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Behavioral Aspects of Corporate Entrepreneurship

What are the key components in the creative process? What is the difference between innovation and creativity? How can an organization overcome barriers to innovation and creativity? What behaviors promote corporate entrepreneurship activity within an organization?

Scenario: Ericsson

Ericsson has been a recognized leader in the telecommunications industry since 1876. The company is a leading worldwide provider of telecommunications equipment and related services to mobile and fixed network operators globally. It was one of the first companies to establish overseas business operations. Even in the early stages, the founder, Lars Magnus Ericsson, decided to open a production facility in Russia. Technology is the forefront of Ericsson, and today it continues to expand and innovate to be on the cutting edge and make telecom services affordable and available to all. As innovation is most important to Ericsson and is a driver, the company adopts a market-driven innovation strategy focusing on

improving available technology with local customization and adaptation to meet consumer specific needs, wants, and expectations.

In 1900, Ericsson employed 1,000 people globally and produced 50,000 telephones; in 1923, the first automatic 500-point switches were put into service; in 1950, LM Ericsson telephone exchange supported the world's first international call; in 1968, the first digital telephone exchange (AXE) was installed; in 1991, AXE lines exceeded 105 million in 11 countries serving 34 million subscribers; in 2000, the company became the world's leading supplier of 3G mobile systems; in 2005, Ericsson won the biggest contracts to date to manage Operator 3's networks in Italy and the United Kingdom; in 2008, a research center was established in Silicon Valley; and in 2009, Verizon and Ericsson collaborated to carry out the first data call on a 4G network. Ericsson has a long history of innovation and the pioneering of next generation technologies for more efficient and higher-quality telecommunications. In 1878, Ericsson introduced telephones with a single trumpet; in 1968, the first digital telephone exchange (AXE) was installed; in 1981, the first mobile system, Nordic Mobile Telephone (NMT), was inaugurated in Saudi Arabia; in 1991, the first GSM (Global System for Mobile Communications) phones were in operation; in 1999, Ericsson pushed for 3G and mobile Internet; in 2003, high-speed broadband (Wideband Code Division Multiple Access, or WCDMA) rollout started globally; in 2007, full-service broadband, with fixed and wireless network converge, was introduced; in 2008, Ericsson pushed for 4G (Long Term Evolution, or LTE), the standard the company helped to form; and in 2009, Ericsson won the IEC InfoVision Award for fiber and backhaul solutions.

Over 1,000 networks in more than 175 countries utilize Ericsson's network equipment, and 40 percent of all mobile calls are made through its systems. Ericsson is the world's principal supplier of mobile networks. In 2010, it employed 88,060 people worldwide. The networks supported over 2 billion subscribers and served over 700 million subscribers, with the United States and China being the company's biggest markets. Ericsson has

over 25,000 patents, one of the industry's strongest portfolios. Ericsson is now driving the standardization of the next generation step LTE and Multimedia Telephony (MMTel), which further enhances consumer communication and entertainment experience. Ericsson recognizes the importance of communication in changing the lives of people and the way they work. Innovation is an important component of its culture. It uses innovation to empower people, business, and society. It provides communication networks, telecom services, and multimedia solutions, making it easier to communicate in a dynamic, global environment. This is supported by its global team of researchers that is constantly working on creating breakthrough innovations that will shape the future. Ericsson is a financially strong global innovation leader, investing approximately \$5 billion annually in research and development. The research areas of Ericsson include wireless access networks; broadband technologies; multimedia technologies, services, and software; radio access technologies; packet technologies; global services research; and sustainability and electromagnetic frequency.

In October 2001, Sony Ericsson was established through a 50-50 joint venture with Sony Corporation and Telefonaktiebolaget LM Ericsson. For Ericsson, this joint venture provided a vital link to the consumer. The joint venture combines the mobile communications expertise of Ericsson with the consumer electronics and content expertise of Sony Corporation. Sony Ericsson provides a range of mobile devices, including those supporting multimedia applications and other personal communication services.

In 2008, ST-Ericsson was created through a 50-50 joint venture by bringing together ST-NXP Wireless and Ericsson Mobile Platforms, two of the world's leading semiconductor and platform companies. ST-Ericsson is an industry leader in design, development, and creation of cutting-edge mobile platforms and semiconductors across the broad spectrum of wireless technologies.

