

Change the game with the power
of corporate entrepreneurship



People and culture - the “spirit” - of a company have a disproportionate impact on the overall performance.



There is a clear leadership opportunity to drive transformational growth by combining the resources of large companies with the entrepreneurial culture and behaviors of start-ups.

People and culture - the “spirit” - of a company have a disproportionate impact on the overall performance and long-term growth potential of companies. Despite the impact on corporate performance, the spirit of a company has proven to be ambiguous, elusive and difficult to influence.

The leadership teams that are able to align and harness the spirit of their companies to support corporate growth objectives have the potential to unlock a significant source of competitive advantage, differentiation and corporate momentum.



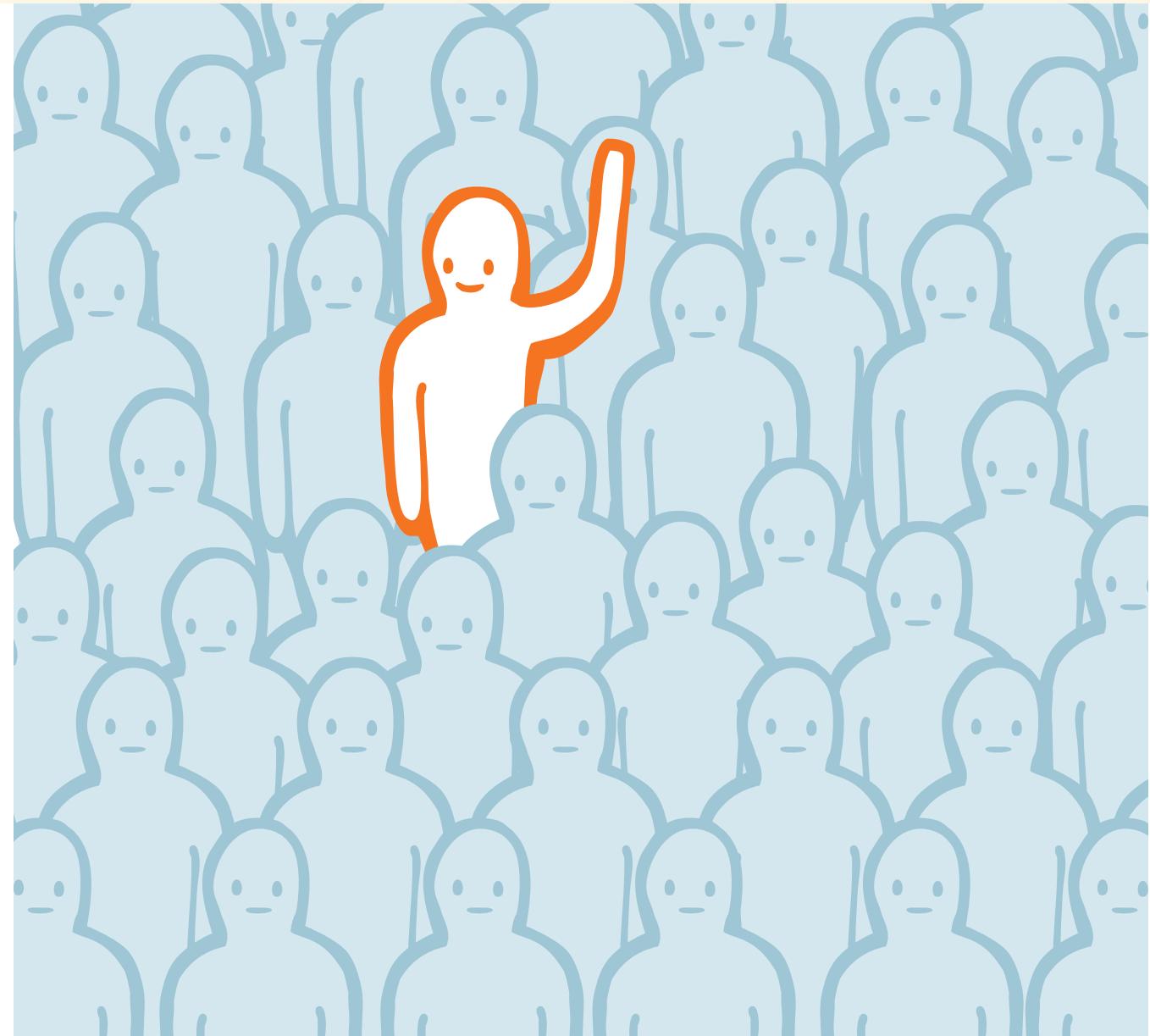
creative & agile



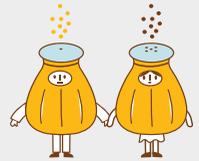
...in the large corporate environment entrepreneurship creates a unique energy and mindset...

