

- **Innovation:** Identify the types of innovations being pursued by your company. Do they tend to be incremental or radical? Product-related or process-related? Are there ways in which you can add value to such innovations, no matter how minor your contributions are?
- **Cultivating Innovation Skills:** Exhibit 12.2 describes the five traits of an effective innovator (associating, questioning, observing, experimenting, and networking). Assess yourself on each of these traits. Practice the skills in your work and professional life to build your skills as an innovator. If you are interviewing for a job with an organization that is considered high on innovation, it might be in your interest to highlight these traits.
- **Real Options Analysis:** Success in your career often depends on creating and exercising career “options.” However, creation of options involves costs as well, such as learning new skills, obtaining additional certifications, and so on. Consider what options you can create for yourself. Evaluate the cost of these options.
- **Entrepreneurial Orientation:** Consider the five dimensions of entrepreneurial orientation. Evaluate yourself on each of these dimensions (autonomy, innovativeness, proactiveness, competitive aggressiveness, and risk taking). If you are high on entrepreneurial orientation, you may have a future as an entrepreneur. Consider the ways in which you can use the experience and learning from your current job to become a successful entrepreneur in later years.

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summary

To remain competitive in today's economy, established firms must find new avenues for development and growth. This chapter has addressed how innovation and corporate entrepreneurship can be a means of internal venture creation and strategic renewal, and how an entrepreneurial orientation can help corporations enhance their competitive position.

Innovation is one of the primary means by which corporations grow and strengthen their strategic position. Innovations can take several forms, ranging from radical breakthrough innovations to incremental improvement innovations. Innovations are often used to update products and services or to improve organizational processes. Managing the innovation process is often challenging, because it involves a great deal of uncertainty and there are many choices to be made about the extent and type of innovations to pursue. By cultivating innovation skills, defining the scope of innovation, managing the pace of innovation, staffing to capture value from innovation, and collaborating with innovation partners, firms can more effectively manage the innovation process.

We also discussed the role of corporate entrepreneurship in venture development and strategic renewal. Corporations usually take either a focused or dispersed approach to corporate venturing. Firms with a focused approach usually separate the corporate venturing activity from the ongoing operations of the firm in order to foster independent thinking and encourage entrepreneurial team members to think and act without the constraints imposed by the corporation. In corporations where venturing activities are dispersed, a culture of entrepreneurship permeates all parts of the company in order to induce strategic behaviors by all organizational members. In measuring the success of corporate venturing activities, both financial and strategic objectives should be considered. Real options analysis is often used to make better-quality decisions in uncertain entrepreneurial situations. However, a real options approach has potential drawbacks.

Most entrepreneurial firms need to have an entrepreneurial orientation: the methods, practices, and decision-

making styles that strategic managers use to act entrepreneurially. Five dimensions of entrepreneurial orientation are found in firms that pursue corporate venture strategies. Autonomy, innovativeness, proactiveness, competitive aggressiveness, and risk taking each make a unique contribution to the pursuit of new opportunities. When deployed effectively, the methods and practices of an entrepreneurial orientation can be used to engage successfully in corporate entrepreneurship and new venture creation. However, strategic managers must remain mindful of the pitfalls associated with each of these approaches.

SUMMARY REVIEW QUESTIONS

1. What is meant by the concept of a continuum of radical and incremental innovations?
2. What are the dilemmas that organizations face when deciding what innovation projects to pursue? What steps can organizations take to effectively manage the innovation process?
3. What is the difference between focused and dispersed approaches to corporate entrepreneurship?
4. How are business incubators used to foster internal corporate venturing?
5. What is the role of the product champion in bringing a new product or service into existence in a corporation? How can companies use product champions to enhance their venture development efforts?
6. Explain the difference between proactiveness and competitive aggressiveness in terms of achieving and sustaining competitive advantage.
7. Describe how the entrepreneurial orientation (EO) dimensions of innovativeness, proactiveness, and risk taking can be combined to create competitive advantages for entrepreneurial firms.

key terms

innovation 382

product innovation 382

process innovation 382

radical innovation 383

incremental innovation 383

strategic envelope 387

corporate entrepreneurship (CE) 393

focused approaches to corporate entrepreneurship 394

new venture group (NVG) 394

business incubator 394

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risk taking 407

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experiential exercise

Select two different major corporations from two different industries (you might use Fortune 500 companies to make your selection). Compare and contrast these organizations in terms of their entrepreneurial orientation. (Fill in the table below.)

Based on your comparison:

1. How is the corporation's entrepreneurial orientation reflected in its strategy?
2. Which corporation would you say has the stronger entrepreneurial orientation?
3. Is the corporation with the stronger entrepreneurial orientation also stronger in terms of financial performance?

Entrepreneurial Orientation	Company A	Company B
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Autonomy

Innovativeness

Proactiveness

Competitive aggressiveness

Risk taking

application questions & exercises

1. Select a firm known for its corporate entrepreneurship activities. Research the company and discuss how it has positioned itself relative to its close competitors. Does it have a unique strategic advantage? Disadvantage? Explain.
2. Explain the difference between product innovations and process innovations. Provide examples of firms that have recently introduced each type of innovation. What are the types of innovations related to the strategies of each firm?
3. Using the Internet, select a company that is listed on the NASDAQ or New York Stock Exchange. Research the extent to which the company has an entrepreneurial culture. Does the company use product champions? Does it have a corporate venture capital fund? Do you believe its entrepreneurial efforts are sufficient to generate sustainable advantages?
4. How can an established firm use an entrepreneurial orientation to enhance its overall strategic position? Provide examples.

ethics questions

1. Innovation activities are often aimed at making a discovery or commercializing a technology ahead of the competition. What are some of the unethical practices that companies could engage in during the innovation process? What are the potential long-term consequences of such actions?
2. Discuss the ethical implications of using entrepreneurial policies and practices to pursue corporate social responsibility goals. Are these efforts authentic and genuine or just an attempt to attract more customers?

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