In July 2010, Ericsson acquired a stake in Nortel and broke into the South Korean market with LG-Ericsson. By combining LG's

and Ericsson's research and development competencies, it has strengthened its position and become a unique player in the industry. This has been achieved through wireless, optical, and wire line products. As a result of the combination of innovative ideas and network convergence technologies, LG-Ericsson provides the connectivity that eliminates barriers in the exchange of information, enabling customers to recognize users' potential.

Ericsson has been the leader in driving technology forward from telegraph to telephone all the way to the rollout of 4G. It has contributed significantly to form the industry's standards from NMT and GSM to LTE. It is advancing its vision of being "the prime driver in an all-communicating world" through innovation, technology, and sustainable business solutions. Recognizing that innovation is rapidly changing, its Innovation Centers are focused to create mobile applications that are directly relevant and value adding to the consumer and the society as a whole. It has created a vivid culture of innovation, rapidly transferring from innovation to commercialization.

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Introduction

Among all the necessary attributes required for successful entrepreneurship, corporate entrepreneurship, renewal, innovation, and proactivity, the individual entrepreneur or corporate entrepreneur is the most critical. Corporate entrepreneurship and the behavior associated with it are initiated in established organizations for such reasons as profitability, growth, development, venturing, renewal, and innovation. In other words, these organizations support the corporate entrepreneur in order to identify and develop revenue-generating opportunities, expand and grow internationally, and effectively configure resources as a source of competitive advantage.

Management at all levels is crucial to the successful efforts of corporate entrepreneurship. Managerial and employee behavior as well as organizational structure and culture are necessary ingredients for corporate entrepreneurship activity. The corporate entrepreneurship activity requires that creativity and innovative risk taking occur in an organization that enables the organization to renew itself and enhance performance through effective resource utilization. Strong management support and leadership is essential for this to occur.

To effectively facilitate the development of entrepreneurship, organizations need to focus on such key factors as top management support, longer time horizons, resources, rewards, more flexible organizational structures, and a culture that is conducive to corporate entrepreneurship activity. The willingness of top management to facilitate, promote, and support entrepreneurial activity in the organization can take many forms, such as championing innovative ideas, providing necessary resources or expertise, or institutionalizing the corporate entrepreneurship activity within the organization's systems and processes.

The company culture influences behavior within organizations that affects daily operations. The concept of culture describes a range of activities and features that are associated with organizational life. New employees must be effectively integrated into the organization if they are to become useful members of the team. Existing employees must be able to adjust and adapt to structural and cultural changes necessary for growing in a dynamic environment.

Culture also influences a number of aspects of organizational activity including how people interact. From a management perspective, culture occurs organically, naturally, and informally. The bureaucratic structure and rigidity that all too often emerge within organizations may not be appropriate for the achievement of company objectives in a dynamic environment. In some organizations, the dominant culture is hostile to management's intentions. The movement toward a more participative, less hostile culture will fail

if it is not supported by appropriate training, encouragement, and tolerance of mistakes. The maintenance of a culture is also challenging as culture does not remain static but evolves over time.

This chapter examines the ways the organization can facilitate corporate entrepreneurial behavior through structural support and cultural change. Innovation and creativity are discussed to provide an understanding of the process, the barriers, and methods for addressing those barriers. Then the key aspects of corporate entrepreneurship are presented along with the individual personality characteristics and differences of corporate entrepreneurs. Following a presentation of the ways in which an organization can develop an entrepreneurial culture, the chapter concludes with a discussion of the transformation needed that will lead to sustainable corporate entrepreneurial behavior and activity.

Innovation and Creativity

Innovation and creativity are vital elements of corporate entrepreneurship. Creativity is the basis for the development of innovative business concepts. It is the application of an individual's ability to discover and develop new ideas, processes, or concepts in novel ways. The resulting innovation indicates the presence or absence of entrepreneurship in an organization. Innovation is a key ingredient in the entrepreneurial process, putting into practice new ideas, a central characteristic of the entrepreneurial endeavor. Innovation harnesses the creative energy and develops those ideas into realistic products, processes, or services. The corporate entrepreneur must be highly creative in moving a concept from idea generation to fruition, overcoming the obstacles in the process.

Innovation in fast-changing environments has been identified as the essence of entrepreneurial behavior. Innovation can take many forms, such as developing new products and services, developing new methods of production, identifying new markets, identifying new sources of supply, and developing new organizational strategies.

While breakthrough innovations are great, most innovations make incremental improvements to existing product lines rather than risk bringing something radically new to market. Breakthrough innovations are rare and include the steam engine, penicillin, the computer, the automobile, and the Internet. Rarely do companies successfully navigate a process that results in breakthrough thinking.

