Researching Corporate Entrepreneurship: Theory and Methods for the Corporate Entrepreneurship track at Chalmers School of Entrepreneurship 2016-2017

by

Anna Danielsson, Madlén Fondén, Lisa Hagen, Alena Lashkova, Oskar Norén, Henrik Tengberg, Tobias Tikka and Julia Zetterholm

IMIT Research Reports 2017:1

Researching Corporate Entrepreneurship: Theory and Methods for the Corporate Entrepreneurship track at Chalmers School of Entrepreneurship 2016-2017

Preface

Chalmers School of Entrepreneurship is a two-year master's programme. One of the purposes for the second year of the programme includes studying a corporate organisation and its entrepreneurial ability. The aim is to research what supports and stops entrepreneurial initiatives in established structures.

During the second year a pair of students have been working closely to an established firm doing a project for them with focus towards entrepreneurship. During this year knowledge from the company was also gathered in order to be able to answer the research questions within corporate entrepreneurship. Four different areas within corporate entrepreneurship were examined in parallel to the completion of the entrepreneurial initiative. These areas were as follow:

- *Entrepreneurial Strategy*
- *Organisations that Change*
- *Finance*
- *Entrepreneurial Sales*

Research questions and different methods were formulated for each area. This paper is the result of this research.

Table of content

1. Entrepreneurial strategy

Oskar Norén, Tobias Tikka

1.1 Introduction

When trying to predict and control in which direction an organization should be moving it is of interest to define an organizational strategy. By utilizing internal resources and aligning projects in the organization with its strategic intent one can improve the organization's competitive advantage (Shilling, 2005), and thus putting it in a stronger position. However, new radical innovations might not be appealing to current customer base which is why larger established companies might be more inclined to go for incremental innovations (Crocket et al. 2013). This is an area which would be of interest to research further in order to gain a deeper insight of how corporations work with radical innovations.

1.1.1 Purpose

Examine one focal company and how it handles radical innovation. The intent is to get an understanding of how radical innovation are treated in the organization and how willing the organization is to adapt its strategy to fit the new opportunity that comes from the radical innovation.

1.1.2 Research Question

When implementing radical innovations into an existing organization, what challenges arise and what existing strategies needs to be changed to overcome these challenges?

1.1.3 Delimitations

The research study is limited to include four projects at four different companies where the projects are hosted.

1.2 Literature review

There are many definitions of what is a radical and an incremental innovation. One definition that goes well in line with this study is that radical innovations are a clear, risky departure from existing practices (Duchesneau, 1979). It can also be a technological breakthrough (Ettlie, Bridges, and O'Keefe, 1984) or something that changes an organization's business model to capture an untapped opportunity (Markides, 2005).

1.2.1 Porter's Value Chain

Porter (1985) created the value chain model (see appendix Figure 2.) that splits up an organization into technologically and economically activities that are required for them to perform its business. Each part is called a value activity, in order for a company to be competitive the company must perform these activities to a lower cost than competitors in another way that also creates competitive advantage. The value activities are also divided into primary and support activities. The primary activities are related to the actual product or service (sales, production etc.) whereas the supportive activities are more structural activities that enables or improves the primary activities.

1.2.2 Activity Mapping

In order to map out the most crucial competences and how different areas in an organization relate to each other, Porter (1985) suggests an activity-system map for clustering activities (see appendix Figure 3) and processes that are linked together. With this mapping an organization can identify its competitive advantage and potential drawbacks with the structure of its activities. Furthermore, Porter (1985) discuss the ability to create strong activity systems that locks out competitors due to the systems' composition and the non-trivial effort that would be required in order to imitate it. There are mainly three types of activity system relations that would result in this type of locking mechanism:

1. **Simple consistency:** If there is a good fit between the activities performed and the general strategy of the organization, this would result in a good fit in the activity mapping. The activities promote the company's competitive advantage.
2. **Activities are reinforcing:** Activities performed by the company that are reinforcing other initiatives are considered strengthening for the overall activity-system map.
3. **Optimization effort:** by coordinating the different activities in an optimized fashion where duplication of work is refactored this would lead to a lower level of redundancy when performing the activities.

1.2.3 The Star Model

The Star Model (Figure 1.) is a framework used to determine organizational design and consists of five main categories; strategy, structure, processes, rewards and people (Galbraith, 2016).

Figure 1. The star model

- *Strategy:* defines the general direction of the company, what services/products it provides, what the market fit it has and describes the customer base. Kale (2014) expresses it as being a plan for directing an organization in a certain direction. Strategy is traditionally the first part of the Star model to take under consideration (Galbraith, 2016).
- *Structure:* An organization's structure defines where power and authority is distributed within it. There are four policy areas talked about when it comes to structure: Specialization, shape, distribution of power and departmentalization.
- *Processes:* In the Star model, processes are referred to as both vertical and horizontal. The vertical processes are handling limited resources such as talent and money. Business planning and budgeting are parts of vertical processes. Horizontal processes are centered around workflows, such as product development, sales processes and so on.
- *Rewards:* When looking into reward systems in a given organization one want to investigate to what extent the goals of the employees aligns with the organizational goals.
- *People:* Recruitment, training and development are parts of the human resource policies. In order to be capable to execute the organizational strategic decisions human resources are crucial, which is the reason why this is a central focal area in the Star model (Kates et al., 2007).

Potential insights to be gained from the Star model is that different setups of the five categories gives completely different outputs when it comes organizational structure. As trivial as this may seem, this points to the fact that there is no one organizational structure that is optimal for a given company since there are many parameters to take into consideration.

1.3 Methodology

1. The first step is to analyze the project using Porter's Value chain model. This is to scope what aspects of the organization that should be included in the analysis since it would be too large of a task to map all of the organization's activities in step 2. The parts of the value chain that are directly or indirectly affected by the project should be studied more in depth, both for the project and the organization.
2. For the relevant areas of the value chain, map the activities performed by the organization. This can be done by first interviewing relevant people in the organization that have knowledge within that part of the value chain and then illustrate the findings graphically by doing an activity map.
3. Similar to step two but mapping the activities for the project.

4. When the two maps are completed the next step is to compare them to see how they fit (or do not fit). The purpose is to find areas where the activities performed by the organization and project differ the most.
5. Choose up to three of the value activities that differ the most based on largest impact and use the star model to analyze the fit further.
6. Come with suggestions on how the strategy can be adapted to include the radical innovation and discuss it with relevant manager(s).

