



# **15.369 Corporate Entrepreneurship**

**Professor Olenka Kacperczyk  
Professor Charlie Kiefer**

**October 2015**



# Agenda for Today

- What is Corporate Entrepreneurship?
- Why Aren't Large Firms More Entrepreneurial?
- The Logic of Entrepreneurial Thought and Action
- Class Logistics



# Agenda for Today

- **What is Corporate Entrepreneurship?**
- Why Aren't Large Firms More Entrepreneurial?
- The Logic of Entrepreneurial Thought and Action
- Class Logistics

# **What is Corporate Entrepreneurship?**

**Do you agree that corporate entrepreneurship  
is about a continuous, sustainable, whole-  
organization transformation?**

# What is Corporate Entrepreneurship?

- CE involves the broad plan of action set up by the general management of a firm that allows to **explore and exploit** a novel economic opportunity within an established firm
- CE has been traditionally thought as a **creation of new business** within established firms (often in the form of a profit center, strategic business unit, division, or subsidiary).
- But CE may also occur whenever a firm or individual ventures into **unfamiliar area** (“away from the core”) in which success is uncertain
- CE ultimately serves to **improve organizational profitability** and enhance a firm’s competitive position



# Agenda for Today

- What is Corporate Entrepreneurship?
- *Why Aren't Large Firms More Entrepreneurial?*
- The Logic of Entrepreneurial Thought and Action
- Class Logistics

**FORTUNE**

**500**

What are the chances that if you are in the Fortune 500 this year, you will be in 15 years?

# Corporate mortality is very high!

The average life span of a Multinational Fortune 500 firm is around 45 years

Average life expectancy of all firms, regardless of size, in Japan and much of Europe, is only 12.5 years

Only 16% of firms listed on the 1957 S&P 500 remained on the 2007 list

Out of the top Fortune 25 in 2010, only 18 remained from the year 2000 and only 6 from the year 1980.

Of the top 500 firms in the U.S. in 1980, only 202 had survived by the year 2000.

1/3<sup>rd</sup> of the Fortune 500 listed in 1970, had disappeared by 1983 – acquired, merged or broken to pieces.

The firms on the original 1920s U.S. S&P 90 list stayed there for an average of 65 years. By 1998, the average tenure of a firm on the expanded S&P 500 was 10 years.

Only 5% of EU firms created from scratch since 1980 made it to the 1000 biggest EU firms by market cap. The equivalent number in U.S. is 22%.