In the “new normal” of the global economy, leaders in large companies are especially keen to make their organizations more agile, creative and growth-focused. Indeed, it is not uncommon to hear leadership teams make proclamations that **“we need to act more like a start-up...we need to be more entrepreneurial”**. The entrepreneurial spirit, holds significant promise to help large companies achieve transformational growth and long-term value creation.

In the large company context, entrepreneurship is about starting and operating new business ventures within an established company. Ideally, these new ventures are distinct from the parent company, but are able to leverage the assets and resources of the parent. Similar to start-up companies, in the large corporate environment entrepreneurship creates a unique energy and mindset that has the potential to increase value for shareholders, employees and customers alike.



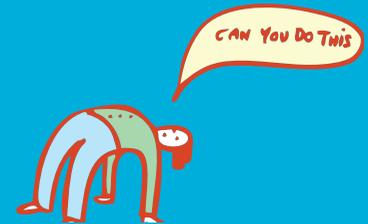
big + small =
big opportunity



However, corporate entrepreneurship presents an interesting paradox: while large companies may have the capital and resources to bring ideas to market, they tend to be hindered by their cultures and behaviors. In contrast, start-ups tend to lack capital and resources, but have the cultures and behaviors that are specifically geared to take new ideas to market. A clear leadership opportunity lies in creating a corporate environment where the capital and resources of large companies are combined with the entrepreneurial culture and behaviors of start-ups.



Demystifying entrepreneurship.





Entrepreneurship is not often attributed to large companies or thought of as a serious corporate discipline. With well-known stories about coffee shop start-ups and breakthrough companies like Facebook or Google, entrepreneurship is often viewed as more of a pop culture phenomenon or “black art”. In reality, regardless of the size or stage of the company, entrepreneurship is about challenging the status quo and converting change into new opportunities.

- The terms “entrepreneur” and “inventor” do not mean the same thing - invention is focused on creating new things, entrepreneurs are focused on creating new business enterprises. In some unique cases, entrepreneurs are able to combine great inventions with new business models to create true breakthroughs.

POINTS OF INTEREST:

Robert C. Wolcott and Michael J. Lippitz, The Four Models of Corporate Entrepreneurship, MIT Sloan Management Review, 2007

Robert C. Wolcott and Michael J. Lippitz, Grow from Within: Master Corporate Entrepreneurship & Innovation..

...entrepreneurship is often viewed as more of a pop culture phenomenon ...



Entrepreneurship is more commonly associated with...the scope to “change the world”.



- Entrepreneurship is not always synonymous with small business ventures. Small business is, almost by definition, a business venture of limited scope and scale. Entrepreneurship is more commonly associated with building original and scalable businesses with the scope to “change the world”.

- Entrepreneurship relies on resource attraction and value. A significant amount of time is spent “selling” a new value proposition to attract new capital, talent and customers. The constant need to provide an attractive offering creates highenergy cultures that are constantly focused on creating or increasing value.

- Finally, entrepreneurship is based on the pursuit of a favorable risk/reward tradeoff. The risks and probability of failure are elevated in entrepreneurial settings. However, entrepreneurs constantly counter-balance risks with the potential for significant upside benefits and wealth creation potential.

POINTS OF INTEREST:

Zenas Block and Ian C. MacMillan,
*Corporate Venturing: Creating
New Businesses Within the Firm.*

Michael h. Morriss and Donald
F. Kuratki, *Corporate
Entrepreneurship: Entrepreneurial
Development within Organizations*