1.4 References

Literature:

Duchesneau, T. D. (1979). A Study of Innovation in Manufacturing: Determinants, Processes, and Methodological Issues : Executive Summary, Volume 2. *Orono: The Social Science Research Institute, University of Maine.*

Ettlie, J. E., Bridges, W. P., & O'Keefe, R. D. (1984). Organization strategy and structural differences for radical versus incremental innovation. *Management Science, 30*(6), 682-695. doi:10.1287/mnsc.30.6.682

Kale, V. (2014). Inverting the Paradox of Excellence: How Companies Use Variations for Business Excellence and How Enterprise Variations Are Enabled by SAP. Boca Raton: Taylor & Francis.

Kates, A., Galbraith, J. R., Books24x7 (e-book collection), Ebook Central (e-book collection), & Books24x7, I. (2007). *Designing your organization: Using the star model to solve 5 critical design challenges* (1st ed.). San Francisco: Jossey-Bass.

Markides, C. (2005). Disruptive innovation: In need of better theory. *Journal of Product Innovation Management, 23*(1), 19-25.

Web pages/articles:

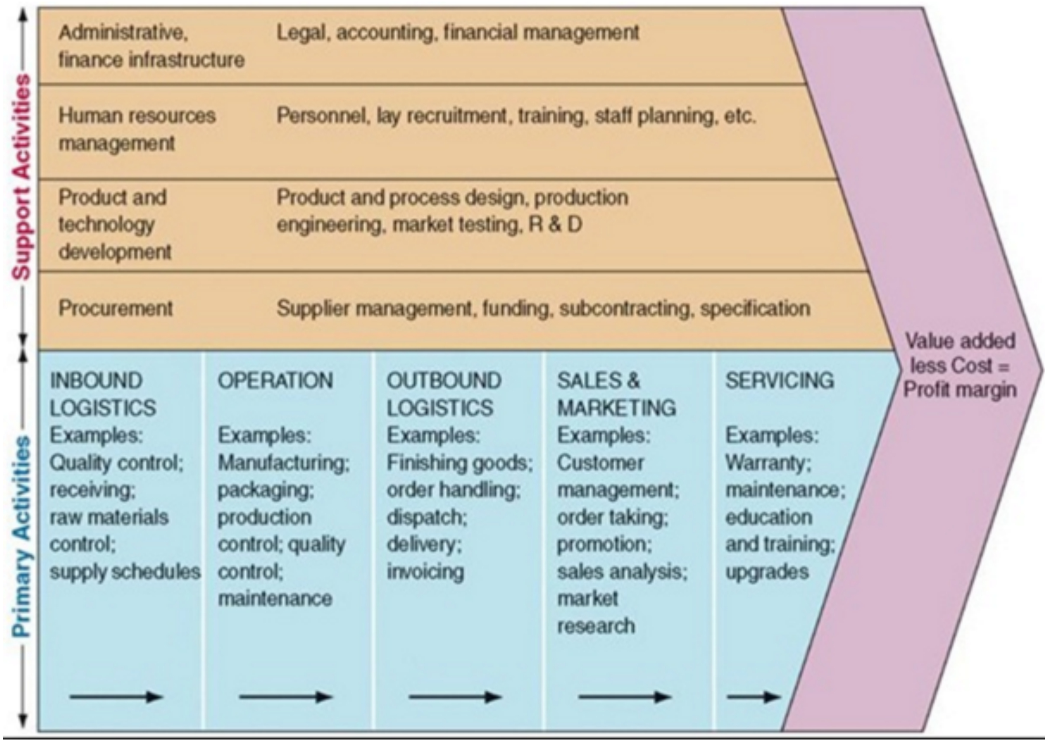
Galbraith, J. (2016). *The Star Model*. [Online] Available at:
http://www.jaygalbraith.com/images/pdfs/StarModel.pdf

Porter, M. E. & Millar, V. E. (1985). *How information gives you competitive advantage*. Harvard Business Review. [Online] Available at:
https://hbr.org/1985/07/how-information-gives-you-competitive-advantage

Porter, Michael E. 1996. *What is Strategy?*. Harvard Business Review. [Online] Available at:
https://hbr.org/1996/11/what-is-strategy

1.5 Appendix

Figure 2. Porter's value chain



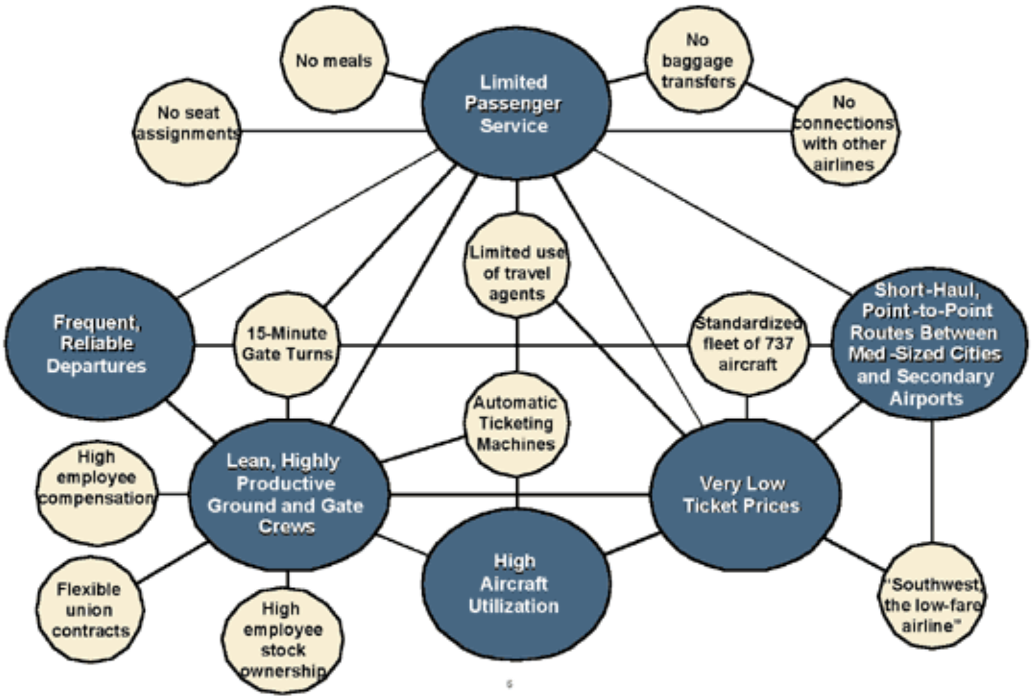


Figure 3. Activity mapping of Southwest airlines: Low cost advantage

2. Organisations that change

Anna Danielsson, Lisa Hagen

2.1 Introduction

Innovation, high-tech technologies, sustainability, as well as intra- and entrepreneurship are well known phenomena. In order to survive in the long-term, it is important as an organization to be entrepreneurial and provide innovations. (Eriksson-Zetterquist et al. 2011). There are many aspects that affect the capability of being entrepreneurial within an organization, both formal and informal structures. The formal structures are well defined and easy to control. They facilitate decision making in order to perform efficiency and structure (Mintzberg et al. 2003). The informal structures are more undefined and loose- coupled and are developed through the working relationships and the interaction between employees. It is the social interactions that further have a great impact on the organization's culture and employee's behaviour (Kokemuller, 2016). In order to enable entrepreneurial abilities, the culture becomes highly important, and has to coexist with the formal structures so that innovations can occur (Eriksson-Zetterquist et al. 2011). Organizations who communicate and share a distinct "why" and core purpose does often have an entrepreneurial culture and create innovation (Kokemuller, 2016). This is why it is important to organize structures where entrepreneurial initiatives can arise, but even more crucial to create an entrepreneurial culture that are substantiated by a shared core purpose.