Technological innovations occur more frequently than breakthrough innovations and are, in general, at a lower level of scientific discovery and advancement. Technological innovations offer advancements in the product-market area and should be protected by firms to the extent possible. The personal computer, voice and text messaging, and the jet airplane are examples of technological innovations.

Ordinary innovation is the form of innovation that occurs most frequently. It usually extends a technological innovation into a better product or service with a different and usually greater market appeal. American Express is always looking to extend, modify, and enhance its services. Companies have different strategies of innovation. 3M encourages breakthrough innovation, while Dell, Microsoft, and Starbucks have different strategies. Innovation is clearly evident in Microsoft. Microsoft Office and Windows have become standard for most consumers, with almost 300 million computers sold each year. Yet Microsoft recognizes that business does not stand still and strategically enters new markets to ensure that it does not lose market share and that it continually improves its current products. Companies like General Electric, 3M, and Nokia have been able to continuously innovate and transform themselves to serve new and growing markets by developing innovative products and delivering them effectively. Hewlett-Packard and IBM are committed to corporate entrepreneurship and have taken steps to ensure that they will be leaders in innovation. The link between corporate entrepreneurship, innovation, and creativity occurs through three stages. Stage 1 comprises creativity through idea, activity, ability,

and skill; Stage 2 comprises invention through working model and prototype; and Stage 3 comprises innovation through successful commercial introduction of the invention.

The Creative Process

Creativity is originality that is realistic, viable, and marketable. Three key aspects of organizational creativity are knowledge, drive, and ability. *Knowledge* of the course of action is required for opportunity identification, problem solving, and decision making. *Drive* refers to the passion, desire, and motivation to do something new and novel with the courage to proceed as a first mover. This individual has an internal focus of control and is driven by a sense of achievement and self-fulfillment. *Ability* refers to the ways in which an individual seeks to identify a solution to a problem by adopting diverse and creative techniques in order to accurately assess and evaluate the situation and identify the best course of action.

The following five components are the essential aspects of the creative process:

- Identifying, defining, and questioning the problem or challenge
- Incubation
- Identification of potential options
- Selection of the most viable option or combination from the alternatives
- Implementation, testing, and evaluation

The process begins with *defining and questioning a problem or challenge* facing the organization. It is through this identity stage that the individual attempts to find answers to the problem or challenge. Probing requires asking diverse, often controversial questions. At this stage, it is important to look outside the status quo, so it is helpful to include advisors who are removed from the operations of the organization.

The solution takes time and leads to the *incubation* stage, where the individual steps away from the problem. This stage is valuable as it is important to identify where extra help may be needed in order to move forward.

The next stage—the *identification of potential options*—generates possible alternative solutions that respond to the needs of the situation and correct the underlying causes. This leads to *selecting the best option or combination*. The best alternative is one in which the solution fits the overall goals and values of the organization and achieves the desired results using the fewest resources. The individual tries to select the choice with a calculated level of risk and uncertainty. The ultimate success of the chosen alternative depends on whether it can be translated into action. This stage often requires further modification and adjustments to fit the organizational culture.

The final stage—*implementation, testing, and evaluation*—involves the use of managerial, administrative, and persuasive abilities to ensure that the selected alternative is carried out effectively. Once implemented, the concept must be evaluated to identify any deviations since the success of the chosen alternative depends on whether it can be understood and supported by the internal organization.

Personality Attributes of a Creative Individual

Each individual possesses some creative potential. The lack of development, lack of a positive encouraging environment, and poor self-belief often stifle this creativity. Fortunately, creativity is a skill that individuals can develop and improve over time. Attributes of a creative individual include:

- Objective and open-minded
- Recognizes and overcomes obstacles
- Calculated risk-taking

- Intrinsic motivation
- Internal locus of control
- Desire for achievement and recognition
- Driven by growth and development

Creativity Techniques

There are numerous techniques available for the generation of creative ideas and concepts. One such technique is *brainstorming*, where a team of approximately six to twelve members generates a large volume of ideas without criticism and then evaluates each idea. *Brainwriting* is a silent version of brainstorming where the generated ideas are recorded individually on a piece of paper and submitted anonymously to the group. The ideas are exchanged a number of times with each person building on the previously generated ideas. *Focus groups* include individuals providing information in a structured format. *Problem inventory analysis* is a method for generating new ideas and opportunities by focusing on existing problems. The value of these techniques depends on the individual's thinking process, problem-solving ability, and decision making and is further discussed in Chapter 3. The thinking process is usually better if participants have diverse perspectives, backgrounds, experiences, skills, and expertise; this avoids groupthink and enhances out-of-the-box thinking.

