

[]

Uncertainty - Entrepreneurship in Large Organizations



Corporate Entrepreneurship – Basic Schools of Thought

2

-  Corporate Venturing – create and manage new separate entities (JV's, Acquisitions, Spin-offs)
-  Intrapreneurship – encouraging individual entrepreneurial action
- Bringing the Market Inside – market approach within the company for resource and people allocation
- Entrepreneurial Transformation – organization-wide system, structure and culture change.

Continuum of Predictability

3

All things are known and certain

Many things are known and certain; some are analytically predictable

Few things are known and certain; some are certainly impossible

Known

Unknown



What would rational thinking and behavior look like in the face of **unknowability**?

You either **sit, plan** and **think**.
or you can do something...

But, you **can't think** your way **into** an **unknowable future**

Therefore,
the only logical
thing is to **ACT**.

How to Act **Smartly**?

Where are you?

Do you *want* something else?

What do you have at hand?

Anyone who can help/rescue?

Small steps. On firm ground.

Take stock & learn.

Build off what you actually find



How to Act Smartly?

Where are you?

Do you want something else?

What do you have at hand?

Anyone who can help/rescue?

Small steps. On firm ground.

Take stock & learn.

Build off what you actually find



Behavior or **thinking?**



Prof. Saras Sarasvathy studied 30 “expert” entrepreneurs who had started multiple enterprises ranging from \$200Million to \$6.5Billion

Image of Saras Sarasvathy © unknown. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.



Mental Models and thinking explain entrepreneur’s unconventional behavior.



DESIRE



Intriguing area,
attractive partners

Smart Steps

What do you do *next?*

**Sufficient to
get started**
(Passion isn't
required at the
outset nor is vision.)

Fully formed vision,
robust plan

Act quickly with means at hand

Act Learn Build is based on current
reality: who you know, what you
know and anything else relevant

Pay only what you can afford to and want to – Acceptable Loss

- Money & time
- Reputation (professional & personal)
- Opportunity cost

Bring others along

- Tangible *sales* and other assets
- Other borrowed or bartered resources
- Intangible assets (ambassadors,
reputational capital) through *enrollment*

ACT

Build on what you find

- Surprises are often good. Make them an asset
- Befriend reality
- With each action, reality changes





- Use when the future cannot be predicted from the past. Contrasts and complements Prediction
- Favors what is real and confirmable. Smart action trumps analysis
- For the same set of business problems, entrepreneurs applied it 89% where mid-level managers favored Prediction 80%

Where does Entrepreneurial Thought and Action (Act Learn build) Excel?

9 Entrepreneurs inside large organizations

use the same logic of thought and action as

New Venture Entrepreneurs

*Opportunities
are largely found*

Known

*Opportunities
are largely made*

Unknown



*Entrepreneurs “play”
everywhere along the
spectrum but are particularly
comfortable and often have
preference for this end*

Why?

- No competition
- Expensive Prediction tools are not required
- They like to create opportunities

Images © Lightspring/Shutterstock. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Organization Design and Architecture in a **Predictable** Environment