2.1.1 Purpose

The aim of this study is to understand the chosen organization's culture and core purpose and examine how it is related to the entrepreneurial ability.

2.1.2 Research Question

How do the organization's core purpose and culture relate to the entrepreneurial ability?

- What is the core purpose of the organization?
- What alignment exists between the core purpose and the culture?
- How is the culture manifested in the organization?

2.2 Literature Review

Institutional Theory emphasizes the role of social actors and how they affect the organization; these social actors interact with each other and form the culture together with the environment, symbols, their values and behaviours etc. (Eriksson-Zetterquist et al. 2011). Schein (1984) states that the culture is a result of a learning process, a process that looks different in various organizations. The article explains cultural differences among organizations as a result of different learning experiences. Fanon's (1986 p.191) definition of culture is a collective unconsciousness, i.e. a shared way of thinking among the employees that can easily be taken for granted within an organization.

Since the society change rapidly, organizations are forced to be innovative to survive. Having the ability to change and having a constant entrepreneurial mindset is a challenge to many companies (Eriksson-Zetterquist et al. 2011). Three main barriers are identified that prevent change; cultural, structural and psychological barriers, where the cultural is most difficult to change and which also have a great impact on the organization (Batshalom, 2013). Why the culture is hard to change is because of the inherent roles, values, communications, assumption, experiences etc. that form the organization (Denning, 2011). The same factors also determine if an entrepreneurial mindset is prevented or promoted, according to the author.

Companies that has succeeded in changing and being innovative does often have a strong core purpose according to Collins and Porras (1996), which states that there are things in organizations that should be able to change and things that are not. The company vision and core purpose are amongst those things that should be consistent, according to the authors. Collins and Porras (1996) further defines a solid vision for a company as one that holds the core ideology, i.e. the core values and core purpose, as well as the envisioned future of the company. Sinek (2009) describes companies that manage to repeatedly create radical innovation as companies where leaders manage to communicate and make the entire organization aware of their Why. The Why can be interpreted as the core purpose and companies with a strong Why lets the core purpose influence decision making and long-term strategies (Sinek, 2009).

Shani et al. (2009) presents research on how High-culture companies have shown success stories to a larger extent than other and that innovative companies in particular often have a strong culture. Hatch and Schultz (2002) emphasizes the importance of symbols as a part of the organizational culture, and how understanding symbols enables the understanding of the culture in the organization. Symbols can, according to the authors, include everything from how results are presented to how people are dressed, talks about the CEO or are placed in the office and the combination of many different symbols can create a strong culture. Another factor that creates an entrepreneurial culture is to what extent teams and departments within an organization can learn from each other, how well they are integrated (Salama & Ebrary, 2012). If such learning opportunities are integrated properly in the organization, value can be created through innovation according to the authors, and it does also show how entrepreneurial cultures is positively affected by a learning culture.

Entrepreneurial leadership is necessary for organizations of all sizes to thrive and to continuously change (Kuratko, 2007). According to Salama & Ebrary (2012) it is the leadership's primary task to unleash entrepreneurial behaviour. A leadership that have the ability to encourage and motivate entrepreneurship to everyone within the organization helps to create a distinct entrepreneurial culture that includes behaviour such as creativity, flexibility, risk taking, and problem solving (Salama & Ebrary, 2012). One example to enable such behaviour is to create an internal marketplace for ideas where employees get the opportunity and get encouraged to act on these ideas (Kuratko, 2007)

2.3 Methodology

This study will be executed with qualitative methods since culture is something hard to grasp without the deeper reflection and understanding that can be captured in a qualitative study, as recommended by Shani et al. (2009). Further, the study will follow an inductive research method, where theories are applied after the data collection and no initial hypothesis about the outcome is formulated. An inductive research method is often connected to a qualitative study, subjective reasoning and open-ended questions (Dudovskiy, 2016). Based on the character of the topics that will be investigated and the chosen qualitative inductive research method, the data collection will be done by a combination of semi-structured interviews and action research.

By conducting semi-structured interviews, it is possible to gather information that is connected to the topic but that might not have been captured with a strict structure of the interview (Cohen & Crabtree, 2006). Different interviewees will have different objectives and perspectives on the regarded topics and a semi-structured interview enables such differences to improve the quality of the data collection. It is recommended to conduct two interviews with leaders from different positions/departments, as well as two with employees having various duties.

In addition, the study should utilize the knowledge gained from the researchers being part of the organization during the time for the study by action research. Action research is preferably used when the study is complex and cannot be done without subjective reasoning (Brydon-Miller et al., 2003). It is recommended to do an ongoing action research while working with the project, which will involve being within the culture and interacting with employees. Thorough observations it is also possible to understand and verify symbols and behaviours more clearly that are described during the interviews. It is also recommended to be aware of the multitude of symbols that can exist, as described and exemplified in the theory, in order to be able to identify further important symbols that the employees might not be aware of.

The topics that should be considered in the interviews and action research are; the core purpose of the organization, the perceived symbols that encourage entrepreneurial initiatives and the leadership in correlation to entrepreneurial initiatives. Appendix I consists of questions to the semi-structured interviews and instructions for each topic.

Regarding the core purpose, both an existing outspoken core purpose and the underlying perception of the organization's core purpose should be discussed in the interviews, and observed by action research. Symbols can be hard to identify and it is therefore of importance that the researchers pay extra attention to and have knowledge about that symbols can be of different kinds. Since one topic concern leadership in the organization it is of interest to investigate both how leaders value their ability to encourage entrepreneurship and how workers perceive their leaders' ability to the same. It is though important to touch upon the topic carefully since workers can be uncomfortable describing their leaders' weaknesses in a straightforward manner.

2.4 References

Batshalom, B. (2013). Putting the Management back in Change Part 5: Removing Obstacles; Empowering Others to Act.

Brydon-Miller, M., Greenwood, D. & Maguire, P. (2003). Why Action Research? Action Research, 1(1), 9-28.

