

## **Chapter 8**

### **Entrepreneurship**

"To any entrepreneur: if you want to do it, do it now. If you don't, you're going to regret it." —[Catherine Cook](#), co-founder of MyYearbook

#### Chapter Objectives

After studying this chapter, readers should be able to:

- Discuss the nature of entrepreneurs and entrepreneurial processes
- Relate entrepreneurial activities to innovation and value creating activities
- Recognise the tensions between entrepreneurial work and other types of work
- Discuss the centrality of opportunity recognition to entrepreneurship
- Describe lean startup processes
- Identify the characteristics and capabilities of entrepreneurs
- Discuss similarities and differences between entrepreneurial work in startups and in existing companies.
- Discuss social entrepreneurship
- Identify the elements necessary to create culture and behaviour of 'intrapreneurship', within existing organizations

#### Introduction

*"[E]veryone is an entrepreneur only when he actually 'carries out new combinations,' and loses that character as soon as he has built up his business, when he settles down to running it as other people run their businesses." (Schumpeter, 2000 p.60)*

*“Innovation is the tool of the entrepreneur.” (Drucker 1985)*

How can selling rocks in boxes, labelled as “Pet Rocks,” lead to a successful profit making venture, while other ventures, based on supposedly viable innovations, that have undergone extensive due diligence, have led to commercial failures thereby consuming investments made by seemingly savvy investors? The answer lies in the quality of the entrepreneurial activity that is undertaken in bringing such new ideas to fruition in markets.

In this chapter, we explore “*Entrepreneurship*” – a construct we describe as the allocation of resources (the carrying out of new combinations) to the commercialisation of an innovation.

We also explore the role of the “*Entrepreneur*,” the person who makes Entrepreneurship happen. We discuss what an entrepreneur does, the use of innovation, and what determines an entrepreneur’s success or otherwise.

Companies who are seeking higher rates of growth often look for ways to replicate the activities of the entrepreneur within a corporate environment. This genre of entrepreneurship is labelled “Corporate Entrepreneurship”. The term *Intrapreneurship* is also sometimes used to denote entrepreneurial activity and operations within mature organisations.

This chapter describes the various Corporate Entrepreneurship (CE) processes employed by companies seeking to employ entrepreneurship as part of their business practices and the path that a company can follow to become more entrepreneurial.

Finally, we discuss how the level of entrepreneurship of an organisation may be assessed and introduce techniques for undertaking such an assessment. The purpose of assessing the nature and extent of entrepreneurship within an organisation is to formulate strategies and pathways to improve and accelerate it.

### Concept of entrepreneurship

**"Entrepreneurship is neither a science nor an art. It is a practice." —Peter Drucker, management consultant, educator, and author**

Kuratko and Audretsch (2009) argue that entrepreneurship is a phenomenon of interest because of its role as a driver of economic growth, job creation and competitiveness in global markets. It involves reallocating resources to new uses that produce a preferred outcome. Thus entrepreneurship is a planned behaviour. Entrepreneurship is not the product of unconscious and unintended antecedents, rather it is a “conscious and intended act” that is “aimed at either creating a new venture or creating new value in existing ventures”.

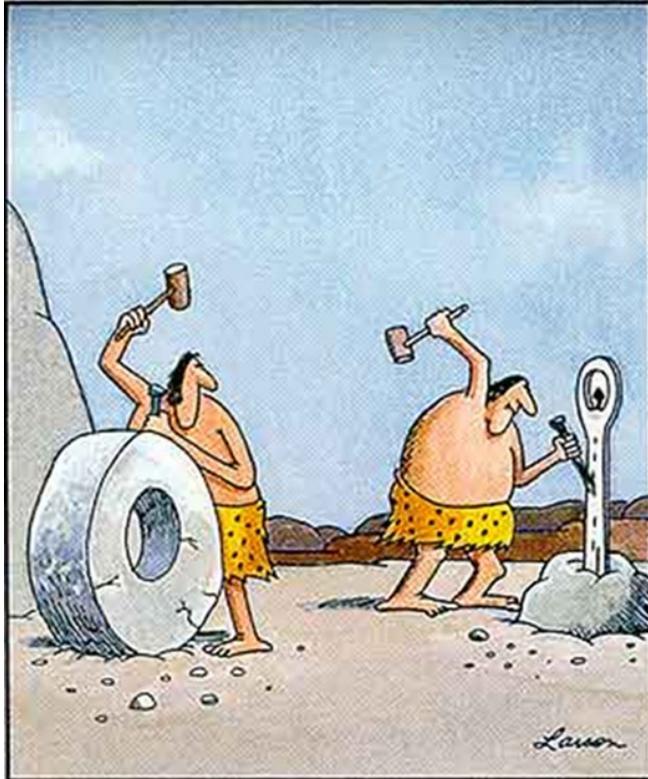
This understanding of entrepreneurship has developed over 280 years from the early writings of Cantillon (Schumpeter 1914 as cited by Hayek 1985; Higgs 1892; Jevons 1959), who described the entrepreneur as an individual who shoulders the risk in market transactions (Higgs 1959). A century later, J. B. Say (2001) expanded Cantillon’s concept of entrepreneurship to include arranging the required funding and administering the establishment of a new venture. As the entrepreneur typically contributes part of a venture’s required funding, Say observed that the entrepreneur shares the risk of the venture. While Say does not refer to the entrepreneur’s role as an innovator, it was subsequently suggested by Schumpeter, that, as the role of Say’s entrepreneur exists “*only when the factors are combined for the first time*” (Schumpeter 2000, p. 59), innovation is implied.

The use of such concepts explains the economic foundation of entrepreneurship and the nature of the individual in the role of the entrepreneur (Swedberg, 2000). Subsequent development emphasized entrepreneurial management: to foster innovation within corporations (e.g. Burgelman, 1983, 1984); start-ups and venture capital (Timmons & Bygrave, 1986); and predictors of entrepreneurial success (Cooper & Bruno, 1975; Dollinger, 1984).

Subsequent to these early conceptualizations of entrepreneurship, Stevenson and Jarillo (1990, p18) identified three main streams to describe and analyse entrepreneurship – “a focus on the results of entrepreneurship; the causes of entrepreneurship; and entrepreneurial management” (Stevenson 1983, Stevenson and Gumpert, 1985; Stevenson and Jarillo, 1986). In established organisations Stevenson notes: “Entrepreneurship is more than just starting new businesses - entrepreneurial management may be seen as a *‘mode of management’*

different from traditional management” (Stevenson and Jarillo, 1990:25) (Brown, Davidsson and Wicklund, 2001).

Stevenson and Jarillo (1990, p23) defined entrepreneurship as “a process by which individuals- either on their own or inside organisations- pursue opportunities without regard



to the resources they currently control” which gave impetus to a new focus on the search for the ‘how’ of entrepreneurship. This concept has the entrepreneurial organisation focusing on opportunity, not resources. Indeed, a key characteristic of entrepreneurs is that they recognise, foresee and can act on opportunities that others do not see or act on. The process of commitment of resources to entrepreneurial activities often becomes multi-staged and the entrepreneurial organisation uses the resources that lie within the hierarchical control of others and, therefore, must

manage the network as well as the hierarchy. This opportunity focused entrepreneurial concept aligns with classical definitions such as Kirzner’s (1973) “alertness to opportunity” and the contemporary definitions of entrepreneurship that center on the pursuit of opportunity (Brazael, 1999; Churchill and Muzyka, 1994; Shane and Venkataraman, 2000; Venkataraman, 1997). In fact, Shane and Venkataraman (2000) define the domain of entrepreneurship research in terms of opportunity recognition and exploitation.

### Entrepreneurial Process Models.

The understanding of entrepreneurship as a process, and not as a singular act, is well stated by Timmons & Spinelli (in Timmons, Gillin, Burshtein & Spinelli 2010) - “*entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced for the purpose of value creation and capture.*”

Ries (2011) defines a startup venture as: “a human institution designed to create a new product or service under conditions of extreme uncertainty”. Entrepreneurship results in the creation, enhancement, realisation, and renewal of value, not just for owners, but for all participants and stakeholders. At the heart of the process is the creation and/or recognition of opportunities, (Timmons et al. 1987) followed by the will and initiative to seize these opportunities. An entrepreneurial opportunity is the result of a process described as “entrepreneurial discovery” (Spring, 2010), “they occur when an ‘entrepreneurial mind’ recognises that a resource is not being put to its ‘best use’ as products made from that resource can be sold for a higher price at another location, at another time or in another form than those products” (Ibid :41). Typically, entrepreneurs devise ingenious strategies to marshal their limited resources and such occurrences are likely to be a consequence of new technologies, market inefficiencies, and political, regulatory and demographic changes. (Drucker, 1985; Shane and Venkataraman, 2000; Witt 2007).

### Timmon’s Model

The driving forces for the entrepreneurial process are illustrated in Figure 8.1 (Timmons, Gillin, Burshtein & Spinelli, 2011). In this Timmons model for the entrepreneurial process, first formulated in 1977, “the process starts with opportunity, not money, not strategy, networks, team, or the business plan” (Timmons et al. 2011, p109).

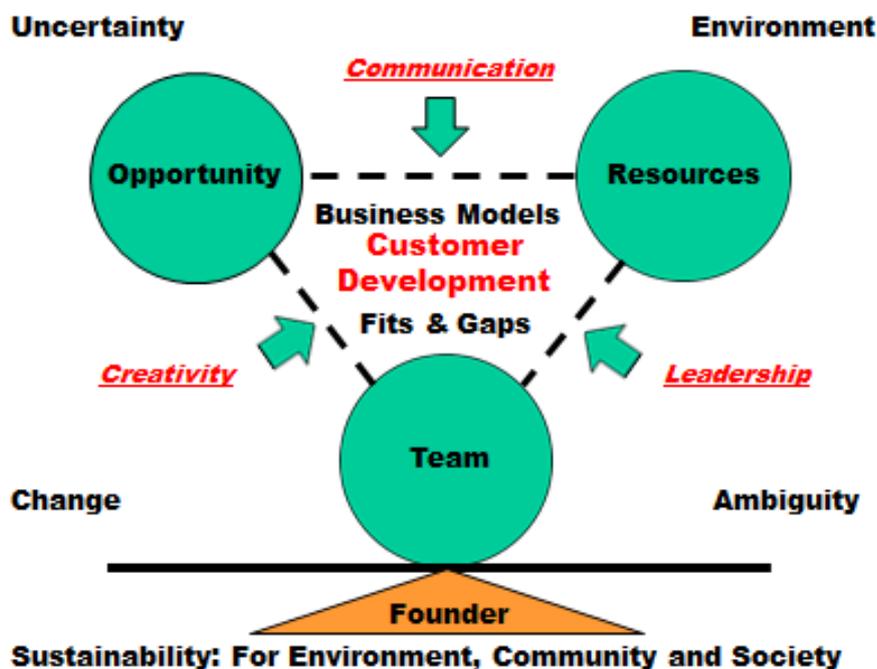


Figure 8.1 After Timmons, Gillin, Burshtein & Spinelli, 2011

Central to this model is the opportunity. *“Successful entrepreneurs and investors know that a good idea is not necessarily a good opportunity”* (Timmons et al., 2011: 109). Such recognition will depend on an entrepreneur having the information necessary to identify an opportunity and the cognitive skills needed to evaluate it. Success will depend on being the first entrepreneur to complete such a synthesis, as wide recognition of an opportunity will eliminate the opportunity for profit and the potential entrepreneur’s expectation *“appears to be a function of the joint characteristics of the opportunity and the nature of the individual”* (Shane and Venkataraman 2000, p222, Casson 2003).

