

Student Version

PART 3

**STRATEGIC
ACTIONS:
STRATEGY
IMPLEMENTATION**

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CHAPTER 13

Strategic Entrepreneurship

Strategic Management

Competitiveness and Globalization:

Concepts and Cases

Seventh edition

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Strategic Entrepreneurship

- Strategic Entrepreneurship
 - Taking entrepreneurial actions using a strategic perspective.
 - Engaging in simultaneous opportunity seeking and competitive advantage seeking behaviors.
 - Designing and implementing entrepreneurial strategies to create wealth.
- Strategic entrepreneurship actions can be taken by:
 - Individuals
 - Corporations

Strategic Entrepreneurship and Innovation

- Entrepreneurship is concerned with:
 - The discovery of profitable opportunities
 - The exploitation of profitable opportunities
- Firms that encourage entrepreneurship are:
 - Risk takers.
 - Committed to innovation.
 - Proactive in creating opportunities rather than waiting to respond to opportunities created by others.

Entrepreneurial Opportunities

- Entrepreneurial Opportunities
 - Conditions in which new products or services can satisfy a need in the market.
- Entrepreneurs or entrepreneurial managers must be able to:
 - Identify opportunities not perceived by others.
 - Take actions to exploit the opportunities.
 - Establish a competitive advantage.

The Importance of Innovation

- Innovation

- Is a key outcome firms seek through entrepreneurship.
- Is often the source of competitive success.

- Corporate Entrepreneurship

- Innovations produced in large established firms.

Entrepreneurs

- **Entrepreneurs**
 - Individuals acting independently or as part of an organization who create a new venture or develop an innovation, take risks entering innovations into the marketplace.
 - Can be any manager or employee in an organization.
- **Entrepreneurial capabilities include:**
 - Intellectual capital
 - Entrepreneurial mind-set
 - Transfer of entrepreneurial competence to others
 - Effective human capital

International Entrepreneurship

- Entrepreneurship can:
 - Fuel economic growth
 - Create employment
 - Generate prosperity for citizens
- There is a strong positive relationship between the rate of entrepreneurial activity and economic development in a nation.



International Entrepreneurship (cont'd)

- There must be a balance (in the culture) between
 - Individual initiative and
 - The spirit of cooperation and group ownership of innovation.
- Successful entrepreneurial firms:
 - Provide appropriate autonomy.
 - Offer incentives for individual initiative.
 - Promote cooperation and group ownership of an innovation.



Incremental and Radical Innovation

- Incremental Innovation

- Is the usual case for innovation in organizations.
- Provides small increments in current product lines.
- Improves existing knowledge and processes.
- Can create value.

- Radical Innovation

- Is rare because of difficulty and risk.
- Provides significant technological breakthroughs.
- Creates new knowledge and processes.
- Can create value.

Internal Corporate Venturing

- The set of activities used to create inventions and innovations through internal means.
 - R&D spending is linked to success in internal corporate venturing.
- Product Champion
 - An organizational member with an entrepreneurial vision of a new good or service who seeks to create support for the vision's commercialization.

Internal Corporate Venturing (cont'd)

- A bottom-up process in which product champions:
 - Pursue new ideas, often through a political process.
 - Develop and coordinate the commercialization of a new good or service until it achieves success in the marketplace.
- Forms of internal corporate venturing:
 - Autonomous strategic behavior
 - Induced strategic behavior

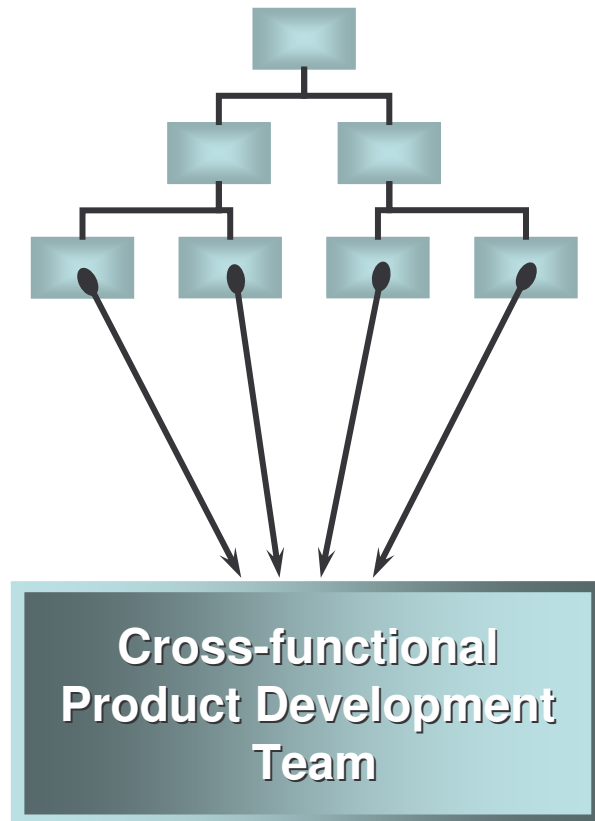
Venturing: Strategic Behaviors

- **Autonomous Strategic Behavior**
 - Based on a firm's knowledge and resources that are the sources of the firm's innovation.
 - A firm's technological capabilities and competencies are its basis for new products and processes.
- **Induced Strategic Behavior**
 - A top-down process whereby the firm's current strategy and structure foster product innovations.
 - The strategy in place is filtered through a matching structural hierarchy.