The Innovative Process

Innovation successfully implements newness to a given situation. Innovation not only applies to the opening of new markets but also to new ways of serving established and mature segments. It can be the sequence of activities that introduces a new component into a social unit or a product or service. It can occur gradually with small incremental adjustments to current processes or

products or happen explosively such as occurred with the Internet, iPhone, and social media. The innovation may not be entirely new or unfamiliar to the organization, but it should involve some identifiable change. Innovation can involve a political process that activates organizations to launch a significant new project for changing rules, regulations, procedures, and structures related to the communication and exchange of information within the organization and with its external environment. While these projects may not require the invention of new technologies, they do require organizational change.

A key challenge for organizations is how to encourage and manage innovation. Innovation is perhaps the most pressing challenge facing organizations today. Influential management consultant Peter Drucker stated, "Innovation is the specific function of entrepreneurship . . . It is the means by which the entrepreneur either creates new wealth producing resources or endows existing resources with enhanced potential for creating wealth."¹ Essentially, innovation is the effort to create purposeful, focused change in the economic and social environment. Founders of innovative new ventures such as Herb Kelleher (Southwest Airlines), Pierre Omidyar (eBay), Jeff Bezos (Amazon.com), Niklas Zennstrom (Skype), Michael Dell (Dell Computer), and Mark Zuckerberg (Facebook) are highly innovative entrepreneurs in comparison to entrepreneurs who establish less innovative ventures such as a McDonald's franchise, a Mercedes-Benz dealership, a newsstand, or a consulting business.

The innovation process is more than creating a good idea. While the origin of an idea is important, and the role of creative thinking is fundamental to its development, innovation is a dynamic process involving both structural and social conditions. The sequence of steps in the innovation process typically starts with the awareness of a need and ends with the implementation of an innovation to satisfy the need. Rosabeth Moss Kanter, a Harvard Business School professor, outlines four major innovation tasks,

which correspond roughly to the logic of the innovation process as it unfolds over time and to empirical data about the history of specific innovations.² These tasks are:

1. Idea generation and activation of the drivers of the innovation
2. Coalition building and acquisition of the power necessary to move the idea into reality
3. Idea realization and innovation production, turning the idea into a model in order to use the product, plan, or prototype
4. Transfer or diffusion—the commercialization of the product, the adoption of the idea

Corporate Innovation and Creativity

Corporate entrepreneurship can occur only in an organization that is conducive to innovation and creativity. Some traits that facilitate innovation and creativity in an organization include:

- Resources available for innovation and creativity
- Open communication at all levels throughout the organization and among people with conflicting opinions
- Decentralized structures that provide open access to innovation role models and coaches
- Cohesive work groups with open, constructive, conflict resolution approaches that integrate and develop individual creativity
- Low staff turnover
- Personnel policies that reward and motivate innovative and creative behavior without fear of retribution for failure or too much success
- Development of effective mechanisms to deal with environmental uncertainty and the ability to adapt to change

The most successful organizations incorporate knowledge obtained from their past innovative experiences into their strategies

and future innovations. This then leads to the development of key capabilities that can improve the organization's performance and improve profitability, development, and growth.

Barriers to Innovation and Creativity

A number of barriers to innovation and creativity that are prevalent in bureaucratic organizations include:

- **Delivery pressures and administrative burdens.** Limited time to dedicate to thinking about how to do things differently causes individuals to miss innovations in delivery service that might be more time- and cost-effective.
- **Guidelines, rules, and policies.** While these are important for day-to-day work life, over time they become roadblocks for out-of-the-box thinking.
- **Short-term budgets and planning horizons.** Inability to think outside of day-to-day pressures on how things could be improved is exacerbated by short-term budgets and planning horizons. Innovative strategies are reduced to tactical responses to immediate needs.
- **Poor rewards and incentives to innovate.** The tradition of higher penalties for failed innovations versus rewards for successful ones remains within large bureaucratic organizations.
- **Culture of risk aversion.** Patterns and routines with primary concerns of accountability, standards, and continuity induce a culture of risk aversion, which impedes and blocks innovation and creativity.
- **Poor skills in active risk or change management.** While opportunity and motivation may be present, there is a relative paucity of skills in change and risk management.
- **Technologies available but constraining cultural or organizational arrangements.** Innovation and creativity are often impeded because there is a resistance to implement innovation

into the organizational culture sometimes resulting from political power issues or the difficulty in learning something new.