10

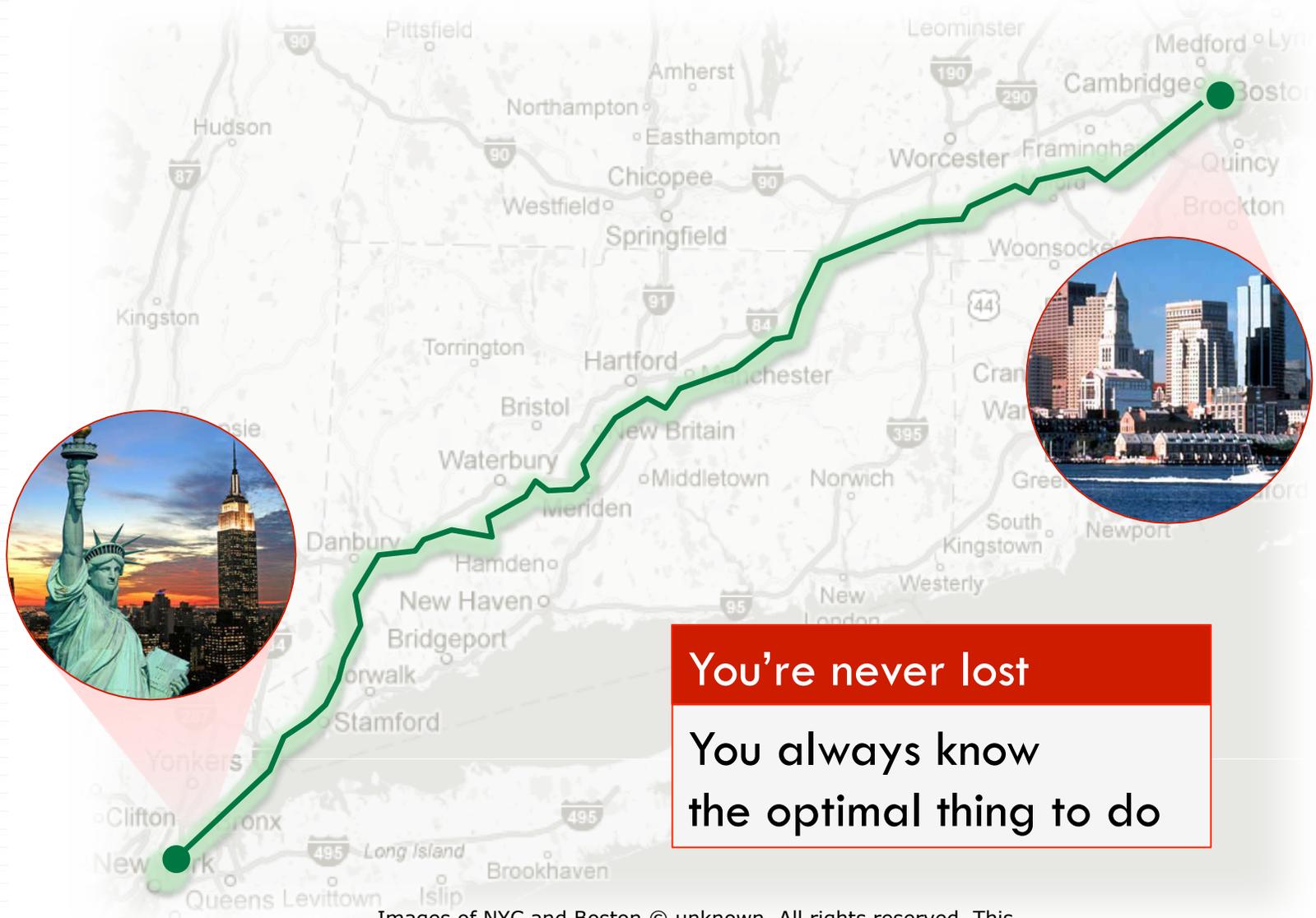
- ❑ Systems
- ❑ Structures
- ❑ Policies and Procedures
- ❑ Incentives and Sanctions
- ❑ Culture, mental models, Unwritten Rules
- ❑ Politics

If the objective was *to scale up...*

- ❑ What sort of structures and cultures would you deliberately put in place?
- ❑ What structures and culture naturally evolve?
- ❑ What behaviors (individual and organizational) would you want it to produce? Stamp out?



Google Maps, GPS Universe



You're never lost

You always know
the optimal thing to do

Images of NYC and Boston © unknown. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.



Success Recipe for the Known

12

- What are the complementary principles and rules for Known/Predictable situations?

Process for predictable settings

1. Precisely how big is the opportunity or problem?
2. What are the various ways of achieving the result?
3. What are the required resources and their costs?
4. Select the optimal path.
5. Run the financials – DCF or NPV. Risk adjust it, if required
6. Obtain necessary approval(s).
7. Assemble the required resources and start.
8. Execute the approved plan, and, if required, get back on track.