the 3M s



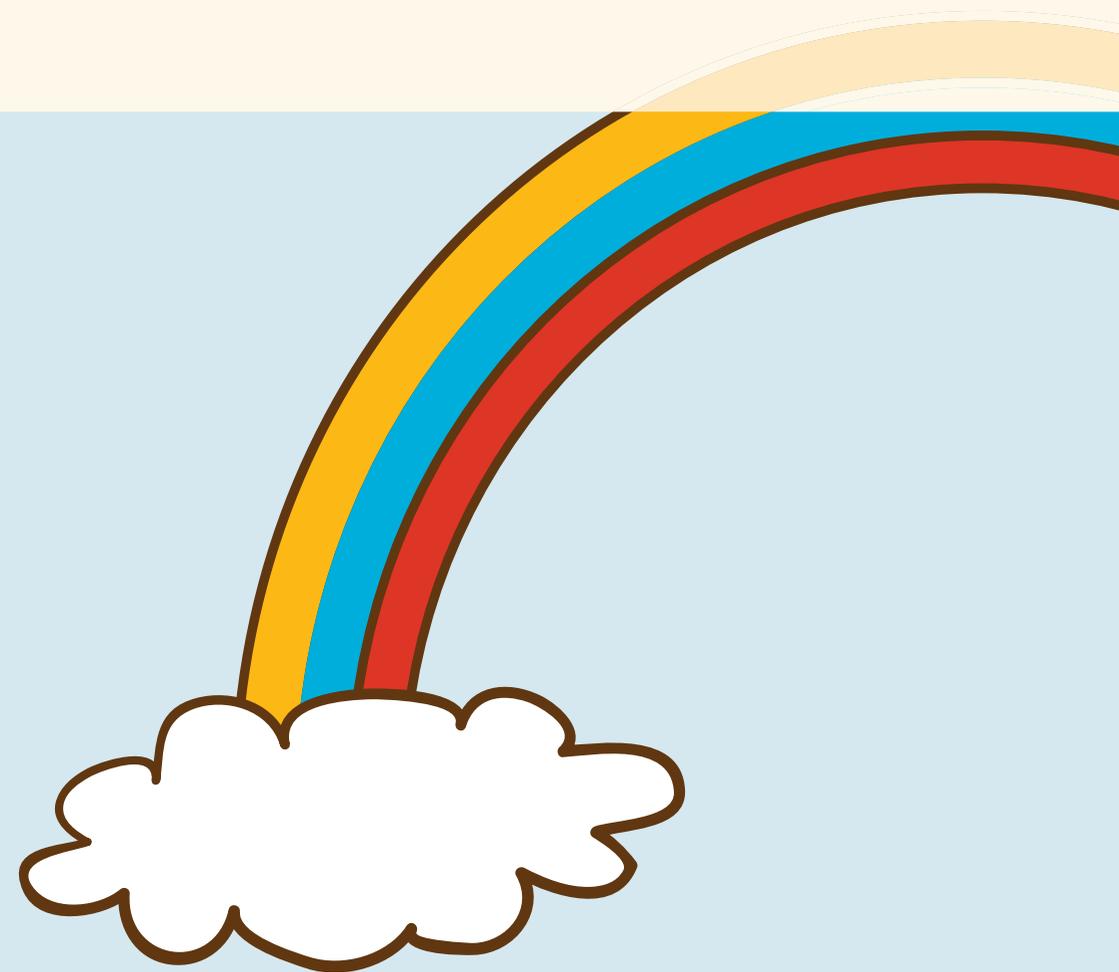
Mindset ~ Mandate ~ Model

The “3Ms” of Implementing Entrepreneurship

Transformational growth and change must be viewed as essential, exciting and achievable across all elements of the company. To that end, effective implementation of corporate entrepreneurship requires leaders to promote the right mindset, deliver a clear leadership mandate, and deploy the right entrepreneurial model – the “3Ms”. The right MINDSET at all levels of the organization creates a common mental model and the new organizational norms that allow entrepreneurship to take hold and thrive. The leadership MANDATE creates the climate where entrepreneurial behaviors are accepted and can become part of the daily corporate operating pattern. The right entrepreneurial MODEL allows for organizational systems and structures that are tuned to the entrepreneurial maturity level of each individual company.

POINTS OF INTEREST:

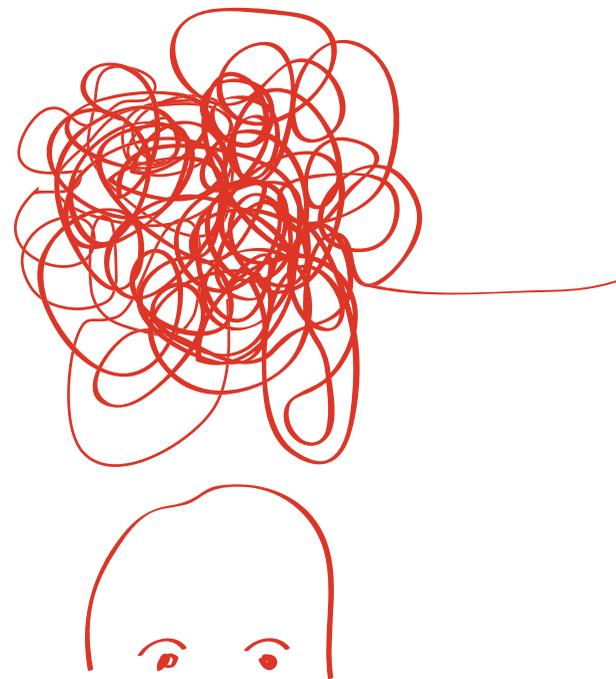
- Cisco created an internal Emerging Markets Technology Group to detect important market trends and to conceive ways in which Cisco could deploy internal assets and resources to exploit those trends.
- SRA International, a \$2B IT services company, commissioned a group of outside advisors to form an internal venture capital board. The board evaluated business plans from various business units to identify areas of high-growth for the company.