Overcoming Barriers to Innovation and Creativity

There are various ways of overcoming these barriers to innovation and creativity:

- **Overcoming the bureaucratic inertia, guidelines, rules, and policies.** Embrace uncertainty and recognize that if failure occurs, it is leading the way toward future progress and advancement. Art Fry, an entrepreneur at 3M, invented the highly profitable Post-it Notes using glue that was not appropriate for its initial use. He did not disregard the glue but found an alternative use for it.
- **Persuasion and motivation.** Highlight the benefits of innovation and creativity by encouraging individuals to think beyond their own job responsibilities and explore the way other disciplines approach problem solving. This will broaden their focus and allow them to see the bigger picture.
- **Facilitation.** Ensure that resources are available for investigation and implementation of innovation.
- **General concepts.**
 - Finding additional resources to support individuals
 - Overcoming any structural or cultural barriers to innovation and creativity
 - Preserving and exerting continuous effort
 - Gaining political support and building alliances

Probably most essential is the support of top-level management and managers throughout the organization. This can be achieved by:

- Establishing clear organizational goals that encourage staff to grow in innovative ways

- Consultation and communication with staff
- Establishing innovation awards and providing informal recognition for innovators
- Relaxing constraints upon innovators
- Protecting innovators by ensuring that their projects have a fair chance for demonstration
- Providing resources for innovators

Innovation and creativity must be effectively managed and should conform to the organizational strategy. Innovation and creativity do not just happen; they need to be integrated into the culture of the organization and be a fundamental part of organizational behavior.

Corporate Entrepreneurial Behavior

Corporate entrepreneurial behavior is a set of actions through which organizations take advantage of entrepreneurial opportunities unrecognized by competitors. Corporate entrepreneurship is considered both an individual and an organizational level phenomenon. Behaviors such as entrepreneurship, renewal, innovation, risk taking, and proactivity differentiate entrepreneurship from non-entrepreneurship in large organizations. Companies like 3M and Microsoft consistently maintain high levels of entrepreneurship. Research on corporate entrepreneurial performance has found that organizations that are more entrepreneurially orientated have a higher level of performance, making corporate entrepreneurship important for organizational success and development.

Five aspects of corporate entrepreneurial attitudes and behaviors are corporate venturing, renewal, innovation, risk taking, and proactiveness. Corporate venturing refers to pursuing and entering businesses related to the organization's current products or services. Renewal emphasizes strategy reformulation, reorganization, and organizational change. Innovativeness reflects supporting

new ideas, experimentation, and creative processes, thereby moving away from established practices and technologies. Risk taking is a willingness to commit the needed amounts of resources to projects where outcomes are unknown and the cost of failure could potentially be high. Proactiveness is anticipating and acting on future needs, wants, and expectations in the external environment. Corporate entrepreneurship is a strategic construct that includes certain organizational outcomes and management related preferences, goals, objectives, beliefs, and behaviors.

Corporate entrepreneurship incorporates both attitudinal and behavioral components. It refers to the willingness of an organization to embrace new opportunities and take responsibility for effecting creative change. This individual or group can be considered the entrepreneurial agent. Behaviorally, the components include the set of activities required to identify an opportunity, develop the concept, assess the required resources, acquire the necessary resources, and manage and harvest the venture. These activities are considered an entrepreneurial event.

Studies on entrepreneurial behavior have focused on psychological and behavioral characteristics. The psychological school of thought states that private and corporate entrepreneurs share a common type of personality that explains their behavior. This common type of personality differentiates them from the general population, and this difference can be explained in terms of their personality profile. Entrepreneurs such as Richard Branson (Virgin), Michael Dell (Dell Computer), Bill Gates (Microsoft), Steve Jobs (Apple), Martha Stewart (Living Omnimedia), Meg Whitman (eBay), and Mark Zuckerberg (Facebook) are frequently recognized as heroes with celebrity status and as role models.

One major contributor to this theory was American psychological theorist David C. McClelland.³ According to this psychological view, a range of personality traits can be identified to indicate high need achievement individuals who are likely to exhibit these entrepreneurial characteristics. Personality characteristics include a

need for achievement, need for responsibility, need for power, motivation, risk taking propensity, locus of control, and innovation.

