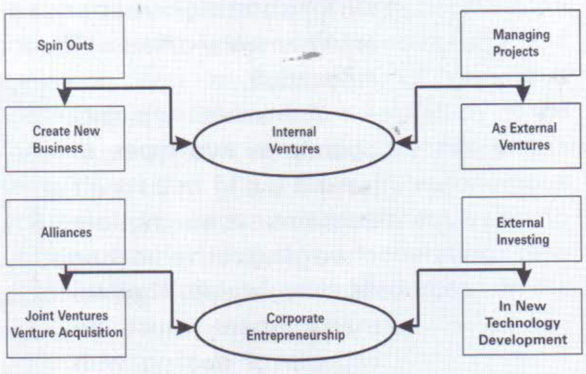
Exhibit 1 : Role of corporate venturing

		BASE	RELATED	UNRELATED
MARKET	BASE	Internal development		Joint Venture
	RELATED		Corporate Venture	
	UNRELATED	Joint Venture		Acquisition
		TECHNOLOGY		

SYNERGY BETWEEN INTERNAL AND EXTERNAL VENTURES

For today's corporations, traditional internal expansions, efficiency improvements and 'synergistic' acquisitions are no longer sufficient sources of growth. The new challenge is to search for emerging 'white space' opportunities that would meet the unmet needs of customers in emerging markets. The value created for the firm is maximum when there is perfect synergy between the internal and external ventures of the firm as shown in Exhibit 2.

Exhibit 2: Synergy between Internal Ventures and External Ventures



SYNERGY BETWEEN CORPORATE ENTREPRENEURSHIP AND ORGANIZATIONAL TYPES

The interaction of CE and strategic management can be related to typologies of