An important dynamic of the Timmons model is the capacity to visualise an evaluation of the opportunity and balance this with similar evaluations for resources and team elements. As such, the model recognises the many contradictions in the highly dynamic, fluid, ambiguous, chaotic character of, and the frequent changes that occur in entrepreneurial process. It is important to recognise that entrepreneurship has evolved beyond the start-up notion to include companies and organisations of all types, in all stages. Thus

*“entrepreneurship can occur—and fail to occur—in firms that are old and new; small and large; fast and slow-growing; in the private, not-for-profit, and public sectors; in all geographic points; and in all stages of a nation’s development, regardless of politics”* (Timmons et al.2010, p97).

### Lean Startup Process

Although opportunities abound, many new ventures begin with an idea for a product that entrepreneurs ‘think people want.’ This observation is closely related to a process of customer discovery; customer validation; and customer creation, followed by company building and growth. Ries (2011) defines a model for the ‘lean startup’ *“as a set of practices for helping entrepreneurs increase their odds of building a successful startup”* (Figure 8.2).

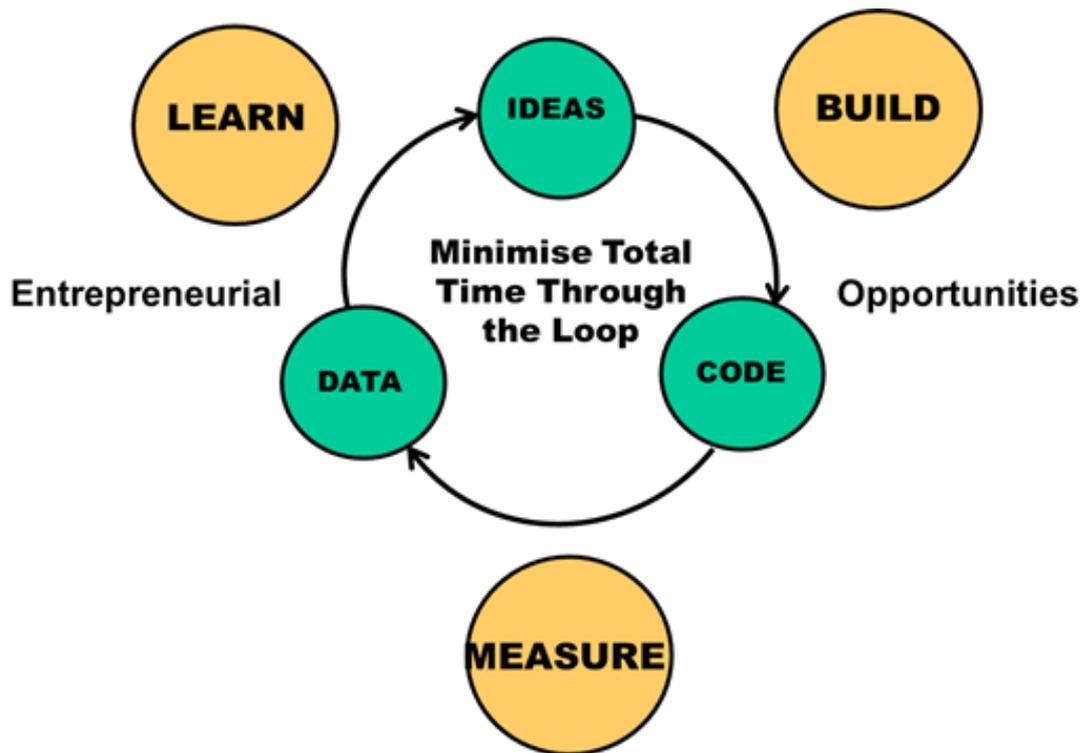


Figure 8.2 The Lean Startup Process (Ries, 2011)

Build-Measure-Learn is the core part of the lean startup process that includes the activities before and between the phases:

Idea - **Build** - Code - **Measure** - Data - **Learn**.

In other words, it's a loop process of turning ideas into products, measuring customers' reactions and behaviors against built products, and then learning whether to persevere or pivot the idea; and repeating the process over and over again (Ibid). Ries (2011) calls this "*the application of lean thinking to the process of innovation.*" This process is based on five principles:

- entrepreneurs are everywhere,
- entrepreneurship is management,
- validated learning,
- build-measure-learn, and
- innovation accounting.

Philosophically, the process seeks to eliminate wasteful practices and increase value generation during the product development phase, so that startups can have a better chance of success without requiring large amounts of outside funding, elaborate business plans, or the perfect product. Customer feedback during product development is integral to the lean startup process, and ensures that the producer does not invest time

designing features or services that consumers do not want. So, by releasing a basic, but viable, product that is not yet finalised, the company can then make use of customer feedback to help further tailor their product to the specific needs of its customers (Wikipedia 2014). Ries (2011) asserts that: "*lean has nothing to do with how much money a company raises,*" rather it has everything to do with assessing the specific demands of consumers and how to meet those demand using the least amount of resources possible. If startups invest their time into iteratively building products or services to meet the needs of early customers, they can reduce the market risks and sidestep the need for large amounts of initial project funding and expensive product launches and failures.

### Opportunity as central to entrepreneurship

"Never give in—never, never, never, never, in nothing great or small, large or petty, never give in except to convictions of honour and good sense. Never yield to force; never yield to the apparently overwhelming might of the enemy." —[Winston Churchill](#), British Prime Minister

'*Opportunities*' are central to the triggering of entrepreneurial and innovative behaviour, leading to the investment of scarce resources with the hope of future returns. While, at a conceptual level, they may seem similar across commercial and social entrepreneurship:

*"... in practice, the opportunity dimension of the framework is perhaps the most distinct owing to fundamental differences in missions and responses to market failure"* (Austin et al. 2006, p6).

Commercial entrepreneurship tends to focus on breakthroughs and new needs, whereas social entrepreneurship often focuses on serving basic, long-standing needs more effectively, such as aged care, through innovative approaches. For a commercial entrepreneur, an opportunity must have a large, or growing total market, create added value and the industry must be structurally attractive (Figure 8.3).

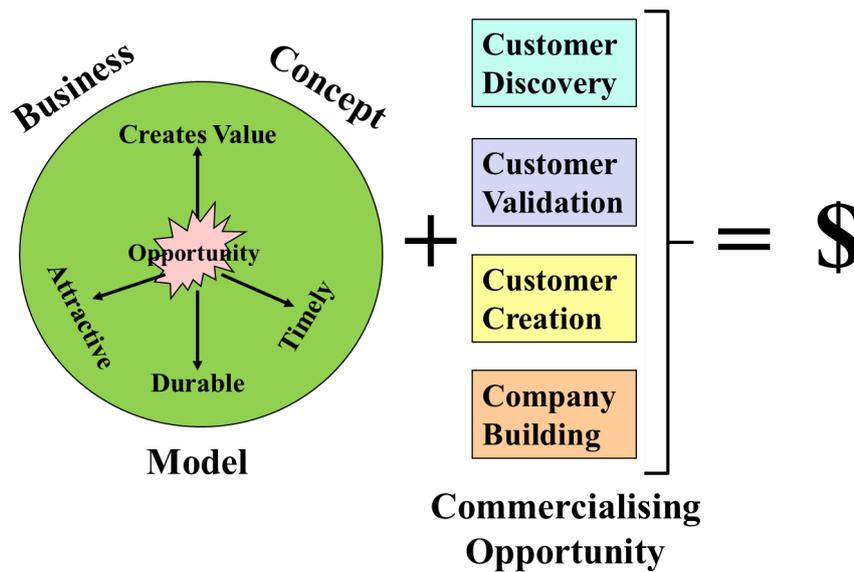


Figure 8.3 Dimensions of Opportunity Recognition

### Kwencher's beverages: award winning beers

After a trip to Morocco where David Burns and his wife, Elly Meltz enjoyed drinking peach iced tea and local beers, Burns returned to Melbourne and attempted to produce a beer with peach juice and black tea that resembled and represented the freedom shared during the trip and the great taste. Kwencher was born after six months.

The peach and black tea in the beer was also intended to attract women to consume the product. The Kwencher brand with a curly "K" as its logo represents a Tango dancing couple and unification of man, woman and freedom.

Most of the beer had been delivered by Burns' van and they started to sell their product with independent bottle shops. As his product gained popularity with consumers, the home-brewer partnered with Southern Bay Brewery with whom they developed a pale ale beer which won the award of best Australian pale ale in 2013.

Even though most of taps in Australian bars and pubs serve major breweries, Kwencher has already been introduced on tap in bars at

Melbourne and in 2015, the beer will start to be distributed through major supermarkets: Coles and Woolworths. Widening the distribution, Burns will have to increase the production quantities and overall efficiency. In order to prepare himself and his growing business for the challenges of increasing the product's volumes, Burns is planning for in-store-tasting nights and other opportunities. Kwencher has already arranged sale and distribution through Metcash, which is a major distributor to independent bottle shops.

Mr Burns exhibited a key characteristic common to many entrepreneurs, namely of sensing an opportunity and then being able to effectively act on it. He found a market opportunity market and has taken advantage of it. Mixing beer with a sweet flavor has made Kwencher beers very attractive to women who normally order sweet cocktails. The company sold 10,000 cartons in 2012/3 and turned over some \$600,000, and is planning for 100% growth in the year that follows!

Mr Burns had been managing entrepreneurial aspects of mature businesses, such as in BP Retail in which he developed their café concept. As many entrepreneurial people do, he is now the owner of his own business, no longer 'working for the man'!