Cohen, D. & Crabtree, B. (2006). Qualitative Research Guidelines Project. July 2006. [online] Available at: http://www.qualres.org/HomeSemi-3629.html [Accessed 12 sep 2016].

Collins, J. & Porras, J. (1996). Building your company's vision. Harvard Business Review: Boulder.

Denning, S. (2011). How Do You Change An Organizational Culture? [online] Available at: http://www.forbes.com/sites/stevedenning/2011/07/23/how-do-you-change-an-organizational-culture/#7ecce7d3baaf [Accessed 12 sep 2016].

Eriksson- Zetterquist, U., Müllern, T. & Styhre, A. (2011). Organization Theory. A practice-based approach. Oxford University Press Inc: New York.

Fanon, F. (1986: 191). Black Skin, White Mask. Pluto Press: London.

Hatch, M.J. & Schultz, M. (2002). The Dynamics of Organizational Identity, Human Relations, 55 (8), 989-1018.

Kuratko, D. F. (2007). Entrepreneurial leadership in the 21st Century. *Journal of Leadership and organization studies,* 13(4), 1-11.

Kokemuller, N. (2016) “What is the difference between an informal and formal organization?” Small Business, powered by StudioD [online] Available at: http://smallbusiness.chron.com/difference-between-informal-formal-organization-18282.htm [Accessed 12 sep 2016].

Salama, A. & Ebrary (e-book collection) (2011;2012). Creating and re-creating corporate entrepreneurial culture. Gower, Burlington, VT; Farnham, Surrey.

Sinek, S. (2009). How great leaders inspire action. TED Talks. [online] Available at: https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action [Accessed 12 sep 2016].

Schein, H. (1984). Coming to a new awareness of organizational culture. Sloan Management Review, 25(2), 3-16.

Shani, A.B. 2009, *Behavior in organizations: an experiential approach,* 9.th edn, McGraw-Hill, New York.

2.5 Appendix

Below are some questions that can be used to cover the different topics. They can be changed in order to make the conversation and interview better.

Core purpose

When touching upon this topic in the interviews, the purpose is to understand what the core purpose of the company is, if it is thoroughly communicated in the organization and if it affects the processes and culture.

- What is the official core purpose (vision) of the company?
- What is the perceived core purpose of the company, within the company?
- Do you feel that the core purpose influences your everyday work?

Symbols & culture

The purpose is to understand what symbols exist in the company that can be related to entrepreneurial abilities. It can be hard to capture in an interview and therefore the action research might be of bigger importance for this topic.

- How do you perceive the culture in the company? (keep the first question simple and open)
- Is there anything in particular that you think illustrates the entrepreneurial/innovative culture in the company?
- Is the culture encouraging entrepreneurial initiatives?

Leadership

This topic is divided into two different approaches depending on the interviewee, if it is a leader within the company or not. The purpose is to better understand the leaders' perception of the importance of entrepreneurship.

To leaders:

- How do you perceive the company from an entrepreneurial and innovative perspective?
- How do you work with and encourage innovative and entrepreneurial initiatives and abilities in your leadership?

To workers:

- How do you perceive the company from an entrepreneurial and innovative perspective?
- How do you perceive that the leadership work with and encourage innovative and entrepreneurial initiatives and abilities?
- Does the leaders encourage behaviour such as creativity, flexibility, risk taking, and problem solving? How?

3. Finance

Madlén Fondén, Henrik Tengberg

This is the third part of a collection of reports evaluating opportunities and barriers for entrepreneurial initiatives in corporate settings. The different topics complement each other and together create a framework for evaluation of a firm's potential to foster innovation.

3.1 Introduction

Entrepreneurial initiatives within an existing organisation are faced with two challenges. On one side of the spectra, the initiatives the entrepreneur is pursuing should take advantage of the organisation's existing capabilities. On the other side, initiatives too close to the core competencies of the company may not diverge enough for organisational learning (Floyd and Wooldridge, 1999). Floyd and Wooldridge (1999) describe corporate entrepreneurship as an evolutionary process, with the organizational change being incremental. Over time, incremental change helps to avoid costs of total reorientation (Ibid.)

Burgelman (1983) suggests that middle level managers need to support autonomous strategic initiatives from an early stage which may lead to new, unexplored areas of business. Top management of the company should shift their focus from planning to strategic recognition. By having a clear communication between top- and mid-level management, the strategic context allows to be redefined, and top management can work to ensure that entrepreneurial activities correspond with their strategic vision. (Ibid).

3.1.1 Purpose

The purpose of this report is to understand what entrepreneurial initiatives are executed in organizations and what criteria these decisions are based on as well as their prioritization.

3.1.2 Research Question

Which entrepreneurial initiatives do organizations execute and why?

3.1.3 Delimitation

This report provides a limited overview of the most recent and relevant literature and should not be considered an exhaustive literature review. The method suggested will be executed in one particular organization therefore the findings and discussions should be assessed accordingly.

3.2 Literature review

In a competitive environment where firms are forced to reinvent themselves and produce new products and services in a fast pace it is important being innovative for the business and its ability to compete in the ever changing market (Hisrich. et al. 2013). Established organizations need to prioritize their investment of money and resources in a way that balances the structure and planning that characterizes large organizations and at the same time gives room for innovation and growth (Quinn,1985).

3.2.1 Evaluation Stages

Stage-Gate innovation is a commonly used approach within established organizations (Christensen, Kaufman & Shih, 2008). Different entrepreneurial projects normally evolve through different stages such as; feasibility, development and launch. At every stage in this process there are different evaluation and review meetings conducted by senior management. During these meetings the ideas are measured against expected revenue, profits and the risk associated (ibid.) The Stage- Gate approach is effective when managing an innovation portfolio (Cooper, 2002) but can also lead more disruptive ideas to get shut down due to hard financial cutoff points (Bean, Radford, Ebrary, 2002 & Christensen, Kaufman & Shih, 2008).

3.2.2 Non-monetary criteria

At an early stage of evaluation firms often use top level criteria as a pass-fail evaluation. At this point, the criteria do not need to be quantifiably measurable but rather assessed on a strategical level. This is often decided on a top level and initiatives within the prioritized areas are considered of higher value (Vollerthun & Fricke, 2002). After this cut-off evaluation point, different tools can be used in order to get a deeper understanding of the idea and its feasibility. Scenario planning and back casting (Lundqvist, 2014) as well as more traditional evaluation tools such as SWOT analysis PESTEL (Jarzabkowski et al., 2013) can be used to pinpoint future potential of the innovative idea.