MINDSET



The mindset of a company is a major determinant in its operating pace, how it creates value, and how it is perceived in the marketplace. A corporate mindset that is built on the entrepreneurial spirit can serve as a catalyst to overcome organizational inertia, challenge legacy thinking and establish new growth-focused organizational norms that are focused on creativity, innovation and risk-taking:

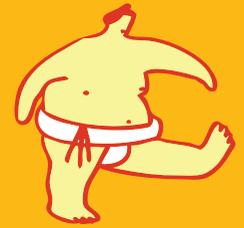


POINTS OF INTEREST:

- The BP Office of the Chief Technology Officer for Digital and Communications Technology was created to transform BP's various businesses using emerging information technologies.
- Atlassian, an Australian software development company has created "FedEx Day" as a time set aside for developers to work on and present for funding whatever they want as long as it relates to the company's target markets.
- 3M allows its engineers and scientists to spend 15% of their time on projects of their own design.

- Creativity. Unconstrained by the parent company's legacy business, entrepreneurial companies can be more creative in taking novel views on markets, geopolitical, societal, or technological changes. These differentiated views have the potential to reveal unidentified or underserved opportunity spaces.
- Innovation. Corporate entrepreneurs are free to use innovation techniques, such as co-design, visual brainstorming, or customer empathy mapping to generate a wide-range of ideas that will lead to entirely new business ventures.
- Risk-taking. The portfolio of new growth ideas can then be assessed for their value creation potential relative to the company's appetite for risk. The results of the value/risk assessments produce commercially viable ventures that attract the investment and resources needed to bring them to market.

MANDATE



Regardless of its size and market capitalization today, virtually every company has its roots as an entrepreneurial venture. However, as companies mature and the original entrepreneurs depart, companies tend to lose their entrepreneurial spirit. The transition from an entrepreneurial growth company to a mature operating company can result in reduced corporate agility, less innovation and ultimately, slower growth rates.

Those undesirable outcomes can actually be exacerbated when the mature operating company has a successful track record. In that case, there is a strong tendency to lose sight of marketplace shifts, rely too heavily on the successful products and services of the past, and reinforce behaviors that favor efficiency over innovation.



When mature operating companies seek to recapture their founding spirit, they must identify and unlock each company's unique brand of entrepreneurship. To do this, leaders must demonstrate their support for entrepreneurship by granting "permission" for the organization to engage in new entrepreneurial behaviors. This permission can be imparted when leaders promote a new, more entrepreneurial set of leadership principles, people guidelines and operational processes:

- Principles. Corporate entrepreneurship requires the adoption and advocacy of several key leadership principles that create a culture and climate where: 1) employees are not afraid to fail and when failure does occur, the focus is on problem solving and learning rather than on blame and punishment; 2) ideation and experimentation is encouraged and distinctions are made between safe ideas and breakthrough ideas; and 3) all employees are aware of how corporate entrepreneurship is explicitly linked to the company's vision, brand and objectives.

MANDATE



- People. Leaders can mobilize the entire organization around corporate entrepreneurship by taking specific actions related to human capital development to include: 1) identifying, developing and supporting a cadre of “intrapreneurs” to stimulate entrepreneurial action, transfer knowledge and support internal growth initiatives on a continuous basis; 2) stimulating fresh perspectives, challenging orthodoxies and generating new ideas by rotating employees through different parts of the business; and 3) motivating and retaining key employees by providing career growth and exceptional compensation opportunities for new ideas and successful corporate ventures.

- Process. Leaders must encourage corporate entrepreneurship by executing a balanced portfolio management and resource allocation process that: 1) allocates resources purely on the basis of value rather than historical precedent; 2) allocates resources in a manner that supports the legacy businesses while ensuring that new ventures have the resources necessary to be successful; and 3) allocates resources in an incremental manner so that resources can be shifted to support the ideas that are showing the most promise.