Defining this need for achievement as “a desire to do well, not so much for the sake of social recognition or prestige, but for the sake of an inner feeling of personal accomplishment,” McClelland wrote, “A society with a generally high level of need for achievement will produce more energetic entrepreneurs who, in turn, produce more rapid economic development.”⁴ According to McClelland, entrepreneurship is an intervening variable between need-achievement (nAch) and economic growth. By increasing the level of nAch in a society, there will be a subsequent stimulation of entrepreneurship and economic development. Not only did he find that entrepreneurs were high on nAch, but they also:

- Desire to take personal responsibility for their decisions
- Prefer decisions involving a moderate degree of risk
- Are interested in concrete knowledge of the results of decisions
- Dislike repetitive, routine work

Similarly, corporate entrepreneurial attitudes and behaviors include:

- The desire and motivation to achieve and compete within the organization
- Taking ownership and being accountable for key projects
- Having the necessary autonomy and empowerment to make independent and self-directed decisions
- Being flexible and open to new information, people, and practices
- Being able to tolerate ambiguity and uncertainty within the organizational boundaries and the external environment
- Innovative and creative thinking, problem solving, and decision making

- The ability to see and capture opportunities within the constraints of the organization
- Awareness of the risks attached to choices, actions, and potential consequences
- The capacity to manage and ultimately reduce risks in line with organizational goals and objectives
- Persistence, optimism, and determination in the face of challenge or lack of immediate reward
- Considering, discussing, and formulating a vision as part of the organizational strategy
- The capacity to make an impact

Corporate entrepreneurs are driven by the challenge and opportunity to achieve. They tend to be independent and self-reliant. When accomplishing a task, they prefer to take ownership and have a degree of autonomy and flexibility. The very nature of the corporate entrepreneurship process requires that the corporate entrepreneur have a tolerance for ambiguity and uncertainty. The most successful corporate entrepreneurs appreciate that if the process achieves success, it will diverge from the initially anticipated path. This tolerance for uncertainty combined with flexibility and adaptability is a fundamental part of the process itself.

The corporate entrepreneur demonstrates innovation and creativity combined with taking ownership for the idea and assuming responsibility for its implementation. Creativity is not just about idea generation but is also a fundamental part of the implementation process, which requires further creativity in problem solving and decision making to overcome any obstacles. Bruce Griffing was the corporate entrepreneur behind General Electric's digital X-ray project that became a major division of the company.

Corporate entrepreneurs are also calculated risk takers. Calculated risk taking is pursuing a course of action that has a reasonable chance of failing. An individual attempts to manage the potential risk factors through effective contingency planning,

problem solving, and decision making. Corporate entrepreneurs demonstrate persistence and determination in formulating a vision aligned with the vision of the organization. Examples of such corporate visions include 3M's Post-it Notes and Scotch Tape, General Electric's lightbulbs and appliances, and Motorola's cellular phones. Some corporate entrepreneurs go beyond their duty as entrepreneurs by breaking corporate rules to achieve success. Charles House (Hewlett-Packard) continued working on a high-quality video monitor, which led to high sales and profit. Philip Estridge (IBM) led a group to develop and market personal computers through the internal sales force and retail market, breaking major operating rules in the process.

Organizations that enable employees to take ownership and think in a more open and flexible manner encourage corporate entrepreneurial behavior. This strategy led to successful corporate entrepreneurial products such as Post-it Notes and LaserDiscs. Between 1997 and 1999, Lucent Technologies created 19 new ventures in Internet software, networking, and wireless and digital broadcast. In 2006, Lucent merged with Paris-based Alcatel, forming a new entity named Alcatel-Lucent. In early 2007, the new company announced it had acquired Nortel's UMTS radio access business to forward its network development of 3G to 4G technologies. Siemens Nixdorf, led by Gerhard Schulmeyer from 1994 to 1997, produced the turnaround and transformation for the new entrepreneurial culture, bringing in 250 entrepreneurs to head new business units. From 1967 until 1986, DuPont set up 85 new directional businesses resulting in sales of \$28 billion and profits of \$318 million. Nokia set up new ventures in 1998 to develop ideas with potential for revenues of £500 million within four to five years. Early success with Nokia's Internet communications to commercialize WAP-enabled Nokia to be the world's leading mobile phone supplier. Toshiba created the birth and growth of laptop and notebook computers as a result of the vision, persistence, and championing efforts of Japanese corporate entrepreneurs.⁵