Companies like Xerox, 3M and AT&T have invested money and resources in entrepreneurial initiatives in order to create value and keep their entrepreneurial employees (Hisrich. et al., 2013). Due to corporate structures creating barriers for entrepreneurial initiatives these companies have created separate venture-capital areas within the organization to be able to foster the right environment and measure such initiatives appropriately. There are some important resources needed in this environment such as long horizon time lines and the flexibility to change objectives and goals of the project in an iterative manner. Having the engagement from top management increases the likelihood for success of entrepreneurial initiatives. These among other things are made possible by separating the innovation from the regular corporate structures in a company (Quinn, 1985 & Hisrich. et al., 2013)

3.2.3 Monetary criteria

The way an organization uses budgets can have a great impact on its capabilities to innovate. Dunk (2011) claims that when budgets are set as a control mechanism by higher management, it is likely to impact the innovation in a negative way. When budgets are used as a dynamic tool throughout the planning phase, on the other hand, product innovation is more likely to strengthen the financial performance of firms (ibid).

The affordable loss principle can be seen as a planning tool for budgeting. The principle is covering the scenarios where the project turns out not to be successful, what can the venture afford to lose (Sarasvathy, 2001). For the project at hand, this means that focus should not be to seek maximum return on investment, rather guide the entrepreneur to understand what the venture can afford to lose (Brettel et al., 2010).

Internal Rate of Return

Internal rate of return is used in financial markets as it informs the investor about the return which can be expected for a given level of risk. The number can then be compared to the required return rate, which is simplifying the investment decision. In general, managers will require the internal rate of return to be higher than the required rate of return to approve the project (Vernimmen & Ebrary, 2014).

Net Present Value

Net present value, NPV, is the accumulation of annual net incomes generated during said project (Hanafizadeh & Latif, 2011). Most firms undertake projects with the purpose of making revenue, and the method is useful to analyse the project's financial value today.

Payback period method

The payback period method calculates the time which is needed for the revenues of a project to equal the investments that have been made. Rule of thumb for managers is to perform the calculation to only allow projects in which the discounted payback period is less than the targeted period (Vernimmen & Ebrary, 2014).

3.3 Methodology

This report will be used by the students at the corporate entrepreneurship track at the master's program Entrepreneurship and Business Design at Chalmers University of Technology. The students have access to key stakeholders within their partner companies and therefore gain a good understanding of how innovative initiatives are evaluated by conducting semi-structured interviews explained by Bryman & Bell (2015).

3.3.1 Qualitative data

In order to collect the relevant information and answer the research questions, the method requires interviews with key decision makers in the company. The interviews aim to understand how entrepreneurial initiatives are evaluated. Is there a structured way of doing this or are the decisions made differently in all cases? It should be investigated if there is a structure for what criteria are considered and how they are prioritized. When investigating this matter, both opportunities and limitations associated with decision making should be highlighted and discussed. For a more detailed guide for the interview please refer to Appendix 1. In addition, some experiences and observations from the authors' participation in an entrepreneurial project in the host company are part of the findings.

3.4 References

Bean, R. & Radford, R.W. (2002). *The business of innovation: managing the corporate imagination for maximum results.* AMACOM: New York.

Brettel, M., Mauer, R, Engelen, A. & Kupper, D. (2010) Corporate effectuation: Entrepreneurial action and its impact on R&D project performance. *Journal of business venturing, 27*(2).

Bryman, A., & Bell, E. (2011). *Business research methods* (3.th ed.). Oxford: Oxford University Press.

Burgelman, R.A. (1983). Corporate Entrepreneurship and Strategic Management: Insights from a Process Study, *Management Science (pre-1986), 29*(12), 1349.

Christensen, C.M., Kaufman, S.P. & Shih, W.C. (2008). *Innovation Killers*, Harvard Business Review, Boston.

Cooper, R.G., Edgett, S.J. & Kleinschmidt, E.J. (2002). Optimizing the Stage-Gate process: what best-practice companies do. *Research-Technology Management, 45*(5), 21.

Dunk, A. S. (2011). Product innovation, budgetary control, and the financial performance of firms. *The British Accounting Review*, 43(2), 102–111.

Floyd, S.W. & Wooldridge, B. (1999). Knowledge Creation and Social Networks in Corporate Entrepreneurship: The Renewal of Organizational Capability. *Entrepreneurship: Theory and Practice,* 23(3), 123.

Hanafizadeh, P. & Latif, V. (2011). Robust net present value. *Mathematical and Computer Modelling,* 54(1), 233-242.

Hisrich, R.D., Peters, M.P. & Shepherd, D.A. (2013). *Entrepreneurship,* 9., internat. edn, McGraw-Hill/Irwin, New York, NY.

Jarzabkowski, P., Giulietti, M., Oliveira, B. & Amoo, N. (2013). “We Don’t Need No Education”—Or Do We? Management Education and Alumni Adoption of Strategy Tools. *Journal of Management Inquiry,* 22(1), 4-24.

Lundqvist, M., Chalmers University of Technology, Chalmers tekniska högskola, Institutionen för teknikens ekonomi och organisation, Management of Organizational Renewal and Entrepreneurship - MORE & Department of Technology Management and Economics, Management of Organizational Renewal and Entrepreneurship - MORE 2014, "A Packaging Approach for Evaluating Ideas" in , pp. 43

Quinn, J.B. (1985). *Managing innovation: controlled chaos*. Harvard Business School Press, Boston.
Sarasvathy, S. (2001). Causation and Effectuation: Toward a theoretical Shift From Economic Inevitability to Entrepreneurial Contingency. *Academy of Management Review, 26*(2), 243-263.

Vernimmen, P. Quiry, P., Dallocchio, M., Fur, Y. & Salvi, A. (2014). *Corporate finance: theory and practice,* 4th; edn. Wiley: New Jersey.

Vollerthun, A. & Fricke, E. (2002). The future of the space age or how to evaluate innovative ideas. *Acta Astronautica, 50*(9), 579-586.

3.5 Appendix

Suggested question areas

1. Does the company have a structured way of evaluation entrepreneurial initiatives and innovative ideas?
- How is this process structured?
- What critical cutoff points in the process exist?

2. Where and why have the company currently chosen to allocate their resources ?
- What criteria are used and how are they prioritized?
- Are there any strategic areas that the company is focusing on ?

3. What are the consequences, both positive and negative have the company experienced when using their current principles when evaluating initiatives and ideas?
- Are they doing any type of follow up on the projects previously invested in?
- Have those initiatives yield the expected value ?

Suggested questions:

- **How does the company evaluate different initiatives that they are considering to take on?**

Tools ex.: Gate Stage, SWOT, Strategy? How is this process structured? What critical cutoff points in the process exist?

- **Are innovative initiatives assessed differently?**
- **What type of criteria, financial or non financial, are used when choosing initiatives?**

Tools ex.: IRR, Payback, NPV. What criteria are used and how are they prioritized? Are there any strategic areas that the company is focusing on ?