<http://www.kwencher.com.au/>

[http://www.brw.com.au/p/entrepreneurs/kwencher\\_boutique\\_girls\\_beer\\_boys\\_TQ1b2KwOr6NIBUQZWCbenO](http://www.brw.com.au/p/entrepreneurs/kwencher_boutique_girls_beer_boys_TQ1b2KwOr6NIBUQZWCbenO)

For a social entrepreneur the opportunity must be timely, add value and meet a recognized social need, demand, or market failure and deliver sufficient market size to be sustainable. The problem is *“not the existence of the need, but rather whether the necessary resources can be marshalled for the social entrepreneur’s innovation to serve that need”* (Austin et al. 2006, p 6). Social entrepreneurship is thus, *“similar to commercial entrepreneurship in that the recognition of opportunities to create or innovate is the initiation point of the entrepreneurial process”* (Austin et al. 2006, p 6). Accordingly, while opportunity recognition is central to all processes associated with entrepreneurship, successful exploitation is dependent on: *customer discovery; customer validation; customer creation; and company building* (Figure 8.3).

The distinctive characteristic that we associate with entrepreneurs such as Bill Gates, Rupert Murdoch, Richard Pratt, Richard Branson, Thomas Edison, or Steve Jobs is not

their wealth, but rather their vision of a better tomorrow and their achievements in building viable enterprises that turn those visions into reality, at a profit.

Many successful entrepreneurs are found outside traditional business enterprises, launching ventures that bridge the gap between the commercial sector and the social one. For example, Dr. Fred Hollows established a program to treat cataract sufferers in the third world at no cost to those patients, established factories in Eritrea and Nepal to manufacture intraocular lenses for transplant. It's estimated that over one million people can see today because of initiatives instigated by Hollows. (<http://www.hollows.org.au/Fred-Hollows>)

Entrepreneurs who create or recognize opportunities and then seize and shape them into high-potential ventures, think and do things differently to conventional business managers. They operate in an entrepreneurial domain, a place governed by certain modes of action and dominated by certain driving forces. Consider for example, Paul Trainor arguably one of Australia's most successful entrepreneurs, who is generally unknown to the broader community. In the 1960's, Paul left a comfortable executive position to found the Nucleus Group, with the stated goal of working with "great people." In those days, Australia's economy was overwhelmingly resource based – with the country frequently described as "living off the sheep's back" – yet Trainor and his team recognised the potential of leading edge Australian researchers and backed their ideas. Over the next 25 years, Paul and his team incubated a series of biomedical technology companies – starting with Telectronics, at one time one of the world's three biggest heart pacemaker manufacturers, and culminating with Cochlear, which today is the world's leading manufacturer of cochlear implants. But Paul's greatest achievement is not just the businesses he built, but rather the entrepreneurial culture he fostered. Many of Australia's successful biomedical ventures were founded and staffed with alumni of one or more of the Nucleus Group companies. In fact, Paul, who passed away in 2006, can well and truly be seen as the founder of Australia's biomedical industry, which today comprises of dozens of firms and employs thousands of people (Timmons et al, 2010).

Another entrepreneur example is Peter Farrell, a 2006 inducted into the Australian Entrepreneurship hall of Fame, a 2005, Ernst & Young USA Entrepreneur Of The Year and a member of the World Entrepreneur of the Year Academy in Monte Carlo, founded the

NYSE listed ResMed Inc. (RMD). This business was established to design and build practical systems for the treatment of obstructive sleep apnoea (OSA). In 1981, Professor Sullivan, of Sydney University, had demonstrated with improvised equipment, that normal sleep could be restored to sufferers of OSA by the application of a constant positive airways pressure to the nose through a mask. The idea met with scorn by the majority of the medical profession. Peter Farrell saw the opportunity, and seized it. Sleep apnoea is an identifiable cause of hypertension. Since its IPO in 1995, ResMed has demonstrated record year-on-year growth in revenues and profits. The resulting collaboration between inventor and entrepreneur is a classic demonstration of innovation in action. At the end of 1989, the Company had a staff of 9. Capital of \$1.2 million was raised from staff and Angel investors. The 2014 ResMed Annual Report notes that the company employed 4,100 people at 30 June 2014 and that its annual revenues for the year ending 30 June 2014 were A\$1.7 billion. As the end of November 2014, the company's market capitalisation had grown to exceed A\$8 billion on the New York and Australian Stock Exchanges. These businesses were not built by conventional managers running businesses in conventional ways, but by entrepreneurs.

At the other end of the scale DC123 was founded in 2009 by Domenic Saporito, Damien Schulze and Adam Crow. It is a flexible and fast-moving IT firm that aims to provide disruptive, leading edge, turn-key CRM and social media solutions, and presents its clients with products specifically tailored to their needs, deriving an enduring edge over their competitors. DC123 has developed an advanced multi-domain technology platform, or Enterprise Intelligence System (EIS), which is a step beyond traditional CRM's. Their EIS technology has the ability to monitor events in real time, extract semantic meaning and make real-time decisions (Hougaz 2014). DC123 was an opportunity that came knocking at Domenic Saporito's door in 2009. It stemmed from Domenic's strong aptitude for technology, and his experience of having to work with Microsoft software, which he found cumbersome, slow, frustrating, and difficult to work with remotely. Domenic needed software that would allow him to work seamlessly from anywhere in the world, without burdensome and expensive terminal servers, which risked being hacked into.

*"We were bogged down by that horrendous Microsoft net based software. We were spending, I'm not kidding, 80% of our time feeding this monster, which meant my staff couldn't go out and win new work."*

So, having identified a problem, he realised it as an opportunity, and proceeded to act on it. He searched for, found and purchased a software service recruitment system that was fully on line, with users paying 'per user' license fees. The system was cloud based, so he was able to remove his hardware, and use only his laptop, to log easily into this software service.

*"When I found this other software, I just got it in immediately because it freed everyone up. I didn't need a terminal server anymore, and wow, it was the best year I ever had!"*

He presented the idea to the Board of CareersMultiList and sold that system into the group. The owner of the software company, amazed by Domenic's sales abilities, approached him and asked him to become a partner in the company.

*"When he came to me and offered me a third of this business I said 'wow that is what I want to do'. And that was the moment I said 'yes, here we go!' And it's all morphed from there."*

(Abstracted with permission from Laura Hougaz and Pitcher Partners Institute for Entrepreneurship & innovation, June 2014)

### Smiggle: entrepreneurship from privateer to a corporate setting

While the Smiggle chain, of children's fun stationary products has gone from its founders to become part of a large company, just Group, its entrepreneurial spirit and growth ambitions have certainly not diminished. Just Group acquired Smiggle when it had 20 stores, (buying the business from the original entrepreneur for some \$20 million), and Just Group has expanded that by a factor of six in Australia, with further stores opened in Singapore, UK and elsewhere.

Focusing its products on nine year old kids, Smiggle offers a large range of colourful and fun stationary that is desired by many children. Started in 2003 in Melbourne, it now has 124 stores in Australia, which is an extraordinary record of achievement at a time

when a lot of retail is moving online. Although it has an online store, most of the Smiggle's sales come from the physical stores where kids can see and touch the products before buying. It has an average of \$20 per purchase as children often buy with their own money, which means volumes of customers are high, given the overall sales of some \$90 million. In a small store area, it has plenty of products from pencils to backpacks with innovative colourful designs which are displayed by colour where kids can look for any item they like in every little section in the store.

There is no direct competitor to Smiggle, as its target market is very specific. Although any bookstore and stationary shop sells paper, pencils, erasers and notebooks, the differentiation of its products has made them unique and more attractive to kids, with products being offered at a reasonable price.

Smiggle's success has led them to open stores overseas in 2008 in Singapore and New Zealand and from 2014 the UK is the main target of expansion. The expansion strategy in the UK brings lofty expectations as Smiggle managers aim to have a greater number of stores there than in Australia.

[http://www.brw.com.au/p/business/smiggle\\_kids\\_stationery\\_retailer\\_9aSzxy37nPUaUMeZdXzpeL](http://www.brw.com.au/p/business/smiggle_kids_stationery_retailer_9aSzxy37nPUaUMeZdXzpeL)

<http://www.smiggle.com.au/shop/en/smiggle/about-us>

### The Entrepreneur

A consequence of entrepreneurship being seen as playing a major role in economic development is that the personal attributes of entrepreneurs are of interest. In particular, researchers have sought to determine if the possession of particular attributes will determine an entrepreneur's success (Stevenson & Jarillo, 1990).

Research in this area can be identified as belonging to one of three streams. Firstly, theorists have explored the impact of personality traits such as: risk-taking (Cantillon, 1959; Knight, 1921), creativity (J. A. Schumpeter, 2000) or need for achievement (McClelland 1961 as cited by Shane, Locke, & Collins, 2003) on entrepreneurial behaviour and success. Second, studies have examined the impact of personal capabilities such as intuition (J. A. Schumpeter, 2000), creativity (J. A. Schumpeter,

2000), access to resources (Say, 2001), organisation and management of production (Long, 1983; Say, 2001), and knowledge of the world and business (Say, 2001).

Third, research has identified perceptions of the feasibility of entrepreneurial behaviour (Bandura, 1977; Krueger & Brazeal, 1994) and of the desirability of entrepreneurial behaviour (Krueger & Brazeal, 1994). Figure 8.4 shows such attributes.