Elements of Entrepreneurial Behavior within Organizations

Three main elements of entrepreneurial behavior in an organization, indicated in Figure 2.1, are (1) opportunity identification, (2) opportunity facilitation, and (3) opportunity desire and motivation. Opportunity identification is the awareness of conditions or prerequisites for the organization and individual managers to change and develop something new. Opportunity identification is the catalyst for the entrepreneurial process and involves having unconstrained relationships and networks, being well informed, having access to acquired information, and having the necessary resources to make decisions and achieve desirable outcomes. In an entrepreneurial-driven organization, individuals throughout the organization not only believe they should be innovative but also are encouraged and permitted to behave in this manner. Common activities include association with key people, networking both formally and informally inside and outside the organization, having access to information on the assigned task, and freely identifying corporate entrepreneurship opportunities.

Second, opportunity facilitation is the way the organization and the individual managers seek to adopt change. The two approaches to initiate change are questioning the assumptions and directions of the organization and having managers as coaches rather than as authority figures. When employees in an organization believe and are encouraged to freely and supportively challenge any other employees in the organization, they can undertake tasks necessary to facilitate opportunities within the organization. Opportunity facilitation does not necessarily achieve desirable outcomes on its own, as it also requires an appropriate system of rewards and motivation.

Finally, opportunity desire and motivation involve the overall willingness to pursue the opportunity. Rewards enhance the motivation of individuals to engage in entrepreneurial behavior. Rewarding employees for success goes beyond the tangible financial returns and includes recognition, feedback, and meaningful work.

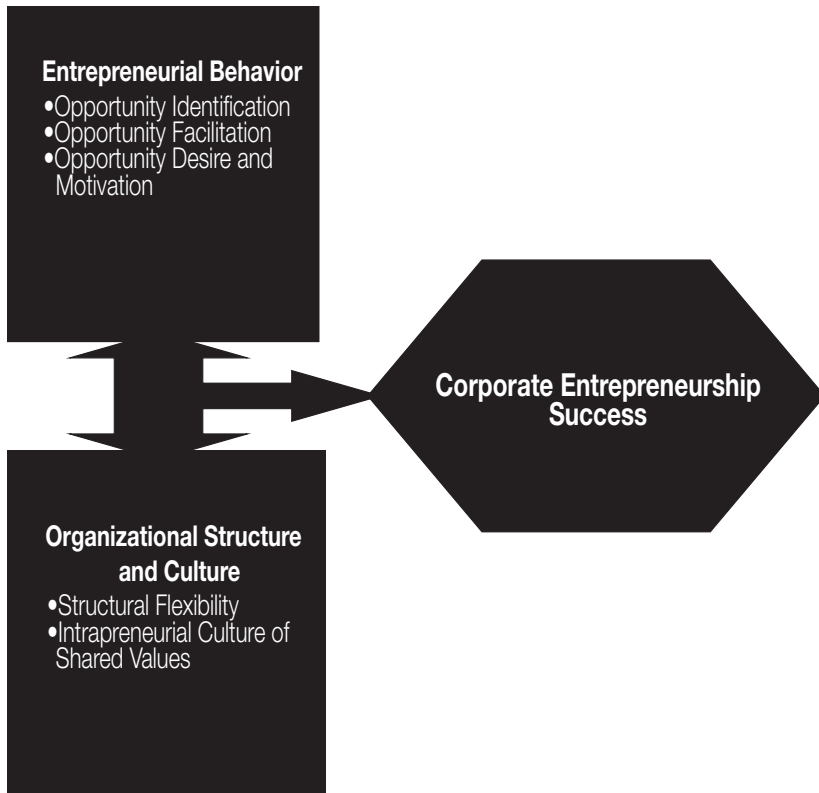


FIGURE 2.1 Behaviors Promoting Corporate Entrepreneurship Activity

Efforts to enhance the performance of organizations partly depend on the ability to successfully reward and motivate employees. An effective reward system that spurs entrepreneurial activity must take into account goals, feedback, emphasis on individual responsibility, and results-based incentives.

Being able to identify and facilitate opportunities, having the desire and motivation to pursue them, and being rewarded establishes an entrepreneurial climate in organizations and is evident in such companies as 3M, DuPont, General Electric, Hewlett-Packard, IBM, Lucent, Microsoft, Nokia, and Toshiba.

An Entrepreneurial Culture

An entrepreneurial culture that promotes the identification and facilitation of opportunities and fosters the desire to pursue these provides an environment for corporate entrepreneurship. This culture fosters managers who achieve desired outcomes by encouraging innovation and creativity. They challenge employees to explore new improved ways of doing things; measure a variety of performance indicators; accept risks and mistakes; support a flexible and fluid organizational structure that minimizes bureaucracy and maximizes adhocracy; and evaluate innovation in terms of the contribution to the strategy.