- Inductive and deductive logic
- Mathematical and analytic methods
- Rules of thumb
- Core logic of virtually all educational settings
- Core logic of large organizations
- Works great when the future can be extrapolated

Images © Lightspring/Shutterstock. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

Predict, Plan and Execute (Prediction)



Organization Design and Architecture

THE “HARD STUFF”

- **Systems**
e.g. product supply, information processing, people development, etc.
- **Structures**
e.g. Hierarchy, network, Matrix, Ad Hoc, Hybrid... Flexible ↔ Rigid?
- **Policies and Procedures**
e.g. formal rules, methods, how decisions get made, etc.
- **Incentives and Sanctions**
what and who do you promote?

THE “SOFT STUFF”

- **Culture**
 - **Mental Models and Tacit Assumptions**
 - **The Unwritten Rules of the Game**
- **Politics**



Organization Design and Architecture in a **Predictable** Environment

16

- ❑ Systems
- ❑ Structures
- ❑ Policies and Procedures
- ❑ Incentives and Sanctions
- ❑ Culture, mental models, Unwritten Rules
- ❑ Politics

If the objective was *to scale up...*

- ❑ What sort of structures and cultures would you deliberately put in place?
- ❑ What structures and culture naturally evolve?
- ❑ What behaviors (individual and organizational) would you want it to produce? Stamp out?

ALB in the Contemporary Large Organization

17

- How friendly is the contemporary large organization to the rules of the Unknown (ALB)?
- What happens in your organization when projects with significant uncertainty encounter the prevailing structures, systems, policies, incentives, culture and politics?
- **Why?**

➔ Large Organizations are largely toxic to ALB.

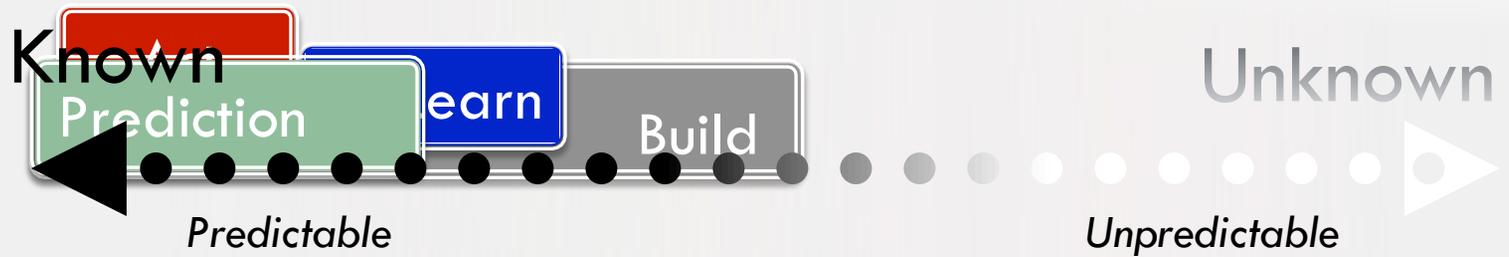
➔ Everything about them is designed to generate predictable performance.

- Planning and executing according to plan (vs. building on what you find) is expected (and rewarded.)
-

➔ Market premium for smooth earnings. Anything that creates variance is uprooted or engineered out.

➔ Individual desire is largely irrelevant.

This leads to serious challenges,
some of which we will address later



- You need both
- ALB includes some Prediction
- You often start with ALB and transition to Prediction
- You employ them reflexively, like a second language or ambidexterity
- Consider using ALB even in predictable situations
 - Derails the habit of prediction
 - Action might be equally reliable, cheaper and faster
 - Action changes reality, predicting doesn't

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

15.369 Seminar in Corporate Entrepreneurship
Fall 2015

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