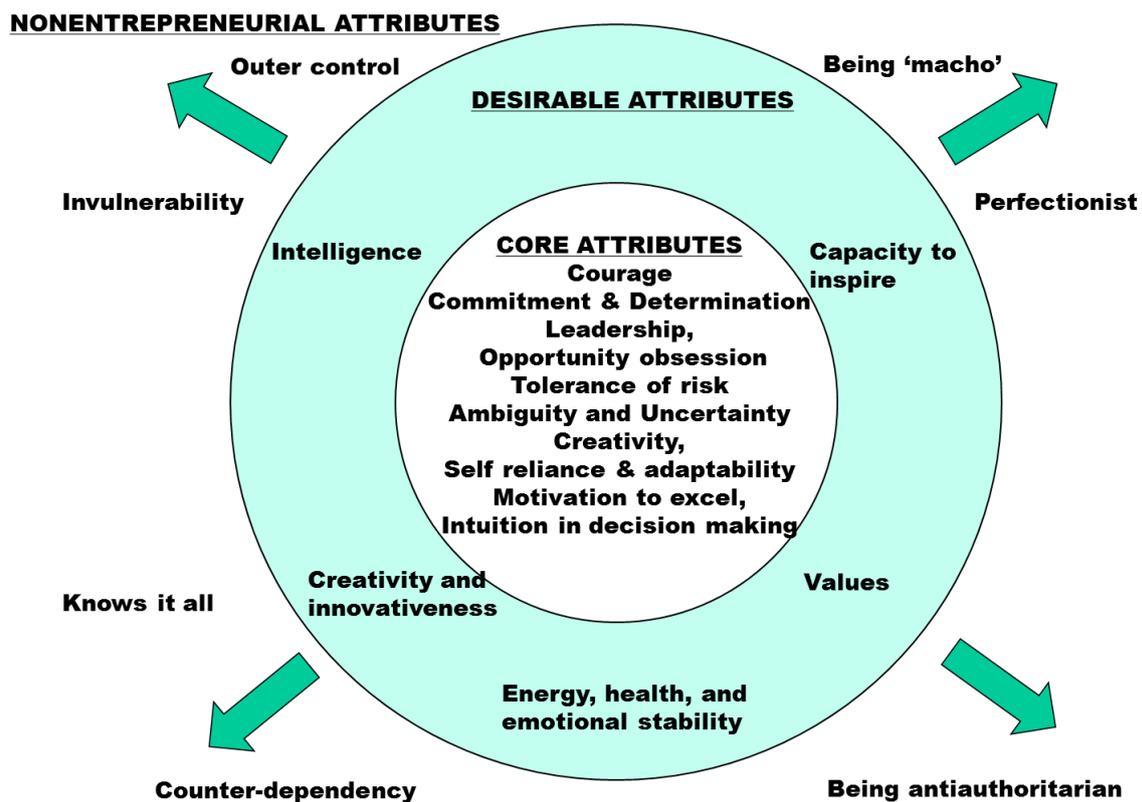


Figure 8.4 Entrepreneurial Attributes (After Timmons, Gillin, Burshtein & Spinelli, 2010)

Personality Attributes

"I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance." —[Steve Jobs](#), co-founder and CEO of Apple

Researchers who explored the relationship between personality attributes and entrepreneurship found that while there was an overwhelming perception that entrepreneurs are different to non-entrepreneurs (Figure 8.4), it is not possible to develop a psychological profile of the entrepreneur. Gartner (1985) suggested that this was because the differences among entrepreneurs, and among their ventures, are substantial. Indeed, in any survey of venture drivers, entrepreneurs are strongly identified as amongst the 'outliers.' Shane et al. (2003), in a review grounded on the explicit assumption that *"all human action is the result of both motivational and cognitive factors"* (p.258) argued that the attributes of entrepreneurs influence their decisions and in particular *"human motivation plays a critical role in the entrepreneurial process"* (p.258).

A subsequent meta-analysis undertaken by Rauch and Frese (2007) showed that generalized self-efficacy, proactive personality, innovativeness, and achievement motives are each predictors of specific entrepreneurial behaviours. This led to the observation that the attributes of a particular entrepreneur could determine the parts of the entrepreneurial process to which they were suited.

While the identification of particular attributes associated with entrepreneurship may enable potential entrepreneurs to be identified, this information is likely to be of limited use as such individuals will also be suited to other occupations. For example, an individual with a high need for achievement will be able to satisfy this need through many career choices, for example, a career in microsurgery. However the information may be useful to confirm the suitability of individuals who have self-selected and in particular to identify the parts of the entrepreneurial process that they are either suited or not suited to. In the context of corporate entrepreneurship, personality traits may dictate whether particular employees are suitable for corporate entrepreneurial roles.

#### Case Study: Bennetts Boots boom and bust

It was 2005 when Melbourne Amanda Bennett came up with a new business idea. After continually being disappointed that new fashion boots would not fit her wider calves she wondered if other women suffered the same lack of choice. Amanda undertook some market research and discovered that 62 per cent of other women shared her frustration. They could not buy boots to fit.

A gap in the market existed and so Amanda set about creating a company to design, manufacture and sell to a niche market – women wanting wider boots in fashionable styles.

Amanda had previous experience working in China and was confident that she understood the local customs. China also had the right price and the right capabilities to manufacture footwear so the newly created Bennetts Boots hired a Chinese-based manufacturing manager and began production in China.

Her first range of boots was a huge success with customers, so much so that Bennetts could not keep up with the demand. In 2010 a freshly opened Bennetts store in Melbourne sold Au \$700,000 worth of boots in just six weeks. Bennett says of this time that “for every pair of boots we were selling, we could have sold two more pairs”; customers were even prepared to wait 12 weeks for a pair. Delighted and overwhelmed with orders and eager to establish themselves in this niche market, Bennett and her husband mortgaged their home in order to finance a larger shipment of stock from China.

In 2011 the market was hot and demand was high for a pair of Bennetts boots. Amanda had identified an unmet need and major retailers clamoured for stock. Stores eagerly awaited the arrival of new provisions but the quality of the new stock, when it arrived from China, would shock Amanda and begin a downward spiral ending in the company’s liquidation. Expensive zips that had been supplied for the new boots had been replaced with cheap imitations, the boot leather was an inferior quality and the boots were poorly stitched. Out of one consignment, 80 per cent of the boots supplied were identified as unsaleable.

Now in heavy debt and having no boots to sell (approximately a million dollars in lost sales) Bennetts Boots continued to look at alternatives such as manufacturing in other regions and using different suppliers. They struggled on for a few more years but without any real success. After four years of cash flow challenges and manufacturing problems the company was unable to recover and closed in May 2014.

Bennett attributes the decline in the quality of the production of her boots to cultural differences with China. She believes that the drop in the quality of her boots was a strategy common to Chinese manufacturers where the first shipment arrives to expected standards then the quality drops off as manufacturers seek to recoup costs and profit. The supplier’s concern for improving their own margins conflicted with Bennett’s concerns for their brand image and sustainable business development.

Issues with their product supply were certainly significant to the problems experienced by Bennetts boots but their business model had other challenges. Boots are a seasonal product which meant that, to be profitable, Bennetts was faced with several difficulties. Should they have invested their time and meagre funds into diversifying their product range? This was very difficult without a reliable supplier and with limited cash flow. What about the investment in brick and mortar stores? This gave the brand a presence and an opportunity to be seen and experienced by unfamiliar customers but whilst they focused on paying rent (another drain on cash flow) customers in other regions of the globe were neglected due to the lack of managing an online presence.

Source: Nina Hendy, "Manufacturing in China Cost Amanda Bennett Her business – Here's Some Tips To Avoid the Same Fate" *Business Review Weekly* (28 July 2014, Updated 29 July 2014) Retrieved from [http://www.brw.com.au/p/business/manufacturing\\_tips\\_china\\_cost\\_amanda\\_iQ4fE3vcThD SYly8wlDJyl](http://www.brw.com.au/p/business/manufacturing_tips_china_cost_amanda_iQ4fE3vcThD SYly8wlDJyl) (accessed 21st August, 2014)

### Personal Capabilities

Specific capabilities that have been identified as particularly relevant to entrepreneurs are the identification and evaluation of opportunities (Haynie, Shepherd, & McMullen, 2009; Shane & Venkataraman, 2000; Witt, 2007), decision-making in the face of uncertainty (Casson, 2003; Knight, 1921; J. A. Schumpeter, 2000) and the ability to recruit investors (Say, 2001; J. A. Schumpeter, 2000). The occurrence and success of entrepreneurial opportunities depends on their identification and evaluation by entrepreneurs. The exploitation of a particular opportunity depends on it being discovered by an entrepreneur who has the required knowledge, is attracted to the opportunity, has access to social networks that will provide the required information, and has the ability to identify new means-ends relationships. If there is an absence of potential entrepreneurs with these characteristics, the opportunity will not emerge (Eckhardt & Shane, 2003; Haynie et al., 2009; Shane & Venkataraman, 2000; Witt, 2007).

Schumpeter (2000) proposed that entrepreneurs depend on intuition, which he defined as *"the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done"*(p.64). Similar concepts were described by Knight (1921), Kirzner (1997) and Casson (2003) who proposed that entrepreneurs have a superior ability to make decisions in the face of uncertainty, to predict the future, and to make judgemental decisions.

More recently, Mitchell et al. (2005) suggested intuition may be associated with *"the beginning of new market learning or the drawing of unique conclusions about markets,*

*and the ability of venture managers, creativity and innovation, the discerning of necessary entrepreneurial inputs, the improvement of competitiveness, opportunity recognition, improved organisational performance, and rapid or more efficient decision making”* (p.657). In the context of entrepreneurship, ‘intuition’ has been defined as *“a process by which information normally outside the range of conscious awareness is immediately sensed and perceived as certainty of knowledge or feeling about something distant or yet to happen”* (Bradley, Gillin, McCraty and Atkinson, 2011 p.343).

Contemporary research has provided support for the importance of the entrepreneur in attracting investors. For example, research exploring the investing patterns of 74 UK based angel investors published by Mason and Harrison (2002) found that 53% of those surveyed *“will consider relaxing their investment criteria in certain circumstances, notably where the entrepreneur/management team has high credibility, confirming other evidence that angels place much greater weight on the ‘jockey’ than on the ‘horse’”*(p.281).

Accordingly, individuals identify entrepreneurial opportunities, make an intuitive judgement as to their viability, and then work to recruit other members of their organisation.

#### Innovation and entrepreneurship Thought Leadership

Wolpert (2002) discussed the notion of ‘intrapreneuring’, not a new term, but a useful one referring to behaviour like an entrepreneur within an existing and possibly mature organisation. He argues that no company can be ‘hermetically sealed’ and this correctly points to the close connections that all firms have with their suppliers, consumers and other stakeholders. Wolpert illustrates the power of connected open innovation through the track record of IBM’s alphaWorks, through which IBM interfaces the rest of the world’s innovations and connects them to its own in a very open and ‘sharing’ manner. This initiative has a remarkably high 40% success rate in terms of IBMs new ideas going on to create commercial value through open innovation connections, including some very large initiatives.

Wolpert, J., (2002), Breaking out of the innovation box, Harvard Business Review, August, pp 71-83.

## Motivation of Entrepreneurs

Research into the motivation of entrepreneurs has followed two approaches. The first approach rationalises that the benefits of entrepreneurial behaviour are psychological and sociological while the second rationalised that they are financial.

Researchers who conceptualise entrepreneurship as a psychological characteristic of individuals, describe entrepreneurs using such terms as *“creativity, daring and aggressiveness,”* while others who conceptualise it as a sociological characteristic of individuals, regard it as something dependent on personal motivations *“that may be enacted by individuals in different social positions”* (Wilken 1979 p.58 as cited by Stevenson & Jarillo, 1990).

The second approach conceptualises entrepreneurship as an economic function that is performed by entrepreneurs who are motivated by economic self-interest where the individual is *“largely motivated by a desire to possess wealth”* (Knight, 1921 p. 151).

Schumpeter (2000), despite being trained as an economist, adopted a similar view and proposed that entrepreneurs were primarily driven by sociological needs *including “the will to found a private kingdom,” “the will . . . to succeed,”* and to experience *“the joy of creating”* (J. A. Schumpeter, 2000 p.70).