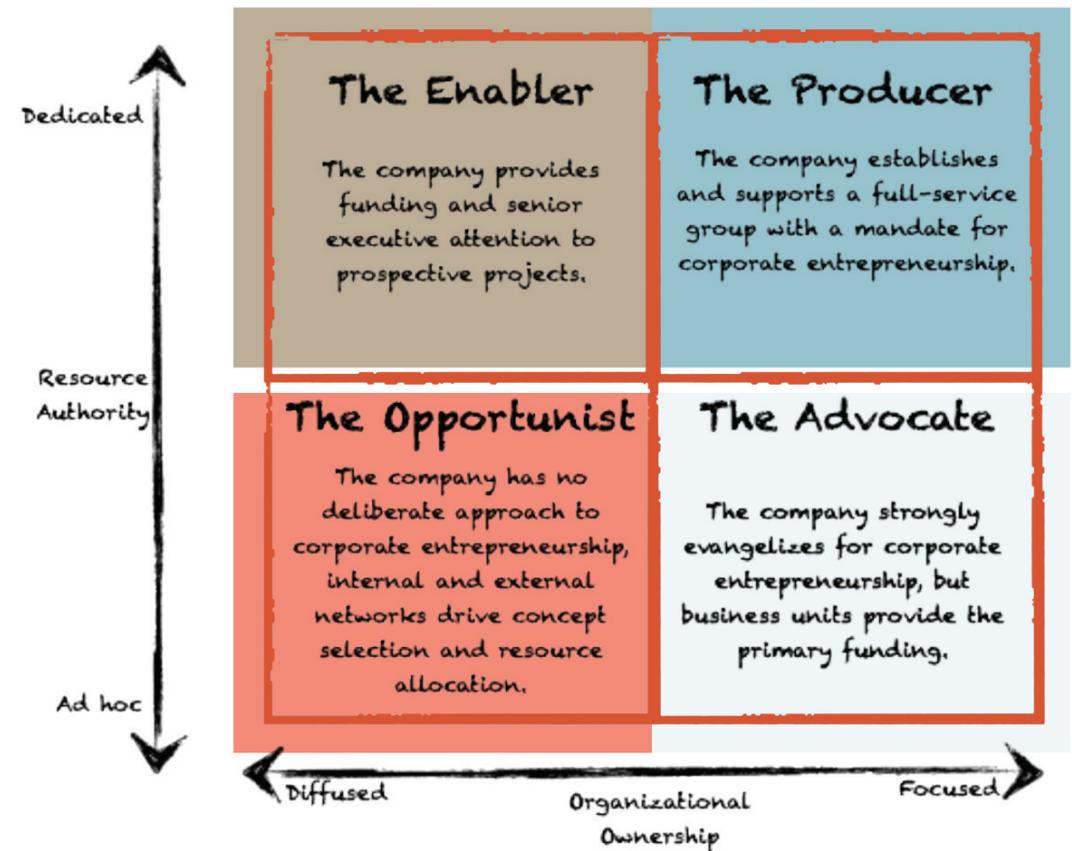
MODEL



There are four models to enable and support corporate entrepreneurship - The Opportunist, The Enabler, The Advocate and The Producer¹. Each model has a distinct profile and specific leadership requirements that depend on the culture and level of entrepreneurial maturity in the organization. The model that a company might deploy depends on leadership choices in the areas of organizational ownership and resource authority. Organizational ownership stipulates who is responsible and accountable to generate growth from corporate entrepreneurship efforts. Resource authority determines if funding for new entrepreneurial ventures will be from a dedicated pool or on an ad hoc basis.

¹Robert C. Wolcott and Michael J. Lippitz, *Grow from Within: Master Corporate Entrepreneurship & Innovation*

The model that a company might deploy depends on leadership choices in the areas of organizational ownership and resource authority.



Corporate entrepreneurship has the potential to renew the corporate culture, create breakthrough growth opportunities and deliver sustained value creation.



A clear leadership opportunity lies in creating a corporate environment where the capital and resources of large companies are combined with the entrepreneurial culture and behaviors of start-ups.

The “new normal” of the global economy is presents both challenge and opportunity to large, mature companies. Contrary to popular belief, these companies can adopt entrepreneurship to overcome those challenges and exploit the opportunities. When faced with hyper-competition, commoditization or failed acquisitions, companies can apply the creativity, innovation and risk taking inherent in entrepreneurship to leverage their existing assets to create new, high-growth corporate ventures. To do this, leaders must create an environment where entrepreneurship can take hold and thrive by granting “permission” for entrepreneurial behavior and implementing the “3Ms” – creating the right mindset, delivering a clear leadership mandate, and deploying the right entrepreneurial model. When taken as a serious corporate discipline, corporate entrepreneurship has the potential to renew the corporate culture, create breakthrough growth opportunities and deliver sustained value creation.

NUCRAFT + CO.