- **What people are in decision making positions in the company?**
- **How are the company's resources currently invested?**

What type of initiatives that get high investments at the moment?

- **Are there any type of followups conducted on previous initiatives?**

What are the outcomes?

- **What are the pros and cons to the way initiatives are evaluated today?**

4. Entrepreneurial Sales

Alena Lashkova, Julia Zetterholm

4.1 Introduction

In order to succeed in a corporate innovation project, it is important to convince a number of different stakeholders about the value the project can create for them. Companies need to reflect upon how to influence the stakeholders, but also how the stakeholders will influence them (Fassin 2008, Freeman 1994, 2004). Multiple stakeholders create a variety of opportunities and challenges, especially when it comes to external parties, since the goals and expectations may not correspond to the company's core values (Waligo at al., 2014). Gregory (2007) emphasises the importance of categorising different stakeholders and identifying the most suitable way to communicate with each of the groups. This section of the study focuses on external stakeholder communications in corporate innovation and in what ways they can impact a project.

4.1.1 Purpose

The aim of the study is to analyse the role of communication with external stakeholders for a corporate innovation project, and the influence they have on a corporate innovation project in an early stage.

4.1.2 Research question

What are the opportunities and practical challenges of interaction with external stakeholders on early stage corporate innovation?

4.1.3 Key terms

External stakeholder:	"Key actors" for a company (Post et al., 2002), situated outside of the formal organizational structure, that either have direct influence on a company's business or have potential to affect it (Freeman, 1994).
Corporate innovation project:	A project within a large corporation, that involves working with either something new that has been created or something that exists but went through change or improvement (Baregheh et al., 2009).
Early stage:	When referring to the stage of a project as an early stage, authors imply first three of six stages of project management: the initiation phase, the definition phase and the the design phase (DANS, 2006).

4.2 Literature review

Innovation is one of the vital sources of gaining a sustainable competitive advantage for companies (Baregheh et al. 2009, Damanpour & Gopalakrishnan, 1998). It can be used for keeping up with changing market environment and creating new trends (Bessant et al. 2005, Zain et al. 2002). Baregheh et al. (2009) define innovation as either something new that has been created or something that exists but went through change or improvement. Innovation can start inside a company or it can be adopted from external sources (Damanpour & Gopalakrishnan, 1998). An innovation project can be divided into different stages, among them is the early stage. At an early stage of innovation, the uncertainty is often very high and critical decisions regarding the processes needs to be made (Landau and Rosenberg, 1988). When it comes to corporate innovation it is important to plan the innovative processes around the customers' changing requirements (Foxall, 2015). Foxhall (2015) emphasises the importance of mapping and understanding the corporate processes regarding innovation. This can be done by closely studying and analysing the current way companies work with innovation.

4.2.1 Communication

Having a clear communication process when interacting with different stakeholders is vital for companies. It is also important to know who you are talking to in order to adjust the communication strategy depending on the nature of the stake (Gregory, 2007). Morsing and Schultz (2006) means that there are three main communication ideals; *one-way communication*, *two-way asymmetrical communication* and *two-way symmetric communication*. The one-way communication method is basically viewed as a way of informing the public about the organisation in an objective way. Having a two-way asymmetric approach when communicating with the public means that the information flows to and from the public, but the public relations does not affect the company per se. In contradiction to the two-way asymmetrical communication method the two-way symmetric communication model will affect both parties as a result of the engagement (Morsing and Schultz, 2006).

4.2.2 Stakeholders

Post et al. (2002, p. 22) describes stakeholders as "key actors" for a company. They either have direct influence on the company business or have potential to affect it (Fassin 2008, Freeman 1994, 2004). Freeman (1994) discuss stakeholders through a stakeholder theory, stating that an organisation needs to interact with various types of stakeholders. An organisation not only needs to inform its stakeholders about its business, but also take into consideration external input that can influence a company's business (Driessen et al., 2013). Therefore, stakeholders are active participants of decision making processes in the company (Waligo et al., 2014). Kazadi et al. (2016) point at a recent trend to acknowledge the importance of stakeholders for innovation processes in the organisation. The reason for it is the ability of stakeholders to contribute by providing unique knowledge, new ideas and expertise (Ommen et al., 2016).

In order to be competitive, companies need to constantly create unique knowledge that will differentiate them from the rest of the market (Bierly et al., 2009, Hsiao et al. (2011). However, each organisation is limited to a certain amount of internal resources, therefore there is a need for obtaining such a unique knowledge from the outside world (Driessen & Hillebrand, 2012). In order to do that organisations get involved in collaboration activities with external stakeholders, who can help to co-create value (Waligo et al., 2014). Existing studies, for example by Vargo and Lusch (2004), point out great opportunities for innovation development by involving external stakeholders.

Previous research focus to a great extent on interaction with only one type of external stakeholders, for instance customers or competitors (Horn & Brem, 2013, Gnyawali & Park, 2011, Song & Thieme, 2009, Wei et al., 2012). However, in reality companies usually interact with multiple stakeholders at the same time (Mahr et al., 2013). For example, DHL actively co-creates with municipalities, citizens and governments (Cuccureddu, 2011). One of the reasons for involving multiple stakeholders is described by Hsiao et al. (2012) as the fact that today's innovation is very complex and knowledge of one stakeholder is not enough to fulfil the company's needs. Gebauer et al. (2013) introduce another point of view by stating that it is stakeholder's initiative to share knowledge with companies and they become more active in this sphere, therefore making companies collaborate with them more.

4.2.3 External Stakeholders

One of the characteristics of innovation is its complexity and interaction with a wide variety of influences - stakeholders (Hadjimanolis 2003, Perks & Jeffery, 2006). Depending on the knowledge needed for a specific innovation process, different types of external stakeholders can be involved (Driessen & Hillebrand, 2012; Ramaswamy & Gouillart, 2010):

1. Suppliers, as providers of certain resources. Including material suppliers and human capital suppliers (employees).
2. Customers.
3. Competitors.

These three stakeholders are considered to be key influencers, because they have greater effect on innovation (Afuah & Bahram 1995). Hall and Martin (2005) identified additional external stakeholders:

4. Government, as an institution which through regulations can enhance or harm innovation development.
5. Local communities can affect innovation by influencing government to approve or restrict certain activities, for example building of a new production facility (Carlsen & Edwards, 2008).
6. Society
7. Partners

Each organization has different stakeholders to prioritize for a certain type on innovation project. In order to do that it is recommended to conduct a stakeholder analysis (Jepsen and Eskerod, 2009).