As discussed in the previous section, the validity of psychological or sociological traits as an antecedent to entrepreneurship is questioned, as it is extremely difficult to link particular psychological or sociological traits causally to patterns of complex behaviour, such as entrepreneurship, and that at most, *“one could speak of correlates or antecedents of particular kinds of entrepreneurial behaviour”* (Stevenson & Jarillo, 1990 p. 20).

As Stevenson & Jarillo (1990) observed, while researchers can characterise entrepreneurship as a behaviour that is carried out by individuals, they have been unable to establish a causal link between an individual’s psychological and sociological attributes and such behaviour. Instead researchers have shown that entrepreneurs react to a range of motivations that reflect a particular opportunity and environment.

## Shareable app: giving existing App-stores a run for their money

Adam Friedman realizes that there are millions of apps in app-stores and developing a new one does not mean that buyers will see and buy or download. The app developer has to spend a lot of money in this market as he/she has to pay to put his/hers app in the store and then pay to advertise the app with no guarantee that people will buy. And apps are increasingly being made available for free or almost so.

Shareable app has a self-publishing platform where anyone without any knowledge about programming can create and share apps by SMS or social media for \$99 a month. By making it easy to develop an app, shareable app's platform permits the user to build an app that is shareable with any smartphone or tablet on all operating systems (android, ios, windows and blackberry). In its site there are tutorials of how to create, how to share, how to track and even how to engage with the audience. These advantages are attracted big names like, RMIT University and Universal music group to use this platform. Shareable app has already shared over 35,000 apps since its creation.

It was created in Melbourne in 2009 and today has operating companies in UK, US and an office will be opened in Sydney soon. As new apps are being developed every second, a more effective way of marketing these businesses is via mobile applications. The Shareable apps enable a faster and easier communication between buyers and developer building a more trustful transaction.

Adam employs 20 people, has taken investments on of some \$1.2 million, and is an entrepreneur who is moving forward in a fast growing market where it might just be possible to out-Apple and out-Google the big players! Respected IT business analysis firm Gartner estimates that the app downloads will be some 140 billion in 2014, generating nearly A\$40 billion in revenue. Even a smallish piece of that market would represent a great success for Adam and his entrepreneurial ambitions.

<http://www.shareableapps.com/about/>

[http://www.brw.com.au/p/tech-](http://www.brw.com.au/p/tech-gadgets/meet_shareable_apps_the_local_start_rgVbmU4se0GCG5kF7Uo8fJ)

[gadgets/meet\\_shareable\\_apps\\_the\\_local\\_start\\_rgVbmU4se0GCG5kF7Uo8fJ](http://www.brw.com.au/p/tech-gadgets/meet_shareable_apps_the_local_start_rgVbmU4se0GCG5kF7Uo8fJ)

## Entrepreneurship and Innovation

At the heart of the entrepreneurial process is innovation. Leading the widespread adoption of new ideas and techniques, innovators make a critical contribution – transforming all aspects of our lives. We recognise entrepreneurs like John Symonds with his Aussie Home Loans, ResMed’s Peter Farrell, or Harvey Norman’s Jerry Harvey, because each achieved their wealth and social stature by introducing to the market a superior (and scalable) approach to an existing (and substantial) problem.

As illustrated in Figure 8.5, innovation is the endpoint of many inputs to the business cycle. It may start with research and ideation but as shown in the model, research forms one side of the pyramid base. Of itself, research is not innovation. The model shows the necessity of design and manufacturing inputs as contributed by people with ideas creating devices or services. However, without the inputs of the identified opportunity, team management and customer driven market, a successful commercial business or social enterprise will not result. Innovation only occurs when the customer “puts their hand in their pocket and exchanges value – ‘money’ for usefulness/need”. Of importance, it is worth noting availability of technology is essential but as the equation says – “Science is not equal to Technology and Technology is not equal to Innovation”. (Ref. ..)” (Morita, 1992)

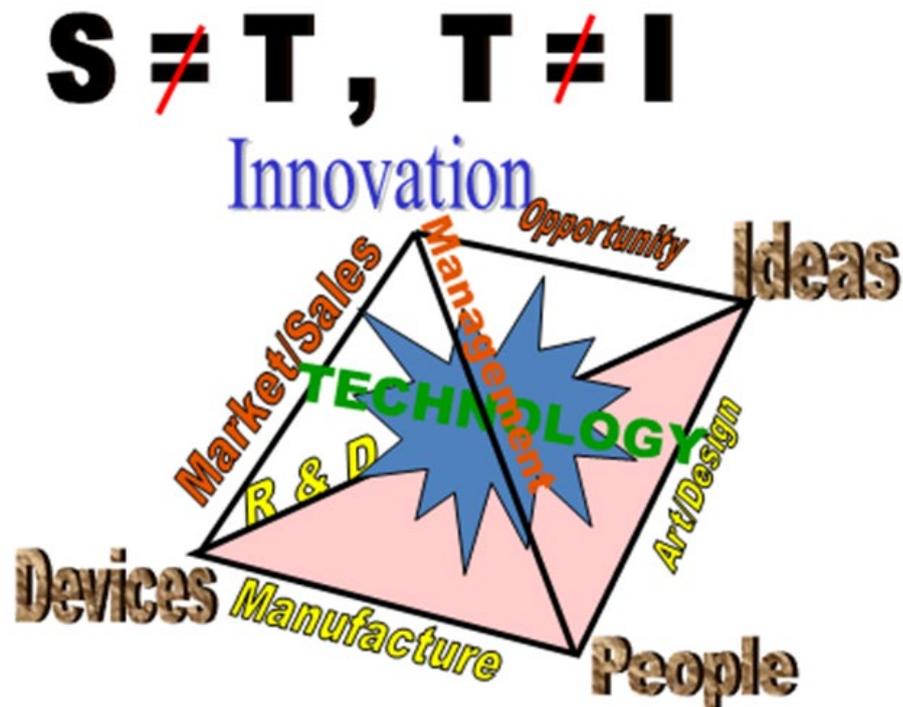


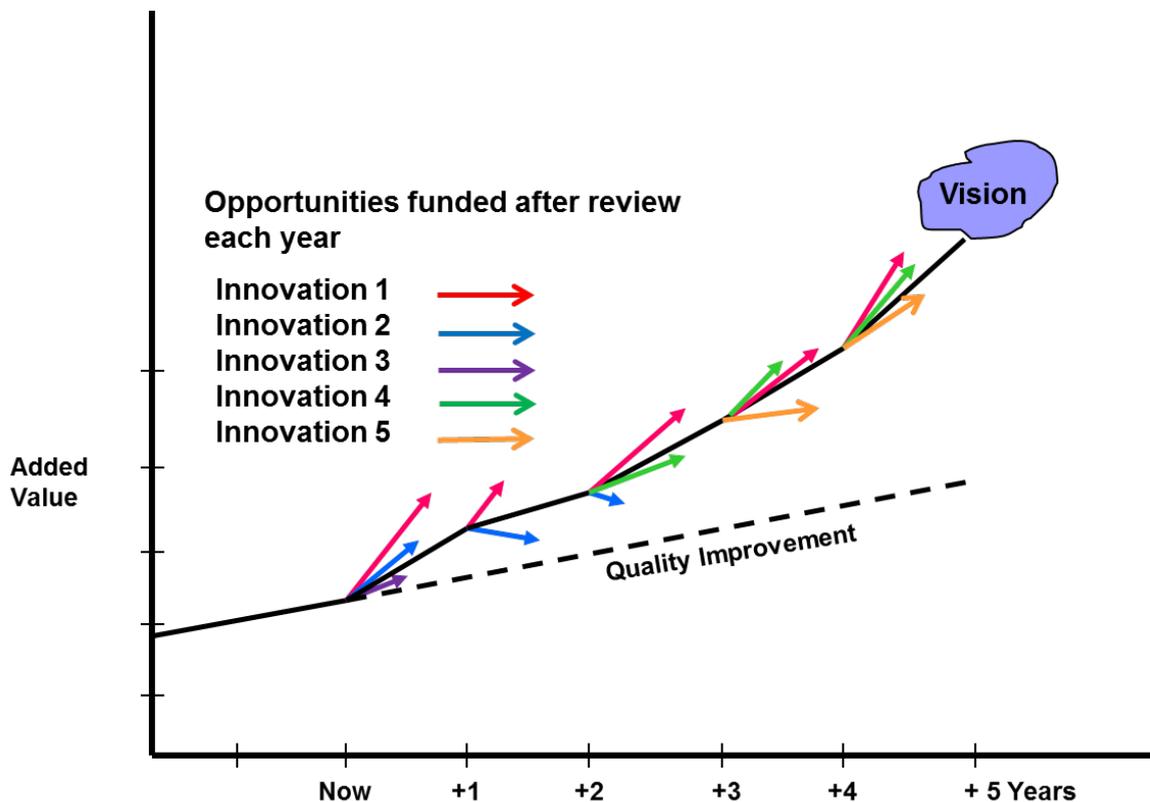
Figure 8.5 The elements of the Innovation Pyramid

Today, the pace of innovation is accelerating. Advances in fields such as biotechnology and nanotechnology are breaking ground for the next great waves of innovation. Nano means one-billionth, so a nanometer is one-billionth of a meter or 1/80,000 the diameter of a human hair. A new class of nano-size products including drugs, optical-network devices, and bulk materials is attracting substantial research funding and private equity. The next generation of entrepreneurs will create new ventures and wealth in these and other applications of nanotechnology.

Using the building blocks of innovation as a tool for successful entrepreneurship, Jessica Gardner (2014) reports *“that Peter Farrell of ResMed has a strategy with the likes of Apple, Jawbone and Fitbit in its sights and plans to make electronic gadgets that tap into the burgeoning ‘quantified self’ health and fitness trend. ResMed wanted to make personal products that can monitor consumers’ health signs, like heart and respiratory rate and how well they are sleeping, working with ‘appropriate consumer partners and well-known brand names’ in the consumer space”* ([www.smh.com.au/business/apple-fitbit-in-resmeds-sights-with-quantified-self-gadget-plan-20140401-35w0r.html#ixzz3JNNuhsHF](http://www.smh.com.au/business/apple-fitbit-in-resmeds-sights-with-quantified-self-gadget-plan-20140401-35w0r.html#ixzz3JNNuhsHF) ).

As well as monitoring consumers' health and sleep patterns, the technology, acquired from a Dublin-based start-up BiancaMed, which was established by PhD students who had created a device "half the size of my iPhone," that can measure heart and respiratory rate over a short distance. Farrell said "We're going to take that sensor and put it in a consumer device," and incorporate an alarm that could wake sleepers at an ideal time each morning. Being woken up during deep or rapid-eye-movement (REM) sleep leads people to feel drowsy for longer, but being woken up while in light sleep leads to a more alert start to the day. Such a ResMed product/innovation could connect with people when they were "concerned consumers."