Source: Fortune, S&P, and others

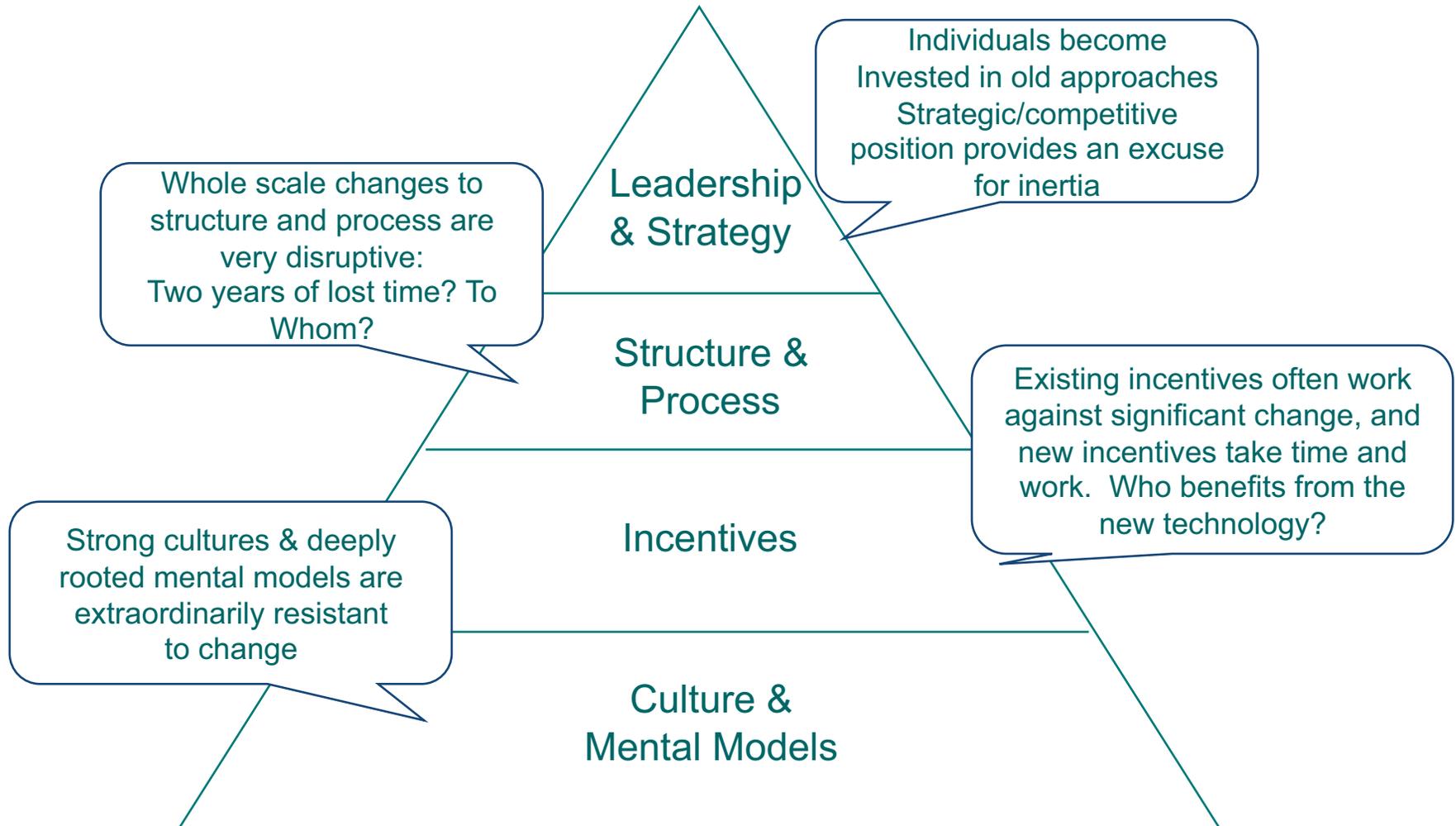
# Even success can be a problem

“Today's companies face a paradox. The creation of a radical innovation brings with it success, market dominance, and profits. But that very success generates complacency and arrogance, which blind the firm to the next big innovation. Indeed, firms are in greatest danger of failing when they are at the peak of their success.”

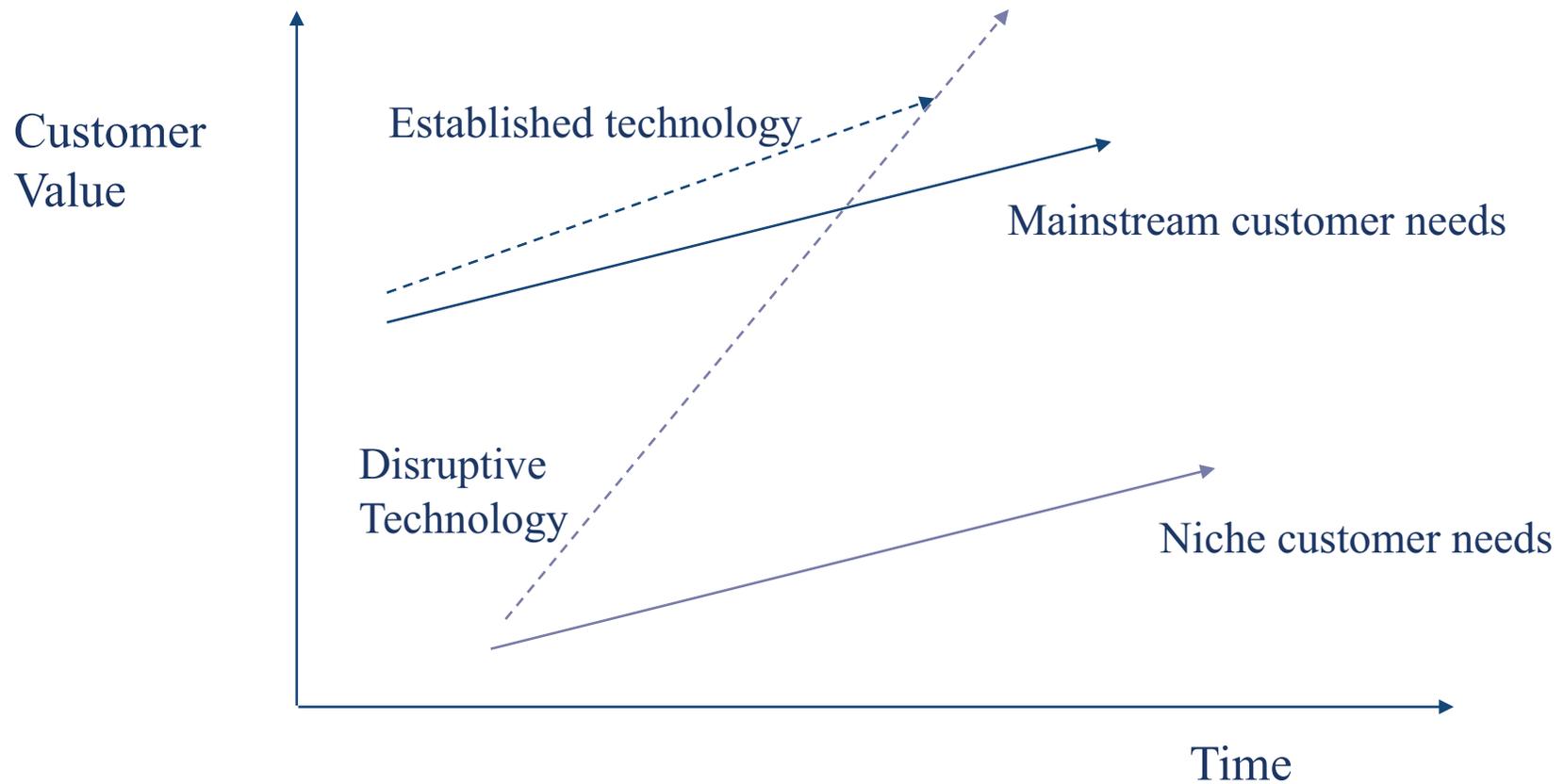
*Gerard J. Tellis, Author of "Unrelenting Innovation"*