4.2.4 Stakeholder Analysis

Each organisation has different stakeholders to prioritise for a certain type of innovation project. Since each stakeholder has various levels of influence and contribution to the project, it is recommended to conduct a stakeholder analysis (Freeman, 1994, Jepsen and Eskerod, 2009, Pouloudi and Whitley, 1997). Jepsen and Eskerod (2009) analysed previous literature (for ex. Andersen et al. 2004, McElroy and Mills, 2003, Karlsen, 2002) and propose following activities to conduct a stakeholder analysis for a project:

1. Identify (significant) stakeholders for the project and the area of interest. There are two ways of conducting this activity, suggested by literature. First, stakeholders can be identified through a brainstorming (Calvert, 1995). Secondly, relevant people in the company can be asked for advice regarding possible important stakeholders (Pouloudi and Whitley, 1997). Area of interest in this case is a general area where the stakeholder is situated in relation to the project, for instance "government".

2. Characterise stakeholders based on following three attributes:

A. Contributions. A contribution can be, for instance, certain attitude or behaviour, as well as more defined tangible or intangible benefits.

B. Expectations. Andersen et al. (2004) refer to it as a price for the contribution. It is not necessarily monetary benefit, especially for external stakeholders. It can also be the possibility to influence the project flow or its results, as well as publicity and attention (Andersen et al., 2004). The best way to identify stakeholders' expectation is face-to-face interviews, according to (Varvasovszky and Brugha, 2000).

C. Power. Power in this case is 'the way the stakeholder can affect the project in case of a conflict and whether it can increase its power by cooperating with others" (Andersen et al., 2004, p.50). In order to evaluate the potential power stakeholders may have, the team is suggested to discuss it internally and then consult with project manager and other relevant experienced parties for a deeper insight about the topic (Mikkelsen and Riis, 1997).

3. Choose a strategy for influencing each specific stakeholder. Some stakeholders need more attention and require more effort to cooperate if they, for instance do not have positive attitude towards the project, or do not have an obvious value from participation. Therefore, each of them require an individual approach when considering how to initiate communication and maintain it.

4.3 Methodology

Since the topic studied in this report is dependent on different perspectives of projects it is opted for an embedded case study. An embedded case study is a case study including more than one subunit of analysis (Kazadi at al., 2016). Defining the different subunits are of importance for the result of the analysis and its depth. In this study the subunits will be the different stakeholders. This will be achieved by going through three different steps, explained below. The first and the second step will be analysed using an internal communication application, and the third step will be analysed through a team workshop.

Step one: Expected Value

Step one will consist of a compulsory task of answering some questions in the section "Pre external stakeholder analysis". These questions can also be found in Table 2 in Appendix 1. This task is to be done prior to interacting with the external stakeholders.

There are various ways of presenting the results of a stakeholder analysis. Based on the stakeholder outline by Andersen et al. (2004) and input of Jepsen and Eskerod (2009), it is proposed to fill out table 1 in Appendix 1. This is merely a suggestion on how to carry out the task, and every group should feel free to use the appropriate method for them as long as they will be able to answer the questions in LoopMe.

In order to make the external stakeholder analysis more effective and structured, we propose to first organize a team workshop between two student participants of the corporate innovation project and work with the table. The purpose of the workshop is to create a structured outline of relevant external stakeholders and work with assumptions about them.

Secondly it is recommended to initiate contact with relevant knowledgeable people in the organization to obtain deeper knowledge about the external stakeholders and perhaps discover additional information needed for the analysis. It is suggested to interact with the supervisor of the project and in addition at least one more person, for instance someone who has experience in external stakeholder communications in innovation projects. When talking to relevant people within the organisation questions around the tables in the Appendix 1 should be addressed in a free manner for the purpose of clarification and confirmation of assumptions from the team expectations. Having every team filling out the same table in a structured way will benefit comparison of companies in the final analysis.

Step two: Immediate Value

Once step one is completed, researchers are to try contacting identified external stakeholders and reflect upon practicalities and challenges of external communication in the organizational setting.

The reflections are to be done immediately after the contact by answering questions in the "Post external stakeholder analysis" section of the LoopMe tool. The progress of each team can be accessed by other project groups for the purpose of knowledge sharing and peer learning. One reflection per group needs to be submitted. The questions are listed in Table 1 in Appendix 2 and are based on Table 2 in Appendix 2.

The information about communication with external stakeholders within the current projects will need to be gathered throughout the project year till February in order for the research to be able to meet the timeline.

Step three: Long-term Value

Step three takes place in early April and aims to evaluate the long-term value of interaction with external stakeholders and compare it to the expected value and the immediate value. In order to complete the task, a separate workshop will be organized by the RQ group, where teams will have to reflect upon interactions by answering questions based on Table 2 in the Appendix 2.

4.4 References

Afuah, A. and Bahram, N. (1995). The hypercube of innovation. *Research Policy*, 24(1), 51-76.

Andersen, E.S., Grude, K.V., Haug, T., Katagiri, M. and Turner, R.J. (2004). *Goal directed project management.* 3rd ed. London: Kogan Page.

Baregheh, A., Rowley, J. and Sambrook, S. (2009). Towards a multidisciplinary definition of innovation. *Management Decision*, 47(8),1323-1339.

Bessant, J., Lamming, R., Noke, H. and Phillips, W. (2005). Managing innovation beyond the steady state. *Technovation*, 25(12),1366-1376.

Bierly, P., Damanpour, F. and Santoro, M. (2009). The Application of External Knowledge: Organizational Conditions for Exploration and Exploitation. *Journal of Management Studies*, 46(3), 481-509.

Calvert, S. (1995). Managing stakeholders. In: Turner JR, editor. *The commercial project manager*. Maidenhead: McGraw-Hill; 214–22.

Carlsen, J. and Edwards, D. (2008). BEST EN case studies: Innovation for sustainable tourism. *Tourism and Hospitality Research*, 8(1),44-55.

Cuccureddu, G. (2011). *DHL's Open Innovation Contest And The Quest For Radical Decentralization | Innovation Management*. [online] Innovation Management. Available at: http://www.innovationmanagement.se/ 2011/10/07/dhl-open-innovation-contest-and-the-quest-for-radical-decentralization/ [Accessed 16 Sep. 2016].

Damanpour, F. and Gopalakrishnan, S. (1998). Theories of organizational structure and innovation adoption: the role of environmental change. *Journal of Engineering and Technology Management*, 15(1), 1-24.

DANS – Data Archiving and Networked Services (2006). *Project Management Handbook*. San Francisco: The Hague.

Driessen, P. and Hillebrand, B. (2012). Integrating Multiple Stakeholder Issues in New Product Development: An Exploration. *Journal of Product Innovation Management*, 30(2), 364-379.

Driessen, P., Kok, R. and Hillebrand, B. (2013). Mechanisms for stakeholder integration: Bringing virtual stakeholder dialogue into organizations. *Journal of Business Research*, 66(9), 1465-1472.