In a sign of the interest in the sector, consumer electronics giant Apple hired a former sleep scientist from Phillips to join its iWatch team in February (Gardner 2014.)



**Figure 8.6 Entrepreneurial and Innovation Strategy Behaviour**

This entrepreneurial behaviour in firms exploiting opportunities through innovations is well represented in Figure 8.6. Clearly the firm has a 'vision' for achieving growth but, as shown, it will not be attained through quality improvement alone. An entrepreneurial approach is to fund a number of selected potential innovations in year 'now' (see

innovations 1,2,3 in Figure 8.6). Then, at the end of the year progress is assessed and decisions made as to continued support, cancellation or funding of a new potential innovation (see year +1 and note cancellation of #3 and continuation of #1 & #2). After assessment at year +2, #2 is under performing and #4 is started and so on. This dynamic approach provides the entrepreneurial 'vector' of growth needed to achieve a firm's vision.

Such entrepreneurial behaviour was at the core of Visy Paper and Packaging's strategy. Richard Pratt, an immigrant as a boy, who grew up in rural Australia, turned a small box-making business into a \$3 billion revenue paper and packaging business. Visy was founded in 1948 and in 2004 employed more than 9000 people in Australia, New Zealand, USA, Hong Kong and Malaysia. Significantly, Visy has remained a private company led by Mr Pratt as founder, and now his son Anthony. The company is believed to be worth about \$3.5 billion and the Pratt's net family worth in the region of \$4 billion at the time of his death in 2012. Pratt said the "*private family business wins every time.*" His other business secrets are '*inclusion of in-laws in the business with equal enthusiasm, sidestep the stock market, use public company talent to enhance the private company, never leave the family out of your sight and allow mini-empires to grow inside the business*'. Out of this successful entrepreneurship behaviour the Pratt Foundation distributes some \$10.2 million per year to community causes. This approach to entrepreneurial business is summed up by:

*'it has taken the business sector a long time to realise that you can reverse the old slogan: what's good for the business is good for the community – to – what's good for the community is also good for business''.*

The ultimate message is clear: Great companies can be built upon simple but elegant principles; and all the capital, technology, service management, and latest information available cannot substitute for these principles, nor will they cause such a culture to happen. These ideals are at the heart of the difference between good and great companies. (Timmons et al., 2010)

### **3D: Collaboration That Saves a Leg and Inspires The Imagination**

A 71 year old Melbourne man benefitted from a collaborative medical effort when he was the recipient of a world first surgical treatment for his advanced cartilage cancer. A partnership between Victoria's St Vincent's Hospital, the CSIRO and Australian biotech firm Anatomics enabled him to receive a uniquely fitted, 3D printed heel to replace his own, tumour damaged bone. In the revolutionary procedure Professor Peter Choong replaced Len Chandler's cancerous heel bone, the calcaneus, with a 3D printed replica constructed from scans of his opposite, tumour free heel. Ordinarily, sufferers of this form of cancer are subjected to a below the knee amputation as the heel bone has been too complex to replace. It has always frustrated Professor Choong that he has had to amputate so much of a person's leg because of one, relatively small bone. The calcaneus works in intricate tandem with the shin and foot bones and only an exact replica can provide a proper fit, which prevents pain and maintains the foot's range of motion and weight-bearing capacity. Thanks to new technology, cooperation and a pioneering spirit Prof Choong was able to offer Mr Chandler the heel replacement rather than the loss of his leg.

Prof Choong is an Orthopaedic surgeon and Head of Department of Surgery University of Melbourne at St Vincent's hospital. One of his specialties is advanced limb reconstruction and he heads a joint replacement program at the hospital where nearly 900 procedures occur each year. He has maintained an ongoing interest in prosthetics and has closely followed the technological advances in replacement body parts.<sup>i</sup> Much of the innovation currently occurring in prosthesis is stemming from the introduction of 3 Dimensional (3D) printing.

3D printing, or additive manufacturing, is a "method of manufacturing in which materials, such as plastic or metal, are deposited onto one another in layers to produce a *three dimensional object*".<sup>ii</sup> 3D printing is still in its relatively early stages despite having been around since the early 1980s. Its relevance has been steadily increasing in industries as broad as aviation, car manufacturing, construction and medicine as much as it has for the 'backyard enthusiasts'. The popular American entertainer and car enthusiast Jay Leno has been an early adopter of 3D printing technology and has led some of the publicity surrounding the home hobbyists and their interest in experimenting with additive technology. The prospect of 3D printing technology has opened up a wide range of opportunities for society from the potential benefits of reduced waste, cheap housing, cheap medicines, huge manufacturing innovation and customisation to the issues of open source software and IP protection, global shifts in supply chains and manufacturing as well as the clear and present danger of 3D printed guns.

At this point in time, 3D printing still has some obstacles to overcome before it is suited to the mass market for mass manufacturing purposes, but it is highly suited to making customised products at cost-effective prices. Innovators in the medical field have been experimenting with the use of 3D manufacturing to aid in treatments available to patients with a wide range of conditions. It has current applications in the fields of cells, blood and veins, bones, ears, bandages and prosthetics including dental prosthesis.<sup>iii</sup> Prosthetic specialists are working with technology to create limb replacements that imitate the unique features of a person receiving a new body part including skin

colour and contour. Scientists are getting closer and closer to producing artificial limbs that are nearly undetectable in terms of look and range of motion.<sup>iv</sup> Scientists are also working to produce low cost 3D printed replacements. Forbes estimates that there is somewhere between 10 to 15 million amputees in the world.<sup>v</sup> The opportunity to have a working limb could significantly impact on the quality of life for humans throughout the globe.

In the case of Mr Chandler, scans of his tumour free foot were sent to a niche medical device company located in St Kilda, Melbourne. The company, Anatomics, provide custom products to surgeons and has been working with 3D print technology for some time. One of their specialised offerings is their patented BioModeling, which creates surgical models from CT scans. Surgeons may use the service to create such things as organs or craniofacial features for reconstruction surgery. The company offers the service to surgeons throughout the globe.<sup>vi</sup> Anatomics created a precise, mirror image of Mr Chandler's foot and then collaborated with researchers at the CSIRO to help produce a 3D printed version of the heel made from titanium. The CSIRO used its high quality printer technology to create a product that was a perfect replica for Mr Chandler's own bone. They deemed titanium to be the most suitable material to use as the finished product needed to be strong enough for weight-bearing, have a smooth surface like the other foot bones and be porous enough so that human tissue could attach to it, hopefully preventing the implant from being rejected by the body.<sup>vii</sup>

In mid-January 2013 the highly regarded science magazine, Scientific American, published a paper where they predicted "a time when doctors will be able to scan a person's healthy hand, make a mirror image of it electronically and then print the new, preassembled prosthesis ready to use."<sup>viii</sup> Little more than a year later the futuristic science became reality in a Melbourne hospital because of a collaborative effort between private business, researchers and a government enterprise. Where will this class of innovation: 3D printing/ additive manufacturing be in 5 years?

### Corporate Entrepreneurship

While many entrepreneurship scholars have observed that "corporate entrepreneurship" sounds like an oxymoron (Stevenson & Jarillo, 1990), increasingly, many have recognized that established organisations might need the practices of independent entrepreneurs to both remain competitive and grow.

The term *corporate entrepreneur* was introduced in 1937 to describe a person who bore part of an organisation's uncertainty in exchange for a share of its profits (Lewis 1935, Lewis 1937). However, this interpretation was recognised as limited as it ignored the factors that created an organisational environment where entrepreneurship would flourish, and has been superseded by subsequent research which produced broader models of corporate entrepreneurship.

Corporate entrepreneurship initiatives can be classified as belonging to one of two types. The first type involves a new combination of productive assets such as the establishment of a new venture or the allocation of assets to a new activity. Corporate entrepreneurs who are ‘front-line champions’ typically lead these initiatives. This type can be labelled front-line corporate entrepreneurship. These champions are typically middle and product managers, though as shown by Day (1994), they may also be upper-level managers.

The second type of initiative recognises that top management can initiate high-level changes to an organisation’s structure or its culture that promote front-line corporate entrepreneurship. For example, while it is individuals who carry out entrepreneurship, companies can have an *entrepreneurial spirit*, and it is the role of top management to maintain and nurture this spirit (Day, 1994; Guth & Ginsberg, 1990; Stevenson & Jarillo, 1986, 1990). This type of corporate entrepreneurship can be labelled top-down entrepreneurship.

#### Forms of Corporate Entrepreneurship

Front-line corporate entrepreneurship initiatives seek to overcome organisational resistance to change by replicating the environment and culture of independent start-ups through stand-alone ventures or by supporting environments where managers are encouraged to behave in an entrepreneurial way.

Schon (1963) suggested two strategies that would support such champions. He described the first of these as ‘the establishment of a pilot operation,’ comprising a small team led by a product champion, that manages innovations through their preliminary development and promotes them through the informal channels of an organisation. The second was the establishment of a new division, loosely related to the existing corporate structure, which would likewise be led by a product champion.

The establishment of stand-alone ventures is labelled *Corporate Venturing* (see Chapter 9) while the practices of individual employees behaving entrepreneurially is labelled *Intrapreneurship* (Pinchot 1985). The distinction between Corporate Venturing and Intrapreneurship is not always clear as the champion who leads a corporate venture is sometimes identified as an *Intrapreneur* (Day 1994).

*Corporate Venturing* is the creation of a business venture, by an established organisation, that is separated from the existing organisation and is either autonomous or semi-autonomous to the organisation's mainstream business. The new venture may follow from or lead to innovations that exploit new markets, or new products or both. The structure and conduct of corporate ventures evolved during the 1970s as organisations sought to create an environment where business managers could grow businesses, that was similar to that in an independent venture, while at the same time allowing the new business access to the organisation's existing resources.

Decisions as to how much to invest, and how much autonomy to give a particular venture are likely to be made at the top level of the organisation. Such decisions can result in a new venture being embedded within an existing organisational unit, reporting directly to top management, or established as an independent venture with its own board. Corporate ventures can accordingly be described as *Internal Corporate Ventures* or *External Corporate Ventures* depending upon whether the venture resides within or outside the existing organisational entity (Sharma & Chrisman, 1999).

*External Corporate Ventures* are new ventures that operate at arms-length from the existing organisational entity as semi-autonomous or autonomous organisational entities that involve external parties in an equity or non-equity relationship (Schildt, Maula, & Keil, 2005; Sharma & Chrisman, 1999). They are established through a range of mechanisms including joint ventures, spin-offs and venture capital initiatives. The relationship with the established organisation can either be formal, for example, via board representation, or informal, such as via a mentoring relationship (Sharma & Chrisman, 1999).