Implementing New Product Development and Internal Ventures

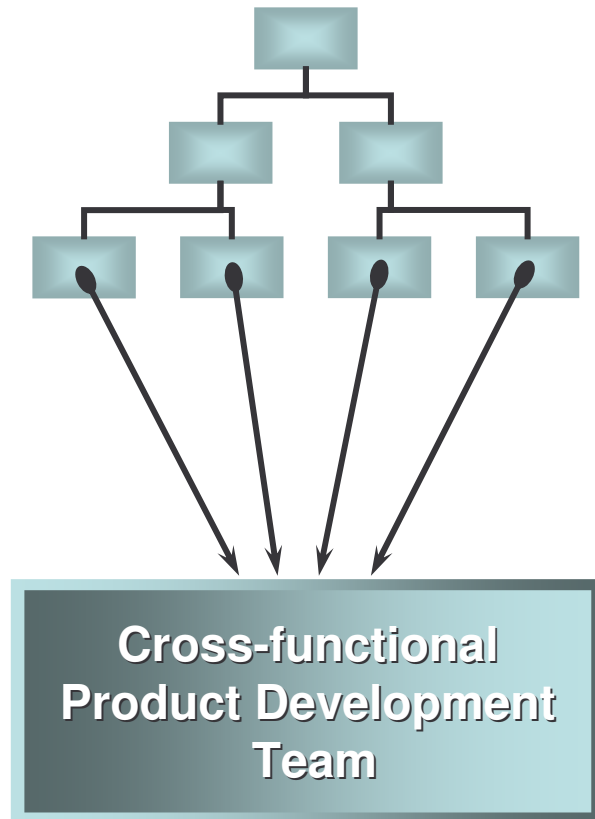
- To be innovative and develop internal ventures requires:
 - An entrepreneurial mindset
 - Risk propensity
 - An emphasis on execution
- Individuals with an entrepreneurial mindset
 - Engage the energies of everyone in their domain both inside and outside the organization.

Cross-Functional Product Development Teams



- Facilitate integration of activities associated with different organizational functions.
 - Design, manufacturing, marketing, etc.
- New product development processes can be completed more quickly.
 - Products can be more easily commercialized when cross-functional teams work effectively.

Cross-Functional Product Development Teams



- Product development stages are grouped into parallel or overlapping processes, allowing the firm to tailor its product development efforts
 - Unique core competencies
 - Needs of the market

Barriers to Cross-Functional Teams Effectiveness

- **Different orientations and perceptions**
 - **Individuals from separate functions have different orientations on issues.**
 - Create differing approaches to product development activities.
- **Organizational Politics**
 - **Cause aggressive competition for resources among different organizational functions.**
 - Organizations must achieve cross-functional integration with minimal political conflict.

Facilitating Integration and Innovation

- **Shared Values**
 - Are framed around the firm's strategic intent and mission.
 - Become the glue that promotes integration between functional units.
- **Effective Leadership**
 - Sets goals and allocates resources
 - Goals include integrated development and commercialization of new goods and services
- **Effective Communication**

Acquisitions to Buy Innovation

- Acquisitions
 - Can rapidly extend the product line.
 - Can quickly increase the firm's revenues.
- Key risks of acquisitions
 - The firm may substitute the ability to buy innovations for an ability to produce innovations internally.
 - The firm may lose intensity in R&D efforts.
 - The firm may lose its ability to produce patents.

Capital for Entrepreneurial Ventures

- **Venture Capital Firms**
 - **Seek high returns on their investment.**
 - **Value the competence of the entrepreneur or the human capital in the firm.**
 - **Place weight on the expected scope of competitive rivalry the firm is likely to experience.**
 - **Evaluate the degree of instability in the market addressed.**

Capital for Entrepreneurial Ventures

- Initial Public Offerings (IPOs)
 - Are new stock priced to reflect the firm's high potential.
 - Often yield much larger equity investments than can be obtained from venture capitalists.
 - Investment bankers frequently play major roles in the development and offering of IPOs.
 - Firms that have previously received venture capital backing usually receive greater returns from IPOs.