Developing Entrepreneurial Organizational Behavior

Table 2.1 illustrates behaviors, structure, and culture that promote entrepreneurial actions (opportunity identification, opportunity facilitation, and opportunity desire and motivation). To generate an entrepreneurial structure, there needs to be a move from the traditional bureaucratic structure to a more decentralized organic structure. This allows a greater degree of flexibility and adaptability, and delegation of authority and autonomy.

Organizations that build structures and develop a culture supportive of corporate entrepreneurial behavior have the following characteristics:

- Clearly communicate the vision to all levels
- Reduce bureaucracy by adapting flatter structures that relinquish control and decision making to experts at different levels
- Facilitate a culture of teamwork and a participative management style
- Create systems that support and encourage innovation in pursuit of a distinct mission in line with the organization's vision



TABLE 2.1 Developing Entrepreneurial Behavior in the Organization

<p>Opportunity Identification</p> <ul style="list-style-type: none"> • Active • Time Frame • Key Focus 	<p>Organizational Competencies</p> <ul style="list-style-type: none"> • Active search for dynamism • Long-term orientation • Structural and cultural changes for intra-preneurial success <p>Individual Competencies</p> <ul style="list-style-type: none"> • Active drive and motivation • Future orientation • Transformation from past behavior
<p>Opportunity Facilitation</p> <ul style="list-style-type: none"> • Structure • Human Resources • Leadership 	<p>Organizational Competencies</p> <ul style="list-style-type: none"> • Concise, defined structural change • Effective human resources policies for change, recruitment, motivation, training, and development • Environmental scanning • Individual competencies • Adaptation to embrace change • Drive and motivation to excel • Moderate level of risk taking with the focus on innovative opportunities to improve
<p>Opportunity Desire and Motivation</p> <ul style="list-style-type: none"> • Motivation and Desire to Change • Drive to Achieve • Intrinsic and Extrinsic Motivation 	<p>Organizational Competencies</p> <ul style="list-style-type: none"> • Drive to change • Long-term strategy to change • Focused and goal orientated <p>Individual Competencies</p> <ul style="list-style-type: none"> • Individual desire to change • Overcome past concerns • Focused and motivated to achieve

- Maintain high standards and values in utilization of resources and undertaken activities
- Emphasize reputation, trust, and mutual interdependence
- Drive and highly motivate employees toward innovation and creativity while taking calculated risks
- Instigate performance measures with focus on support, facilitation, training, and development
- Challenge individuals to build skills and be creative
- Focus on the process, not just the end result

Organizational capabilities for corporate entrepreneurship development include:

- Long-term structural change
- Strategic human resources change policies
- Change in recruitment, selection, training, development, and redeployment
- Change in organizational culture
- Desire and support to change
- Environmental scanning
- Challenging job opportunities

Individual competencies for entrepreneurship development include:

- Drive, energy, and motivation to change
- Drive to achieve
- Future and change orientation
- Challenging the past
- Focus on opportunity to excel
- Utilization of core competencies by being innovative and creative
- Moderate risk taking and proactivity

For organizations to enhance performance, they need to develop a culture and a structure that facilitates and supports these behaviors. This type of culture is evident in leading corporate entrepreneurial companies such as 3M, General Electric, Lucent, Microsoft, Nokia, and Toshiba.

Summary

Innovation and creativity are the foundations of corporate entrepreneurial behavior. The corporate entrepreneur develops innovative and creative solutions to an array of problems or challenges



facing the organization. Corporate entrepreneurial behavior takes on many forms. While there are some common behavioral attributes—such as calculated risk taking, intrinsic motivation, internal focus of control, achievement, and recognition—there is no one profile.

The challenge is to build congruent organizations both for today's efforts and tomorrow's innovation. A company needs to be organized to build sufficient internal diversity in strategies, structures, culture, people, and processes to facilitate various kinds of innovation at different levels of the organization.

Corporate entrepreneurship does not just happen; it requires the appropriate interaction among management, individuals, and teams where the organization fosters the appropriate strategies, structures, culture, and systems with the external environment. For organizations to develop and grow in dynamic environments, they need individuals who demonstrate entrepreneurial behaviors and who need to adopt the appropriate strategies, structures, and cultures that support and facilitate these behaviors.