*Internal Corporate Ventures* are organisational entities that operate within an existing organisation (Sharma & Chrisman, 1999). They are established in recognition that mature organisations have inherent barriers to entrepreneurship that discourage individual initiative, integrated solutions and flexibility. Conversely, internal corporate ventures encourage corporate entrepreneurship by giving the managers of a venture the autonomy, motivation and resource discipline required for effective entrepreneurship (Bouchard, 2002).

*Intrapreneurship* involves an organisation's employees behaving entrepreneurially. It refers to situations where individual managers champion new product ideas and, if necessary, bypass an organisation's bureaucratic barriers.

The two other forms of corporate entrepreneurship relate to establishing firm wide environments that are conducive to entrepreneurship. These can be categorised as *top-down corporate entrepreneurship*. The first of these, *strategic renewal* involves changes to an organisation's strategy or structure that produce a new combination of an organisation's assets. The second, *cultural renewal*, involves changes to a firm's culture and organisations systems to induce individuals to act more entrepreneurially.

A definition of *strategic renewal* was provided by Sharma and Chrisman (1999) in their review of corporate entrepreneurship:

*“Strategic renewal refers to the corporate entrepreneurial efforts that result in significant changes to an organisation's business or corporate level strategy or structure. These changes alter pre-existing relationships within the organisation or between the organisation and its external environment and in most cases will involve some sort of innovation. Renewal activities reside within an existing organisation and are not treated as new businesses by the organisation” (Sharma & Chrisman, 1999 p.19).*

*Cultural renewal* refers to a top-management led entrepreneurial change that produces an 'entrepreneurial' culture that permeates an entire organisation's outlook and operations. Such a culture is necessary to foster the collaboration and teamwork required if an organisation's middle managers are to contribute to successful innovation (Kanter, 1982). The concept has had other labels including 'entrepreneurial management,' 'entrepreneurial posture,' 'entrepreneurial orientation,' 'firm level entrepreneurship,' 'entrepreneurial transformation,' and 'entrepreneurial strategy making' (Birkinshaw, 2003; Covin & Miles, 1999).

The implementation of a permanent change in culture that leads to increased middle management innovation and entrepreneurship is likely to require a high level of commitment by senior management over a long period (Birkinshaw, 2003). While many organisations attempt such a change, the reality is that the long time frames required for a cultural change to become permanent makes such a change difficult to implement in light of the variations in financial performance and the changes in an organisation's management that will occur over the period that such a change is being embedded (Bouchard, 2002)

The starting point for corporate entrepreneurship is that corporate management must perceive there is a need for entrepreneurship in the organisation's development.

(Burgelman, 1983a). If corporate management has such a perception, but is concerned that the organisation has few entrepreneurial skills, it may seek to build skills while limiting its exposure to entrepreneurial initiatives, by investing in external corporate ventures that rely on the skills of other parties for their success (MacMillan et al., 1986). Although some companies, for example Nokia and Intel, have been very successful following this approach, this strategy is often unsuccessful. Success appears to depend on having the required skills and clear objectives (Campbell, Birkinshaw, Morrison, & van Basten Batenburg, 2003).

The top management of an organisation that has confidence in its ability to manage entrepreneurial initiatives may take actions to encourage entrepreneurial behaviour by its front-line staff. Examples of such actions, described as strategic renewal, include provision of additional 'slack' in front-line resources, recruiting entrepreneurial front-line staff, introducing incentives that encourage entrepreneurial behaviour, or agreeing to sponsor projects that have been proposed by front-line entrepreneurs. Strategic renewal does not lead to management initiating corporate entrepreneurship; rather it creates an environment where there is capacity for corporate entrepreneurship (Burgelman, 1983b).

DuPont's Market Driven Growth Program is an example of strategic renewal. Senior management established this program to facilitate the identification and development of growth opportunities. The program does this by providing front-line employees with the resources and skills required to develop and present business plans for senior management approval (Wolcott & Lippitz, 2007).

Management's willingness to initiate strategic renewal depends on it being confident that front-line staff have the skills and motivation to generate proposals, and that senior managers have the skills to evaluate those proposals and manage the development of new businesses. If this confidence does not exist within the organisation, management can acquire the required skills from its external corporate ventures or by recruiting managers who have worked in unrelated entrepreneurial ventures.

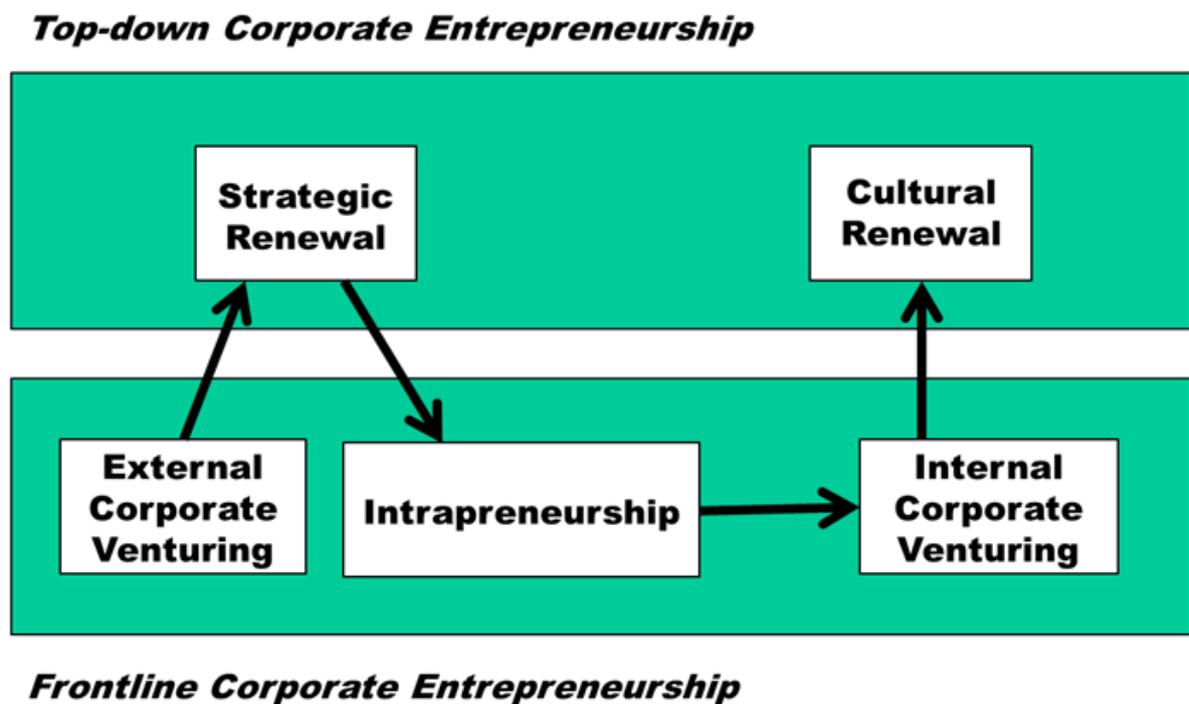
Strategic renewal may lead to intrapreneurship by front-line managers who respond to top-down encouragement by identifying opportunities and establishing new businesses. Pinchot (1985), who introduced the term intrapreneurship, described intrapreneurs as

individuals who started new ventures within an existing organisation. While he proposed that intrapreneurs would be prepared to work around organisational barriers to initiate corporate entrepreneurship, he recognised the reality that ongoing intrapreneurship needs the support of top management.

The establishment of an internal corporate venture requires that top-management agrees to the establishment of a new entity and the commitment of company resources to that entity. This implies a higher level of commitment than for intrapreneurship and will require top-management confidence that the organisation has the skills required to manage such a venture. Successful intrapreneurship will contribute to this confidence.

A senior management team that believes that ongoing corporate entrepreneurship and innovation is required for an organisation’s corporate survival might pursue cultural renewal. This strategy, as illustrated by Whirlpool’s experience (Hamel, 2006a), involves major changes to the company’s management processes and corporate culture, and may require a change program running over five or more years (Hamel, 2006b).

Figure 8.7 illustrates this evolution. If the senior management of an organisation increases its commitment to entrepreneurship and in parallel the organisation builds the required entrepreneurship skills, it will be able to access the more demanding forms of corporate entrepreneurship.



## Figure 8.7 Corporate Entrepreneurship - Progression

This progression is not always successful. Organisations attempting to grow by entering new business often fail because they mismanage the venturing process; they are too risk-averse; their cultures are inappropriate; they fail to provide sufficient incentives; and they involve the wrong managers (Campbell & Park, 2004).

### Rozibaby: entrepreneurially offering customised prams

Entrepreneurs often start businesses based on their personal needs or experiences, but that was not the case for two then single men, Tahir Baig and Rosh Ghadamian, when they started a customized pram business. Their prams are ordered online, with over 60,000 combinations of configurations, tire number and type, colour and features available, which attracts lots of customers relative to the off-the-shelf approach of regular retail brands.

The company is 100% Australian owned and operated, and has grown so far at 400% since it started up. Rozibaby was established in 2012 and in 2014 has already won the product of the year awards 2014 - pram category in Sydney. The world's first fully customisable pram enables parents to built their children's pram the way they want to. At the age of 26, Rosh Ghadamian, found a way to customise the inflexible pram industry and convinced Thair Baig to leave his job and become his business partner. Ghadamian was inspired by Shoes of Prey which lets its buyers customise theirs shoes through a graphical interface. The price of the product is updated as the consumer make choices and if the consumer wants to change one of the product parts, he/she can even buy it individually, such as adding a seat option for a second child.

The prams are made in Taiwan from where the manufacturer helped the founders to design a functional product. The long lead time to deliver is acceptable to consumers as parents usually buy their children's pram some time before they need it.

Rozibaby is only sold online. Although they tried to distribute in some retailers, it was not successful as new products were being avoided because of the low retail activity. However, the site provides much information about the product and gives the consumer the opportunity to have a conversation with an expert via a chat line without the stress of usual retail environments. Consumers can find out how to assemble the prams with a tutorial, a blog with tips for parents, and other online features, which makes consumers feel comfortable enough to buy online.

The success of the prams led the Rozibaby founders to expand their business to baby's clothing and the founders are considering taking their business overseas to the USA and Europe. The model is scalable. Prices are competitive and the quality is assured by using a high-end manufacturer (which used to produce for the well known Bugaboo pram brand).