# **Why Aren't Large Firms More Entrepreneurial?**

# Not simply a failure to recognize new opportunities but multiple organizational barriers limit change...



**In the earliest stages, disruptive technology does not enhance competitive advantage. Instead, the new technology cannibalizes sales from *existing* customers and serves low-margin customer segments**



Christensen, 1999

# Why Aren't Large Firms More Entrepreneurial?

- **Organizational Inertia**
  - New businesses face pushback from corporate and other units who are unwilling to change the existing practices.
  - Managers leading business building efforts inside the firm abandon them due to career risks.
  - Established Firms do not anticipate changes in the environment (?)
- **Threat of Cannibalization:**
  - Firms have a tendency to invest resources in businesses in which they have proven track records; resources are thus not available for new businesses.
  - Firms are reluctant to cannibalize existing businesses because new technology is often unproven and risky
  - New technology emerges in small insignificant markets or products that customers do not want
- **WHAT CAN BE DONE about it?**

**In a volatile, uncertain environment what advantages might a large organization have over the small (startup) firm?**

# Conclusion: Why Is Corporate Entrepreneurship Important?

- Corporate entrepreneurship is important for two big reasons: **GROWTH AND SURVIVAL**.
  - Without growing and adapting, firm performance suffers and firms ultimately die.
  - This is not trivial – only 14% of the original F500 companies in 1955 are still alive today!
- A third reason: **YOUR CAREER**
  - Successfully building a new business inside your firm can fast track your career (or derail it if you are not careful!).



# Agenda for Today

- What is Corporate Entrepreneurship?
- Why Aren't Large Firms More Entrepreneurial?
- The Logic of Entrepreneurial Thought and Action
- Class Logistics



# Agenda for Today

- What is Corporate Entrepreneurship?
- Why Aren't Large Firms More Entrepreneurial?
- The Logic of Entrepreneurial Thought and Action
- **Class Logistics**

# Challenges arise for four main reasons

1. **Initiating** new ventures inside the firm
2. **Designing** the entrepreneurial organization
3. **Accelerating** new business growth
4. **Managing** corporate entrepreneurialism

# Corporate Entrepreneurship Course Overview

1. **Initiating** new ventures inside the firm
  - When do employees come up and pursue new ideas? How to manage and reward such employees?
2. **Designing** the entrepreneurial organization
  - What systems and processes at the organizational level encourage corporate entrepreneurship?
3. **Accelerating** new business growth
  - What kinds of firm-level tools (e.g., spin-offs, open innovation) can be used to accelerate new venture growth?
4. **Managing** corporate entrepreneurialism
  - How to manage culture and architecture of the entrepreneurial firm.

# Critical Role of Different Stakeholders

- **Entrepreneur Inside:**
- **Managers:**
- **Executives:**
- **Consultants:**

# Critical Role of Different Stakeholders

- **Entrepreneur Inside:**
  - How do you as an entrepreneur navigate a corporate architecture that is not friendly to entrepreneurial action
- **Managers:**
  - What can you as a manager do to be effective in motivating internal entrepreneurs?
- **Executives:**
  - How do you as an executive lead and sponsor CE?
- **Consultants:**
  - How do you as an organizational advisor help client diagnose and implement efforts to foster CE?

# Approach:

## Frameworks, Exercises and Cases

- **Lectures:** Highlight the core “tools” of Corporate Entrepreneurship
- **Case discussions:** Leveraging tools and your analytical capabilities to evaluate complex choices of corporate entrepreneurs and established entrepreneurial firms.
- **Speakers:** Learning about challenges and approaches from relevant guest speakers (3M; Clorox, GE)
- **Group exercises and assignments:** Working with a small team to develop analytical skills, make key decisions that are at the heart of being an effective corporate entrepreneur



# What to remember from today's class

- Corporate entrepreneurship is essential for the growth and survival of firms.
- But it often fails due to issues in design, implementation, acceleration and leadership.
- Course will focus on how to avoid failure and the role that you can play in the process.



***Thank You!***

MIT OpenCourseWare  
<http://ocw.mit.edu>

15.369 Seminar in Corporate Entrepreneurship  
Fall 2015

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.