Fassin, Y. (2008). The Stakeholder Model Refined. *J Bus Ethics*, 84(1), 113-135.

Freeman, R. (1994). The Politics of Stakeholder Theory: Some Future Directions. *Business Ethics Quarterly*, 4(4),409.

Foxall, G. R., (2015) *Corporate innovation - Marketing and Strategy*. Routledge Library Editions: Marketing.

Gebauer, J., Füller, J. and Pezzei, R. (2013). The dark and the bright side of co-creation: Triggers of member behavior in online innovation communities. *Journal of Business Research*, 66(9),1516-1527.

Gregory, A. (2007). Involving Stakeholders in Developing Corporate Brands: the Communication Dimension. *Journal of Marketing Management*, 23(1-2), 59-73.

Gnyawali, D. and Park, B. (2011). Co-opetition between giants: Collaboration with competitors for technological innovation. *Research Policy*, 40(5), 650-663.

Hadjimanolis, A (2003). The barriers approach to innovation. In: Shavinina LV (ed) The international handbook on innovation. Pergamon, Oxford, 559–573.

Hall, J. and Martin, M. (2005). Disruptive technologies, stakeholders and the innovation value-added chain: a framework for evaluating radical technology development. *R&D Management*, 35(3), 273-284.

Horn, C. and Brem, A. (2013). Strategic directions on innovation management – a conceptual framework. *Management Research Review*, 36(10), 939-954.

Hsiao, R., Tsai, D. and Lee, C. (2011). Collaborative Knowing: The Adaptive Nature of Cross-Boundary Spanning. *Journal of Management Studies*, 49(3), 463-491.

Jepsen, A. and Eskerod, P. (2009). Stakeholder analysis in projects: Challenges in using current guidelines in the real world. *International Journal of Project Management*, 27(4), 335-343.

Karlsen, J. (2002). Project Stakeholder Management. *Engineering Management Journal*, 14(4), 19-24.

Kazadi, K., Lievens, A. and Mahr, D. (2016). Stakeholder co-creation during the innovation process: Identifying capabilities for knowledge creation among multiple stakeholders. *Journal of Business Research*, 69(2), 525-540.

Link, A., Landau, R. and Rosenberg, N. (1988). The Positive Sum Strategy: Harnessing Technology for Economic Growth. *Technology and Culture*, 29(1), 183.

Mahr, D., Lievens, A. and Blazevic, V. (2013). The Value of Customer Cocreated Knowledge during the Innovation Process. *Journal of Product Innovation Management*, 31(3), 599-615.

McElroy, B. and Mills, C. (2003). Managing stakeholders. In: Turner RJ, ed. *People in project management*. Aldershot: Gower; 99–118.

Morsing, M. and Schultz, M. (2006). Corporate social responsibility communication: stakeholder information, response and involvement strategies. *Business Ethics: A European Review*, 15(4), 323-338.

Ommen, N., Blut, M., Backhaus, C. and Woisetschläger, D. (2016). Toward a better understanding of stakeholder participation in the service innovation process: More than one path to success. *Journal of Business Research*, 69(7), 2409-2416.

Perks, H. and Jeffery, R. (2006). Global network configuration for innovation: a study of international fibre innovation. *R&D Management*, 36(1), 67-83.

Post, J., Preston, L. and Sachs, S. (2002). Managing the Extended Enterprise: The New Stakeholder View. *California Management Review*, 45(1), 6-28.

Pouloudi, A. and Whitley, E. (1997). Stakeholder identification in inter-organizational systems: gaining insights for drug use management systems. *European Journal of Information Systems*, 6(1), 1-14.

Ramaswamy, V. and Gouillart, F. (2010). Building the co-creative enterprise. *Harvard Business Review*, 88(10), 100–109.

Song, M. and Thieme, J. (2009). The Role of Suppliers in Market Intelligence Gathering for Radical and Incremental Innovation *. *Journal of Product Innovation Management*, 26(1), 43-57.

Vargo, S. and Lusch, R. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68(1), 1-17.

Varvasovszky, Z. and Brugha, R. (2000). How (not) to do: a stakeholder analysis. *Health Policy Plann*, 15(3), 338–45.

Waligo, V., Clarke, J. and Hawkins, R. (2014). The 'Leadership–Stakeholder Involvement Capacity' nexus in stakeholder management. *Journal of Business Research*, 67(7), 1342-1352.

Wei, Y., Frankwick, G. and Nguyen, B. (2012). Should Firms Consider Employee Input in Reward System Design? The Effect of Participation on Market Orientation and New Product Performance. *Journal of Product Innovation Management*, 29(4), 546-558.

Zain, M., Richardson, S. and Adam, M. (2002). The Implementation of Innovation by a Multinational Operating in Two Different Environments: A Comparative Study. *Creativity and Innovation Management*, 11(2), 98-106.

4.5 Appendix

Appendix 1.

Step one: Expected value

Theme	**Task**	**Description**	**Times**
Expected value of the external stakeholder interaction	Document information regarding external stakeholders.	- Identify a stakeholder and his/her area of interest. - What would he/she/they contribute with? - What are your expectations of the interaction? - What power does the stakeholder have on the project? - How and when do you plan on initiating the contact with the stakeholder? **Follow-up Question:** What is your expected value from this interaction?	3-5

Table 1. Pre-Stakeholder analysis in LoopMe

Stakeholder Analysis

WHO		WHAT	WHY		HOW, WHEN
Stakeholder	Area of interest	Contributions	Expectations	Power	Strategy
1. …					
2. …					
3. …					
4. …					

Table 2. Stakeholder outline

Adapted from: Andersen et al. (2004)

Appendix. 2

Step two: Immediate value

Theme	**Task**	**Description**	**Times**
Immediate value of the external stakeholder interaction	Document information regarding external stakeholders.	- Was the desired information obtained? - Was the interaction important for your project, as expected? - Were there any practical challenges with the external communication? - When did you contact them in relation to your project stage? Did it feel too early or too late? Would you contact them again? At what stage? **Follow-up Question:** What was the value of this interaction?	3-5

Table 1. Post-Stakeholder analysis in LoopMe

Step three: Long term value

		OUTCOME		PRACTICALITIES	
WHO		WHAT	WHY	HOW	WHEN
Stakeholder	Area of interest	Was the desired information obtained?	Was the interaction important for your project, as expected?	How did the process go, taking into consideration your company setting? Were there any practical challenges with the external communication?	When did you contact them in relation to your project stage? Did it feel too early or too late? Would you contact them again? At what stage?
1. …					
2. …					
3. …					

Table 2. Stakeholder outline

Adapted from: Andersen et al. (2004)