<http://rozibaby.com/custom-pram-builder>

[http://www.brw.com.au/p/entrepreneurs/meet\\_rozibaby\\_the\\_start\\_shoes\\_that\\_jvoA008BN1RmieKHDvLmcL](http://www.brw.com.au/p/entrepreneurs/meet_rozibaby_the_start_shoes_that_jvoA008BN1RmieKHDvLmcL)

### Measuring Strategic Renewal, Entrepreneurial Orientation and Health

While the description of forms of corporate entrepreneurship assists identification of the actors involved and the type of actions they take, it does not show the decision-making styles, methods and practices they employ. That is, it reflects what is done rather than how it is done (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005).

A focus of entrepreneurship research has been to characterise the processes, practices and decision-making activities associated with corporate entrepreneurship. The extent of corporate entrepreneurship can then be estimated by assessing each of these characteristics. Such a characterisation is useful as it allows the relationship of entrepreneurship to performance to be investigated (Lumpkin & Dess, 1996).

Miller (1983) operationalised these characteristics in the term 'entrepreneurial orientation' (EO) by characterising corporate entrepreneurship as a uni-dimensional concept encompassing a composite weighting of 'innovativeness,' 'risk taking' and 'proactiveness,' and developed a scale for their measurement (Covin & Slevin, 1989). These dimensions have subsequently been identified and used consistently (Rauch, Wiklund, Lumpkin, & Frese, 2009).

“Innovativeness’ is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes. ‘Risk taking’ involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments. ‘Proactiveness’ is an opportunity-seeking, forward looking perspective characterized by the introduction of new products and services ahead of competition and acting in anticipation of future demand” (Rauch et al., 2009 p.763).

An alternative construct, also labelled 'entrepreneurial orientation' was developed by Lumpkin and Dess (1996) from their review of the literature. This construct adds 'autonomy' and 'competitive aggressiveness' to the three characteristics adopted by Miller (1983), and is a multi-dimensional construct. As such it is not essential that any

one of the five characteristics is present (Rauch et al., 2009). “Competitive aggressiveness’ is the intensity of a firm’s effort to outperform rivals and is characterized by a strong offensive posture or aggressive responses to competitive threats. ‘Autonomy’ refers to independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition” (Rauch et al., 2009 p.763).

The difference in the definitions of entrepreneurial orientation presented by Miller (1983) and Lumpkin and Dess (1996) is a consequence of differences in how they characterise entrepreneurship. Lumpkin and Dess’s (1996) starting point is that “the essential act of entrepreneurship is new entry”( p.136), while Miller (1983) takes a broader view that entrepreneurship is “the process by which organisations renew themselves and their markets”( p.770). That is, while Lumpkin and Dess characterise entrepreneurship by its outcome, Miller considers it to be a process. The implication of this analysis is that the choice of entrepreneurial orientation construct for a particular situation will depend on the definition of entrepreneurship that applies to that situation.

#### Entrepreneurship Health Audit

As discussed above, innovation and subsequent entrepreneurship do not surface in an organisational vacuum. Indeed, employees throughout a firm who are engaging in entrepreneurial behaviour are the foundation for organisational innovation (Ireland et al, 2006). Indeed a corporate entrepreneurship strategy requires employees to engage in entrepreneurial behaviours, using knowledge as a foundation for continuous and successful innovations as they do so. More formally, a corporate entrepreneurship strategy is a vision-directed, organisation-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations by recognizing and exploiting entrepreneurial opportunities that are oriented to innovation (Ireland et al, 2006). The managerial challenge becomes that of using workplace design elements to develop an “entrepreneurially friendly” internal environment. Corporate entrepreneurship strategy requires four critical design elements – structure, controls, human resource management systems, and culture (ibid). Ireland et al, (2006) constructed a Corporate Entrepreneurship Climate

Instrument (CECI) around scales to measure: management support for corporate entrepreneurship; work discretion; rewards / reinforcement; time availability; organisation boundaries; and specific climate variables.

*“The CECI antecedents are:*

*Management support. The willingness of top-level managers to facilitate and promote entrepreneurial behaviour, including the championing of innovative ideas and providing the resources people require to behave entrepreneurially.*

*Work discretion/autonomy. Top-level managers’ commitment to tolerate failure, provide decision-making latitude and freedom from excessive oversight and to delegate authority and responsibility to middle- and lower-level managers.*

*Reinforcement. This involves developing and using systems that reinforce entrepreneurial behaviour, highlight significant achievements and encourage pursuit of challenging work.*

*Time availability. This means evaluating work loads to ensure that individuals and groups have the time needed to pursue innovations and that their jobs are structured in ways that support efforts to achieve short- and long-term organisational goals.*

*Organisational boundaries. These are precise explanations of outcomes expected from organisational work and development of mechanisms for evaluating, selecting and using innovations.*

*In addition, the instrument measures the degree to which a firm’s culture supports entrepreneurship”.*

This validated Entrepreneurial Health Audit can be used by firms competing in all types of industries as well as by not-for-profit organisations. As illustrated in Figure 8.8 for a social enterprise in aged care, the C(S)ECI results can indicate to management and employees where they need to improve innovative behaviour and add to a sustainable entrepreneurial performance as compared with the mean for overall organisation culture measures.

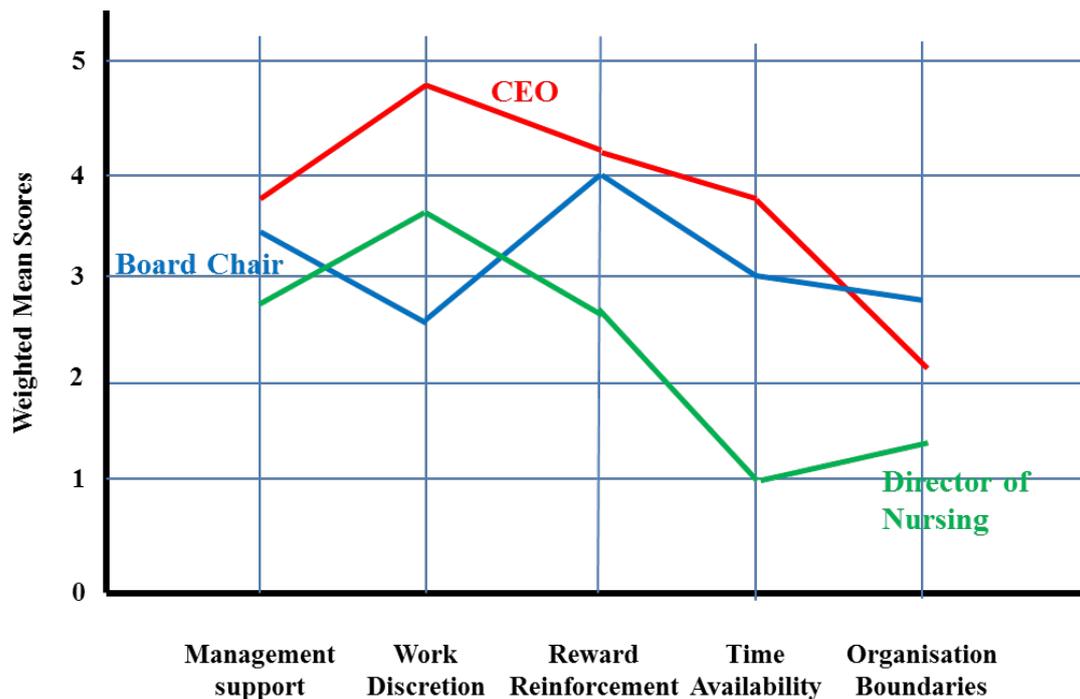


Figure 8.8 SECI Innovation/ Entrepreneurship Culture Profiles for Aged Care Organisation (Hazelton & Gillin 2009)

"It doesn't matter how many times you fail. It doesn't matter how many times you almost get it right. No one is going to know or care about your failures, and neither should you. All you have to do is learn from them and those around you because all that matters in business is that you get it right once. Then everyone can tell you how lucky you are." — [Mark Cuban](#), Chairman of AXS TV, Owner of Landmark Theaters

### Concluding remarks

Economic growth has been shown to depend in large part on the investments that are made in new ventures being successful. Inventions and innovation are not enough: only if a successful and sustainable venture is established will ongoing economic growth be generated.

The difference between an innovation and a successful venture is entrepreneurship. An entrepreneur attracts investors, recruits a management team and then manages the establishment of the new venture.

Entrepreneurship is a planned behaviour that involves uncertainty as it is not possible to predict with any certainty the success of any new venture. Entrepreneurs make intuitive decisions in the face of this uncertainty. The success of a venture depends on an entrepreneur's choices.

Entrepreneurs are motivated individuals with the ability to recruit investors and make intuitive decisions. While it is possible to identify individuals who have the characteristics associated with being successful entrepreneurs, it is not possible to identify future entrepreneurs as necessarily having the same characteristics will make them suitable candidates for other callings.

Many companies have recognised the importance of corporate entrepreneurship if they are to maintain their competitive position and grow. The challenge they face is that entrepreneurs are individuals as opposed to bureaucracies and that individuals with the characteristics required to be successful entrepreneurs may be reluctant to work in a corporate environment.

Companies seeking to become more entrepreneurial, are faced with the need to build entrepreneurship at both the front line and the top level of the company. This is likely to require that they make a realistic assessment of their existing skills and then develop a strategy to gain experience and build company wide skills and an appropriate culture over time.

### Discussion questions

1. Discuss the personality characteristics and capabilities of one or more entrepreneurs that you know or know of: what were their distinguishing elements?
2. If you were in charge of running a traditional business that you recognised was in need of significant innovation, how would you encourage your employees to engage in entrepreneurial behaviour?

3. What extent of entrepreneurship and innovation do you observe has occurred in businesses such as AirBnb, Uber, Facebook, or Google?
4. Once a business grows from start up to large scale and maturity, such as Google, how can the spirit of entrepreneurship best be maintained?
5. Can a commodity based business such as BHP Billiton or Shell create entrepreneurial behaviour and innovation, and if so, how?
6. Can people who are not previously or naturally seen or known to be entrepreneurial be changed such to be so, and if so, how ?
7. If you were trying to hire new staff in order to make your small business more entrepreneurial, what characteristics and qualities would you prioritise in your selection practices?
8. Can business organizations survive without being entrepreneurial?
9. What is meant by social entrepreneurship, and how is it achieved?
10. Discuss how entrepreneurs account for and manage risk in their activities? Use examples of entrepreneurs that you know of.
11. What industries are most amenable to entrepreneurial behaviour, if any?
12. Define and illustrate intrapreneurship.
13. Discuss the future of 3D printing, in terms of what materials, products and services will be impacted in the net few yeas? What new business models and supply chain opportunities will it bring?
14. What are the key lessons for entrepreneurs that come from the Bennetts Boots example?

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